

Xconomist of the Week: Five Questions with Biocom CEO Joe Panetta

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Joe Panetta is a 30-year biotech veteran on both sides of the interface between business and government regulators. He's spent close to half of that time as president and CEO of Biocom, the San Diego-based regional life sciences industry association. Panetta also happens to be the latest member of the local innovation community to join the pantheon of San Diego Xconomists.

Biocom was officially created in 1995 with the merger of two precursors, the San Diego Biocommerce Association and the Biotechnology Industry Council. Panetta joined the trade group in 1999 and has played a key role in guiding and strengthening San Diego's life sciences community. Today Biocom has more than 550 corporate members, an experienced staff, and a 60-member board of directors. Panetta oversees programs in capital formation, public policy, workforce education, and other member services. He also serves as chairman of the California Biotechnology Foundation, a joint initiative to inform legislators and the media about California's life sciences industry.

He recently agreed to field some questions from Xconomy about the economic vitality of Southern California's life sciences sector, the relative scarcity of startup capital here, and why he's watching over the horizon for what's happening in China.

Xconomy: What are the vital signs that you use to track the health of the life sciences industry in Southern California?

Joe Panetta: I look at grant funding to universities and research institutes; company formation; VC funding; jobs created and maintained, and Biocom membership numbers. These are all holding solid or are up from last year. In addition, I look at the Biocom Purchasing Group, which offers discounted lab supplies and other products to member companies, to determine how much companies are spending on those items, and we are at an all-time high there. I look at the degree to which large pharmas are creating or growing their presence here. I've stopped looking at IPOs because that window has been shut for a while now.

If there's an area where I have some concern it's the important indicator of products approved by the FDA. There's been a trend downward nationally in that number for several years in both drugs and device, and that's not a positive sign. Still we've had some success stories there such as Cadence, Optimer and Somaxon. We've recently released a survey on the relationship between the industry and the FDA, done in partnership with [PricewaterhouseCoopers](#) (PwC), and it raises some alarming concerns. We've been actively working with FDA and with our national organization partners as well as Congress to offer some potential solutions.

X: Does Southern California lack any of the essential ingredients needed to make a metro area's life sciences cluster grow? What are those ingredients?

JP: If we're lacking in anything I think it's within the investment sector. Don't get me wrong, we have some top-shelf VCs here and our companies have a demonstrated ability to bring VC funding in from the Bay Area and other regions. In fact, Thomas McNerney Partners moved its West Coast office to San Diego from the Bay Area last spring. But we can always use more VC on the ground. In a similar context, we are lacking the presence of major investment banks. That's my only concern.

Apart from the basic ingredients that I use to track how we're doing, I'd say you need a diversity of companies—small and large biotechs and device companies, as well as companies in such emerging

fields as personalized genomic medicine, stem cells, industrial biotech, biofuels, wireless health, and large pharma. You also need service providers that can support the industry; collaboration across sectors; supportive local government that understands and addresses the needs of the industry and strong advocacy and networking organizations. With the emergence of virtual companies more recently, I'd say it also includes the presence of talented contract research organizations (CROs). Southern California has all of that.

Xconomy: So how is the life sciences industry doing in San Diego and Southern California?

JP: We are doing quite well. Early stage research is thriving, as evidenced by programs at the major universities. UC San Diego is launching a translational research program to build a more solid bridge into the life science community. UCSD also announced a recent partnership with Pfizer La Jolla. UC Irvine plays an integral role in the eye-care industry in Orange County, which is believed to have more medical device and pharmaceutical eye care companies than anywhere else in the world. San Diego State University has been named the top small research university in the country for two years running.

The region's private research institutes are amassing competitive grant funding at a record rate, including the La Jolla Institute for Allergy and Immunology, which recently opened a major RNAi research center supported by a \$12.6 million NIH grant.

New company formation, which to me is a sign that innovation is being translated into companies and potential new products, was up in the first quarter of 2011 over the same quarter in 2010. San Diego gained biotech jobs in 2009, the most recent year in which data were collected, while the rest of the state lost jobs. Biocom membership is up by 75 companies this year. The last two PwC Money Tree reports on venture investment in Southern CA biotechs and device companies indicates growth from about \$1.5 billion in the first half of 2010 to \$1.6 billion in the first two quarters of 2011. San Diego also has three of the fastest growing device companies in the world—Volcano (NASDAQ: [VOLC](#)), Nuvasive (NASDAQ: [NUVA](#)), and CareFusion (NYSE: [CFN](#)). A reason to be even more optimistic is the evolution and diversity of technologies being developed here, including the new fields as wireless health, biofuels, and industrial biotechnology.

X: What are your priorities?

JP: In this year and next, my number one priority is to influence reform at FDA that moves the agency more toward an appreciation of the importance of innovative products and away from a risk-averse mindset in product review. We can't afford more situations such as the rejections and delays in review of Arena's obesity product, and Amylin's new diabetes drug.

Our overall priorities are: 1) To anticipate and shape the legislative landscape in Sacramento and Washington. For the last two years we've been most focused on DC, given the activity around health care and patent reform. We achieved a victory with the 12 years of exclusivity for biosimilars; we're still fighting the medical device excise tax that imposes a \$20 billion tax on our young companies. 2) To aggressively attract more capital and investors to the Southern California region. This year we launched our first global life science and pharma partnering conference. A couple of months ago, we released a new video presentation on the strength of the Southern California life sciences cluster. 3) To provide more opportunity for member-to-member networking and collaboration. It's what we are known for as a cluster, but we've expanded our role in this area to creating a new section for CROs, which now account for a large and important sector of the regional industry. 4) To continue to create what I refer to as a "home grown workforce." Our BIOCOM Institute is partnering with high schools, universities, member companies, and other associations to ensure that we drive economic growth in existing and emerging clusters. They brought \$9 million in grant funding last year to develop programs to train a range of professionals from laboratory technicians to biofuels engineers. They've just created a post-doctoral immersion programs to give PhD's some experience in an industry environment so that they are prepared and know what to expect when moving from academia to the private sector.

X: A freebie: Is there anything else on your mind these days?

JP: China is big on my mind these days. I've visited China with our members and with state legislators five times in the past 18 months and I'm returning again in October. China is rapidly moving to expand its health care system into the countryside, and to an ever-more affluent population. The portion of the Chinese population today that can afford private health insurance is equal to the entire population of the United States. We've created relationships with five key organizations in China that want innovative drugs and devices, and they also want to tap into the experience base that we've created in San Diego. The Chinese government will provide funding to companies interested in setting up operations there. The Chinese government also is addressing the issue of intellectual property protection. They have begun to realize that their own move toward creating an innovation-based life science industry will be thwarted without strong IP protection. My goal is to build a working relationship between Southern California and China's pharma and device companies, and associations in such places as Beijing and Shanghai.