

# Positive effects on the Swiss economy

**Switzerland** is the leading biotech location in the world in terms of size and number of inhabitants. Experiencing another successful year in 2006, the Swiss biotechnology industry nevertheless faced some unexpected market developments.

Biotechnology has developed rapidly over the last 30 years. Today, it is a global industry with revenue of over CHF 80 billion and several hundred products brought to market in human medicine alone. In Switzerland, biotech industry has grown

example of current inter-disciplinary collaboration between the worlds of academia and business. As part of this initiative, and in cooperation with the Universities of Basel and Zurich, the Federal Institute of Technology (ETH) has founded the Institute for System Biology which enjoys strong support from private industry. Meanwhile, other incubators have sprung up in collaboration between the state and private industry – such as the Ecllosion Science Park in Geneva, The Scientific

Park in Ecublens, Neode in Neuchâtel and BioArk in Monty.

Located at the heart of Europe, Switzerland has direct access to the EU with its 450 million inhabitants. Practically all the important destinations within

Europe can be reached by air from Switzerland within about two hours. By signing bilateral agreements with the European Union, Switzerland has gained access at a political level to a pool of highly qualified personnel. Apart from its political and social stability and high quality of living, Switzerland also has an advantageous tax system: the maximum corporate tax rate of 21% is one of the most attractive in Europe. Nor should the relatively low administrative requirements and low social security contributions (non-wage labor costs) be overlooked.

Further, the Swiss Exchange (SWX) is the leading stock exchange in Europe for life science companies. More than a third of total market capitalization comes from companies in the biotechnology, medical

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into a serious branch of the Swiss economy thanks to the strong global presence of the Swiss pharmaceutical industry, available capital and excellent academic opportunities. In 2006, the domestic biotech industry provided more than 14,000 jobs and generated revenues over CHF 6 billion, as the Swiss Biotech Report 2007 published on April 3, 2007, shows ([www.ey.com/ch/biotech](http://www.ey.com/ch/biotech)).

### An environment offering attractive academic and conditions

The starting point of this success story is the excellent network of universities and colleges in Switzerland. Academic research has expanded its activities more or less in line with the industry's development. The national Systems X initiative is just one

technology and pharmaceutical sectors. The companies' performance is reflected in the SXI Life Sciences and SXI Bio+Medtech indices, which achieved growth of over 28% in 2006 and thus represented by far the best value of all market indicators worldwide. More and more foreign companies are also coming to the Swiss Exchange, with the aim of raising capital here. The most recent examples include the successful IPOs of Milanbased biotech Bioxell (in June 2006) and Newron Pharmaceuticals (in December 2006). Meanwhile, another Italian company (Cosmo Pharmaceuticals) went public on the SWX in March 2007.

Still, the industry is significantly affected by activities in North America, although Europe has become a strong player in its own right in this global industry. Proof of this can be seen in the almost 700 product candidates which were in clinical development at the end of 2006 (based on information from companies listed on the stock market only). Approximately 15% of these potential products come from Swiss companies, meaning that, in comparison with the rest of Europe, Switzerland is second behind the UK.

### “Big Pharma” is investing in biotechnology

The trend established in recent years of big Swiss life sciences players acquiring successful biotechnology companies is continuing. In 2006, Novartis finally took over all shares of Chiron and acquired the UK-based NeuTec Pharma for more than US\$ 550 million.

Lonza spun off its polymer business in Italy by listing it on the Milano exchange. Also, the company has acquired a number of production facilities around the world and



photo: Novartis

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started constructing some as well, in order to become a world-class business partner for the global biotechnology industry outside of Switzerland.

On the venture capital side, the positive trend continued in 2006. Large VC-based financing rounds were achieved by Addex and NovImmune from Geneva and ESBATech in Schlieren. Moreover, young startups, such as Oncalis in Schlieren or GlycoVaxyn in Wädenswil also, successfully closed first rounds of financing that will help them bring their research projects into clinical trials. Besides all of the big life sciences companies such as Novartis, Roche, Syngenta or Lonza that are heavily investing in biotech on a continuous basis, Switzerland has seen a steady development of mid-sized biotech companies into mature and important global biotech players. Furthermore, the Swiss biotech industry continues to complete licensing and cooperation agreements with foreign biotech and pharma companies. ■



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