Perils of Price–Driven Outsourcing

by Peter Pekos

I will be the first to concede that price-driven, or "offshore", outsourcing *sounds* attractive. China, Eastern Europe, and especially India have scientists of very high calibre who work for very low wages. The infrastructure support for these professionals is becoming quite decent, and attitudes toward IP rights are not as shabby as they used to be.

How does price-driven outsourcing work out in practice? What I can tell you is what my clients tell me. For example, not too long ago the VP of Product Development for a top 20 pharma company said to me, "We have stopped using overseas contractors for time-sensitive projects." A high level decision-maker for another large pharma company commented, "We are going back to North American suppliers". "What we were gaining in price we were more than losing in other ways."

A big part of the problem, from what I gather, stems from disconnects in communication and a fundamental lack of true appreciation of the pressure to bring drugs to market faster and faster.

The basic advice I can offer any company in any sector is to negotiate offshore contracts on value, not price. This is critically important for our industry, where performance risks and relationship risks can lead to consequences that are catastrophic.

I also know that timelines are often compromised when companies use multiple vendors over the product development cycle. Fragmented outsourcing usually does not serve a company well. I have long been convinced of the importance of being able to offer clients a full range of services - commercial manufacture, research, analytical, process development, scale up, cGMP clinical and API manufacturing, sterile fill, and regulatory support - for small molecules, peptides, and oligonucleotides.

Over the years I have been refining the service offering of Dalton to meet the demanding requirements set by our clients. I have never regretted positioning my company as a premium vendor with best practices in all of the key areas that really matter to leading biopharma and pharma companies: clear and open communication; strict confidentiality; and results from high performance teams.

For me, upgrading is a continuing priority. In Q3/06 we sharpened the focus of our medicinal chemistry team by the creation of a specialized unit called *Dalton Medicinal Chemistry Partners*. Our latest GMP expansion program has three carefully thought out phases which include a larger autoclave, four new filling suites, formulation scale increase to 1000 litres, and lyophilization batch scale increase to 15,000 vials. In Q1/07, thanks to a long period of meticulous preparation for an audit of our manufacturing facilities, we received an Establishment License from Health Canada for commercial Sterile Manufacturing and Drug Testing. This allows us to offer commercial production to clients in Canada and the European Union. We are also anticipating an FDA audit later this year.

This continuing enhancement of our client service capabilities is simply good business. In Q1/07 alone, Dalton Pharma Services signed several contracts for preclinical manufacturing with the potential for cGMP production, while at the same time Dalton Medicinal Chemistry Partners entered into an agreement with a global pharmaceutical company to design and synthesize novel compounds for specified targets.

Fast-track your drug development

Dalton Pharma Services can help you get products to market…fast. Our integrated services and team of world-leading chemists help you minimize burn rates and hit investment milestones.

From hit-to-lead, Dalton Pharma Services accelerates the drug discovery and development process.

Research • Analysis • cGMP Manufacturing • Sterile Fill

Canada 416-661-2102 1-800-567-5060
chemist@dalton.com www.dalton.com

DALTON Pharma Services

Accelerated drug discovery and development