

*Patent Act*

would she once in committee accept an amendment which would freeze prices at their current level precisely in order to maintain this fairness, this profitability, this quality that Canadian plans have of being cheaper than those existing in other countries? Would she accept an amendment in that regard that would freeze prices at their current level?

**Mrs. Bertrand:** This debate deals with second reading; once we get to committee stage, there will be ample time to discuss it.

[English]

**Mr. Hovdebo:** Mr. Speaker, the Government has spent a considerable amount of time trying to convince the people of Canada that there will be no increase in the cost of drugs. That statement has been made on many occasions by Government Members. Would the Parliamentary Secretary explain why the Government is paying \$25 million per year to the provinces as a result of this Bill? Why are the multinational drug corporations guaranteeing Canada a couple of million dollars if there will be no increase in their profits?

[Translation]

**Mrs. Bertrand:** Mr. Speaker, since the provinces buy 60 per cent of our medical products, they obviously are the largest buyers in Canada and they set the parameters of the plan that covers their clientele. Therefore they will have to readjust their procedures. There will really be some change in the way they do the distribution. So this could bring about some additional costs. That is why the Government has provided for that cushion, in proportion to the population in each province, in case it should cause any additional costs to the provincial Governments.

**The Acting Speaker (Mr. Paproski):** The period for questions and remarks is now over. Debate. The Hon. Member for Hull—Aylmer (Mr. Isabelle) has the floor.

[English]

The period for questions and comments is now terminated.

[Translation]

**Mr. Gaston Isabelle (Hull—Aylmer):** Mr. Speaker, I welcome this opportunity to take part in the debate on Bill C-22, a very important Bill whose purpose is to amend the Patent Act. Since I have practised medicine for nearly forty years, the subject is of particular interest to me because it directly concerns the physician's main tool, the pharmaceutical industry, and indirectly, the patient or consumer.

This very important question demands close scrutiny because the issue is a complex and difficult one. Discussion and debate on the subject has been going on for nearly twenty years, and as you know, no other industry has ever had such a powerful lobby in the corridors of Parliament. I think the pharmaceutical industry has been lobbying quite ferociously, but as a good politician, I will refrain from rhetoric and concentrate on the facts.

To understand the general characteristics of an industry that is indeed unique, I think it would be useful to outline briefly what the pharmaceutical industry actually is. First of all, throughout the world, the industry is heavily multinational in character. The major companies in countries which have no or hardly any domestic drug industry are American, European or Japanese. That is the case in Canada, for instance, where 84 per cent of our drugs are made by foreign-controlled companies, mainly American. Actually, there have been no major changes since 1970, when this percentage was 87 per cent.

The multinational character of the industry has been furthered from the fact that the world demand for most drugs can be met by the production of only a few plants. The chemical components of a drug are generally produced in a single plant located not far from the headquarters of the multinational company to benefit from substantial savings in the areas of production, research, development and quality control.

Another factor which promotes the development of a multinational industry is the fact that there are two phases in drug production, the synthesis and chemical composition, and the blending of the components to manufacture the final product.

The last stage of manufacture, the blending phase, is generally carried out by a subsidiary of the multinational in the country where the final product will be sold. This allows the multinational company, through its subsidiary, to benefit from existing tariff protection in that country.

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It can be said that the pharmaceutical industry is characterized by a lack of competition. Indeed, there is relatively little competition, especially as far as prices are concerned.

The control pharmaceutical companies have on prices results partly from the importance of the Patent Act for this industry.

As we all know, in Canada, the Patent Act generally grants an exclusivity period of 17 years. The exclusivity period of the patent allows the inventor to recover his research and development costs and to make substantial profits as a reward for his innovation. The American companies which dominate the Canadian pharmaceutical industry rose to their position on the Canadian market by obtaining Canadian patents equivalent to those which gave them the monopoly for their products on the American market.

The practice of granting patents associated with a period of exclusive right to commercialize an innovation is common throughout Canada as it is in all industrialized nations. However, the pharmaceutical industry is in a somewhat special situation in this respect because such patents would provide a monopoly for the production of goods which could influence the health of consumers. The establishment of public health insurance plans in Canada during the 1960s has helped spread the notion that health goods and services should be accessible