

Chicago area fumbles biotech ball

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Michigan officials responded swiftly with funding and special programs for hundreds of workers laid off by Pfizer, but no similar efforts were made for the 1,500 company workers who lost jobs here.

Drugmaker Pfizer Inc.'s reorganization seven months ago shuttered one of the Chicago region's most important biotech employers, the former G.D. Searle & Co. operations.

In Skokie and in southwest Michigan, hundreds of highly educated scientists—the lifeblood of any biotech center—lost their jobs when Pfizer consolidated its global research and development operations after merging with Pharmacia Corp., which owned Searle.

Yet while Michigan officials mobilized swiftly to limit job losses in a vital and fast-growing industry, there was no comparable effort in Illinois.

In Michigan's Kalamazoo County, a well-orchestrated campaign was aggressive and sometimes combative. In Illinois, state and local officials met quietly with Pfizer, but no group spearheaded a drive to help laid-off scientists.

There was a stunning disparity in outcomes.

When Pfizer reviewed 50 proposals this summer from laid-off scientists looking for support to start new companies, 22 were from Kalamazoo County. Only four were from the Chicago area.

Ten start-ups incorporated in Kalamazoo County. All got state financial aid, and Pfizer pledged as much as \$30 million to support three of them.

In the Chicago area, two start-ups led by ex-Pfizer scientists are setting up labs in incubators in Evanston and Chicago, but without money from Pfizer or the state.

Illinois and Chicago officials said the difference in outcomes is related to Pfizer's bigger presence in Kalamazoo, where it operates a large drugmaking plant, rather than any failure to organize support for the scientists. They also expressed a preference for letting market forces play out.

"Our style in Chicago is a businesslike approach that tries to work on important long-term relationships," said David Miller, president of the non-profit Illinois Biotechnology Industry Organization (iBio). "Chicago will get more than its fair share when all is said and done."

To be sure, Pfizer is a far bigger employer in Kalamazoo than in the Chicago area. Even after Pfizer eliminated or transferred 800 out of 1,500 research and development jobs in Kalamazoo, the company employs a total of 6,000 there, mainly at the drug plant.

In the Chicago area, all 1,500 employees working at the former Searle operations, which included sites in Mt. Prospect and Elk Grove Village, lost their jobs or were transferred.

A priority in Michigan

Biotech is a priority for Michigan economic development officials. And Kalamazoo, a community of 230,000 located halfway between Chicago and Detroit, has been preparing for the pharmaceutical industry's consolidation for at least three years.

"Kalamazoo lobbied very hard to ameliorate the effects" of Pfizer's cuts, said venture capitalist Thomas Churchwell of Arch Development Partners LLC, which has raised money in Michigan and invested there.

"That type of activity almost inevitably follows a sense of crisis. That's what galvanizes folks. I don't know what crisis will galvanize Chicago."

Here is how events unfolded in Michigan and Illinois:

Within hours of Pfizer's cutback announcement in late April, Kalamazoo officials began organizing a rally in a downtown park outside City Hall, where they erected an outdoor stage. The rally's message, according to attendees: "We need to seize this moment as an opportunity."

And so they did.

On board at the 'Ark'

Michigan Gov. Jennifer Granholm joined Barry Broome of Southwest Michigan First, a Kalamazoo-based economic development agency, in publicly calling on Pfizer to minimize job losses and offer aid. They kept the issue in the headlines.

Broome's agency also organized attorneys and business consultants to offer pro bono advice to scientists who wanted to start companies.

The first-time entrepreneurs were offered free space, initially in a newly developed incubator building at Western Michigan University. The new Innovation Center, part of Kalamazoo's long-range planning to develop a biotech community, jokingly was dubbed "Noah's Ark" because it was completed just in time for the Pfizer layoff.

Nine of the 10 Pfizer start-ups now lease space in the center at discounted rates. All 10 of the companies got state loans ranging up to \$200,000.

"Everybody, from the governor to the local business community and the legislature, their driving force was [saving jobs]," said Edward Antal, a former senior global director for clinical pharmacology at Pfizer. "I've got to think we benefited from that."

Antal is chief executive of Jasper Clinical Research & Development, a former Pfizer clinic that now operates as an independent business.

Originally earmarked for closing, the clinic's operations have continued without a hiccup. Pfizer has agreed to contract for services from Jasper for three years.

Two other Kalamazoo start-ups are getting lab equipment and technology from Pfizer, as well as possible contracts.

Pfizer spokesman Rick Chambers said the company's decisions about which start-ups to support "were based purely on a set of business principals and a complex review process."

"It was not because there were squeaky wheels involved," he said.

A blow to Skokie

In the Chicago area, Pfizer's decision to close the former Searle operations and lay off 1,500 came as a shock to Skokie officials.

"These are people who are very well-educated and make substantial contributions to our intellectual life, to our economy," said Mayor George Van Dusen. "These are jobs that are very difficult to replace."

Yet no single group stepped up to champion the scientists.

"A lot of people were trying to be useful," said iBio's Miller. "A lot of what happened was through the natural workings of the marketplace."

There is no official count, but former Pfizer managers estimate about two-thirds of the laid-off scientists left the Chicago area to work elsewhere for Pfizer or other companies.

A handful decided to start their own companies, but they weren't sure where to turn. Several called James Peters' office at the Chicago Technology Park, a state-supported incubator in the Illinois Medical District on the city's West Side.

"We did what we could with our resources," said Peters, director of the park.

The 56,000-square-foot incubator, about the same size as Kalamazoo's Innovation Center, has a waiting list for space.

Peters wrangled space across the street for two Pfizer scientists and managers, Michael Gralinski and Peter Senese, who incorporated CorDynamics Inc. in July. Their company offers specialty lab services to help drugmakers determine whether medicines are safe for testing on humans.

A third entrepreneur from Pfizer, Mike Schlosser, found space at an incubator in Evanston. His company, Midwest BioResearch, will offer specialty testing services starting Jan. 1.

There was no organization comparable to Southwest Michigan First to organize assistance. Instead, the entrepreneurs found help at an array of organizations, such as Illinois Technology Enterprise Centers in Chicago and Evanston, iBio, the non-profit Illinois Coalition and U.S. Small Business Administration offices.

"Help is out there, but you really have to work to find it," said Gralinski. "On the other hand, there's a heck of a lot of personal gratification in having to go out and do it yourself."

Similarly, Schlosser said he discovered "a very large entrepreneurial support group in Chicago, but it is still in its infancy. There's a lot of work they need to do, but they're on the right track."

Space in short supply

Lab space is another matter: There is simply not enough of it.

"If the city is going to compare itself to biotech centers like Boston, there has to be more lab space available," Gralinski said.

Ironically, Pfizer is shutting down 1 million square feet of lab space in nine buildings at the former Searle headquarters, which is on the block. The large campus was one of the few facilities in the world where researchers could take drugs from discovery through clinical trials to production.

"The lab itself, in a marketplace that has run out of wet lab space, is an enormous asset on which you could build out the region's biotech activity," said Paul O'Connor, executive director of World Business Chicago, a public-private economic development corporation.

Officials from the Illinois Department of Commerce and Economic Opportunity toured the facility in May at the urging of state legislators. Working with World Business Chicago, the department developed a script to help Pfizer market the property. Pfizer has hired CB Richard Ellis to find a buyer.

Dennis Vicchiarelli, the agency's deputy director of business development, is optimistic. "Clearly, if the market can solve the problem, we don't have to," he said.

Van Dusen said Skokie officials continue to have "lengthy discussions" with Pfizer, an important taxpayer. Pharmacia paid an estimated \$3 million annually in annual property taxes to the local school, park and library districts and the village.

"There have been a lot of ideas tossed around" for the former Searle campus, Van Dusen said. "One is the idea of a couple of incubators going in, but that's all been blue sky."

Property tax breaks would be essential to making an incubator work financially, and support from Pfizer would help, according to sources familiar with the facility. But Pfizer's first choice, and that of state and local officials, is to find a company to take over the majority, if not all, of the property, the sources said.

Meanwhile, no one has stepped up to champion earmarking a portion of the site for an incubator.

"It would not be unprecedented," said the Chicago Technology Park's Peters. "But in order for a project like that to work, you would have to have some type of sponsorship with a pretty substantial checkbook."