

# Interview: Thomas Cueni - Secretary General, Interpharma, Switzerland

---



***The average job in the pharmaceutical industry in Switzerland contributes around 600,000 Swiss Francs per year (USD 607,986) to GDP, more than three times the average in the EU***

---

17.10.2016

Tags: [Switzerland](#), [Pharma](#), [Pharmaceuticals](#), [Interpharma](#), [Association](#), [Investment](#), [R&D](#),

---

*Thomas Cueni of Interpharma, the Association of Pharmaceutical Research Companies of Switzerland, on the trend of major international companies developing significant operations in Switzerland; how 70 percent of employees at the top pharma companies are foreigners; and why the pharmaceutical industry is the exception to the rule when it comes to de-industrialization.*

**Over 40 life science companies have their international headquarters in Switzerland, and many more have regional headquarters. Can you give us an overview of the importance of the pharmaceutical and life sciences sector for the Swiss economy?**

The pharmaceutical sector is a major employer in Switzerland. In 2014, a total of 41,800 people were employed directly by the pharmaceutical industry. The number rises to 220,000 when you look at the direct and indirect jobs created by our sector. Moreover we are a high value added industry. The average job in the pharmaceutical industry in Switzerland contributes around 600,000 Swiss Francs per year (USD 607,986) to GDP, more than three times the average in the European Union (EU). As an industry we export goods worth more than 70 billion Francs (USD 70.93 billion). We import 30 billion Francs (USD 30.4 billion) in goods, so our net trade balance is around 40 billion Francs (USD 40.53 billion), the highest of any country in the world. Overall, the industry's contribution to Switzerland's GDP amounts to around seven per cent.

Switzerland is home to global companies such as Roche and Novartis, both among the leading pharmaceutical companies in the world. Over the last 15 to 20 years such leading players have continued investing in their home market. The Roche skyscraper is the tallest building in Switzerland at 178 meters. Building permission has already been granted to construct a further building which will surpass that record, at 206 meters. In the canton of Aargau, Novartis has its largest production facility of its Pharmaceuticals Division, which is also the biggest pharmaceutical manufacturing export facility in Switzerland. Both, the Novartis Campus, mentioned by the FT as the best in urban architectural development since Mies van der Rohe worked in Chicago and New York in the 1960s, and the Roche buildings are landmarks in the city of Basel. Furthermore, Actelion, founded by Roche researchers who set up their own company, is now one of the most respected biotech companies in the world, and Vifor, owned by the Galenica Group, is the world leader in iron supplement products.

**Tell us more about some of the major investments that have been made by leading international pharmaceutical companies in recent years?**

[Featured\_in]

One notable trend over the last couple of decades has been the number of major international companies developing significant operations in Switzerland. Some of these are historic, such as Johnson & Johnson's Cilag operations, possessing a global manufacturing site, exporting more than 1 billion francs from the Schaffhausen region. Celgene, who recently celebrated their 10<sup>th</sup> anniversary in Switzerland, have a major hub on Lake Neuchâtel, in Boudry, which produces solid-form manufacturing for the entire world and are currently building a further manufacturing plant. MSD employs around 800 people in Switzerland, and their site in Lucerne acts as a major international business hub. Likewise, Novo Nordisk have their European center in Zurich. Takeda employs several hundred people at their sites near Zug and in Zurich. Biogen have their European headquarter in Zug. Indeed, last year they announced that they would be building a billion-dollar biotech plant in Luterbach, in the canton of Solothurn, most probably their largest ever manufacturing investment. Bayer runs their global OTC business, one of the top three in the world, from Basel. Bayer's first significant investment in Basel came with the acquisition of Roche's OTC portfolio in 2004, and they now employ around 1000 people in the city. BMS have important international activities in Switzerland. Amgen have their European headquarters in the country, and the German Merck with manufacturing sites in the Lake Geneva area is one of the biggest industrial employers in the Canton de Vaud. Other big players are Shire, following the recent acquisition of Baxalta, CSL with blood products expanding its presence with investments in the

Bern area, and the Belgian group UCB recently expanded its manufacturing site in the canton of Fribourg and has now one of the most modern global biotech sites.

Alongside the continuing investments of major Swiss companies, such as Novartis and Roche, the development of major international pharmaceutical companies setting up large operations in Switzerland has been extremely impressive.

### **What factors make Switzerland such an attractive environment for leading global companies?**

Switzerland has historically always been a business-friendly country. A high quality educational system, alongside a highly skilled labor force and a flexible labor market, are all attractive Swiss features. Coupled with an internationally competitive fiscal regime, strong IP laws, and predictability in terms of the legal system, as well as a stable political climate, with a focus on coalition governments.

While the Swiss referendum on mass immigration on February 9<sup>th</sup> 2014 created a certain amount of uncertainty and poses a challenge which still needs to be surmounted, talking to industry leaders, from both international and local companies, there is an assumption that the Swiss will not cause themselves self-inflicted pain. It is fair to see that business leaders in Switzerland, underestimated the immigration issue and were caught by surprise when the popular initiative passed, not unlike Brexit in the UK. However, while such concerns are still there and cannot be ignored, recent polling conducted by gfs.bern on behalf of Interpharma has consistently shown that when the public is faced with a choice between implementing the immigration initiative, which asked for a quota system regarding the number of immigrants, or preserving the bilateral agreements with the EU, ensuring we have no barriers to trade with our largest trading partner, by an overwhelming majority, they would opt for the latter. Interpharma and leaders of the Swiss pharmaceutical industry have been very clear that it is essential that we maintain our bilateral agreements with the EU, even if it means implementing the immigration initiative of 2014 in a pragmatic and flexible way, carefully avoiding red lines marked by the EU. The pharmaceutical industry has conducted extensive market research on the benefits of our trading relationship with the EU. We have conducted three extensive rounds of polling research, with a sample of 2,500 people each, which showed that by a ratio of two to one, the Swiss consider our current bilateral relationships to be beneficial. The fact that industry representatives are willing to engage in national discussions is an extremely positive sign.

[related\_story]

## **What are some of the other elements that make Switzerland a non-negligible market for multinational pharmaceutical companies?**

The fiscal situation is an important component of Switzerland's attractiveness to international companies. Indeed, it is crucial that the referendum "on Tax-Related Measures to Strengthen the Competitiveness of Switzerland as a Business Location", ensuring that the Swiss tax regime is compatible with the OECD and EU requirements, is passed. The referendum will be held in February 2017. The quality of Swiss universities is also important. After Oxford, Cambridge and the Imperial College London, the two Federal Universities, ETH Zurich and EPFL in Lausanne are the top recipients of ERC grants from the European Commission. Indeed, ETH Zurich is among the top 10 science universities in the world.

Switzerland has traditionally been extremely open to the expat community. Switzerland provides an extremely attractive working environment, open, innovative, multilateral with high quality of life and high security. Today 70 percent of employees at the top pharmaceutical companies are foreigners and English is the common language within pharma companies. Even, Interpharma, as a national trade association, started using English as the language of our Board back in the early 1990s. There are over 100 nationalities working for the likes of Roche and Novartis, with English now recognized as the common language.

## **Nothing is more important than constructive dialogue between decision-makers, patients and industry on what constitutes the value of new medicines and how added therapeutic value should be rewarded. Today, how would you describe the relations that the industry enjoys with authorities in Switzerland?**

Our ability to reach out to government is important. Government is interested in listening to the voice of the industry. This culminated, four years ago, in the authorities issuing a "Master Plan to Strengthen Switzerland as a Location for Biomedical Research and Innovation". In this regards, faster procedures across the board matter and access to new drugs is vital. Swissmedic, the Swiss agency for the authorisation and supervision of therapeutic products, was the first after the FDA to introduce accelerated approval processes, and is competitive in terms of fast-track approvals. For reimbursements the goal is to deliver approvals within 60 days, and while this is not achieved in its entirety, today over half the decisions are taken within this timeline, including for some of the most innovative drugs. We have seen considerable improvements in this regard. Indeed, the most recent announcement regarding new price regulations significantly reduces the impact of international price referencing, due to be re-introduced by 2017. Crucially, there are two parameters that are taken into account: the pricing in other countries, alongside therapeutic comparisons, in other

words, the domestic price. The negative impact of the strong Swiss Franc will be reduced. This is significantly different to what government had proposed in 2012, which was to fully benchmark our prices to other countries.

**Switzerland has long had an international reputation for high-quality manufacturing. Yet Switzerland's President Johann Schneider-Ammann has spoken of creeping de-industrialization taking place. How much of a concern is this for the pharmaceutical industry?**

The pharmaceutical industry is the exception to the rule here. Federal President Johann Schneider-Ammann is fully aware of this. Our weight when it comes to the country's trade balance has only increased in recent years. The costs of manufacturing pharmaceuticals is less affected by the impact of the strong Swiss Franc. Like other highly innovative and high value added industries, global pharmaceutical companies have a natural advantage. The likes of Roche and Novartis have significant footprints in the world's leading markets, from the US, to UK, Japan and Germany. While the cost of manufacturing in Switzerland may have increased, from a global perspective this is offset, to a certain extent, by the strength of the dollar and the euro. It is true that it may make Switzerland slightly less competitive. Yet when you ask a CEO how relevant a strong currency or high costs are, when it comes to investment and research decision, the answer is clear. Considerably more importance is attached to the quality of research and productivity. As an example, the former CEO of UCB, when opening their new biotech plant in Bulle, Switzerland, in 2014, stated that it was their most productive manufacturing plant in the world.

Basel's chemical industry traces its roots to the 19<sup>th</sup> century and over time has moved up the value added market. Within pharmaceuticals there has been a shift from small molecules, to the biotech industry. In contrast to generics, where you can lose up to 90 percent of sales with the expiration of a patent, biosimilars and biologics are much more complicated to manufacture. Some of the most recent investments in Swiss manufacturing have been in the biotech sector; such as Biogen's record recent investment in a biotech facility. When it comes to small molecules and generics, companies manufacture where it is most cost efficient; when it comes to originator products of high-value, skilled labor and an ideal environment, is essential. For this reason, Switzerland's pharmaceutical manufacturing industry is rather well shielded from the process of de-industrialization. I am confident that 20 years from now, this will remain the case.

Switzerland's pharmaceutical manufacturing industry is rather well shielded from the process of de-industrialization. I am confident that 20 years from now, this will remain

the case

**While America has a culture of risk and reward, enabling a culture of innovation, Switzerland's image as a country is a rather more conservative one. How would you describe the Swiss mindset and its impact on the pharmaceutical industry?**

Switzerland has a great tradition of entrepreneurship. We have a strong entrepreneurial spirit in this country. As a small nation, we have never been able to afford the luxury of being inward looking. In the same manner, our large pharmaceutical companies need to have diversified operations; they cannot concentrate all their activities in one research center. In the early 1990s, the talk was of the Swiss pharmaceutical industry going west. The assumption was that the large Swiss companies would move to the US and, in particular, California. Today such companies do have a significant presence in North America. Research expenditures in the US are bigger than they are in Switzerland but they have also continued to significantly invest and expand in Switzerland. Nestlé is a good example of a company with strong Swiss roots that has successfully branded itself as a local actor across the globe. The same can be said for the likes of Roche and Novartis. This is truly a global industry and yet has maintained its local roots. This is a tremendous source of strength.

[See more interviews](#)