Executive Summary

The first Life Sciences Industry Analysis attempts to fill the gaps in publicly available data with much needed detail concerning the size, operations, and production of the life sciences companies in Georgia. The survey was sent to addresses identified by database searches, using the North American Industry Classification System (NAICS), and other publicly available sources. After this report was completed, however, additional companies were identified, and these will be included in future publications.

Although this analysis encompasses an overview of the life sciences industry and its components in Georgia, the discussion of survey topics pertains only to the companies covered. This report does not extrapolate survey results on the full spectrum of the life sciences industry in the state. The responses to the survey gave us a unique opportunity to have a closer look at the biotechnology, medical devices, and pharmaceutical manufacturing companies in the state, since relatively few medical and diagnostic laboratories were included in the survey, and very few surgical appliances firms responded. We hope that the subsequent editions of this report will include more companies, and provide a fuller picture of the life sciences industry in Georgia.

Most of the 108 companies covered by the first Georgia Life Sciences Industry Survey are involved in manufacturing and R&D in the areas of therapeutics and medical devices. Although close to a half of these companies were established within the last decade and employ between one and ten workers, nineteen companies have more than 100 employees, and fifteen firms report revenues of $50 million or more.

The 76 responding companies are even more focused on R&D, and their activities involve close ties to academic institutions. The companies in this group focus on medical devices, biopharmaceuticals, and platform technologies, and specifically target cancer, bacterial and viral infections, and inflammation, as well as neurological, cardiovascular, and reproductive conditions.

Although more than half of the 76 responding companies operated at a loss in 2005, this group also includes ten publicly traded companies, and six companies with incomes of $11 million or more. Most of them are intensely involved in raising capital, too. Over the years, however, as more products moved from final development and into the approval process, the sources of capital also shifted from founders, and family and friends toward partnerships, grants, and venture capital.

Although the life sciences industry as a whole constitutes only a small part of Georgia's economy, its 2001-2005 growth outpaced the rest of the state's economy by a wide margin. The increase was visible both in the number of companies and the size of employment. The life sciences industry not only added jobs in research and development, but also in manufacturing, which provides close to a half (44 percent) of the life sciences jobs in the state. Although some of the life sciences manufacturing sectors lost employees in the last five years, the largest of them—pharmaceutical manufacturing and surgical appliances and supplies—added jobs, which is a remarkable accomplishment given the heavy losses sustained by Georgia's manufacturers at that time. The fastest growth, however, took place in life sciences R&D, with biotechnology being the most prolific.

The industry also pays higher wages than the state average. While wages in private industry in Georgia averaged $39,506 in 2005, salaries in the life sciences averaged $57,683, with the highest being paid in biotechnology. The high wages benefit not only professionals, however. According to the Bureau of Labor Statistics, the average 2005 wage in pharmaceutical manufacturing in Georgia reached $77,104. Sales boomed,

too. Georgia's life sciences industry's sales increased by 32.2 percent between the 1997 and the 2002 Economic Census, and reached $4.5 billion in 2002. If these rates of growth continue, sales should reach $6.2 billion this year.

Fueled by several factors, the prospects for long-term growth of the life sciences industry are solid. First, the aging population creates the demand for new and improved medical treatments. Second, rising fuel prices generate an unprecedented interest in bio fuels. Third, the challenges posed by climate changes and by natural and man-made disasters call for new ways to raise crops and clean up the environment. Finally, emerging diseases and the continued threat of epidemics and bio-terrorism call for more research in and manufacturing of remedies and vaccines.

It is no surprise that the rapidly growing life sciences industry engenders intense competition among states. Within the last five years alone, biotechnology has become a highly sought-after industry for most states. For example, forty-four states currently are engaged in building life sciences R&D capacity (up from thirty-three states in 2004), forty-six states offer support to life sciences firms (up from twenty-two in 2004), and twenty-seven states make capital available (no data available for 2004).

Georgia actively courts this industry through research initiatives, funding for eminent scholars, support for life sciences business incubators and other facilities. But some serious challenges remain: the most vital of which—as the survey shows—is access to capital, and the shortage of skilled labor. While the availability of facilities and high salaries are a definite draw, the access to capital remains a serious challenge. Most of the companies surveyed are actively looking for business partners for funding. If the prospective partners are located elsewhere, the pull may prove to be stronger than the draw, and more successful, young companies may be lured away.

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