

## **Pfizer, Wyeth, Lilly Holders to Vote on Canadian Drug Imports**

**April 15 (Bloomberg) -- Pfizer Inc., Wyeth and Eli Lilly & Co. shareholders are being asked by pension funds to take sides in the growing debate over importing cheaper drugs from Canada.**

Retirement programs in New York, Ohio, Minnesota and Vermont urged in a shareholder resolution that the Lilly board reverse a company policy of limiting Canadian shipments to the U.S. At the annual meeting April 18, holders also will vote on a request for information on the policy's financial and legal implications. Wyeth and Pfizer face similar initiatives.

The moves reflect growing sentiment for legalized drug purchases from Canada, where the government sets prices as much as 80 percent lower than in the U.S. Democratic and Republican governors and lawmakers have been urging legalization for two years to cut prescription costs. Ten million Americans have ordered drugs from Canada, according to a September poll by the nonpartisan Civil Society Institute.

“Unless the companies we're talking about get ahead of the curve, there's likely to be a regulatory reaction that will threaten long-term profits,” said Jeb Spaulding, who manages the retirement system for Vermont's teachers and state employees, in an interview. The fund cosponsored the Lilly proposals. “There are people in Congress on both sides of the aisle who are upset about the price of prescription drugs.”

American Federation of State, County and Municipal Employees pension director Richard Ferlauto coordinated the campaign at the three companies by the four states' retirement programs.

Indianapolis-based Lilly's management recommended shareholders reject the measures. Managers of Pfizer, the world's biggest drugmaker, and Madison, New Jersey-based Wyeth also urged votes against the resolutions on their proxy statements.

### **Raft of Resolutions**

The drug-importation proposals were among 1,065 resolutions filed this year by stockholders in public companies, down from 1,119 in 2004, according to the Investor Research Responsibility Center, a Washington adviser to fund managers on proxy votes.

Such efforts often are intended to start talks with senior management rather than win quick success, said Sister Patricia Wolf, a Catholic nun who is executive director of the Interfaith Center on Corporate Responsibility in New York, a 30-year-old group of 275 faith-based institutional investors.

“When you get 10 percent of the vote or more, you have the attention of the company,” because management typically controls well over half the shares, Wolf said in an interview. “You can often expect company officials to meet with you.”

Americans bought about \$1.4 billion of prescription drugs abroad last year -- more than half of it from Canada -- in defiance of U.S. law, according to the government. While the Food and Drug Administration hasn't prosecuted individuals filling their own prescriptions, state and local governments that buy drugs in bulk have contributed to momentum for a federal law making importation legal.

### Senate Hearing

A Senate committee plans to hold a hearing April 19 on a measure backed by 30 Democratic and Republican cosponsors.

“Most observers think it would be very easy to pass” the Senate bill, said Bill Novelli, chief executive officer of the Washington-based senior advocacy group AARP, in an April 11 interview. “We're going to keep advocating for importation.”

Economists including Nobel Prize winner Milton Friedman argue that permitting drug imports would be disastrous for the U.S. because effectively importing other countries' price controls would hurt drugmakers' profits and slow the development of new medicines.

“Because of the price controls, most of the research for new drugs is done in the United States,” Friedman said in a March 30 interview. Friedman, 92, a fellow at Stanford University's Hoover Institution in California, said he hasn't bought drugs in Canada and doesn't know anybody who has.

### Illegal, Unsafe

New York-based Pfizer has led drugmakers trying to limit imports by halting shipments to Canadian pharmacies that export to the U.S. and tightening controls on European suppliers that are starting to sell to Americans.

“Pfizer opposes the illegal importation of prescription drugs and believes that there are better ways to address the health care needs of American patients,” the company said in its proxy statement, recommending that shareholders reject a resolution to reverse the policy. Pfizer spokesman Paul Fitzhenry in March declined to comment further.

Lilly management made a similar case in the proxy statement against the two resolutions before its shareholders. Lilly spokesman Ed Sagebiel wouldn't comment beyond the document.

“Importation of pharmaceuticals into the United States is illegal, and the safety of illegally imported products cannot be ensured,” Lilly's management said in the proxy statement. “The Canadian government places price controls on medicines. Importing artificially low

pharmaceutical prices from Canada introduces price controls into the United States' free market system."

### Republican Governors

Natalie De Vane, a Wyeth spokeswoman, last month said: "The company is always open to communicating on issues of concern to our stockholders."

"Wyeth strongly opposes importation of prescription medicines from Canada and other foreign sources into the U.S. in the manner set forth in the proposal because it is illegal, unsafe and does not meaningfully address the needs of needy and uninsured patients," management said in the proxy statement.

Republican governors such as Tim Pawlenty of Minnesota and Jon Huntsman Jr. of Utah asked Senate Majority Leader Bill Frist of Tennessee to schedule a vote on the bill that would legalize imports. Under Republican Governor Jim Douglas, Vermont sued the FDA for barring the state from buying Canadian drugs.

### Vermont, Ohio

Vermont will pay \$21.2 million for employee and retiree health benefits this year, up from \$8.8 million in 2000, according to pension fund manager Spaulding. The fund owned 620,000 Pfizer shares, 359,000 of Wyeth and 36,000 of Lilly when the resolutions were filed.

"States are making many choices away from brand-name drugs," said Ferlauto, director of pension investment policy at AFSCME. The union owns 122,000 Pfizer shares. "They can't afford these drugs in their benefit programs. If prices were lower, the companies could expand their market and make back what they're missing."

The Ohio Public Employees Retirement System, which helps buy health care for 148,000 retired state employees, recently cut its subsidy for employees with less than 21 years of service because of rising costs, said Cynthia Richson, a corporate governance officer. The plan owned 11.8 million Pfizer shares, 2.2 million Lilly shares and 2.7 million Lilly shares when the resolutions were filed, she said.

"We're the first to admit that drug importation is not a magic solution to the complex problem of drug prices," Richson said in a March 21 interview. "We're trying to raise awareness and be part of the solution."

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