

THE BILL OTTERSON BIOTECH LETTER
FEBRUARY 8, 1993
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WARD VALLEY

1. **National Association of Cancer Patients (NACP) Consultant Carolyn McGraw** visited Ward Valley and Needles last week. "It looks like an ideal place to me", she said. "Its a long way from Needles, and I sure don't see how anything could leak *uphill* into the Colorado River", she added.
2. The New York State LLRW Siting Commission has invited the NACP to a public forum in Albany on Feb.10 to present a patient's view of the need for a Low-Level Radioactive Waste depository.

CLEAN AIR ACT - TRIP REDUCTION PLANS

3. "We are cleaning up the environment in much better ways than the proposed anti-business (Trip Reduction Plan) regulations," said **Board of Supervisors Chairman Brian Bilbray**, who led the Board to a 5-0 vote in favor of his recommendation that, "no new or revised Regulation shall be implemented during the 1993 calendar year unless specifically ordered by the state or federal government". **Supervisor Diane Jacob** said, "This is a major step to take government off the backs of business." Testifying in support of Bilbray's recommendation were **Dan Pegg, President San Diego Economic Development Corporation**, **Chris Neils** for the *Greater San Diego Chamber of Commerce*, **Larry Epp** for *The High-Tech Council* and **UCSD EPSE Graduates**, **Linda Ivor** from *Hybritech* and **Terry Bibbens, CONNECT Champion**. Although not testifying, Bill Otterson told the *Union-Tribune*, "I thought this would send a strong signal to governments and high-tech CEO's everywhere that this county is serious about job creation."

FEDERAL CLEAN WATER ACT

4. **San Diego City Councilwoman Valerie Stallings** is leading an effort to find alternatives to complying with the *U.S Environmental Protection Agency* demands that the City convert the Point Loma Wastewater Treatment Plant from its present status of an advanced primary treatment facility to a secondary treatment facility. Testimony from sea-bed experts from *Scripps Institution of Oceanography* showed that the EPA's demands would be an unnecessary expenditure of public funds. San Diego is seeking an exception to the Act, claiming the Act was written to protect inland water supplies, not coastal areas with a deep water drop-off.

HAZARDOUS MATERIAL BUFFER ZONE - REQUEST FOR CEDMET VIOLATION DETAILS

5. Recently the *Environmental Health Coalition* requested the San Diego Fire Department to provide it with a list of all citations recorded by the Department at 17 companies located in

the Bario Logan. The companies object to having the information released on the basis that this is confidential information between the companies and the fire department. They argue that if this request is approved, it is likely that the present relationship between the companies and the Fire Department will change dramatically. The companies argue that public health and safety, a primary goal of the *EHC*, might well be compromised.

THE ECONOMY

6. In an interview with the *Union-Tribune's* **Don Bauder**, *Wells Fargo* Chief Economist **Joseph Wahed** said he doubts that the turn-around of California's unemployment rate will come before early next year "because of continued cuts in defense, problems in commercial real estate, low confidence levels and poor income gains". The state lost 250,000 jobs last year, and should lose another 100,000 jobs this year, he said.
7. Bill Otterson has been invited to participate in a panel, "Frontier Economic Opportunities", at the *California Economic Summit*, February 16-17, at the Biltmore Hotel in Los Angeles. Convened by Assembly Speaker **Willie L. Brown, Jr.**, the conference is modeled after President Clinton's Little Rock summit and is expected to include state business and economic leaders and educators, who will try to identify ways to spark the economy, according to the *Los Angeles Times*. Please FAX me your ideas on how state government can help biomedical companies: FAX number 552-0649.

GENETICALLY ENGINEERED FOODS

8. Responding to the letter to the *New York Times* regarding genetically engineered tomatoes by **Chef Wolfgang Puck**, world-renowned *Salk* geneticist **Dr. Inder Verma** said, "It is a clear example of lack of understanding."

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

9. A study by an independent federal agency, the International Trade Commission, found that NAFTA will help overall U.S. economic output and employment slightly, pleasing supporters of the pact.
10. **Canadian Prime Minister Brian Mulroney** said he was "very reassured" by discussions with **President Bill Clinton** that American concerns about environmental and labor issues do not undermine his support for NAFTA.

OTHER

11. The *San Diego City Council* voted to continue the voluntary water conservation program with a goal of a 20% reduction. **Councilman Tom Behr**, anxious to protect local businesses from arbitrary enforced conservation, said, "To lower that voluntary percentage of consumption just seems to be foolhardy."
12. A topical quote, attributed to the *United Steelworkers* of America, surfaced the other day: "In the long run, the real choice is not jobs or the environment. It's both or neither."
13. The Small Business Technology Transfer Act of 1986, signed into law last October, creates a Small Business Technology Transfer (STTR) at five federal agencies, including the Department of Health and Human Services (HHS) and the National Science Foundation (NSF). Although the funding is initially small (\$24 million increasing to \$72 million in 1996, the concept may be sound. The program will fund cooperative R&D projects involving a

small company and a researcher at a university, and is intended to stimulate the entrepreneurial urge of small businesses with the innovative urge of the nation's top scientists.

14. *UCSD School of Medicine Professor Richard Kronick* has been invited to join the President's task force on health care reform headed by **Hillary Clinton**. **Kronick** and **Alain Enthoven**, of *Stanford University* developed a theory called "managed competition", which groups small companies and individuals into insurance-buying pools and encourages the use of health management organizations.
15. If you have recently received a survey from **CONNECT** asking you to rank order the benefits which are most important to you, please respond as soon as possible. Responses are currently being tabulated, and we want your feedback.

PAST WEEK

16. Speaking at the *John Burnham & Co.* annual *Forecast*, **Robert E. Dow, Senior VP and Division Head, Commercial Insurance**, warned that the present Workers' Compensation System is a significant deterrent to increased employment in California. Citing statistics that showed that 30% of awards go to lawyers and insurance doctors, while only 21% go to injured workers, Dow said Workers' Compensation costs had tripled for some industries since 1980, far exceeding job-related injuries. Dow further commented that his company represents the insurance client, not the insurance companies.
17. On a panel for *San Diego LEAD* graduates, held at *the Salk Institute*, **City Councilwoman Valerie Stallings** reminisced poignantly about her ascendance from a lab assistant to City Councilwoman. **Jerry Yakatan, President, Tanabe Research**, challenged LEAD graduates to help the City create a vision for itself. *Cal Western School of Law Professor Robert Bohrer* described the benefits to San Diego of the *Sandoz/Scripps* deal. **Dr. Inder Verma**, of *Salk* praised the biotech industry for helping science to improve the quality of life, noting that industry is needed to complete the "bench to bedside" cycle. "It (the biotech industry) works, because it is small and entrepreneurial," he said, adding, "San Diego needs an incubator facility near Salk, Scripps and UCSD, where scientists can meet with entrepreneurs to get commercialization projects started."
18. As reported in the *New York Times*, (Feb. 2), under the headline "Cellular Phone Scare Discounted", "...of all things to worry about, obsessing over cellular phones seemed foolish and wasteful, part of the persistent longing that a tangible villain for life's inevitable ills can be fingered and eradicated." Cellular manufacturers have enlisted veteran researchers like **Dr. Jerrold T. Bushberg**, Director of Health Physics at UC Davis, an avid cellular user, to attempt to bring "peer-reviewed science" into the debate. As the coming digital cellular capital of the country, San Diego may find itself enmeshed in this imbroglio.
19. A pending lawsuit against *San Diego Gas & Electric*, brought by industry gadfly **Michael Whitney**, charges that the utility's power lines caused kidney cancer in a four-year-old girl. Some observers, who point out that any settlement will invariably raise energy prices, predict that this will bring the "junk science in the courtroom" question to a "theater (TV) near you".
20. The *Associated Press* reported that the federal *Environmental Protection Agency* is seeking public testimony on how much cancer-causing pesticide contamination in food is too much. **EPA Administrator Carol Browner** said that, because only small amounts of the chemicals have shown up in processed foods, she is viewing the matter as a question of legal interpretation rather than public safety.

21. **J.B.Graham, Ph.D.**, announced the formation of the *Center for Marine Biotechnology and Biomedicine (CMB&B)* at *Scripps Institution of Oceanography*. Formally linking SIO, the *UCSD Departments of Biology and Chemistry* and the *Departments of Medicine, Neuroscience, and Pharmacology* in the *UCSD School of Medicine*, the Center will study the broad range of issues accompanying the future exploration, utilization, and management of the still-untapped biological knowledge and resources of the world's oceans. "The Center hopes to collaborate with San Diego's entrepreneurial high-tech and biotech companies to produce genetically-engineered commercial species, novel marine chemicals, and reagents with broad applications to industrial processing and biomedicine, processes for bioremediation of pollution, environmental detoxification diagnostics and biopharmaceuticals," said Dr Graham. For more information, call 534-2934.

UPCOMING

22. CONNECT's ninth annual *San Diego Technology Financial Forum* is scheduled for Feb.10-11 at the Hyatt Regency La Jolla. CONNECT service providers have received invitations to the Reception, Wednesday, Feb.10, from 5:30p.m.-7:30p.m. We will have 35 companies giving 8-minute presentations to an expected group of 80-100 venture capitalists. Call **Forum Administrator Charleen Boyl** at 534-6114 if you would like to attend.
23. **Senator Barbara Boxer** spoke at SDSU on Monday and held a short Town Meeting in this and four other cities. Her San Diego representative promised that she would schedule meetings with biomedical executives in San Diego in the near future. Contact **Dr. Tina Berger, Chief Operating Officer, Prizm Pharmaceuticals** at 625-0100 if you would like to participate.
24. **UCSD Chancellor and Mrs. Richard C. Atkinson** will host a reception on Feb. 25, honoring **University of California President and Mrs. Jack W. Peltason** on the occasion of the 125th Anniversary of the founding of the University. For more information, call **Deborah Ablitt** at 534-4750, as it will be overbooked.
25. *Genset*, a Paris-based biotechnology company that manufactures synthetic DNA probes has decided to open a US manufacturing facility in La Jolla in March. The company will initially employ 15 people but expects to have as many as 80 employees in two to three years. **Pascal Brandys, Genset's President and CEO**, considered locating his new facility in Boston, New Jersey, Washington, D.C., and San Francisco before visiting San Diego where he was shown around by the EDC and visited CONNECT. Brandys said "All these locations have the necessary resources for our industry, such as human resources, access to suppliers and maintenance, but we felt from the very beginning that we were more welcome as a new company in San Diego."

MEMBER AND SPONSOR NEWS

26. *Gensia Pharmaceuticals, Inc.*, announced that product sales for the calendar year increased to \$11 million. Losses reached \$37.9 million, reflecting increased R&D expenses.
27. **Joe Charest, President, The Gable Group**, reports that his firm would welcome input from the biomedical industry concerning the "San Diego Regional Household Hazardous Materials Program."

If you would like to receive YOUR OWN copy of the weekly Bill Otterson Biotech Letter, please send \$50 for a six-month subscription to CONNECT, UCSD Extension, 0176, La Jolla, CA 92093-0176. (Please make checks payable to UC Regents/CONNECT)

Bill's Editorial February 8, 1993

I sense a real change in the attitude of our elected officials at City, County and State levels. I see Democrats and Republicans united in an effort to make California more "business friendly" in order to increase the number of jobs.

High-tech and biotech companies are concerned about a number of specific issues. These are addressed in the Assembly Democratic Economic Productivity Team (ADEPT) report, the Governor's Report on Competitiveness, the combined report of the *Greater San Diego Chamber of Commerce* and the *Coalition for San Diego Business*, and are included in a list from the *San Diego Biomedical Industry Council*. All these entities have recognized and addressed the problem of job creation. High-tech executives urge adoption of all of these recommendations.

But beyond these issues of fixing things that are broken, I would like to suggest some additional items that could put California out front in promoting its high-tech industries. These industries of the 21st Century are different from industries of the past. They are knowledge-based, high risk, global from the beginning, multi-cultural, and they produce products with social and economic benefits. They are "small businesses", even when they get large. Home of perhaps the fastest growing biomedical industry in the country and soon-to-be the center of digital wireless communications, San Diego knows how to nurture these "start-ups" and could become the paradigm for the State and for others to follow.

UCSD CONNECT

For example, the industry-supported UCSD CONNECT program is widely credited in San Diego as playing a major role in creating the relationships and interdependencies that have assisted the biotech industry in flourishing. The State should fund the cloning of CONNECT-like programs at other UC campuses.

INCUBATORS

Biotech and high-tech incubators should be set up as part of these programs. Biotech incubators could have wet labs, and could share resources like expensive instruments, bottle washers, waste

compactors and central safety officers. Software incubators could offer shared computers and peripherals. Incubators would support California's uniquely entrepreneurial human resources, at their most critical embryonic stage. In addition to ideas, capital and incredible fortitude, entrepreneurs need advice and the support of the professional business community to encourage, teach and nurture them. Industry-supported incubators could help create new small businesses, the fastest growing economic segment in California.

UNIVERSITY/PRIVATE SECTOR RESEARCH FUNDING

To help with the funding, the State should reestablish the California Competitiveness program in which matching funds are provided to entrepreneurs who develop products in conjunction with university researchers. And the State should offer matching funds to support Fellowships for students who work on university/industry collaborations.

DEFENSE CONVERSION

To help former defense workers start new enterprises, UCSD is creating a defense conversion program. Fashioned after the present commercial CONNECT, the program will help to create networks to provide engineers and scientists with the resources they need. The State should fund additional projects at other UC campuses Extension programs along the lines of the UCSD model.

DEFENSE WORKER RETRAINING

UCSD Extension is also putting together an extended program to retrain former defense workers in biotechnology, especially in the quality control and quality assurance areas, and in regulatory affairs management. This too could be duplicated statewide.

INFRASTRUCTURE

When we think about infrastructure development, we should think about educational infrastructure. For example, the San Diego biomedical industry needs a Department of Pharmacology at UCSD. This could be thought of as the science of moving biotech products from the "bench to the bedside."

The State has a unique national treasure in the *UCSD Scripps Institution of Oceanography (SIO)*. It should support an SIO proposal for a federal grant to expand its Marine Pharmacology Program to search for biopharmaceuticals from the ocean. The existence of this major research project could produce many "spin-off" companies.

The biggest potential job buildup in biotech is in the manufacturing area. To help keep biotech manufacturing in California, we need to establish a state-wide biomedical Extension program. "Scale-up of manufacturing" is one of the critical areas in bringing biotech products to market. If California became a leader in this area, it would make leaving the State much more difficult for our companies. As project leader Dr. John Peak said, "If your manufacturing experts come from the local university, you're not likely to move away."

NAFTA

Finally, the State legislature should throw its substantial weight behind insuring the passage of NAFTA and also in preparing business for what will surely become an important source of jobs for high-tech California. Many of the products that will be purchased by the Mexican economy will come from California's high-tech sector. But Texas is far ahead of California in reacting to this potential jobs bonanza.