

*Patent Act—Trade Marks Act*

this country is not detrimental to the companies themselves but rather to the thousands of Canadians employed by these internationally owned companies.

What this legislation is actually doing is to favour the owners of these internationally owned drug companies by giving them *carte blanche* to become importers of drugs. In the past they were forced to manufacture patented drugs in Canada. Now they will have the opportunity to choose whether they should continue to manufacture in Canada or simply import these drugs into Canada from their foreign, home-based parent companies.

● (3:20 p.m.)

From page one, column six, of the *Montreal Star* of January 18, 1969 I quote the following paragraph:

Ayerst, an American drug firm, is a classic case. It has decided not to extend its Montreal plant. It has located in Rouses Point, just across the border, in the United States. Quebec nationalism is a factor, but so is the probability of enactment of a federal drug bill which the company fears would inhibit their operations in Canada.

Actually the company had a choice between extending the Montreal plant or extending the plant at Rouses Point. It chose Rouses Point. Other drug companies have held back decisions affecting their plants until the outcome of this bill is known.

I do not believe the solution is to import drugs as finished products in dosage form. Most of the pharmaceutical firms are internationally owned; they hold patent rights in all countries. The effect, therefore, of allowing importations as proposed in Bill C-102 would be seriously detrimental to all Canadians employed in Canada by these internationally owned companies. Why should such companies employ people in Canada, or expand their production in Canada, if they are able to export drugs to this country from their home bases? As I have indicated, these firms hold patent rights in all countries. Solutions must be found in Canada itself to force these internationally owned firms to reduce their prices. Otherwise, many Canadians who are now employed will be looking to the United States for jobs in the future.

The international pharmaceutical firms which have established themselves in Canada pay municipal taxes, school taxes and corporation taxes. They have formed a community in which many persons in their employ pay income tax, sales tax, school tax and property taxes. They pay sales taxes on all building materials used in the construction of their

premises as well as on their sophisticated machinery and laboratory equipment. They are responsible for tax revenues which are badly needed for the expansion of our municipalities, our educational facilities and the economy generally. I point out that when we import pharmaceutical products these taxes and revenues are no longer available and that the effect is therefore detrimental to the expansion of the Canadian economy, detrimental to the expansion of our municipalities, to the improvement of our schools and to the growth of our labour market.

The importation of drugs would lead to a reduction in Canadian supplies and halt the expansion of the pharmaceutical industry here. Some firms may discontinue production altogether and disappear, like elements of the textile industry, to become importers and distributors rather than manufacturers.

The provisions in this legislation having to do with the importation of finished drug products will, to my knowledge, not succeed in reducing the prices of drugs. In the event, they would confront the drug industry and its employees with precisely the same problem as was created for the Canadian textile industry and its employees by the relaxation of duty on textile imports. I do not believe prices of drugs will be reduced at the retail level.

In its attempt to reduce drug prices some time ago the government removed the 12 per cent sales tax, an action which resulted in the loss of some \$20 million in revenue. There is still no sign that the prices of drugs have been reduced at the retail level. On the other hand there is a definite indication that the government felt obliged to raise the income tax in order to replace the \$20 million. Even if we remove the total net profit of this industry, the prices of drugs will not be reduced. I point out that the federal government received more revenue from the pharmaceutical industry in taxation than the industry made profit.

I hope that during its consideration of this measure the committee will hear witnesses from the drug industry, from the Department of Labour, from the Department of Industry, Trade and Commerce, from the Department of Manpower and Immigration, from the Department of National Revenue and from the Department of Finance in order to assess the effect of this legislation on the economy, on the budget, on industrial expansion, on future employment, on revenues, and so on.