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Comment & Opinion
Will there be a Brexit boom?

PharmaTimes

Brexit boost for UK pharma

The UK's decision to leave the European Union (EU) represents a major opportunity for the country's dynamic and world-leading pharmaceutical sector – despite warnings that Brexit could prompt pharma companies to quit the UK.

While some analysts have warned that UK-based pharmaceutical companies may lose access to EU markets once the country falls out of the bloc's system and loses access to central marketing authorisation for new drugs, such dangers are exaggerated. In any case, the opportunities of Brexit far outweigh the potential risks. In particular, I'd like to point to seven factors that will be crucial in persuading pharmaceuticals companies to remain in the UK and to expand their activities.

"Despite warnings of an exodus, there has actually been increased investment in the UK by international pharmaceutical companies since the referendum decision last June. My view is that pharmaceutical companies are unlikely to leave the UK because of Brexit. While there clearly exists uncertainty, and it's understandable that the industry is lobbying hard at this stage of the Brexit process, the reality is that the outlook for these companies in the UK is bright."

Tom Cowap
Pharmaceutical specialist,
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1. The UK is a global centre of academic pharmaceuticals research

Pharmaceuticals companies depend on high quality research facilities to develop the drugs and treatments on which their future sales will depend. The UK is an international hub for such facilities, boasting three of the 17 most important clusters of life sciences research facilities in Europe, including the leading cluster – the "golden triangle" of Cambridge-London-Oxford.

2. These facilities have an impressive record of collaboration with pharma

These life sciences clusters have a long and impressive track record of working with commercial businesses to develop drugs that make it to market. Examples include Humira, co-developed in Cambridge, and now the best-selling drug worldwide.

3. R&D spending on pharma in the UK remains strong

R&D spending is the lifeblood of the pharma sector and is a top business spend in the UK. Almost half (47%) of all R&D spending in the UK is in the pharmaceutical sector, with charitable endeavours supplementing the R&D firepower of commercial businesses. The Wellcome Trust awarded £600 million of new research grants in the UK last year alone.

4. Brexit will cement the UK's global leadership on pharma regulation

The UK's Medicines and Healthcare products Regulatory Agency (MHRA) is among the world's most highly-respected and authoritative regulators, second only to the Food and Drug Administration (FDA) of the US. Currently, however, its focus has been on operating as part of the EU, where the European Medicines Agency is the primary regulator. The MHRA currently undertakes more cross-border authorisation work in Europe than any other country-based institution and will flourish outside of the EMA system.

5. Post-Brexit, the UK will be better placed to target the world's most lucrative pharma markets

Supremacy for the MHRA will be a major boost for the UK as it seeks to develop individual trade agreements and authorisation arrangements with the US – the biggest market for pharmaceutical companies and the highest spender – and the Middle East and Asia – where the market is growing most rapidly. Regulatory harmonisation is key to trade agreements in the pharmaceutical industry and this will be simpler and quicker to agree on a one-to-one basis. Some of the mid-market CEOs featured in Catalyst's Pharma Fast 50, view this as the key to success. Chris Watt, CEO of the winning company Qualasept Pharmaxo said: "The key to success post Brexit will be the speed at which the MHRA can achieve the fullest regulatory harmonisation, supported by the government agreeing trade agreements with other territories. This will provide an exciting opportunity for UK pharma which has a comparative advantage globally."

6. The EU will in any case be anxious to agree a mutual authorisation deal for UK pharma

Given the strong track record of UK companies in developing life-saving and improving drugs and treatments – as well as the attractiveness of the UK marketplace and the need to prioritise patient safety – the EU is likely to prioritise a mutual authorisation deal with the UK post-Brexit. This would mean UK companies do not lose out on sales to the EU.

7. The UK's tax regime is especially favourable to the pharmaceuticals sector

The current Government has promised to reduce Corporation Tax to 17% by 2020, one of the lowest rates in any Western economy. Moreover, through tax efficient schemes such as the Patent Box and R&D credits, many UK pharmaceuticals companies will pay an effective rate of between 11% and 13%.

Despite warnings of an exodus, there has actually been increased investment in the UK by international pharmaceutical companies since the referendum decision last June. For example, GlaxoSmithKline announced a £275 million investment in its UK facilities last July, within a month of the Brexit vote. More recently, Eurofins Scientific has just announced a £4 million expansion of its laboratories in Scotland.

Switzerland is an excellent example of a country that has a thriving pharma market and is not an EU member. It is a great case study for the UK. My view is that pharmaceutical companies are unlikely to leave the UK because of Brexit.

While there clearly exists uncertainty, and it's understandable that the industry is lobbying hard at this stage of the Brexit process, the reality is that the outlook for these companies in the UK is bright.

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