



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

COPY

Date : 17-06-2010

News / Story reproduced with thanks:- **Economic Times**

Big Pharma cuts R&D jobs as generics loom

17 Jun 2010, 0406 hrs IST, REUTERS

Direct link to the News/Story:-

<http://economictimes.indiatimes.com/news/international-business/Big-Pharma-cuts-RD-jobs-as-generics-loom/articleshow/6056915.cms>

LONDON: At just 28, Duncan Casey has already been from the university science bench to the world of Big Pharma research and back again. Now working in an Imperial College lab tucked behind London's famous Science Museum, he has no illusions about the prospects for researchers in the pharmaceutical industry.

"The unit I used to work in — GlaxoSmithKline's place in Harlow — has been closed down now," says Casey, dressed in signature protective goggles and white coat as he works on synthetic chemistry. "It used to be a job for life. Now it's a job until the next restructuring."

Across the west, Big Pharma is cutting back on the number of scientists it employs in its labs and the money it spends on research and development. The hunt for new drugs continues, but the men and women in white coats — traditionally viewed as the lifeblood of the industry — are not as untouchable as they once were.

It's a similar story at GlaxoSmithKline's research laboratories in Verona, where lunch time conversations can be gloomy. Glaxo is axing the Italian facility, shedding 500 jobs as part of a programme of cuts designed to improve returns on R&D.

Many scientists feel stranded or wonder why they entered the profession at all. "It's a sad but true fact that science really doesn't pay any more," says one young researcher who did not give her name for fear of jeopardising future prospects in the industry. "The lunch time discussion today was about what we'd go back and study if we were 18 again and choosing university courses.

There were only a few of us who said they'd still go for a science degree."

Across the Atlantic in Cambridge, Mass, Adrian Ivinson, director of Harvard's NeuroDiscovery Center, is reminded of the shifts underway in the industry every time he looks out of his window. Over the road, the "gorgeous, state of the art labs" no longer house Merck & Co's neuroscience team. "They only built it a few years ago and had this wonderful neuro group in there," Ivinson says. "Now they're gone." The magnitude of changes is hard to ignore.

US drug giants Pfizer and Merck have slashed thousands of jobs since acquiring smaller rival firms last year. British-Swedish firm AstraZeneca has plans to close its research labs at Charnwood in central England by the end of 2011, with loss of up to 1,200 jobs; its Swedish research unit in Lund will also shut. In Japan, Astellas Pharma has announced plans to limit its research expenditure.

Sam Isaly, managing partner at OrbiMed Advisors — with some \$5 billion under management it is one of the world's largest healthcare investment firms — expects employment in the 14 big Pharma companies across the United States, Europe and Japan to fall around 20% between 2009 and 2015. That means some 2,00,000 jobs will disappear across the drugs business — not only in research but also in sales and back office functions. “The management of these companies have to deliver to their shareholders, so they are downsizing or making acquisitions or diversifying,” says Isaly.

One factor forcing Big Pharma to rethink its business model is the huge number of patents that are set to expire over the next five years. As patents run out on blockbuster prescription tablets like Pfizer's \$12 billion-a-year cholesterol medicine Lipitor and AstraZeneca's \$5 billion heartburn pill Nexium, cut-price generics are sure to rush in and slash margins. Between now and 2015, products with sales of more than \$142 billion will face copycat competition, according to IMS Health, the leading global supplier of prescription drug data.

It is the biggest “cliff” of patent expiries in the history of the pharmaceuticals industry. Add in tougher regulatory hurdles and a brutal squeeze on healthcare budgets as cash-strapped governments push austerity programmes and it's little wonder that drug companies are cutting back and shifting focus.

The strategy so far has been to buy promising new drugs from outside developers and boost investment in the relative safety of non-prescription consumer products. Big drugmakers are also moving into new markets — with Asia at the top of everybody's list. It all adds up to a redesign of the multinational pharmaceutical company. In the 21st century, says Isaly, Big Pharma will primarily be a distribution business.

A peek into the bag of free goodies handed out to shareholders at Glaxo's annual meeting in London gives an idea of one direction the industry is headed. Aquafresh toothpaste, Corsodyl mouthwash, Breathe Right nasal strips and Lucozade energy drink are not exactly at the cutting edge of bioscience, yet they all seem to be enjoying top billing under Glaxo's youthful chief executive Andrew Witty. Under Witty, who has been in the top job for two years, over-the-counter remedies, oral care and health drinks have become a key pillar of Glaxo's drive to reduce reliance on traditional prescription pharmaceuticals.

As if to emphasise that fact, the one new hire highlighted by the CEO in his address to the meeting was Emma Walmsley — an executive poached from French cosmetics group L'Oreal SA and heir apparent to run Glaxo's reinvigorated consumer healthcare business.

Glaxo may be working on groundbreaking treatments for cancer, but one of Witty's favourite products is Horlicks, a huge seller in India. The brand clocked 146 million pounds in Indian sales in 2009, bagging an enormous 48% of the hot drinks market there.