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Pfizer delivers body blow to New Zealand biotech

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Prospects for New Zealand's nascent biotech sector took a hit after Pfizer cancels a contract with an Auckland Research Center.

Following a row over the drug pricing policy with New Zealand, Pfizer (New York) announced in May its decision to axe a major research contract with the Auckland Cancer Research Center (ACRC, Auckland). Pfizer's withdrawal leaves a vacuum that is likely to hamper research and potentially compromise the region's ability to commercialize biotechnologies.

Pfizer's announcement is a severe setback to research at ACRC. By year-end, the center will lose a $4-million-a-year grant for research on both anti-cancer and anti-bacterial drugs, just one year into its 10-year contract. The Pfizer contract represented one third of the ACRC's entire budget and is the largest of its kind with a New Zealand research institution.

Auckland Cancer Research Center

Scientists at the Auckland Cancer Research Center will be affected by Pfizer cutting off a third of the center's R&D budget

Shortly before the pharma company cut its ties, Pharmac (Wellington, NZ), the national agency managing pharmaceutical expenditure, declined in May to further subsidize all but the largest doses of Pfizer's cholesterol-lowering drug Lipitor, a decision that did not go down well with Pfizer's management: "This country is probably the most hostile in terms of an operating environment for the reimbursement of pharmaceuticals," complains Pfizer New Zealand's general manager Mark Crotty.

The fractious relationship between the New Zealand government's reimbursement agency and big pharma had already been identified in May 2003 by a government task force[1]. In the light of the most recent setback, that has to change, according to John Kernohan, the chief executive officer of the University of Auckland's commercialization company Uniservices (Auckland, NZ), which oversaw the contract work of the ACRC. "It is absolutely essential that the government develops much better communications with the pharmaceutical industry and that the government understands their needs [and vice-versa]," says Kernohan.

If pricing issues get mixed up with the willingness of pharma companies to support R&D, it may be at the detriment of the life science sector. "Whether we like it or not, big pharma is the customer and if the money dries up for one of the more successful [research groups], then it's not going to make it easier or more stimulating for others to spin off," says Doug Wilson, director of BioPharma Consultants (Taupo, New Zealand), which specializes in biotech and pharmaceutical development.

A report published in January 2004 by the Boston Consulting Group (Sydney, Australia) suggests that the higher the level of government intervention in its market, the lower its ability to attract R&D funding [2]. Bill Kermode, whose company Direct Capital (Auckland, NZ) is aiming to create a NZ$100 ($62) million fund called Life Science Ventures with technology transfer company Celentis (Auckland, NZ), says that the Pfizer move is "further confirmation of how hard it is to attract investment from that sector into New Zealand"[3].

One bright point is that Pfizer's departure may mean opportunities for local entrepreneurs to exploit the research carried out at ACRC. "[ACRC] should really take a good look with the [intellectual property] they are developing and identify potential future products," Aki von Roy, CEO of Proacta

Therapeutics (Auckland, NZ), the sole company that has so far spun off from ACRC. He believes this should lead to the creation of startups like his own.

In this respect, a government initiative to invest NZ$25 ($15.7) million in a 'Biotech Seed Fund' (in which the private sector is expected to chip in another NZ$50 ($31) million) and plans for another fund to be made available to researchers wishing to participate in international research could provide much-needed help for seed ventures. The new fund will make $3 million available for investment in 2004—2005, increasing to $4 million in 2005—2006 and $5 million from 2006—2007 onwards.

This may be too little, too late, however. As Proacta's von Roy puts it: "There has to be a paradigm shift here in New Zealand to be able to build a biotech industry and part of that has to be the ability to form, create, startup companies and finance them."

References

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