

*Patent Act—Trade Marks Act*

allegation that drug prices in Canada are too high.

As I say, three studies have backed up this allegation. The Harley parliamentary committee stated that drug prices in Canada range from two and a half to eight times higher than the corresponding lowest prices elsewhere, and the table which was filed by that committee, by the former registrar general and by the present minister indicates that generally speaking there is a great difference between drug prices in Canada and drug prices abroad.

Another factor which indicates that drug prices are too high is the rate of return on invested capital received by drug companies in Canada. It was shown that in the last 12 years drug companies made a 20 per cent return on invested capital compared with an average 10 per cent return by other manufacturing industries in Canada. There is quite a spread from 10 per cent to 20 per cent, and we all know that there are many manufacturing concerns in Canada which make an even smaller rate of return than the average 10 per cent.

Why are drugs prices so high in Canada? Some of the drug companies have suggested that the reason is that they have had to do a lot of research and development, and that if we want to have a progressive drug industry, new discoveries and so forth, we will have to pay for it. Again, Mr. Speaker, when we look at the evidence given in the different reports we find that this just is not so. It has been found that 30 per cent of the sales dollar received by drug companies goes into sales promotion and only 7 per cent into research work. There is not really that much being spent on research in Canada compared with what is spent on sales promotion. Sales promotion takes up four times as much as research by drug companies.

The various studies to which I have referred said that the reason for high drug prices was, first, sales and promotion costs and, second, a market situation in which the drug companies were highly protected. One of the reasons they are highly protected is due to the protection given by the Patent Act. Patents are meant to encourage development and research but in fact they have led only to a high price structure for drugs sold to the Canadian public.

It may be asked, why is it important that we do something about high drug prices? The hon. member who preceded me suggested that the great majority of Canadians could afford

[Mr. Allmand.]

these drug prices and that therefore possibly we should not stimulate competition and try to bring the prices down. But we must remember the very nature of the product involved. Drugs are designed for use by people who are sick.

When people are sick many of them have to meet high medical and other costs. Sometimes they lose their work owing to chronic illness. As a result their income goes down and their expenditure goes up. They spend a considerable amount to purchase the drugs they need. In addition, the older group in our society needs drugs much more often than other groups. There are many retired people in this group on pensions, on fixed incomes. As they get older they become ill more often and have a greater need of drugs. They find it hard to pay the high prices which drug companies and retailers are asking. Therefore there is a great necessity that we do something about these high prices.

The hon. member for Simcoe North said he did not know whether the Canadian people would accept this type of program that is designed to stimulate competition from abroad. He asked what the Canadian people would do if the same type of program were applied with respect to automobiles, textiles and several other products. To begin with, Mr. Speaker, the drug industry is necessary for people who are sick. Its product is a more essential one than the other products to which the hon. member referred. Second, the prices of these other consumer products are not as far out of line as are the prices of drugs in Canada.

This bill is not meant to be a single program to combat the high price of drugs. Originally it was placed before us along with four other measures. The former minister and the present minister said they did not expect any one of these measures alone would be able to bring down the price of drugs, but that acting in concert it was hoped they would. This was the recommendation made by the Harley committee and by other studies.

We certainly do not expect miracles from this one measure, but we think it will have a big effect along with other measures to which I refer. The others are the elimination of the sales tax on drugs, the reduction of the customs duty, and the program designed to have the Food and Drug Directorate keep Canadian doctors informed of the different drugs on the market and comparative prices so that doctors can prescribe a wider range of drugs,