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**Pwyllgor yr Economi, Masnach a Materion Gwledig**  
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**RD03**  
**Ymateb gan: Cymdeithas Diwydiant Fferyllol Prydain (ABPI)**

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**Welsh Parliament**  
**Economy, Trade, and Rural Affairs Committee**  
**Research and Development**  
**RD03**  
**Evidence from: The Association of the British Pharmaceutical Industry (ABPI)**





# **ABPI Submission: Economy, Trade and Rural Affairs Committee - Call for Written Evidence on Research, Development, and Innovation**

## **About the Association of the British Pharmaceutical Industry (ABPI)**

The ABPI exists to make the UK the best place in the world to research, develop and use new medicines and vaccines.

We represent companies of all sizes who invest in discovering the medicines of the future. Our members supply cutting edge treatments that improve and save the lives of millions of people. We work in partnership with Government and the NHS so patients can get new treatments faster and the NHS can plan how much it spends on medicines. Every day, we partner with organisations in the life sciences community and beyond to transform lives across the UK.

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## **Introduction**

Thank you for the opportunity to contribute to the Economy, Trade and Rural Affairs Committee call for written evidence on Research, Development, and Innovation.

Across the UK, life sciences, of which the pharmaceutical industry is part, already contribute<sup>1</sup>:

- £36.9 billion in GVA (Gross Value Added) to GDP.
- 584,000 jobs across the economy.
- The Pharmaceutical industry alone contributes 18% of all private research and development (R&D) investment.

These benefits are felt across a diverse geographic presence, with significant R&D and manufacturing hubs in the North of England, Scotland, Wales, and Northern Ireland.

However, we are seeing worrying signs of decline across multiple metrics:

- The UK’s share of global pharmaceutical R&D fell from 4.9% in 2012 to 3.3% in 2020.
- Manufacturing production volumes have fallen by 29% since 2009.
- The number of industry clinical trials initiated fell by 41% between 2017 and 2021.

<sup>1</sup> <https://www.abpi.org.uk/r-d-manufacturing/building-a-thriving-environment-for-medicine-discovery/life-sciences-superpower-growing-the-leading-global-hub-in-the-uk/>

- The UK has experienced the largest decline in its global share of new medicine launches compared to other leading countries (Italy, Spain, Germany, France) between 2016-2021.

Medicines and vaccines represent a valuable healthcare investment. They can manage, treat, and prevent disease progression and - in some cases – even cure, patients. However, countries across the UK have, for a long time, systemically disinvested in medicines when we look at both the overall NHS budget and comparable economies.

UK spending on medicines is the lowest among its peers, accounting for just 9% of the overall healthcare spend. This was the lowest proportion among eight other similar countries, including Italy 17%, Germany 17% and France 15%<sup>2</sup>.

While NHS budgets have increased by 18% since 2019, medicines spending has decreased by 4% in real terms. This disinvestment in innovative medicines has contributed to poor UK health outcomes, a shrinking labour force, stalling productivity, and exacerbating health inequalities and NHS pressures. Independent analysis suggests a cumulative £5.7bn of R&D investment will be lost between 2024-28 if left unchanged<sup>3</sup>.

To address these challenges, the UK Government must agree a globally competitive successor scheme to the current Voluntary Scheme for Branded Medicines Pricing and Access (VPAS) to return the UK to being internationally competitive and enable the sector to deliver its full potential as a sector which can drive economic growth and improved patient outcomes across all four UK nations. This will need to break down the siloed thinking which treats innovation as an acquisition cost to be minimised and holds back progress.

In this written response, we will concentrate on a number of the challenges facing the UK, including Wales, at this time – and some opportunities that these present. This will cover some of the questions the committee has raised relating to public funding, collaboration, and Welsh Government's approach.

As ever, if we can provide any further information or clarification on the issues raised in this response, please don't hesitate to contact us.

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<sup>2</sup> The Kings Fund 'How does the NHS compare to the health care systems of other countries?' Figure 18, p57, 2022

<sup>3</sup> <https://www.abpi.org.uk/media/news/2023/october/uk-faces-50bn-economic-hit-due-to-spiralling-medicines-levy/#:~:text=A%20new%20report%20by%20WPI>

## Investment into the UK

1. Without private investment, biomedical research, development, and innovation will not be able to provide the economic benefits to all corners of the UK that we have previously seen.
2. While it can be an enabler, public investment cannot hope to replace – either in numbers or impact – private equity. In the most recent Office of National Statistics figures, released by Welsh Government, business enterprise R&D accounted for **69.7% of the total R&D expenditure in Wales**, with higher education R&D accounting for 27.8%, and government R&D making up 2.2%<sup>4</sup>.
3. The UK has seen a **substantial drop in equity finance** raised in 2022, down to £3.3 billion from £7.2 billion in 2021. Substantial drops were also recorded in both the number of initial public offerings (IPOs), and the associated amount raised. In 2022, the UK had £7.1 million raised through three IPOs compared to £751.5 million over eleven IPOs in 2021<sup>5</sup>.
4. The recent Life Science Indicators<sup>6</sup> also showed a fall in the level of inward Foreign Direct Investment (FDI) specifically into UK life sciences, with a decline from second in the world to fifth out of eighteen comparator countries.
5. The single biggest barrier to FDI investment within the pharmaceutical sector is the **unsustainable commercial environment** (as described in the Introduction above) and this remains a key area where the UK's investment priorities are not aligned with broader public policy initiatives, and where siloed government thinking significantly holds back progress.
6. The collapse in UK life science investment comes as the clawback rates manufacturers of branded medicines must pay on their UK revenues (not profits) rocketed to 26.5% in 2023, up from 15% in 2022. The average rebate rate between 2014-2021 was 6.88%<sup>7</sup>.
7. Aside from remedying the issues in the medicine's adoption environment, all UK governments should seek to improve the offer to prospective investors. This could include:
  - Creating a **single front door for investment** to reduce complexity for prospective investors and ensure they can navigate and access the full range of relevant investment initiatives which sit across multiple departments and governments across the UK. We would also advocate greater coordination between governments.
  - **Optimising grant funding** by ensuring that in the face of increasing international competition for inward life sciences investment, subsidy support rules remain viable for attracting the major inward investment that impact on people's lives.
  - Ensuring there is a rapid and **viable route to market for innovative medicines**. This requires efficient end-to-end regulatory and assessment pathways, some of which are UK-wide, and a health system which appropriately values and supports the adoption and rollout of innovative technologies, local responsibility for which sits with the Welsh Government.

However, as we have noted, this is an area where the UK compares poorly to international competitors, both in terms of overall investment in medicines as a proportion of healthcare expenditure, and in the speed and breadth of adoption and uptake.

<sup>4</sup> <https://www.gov.wales/research-and-development-gross-expenditure-2021>

<sup>5</sup> While this drop is in part due to the pandemic related spike in life sciences investment in 2020 and 2021, the £7.1 million raised in the UK for 2022 is the lowest amount seen since 2018.

<sup>6</sup> <https://www.gov.uk/government/publications/life-sciences-sector-data-2023/life-sciences-competitiveness-indicators-2023-user-guide>

<sup>7</sup> <https://www.abpi.org.uk/media/news/2023/july/uk-life-science-inward-investment-in-freefall/>

## Vision and reality - The O’Shaughnessy Review and clinical trials

1. For the UK Government’s Life Sciences Vision<sup>8</sup> to be a success for the whole of the UK, the NHS in all four nations must become an innovation partner.
2. **Patient recruitment to industry clinical trials across the UK has fallen dramatically** by 44% from 50,112 in 2017/18 to 28,193 in 2021/22<sup>9</sup>. Persistently slow and variable study set-up timelines, alongside the UK’s increasingly challenging commercial environment, have driven this decline. A similar percentage decline has been observed in patient recruitment to Welsh clinical trial sites over this period (though showing some signs of recovery in 2022/23).
3. This recent decline in patient access to research opportunities, and the **reputational damage to the UK as a reliable destination for cutting edge research**, are clear and serious threats to the long-term future of industry clinical research in the UK – and the benefits it brings to patients, the NHS, and the economy.
4. On 26th May 2023, the UK Government published a report on the findings of an independent review investigating the challenges facing commercial clinical trials in the UK. The review, led by Lord O’Shaughnessy, involved extensive engagement with pharmaceutical companies, academic institutions, and patient groups.
5. The report highlighted the UK’s historical pre-eminent position in research and its capability in commercial trials but found that **the UK has quickly fallen behind in an increasingly competitive global landscape, dropping from 4th to 10th place in number of phase III industry trials initiated since 2017/18**.
6. **The Welsh health ecosystem has worked hard to address some of these issues**, through for example, the Health and Care Research Wales “One Wales” approach<sup>10</sup> to supporting research across the Welsh NHS system, which has enhanced coordination and reduced duplication to ensure new medicines tested through research can happen in a timely manner for both industry and non-commercial studies. **However, the overall performance of the UK will continue to have an impact on Welsh initiatives**.
7. The pharmaceutical industry welcomed the recommendations set out by Lord O’Shaughnessy’s recent review and the target ambition to “double the number of people taking part in commercial clinical trials in the next 2 years and double it again by 2027”<sup>11</sup>.
8. This review also rightly acknowledges that **action is needed on pharmaceutical pricing to achieve the UK Government’s science superpower ambitions**, that the workforce dedicated to delivering clinical trials must be expanded, and that a single platform covering data across all care settings is the optimal approach for recruiting trial participants. This is no different in Wales.
9. The review’s recommendations widely reflect input from the pharmaceutical industry<sup>12</sup> and notable recommendations include increasing funding for the UK-wide Medicines and Healthcare products Regulatory Agency (MHRA)<sup>13</sup> to address the backlog in clinical trial

<sup>8</sup> <https://assets.publishing.service.gov.uk/media/612763b4e90e0705437230c3/life-sciences-vision-2021.pdf>

<sup>9</sup> <https://www.abpi.org.uk/publications/rescuing-the-uk-industry-clinical-trials/>

<sup>10</sup> <https://healthandcareresearchwales.org/about/news/wales-wide-approach-deliver-research>

<sup>11</sup> <https://www.gov.uk/government/publications/commercial-clinical-trials-in-the-uk-the-lord-oshaughnessy-review/commercial-clinical-trials-in-the-uk-the-lord-oshaughnessy-review-final-report>

<sup>12</sup> <https://www.abpi.org.uk/media/blogs/2023/may/three-steps-to-boost-patient-access-to-clinical-trials-in-the-uk/>

<sup>13</sup> <https://www.gov.uk/government/organisations/medicines-and-healthcare-products-regulatory-agency>

approvals, and ensuring revenue from industry trials is reinvested into the NHS's research capacity.

10. **Welsh Government should continue to work with the pharmaceutical industry to deliver on the UK Wide Vision for Clinical Research Delivery, and work with industry to prioritise implementation of recommendations from the O'Shaughnessy review** which can drive recovery in industry clinical research in Wales (including putting in place the necessary data and digital infrastructure to support research delivery and patient recruitment).

## Welsh Government Innovation Strategy and Delivery Plan

1. The ABPI was pleased to be able to participate in the consultation for the Welsh Government *Wales Innovates: Creating a Stronger, Fairer, Greener Wales*<sup>14</sup> and the subsequently published delivery plan<sup>15</sup>. **Aligning activities across government departments and public bodies can only strengthen the "Wales Offer" in research, development, and innovation, developing a coherent innovation ecosystem that would have the potential to bring benefits to communities across Wales.**
2. Increasing innovation activity and creating the right environment for the pharmaceutical industry to invest in research and collaborate with the NHS is an important goal to improve the health and wealth of Wales. We continue to urge all stakeholders in this **ambition to work collaboratively and specifically with the pharmaceutical industry, within the wider life sciences sector**. This will be particularly important in the development of policy linked to "*A common approach to the creation, protection and management of intellectual property created by NHS Wales staff and organisations...*"<sup>16</sup>, to avoid any unintended consequences<sup>17</sup>.
3. The development of the Welsh Government Life Sciences Strategy will be important in the delivery of *Wales Innovates*, as highlighted in the delivery plan. The ABPI has been involved in the Welsh Government Industry Engagement Plan Advisory Group for this Strategy, as well as having regular engagement with officials. We look forward to having sight of the proposed Strategy and continuing to work with Welsh Government to ensure that commercial research remains a high priority.
4. We have long supported the work being undertaken by Welsh Government on Value Based Healthcare and the Welsh Value in Health Centre<sup>18</sup>. **Ensuring that the infrastructure exists** to facilitate the collection, analysis, and wider access to reported outcomes – whether as Patient Recorded Outcome Measures (PROMs) or non-identifiable clinical data – could help deliver real impact in attracting commercial research using real-world evidence to Wales.

<sup>14</sup> <https://www.gov.wales/sites/default/files/publications/2023-04/wales-innovates-creating-a-stronger-fairer-greener-wales.pdf>

<sup>15</sup> <https://www.gov.wales/sites/default/files/publications/2023-10/wales-innovates-creating-a-stronger-fairer-greener-wales-delivery-plan.pdf>

<sup>16</sup> <https://www.gov.wales/sites/default/files/publications/2023-10/wales-innovates-creating-a-stronger-fairer-greener-wales-delivery-plan.pdf> (page 12)

<sup>17</sup> <https://www.abpi.org.uk/international-trade-and-ip/intellectual-property-ip/>

<sup>18</sup> <https://vbhc.nhs.wales/about-us/>