



Ref. A07522

PRIME MINISTER

Recovery of Hospital Costs from Road Accident Victims  
(C(82)3)

Background

In 1976, the then Labour Government brought forward proposals for recovering from insurance companies the cost to the National Health Service of treating road accident victims. After prolonged discussion with the insurers, the proposals were abandoned in February 1977 as impracticable. In May and July 1980 H Committee considered proposals for making individual drivers (and possibly certain other people taking part in hazardous pursuits such as hang-gliding) responsible for the cost of accident treatment, leaving them to recover their expenses from their insurers. The Committee rejected this scheme mainly because of the objection to placing absolute liability on drivers who may not have been at fault. Other arguments put forward against the scheme were the burden on small employers, the administrative cost to the insurers, and the difficulties of defining the activities other than motoring to be covered.

2. Following the MISC 62 discussions, the Cabinet last November invited the Secretary of State for Social Services to bring forward fresh proposals confined to road accidents and avoiding the problem of 'no fault' liability. The new proposals, discussed by H Committee earlier this month, are set out in C(82)3. A block sum equivalent to the NHS cost of treating road accident victims in the previous year would be recovered annually from the insurers. The allocation of the total between individual insurers would be a matter for consultation, but would probably be related to the number of vehicles insured by each; the Secretary of State recommends against a statutory formula for apportioning the insurers' costs between policy-holders in the form of increased premiums. He suggests that no special arrangements should be made to cover uninsured public service vehicles, though some provision would have to be made for the eight companies who at present make special deposits instead of taking out third party cover.





TOP SECRET  
CONFIDENTIAL

Department of Defense  
(1950)

CONFIDENTIAL

The Department of Defense is pleased to announce the results of the study conducted by the Joint Chiefs of Staff and the Department of Defense regarding the proposed changes in the Department of Defense. The study was conducted in accordance with the provisions of the National Security Act of 1947, as amended, and the Department of Defense Reorganization Act of 1949. The study was conducted by the Joint Chiefs of Staff and the Department of Defense, and the results are set forth in this report. The study was conducted in accordance with the provisions of the National Security Act of 1947, as amended, and the Department of Defense Reorganization Act of 1949. The study was conducted by the Joint Chiefs of Staff and the Department of Defense, and the results are set forth in this report.

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3. On this basis, about £88 million would be recovered in England in 1983-84 (in addition to the £4 million already recovered under the Road Traffic Act 1972). This implies an increase in premiums of £6 to £8 a year for each insured vehicle. The necessary legislation would be included in this year's Finance Bill, and would run in parallel with the existing provisions until a suitable opportunity to repeal the relevant part of the 1972 Act arose..

4. The main arguments for and against the suggested scheme are set out in paragraph 5 of C(82)3. H Committee accepted that it was the best way of meeting the remit given by the Cabinet, but a number of Ministers felt that the scheme would run into fierce opposition, some of it from the Government's own supporters, and that its implementation in the period just before the next General Election would lose the Government much public support. The insurers would argue that it would be simpler and more honest to collect the levy as a flat-rate addition to vehicle excise duty. There was widespread sympathy in H Committee for the reservations expressed in correspondence by the Lord Chancellor (see his letter to you of 11 February) about the use of the Finance Bill as the legislative vehicle: this would mean that the scheme would have to be presented to Parliament in the Budget Resolutions and the Bill itself as a new tax levied on the insurers and paid into the Consolidated Fund. The Central Statistical Office similarly confirm that receipts from the scheme would have to appear in the national accounts as tax revenue, and could not be treated as negative expenditure. The Chief Secretary, however, is inclined to treat this as a mainly technical problem. He has pointed out that the Cabinet was well aware of the objections which could be made against the proposed scheme when they gave it their approval in principle in November. The case for recovering in 1983-84 part of the very large sums spent on the NHS is in his view a compelling one.

5. Subject to approval in principle, the Secretary of State suggests that the next steps should be to make an early announcement, consult the insurance and motor interests about implementation, and instruct Parliamentary Counsel to draft the necessary Finance Bill clauses accordingly.



Handling

6. There are effectively three options which you may wish the Cabinet to consider:

- (i) to go ahead with Finance Bill legislation, after consultation, on the lines suggested by the Secretary of State;
- (ii) to abandon the scheme as open to insuperable practical and political difficulties of the kind discussed by H Committee and referred to by the Lord Chancellor; and to consider whether to recover an equivalent sum by an increase in the vehicle excise duty or the petrol duty.
- (iii) to approve the scheme in principle, but to deter implementation until separate legislation which permits the scheme to be presented as the recovery of expenditure can be brought forward.

7. You will wish the Secretary of State for Social Services to introduce his memorandum, and the Home Secretary may then wish to report on the discussion in H Committee. The Attorney General can explain the difficulties of using the Finance Bill as the legislative vehicle, and the Chief Secretary, Treasury can deal with the CSO point as well as the public expenditure implications of not proceeding with the scheme. The Secretary of State for Trade will be able to give his assessment of the likely reaction of the insurance companies. Will they be willing to co-operate with the Government's plans? Is there sufficient time between now and the Budget for proper consultation (the abortive consultations in 1976 extended over 5 months)? The Secretary of State for Transport may be able to indicate how the motoring organisations and the rural motoring lobby will see the proposals. Will they regard them as preferable to an equivalent increase in, say, petrol duty or vehicle excise duty? Will they be critical of the fact that the full cost will fall on motorists and not on pedestrians and cyclists who may be responsible for causing some accidents? In the light of other Ministers' views, the Lord President of the Council and the Chancellor of the Duchy of Lancaster will be able to judge the risk of the proposals being opposed by a significant number of Government supporters in both Houses.





8. If the Cabinet agrees that the cost of treating road accidents should be recovered, but decide not to use the Finance Bill as the legislative vehicle, they may want to consider the possibility of separate legislation next Session. This is likely to mean that the full savings could not be achieved in 1983-84. The Chief Secretary will have views on that. Would the controversy be significantly diminished if a different legislative route were chosen next Session? Is this the kind of legislation the Government would want to bring forward in the last full Session of the present Parliament? Will the proposals in either form be seen as a genuine reduction in expenditure, or as a covert increase in taxation?

#### Conclusion

9. If the Cabinet approve the Secretary of State's proposals, they will wish to authorise him to proceed to an early announcement and very rapid consultations, as in paragraph 6 of C(82)3. If they approve the principle of recovering the NHS cost of accident treatment but decide for tactical and political reasons not to use the Finance Bill for that purpose, they will wish to invite the Secretary of State, in consultation with the Chief Secretary, Treasury, and the Attorney General, to bring forward further proposals for self-contained legislation next Session (which could also deal with the repeal of the relevant provisions of the 1972 Act). If the Cabinet decide not to proceed with the idea of recovering the NHS cost no special action will be necessary: the 1981 Public Expenditure Survey does not take account of the savings which the Secretary of State's scheme would produce. But the Cabinet may then wish to invite the Chancellor of the Exchequer to consider the possibility of recovering an equivalent sum by means of an increase in vehicle excise duty or petrol duty.

RA

ROBERT ARMSTRONG

17th February 1982