



As far as collaborations are concerned, E&Y identifies an increasing number of biotech-to-biotech deals as companies attempt to build critical mass by accessing complementary technologies as well as plain old cash. Crocker also notes that last year's fund-raising bonanza left more than 60% of Europe's publicly owned biotech companies with enough funds to last another four years and thus in a stronger position to obtain more profitable deals with pharmaceutical giants.

However, industry experts only partially agree with these analyses. Celltech's finance director Peter Allen says collaborations between biotech companies are only hap-

pening where a firm has developed a really novel drug. Bargaining power still lies with pharmaceutical companies for the majority of deals, which involve existing products that are still being refined or where the concept hasn't yet been proven, he says. And Commerzbank's Cox suggests some of the alleged power shift towards biotech may be more apparent than real: Although deals may look fantastic for biotech companies, he says, pharmaceutical companies are increasingly "writing options on drug targets" resulting in "no certainty that [biotechs] will ever realize the associated cash."

*Pete Mitchell, London*

scheme that generates commercial confidence, it is "unquestionable" that the UK would produce "a whole raft of really worthwhile young companies that would go far beyond that anywhere else in Europe."

The BIA, of course, has consulted widely in government circles, particularly with the Department of Trade and Industry (DTI). Although the government has not yet made any official response to the BIA proposals, the director of biotechnology at DTI, Monica Darnborough, acknowledges an interest in boosting early investment in biotechnology. "There is still clearly some potential [in UK bioscience] that we haven't unlocked and we are looking at getting investment from venture capital and other investors from overseas into UK science."

The other big issue on the BIA manifesto is to resolve the issue of animal testing during drug development in the UK. Huntingdon Life Sciences (HLS; Huntingdon, UK), a BIA member, is a pre-clinical research company that has been the focus of continuing protests and vicious attacks from animal rights activists. The company's managing director, Brian Cass, was beaten with baseball bats outside his home. The company was deserted by its bankers as they, in turn, were threatened by protestors. In March, the offices and laboratories of the UK operations of HLS clients such as Bayer, GlaxoSmithKline, and Eli Lilly were attacked. Protestors also staged demonstrations outside the homes of directors from Roche and Pharmacia.

The BIA, working in collaboration with other UK science and industry bodies such as the Wellcome Trust (London) and the Association of the British Pharmaceutical Industry (London), has asked the government to alter the law on the disclosure of company directors' addresses and to strengthen the police response to violent animal right activism and harassment. "We want to have better communication of ethical issues from scientists to the general public," says Drayson," but understandably company people will not speak out if they are going to get a letter bomb for doing so."

One of the ironies of the BIA manifesto is that its call for soft loan funding for start-up companies is likely greatly to assist such companies as Citibank, Dresdner Kleinwort Wasserstein, Credit Suisse First Boston, Barclays and West LB—the very institutions that skipped away from HLS as animal rights' activists extended their protests to the financial community.

*John Hodgson, London*

## UK keen to mimic German venture scheme

Preempting UK Prime Minister Tony Blair's call for a general election at the beginning of May, the UK's BioIndustry Association (BIA; London) published its "Manifesto for Biotechnology" on April 26<sup>th</sup>. In it, the BIA highlights several specific areas for government action such as animal testing, stem cell technology, and gene patenting. The BIA has also looked enviously across to Germany's juvenile biotechnology sector whose youthful growth spurt has been stimulated by "soft" government money and has called for UK authorities to match venture investment in early stage companies with low-interest loan finance. Critics feel, however, that although such easy money might boost the number of young UK companies in the short-term its main beneficiaries would be venture capitalists and not corporate bioscience.

Under its scheme for government "soft loans," the BIA proposes that venture capital companies would undertake normal due diligence on prospective investment opportunities and, when a decision to invest was made, the government would make low interest unsecured loans available to the company. Under the similar German scheme, such funds doubled or tripled the effective amount of the venture investment; the BIA wants "loans structured to produce up to 3:1 matching of venture capitalist funds."

Paul Drayson, CEO of one of the UK's leading companies, PowderJect (Oxford, UK) and currently the chair of the BIA, estimates that a loan scheme worth \$300 million over three years "would make a real difference." The German scheme has "catalyzed" its biotechnology industry from nowhere to a position where its revenues (€786 million) equal those of French industry (€757 million), he says. (UK is

€2066 million.) Reaching for the UK government's hot-button, he claims that "if Germany carries on at its current growth rate, it will overtake the UK in a few years." Ernst & Young's latest survey of European biotechnology companies (see "Fragmentation is industry obstacle in Europe") indicates that Germany already has more companies than the UK although UK companies are, on average, much larger. UK companies also account for more than half the products that European biotechnology have in clinical development while Germany's share is less than 2%.

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Critics believe that soft loan schemes distort venture capital activity, tending both to reduce the amount of each investment made and to lower the quality threshold. Drayson concedes that "no scheme is perfect" but he believes that the greater maturity of its industry means that such schemes will work better in the UK. "You are putting that money in the hands of seasoned people. We are battle-hardened here. We know what works and what doesn't and we won't waste the money." Crispin Kirkman, the BIA chief executive is even more bullish. He says that given the combination of UK science and a financing