

Canada's Big Pharma fails to stand by promises

By AMANDA BALTAZAR

For seven consecutive years, brand-name pharmaceutical companies in Canada have broken their promise to invest 10 percent of their Canadian sales in research and development in that country.

Reinvesting this money was a commitment made by branded drug companies when the government increased their patent protection in 1987. Last year these companies spent just 8.3 percent, or 1.325 billion in Canadian dollars (US \$1.311 billion).

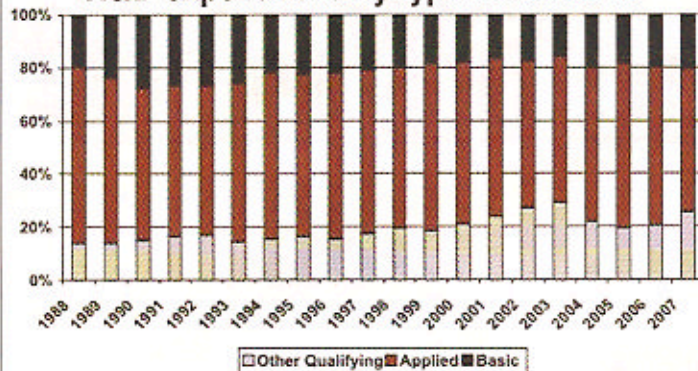
In contrast, the generic industry, which constitutes just 21 percent of sales in the Canadian market, spends approximately C\$615 million annually on

research and development in Canada. In fact, Apotex, manufacturer of generic Plavix and Paxil, is the largest R&D spender among all pharmaceutical companies in Canada. Last year the Toronto-based company spent C\$179 million on R&D, or 17.6 percent of its sales.

Given the proximity of the United States, Canadian companies could easily import drugs from their southern neighbor, but Canadian government officials welcome the branded companies because they see them as essential to driving R&D in the country.

A recent report, from

R&D expenditure by type of research



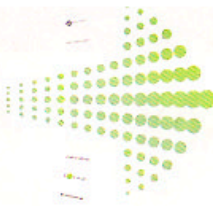
Source: Patented Medicine Prices Review Board – Annual Report 2007

Patented Medicine Prices Review Board, which monitors the prices of patented medicines and R&D spending in Canada by brand-name drug companies, also shows that the drug companies are not spending their money in satisfactory avenues.

Just 2 percent of the 8.3

percent spent is being used to find new cures, new molecules, etc., explained Jim Keon, president of the Canadian Generic Pharmaceutical Association—the remainder is spent on applied research, including clinical trials, bioavailability studies and drug regula-

CONTINUED ON PAGE 74



LEGISLATIVE/ REGULATORY REPORT

Big Pharma

CONTINUED FROM PAGE 72

tion submissions.

"Canadians should be leery of the deal the government

made. When you break it down, only a very small percentage of that money is going into basic research, [such as] finding cures for diseases," Keon said.

"The data is very clear," he added. "Twenty years of government concessions to Big Pharma have not resulted in the investments that Canadians were prom-

ised when the Mulroney government first increased Big Pharma monopolies in 1987."

According to the CGPA, last year Canada's 8.3 per-

cent R&D spending relative to its sales ratio was one of the lowest in the developed world, with only Italy (6.8 percent) coming in lower. Ratios in other

cent R&D spending relative to its sales ratio was one of the lowest in the developed world, with only Italy (6.8 percent) coming in lower. Ratios in other countries were well above Canada's, with the United States at 18.6 percent.

Compounding the displeasure of the CGPA and PMPRB, of 20 new active substances introduced by branded pharmaceutical companies in 2007, only three were classed as Category 2, which the PMPRB defines as "one that provides a breakthrough or substantial improvement." Most, in fact, were Category 3, which it defines as providing "moderate, little or no therapeutic advantage over comparable medicines."

The pharmaceuticals situation in Canada is not looking rosy. Earlier this summer, the government finalized and passed regulations to extend patent protection for branded drugs, which will further delay the approval of generic drugs here—bad news for generic manufacturers, Canadians needing access to drugs and the provinces that pay for them.

The changes mean that brand-name drug companies can reinstate drug patents and hold multiple patents on each of their products. This practice of "evergreening" is, however, considered mostly a delaying tactic against lower-priced generic drugs.

Consequently, CGPA and its member companies are examining whether they can challenge the regulations and take the government to court, something that's expected to be decided by the end of August.

"I think the brand-name pharmaceutical companies are a juggernaut everywhere," Keon said. "What we're trying to do is stem the tide. We think ultimately people will realize that you can't allow everlasting patent protection, and people will ultimately come to realize this is a big issue."