



INVESTING in

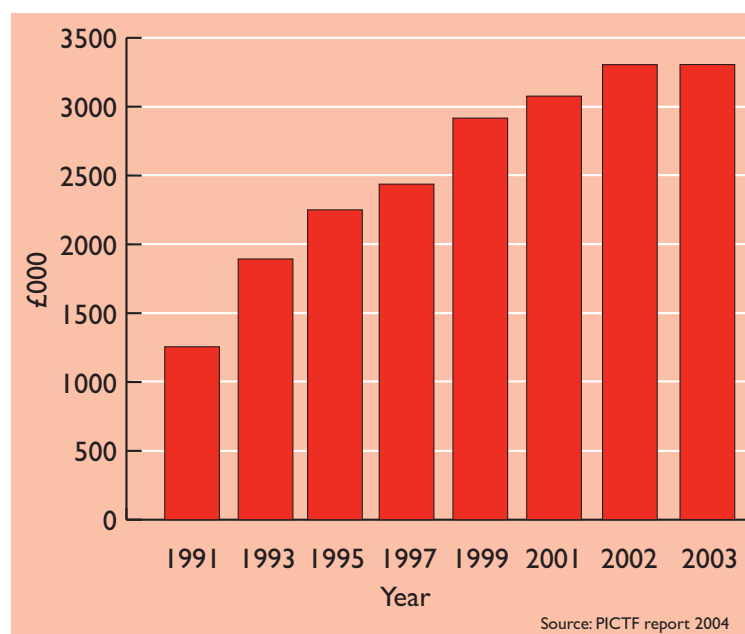
medicines

A WORLD LEADER

The UK-based pharmaceutical industry is one of the most successful in the world. After the USA, it has discovered more of the world's most-used medicines than any other country and continues to play a leading role in research and development – re-investing around £9 million a day in the search for new and better medicines and making the pharmaceutical sector by far the largest contributor to R&D in this country.

- The pharmaceutical industry funds two-thirds of all UK medicines research.
- Pharmaceutical companies carry out around a fifth of all UK industrial R&D.
- The number of staff employed in R&D is rising, but there are concerns about growing shortages of expertise and the migration of UK scientists overseas.
- Significant international investment shows that the UK is still a preferred location for R&D, although future investment decisions could be influenced by changes in the operating environment in the UK and by global competition.
- The pharmaceutical industry has tripled its spending on research over the past ten years.

But competition for research investment is increasing, and rivalry from Eastern European countries and tax incentives in the Far East mean that the UK has to respond if it is to retain its position as a location of choice for pharmaceutical R&D. There are already early signs that R&D investment in this country is tailing off.



Estimated total UK expenditure on pharmaceutical R&D

CONTINUING INVESTMENT

Medical care has undergone a total transformation in the past fifty years. New generations of therapies have revolutionised medicine and the pharmaceutical industry has played a vital role in finding new medicines to treat a wide range of conditions such as AIDS, ulcers, mental illness, cancer, asthma and heart disease.

The UK is maintaining its role as a world leader in medicines research, with more than 30 per cent of the industry's sales income re-invested in pharmaceutical R&D. No other industry sector in the UK comes close to matching it. The aerospace industry invests 14 per cent of turnover in R&D and IT spends 12 per cent.

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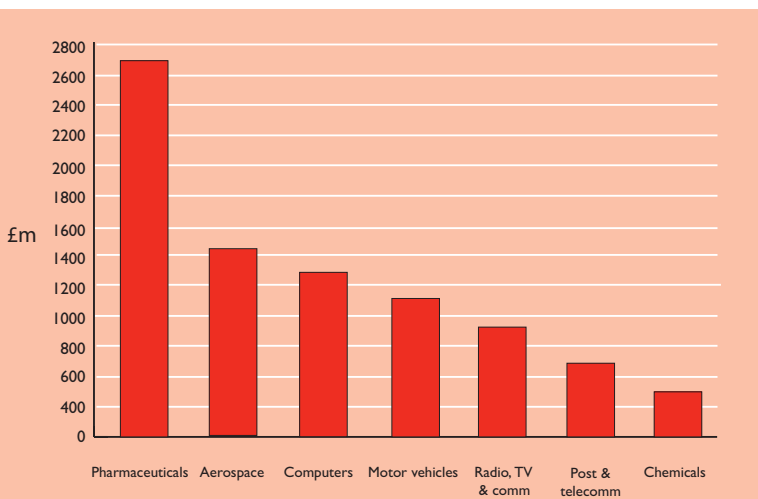
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The industry has a strong record of partnership in collaborative research with universities, bringing tangible benefits to both. In 2004, pharmaceutical companies funded more than 1,100 collaborations in 80 institutions in the UK.

THE EXPANDING WORKFORCE

The UK-based pharmaceutical industry employs around 83,000 people, more than a quarter of whom are graduates. A further 250,000 people are employed in related industries.

Some 27,000 people work in pharmaceutical R&D. However, companies are finding it difficult to recruit sufficient staff with appropriate skills, although recent research shows that there has been some growth in this area. Estimates suggest that the number of R&D staff rose by some 8 per cent between 2000 and 2003, creating around 2,000 additional jobs.

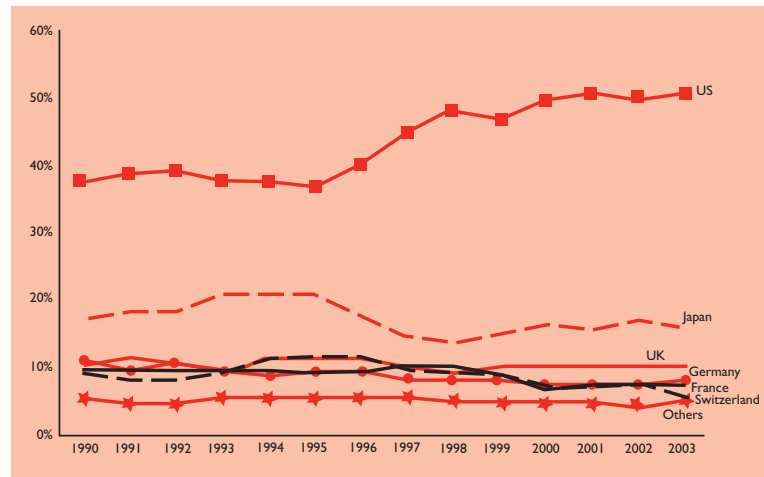


Expenditure on R&D, different industry sectors, 2003

INCREASING COMPETITION

The key factors for a company in placing its pharmaceutical research are speed, quality and cost. The UK is one of the most expensive places in the world to carry out research. An international assessment of cost comparisons of clinical trials, FastTrack, showed that against our major competitors, the UK was second most expensive in both the trials monitored.

Over the past 10 to 15 years, the USA has opened up a commanding lead in pharmaceutical R&D investment. This trend will continue unless a favourable environment for research exists in the UK, including the continued supply of suitably



International comparisons of R&D investment (Select Committee submission)

trained scientists and an end to attacks on the industry and its suppliers by animal rights extremists. A halt in investment growth between 2002 and 2004 acts as a warning sign that the research environment is changing.

ECONOMIC BENEFIT

- The pharmaceutical industry is a vital component of the UK economy and a major source of funding for medical research, supporting around two-thirds of all medicines research in the UK.
- A quarter of the world's top-selling 100 medicines were discovered and developed in Britain, more than any other country except the USA.
- It is the third largest export sector in the UK (after oil and manufacturers of power generating equipment), producing a trade surplus of £3.75 billion in 2004.
- UK R&D expenditure in 2003 as a percentage of global expenditure was around nine per cent, and it is predicted that this level will be maintained.
- The pharmaceutical industry remains by far Britain's most important sector in terms of investment in R&D in the UK.