From Andrew Miller MP, Chair

Rt Hon David Willetts MP
Minister of State for Universities and Science
Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET

16 March 2011

Dear David,

Pfizer’s decision to close its research and development facility at Sandwich

Thank you for giving evidence to the Committee on 2 March on the decision of Pfizer to close its research and development facility at Sandwich. As you will be aware, the Committee also held an oral evidence session on 28 February, at which it took evidence from Pfizer, the Association of the British Pharmaceutical Industry and the Royal Society of Chemistry. The oral and written evidence which we received has now been published on the Committee’s website. I attach paper copies for your consideration.

Given the shortage of time we are not able to launch and complete a full inquiry into Pfizer’s decision. We have, however, considered carefully all the oral and written evidence which we took and there are a number of matters that we want to highlight. We have also seen the first report of the Sandwich Economic Development Task Force published on 15 March.

First, we are concerned that there may not be adequate time to consider options and to develop arrangements to save jobs at the Sandwich site. While we commend the Government for moving quickly to set up the Kent Task Force and also for energetically exploring arrangements to save jobs in Sandwich, we are concerned about the speed with which Pfizer is withdrawing from the site. We consider that it would assist all concerned if Pfizer were to give a commitment to maintain the site and staff there beyond the statutory minimum period, to allow the Task Force and interested parties to develop proposals and find finance for the
alternative ownership and uses of the site. Without more time we fear that highly skilled staff will move from Sandwich and it will therefore be impossible to retain these skilled individuals in the area to undertake research and development projects with potential new employers at the site.

Second, we explored in the evidence sessions the extent to which Pfizer was prepared to assist new businesses and ventures to take over the site. In our view, support can come in several forms and we note from the Task Force’s report what Pfizer is providing. During the oral evidence session Pfizer indicated that it was committed to staying in the UK and it saw good prospects for investing in the life sciences here. In our view, Pfizer needs to back these words with cash. One obvious way to show its commitment—which we advocate—would be to dispose of the Sandwich site at considerably below its market value, which Pfizer did when it sold its Ann Arbor facility in the USA. In addition, Pfizer could continue to support business in Sandwich. Pfizer explained to us that the structure of the pharmaceutical industry in the UK was changing: companies moving from the "big pharma" model to the contract research organisation model. It follows that Pfizer will seek to enter contracts with a number of CROs. We hope that a number of CROs would be able to take over the Sandwich site and we consider that the Government should press Pfizer to give preference to give business to new CROs on the Sandwich site.

We appreciate that the Government cannot negotiate with Pfizer entirely in public but we would expect it to use the full range of levers at its disposal to ensure that Pfizer does not walk away from the Sandwich site. We consider that Pfizer needs to commit resources to, and enter into contracts giving business to those at, the Sandwich site into the medium term.

Third, on the basis of the oral evidence we consider that, to ensure the survival of high-tech research and development at Sandwich, further taxpayer support is likely to be required, which appears to be acknowledged in the Task Force’s report. The Government needs to set out what support it is prepared to give to those working at, and those who take over, the Sandwich site. As you noted yourself in the adjournment debate on 7 March, communications between Sandwich and the rest of the country are going to be vital and there is scope to improve them. The infrastructure, in our view, needs to be upgraded and the resources will have to come from the Treasury. As a Committee we have been concerned about the concentration of high-tech businesses, not just life sciences, within the "golden triangle" of London, Oxford and Cambridge. Developing viable and high-tech facilities at Sandwich with good communications to the rest of the country and the Continent provides an opportunity to show that development can take place outside the golden triangle.

Finally, the closure of the facility at Sandwich appears to us to provide the opportunity for the Government to clarify how its policies are going to help sustain the pharmaceutical industries in the UK. For example, one point put to us was how the NHS could increase the ‘pull through’ of scientific innovation to the benefit of the development of life sciences in this country. It would assist the Committee if you could provide a note
setting out what plans the Government has to clarify its policies on support for life sciences.

We shall publish this letter and your reply.

Yours ever,

Andrew

Andrew Miller MP
Chair