



CONFIDENTIAL

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PRIME MINISTER

The Switch to Engineering and Technology

BACKGROUND

The Secretary of State for Education and Science's proposal that additional money should be made available to fund an increase in the output of graduates in Information Technology (IT) disciplines was discussed by E(A)(84)28th Meeting last November. The cost of his proposals would have been £101 million over the three years to 1987/88. The Sub-Committee concluded that existing provision appeared adequate to deal with the need which had been identified; and that additional resources should not be made available from the reserve. You agreed, however, to consider further with him and other Ministers concerned how best to ensure that universities spent their funds in ways which matched national economic requirements.

FLAG A

2. Sir Keith now proposes in his minute of 1 February a smaller scheme costing £42 million in the next three years. He proposes that £12 million should come from funds earmarked within University Grants Committee (UGC) funds for an abortive scheme (the "Seedcorn" scheme) for promoting research links between universities and industry. In his letter of 23 January to Sir Keith, the Secretary of State for Employment offered a contribution of £1 million in 1985/86. Sir Keith proposes that this contribution should be increased to £12 million over the three years, that the Secretary of State for Trade and Industry should contribute a similar amount and that smaller contributions of £4.5 million and £1.5 million should come from the Secretaries of State for Scotland and Wales.



3. Your Private Secretary's letter of 10 January to Sir Keith's Private Secretary asked him for a paper on ways of accelerating the switch in the balance of university courses to release resources for an increase in output of relevant graduates. His minute of 1 February proposes a reduction of 500 arts staff posts over five years for this purpose, with the total restructuring cost of £17 million to be met by the Treasury.

MAIN ISSUES

4. Main issues are:

- i. how should a "switch" scheme of the type proposed by Sir Keith be financed; and
- ii. what further action should be taken to change the balance of university courses in favour of relevant disciplines.

UGC and DES Programmes

5. Sir Keith himself dropped his bid for the switch in his bilaterals with the Chief Secretary, Treasury last year. If the expenditure involved is as important as his proposals now imply, the Ministers he suggests should contribute will no doubt expect him to find a substantial sum from within his own programmes. The meeting will need to consider whether the £12 million he proposes is enough. It is well under one-third of the total; and seems to have been found entirely from provision which, it is implied in his minute to you of 21 December, is painlessly available following the reluctance of the UGC to proceed with "Seedcorn". You will want to probe Sir Keith's judgement in his latest minute (paragraph 8) that the UGC can do no more.



6. In considering special arrangements involving contributions from non-education sources, the meeting will need to consider very carefully the signal which the UGC might read into them about their financial position and responsibilities more generally. The sums involved in Sir Keith's scheme are very small as a proportion of the provision of about £1.4 billion for universities' current expenditure. The Sub-Committee on Economic Affairs took the view in November that the existing provision was adequate for the need identified. The Chief Secretary's letter to Sir Keith dated 18 January pointed out the dangers of showing readiness to give extra money to foster relatively minor changes of emphasis in the universities, particularly when there may be a need before long for much more radical - and painful - adjustments.

which is
12% up in real
terms on 1978/79

Other Government Departments

7. You will want to establish whether Mr King and Mr Tebbit are willing to contribute on the scale suggested by Sir Keith. It would perhaps be surprising if they were. You may have your own views on whether Mr King and Mr Tebbit should contribute, and, if so, how much. More generally, given the view of E(A) about the adequacy of existing education provision, the burden of proof seems to lie with Sir Keith. Both Sir Keith and Mr King appear to envisage contributions also from the Secretaries of State for Scotland and Wales. It is not clear why they should be thought more suitable donors than, say, the Secretaries of State for Defence and Energy, who will not be present but whose interest in the new technologies is arguably as great, and certainly more specific.

The Private Sector

8. It is doubtful whether it could be realistic to look to the private sector for cash contributions to a scheme of the kind Sir Keith has in mind, but a number of ways in



which the private sector could help with the provision of relevant courses were suggested in November at E(A)(84)28th Meeting and may be worth pursuing further. They included loans of staff and equipment, bank loans for students, "pump-priming" finance within existing expenditure provision and tax incentives. You might enquire how much further these ideas have been taken. If further work needs commissioning, it would be appropriate to give the remits to Mr Tebbit, closely consulting Sir Keith and bringing in Treasury and other Ministers as necessary.

Changing the Balance of University Courses

9. Sir Keith is preparing a Green Paper on higher education, which has been delayed by his review of student support. The aim is to build on the approach of offering more systematic guidance to the UGC as part of a more direct Government role in determining higher education policy. The most productive way to proceed might be for E(A) to consider means of changing the emphasis of courses in that context when the draft Green Paper is available, though that need not rule out decisions now on any desirable changes. The following points arise on Sir Keith's proposals for staff reductions in arts subjects.

- i. The remit given to Sir Keith was to release resources to allow a change of emphasis, but he says that even the comparatively modest changes proposed can be achieved only at an additional cost of £17 million. Is there no scope at all for changing emphases within existing resources, even over so long a period as five years?
- ii. Sir Keith's proposals are determined in part by his argument that it is right to reduce the total numbers of arts students places in higher education, but that all the reductions should take



place outside universities, where standards are lower; and none of them within, where standards are higher. Is this argument valid? It gives no weight to the value of arts students as a stock of talent which might be capable of diversion into high-standard university courses in more relevant disciplines (accountancy, law, business studies etc, if not technical subjects) if fewer university arts places were provided.

HANDLING

10. You should ask Sir Keith to introduce his paper. All Ministers attending will wish to comment.

CONCLUSIONS

11. You will wish to reach conclusions on the following.
- i. On the switch, how a scheme of the type proposed by Sir Keith should be financed.
 - ii. On changing the emphasis of university courses,
 - a. whether arts teaching staff should be reduced to the extent and over the period proposed by Sir Keith; and
 - b. any further work to be done in the context of the Green Paper on higher education.

PLG

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5 February 1985