

Government Orders

When the patent laws were reformed in the last Parliament, the government received commitments from the patented medicine industry to invest \$1.4 billion directly in research and development.

We know that the innovative drug companies have not only lived up to their commitments for increased R and D in Canada, but they have exceeded them. This was clear even after just one year. The Patented Medicine Prices Review Board reported that the industry research and development to sales ratio had increased to 6.1 per cent in 1988 from its level of 4.9 per cent just one year earlier. Brand name companies reported a total investment of \$165.7 million in 1988.

In other words, these companies were living up to their commitments. They had promised that increased patent protection would mean new investment and new jobs, and it was clear right from the time of the first report of the board that this was an accurate assessment. That trend of increased R and D by the innovative drug companies continues. The fourth report of the Patented Medicine Prices Review Board was tabled last June and covers the period ending December 31, 1991.

The report points out that for the 64 firms with patents filed with the board, the ratio of research and development and expenditures to sales reached 9.6 per cent in 1991. In other words, in 1991, after just four years of improved patent protection, these companies were on the verge of reaching the 10 per cent target originally set for 1996.

Total expenditures on R and D for these companies reached \$376.4 million in 1991. That is an increase of over 23 per cent from the year before. These figures present an excellent case for the effectiveness of patent protection in encouraging innovative companies to conduct their research and development in Canada.

It is no secret that the majority of pharmaceutical companies is now located in Ontario and Quebec. For many years R and D investment by drug companies has meant new research money for central Canada. Seldom has it meant new research opportunities for the east and the west. That began to change with the introduction of new patent laws in 1987. The amount of R and D spent by innovative companies in western Canada from 1988 to 1991 amounted to some \$84 million.

Let me put that into perspective. That amount is more than twice the amount the generic drug sector invested

in all of Canada over the same period. What can we expect from this new phase of patent reform? Since the government announced its intention to improve patent protection through the legislation before us today, the innovative companies have announced projects amounting to more than \$500 million. Those are investments over and above the previous commitments and of those investments, projects totalling \$90 million will be located outside central Canada.

What we are witnessing is a decision by the pharmaceutical industry to expand its base beyond Quebec and Ontario. The new investment outside central Canada has not come by accident. The Government of Canada has conscientiously sought to encourage innovative companies to diversify the location of their activities in Canada.

In fact, Industry, Science and Technology Canada is working with a number of provinces to build investment strategies in the pharmaceutical sector. We will find new ways to encourage more R and D and pharmaceutical manufacturing in all regions of Canada.

Already the innovative pharmaceutical companies are acting upon the prospect of new patent protection that will place Canada more in line with the protection granted by other countries. British Columbia will be one of the first provinces to benefit.

Just last July Bristol-Myers Squibb announced it would invest \$500,000 in research and development at the University of British Columbia and another \$250,000 in R and D at the University of Alberta.

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On September 1, Merck Frosst announced the investment of \$15 million over five years in research and development activities to be conducted on the west coast.

In early October of this year, Ayerst announced a \$60 million investment for a new plant in Brandon, Manitoba, and Glaxo pledged \$15 million for the basic R and D at the University of Alberta.

As you can see, it is not only central Canada that will benefit from this patent protection, but all of Canada. By encouraging the pharmaceutical industry to do its research in Canada, we help build an infrastructure that will attract more investments down the road.