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**Biomedical Industry Jobs Critical to California's Economic Recovery,
Finds California Healthcare Institute and PricewaterhouseCoopers**

Most California Biomedical Companies to Maintain or Add Jobs in Next Two Years, According to New Report

LA JOLLA, Calif., Feb. 2, 2010 – The biomedical industry is one of the most recession-resilient sectors in California's hard-hit economy and a critical driver of innovation, job growth and revenue that will help lead the state to economic recovery, according to a report released today by the California Healthcare Institute (CHI) and PricewaterhouseCoopers LLP (PwC). But, the report points to signs that the state's biomedical industry is facing unprecedented challenges and that California's biomedical leadership is being tested as other regions compete for biomedical research and manufacturing jobs.

As part of the report, in November 2009 California Healthcare Institute and PricewaterhouseCoopers commissioned a survey of 200 of the state's leading biomedical employers about their outlook for the industry and the key challenges and opportunities it faces. Based on employment trends, the survey found that the sector is holding steady and positioned for future growth, but it remains to be seen how much of that growth will take place in California.

Key findings of the survey are:

- Over the past year, nearly two-thirds (64 percent) of California biomedical companies either maintained or expanded their workforce, while other parts of California's economy saw steep declines and the highest unemployment levels in three-quarters of a century.
- Over the next two years, 81 percent of biomedical companies expect to maintain or increase their workforce in California.
- Two-thirds of biomedical companies also expect to increase their out-of-state manufacturing workforce over the next two years. More than half (58 percent) anticipate expanding their research and development workforce outside of California.

“California is the birthplace of biotechnology, and our state's biomedical innovation delivers not only global advances in healthcare but the jobs that drive our economy,” said David Gollaher, Ph.D., president and CEO of CHI. “While the biomedical industry has weathered the recession, it faces unprecedented challenges – access to capital, the educational funding crisis and uncertainty surrounding healthcare reform. Now more than ever, the sustainability of California's biomedical industry depends on decisions made in Sacramento and Washington.”

Currently, California is home to the largest concentration of biomedical companies in the world. California's biomedical industry directly employs 274,000 people, representing one in six of the 1.6 million biomedical jobs in the United States, according to PwC's analysis of Bureau of Labor statistics and company-specific filings with the Securities and Exchange Commission. The industry supports more than 750,000 direct and indirect jobs statewide and is the second largest sector of California's high-tech workforce.

In addition, California's biomedical industry attracts the greatest portion of venture capital (VC) funding of any industry in California and of any other state, receiving 42 percent of all venture capital investments in biotech and medical device companies nationally. As a result, there are currently 869 biopharmaceutical products in development in the state, from pre-clinical and clinical development through registration. Nearly one-third of the pipeline (272 products) focuses on treating cancer, according to 2009 research from IMS Health.

"We are living in a period of extraordinary scientific and technological advancement that will not only change the future of medicine but also have economic, political and financial implications for the way healthcare is delivered over the next decade," said Tracy T. Lefteroff, national life sciences partner for PricewaterhouseCoopers. "We can see the importance of contributions from the biomedical sector in patterns of new public and private investments such as VC funding, financing for capital expansion and M&A, and a revived market for public offerings as well as tax credits and incentives to fuel R&D. California has long been at the forefront of the life sciences revolution because of its unique ecosystem of biomedical assets and has a vested interest in continuing to do so. At stake is the state's legacy of scientific innovation that benefits patients around the world."

Jobs Holding Steady

After years of rapid expansion, California's biomedical workforce experienced modest growth in 2008, adding nearly 3,000 jobs and increasing 1 percent from nearly 271,000 jobs in 2007. The state's biomedical sectors include medical devices, instruments and diagnostics (111,942 employees), biopharmaceuticals (81,268 employees), academic research (43,038 employees), wholesale trade (31,920 employees) and laboratory services (5,390 employees, according to the report.

As the recession intensified, all of the state's high-tech sectors downsized. The California biomedical industry shed 2,572 jobs or less than 1 percent of its workforce between March 2008 and March 2009, ending the period with 272,181 jobs. During this time of economic upheaval, the biomedical industry tied with aerospace manufacturing for the smallest percentage loss among high tech industries in California. Biomedical job losses were primarily driven by the decline of 2,955 positions in the medical devices and wholesale trade industries, which were offset by a gain of 428 positions in academic research, biopharmaceuticals and laboratory services.

Even during the economic downturn and despite a slight drop in statewide biomedical employment, all four of the state's leading biomedical clusters grew from March 2008 to March 2009 according to county-level data:

Biomedical Cluster	March 2008 Biomedical Workforce	March 2009 Biomedical Employment	Growth
San Francisco Bay Area	51,347	51,886	1.0%
Los Angeles	44,156	45,064	2.1%
Orange County	30,052	30,386	1.1%
San Diego	23,545	24,123	2.5%

Access to Capital

According to the PricewaterhouseCoopers/National Venture Capital Association MoneyTree Report with data provided by Thomson Reuters, California life sciences companies attracted \$2.6 billion in venture capital funding in 2009, down from \$3.5 billion in 2008 but still more than any other high-tech sector in the state. Despite the slowdown in funding, California's life sciences companies continued to expand.

Respondents to the CHI-PwC Survey anticipate that the next two years will find them in a holding pattern at best, navigating risks and events that have not been part of the biomedical industry experience.

- More than three-quarters of executives surveyed (78 percent) expect expanded M&A activity along with accelerated consolidation of the industry.
- More than half (52 percent) expect to see an increase in bankruptcies, which were virtually unheard of in the industry before 2008. Only 4 percent expect a reduction in bankruptcies.
- On the positive side, nearly half (48 percent) predict increased revenues and 44 percent expect revenues to remain steady.
- Nearly one-quarter of respondents foresees an expansion in R&D investment and in access to capital, and 40 percent believe there will be an increase in industry IPOs over the next two years.

Barriers to Growth

Survey respondents rated how key issues will impact future growth:

- Asked about the impact of issues on the industry's ability to keep biomedical research, innovation and investment in California, respondents ranked the following as extremely important: corporate taxation (72 percent), tax incentives for innovation (69 percent) and workforce preparedness (62 percent).
- Asked about the greatest threats to the industry's growth in the next five years, respondents rated the following as extremely important: price controls/government intervention (88 percent), a risk-averse U.S. Food and Drug Administration (84 percent), intellectual property protections (56 percent) and access to capital (52 percent).

A full copy of the 2010 California Biomedical Industry Report is available at www.chi.org or at www.pwc.com/pharma/2010chireport.

Methodology

CHI worked with PricewaterhouseCoopers LLP to collect and administer data for the 2010 CHI/PwC California Biomedical Industry Survey. The survey was conducted in November 2009 and targeted approximately the largest 200 companies that conduct business in California in the areas of pharmaceuticals, biotechnology, medical devices, diagnostics or medical equipment.

About the California Healthcare Institute

The California Healthcare Institute (www.chi.org) is a non-profit public policy research organization for California's biomedical R&D industry. CHI represents more than 250 leading medical device, biotechnology, diagnostics and pharmaceutical companies and public and private academic biomedical research organizations. CHI's mission is to advance responsible public policies that foster medical innovation and promote scientific discovery.

About PricewaterhouseCoopers

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