

EXTENSIONS OF REMARKS

BIGGER IS NOT ALWAYS BETTER

HON. JANICE D. SCHAKOWSKY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, June 12, 2000

Ms. SCHAKOWSKY. Mr. Speaker, recently, I asked the Congressional Research Service to provide information on the number and cost of mergers and acquisitions involving pharmaceutical companies over the last 5 years. The total: \$375 billion. In the last 6 months alone, Monsanto announced it would pay \$23.3 billion to buy Pharmacia and Upjohn, Glaxo Wellcome has pledged \$76 billion to buy SmithKline Beecham, and Pfizer said it would spend \$90.27 billion to buy Warner-Lambert.

I have been concerned about the effect of these mega-mergers on competition and prices. And I have been skeptical about claims that the increasing trend of drug companies buying other drug companies boosts research activities. A recent report by CenterWatch, a research entity focused on the pharmaceutical industry, confirms those fears.

According to its analysis of 22 mergers completed between 1988 and 1999, the number of drugs under development actually dropped by 34 percent during the first 3 years after the mergers. The median number of projects in development—from preclinical to late-stage testing—fell from 85 to 56 potential drugs. And, after a slight rise, the number of clinical trials also fell to 9 percent below pre-merger levels. In a Newark Star Ledger article, Ken Gatz, head of CenterWatch, stated that “mergers are not meeting certain strategic R&D objectives and may even harm the industry’s larger term ability to innovate.”

Drug companies argue that they cannot afford to lower prices to senior citizens and other consumers because it will hurt their R&D efforts. Yet, these same drug companies spent \$375 billion to buy each other in mergers that have reduced R&D efforts. It is time that we reject these false claims. Congress must act now to expand Medicare to provide prescription drug coverage to all senior citizens and persons with disabilities. And it must use the power of Medicare to negotiate affordable prices. The pharmaceutical industry can certainly afford it, but our senior citizens cannot afford to wait.

[From the Star-Ledger, June 8, 2000]

DRUG-INDUSTRY MERGERS FAIL TO BOOST RESEARCH, DEVELOPMENT, STUDY FINDS

(By Edward R. Silverman)

Despite claims by drug makers that mergers can boost their output, a new study has found that the number of medicines under development actually declined by 34 percent during the first three years following completed deals.

The findings suggest that, rather than creating much larger companies capable of developing many more medicines, newly

merged drug makers are instead trimming their product pipelines and, consequently, failing to become as productive as planned.

“A number of professionals believe that, in the long run, mergers create better companies,” said Annick de Bruin, research manager at CenterWatch, a Boston-based research group that tracks the development of new pharmaceuticals and the clinical trials conducted to test these products.

“But in the short term, these mega-mergers cause disruptions in internal operations, and project cancellations with contract research organizations and with investigative sites” that are chosen to test new medicines on patients, she said.

CenterWatch analyzed 22 mergers completed between 1988 and 1999 and found that, three years after deals were completed, the median number of development projects—from pre-clinical through late-stage testing—dropped to 56 potential medicines from 85.

Among the mergers examined were last year’s combination of Astra and Zeneca; the Ciba-Geigy and Sandoz union, which formed Novartis in 1996; the Pharmacia and Upjohn merger the year before, and the Glaxo Holdings and Wellcome deal the same year.

The key areas looked at by the firm included drug-development spending; the number of original new drug applications filed with regulators; the number of new development projects generated, and therapeutic areas focused on by the newly merged companies.

In discussing the issue, CenterWatch noted that companies tout the benefits of mergers, such as cost cutting, that can make it easier to devote resources to generating higher revenue and profits—and higher stock prices.

However, the study also cited comments from drug company managers who explained that cost-cutting often extends into drug development, but usually isn’t evident right away because of commitments made to Wall Street about upcoming products.

In fact, CenterWatch found that the number of clinical projects declines after a merger. Before a deal, companies carried an average of 43 projects. A year later, that rose by 10 percent, but then fell 9 percent below pre-merger levels two years on.

This drop represented a shortfall of \$15 million to \$20 million in funding, which would have been provided in the form of grants to academic investigators and contracts awarded to contract-research organizations, which conduct trials for drug makers.

“In my experience,” one manager told CenterWatch, “companies have gaps in their pipelines that they’re trying to mask. These gaps won’t be seen early in the merger. They sort of bubble up several years out.”

As for overall spending on research and development, CenterWatch found that annual growth in spending before mergers was 7.7 percent, it dipped to 3 percent a year later and returned to nearly 8 percent three years after deals were done.

“In the short term, mergers are not meeting certain strategic R&D objectives and may even harm the industry’s longer-term ability to innovate,” said Ken Getz, who heads CenterWatch.

REECE DUCA RECOGNIZED FOR LIFETIME ACHIEVEMENT

HON. LOIS CAPP

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 12, 2000

Mrs. CAPP. Mr. Speaker, I rise today to recognize a distinguished constituent, Mr. Reece Duca, for being the recipient of the Lifetime Achievement Award of the Alumni Association of the University of California, Santa Barbara. Mr. Duca graduated from UCSB in 1966, and has been a resident of Santa Barbara for many years. He founded and built the Learning Company into an internationally recognized leader in the development and marketing of educational software for schools and homes across the nation. The Learning Company was recognized by Forbes Magazine in 1992 as one the “best small companies in the world.”

Reece Duca continues to pursue his passion for educational excellence through his involvement with UCSB and Stanford University, and his continuing role as an investor and advisor to start-up companies in the field of education and educational technology. One of his new companies is GlobalEnglish.com, an Internet-based educational technology company that delivers English instruction to 115 countries around the world.

I have known Reece as an active member of the Santa Barbara community. He is a person who acts on his principles and makes a lasting contribution to the success of those ideals. I also know Reece as a committed husband and father, who has been able to draw upon the wisdom and insights of his wife and children to improve his businesses and advance his goals.

Reece Duca prefers to describe his recognition as a “half of a” Lifetime Achievement Award, and knowing his as I do, I am confident that there is much more achievement left in this remarkable persons life. I consider the opportunity to represent him in Congress to be a great privilege.

Mr. Speaker, please join me in extending congratulations to Mr. Reece Duca for all of his exceptional accomplishments.

IN MEMORY OF MARTINA O. MAKINDE

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, June 12, 2000

Mr. GILMAN. Mr. Speaker, it is with deep sorrow and regret that I report to my colleagues the passing last week of an outstanding humanitarian in my 20th congressional district of New York who dedicated her life to helping the elderly and the sick.

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