

In Israel, Teva has become more than just a drug company. But its future is now in question

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Asraa Waleed Khaled, who works at the Teva plant, outside in the park near her home. Khaled wants to stay in Kiryat Shmona, but might move if she doesn't keep her job. *Sarah Schuman for STAT*

KIRYAT SHMONA, Israel — As you drive toward the industrial park in this border town, you pass a disquieting sight: the abandoned skeleton of a thread factory that shuttered 18 years ago. Broken glass litters the concrete floor, and behind a door condemned with “NO PASSAGE” in red spray paint, huge canisters lean against one another like dead bodies.

It's a foreboding omen of what could happen if the world's largest generic drug manufacturer, Teva Pharmaceutical Industries, were to pull out of this northern Israeli city.

That the same fate could someday befall the plant here run by Teva was once unthinkable. The factory sits on Eli Hurvitz Street, named in honor of the former chief executive and board chairman who built Teva into one of Israel's largest employers and a symbol of Israeli power and ingenuity around the globe.

"If you ask people around the world, what do you know about Teva, they will tell you, it's a company from Israel," said Giora Salz, chairman of the Upper Galilee Regional Council, the local administration for Israel's north.

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Now, however, the company is at a crossroads — one that is raising questions not only about the consequences for this city and others across Israel but about its very identity.

Last month, tens of billions of dollars in debt, Teva announced that it would [undergo a massive restructuring](#)², laying off a quarter of its workforce and closing plants all over the world. Faced with the prospect of 1,750 job cuts in Israel, protesters across the country took to the streets, burning tires and shutting down major roads in Jerusalem and Tel Aviv.

Teva had said it might sell the plant in Kiryat Shmona, not shut it down, but workers here didn't know if they would keep their jobs and, if so, how they might be affected.

Stable jobs are hard to come by in Kiryat Shmona, a small city of about 23,000 that takes about 10 minutes to traverse by car. Hundreds of people work at the plant, and it supports the livelihoods of many more — the cafeteria workers, the truck drivers, the owners of local restaurants.

Teva has another special meaning here. This can be a dangerous area due to its proximity to the border with Lebanon, where military conflicts have persisted for decades. It's important for people to live here, locals say; if a border only exists on a paper map, after all, it isn't much of a border. And good jobs can be both a beacon and an anchor.

"Closing the factory," said a 72-year-old security guard at the city's outdoor market, "will be worse than rockets shot from Lebanon."



A textile factory on the edge of town has been abandoned for nearly two decades. *Sarah Schuman for STAT*



The entrance to the Teva factory in Kiryat Shmona. *Sarah Schuman for STAT*

ord of Teva's restructuring came as an unpleasant surprise to many in Kiryat Shmona, but the company has been struggling for years.

Since 2012, it has had three CEOs, none of whom lasted more than three years. One of Teva's signature drugs, Copaxone, a brand-name treatment for multiple sclerosis, is coming under increasing generic competition, cutting into the company's revenue. And in 2016, the company completed the purchase of Actavis Generics for \$40.5 billion, at a time when generic drug prices were falling, making it difficult for companies to profit.

"It's a combination of, you know, the disappearance of their largest product, Copaxone, [and a] broader erosion of the generics business," said Ronny Gal, a financial analyst at Sanford Bernstein who focuses on pharmaceuticals. He said that Teva's financial situation also stems from its failure to adapt to the



A map showing Teva's locations in Israel. *STAT/Google Earth*

changing landscape.

The company announced at the end of October that it had hired a Danish pharmaceutical executive, Kare Schultz, as its new CEO to turn things around. Schultz later penned a letter to Israeli Prime Minister Benjamin Netanyahu.

"The company is in a very challenging situation," he wrote on Dec. 14, detailing Teva's tribulations. "I have found that our current business reality requires immediate and significant action to ensure the company's future."

That meant cutting 14,000 jobs around the world as well as shedding plants; in Israel that would include closing one facility in Jerusalem and trying to sell others.

In each case, lost jobs threatened to have ripple effects, particularly in small cities like this one. About 250 people work at the Teva plant here, where they manufacture the Tevadaptor, a special piece of tubing that helps doctors safely administer intravenous drugs. Residents say it's one of the city's largest employers.

Its importance is not lost on businessmen like Aharon Aharon, proprietor of the aptly named Falafel and Shawarma by Aharon, a family restaurant that sits just off the main road running through the center of Kiryat Shmona.

On a recent Thursday around lunchtime, every table was occupied, as Aharon worked furiously behind the counter, deep-frying scoops of chickpea mash and loading the fresh falafel into pitas.

“If the factory will be closed, then people won’t have money to buy falafel,” Aharon said.

The city could see repercussions in business development, the mayor, Nissim Malka, said. He said that the area’s unique geography — fluctuations in elevation of about 2,400 feet — make it ideal for agricultural technology. In fact, he said, a \$5 million greenhouse project has already been approved.

“If they would close Teva, then the [investors] will get cold feet and won’t come here and think it’s not a good place to invest,” Malka said.

And the Teva plant isn’t the only manufacturing plant that the city is worried about. During an interview, Malka had barely begun to speak about the importance of the Teva factory to his city when he was interrupted by a phone call. For five minutes, he spoke into his cellphone, his voice radiating concern.

It was a call from the Ministry of Defense. Officials wanted to cancel orders for military supplies from factories near the city.



Workers protested outside the Teva factory in Jerusalem last month. The same day, Israel’s national trade union held a half-day nationwide strike to protest the company’s decision to lay off a quarter of its workforce. *Ariel Schalit/AP*

The company known today as Teva Pharmaceutical Industries was formed in 1976 through the merger of other Israeli pharmaceutical companies, which traced their roots back to the beginning of the 20th century. It grew over

the years, acquiring other companies to become the largest generic drug company in the world, by revenue. It has operations in North America, South America, Europe, and Asia.

Much of the company's growth occurred under the leadership of Hurvitz, who served as CEO from 1976 through 2002, and then as chairman of the board through 2010. In 2002, the State of Israel awarded him the Israel Prize, the country's highest cultural honor, in part for his work with Teva. He died in 2011.

Even as it became a multinational company, Teva has striven to maintain its Israeli identity. Its governing documents mandate that a majority of the members of the board of directors, as well as the CEO, live in Israel, and that its headquarters remain in the country, unless the board votes by a three-quarters majority to move it.

Teva's Israeli operations benefit from a lower tax rate, thanks to government policies meant to encourage investment in the country.

Over the past few years, however, Teva has become less and less Israeli, at least on paper. Twelve percent of the company's 53,000 employees are Israeli, and about 90 percent of the company's shares of stock are owned outside of Israel, according to the company.

Salz characterized such attributes as "details," stressing that it was the impression of Teva as an Israeli company that mattered at the end of the day.

"Sometimes," he said, "the impression, even if it is not 100 percent correct, is very, very important."



Sivan Cohen is currently on a short-term contract at the Teva factory, and hopes it will transition into a permanent job. *Sarah Schuman for STAT*

Asraa Waleed Khaled, who works in the Teva factory here, sat on the couch in her studio apartment on a recent day, wearing pink Minnie Mouse pajamas. Employees at the plant were on strike that day, and while some of her

colleagues had taken a bus to Jerusalem to join protests with the workers there, Khaled didn't want to make the hours-long journey.

Instead, she flipped through photographs on her smartphone from a company team-building activity in August, when she and her co-workers gathered at a restaurant for dinner and crafts. The prompt: What do you feel about Teva?

She held up the phone, displaying an art project that she and her friend created. Thick modeling clay formed the word "TEVA" at the top of a piece of paper. Below, written in marker: "It's family." Stick figures of a mother, father, and two children finished off the piece.

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[New Teva CEO reorganizes with an 'ax, not hedge clippers or pruning shears'](#) ²

Khaled, 24, moved to the Kiryat Shmona area to study biotechnology at the nearby Tel-Hai Academic College and fell in love with the city. She enjoys spending time with her friends at the shopping centers and on the banks of the Jordan River, a short drive from the center of the city. It's nowhere near a bustling metropolis — Aharon's falafel shop closes at 8 p.m., and the city doesn't have a movie theater — but Khaled has found a life she enjoys.

She is, in many ways, exemplary of what the city's leaders are looking for: an enthusiastic young person who wants to make a living in the struggling city, attracted by the calm lifestyle and a fulfilling job.

Khaled would like to stay, but in order to do that, she needs the job. And if she isn't able to keep working in the Teva plant, she said, she'll probably go back home to Judeide-Maker, an Arab town about the size of Kiryat Shmona where she grew up, to look for jobs in the cities nearby.

"All the young people that have new ideas, they have new hopes, new ambitions, it hurts them, it damages them, because their opportunities are getting shortened," she said of the prospect of the plant closing down.

She counts herself among such young people. And she is one of many — recently, she said, the plant hired about 60 new workers, all of them young.

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Sivan Cohen, 31, also works at the factory here. She started out on a year-long contract just under a year ago, and expected to transition into a permanent job. She and her fiancé planned to wait until after the paperwork was signed to get married and have children, knowing that a permanent job would guarantee a pension that would help support her in the future.

That all might change now.

“If the factory would close, for me, I’m still young,” Cohen said. “I can pack my bags and leave and move to another place. But for the people that work for 15 or 20 or 30 years, they won’t be able to find a job here.”



The city of Kiryat Shmona sits in the Hula Valley in Israel's north, nestled between mountain ranges and surrounded by small villages. *Sarah Schuman for STAT*

For Salz, the regional government leader, the flight of workers from this city could resonate across the entire country. Many residents of Kiryat Shmona stressed the importance of the city remaining strong so that the border will hold, and small towns nearby are rife with bomb shelters.

“If you want to create a border, you need to live near the border,” Salz said.

Out the window of his office, you can see the Naftali Mountains, which rise to the west along the border between Israel and Lebanon. To the east lies the Mount Hermon, which towers at the intersection of Syria, Lebanon, and the Golan Heights, disputed territory that has been claimed by both Israel and Syria.

“It’s the strategic interest of Israel that people in Kiryat Shmona would like to stay in Kiryat Shmona,” Salz said. “What else can I say?”

Noa Kan contributed to this story.

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