

The Rt Hon Andrew Smith MP
Chief Secretary
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[date]

REVIEW OF UK BLOOD PRODUCTS MANUFACTURE

We have been working for some months with Treasury officials and colleagues in the Scottish Executive on a review of blood products manufacture in the UK. The review was requested by your predecessor in 1998 and aims to examine the potential scope for savings in the longer term from restructuring the provision of blood products for the NHS. The review has focussed on the larger of the two NHS-owned fractionators, the Bio Products Laboratory (BPL).

BPL's factory at Elstree is operating at roughly half its capacity and is not able to achieve the economies of scale needed to make it competitive at current market prices. Downsizing of the factory would be uneconomic and is not an option. Our view is that the only acceptable and workable solution for BPL would be some form of public/private partnership arrangement. Such an arrangement could involve leasing BPL's factory to a private sector fractionator with a contract guaranteeing supply of high quality, competitively-priced product to the NHS as well as for income generation through exports.

I am anxious that we now move quickly to complete the review so that we can be in a position to decide the future of BPL before the end of this calendar year. Susan Deacon and I have considered the options open to us and propose that we take the review into its next phase by commissioning external experts to develop options for a public/private partnership arrangement for BPL and to provide a detailed analysis of each option. The analysis will need to take full account of potential costs, benefits and risks to the NHS, make recommendations and advise on potential commercial partners for BPL. There will need to be a limited tendering exercise for this work, which we will manage in a low-key way by inviting 3 or 4 consultancy firms to bid against a specification. We would aim to have this work completed by the Summer.

Are you content that we take the review forward in this way?

I am copying this letter to Susan Deacon, Paul Murphy and Peter Mandelson.

PHILIP HUNT