BAXTER HEALTHCARE PTY LTD

14 April 2004

Dr Andrew Southcott, MP
Chairman
Joint Standing Committee on Treaties
Parliament House Canberra ACT

Dear Dr Southcott,

We refer the Committee to the Side Letter "Exchange of letters on Blood Plasma", which is in the Side Letters section of the Australia – United States Free Trade Agreement (FTA) document.

The Corporation
Baxter Healthcare Corporation through its subsidiaries Baxter BioScience, and Baxter Healthcare Pty Ltd of Australia is one of the world's leading processors and suppliers of fractionated plasma.

Summary
This submission is:
1. to elevate the Committee's understanding of the Blood Plasma Side Letter, and
2. to compliment the Commonwealth Government (The Government) on its perspicacity in bringing about the FTA.

Background to the Side Letter
In 1974 Australia signed the World Health Assembly Resolution WHA28-72 which committed Australia to promote a national blood service based upon voluntary donors and to implement legislation which would protect the health of blood donors and recipients.

The next 20 years saw the rise to prominence of the Commonwealth Serum Laboratories and the Australian Red Cross' blood services (now ARCBS).

In 1993/4 the Commonwealth Serum Laboratories was privatised to become CSL Ltd and the Government awarded it a 10 years contract (the Plasma Fractionation Agreement - PFA) to supply fractionated plasma to the Australian states' health departments.
The ARCBS collects the blood from donors and extracts the plasma, and CSL then processes, fractionates, the plasma for medical use.

In 2001 the Stephen Committee conducted a comprehensive review of the Blood Sector in Australia and found that the exclusive dealings with one contractor had, amongst other things, satisfied Australia's commitment to self-sufficiency, and it recommended that a further contract of 5 years be negotiated from June 2004 – now extended to the beginning of January 2005.

Notwithstanding the Stephen Committee recommendations the Australian National Audit Office found that the PFA had been costly to the taxpayer, Baxter believed that the Government had set overly high standards against plasma derivative imports, and Baxter further questioned the pre-nomination of only one supplier, and the fact that the next PFA would, without invitation to other suppliers, be negotiated exclusively with one party.

Baxter approached the Government with the request that various regulations and practices attaching to, and surrounding, the closely held supply of fractionated plasma be changed, sufficient to allow other recognised suppliers to openly tender their products for consideration by the Government.

Baxter emphasised then, and still does, that the original supply arrangement properly reflected the age and stage of the industry in 1994 – but by the millennium it had become seriously outdated.

To extend that arrangement for at least another 5 years, and by a secretly negotiated contract with only one party, was not in keeping with the Government's policies on transparency and competition, its dedication to provide the best-value healthcare and its commitment to world's best practice in that field.

Nevertheless, in 2002 it is true to say that Government was reluctant - as it prepared to negotiate a further contract – to change its existing practises and regulations.

The Current Status of Blood Plasma

Baxter referred its concern to the United States Government which then added the issue to its agenda, and in 2003 the topic was discussed at length in the FTA negotiations. The Side Letter describes the results of those negotiations.

Mr Chairman, Baxter commends Australia's FTA negotiators who worked diligently to understand this complicated and sensitive topic and who then with their USA counterparts successfully achieved a mutually beneficial solution.

Baxter further commends the Government on the FTA as a whole, and asks that the Committee indicates its approval of the Agreement to the Parliament.

Yours sincerely,

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