

PRIME MINISTER

STUDENT GRANTS

The position has clearly deteriorated over the weekend. Some concession now seems inevitable.

The tone of backbench and media comment suggests that phasing may do the trick. This could be achieved either (i) by restricting the cuts to new students, or (ii) by introducing the changes over several years. The second option seems best, since it will make planning easier for all parents, including those who are just about to send a child to university.

The contribution to fees should be withdrawn for this year, and reserved (if at all) for the next two years.

In principle, all the money lost through phasing should come off the education budget. But we do not believe that under present circumstances this is politically realistic. Backbench opinion will demand that the first-year loss is mainly borne by the Exchequer: Keith could also be asked to look for some small, quick phasings, and in subsequent years the whole burden can be effectively returned to DES through the PES round.

In presenting the concession, we suggest that ministers should:

- (i) stress that the parents affected by the proposals have gained substantially from tax cuts since 1979;
- (ii) point out, with force, that supporters of the Government's general policies cannot expect to be entirely exempt from the effects of those policies;
- (iii) ^{accept} ~~demand~~ that the increases in parental contribution are too sudden - hence phasing;

(iv) promise to instigate a full-scale review of student support, in response to calls from many quarters.

As the history of regional policy and agriculture shows, a proper review where the arguments are fully developed and aired, can make hard policies easier to sell. Since this subject is now so sensitive, it may be best to operate a review in the same way as the social security exercises, taking evidence from outsiders.

If the Government plays its cards right, it may rescue a long-term victory out of this defeat.

OLIVER LETWIN

2 DECEMBER 1984

Ind. -

Lin. -

Scotland

Note: *Grasshopper*

VERBATIM

RESULTS OF RING-ROUND BY TRISTAN GAREL-JONES

- Alexander: Has written to say he will not vote for increased parental contributions. Did not think it wise to press him, but suspect he will take whatever he sees as the first available opportunity to vote against these proposals.
- Marlowe: More friends by giving this than by tax cuts of £1.5 billion. Would be looking for an opportunity to vote - but is not clear about when and where the opportunity will arise.
- Ken Carlisle: Would support a good loan scheme. This is a bolt out of the blue. Government in danger of arrogance. Would not resign.
- P. Fry: I shall vote against the Government. Will talk to others next week - may well be against Autumn Statement.
- Robert Jones: I was canvassing a middle class area today. Bad news. I shall take whatever opportunity arises to vote against the Government.
- M. Latham: I'm very hostile. We can't sell this policy. East Midlands CPC moved an emergency resolution. I would vote against - not clear about when or where. Government must concede.
- Ken Lewis: I agree with Keith, but this is overkill. Unless he changes I'll abstain. There must be scope for a compromise.
- M. Morris: I was amazed at what PM said on Thursday. No one seems to understand how serious this is. No consultation. Unless she is very careful this is a crisis. Not only will I vote against but I will actively campaign against - affects all my ward officers.

R. Ottaway: You can count on me.

W. Powell: It is a shambles. Don't know what form it will come before the House. Haven't signed the motion yet, but I shall do. Can't support this. Also, Government is being inflexible.

A. Stewart: Have written to Keith. Total opposition. Large subscribers to Party totally opposed. Tuition fees particularly offensive. Will not support it - first time. Clearly has no idea when or how this may take place.

P. Tapsell: No firm view on voting intentions - will wait and see. I'm against economic policy in general - so I keep out on minor things. However, if I felt this was part of an upheaval which might affect broad policy I would go along with them - you have to take your friends where you can!

R Body: Haven't signed EDM. See the difficulty, but I've never seen good Tories so upset. What has amazed me is that they are talking of the SDP as a result. If we are going ahead there must be some tax allowance to cope with it. This is hitting Margaret's own people. I don't think he would vote against - certainly not the statement. I'm looking for something to be done - otherwise this will linger on.

Peter Bruinvels: Not happy at all. Can't support. Don't want to say no to the whole Autumn Statement - but will seek every opportunity to oppose. This is frightening.

John Farr: Keith is absolutely right - I've written to tell him so - hope he sticks to his guns.

R Freeman: Not going to vote against Government on Thursday. Cabinet as a whole should have seen this - bilaterals are no good for this. His complaint is about the mechanisms for deciding these matters. Feeling is running high amongst Conservative supporters.

D Hogg: A most unwise decision. Voting against Autumn Statement absurd - if there is a reasoned amendment I would be in difficulty. £39 million is very little for a big row. Some concessions should be made. Party in an ugly mood.

P Holland: Don't worry about me.

P Lilley: Sound on votes. Government should try to phase it and introduce student loans.

Jim Lester: Will vote against and seek every opportunity for doing so.

R Page: Unable to reach him, but he has verbally promised resignation.

Reg
Prentice: A bit of a cock up, but if it comes to the crunch I will support the Government.

Marian Roe: A little unhappy. PR bad. Level pitched too low. Looking for adjustment. Lots of my voters very upset. Ambiguous. Agrees with extra resources for science.

Brandon
Bravo: Discussed it with two university professors (supporters) and with his officers. The real issue is fees. Fees must be maintained. Deeply unhappy. Would have to think very hard. Don't want to rock the boat. I've been in politics too long. But we must think again.