

20 October 2010

**Submission to the Inquiry of the Community Affairs Legislative Senate Committee
NATIONAL HEALTH AMENDMENT (PHARMACEUTICAL BENEFITS SCHEME) BILL 2010**

This submission is in response to the Community Affairs Legislative Senate Inquiry into the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010.

Sigma Pharmaceuticals is one of Australia's largest pharmaceutical manufacturers and one of only two companies which manufacture generic medicines in Australia from its sites in NSW and in Victoria. In total, Sigma employs some 1,700 people. These jobs are at risk if this Bill succeeds.

We believe that the Bill is unnecessary and illogical as it threatens the one area of PBS that can deliver drug price savings and keep it affordable.

PBS reforms of 2005 (compulsory 12.5% price cuts) and 2006 (25%, on going 2% price cuts, and price disclosure) have all been directed at generic drugs (PBS F2 formulary). Analyses (including the Government's own) have shown the 2007 measures alone are forecast to save around \$6bn over ten years, double the original estimates. These savings have not been directly reflected in PBS expenditure mainly due to the impact of compensatory packages for pharmacists and continued strong momentum of patented drugs (PBS F1 formulary). The real driver of PBS cost growth is patented drugs, yet reform continues to attack the generic sector only.

From 2005/06 to 2009/10 the cost to Government of the entire F2 formulary fell by 21.4 per cent from \$2.8 billion to \$2.2 billion (Government contribution). The F1 formulary medicines, predominantly supplied by large multinational pharma conglomerates, conversely have increased by 35.4 per cent (Government contribution) over the same period. The proposed Bill will take a further \$1.9 billion out of the F2 formulary over 5 years. *This is not compatible with a viable generic industry, particularly Australian based.*

We believe that the Bill is unfair as it has been negotiated without consultation of the Generic Medicines Industry Association, a key stakeholder.

The MOU underpinning the Bill, is an agreement with Medicines Australia, the representative group of the innovative or patented F1 formulary medicines industry in Australia. The members of GMiA who supply approximately 70 per cent of the generic market on the PBS were not included.

Without the insight and contribution of this significant sector of the industry, both the MoU and the Bill lack balance for a sustainable supply of PBS medicines. Sectional interests have been promoted at the expense of unfavourable financial consequences for the PBS, taxpayers and other sectors of the industry.

In contrast to underpinning the PBS, this Bill threatens the viability of the generic pharmaceutical sector and its key role in providing the robust competitive forces needed for a sustainable PBS.

Sigma urges you to ensure that this Bill is not passed into legislation.

Yours faithfully

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