GSK Public policy positions

Competitiveness and Investment Criteria

The Issue

The pharmaceutical industry is facing an increasingly challenging global business environment, requiring companies to fundamentally re-think their strategies and investment decisions. Globalisation of markets, the ease of global communications and the existence of a progressively international and mobile pool of scientific and commercial talent mean that companies can serve more markets from fewer locations. Companies have more choice than ever when deciding where to locate but are also under more pressure than event to contain costs. These are all factors driving investment decisions.

This paper summarises GSK's approach to investment decisions, including the key criteria that we apply when assessing new opportunities.

GSK's Position

- Many factors influence pharmaceutical industry investment decisions, including appropriate economic, scientific and market conditions. A robust legal framework is also important. Businesses will migrate naturally to where these conditions exist and are sustainable.

- By working in partnership with industry to create a conducive environment to attract and embed long-term investment, Governments can have a significant influence on investment decisions. Healthcare companies will typically look to governments to provide and/or facilitate:

    1. **Strong scientific research skills and infrastructure, together with a high quality research base. Key components include**:

        - An adequate supply of skilled scientists and other technical personnel

        - A high quality and relevant science base, including centres of world-class research in universities allowing collaboration between industry and academia.

        - Access to new ideas and technology through links with Small and Medium-sized Enterprises (SMEs). Large companies are increasingly looking to R&D partnerships as a way of sharing costs, accessing new ideas, and reducing the time to market for new products. The most attractive location for investment would have a critical mass of competitive partner organisations.

        - Clusters of pharmaceutical firms, research and training institutions, suppliers of key inputs (e.g. software), venture capital providers and other related entities to facilitate linkages and partnerships critical for industry competitiveness. In countries of a similar size to the UK, for example, caution should be taken not to dilute this by creating too many clusters on a smaller scale.

    2. **An attractive commercial environment for innovative medicines and vaccines. Key components include**:

        - A stable, steadily growing market that offers substantial size and encourages competition. Governments must adopt a strategic approach to the industry and avoid 'knee-jerk' actions that create unpredictability.

        - Early adoption of new innovative medicines and vaccines, allowing fast access to patients.

        - Pricing and reimbursement policies that recognise and reward innovation and consider the value provided by a medicine or vaccine, rather than just the cost.
        - Pricing and reimbursement policies that recognise the social, economic and technological contribution provided by the industry to the country in terms of employment, industrial investment and research.

3. **An attractive fiscal and economic climate comprising:**

   - Steady economic growth, stable inflation rates, low and stable interest rates, open and outward looking markets, with deep and enduring economic linkages with the rest of the world.

   - Financial incentives, such as the rate of corporate taxation and measures aimed at modernising tax legislation relating to IP (eg. the Patent Box operated by the UK Government.)

   - Favourable planning regulations, a good transport infrastructure and value for money terms of head count and facilities, costs and maintenance.

4. **A supportive regulatory environment that:**

   - Allows timely review and early adoption of new medicines and vaccines.

   - Understands and embraces new technologies used in the discovery and development of new products and the new challenges to the regulatory approval process they create.

   - Allows quick start up of clinical trials and facilitates rapid patient recruitment.

   - Focuses on better regulation, to ensure regulations are clear, evidence-based and proportionate.

   - Provides a level playing field for foreign companies, avoiding protectionist measures which unfairly favour local companies.

   - Assures the availability of high quality information to healthcare professionals and patients from a range of different sources to enable clinically sound prescribing decisions to be made on the basis of quality, efficacy, clinical-effectiveness and cost-effectiveness.

   - Goes beyond product regulation embracing, for example, balanced employment and environmental laws.

5. **Regular industry/government partnership and dialogue, supported by an integrated approach to government policy and actions, which brings together healthcare regulation and industrial policy**.

6. **A strong legal framework that:**

   - Rewards innovation and supports R&D funding by respecting and enforcing international patents and regulatory data protection

   - Embraces a zero-tolerance approach to corruption: it follows that if companies are reassured there is a commitment to tackle bribery and corruption, they may be more willing to invest in historically high risk markets.

Background

Cost-containment policies, the emergence of new customers around the world, and shortening product life cycles are altering the economics of the pharmaceutical industry. The need to invest heavily in new R&D technology platforms and the ever-increasing cost of clinical research and regulatory hurdles add to mounting cost pressures. These factors are driving pharmaceutical firms to take a much closer look at what each locale offers in terms of access to required skills, proximity to technical partners, attractiveness of local market conditions, operational costs, and taxation rates. Location decisions are increasingly taken from the perspective of their effect on the overall competitiveness of the global company.

May 2019