

Interview: Massimo Scaccabarozzi - President, Farmindustria, Italy



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Massimo Scaccabarozzi, President of Farmindustria, talks about the potential of the pharmaceutical industry in Italy, the changes which need implementing to realize that potential and his vision for the industry's future.

Massimo, first of all congratulations on your third term as President of Farmindustria. What has been your proudest achievement since taking office in 2011?

I think it is the recognition of the value of the industry among the institutions, the stakeholders and especially the government. We have started to change our message, to convey to them that we are not only the industry of R&D or the industry of Life. When I say industry of Life it is because in Italy we are increasing life expectancy, which currently stands at eighty-two, by one month every three months, and about 70% of this increase is attributed to the pharmaceutical industry. So we are an industry which produces value by producing life, but we produce that increase in life expectancy through R&D, the medicines we manufacture, and our production sites. These are tangible economic factors. During the crisis, which the country was facing a couple of years ago, our approach was to solve that crisis by helping the economy to return to growth. The pharmaceutical industry in this country had a unique opportunity to do this, we have 174 production sites in Italy, more than 63,000 employees and we export medicines worldwide. With those exports we can contribute to the economic performance of the country. Today we export

72% of our production, and in the last five years those exports have been growing by 71%.

Recognizing our position, we told the government that we could contribute to solving the crisis, and indeed we succeeded in this. The reports over the last one-and-a-half years in the nation's newspapers, economic reports and official reports by the central bank attribute the return to growth this year to two economic sectors: the automobile industry and the pharmaceutical industry. We have succeeded in changing the government's perception of the industry, and a clear indication of that came in October 2014 when we had a meeting with the Prime Minister, for the first time in the history of the Italian pharmaceutical industry, in front of the Minister of Health and the Minister of the Economy. We invited all the CEO's of the major national and international companies investing in the country to this meeting, we met with the Prime Minister, and we made a pact to invest in the country. In return, the government would view the industry not just as a cost, but as an asset to the country. The meeting was very positive, the outcome was very positive, and today I believe there is a different perception of the industry.

Of course there is a cost to be considered, as there is in most European countries, to maintaining the healthcare system. In Italy however, pharmaceuticals represent just 14.85% of the total healthcare funding, and we are giving more back than we take. The value of our exports stands at €20 billion, and the cost to the government for reimbursing our drugs is €12 billion. Besides, if you add up what we give back in terms of investments, R&D, salaries and taxes you get to €13 billion. So it is clear that the pharmaceutical industry is an extraordinary asset to the country, and our attempts to communicate this are starting to bear fruit. I feel that today we are more valued and respected than we were before.

You talk about R&D as a cornerstone of the pharmaceutical industry in Italy, and a major contributor to your performance. Likewise, when we interviewed Enrica Giorgetti, General Director for Farmindustria, in 2009 she said that innovation was now the first priority on the association's agenda. Since then total R&D spending has risen from €2.2 billion to €2.5 billion, is it fair to say that those policies have paid off?

Yes, we keep our promises. For example, at the time of our meeting with the Prime Minister the country was facing a high unemployment rate which had reached more than 12%, and we promised him that we would hire fifteen hundred new employees. The Prime Minister asked us to hire at least two thousand, and we agreed to do this by the end of 2015. Since then, and 2015 is not yet over, the sector has hired five thousand employees, three thousand of which are younger than thirty. So we keep our promises, and this is also the case with R&D spending. Roughly half of that €2.5 billion has been invested in high-tech production, and half in pure R&D. We have the

latest production technology available. Currently we are second in the ranking for industrial production in Europe after Germany, but we are first when ranked by production per capita.

Today, 90% of the R&D investment in Italy is coming from companies. Where does the government stand on the support for R&D in the country, and what role do the country's regions play here?

I believe that the government can play a large role in allowing R&D to thrive over the next couple of years by streamlining the bureaucracy. We have a huge number of ethical committees. I should say that we have made big improvements here, we have moved from more than three hundred committees, down to one hundred ethical committees, but the number is still too high. By the time we get approval from every local ethical committee, the other European countries have already closed their recruitment of patients. To increase our presence in terms of pure R&D then, the government needs to simplify the bureaucracy and to reduce the number of ethical committees to no more than five, to allow us to do our job and actively invest in research.

Another difficult area for the country is market-access, which stands at two years, delaying patient access to innovative medicines. What can be done to reduce this?

Recentralization. Moving from the decentralization we have seen, to a unique central system. The problem is not the lack of a national system, it is that after receiving approval from the national government, we cannot start selling. Instead we need to get permission on a region-by-region basis. In some regions we get there in sixty days, in others it takes seven hundred days, and in others we never get there at all. This is not only an issue for the pharmaceutical sector, but also for the patients. If you live in a good region with fast regulations you will have fast access to new drugs, in others it will take longer, and sometimes patients don't have the luxury of time.

The only way to improve this is to centralize the regulation of pharmaceuticals. We already have a national regulatory body in AIFA, and we have a unique center of buying there. We negotiate, on a case-by-case basis, the price, discount and quantity for the drugs we deliver. Everything is negotiated there, so why do we need to then renegotiate these same things twenty times over? It leads to a differing quality of healthcare depending on where you live in the country.

Manufacturing in Italy stands at €29 billion, the second highest in Europe, what has made Italy such an attractive place to manufacture pharmaceuticals?

We did a survey which showed that the number of production plants in the country is increasing because although we do have some older production, the majority lies in new products. Our

production plants today are more technologically advanced and so better able to handle those new drugs than they were before. It is also because we are witnessing a relocation of production from outside to Italy. This was totally unexpected, but because Italy is not only producing for itself, but exporting such a large portion of its production internationally, when companies are looking to reinvest they choose Italy.

How to attract foreign investment back to Italy was another point we discussed during our meeting with the Prime Minister. I asked the institutions to protect this industry, because in the end if you penalize pharmaceuticals, you are really damaging a sector which is reinvesting in Italy and that damages the economy.

The exports are certainly at a high point, but will you be able to keep these from being eroded by competition from emerging countries?

We will be able to keep this level of exports, and grow it, as long as we can rely on the support of the government. When deciding where to invest, a company looks at which country would be best for locating its centers for production and R&D. If the current pay-back system remains in place, the industry will of course comply, but we will see a simultaneous decrease in the level of investments in production and R&D. This is why we need a new governance model.

Italy not only exports the vast majority of its production, but it also has the fastest growing pharmaceutical exports in the world. Is Italy today, with pharmaceuticals being the most productive sector in the country, with the established excellence of its researchers and now with the world's fastest growing exports set to become *the* European pharmaceutical hub?

Yes, I believe so. Economists have shown that Italy can at least be the European hub. At least. For me, this means it is also important that Europe should protect the industry in Italy, because if you decide to move a plant out of Italy, you are not choosing another European country to relocate to, you will be looking outside of Europe. So I think that, being part of the European Union, we need to protect the assets we have. If the continent's production and export assets are in Italy we need to protect them. If we have, for example, Europe's R&D assets in the UK, we should protect them. It would make no sense for me to contest that and ask them to move those research assets to Italy, because if they do decide to move them out of the UK their destination will not be within the continent, it will be to Asia or the Americas. So I think that Italy is really the worldwide hub for pharmaceutical production in Europe.

Having been president of Farmindustria for two terms, what is your vision and your ambition for your last mandate as president?

My vision is that we can truthfully say that, as the Prime Minister stated during our meeting, “Italy is the country for pharmaceuticals, and pharmaceuticals is the industry for Italy”. My ambition is to be able to convince the stakeholders who are still reluctant to see the industry as one representing value to the country. We have an objective there, which is to move from a governance model which penalizes the industry and is not helping the economy to one which helps both the economy and moves the healthcare system in the right direction.

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