



*Prime Minister*

*For Cabinet as  
background  
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*12/9*

PRIME MINISTER

The decisions which we are to take on 13 September are going to set the framework within which we will have to work for the rest of the life of this Parliament. I do not wish to take up time at Cabinet rehearsing specifically Welsh points but there are major issues which I should set out as background to the decisions we have to take. Those decisions must be designed to help us achieve the objectives we pledged ourselves at the Election and establish a clear strategy for Government in Wales in the aftermath of the Devolution debate.

The period up to the next Election is going to be one of the most politically crucial in Wales this century. It will establish whether we can create a political structure in Wales that will kill nationalism once and for all and whether we can reinforce the successes that we have so far achieved in overthrowing the important Labour Party power base there.

Nationalism suffered a severe setback in the Referendum and in the Election that followed; but the demand for an individual approach to Welsh problems within the unitary state is shared by most Welsh people and insensitive handling of Welsh issues could very easily provoke a new, stronger upsurge of separatist feeling, particularly among young people. We have to show that the evolutionary process that has led to the establishment and development of the Welsh Office can be developed to cater adequately for the special needs of Wales and that there is room for variety within our present system of Government.

A decade ago we held three seats in Wales. At the election in May we increased our total to eleven and the three we gained are capable not merely of being retained but of being turned into relatively safe Tory constituencies. There are



at least three more we are capable of winning over the next decade. All this means that the way we tackle our task is not just important for the Principality but has a wider political significance.

The background against which we are required to meet this challenge is as unpromising as could be. Major job losses in the steel industry and potentially in the coal industry, combine with the general economic problems of the United Kingdom in a way which already puts the greatest possible strain on the goodwill of our new supporters in Wales. We have to deal with the special economic and social problems which a peripheral area over-dependent on basic industries must face at a time of transition and prove to the people of Wales that we are as committed to the Principality's unique and particular interests as are our political opponents.

Overlying all this is the issue of the Welsh language which despite the fact that it sometimes provokes fear and irritation on the one side and outbursts of fanatical extremism on the other, enjoys widespread support in all political parties and at all levels of the community. I have to demonstrate in the clearest possible terms our commitment to the future of the Welsh language and culture, for as we said in our Manifesto "The survival of a culture, of a nation's individuality and of a language are natural matters for Conservative concern".

In short my task as Secretary of State for Wales must extend beyond ensuring that Welsh interests are taken account of in the formulation of United Kingdom policies. I have a responsibility to all the people of Wales and particularly to our supporters, to carry out the commitments we gave in our Manifesto last May to the development of a distinctive Welsh approach to the working out and implementation of policy.



In broad terms what this means is that I hope increasingly over the coming years to be able to develop within an agreed United Kingdom framework, separate and distinctive Welsh ways of doing things which properly reflect the social, geographical and economic problems of the Principality. It was for this task that the office of the Secretary of State was first created and has been supported by successive Governments. It is to this kind of development that we committed ourselves in our Manifesto this May. The decisions we reach and the policies we produce will be the evidence the people of Wales need that we are meeting that commitment.

A number of administrative changes will be needed if that commitment is to be made effective. We promised in the Manifesto for Wales that the Secretary of State for Wales should have greater flexibility in the use of the funds available to him and I have instructed my officials to pursue with the Treasury the regrouping of Welsh expenditure into a new class in the estimates and matching main programme for public expenditure planning purposes. In this way people in Wales will be able to have a clearer idea of the total monies allocated to the Principality and I can be given more discretion as to how they are allocated within overall ceilings. We have of course already gone some way towards this in Scotland. I will of course be consulting colleagues concerned when firm proposals are produced. The earliest the change can be made is 1981/82. The Secretary of State for the Environment has proposed that in the same year we should alter the present system of rate support grant to a new system of unitary grant. I support this proposal but in my view it will be absolutely essential at that stage to move a separate unitary grant for Wales. We did of course in May consider the possibility of a separate rate support grant for Wales but at that stage concluded that the time



was not ripe. It will be a different matter if the grant system is changed in 1981/82. Unless I can be seen in Wales to be in direct control of local government finance (over which at present I have none, although 40% of it nominally comes within my responsibility) our credibility will continue to be questioned.

I see a continuing need for bodies such as the Welsh Development Agency, the Development Board for Rural Wales and the Welsh Tourist Board to be allowed to pursue distinctive policies. The justification for having such organisations is that they can respond to local circumstances and any attempt to impose uniformity in our treatment of the different parts of the United Kingdom will be entirely counter-productive. There is a particular need to recognise the needs of rural Wales, where seven of our eleven seats in Wales are - including the three new ones. I have proposed the retention of the Land Authority for Wales with reduced powers because I believe in Wales it can perform a useful role more economically and effectively than the local authorities. I am currently re-examining the work of the Countryside Commission in Wales. I have, however, abolished the Welsh Council and a number of other Welsh QUANGOS and believe that there is room for the abolition of others; even where my colleagues may feel it necessary to retain their English counterparts.

It is essential that the financial decisions we take in the coming weeks make allowance for the special requirements that I have described. In the Welsh Office there are no illusions but that we must play a full part in making the necessary public expenditure cuts required to restore the economy; but the longer term cuts that we are now considering ought to take proper account of our policy objectives and should not just be based on arbitrary percentages of other Departments' budgets or past expenditure programmes.



We are fortunate that in reaching our decisions we can take account of the conclusions of the inter-Departmental needs assessment study carried out under the aegis of the Treasury in connection with Devolution. Its results will become available to the public shortly. The study clearly indicates that Wales has been the victim of under-provision in the past. The study covered five areas which were to be devolved to Wales; Health and Personal Social Services, Education and Libraries, Housing, Roads and Transport, and other Environmental services. The conclusion was that overall and expressing the per capita need in England as 100, the relative need in Wales was 109. This means that just to stand still relative to England, Welsh expenditure needs to be 9% greater on a per capita basis. To make up ground already lost it needs to be greater still.

There are three particular problem areas which we face and of which special account will have to be taken in consideration of future public expenditure. One is shared with the rest of the United Kingdom, the others are peculiar to Wales.

I have already drawn attention to the need to make adequate provisions for the remedial measures in connection with steel and coal closures and I do not believe that we have yet produced sufficient resources for these. They are essentially United Kingdom problems, though as with Shotton their consequences may be felt with particular severity in Wales. We shall need to discuss very soon what provision can be made for remedial action following such closures and I think we have to recognise now that the money for such action will have to be in addition to the expenditure we agree upon in the current exercise.

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Secondly there is our commitment to press on with the Road Capital Programme in Wales. This programme was started later than in England and is not nearly so far advanced. We cannot



accept a reduction in expenditure on road construction in Wales comparable to that in England. In our Welsh Manifesto we saw these road works as "central to the improvement of the economy" and we said "we shall press on urgently with the M4 in the South of Wales ..." a desperately needed road still uncompleted despite the opening years ago in England of the major motorways. We also promised to accelerate the A55 and A5 programmes across the North Wales coast as well as making improvements elsewhere.

Whether in North or South Wales the acute economic problems posed by steel or coal closures and other difficulties make it imperative to develop urgently East-West roads in order to link the areas concerned with the main centres of population and industry in England.

There is a further problem which is peculiar to Wales; the preservation of its language and culture. There are very real difficulties in providing adequately for a country with a second language when the general level of personal wealth is low and public funds are strictly limited. The cost of bilingualism is high and in the past no proper separate provision has ever been made for it. But if we were to let the language die we would rightly never be forgiven. Our predecessors steadily increased the amount of money spent in support of various activities such as publishing and work with pre-school children and young people but this is still quite insufficient. We have provided in the expenditure plans for a further £500,000 in each year of the survey period as a central Government grant for the support of bilingual education. This is well short of the full extent of the extra costs of the education authorities concerned and I may have some difficulty in protecting even this amount if I am obliged to make the full expenditure cuts proposed. I should like to take this opportunity of making more sensible financial provision in the plans for the expenses required in connection with the use of Welsh.



Not only would this be entirely right on its own account but it would give me the political credit that would enable me to deal with the very difficult problems that arise in connection with the use of Welsh in public life, Welsh education and the maintenance of parental choice. I shall be asking for an additional £2 million in each of the later years of the survey period to spend at my discretion in support of the Welsh language and culture.

To give me any real possibility of coping with the problems I have described, I shall have to ask for a smaller total cut in the expenditure plans for 1981/82 and beyond, than that proposed by the Chief Secretary. Looking at the inherited plans in the light of the Needs Assessment Study the Welsh Office is under-provided by about £50 million in each of the later years of the survey period. The imbalance needs to be corrected and in the course of the bilaterals which will no doubt follow Thursday's Cabinet discussion I shall have to ask for this factor to be taken into account when assessing expenditure in the later years together with the resources required for industrial closures, road construction and the Welsh language.

*But there are doubts about the methodology. If anything, it makes a case for switching from Scotland to Wales.*

I am sending copies of this minute to our Cabinet colleagues and to Sir John Hunt.

*R.*

11<sup>th</sup> September 1979

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