

Interview with Edward Isaac, President, Philippine Chamber of the Pharmaceutical Industry (PCPI)

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The Philippine Chamber of Pharmaceutical Industries was established in 2004 from the merger of four different associations (Chamber of Filipino Drug Manufacturers and Distributors, Association of Drug Industries of the Philippines, Filipino Drug Association, and Association of Philippine Pharmaceutical Manufacturers). Can you tell to our readers what the rationale behind the creation of the PCPI was and why did it happen at that specific time?

It made good common sense to unite. Whenever we presented our position, especially to the Government, there would be four groups of Filipino associations and the Government was getting confused about who we were and who was really representing the Filipino Pharma Industry. It actually took several attempts to merge, but every time there was a change of officers we would have to wait, and the waiting cost us several years. But it does not mean that the associations were antagonistic with each other. In fact I was the President of one of the associations (the Filipino Drug Association) and we were on good terms with the other associations.

Michael dela Cruz, was President of one of the other Filipino associations, (the Chamber of Filipino Drug Manufacturers and Distributors). When he became president he spoke to all of us and said that joining one group was only a matter of formality because in many forums we actually had the same position. I think the early founders of the four associations were not comfortable with this idea; it was more of a personality thing. So when the new set of leaders came about we merged. It

did not make sense anymore to have personal differences. It just made sense to be together, so we sat down and worked at it. We officially became one and we became more visible. After that, there was less confusion and the Government started listening more to what we were saying.

We decided to make the new group strictly Filipino companies. PHAP is not a pure multinational association, I think 10% of their members are Filipino companies, and some are our members, but what we consciously decided for PCPI was to make it all Filipinos. This is because when we make positions it can conflict with the multinationals. We have received applications for membership from multinational companies to join us, but we have to explain that our position might clash with their interest, hence we had to politely decline their application.

All the four Presidents became part of the board and three went on to become President of PCPI. I am the third one. Michael dela Cruz was the one that initiated it so he became the Founding President and then followed by Marilou Buensuceso, I am the third.

Now that you are the President, what are the current priorities of the Chamber?

One of the problems in the industry is the time it could take for our products to be approved by the Philippine FDA. We have already proposed and initiated reforms to address these problems. Many of these already have been implemented by the FDA but there are still some crucial ones to be accepted and implemented by the government.

Second our mission is to enable our members to become globally competitive and that is the reason we have several technical seminars in order to update our members on the recent changes on technology, regulation and market evolutions.

We were also supportive of the Cheaper Medicines Law, the version that was written by Senator Mar Roxas. We actually helped in the drafting of the law, and our major input was to liberalize the Intellectual Property Code, which will make it easier for generics companies to apply for patented products. Prior to that law, this was impossible as we would be threatened by lawsuits from multinationals!

The Universally Accessible Quality and Cheaper Medicines Act of 2008 represented a big change in the industry. How has this affected the local companies?

It has affected the local companies positively and negatively. As I mentioned it became easier for generic companies to apply for registration of products still under patent protection provided it will market such only when the patent expires.

The second part of the law, that we actually did not support, is the price control provision of the law. One of the reasons is that we do not like the Government meddling with the price mechanisms in a highly competitive industry. Our reasons are very clear: the generics industry is very vibrant, very dynamic, and very competitive. Therefore, we do not need a price control and we do not need the Government to tell us to bring down the prices. Our prices are very low compared to multinationals, and it is a price sensitive market for the generics. So for that reason we do not support the price control.

We believe that if the objective is to make drugs more accessible, it will help mostly those who are already buying the expensive drugs, meaning the middle class, the upper middle class and the rich. We have seen undeniably that it has indeed helped this segment of society. However we believe that the poor are not benefiting from it. Therefore, we are pushing for universal healthcare and insurance. For certain diseases like HIV, tuberculosis, and for some child diseases we are pushing for Government-subsidized schemes.

We are likewise supportive of the Thai-model wherein the government operates a manufacturing facility which in effect sets the price level of drugs without direct price control.

You mentioned that universal health care could be one of the solutions to make medicines more affordable. Do you think that increasing competition can naturally lead to a decrease in prices or what do you think are the clues that will allow medicines to be more affordable for the poor?

Prices are decreasing at a rate I've never experience in my years in the Industry. The influx of cheap import from India and other Asian countries combined with the Price Control have contributed to this. Even the retail outlets are becoming part of the equation.

We have an emerging phenomena right now, a Generics Pharmacy selling only generics that is probably the lowest you can get. They import mostly from India and China, while some are locally supported. But even at that level of price the poorest STILL cannot buy. The irony of generics here is that those who are buying generics are actually the middle class because they understand that the generics are basically the same as the innovator brands. The marginalized group stick to whatever the doctors tell them even if it is an innovator brand and therefore more expensive. That happens because of ignorance, not because there is no available choice. It is not to say this does not happen also in developed countries - I think it is a universal thing.

Talking about the perception of generics, they are not usually well perceived in the developing countries. What is the situation here in the Philippines for the generics market?

The generics sector is growing! It was during the times of both former Presidents Estrada and Arroyo when they started doing parallel importation from India – it was actually started by Senator Roxas, when he was Secretary at the Department of Trade and Industry. I would give credit to them for the increased awareness of generics. Although at the beginning we were against parallel importation. We were asking why they were importing off patent products, when they could buy the generics from our local manufacturers ?

Data shows that the generics market is growing, while the innovators brands are either stagnating or contracting. So the trend is going towards the local companies, the manufacturers and the exporters. As per how fast or how soon before we can get a fifty percent share? Only God knows.

So what do you think it would be needed to bring the local companies towards this 50% market share?

We need to strengthen further our fundamentals. This means continuous improvement in quality, marketing and R&D.

Besides focusing on more competition and increasing accessibility, one of the other parts of the mission of PCPI is having more quality products. Taking into account the entire Asian region, where do the Filipino products stand in terms of quality and what are the measures that should be taken to enhance the quality of Filipino products?

The level of our quality is almost at European level in the sense that the FDA has mandated the PIC/S equivalent on our local manufacturers and then they our FDA went further by applying to be member of PIC/S. Even before they applied, our GMP standards were already based on PIC/S. We used to have nearly 200 local manufacturers, now we are down to 120 local manufacturers.

Aside from PIC/S, we are encouraging our members to have Bio-Availability/Bio-Equivalence or Ba/Be test as proof our excellent quality. Albeit they cost around \$40k, we are hoping that the government can help us with some form of financial support. Perhaps a subsidy or friendly payment terms to Ba/Be Centers.

Talking about the harmonization, the standardization plays an important part for the ASEAN single market. Do you see it more as a threat or as an opportunity for the Filipino pharmaceutical industry?

I think that for the start it will be a threat. There will be learning curve for us, but in the long run it will be good. We believe in competition, so we are getting ready for that. First, we cannot complain about harmonization, it is beyond our control at this point of time. So we are trying to prepare our

members. We have learned to be flexible and do not whine. We do not have a rich government and that forces the people, and the private sector, to fend for themselves.

Do you think for the time being that there is some Filipino company that can really compete at the international arena?

Aside from UniLab, which is already present in South East Asia, we have a few local manufacturers that are already going out of the Philippines, including Lloyd Laboratories, and Scheele Laboratories. So we're there, we are going there.

At this point though most Filipino companies are still inward looking. Perhaps maybe because many feel they still have to conquer the local market before venturing overseas.

One of the trends at global level is towards consolidation, with multinational companies merging and acquiring smaller companies. This leaves small local players struggling to survive. Given this situation, what can Filipino companies do in order to survive in this increasingly competitive and consolidated scene?

The consolidation is at the billion level bracket, when they can merge efficiently. Right now we are not going for consolidation, it is not yet here, because we operate on a small scale and our efficiency is quite high.

The backbone of the Philippines' economy are the family businesses, not the big corporations. You can imagine that our members would still fight to be the owners of their own company. It is either they own it or they sell it. Culturally it is hard for us to let go even if it is not a growing company.

Consolidation is not the thing for the small /medium enterprise so far. Often times companies just fold up than merge.

Where does the Filipino pharmaceutical industry fit then, and how can it position itself to compete first in South East Asian market?

At this stage we are evolving fast with all the changes happening.

We still have to find our niche. Actually, we had some guests from Jordan, and we were surprised when the Jordanians said that two thirds of their market is exported. When I asked how they do it, they said they have good quality for what they manufacture, but their raw materials come from China and India. If they can do it in Jordan, we can do it there.

So we do not know how to really position ourselves here yet, we are preparing for having good quality at the most competitive cost.

There is a big push though for what we call "super generics". These are the highly specialized products including Bio-Tech.

What would you like to be your final message to our readers of Pharmaceutical Executive about the Filipino pharmaceutical industry and the PCPI?

All indications point to the rise of Asia in almost all fields including that of pharmaceuticals.

Our cost of doing business is lower, we have lower debts, more liquid and our consumer spending is by far more conservative than the developed nations. In sum we have a lot room for improvement.

Despite the so-called Great Recession the Phillipines have not experienced any contraction in growth rate.

So we expect to grow in volume but profit will be challenged because of growing competition.

We are in for a very interesting ride in the next years to come!

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