

Over the last 20 years, France's pharma industry has become one of the world's success stories, but it is not immune to the pressures of an economic crisis. Despite its wealth of knowledge and expertise, **Christian Lajoux**, Leem, tells Jim Banks, collaboration between industry and state authorities will be crucial in supporting future growth.

FRENCH PHARMA CONNECTION



The pharmaceutical industry in France has established itself as one of the most knowledgeable and research-intensive sectors of its economy. The country is one of the world's key pharma markets and its life sciences has become a powerhouse of its global economic competitiveness.

France is a hotbed of innovation in new drug therapies, medical devices and therapeutic techniques. Its pharma companies are at the leading edge of the biotechnology market, which generates annual revenues of €2.2 billion. The strong heritage of the country's vaccine industry is widely recognised.

Embracing challenges

The country continues its strong drive to build on its life sciences capability, and government support for this effort is crucial. The creation of elite bioclusters that bring together the best in academia, mature enterprises and start-up companies has been a key pillar of the industry's success. Nevertheless, it faces the stiff challenge posed by the turnaround in global economic fortunes to buck a slow-growth trend.

'From 1995 to 2005, the French pharmaceutical sector saw annual growth of 6-7%, thanks mainly to hospital drugs and exports,' says Christian Lajoux, president of Les Entreprises du Médicament (Leem). 'But the last three years has seen this growth slow to one-third of that rate, standing at 2% in 2007 to 2008.'

Leem represents the bulk of companies involved in the R&D, manufacturing and marketing of medicinal products in France, and its members account for 97% of the country's drug treatment sales. It is responsible for the analysis and promotion of its members' economic, industrial and

Contributor profile



Christian Lajoux became chairman of Les Entreprises du Médicament in July 2006. Leem is a professional organisation, which represents the 300 drug companies operating in France. Leem's Board of Directors has just extended his presidency by a further two years. Lajoux is also senior vice president of pharmaceutical operations France for sanofi-aventis.

commercial interests, as well as for building the global presence of the country's pharma industry and enforcing its code of ethics. Leem's broad role has given it a ringside seat at the development of the pharma sector through times of rapid growth and the current slowdown. It recognises the importance of government support, which is now more crucial than ever before.

'Since 1994, the French pharmaceutical industry chose a conventional partnership with public authorities – not public health insurance – and this partnership takes into account public health and industrial matters that favour R&D,' says Lajoux. 'The latest framework agreement between pharma and the Economic Committee was signed in September 2008 in order to recognise the incremental innovation process.'

In 2004, the French Prime Minister set up a Strategic Council for Health Industries (CSIS), which brings together CEOs of big pharma companies and ministers for health, economy and industry with the aim of making pharmaceuticals a strategic sector for France. This Council has met three times and will meet again in spring 2009.

'The CSIS has already taken concrete measures such as the implementation of centralised management for clinical

trials, tax exemptions for investments in Europe, and a database for cancer tumours,' says Lajoux.

Relief from global pain

The slowdown in growth in France's pharma sector is partly due to the reversal of global economic fortunes. The healthcare sector is generally more insulated than most from such trends, and the drop in growth rates predated the credit crunch, but pharma is focused on how to minimise the risks posed by global recession.

'The economic crisis has an indirect impact on the pharma sector,' says Lajoux. 'The increase in unemployment leads to a decrease in social taxes paid by employers and employees, which finance, among other things, sickness funds. But at the same time spending is not decreasing. This leads to an

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increase in the deficit of social accounts and the authorities will have to put in place cost-containment plans, which will ultimately have a negative impact on pharma through, for example, price decreases and dereimbursements.'

Again, the response of government will be vital in shaping the future of the industry, as will greater collaboration among key industry players.

'Public authorities must ensure predictability and visibility for medicines policy,' says Lajoux. 'For example, they have to guarantee a European level of prices for new and innovative drugs, short market access delays and price stability during long periods. Cost-containment plans should impact everyone in the health sector, not just pharma. The next CSIS meeting should bring concrete measures to attract foreign investments in production, reinforce clinical trials, and develop pharmaco-epidemiology databases.'

Equally important is the ongoing change in the pharma business model, which is having a drastic effect on R&D and the promotion of new drug therapies.

'More than the economic crisis, the pharma sector is affected by a change in business model that has seen the end of blockbuster drugs, and the emergence of generics and biotechnologies,' says Lajoux. 'Companies operating in France are prioritising biotechnology development, with closer cooperation between public and private R&D, and health governance competitive with the international market.'

Practical measures, tangible results

Lajoux notes that many important steps have already been taken, largely through CSIS, to support the industry in the

years ahead, including the cancer and Alzheimer's plans that have been put in place, but he recognises that there is still much more to do. He cites, for example, the work on law relating to *hôpital, patients, santé et territoires* – the HPST bill concerning hospitals, patients, health and territories, which defines the functions and status of managers.

'There also needs to be a better environment for biotechnology development, better cooperation between public and private research and a better understanding of medico-economic issues,' he notes.

Lajoux also feels that pharma must succeed in efforts to cut costs if companies are to remain competitive.

'When changing their business model, firms tend to reduce their sales forces and support functions, outsource an important part of R&D, and strengthen their intellectual property,' he says. 'Firms are trying to reach a critical size by merging with or buying other pharma firms. To gain greater efficiency, they are also looking to the UK, Scandinavia, Singapore and China.'

Strategic power

Ultimately, Lajoux feels that these efforts will only succeed if a tactical approach to cost reduction is firmly couched in a long-term strategic vision for the industry.

'The economic crisis forces sectors such as pharma to improve their productivity,' he explains. 'The pharmaceutical industry is particularly challenging because of the changes in its business model. Firms are trying to find new economic models. The short-term strategy is to reduce costs and stimulate R&D. Long-term, the strategy is to diversify activities into areas like over-the-counter products, generics, biotechnology and medical devices. They are also trying to gain market share, often in emerging regional markets such as the BRIC countries or in markets for as yet untreated pathologies.'

Leem will no doubt play a big part in helping its members to take advantage of such opportunities, and it is trying to arrange a new CSIS meeting to set up more measures to encourage R&D and production in France. The future of the industry depends on how well industry bodies, government and major pharma can align behind these common goals. **WPF**

FRANCE'S PHARMA FACTS

- 335 pharmaceutical companies
- 200 production sites
- €44.7 billion sales revenues
- 43% of sales revenues are derived from exports
- 103,500 employees, including 22,000 in R&D
- 200,000 people employed in related industries
- 2,000 new jobs created each year
- Value added of €12.6 billion, or 0.71% of commercial GDP
- €4 billion spent annually in new drug research
- 11.1% of sales revenues are dedicated to research
- France is the top front producer of medicinal products in Europe
- France's strong domestic sales make it the third largest global market and the second largest in Europe