

SILENT EARTHQUAKES

Reforming politics from within

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1. Economic Regeneration: Facing up to Barnett

The Barnett formula, the mechanism by which Government funding is channelled into Wales, is the ultimate postcode lottery. It treats everyone the same, regardless of circumstance, wealth or relative GDP. That's why Liberal Democrats argue that a funding settlement dependent merely upon the blunt 'head count' of a census form, is an inadequate measure of redistribution for a modern devolved democracy.

What's more, we are currently the only UK-wide party to call for Barnett reform. I don't think that's much to be proud of - because, in my view, it's only common sense. It seems obvious to me that existing population-based allocations leave too many losers; whether in Wales; the North East; Merseyside or Cornwall. Even so, come the General Election it looks unlikely that either of the other main parties will, at a Westminster level, have followed suit in their manifestos.

I think that's a shame. But if the Liberal Democrats - in Government in both Scotland and Wales - at the two extremes of the Barnett divide - if *we* have found a way through to a fairer, more comprehensive settlement for the nations and regions of the UK - I am optimistic that reform cannot be far off.

Comprehensive Spending Review

Many might argue it has already begun. For, despite all the criticism levelled at the Assembly during its first year, we have seen it persuade the Treasury to give Wales its biggest ever Budget settlement. And most remarkably of all, half a billion pounds worth of Public Expenditure Cover for European structural funds - over and above the traditional Barnett Block.

Despite the sound and fury, there has been a silent earthquake in the public finances of Wales. The principle has been established - by a UK Treasury - that there *can* be a needs based augmentation of Barnett. That the previously sacred formula can be breached to ensure that our European Objective One grant is additional to core budgets, even if, as EU money, it can't be spent on baseline services like school education. This has never happened in the UK before. And largely through the pressure applied from Wales, the other Objective One regions of Merseyside, South Yorkshire and Cornwall - have benefited by a similar amount.

And, I am breaking no confidence to tell you, the successful delivery of that money is largely responsible for paving the way towards the Partnership programme that is driving Assembly policy forward as we speak.

European Structural Funds

Without it there could have been no discussion. With it, tremendous possibilities now lie ahead. For West Wales, North Wales and the Valleys through Objective One. For the East through Objectives Two and Three. What we are witnessing, is a new political institution begin to engage the poorest and most deprived communities in Wales. This is devolution working.

That's not to say there aren't many hurdles ahead before we can successfully grab hold of the opportunities currently before us, shake them by the scruff of the neck, and make them work. But once again, I'm optimistic.

We are close to completing one of the early commitments of the Partnership Agreement to urgently review the implementation arrangements for Objective One. And, when the Task group reports in a fortnight, I'm confident their conclusions will dispel the growing anxiety over the running of the programmes and establish a simplified, credible system to co-ordinate projects and action plans.

Operating Aids

What's more, we are still committed to fully exploring the potential benefits of Regional State Aid status across Wales. As many of you will know from a study published here by the IWA¹, similar provision played a significant role in the recent dramatic growth of the Irish economy. We must look at this closely if we are to make the most of the opportunities during the lifetime of the Objective 1 plan and before the enlargement of the EU eastwards begins to affect our own regional designation. And I am committed to doing that.

As many of you know, it is possible in theory, at least to reduce the level of business costs for certain sectors in the Objective 1 areas, here "operating aids" are at least tolerated by the European Commission. But to establish fiscal variations in West Wales and the Valleys we will need the support of both the European Commission and the Treasury. I was, therefore, heartened to hear the Chancellor's pledge in his recent pre-budget statement, to bring in special tax measures for the assisted areas – they may yet be an opening here: we'll see. But before the Partnership Government explores this issue further with the Treasury I am intending to go to Brussels next week to get a feel for the new Commission's attitude towards regional state aids.

Let me make it clear, this is very much a first step; My health warning is that we will need Treasury and Commission support - neither of which is ever easy to obtain. But 'fortune favours the brave'. If we do not succeed, we lose nothing. But if we are to regenerate the flagging Welsh economy – we will need to leave no stone left unturned in our quest.

2. Dynamic Partnership: Making the Assembly work for Wales

Sometimes its worth reflecting just how far we've all come over the past few years in Wales - watching the slow, relentless progress of political and social reform. Mostly it's been by stealth. In

¹ John Osmond, *The Irish Experience of Objective One: Some lessons for Wales*, June 2000

ways not always visible to the naked eye. But occasionally you hear the rumble beneath the stagnation of the status quo. The Comprehensive Spending Review was such a rumble, when, without warning Barnett began to buckle. I'm convinced there will be many more.

Even so, any modest success we may have achieved must be viewed against the backdrop of disillusion and indifference that curbs Assembly progress in the public mind. Each week, *Wales on Sunday* reminds us of the narrowness of the mandate. The Assembly round-up is called 54% - after the people in Wales who didn't bother to vote in the Assembly election last year. In 1997, less than 25% actually voted positively for devolution.

And we forget those figures at our peril. Delivering for the people of Wales is our only task; across all parties; throughout the whole Assembly. It is so obvious, it has almost become a cliché. But we can only deliver policies worth voting for, by giving people a politics worth voting for. As a Liberal Democrat, I believe that our Partnership with Labour offers that prospect.

But it is only a prospect. Partnership politics – or at least the six weeks I've known of it, can be difficult. Distinct parties, identities, ideas, individuals, being unceremoniously thrown together for the greater good. It works in theory. But in practice, it's not always pretty.

And it won't get easier. Never before have separate parties had to slog it out in General Election polls whilst working together simultaneously in government. Different manifestos; passionate differences over pensions, or tax. But working in partnership nevertheless, for health and education and for the better good of Wales.

Yet, there is this unquestionable dynamism to it all. When political cultures collide and competing philosophies vie – all within the narrow confines of government – you can't presume on anything. No-one can be taken for granted. Ideas have to be weighed; tested; brokered; developed. The potential is breathtaking.

And in the midst of this, suddenly, the Assembly itself has found a new direction; a new confidence; and a new sense of purpose. And I don't think that's just true for Liberal Democrats or our Labour colleagues. Debates are becoming clearer. Issues are being looked at deeper. The politics of it all is coming into a sharper focus. And that can only be to the good.

The Budget

Take the Budget for instance. Last year, it was a long, tortuous, drawn out process which ultimately led to the February vote of no confidence in the First Secretary. Sums of money were carved up between parties to meet the political expediency of the moment, but there wasn't the time to examine in depth what was going to be done with it in the end. There wasn't a substantive policy programme on which to build. There wasn't the direction that we elect governments to give. Nor was there much choice for anyone in the matter.

This year, a coherent three-year policy programme formed the basis of the political partnership between us Liberal Democrats and Labour. The budget could be read in the light of it. Promises could be challenged, questioned, tested. Commitments can be followed through. There is a new sense of accountability. There are expectations. And that is healthy. But above all, as a Government, we know now what must be done. And we stand or fall accordingly.

Conclusion: The silent Earthquake

Without doubt, this kind of certainty brings with it a fresh confidence. And confidence is what Wales needs more than anything else. Confidence, laced with radicalism, and tempered by realism. I've spoken of a silent earthquake. I guess what I'm talking about is the fundamental undercurrent of constitutional, social and political reform that is now well underway in across the whole of the UK. And we have the opportunity, here, now, in Wales to blaze the trail, to lead out in front - as we have done over issues like Objective One.

It is a very exciting time to be involved in politics. Grudgingly though some of it may have been, Tony Blair's shake-up of our broken, dusty, worn-out constitution will continue to reverberate for many years to come. The House of Lords; Devolution; Regionalisation; Local Government – have all begun processes of change that, once started, will not be easily brought to a halt.

And inevitably, the cracks are beginning to appear; not just in our funding systems, or the Assembly's powers, but in our civil structures, and political hegemonies. Wales is undergoing the biggest shift in its constitutional system for over 600 years. That can't happen without a fall-out. As W. B. Yeats said, 'The centre cannot hold'.

There will be reaction. The forces of conservatism are still strong within all parties. Some will rage against the earthquake. Many do not see the need for reform at all. Many do not recognise the stagnation into much of our politics has fallen; Many more, I suppose, are indifferent.

But as the cracks appear, so do the opportunities for change. The cracks in the old ways will trigger the new. Not just in politics - but in education, commerce, care. Out of the cracks come channels. And, it is through these which ongoing reform can flow. Now we have the chance to shape a new political future for a new kind of Wales.