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10 DOWNING STREET

From the Principal Private Secretary

2 July 1985

REVIEW OF STUDENT SUPPORT

The Prime Minister had a meeting with your Secretary of State this evening about the preparation of the draft consultative paper on student support.

The Prime Minister said that, before publishing the consultative paper, it should be considered whether it was likely to prove practicable in the event to introduce student loans. If it would not, the publication of a green paper floating the idea could subsequently lead to suggestions that the Government had been forced to retreat, similar to the previous charges over the parental contribution. Such a situation would be better avoided.

Your Secretary of State said that the document now being prepared was "very green". The scheme outlined would contain a number of safeguards, like exemption from repayment for the first two years and whenever the student's income fell below the average wage, with the loan written off after a period; and capping of the parental contribution. There would also be some attractions, for example use of part of the saving in public expenditure to ease the parental contribution. While it was not practicable to have a national scheme of scholarships or bursaries, sponsorship would be encouraged. He had pledged to publish the consultative document originally in January and now before the summer recess: it would be much better published in the latter part of this month than in the autumn when the universities would have just reassembled. The episode over student grants in the previous autumn had made the opinions of many in the Conservative Party more sympathetic towards student loans and a useful saving in public expenditure would build up. In reply to a question from the Prime Minister, your Secretary of State confirmed that all tuition would continue to be free and loans would therefore only apply to students' living expenses.

Summing up the discussion, the Prime Minister said that the consultative document should stress the point that tuition would remain free and quote the amount made

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available by the taxpayer for tuition on different sorts of courses. She agreed that work should continue with the aim of publication in the latter part of this month, and would look forward to seeing the further draft of the document which was now being prepared.

I am copying this letter to Joan MacNaughton (Lord President's Office), Richard Stoate (Lord Chancellor's Office), Rachel Lomax (HM Treasury), John Graham (Scottish Office), Colin Williams (Welsh Office), John Ballard (Department of the Environment), David Morris (Lord Privy Seal's Office), Steve Godber (Department of Health and Social Security), John Mogg (Department of Trade and Industry), David Normington (Department of Employment), Jim Daniell (Northern Ireland Office), Leigh Lewis (Office of the Minister without Portfolio), Murdo Maclean (Chief Whip's Office) and Sir Robert Armstrong.

Miss Elizabeth Hodkinson,  
Department of Education and Science

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