

CONFIDENTIAL



FROM: CHIEF SECRETARY  
DATE: 26 October 1984

PRIME MINISTER

*Agree to King issue the consultative document? It will provide material for the unemployment debate.  
AT 26/10*

I am broadly content with the consultative document on training loans which Tom King circulated with his minute to you of 23 October. As he says, the cost of a pilot scheme - up to £5 million in 1985-86 - is allowed for in the reduced baseline for his Department which I have agreed in this year's public expenditure Survey.

2 It will not be possible to evaluate the scheme's cost effectiveness until we have evidence of default rates and hence of the net expenditure cost. This presumably will not be available for two years or so. However, if the scheme is popular we will come under pressure during the course of next year to continue or expand it in some form. Our response will have to be very cautious. In my view it would be wrong to contemplate anything which could not be financed from within the existing provision for training expenditure. The main attraction of loans lies in the extent to which they might be a market based substitute for part of our publicly - funded training programmes.

3 I am copying this to E(A) colleagues and to Sir Robert Armstrong.

PETER REES

CONFIDENTIAL

Manpower: Special Emp. Measures  
A 10



Handwritten scribble or mark, possibly a date or initials.

CONFIDENTIAL