

Cut-price drugs weaken industry

| [Alan Moran](#)

The Herald-Sun 28th July, 2007



Oxfam Australia and other anti-business advocacy groups have long been antagonistic to the idea of patent protection for new medicines.

The prevalence of AIDS within the world's poorest countries has brought intensified demands on "unscrupulous big pharma" to reduce the price of drugs.

Oxfam evidently believes pharmaceutical firms are ripping off people in poor countries.

In Thailand (not, incidentally, a particularly poor country) the military government has already forced pharmaceutical firms to dramatically cut the price of anti-AIDS medicines.

Thailand has also licensed a government company to make and distribute copies of pharmaceuticals patented overseas.

A recent IPA study by Tim Wilson, *HIV/AIDS Medicines for All?*, examined these issues. It found the company licensed by the Thai government is making unconscionable profits.

It also found other governments in developing countries exploited their citizens by taxing the drugs.

These concerns aside, forcing down the prices of patented drugs undermines the global pharmaceutical industry's incentives.

These incentives have proven to be invaluable in bringing an endless stream of new drugs.

Once discovered, a new remedy is often very cheap to produce.

But behind that new discovery are massive costs, including searching for the needles in the haystack that comprise the complex molecules of a new wonder drug; costs of shepherding it through regulatory agencies.

And they include the costs of persuading a necessarily conservative medical profession of its merits.

There are hundreds of fruitless searches for every one that offers value, and years of trials before a success can be brought to market.

After that there are sometimes fewer than a dozen years during which it can be marketed before its patent expires.

It is a simple matter for governments to seize a patent or to require a cheap price, but the outcome brings a reluctance of companies to look for new formulas.

We have one home grown drug company, CSL, with a \$16 billion capitalisation, and many smaller players such as Biota, Avexa, Starpharma, Peptech and Cytopia.

These are local start-ups developing intellectual property.

They hope to become either a global force in their own right or to forge a lucrative combination with one of the majors.

Pharmaceutical research and development is one area where Australian companies have enjoyed success and are optimistic about the future.

The industry is assisted by good domestic medical infrastructure, even though the dominance of government purchasing in new pharmaceuticals is a disadvantage.

Calls for artificially low drug prices are misplaced. They rebound on the real interests of consumers and could abort the growth of some promising Australian businesses.

[Back to news page](#)



[Become a member of IPA today](#)



Archived news

[2014](#)

- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2013](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2012](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2011](#)

[2010](#)

[2009](#)
[2008](#)
[2007](#)
[2006](#)
[2005](#)
[2004](#)
[2003](#)
[2002](#)
[2001](#)
[2000](#)
[1999](#)
[1998](#)
[1997](#)
[1996](#)

[IPA](#)

[Home](#)
[About](#)
[Key Sectors](#)
[News](#)
[Events](#)
[Publications](#)
[IPA People](#)
[Contact us](#)
[Site Help](#)
[Payment](#)

[News](#)

Useful links

[Top of page](#):: [Site help](#)
:: [Site map](#)
:: [Privacy](#)
:: [Copyright](#)
:: [Subscribe to IPA email updates](#)
:: [Unsubscribe](#)