

Competitiveness and Investment criteria

The pharmaceutical industry is facing difficult challenges in its global business environment, requiring companies to fundamentally re-think their strategies, approaches to the market and investment decisions. Globalisation of markets, the ease of global communications and the existence of an increasingly international and mobile pool of scientific and commercial talent mean that companies can serve more markets from fewer locations. Companies have greater choice than ever before when deciding where to locate new investments and we are operating in a challenging, turbulent environment where there is increasing pressure to contain costs. These are all factors driving current global investment decisions.

Cost-containment policies, the emergence of new customers around the world, and shortening product life cycles are altering the economics of the industry. The need to invest heavily in new R&D technology platforms and the ever-increasing cost of clinical research and regulatory hurdles add to mounting cost pressures. These factors are driving pharmaceutical firms to take a much closer look at what each locale offers in terms of access to required skills, proximity to technical partners, attractiveness of local market conditions, operational costs, and taxation rates. Location decisions are increasingly taken from the perspective of their effect on the overall competitiveness of the global company.

Governments can have a major influence on investment decisions made by the industry and thereby on the contribution made by the industry to the local economy. It is against this background that new national partnerships between industry and governments must be formed to develop a better mutual understanding and develop solutions that benefit both partners.

Key Criteria for Investment

1. High quality local science and clinical research base

Availability of scientific research skills and infrastructure, together with a high quality research base are key factors in influencing R&D investment decisions. Specifically, a company will be seeking:

- An adequate supply of skilled scientists and other technical personnel arising from sufficient able pupils studying science and going on to pursue a career in science.
- A high quality and relevant science base, including centres of world-class research in universities allowing collaboration between industry and academia.
- Access to new ideas and technology through links with SMEs. Large companies are increasingly looking to R&D partnerships as a way of sharing costs, accessing new ideas, and reducing the time to market for new products. The most attractive location for investment would have a critical mass of competitive partner organisations.
- Clusters of pharmaceutical firms, research and training institutions, suppliers of key inputs (e.g. software), venture capital providers and other related entities are important to facilitate linkages and partnerships critical for industry competitiveness. In countries of a

similar size to the UK, for example, caution should be taken not to dilute this by creating too many clusters on a smaller scale.

2. Attractive commercial environment for innovative medicines and vaccines

- To attract investment, a location requires a stable, steadily growing market that offers substantial size and encourages competition. Governments must adopt a strategic approach to the industry and avoid 'knee-jerk' actions that create unpredictability.
- Early adoption of new innovative medicines and vaccines is key, allowing fast access to patients.
- Pricing and reimbursement models should recognise and reward innovation and consider the value provided by a medicine or vaccine, rather than just the cost. These models should also recognise the social, economic and technological contribution provided by the industry to the country in terms of employment, industrial investment and research.
- It is important that high quality information is available to healthcare professionals and patients from a range of different sources to enable clinically sound judgements to be made on the basis of quality, efficacy, clinical-effectiveness and cost-effectiveness.

3. Supportive regulatory environment

- An effective and efficient regulatory framework that allows timely review and early adoption of new medicines and vaccines is essential.
- Regulators should work with industry to understand and embrace new technologies used in the discovery and development of new products and the new challenges to the regulatory approval process they create.
- Whilst patient safety is paramount, regulation of clinical research should be competitive, allow quick start up of clinical trials and facilitate rapid patient recruitment.
- A focus on better regulation, to ensure regulations are clear, evidence-based and proportionate, will also encourage investment.

4. Regular industry/government partnership and dialogue

- A sophisticated and explicit form of partnership and regular dialogue between industry and governments is important. In addition, an integrated approach to government policy and actions, which brings together healthcare regulation and industrial policy, is likely to be most effective. A good example of this is the Office of Life Sciences, formed in the UK in 2008 to help bolster the life sciences industry.

5. Providing an attractive fiscal and economic climate

- The existence of stable and attractive local economic conditions is key. Steady economic growth, stable inflation rates, low and stable interest rates, open and outward looking markets, with deep and enduring economic linkages with the rest of the world are all important.
- Financial incentives such as the rate of corporate taxation and any additional incentives that are provided are important. In addition, favourable planning regulations and a good transport infrastructure are needed.

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- Value for money is also taken into consideration in terms of head count and facilities, costs and maintenance.

6. Strong legal framework for intellectual property

- Enforcement of international patent protection and registration data exclusivity to reward innovation and allow funding of R&D in an era of escalating technology development costs is a key factor.
- In this respect, the lack of effective patent and data protection for pharmaceutical products in many emerging nations remains a key challenge.

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