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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

20 May 1985

The Rt. Hon. Sir Keith Joseph Bt MP
Secretary of State for Education and Science

Dear Keith

REVIEW OF STUDENT SUPPORT

You wrote to me on 10 May about the Consultative Paper on which officials have been working.

I would certainly welcome a discussion covering the ground in the second paragraph of your letter. As you say, the question of participation by the banks in a loan scheme is important and my officials will shortly be having an informal and confidential meeting with representatives of the Committee of the London Clearing Banks on this. I think it would be sensible for our own meeting to take account of this discussion and I have therefore asked my office to speak to yours about timing.

We clearly need to focus on the broad policy questions set out in your letter rather than on the detail of the draft consultative document. So I think it would be useful if you could circulate a short note in advance of the meeting which might serve as an annotated agenda, setting out the issues a little more fully than in the second paragraph of your letter.

I am copying this letter to the Prime Minister, Quintin Hailsham, George Younger, Nick Edwards, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Douglas Hurd, David Young and John Wakeham.

Yours
Nigel

NIGEL LAWSON

Education: Expenditure Pt 5.

NDPM AT 22/5 CC 1/10

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science
Department of Education and Science
Elizabeth House
York Road
LONDON
SE1 7PH

21 May 1985

Dear Keith,

REVIEW OF STUDENT SUPPORT

Write AT.

Thank you for copying to me your letter of 10 May to Nigel Lawson about how this Review might best be taken forward. The whole question of student support is a sensitive matter politically and we shall have to be careful about how we present any options for change to the public. I feel sure that discussion among colleagues at this stage would be most useful, and I should certainly wish to be involved.

You are aware of my reservations about a loans scheme, and I shall not repeat them here. Despite these I have offered no objections to the inclusion of a loans option (or options) in a consultative paper. But the presentation will be important, and we should take care not to create an impression that the Government's mind is made up before there has been an opportunity for proper public debate. The present system has in my view provided access to higher education for many who might otherwise have been denied it and should not be lightly discarded. On the other hand, the squeeze we have imposed in the past 2 to 3 years both on main rates of grant and through the parental contribution scale has been keenly felt by our own supporters, and I doubt whether we can simply continue on the same tack without running the risk of major crisis.

If loans are to be seriously considered I believe it will be most important that we tackle at the same time the question of the parental contribution, which is a particular bone of contention on the part of students and parents alike. The costs of abolition are of course substantial, but perhaps a phased approach of the kind mentioned in the paper could be further considered. I should also like to see the settlement of the fees issue, once and for all. I should be most concerned about any further proposal to make home students (or their parents) responsible for fees and it would in any case simplify any loans debate if the public could be assured that the various options for student support related to maintenance only. One way to settle the issue would be to subsume fees in the general funding of institutions, as suggested in the Jarratt Report and noted in the paper, and I should very much like to see this seriously considered.

Since you have proposed a meeting before taking the consultative paper further, I shall not comment in detail upon it at this stage, but my officials will keep in touch with yours on those matters which will have to be taken into account to make it suitable for Scottish consumption, whichever direction we decide to take.

I am copying this letter to the Prime Minister, Quintin Hailsham, Nigel Lawson, David Young, Norman Fowler, Tom King, Nicholas Edwards, Patrick Jenkin, Norman Tebbit, Douglas Hurd, Peter Rees and John Wakeham.

Yours ever,

George.

Educ. Gen Policy Pt 5

CONFIDENTIAL

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio

The Rt Hon Lord Young of Graffham

The Rt. Hon. Sir Keith Joseph M.P.,
Secretary of State,
Department of Education & Science,
Elizabeth House,
York Road,
London, S.E.1.

14th May, 1985

Dear Keith,

REVIEW OF STUDENT SUPPORT

You sent me a copy of your letter of 10th May to Nigel Lawson. I shall certainly be happy to join you in an early discussion with colleagues about the approach to be adopted in a consultative paper on student support. As you know, I fully share your own hopes that the review process will shift us significantly down the road towards incorporating a loans element into the system and I am sure other colleagues feel similarly. If, however, a meeting is needed to clarify our intentions, then by all means let us discuss the matter. I am conscious that some months have passed since our intention to hold a review was announced and we clearly ought to aim to publish a document as soon as possible.

On the fundamental issue about possible bank participation in a loans scheme, I am sure you are right to suggest that early progess is needed in sounding out the banks. No doubt they will repeat basically what they said in 1980; that is that they will be looking for commercial rates of interest as well as substantial Government guarantees against default. Of course, one should have an effect on the other and there can be little doubt that at the present time the banks do compete to get student business. These issues are obviously critical to the costings though I doubt if the problems need be insurmountable. However, I am myself attracted by the idea of repayment of loan being made through the PAYE system once an individual's income exceeds a certain threshold. But in any case I agree it would not make sense to publish a consultative paper without being able to include in it a fairly firm steer on the kind of terms that the banks might regard as acceptable. By the same token, I think it would be useful to have at least a preliminary indication on this before we meet to discuss the draft.

..../Cont.

CONFIDENTIAL

I am copying this letter to the Prime Minister, Quintin Hailsham, George Younger, Nicholas Edwards, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Peter Rees, Douglas Hurd and John Wakeham.

Yours,

Nicholas

Education: Gen Policy Pt 5

NBPM

AT

13/5

cc PO

From the Secretary of State
With the Private Secretary's Compliments

Private Secretary

Please find attached enclosure for letter to Nigel Lawson from Keith Joseph dated 10/5/85 about Student Support. Thank you.

Private Office

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
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