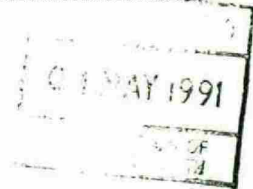


CONFIDENTIAL

GRO-C: Burrage



Treasury Chambers, Parliament Street SW1P 3AG
 071-270 3000
 Fax 071-270 3456

HIM 12
 LIE 16
 HIM 10

The Rt Hon William Waldegrave MP
 Secretary of State for Health
 Department of Health
 Richmond House
 79 Whitehall
 London
 SW1

1. cc Mr Sands

May 1991

Mr Baxter

Mr Stuart

Mr Dobson

Mr Delfgou

Mr Fink

— for

Mr Walsby

Mr Brownlee

advise &

Mr Heppell

Mr Powell

advise

Mr Pease

Mr Canavan

reply

Dr Williams

HAEMOPHILIACS WITH HIV

2. Sgs — to see

GRO-C

Thank you for your letter of 22 April.

2. When we discussed the haemophiliacs' settlement last December, it was expected that the bulk of the expenditure would fall in 1990-91. You obtained £42 million from the Reserve which could not, in the event, be used. The pressure on this year's Reserve means that I must resist all discretionary claims and, as you are aware, there can be no automatic carry forward of Reserve claims from one year to another.

3. However, I can see advantage in reaching agreement quickly on this and I understand from my officials that you are under some pressure to conclude the settlement soon. In this instance, despite the pressure on the Reserve, I am therefore willing to assist you by giving access to the Reserve for a maximum of £47 million. This would comprise the £42 million payment to the Macfarlane Trust and £5 million towards plaintiffs' legal costs. I would expect you to share the legal costs with Peter Brooke and Ian Lang on an equitable basis.

4. If any future costs arise in connection with the settlement (such as further payments to unknown claimants who may come forward), I would expect you to absorb them within your existing provision.

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5. I have looked at the past papers. You will recall that the estimate of legal costs only a few months ago was £2 - 4 million. I imagine you will agree that in offering you £5 million I am responding more generously than I need to. I am doing this because, having won the war, I don't want us to lose the peace. I am anxious that the matter should be concluded as soon as possible otherwise one of the reasons for doing this is undermined. If there is one thing worse than getting bad publicity by not settling the matter it is getting bad publicity despite having made a very large sum of money available! I wish you well in resolving the final details.

6. I am copying this letter to Peter Brooke and Ian Lang.

GRO-C

DAVID MELLOR