

## LOCATION

# Biotech Business Parks: Strategies, Incentives, and Niche Markets

by Scott M. Wheelwright and Anurag Bagaria



Many Asian cities are building technology parks devoted to biological research and bioindustry. Biopolis in Singapore (above) is just one of a growing number. JTC CORPORATION (WWW.JTC.GOV.SG)

**T**he number of industrial business parks with an emphasis on biotechnology continues to expand. The question in many minds is how they differ and why a company would consider one park over another. As the competition between parks increases, the parks are increasingly drawn to differentiate themselves by particular marketing points. Particularly in Asia, the number of parks is proliferating and competition for resident companies is intense.

Some parks seek to be research hubs, others focus on development and manufacturing, and some try to be all things to all clients. In addition, different parks try to provide key services, such as basic infrastructure (the need for which varies by country location) and advanced infrastructure (such as housing, education, and transportation). All parks profess to partner with local governments to provide incentives for client firms: The financial benefits (real or claimed) are frequently the deciding factor for a company decision. The larger parks house many different industries; some parks are exclusively focused on life sciences.

## DETERMINING COMPANY NEEDS

Why would a company consider a facility located in Asia?

The most probable answers include

- lowering costs through a lower cost work force and outside support (such as government incentives)
- taking advantage of the capital that is flowing in Asia
- being closer to partners or clients
- diversifying risk by locating another facility elsewhere.

Having made (at least conceptually) the decision to open operations in another location, the primary question to ask is "Who do I need to be close to?" The answer to this question will play a major role in your selection process. There are several alternative answers.

**Investors** like to keep an eye on their investments. If your investors are in Asia, they may prefer to have you located near them. Investors are also well connected to the local business community and can provide contacts to vendors, suppliers, government authorities, and so on in their local area.

**Partners** are easier to communicate with if they are nearby. Several benefits accrue when we are located near to those with whom we work, including the frequent sharing of ideas, earlier awareness of issues, and increased trust through interpersonal interactions.

**Similar businesses** benefit from being in proximity. A common employee base is one example: employees like to have a choice of work places without having to relocate.

**Universities and research centers** are often a focal point for technology companies, because they provide collaborators, libraries, and intellectual stimulation such as through seminars and conferences for employees. Smaller companies in particular are unable to offer the variety of outside intellectual support that proximity to an education center can provide.

**Special technology** may be an important point. If your product crosses industry boundaries (for example, a therapeutic that works in conjunction with an optoelectronic device), you may benefit from being located near optical and electronics firms.

**Clients** proximity may be a driving force for your location. Testing laboratories, for example, may benefit from reduced sample transport if they are located near their major customers.

Another important question to ask early on regards preferences for country location. There may be significant motivation to locate in one particular country or region because of cultural or ethnic ties of current employees. Many locations have been selected based on the desire of the company founders to bring jobs and technology to their native land and to provide travel opportunities for employees.

Company executives may have language capabilities and business connections that provide an advantage for location in a specific country. These are legitimate reasons for selecting a particular area.

**Key Infrastructure Planning:** An important determination is the level of infrastructure a company needs. This is the same set of information you would put together for any planning exercise for programming of a new facility. Research, development, and manufacturing all have different needs and different levels of support. Smaller operations tend to need more support from a business park because the size of their operation does not justify the expense of running their own utilities, for example.

Larger operations may be able to save money by contracting directly with outside providers. Of course, one of the advantages of locating in a structured park, be it an incubator down the street or a industrial park across the globe, is that many services and support functions are provided that you do not need to obtain and contract yourself. Assistance is provided for assessing your space needs (laboratories, offices, manufacturing), expansion projections (whether you will eventually need to build a new space or expand an existing one), and current and future utility needs.

## FINANCIAL INCENTIVES — GOVERNMENT

Having then determined the region or country, the amount and type of space, and the level of support you need, one of the key decision factors will be financial incentives. As you evaluate each of your alternative locations, you should set up a spreadsheet financial comparison model and incorporate the incentives into your financial scenario for each business park. Here are some of the alternative financial components offered by business parks.

**Taxes:** When speaking of government incentives, it is important to recognize that different levels of government can offer different types of benefits. National government may offer relief from income and other business taxes; local government may offer relief from property and utility taxes. Your business park should help coordinate the many different government incentives. Taxes may be deferred, reduced, or cancelled. The incentive may last for just a few years or may be permanent. For example, many parks offer deferred income tax for five years; this is a benefit that is attractive to a manufacturer of consumer electronics, but is of questionable value to a biotech company that doesn't expect to have any profits within the first five years.

**Employee Training Credits:** Most local governments promote job growth in their local area. One way they do this is by providing a credit against government fees owed for each job created. Others provide cash to offset employee training. Governments recognize that the local community may not have workers with the exact job skills required by the relocating company and provide a monetary incentive to train local workers rather than recruit skilled workers from outside the area.

**Reduced Utility Rates:** Governments may work with local utilities (which are frequently government owned) to provide a discount on utilities such as water, electricity and waste water.

**Grants:** Some governments provide grants and other development incentives.

## FINANCIAL INCENTIVES — BUSINESS PARKS

**Reduced Land or Rent:** Whether the business park has acquired its property through government intervention or was started by property developers or for some other reason, many parks offer

reduced land lease rates or building rents compared with the open market in the local area. This incentive, coupled with the provision of infrastructure support, may be the deciding factor for many companies to locate within an organized business park.

**Capital Investment:** Occasionally business parks include investors who are interested in funding companies that move into their business parks. Although this usually includes sharing equity in the company, the investment may be sufficient to defray all of the startup and operating costs.

**Loans and Reduced Rate Loans:** Business park investors frequently include banks and other financial institutions that are in a position to provide financing to client firms at attractive rates.

## SPECIAL ECONOMIC ZONES

A special incentive is provided by the Special Economic Zone (SEZ), also known as a free trade zone. Certain business parks have obtained a government concession that allows them to operate with economic laws that are less restrictive than local government regulations. In particular, an SEZ is considered a duty free enclave that is not under the national rules for import and export. This means no license is required for import of capital goods and raw materials, and consumables are exempt from import custom duties. Further, many SEZs reimburse sales taxes on domestic purchases. Manufactured goods that are exported also are exempt from custom duties. If you are located in a country with high import or export tariffs, location in an SEZ has significant financial benefits.

A common model for an SEZ business park is inclusion of a shared facility incubator and an anchor firm, such as a major research or manufacturing facility. The latter provides assurance and validation that the business park is there to stay, and the former provides opportunities for the smaller firm to benefit from colocating in an economically growing and intellectually stimulating area.

## ADDITIONAL INCENTIVES

Business parks differ from each other in other ways as well.

**Assistance in Obtaining Government Support:** At a minimum, a business park should provide one-stop shopping

**Table 1:** Representative business parks, with area given in hectares (ha): One hectare = 10,000 square meters (1/100<sup>th</sup> of a square kilometer) or 2.471 acres

Country/City	Park Name	Area	Special features
China/Shanghai	Suzhou Industrial Park	28,800	Large park with full city-like infrastructure; includes a smaller free trade zone
China/Shanghai	Zhangjiang Hi-Tech Park	2,500	Two biomedicine zones with 300 ha concentrate on life science companies
Thailand/Bangkok	Thailand Science Park	4	Shared buildings for research and development total 150,000 sm, of which 635 sm is set aside for biotech
Taiwan/Hsinchu	Hsinchu Science Park	141	Contains 380 companies, mainly in semiconductors and electronics; 38 ha have been set aside for life science
Malaysia/Melaka	Actis Biologics	200	Strictly life science firms. Provides capital investment for companies locating in the park
Vietnam/Hanoi	Habotec	200	Biotechnology focused
India/Pune	International Biotech Park	45	SEZ focused on biotechnology
India/Bangalore	Biocon	36	SEZ captive to Biocon operations
India/Bangalore	Kemwell	12	SEZ biotech focused and open to other firms
India/Hyderabad	ICICI Knowledge Park	80	Public-private partnership (PPP) non-SEZ; one of the first and most successful biotech parks in India
Singapore	Biopolis	10	Multistoried buildings housing research and development for public and private entities

for interaction with government bodies and assistance with building permits, business licenses, and worker visas.

**Available Infrastructure Support:** A large and fully integrated business park will provide constant supply and sufficient volumes of conditioned utilities; that is, clean water, electricity of constant voltage and amperage, and wastewater treatment.

**Turnkey Facility:** Many business parks include facilities that are already fitted out as laboratories and offices. Small companies can move in without capital outlay. Such incubator spaces may include shared laboratory equipment such as purified water, autoclaves, and centrifuges that further reduce a company's capital investment for startup.

**Master Planning:** Business park development includes a master plan for the park developed by architects and engineers. The plan outlines the scope of the park and services provided. The services of these same architects and engineers, who are intimately familiar with the park design and construction, may be available to tenants for developing their green field sites. This means that much of the work in establishing a new facility has already been done, and a shortened timeline may be possible.

**Shared Technical Services:** Business parks attract service firms such as analytical testing laboratories and animal facilities. Government laboratories frequently locate within business parks.

**Human Resource Support:** Some business parks assist with personnel recruitment through a central human resources bureau. Others provide bus service and transportation to bring employees to the site in the absence of public transportation.

**Housing and Cultural Amenities:** Large business parks often include employee housing, shopping, and entertainment. The goal is to improve the quality of life for employees so that they can be more productive and enjoy their work. Large business parks may even include a university and hospital.

**Security:** Just as a gated community provides increased security for a home owner, business parks provide added protection of the facility from intruders. Business parks may also provide their own fire protection and industrial health clinic.

## EXAMPLES OF BUSINESS PARKS

Table 1 lists several business parks and their key features. The list is not intended to be exhaustive, but rather to provide a flavor of the various alternatives that are available in some of the countries of Asia. Readers are invited to submit their favorite location to the authors so that we might in the future publish a full list of business parks.

The decision to locate in a business park in Asia includes myriad factors that include both quantitative financial issues and qualitative business issues. Business parks in the Asian region number over one hundred, making the decision seem staggering at first. However, a number of criteria can be set in advance against which alternative locations can be evaluated. And there are standard incentives to be considered as well as special incentives offered through government programs.

Many countries and regions also have economic development boards that will help prospective clients compare and analyze alternatives, and many industry specialists are available to help. As with any business venture, there are many benefits and risks that provide challenge and opportunity. ►

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