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AusBiotech 2010 Special Feature: Incubating Success

The Thebarton Bioscience Precinct in South Australia shows how clustering life science companies together can benefit the biotechnology industry.

Tim Dean (Australian Life Scientist)

It was the end of a tough year, and Dr Meera Verma, Director of Site Operations at Hospira Adelaide, was feeling weary. Still, she reluctantly picked herself up and attended the end-of-year networking function at the Thebarton Bioscience Precinct, located in Adelaide's western suburbs. And her experience that night saw her leave energised and optimistic about the future of the biotechnology industry in South Australia.

"I can still remember how great it made me feel when I walked into that Christmas function," says Verma. "It made me feel like I was part of an industry. It helped me realise that it wasn't just us at BresaGen trying to make something happen. There were other people who had similar challenges and were finding similar solutions. That was the moment I realised the biotech industry in South Australia had actually got to a point where you could feel like you were part of an industry. It was a really energising moment for me."

Fostering that feeling of collegiality is one of the main goals of the Thebarton Bioscience Precinct, and promoting such a community atmosphere is not only paying off in terms of bringing people together, but it also has more tangible economic benefits.

According to a 2009 Access Economics report on the performance of South Australia's government biotechnology development agency, BioInnovationSA, the state has been punching above its weight when compared to the two perceived accepted leaders in biotech: Victoria and Queensland.

While South Australia issued fewer grant dollars to the bioscience sector per capita than the Victorian Government, the bioscience sector in South Australia outperformed Victoria and Queensland in six out of 10 key indicators: new company formations; biotechnology patents; clinical trials; Biotechnology Innovation Fund (BIF) grants; Commercialising Emerging Technologies (COMET) funding; and Cooperative Research Centres (CRCs). BioInnovationSA also returned nearly \$4 for \$1 invested – an impressive achievement.

Part of this success has come from taking a long-term view towards cultivating a thriving biotechnology industry in the southern-central state, says Jurgen Michaelis, Chief Executive Officer of BioInnovationSA. And one key element of this strategy is the Thebarton Bioscience Precinct, which Michaelis has championed ever since he took his position at BioInnovationSA in 2001.

Incubating industry

When Michaelis came on board, there were already a handful of biotech companies that had set up shop in the old industrial area in Thebarton, near the University of Adelaide Research Park, capitalising on the proximity to the expertise and facilities nearby, and aided by the South Australian government's efforts to foster the local biotech industry.

"In the late 1990s, the state government had bought up several blocks of land in a government initiative to help companies construct biotech buildings on deferred purchase. The founding companies were BresaGen [now Hospira], GroPep [now Novozymes], Bionomics and TGR Biosciences. It turned out that the land the government had was fully occupied in very short time."

Michaelis saw an opportunity to build upon this foundation and grow the area into a bioscience cluster. When a large block of land – around 50,000 square metres – adjacent to the existing block came on to the market, he encouraged the state government to acquire it, although there was a lot of

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work to be done to make the land suitable for new high-tech biotech facilities. “It was an old tannery, with very old buildings and contaminated soil. We got to work and cleaned it up with government money and turned it into a prime industrial area.”

Cleaning up the land wasn't the end of his efforts, though. Michaelis also had aspirations to build a business incubator to attract early-stage biotechs to the area. Michaelis had seen – and worked in – such incubators in his native Germany, and could see the benefit they lent to fledgling biotech outfits. “We convinced the government to provide the funding to build a dedicated biotech incubator building. Not mixed industry, but office and laboratory space specifically for life sciences companies.”

The BioSA Incubator was to be the hub for the growing Thebarton Bioscience Precinct, providing not only office and lab space for early-stage biotechs, but conference facilities and a café – a vital focal point for informal interaction and community building between people at the Precinct.

The Incubator is currently fully occupied, with six early-stage companies taking residence: Each one has a three-year lease with an option to extend. Michaelis expects the current occupants to stay on, although not indefinitely. Hopefully they'll see success and outgrow the Incubator and move on to bigger facilities elsewhere – ideally within the Bioscience Precinct.

In fact, Michaelis would like to see the Incubator have some turnover to open up some vacant space rather than have it be fully occupied all the time. “Good incubators are not always 100 per cent occupied,” he says. “As an incubator you always need an office or lab vacant, so if someone knocks at the door looking for space, or one of the companies in the building needs extra space, you don't want to prevent that from happening. Turnover is important, and 90 per cent occupancy or so is a good rule of thumb.”

With several established companies based at Stage 1, and the BioSA Incubator forming the hub of Stage 2, the entire Bioscience Precinct now covers 70,000 square metres and hosts over 25 bioscience outfits, which is one-third of the total in South Australia. Plenty of land is still available within the Precinct for future developments, including a large 10,000 square metre tract that Michaelis suggests would be well suited to a larger manufacturing facility.

We're all in this together

Clustering biotechnology companies together in one area has manifold benefits, says Michaelis, such as when it comes to attracting staff. “Companies find it easier to attract high calibre staff into a cluster. This is because if an employee moves into a company located in a cluster and the job doesn't last, or they want to move on up the career ladder, they can move out into the next company, which might only be next door. And they can do this without changing where they're living and without moving their kids to a different school. So it provides job security and stability.”

Being a part of the cluster also allows a biotech company to brand themselves a part of a high-tech industry, rather than being in isolation in a generic business park, says Michaelis. However, possibly the most important benefit is the community building.

“Our industry relies heavily on tacit information – information that hasn't been written down but is shared between people. And being in an environment amongst like-minded industries where people can exchange information is a key advantage.”

Verma entirely agrees. “Having a critical mass of like-minded people works to give you cross-communication,” she says. “It also gives you access to technical know-how and fosters interaction across the groups. Like, we may not be the people who develop a particular technology, but a company down the road does. If you have a question you can easily set up a meeting and go over and talk with them about how they tackled a particular problem.”

Competition also isn't necessarily a problem, says Verma. “Most of us don't directly compete in the same space. So you can talk to people about an issue or an idea, and how they dealt with it. It

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certainly facilitates interaction between executives. We'll go down and have a coffee locally and catch up on what's happening."

There's also the practical benefit of having neighbours who are likely using similar specialised equipment as you – something you're unlikely to experience in a common business park, where the most sophisticated piece of equipment nearby is likely to be a photocopier. "Occasionally, there's been a crisis situation, and we've called on each other to see if the other person has equipment that can support what we're doing," says Verma. "That's been one very tangible benefit."

Accelerating advances

The next step in the development of the Bioscience Precinct is to build a larger incubator facility for biotechs at a more advanced stage in their development. This BioSA Accelerator building has been designed and fully costed, and BioInnovationSA is currently seeking to raise the \$31 million required to have the facility built. However, Michaelis is realistic that this won't happen overnight. "It's not a fabulous economic environment out there for raising money," he says.

He also stresses that business incubators like this don't usually make a profit. "To run them at break-even is hard enough, so from private investor point of view, it is not best return on investment story. So there's always a role for government to either underwrite or to provide some of the funding. It's just the nature of business incubators in our space. Worldwide experience has shown that."

But Michaelis takes a long-term view of industry development in the biotech space. "There are no short-term fixes that will give immediate results. It requires 10 to 20 years of dedicated government support. That's the model that has worked in South Australia. We have a small team at BioInnovationSA that has industry knowledge, so we understand what the industry needs. And then we have the means to find land, clear the site, zone it, build an incubator and attract companies to the site. It just takes time. But the benefits long term are there."