



file 7

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4 November 1983

A Turnbull Esq
10 Downing Street

Dear Andrew

PUBLIC EXPENDITURE - EDUCATION: UNIVERSITIES

We spoke. You asked for some arguments to rebut the case that the Prime Minister's letter to the AUT precluded any cut in the universities in 1986-87.

2. First, the letter is about higher education as a whole, not just the universities. Cutting the universities would not be incompatible with the pledge - if it was one. Unit costs in the universities are higher than in local authority institutions, even after allowing for their much higher research expenditure. (But careful - we have the polytechnics in our sights too!)

3. Second (this too can cut both ways), with or without the £50 million cut in 1986-87, universities will claim their grant has not been preserved in real terms, because of various alleged relative price effects. (We are cutting student awards too, as you remarked, but this only offsets additions needed because of increased student numbers.)

4. Third, Sir Keith has floated publicly in a letter to the UGC (copy attached) the possibility of substantial real cuts in expenditure per student. Clearly he did not consider the AUT letter a serious embarrassment: see the third sentence of his paragraph 3! (He will of course argue in reply that floating a possibility is one thing; deciding to cut is quite another, and pre-empts his consultation exercise).

5. Fourth, the AUT letter had weasel words in it: 'the intention is' and so on. 'Intentions' have already been overtaken by events - ie the 1983-84 cash limit cuts (though these were achieved painlessly for the universities - provision for restructuring was found to be more generous than required).

6. Fifth, it will be hard for anyone to tell from the next White Paper - if the tables follow the traditional layout, which in this respect is not yet certain by any means - whether or not any cuts have been

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been inflicted on higher education in the final year. There will on past form be one single figure for higher and further education - including non-advanced (which is getting on for £1 billion).

7. Let me know if you think we can help further.

Turnbull
M J C

M J C Faulkner

cc: Principal Private Secretary
Chief Secretary
Mr Bailey
Mr Scholar
Mr Hart
Miss Kelley
Mrs Imber
Mr Ridley

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