

# Interview with Sergio Vella, Managing Director, Actavis (Malta) Ltd

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Operations began as far back as 1976 as a different company (Pharmarmed Ltd). In 2001, this Malta facility was acquired by Actavis which has developed it into what is today the largest generic pharmaceutical manufacturing plant on the island. Can you give us a brief overview of the facilities and of the importance of Actavis Malta Ltd within the context of the company's global operations?

Actavis Malta falls very squarely within the overall strategy of the Actavis Group. The core of the business here in Malta is the manufacturing of a very wide spectrum of first-class generic pharmaceuticals for the international market. Aside from this, we also have a very strong R&D activity here, in which we are developing and adding new products for the pipeline, as well as a Sales and Marketing Division. The Sales and Marketing operations began originally as only a local office and have now expanded to cover different regional activities. Malta has therefore become an important international centre for the group as a whole.

Another of the Malta subsidiary's key functions is as one of the main launch sites of the group; given the importance in the pharmaceutical world of launching new products, this part of Maltese operations means that the facility plays a key role for the group globally.

**Malta is a very interesting market for its first-to-market generics manufacturing given the favourable patents environment, but it is not the only country which boasts such advantages. Therefore why did Actavis choose Malta as a strategic manufacturing export hub?**

There were a number of reasons behind this decision. The situation concerning the patents and the Bolar provision was certainly one of the key drivers, although as you say, the same is the case for several other countries. A second driver was the other strong fiscal and legislative incentives that are available not only to manufacturing companies like ourselves, but also incentives that have now been extended to cover other types of activities. The geographic location of Malta was another key driver and the country's becoming a member of the European Union again added to the advantages of having the facilities here.

Although these are all strong drivers, still these alone would not be enough because at the end of the day success of a company comes down to the quality and talent of the people, their technical capabilities, flexibility in their mindset and the ability to execute. I believe that Actavis in Malta has managed to capitalise on these factors. Above all else, to be successful in the pharmaceutical world you need a good technical workforce, without good engineers, chemists, pharmacists and IT specialists you cannot be a strong player. This is precisely what Actavis has, we have invested

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significantly here and today have a strong base – this is part of the reason why we have been so successful.

Another very important factor is speed; you really need to be fast. As the world and the global economy progresses, in the pharmaceutical industry in particular, complexity and speed are becoming fundamental to development. If a company does not possess the intrinsic flexibility to address complexity effectively, it will be forced out of the market. Actavis in Malta typifies this approach. When comparing Malta’s workforce with that of other countries, you will find that most people have that fundamental flexible mentality necessary for success.

The support and investment that we have received from our parent company has also been another strong factor, and is indicative of the faith they have in the local operations. In this day and age, they would not have invested in state-of-the-art equipment, state-of-the-art facilities without being sure that it will operate efficiently, bring value for money and respond to demands in a flexible way. In this sense I think we have been very fortunate that the parent company saw the potential in Malta and has invested a substantial amount here over the past 6 years – about 50 million euros altogether.

The other thing I’d like to mention is the strong Medicines Authority that we have here. To be able to maintain credibility and to be able to have your products on the market, the authorities in other markets have to recognise the strength of the local authority. The involvement of the Medicines Authority has helped the local pharma manufacturing companies to grow further in their Quality/GMP perspective. Our main market is the European one, but we have also been successful in diversifying into several other niche areas. Actavis now produces in Malta, not only for Western Europe markets, but also for Eastern Europe, South Africa, Brazil, Australia, etc. Each of have different requirements and this once again requires flexibility.

The combination of all of these dimensions is a strong formula for success.

**How do you see the competitiveness of Malta in comparison with similar manufacturing hubs in the Mediterranean region, such as Cyprus? Especially considering the efficiency of supply chain, the limited human resources and limited space available in the country?**

We spend a lot of time considering such aspects. Our competitors are not only based in Western Europe, today we have competitors globally. We are definitely not the lowest cost manufacturers – China, India etc have lower labour rates than we could ever have here – however what we look for here is the concept of value for money. There are many other parameters aside from labour rates: consistent quality, high service level, flexibility to respond, ability to innovate and have new products. When you put all of this together, you can still have an attractive overall offering within the Malta scenario.

**Looking back, how supportive was the government in this Maltese adventure and looking back, are you happy with the decision of your group to set up here?**

We have always found the local authorities to be extremely supportive and proactive here, particularly in light of the fact that we are all-in-all a very demanding company, because we work to very high standards. Over all these years, the local authorities, Malta Enterprise in particular, have always been very ready to sit down with us and look at our demands and expectations and try to align themselves as closely as possible to what we would like to do in order to move forward in this competitive world. This is in fact one of the most crucial of our success factors.

**Did you come across any challenges when you established the facilities here?**

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There are always challenges. One of the main challenges was early on, when comparing the manufacturing facility that existed prior to the Actavis days. The company was operating for different markets; the strategy of Actavis at the time was to invest in a facility which could gain access into European markets. This meant we had to upgrade the facility to meet the very stringent European requirements. A great challenge was maintaining continuity and engagement of our resources while upgrading a facility and I think we did that extremely successfully.

Other challenges came through our strategy to grow; over the past four years, we have probably tripled our manufacturing volume. In order to achieve this you have to invest in human resources and equipment, which can also be a challenge. This was particularly true in our case since we wanted to diversify our portfolio and include more products, which requires a concerted effort of many of the key players coming from different disciplines working together. What is important to remember about the pharmaceutical industry is that it is driven by complexity, and this complexity will keep on increasing. Managing this complexity is a major challenge; the companies that succeed are simply those that can handle complexity more efficiently.

In a related sense, human resources are of course a challenge too. In Malta, there is a finite number of people and a finite number of graduates, making sure you have the right people with the best skills is not always very easy – especially in an enterprise which requires good pharmacists and scientists some of whom are also needed with Masters and PhDs. However having discussed this issue closely with the local authorities, highlighting together the areas in which we need more graduates, we are starting to see the benefits come out.

**As the largest generics facility on the island, you employ over 600 people, how do you rate the quality of the human resources available to healthcare companies in comparison to that of other European bases for Actavis?**

The Maltese workforce rates very favourably, there are many very strong graduates from the technical disciplines, which is a huge advantage as you need people who are technically competent and creative in order to innovate in this industry. The university courses offered here expose our graduates increasingly to both the practical and the academic side of the subject. Another one of our strengths at Actavis Malta is that the parent group has invested heavily in developing people and resources here, it is an asset that the group understands that you can invest as many millions as you want into a machinery and equipment in any industry, but at the end of the day, if you don't have well-trained people operating, you are not going to be able to achieve the potential.

**What are you doing to attract and retain the best and brightest?**

Firstly in terms of salary, we always try to be very fair, ensuring that the compensation reflects what is going on in the local market. However not all incentives should come in a pay packet. Actavis offers a very attractive package to people who really want to grow and develop. I strongly believe that you have to make sure you are giving people the breadth to grow; it is important to empower and trust them. Actavis is one of the few companies that truly believes in giving opportunities to its people, we allow them to grow either horizontally or vertically in their job. So if there is a vacancy we will always look internally first to see if there is a possibility of developing one of our people internally before looking elsewhere. I have found that people today really have a hunger to learn. So at Actavis Malta we give them the opportunities to learn, we train them or even give them the chance to gain experience outside of Malta within the Group's structure.

**What measures are you taking today to lower your manufacturing costs and optimise the profitability of the Maltese operations? For example how are you positioning Actavis as partner of choice for companies looking to take advantage of contract manufacturing in**

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## Malta?

We do a variety of things. Firstly of course one of the key measures to be more competitive on manufacturing costs is to absorb more volume; typically we are constantly focused on increasing our manufacturing capacity that will enable us to take on more volume and be able to grow our business. Secondly, one of the things that typifies Malta is having a continuous improvement mentality: our philosophy is that status quo is not enough, our employees are encouraged to come up with ideas for increasing productivity themselves. Apart from focusing on increasing productivity of our machinery and equipment, which of course is very important, we also try to assess all other key supporting processes with a view to making those also more efficient. A third key area of focus is waste. Every company generates waste but ultimately waste costs time and money. We have a passion for analysing and evaluating our waste in order to establish the best ways to reduce the amount of waste we generate; this helps us to be more environmentally friendly as well as being cost-beneficial. Energy itself is of course another key factor for manufacturing companies which need to constantly focus on how to make their processes more energy efficient.

All of these measures together, combined with the basic principals of value for money and with good quality – which we have both a legal and a moral responsibility to provide – you have the formula for the success of this facility.

**You’ve been expanding your facilities year-on-year since their establishment, today the state-of-the-art production facilities are also complemented by one of Actavis’s key generic development centres, what are the advantages to hosting this here in Malta?**

There are a number of advantages. Having our development centre situated so close to our manufacturing facility, first of all allows the development centre to interface very closely with the manufacturing process. This gives us a unique advantage because when one is developing a new product it is also a lot about the manufacturing ability. Secondly a number of products that get developed by a local development unit go on to become new products requiring manufacture. Some of those products will be manufactured here, others can also be manufactured by other facilities or even by a third party. But the point is that either way this results in us generating more and more products and molecules within our pipeline. And the bottom line in generic pharmaceuticals is all about having a strong pipeline of new products coming out. So I think the fact that we have our development centre here adds a lot of value to our portfolio.

**Looking towards the future, last month you announced investment of another –12 million to further expand the Maltese facilities, following the –50 million already invested here, what other developments are you expecting in the coming years?**

The recently announced development of the new warehouse of 12 million euros must be considered as part of the over development project we have been investing in over the past 6 years. The fact is that as the years have gone by and as we have had to absorb more volume, we have had to convert much of our warehouse space into manufacturing space. So we are now replacing this warehouse space, and of course at the same time also catering for the fact that Malta is one of the primary launch sites and therefore we need to be able to stockpile products.

As we look towards the future, we will clearly be looking to invest in new technology. We have already been consistently investing in our new packaging department. From 2004 we realised that more of our customers were expecting products to be packaged in blister packs, so we began back in 2004 with 2 lines and today we have expanded that to 10 lines. So this has been and will continue to be another very important part of our investment. We are always keeping our eyes open to new technologies to invest in order to ensure continuous improvement, which often requires a

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modification, an addition or a new piece of machinery.

### **What will the operations on the island look like in 5 yearsâ?? time?**

Hopefully firstly it will be a larger facility! Because one of the biggest challenges we have since we have grown so much is in actually finding enough space so that we can manoeuvre comfortably. I foresee that the facility that will probably be even more complex than it is today, adding more products, and more specialised products at that. The facility will also have even more of a focus on the waste and energy management side â?? hopefully we will be able to come up with something innovative in that area as well. Obviously we are also looking at a lot of new products which will also bring a lot of new technologies.

### **What is your final message to the readers of Pharmaceutical Executive about the commitment of Actavis to Malta?**

Just looking at what Actavis has done in Malta so far is a very strong message. There have been significant investments, huge growth and development. Over the years many innovative products have been manufactured here and we have had a number of very important customers. We have already invested a great deal and I know that we will continue to do so over the coming years. Our operations here rely on the strength of our workforce, which can only continue to grow and develop.

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