

# Raising capital concerns

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Companies that will develop the next breakthrough technology for forest products or fish farms need access to funding - and they need it now.

A new study revealed Monday that access to capital is the No. 1 concern facing the biotechnology and life sciences industry.

The study, compiled by Pricewaterhouse Coopers and BIOTECanada, found more than half of survey respondents said raising capital will be their largest business problem in the next two years.

The survey's nearly 170 respondents, representing both public and private biotechnology and life sciences companies, employ about 5,000 people across the country, with revenues of \$2 billion.

These executives called on government to create more favourable tax incentives for investment and develop better taxation schemes.

The biotechnology and life sciences sector is broad and ranges from biopesticides to medical diagnostics, from marine biosciences to natural health products.

At the University of New Brunswick, for example, there are nine research centres that focus on biosciences.

While the global credit crunch has companies across many sectors scrambling to raise capital, life sciences and biotechnology firms are uniquely sensitive because they are largely in the early research and development phases, said Peter Brenders, president and chief executive of BIOTECanada.

"They are not selling product yet, so they need to see a new influx of private equity, private capital, angel investment, government support, or whatever they can get to help bring this great research into products for Canadians," Brenders said.

"This issue is important because the biobased economy is going to be the next wave of the economy; that's where all our future jobs are going to be in this country."

In New Brunswick, part of the problem may be attributed to a current focus among many researchers on fundamental, rather than applied, research, said Eric Cook, chief executive of the Research and Productivity Council in Fredericton.

Many researchers are more concerned with experiments that emerge from a scientist's idea, as opposed to research that responds directly to business problems, Cook said.

"Fundamental research originates from an idea and they go to the market to look for investors to commercialize and that is where you have people saying it's difficult to get capital and it's difficult to get investors," Cook said.

"Part of that is because investors weren't engaged from the very beginning. When the market identifies the problem, the private sector will outline what the needs are and what the solution needs to look like."

While the global credit crunch has not had an overtly negative impact on New Brunswick firms, according to anecdotal data, access to capital during this economic downswing is a critical issue, said Donne Smith, chief executive of the New Brunswick Securities Commission.

The commission is preparing an event in May, Full Sail, that is expected to bring together some of the top business minds in the province who will brainstorm new methods to bring capital to companies that need it.

"The challenge is to try to get entrepreneurs through this crunch, which will be some time before it's over," Smith said. "We have to keep working hard at it and encouraging all sectors, public and private, to come up with innovative ways to respond."

It's all about money. Why many researchers stay away from applied research. They can get much larger grants to do fundamental research. So either the federal government needs to put more into applied research, or companies need to branch out their R&D. But I've got to tell you, regarding this article, the term "biopesticide" freaks me out a bit.

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**NB insider, New Brunswick** on 21/04/09 07:54:00 AM ADT

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