

posed the question whether, in fact, we should have a drug industry in Canada. PMAC is confident that the Committee will take into account what effect the Committee recommendations will have on the research-based industry here, its substantial investment and employment capacity, and its R & D expenditures which have increased so markedly over recent years. They have tripled in the last five years and now represent the highest research expenditure of any industry in Canada. There are many reasons why international drug companies will want to make Canada an ever more important base of operations; political, economic, scientific and man-power reasons. But proper patent protection is an essential adjunct to these, and the companies must understandably view their future plans on an international basis.

In this connection, we would mention that the Department of Industry is at present conducting a special survey of the chemical industry to assess its contribution to Canada, and will include the pharmaceutical sector. In addition, the Economic Council of Canada is currently making a major survey on the effects of patents and trademarks. The findings of both these bodies will certainly have an important bearing on national policies concerning our industry.

The long-term advantages to Canada of a strong research-based drug industry far outweigh any temporary price reductions which could result from further emasculation of drug patents. If greater price competition among manufacturers is to be encouraged then it must be on an equitable basis; the copiers should pay fairly for the benefits they receive. This means that, contrary to the present situation condemned by many witnesses both in and outside the industry, there should be a qualified tribunal to judge licence applications and assess royalties. The latter must ensure that the originator receives adequate compensation for his costs of research, product introduction and servicing which the licensee does not have to carry.

Prices must be assessed in the light of the profits necessary to finance the expansion of a high-risk industry. Taking note of this, the Hinchliffe Committee, for example, stated: "The cost of research must be provided in the prices of proprietary (prescription) medicines, and a good profit record is essential if the industry is to be encouraged to invest capital in continued development projects. The pharmaceutical industry is one which has to face unusual risks. The sudden discovery of a new therapy anywhere in the world can put a product, on which a great deal has been spent, off the market overnight."

The drug industry in Canada is one which has re-invested a very large part of its earnings into further growth. International research-based companies have brought a great deal of investment capital into Canada. They have made a significant contribution to the country's industrial development and, as we have indicated, should be expected to make a still larger one. Unless the Committee adopts the position that direct foreign investment per se is a bad thing, these companies cannot be faulted on their corporate citizenship in this area. A crucial fact is that about 80 per cent of the manufacturer's sales volume is represented by payments and investments made in Canada. If Canadians were to be solely dependent on imports, then the importers would be obliged to meet the heavy