

**Beecham
Group p.l.c.**Beecham House Brentford
Middlesex TW8 9BD

26th September 1983

The Rt. Hon. Margaret Thatcher MP,
10 Downing Street,
London SW1.

✓ cc: DHSS
26/9

Dear

Prime Minister

For related papers see
Pt 23.

You may be aware of a meeting organised for the 3rd October between representatives of the Research-based British Pharmaceutical Companies and Mr. Fowler. The purpose of the meeting is to discuss the implications of the current review of the Pharmaceutical Price Regulation Scheme on the viability of these Companies and the likely effect of the various proposals on the large favourable balance of trade generated by these Companies.

The purpose of this letter is not to detail the Companies' position or to pre-empt the discussion of the 3rd, but rather to ensure that you are aware of the fundamental points at issue.

1. It is not always appreciated that the six British Pharmaceutical Companies are among the most successful innovators in the country and that as a direct result of their activities, the country's balance of trade benefits by some £500-million annually.
2. In the last three years, these six Companies invested over £300-million in new capital facilities in the United Kingdom and are planning investments of a further £400-million in the next two years.
3. The six British Companies are also major suppliers to the National Health Service. We recognise that financing of the NHS is creating problems and that remedial action is required but it would be tragic if, in attempting to correct the overspending in the NHS, the Industry which in the ultimate helps to finance it, were damaged.

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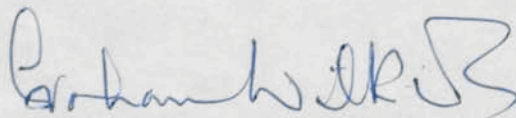
The Rt. Hon. Margaret Thatcher MP

4. It would be unfortunate if the misleading propaganda of your political opponents created false criteria by which the Industry is judged. The PPRS as currently operated does not permit the Companies to earn excessive profits. It is clearly unreasonable to relate the Pharmaceutical Industry's profit to the average earned by British Industry, particularly in a period of industrial depression. I believe that the return on capital of a successful pharmaceutical company should be related to that achieved by successful companies in other sectors of industry, and that is the basis of the Companies' proposals to Mr. Fowler.

These proposals show how the NHS bill for medicines might be curtailed by about £100-million annually, without substantially damaging the British Companies.

The Pharmaceutical Industry, and in particular the six British Companies, are important in the British economy. I hope that the meeting with the Secretary of State will clarify the issues and resolve any differences between us. I am available should you wish further consultation or require additional information.

Yours sincerely,



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10 DOWNING STREET

From the Private Secretary

26 September 1983

In the Prime Minister's absence abroad I am writing on her behalf to thank you for your letter of 26 September. I know that she will be grateful to you for setting out your position so clearly, and I hope that you have a useful meeting with the Secretary of State.

W. F. S. RICKETT

Sir Graham J. Wilkins

MR

file

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

WA
SLB

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

5th August 1983

De Norm

PHARMACEUTICAL INDUSTRY

Thank you for sending me a copy of your letter of 21 July to Peter Rees. I would support your initiative aimed at reducing the NHS drugs bill, and whilst agreeing that your proposals should now be put to the pharmaceutical industry, I must add that my officials have received adverse comments from drug companies in Wales based on reports made in the press on this issue. I am therefore pleased to note that you anticipate there being some scope for flexibility when discussions begin.

Copies of this letter go to recipients of yours.

J. ...
Norm

The Rt Hon Norman Fowler Esq MP
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

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DEPARTMENT OF TRADE AND INDUSTRY

Room 11.01 Ashdown House 123 Victoria Street SW1E 6RB

Telex 8813148

Telegrams Advantage London SW1

Telephone Direct Line 01-212 3301

Switchboard 01-212 7676

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1 August 1983

Secretary of State for Trade & Industry

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Department of Health & Social Security
Alexander Fleming House
Elephant & Castle
London SE1

Wh/2/8

Dear Norman,

PHARMACEUTICAL INDUSTRY

I have seen your letter of 21 July to Peter Rees setting out proposals for reducing the level of prices paid for NHS drugs. My Department's interest is indirect, apart from sponsorship of chemical companies who supply raw materials for pharmaceuticals, and I have no objections to the package.

2 I am sending copies of this to the recipients of your letter.

*Yours Ever,
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