

Econ Pol Prime Minister

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To glance - the  
Chief Secretary's  
reports to  
Mr Edwards'  
plea for  
special treatment  
for Wales.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Edwards MP  
Secretary of State  
Gwydyr House  
Whitehall  
LONDON  
SW1A 2ER

24 September 1979

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Dear Nick,

You minuted the Prime Minister on 11 September about Welsh problems in accepting the reductions in public expenditure for the years after 1980-81 proposed in C(79)35.

As you said in your minute, it was not appropriate to take up time at Cabinet discussing your minute. You intended it mainly as background to the bilateral discussions which were to follow. It may be helpful if, by way of further background to the bilaterals, I set out our views.

You quite rightly emphasised the need to bear in mind the political consequences in Wales of public expenditure policy as of any other aspect of UK Government policy. You also accept the need to play a full part in making the necessary public expenditure cuts required to restore the economy. But you seem to be regarding the longer terms cuts - in the years after 1980-81 as in some sense different from or less important than the decisions we have already taken. As our paper shows, and as Cabinet reflected in its endorsement of the aggregate levels of expenditure (and the broad priorities between programmes) proposed in our paper, our policy for the years after 1980-81 had to be the same as for this year and next. Unless we can stabilise the size of the public sector and so enable the economy as a whole to grow, we will not be able to help Wales or any other part of the United Kingdom effectively.

You mentioned administrative changes which you thought were needed in order to fulfil the commitment to develop separate and distinctive Welsh ways of doing things which properly reflect the social, geographical and economic problems of the principality.

Your first proposal - to establish a single Welsh public expenditure programme and matching estimate and cash limit structures - is being examined by officials, who will report during the autumn.

Your second suggestion was for a separate unitary grant for Welsh local authority expenditure. Michael Heseltine's general proposal to change from rate support grant to unitary grant is now being studied. No doubt the question of establishing a separate unitary grant for Wales will be covered when a paper is put to Ministers.

Your third point about administrative matters was to stress the importance of the continued existence of certain Welsh bodies. This can be considered as part of the review of non-departmental public bodies now being conducted by Sir Leo Pliatzky.

You mentioned three specific problems which you wanted us to take especially into account in deciding about the levels of public expenditure in the later years. These were the consequences of steel and coal closures, the commitment in the manifesto for Wales about the road programme, and the need for financial support for the Welsh Language.

I recognise your difficulty about steel and coal closures, and for this reason we allowed an extra £2 million for remedial measures to be taken by the Welsh Development Agency in 1980-81. In our proposals to Cabinet we made the same provision for the next two years, and I do not think that we can go further. But if you take the view that the Welsh Development Agency should do more to clear derelict land and build new factories in closure areas I would have no objection to this provided that you can make offsetting economies in other Welsh programmes.

In relation to roads, I cannot accept that the Welsh road programme should not take a comparable reduction to that proposed for England. Central government expenditure on road construction and maintenance in Wales has shown a 56 per cent increase between 1974-75 and 1978-79 compared with a 38 per cent fall in England over the same period. Local authority expenditure on roads in Wales, though not increasing, has not fallen to anything like the same extent as in England. The forward plans of the previous administration would have perpetuated this disparity, with central government road expenditure in Wales growing by one-third to 1982-83 on 1978-79 compared with an increase of one-fifth in England. A percentage reduction similar to that applied to England would therefore be relatively easier for the Welsh road programme to bear. I know that the cuts I am proposing

will face Norman Fowler with some unwelcome decisions over the postponement of much needed and economically valuable major schemes. But these are necessary in the wider economic interest. I cannot in equity allow the Welsh programme relief which I am not prepared to concede to England. Furthermore, you have the opportunity, which Norman does not, of re-ordering priorities within your total expenditure so as to give some relief to your road programme should you choose to do so.

As you recognise, existing support for the Welsh language consists largely of subsidies for publications in Welsh that would otherwise be uneconomic. And the proposals for bilingual education would add considerably to unit costs. On value for money grounds, therefore, these would be the first places we would be looking to for the savings in public expenditure upon which we have decided. I can well understand that, even given the special considerations in your mind, you may have difficulty in protecting the £½ million you have earmarked already. That does however at least begin to undermine your argument for finding £2 million more, which is the political desirability of resisting natural decline and trying to keep the language alive. Furthermore, that argument is essentially one which concerns the Welsh priorities, not priorities as between your programme and other programmes. It seems to me therefore that, whatever allocation you secure overall must be made to contain whatever special measures you regard as essential for the survival of the Welsh language.

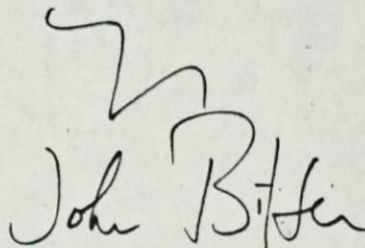
You also argued that the needs assessment study should be taken into account when assessing Welsh expenditure in the later years. This study was of course neither intended nor designed to determine expenditure allocations. It had the more limited aim of providing a background for considering allocations by assembling available objective information on expenditure needs, which is far from the whole story. Further, the study concerns the shares of the four countries within a given total of public expenditure. In my view it would not be appropriate to take account of it for one country and not for the others.

In any case, I think that your minute overstates the significance of the study's results in relation to Wales. The study concludes that for the programmes covered - those listed in your minute plus Law, Order and Protective Services - Welsh expenditure needs per capita were 109 in 1976-77 compared with England's 100. On the same basis, the figure for actual Welsh per capita expenditure in that year was 106. Further, the study suffers from admitted weaknesses in its statistical base: the report on the study recognises that it is a long way from providing an ideal or unquestionable means of expressing relative needs. It seems to me therefore that a good deal more evidence is needed before we can be sure beyond doubt that there is significant under-provision for Wales.

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I should like to be more helpful than this, but I do not see the Welsh case as any stronger than the cases which have been made by other spending Ministers for relaxation of public expenditure constraints. The fact is that we can all think of reasons why it would be an excellent thing to increase public expenditure; but our overriding need is to reduce it. Wales will be the beneficiary, along with the rest of the UK, of our success in encouraging the private sector and so stimulating the economy.

I am copying this letter to the Prime Minister, other Cabinet Colleagues and Sir John Hunt.

A handwritten signature in cursive script, reading "John Biffen". The signature is written in dark ink and is positioned to the right of the typed name.

JOHN BIFFEN

SECRET

25 SEP 1979

