Interview with Willem N.G.M. de Laat, Managing Director, Top Institute Pharma

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There is a very interesting history behind the origins of Top Institute Pharma (TI Pharma) as it aligned the interests of both the World Health Organization (Priority Medicines) and the EU's Lisbon Strategy. Lisbon's goal in 2000 was to transform the EU into the most powerful knowledge economy by 2010 through investment in industries such as life sciences. Ten years later, at the conclusion of 2010, where do you see life sciences ranking in importance for the EU and in the Dutch context?

I am a natural critic of the Dutch government lacking vision, policy and consistency. The Dutch government stated in 2000 that in 10 years it wanted to be a top five life science industry with an investment of approximately 3% of GDP in its support. Last year the government realized that it was not going to reach that goal and defined a new 10 year goal to be among the top five in life sciences by 2020; the life science industry must now wait again. Undoubtedly, the government will announce in 2020 that the commitment will not be realized and set a new benchmark for 2030.

If you want to make it in the life sciences industry you will need a long term vision, commitment, and investment from the government.

Industry leaders have offered more optimistic views about life science's standing in the Netherlands. Many agree that life science is back and ranking as a priority for the new government. But is this a false sense of priority? In other words, is life science the industry of tomorrow…and

always will be?

The new government has put down that life science is a focus area for the future in an official memorandum which outlines commitments and intentions. But until now they have only minimized their budget for it. You cannot say that you want to make life sciences a focus area without also putting your money where your mouth is. Many people are worried about fiscal shortcomings since the Netherlands has to scale down certain expenditures as a percentage of GDP. The government needs to save tens of billions of euros over the next several years and is therefore scrambling to save costs. But if you put something down as a political commitment, you have to put your money where your mouth is.

Are you inevitably bracing for significantly less funding from the new conservative government?

I am not bracing myself since we already know that there will not be any new budget for TI Pharma. We are now halfway through a financial contract; if a decision for more funding does not change, then TI Pharma will conceivably cease to exist in two years. If that happens, then $200 million of taxpayer money and $100 million from private industry will have been invested into something which was known from the start had to be continued because of inherently long lead times; it would be completely wrong for that outcome to unfold. As examples in other countries have shown, you need to continue funding initiatives in this industry for at least eight years before they can go on their own. If you stop after two years, then you never should have invested to begin with. That is the position I have taken over the past three years as head of TI Pharma.

It is a pity because in the meantime, countries such as Australia and Denmark are going to copy this public-private-partnership (PPP) model, and ultimately we will have started something, stopped it halfway, and watch other countries walk away with the prize. Will this be the final verdict? I do not know. I have said a lot about this in Dutch newspapers and I have practically been granted persona non-grata status by the government because of my continual voicing of my opinion.

I can understand a government saying that life science is a lucrative industry that does not need public funds since rich pharmaceutical companies are capable of funding their own R&D. On the other hand, I can also understand a government saying that this is an important industry which deserves subsidies since it attracts talent from all over the world; it has increasing importance in shaping better healthcare; and every euro invested generates three euros in return. But what I cannot understand is a government which sits on the fence and says in year zero that it will spend a hell of a lot of money only to reverse its thinking after two years.

Initial financial commitments and contracts in this business often last for four years. TI Pharma started in 2007 with a first round of subsidies for a four year period of financing. When the government committed in year zero, it knew that this was something to continue for a longer time. Now, halfway into the new wave of financing the discussion commenced about discontinuing funding. This discussion is confusing and threatening to our 50 consortia; not for their current funding, but for any future extension or renewal.

Is this all just a question about money? Is more money the end-all goal?

Perhaps now it is money, but the change in government plans was already apparent one year ago. It was not the quality of the institute because a mid-year review about the work of the institute received very positive remarks. It is more of a formal change in the way that the government in The Hague wants to structure their vision on this. If you start looking for a sound vision or argument you are not going to find one, which is the scary thing. I have obviously asked the question and there is a lot of finger pointing amongst ministries as to who disagrees with the work of our institute and the reasons why it should not be further funded. I have no idea, and that is the scary part.

Another scary thing that you bring up is the possibility that TI Pharma will not exist in two years. So will you just pack up and go home? How are you going on the offensive to sustain this institute and what it stands for?

Extensive lobbying, communicating, and brainstorming have been on my agenda for the past year. Never before in my life have I been left with such a frustrating result. But by no means does that mean that we will surrender. The government has decided to grant us $6 million over the next two years which in their opinion will allow more than enough time for the next government to make a decision over our future.

I have tried in vain to explain to the government that it is nice to pay the people who we have here, but if they are not stimulated with interesting things to do they will not sit here for two years and with a “wait and see” attitude for a possible next period. We are witnessing people walking away. The $6 million can keep the office open and the furnace burning, but if you have nothing to do, people will walk out. The reality is walking away from us.

This report aims to showcase to Netherlands as an engine of innovation because of its rich culture of biotech and life sciences. Can you explain to our readers just what will be missed out on without further funding?

The way TI Pharma works is that half of the money is spent by the government if the work is done in the Netherlands; the other half comes from industry and academia either in cash or in kind.

Tracing our innovation program on a continuum of “build, bundle, and benefit,” then the “left” part of our structure is the “build” part. It consists of exploratory research from academia and it is 100% public money. There is very minimal structure to it and professors are creative and imaginative in experimenting with raw ideas. Completely to the right is the “benefit” part where companies sell medication and get money for it. Those two parts make up about 6 billion euros in the Netherlands, from both public fundamental research and money from the private sector. The biggest “problem” in the Netherlands is that our infrastructure and knowledge base has always been better than in other countries. For example, Dutch universities and article citations have always been of high quality. The question then arises of how to build a bridge that connects the left side and all its ideas with the money component of the right side? How do you create health and wealth? TI Pharma capitalizes on the broad harvest of the fundamental research because there is a 25% investment that companies commit to only if they see the potential profit on the other side of the equation. With this reasonably small incentive companies agree to capitalize on the left to try to make something on the right.

TI Pharma now has 100 companies involved: 50 big ones, 50 small ones, and 50 consortia which essentially function as small companies working on projects. The spin offs are already there: we have patents, small companies, and foundations established. The wheel is turning to something that we need. Prior to TI Pharma, I worked for Organon, the largest pharmaceutical company in the Netherlands which ranked #18 in the world. If you asked me five years ago if it was possible to capitalize on the knowledge here and put money to create 50 consortia I would have said no because the Dutch academic world was resistant to the idea. But this has proved to be a system that makes the engine run and improves the odds of also creating wealth.

Managerially and operationally, what have been the main factors behind successfully attracting such high numbers in such a short time?

Because we are an independent vehicle that is neither governmental nor private, it was easier for companies to engage with universities with us in between. One-on-ones between companies and universities are more difficult. Second, because of long lead times, small companies need the cash incentive from the government in order to make it work. Third, academia turned out to be less shy to engage with the companies through our model. Big pharma can do it themselves, but we are also approached many times to serve as a matchmaker.

How are you building synergies and greasing the wheel with the other PPPs in this model – CTMM and BMM? How are you amalgamating your objectives to strengthen the model?

We do that by collaborating more intensively with each other. For example, we just did a 25 million euro joint call. With TI Pharma representing drugs, CTMM in Eindhoven representing diagnostics, and BMM representing devices, we decided that we wanted a core that combined various aspects: drugs with diagnosis (biomarkers for instance); drugs and devices (a drug delivering device for example); or devices and diagnosis. We do joint education, joint workshops on IP, joint project agreements, and some joint communication. It is my personal conviction that the only way for the Netherlands to get the role that it needs in life sciences is to put these three institutes under one umbrella of infrastructure, IP, and communication. That is what the whole sector in the Netherlands needs. We had a big congress last week in Amsterdam where I spoke and assessed that the only way for this sector to survive is to not look to the Dutch government, but to join forces, join arms, and form one strong sector.

In your conversations with the Danes and Australians, what do you find are the main learnings that they are extracting from TI Pharma to build on to their models? What is the unique Dutch know-how that will be replicated?

Almost everything. They have been looking at this structure and asking us 1,000 questions about how it can be done. Everything is unique. It is not for nothing the first public private enterprise in the world of its kinds. PPPs exist of course, but not in the enterprise sense such as TI Pharma. It all starts with bringing the proper partners together. How do you reconcile partner incentives and agree on who is going to do and bring what? How do you agree on the milestone and deliverables since this is not a subsidy machine? We have partners who sit in on all the meetings to assist with these strategies.

One of our most important joint courses is on business principles for academics. Academics are chaptered and versed on IP law, risk management, and corporate finance which most of them have never encountered behind their microscope. It is a very fruitful course which they love. So if you ask “what is it?” It is the whole thing.

Despite the here-and-now of leaning on the government for funding, you have a strong conviction for this sector to stand on its own two feet with the other institutes. How much further until this industry can operate independently?

There will always be a need for external money. The world is changing faster than you can see. The top 30 pharmaceutical companies in the world are now investing an increasing percentage of their

R&D money in outside collaborations. It used to be smaller than 20%, but there are now huge opportunities for smaller biotech companies relying on increasing outsourcing funds. This is all because of the failing productivity of R&D in big pharma. The Netherlands is doing quite well because there were five Dutch companies amongst the top 10 largest merger and acquisitions over the past five years. Prosensa, for example, is doing quite well with their 600 million euro alliance with GSK. The Netherlands is not doing badly, but it has had some problem over the past year given the takeover and closure of two of our largest pharmaceutical companies.

As mentioned, you come to TI Pharma after a career with Organon. With the announcement of Organon and Abbott's R&D centers there seems to be a somber mood in the industry about the future of the knowledge economy in the Netherlands. How does everything around us here – Leiden Bio Science Park and TI Pharma, for example – overcome that mindset and prove that this really is the true essence of research in the Netherlands?

I personally do not sense a somber mood. Of course I would have preferred that those closures did not occur, but the mood is more upbeat than most make it out to be. On one hand you are going to miss important international expertise that you cannot get from smaller companies. But the same happened when Fokker aircraft, an aviation company, closed. However, the Fokker expertise spread throughout the Netherlands and we currently have a lively industry in aviation engineering. Similarly, former Organon employees are now CEOs of their own companies who in turn help them flourish the industry.

What has been the main difference in your professional experience shifting from private industry to neutral PPP management?

On the negative side, the wheeling and dealing with government in The Hague is not my favorite activity, although exceptions (Ministry of Health, Welfare and Sports) confirm the rule.

On the positive side, one of our last partnerships was for Malaria vaccines. We engaged an American company to point us to the right parties to develop vaccines. That in turn brought in a German university, two Dutch universities, and the Royal Institute of Tropical Diseases. They all came together and after days of brainstorming found the solution. It was a perfect example of solutions through joint forces and consortia instead of acting alone. We like forming consortia so that 1+1 = 3.

What would be your final message to our readers and the readers of Pharmaceutical Executive?

The life sciences sector is just too important to let go. The timing is necessary now to join forces and do a lot of things together. By coming together the industry can leverage tremendous

expertise and can step over its own shadow. There are a lot of inefficiencies in the system which prohibit certain intellectual expertise and university production from making it to the market. If you join forces and step over it, you can do a hell of a lot.

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