

Rt Hon David Willetts MP
Minister of State for Universities and Science
Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

14 May 2014

Dear Mr Willetts,

Potential takeover of AstraZeneca PLC by Pfizer Inc.

Thank you for giving evidence to the Science and Technology Select Committee this morning on the subject of Pfizer's proposed takeover of AstraZeneca.

The UK has long been a world-leader in the life sciences and, as the Government recognises, the pharmaceutical industry plays a large and important role in our economy. The industry is also vital to UK science, accounting for approximately 25% of all commercial research and development (R&D) expenditure and providing jobs to thousands of highly-skilled British scientists. As one of the UK's two largest pharmaceutical companies—and as an organisation which has had a presence in this country since the formation of Imperial Chemical Industries in 1926—AstraZeneca forms an extremely important part of this landscape. As such, the national stake in the proposed transaction with Pfizer is unusually high: any threat to AstraZeneca's research capacity must, to an extent, be considered a threat to UK science.

While there may be benefits from such a merger, we cannot ignore the risks. AstraZeneca would undoubtedly be the junior partner in this transaction and while we welcome the assurances that Pfizer has made, both to us and to you, these lack detail and must be considered alongside other factors. Pfizer has admitted that current R&D spend will "be lower" if a merger takes place and it has previously announced its intention to break-up and potentially divest some of the divisions into which AstraZeneca is likely to be absorbed. Moreover, its commitments are limited to five years (or less if circumstances "significantly change") and can be of little value in an industry that measures progress by decades rather than years.

Whether or not the Government is able to hold Pfizer to these promises—and we are not yet confident that it can—further, longer-term guarantees need to be obtained before we can be confident of Pfizer's commitment to the UK.

The company created by this merger would dwarf anything else in the pharmaceutical industry and, although Pfizer has been keen to point out the financial security that this could bring, bigger is not always better when it comes to innovation. Such a mega-merger would also reverse the current trend in 'Big Pharma' for smaller, more agile operations and could put at risk the collaborations that AstraZeneca has fostered over

many years with UK universities, charities and small- to medium enterprises. At the very least, a merger of this size would entail significant disruption and uncertainty across both companies at a crucial and transformative time for the industry.

We are not alone in these concerns. Numerous scientific organisations including the Royal Society, the Royal Society of Chemistry, the Society of Biology and the Wellcome Trust—itsself a major funder of UK science—have expressed similar doubts. The Royal Society has called Pfizer’s commitments “vague” and, like us, has highlighted the “inappropriate time scale” to which they apply. The Wellcome Trust has likewise stated that “much more detail” is required before these commitments can be relied upon. Both organisations have warned against short-termism and have emphasised the need for the Government to act quickly and decisively to safeguard British science.

Science is a long-term enterprise and it requires a genuinely long-term commitment. We are not yet convinced that this is what Pfizer is offering.

If Pfizer is as committed to the UK as it claims, we hope that it will voluntarily strengthen—and lengthen—the promises that it has made. But the Government must be willing—and, crucially, able—to hold Pfizer to account if necessary. We support the Government’s efforts to attract foreign investment, but this must not be at the expense of UK science.

We look forward to receiving your assurances in this regard and will continue to monitor the situation with interest.

Yours sincerely,

Andrew Miller
Chair