



the department for Enterprise

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29 September 1989

Dear Mr Longmore,

**PRE-PRODUCTION ORDER FOR 5K GAUSS NMR IMAGER  
USER AGREEMENT No. LM/12/17313 DATED 6 MARCH 1984**

I am informed that you telephoned Mr Farry in response to Mr Rose' letter of 17 July 1989, and that since Mr Farry is no longer involved with this project he promised that he would pass on your comments to the appropriate quarter.

I understand that you made reference to Sir Brian Hayes' lunch with Lord Rayner, Chairman of CODA, in May 1988, as a result of which you believed that the question of payment for the Imager had been resolved. Sir Brian Hayes and Lord Rayner did indeed discuss this installation in some detail, and this Department's position is set out quite clearly in Sir Brian Hayes' subsequent letter to Lord Rayner of 20 June 1988. A copy of that letter is attached for your information, and you will see it states that although the price of the Imager most definitely cannot be waived, the Department would look sympathetically at any request made for a deferment of payment, or even possibly for negotiation on the price to be paid.

What cannot be disputed is that this Department's investment in the Imager must be fully and properly accounted for, and that any shortfall in recovery of that investment will need to be sanctioned by Treasury. I would add that Pre-Production Order support was given in this case as a concession intended to allow CODA sufficient time to raise funds for purchase of the Imager : it was never intended that this Department would in any way supplant the Hospital's or NHS' normal procurement procedures by donating the Imager to the Hospital, which is what a waiver of the price would have meant.

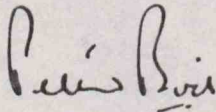


Before we can discuss this aspect any further though, we need to know whether the upgrade work has yet been completed. It had been agreed that we should negotiate a further short evaluation period when the work was completed, and discuss the question of payment for the Imager at the end of that time.

If at the end of the day the Hospital does choose to acquire the Imager from this Department, the price will be as specified in the formal PPO User Agreement signed by Mr J R Plant on behalf of the Hospital on 6 March 1984 - i.e. £650,000 plus VAT. This price would of course be exempt from VAT if CORDA were to purchase the Imager from charitable funds and then donate it to the Hospital.

I look forward to hearing from you on the question of the upgrade work, and in the meantime you may wish to discuss the matter of funding with CORDA and possibly the Department of Health.

Yours sincerely,



**PETER F BIRD**

Room 611

Manufacturing & Information Technologies Division