

Interview with Francisco Billano, President, Interphil Laboratories

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Interphil Laboratories has been active in the Philippines for a long time, having started in 1975 with the merger between Muller & Phipps. Can you give to our readers an overview of the company? Specifically the main milestones and achievements the company has gone through?

Interphil was conceived from the need of the companies serviced by the Zuellig Group to repack their products in the Philippines. At that time most of the tariffs were extremely high, so companies were savings by bringing the drugs or the capsules into the Philippines and then repacking them here, (whether they were in bottles, in tablets or in sachets). As we merged with another local repacking company, the company moved and became a toll manufacturer for pharmaceuticals products.

In the nineties the government removed all the tariffs, barrier. Thus, the pressure was on contract manufacturers like us. This was also the time when Interphil a larger and more modern manufacturing facilities 50 kilometers south of Manila. At that time, there were several multinationals with their own plants here, including Pfizer, Bayer, Sanofi-Winthrop, SmithKline & Beecham, Abbott, Astra, Hoechst, Novartis. Except for SK (which is now GSK) these plants have been closed down and they now source their products either from their mother company or from 3rd part manufacturers like Interphil.

What role is Interphil currently playing in the Philippines pharmaceutical market?

Interphil has a role to play in the local market. First, we manufacture some of the old/off-patent products of the multinationals and secondly, we are now starting to support the local marketing companies with good quality products.

The Philippines has the second highest prices of drugs after Japan in all of Asia. Wouldn't generics help solve the problem and bring down the costs of medicines?

It has nothing to do with generics or brands. It has something to do with the basic structure of the market which has to be corrected. If generics are sold in the same way that they are marketing the branded products and the structure does not change, then they will cost the same amount and we have to either stop selling or sell it at a higher price. The method of marketing in the country, because of the structure of the healthcare system, forces the companies to spend a sizable amount of money.

Due to increased competition from the generics and increased R&D expenses, manufacturers are increasingly turning to contract manufacturing, especially in India and China. Do you think that they could instead utilize a local toll manufacturer like Interphil for the Philippines and what kind of impact would that have on pricing?

The multinationals do not really have to go to India or to China to have a cheap source of medicines, the cost in their own countries is low enough for them to lower the prices. As I have previously said the healthcare structure will have to change.

In countries like the Philippines where the volume of the products is very low it is not possible to sustain low price products with the way they are marketing it because they have to go to the doctors, which is an expensive practice. You cannot blame the marketing companies for the high prices - it is neither the cost of the production, but rather the cost to market the product that makes the medicines expensive.

The problem in the Philippines is with the healthcare system. I always believe that for prices of drugs to go down, the government should intervene, one way or the other - they have to put up their own healthcare system.

What do you think should be the priorities areas for the government to intervene in the pharmaceutical industry?

I think the government should redo their budget and spend more money on the healthcare; meaning not only giving medicines to people who are sick, but also focusing on primary healthcare because if you do not teach people how to take care of their health and provide an effective first

line healthcare services at the grassroots, the healthcare costs will be high.

Do you think that an increased cooperation between the pharmaceutical industry and the government would help improve the situation?

While it is true that there have been moaning and shouting against what the government has done, the pharmaceutical industry has cooperated with the government in many ways.

On the government side, one of the advantages of the Philippines is that Filipinos can absorb quickly new technologies so there is a big potential for the country to be a future base for some research - not the basic research because we do not have facilities here to do that but clinical trials is a good area in which the country can go. Also, the government will have to find ways to support the local pharmaceutical manufacturing industry.

So far the government has not been very active in supporting most of the manufacturing industries, not only the pharmaceutical. Several manufacturing companies have closed down in the Philippines, and that is primarily due to lack of government support. There are a very few industries left; the industrial parks are almost empty. Hence it is important that the pharmaceutical industry starts pushing the government to get some support.

Interphil has been cooperating a lot with the government in its effort to reduce the prices of medicines. Can you tell to our readers more about the initiatives that you have implemented in the years, including the "Sagot na Gam-ot"?

The owners of Interphil, the Zuellig Group, have been criticized in the past as not being supportive of the government. The Zuellig Group started the business here in the Philippines and we as group would like to help the government in making good quality medicine accessible to the lower strata of society. I have been instructed to help out or find some ways to help the government in its goal to reduce prices. That is why I started cooperating with the government.

The "Sagot na Gamot" Program is one of the groups program to assist in making good quality and reasonably priced medicines available in the market.

Interphil has obtained impressive results over the years, becoming not only the biggest contract toll manufacturers but one of the most advanced and modern as well. What do you think have been the keys that allowed you to be recognized not only in the Philippines, but in the region?

There are two aspects that helped us in achieving this success. First, we developed the right knowhow to produce the good quality medicines which Interphil is now know for today. The

multinationals have contributed to that in a way. Our multi-national clients come to audit us once every 12-18 months. And in a way the audits have helped us to keep our operation within the international standards.

The second factor is that the stockholders has invested money in upgrading the facilities instead of pulling out or declaring dividends. These are the two reasons that allowed us to be successful - a lot of money has been poured into it and the people are well trained.

You are also one of the few Filipino companies that do exports. Do you have plans to expand further over the Asia-Pacific area?

We are currently exporting products to Asia-Pacific Countries. A lot of our exports go to Australia, so the Australian Therapeutic Goods Administration (TGA) comes and audits us once every two years.

Since the market share of the multinational client's legacy products are shrinking locally, we will keep on expanding our exports, not just to Australia, but also to Singapore, Malaysia and other Asian countries.

The FDA has applied to join the international PIC/S scheme, but some local companies are opposing the membership. What is the position of Interphil? And is the company ready for the implementation?

We believe that we should be a member of the PIC/S, as it will help the industry to become more competitive at the Regional and International level. I understand the situation that some local manufacturers are not currently ready to meet PIC/S standard and this is where the government as a whole (not just FDA) should assist the local manufacturers meet the standards.

To conclude, what are your ambitions for the company for the next 5 years?

My ambition for Interphil is to become a key player in supplying good products for the local industry, but in order to do so in the future we might have to restructure our business model. Our objective would be to supply also the local companies, and not only the multinationals.

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