

Biotech Company

The Canary Islands



Contents

1. The Canary Islands

2. Factors

I. Fiscal Incentives, Grants and Subsidies

a) Fiscal incentives

b) Grants and Subsidies

II. Communications and Infrastructure

a) International Airports

b) Technology or Business Parks

c) Broadband and WAN

d) Costs

III. Human Resources

a) Salaries

b) European Languages

3. Biotech sector

1. The Canary Islands

The Canaries are made up of seven major islands of volcanic origin located off the West African coast at a distance of some 1100 km from the Spanish mainland.

Their strategic location makes it possible for residents to enjoy an enviable quality of life, with a superb climate (the annual average temperature ranges from a maximum of 27°C in summer to a minimum of 15°C in winter), and a unique natural environment. The rich and varied vegetation of the islands and the beauty of the landscapes are the main attractions of the Canaries, making them not only the favourite holiday destination of the citizens of the European Union, but a luxury setting for the residents as they make it possible to combine to perfection business activity with the best options for leisure and relaxation.

GENERAL INFORMATION 2007/2008

Total area	7,447 km ²
Annual average temperature	Min. 15°C Max. 27°C
Official language	Spanish
Local time	GMT
Currency	Euro
GDP (millions euros)	43,480.328
GDP per capita	21,105 euros
Distribution of GDP by sectors:	
Agriculture	1.5%
Industry and Energy	7%
Construction	10.2%
Services	81.3%
Consumer price index	2%
Population	2,025,951
Population density	272 inhab./km ²
Number of tourists a year	12,813,179
Working week	40 hours a week
Minimum wage (2009)	624 € / month
Infrastructure:	
Airports	8 (of which 6 international)
Commercial ports	10
Marinas	12
Road network	4,261 km ²

2. Factors

I. Fiscal Incentives, Grants and Subsidies

a) Fiscal incentives

The Canary Islands have historically enjoyed a differentiated and stable economic and fiscal regime so as to compensate for the effects of being islands and their remoteness from Europe. They have a Fiscal and Economic Regime of their own created by Act 19/1994 on the Fiscal and Economic Regime of the Canary Islands, subject to Spanish legislation and fully **authorized** by the EU.

Fiscal incentives to business activity:

- The **Canary Islands Special Zone** (Zona Especial Canaria, **ZEC** www.zec.org): pays Company Tax at a rate of **4%** (instead of 30% under the general system).
- The **Reserve for Investments in the Canary Islands (RIC)**: permits a reduction of **up to 90%** of the undistributed profits in the tax base of Company Tax.
- **Exemption from Capital Transfer Tax (ITP) and Stamp Duty (AJD)** for the incorporation, extension and acquisition of capital goods by the company.
- Advantages of **Canarian Indirect General Tax** (Impuesto General Indirecto Canario-IGIC): a local tax with advantages in comparison with IVA (the Spanish VAT) such as a general rate of **5%**, not applied to certain goods and services such as telecommunications or the purchase of capital goods, as well as limitation due to volume of operation.
- **Up to 50% tax rebate** for the profit obtained from the sale of tangible goods produced in the Canary Islands.
- Two **free trade areas** from a total of five in Spain. The companies that are established in the Canarian free trade areas can also take advantage of the benefits offered by the REF.
- **Fiscal deduction for activities of R+D+i**, currently the most advantageous in Spain (Canarian regime up to 75% and the General regime up to 35%).

The current high rate of economic development in the Canary Islands is due in large part to the growth in the service sector, which has made it possible to generate an investment fund of about 4.5 billions euros deriving from the fiscal incentive, Reserve for Investments in the Canary Islands (**RIC**). Capital available for the creation of new viable investment projects, which favour development in those sectors that diversify the productive fabric of the Canary Islands and generate skilled jobs.

To this amount of capital generated by the investment reserve (RIC) must be added the Risk Capital Funds created in the Islands by private bodies or by autonomously managed agencies, together with the Regional Economic Incentives managed by the General Directorate of Economic Promotion of the Canary Islands Government. These incentives are European funds devoted to objective 1 areas for the promotion of business activity and reinforcing the development of the regions. The non-recoverable grants range between 25% and 40% of a minimum investment of 600,000€.

b) Grants and Subsidies

Type of subsidy:	Origin and/or programme	Activities and areas subsidised:	Maximum levels of subsidy:
CAPITAL SUBSIDIES	European Programme of Regional Incentives.	Creation, expansion, modernization and transfer of companies.	Up to 40% of the total subsidisable investment.
	CANARY ISLANDS GOVERNMENT	Creation, expansion, modernization and transfer of companies, energy saving, import of basic products, inter-island transport, quality, alternative energies, new technologies, textile processing, trade, overseas promotion, computer equipment, communications, tourism, agriculture and livestock.	Up to 40% depending on the business activity, number of jobs created and applied technological innovation.
TRAINING	CANARY ISLANDS GOVERNMENT	Training for the unemployed and for those in jobs.	Up to 100% of the eligible expenses by means of authorised bodies.
EMPLOYMENT	CANARY ISLANDS GOVERNMENT	Doctors, reorganization of working time, the handicapped unemployed, hotels and restaurants, tourism, construction, collectives with special difficulties of insertion, substitution of overtime, self employed and permanent contracts.	Discount of Social Security contribution of between 20% and 90% in the first year and between 20% and 85% the second year.
EMPLOYMENT	CANARY ISLANDS GOVERNMENT	Hiring of doctors, technologists and skilled technicians	Doctor: 28,488€ Technologist: 20,987€ Skilled technician: 20,987€ Micro-company: 100%. Small: 95%. Medium: 85%. Large: 50%.
RESEARCH AND DEVELOPMENT	PROFIT, Programme for Promotion of Technical Research.	Research and development: industrial, pre-competitive development, technological demonstration, international programmes and applied research.	Up to 50% of the subsidisable investment and costs.

II. Communications and Infrastructure

a) International Airports

The Canary Islands have an excellent airport infrastructure.

Airports	8														
International Airports	6														
Number of Flights a Week to Europe:	1,500														
Direct flight destinations:	40 European, 10 African, 2 Latin American, 1 to USA (Miami)														
Number of direct flights a week to:	<table> <tr> <td>467 United Kingdom</td> <td>29 Belgium</td> </tr> <tr> <td>448 Spanish mainland</td> <td>27 Italy</td> </tr> <tr> <td>334 Germany</td> <td>16 Austria</td> </tr> <tr> <td>45 Sweden</td> <td>15 France</td> </tr> <tr> <td>41 Norway</td> <td>10 Switzerland</td> </tr> <tr> <td>32 Denmark</td> <td>8 Portugal</td> </tr> <tr> <td>31 Finland</td> <td>633 Regional</td> </tr> </table>	467 United Kingdom	29 Belgium	448 Spanish mainland	27 Italy	334 Germany	16 Austria	45 Sweden	15 France	41 Norway	10 Switzerland	32 Denmark	8 Portugal	31 Finland	633 Regional
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448 Spanish mainland	27 Italy														
334 Germany	16 Austria														
45 Sweden	15 France														
41 Norway	10 Switzerland														
32 Denmark	8 Portugal														
31 Finland	633 Regional														
Duration of flight to a selection of cities:	<p><u>Europe</u> Berlin 4h 30m London 4h Paris 4h Rome 4h 20m</p> <p><u>Africa</u> Casablanca (Morocco) 2h Nouakchott (Mauritania) 2h Dakar (Senegal) 2h 30m Praia (Cape Verde) 2h 30m Cape Town (South Africa) (1 stop) 20h</p> <p><u>Middle East</u> Cairo (Egypt) (1 stop) 10h Dubai (1 stop) 15h</p>														



b) Technology or Business Parks

In the Canaries, there are a number of technology and business parks devoted to providing the best possible services to their users and promoting the creation of clusters. With reference to the ICTs, two technology parks should be mentioned in particular, both of which are members of the Spanish national network of technology parks and each one has its own characteristics.

ULPGC Technology Park

The first technology park in the Canary Islands, oriented to the development of ICTs. The objective of the park is to bring together the R+D of the university in the area of ICTs with that of the private sector, facilitating the structures of both offices and of laboratories and staff.

Area: 10,000m²

Services:

Offices, Use of existing laboratories
Security, Cleaning
Reception

Centre Locations:

University Institutes:

IUCTC (University Institute of Cybernetic Sciences and Technologies) - Tafira.

IUMA (University Institute of Applied Micro-electronics) - Tafira.

IUSIANI (University Institute of Intelligent Systems and Numerical Applications in Engineering) - Tafira.

Centres of R+D+i:

CICEI (Centre of Innovation for the Information Society) - Tafira.

CIDIA (Instrumental Centre of Chemistry and Physics for the Development of Applied Research) - Tafira.

Research Groups:

Thermodynamics Laboratory - Tafira.

CAFMA (Laboratory of Analytical Control of Environmental Sources) Tafira.

ICT Companies

Price/ m² : 6€

Tenerife Cabildo Technology Park

It arose with the aim of encouraging the ICT sector on the island of Tenerife and supplying infrastructure to companies which are benefiting from the first Neutral Network Access Point (NAP) directed to Africa and located on this island. A number of multinationals in this sector have asked for space in the park to expand their activities on the island.

Area: 630,000m²

280,000m² in Santa Cruz (Cuevas Blancas)

350,000m² in Granadilla

Services: Those of a scientific and technological park: management of the flow of knowledge and technology between the university, the research institutions and the companies both inside and outside the park, assistance to the creation and growth of

innovative companies, space and high-quality installations. The wealth of projects involving the innovation culture and competitiveness of companies and institutions that generate knowledge installed in the park or associated with it is promoted.

Centre Locations: Under application (mostly departments of R+D+I of companies).

Price m2: To be determined

c) Broadband and WAN

The Canaries are currently connected with Europe and America by a number of underwater fibre-optic cables, as well as wide coverage by satellite (5 satellites) covering Africa and South America with great visibility from the Canary Islands.

In 2008, the first Neutral Network Access Point (NAP) directed to Africa will start to be operative, for which the location is Tenerife. This project is executed by Terramark Worldwide

Mobile coverage	99%
Km of Optic Fibre	50,000 km
Operative ADSL WIFI zones	90
Digital Telephone Exchanges	660
Broadband coverage	Population 92% Territorial 62%

Source: Telefónica Canarias 2007

d) Costs (offices,...)

It should be mentioned that the Canarian Indirect General Tax (Impuesto General Indirecto Canario - IGIC) is charged at a rate of 5% and replaces IVA (16%) which is valid elsewhere on Spanish territory. Among the exemptions from IGIC, the hiring and payment for telecommunications services is included.

Average cost per m²	1,750 euros
Average cost of Water	1.65 €/m3
Average cost of Electrical Energy	0.08 €/Kw
Average cost of Petrol (max.price)	Super: 0.946€/l Unleaded 95: 0.680€/l Unleaded 98: 1.021€/l Diesel: 0.974



III. Human Resources

It should be emphasised that it is also possible to design and execute staff training courses specifically for the company with public funds, if it is considered to be a high-interest activity.

a) Salaries

In 2008 the general salary cost per worker and month in the Canary Islands was 2,039.62 €, in comparison with the Spanish average of 2,309.87 € (Madrid: 2,782.73 €; Barcelona: 2,449.11 €)

Breakdown of salary cost:

Total salary cost	Salary cost	Other costs	Cost of non-salary benefits	Cost of obligatory contributions	Subsidies and allowances of the Social Security
2,039.62	1,479.80	559.83	93.42	480.80	12.88

b) European Languages

The Canaries stand out for their openness to the world deriving from the service sector and mainly tourism over the last few decades (approximately 13,000,000 holidaymakers in 2006). For this reason, learning languages is totally normal in the Islands.

Here are a number of figures in this connection, particularly the number of bilingual schools and of foreign residents in the islands:

Number of bilingual schools:

- 7 German schools
- 16 British schools
- 1 American school
- 2 Swedish schools
- 1 Norwegian school
- 1 Japanese school
- 3 French schools

Residents from the EU: **142,765**

3. Biotech sector

The biotechnology sector is considered as a strategic sector for the development of the Canary Islands knowledge based industry. The regional government together with universities, and other public institutions, are committed to its development. In the questionnaire annexed there is a list of the R&D centres, universities, and other public institutions involved.

The private sector is represented for companies involved in different areas: biomedicine, cosmetics, agriculture, algae, etc.

In the field of biomedical research, there are R&D groups working in many areas including: molecular genetics, genetic and clinical epidemiology of cardiovascular diseases, emerging and tropical infectious diseases, diabetes, genetic determinants of antimicrobial resistance in pathogenic bacteria, and environmental and drug-induced allergies. The biomedical research of the islands emphasizes the integration of clinical, academic, and market elements – different institutions in the islands develop interdisciplinary collaborations, giving the Canaries a proactive role in the Spanish sector.

Research in aquaculture includes studies on digestion, absorption, transport, and utilization of different nutrients while also incorporating different approaches such as histology, enzymology, genetics, and immunology among other things. Studies in nutritional requirements are also conducted. These nutritional studies have allowed us to patent different formulas in larvae studies and develop micro-diets that substitute the high-cost processes associated with live foodstuff in larval nutrition.

The cultivation of seaweeds, whose potential applications can be used in cosmetics, nutrition, health care, personal care, manufacturing, and agriculture, is another sector to be considered as an investment opportunity. This activity is supported by the experience of university groups and the arrival of private investments. The Canaries has one of the largest micro-algae cultivation and processing plants in Europe, building an ideal platform for R&D activities and the production of these organisms.

- *Almost 50% of public research in the Canary Islands is related to biotechnology.*
- *The Canary Islands can be considered a macro-laboratory with enormous reserves of natural resources and one of the richest biodiversities in the world.*
- *The cultivation of seaweed is another realm considered as a potential area*