

## Position of scienceindustries about production and stock keeping in Switzerland

Approved by the Board on 14 May 2020

The supply situation was at times very tight for certain medicines, ethanol, disinfectants and personal protective equipment during the long-drawn-out corona pandemic. These supply shortfalls were due, among others, to a massive increase in demand for certain goods, the closing of borders, export restrictions, a lack of diversification on the part of suppliers, and a shortage of transport capacity.

The call for relocating the production of essential goods – and in particular medication – to Switzerland seems very reasonable in these times of crisis. But would this also make sense?

With regard to medication, it has to be said that the supply of patent-protected original preparations could be secured at all times – and not only in Switzerland – through appropriate business continuity management and good stock keeping practices. It should also be noted that some Swiss pharmaceutical companies still produce such patent-protected medication in Switzerland, which stabilises the security of domestic supply. For reasons of process and cost optimisation and also in view of the growing pressure on healthcare costs, generics on the other hand are to a large extent produced abroad. Given their high education levels, India and China have established themselves as producers of such substances over the past few years. As a result, delivery chains became longer, more complex and more vulnerable to disruption. If – as is now happening during the corona pandemic – global demand soars and causes shortages of some active substances whose patents have expired (such as propofol or fentanyl), the allocation of stocks to buyers (i.e. the individual countries) is dictated, among other things, by the price systems that apply in these countries. In this respect, the relatively high price levels in Switzerland are an advantage, even though margins for manufacturers of generics are paper-thin.

### Ensuring security of supply – current concept in Switzerland

The National Economic Supply Act (SR 531) regulates measures designed to guarantee the country's supply of essential goods and services in times of serious shortages to which the private sector itself is unable to respond (Art. 1). The Federal Council may also require stockpiling of certain essential goods (Art. 7 para. 1). At present, stockpiling is compulsory for food and feed, fertiliser, medication (anti-infective drugs, virostatic agents, strong analgesics and opiates, vaccines, other) as well as propellants and fuels.

In addition, a reporting unit was introduced to monitor the stockpiling of essential medical goods, aiming to rapidly identify interruptions in the supply of medication and to implement measures that guarantee the treatment of patients when the private sector can no longer handle the situation on its own. The active substances and medication that are subject to the reporting obligation are defined in the corresponding ordinance (SR 531.215.32).

The FOPH's Pandemic Plan <sup>1</sup> recommends the early stockpiling of minimum stocks of disinfectants by manufacturers and suppliers to prevent any supply shortages in the face of an imminent pandemic. As disinfectants have a very long shelf life, they are also a sensible item to keep as part of every individual's personal emergency preparations. In addition, the Pandemic Plan provides recommendations regarding the stockpiling of protective masks for affected sectors, i.e. hospitals, retirement homes and frail care centres, socio-medical institutions, children's institutions, outpatient healthcare facilities, doctor's practices, pharmacies, emergency services, Spitex services (nursing care at home), and the rest of the Swiss population.

### The relocation of generics production to Switzerland is an illusory endeavour

Without a doubt, Switzerland as a highly specialised production location for chemical, pharmaceutical and life sciences products offers a high degree of value enhancement and has an excellent reputation worldwide. But the relocation of the production of active substances for which patent protection has

<sup>1</sup> <https://www.bag.admin.ch/bag/en/home/das-bag/publikationen/broschueren/publikationen-uebertragbare-krankheiten/pandemieplan-2018.html>

expired and generic products to Switzerland is an illusory endeavour, even if only for economic reasons. Given the constant drop in prices and the small margins in this field, very large volumes have to be produced if any profits are to be earned. The complexity in the manufacture of a medical drug and the importance of the international division of labour make it totally impossible to establish an independent manufacturing industry for the relatively small Swiss market. In addition, current production capacity is more or less exhausted and offers hardly any scope for the expansion of product portfolios. Relocation of production would therefore require substantial investment in new production facilities, which cannot be justified in view of the difficult economic prospects outlined above. Even if cost efficiency should be high, the production of generic substances and their end products entails the enormous challenge of keeping prices on a par with those for products currently available on the market, in spite of the high level of production costs in Switzerland.

### **Options for optimising security of supply as identified by scienceindustries**

Improved security of supply is also in the best interests of scienceindustries, whereby we regard the following three measures to be feasible:

1. Review of current compulsory stocks of critical active substances and medical drugs
2. Securing of supply by way of government contracts
3. Improved collaboration at the international level (coordination of production capacity, in particular at the European level, prohibition of export restrictions, etc.)

scienceindustries is convinced that its members will review and, where necessary, adjust their strategies for the stockpiling of critical goods to ensure that they are even better equipped to meet future challenges. Irrespective of the supply shortfalls observed at some stages during the corona pandemic, scienceindustries deems it to be of prime importance for strengthening the security of supply of medical products that Switzerland campaigns at the international level for the highest production standards and free trade, while opposing export restrictions.