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Congress of the United States
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December 15, 2003

The Honorable Robert B. Zoellick
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Zoellick:

Thank you for your reply to our letter to the President of October 17 about the Australian Pharmaceutical Benefits Scheme (PBS). I appreciate your willingness to hear our concerns.

Your letter references the Australian government's own studies that show that "there are many areas where the system could be improved to ensure a more objective and transparent process for pharmaceutical companies and better health outcomes for Australians." I am aware of one study, the May 1996 report by the Industry Commission (now called the Productivity Commission), which was cited by representatives of the Pharmaceutical Research and Manufacturers of America during briefings on the Hill about the PBS in November 2003. However, you used the word "studies," implying there is more than one study. Please provide references to other Australia government studies, preferably more recent, that make the findings you cite.

It is possible that your reference included a study by the Australian National Audit Office (ANAO) from November 1997, which was in part a response to the 1996 Industry Commission study. I would like to make you aware of it, if you are not already. Overall, the report concludes that the PBS listing process was "efficient"¹ and "administratively effective."² Among its findings are that the government could do more to "contain cost escalation in its purchasing of drugs."³

Regarding the aspect you raise, making the process more transparent, the ANAO recommended not only ways to improve the PBS guidelines for the sake of industry, but also noted that there is "room for improvement in industry compliance with the guidelines."⁴ Given your stated interest in promoting "better health outcomes for

¹ Australian National Audit Office, *The Pharmaceutical Benefits Scheme*, November 1997, page xiv, fourth bullet point

² Ibid., page xv, paragraph 4

³ Ibid., page xv, paragraph 4, third bullet point

⁴ Ibid., page xviii, paragraph 2

Australians” and reliance on the Australian government’s own studies, will U.S. proposals on PBS transparency seek increased transparency measures from industry as well as from the Australian government? If not, please explain.

I understand that USTR has offered Australian negotiators a proposal on the PBS. Since your letter indicates that a basis for the U.S. proposal is the Australian government’s own studies, I respectfully request that you provide me, as well as the Congressional Committees of jurisdiction, citations from Australian government studies, if existent, that support each of the aspects of the U.S. proposal.

Lastly, I question the assumptions underlying your statement that “the United States must find ways to share more fairly with other countries the cost of developing innovative medicines.” The statement appears to assume either that the prices Americans pay for innovative medicines are fair (a position that my constituents would be shocked to hear), or that drug makers would willingly lower their prices in the U.S. if allowed to charge more overseas (a dubious proposition at best). Given that drug manufacturers spend more on TV ads, marketing and administration than they do on new drug research, perhaps we should first ask why the domestic pharmaceutical industry won’t spend more of its money on developing new drugs, before we ask our trading partners to pay higher prices for drugs.

I welcome the opportunity to discuss this matter with you as USTR and U.S. health agencies put together their proposal on this issue. I hope that the Administration is open to considering innovative mechanisms for promoting new drug development, such as encouraging other governments to increase budgetary allocations toward medical research. Such an approach could net far more research spending, and create incentives for targeted research on “neglected” diseases that afflict populations in other countries, than simply forcing consumers in other countries to pay more for existing drugs.

Thank you for your continued attention to this matter. I look forward to your response to the three requests raised in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Allen", written in a cursive style.

Tom Allen
Member of Congress