

Neelie Kroes

European Commissioner for Competition Policy

Commission launches sector inquiry into pharmaceuticals

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Introductory remarks at press conference

Brussels, 16th January 2008

Ladies and gentlemen

I would like to announce a major initiative in the field of pharmaceuticals, one that will benefit every European citizen.

Yesterday afternoon the Commission accepted my recommendation to open a competition law sector inquiry into the pharmaceutical sector in Europe.

After that decision was adopted, and as the first step in that inquiry, teams of Commission officials, accompanied by their colleagues from national competition authorities, began a series of surprise inspections at the premises of a number of pharmaceuticals companies around Europe.

I chose the pharmaceuticals sector to be the focus of the Commission's next sector inquiry because in my term as Competition Commissioner I have focused on solving competition problems that make a difference to the lives of individuals. Few things make more of a difference than this.

The pharmaceuticals sector is vital to the health of Europe's citizens. As well as being a vital sector of the economy, medicines are a major expense. Medicines cost us all a lot of money— we spend around 200 billion euros each year on pharmaceuticals; that's around 400 euros for every man, woman and child in the 27 Member States of the European Union. .

We have launched this inquiry because pharmaceuticals markets are not working as well as they might. Patent protection has never been stronger, but the number of new pharmaceuticals coming to market is declining. Patents can sometimes be invented around and will always expire eventually, but generic manufacturers are not jumping into the markets as quickly as we would expect.

Without new pharmaceuticals, the quality of some medical treatments will stagnate; without generic products, the cost of some medical treatments will remain high. We need to know why this is happening, and what can be done about it. And that is what the sector inquiry has been designed to do.

Please bear in mind that a sector inquiry is different from a competition case. It does not investigate particular companies or cases. It is not based on specific evidence of wrongdoing. Rather it looks at the sector as a whole, finds out what all the companies in a particular sector are doing, finds out how the sector works. Or doesn't work. Only then does it draw conclusions as to whether action under the competition rules is necessary.

Today's inspections are therefore not targeting companies suspected of wrongdoing. The inspections are just the starting point of a broad inquiry, a starting point that will ensure that the Commission has immediate access to the information it needs to guide its next steps. The kind of information the Commission will be examining, such as the use of intellectual property rights, litigation and settlement agreements, is by its nature information that companies tend to consider highly confidential. Such information may also be easily withheld, concealed or destroyed.

That is why we decided that inspections were necessary.

Given all of this, it would not be appropriate for me to confirm to you the names of the companies, or even the countries, where the inspections have taken place. Whether or not the companies concerned want to confirm the inspections is a matter for them.

Once we have reviewed the results of these inspections, it is likely that they will be followed with requests for information, not only to the companies involved, but to many other companies involved in the sector.

The information gathered will be used to look at two particular questions relating to the sector.

First, the inquiry will look at agreements between pharmaceutical companies, such as settlements in patent disputes, to see whether they infringe the EC Treaty's prohibition on restrictive business practices.

Second, the inquiry will look at whether companies have created artificial barriers to innovative or generic product entry, through the misuse of patent rights, vexatious litigation or other means, to see whether such practices infringe the EC Treaty's ban on abuses of dominant positions.

I plan to issue an interim report on these questions in the autumn. Both before and after that interim report I would encourage everyone involved in the sector and concerned by the issues that I have outlined to contact us, and to let us have their views on how the markets work, and why.

I expect to publish a final report in the spring of 2009. The inquiry's findings will allow the Commission or national competition authorities to focus any future action on the most serious competition concerns, and to identify remedies that can resolve the specific competition problems in individual cases.

This is a major initiative by the European Commission, one which is focussed on encouraging better healthcare products and better value for money for those products.

Individuals and governments want a strong pharmaceuticals sector that delivers good products and value for money. But if innovative products are not being produced, and cheaper generic alternatives to existing products are being delayed, then we need to find out why and, if necessary, take action.