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Aspen hails decision to boost locally made medicines

By Tamar Kahn

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SA's biggest drug manufacturer, Aspen Pharmacare, on Friday welcomed the announcement by Trade and Industry Minister Rob Davies that the pharmaceuticals sector had been designated as one in which the government would purchase selected products exclusively from domestic manufacturers.

The government expects the development to boost South African drug makers and multinationals that have invested in local manufacturing capacity. The move, however, will hurt importers of finished goods.

"It gives you greater certainty of demand, so pharmaceutical companies are more likely to invest in SA," said Aspen Pharmacare's head of strategic trade, Stavros Nicolaou.

"It also goes some way to levelling (the) playing field," he said, arguing that importers of medicines from countries such as India benefited from tax breaks granted to the exporters of the products.

The first pharmaceuticals tender to get the new treatment will be the one for oral solids, valued at R2,5bn over two years. It includes pills and capsules, but excludes antibiotics and AIDS drugs. A list of about 70 products that would qualify was close to finalisation, the Department of Trade and Industry said.

Health director-general Precious Matsoso said 70% of the tender would be earmarked for products with local content, and 30% would be open to all suppliers. The Department of Health would benchmark prices internationally to ensure it paid a fair value for locally made medicines, she said. "It's about local content, not local ownership," she said. "The Sanofi plant in SA, that's the kind of thing we would support," she said, referring to Sanofi's announcement last month that it would manufacture tuberculosis drugs at its plant in Mamelodi.

Preferential procurement regulations promulgated last year make provision for the Department of Trade and Industry to designate sectors, sub-sectors and industries identified in national economic development and industrial policies.

The first sectors earmarked for procurement exclusively from domestic manufacturers in this way were announced last December and include power pylons, rolling stock, buses, canned vegetables, clothing, textiles, footwear and leather products, and set-top boxes used to convert digital broadcast signals for viewing on analogue TV sets.

Davies said the pharmaceuticals sector was the fifth-largest contributor to SA's trade deficit. Reversing this, while ensuring affordable healthcare was available to the private and public health sector, was a challenge, he said.

Imports of finished pharmaceuticals rose from R6,2bn in 2002 to R15,1bn in 2010, a figure that excludes the active pharmaceutical ingredients that are used to manufacture medicines, according to government research.

Source: *Business Day*