

## Quango's £30m injection to cement Scotland as centre of stem cell research

WHEN Scotland's life sciences industry meets for its annual Thistle gathering in Edinburgh on Thursday, there will be yet another talking point for a sector that has staged a remarkable comeback in the past two years.

Scottish Enterprise and the agency's flagship ITI research initiative are planning to invest up to £30m in the controversial but promising area of stem cell medicine, which could one day be used to treat diabetes, epilepsy or Parkinson's disease.

Janet Brown, SE's managing director of industries, and Shonaig Macpherson, chairman of ITI Scotland, are looking at ways to support a stem cell medicine business which could support hundreds of jobs. Such a project would need funding beyond ITI Scotland's £450m 10-year budget.

That sum is split between three ITIs investing in life sciences, technology and media, and energy. Each identifies and funds research projects which are expected to create commercial technology.

Stem cell research would be an obvious investment for ITI Life Sciences as it is expected to lead to the creation of a new wave of medicines. But it is controversial, because it involves using cells which could otherwise have developed into animals or people.

Scotland is arguably the world's biggest centre for this type of research - home to the Roslin Institute, birthplace of Dolly the cloned sheep, Edinburgh University's Centre for Genomic Research, and Stem Cell Sciences (SCS), one of the few quoted firms in the industry anywhere in the world.

SCS last week signed a technology sharing deal with Edinburgh University which will speed up the process of developing cures for diseases.

Hugh Ilyine, SCS's chief operating officer, says: "There is a very good case for making Edinburgh a centre for regenerative medicine, rather than Cambridge or Oxford."

Simon Best, chairman of the BioIndustry Association and the former chairman of biotechnology company Ardana, says: "If Scotland chooses to support stem cell research, it could be the start of a global industry headquartered in Scotland. It is a very new industry and it will be a long time before new treatments are even tested, but the UK in general and Scotland in particular is ahead of the world."

SE is expected to dip into its reserves to back the project after settling a dispute over finance with ITI Scotland late last year.

Last year, ITI Life Sciences backed a £30m project known as Stirling Medical Innovations, a joint venture with Inverness Medical Innovations of the US. But sources at the ITIs were concerned that they would have to find all the money from their future budgets to pay for the project.

Three weeks after Scotland on Sunday highlighted the concerns, Brown told Macpherson SE would pay the £25m out of its own reserves .

That leaves the door open for a stem cell project on a similar scale. One way of funding such a

scheme would be to involve a large inward investor generating hundreds of highly-paid jobs for Scotland.

Scottish Enterprise chief executive Jack Perry has come under pressure to increase funding for the ITIs. Last year ITI Energy's advisory board wrote to him to ask for a 66% increase in each ITI's annual budget from £15m to £25m, according to a letter obtained by Scotland on Sunday under the Freedom of Information Act.

The board, which includes the head of venture capital firm 3i's operation in Aberdeen, Graeme Sword, warned: "We are convinced that ITI Energy is positioning itself well to secure outside funding, but we share their view that attempting to do this prematurely, off a low funding base and a very early stage portfolio, will significantly weaken their competitive position in return for gains that are, at best, very marginal."

Perry appeared to turn down the request for extra funding. "I see no prospect of an increase in the amount available under the funding contract until such time as there has been demonstrable and measurable value delivered by the initial projects."

The chief executive of ITI Energy, Tony Amor, quit four months after the letter was written amid suggestions that he had grown frustrated with the relationship with Scottish Enterprise. He was the third senior ITI executive to quit in 2005, following John Chiplin, the chief executive of ITI Energy, and Gordon Campbell, Macpherson's predecessor as chairman of ITI Scotland.

At the Thistle gathering of 2004, would-be biotech tycoons complained about a lack of funding for small firms, while the stock market was losing biotechnology firms.

Since then, though, four Scottish life sciences companies have floated with a total market value of £300m, led by ProStrakan, the skin and bone drug developer. On February 15, Optos undertakes a main market flotation that will value the Dunfermline eye care company at between £140m to £180m, while Cyclacel is due this quarter to join Nasdaq in New York through a reverse takeover of XCyte valuing the business at about £40m.

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Human Fertilisation & Embryology Authority  
<http://www.hfea.gov.uk/>

Cambridge University Stem Cell Institute  
<http://www.stemcells.cam.ac.uk/>

Comment On Reproductive Ethics

<http://www.corethics.org/>

European Consortium for Stem Cell Research

<http://www.eurostemcell.org/index.htm>

Institute of Stem Cell Research, Edinburgh Uni

<http://www.iscr.ed.ac.uk/>

Nuffield Council on Bioethics

<http://www.nuffieldbioethics.org/go/ourwork/stemcells/introduction>

Roslin Institute

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