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From the Private Secretary

15 December 1982

Dear Imogen,

Long-term Public Expenditure : Education

The Prime Minister held a meeting this afternoon on the long-term public expenditure prospect for education. Your Secretary of State, the Chancellor of the Exchequer, the Chief Secretary and Sir Robert Armstrong were present.

Summing up a short discussion, the Prime Minister said that the Government should not be deterred from introducing a student loan scheme, which might save £400-500 million in 10-12 years time, just because there would be additional expenditure in the first few years as a result, of, say, £20-40 million a year. Your Secretary of State would be working on a scheme on these lines. Any proposal for introducing charges for schooling should not be further pursued. It was recognised that proposals which might be brought forward for different methods of financing universities were unlikely to yield public expenditure savings, although it was possible that a number of institutions would be closed, with consequential savings, as students exercised their greater freedom of choice, and numbers dwindled at the poorer quality institutions. A number of other initiatives were under way, including redesigning the distribution of powers between central and local government on education, and improving the management of the education sector. It was recognised that none of these would yield major savings, although every effort should be made to build into the system what was conspicuously lacking at present - a bias towards economy.

I am sending copies of this letter to John Kerr (HM Treasury), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office). I would be grateful if you and they would ensure that it is seen by only those specifically authorised by your Ministers to do so.

Yours sincerely,

Michael Scholar

Mrs. Imogen Wilde,
Department of Education and Science.

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SC SV (2)

Prime Minister

PRIME MINISTER

MU 21/12

LONG-TERM PUBLIC EXPENDITURE: EDUCATION

[Handwritten scribble]

I regret to say that the figures which ~~were~~¹ used in the meeting with you, the Chancellor and the Chief Secretary about expenditure prospects last Wednesday - figures reported correctly in your Private Secretary's letter of 15 December - related to proposals more ambitious than those which I am in fact about to propose to colleagues.

2 The proposals that I am making involve savings of about £250m fructifying in about fifteen years with a short term increase of expenditure in the early years rising to as much as £60m depending upon the details finally agreed.

3 I shall be discussing the proposals with the Chancellor and the Chief Secretary at a meeting arranged for 12 January and shall then be putting them to H Committee as soon as possible thereafter.

4 I am copying this minute to the recipients of Michael Scholar's letter of 15 December to Imogen Wilde.

[Handwritten initials]

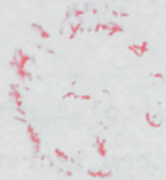
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Public expenditure

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Prime Minister (2)

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Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

LONG TERM PUBLIC EXPENDITURE - EDUCATION

At the meeting you held on 15 December, I quoted some international comparisons in the student loans field in which you and Keith Joseph expressed interest.

.....

2. I now attach the table from which those figures came. It is largely drawn from the Institute of Economic Affairs pamphlet 'Grants or Loans?' published in 1980 (Table 3). The IEA had drawn on OECD and national education department statistics for 1978 (then the latest available), so the material is not up-to-date. The attached table includes references to the newly-announced German and Australian proposals for which we have had to rely on press reports. If Keith Joseph (to whom I am copying this) has any more concrete information on those countries' plans, or can up-date the IEA figures, it would be useful to know.

G.H.

20 December 1982

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PUBLICLY-FUNDED STUDENT AID OVERSEAS

Country	<u>Proportion of student support</u>		<u>Loan repayments</u>				Students receiving public aid %	Tuition fees payable by student
	means-tested grants	unconditional grants	Loans	Term	Interest+ rate %	Deferral arrangements		
Australia present proposed	100% .	- -	- .	- .	- .	- .	} 38	} NO
Canada	20%	-	80%	10 years	9	YES	35	YES
France	80%	-	20%	short	0	YES	13	NO
W. Germany present proposed	50% -	- -	50% <u>100%</u>	20 years 20 years	0	YES NO	} 40	} NO
Japan	20%	-	80%	20 years	0	YES	10	YES
Netherlands	60%	-	40%	10 years	8	YES	35	YES
Norway	-	20%	80%	20 years	7.5	YES	75	NO
Sweden	-	12%	88%	20 years	3.2	YES	60	NO
USA	60%	-	40%	10 years	8	YES	20	YES

+ 1978 figures.

* A new Australian loan scheme has just been announced to start next year. There is little information available as yet, other than that the present system of means-tested grants will be retained but supplemented by repayable loans.

Source: IEA pamphlet "Grants or Loans?" 1980 (except for Australia and W. Germany proposed schemes, from newspaper reports).

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Public expenditure

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10 DOWNING STREET

From the Private Secretary

20 December 1982

LONG TERM PUBLIC EXPENDITURE: EDUCATION

I am afraid that in my letter to you of 15 December I omitted to mention one of the conclusions of the Prime Minister's meeting on this subject.

It was agreed that there should be an examination of the scope for making savings in teacher costs; and it was recognised that in order to make such savings on a worthwhile scale, it might be necessary to introduce legislation at some stage in the future.

I am sending copies of this letter to John Kerr (HM Treasury), John Gieve (Chief Secretary's Office, HM Treasury), and Richard Hatfield (Cabinet Office). I would be grateful if you and they could ensure that it is seen by only those specifically authorised by your Ministers to do so.

M.C. SCHOLAR

Mrs. Imogen Wilde,
Department of Education and Science.

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