Interview: Philipp von Lattorff – Country Managing Director, Boehringer Ingelheim Regional Centre Vienna (RCV), Austria

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Philipp von Lattorff, country managing director of Boehringer Ingelheim's Regional Centre Vienna (RCV) discusses the current mandate of the center and the dynamic performance of its 33 members, as well as providing an overview of the soon to be completed 700 million EUR biopharmaceutical production plant to be built in the heart of Vienna, doubling the current production capabilities in the city. Furthermore, he illustrates the significance of BI to Austria and what more must be done to bolster the vibrant domestic life sciences ecosystem.

What is the current mandate of the Regional Center Vienna (RCV), and what importance does Vienna have in Boehringer Ingelheim's global operations?

At the Regional Center Vienna (RCV), we are responsible for the animal health branch, and more importantly, prescription medicines for 33 countries. These nations have vast differences, going from stable markets like Austria and Switzerland, to nations in eastern Europe, where circumstances can change very rapidly. In Austria, specifically, Boehringer Ingelheim (BI) has been an important part of the life science community since 1948 and we have a fantastic situation in Vienna, establishing it as a real BI hub that entails the full chain of life sciences; incorporating cancer research, coordination of clinical research in the region, biopharmaceutical production, marketing and sales for 33 countries in central and eastern Europe and basic research at the

Research Institute of Molecular Pathology (IMP)

We are very much committed to bringing innovation to Austria and play a large role in helping the nation's life sciences sector flourish. Research was the area BI first placed its footprint within the Austrian healthcare network when in 1985, BI founded, and continues to fund, the IMP. Around this idea an agreement was established in 1998 between BI, the City of Vienna and the Austrian state to form the Vienna Biocenter (VBC). This center has grown from a small group of people to now hosting a 2000 strong workforce, encompassing not just BI's research, but equally that of private institutes, universities and state organizations. In 1999, BI continued its influence in Vienna, setting up the Institute of Molecular Biotechnology (IMBA) in conjunction with the Austrian Academy of Sciences. Furthermore, BI's global oncology research is undertaken here, at the Cancer research site, Vienna.

From a production perspective, we conduct biopharmaceutical production and are currently building a new 700 million EUR (818 million USD) plant at our site, right in the center of Vienna. This has been the largest investment ever by the company globally, and will double the entire Vienna BI production capacity.

In 2016 the company recorded annual growth of 8.9 percent, and the recently released 2017 first half results indicate a further 24 percent rise. How have these numbers translated throughout the region?

We have an extremely dynamic region that is influenced by the performance of our largest market, Russia, as it is around 25 percent of our prescription medicine business. Saying that, Russia is quite stable at the moment, compared to many other countries that are flying, such as the Czech Republic, and especially Poland, which have been very pleasant surprises. This has resulted in an impressive 14 percent growth across the region, one of the fastest growing in the BI world.

What we do notice is vast differences between countries. For example, many are dependent, due to healthcare system structures, to out of pocket purchases, a great advantage if a country is economically thriving. Unfortunately, this is not the case in eastern Europe, where many of our regional members have been hit hard by currency devaluations due to political factors. Moreover, we see in stable environments, like Austria, when a drug comes off patent drug prices drop rapidly as generics flood the market. In nations, like Russia and Poland, this phenomenon does not occur, as the generics markets is less aggressive. In these markets our strategy is to launch many branded products, allowing us to build brand trust and loyalty with our customer base, ensuring we maintain market share once a drug's patent expires.

All in all, we are trying to find an overall balance to ensure there is steady growth in the region. We can go from stable markets like Austria and Switzerland, to Israel that is heavily associated with the FDA, to the everchanging eastern European nations. We are always very excited and driven to find solutions to the challenges of working in such a diverse system of nations.

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Which therapeutic areas are the growth drivers in the region?

In the past, there was a fear throughout the industry that central and eastern Europe could not support innovative, and generally more expensive, drugs. Nevertheless, we have launched our products in this region, and thus far they are doing quite well. We have encountered challenges in attempting to gain market access, but what we do realize is on top of our new treatments, our old brands still continue to thrive, many years after their release. For example, Pradaxa®, an anticoagulant, seven years after its launch in our region has the biggest growth rate in BI globally, up some 20 percent in certain nations.

The new 700 million EUR (818 million USD) production plant to be completed in 2021 is a huge commitment by the company. Why was Vienna the location of choice?

The first question was, should BI invest? As a company, there were long discussions to decide if there was market requirement for a plant. What we realized is at present the entire industry is running at around 120 percent capacity; therefore, if the plant was opened today it would be filled immediately. The real question for BI was, will this requirement equally be present 10 to 15 years down the track? We believe this will be the case, despite possibly other investors diluting our current strong market production share.

The second question was, where to invest? BI at that time already had two large facilities in Biberach, Germany, and medium sized sites in Vienna, Freemont, USA and Shanghai, China. The company contemplated starting afresh in Singapore and Ireland, but this would have taken a considerably longer period, costing us revenue in lost production time. Therefore, we had to decide between the existing sites, and it was decided on Vienna. Although Germany is BI’s home, putting all the company’s eggs in one basket would have placed the company in a vulnerable position to be heavily influenced by external factors; Vienna helps to diversify our risk.

Vienna thus far has ticked all the boxes, and we have shown the capability to build at the same speed and cost as anywhere else, with the same commitment from the local and state government as you would find in Germany. Furthermore, the plant is perfectly positioned in the heart of the city and the Mayor of Vienna has been extremely rapid in obtaining approval, further highlighting the positive political support we have thankfully encountered for decades.

On top of all this, the government has backed the entire Austrian R&D industry through research grants. These initially started at a rate of ten percent; meaning, an investment of 100 million EUR would result in around ten million EUR being given back to companies. This has been increased even more today, first to 12 percent, and on January 1st, 2018 this will kick up to an impressive 14 percent.

Another key factor was Austria’s stability, politically and economically. BI is investing into this plant to establish a long term 40 year plus partnership with Austria. Vienna gives us all this, along with high quality staff and access to collaborations with world-class universities and institutes.

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What are the challenges associated with opening such a large production plant?

Hiring of around 600 new staff is never easy, though we do not see this as a huge concern as Austria is abundant in well-educated experts and is an attractive location to live. The largest obstacle is simply the speed of construction, as the famous expression goes; time is money!

What will be the chief operations of the plant?

BI is one of the largest biopharmaceutical producers in the world, and with this plant we will clearly solidify ourselves. Our external collaborations with large multinationals and proven innovators are extremely beneficial for BI as they allow us to co-develop products from a very early stage.

Despite these external partnerships, internal biopharmaceutical production and development are extremely important for the company as we take a step into this innovative sector of medicines. For example, from Vienna, we will be producing the exciting new Praxbind®, which is able to immediately reverse the anticoagulative effects of Pradaxa® in emergency situations. This in turn allows physicians to quickly initiate necessary emergency interventions and lowers the chances of secondary effects associated with blood loss.

What can be done to take BI’s lead and establish Austria as an innovation hub?

Firstly, regulatory changes could be quicker, as it took us quite a while to increase the research rebate from 10 to 14 percent. Secondly, for a large company like BI investing hundreds of millions of Euros it is no surprise we move our processes rapidly, with government and industry support behind us. This is not the case for small to mid-size companies that must jump many administrative hurdles – therefore – in this regard we could make their life a little easier. BI is on board with this idea and in Austria we support 72 start-ups through our ERC grants.

All in all, Austria faces stiff competition directly over the border, from Germany and Switzerland – although – I believe big pharma is the market sector that the country can really assert itself, and we hope other companies can follow BI's initiative. Furthermore, Vienna is a great location and a highly livable and safe city, allowing companies to attract a world case workforce, and have current staff relocated with ease.

You have been working for BI for many years now. What makes you tick, day in day out?

Ever since I began at this company they have given me the opportunity to discuss my ideas with key decision makers. Even though many times the answer to my concepts was no, I felt having the chance to voice my thoughts and have them heard by people who matter is something special about BI.

For example, well before the new production plant proposal, I bought the land and pitched the idea to the board. This planted the seed in their minds and when they required a site, they knew Vienna was ready. This adventurous, entrepreneurial mindset is special and still excites me today. I instill this culture throughout my team, helping drive forward the BI family atmosphere that makes this company so successful and unique.

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