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Prime Minister
This paper has been put on
the agenda of Cabinet on
18 February.

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National
Health

PRIME MINISTER

RECOVERY OF HOSPITAL COSTS FROM ROAD TRAFFIC
ACCIDENTS

The Home and Social Affairs Committee considered on 2 February a memorandum by the Secretary of State for Social Services which discharged the remit given to him by the Cabinet on 26 November last year to bring forward detailed proposals for recovering from the motor vehicle insurers the cost to the National Health Service of treating the victims of road accidents.

The Secretary of State proposed to take powers in the next Finance Bill to collect from the motor insurers each year a sum equivalent to the estimated expenditure by the NHS in treating road accident casualties in the previous years. This scheme would produce revenue of some £88 million in 1983/84 in addition to the £4 million already recovered under the Road Traffic Act 1972. The precise method of apportioning total expenditure between the individual insurance companies would be a matter for consultation before legislation was brought forward, but an increase in premiums of the order of £6 to £8 for each insured vehicle is implied.

The Attorney General explained that for technical reasons the Finance Bill provisions could not be drafted as the recovery of expenditure by the NHS. The scheme would have to be presented in the Bill as a levy on the motor insurers, and described in the Budget Resolutions as a new tax. A similar point had been made in correspondence by the Lord Chancellor, who has also expressed reservations about the principle of the proposal.

Although the Committee accepted that the Secretary of State's proposals represented the best way of implementing the Cabinet's decision in principle, the Secretary of State for Transport and the Parliamentary Under-Secretary of State for Trade saw serious political and practical difficulties in levying a new form of taxation which would come into effect during the run-up to the next General Election. The Chief Whip foresaw considerable opposition to the proposals from our own supporters in the House of Commons, while the Chancellor of the Duchy of Lancaster was concerned that there would be criticism if legislating for the scheme in the Finance Bill meant that amendments to it could not be moved in the House of Lords. The Secretary of State for Wales felt that the political difficulties which had been identified were sufficiently serious for the Cabinet to be asked to review their earlier decision.

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The Secretary of State for Education and Science and the Chief Secretary, Treasury, while acknowledging the highly controversial nature of the proposals, considered that they were fully in line with the wishes already expressed by the Cabinet and that they should be implemented at the earliest possible opportunity.

In view of the clear division of opinion in the Committee, colleagues agreed that the matter should be reviewed by the Cabinet in the light of their discussion, and that I should report the outcome of the meeting to you accordingly. We need to reach a conclusion quickly if the necessary legislation is to be ready, if approved, for inclusion in the 1982 Finance Bill.

I am copying this minute to members of the Cabinet, the Attorney General, the Chief Whip, First Parliamentary Counsel, and Sir Robert Armstrong.

wsu

4 February 1982

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