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C/No*



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The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Great George Street
London SW1

23 January 1985

Dear Peter,

THE SWITCH TO ENGINEERING AND TECHNOLOGY

The Chancellor is aware of Keith Joseph's proposal to increase the number of engineering and technology graduates. Keith has proposed that the economic departments should make a contribution which would match the £3 - 4 million being provided by the UGC. I have come to the conclusion that I can justify contributing £1m in 1985/6 provided that the other economic departments do the same.

I am very much in agreement with encouraging universities and colleges to adopt a more market-oriented approach to the provision of courses. In particular it is accepted by all concerned that a serious shortage is developing of graduates in Information Technology subjects. John Butcher's minute to the Prime Minister of 21 December sets out what industry is doing about this. I agree with him that this calls for a response.

This letter seeks your agreement to covering the £1m with PES provision for 1985/6 which is not required for my Votes. In the preparation of the Estimates by our officials the MSC grant in aid falls short of the PES provision. Before finally concluding my Estimates I wish to transfer £1m of that surplus PES provision to DES for the Switch.

I am copying this letter to the Prime Minister, to Keith Joseph, Norman Tebbit, George Younger, Nick Edwards and David Young.

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[Signature]

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