Hon. Senators: Hear, hear!

On motion of Senator Doody, debate adjourned.

[*Translation*]

FIRST ANNUAL REPORT OF PATENTED MEDICINE PRICES REVIEW BOARD

DEBATE ADJOURNED

Hon. Paul David rose pursuant to notice of Wednesday, February 14, 1990:

> That he will call the attention of the Senate to the first annual report of the Patented Medicine Prices Review Board.

Honourable senators, I do not intend to give a detailed description of the debate involving both sides of this Chamber, on Bill C-22 from May 6 to November 19, 1987, and on Bill S-15 in the spring of 1988. The bills each presented a totally different position on drug patents and the fundamental importance of innovative companies. The main argument of those who objected to the legislation was that costs would increase in the absence of competing generic products during the prohibition period, varying from 7 to 10 years for patented drugs. According to the majority in this Chamber, the Patented Medicine Prices Review Board would not have the power to exercise effective control, owing to a lack of clear-cut criteria in the legislation for defining prices deemed to be excessive. In one of my four speeches on the subject, I said the following to the sponsor of Bill S-15:

> I will follow, with the same perseverance—I would almost say stubbornness—as my honourable colleague, further developments that will take place as a result of this legislation".

And being a man of my word, I welcome this opportunity today to summarize, for your benefit, the first annual report of the Patented Medicine Prices Review Board, published on November 29 last year.

The board, chaired by Dr. H.C. Eastman, submitted a report which covers the period from its creation on December 7, 1987, until the end of the fiscal year, March 31, 1989. However, it provides information on the activities of the board up to September 30, 1989.

As you will recall, the board's role is threefold: to investigate, to prosecute and to judge. During the initial period described in the report, the board acquired the tools it needed to fulfil its mandate with respect to developments in the prices of patented medicines in existence on the date the board took up its duties. The board established compliance policies and published guidelines to help drug companies set, voluntarily, prices that are not excessive. A price is deemed excessive if its increase after December 7, 1987, exceeds that of consumer prices at the time of the review. Two million data were collected and analyzed by a computer whose programs and software were designed to meet the board's needs.

As of September 30, 1989, 255 of 423 patented products, or 60 per cent, had been reviewed. For the 255 products, the average increase was one point below the allowable increase. Thirty-three products will be subject to a second priority review because their prices seemed to be above the established norm. Finally, the board is continuing its review of the remaining 40 per cent. In addition, it intends to review initial prices of 70 new products that were put on the market since December 7, 1987.

The Board emphasized this encouraging result and compared it with Statistics Canada's own data. Between early 1982 until the Board issued its guidelines in July 1988, the increase in the pharmaceutical component of the Industrial Product Price Index exceeded by 2 to 3 points the Consumer Price Index. Since January 1989, however, this index fell sharply and in August, it was 1.7 lower than the Consumer Price Index. Table No. 2 of the report clearly shows this reality.

This report further provides a revenue and expenditure analysis of the R & D of 65 patentees out of 68. In 1988, 57 of them contributed to R & D some $164.5 million, that is, $157.9 million in current expenditures, and $6.6 million in capital expenditures. This represented investments of 6.1 per cent for all patentees, and 6.4 per cent for all the members of the PMAC, which means the Pharmaceutical Manufacturers Association of Canada, compared to 4 per cent in 1986. Surely you remember that the Association agreed to contribute to R & D 8 per cent of its expenditures by 1991, and 10 per cent by 1996. It is interesting to note a definite increase from $93 million in 1986 to $164.5 million in 1988, and a projected target of $211 million in 1990.

For 1988, the report showed that 67 per cent of the money was spent in applied research, 19 per cent in basic research, and 14 per cent in eligible expenditures for research purposes.

The report ends with the Board's financial statement which indicates expenditures for fiscal year 1988-89 of $2.823 million, including $208,000 in capital expenditures. The document includes three interesting schedules.

Schedule "A" provides the complete list of all existing patented products which were or are looked into by the Board. I invite you to per use this schedule, for you will realize that the list is quite long. Schedule "B" shows the distribution of R & D expenditures throughout Canada, as well as the amounts spent in the various types in research and development. Schedule "C" sums up the Board's agenda since its creation on December 7, 1987. Finally, there is a glossary which defines the terms used in the report.

If I may, Honourable Senators, I should like to share with you some personal comments concerning this report.

● (1630)

My first reaction is to recognize the outstanding work done by the Patented Medicine Prices Review Board and its chairman Dr. Eastman. A close and critical reading of the report shows that the Board is committed to fulfilling its difficult and complex mandate in a fair, orderly and rigorous manner. In order to collect the information needed, millions of data must be compiled and analyzed since the cost of each and every patented medicine must be evaluated in the light of the