

STUDENT GRANTS

If the Opposition are clever, they may prolong the agony by postponing Parliamentary action for some while. But our sources suggest that Giles Radice may in fact persuade his colleagues to table an Amendment to the Chancellor's Motion on Thursday. Presumably, such an Amendment would mirror the Early Day Motion that has been signed by so many Conservative back-benchers.

It is possible that a large revolt will be averted if the Whips are active over the weekend and if Keith Joseph performs well when he meets the back-benchers on Tuesday evening. But these moves may well not succeed.

We suggest that you should meet with Keith Joseph, the Chancellor and the Chief Whip on Tuesday evening, after the meeting of the back-bench committee, to decide quickly on appropriate action. There are four options:

1. Soldier on to victory. If it looks as though the revolt is containable, this is the best option. It will have to be defended aggressively: no apology should be made; the favourable position of students in Britain should be re-emphasised; and people should be reminded that when benefits are targetted on those who most need them, middle and higher income earners are bound to lose out.
2. Soldier on despite severe risks of defeat. Even if the Whips consider that there is a real chance of losing the Parliamentary vote, you could go on defending the policy, and sustain 'an honourable defeat'. This might look less cowardly than giving way in advance.

3. Modify the Plan. If, following the Tuesday meeting, you believe that a large-scale revolt is inevitable, and if you do not wish to run any risk of defeat, Keith might avert the problem by announcing quickly that the Government has listened to the complaint, and recognises that the change may be too sharp and sudden. The tuition fee charges could be dropped, and the increases in parental contribution could be phased over two or three years. Archie Hamilton MP, the Education Whip, believes that this would probably placate most of the backbenchers.
4. Withdraw for reconsideration. If the pressure is judged too great to allow even for option 3, Keith could withdraw the proposals entirely, and offer to produce an amended version within the next few months. This would give time for people to calm down.

A sensible decision cannot be made until Keith and the Whips have reported on back-bench opinion. But once the back-bench meeting has occurred, the decision should be made and announced immediately, to limit the effect of uncertainty on the Enfield By--Election. It is also essential that, if any concessions are made, Keith should explicitly state that the demonstrations by students have not had any effect on the policy, and that he has been influenced only by the arguments of Members of Parliament.

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ANNEX

PUBLIC EXPENDITURE COSTS OF MODIFYING THE PROPOSALS

If Option 3 is chosen, modifications could be as follows:

	<u>Cost £m</u>	
	<u>1985-6</u>	<u>1986-7</u>
1. Remove parental contribution to fees	17.0	23.0
2. Phase increases in parental contribution scale	7.0	5.0
3. Phase abolition of minimum award	4.5	2.0
<u>TOTAL:</u>	<u>£28.5m</u>	<u>£30.0m</u>

These figures are, of course, only indicative. The Government could increase or reduce the sums by phasing items 2 and 3 more or less rapidly, or by phasing parental contribution to fees instead of removing it.

It should be remembered that the present savings are £39 million in 1985-86, and £59 million in 1986-87. The changes listed above would therefore reduce the PES benefits of this unpopular change to £10.5 million in 1985-86 and £29 million in 1986-87.