

**The Future Pharma UK Summit is being held at the Mayfair Conference Centre in central London.**

**(Check against delivery)**

I am delighted to be here today discussing the pharmaceutical industry. It is an industry that touches us all and provides enormous gains to our quality of life. In just the last decade clot-busting and anti-hypertensive drugs, developed by you and your colleagues, have significantly reduced mortality rates.

The pharmaceuticals sector has been hugely successful in recent years. It is a major employer and adds a positive contribution to our trade balance. I am especially pleased that this important sector is doing so well here in the UK.

A recent study also showed that the pharmaceutical industry is highly regarded by the public, a rating which should be enhanced by [the strict rules of] the ABPI Code of Practice which you have now adopted.

I am privileged to have such a distinguished audience today – you are the people who have the responsibility of ensuring the success of the UK pharmaceutical industry over the coming years. I want you to be successful and I want to hear from you what you feel we Conservatives can do to help you achieve that success.

I know that there are significant issues facing your businesses at the moment and I want to learn more about what we as a Party can do to help. I also want to set out to you today a little of what we believe we can offer high-tech and knowledge-based industries like yours.

One of the points I have been making since I become Shadow Secretary on DTI matters is that successful government relies on successful businesses. Now that's not just a platitude; it is a genuine recognition that one way or another it is businesses that give people jobs and it is businesses that pay for schools and hospitals. I like to tease my Shadow Cabinet colleagues that it is the businesses that the DTI represents which pay for everything their departments want to do. My lot earn the money; the others all spend it.

Successful businesses come in [all] different shapes and sizes, but one of the things that economists as far back as Adam Smith recognised is that countries tend to do better in some sectors than in others. In the UK we have been lucky in that we have been 'good at' pharmaceuticals.

The evidence of your success is striking. The UK pharmaceutical sector employs over 70,000 people. And at a time of worrying falls in research and development, over a third of those people are employed in R and D roles. Indirectly your industry sustains other companies that employ a further quarter of a million people.

Your contribution to the UK economy continues to be large. Last year the UK recorded its largest ever trade deficit, yet the pharmaceutical sector recorded a positive trade balance of nearly £4 billion.

The UK has discovered and developed more leading medicines than any other country apart from the USA, and as much as the rest of Europe combined. Around one in five of the world's current 100 best-selling drugs were discovered and developed here in Britain.

So the pharmaceuticals sector is doing well, but that doesn't mean there aren't challenges ahead. There are a number of issues specific to this sector which you face now and will have to confront over the coming years. But there are also general problems facing British industry – it is important that you know that I, and the Party I represent, understand these challenges.

Globalisation represents an amazing opportunity for British businesses, but it poses a threat too. The number of people who consider themselves to be middle class is set to triple over the next 10 years. This will provide amazing new marketplaces for products that the UK is good at supplying – such as financial services and healthcare. There is a remarkable opportunity for your industry to grow to meet that new demand.

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But there is also a threat to developed nations like ours. The developing economies are already competing with us in a number of markets, and with low input costs they are winning an increasing number of battles. Already the Chinese and Indian economies are growing at rates we can only dream of. But increasingly developing countries are devising their own products, patenting their own designs, and competing with us in high-skill areas.

An increasingly open marketplace means that we will all have to work harder to remain competitive. If we are to compete with the emerging economies it will have to be on knowledge and skills. We will have to invent new ideas, but also develop them ourselves. Traditionally the UK has been good at doing the academic bit; doing the fundamental research and coming up with the idea. However we have been bad at bringing those ideas on so that they actually end up in the marketplace.

So it is of great concern to me that research and development spending in the UK has been falling as a proportion of GDP at just the time when it needs to be rising.

Your sector is the largest investor in R and D in the UK. Your businesses alone account for a quarter of all business expenditure on R&D and as I said earlier, it is yielding great results. But can we simply rely on this to continue?

There tends to be a correlation between the amount of R&D that companies do and how confident they feel about what is going to happen in the future. I believe that one reason we are seeing R&D spend falling is that businesses now feel greater uncertainty in three key areas.

First they worry about the future shape of the economy, how healthy it will be by the time their research comes to market. Second they worry about new regulations, which come out from this Government at the rate of over 14 every working day. And third they worry about whether the skills base is going to be there in a few years time to continue the work they begin today.

I believe that Government should play an important role in reassuring businesses on all those three points.

That is why we have said that economic stability would be our first priority in Government. We do want to reduce taxes, but stability must come first. On regulation I have said that I want to tackle the Whitehall culture of measuring success by the number of pages of directives and guidance brought in. Performance in Government needs to be about delivering results, not simply being seen to be doing something. And on skills, our Policy Groups are working to make our education systems better reflect the needs of the economy.

As well as these problems which face our economy generally, there are some specific issues that your industry is tackling. Many of these relate to intellectual property.

Intellectual property is something that my team are working on in response to the recent Gowers review. There are a number of difficult issues here and delicate balances to be struck.

I have argued that Gowers was right to present in his report a discussion of why we have intellectual property law in the first place. It is there to encourage the development of new ideas and products. As Gowers said "ideas are expensive to produce but cheap to copy." With patents, for example, it is important to balance the rewards for innovation conferred by the legal protection, with the value to society of the development of public knowledge.

Arising from these intellectual property questions are customer protection issues for you and for Government. For example when pharmacists imports medicines from outside the EU to reduce their costs and increase their margins, we must ensure that patients still get the right information, in the right language, about the drugs they are taking.

And when a drug runs out of patent and the generic manufacturers start to sell it at bargain basement prices, we have a responsibility to ensure that the quality remains high.

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It would be impossible to speak to the pharmaceutical industry without mentioning the recent report from the Office of Fair Trading into the Pharmaceutical Price Regulation Scheme.

Given that about 12 per cent of the NHS's enormous budget goes toward the purchase of medicines, it is clearly essential that the Department of Health does work to ensure that taxpayers receive value for money.

I believe that it was right for the OFT to look at the current system, which has been running since the 1950s, and I welcome their report. This is something which we have to look at in a sensible and grown up way.

I suspect reform is on the cards. Other countries use the NHS's pricing system as a benchmark, but they regard NHS prices as a high point, from which to negotiate discounts. But that does not mean that the OFT's report is the end of the discussion; indeed I believe it will be the beginning of a debate. Whatever system we settle on for pharmaceutical pricing, I hope we can agree that it has to achieve three things.

First, it has to ensure value for money for the NHS. Second, it has to reward investment in research. And third, it has to encourage pharmaceutical companies to adopt a long-term approach to developing new medicines

Having such a strong pharmaceuticals sector in this country you would think that the NHS would be keen to ensure that medicines are brought into use for the benefit of patients as quickly as possible. And yet in the UK, medicines less than five years old have an uptake a quarter lower than in other developed countries.

The medicines may have been developed here, but they are used abroad much more widely.

Of course one of the reasons is that cost pressures within the NHS means that it is selective about what new treatments it is willing to fund.

But it is important that the National Institute for Health and Clinical Excellence (NICE) is speedy and transparent in making those decisions. In Government we will look at ways to achieve that aim.

One way in which the process could be made quicker would be to require NICE to conduct its appraisal of certain drugs alongside the assessment carried out by the MHRA instead of afterwards. My colleagues in the health team are looking into this and other ideas.

Ladies and Gentlemen, I want to make the UK the best place in the world to do business. I want new businesses to start up here and I want existing businesses to relocate here.

But under Labour this isn't happening. Gordon Brown will soon take over in Number 10 – and it will be a good time for him to hand over the Chancellorship as the economic indicators show the UK is heading in the wrong direction.

The Chancellor's record is one of good rhetoric covering up poor delivery.

He likes to talk about growth, but he fails to say that our growth is ranked 22<sup>nd</sup> out of the 25 members of the EU.

He likes to talk about productivity, but he never mentions that productivity growth has slowed under Labour.

Under Labour, Britain has dropped from fourth to tenth in the international competitiveness league, and leading accountancy firm Deloitte estimates that the UK will slip further.

A significant reason for this is the way that Gordon Brown has squeezed businesses. Under his Chancellorship the complexity of tax has doubled and the CBI estimates that British businesses have been hit by a massive £50 billion increase in tax.

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Over regulation too has cut our competitiveness. Labour has introduced more than 30,000 regulations since 1997, almost ten a day, and the British Chambers of Commerce now estimate that the cost of new regulations on business under Labour has topped £55bn.

We have had a wasted decade in which the proportion of the economy taken by the state has steadily grown.

Business is essential for a successful country. The UK will become more reliant on sectors like yours over the coming years.

I have been in business myself. I understand the challenges you face. I can not solve them all and I do not pretend that I can. But without successful businesses there can not be high employment or strong public services. Without successful pharmaceutical companies we will not have the next generation of drugs that will make our lives happier and longer. I believe that Government has an important role to play in creating the climate in which businesses can thrive. I want to create that climate.

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