



Mr Edward Steward
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Dear Ed

Thank you for your letter of 9 March 2009, reporting the outcome of the vote at the Union's AGM on 27 February 2009. You note that the meeting voted overwhelmingly in favour of the motion 'Education is a right and should be free for all', and you appended a copy of the motion to your letter to me.

I was grateful for your noting of the funding problems that universities currently face, and to those we should add the particular challenges of the next few years through a severe economic recession. You accept that free education is not attainable with any short-term agenda, but is an ideal that you support as a long-term outcome.

I also note what you say about our increases in postgraduate fees for the coming year. A brief word about those if I may before I turn to the substantive point of the vote. It is that postgraduate fees have been under-priced for many years at UCL, particularly by comparison with our major competitors, and notably the LSE. Many of our postgraduate programmes are those with a professional outcome, often in financial services or in law or accountancy. They are a fraction of the fees charged by some of the professional schools, such as the BPP in the case of legal education. It cannot be right that there is a cross-subsidy from other sources of UCL income to these programmes. We have, however, been very keen in the current economic circumstances to provide a special package for our own graduates in the current year. We shall be shortly announcing a fees discount of £1,000 for all UCL students graduating in 2009, and returning to UCL to take a taught Master's Programme where they are being required to bear the cost of the fees themselves. We believe this to be an entirely appropriate measure of our sense of UCL as a community, taking care of its own, and because we are particularly keen to ensure that our graduates have an opportunity to improve and update their CVs to ensure that they continue to be competitive in an increasingly difficult jobs market. We will be supplementing that package with a series of other measures, including internships and an entrepreneurship boot camp. UCL is the only university in the country to be taking such steps to look after its graduates, and I would wish that we had the resources to do far more.

That brings me to the central point of your letter, which is the future funding of UK Universities. It is not by any means a simple matter, in terms either of economics or of politics. Although I was not myself educated in the UK, I did, along with many of those of my generation, enjoy a free education to university level. In those days, less than 8% of the UK school leaving population attended university, so the consequence to the Treasury was nowhere near as significant as it is today as we approach the government's target of 50% participation. Moreover, one of the hugely beneficial consequences of the post-war concentration on higher

education has been the emergence in the UK of a middle class much larger and wealthier than it has ever been before. A campaign for free higher education provides a very significant subsidy to this class, albeit with the intention of providing free education for those who could not otherwise afford it. I believe that there are other, and more efficient, ways of achieving the same end. It must be right that those who benefit significantly and differentially from the first-class higher education should be expected to make some contribution towards its cost. Not upfront, which is the case with the American Ivy League and state universities, but retrospectively, as is the position with the UK tuition fee. One of the confusions about the discourse that we have regarding higher education funding is that our present arrangements are inaccurately described as 'top up fee' when they would be more accurately be described as a graduate tax. Put in those terms, it seems difficult to argue against university graduates paying a higher marginal rate of tax for a period in order to contribute to – not to meet the full cost of – a world-class higher education, when other groups within society, such as hairdressers and airline pilots, are expected to fund from their own pocket the entire cost of their training.

There has recently been further discussion in the press about the future of tuition fees in the UK, and it is important I think to put that into context. The government announced in January 2004 that, after three years of operation of the new regime, there would be an independent review. It would look in particular at the extent to which the new fees had dissuaded children from less well-off backgrounds from attending university. That review will kick off later this year, but the evidence so far is that it has had no such effect. It may well be that a higher rate of fee will have such an effect, and that is one of the matters that the independent review will wish to look at. I would not wish to prejudge the outcome of that process, but I do wish to fight as hard as I can to ensure that there is a model for funding UK universities at a level which would allow them to continue to thrive, and not be dragged down in terms of the quality of the education that they can offer their students. That would be a short-term outcome of great detriment to the generations that will follow. However, it is equally apparent that we cannot push fees beyond levels of reasonable affordability. What is appropriate is that there should be a measure of repayment that is adjusted to the income of the individual graduate, that it should abate when income abates and should have an end point which is achievable. The current system meets that test, although there is a major concern about the subsidy to interest that creates a heavy fiscal drag on the Treasury and may not be affordable for the future.

Alongside the concerns of UK students there is the parallel issue of the fees payable by overseas students, which are at full market rate, and are significantly greater than those of UK students. Those students should not be cross-subsidising UK students. That is not an acceptable way to run a world-class education system.

I hope this is helpful and I look forward to having further discussions with you.

Yours ever

Mark Underwood

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