

THE BILL OTTERSON BIOTECH LETTER
JANUARY 4, 1993
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WARD VALLEY

1. On Thursday, Governor Pete Wilson requested Secretary of Interior Manuel Lujan to transfer the Ward Valley land to California, so it could be purchased by *U.S. Ecology* in preparation for a licensing decision by the *California Dept. of Health*. In announcing his decision to request the transfer, Governor Wilson said: "Biotechnology is one of the bright spots in California's economy. The on-site storage and shipping requirements are endangering this industry and could send thousands of jobs out of the state." Carolyn McGraw, *NACP Consultant*, reports that Duncan Hunter, Ron Packard and Duke Cunningham were helpful in coordinating with Secretary Lujan.

"San Diego's *BIC*, *BIOCOM*, *NACP* and *CONNECT*, as well as Carolyn McGraw, Abby Silverman and Mary Walker have been particularly helpful in focusing the Governor's attention on the biotech industry and patient care aspects of this issue," said *U.S. Ecology* Vice-President Steve Romano.

The *L.A. Times* reported that State Controller Gray Davis objected and said: "the site poses danger to the Colorado River" (the EIR disputes this claim)" and poses considerable liabilities to California taxpayers." Davis said *State Lands Commission* lawyers are exploring the possibility of going to court to block the sale. "Davis equivocates but offers no viable alternative," countered Peter Preuss, President of the *Preuss Foundation for Brain Tumor Research*, adding, "you just can't do medical research today without the use of isotopes."

Then on Friday, the *State Lands Commission*, obtained a reprieve, in the name of environmentalists, (specifically, the desert tortoise), who were represented by lawyer Hannah Bentley, convincing Federal District Judge Marilyn Patel to issue a temporary restraining order to prevent the transfer. A hearing has been scheduled for Jan. 19 - - the day before Lujan leaves office. Stay tuned.

MANUFACTURING IN CALIFORNIA

2. In his State of the State address this week, Governor Pete Wilson proposed a string of tax breaks and incentives for small business to create more jobs. "Jobs make all else possible. That's why we must rebuild California job, by job, by job," the Governor said.

He announced the formation of a *Council of Economic Policy Advisers* to be chaired by George Shultz, a former U.S. secretary of the Treasury and State. The Governor wants to boost manufacturing in light of the State's declining defense industry. The Governor's proposals include:

- a. Increase tax credit for R&D from 8 to 12 %, and to 24 % for university-contracted research.
- b. Create a small-business investment tax credit with stages up to 16 percent for investments of five years or more.
- c. Double the present small business loan guarantee program to 600 loans.
- d. Create a task force to help businesses market environmental technologies in other nations.
- e. Reinstate net operating loss carry-forward for business.

3. *The San Diego Chamber of Commerce* and the *Coalition for San Diego Business* presented their blueprint for reviving San Diego's economy in a 42-page report, emphasizing the need for job creation and suggesting the establishment of a "competitiveness report" against which to measure the region's business climate. **Michael Shames**, Chairman of the *Sierra Club's* political committee agreed that there are some regulations that are too burdensome and should be reviewed.
4. **President Duane Roth** of *Alliance Pharmaceuticals* has shared with us his company's analysis of alternative sites for setting up their manufacturing operations, if they do not expand their Otisville, NY, site. Many of their criteria are similar to the those established in the *Chamber/Coalition for San Diego Business* report. If Alliance does not consider the report confidential, we will be delighted to share it with interested parties.

CLEAN AIR ACT

5. The *South Coast Air Quality Management District* approved a plan to permit factories to trade emission credits obtained from buying old "clunkers" against the purchase of additional emission control devices. The credits are equivalent to 80% of the auto emissions these autos would have produced had they remained on the road. The *Environmental Defense Fund* is behind the idea of automobile scrappage, but Daniel Becker of the *Sierra Club* opposes it.

In a separate event, the *Environmental Protection Agency* approved California's toughest-in-the-nation auto-emission standards. New York and Massachusetts have indicated they will follow California.
6. **Roger Hedgecock** will discuss *Trip Reduction Plans* on his radio talk show on KSDO (AM1130) Thursday, starting at 10:00 a.m., with me as one of his guests. This program takes telephone calls. The number is (619) 560-1130.

PAN-AMERICAN RELATIONS

7. The economy of *Costa Rica* is booming, fueled by privatization, free enterprise and AID transfers. One of the main forces of change in Pan America is the *Central American Institute of Business Administration*. Established by the *Harvard Business School* in 1963 at the suggestion of President John Kennedy, the school is now located in beautiful surroundings in Alajuela, near San Jose in Costa Rica. The only graduate school of business in the region, it accomodates students from Nicaragua, Guatemala, Panama, Honduras, etc and is growing rapidly. Previous graduates already fill many significant positions in business, banking and government throughout the region. Its emphasis on free markets and an entrepreneurial approach to business is a welcome and salient influence in this area of central, bureacratic control.

Robert Mullins, Ph.D., and **Professor Emeritus** from the *Harvard Business School* (and a co-founder), introduced us to this two-year school. Although some of the cases studied come from the *Harvard Business School*, most are indigenous, designed to apply to the local economy.

Professor Jose Nicholas Marin, Ph.D., also from Harvard, has started a *New Venture Course*. The course is set up so that the students work on a business plan for a start-up business, addressing marketing, competition, financing and administration issues; as a second-year course, Dr. Marin successfully attracted 40 students last year. Dr Marin himself has had a successful business and investing career; he is currently seeking financing to establish the second brewery in Costa Rica and will compete with the leader which reports profits of \$40 million annually.

The school and its faculty could be a helpful first step for any North American company wanting to expand to Central America.

UPCOMING

8. [A tautology] The *San Diego City Council Committee on Transportation and Land Use* will address the proposed Hazardous Material Buffer Zone ordinance. Based on a study made in the Barrio Logan, this ordinance, if passed, would probably affect all companies in San Diego using materials like chlorine, chloroform, phenol, and acrylamide. Safety Officers or Hazardous Material Officers from biotech companies, electronics companies doing their own wave-soldering, etc., should attend the meeting previously scheduled for **Thursday, Jan. 13, at 2:00 p.m.**, now postponed to **February, 1993** at City Hall. Call **Caroleen Williams** at **460-4212** to confirm date, place, and your attendance. (See my editorial in *Biotech Letter* No.38 for more information.)
9. CONNECT's award-winning program, **Meet the Researchers**, is scheduled for **Friday, Jan. 15, 1993, 7:30 - 9:00 a.m.** at the San Diego Supercomputer Center, UCSD. "Considerations in Using Massively Parallel Computers", will be discussed by **Scott Baden, Ph.D.**, Assistant Professor of Computer Science and Engineering at UCSD, and **Larry Buhr**, Senior Computer Scientist at Science Applications International. Please call CONNECT at **(619) 534-6114** to register.
10. **Dr. Mako Nonaka, Director, Foundation for International Scientific Advancement**, is coordinating a visit to San Diego for U.S. Customs Commissioner **Carol Hallet** on **Thursday, January 14, 1993**. Anyone wishing to discuss trade and tax issues with her can call **Dr. Nonaka** at **234-6100**.
11. *The University of California Systemwide Biotechnology Research and Education Program* is holding a seminar titled "*California Biotechnology: Sustaining our Lead*," **Friday, January 15, 1993, from 9:00 a.m. - 5:00 p.m.** at UCLA. The keynote speaker is **Edward Penhoet, Ph.D.**, CEO, *Chiron*; several of the panel members include: **Jerry Caulder, Ph.D.**; **Glen Evans, Ph.D.**; **Vincent Frank; Jack W. Reich, Ph.D.**; **Martin Rachmeler, Ph.D.**; and **Andrew Senyi**, informal affiliate of the *Harvard Business School* here.
12. [Repeat] CONNECT's annual *Equity Financing Seminar*, scheduled for **Jan. 19**, may be timed just right. Venture capitalists and investment bankers recently surveyed said they expected the first quarter of 1993 will see a "widening of the aperture" for Initial Public Offerings (IPO's); interested companies need to get active. Recent biotech deals, like *Ligand's* and *Cortech's* are awakening the sleeping giant. Come to our seminar and get the latest scoop from industry leaders, **Ron Taylor, President, Pyxis Corporation**, **Harvey White, President, QUALCOMM**, and **David Robinson, President and CEO, Ligand Pharmaceuticals**.

MEMBERS AND SPONSORS NEWS

13. **Dr. Ivor Royston** and **Dr. Robert Sobel**, of the *San Diego Regional Cancer Center* performed the region's first gene therapy on a cancer patient with Grade 4 glioblastoma. They inserted 2 million of her own irradiated tumor cells altered to contain a gene for *Interleuken-2*. "She tolerated the injection well," Sobel said. The NIH approval was a "compassionate use" case.
14. *Vical Inc* has filed with the SEC for an IPO offering of 3 million shares at \$9 to \$11 per share (about \$30 million)
15. **President Bill Comer** of *Sibia Inc.* announced an agreement with UCB and a Belgian drug company, to develop an anti-epileptic drug.
16. **Stephen Howell, M.D.**, of the *UCSD Cancer Center*, and co-founder of *DepoTech Corp* announced that the company had successfully raised \$7.3 million in venture funding from a group including *Burr, Egan; Brentwood Associates., Sorrento Associates. and DSV Ventures.* *DepoTech* will commence pilot manufacturing DepoFoam, its lipid foam-based drug-delivery system. **Peter Preuss, Chairman** of the *Preuss Foundation for Brain Tumor Research*, recently joined *DepoTech* as a member of the board.
17. *Quidel Corp's* Chairman **Scott Glenn** announced that the firm had received FDA clearance to market its

Conceive One-Step Pregnancy Test, which it called the fastest and easiest to use home pregnancy test.

18. Book Review - *Mandate For Change*, Edited By Will Marshall and Martin Schram; *Progressive Policy Institute*.

President-elect Bill Clinton is said to have used this important new book both in the election and, afterwards, in the transition. Thus, it is an excellent compendium of ideas likely to be found among "New Democrats." Neither liberal nor conservative, it bifurcates the "old" philosophies and creates a new way.

The book looks to foreign markets as the key to American job growth. It trades off American worker education and training against subsidies or trade protectionism. Chooses market-based solutions over "command and control autocracy." Replaces job security with an *Employment Insurance System* that guarantees re-education to be paid for with vouchers. Increases applied commercial research vs. military research. Creates new capital for productivity-producing uses by making permanent the investment tax credit, reducing the tax on capital gains held more than five years to zero, and amending the *Glass-Steagall Act of 1933* to encourage banks to invest in smaller, closely held U.S. firms. Creates a new *Department of Trade and Technology*, a "civilian DARPA", industry-owned and -operated "teaching factories", and encourages American firms to invest at least 1.5 percent of their payroll in upgrading the skills of their employees. It completes the GATT rounds ("don't let the perfect become the enemy of the good") and follows them with continued diplomacy and signs NAFTA, with training for displaced workers.

"What most Americans want are reasonable public protections in the context of a competitive economy" is the way it approaches over-regulation.

The book is positioned as neither liberal nor conservative, but this reviewer heard the voice of Dan Quayle more often than Teddy Kennedy.

It seems likely that "the first hundred days" will be filled with ideas of this kind, so it behooves industrialists, educators, and government officials to get the details behind the expected proposals.

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Bill's Editorial
January 11, 1993

Different Drummer

Why does Gray Davis, and Davis alone, continue to battle against an issue of overwhelming importance to job creation and to the health of AIDS, cancer, heart disease, etc., patients?

Surely he knows that, after eight years of study and over 14,000 pages of applications, questions, responses, etc, there is little new light to be shed on the questions surrounding the selection of a site for disposal of the state's low-level radioactive waste (LLRW). Yet he continues to fight the inexorable march towards licensing Ward Valley.

Davis has said "...there are numerous unanswered questions about environmental safety." He has raised the specter of "considerable liabilities to California taxpayers," but he is ignoring the other side of the question: "What happens to state taxpayers if the state does not pick a site?" For openers, **Governor Pete Wilson** says the biotech industry is one of the few bright spots in the state's economy. What does Davis propose they do with their LLRW that would offer less risk to the state's citizens? Does he have an alternative?

What does he tell AIDS patients? That warnings about potential reductions in AIDS research for lack of a viable disposal site are exaggerated and hysterical ululations? Where does he suggest that the University of California, San Francisco, store its waste from AIDS research? On Parnassus Avenue?

Other voices raise the phantom issue of environmental damage to the endangered desert tortoise or desecration of sacred Indian burial sites. Both of these issues were raised in the first application for the site. Indian tribes in the area were included in the site selection as long ago as 1988, and an acceptable mitigation procedure was developed to protect the tortoise.

Still others talk about the possibility of radioactivity seeping into the Colorado River and poisoning the drinking water of San Diego. Again that is precisely why Ward Valley was selected, because it is a dry climate and water does not flow in to the Colorado River. Ward Valley is twenty miles from the Colorado River on the other side of a mountain range. And besides, liquid waste is first encapsulated in concrete material before being sealed in heavy metal drums.

But Davis knows all this.

I am certain he knows it because I told him when he was in San Diego campaigning for the Senate in the last election.

These issues are "red herrings," and Davis knows that, too. His actions are not responsible environmentalism. He is not basing his opposition on hard science. He is using only emotional arguments. And he knows that too.

MUST WE ALL SUFFER?

Why do California Democrats suffer Davis in this matter? There are many more patients than anti-nuclear activists, and jobs are said by both parties to be the key issue in the state.

When will Willie Brown, John Vasconcellos, Byron Sher, Mike Gotch, Dedde Alpert, Wadie Deddeh and all California Democrats tell Davis that enough is enough?

Secretary Manuel Lujan should transfer the land to the *Department of Health Services* as **Governor Wilson** requested. And the Department should approve the site, so that Universities, research institutions and biotechnology companies can rest assured that they will have a viable location to store their waste.