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Vt. may use pension funds in fight for Canadian drugs

By David Gram
The Associated Press

MONTPELIER -- Vermont's two largest public pension funds are joining a multistate effort to pressure drug companies not to limit supplies to Canadian pharmacies that export medicines to the United States.

The Vermont teachers' and state employees' pension funds will join similar funds in other states and take their fight to the 2005 annual meetings of Pfizer, Eli Lilly, and Wyeth Pharmaceuticals.

"States increasingly are using their investment leverage to get the attention of corporate management on a host of issues from corporate governance to environmental policies," state Treasurer Jeb Spaulding said.

"Since hundreds of Vermonters get their prescriptions from Canada, and the state's largest city, Burlington, has a Canadian mail-order program, this seemed like a logical effort to get involved in," said Spaulding, a board member of the Vermont teachers' and state employees' retirement systems and custodian of the pension funds.

Spaulding said in a statement that he had asked the Vermont boards to join the effort because "if unchallenged, the decision by these companies will impose a substantial and unnecessary hardship on many Vermonters who have found it necessary to buy their prescription drugs in Canada."

"In my view, as part owners of these companies, we should not sit idly by while management develops and implements such a shortsighted and punitive policy," he said.

A spokeswoman for the industry group Pharmaceutical Research and Manufacturers of America, the leading industry group, said federal antitrust laws bar her group from commenting on individual companies' shareholder resolutions.

Lowell Weiner, a spokesman for Wyeth, said, "As with all shareholder resolutions, we have it under review and we will be contacting each shareholder in due course with our response." Officials with Pfizer and Eli Lilly did not immediately return calls placed to those companies Tuesday.

The importation of prescription drugs is a growing business, with Canada the principal source for such exports to the United States.

State and local governments that provide health benefits to state employees, retirees, and others are encouraging reimportation. Illinois, Minnesota, New Hampshire, North Dakota and Wisconsin and have established Web sites to connect state residents with Canadian pharmacies the states have deemed safe.

Vermont is suing the Food and Drug Administration, saying it wrongfully denied permission to set up a reimportation program. The federal government has asked that the suit be thrown out.

The shareholder resolutions say limiting supplies to Canadian pharmacies that export to the United States will deprive U.S. citizens of affordable access to the companies' products, might be harmful to their brand names and reputations, and put the companies in conflict with programs supported by their customers.

"By actively limiting sales and creating artificial shortages of products, many of which are category leaders or the only drug available for a particular ailment, the companies are forsaking long-term market development and reputation for higher profits in the near term," said the statement from Spaulding's office.

The pension fund managers also are concerned that the strategy entails regulatory risk. Retail pharmacies have filed actions before the Canadian Competition Tribunal alleging that limiting supply in Canada violates Canadian competition laws. In the United States, class action status is being sought in Indiana and Minnesota federal courts alleging violations of U.S. antitrust laws.

"Naturally, we want these companies to make money for us, and I realize that they have many admirable attributes, but I do not believe the effort to block reimportation of products from Canada is necessary to protect either the interests of investors or the safety of consumers," Spaulding said.

Vermont is joining pension funds in Maine, New York and Ohio as well as the AFSCME Employees Pension Plan as a co-sponsor of the shareholder resolutions. Spaulding said Vermont is joining all three, while the other states may be joining resolutions at just one or two of the companies.

Vermont alone would be a drop in the bucket in terms of any effort to control the drug companies' policies. The value of the shares owned in the three drug companies by the two Vermont pension funds is more than \$25 million. Wyeth alone is a \$53 billion company, Weiner said.