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What the DOCTOR Ordered

At the forefront of scientific innovation for healthcare, AstraZeneca Australia produces new treatments and medicines to help improve the everyday lives of people in the community.

Images courtesy of AstraZeneca Australia

With operations in over 100 countries worldwide, and employing over 51,000 staff, AstraZeneca is a global force in the pharmaceutical market. The Australian arm of the company has been in operation for more than 50 years, and invests \$250 million annually in research and development.

The CEO Magazine had a conversation with Mark Fladrich, Managing Director of AstraZeneca Australia, about the changes in the company over the past couple of years, the emerging markets in China, and how it is using Australian expertise to help develop new cancer treatments.

The CEO Magazine: What changes has AstraZeneca Australia seen as a company over the past three years?

Mark: The biggest change has actually happened due to the

appointment of a new CEO for AstraZeneca. His name is Pascal Soriot, and he joined AstraZeneca two years ago. The company was facing significant challenges with our patent cliff. This basically means the expiry of the intellectual property rights for any of our big products, which means generics come into the market, the price drops, and a lot of the sales of those products disappear.

It's actually the classical pharmaceutical company innovation cycle: you get a certain amount of time to commercialise a product, then generics are allowed to enter. To maintain your sales and remain a viable business, you need to continually bring new products to replace the products that are expiring. Pascal has been brought in and has done a really good job in reinvigorating the company's pipeline.

We've had a few difficult years and we have a few difficult years ahead of us when our overall sales

line will either decline slightly or be fairly flat. However, in the past two years our pipeline of new products has significantly strengthened to the point where we're seen as having one of the best pipelines in the pharmaceutical industry.

On top of that, we made a very bold decision at the end of last year to acquire all of the rights from the diabetes alliance that we were in. We had an alliance that had been running for about five years, but at the end of 2013 we initiated an acquisition of all of those rights. So it supplements our own pipeline but also makes us a big player in the diabetes area, which everyone knows is a major growing problem for the globe—not only in countries like Australia but also in emerging markets.

I think the most important thing Pascal has done is to clarify our long-term strategy, focusing us in three main therapy areas—cardiovascular and diabetes >



being one, respiratory and inflammation being another, the third being oncology.

What challenges are there in the pharmaceutical industry in Australia, and how does AstraZeneca overcome them?

We've done very well. We have the Pharmaceutical Benefits System in Australia, which basically allows very broad access to products for all Australian residents. The PBS is in decline due to a framework that was agreed with government to accelerate the reduction in price of off-patent products, which has generated \$1 billion of savings. It's not growing, and it's one of the few areas of health where spending is under control. We're hoping that government will see the need to invest more money in allowing

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new life-changing medicines to come to market from PBS.

Australia could be a stronger place to do clinical research. We tend to have bureaucratic processes that mean we're a bit slower to get approvals to do studies in Australia than in some other countries. That's problematic because, as a global company, the countries that can deliver fastest are the ones that get most out of the clinical trials. There is still some work that can be done in Australia to speed up that process.

Running clinical trials is really a win for everyone because patients in Australia get the opportunity to get treatments earlier, the academic institutions benefit because they get involved in more research, and that has positive economic spin-off to many other stakeholders beyond those individual research centres that are doing the work. It has a really positive overall effect on infrastructure in the country.

Particularly in the cancer area, we do quite a bit of phase one work here, which is basically the first time these experimental drugs are used in humans. If you have cancer and you've tried various other therapies, sometimes this is the last resort. As therapies become more targeted, they become more predictable as to whether they're going to work or not. I'm certainly encouraging running more oncology clinical studies here, because for patients locally that's a real option for them in a very difficult time when there may be no other options for treating cancer.

What initiatives and changes have you introduced to increase the efficiency of research and development?

A couple of years ago, one of the main issues was the strength of the Australian dollar, so that's come off a bit now. That does have a tangible impact on the cost of R&D here. But, to be frank, speed and



quality are just as important as cost when you're doing clinical research. Since then, we have increased our investment in clinical research by over 200 per cent, and that's mainly because we're doing a large number of oncology clinical trials in Australia.

Australia is seen globally as a very high-quality place to do research for treating cancer, but we're also doing a lot of other studies in diabetes and in cardiovascular. I can proudly say we've significantly increased our investment in that area: we have three times the number of people working in clinical research that we had two years ago.

In what markets has AstraZeneca seen success in recent years?

China is definitely a very important market for us. The Chinese government is investing significant funds in healthcare, so they're trying to deliver a universal healthcare system by 2020. That means there are a lot of new products being approved and there's a lot

more access to those products once they are approved.

For us locally, it's really important because of our manufacturing process here in Australia. We supply a respiratory product to China through our manufacturing centre here in North Ryde. The Chinese government has a platform around medical research and innovation, and I think the pharmaceutical industry perfectly fits because we're a knowledge-based industry; we tap into one of the strengths of Australia, which is science and research. Manufacturing pharmaceuticals in this country, because of its high standards, is highly valued, particularly in Asia. It would be good to see the Australian Government give a bit more attention to this as an opportunity for future economic growth.

How have sales been progressing?

Two years ago was probably our peak year of sales due to the PBS. Since then, we've had the expiry of our patents on some of our key products. Because of that, some of

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our sales are in decline, but that's actually the case for the majority of the large players at the moment.

We realise that medicines cost money; they cost a lot of money to develop. But to get our drugs listed on the PBS, we have to prove that they're cost effective, which basically means they reduce other costs within the healthcare system.

How is AstraZeneca keeping its manufacturing arms strong?

Our manufacturing arm is 90-per-cent exported product. The majority of the remainder is sold in hospitals. The reason we're growing our exports is because of China and Japan—not because of the Australian market—because there are exploding numbers of people being treated for asthma, particularly in China because of the air quality. The Chinese government has now realised it has to do something about air pollution, but asthma is not only caused by air pollution. Pollution can aggravate things, but even moving to a more Western lifestyle can cause it, with furnishings and dust mites and all sorts of things.

Why do you think the pharmaceutical industry is so important for Australia?

The pharmaceutical industry exports about \$4 billion a year, which is more than the wine industry and more than the car industry. It doesn't get a lot of press. The other area that is really good from an investment perspective is clinical research; now that's dropped off a little bit over the last couple of years.

As a company, we have grown that investment because of our pipeline. It would be good to see the government really taking a cross-portfolio view of the industry, from a manufacturing and clinical research view and also the impact of access to the market here. In some countries, that is managed in a way that is a virtuous cycle, and because it's a high-tech area, it's perfect for the kind of capabilities that Australia possesses. •



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