

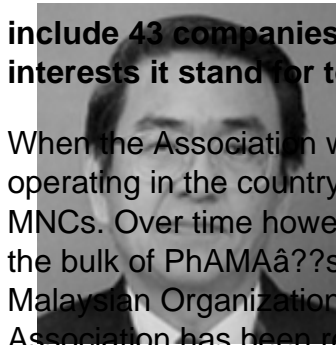
Interview with Song Hock Keh, Executive Director, Pharmaceutical Association of Malaysia (PhAMA)

28.07.2012

Tags:

[Pharmaceutical Association of Malaysia \(PhAMA\)](#)

972 and now has most of the MNC players among its members which include 43 companies. How has the association evolved since its origin and what are the core interests it stand for today?



When the Association was first formed it represented most of the pharmaceutical companies operating in the country. There was no specific separation between the local manufacturers and MNCs. Over time however the Association became more focused on R&D based companies. Today the bulk of PhAMA's members are MNCs whilst the local manufacturers subsequently formed the Malaysian Organization of Pharmaceutical Industries. Therefore over the last 30 years the Association has been representing the innovative, R&D based companies.

Could you give our readers an overview of the market division between R&D based multinationals and local manufacturers, the overall size of the market and the importance of the private and public sector as clients?

The market size for 2009 was reported to be about 3.43 billion RM (USD 1.1 billion). The researched based innovative pharmaceutical companies satisfy around 60% of that market, whilst the rest is catered for by the local companies and imported generics.

In terms of the divide between private and public sector, the government sector accounted for around 40% of the market. The other 60% are distributed between private pharmacies 23%, clinics 20% and hospitals 17%. These three private entities therefore account for the rest of the market.

The Malaysian pharmaceutical market has been expanding at an impressive rate of 10.5% CAGR. What are the main growth drivers for the market today and will the trend continue?

I believe the double-digit growth quoted is actually an inflation of the true figure. In 2009, the growth rate was much less, about 5.6%. This represented a drop in the growth rate from 2008 where the figure was around 10%. The poor performance in 2009 could be attributed to the economic downturn and this is reflected in restricted government and private sector spending. For 2010, the industry is expecting an increase of 6 to 7% 5 to 6% over the 2009 figures.

The main growth drivers would include an expanding patient base with an increasing and aging population, launching of more innovative medicines, better consumer awareness resulting in higher

demand for quality healthcare, increase in lifestyle diseases such as diabetes, cardiovascular diseases and cancers and the government's ongoing efforts at health promotion and disease prevention. This trend is expected to continue and may be further enhanced with the government having identified and strategized the healthcare sector as an engine of economic growth.

Although the government is promoting generics market as an alternative to the branded products of the MNCs, blockbuster drugs from innovator companies have dominated the pharmaceutical market. How do you explain the popularity of pharmaceuticals from MNCs over locally produced products?

I am not sure whether the statement is completely accurate. With the trend towards promoting local generics, the MNCs share of the market on innovative products would decline. This is particularly so for the government segment. For life-saving drugs however, the MNCs may have an edge as our members are committed on high standards, developing high standards and delivering high standard products to consumers.

Do more informed consumers fuel the trend towards greater use of OTC and self medication in Malaysia?

Yes, more informed consumers would certainly fuel the trend towards self medication and greater use of OTC medicines. One of PhAMA's mission objectives is in empowering consumers to enable them to practice safe and responsible self-medication.

The industry is committed towards working closely with the regulators in achieving this objective through public education and liberalization in the advertisement of non-prescription medicines to the general public. Currently, besides general sales medicines only Nicotine Replacement Therapies are allowed to be advertised with the approval of the Medicine Advertisements Board. The Association is looking forward towards greater liberalization of advertisements for selected non-prescription medicines to enable consumers in making informed choices.

What are the other things that the association is looking to push for with the government?

The Association has been continuously engaging with the government on issues that affect the industry and patient care. We seek speedier approval for drug registration and market authorization to enable Malaysians to have timely access to the latest innovative drugs. For patient safety, we would like to see the implementation of BE and other quality standards for all registered products to ensure medicines in the market are of the highest quality.

PhAMA also actively engages with the relevant agencies to further strengthen the IP environment. The Association for example would like to promote patent linkages between the Drug Control Authority of the Ministry of Health and the Malaysian Patent Office under the Ministry of Domestic Trade, Cooperatives and Consumerism to ensure that generic products are not marketed before patent expiry of innovative products. We also seek for more enforcement activities and heavier penalties on patent infringements. Such a move would strengthen the IP protection in Malaysia and attract further investments by companies engaged in leading edge research and innovation.

Are MNCs comfortable that the government will not bypass patent laws on certain drugs deemed essential for Malaysia?

The Malaysian Patent Act provides for the government to override patents under certain conditions deemed as national health emergencies. As a responsible and law abiding corporate citizen, the Association respects the rights of the government to evoke this provision under the conditions stated. However, the Association is confident the government would pursue and exhaust all avenues

of negotiating with the patent holder before evoking the provision.

How are PhAMA members helping to benefit Malaysian society?

PhAMA's members provide access to innovative medicines for better health and improved quality of life to all Malaysians. Between 2005 and 2009, the Association's members brought a total of 369 new ethical and 91 OTC products to market in Malaysia to treat and prevent various types of diseases and human conditions.

Member companies not only contribute towards the Malaysian economy through an expanding tax base but also support other industries within Malaysia such as the travel, media and printing industries as well. In addition, members also provide job opportunities and excellent career development within the industry. A survey conducted by the Association showed that in 2009, members provide direct job opportunities to close to 10,000 Malaysians and 3 times that number on indirect job opportunities.

PhAMA members continue to work closely with the Ministry of Health and NGOs on public health and lifestyle campaigns to promote preventive healthcare. Members have been actively involved in campaigns relating to raising awareness of HIV/AIDS, tobacco smoking cessation, obesity, cancer screening and many others.

Our Association members are also committed to giving back to society through the many Corporate Social Responsibility (CSR) activities launched. These include caring for the disabled and under privileged children, adoption of aboriginal villages, supporting relief efforts for natural disasters both local and abroad and supporting environment awareness programmes.

The government is trying to improve the skill level in the healthcare and pharmaceutical professions. What is the role of the MNCs in making people aware of the opportunities in the industry and in raising standards?

In supporting the government's objective, PhAMA members have reached out to healthcare professionals to provide continuing medical education (CME) and training on new disease areas, latest innovative drugs and new treatment options. For 2009, our members conducted up to 1,600 activities for more than 6,000 healthcare professionals comprising of doctors, pharmacists, nurses and others.

What is the divide between expatriates and Malaysians working for MNCs?

As a percentage of the total workforce, the number of expatriates is very negligible. However, at the top management level there were a number of expatriates from UK, Europe, New Zealand and Australia in the past. Now we are increasingly seeing expatriates of Asian origin including from India. The bulk of PhAMA member companies are headed by Malaysians.

Under the 10th Malaysia Plan the government has been trying to promote the pharmaceutical industry as a potential economic driver for the Malaysian economy. What has been the impact and overall benefit of government measures to boost the pharmaceutical industry and how can you explain the current low figure of MNCs with manufacturing facilities in the country?

The 10th Malaysian Plan covers the period 2011 to 2015. We have not even entered the implementation period yet so it would be premature to assess the expected impact of the government's measures on the industry.

In the past, a few MNCs had manufacturing facilities in Malaysia. However, the trend towards regionalization of production has led to some companies divesting their manufacturing facilities locally. Currently almost all PhAMA members are trading houses with the exception of GSK Consumer Healthcare and IDS which do regional manufacturing for some OTC medicines.

The government through the Malaysian Investment and Development Authority (MIDA) is encouraging MNCs to bring in FDI and manufacturing into the country. If this is to succeed the package offered to MNCs must be very competitive. Besides tax incentives MNCs also consider a number of factors including centralization of licensing applications, speed of making decisions, logistics and others before deciding to place manufacturing facilities in Malaysia.

In the meantime, if MNCs are not moving their manufacturing facilities to Malaysia what potential is there for outsourcing and collaboration between MNCs and local manufacturers?

For a number of years now there have already been several partnerships formed between MNCs and local companies to manufacture some innovative products locally. This has been initiated on a company to company basis. We believe there will be more such collaborative efforts in the future given that Malaysia with its PICs membership would make local manufacturers more attractive for MNCs to outsource production of some of their products locally.

The government is trying to incentivize biotech by offering tax exemptions, Bionexus status and creating biotech research facilities. What is the opportunity for MNCs to move into biotech in the future?

This certainly opens up an opportunity for MNCs with their expertise to collaborate with local universities or companies in areas of R & D, clinical trials and biopharmaceutical manufacturing. However, for MNCs to expand their operations to Malaysia, besides an attractive incentive package offered, other factors such as availability of skilled manpower, supportive facilities and services, strong IP protection and economic viability would also need to be considered.

Lastly how are MNCs making the most of clinical trial opportunities in Malaysia with an ethnically-diverse population and plenty of scope for collaboration with universities?

The government has recently launched the Economic Transformation Programme aimed at positioning Malaysia as a developed, high income nation by 2020. The healthcare sector has been identified as one of 12 National Key Economic Areas (NKEAs) to bring about this transformation. Clinical research is one of 6 Entry Point Projects (EPP) identified under the Health NKEA. The government's aspiration to increase the current 100 on-going trials to 10 folds by 2020 would provide the opportunity for MNCs to assist the government in achieving this objective provided a supportive ecosystem is created to facilitate the growth.

Currently through on-going clinical trials including Phase II, III and IV, PhAMA members are supporting and developing a growing pool of world class local investigators.

The proposal to tie this EPP with fast track registration would be an added encouragement for MNCs to hold local trials. Other incentives could include speedy government formulary listing which would ensure patients have timely access to new innovative medicines.

Are there any final areas which could provide opportunities for MNCs?

Health travel or health tourism is another project identified under the Health NKEA with potential for economic growth. The government aspires to bring in 1 million health travelers by 2020. As health tourism is not only concerned with providing optimum services and care but also the latest treatment options. MNCs can therefore play a supportive role to the government in bringing in the newest

innovative medicines and latest treatment options to assist the nation in realizing its aspiration.

[See more interviews](#)
