

Avandia Woes Mean Cutbacks at GlaxoSmithKline

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Avandia problems continue to hurt GlaxoSmithKline's bottom line, as the Avandia maker announced this week that it would be giving up more than a \$1 million in incentives so that it could eliminate jobs at its Zebulon, NC manufacturing plant. Avandia sales have dropped more than \$1 billion worldwide since the controversial diabetes drug was linked to cardiac problems last may. The possible job cuts at the Zebulon plant are part of Glaxo's plan to stem the bleeding caused by the Avandia debacle, as well as regulatory delays of some drugs awaiting approval and growing generic competition for some its other best selling medications.

Earlier this month, Glaxo announced that its fourth-quarter net income plunged 10 percent as sales of the Avandia diabetes pill decreased by more than half in the U.S. That news caused the price of Glaxo stock to drop to its lowest level in six years. Glaxo revenues also fell because two of its medications, Coreg for high blood pressure and antidepressant Wellbutrin, lost patent protection and now face generic competition. Glaxo also failed to get its most-promising new product, the Cervarix cervical cancer vaccine, approved in the U.S.

The incentives that Glaxo is giving up in North Carolina would have amounted to \$1.4 million. The incentives were part of an agreement with the state that required Glaxo to invest at least \$92 million in the Zebulon plant and create 200 jobs by the end of 2009. On Thursday, a state committee accepted Glaxo's request to terminate the agreement effective Feb. 23. At the Zebulon plant, temporary workers and contractors have been let go and vacancies are not being filled. Glaxo has said layoffs at the plant could come soon. Zebulon is one of Glaxo's largest production plants. Twenty-three medicines are made or packaged for the U.S. market at the plant. With a work force of about 1,000, it is one of the largest employers in the North Carolina town.

Glaxo has also notified an undisclosed number of workers at its U.S. headquarters in North Carolina's Research Triangle Park that their jobs will be eliminated. The company employs about 6,000 people there.

Avandia has been a subject of controversy since May 2007, when an analysis of 42 clinical trails published by the Cleveland Clinic showed that patients taking the drug had a 43-percent higher risk of having a heart attack. In June 2007, Congress held hearings to discuss Avandia and the Food & Drug Administration's (FDA) handling of its safety issues. At those hearings, it was revealed that in 2005 GlaxoSmithKline had informed the FDA of a study it had conducted that produced similar results. However, both the agency and the manufacturer felt that more investigation was needed before conclusions could be made about Avandia's possible safety issues. Thus, the public was not made aware of the Avandia heart attack risk until the publication of the Cleveland Clinic article.