

*Patent Act*

the pharmaceutical industry with a view to recommending the fairest possible solutions.

I shall quote, if I may, from the Order in Council:

And whereas it is desirable that proposals for incentives for the development of the pharmaceutical industry be evaluated, as well as the relationship of the pharmaceutical industry to the health care delivery system throughout Canada, the cost of pharmaceuticals to consumers in Canada, the clearance procedures for new products and any other policies and programs administered by the Government that relate to the pharmaceutical industry.

Therefore the Committee of the Privy Council, on the recommendation of the Prime Minister, advise that Dr. Harry Eastman of the City of Toronto, in the Province of Ontario, be appointed a Commissioner under Part I of the Inquiries Act to inquire into and report upon the current situation in the pharmaceutical industry in Canada, the prospects for a significant expansion of this industry in Canada and the policy framework for the development of the pharmaceutical industry and, within that framework, to identify proposals that might form the basis for reaching a consensus on licensing policy.

The report says clearly that the Commission will identify proposals that might form the basis for reaching a consensus on licensing policy. The two major recommendations are the following, and I shall quote directly from the Eastman Report. The Commission recommends:

that new drugs should be awarded a period of exclusivity from generic competition of four years after receiving their Notice of Compliance authorizing marketing;

that a Pharmaceutical Royalty Fund be established and be financed by payments made by firms holding compulsory licences, the payments to be determined by the value of the licensee's sales of compulsorily licensed products in Canada multiplied by the pharmaceutical industry's world-wide ratio of research and development to sales.

There are several other recommendations in this important report by Dr. Eastman. However, the point I wish to make is that the recommendations of the Eastman Report represent a balanced view between the interests of consumers, that is reasonable prices, and the interests of the pharmaceutical industry, namely funds for research and development.

These recommendations have been thoroughly examined. In fact, the Eastman Report states that, according to the comprehensive data of the pharmaceutical industry in Canada, there is no indication that the compulsory import licensing implemented in 1969 has had any unfavourable effects. In addition, the Eastman Report notes that the profits of the pharmaceutical industry have clearly exceeded those of all manufacturing industries as well as those of the chemical industry as a whole, except in 1974.

This industry is therefore generally healthy. Dr. Eastman explains why, in spite of the health of the industry, he is recommending a four-year period of exclusivity. The report says that the purpose of the four-year exclusivity period from the date of issuance of a compliance notice authorizing marketing is to encourage the rapid introduction of new drugs in Canada by improving the profitability of the company bringing out the new products. He also explains that insufficient protection does not motivate the companies to do research, while too much protection promotes waste, bad allocation of funds and research that is not really necessary.

The care put into the Eastman Report, and its conclusions regarding the protection of patents for a four-year period, once more bring me to say that what the Minister is proposing is excessive. Ten years of exclusivity is very far from the four years recommended by Dr. Eastman.

According to the observations of the Commission, ten years of exclusivity will promote a waste of money and needless research. I am strongly convinced that the Eastman Report shows what direction we should be taking. It gives a fair and balanced view of the interests of both consumers and the industry. The proposals of the Minister will cost the consumers a lot more than necessary and will allow the multinationals to waste their overly large profits in useless activities.

Mr. Speaker, I cannot understand how the Minister of Consumer and Corporate Affairs (Mr. Andre) can tell us that this will not cost Canadian consumers one penny. The Eastman Report is very clear about this, as Dr. Eastman pointed out yesterday and today. What does the Eastman Report say? Simply that the appropriate mechanism to boost the profitability of multinational companies—that is, earning more income to invest in research and development—is a four-year prohibition period.

• (1610)

So the report says that there would be no competition from generic products during four years. The industry would be free to change prices to recoup or gather funds for past and future research. Needless to say a new drug would cost more. We in the Liberal Party believe that a ten-year restriction period is too high a price for Canadian consumers to pay. The evidence is there. The Eastman Report says so. We feel that a ten-year prohibition period is an altogether unreasonable and disproportionate demand on the part of the multinationals. We also believe that the Minister is making a big mistake. He is definitely going too far in his efforts to promote a climate conducive to investment and industrial development.

Spokesmen for retired people, elderly Canadians, women and consumers at the Liberal Party's public hearings last September 23 unanimously agreed that the Government proposals were excessive. A number of them said they would prefer the *status quo*, while others indicated that the Eastman Report recommendations were acceptable even though they did not appear to be in their interest. Nobody was as arrogant as the multinationals when they warned that their investment promises would best be forgotten unless the legislation were adopted.

Mr. Minister, here is what we have against this Bill: the ten-year prohibition period is simply too long. I explained why. The seven-year prohibition period concerning the manufacture of drugs will leave generic drug companies with only three years to recoup expenditures incurred for developing their products. After that period, they will be facing the competition of imports. In their case, they will not be able to recoup the expenses.