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Drug regulator slammed over 25-year lease

Taxpayers left to foot the bill if EMA has to leave London

THE EUROPEAN MEDICINES AGENCY looks set to be forced to abandon its London headquarters despite being locked into a 25-year lease on its building—leaving the public to shoulder the costs of breaking the lease.

The lease commenced on 1 July 2014, for the first ten floors of a 24-floor, 50,000 square metre building in London's Canary Wharf. It does not include a tenant break clause, meaning that there is no inbuilt mechanism for the agency to negotiate an early exit.

The EU drug regulator signed a version of the document when it agreed to pre-let the premises in August 2011. But the start date of the lease came long after David Cameron's widely-heralded pledge in January 2013 to hold an EU membership referendum, if the Conservative Party won the 2015 general election.

Critics say that it might then have been prudent for the EMA to negotiate a break option into the agreement. The total cost of the lease is undisclosed but, on the basis of prevalent market rates for similar properties, may run to around £250 million (€290m).

In a statement to *Research Europe*, the agency said: "EMA signed the agreement for lease of its current office building in 2011. This is a typical pre-let agreement for office developments where the length of the lease was agreed as a package together with other terms, such as the creation of a bespoke building tailor-made to EMA's specific business requirements." The agency declined to comment directly on the lack of a break clause in the lease.

The European Banking Authority, which oversees EU bank policy and stress testing, is in a similar position but its lease—with the same landlord—includes a break clause. The banking regulator moved into its Canary Wharf premises on a 12-year lease in December 2014, with a break option after six years, in 2020.

The EBA's early departure will incur a penalty payment of about €3m, equivalent to 16 months' rent, according to a note circulated to the European Parliament's Committee on Economic and Monetary Affairs on 12 December.

Given the lack of a break option in the EMA's contract, and the fact that its offices accommodate 890

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staff—against the EBA's 150—the drug regulator's early exit would probably come at a considerably larger cost.

"If the EMA has to move, and incurs significant costs because there is no break clause in the lease, this will be yet another unforeseen cost to be picked up by the taxpayer," Daniel Zeichner, Labour MP for Cambridge, said.

"These are clearly extraordinary circumstances but taxpayers will wonder why no contingency plans were in place and if they'll now be left with a hefty bill," said John O'Connell, chief executive of the UK's TaxPayers' Alliance.

If it has to relocate, the EMA faces three options. The first would be to sublet the building as a whole or in parts. The second option would be to assign the lease to a third party, which would also require a willing tenant and incur a significant cost. The third and most expensive option would be to do a deal with the landlord to terminate the lease and return the property.

Unlike the EBA, whose chairman said in June 2016 that it would relocate in the event of Brexit, the EMA has not confirmed that it will move. Fernand Sauer, who was involved in creating the EMA in 1995 and became its first director, said in November that the agency could potentially stay in London in the event of a soft Brexit.

But prime minister Theresa May's announcement that the UK will leave the single market and negotiate a "clean break" with the bloc now makes such a possibility seem even more remote.

Guido Rasi, executive director of the EMA, has said that his agency is already struggling to recruit staff and has been hit hard by the resignations of seven senior executives.

The agency has given no indication of who would pay for its relocation. "Our bureaucrats must be smarter when drafting future contracts," O'Connell said, "so that taxpayers are not left with extortionate bills when agencies have to move."

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