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CONFIDENTIAL

PRIME MINISTER

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FORWARD LOOK

Your letter of 16 September to Willie Whitelaw asked for reports of a "Forward Look" at Departmental programmes for the next five years.

My report has been prepared on a similar basis to that adopted in the Welsh Manifesto which explained in 1979 our aims and priorities for dealing with the special characteristics and problems of Wales. We accepted then that Wales was part of Britain and that duplication of approaches and commitments common to the United Kingdom or to Britain was best avoided. I have undertaken the present task similarly, reviewing our performance in meeting the previous commitments to Wales and seeking new lines which might be followed to meet perceived Welsh needs in ways which accord with the Government's overall strategy. The outcome, which concentrates on suggestions for future action, is set out below.

Major Commitments Remaining to be met

As far as our UK commitments are concerned, our obvious task unfulfilled is to "cut income tax" and "restore the incentive to work". This must be a continuing priority objective. Turning to our specific Welsh commitments there are few serious failures or significant unfulfilled objectives. The most urgent task identified in 1979 was the need to establish an economic climate in which wealth and jobs could be created. The Government's economic policies have been directed nationally at this objective. In Wales the emphasis has been to encourage small and medium firms to aim for a much more varied economy, and by large scale investment in industrial infrastructure to provide the conditions for job creation. Whilst we must maintain the momentum, we can claim to have nurtured a significant improvement in the reputation of Wales as an industrial location. In addition to having a skilled workforce and a record of good labour relations we have taken major steps to improve the industrial infrastructure. We have had remarkable success in getting factories occupied and new businesses started in the middle of a deep recession.



When discussing in the 1979 Manifesto the structure of Government in Wales we undertook to seek to enlarge the responsibility of local authorities. Whilst conceding that it might be difficult to find agreement within local government in Wales that we have succeeded, I believe that the Government's efforts can here again be defended. Many formal controls were abolished in the Local Government Planning and Land Act 1980 and I and my Department have consistently sought to refrain from intervening in the way both Welsh local and health authorities provide their services from day to day.

I am satisfied that the Government's achievements greatly outweigh our failures in relation to what we offered in our Welsh Manifesto.

New Proposals and Initiatives

We shall need to maintain the general policies which have been followed since 1979 as the bridgehead for our thrust forward in the next five years. Though adjustment to some common policies will be necessary to meet particular Welsh needs and certain special measures may be needed, I have first concentrated attention in my forward look at some of the more important general issues we shall have to consider collectively. My views are summarised below and I would merely add that some of the issues identified certainly need to be subjected to much further thought before our view of the best way ahead can be put to a wider public. Education is a good example.

INDUSTRY AND ECONOMIC DEVELOPMENT

We must continue to stimulate the growth of the wider and more varied industrial base which is developing in industrial South Wales and in North East Wales. Investment will still be required to maintain competitiveness in steel and linked to pit closures in coal; while the importance of other traditional industries must not be underestimated; but a priority will be to secure jobs in the newer growth industries and to promote the take-up of new technology by existing enterprises. Inward investment by overseas firms will be vigorously encouraged, but with proper regard for the cost-effectiveness of the promotional effort. Emphasis will also be placed on ways of furthering the Welsh commitment to innovation and technological advance. The perceptible development of sunrise industries along the M4 corridor is something we must build on and exploit. Established programmes of advance factory building and land reclamation should be matched by improvements in the industrial environment, including the provision of attractive, well landscaped estates providing employment in services and distribution as well as in manufacturing. A major need is to ensure that the factory building and other programmes of the public agencies are used as catalysts to attract private sector investment. The experience of the UDG programme will need to be applied to the WDA and may have to be reinforced by changes in the present statutory arrangements.



Good communications are essential to economic development. The Severn crossing is crucial for economic development in South Wales; strengthening of the present bridge and planning for a new one (when eventually needed) will be a high priority and adequate public commitments will be needed before the election. As investment in the major east-west routes is completed, attention will be turned to selected improvements of other key routes (eg A5) and especially to bypasses of the more congested townships, particularly in rural Wales. We shall need to think further about the problem of public transport in rural areas.

CONTRACTING OUT PUBLIC SECTOR SERVICES

I have already pointed out to my Health Authority Chairmen the opportunities that exist for contracting out a wide range of services which are presently carried out by NHS staff. I intend following this up by requiring action on an experimental basis.

On the local authority front most of our attention has been concentrated on Direct Labour Organisations. Part III of the Local Government, Planning and Land Act 1980 established a regime for them which exposes their true costs and requires them to be opened up to competition. We must consider whether it is feasible to extend this sort of regime to other parts of the local authority empire. In any case I am sure we must increase the political pressure on local authorities to introduce competition in the provision of services. Experience of the element of competition introduced into refuse collection has shown the benefits which can fall out for other authorities' own labour operations. I shall be meeting shortly with colleagues having Ministerial responsibility for various local authority services to discuss this further. It must surely be an area which could yield significant savings in both local government expenditure and manpower.

EDUCATION

Although we hope to see unemployment levels fall, (and I remain far more optimistic about that than is currently fashionable) it would obviously be unwise to plan on the assumption that we can return quickly to low levels. It is essential therefore that we should try to influence the approach of young people to the world into which they will enter, a world full of uncertainties. We want them to emerge ready and willing to make their own way in a world in which they cannot all hope to choose a long lasting career immediately; and in which they may during the course of their lives have to adapt to new environments, to acquire new skills and knowledge. We want them to be resilient and adaptable to change; and we want more of them to be self confident enough to set up their own life styles, to start their own businesses



and occupations. We want as many as possible of the less gifted to be self reliant and able to look after themselves, even if incomes are low, and able to withstand the erosion of morale that can easily happen if they find themselves for a time without work. People have to be taught to survive without relying on someone else to find them a job and home.

This requires a change in the ethos of the educational system. It will call for a radical change of attitude on the part of both the "consumers" (parents, employers etc) and the providers (local education authorities, teachers). Bringing about this change will be a slow process and it will be a difficult one. The role of the family is paramount. You already have work in hand on this.

The present statutory basis of education in England and Wales limits to a very large degree, the direct influence the Secretary of State can have on the educational system. In the performance of his statutory duties his role is mainly a reactive one. As far as what goes on in the classroom is concerned, he has to rely to a very large extent on persuasion and exhortation. The present arrangements do not allow Ministers' priorities to be put into effect; and we need to think how to do it.

At the other extreme it is possible to envisage a far greater degree of decentralisation than exists at the moment, with the responsibility for running schools and colleges taken in the communities which they serve (ie geographical areas much smaller than the present education authorities. This would certainly accord with our policy of involving parents far more in the education process.

The role of the teacher is crucial in effecting any improvement. We need to pay urgent attention to the need to improve the quality of the teacher force. This will mean taking a radical look at initial training and also ensuring that there is an adequate programme of relevant in-service training for teachers already in employment. Furthermore I think we need to seriously consider to what extent periods of in-service training should be obligatory upon all teachers. Allied to this I would wish to consider the desirability of requiring every teacher who aspires to a headship or deputy headship to demonstrate that he had adequate management training.



At the same time as improving the quality of the teacher force, we also need to look at some other factors. While the overall pupil teacher ratio may appear satisfactory, we should not forget that in certain areas, and this is certainly true in Wales, the wide variety in the size of schools leads to a distorted picture. There is clear evidence that despite an overall PTR of 18:1 in Wales there are, particularly in urban areas, far too many over-large classes in the basic subjects, English and Mathematics. Many of the less able pupils find the curriculum offered them in schools uninteresting and irrelevant. Far too frequently they are offered a watered down version of what is suitable for their more academically able colleagues. Teaching methods which are best suited to this ability range call for small teaching groups and a practical and investigative approach. Putting this right will have resource implications.

All this requires much study and thought but I believe that it is an area in which we need a major new initiative, possibly requiring significant structural change, in order to adapt to changing economic and social circumstances.

HOUSING

It is not usually necessary for me to initiate new measures in the field of Welsh housing. Generally speaking, the pattern of need is, *mutatis mutandis*, similar in England and Wales. However, I have identified one area in which I expect to take specific steps. It is the needs of the elderly occupier of private dwellings. Our recent House Condition Survey shows that 40% of the repair work, in money terms, needing to be done to homes in Wales relates to OAP householders. I am presently conducting a special survey into the problem which I hope will enable me to make proposals for helping the elderly to bring their homes up to a decent standard.

On the wider front, I hope that we shall be able to reach agreement on the points touched on in Michael Heseltine's minute to you of 10 December. I have already taken steps to ensure a greater use of capital receipts in Wales by subsuming 75%, instead of 50%, of expected housing receipts into the housing allocations. But I attach considerable importance to measures such as Michael suggests which will enable local authorities to plan their housing programmes with greater confidence and continuity than our present financial control arrangements permit.



THE HEALTH SERVICE

I look back on 1982 as a watershed in our efforts to set the NHS in Wales on the right path. Our reorganisation is taking effect and there can be no doubt that it will combine greater local responsiveness with efficiency and accountability. Building on this foundation, our efforts are now concentrated on getting better value for money. The planning, monitoring and evaluation of services is being placed on a much sounder, business-like footing.

We have to find ways for vastly improving our present arrangements for planning, designing, contracting out and supervising the building of new hospitals which at present take far too long, lead to great waste and too often produce buildings with significant structural faults or design failures.

These developments release resources for the improvement of care. We are now cutting a clear path to ensure that priority really is given to long-acknowledged priority groups. Thus, I have launched a widely welcomed strategy which promises to transform the quality of life for mentally handicapped people and their families. I propose now to develop an initiative to tackle the problem of caring for the growing numbers of very old people. I may have to take important decisions on the development of certain specialty services such as Cardio Thoracic medicine. My aim in all cases is to preserve to the maximum extent the independence and dignity of the individual.

LEISURE AND RECREATION

I attach great importance to the constructive use of leisure in this period of high unemployment, both by way of greater participation in sport and in other forms of recreation and adult education. There are a number of policies that would help to further this aim.

First, I would like to see the Sports Council for Wales (SCW) develop its initiative "Operation Sport" with the aim of encouraging unemployed people to become more involved in active sport. It would also help to get sporting activities and facilities to ordinary people, including the unemployed, in their home districts if the SCW were able to increase its help to the governing bodies of the various sports and to local clubs. I am also looking to the urban programme to make a worthwhile contribution towards the provision of recreational facilities in those areas of Wales where they are most needed. In some cases the schools can help (as some do already) by making available their swimming pools, gymnasia and other facilities out of school hours, and I intend to encourage this.



Apart from sport, one area that I would like to see further developed is the use of workshops for the encouragement and exercise of do-it-yourself and similar skills: these workshops might sometimes be in schools, colleges, factories and garages.

Adult education is another area which will, in my opinion, need to be expanded to enable the unemployed and others to develop their intellectual and other interests.

WATER

The recent decision by Michael Heseltine and myself on bulk water supply charges has met with a good deal of criticism in Wales. Although our decision was soundly based it has brought home to people once again the fact that Wales has to pay a high price for water services compared with most of England. Although Wales has such a high rainfall its water supply system is relatively expensive because of the difficult topography and the sparsity of population in much of the Principality. I have already taken measures to improve the efficiency of the Welsh Water Authority (WWA), and we will soon start to see the benefit of these measures. But however efficient the WWA becomes it will suffer from the natural disadvantages to which I have referred. I am sure that there will be increasing pressure not only from Wales but from other high-paying areas too for a new system of common charging for water throughout England and Wales, similar to the practice of the gas, electricity and telecommunications industries. It really is difficult to find completely convincing arguments for such totally different approaches to charging for services which have so much in common. It is not too soon for us to start thinking about how a more equitable system for water charges might be devised, and I have asked my Department to do some work on this, in consultation with other Departments. The Labour Party seem likely to promise such a development and, at the very least, we must decide how to respond.

I am copying this to all members of the Cabinet and to Sir Robert Armstrong.

30 December 1982

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