

Patent Act—Trade Marks Act

on drug prices and profit margins. The British commission wants also to limit promotion and advertising and to abolish all brand names for new drugs.

In a report on the problem in *Business Week* of October 7, 1967, Lord Sainsbury charged that the national health service had been the victim of "excessive prices" to the extent of several million pounds over a period of three years. The commission also severely criticized the drug industry's annual promotion expenditures of \$42 million per year, half of which went to the company's detail men.

Here is what the British commission proposes should be done to bring down the cost of drugs: First, the abandonment of brand names for all new drugs and the use of generic names instead. This was proposed, I suggest, because brand names tend to extend the monopoly position since they are well known long after the protection of the patent expires. Second, the British Commission proposed the filing of a cost report for all new drugs and all existing drugs with sales over \$700,000 a year, including anticipated sales, proposed selling prices and proposed profit margins. Presumably this recommendation is a result of the commission's discovery—incidentally confirmed in Canada—that these show little relationship between the cost of production and the ultimate selling price of prescription drugs.

The third point that the British commission made was that they would like to see established a medicines commission to licence drugs on the basis of safety and effectiveness, to control advertising and to approve generic names. Certainly some of the debate here has emphasized the need for safety, and for biological and chemical equivalency. We in this part of the house can do nothing but applaud efforts in Canada to increase the government testing staff to better ensure that the public is protected. However, we must never conclude that generic drugs are unsafe nor that brand names have some heaven sent monopoly on safety, for it must be remembered that both Thalidomide and Cutler Salk polio vaccine were either brand name or ethical drugs, not generics at all.

The Swedes have not pussy-footed around this drug price problem either. The government of Sweden is threatening to nationalize the drug industry if drug prices do not come down. A Swedish drug lobbyist, Mr. R. Westerling, as reported in the *Toronto Star* of July 29, 1968, said: "American prices of eight

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popular drugs are 76 per cent above those in Sweden". Drug prices appear to be about 10 per cent higher in Canada, so that would make the cost of our drugs 86 per cent higher than the cost in Sweden.

The same article concludes as follows:

Isn't it time the Canadian pharmaceutical manufacturers stopped howling as if ruin and outrage were about to descend on the drug industry? Isn't it time that the P.M.A.C. stopped affronting parliament with phoney and specious excuses for soaking the sick.

A layman might be forgiven for asking how all this came about. How could one industry insinuate itself so intimately into the medical profession and government agencies that country after country contemplates steps or has taken them to prevent its citizens from being "rooked" by the drug industry? How do they get away with it?

I think it is necessary to realize that the patent medicine and prescription drug industry has proceeded on a broad front to solidify its position over a long period of time. Here are some of the ways this industry has been allowed to go about it.

One of the most damnable reasons is the myth held by free enterprise parties that competition between manufacturers is enough to ensure fair and equitable prices, and that the government let industries and professions police themselves. The procedure, of course, whether we talk about the drug industry, the electrical industry or the insurance industry, is that the big fish first of all eat all the little fish. Then, in turn, they get together and agree on a fixed price, which defeats the concept of free enterprise and free competition.

To give one example of this, as was mentioned by my colleague, the hon. member for Selkirk (Mr. Schreyer), on December 29, 1960, a federal court in New York city convicted three leading firms of criminal anti-trust violations involving the antibiotic tetracycline and two chemically related, broad spectrum "wonder drugs". These firms were Charles Pfizer, American Cyanamid, and Bristol Myers and Company, the conspirators named by the court. E. R. Squibb and the Upjohn Company were ruled guilty and the court fined the firms \$50,000 each for conspiring to fix prices.

During the prosecution it was revealed that American Cyanamid's cost of production for one hundred 250 milligram capsules was \$1.50. However, the cost to the pharmacist charged by all five firms was \$30.60 for the same number of pills. So much for price fixing. Undoubtedly, other examples could be