EM/199

GRO-C

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 071 210 3000
From the Parliamentary Under Secretary of State for Health (Lords)

R A Wing Esq CBE FPS
Chairman
Central Blood Laboratories
Authority
The Crest
Dagger Lane
Elstree
WD6 3AU

2 September 1991

Dear Mr. Wing,

Thank you for your letter of 8 August and for the outline proposals which you enclosed for the formation of a new Blood Authority.

Our next step will be to consult with NHS management and the professional interests about the proposals to combine the CBLA and NBTS Directorate into a National Blood Authority.

It is of course very helpful for me to know at this stage what you have in mind for the composition of the NBA. I know that you will not expect me to make decisions about the more detail points of how the NBA might be organised until the consultation exercise has been undertaken.

In the meantime no doubt you will continue to liaise with my officials over these matters on a contingency basis.

I realise there coincides with my formal follow up letter!

Yours sincerely,

BARONESS HOOPER

GRO-C

CARING FOR THE 1990s

EM/198

Mr Malone-Lee
Mr Olsson
Dr Rejman
Mr Merrett
Mr Canavan

GRO-C

3/9

R A Wing Esq CBE FPS
Chairman
Central Blood Laboratories
Authority
The Crest
Dagger Lane
ELSTREE
WD6 3AU

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 071 210 3000
From the Parliamentary Under
Secretary of State for Health (Lords)

2 September 1991

Dear Mr. Wing,

I am writing following our meeting on 10 July to record the main items which we discussed and the actions which we agreed for the coming year. You may also find it helpful if I record the main outcomes of our subsequent discussion on 5 August about the future strategy for the CBLA.

We were pleased to note total sales in line with budget and costs below budget, and net surplus for the year 1990/91. We also noted that higher than expected sales of albumin compensated for below budget sales of other product ranges.

You explained that the shortfall in sales of coagulation factors against budget was due to a reduction during 1990/91 in sales of factor IX. You expressed the view that introduction of BPL's high purity factor IX product will enable BPL to recapture its market position in factor IX, in competition with commercial high purity products.

We were concerned to learn that while you are contracted to take a minimum volume from Kabi, sales of high purity factor VIII are lower than expected. You told us that haemophilia treatment centres may not have bid for extra resources, and therefore will not have budgeted in the first year of contacts for high purity F8. You also said that the problem of any unsold stock is likely to be overcome in the next year. We shall expect you to manage this situation within your cash limit and sales income.

Diagnostic sales in 1990/91 were well below budget (70%), and below sales for 1989/90. You need to consider whether there are realistic expectations for improvement, and the steps which can be pursued to achieve this. We do want to be sure that diagnostics manufacture is not becoming a financial handicap to CBLA and the Department.

We have noted your forecast performance in volume sales for 1991/92 and 1992/93, which is uneven through the product range for the reasons which we discussed. Last year we endorsed your objective of achieving a 7.5% annual average increase in sales volume over the succeeding three years, and we are still looking to you to achieve that.

Yields

Last year, we looked to you to make further progress on yield of factor VIII, which we are pleased to see that you have achieved. For 1991/92 you have budgeted for a yield of factor VIII at 180 iu/kg. We look to you to improve the yield to 200 iu/kg as the new process for manufacture of high purity factor VIII is transferred to BPL and put into operation.

Albumin yields fell to 16.4 grams per kilogram. This is disappointing, as you said, and we expect you to restore the yield to the budget level of 18 grams per kilo with the help of process improvements to which you referred.

Costs

We did not discuss at length your detailed cost projections, which were left for the budget exercise when your bid for a cash limit has been submitted.

We did discuss briefly the recommendations made in the original Touche Ross report to reduce manufacturing costs, including more flexible use of staff. The Touche Ross recommendations on manufacturing costs are not inextricably linked to restructuring, and we look to you to implement the cost improvement programmes as soon as possible. You indicated that manufacture of high purity factor VIII would need a 24 hour shift system in any case.

Cash Flow

You told me of the difficulties experienced by CBLA in securing prompt payment for supply of blood products to treatment centres. We have already brought this to the attention of the NHS Management Executive. We noted that you had already held a meeting with officers from the Health Authorities in order to try and improve the situation and would be grateful if you would let my officials know if there are continuing problems.

Finance

We are looking for BPL to be self financing and to restrict the cash limit for CBLA as far as possible. Any budget forecast will need to start out from these assumptions and you will need to justify very closely the need for a central cash limit.

CBLA/BPL Restructuring

At the Review I undertook to consider with the Secretary of State your proposals for uncoupling the BPL and CBLA. I explained at our meeting on 5 August that we had decided against uncoupling and changing the status of the BPL. However as you know we are content that the NHS management and professional interests should be consulted about the proposals to combine the CBLA and NBTS Directorate in a National Blood Authority.

I also confirmed to you on 5 August that you should proceed with plans to separate the BPL and CBLA accounting arrangements so that BPL can be made clearly accountable for its performance within the organisation.

We also discussed on 5 August the scope for BPL to exploit new markets and products. However I think that BPL should concentrate for now on exploiting its existing freedoms to undertake sub-contract manufacturing of voluntary, unpaid donor plasma, and to export products which are surplus to NHS requirements.

Finally, I would like to take this opportunity to put on record my appreciation for the hard work which CBLA has put in over the last year in securing licences under the Medicines Act and making other changes required for the removal of Crown Immunity on 1 April 1991. While there are still problems facing the organisation, which we have discussed as part of the Accountability Review, the results for the year are encouraging. The CBLA has been successful in ensuring that BPL is on the right course, and over the coming year you will, I am sure, be able to consolidate on last year's achievements.

GRO-C

BARONESS HOOPER