

Pharmaceuticals, Chemicals and Basic Materials Industries

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The Pharmaceuticals, Chemicals and Basic Materials Industries have been impacted differently by the sanitary crisis. A part of the chemicals and basic materials industry suffers from the production stops in the automotive industry (as they produce lacquers, tires, etc.). Some companies curbed production due to a lack of upstream supplies.

Where governments submit industry to lockdown measures and categorise sectors in essential and non-essential, the chemical industry has mostly been considered to be part of the former. This has been disputed by unions in some countries.

Other industries, e.g. the paper sector, have sought (or already have) recognition as essential - producing products such as tissues, fibre-based packaging to wrap and transport food, and medical supplies. Such a categorisation guarantees continued production and ensures privileged transport of goods. Chemicals and auxiliary materials, usually imported from China, are in short supply. Since there are few domestic substitutes for these substances, interruptions in paper production are to be expected.

Overall, the paper industry experiences “boom and bust” at the same time: while manufacturers of e.g. beer coasters or paper for advertising had to curtail or stop production, others can hardly meet demand for packaging for the food and pharmaceutical industries.

Similarly, the glass industry had to throttle production of flat glass for the automotive industry, construction and solar panels, while demand for plastic bottles for pharmaceutical products has remained stable or even increased.

The pharmaceutical industry is generally considered as essential, and is not effected by restrictions. Many companies even have to organise additional shifts to meet demand. Some companies have started the development of new drugs against COVID-19. At the same time, research is being carried out into the development of a vaccine. Companies active in these research fields are e.g. Curevac (Germany), Janssen (Belgium), Sanofi Pasteur (France). GSK and Dynavax contribute to projects of other companies and research associations with potentiators for vaccines.

National governments across the EU have relaxed their chemical rules to allow more companies to produce hand sanitisers.

Meanwhile, supply chains have become so disrupted that a European wide coordination is necessary for a reasonably orderly return to production, in some sectors with a lead time of at least two to three weeks.

Countries

- **Austria:** mainly suppliers of automotive and construction industries are affected. First raw material shortages. Differentiated situation in the plastics industry. The pharmaceutical industry is working at capacity, firms can hardly meet the demand. Hence, short-time work only applies to field/sales staff.

The employer organisations tried to have the paper industry recognised as “system relevant” and tried to bring the trade unions on board. The trade unions refused, as their first priority is the health and safety for workers. Nevertheless, around 80% - 90% of the paper industry has maintained production. Only two paper mills are on a short-time work scheme.

Collective bargaining in the paper industry (started 13th of March) has been put on hold.

Trade unions tried to bring the negotiations back on the table.

The glass industry has maintained production, except for companies producing components for the automotive sector.

- **Belgium:** Belgium is one of the countries with stricter measures. Most production has been suspended. The pharmaceutical and chemical industries count as essential, operations have been ongoing. The Belgian unions tried to engage the employers in negotiations about truly essential production with the aim to suspend the non-essential for health and safety concerns.
- **Finland:** The pharmaceutical and chemical sectors are considered essential sectors. Finland had a good stock of medical supplies, but does now fear a possible shortage in the coming weeks. Demand in the pharmaceutical sector is high. To maintain production at high levels, trainings have been cancelled, extra shifts have been introduced while the number of workers per area has been limited to minimise risk of infection. Some companies have switched their production to disinfectants, hand sanitisers, plastic face protections, masks, medical supplies etc.
- **France** plastic packaging industries continued to operate with even a surplus of work and recourse to overtime, night and weekend work in order to be able to produce e.g. bottles of hydroalcoholic gel; the chemical sector has been deemed essential to the functioning of the nation and the vast majority of companies have continued their activity; some production activities have been modified to mass produce hydroalcoholic gel (BASF) and plexiglass protections (ARKEMA) for stores and administrations, or even for the manufacture of artificial respirators (AIR LIQUID)
- **Germany:** limited availability of chemicals and auxiliaries in several sectors; suppliers of the automotive industry hit hard
- **Italy:** Covid-19 emergency has been through different stages. In the first phase, companies were still open, social partners were concerned how to guarantee the continuation of the activities and the safety of workers. In the second phase, activities started to slow down. In the pharmaceutical and chemical sector, two social partner declarations specified the actions to be taken when activities slowed down (senior holidays, reduction of working hours, etc.). In the third phase, the Italian government announced the start of the lockdown while guaranteeing an occupational safeguard for the employees in companies encountering difficulties. The chemical and pharmaceutical industries were considered essentials activities. Therefore, the lockdown didn't (immediately) affect the (all the) activities in this sector. Administrative or sales activities have slowed down or been stopped. Some pharmaceutical companies have put in place online trainings to make use of the "spare" time.
- **Netherlands:** production in the Dutch chemical and pharma industries continues. Workers report that it's sometimes difficult to keep the required minimum distance of 1.5 meter. In the medium term, challenges may arise for the pharmaceutical industry when sourcing ingredients from other countries. Most of these products are sourced in Europe, waiting time at the borders may become critical.
- **Spain:** The government declared the lockdown on 16 March. At the beginning, the workplaces were still operating, but workers could go to the workplace only if they had a permission from their employers. Later, only essential industries could stay open, including the chemical, pharmaceutical and basic materials industries. Demand is high, especially for pharmaceutical materials.

The plastic industry has some problems as some companies supply the automobile sector. Plastic companies supplying e.g. the food sector maintain production levels, as the food sector is considered as essential.

In the rubber sector, 80% of the companies are suppliers of the automotive industry, which has completely stopped since the beginning of pandemic. The biggest rubber companies (Michelin, Bridgestone) adopted flexibility measures, short-time work agreements and temporary unemployment. Similarly glass companies producing for the automotive and construction industries have stopped their production. Glass companies supplying restaurants, hotels, etc. have decreased their production, while there is normal activity in food packaging.

Trade unions are working with employers and the government on a safety protocol that will set the conditions for the resumption of work. It will describe several steps, as not all workers can go back at work at the same time and workplaces must be adapted to the new situation. This protocol will be adapted to the different industrial sectors and to the different sizes of companies.

- **Sweden:** In the print and paper sector, 20% of the mills run have short-time work. The problem is to fill shifts as many workers are on sick leave. Negotiations are trying to induce white collar workers to work in blue collar jobs. Workers are asked to work from home wherever possible. Almost every sector works as usual, except for a part of the services and the automotive sector. Trade unions were negotiating collective agreements before the start of the pandemic, but negotiations were postponed to October.
- **UK:** "Key workers" = essential workers who should continue to work in production while others work from home when possible. The UK government has introduced a job retention scheme which covers up to 80% of wages. Trade unions negotiated the job retention scheme with the government and employers, but workers remain worried about their future. Many industries, e.g. the glass industry had to slow down or stop the production. Companies in the oil industry are struggling as demand is slowing down.

In the chemical and pharmaceutical sector, most companies appear to have relatively full orderbooks for the next months. Main concerns are related to sourcing active ingredients, how the supply chain will be affected, particularly in SMEs.

European Level

In the light of the current Indian export ban for certain medications and active ingredients (and limited supply from other third countries), the European Commission takes stock of the need for paracetamol, ibuprofen and certain active pharmaceutical ingredients. Diplomatic services are to secure trade flows.

Europe also aims to change rules on the approval of pharmaceutical sites in order to increase production of critical medicines inside the EU and reduce excessive dependency on India and China (statement of the European Medicines Agency on Monday 6 April). Discussions are also ongoing with the pharmaceutical industry to increase production capacity for all medicines used in the context of COVID-19, and in particular for medicines potentially at risk of supply shortages.

"[The European Medicines Agency] EMA, together with the pharmaceutical industry and the EU Member States, has launched its enhanced fast-track monitoring system to help prevent and mitigate supply issues with crucial medicines used for treating patients with COVID-19.

Under this system, each pharmaceutical company will appoint a single contact point (an industry single point of contact, or i-SPOC) who will report to EMA and national competent authorities all

current and anticipated shortages of medicines used in patients with COVID-19, both for centrally and nationally authorised medicines.

The new mechanism will allow better oversight of ongoing supply issues and a quicker flow of information between regulatory authorities in the EU and the pharmaceutical industry with the objective of mitigating and preventing shortages of medicines used during the COVID-19 health emergency.

The system has been set up by the EU Executive Steering Group on Shortages of Medicines Caused by Major Events, which provides strategic leadership for urgent and coordinated action on shortages within the EU in the context of the COVID-19 pandemic. EMA will coordinate information received from pharmaceutical companies on supply shortages and share it with the EU Executive Steering Group, which will decide on EU-level coordinated actions to address these supply shortages in the best way.

The mechanism is similar to the network of single points of contact in national competent authorities (EU SPOC network) that EMA, the national competent authorities in EU Member States and the European Commission have already been using to share information on shortages and availability issues of authorised medicines since April 2019.

Due to the large number of companies involved, the i-SPOC system is being launched in two phases:

- In the first phase, which started on Friday 17 April 2020, the scope of reporting by the pharmaceutical industry will focus on current or anticipated shortages of a subset of medicines, authorised and marketed in the EEA/EU, used in the treatment of COVID-19 patients in hospital intensive care units (ICUs) such as anaesthetics, antibiotics, resuscitation drugs and muscle relaxants, which are currently in greatest demand;
- The second phase will focus on reporting of shortages for a broader range of medicines used in the treatment of COVID-19 patients.

Several hundred pharmaceutical companies have been contacted directly by EMA and provided with a template via which they can report current or anticipated shortages to EMA and propose mitigation measures.

Pharmaceutical companies are strongly reminded that in parallel they must continue to report shortages to the national competent authorities concerned in line with their applicable national legislation.”

(European Medicines Agency (EMA), 21 April)