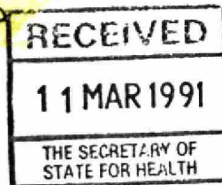


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Treasury Chambers, Parliament Street SW1P 3AG

071-270 3000

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The Rt Hon William Waldegrave MP
 Secretary of State for Health
 Department of Health
 Richmond House
 79 Whitehall
 London
 SW1A 2NS

11 March 1991

HAEMOPHILIACS WITH HIV

You will have seen my letter of 31 January to Ian Lang and his reply of 15 February. I have also seen your letter of 30 January to Ian which crossed with mine.

2. I very much support your belief that the size and categories of payment on offer must be common to all litigants wherever they have pursued their action. I have already made £42 million available from the Reserve to meet payments to the MacFarlane Trust and do not envisage that the amount will be increased. I therefore hope that work can begin on reaching a settlement in both Scotland and Northern Ireland as quickly as possible.

3. Ian Lang also asked me to reconsider the question of meeting legal costs from the Reserve. When we first considered the offer to litigants at the end of last year, I assumed that a settlement would be made towards the end of this financial year. Since the likely cost of a settlement was thought to be between £44 million and £46 million it would be difficult to accommodate within your existing provision, and I therefore granted access to the Reserve. You have taken provision in Spring Supplementaries of £42 million to make a payment to the MacFarlane Trust possibly during March.

4. However, it now appears that the other, much smaller costs - particularly in the case of the territorial departments - are likely to fall in the next financial year. I can see little reason why such relatively minor costs cannot be met from within next year's existing provision, particularly since you have advance notice. You are aware of the difficulties we

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have had to face on public expenditure this year: it is already clear that next year will be no easier. I must therefore ask all three departments to absorb these costs.

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

GRO-C

DAVID MELLOR

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