

Interview: Eduardo Pinto Leite, Director General, GSK Portugal

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Eduardo Pinto Leite, Director General of GSK Portugal, talks about the recent Portugal bailout, how its effects pushed GSK to some tough decision, and why he sees a brighter future for the company, and country, despite all the recent economic and market turmoil.

You started running this affiliate in 2010, before Portugal's bailout. What measures did you take to adapt to the crisis?

The whole country had to readjust and GSK was no exception. As a company, we had been dealing with genericization of a couple of our most important products annually, and the retail market had been recurrently declining by ten percent on an MAT basis for a few years. Today, the market is decreasing slightly less, but these two factors required readjustment to become an organization fit for the current environment and strong enough to get out of the crisis. We readjusted our P&L, and allocated the minimum but necessary resources to move on. I do think there will be better days, and there is a light at the end of the tunnel. The economy has to pick up; and when it does, then so will GSK. At that point we will decide if we are going to invest in more people.

How difficult is it to maintain a balance between access to medication and ensuring debts are paid?

This is a hospital problem, not retail. Retail tends to pay a bit faster, and while wholesalers have experienced problems in Portugal, overall GSK is getting paid. My business is mainly retail, although it will become more focused on hospital business in the near future. But the answer is the same. The industry and GSK have a mission to provide medicines to patients. We are maintaining a supply of every medicine to patients even though they do not pay, because we cannot leave patients without medicines. You just have to ensure your debt is paid.

Minister of Health Macedo recently mentioned an investigation regarding flu vaccines being properly stocked in pharmacies. What is the significance of this move?

The government did establish a tender for flu vaccine for the first time last year and with a tender the dynamics of the market change completely. Before there was a tender, 90 percent of vaccines were sold in pharmacies. The tender took more than half of the volumes normally sold in this country and balanced dynamics. There is much more demand than supply for vaccines on a worldwide and European basis. The authorities must realize that prices for flu vaccines are too low. It is fine for consumers, but then there is no incentive for manufacturers to keep building factories to make vaccines that have the price of a commodity. Therefore, the dynamics between supply and demand will stay the same. Furthermore, the shelf life of flu vaccines is one year. In any case, most vaccines

went to the tender, and pharmacies had fewer vaccines available for them to sell. Most of the population should be vaccinated in health centers where they receive for free the vaccines that won the tender.

How, if at times there is not enough collaboration, is GSK Portugal a good partner between various payers and stakeholders?

There are two ways of dealing with this; one is through Apifarma. I am one of the vice presidents there, and the association maintains a stance of dialogue, which always prevails. The industry is here because it has been given a license to operate for society. Although conditions are rough, particularly with lack of debt payment and slowness of innovation entry, the Ministry of Health knows the industry is here to stay. With that in mind, we have always supported dialogue. We do negotiate, but our main concern is that patients get drugs they need. This is demonstrated by the fact that we have already created an addendum in our second protocol that allows us to move on through another year without the government taking rougher measures and without us being removed from dialogue. Our main purpose is to find as many win-win positions possible. For instance, GSK has put together a long term initiative with Janssen called Latitude, which is designed to find solutions to ensure that innovation is sustainable. The entry and access to innovation from Portuguese patients as a sustainable future in the presence of ever tighter budgets is the ultimate objective.

What is the strategic importance of GSK Portugal in relation to the organization?

GSK Portugal is now integrated into a new region with Spain. That is why we have readjusted from a P&L perspective; this affiliate is now one of the fittest subsidiaries in Europe. We are a relatively small organization but sufficient enough to commercialize products, as they should be here. Portugal is a country of 10 million people. Our importance will continue to be the same. The prospects of growth are possibly even better than in some of our other affiliates. This subsidiary has reached the bottom and there is now the prospect of growth. Having growth is a critical success factor, no matter what the size of the country.

Does GSK participate in clinical trials here?

No. However, the opportunity for investment in clinical trials certainly exists here on an intellectual basis. The problem is that the entire clinical development environment set up here has historically been very adverse, and that is why many companies removed their investment from here.

Were you ready to take on the crisis based on your prior experiences?

During my Russia assignment in 1998 there was a financial collapse, and I have had exposure to a number of different environments which has helped me to remain vigilant and have a third-person perspective during these times. In terms of motivation, Portugal is now on a growing curve, and this is linked to stability.

What is your strategic vision for the next five years?

Our main objective is to grow faster than the market. Growth is critical; but you have to grow more than your peers or the market against which you compare yourself. From a shareholder perspective, you want to put your money in the fastest growing company on a sustainable basis. I want to lead in our operating therapeutic areas, and to be able to launch everything that is coming out of R&D while ensuring patients can access such products. We have a very productive pipeline, and the challenge for the next five years is to ensure that we can launch all those products sooner rather than later in an environment that has been very reluctant to approve innovation. That is one of Portugal's key issues. If you take two or three years to approve a drug that has already been in Europe for two or

three years, you are denying access to patients and taking away time for the valid patent life of the product. This makes Portugal less attractive for investment because innovation is not being introduced. In a nutshell, GSK needs to maintain sustainable growth, lead in the areas in which it operates and ensure innovation is made accessible to patients.

There are still many important therapy areas where the percentage of patients treated in Portugal is still very low compared to other places in Europe, whether in oncology, respiratory, or immunology. The potential for treating more patients with better care and the potential for pharmaceutical companies to grow exists in Portugal. We should never forget this; Portuguese patients deserve to be treated the same as patients in other European countries.

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