

practically be impossible for them to establish a market for a new drug. He would seemingly therefore create a vacuum in which no "launching pad" could exist for new drugs. He nevertheless suggests that in such a situation some prospect would remain for natural expansion of drug research in Canada. It is difficult to imagine that he really believes that.

In the course of Professor Steele's appearance before the Committee he explained that the 50 per cent could be made by eliminating:

| | |
|--|---------------|
| (a) Nine-tenths of the promotion costs | 29% |
| (b) Profits | 10% |
| (c) The Federal Sales Tax | 11% (now 12%) |
| Total | 50% |

This merely emphasizes as regards (a) that no new drug could effectively and quickly be brought to the notice of doctors; and as regards (b) that the prospects for the hope for expansion of the small Canadian-owned firms would be exceedingly dim. The Sales Tax has no part of Professor Steele's argument in Chapter III A 2 concerning import licences, and must be presumably regarded as in irrelevant afterthought.

Professor Steele also fails to discuss a main theme of the Roche submission, namely how the past capital of the international firms in Canada arose or was provided, and what practical prospects there are for the small Canadian-owned firms to be able to replace them while making drugs generally available to the Canadian consumer. It may very well be that the cross-examination by the Committee of the Canadian Drug Manufacturers about this dilemma has caused Professor Steele to add Chapter IV to his arguments.

SUMMARY OF APPENDIX "A"

1. 1966 sales of "ethical pharmaceutical products" in Canada amounted to approximately \$200 million.

2. Since Professor Steele's proposed cut in manufacturers' prices is, according to his testimony to the Committee, to be related only to "prescription drugs", all sales of over-the-counter products (OTC) such as vitamins, nutrients, cough and cold preparations, analgesics, etc. should be deducted. Very few of these products would be patented. 1966 sales of OTC products amounted to approximately \$50 million.

3. It should be noted that the remaining \$150 million includes not only sales of prescription products manufactured and distributed by the international drug companies, but also those by the Canadian-owned (generic) companies.

4. It should also be noted that the \$150 million referred to above comprises not only the sales of patented prescription products but also the sales of:

- (a) *unpatented* products (example: phenylbutazone)
- (b) products, in respect of which the Canadian patent has *expired* (example: sulfisoxazole) or has been *invalidated* by a court of law.