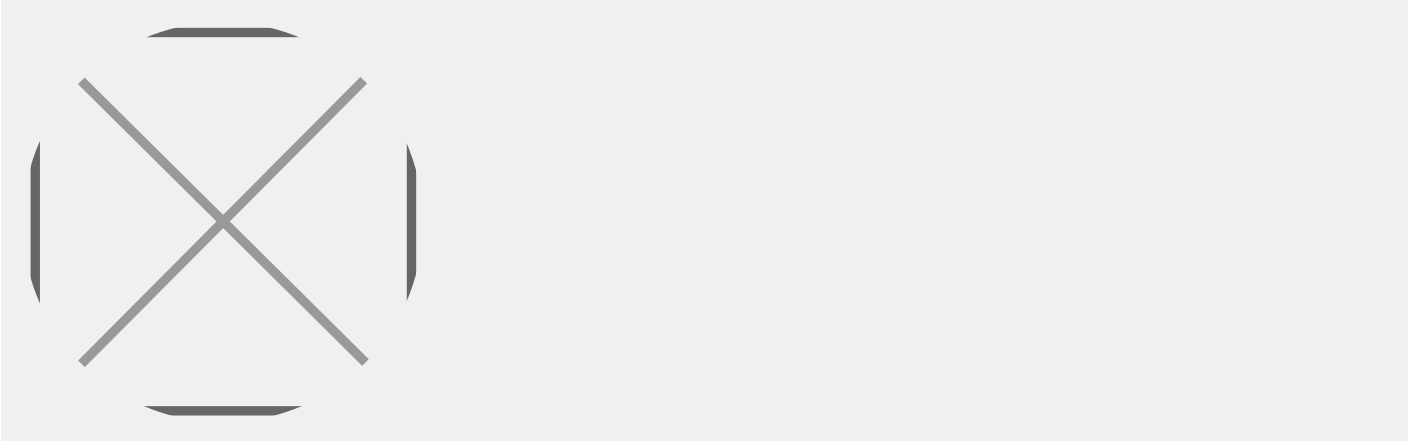
Interview: Glenn Washer, Corporate VP, Preclinical Services, Charles River Canada



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Charles River is the fifth largest CRO globally and the Canadian affiliate is the largest preclinical organization worldwide. Glenn Washer talks to us about the environment for contract research in Canada and the competitive advantages this offers the company in being able to provide a wide range of services.

You have worked for Charles River for a number of years in a variety of different positions. What were the biggest challenges in moving from Site Director to Corporate VP of Preclinical Services?

I am responsible for Canadian operations in Montreal and Sherbrooke, and there are approximately 1300 employees in these locations. I also have responsibility for pathology sites in North Carolina, Maryland and Illinois and Pennsylvania. Working across all these locations allows me to maximize offerings to clients. This is particularly evident in Canada, where Charles River is one of a comparatively small number of CROs, servicing both global and Canadian-based companies. By leveraging our sites' expertise in Canada and at our other sites, we can better serve our Canadian clients. As a large multi-functional site, Charles River Canada offers a wide range of drug development expertise. It is essentially a one-stop shop for everything from early discovery to preclinical studies that support clinical trials, through Phase III and beyond. In this role, I have been able to bring together all these different elements to provide robust drug development services to clients.

Partnerships between big pharmaceutical companies and global CROs sometimes result in the downsizing or disappearance of local CROs. In what way can big CROs work collaboratively to ensure the marketplace is not dominated by a few companies?

In the last few years, it is not just small CROs or pharma that have been affected. Large CROs also went through some tough times, and had to downsize as well. However, Charles River has been in a hiring and growth mode more recently. Large CROs including Charles River can offer collaborations with small companies as well as large companies. It would be a misconception that Charles River only caters to global pharmaceutical companies. We tailor our solutions to meet our clients' needs when navigating the complex drug development process.

In the preclinical field, despite difficult periods, very few companies have disappeared. They have been downsizing, but within the Canadian marketplace of CROs, they still exist. Charles River collaborates with them, and brings support services to some of the smaller niche players. So in fact, Charles River actually supports smaller CROs by taking on subcontracts of portions of the work that they cannot perform, helping to maintain a viable marketplace for smaller CROs. Charles River also actively collaborates with local universities, some of which are developing incubators for small companies to develop capabilities.

How have accreditation processes for preclinical studies in Canada helped Charles River?

In 2009, the government set up a regulatory oversight that now mandates that companies claiming GLP compliance have to be accredited, which is essentially a licensing. That is consistent with what Europe is doing, and Canada complies with the same GLP guidelines of European countries. This is mandated by the Standards Council of Canada (SCC), which audits companies wishing to be accredited on a two-year cycle. Charles River Canada has been through three cycles, and accredited and licensed three times. Prior to that, Canada was criticized for not having a regulatory body and the Europeans in particular were very critical of that. They started to slow down acceptance of studies performed in Canada because of their concerns over accreditation. For the last several years that issue has essentially disappeared, at least in the preclinical domain.

Is there a reason that Quebec was chosen for the Canadian affiliate as opposed to Ontario, which also hosts a number of CROs as well?

The Canadian affiliate of Charles River was established in 1965 in Quebec as Bioresearch and went through various ownerships. Over time it became a pre-eminent facility, which Charles River saw the value of and acquired a number of years ago. The advantage of being in Quebec is that the

facility is close to several world-class universities, several teaching hospitals, and a veterinary school. This provides many networking opportunities to help develop capabilities and collaborate. Quebec also has a tax credit program for research, which augments the federal research credit. Together, this makes for a very attractive opportunity to undertake research in Quebec in particular. On top of that, you have the fact that there is a strong college base for developing technical staff in the life sciences domain throughout the province, both in Montreal and Sherbrooke.

Charles River has expanded dramatically throughout its history, starting from a room full of rat cages in Boston to a fully-fledged CRO operating worldwide. As the largest preclinical organization in the world, what is the strategic importance of this affiliate in terms of the organization's overall strategy?

Given its size within the organization, the Canadian affiliate is the largest single portion of the Charles River preclinical entity and provides the broadest range of specialty capabilities. Charles River Canada offers high-end specialty research related to bone, high-end technology for imaging, and laboratory bio-analysis support using the latest LCMS and UPLC systems for drug analysis in blood, tissue and formulations. This site has developed high-end expertise in ocular research, which allows for quantifying changes in the retina using electro-retinography technology, and its pathology support area is the largest in the world in terms of a single site by breadth of capabilities and depth of scientific expertise. Clients come to Charles River because they know they can undertake an entire program within one organization.

How have Charles River's deals such as the acquisition with Vital River in China and partnerships with Bruker, AstraZeneca and EMD Millipore played a key role in the development of the Canadian affiliate?

Some deals affect Charles River Canada only minimally; others affect the company more broadly. As these different acquisitions have come on board, Charles River is able to pick and choose the elements that will contribute to clients' success. That is the advantage of the Charles River organization. As we integrate different capabilities, a client will discover that not only can they get the support from one site, but can also then branch out and obtain support from other sites.

What added value have partnerships of Charles River Canada brought to the affiliate?

Partnerships allow niche players to continue to be involved in the industry, especially when they simply cannot afford to develop their capabilities on their own. Some of these high-end specialties that Charles River has were developed over many years, investing capital and time. Smaller

players simply could not afford the money or time to provide the same capability. By working with Charles River, niche players receive support and provide flexibility for clients.

In terms of collaborations with academic institutions, there are a number of those ongoing. The benefit to institutions is that it gives them financial support by taking on work that we can funnel to them. It allows researchers to continue their work and develop new capabilities while at the same time allows us to draw on expertise that we might not be able to financially justify but leverage when the need exists. We have some exciting developments with MRI and PET imaging that will allow the company to expand its capabilities in that domain in terms of high-end scientific expertise.

What makes Charles River the partner of choice for preclinical research in Canada?

Although the industry in general saw a decline during the recession, Charles River continued to strategically invest in technology and scientific expertise during that time period. As an example, we invested in IT infrastructure, knowing we could differentiate ourselves by offering clients IT resources through which they could access and analyze their data. We also provide clients access to data through portals and specialized data analysis tools, which is something few other preclinical research organizations in Canada offer.

What would you like to achieve for Charles River in the short to medium term, as a flagship CRO in Canada?

An exciting area that the company is expanding is early discovery. Throughout the organization, Charles River has an extensive range of discovery capabilities spread over different locations, many of which are here in our Canadian sites. The company is at the beginning of bringing that together into something that can be more comprehensively promoted to clients. With respect to its Discovery Services, Charles River has been a lesser-known entity in certain respects, but not because of lack of capability but rather because the company has simply not been aggressive in presenting its Discovery services to clients. In four to five years, I expect that clients will routinely be talking about Charles River Discovery Services, not just preclinical.

The life science industry in Canada, as elsewhere, has been through some difficult times but I really see growth opportunities coming. We have been experiencing it ourselves, and are seeing a greater volume of interest and demand from clients in Canada and elsewhere. There has been a return of investment funds in Canada and Quebec and I look forward to future growth in Canada and beyond.

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