

TESTIMONY TO THE COMMITTEE ON COMMERCE  
IN SUPPORT OF HB 5460 AN ACT ESTABLISHING A MODEL PLAN FOR  
EMERGING BIOSCIENCE AND PHARMACEUTICAL BUSINESSES IN  
SOUTHEASTERN CONNECTICUT

March 12, 2013

13

Senator LeBeau, Representative Perone, and members of the Commerce Committee, I am Jim O'Malley Owner Myometrics, LLC 216 Howard St New London, CT 06320 and I am submitting this written testimony in support of HB 5460 AN ACT ESTABLISHING A MODEL PLAN FOR EMERGING BIOSCIENCE AND PHARMACEUTICAL BUSINESSES IN SOUTHEASTERN CONNECTICUT.

I am a Neurophysiologist having obtained my Ph.D. at New Zealand's oldest medical school, the University of Otago, in 1989. After receiving my doctorate I was employed for seven years as a Postdoctoral Fellow at three US Universities; Columbia University, Cornell University and the University of Pennsylvania. While at those institutes I worked on understanding the relationship between the brain and muscle during early neonatal development. In 1998 I was hired by Pfizer as the founding disease area expert in their new muscle frailty unit. This was the first muscle unit formed in the pharmaceutical industry. For the next ten years our unit developed several new lines of safe therapies to treat muscle disease. In 2007 following a failure in development of an anti-cholesterol therapy, on which the future success Pfizer had been pinned, all many units including the muscle unit were shut down. Over the course of the next few years 75% of the people I worked with on the Groton site were laid off.

Faced with a shrinking pharmaceutical industry and nursing my wife who was dying of cancer I decided to stay in the region and form my own company. I rented space in an industrial park in Montville and equipped a modest laboratory with my own money and incorporated Myometrics in the State of Connecticut in late 2007. At first I was focused on developing new therapies for rare neuronal diseases such as Lou Gehrig's Disease and Huntington's. However it became clear quite early that obtaining the resources to develop these therapies would be very difficult. Therefore in 2008 I partnered with an ex-Pfizer colleague Dr. Tom Owen and switched the research to developing a new therapy for bone repair. As this project developed I formed a strategic alliance with a chemistry company, Cayman Chemical, in Ann Arbor Michigan who had hired a large number of chemists after Pfizer closed it facility there. The deal is one in which Cayman performs the chemistry and Myometrics the biology for an equal share in the drug. At the same time I moved the company from Montville to New London where I built a bigger facility in the Fort Trumbull area, again with my own money. By this point I had invested \$250,000 and received no assistance from the state. Over the intervening six years we have gone all the way to complete our drug discovery program and at the end of 2012 we were now positioned to advance to human testing. This next year will be entirely devoted to preparing the scientific and administrative package to present to the FDA a filing of an Investigative New Drug

(IND), the first step in starting human trials. To date the project has cost the Myometrics-Cayman consortium \$4 million. During this time we have received very little help from the State. However recently Myometrics was informed that it will be awarded a \$96k Small Business Express grant. That along with a \$15k SBIR matching grant won last year constitutes in total a 2.8% match from Connecticut.

## **Pfizer layoffs - Impact on the local community and the WARN statutes**

### Pfizer Layoffs

Pfizer Groton site employed over 5000 scientists at its height. This is more scientists than in the science faculties of Yale, UConn, and Wesleyan combined. A policy of firing and rehiring from other Pfizer sites in a repetitive cycle has resulted in the termination of approximately 7000 highly trained scientists during the period 2006-2012. This is an incredible 140% layoff.

Many of these people have remained in this area as unemployed or underemployed or are alternatively commuting to Boston on a daily basis. Some are even working as far away as Washington State, seeking temporary employment while waiting for a re-emergence of a pharmaceutical industry in this region.

The main impact this has had on the region is plummeting property prices and a stubborn persistence of chronic unemployment in the Southeast region

### WARN statute

The Worker Adjustment and Training Notification (WARN) Act is a federal law that relates to mass layoffs. If a company lays off either 500 workers or more than 33% of its workforce over a period of 30 days it is required to report a mass layoff. It is also required to give workers notice of the layoffs. Pfizer has fulfilled its WARN obligations with regard to warning workers and has paid out generous separation packages. In that regard they have completely fulfilled their requirements. However it has never reported a mass layoff. It has done this by laying off the Groton work force in waves that are separated by 30 days or more and do not exceed 500 workers or 33% of the total workforce. For example in 2007 I was laid off in a wave of 350 people. Forty five days earlier my management had been laid off in a wave of 250 people. Just these two waves alone cost the local economy \$60 million in lost salaries. Only once during this period has the number in a wave exceed 500 when in February of 2011 they announced a layoff of 1,200 workers (just below the 33% mark). The number of people who have been laid off is massive. Only Pfizer knows exactly how many and they refuse to tell the appropriate authorities. By holding back those numbers they are stopping Connecticut from receiving federal assistance that would otherwise be available to help this region. If Pfizer is receiving tax benefits or any other assistance from Connecticut I would hope that they will be put under pressure to reveal this number or lose those benefits.

## **Why has nobody noticed the layoffs?**

First: The voice of the unemployed has been ignored. In my experience, every time I have raised the issue of Pfizer layoffs, two lobby organizations that receive large contributions from Pfizer; Connecticut United for Research Excellence (CURE) and the Southeastern Chamber of Commerce have always stated that there is no crisis and that Pfizer is committed to staying in this region. Neither CURE nor the Southeastern Chamber of Commerce have raised the concerns of the people who have lost their jobs, in fact, they have done quite the opposite.

For example in June 2011 Tony Sheridan the CEO of the SE Chamber made a press release in the Norwich Bulletin saying "Pfizer is here to stay. We're trying to kill some of those (departure) rumors. We need to focus on the facts, not rumors". Additionally in the same press release he said "Pessimism about Pfizer's Connecticut future, including United Way of Southeastern Connecticut fretting about donations from its No. 1 contributor, is causing declines in property values in Salem and neighboring communities". Given that the persistently high unemployment in the area has depressed property values throughout New London County the choice of Salem is a strange one, except that after Stonington it is the preferred town of residence of senior Pfizer management.

Likewise CURE has also suppressed statements around Pfizer's workforce reduction and gone so far as to do the opposite. In 2010 (3 years into the mass layoffs) CURE awarded Pfizer the CURE Award for Excellence, for its investment in "multiple approaches to treating Alzheimer's disease.". In 2011 those projects were moved to Massachusetts when Pfizer laid off 1200 workers at Groton.

Even after the layoff of those workers when I said that it is probable that the Groton Pfizer site will close within five years, the CEO of CURE Paul Pescatello said "I think the pipeline will improve - and ultimately the 3,400 figure will grow," and when referring to the Groton site said "Its position in the Pfizer world is more secure...That kind of work can't be easily done by an outsourced group."

During this time all of the remaining workers have been transferred into two buildings and three months ago the site head at Groton announced at the Christmas party that tenders have been put out for demolition of half the site. I am still of the opinion that by 2016 it is unlikely that Pfizer will have a significant presence in Connecticut, if any.

### Second: Pfizer's NAICS code

The NAICS code is used by the Census Bureau for publishing statistical data related to the U.S. business economy.

Pfizer's NAICS code is 325412 - Pharmaceutical Preparation and Manufacturing. This is the standard NAICS code for large pharmaceutical companies. However it causes confusion when assessing jobs losses in the Southeast region. I suspect that the very valuable R&D jobs that are being lost in this region are being misinterpreted as manufacturing jobs losses instead and therefore not showing up as R&D jobs in any economic analysis of the region.

Third: the head count on the Groton site did not change at first. When Pfizer began its massive 75,000 worker reduction (150,000 worldwide) as a consequence of its mergers and acquisition activity it first did so by closing sites across the US. Some of those workers were relocated to Groton at the same time that the local workforce was being laid off. This resulted in mass layoffs at Groton but no change in the headcount. As a consequence there was no political response. It was not until very recently that the actual headcount at Groton began to go down even though from as early as 2006 hundreds if not thousands of people had their careers terminated with the resulting depression of the local economy that has occurred from that point on.

### **Governor Malloy's apparent position on regional biotechnology investment in Connecticut**

Since being elected the Governor has made no statements about the biotechnology industry in Southeastern CT except for comments whenever Pfizer goes through another shrink.

Here are a few quotes from the Governor:

#### **Statements saying that we need to invest in biotechnology**

##### **2/2/11 Pfizer announces 1,200 jobs cut - New London Day**

"My heart goes out to the employees who lost their jobs," said Gov. Dannel P. Malloy in a statement. "There is no clearer evidence that we need to get our economy moving again than witnessing a large Connecticut employer laying off their workers and moving their business elsewhere."

#### **But not in Southeastern CT .....**

##### **5/7/11 Governor Malloy - Hartford Courant**

"What we are talking about today," Malloy said, "is a different vision of the future, one which allows us to tap into the great work that's already been done on this campus, on the campus at Storrs and on the campus at Yale. In some sense we are creating our own **Research Triangle** in our little state of Connecticut."

##### **9/30/11 Press release regarding JAX deal**

"The Bioscience Connecticut initiative, launched earlier this year, will help link the state's bioscience and research facilities at **UConn's main campus in Storrs, its Health Center campus in Farmington and the work being done in this field at Yale and points in between.**"

##### **1/5/2012 Final agreement of the JAX deal**

"When we invested in bioscience, we knew we were investing in an industry that would pay dividends in the future," said Governor Malloy. "But the pace at which we were able to generate interest from a world-renowned research institute – which is what JAX is – speaks volumes about the potential that exists in our **research triangle**"

1/5/2012 Final agreement of the JAX deal - CT Post

"What we bring to fruition today and in the coming months and years as this project is built out, is an historic partnership between the University of Connecticut and Yale," Malloy said. **He said the state's new research "triangle" would run from New Haven, northeast to Storrs and southwest to the health center.**

**If Southeastern Connecticut is to get the assistance it is essential to increase the Governor's vision for the region.** I would also encourage him to be considering any investment here to be distinct from Bioscience Connecticut, for example either something new or a variant on First Five.

I think that by doing so the Governor can still embrace the new technology economy, this time from a perspective of re-firing the engine of the core technologies that still make up modern medicine while also responding to the Pfizer crisis. In this way the vision of Bioscience Connecticut is not altered and the two can exist side by side.

#### **DECD and Commissioner Smith**

In January 2010 I accidentally made a press release in the New London Day saying that DECD did not invest east of the Connecticut River. I had been at the Day posting a public notice as part of a Certificate of Need process that I was being forced to do for a piece of essential equipment I was importing into the state. I was in a bad mood with the state. This process had almost put me out of business and if not for the intervention of Representative Ritter I would be out of business. So I went up to the reporters section to vent off to Lee Howard about all the obstructions that had been put in my way by a disengaged and sometimes aggressive state bureaucracy. While up there I went on to complain that DECD was an unapproachable organization and didn't appear to care about anything east of the Connecticut River. I forgot I was talking to a reporter! That comment was on the front page of the paper the next day.

I was invited by Ron Angelo, who was acting as the interim commissioner until the governor appointed a new commissioner, to talk about what had prompted my statement. At that meeting I presented the case for a need for state help in the Southeast region. I also arranged a follow-up meeting in New London with the SE representative for DECD Peter Lent and the Director of the Office of Research and Industry Development Patricia Gillanders. At that meeting I showed them the working laboratory I had built in New London and the empty rooms at Avery Point that U Conn was calling an incubator. The point I made was that the TIP program was not meeting the needs of the emerging industry. I also volunteered my time to put together a team of industry experts to help them formulate a functional incubator in the region and contribute to the governor's election promise to build technology in Connecticut. They assured me that they were going to write the visit up in a report and the emerging companies along with the absence of quality

facilities would be included in the discussion around the plan that was coming out of the Governor's office. They got in their car and drive back to Hartford.....

About four months later the Governor's Bioscience Connecticut plan came out and it is clear that we were not even thought of when they were doing the planning. Not a single dollar of the plan was allocated to this region in any form.

I am pretty certain that there was no debriefing when Commissioner Smith was appointed.

Since being appointed Commissioner Smith has made no attempt to reach out to the startup companies in this region. She has however met multiple times with Pfizer executives and been hosted by the Southeastern CT Chamber of commerce. But in all those meetings nobody from the small list of emerging companies in this region were invited to attend.

Additionally, Commissioner Smith has made statements that Biosciences Connecticut investments will be confined entirely to the geographical region of the I91 and western I95 corridor as defined by the governor.

So two years later I can still say with confidence that DECD has still failed to significantly invest east of the Connecticut River.

### **Who should be involved?**

The pharmaceutical industry workforce possesses skills that are different from those found in the universities. Additionally, in New London County the UConn TIP program is unresponsive and dismissive of the local community. I predict that the TIP program will oppose this initiative.

My personal experiences with CI along with those also from this region leave me deeply suspicious of bias against this region. This is reinforced when looking at their practice of investing only in the I91-East I95 corridor. I firmly believe that their first action will also be to try stop this saying either that we are too inexperienced and naive or that there are no companies down here in which to invest.

DECD have been generally receptive but have demonstrated no follow up. However whenever they are confronted with the issue of the Pfizer layoffs and the need for assistance they always say they want to help. I believe this is true but they lack the local knowledge to come up with a plan. This local knowledge gap could be achieved by utilizing the local knowledge that seCTer (Southeastern Connecticut Enterprise Region) possess.

I think that seCTer stands out as an agency which is completely committed to this region and has the necessary internal skills to perform local economic development. While the day-to-day operations could be performed by seCTer, the output of the program could be overseen by DECD. This relationship between DECD and seCTer already exists and appears to be very functional. This way there is Hartford oversight with New London County local knowledge.

**What is the request?**

I would like to make a case for First Five style investment in the form of a \$10 million grant to seCTer for them to administer to companies in this region as a series of returnable grants. The return is the creation of 200 jobs within the next five years. Myometrics alone can be counted on to produce at least 50 jobs during that period. This would be smaller cost than all the other First Five initiatives with a return on the investment targeted directly to the companies that need it for growth.

The other science and technology people who are already involved in starting or growing small companies in Southeastern CT are committed to the area and such an investment would create a long term and diversified increase in the employment of highly skilled workers for the area. Additionally since there has still been no aid supplied to this region from either the state or federal government in response to the larger number of Pfizer layoffs, this investment would help mitigate the substantial impact they have had on many throughout Southeastern CT.

