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PS to PS(H)

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Date: 14 December 1992

~~cc: Dr A Rejman~~

PS(H)'s meeting with Sir Colin Walker : BPL/Medeva

I enclose briefing for this meeting and will attend the briefing meeting at 11.45 tomorrow.

I have not yet supplied a draft reply to Medeva's letter of the 26 November to PS(H). Finance colleagues are considering the Company's proposals in the context of the new rules for public sector use of private capital.

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for J CANAVAN

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Briefing for PS(H)'s meeting with Sir Colin Walker on 15 December 1992 to discuss BPL and Medeva plc.

1. PS(H) told Medeva that the privatisation option for BPL was not available but invited the Company to make proposals for some form of collaboration with BPL. The Company's proposals are annexed.

Medeva's Proposals

2. Finance colleagues are considering the extent to which Medeva's leasing or joint venture options could be accommodated in principle if the Treasury rules on the use of private capital by the public sector are relaxed. However, this would only be the first step and much more detail of the proposals would be required to assess whether or not they would make financial sense for BPL and DH.
3. There would be other factors to be considered: the asset leasing option could create as many presentational difficulties as privatisation. Moreover the leasing option and joint ventures might lose BPL the sales benefits which result from its association with the NHS; commercial blood product manufacturers might also increase pressure to end BPL's exclusive access to NBTS plasma. These risks would have to be weighed against the benefits which BPL's collaboration with a commercial company could bring by way of reduced costs to NHS customers
4. Medeva's proposals to collaborate with BPL on such matters as distribution and sales promotion to GPs would not raise the same issues of principle. Such collaboration would remedy deficiencies in BPL's present arrangements.
5. It is not clear what Medeva would expect from its association with BPL. If they were looking for a supply of products for European markets this may not be possible in the short term. BPL has production difficulties with albumin, has still to set up its own production line for high purity Factor 8 (currently produced by Kabi of Sweden) and is experiencing difficulty in developing some new products to a satisfactory state for the market. Medeva would need to take a longer term view of the benefits of joining with BPL.

BPL and NBA

6. It is intended that BPL should be part of the NBA but should be given the maximum operational freedom consistent with the NBA's statutory responsibility for the plant. At the CBLA Accountability Review PS(H) indicated that a more independent status for BPL, eg. as a Trust, could be considered in future but that the aim in the short term was to make BPL self financing and sort out production problems.

7. The advantage of having BPL and the RTCs within the same organisation for a time is that the difficulties over plasma pricing and the size of the plasma programme can be tackled by a body (the NBA) which has responsibilities to both cellular and plasma product users. Hitherto BPL and the RTCs blamed each other for the problems and each considered its interest were being sold out to the other side.
8. Sir Colin may share the views of the CBLA Chairman (Ron Wing) that from the business viewpoint, BPL would operate better outside the NHS. It could exploit a wider range of products and markets and attract additional capital for equipment and research. However, the political difficulties of hiving off BPL are recognised. The aim therefore, would be to make BPL as efficient as possible within those constraints and this may include some form of collaboration with companies such as Medeva.