

**1999 HOUSE FINANCE AND TAXATION**

**HB 1360**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1360

House Finance and Taxation Committee

Conference Committee

Hearing Date January 25, 1999

Tape Number	Side A	Side B	Meter #
1	x		12.3
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

REP. BELTER Opened the hearing.

REP. DOUG LEMIEUX, ROLETTE, ND, Introduced the bill as the prime sponsor. See written testimony. He also submitted amendments to the bill which were prepared by the legislative council.

He stated, the reason they removed the pharmaceuticals from the bill, people from North Dakota can go to Canada and fill your prescriptions, bring them across the line, and there is no problem.

There is a substantial savings on prescriptions in Canada versus the United States.

REP. BELTER How are the rules now, can North Dakota farmers go into Canada and buy chemicals, and if they do, how does it work?

REP. LEMIEUX North Dakota farmers can go to Canada and buy all the chemicals they want,

the problem is getting them across the border. In order to get the chemicals across the border, you have to have an EPA number on the chemical. The chemical companies are so uncooperative. When we try to bring Roundup in legally, EPA would not give us the form, so that we could request to bring it in.

REP. BELTER How long has this price differential been going on?

REP. LEMIEUX A few years back before the custom agreements. The price fluctuates with the currency exchange.

REP. BELTER Asked what the congressional delegation is doing to rectify this?

REP. LEMIEUX Stated that Sen. Dorgan introduced some legislation to allow states to recognize the chemical registrations of the Canadian provinces. EPA is in there in the registration process.

REP. BELTER Regarding the property tax rebate, the way I would understand this, this property tax would not go directly back to the farmers?

REP. LEMIEUX I wasn't overly concerned with getting it back to, for example, Rolette County. I just thought if we have some money come into the state of North Dakota, we can use that money as property tax relief across the board.

REP. CLARK I don't know what the privilege tax would work out to be, let's just say it is two dollar a gallon, what would prevent them from leaving the price at two dollars per gallon?

REP. LEMIEUX The way the language is, if they raise the price in North Dakota, they pay more taxes.

There is only two ways the chemical companies, the manufacturers could lower their tax, that would be either raise the price that they are charging the producers in Canada or lower the price.

I just as soon see them lower the price down in the United States within a few dollars.

REP. CLARK How does this account for the cost of inflation they are facing for the increased cost of the chemicals, they have to charge more then?

REP. LEMIEUX If the chemical companies are facing increased costs, they must be facing increased costs per unit of production for that product to be sold in Manitoba as well as North Dakota. The same truck that delivers Roundup in bulk for Rolette Farmers Union Oil Company, is the same truck that delivers to the entities in Manitoba, Sask.

REP. WARNER Can you phone in a prescription to a pharmacy in Manitoba and have it mailed down?

REP. LEMIEUX I don't know, I just go up and get them.

LANCE GAEBE, NORTH DAKOTA GRAIN GROWER'S ASSN., Testified in support of the bill. We support the spirit of the concept. The number one issue, without a question this past year, has been the frustration of wheat prices. Anything we can do to address the prices in the end will help.

JOHN OLSON, REPRESENTING AMERICAN CROP PROTECTION ASSN. Testified in opposition of the bill. Referred to HB 1250 which is the same bill. See written testimony.

REP. FROELICH How are you determining the cost difference?

JOHN OLSON I don't know that answer. We have a comprehensive long set of regulations which govern the prices.

REP. FROELICH So if we have a product produced in the United States, they are saying it costs more to sell here than in Canada, shouldn't that cost be borne by all the people that are selling it, and not just the United States producers?

JOHN OLSON That is a good point.

REP. CLARK Your analogy about pricing is just a little bit flawed on the manufactured pricing over taxation. Corporations set their prices to standardize their prices to streamline their profits so they know what they are getting. You have to pay the suggested price to get the chemical, you need it, you pay for it.

CAL ROLFSON, ATTORNEY ON BEHALF OF THE PHARMACEUTICAL RESEARCH 7 MANUFACTURERS OF AMERICA, testified in opposition of the bill. See written testimony.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-25-99, Tape #2, Side A, Meter #29.0

REP. CLARK Made a motion for a DO NOT PASS.

REP. GRANDE Second the motion.

After discussion, Rep. Warner requested a motion to adopt some amendments to the bill.

Rep. Clark and Rep. Grande withdrew their amendments.

REP. WARNER Made a motion to adopt amendments presented by Rep. Lemieux and prepared by the legislative council.

REP. KROEBER Second the motion. MOTION CARRIED BY VOICE VOTE.

REP. CLARK Made a motion for a DO NOT PASS AS AMENDED.

REP. GRANDE Second the motion. MOTION CARRIED.

10 Yes      4 No      1 Absent

**REP. CLARK      Was given the floor assignment.**

## FISCAL NOTE

(Return original and 14 copies)

Bill/Resolution No.: \_\_\_\_\_

Amendment to: HB 1360

Requested by Legislative Council

Date of Request: 1/28/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** The fiscal impact of HB 1360 as amended is unknown.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: \_\_\_\_\_  
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- b. For the 1999-2001 biennium: \_\_\_\_\_  
 (Indicate the portion of this amount included in the 1999-2001 executive budget:)
- c. For the 2001-03 biennium: \_\_\_\_\_

4. **County, city, and school district** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed  
attach a supplemental sheet.

Signed: 

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 29, 1999

Phone Number: 328-3402

## FISCAL NOTE

(Return original and 14 copies)

Resolution No.: HB 1360

Amendment to: \_\_\_\_\_

Requested by Legislative Council

Date of Request: 1/18/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** If enacted HB 1360 would impose a privilege tax on certain agricultural chemicals and prescription drugs which have a lower retail price in Canada than in North Dakota. It is uncertain the degree to which the products would continue to be purchased in North Dakota and therefore it is not possible to estimate the amount of privilege tax that would be generated.

2. State fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>						

3. What, if any, is the effect of this measure on the budget for your agency or department:

- a. For rest of 1997-99 biennium: \_\_\_\_\_  
**(Indicate the portion of this amount included in the 1999-2001 executive budget:)**
- b. For the 1999-2001 biennium: \_\_\_\_\_  
**(Indicate the portion of this amount included in the 1999-2001 executive budget:)**
- c. For the 2001-03 biennium: \_\_\_\_\_

4. County, city, and school district fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed  
attach a supplemental sheet.

Signed: *Kathryn L. Strombeck*

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 21, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 1-25-99

Roll call vote # 1

### 1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1360

House HOUSE FINANCE & TAX Committee

Subcommittee on \_\_\_\_\_

Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not pass as amended

Motion Made By Rep. Clark Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH		✓
RENNERFELDT	✓				
CLARK	✓				
FROELICH	A				
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER		✓			
MICKELSON	✓				
NICHOLAS	✓				
RENNER	✓				
SCHMIDT		✓			
WARNER		✓			
WIKENHEISER	✓				

Total 10 4  
(Yes) (No)

Absent 1

Floor Assignment Rep. Clark

If the vote is on an amendment, briefly indicate intent:

DO NOT USE HIGHLIGHTER ON ANY FORMS

**REPORT OF STANDING COMMITTEE**

**HB 1360: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1360 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "and"

Page 1, line 2, remove "pharmaceutical products"

Page 1, line 10, replace "a" with "an agricultural chemical"

Page 1, line 11, remove "taxable product"

Page 1, line 13, replace "a" with "an agricultural chemical"

Page 1, line 14, remove "taxable product"

Page 1, remove lines 16 through 19

Page 1, line 20, remove **"and pharmaceutical products"**

Page 1, line 22, remove "or pharmaceutical product"

Page 1, line 23, replace "a taxable product" with "an agricultural chemical"

Page 1, line 24, replace "taxable product" with "agricultural chemical"

Page 2, line 3, replace "taxable products" with "agricultural chemicals"

Page 2, line 4, replace "taxable products" with "agricultural chemicals"

Page 2, line 7, replace the first "a taxable product" with "an agricultural chemical" and replace the second "a taxable product" with "an agricultural chemical"

Page 2, line 15, replace "deposit in the property tax relief fund and allocated for property tax relief to" with "distribution"

Page 2, line 16, remove the first "counties" and replace "and allocated among counties in the same" with "to the county in which the taxable sale occurred."

Page 2, remove line 17

Page 2, line 19, after the period insert "Revenue received by the county must be deposited in the county general fund."

Renumber accordingly

1999 TESTIMONY

HB 1360

Monday, January 25, 1999

House, Finance & Taxation Committee

My name is Doug Lemieux I am a farmer from Rolette ND House Bill 1360 is an attempt to equalize the prices farmers in North Dakota pay for chemicals in relationship to the prices paid for like chemicals used by Canadian farmers.

The intent of HB1360 is to impose a business privilege tax on chemical manufactures that sell chemicals that are similar in chemical makeup and are used on similar crops in North Dakota and Canada but charge higher prices to the North Dakota wholesalers or retailers. The tax should be based on the difference between the suggested retail price in North Dakota and the suggested retail price for like chemicals with in fifty miles of the North Dakota - Canadian border. NDSU and Manitoba Ag. both provide retail guides that would facilitate the tax commissioner in calculating the appropriate tax for each and every chemical.

North Dakota farmers have been told they must compete in the world market and some of us were brought along against our better judgment, now some of the multinational corporations that so enthusiastically embraced free trade are hiding behind the skirts of the Environmental Protection Agency, EPA, and US Customs Service to protect their markets. HB1360 is an attempt by farmers in North Dakota to level the playing field as far as some input costs are concerned.

Price Gouging is not an accepted practice in the great state of North Dakota and I think it is time to hold the feet to the fire of those entities who price their products not on reasonable profit but on what is the most they can extract from a monopolized market. The multinational corporations tell us regularly that the cost of registering a product in the US market is so much higher than Canada but the market in the US is so much larger that in reality the cost of registration per unit sold is not higher. Research and development costs should not be borne solely by the American Farmers or consumers but should be shared by all the people that use the products around the world.

The multinational chemical conglomerates are not only cruel toward American Farmers they treat American Retailers with less respect. Chemical retailers in North Dakota generally work on a 5-10% margin while their Canadian counterparts generally enjoy 15-20% margins on their sales.

Some examples of price differences in 1998 follow:

Chemical	US Price	Canadian price	in US \$@.68
Round Up	\$42/gal	C\$8.95/liter	\$23/gal
Puma	\$16.66/acre	C\$13.23/acre	\$9/acre
Fungicides	\$ 1	C\$ 1	\$ .68

These examples are just the tip of the iceberg that North Dakota Farmers must contend with on a regular basis. I ask for your favorable consideration on HB1360.

STATEMENT BY THE AMERICAN CROP PROTECTION ASSOCIATION  
BEFORE THE HOUSE COMMITTEE ON FINANCE AND TAXATION  
FIFTY-SIXTH LEGISLATIVE ASSEMBLY OF NORTH DAKOTA

JANUARY 25, 1999

CONCERNING HB1360

GENTLEMEN:

I AM HERE REPRESENTING THE INTERESTS OF THE AMERICAN CROP PROTECTION ASSOCIATION AND ITS MEMBERSHIP. THE AMERICAN CROP PROTECTION ASSOCIATION IS A NOT FOR PROFIT TRADE ASSOCIATION BASED IN WASHINGTON, D.C., AND REPRESENTS THE INTERESTS OF THE VAST MAJORITY OF MANUFACTURERS, FORMULATORS AND DISTRIBUTORS OF CROP PROTECTION PRODUCTS.

**STATEMENT OF OPPOSITION TO HB1360**

ACPA LAST WEEK SUBMITTED A STATEMENT OF OPPOSITION BEFORE THE HOUSE AGRICULTURE COMMITTEE CONCERNING A RELATED BILL HB1252. ON BOTH THAT BILL AS WELL AS THE BILL BEFORE YOU, THE CROP PROTECTION INDUSTRY RECOGNIZES THE LEGITIMATE CONCERNS AMONG THE GROWERS IN THIS STATE THAT HAVE GIVEN RISE TO THESE RELATED LEGISLATIVE PROPOSALS. OUR DISAGREEMENT, HOWEVER, AGAINST THIS BILL IS THAT THE PROPOSED SOLUTION CONTAINED WITHIN HB1360 WILL NOT PROVIDE NEEDED RELIEF TO GROWERS. INSTEAD, WE STRONGLY BELIEVE THAT ENACTMENT OF THIS KIND OF LANGUAGE WILL LEAD TO VERY CONTENTIOUS AND LENGTHY LEGAL WRANGLING – NOT A PRODUCTIVE SOLUTION BY ANY STANDARDS.

THE FOLLOWING ARE THE CHIEF CONCERNS WE HAVE WITH THIS BILL:

- POTENTIAL VIOLATION OF THE SUPREMACY CLAUSE OF THE UNITED STATES CONSTITUTION CONCERNING FOREIGN TRADE
- POTENTIAL VIOLATION OF THE INTERSTATE COMMERCE CLAUSE
- UNFAIRLY TARGETING AGRICULTURAL CHEMICALS FOR TAXATION TO REMEDY LARGER ECONOMIC ILLS OF THE STATE
- LACK OF CLARITY AS TO HOW THE TAX WOULD BE LEVIED, AND THE LEVELS OF TAXATION ON THE PRODUCTS.
- THE US AND CANADIAN DOLLAR EXCHANGE RATE IS NOT FIXED. THE BILL WOULD NOT ONLY DIRECT THE TAX COMMISSIONER, BUT IN REALITY ALSO RETAILERS AND WHOLESALERS OF PRODUCTS, TO BE RESPONSIBLE FOR MONITORING THE FLUCTUATIONS AND MAKING THE CALCULATIONS TO ARRIVE AT PRICES.
- AT A TIME OF ECONOMIC DOWNTURN IN AGRICULTURE, TAXATION IN THE LONG RUN HELPS NO ONE.
- WE BELIEVE THE ADMINISTRATIVE COSTS ENTAILED TO IMPLEMENT SUCH A NEW SYSTEM OF TAXATION ARE SIGNIFICANT AND WOULD BE BORNE BY THE NORTH DAKOTA DEPARTMENT OF TAXATION. TO INVENTORY

PRODUCTS AND PRICES, CURRENCY EXCHANGE RATES, RETAILERS AND WHOLESALERS FOR FIFTY MILES NORTH AND SOUTH OF THE BORDER (100 MILE WIDTH ACROSS THE ENTIRE NORTH DAKOTA-CANADA BORDER) IS A HERCULEAN TASK. WE ARE WHOLLY UNCONVINCED THAT THIS WOULD PRODUCE BENEFITS FOR THE CITIZENS OF NORTH DAKOTA.

- IN THIS BILL, THE PROPOSED TAX WOULD BE LEVIED ON MANUFACTURERS BASED ON "MANUFACTURERS' SUGGESTED RETAIL PRICES." THIS MECHANISM IS LIKELY TO RESULT IN OVERTAXATION. BECAUSE COMPETITION AMONG AG CHEMICAL RETAILERS IS SO INTENSE, IT IS UNLIKELY THAT NORTH DAKOTA FARMERS PAY PRICES BELOW "SUGGESTED RETAIL PRICE." JUST THINK ABOUT YOUR EXPERIENCE BUYING A CAR: HOW MANY OF US ACTUALLY PAY THE MANUFACTURER'S SUGGESTED RETAIL PRICE? FURTHER, IT IS LIKELY THAT SOME MANUFACTURERS MAY NOT EVEN HAVE SUCH A PRICE LIST.
- ONE MAY ALSO QUESTION THE ARBITRARY NATURE OF A 50-MILE BAND ON EITHER SIDE OF THE BORDER. HOW WILL AN AGCHEMICAL RETAILER PRICE A PRODUCT TO A FARMER WHOSE LAND IS SPLIT BY THIS 50-MILE LINE OF DEMARCATION? AGAIN, THIS BILL WOULD RESULT IN SIGNIFICANT ADMINISTRATIVE BURDENS FOR THE NORTH DAKOTA AGRICULTURAL RETAILERS AND WHOLESALERS WITH NO TANGIBLE BENEFIT FOR THE GREATER PUBLIC.

WE DO NOT BELIEVE THAT HB1360 IS A WORKABLE BILL TO PRODUCE GOOD PUBLIC POLICY FOR THE CITIZENS OF THIS STATE. TAXING SPECIFIC PRODUCTS IN AN ATTEMPT TO BENEFIT A CLASS OF THE PUBLIC SUFFERING FROM ILLS NOT RELATED TO THE PRODUCTS THEMSELVES IS MISGUIDED.

RATHER, AS WE HAVE STRONGLY SUGGESTED LAST WEEK TO THE HOUSE AGRICULTURE COMMITTEE, THE ROOTS OF THIS KIND OF PROPOSAL IS DUE MORE TO THE HORRENDOUS LENGTH OF TIME HAS PASSED FOR IMPLEMENTATION OF HARMONIZATION UNDER NAFTA. IF CANADIAN AND US REGULATIONS GOVERNING CROP PROTECTION PRODUCTS WERE HARMONIZED, THERE WOULD PROBABLY NOT BE ANY SIGNIFICANT DIFFERENTIALS BETWEEN PRICES JUST NORTH AND SOUTH OF THE BORDER TO BE TAXED. ANOTHER ISSUE, ALSO TOO EXTENSIVE TO COVER WITHIN THIS TESTIMONY, CONCERNS THE 1996 FEDERAL FOOD QUALITY PROTECTION ACT. UNDER CURRENT IMPLEMENTATION BY THE US ENVIRONMENTAL PROTECTION AGENCY FUTURE AVAILABILITY OF CROP PROTECTION PRODUCTS ARE SIGNIFICANTLY THREATENED, WHICH ALSO WILL HAVE NEGATIVE EFFECTS ON PRICES FOR REMAINING PRODUCTS. THIS WILL FURTHER LIMIT THE CROP PROTECTION ALTERNATIVES AVAILABLE TO NORTH DAKOTA GROWERS THUS DEGRADING THE PRICE COMPETITION IN THE MARKETPLACE.

WE ENCOURAGE THE COMMITTEE ON FINANCE AND TAXATION, AS WELL AS THE ENTIRE LEGISLATURE TO SERIOUSLY CONSIDER STRONG MESSAGES TO CONGRESS, THE WHITE HOUSE, THE US ENVIRONMENTAL PROTECTION AGENCY AND THE US DEPARTMENT OF AGRICULTURE TO SPEED UP HARMONIZATION, AND TO IMPLEMENT THE FOOD QUALITY PROTECTION ACT IN A SCIENCE-BASED AND EQUITABLE MANNER TAKING INTO ACCOUNT EFFECTS ON AGRICULTURE.

TESTIMONY BY  
CALVIN N. ROLFSON  
ON BEHALF OF  
PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA  
REGARDING  
HOUSE BILL 1360

MY NAME IS CAL ROLFSON. I AM AN ATTORNEY HERE IN BISMARCK AND I REPRESENT THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA (PhRMA). I APPEAR HERE IN OPPOSITION TO HOUSE BILL 1360.

PhRMA IS A CONSORTIUM OF ALL MAJOR PHARMACEUTICAL AND HEALTH RESEARCH COMPANIES IN THE UNITED STATES. PhRMA GENERALLY TAKES NO POSITION REGARDING THE UNIFORM TAXATION OF ITS PRODUCTS BY STATE GOVERNMENTS, HOWEVER, THE IMPACT OF THIS BILL HAS A POSSIBLE PUNITIVE AND INEQUITABLE IMPACT UPON ALL CITIZENS OF THIS STATE. IT IS REGRETTABLE THAT PhRMA MUST OPPOSE THIS LEGISLATION, HOWEVER WELL-INTENDED IT MAY BE.

BEFORE I OFFER MY OBSERVATIONS ABOUT THE DETAILS OF THE BILL, I WISH TO BRIEFLY TELL YOU ABOUT THE WORK THAT OUR NATIONS' PHARMACEUTICAL AND HEALTH SCIENCE RESEARCHERS ARE DOING TO DIRECTLY IMPACT THE NATION'S QUALITY OF HEALTH AND LIFE.

INNOVATIONS IN MEDICINE AND BIOMEDICAL RESEARCH ARE REVOLUTIONIZING THE FUTURE OF HEALTH CARE. ATTACHED TO MY TESTIMONY ARE A SERIES OF ARTICLES YOU WILL FIND INTERESTING THAT IDENTIFIES THE EXPONENTIAL GROWTH IN HEALTH ENHANCING AND LIFE-SAVING DRUGS THAT HAVE RECENTLY BEEN APPROVED OR ARE IN PROGRESS OF RESEARCH AND DEVELOPMENT.

FOR EXAMPLE, PHARMACEUTICAL COMPANIES REPORT A RECORD 187 DRUGS AND VACCINES CURRENTLY IN DEVELOPMENT FOR CHILDREN, INCLUDING 44 FOR CANCER, THE LEADING DISEASE KILLER OF CHILDREN. THERE ARE CURRENTLY 350 BIO-TECHNOLOGY PRODUCTS NOW IN DEVELOPMENT, UP SIGNIFICANTLY FROM 284 IN 1996. DRUG COMPANIES INVESTED ABOUT \$20 BILLION IN 1998 ALONE ON RESEARCH AND DEVELOPMENT AS THEY CONTINUE TO WORK ON NEARLY 1,000 NEW MEDICINES, INCLUDING 98 NEW DRUGS FOR HEART DISEASE AND STROKE, 316 ANTI-CANCER MEDICINES AND 146 DRUGS AND VACCINES FOR CHILDREN.

DRUG RESEARCHERS ARE ALSO FOCUSING ON DISEASES OF WOMEN WITH MORE THAN 370 DRUGS CURRENTLY IN DEVELOPMENT, INCLUDING 27 NEW MEDICINES FOR OSTEOPOROSIS, 18 FOR DIABETES, 18 FOR ALZHEIMER'S DISEASE AND 55 FOR ALL TYPES OF ARTHRITIS.

I HOPE YOU TAKE TIME TO REVIEW THESE DOCUMENTS BECAUSE THEY WILL SURPRISE AND ENCOURAGE YOU.

SOME DRUG COMPANY CRITICS CLAIM THAT PRESCRIPTION DRUG PRICES ARE SKYROCKETING OUT OF CONTROL. THIS CLAIM IS FALSE. IN FACT, DRUG PRICE INCREASES HAVE MODERATED SIGNIFICANTLY SINCE THE 1980S. OVER THE MOST RECENT TWELVE MONTH PERIOD ENDING IN APRIL 1996, THE PRODUCER PRICE INDEX FOR PRESCRIPTION DRUGS INCREASED 3.0 PERCENT. OVER THE SAME PERIOD, THE CONSUMER PRICE INDEX (CPI) FOR PRESCRIPTION DRUGS INCREASED 3.6 PERCENT WHILE THE CPI FOR MEDICAL CARE INCREASED 3.7 PERCENT AND THE CPI FOR ALL ITEMS INCREASED 2.9 PERCENT. IMS AMERICA, A DIVISION OF DUNN AND BRADSTREET, REPORTED THAT PRESCRIPTION DRUG PRICES INCREASED 1.3 PERCENT IN THE FIRST QUARTER OF 1996 -- THE LOWEST QUARTERLY RATE OF PHARMACEUTICAL INFLATION IN MORE THAN 25 YEARS.

SOME DRUG COMPANY CRITICS CLAIM THAT DRUG COMPANY PROFITS ARE OUT OF LINE. IN FACT, ACCORDING TO A 1994 CONGRESSIONAL BUDGET OFFICE STUDY, "(ECONOMISTS HAVE FOUND THAT PROPERLY MEASURED, PHARMACEUTICAL COMPANY PROFITS ARE ONLY SLIGHTLY ABOVE THE AVERAGE FOR COMPANIES IN ALL INDUSTRIES."

SOME CRITICS CLAIM THAT DRUG COMPANIES DON'T SPEND MUCH ON R&D. IN FACT, ACCORDING TO THE PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA'S (PhRMA) MEMBER COMPANY ESTIMATES, DRUG COMPANIES SPENT \$14.4 BILLION ON R&D IN 1995 — 19.1 PERCENT OF EVERY SALES DOLLAR. PhRMA'S MEMBERS SPENT ABOUT \$20 BILLION ON R&D IN 1998.

PhRMA INDUSTRY PROFILE REPORTS THAT AS A PERCENTAGE OF SALES, THE PHARMACEUTICAL INDUSTRY'S R&D SPENDING LEVEL IS AT LEAST 3 TIMES THE LEVEL OF R&D SPENDING BY OTHER RESEARCH-BASED MANUFACTURING INDUSTRIES.

THIS BILL ASSUME THAT DRUGS SHOULDN'T COST MORE HERE THAN IN CANADA OR PERHAPS MEXICO. SUPPORTERS OF HB 1360 ASSERT THAT SOME U.S. NAME-BRAND DRUGS COST LESS IN CANADA THAN HERE. THEY MAY ARGUE THAT CONSUMERS SHOULD BE ABLE TO BUY DRUGS IN THE U.S. AT THE SAME PRICES CANADIANS PAY IN WINNIPEG. IN FACT, A COUNTRY'S DRUG PRICES CAN'T BE VIEWED IN A VACUUM. IN CANADA, DRUG PRICES ARE PART OF A SOCIALIZED HEALTH CARE SYSTEM THAT INCLUDES DELAYED TREATMENT, PHYSICIAN SHORTAGES AND HIGH TAXES. IT'S UNFAIR AND UNREALISTIC TO PICK AN ATTRACTIVE FEATURE OF CANADA'S SYSTEM WHILE IGNORING ITS LESS ATTRACTIVE ASPECTS. AS A RESULT OF CANADA'S DRUG PRICING POLICIES, COMPANIES THERE DO LITTLE R&D AND PRODUCE FEW INNOVATIVE NEW DRUGS. FIFTY PERCENT OF ALL DRUGS AVAILABLE IN THE U.S. ARE NOT EVEN SOLD IN CANADA.

IN THE ANECDOTES ABOUT CANADA, IT'S UNCLEAR WHETHER THE U.S. NAME-BRAND DRUGS PURCHASED IN CANADA (OR MEXICO, AS WELL), ACTUALLY WERE PRODUCED IN THE U.S. BY U.S. COMPANIES AND MEET U.S. SAFETY STANDARDS — OR WERE PRODUCED ABROAD, EITHER UNDER LICENSE OR OTHERWISE, UNDER DIFFERENT SAFETY STANDARDS OR PERHAPS IN VIOLATION

OF APPLICABLE SAFETY STANDARDS. DRUGS PRODUCED ABROAD MAY NOT INCLUDE APPROPRIATE LABELING OR INSTRUCTIONS, AND MAY EVEN BE COUNTERFEIT. IN A NEW YORK TIMES STORY LAST OCTOBER, "MEDICINES FROM AFAR RAISE SAFETY CONCERNS," AN ISSUE WAS RAISED REGARDING THE SAFETY OF GENERIC DRUGS PRODUCED BY ONE CANADIAN COMPANY.

THE FIRST ISSUE OF CONCERN IS THE CONSTITUTIONALITY OF THIS BILL. ARTICLE X, SECTION 5, OF THE NORTH DAKOTA CONSTITUTION REQUIRES ALL TAXES TO BE "UNIFORM" UPON THE SAME "CLASS OF PROPERTY" WITHIN THE "TERRITORIAL LIMITS" OF THE AUTHORITY LEVYING THE TAX. THE TAX PROVISIONS IN THIS BILL WILL BE LEVIED BY THE STATE OF NORTH DAKOTA AS THE TAXING AUTHORITY.

NORTH DAKOTA CASE LAW HAS MADE IT CLEAR THAT TAXES MUST BE UNIFORMLY APPLIED AND MUST NOT VIOLATE THE EQUAL PROTECTION CLAUSE OF THE FOURTEENTH AMENDMENT TO THE UNITED STATES CONSTITUTION. THAT CLAUSE REQUIRES EQUALITY AND UNIFORMITY IN TAXATION.

THOUGH I AM NOT AWARE OF A PARTICULAR CASE IN NORTH DAKOTA THAT HAS CONSTRUED WHETHER THE STATE MAY IMPOSE A UNIFORM TAX BASED UPON CALCULATIONS FROM AN ARBITRARY PORTION OF ITS CITIZENS WITHIN A GEOGRAPHIC LOCATION IN THE STATE, I BELIEVE THIS BILL CARRIES WITH IT SOME SIGNIFICANT CONSTITUTIONAL RISKS. I INVITE THE COMMITTEE'S ATTENTION TO SEVERAL NORTH DAKOTA CASES THAT HAVE DISCUSSED THE

REQUIREMENT OF UNIFORMITY AND EQUALITY ON TAXATION ISSUES, INCLUDING THE FOLLOWING CASES:

- CHRISTMAN vs. EMINETH, 212 N.W. 2d 543 (N.D. 1973)
- NORTHWESTERN IMP. CO. vs. MORTON COUNTY, 47 N.W 2d 543 (N.D. 1951)
- MARTIN vs. TYLER, 60 N.W. 392 (N.D. 1994)

AS I READ THE BILL, THE TAX ON PHARMACEUTICAL SALES IN NORTH DAKOTA BY PHARMACEUTICAL WHOLESALERS AND RETAILERS IS IMPOSED IF THERE IS A DIFFERENTIAL BETWEEN THE SALE PRICE AT RETAIL WITHIN A 50-MILE NORTH-OF-THE-BORDER LIMIT IN CANADA AND THE RETAIL PRICE OF PHARMACEUTICALS THAT ARE SOLD AT RETAIL WITHIN 50 MILES SOUTH OF OUR INTERNATIONAL BORDER WITHIN NORTH DAKOTA.

WHILE IT IS UNCLEAR WHETHER THE TAX IS ONLY IMPOSED WITHIN THAT 50-MILE LIMIT IN NORTH DAKOTA OR WHETHER IT IS IMPOSED THROUGHOUT THE STATE, I AM ASSUMING THE INTENT OF THE DRAFTER IS TO IMPOSE THE TAX THROUGHOUT THE STATE OF NORTH DAKOTA. WHAT THAT MEANS, THEN, IS THAT THE FLUCTUATING "SUGGESTED RETAIL PRICE" ESTABLISHED BY MANUFACTURERS OF PHARMACEUTICAL COMPANIES THROUGHOUT THE UNITED STATES IN THAT NORTHERN 50-MILE TIER DICTATES WHETHER A TAX IS IMPOSED ON A PHARMACEUTICAL OR AGRICULTURAL CHEMICAL THROUGHOUT THE STATE. I AM ASSUMING THAT IF IT IS INTENDED ONLY TO TAX SALES OF AGRICULTURAL CHEMICALS AND PHARMACEUTICALS SOLD IN THE NORTHERN MOST 50-MILES OF NORTH DAKOTA, YOU WOULD ALL AGREE THAT SUCH A TAX

IS NEITHER UNIFORM OR EQUITABLE AND, THEREFORE, UNCONSTITUTIONAL. HOWEVER, EVEN IMPOSING A TAX THROUGHOUT THE STATE BASED UPON THIS ARBITRARY GEOGRAPHIC FORMULA, MAY SUFFER FROM CONSTITUTIONAL FLAWS. I WON'T BELABOR THIS ISSUE FURTHER EXCEPT TO SUGGEST THIS CONCERN TO YOU.

REGARDING THE SPECIFICS OF THE BILL, THERE ARE SEVERAL CONCERNS THAT ARE NOTED.

AT LINE 16 ON PAGE ONE, THE TERM "DRUG" IS NOT IDENTIFIED. THAT IS A BROAD TERM AND IT MAY WELL INCLUDE SOME OVER-THE-COUNTER MEDICATIONS THAT MAY BE "PRESCRIBED" BY A DOCTOR. IT MAY ALSO INCLUDE VETERINARY MEDICINES FOR AGRICULTURE PRESCRIBED BY A VETERINARIAN. THIS DEFINITION APPEARS TO EXCLUDE DRUGS THAT ARE LAWFULLY PRESCRIBED BY ADVANCED-PRACTICE NURSES, PHYSICIANS ASSISTANTS AND LIKE.

THE 50-MILE AREA NORTH AND SOUTH OF THE BORDER THAT IS INTENDED TO BE USED TO CALCULATE THE PRICE DIFFERENTIAL ARBITRARILY SPLITS THE STATE. THE BILL DOES NOT EXPLAIN THE SIGNIFICANCE OF 50 MILES, AND PERHAPS ONE CAN ONLY ASSUME THERE IS AN INTENTION TO PENALIZE PHARMACEUTICAL COMPANIES THROUGHOUT THE UNITED STATES AS WELL AS RETAIL AND WHOLESALE PHARMACEUTICAL COMPANIES IN NORTH DAKOTA, AS WELL AS NORTH DAKOTA DRUG STORES IF THE PRICE DIFFERENTIAL UNDER THIS INTERNATIONAL FORMULA HAPPENS TO EXCEED IN NORTH DAKOTA THE

PRICE IN CANADA. THE 50-MILE INTERNATIONAL PRICE DIFFERENTIAL ZONE CUTS THROUGH EIGHT NORTH DAKOTA LEGISLATIVE DISTRICTS, INCLUDES THREE DISTRICTS THAT ARE WHOLLY-INCLUDED IN THE ZONE, AND EXCLUDES 37 DISTRICTS OUTSIDE OF THE ZONE. THE DEMARCATION LINE INCLUDES THE WHOLE OF EIGHT COUNTIES, SPLITS SEVEN COUNTIES AND APPEARS TO EXCLUDE THE REMAINDER.

THE ADMINISTRATION OF THIS TAX WOULD APPEAR TO BE A CONFUSING QUAGMIRE AS WELL AS AN ADMINISTRATIVE NIGHTMARE. IT APPARENTLY IMPOSES THE TAX IF THE PRICE IN CANADA IS HIGHER IN THE 50-MILE CANADIAN ZONE THAN THE PRICE IS IN THE 50-MILE NORTH DAKOTA ZONE. ONE CAN ONLY ASSUME THAT IF THE PRICE IN NORTH DAKOTA IS LOWER THAN IN CANADA, THE TAXPAYERS WILL RECEIVE NO REBATE.

IF THE STATE OF NORTH DAKOTA BY LAW WISHES TO SEND A MESSAGE TO PHARMACEUTICAL COMPANIES THROUGHOUT THE UNITED STATES THAT THEY SHOULD GET TOGETHER WITH EACH OTHER AND THEIR CANADIAN COUNTERPARTS AND FIX THE PRICE OF THEIR PRODUCTS SO THAT THEY ARE INTERNATIONALLY EQUAL, THE CONSTITUTIONAL RAMIFICATIONS OF SUCH AN ACTION BECOME INTERESTING. SINCE PRODUCT PRICE FIXING IS GENERALLY FROWNED UPON UNDER BOTH FEDERAL AND STATE LAW, PHARMACEUTICAL COMPANIES WOULD BE PLACED IN A DILEMMA EVEN IF THEY HAD THE ABILITY AND DESIRE TO EQUALIZE THEIR PRICES WITHIN THIS UNIQUE 50-MILE INTERNATIONAL TAX CALCULATION ZONE.

THE MATERIAL ATTACHED TO MY TESTIMONY FROM OUR NATION'S PHARMACEUTICAL AND HEALTH SCIENCE RESEARCH COMPANIES CLEARLY SHOWS THE AMOUNT OF COST, TIME AND ENERGY THAT GOES INTO RESEARCHING AND DEVELOPING LIFE-SAVING AND LIFE-ENHANCING DRUGS. I AM AWARE, FOR EXAMPLE, THAT BECAUSE OF THE EXTENSIVE RESEARCH AND SAFETY REGULATIONS IMPOSED UPON AGRICULTURAL CHEMICAL MANUFACTURERS BY THE UNITED STATES FOOD SAFETY SYSTEM REGARDING PESTICIDES:

- EACH EPA-REGISTERED PESTICIDE UNDERGOES 120 OR MORE TESTS TO DETERMINE HUMAN HEALTH, SAFETY AND ENVIRONMENTAL EFFECTS.
- ON AVERAGE, ONLY ONE IN 20 THOUSAND AG CHEMICALS EVER MAKES IT FROM DISCOVERY IN THE CHEMIST'S LABORATORY TO USE BY THE FARMER IN THE FIELD.
- PESTICIDE DEVELOPMENT TESTING AND EPA REGISTRATION NOW AVERAGE ALMOST 12 YEARS TO COMPLETE AT A PER-PRODUCT COST OF NEARLY \$100 MILLION. FOREIGN REGISTRATION, ON THE OTHER HAND, IS AVERAGING JUST OVER EIGHT YEARS, WHICH PUTS U.S. FARMERS AND AG CHEMICAL PRODUCERS AT A DISTINCT DISADVANTAGE IN THE NEW-PRODUCT MARKETPLACE.

ALL THIS DEMONSTRATES THAT BECAUSE OF THE ADDITIONAL QUALITY CONTROL AND OTHER REGULATIONS PLACED AT THE FEET OF CHEMICAL AND

PHARMACEUTICAL MANUFACTURERS, IT OFTEN BECOMES NECESSARY TO PRICE THEIR PRODUCTS SO THEY MAY RECOVER THEIR SIGNIFICANT INVESTMENT COSTS TO PRODUCE THE HEALTH AND LIFE-ENHANCING DRUGS AND CHEMICALS FOR OUR NATION AND OUR STATE. TO PUNISH THAT THROUGH THE TAX LAWS OF NORTH DAKOTA APPEARS TO BE THE WRONG APPROACH AT LEAST, AND AT WORST MAY BE PUNITIVE.

I URGE YOUR CAUTION IN CARVING OUT THIS UNUSUAL TAX STRUCTURE IN NORTH DAKOTA. THE BILL APPEARS TO:

- FINANCIALLY PUNISH AN INDUSTRY WHOSE EXISTENCE IS DEDICATED TO IMPROVING THE QUALITY OF LIFE FOR OUR CITIZENS.
- CARVES OUT AN ARBITRARY TAX CALCULATION ZONE THAT CROSSES INTERNATIONAL BORDERS . (ONE CAN ONLY SPECULATE WHAT IMPACT THIS STATE LEGISLATION WILL HAVE UPON NAFTA.)

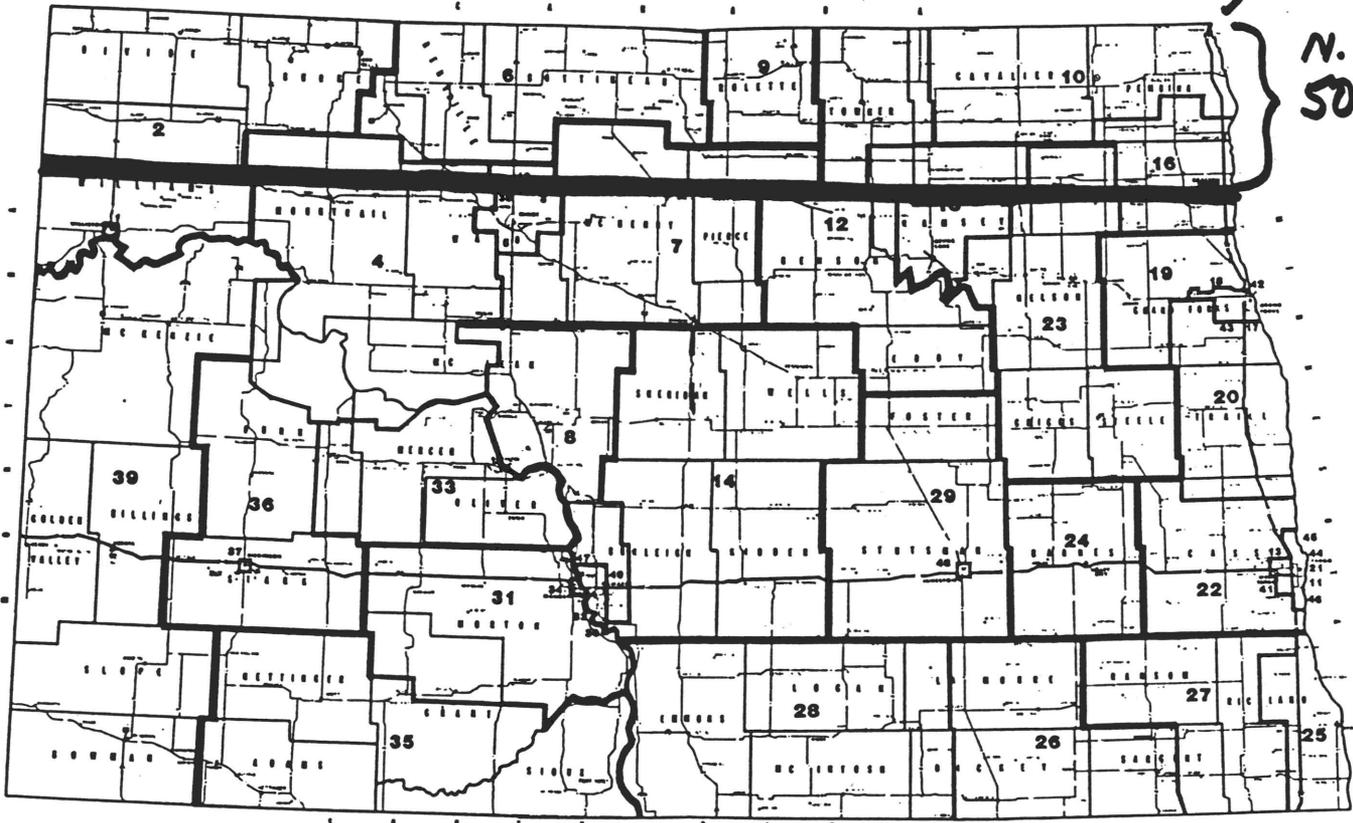
I URGE THIS COMMITTEE TO RECOMMEND A DO NOT PASS ON THIS LEGISLATION. IF THERE ARE ANY QUESTIONS FROM MEMBERS OF THIS COMMITTEE REGARDING PHARMACEUTICALS SOLD IN NORTH DAKOTA THAT I CAN ANSWER, I WOULD BE PLEASED TO TRY TO LOCATE THE ANSWERS TO THOSE QUESTIONS FOR YOU.

Submitted by  
Cal Rolfson  
HB 1360

# LEGISLATIVE DISTRICTS

Canada  
50 mi.

N. D.  
50 mi.



# Backgrounder



## THE MYTH OF "RISING DRUG PRICES" EXPOSED

Frequent news reports claim that rising drug prices are driving up health care costs and insurance premiums. However, a closer look shows a more accurate picture. Here are the facts about prescription drug prices.

- **Pharmaceutical price increases have been modest in recent years.** According to a survey by the highly respected health information company IMS Health, pharmaceutical prices rose 3.4 between June 1997 and June 1998.
- **Greater prescription drug use, not higher drug prices, has contributed to increased pharmaceutical expenditures.** According to IMS data, overall pharmaceutical expenditures in the U.S. increased by 17.6 percent in 1997. Of this increase, only 3.4 percentage points resulted from increased prices. The remaining 14.2 percentage point increase resulted from increased use of pharmaceutical products, coupled with the fact that doctors are now more frequently prescribing newer, innovative, sometimes more expensive medicines that add great value to their patients.
- **Patients and physicians are recognizing more and more that pharmaceuticals are the most cost-effective, value-added, least invasive part of the health care system.** Increased use of pharmaceuticals often will result in lower overall health care costs for specific diseases such as AIDS, diabetes, asthma, stroke and heart disease. Medicines keep people out of the hospital, off the surgery table, on the job and in the home.
- **The pharmaceutical industry is leading the way in the search for new cures and treatments by investing \$21 billion in 1998 alone for research and development.** No other industry – from electronics to telecommunications – commits a higher percentage of its sales to new innovation and future advances.
- **Most people don't know that one small pill represents 12-15 years and \$500 million of R&D as the medicine moves from the laboratory bench to the pharmacy shelf.** Only three of ten marketed drugs produce revenues that match or exceed average R&D costs.
- **In the past two years, the pharmaceutical industry has brought more than 100 new medicines to patients, an unprecedented number of approvals of new drugs and biologics.**
- **New, innovative medicines have resulted in an increase in sales of pharmaceuticals.** Robust sales not only means the industry is doing well, but that patients are doing even better. There are more treatment options than ever before. For example, today, seven out of 10 children survive all forms of cancer and eight out of ten survive leukemia. That's remarkable progress.
- **The pharmaceutical industry needs to be profitable to attract the investment needed to sustain innovation.** The 1,000 new medicines in development will only be brought to patients if the industry has the ability to sustain the research and development process.

###

(11/30/98)

*Pharmaceutical Research and Manufacturers of America*

1100 Fifteenth Street, N.W. Washington, D.C. 20005 (202) 835-3400



## THE VALUE OF PHARMACEUTICALS

Innovative pharmaceuticals have value not only for individuals and their families but also for society and for the health care system. In some cases, modern medicines can save health care dollars, by reducing the need for more expensive treatments. Here are some examples of different ways in which pharmaceuticals give value.

- **Medical value: Drugs save lives, relieve pain, cure and prevent disease.**
  - Antibiotics and vaccines have virtually wiped out diphtheria, syphilis, whooping cough, measles, and polio in the US.
  - Thanks in large part to innovative medicines, 8 out of 10 children survive leukemia.
  - Over the last 30 years, medicines have helped reduce deaths from heart disease and stroke by half.
  
- **Social value: Medicines help keep families together longer and improve the quality of life for patients.**
  - Medicines allow many mentally ill people to be treated in the community, enabling them to stay with their families.
  - Anti-nausea medicines have improved the quality of life for cancer patients undergoing chemotherapy.
  - A biotechnology medicine replaces a hormone kidney dialysis patients lack, giving them renewed energy.
  
- **Economic value: Medicines keep employees on the job and help to avoid disability, surgery, hospitalization, and nursing home care.**
  - A new medicine for stroke saves an estimated \$4 million for every 1,000 patients treated by reducing the need for rehabilitation and nursing home care.
  - A study showed that a new drug for migraine headaches saved employers \$435 per employee per month – ten times the cost of the drug – by reducing lost productivity costs.
  - Osteoporosis causes more than a million hip fractures a year. A drug that can prevent osteoporosis costs about \$3,000 for 15 years of treatment, while a hip fracture costs an estimated \$41,000.
  
- **Increased drug utilization is good for patients and for the health care system.**

Outpatient prescription drugs account for only six cents out of every health care dollar. As more and better medicines are developed – and as their effectiveness and cost-effectiveness becomes apparent – the drug component of health care will grow. This is good news because:

  - Drug treatment is the least invasive form of health care, allowing patients to stay with their families and on the job.
  - In many cases, drug treatment lowers the overall cost of treating a disease or condition.
  - Pharmaceuticals add value to health care, helping patients at every stage of life.
  
- **Policies that restrict the use of pharmaceuticals and discourage innovation hurt patients and the health care system.**

Legislation and other initiatives that attempt to cut the use of innovative medicines may save money today but will kill the promise of tomorrow's cures. Such threats include:

  - Restrictive formularies, prior authorization systems and other limitations on patient access to innovative pharmaceuticals.
  - Initiatives that would curtail the free market for pharmaceuticals.
  - Proposals that would weaken protection of intellectual property.

*Pharmaceutical Research and Manufacturers of America*

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# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL RESEARCH COMPANIES  
MARCH 1998

CONTACT: JEFF TREWHITT  
202/835-3464

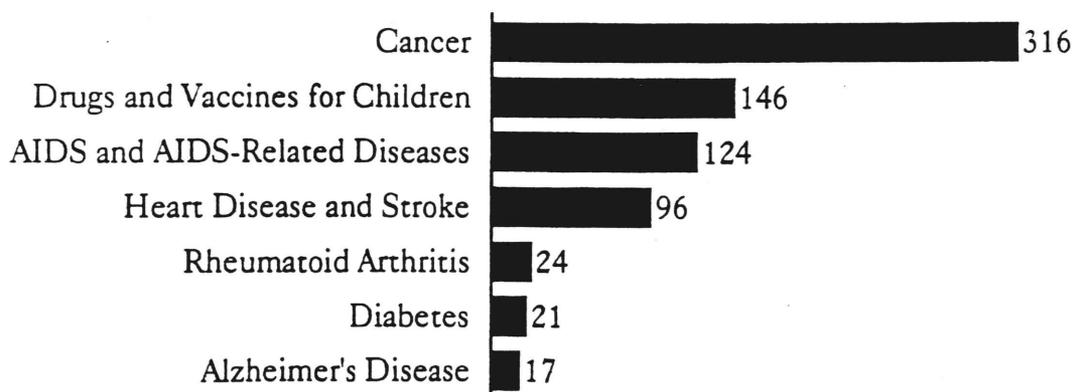
## DRUG COMPANIES TO INVEST \$20 BILLION ON R&D AS THEY CONTINUE WORK ON 1,000 NEW MEDICINES

Right now, U.S. pharmaceutical research companies have more than 1,000 new medicines in development, including:

- 96 new drugs for heart disease and stroke
- 316 anti-cancer medicines
- 124 drugs to treat AIDS
- 146 drugs and vaccines for children
- 17 new treatments for Alzheimer's disease
- 24 drugs for rheumatoid arthritis, and
- 21 new medicines for diabetes.

PhRMA member companies anticipate investing more than \$20 billion on research and development in 1998.

### *NEW MEDICINES IN DEVELOPMENT FOR SELECTED DISEASES*



*Source: PhRMA Annual Surveys, 1997-1998*

# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL RESEARCH COMPANIES  
JANUARY 1998

CONTACT: JEFF TREWHITT  
202/835-3464

## PHARMACEUTICAL COMPANIES UP RESEARCH SPENDING TO \$20.6 BILLION

R&D investment by research-based pharmaceutical firms continues to break records. In 1998, pharmaceutical companies expect to invest \$20.6 billion to discover and develop new medicines. That figure represents a 10.7 percent increase over last year's record-setting R&D spending of \$18.6 billion.

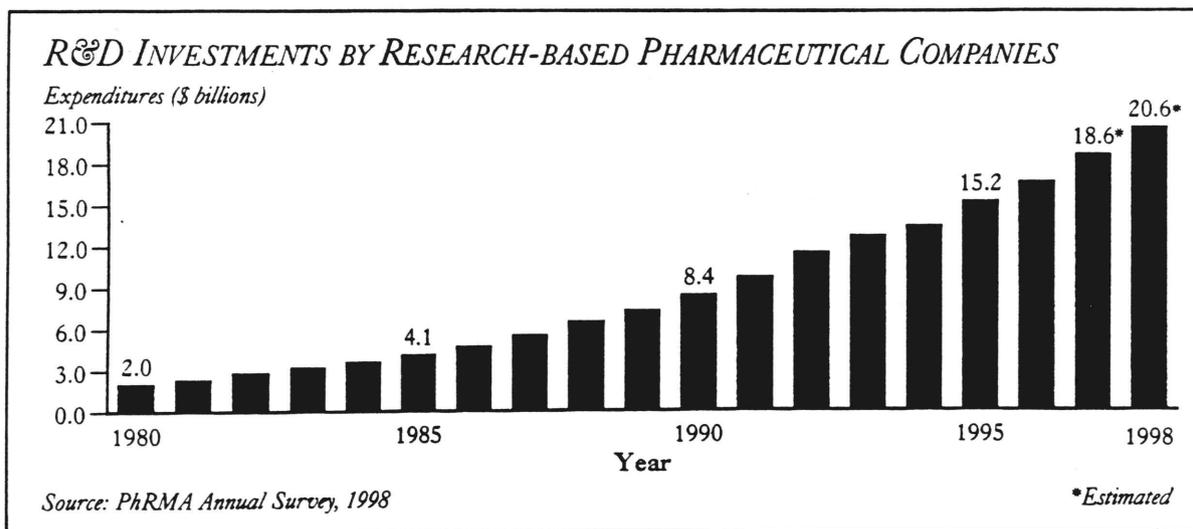
R&D spending by research-based pharmaceutical companies has more than five-fold since 1985, when it was \$4.1 billion.

Industry sales have more than quadrupled since 1985, when they were \$31.6 billion. Projected sales for 1998 are \$124.6 billion.

Pharmaceutical research companies pour back about one dollar in every five dollars of domestic sales into R&D. In 1998, companies will spend 19.6 percent of domestic revenues to discover and develop new medicines.

Over the past twenty-one years, the share of pharmaceutical company revenues devoted to R&D has increased from 10.9 percent in 1978 to an estimated 19.6 percent in 1998.

The pharmaceutical industry's ratio of R&D to sales dwarfs that of other major industry sectors. The electronics industry, for example, invests only 6.4 percent of sales revenues in R&D, while the aerospace and defense industry invests 3.9 percent.



*Pharmaceutical Research and Manufacturers of America*

# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL RESEARCH COMPANIES  
MAY 1998

CONTACT: JEFF TREWHITT  
202/835-3464

## A RECORD NUMBER OF DRUGS IN DEVELOPMENT FOR CHILDREN

Pharmaceutical companies report a record 187 drugs and vaccines in development for the nation's youngest patients.

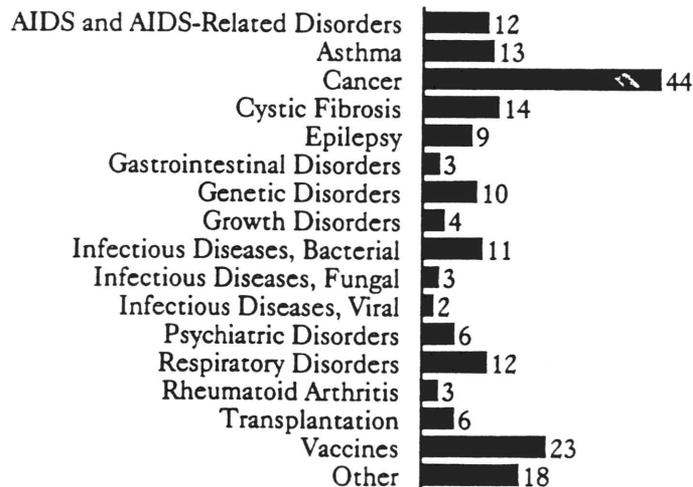
Medicines being clinically tested in children have increased 28 percent in just a year, and 20 new drugs have been approved and brought to the market in the last 12 months.

The medicines in development include:

- 44 for cancer, the leading disease killer of children;
- 14 for cystic fibrosis, the most common fatal genetic disease in the United States;
- 13 for asthma, including one to treat children as young as six months;
- 12 for AIDS, the leading cause of death among young children in some urban areas;
- 9 for epilepsy, which affects 600,000 children in the United States;
- 3 for juvenile rheumatoid arthritis, which afflicts about 50,000 children and can lead to blindness;
- a gene therapy for brain tumors, the second-leading cancer killer of children who are 15 and younger; and
- a vaccine to prevent ear infections, which cause 35 million visits to the doctor each year at a cost of about \$3.5 billion.

The growing number of drugs in development shows that despite the practical, legal and ethical difficulties of testing medicines in children, pharmaceutical companies are rising to the challenge to meet the special needs of the youngest patients.

### *MEDICINES IN DEVELOPMENT FOR CHILDREN—BY THERAPEUTIC CATEGORY*



Source: *New Medicines in Development for Children, PhRMA Annual Surveys, 1998*

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# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL RESEARCH COMPANIES  
JANUARY 1998

CONTACT: HEATHER KOLASCH  
202/835-3466

## DRUG RESEARCHERS FOCUSING ON DISEASES OF WOMEN WITH MORE THAN 370 DRUGS IN DEVELOPMENT

Not too many years ago, women had no effective treatments for osteoporosis and little relief for many other debilitating diseases that primarily afflict women.

In an effort to give women of all ages more options and better medicines, pharmaceutical companies today are developing:

- 27 new medicines for osteoporosis,
- 18 for diabetes,
- 18 for Alzheimer's disease and
- 55 for all types of arthritis, which afflicts more than 23 million American women, including half of all those 65 and older.

Overall, 144 U.S. pharmaceutical and biotechnology companies are working on more than 370 new medicines that target diseases that affect only women, affect them disproportionately or are among the top 10 killers of women.

The new drugs in development are an addition to medicines already approved for these diseases. For osteoporosis—which affects one out of four women and is four times more common in women—patients have had, since 1996, a medicine that builds bone mass by up to 10 percent. Estrogen replacement treatment, which costs \$3,000 over 15 years, can now prevent hip fractures caused by osteoporosis, which cost about \$41,000 per fracture.

# PHARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL COMPANIES  
JULY 1998

## Pharmaceutical Companies Are Developing 85 New Medicines For Mental Disorders That Affect 51 Million Americans

Mental health disorders cost Americans nearly \$150 billion a year for treatments including, hospitalization, physician and other services. For patients and their families, the toll – both physically and emotionally – is even greater. But pharmaceutical advances are making a huge difference in restoring health and quality of life for patients and their caregivers. In fact, the innovations of America's pharmaceutical companies have transformed mental illness from a disease of shame and fear into a highly treatable condition. Medicines have helped boost the success rates for treatments of mental illnesses to between 60 to 80 percent.

*Here's a look at new medicines in development:*

16 for Anxiety Disorders

4 for Attention-Deficit  
Hyperactivity Disorder

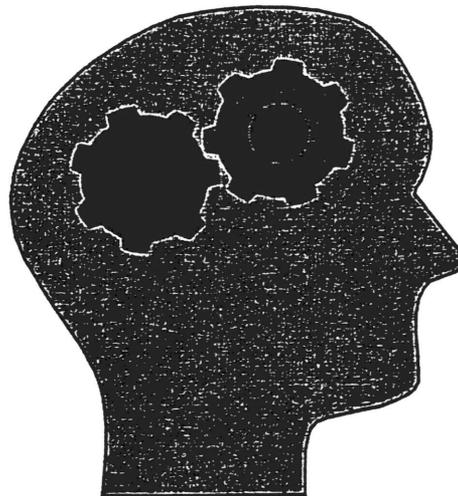
23 for Dementias

2 for Post Traumatic  
Stress Disorder

19 for Substance  
Use Disorders

5 for Eating Disorders

18 for Depression



15 for Schizophrenia

*Pharmaceutical Research and Manufacturers of America*

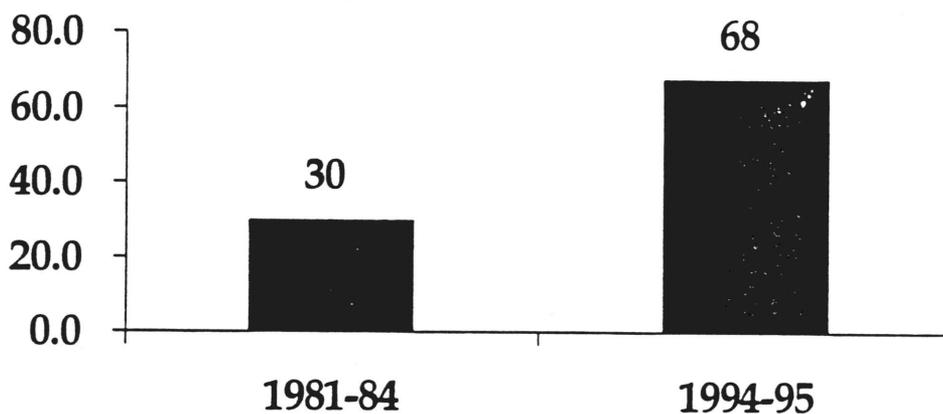
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JULY 1998

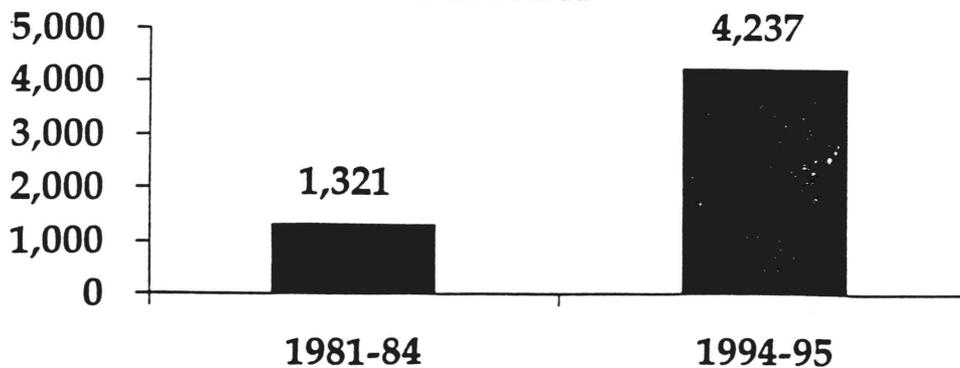
## New Medicines Undergo Extensive Safety Testing

Medicines go through one of the most rigorous testing procedures in the world. It takes 12 to 15 years to discover and develop a new medicine, during which time all medicines are tested for safety and efficacy. Safety standards have never been sacrificed. In fact, in the last decade the average number of clinical trials per new drug application has more than doubled and the number of patients participating in clinical trials per NDA has increased threefold.

Average Number of Clinical Trials Per NDA



Average Number of Patients in Clinical Trials Per NDA



Source: Boston Consulting Group, 1993; Peck, C., "Drug Development: Improving the Process,"  
*Food Drug Law Journal*, Vol. 52, 1997  
*Pharmaceutical Research and Manufacturers of America*

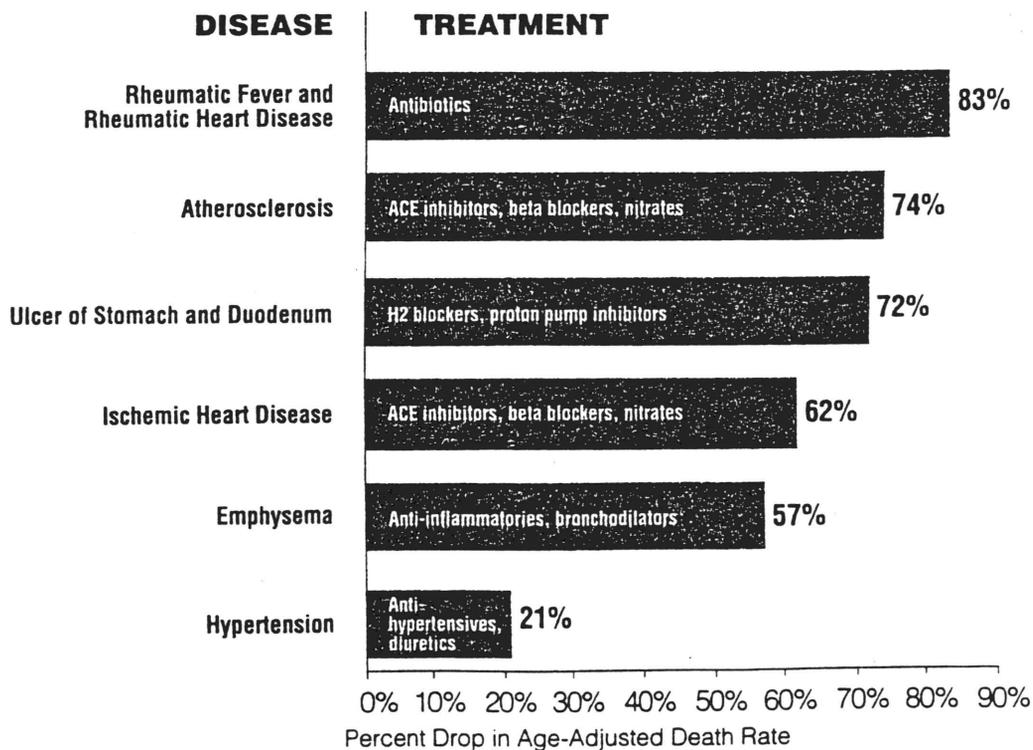
# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL COMPANIES  
JULY 1998

## Pharmaceutical Innovation: Leads the Way in Progress Against Disease

Breakthrough medicines and vaccines have played a central role in this century's unprecedented progress in the treatment of certain diseases. Pharmaceutical discoveries since the 1950s have helped cut death rates for chronic and acute conditions allowing patients to lead longer, healthier lives.

### DROP IN DEATH RATES FOR DISEASES TREATED WITH PHARMACEUTICALS, 1965-1996



Source: PhRMA, 1998, based on Boston Consulting Group, 1993, and U.S. National Center for Health Statistics, 1998

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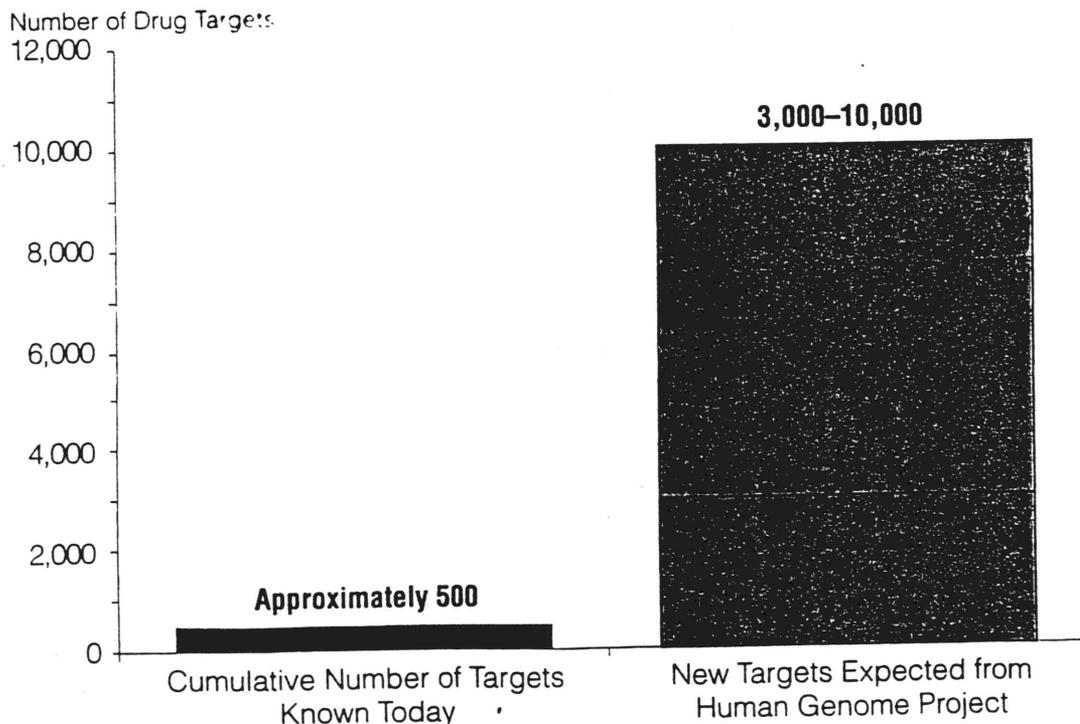
# PhARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL COMPANIES  
JULY 1998

## Biomedical Research: More Targets, More Medicines

Scientific advances in biochemistry, molecular biology, cell biology, genetics and information technology are transforming the drug discovery and development process. This explosion of advances has helped pharmaceutical company researchers to target the underlying cause of disease and use this knowledge to discover new medicines. Genetic research allow researchers to make biological discoveries in days that previously would have taken years. The more genes discovered the more targets there are for developing new medicines.

### HUMAN GENOME PROJECT TO SPARK EXPONENTIAL GROWTH IN NUMBER OF TARGETS FOR DRUG INNOVATION



Source: Drews, Jurgen, M.D., "Genomic Sciences and the Medicine of Tomorrow: Commentary on Drug Development," Nature Biotechnology, Vol. 14, November 1996. *Pharmaceutical Research and Manufacturers of America*

# PHARMAFACTS

A MONTHLY REPORT FROM AMERICA'S PHARMACEUTICAL COMPANIES

April 1998

## Biotechnology: The Map of our Future

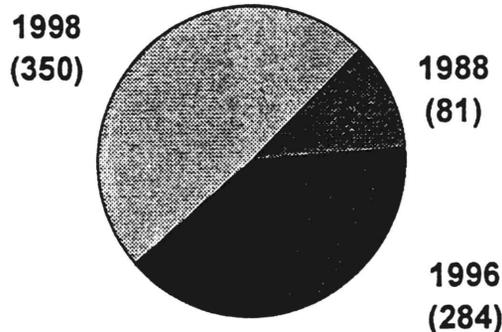
Now more than ever, society is reaping the benefits of biotechnology. The "biotechnology revolution" has allowed scientists to discover more targeted and more effective medicines which may eventually lead to potential cures for such debilitating diseases as AIDS, cancer, sickle cell disease, rheumatoid arthritis and many others. 350 biotechnology products now in development – up from 284 in 1996 – brings hope for potential cures one step closer.

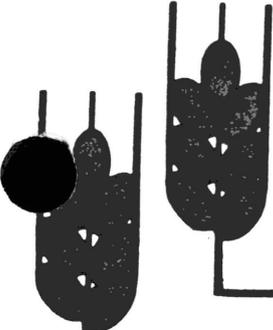
What are the benefits of biotechnology? Ask the 60 million patients who have benefited from such advances as:

- A medicine that breaks up the blood clots that cause heart attacks and strokes.
- A medicine that replaces the growth hormone in children who lack a sufficient supply.
- A medicine that breaks up the mucus in the lungs of cystic fibrosis patients.
- A medicine that interferes with the ability of certain cancer cells to overgrow and intrude on normal tissues.

Such rapidly-expanding advances spurred by biomedical research and computer science are shaping our future to better health through better medicines.

### A Decade of Progress





# NORTH DAKOTA GRAIN DEALERS ASSOCIATION

STEVEN D. STREGE, Executive Vice President  
ANN KORZENDORFER, Assistant Secretary  
Ph: 701-235-4184, Fax: 701-235-1026  
606 Black Building, Fargo, ND 58102

LARRY PHILLIPS, Safety & Health Director  
Ph: 701-251-9112, Fax: 701-251-1758  
P.O. Box 5055, Jamestown, ND 58402-5055

January 22, 1999

Representative Wes Belter, Chairman  
House Finance and Taxation Committee  
House Chambers  
State Capitol  
Bismarck, ND 58505

*Submitted for the  
record after the  
hearing.*

Dear Chairman Belter,

Please enter this letter in the hearing record on HB 1360, which will be coming before your committee on Monday January 25.

The North Dakota Grain Dealers Association agrees with those who would like to see harmonization of registration and usage of chemicals between the United States and Canada. Pricing differences are another source of frustration and give an economic advantage to both farmers and ag input dealers north of our border.

The concern we have with HB 1360 is in line 6-8 on page 2 of the bill, which addresses who will be collecting the privilege tax. In our opinion, our elevators which are also retail outlets for these ag input items, should not have to bear the burden of being the tax collector. We are asking that the bill be amended to leave them out of that role.

Thank you for your attention to this matter.

Sincerely,

NORTH DAKOTA GRAIN DEALERS ASSOCIATION

  
Steven D. Strege  
Executive Vice President

cml

