

CONFIDENTIAL

PRIME MINISTER

BILATERAL WITH MR. BAKER: 30 JUNE

We originally scheduled 30 minutes for this meeting. We have now slipped that back to 20 to 25 minutes, in order to accommodate Lord Young's wish to give you a 5 minute briefing before Cabinet on the latest position on Rover. So you will want to bring the meeting to an end by 0955 at the latest.

The meeting was arranged in response to Mr. Baker's repeated pressing of his proposal for a City Arts College. I enclose the earlier clutch of papers, which you may wish quickly to remind yourself of, together with a further note by Brian Griffiths.

Mr. Baker originally put forward this idea as an elaboration of the CTC approach. You were sceptical, particularly given the reference to performing artists, and your present line is that a CAC can only go ahead if private sponsors find 100 per cent of the capital costs (compared with a figure of 20 per cent which seems to be emerging for the CTCs). You will also recall that Cyril Taylor has been lobbying hard in support of Mr. Baker.

I understand Mr. Baker will urge you to reconsider, and say that he has persuaded Richard Branson to find 50 per cent of the capital costs.

The main points you will want to approach are:

- (i) would a CAC really be like a CTC?
- (ii) is it acceptable for a CAC to go ahead with less than 100 per cent of the capital costs coming from the private sector?

and possibly

CONFIDENTIAL

- (iii) in the light of Mr. Baker's success in pushing Richard Branson up to 50 per cent is it now possible for future genuine CTCs to get a higher private sector funding proportion than 20 per cent?

#### Other Issues

Mr. Baker may also take the opportunity and press you on the question of student loans. The position here is that you are awaiting the Lord President's views on Mr. Baker's minute of 23 June (also enclosed). I understand the Lord President will be letting you have his views tomorrow. I imagine you will not want to get drawn into a discussion with Mr. Baker before that.

If time permits you may want briefly to take stock with Mr. Baker on the position reached on the Education Reform Bill following last night's completion of the Lords report stage. There were two further defeats for the Government in this final session:

- Baroness Young's amendment designed to help British businessmen and their families abroad by committing the Government to maintain and improve educational standards at British schools abroad;
- an amendment proposed by Lord Swann which weakens the 'contract' conditions that the Government can lay down in allocating funding to universities. The supporters of this amendment saw it as another way of seeking to predict and enhance academic freedom, following on the earlier successful amendment moved by Lord Jenkins.

I have asked Mr. Baker's office to ensure that he minutes you on which of the amendments passed in the Lords he now proposes to try to reverse. But you might want to reinforce this request yourself.

PRCC.

PAUL GRAY

29 June 1988