Interview with Chernporn Tenganmuay, President, Thai Pharmaceutical Manufacturers Association

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TPMA is the main association bringing together the local manufacturers in Thailand. What do you consider to have been the main milestones and achievements since your inception?

We haven’t reached any milestones yet. Our first milestone will be to open and free the pharmaceutical market in Thailand by breaking the monopoly of government on the industry. Government is in a privileged position in the Thai pharmaceutical market and local industry cannot develop while the government is still our competitor. As of 2015, with the completion of ASEAN integration, the opportunity will arise for the member countries to emerge as an open market for all. We are expecting the free market conditions to apply by 2015 throughout ASEAN and Thailand, as well and as necessitated by the policies, Government Pharmaceutical Organization will have to abandon its special privileges over the market. However, if we wait until 2015, it will be too late for the local manufacturers to be able to adjust themselves.

Nevertheless, we keep up the fight to open up the market earlier.

What share of the market do local manufacturers represent in terms of volume and what are the main growth areas for the pharmaceutical industry in general?

There has been little change in the market share in the last decade. The market is dominated by generics in terms of volume. The new medicines are coming up and showing good efficacy over the old generics, and we still have to import a lot of products. Despite the fact that Thailand is a very

open market, there have not been many investments made by the multinationals. There are two main international contract manufacturers and multinational are just re-packing or contract manufacture through these two main companies. It is very hard to talk about any local success stories coming out of Thailand due to the dominant government policy. However, the revival of the 30 Baht Universal Healthcare Scheme as proposed by the newly elected government will create a big opportunity for the local industry volumewise. There has been many government tenders and for this reason, the local manufacturers have been growing very fast for the last 5 years as they can produce drugs much cheaper. Thanks to the tendering system, the market can shift in favor of any company that gives the lowest price.

What are the main challenges the national industry is facing and what specific actions is TPMA taking to address these challenges?

Currently the main challenge is that local industry is trapped in price competition. The market is big and has been growing fast thanks to the 30 Baht universal health coverage scheme. The government is the biggest client for the industry. 60 % of the market share used to go to the hospital and 40% to the OTC or drugstore market. With the utilization of the 30 Baht Scheme, my feeling is that the market distribution is for the hospitals and OTC drugs shifted for the former and the latter to 70 and 30 %.

By 2013, several top 10 ten selling drugs are losing their patents and as you mentioned the government’s plan to revive the 30 Baht universal healthcare scheme, creates expectations that the industry will be dominated by generics. What opportunities does this represent for the local manufacturers in Thailand?

We should first state that the essential drug list is the main factor in the government’s expenditures. That is, the new generics are considered in the essential drug list (EDL) if there is a great improvement from the old generics in terms of price and efficacy. In this case, you get a big opportunity in the government’s 30 Baht healthcare scheme. The government has a committee that screens the drugs to decide which generics are suitable for the EDL. However, of course, for the self medication market and private healthcare, some new generics can replace the original products, although not entirely. As they can afford the branded products and do not have to opt for the local generics.
The value of import products is as high as the patented products. The market lies in the government’s ED list. The list includes the local generics as wells as the life-saving drugs the patent of which has not expired yet. Government is still the big buyer.

However, as you say 30 Baht scheme will give the upper hand to generics but it not being implemented yet. There are many opponents. What is your opinion?

The government has announced it will be implemented. In my opinion, the scheme should be developed into a 50 Baht or 100 Baht per medication fee. We should call it a co-payment system. If this develops into a 50, 70 or 100 baht scheme, this co-payment will be a big step for the development of a better healthcare service and system in Thailand. However, naturally once you get the medication for free as it is in the current system another, you get a lot of opposition. I believe that co-payment should be implemented for those who can afford it and there should another co-existing system that provides free medication for those who cannot. This would be the right way, however we are still trapped in the development of the system.

Thailand has been described as an attractive location for contract manufacturing. How large is contract manufacturing today, how does the TPMA ensure the highest GMP standards are met, and what future do your foresee?

In the past, contract manufacturing was not an area that interested the local manufacturers due to the propriety of know how. And multinationals went directly to the two main international contract manufacturers in Thailand for 2 reasons. Firstly the confidentiality agreements were very tight for the local companies and secondly the contractors were not feeling comfortable. This used to be a problem but now the situation is different and contract manufacturing is seen as a big opportunity since with the AEC membership, the ASEAN market is opening up. It means much more investment will flow into Thailand as from here you can export throughout ASEAN. Now it is not the only local pharmaceutical industry that is interested in being contract manufacturers but the multinationals also re-consider make their own investments in the ASEAN. The opportunities are coming up, Thailand should make a big move to invite pharmaceutical companies to invest in Thailand. Regarding the GMP standards, the local industry has learned and improved a lot in the last 5 years. Thai FDA applied for PIC/S membership. The entire local industry now have to comply with the PIC/S GMP. As TPMA, we also run a project for PIC/S GMP training and approval. 20 factories entered the program under PIC/S scheme and 10 of them has been approved by Thai FDA. The local industry gained much more awareness and those which did not join the program are now starting to build up the standard already. This has been a big change occurring in the last 5 years. Maybe by 2015, many will be ready to be a contract manufacturer for multinationals. We would like to achieve the target faster. In order to pass the Thai FDA inspection program, the factories need time and we can say that 2015 is the right time.

Globally, more and more large research-based pharmaceutical companies are entering the generics business, for example through the acquisition of local players. How do you view this potential M&A trend in Thailand? And could you please share with our readers would you consider to be the competitive advantages of local generic companies vs their international counterparts?

It is a health market competition as more quality generics enter into the market. This will create more awareness as to the importance of the generics for the consumer. In Thailand, the market is based on government tenders and with the newly implemented GMP standards; the products of local manufacturers are not different from those of the multinationals.

In light of the ASEAN integration, how would you view the future and business opportunities for Thai manufacturers to establish their presence in the neighboring countries?

Thai products have been exported to neighboring countries for decades. The market for Thai pharma products are now being challenged more and more by the emerging countries like Indonesia and Malaysia. Despite the rising number of players haring the market, we will keep exporting.

What would be your final message to the readers of Pharmaceutical Executive?

We should set 2015 as our final target. The market should be completely open by then. There will be no GPO privileges and our industry will be able to compete with all of the ASEAN manufacturers. However, if there are delays in government’s decision in this matter, Thailand will lose the opportunity and position in the ASEAN region. For the investors, I would like to convey that Thai market is not small but a reasonable market for investment. With the government policy on healthcare support, which I believe should be developed into a co-payment system, Thai people will reach good treatment and medicines. The pharmaceutical market has been growing and growing every year compared to the neighboring countries which does not apply the universal healthcare scheme. Particularly for pharma industry, Thailand is the best location for investment, and the government should take the opportunity to invite more investors. Not only the private industry, but the government should also see this opportunity as they can do more than us. As the local industry, we will also have a bigger market with the implementation of GMP standards and ASEAN integration.

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