

PO - CH/NL/717

PO/CH/NL/717

CONFIDENTIAL

(Circulate under cover and
notify REGISTRY of movement)

Begins: 22/11/83.

Ends: 24/5/84.

Chancellor's (Lawson) Papers:

Chancellor's Visit To Scotland;

May 1984.

Dunne. pr. draft
in a letter agreeing
Chancellor to re
You asked for
for no sidleys
advise.



Miss Young

SCOTTISH PARTY

CONFERENCE: INVITATION

FOR MAY 1984

It looks as if
I ought to
write for
with May 9
(if you).
[Handwritten initials]

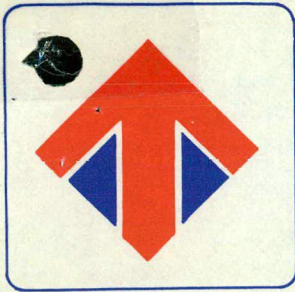
The Chancellor asked about his predecessors' record. As far as I can determine from speaking to his constituency secretary, Sir S. Howe attended every Scottish conference except one. And I recall him treating this as a pretty mandatory engagement.

As with other such requests, it is difficult to know whether the Chancellor is best advised to worsen the tradition of annual attendance (if that's what he wishes) by refusing the first invitation or ask a later one.

However, that general issue
on one side, it is worth
recalling that this Conference
will take place about 10 days
before the Euro-Election campaign
begins, & that it might well
turn out to be a useful platform
for that campaign, even if not
as good a one as the main
party conference.

On balance I would, as with
other such occasions, advise
accepting, but warning it can't
be every year & automatic.

I do not think that the seats
will be terribly improved by
a modest "precision engagement"
in the constituency, tho' one can
never tell! MR 6/12



Chairman: Sir James Goold CA FCIQB

Director: Sir Graham Macmillan

Deputy Chairman: Dr Alistair Smith CBE
Vice-Chairman: Ian Lang MP

Deputy Directors: Robert M Balfour
Peter D Smith

Scottish Conservative Party

Headquarters: 3 Chester Street, Edinburgh EH3 7RF.

Telephone: 031-226 4426

Our Ref: JDG/BL

The Rt. Hon. Nigel Lawson, M.P.,
Chancellor of the Exchequer,
Parliament Street,
London.
SW1P 3AG.

HM TREASURY - MCU	
RECD.	24 NOV 1983
ACTION	Mr Bathurst Miss Goodman Mr Makenham Mr Lord Mr Portillo
SIGNATURE	
REF No	

22nd November, 1983

Dear Mr. Lawson,

The 1984 Scottish Conservative & Unionist Association Conference will be held at Perth from Wednesday, 9th May until Friday, 11th May. It will commence on the Wednesday at 2.30 p.m. and will close with the Prime Minister's Rally on the Friday evening.

I have been asked by the S.C.U.A. President and Office Bearers to invite you to reply to one of the motions and in this connection I shall be most grateful if you would confirm that you are able to do so and let me have a note of the day and approximate time that would be most suitable to you.

I do hope that this can be arranged as I know how much those attending the Conference in Scotland appreciate your presence and hearing what you have to say.

Kind regards.

Yours ever,
James Goold

James Goold

*Chancellor
You have a
spkng engagement
on 11th in
E. midlands
(pprs attached).
You are free on
9th + 10th but not
good days for
trip to
Scotland?*

[Red scribbled-out text]

*I address this
letter to you, &
let you to miss
this yr (give no
commitment on 11th).
Pss check 1st with
Mr Ridley re Spkng's
track record.
M*

Mr Ridley
Advice please re
CH (EX)'S guests

cc Mr Bathrell
Miss Goodman
Mr Makeham
Mr Ridley
Mr Lord
Mr Portillo



9/5.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 December 1983

Sir James Goold CA FCIQB
Chairman
Scottish Conservative Party
3 Chester Street
EDINBURGH
EH3 7RF

John Lord

I am sorry to have been slow to reply to your letter of 22 November about the Conference in Perth in May.

I should be delighted to accept the President's invitation to reply to one of the motions. The best timing for me would be the afternoon of 9 May.

John Lord
Nigel Lawson

NIGEL LAWSON

Scottish Conservative & Unionist Association



Headquarters: 3 Chester Street,
Edinburgh EH3 7RF
Telephone: 031-226 4426

President:
Mr D. O. G. Maclean
Vice-Presidents:
Mrs J. M. Dalgleish, J.P.
Mr I. A. McCrone
Secretary:
Miss Ann C. Hay

The Rt Hon Nigel Lawson MP
11 Downing Street
London

HM TREASURY - MCU	
No.	29 MAR 1984
Name	Mr Portillo
Address	
City	
Postcode	
Telephone	
Notes	

27 March 1984

Dear Nigel

Thank you so much for agreeing to attend the Annual Conference of SCUA in Perth City Hall in May and for your agreement to reply to a debate.

The details of the debate on Economic Policy and Taxation are as follows:

Date - Wednesday 9 May

Time - 3.00 pm

Motion - "Whilst congratulating HM Government in general and the Chancellor of the Exchequer in particular on recently producing a powerful Budget which should sustain economic recovery well into the lifetime of this Parliament, this Conference urges the Chancellor to consider reducing the current high level of subsidies payable to nationalised industries in order that those monies saved can be utilised in Health, Education and Tax Cuts."

Proposer - Mr John Campbell, Livingston Conservative Association

Reply Speech - 15 - 20 minutes

My colleague, Peter Smith, Deputy Director of the Scottish Conservative Party will be in touch with you shortly concerning travel arrangements.

Meantime, may I thank you again and say how much we are looking forward to seeing and hearing you on 9 May.

Yours sincerely

Ann C Hay (Miss)

GOOD NEWS SCOTLAND
SUMMARY - APRIL 1984

1. Since 1 April Scottish based companies have published export orders totalling £35.6 million and have announced contracts or investments amounting to £84 million for work to be undertaken in Scotland.

2. Projects promising 1789 new jobs were announced during this period as follows:

Manufacturing and services jobs within 2-3 years	989
Further manufacturing and services jobs within 5 years	500
Construction jobs within 2-3 years	300
	<hr/>
Total	1,789
	<hr/>
Jobs Safeguarded	500

3. Item No 1 NCR at Dundee has not been included in this month's totals as the precise value of the contract allocated to the Dundee company has not been disclosed.

4. Cumulative figures from 1 January to 31 April now stand as follows:

Export Orders	£163.5 million
Contracts/Investments	£610.5 million
Jobs promised within 2/3 years	5,191
Further jobs promised within 5 years	2,772
Jobs safeguarded	2,700

GOOD NEWS INDEX

COMPANY

LOCATION

(Manufacturing and Service Industry)

1. NCR	Dundee
2. John Brown Engineering	Clydebank
3. British Aerospace	Prestwick
4. Integrated Power Semiconductors	Livingston
5. Terex	Newhouse
6. Comex Holder	Aberdeen
7. Aoc International	Aberdeen
8. Volvo	Irvine
8. Walter Alexander	Falkirk
9. Joy Manufacturing	East Kilbride
10. A C (Scotland)	Glasgow
11. Sangamo Controls	Port Glasgow
12. Templeton Supermarket	Fife
13. BMK Ltd	Kilmarnock
14. A I Welders	Inverness
15. Babcock Power	Renfrew
16. Ferguson-Ailsa	Port Glasgow
17. Business Centre	Coatbridge
18. Scomag Hydraulic	Bellshill
19. Webco Industrial Rubber	Aberdeen
20. Linn Products	Glasgow
21. Nuclear Enterprises	Edinburgh
22. William Baird	Scotland
23. High Technology Industrial Engineering	Leven
24. Various	Wishaw
25. Fish Processing plant	Shetland

Construction

26. Robert McAlpine & Sons	Scotland
27. Taylor Woodrow (Construction)	Scotland
28. Derek Crouch (Scotland) Ltd	Stirling
29. Balfour Beatty (Construction)	Aberdeen
30. A R Campbell (Construction) Ltd	Stirling
31. Mountleigh Homes	Scotland

GOOD NEWS NOTES

1. NCR at Dundee which produces data processing equipment is to handle a substantial part of three major orders worth more than £65m (100 million dollars) for Fellasdate and Norske Credit Bank of Norway and the ISB Group of Commercial Banks.
2. John Brown Engineering of Clydebank has won orders worth more than £28m for eight turbines for power projects in the UK, USA, Singapore, Libya and Canada.
3. British Aerospace is to invest £10m at its premises at Prestwick creating 150 new jobs. The company has also won £12m worth of orders for its Jetstream 31 light aircraft.
4. Integrated Power Semiconductors Ltd set up by a group of Californian electronics experts is to open a £15m plant at Livingston which will create around 500 new jobs by 1989. The company will be primarily involved in the design and manufacture of power control integrated circuit products.
5. Truck manufacturers Terex at Newhouse in Lanarkshire has recently won orders totalling more than £6.5m creating 140 jobs. The orders are for spare parts and machinery for companies in France, Finland, Turkey and Britain.
6. Diving company Comex Holder of Aberdeen has won contracts worth around £6m for subsea construction and inspection work on BP and Conoco's gas and oil fields.
7. Two contracts together worth more than £5m have been awarded to Aberdeen based AOC International. One contract is for the welding on the deck to the hull of Conoco's tension leg platform for the Hutton Field. The second covers inshore and offshore mechanical, structural and piping hook-up for the platform.
8. Both Volvo at Irvine and Walter Alexander at Falkirk have received orders from the Scottish Bus Group. The Volvo contract worth £500K is for chassis and the Walter Alexander contract valued at £4m is for bodywork.

9. East Kilbride mining machinery company Joy Manufacturing Company (UK) has won a £3.2m order from the National Coal Board to supply high performance equipment for Ellington Colliery at Northumberland giving continuity of work for the 200 strong workforce.
10. AC (Scotland) is to set up a £2.5m manufacturing plant in Glasgow to produce high performance specialist cars. The company is expected to create 30 new jobs.
11. Sangamo Controls of Port Glasgow which manufactures time controls systems is to invest £2m in the production of fully electronic timeswitches.
12. Templeton's is to open a new supermarket costing £1.5m at Cupar in Fife, creating 40 new jobs.
13. BMK Ltd, carpet manufacturers at Kilmarnock in Ayrshire, has won orders worth more than £500K over the last two months and repurchased factory premises sold to the Scottish Development Agency in 1981. The company has recently invested around £830K in its present premises providing job security for its 300 strong workforce.
14. AI Welders of Inverness has announced a £1.1m offer for a large flash-welding machine which Davy McKee (Poole) are supplying for a major steel-rolling mill in Yugoslavia.
15. Babcock Power at Renfrew has won a £1m contract to develop ultrasonic equipment which will be used to test forgings on the reactor pressure vessel for the proposed nuclear plant at Sizewell in Suffolk.
16. Shetland Islands Council has awarded a £800K contract for a ferry to Ferguson-Ailsa the Port Glasgow shipyard.
17. A £750K Business Centre is to be built at Coatbridge in Lanarkshire creating around 60 new jobs early next year.
18. Scomag Hydraulic of Bellshill in Lanarkshire has won two contracts worth £500K for two shape control machines for the Welsh tinsplate industry and two heave compensation systems for position control of remotely operated vehicles working in the North Sea. 12 new jobs will be created.

19. Aberdeen based Webco Industrial Rubber is to expand by opening a new factory at Ellon investing £500K. The expansion is based on a new inhouse thermal insulation for subsea pipelines. 50 new jobs will be created early next year.
20. Hi-fi manufacturers Linn Products has opened a £500K plant in Glasgow as an interim development which will eventually be superseded by a multi-million pound investment in a greenfield site outside the city.
21. Nuclear Enterprises of Edinburgh has been awarded a £300K contract to produce five large plastic domes capable of detecting the distant and ancient space radiation as part of a £100m joint Europe and USA space observatory.
22. Textile company William Baird is to create a further 300 new jobs within its five manufacturing units in Scotland over the next two years. This is a result of substantial capital investment.
23. High Technology Industrial Engineering a specialist offshore fabrication company has announced plans to create 100 new jobs at its premises in Leven, Fife over the next three years.
24. Ninety jobs are to be created at Netherton Industrial Estate, Wishaw by the clothing company Clifford Williams and several small businesses.
25. A fish processing plant at Yell in Shetland is to re-open creating 17 jobs.
26. Robert McAlpine and Sons Scotland has won a contract worth £11m for the construction of the new Royal Scottish Academy of Music and Drama in Glasgow.
27. Taylor Woodrow Construction (Scotland) has been awarded a £2.2m contract by Blue Circle Leasing for work on a new plant at Dunbar Cement Works, East Lothian.
28. Building firm Derek Crouch (Scotland) Ltd at Stirling has won orders worth around £1.8m for sheltered housing at Greenock and for converting the former Loch Lomond Hotel at Balloch into flats.

29. The Aberdeen office of Balfour Beatty Construction has won two contracts for work in North-East Scotland worth more than £1.13m. The first valued at 73K is for the construction of a reinforced concrete tank and inlet works for part of a sewage system for Grampian Regional Council and the second worth £40,715 is for the construction of a footbridge at Aberdeen Airport.

30. A R Campbell (Construction) of Stirling has been awarded a £215K contract for extension work to be carried out at Strathcarron Hospice at Denny.

31. Housebuilding developers Mountleigh Homes is to create between 200 and 300 jobs over the next two years due to its first house building venture in Scotland.

FROM : M D X PORTILLO
DATE : 9 APRIL 1984

CHANCELLOR

cc Mr Hall
Miss D Young

PARTY ENGAGEMENTS

1. SURREY BY-ELECTION

The only thing that you can do is to address a meeting in Surrey on the evening of Tuesday 1 May. Your schedule makes it impossible for you to do the Press Conference the following morning and I have told Central Office accordingly.

*Anglo-Gore
Summit
on 2nd May*

2. SCOTLAND 9 MAY

If, in addition to addressing the Conference at 3pm you wish to address the meeting of the Institute of Directors, you have two main options:

- a) to make it a lunchtime meeting, or
- b) to address the IOD in the evening

3. Under a) your schedule might be:

	08.10	Depart Heathrow
or		
	08.40	Depart Gatwick
	09.20	
or		
	10.00	Arrive Edinburgh
Approx	<u>11.00</u>	<u>Arrive Dundee</u>
		<u>Interviews with Grampian TV and BBC Radio</u>
	12.00	Lunch with IOD
	2.10	Depart Dundee
	2.50	Arrive Perth: address Party Conference
for	3.00	
	4.15	Depart Perth for Edinburgh and return flight to London

4. Under b) you would leave London later, address the IOD in the evening, drive to Edinburgh, stay the night and take the 07.10 plane to London on Thursday morning.

5. I recommend course a). It has the slight disadvantage that you have not much time to unwind between your two speeches. But the IOD would be happy for you to speak at 12pm, take questions and then have lunch, if that would help.

6. It would be very helpful to have your approval of this proposal before you leave for Washington.

A handwritten signature in black ink, consisting of stylized initials 'M D X' followed by a large, sweeping flourish that loops back to the left.

M D X PORTILLO

PS
X depends on the content
of the rest of the programme.
CO1 Scotland do a pretty
competent job if you don't
take my successor or
someone from DT. *MAY 10/4*

CHANCELLOR

PS Having seen MDXP's
entire minute I don't
see any point in taking
a pen form from here.

FROM : M D X PORTILLO
DATE : 10 APRIL 1984

cc Mr Hall
Miss Young

Mom
(initials)

(scribble)

SCOTLAND 9 MAY

David Peretz asked me to explain the background to the invitation to address the Institute of Directors in Dundee. You may recall that since you were in any case making the journey to Scotland, we offered Central Office the opportunity to make full use of the day. It was they who suggested the Institute of Directors. It is a bit odd since it is not a party function. On the other hand, Dundee is a troubled city which does not often see a senior Cabinet Minister. It has a far left-wing council and has suffered from the decline of the jam and jute industries. There has been industrial sabotage at Timex which resulted in the valuable Nimslo camera project being taken elsewhere. On the other hand, the NCR factory there has been declared the most efficient NCR plant in the world by its parent company. In summary, it is an interesting city politically and industrially, so that even if the speech is not a party political one, there is likely to be political benefit from the visit.

X { 2. I suppose that would leave open the question of whether you would want to do your press release on Treasury paper and whether you would wish to have a Press Officer or Private Secretary with you. (I was planning to accompany you myself in any case).

(Signature)

M D X PORTILLO



FROM: DAVID PERETZ

DATE: 11 April 1984

cc Mr Hall
Miss O'Mara
Miss Young

9/5

MR PORTILLO

SCOTLAND 9 MAY

As I mentioned, the Chancellor has seen and reacted to your minutes of 9 and 10 April.

2. He thinks it would be better to do the Perth address first, then the radio/TV interviews, then speak to the Institute of Directors in the evening. He would then return to London first thing on the morning of 10 May. Could you let the Chancellor see a revised schedule on this basis?
3. He thinks that two press releases on the same day would be pointless, and will therefore speak to the Institute of Directors "off the cuff", with no release.
4. Miss O'Mara has agreed to accompany the Chancellor (together with yourself) for this trip.

DLCP

D L C PERETZ

J.P. McKersien
Chairman
Wright Dental Group
Sunman Ave
Dundee

038288371
Mrs Mackintosh

C
Please see attached
comment from
Mr Portillo.
I think we
will have to go
back to Hotel Optica to get
you back to harday in
time for 9.30 on ty
Wed.



~~Mr. McPherson~~
~~Mr. McPherson~~
~~Mr. McPherson~~

Re attached, Mr. McPherson insists that he can put everybody up at his home as he has 6 bedrooms. The hotels in Dundee are not v. good.

He said it would be a pleasure to have you stay.

Would you still prefer Hotel?

⇒ Donna

Done.
But we can change for dinner at his house.

Mr. Portillo will speak to him to decline.

cc Mrs Lawson 0382 88371

(Mrs Mackintosh)



C

Hotel, p^{ost},
if not too
inconvenient. I will
ask Mrs if
she wishes to
come too.

9 MAY

You have agreed to
spk at Institute of Directors'
Dinner in Dundee.

It will be a Black
Tie occasion, 7.30pm for
8.00pm.

You are planning to
fly back to London
the next morning &
they wonder whether you
want to stay in a Hotel
or with Mr J.P. McPherson
(one of the organisers) who is
Chairman of the Wight
Central Group.

They also wonder

Whether Mrs Lawson
would like to attend.

As this follows
an hour Scottish Party
Conf' speech, Mrs L would
prob' go to that too if
accepted 1 of D?

W

M O M

cc Miss Young.

We shall want to stay at the Royal Scot in Edin - nearest to airport, and so must decline kind offer of hospitality.

Mr Hardy of 10 D will drive us down

Mylnefield House
Invergowrie
Dundee DD2 5EH

Telephone
Longforgan (082-622) 360

The Rt. Hon. Nigel Lawson, Q.C.
11 Downing Street,
London.

HM TREASURY - MCO
D. 16 APR 1984

12th April, 1984.

Mr Battershall
Mr Maceham
/ Mr Portillo

N.B.

The Chancellor has a mtg at No 10 at 9.30 am

Dear Mr Lawson, Institute of Directors

May I say how delighted I am that you have very generously agreed to address our members and their ladies on the evening of May 9 in the Invercarse hotel, Dundee.

I very much look forward to the pleasure of meeting you and Mrs. Lawson at what, I am sure, will prove a most happy and memorable occasion.

Your secretary has explained that you must be in London the following morning to attend a Cabinet meeting. This presents no problem. You have the choice of either taking the early morning flight from Dundee at 7 a.m. (arriving Heathrow 9.30 a.m.), or the first shuttle from Edinburgh, which is only a matter of a fifty minute drive from our home. Whichever suits you better, we shall be delighted to motor you to the airport.

In recent years, in my capacity as chairman of the Institute of Directors Tayside Committee, my wife and I have had the pleasure of having a number of distinguished statesmen as our guests. We very much hope that we may have the delight of welcoming Mrs. Lawson and you on May 9.

Yours sincerely,

J. P. McPherson.

No MSL

Many thanks.
Scottish
As for Stafford, I think to go there
by train, & get a box (or 5) up in time
I would like to see you @ the end of the night &
I'll see you on the journey. I can look on
it/then on the journey.

FROM : M D X PORTILLO
DATE : 12 APRIL 1984

CHANCELLOR

cc Miss Young

STAFFORD AND SCOTLAND

Stafford by-election: Tuesday 17 April

You will be addressing a meeting in the centre of Stafford at 8pm. There is a convenient train at 17.00 arriving 18.34. But there are no trains to enable you to return to London that evening. There are good trains in the morning (arriving 9.18 and 9.42) but I imagine that you will not wish to stay in Stafford overnight.

2. It looks as though the best thing will be to go up either by train or car, and to return by car. If you travel by official car, we could arrange for you to transfer on arrival in Stafford into a party car, so that you would not arrive at the hall in the official car. Alternatively, I could drive you to Stafford (or simply bring you back if you prefer to travel up by train). I drive a comfortable car, with the single disadvantage that it does not have a reading lamp in the back. I would be very willing to act as chauffeur.

Scotland : 9 May

3. I have confirmed to the Dundee Institute of Directors that you will speak there in the evening. Your programme should now look something like this:

- 11.10 Depart Heathrow BA
- 12.20 Arrive Edinburgh - commence drive to Perth
- 13.45 Arrive Perth
- 15.00 Economic Debate
- 16.15 Depart Perth for Dundee
- 17.00 Arrive Dundee: television and radio
- 19.30 for 20.00 IOD Dinner
- After Dinner drive to Edinburgh

following morning

- 07.10 Depart Edinburgh BA or BMA
- 08.20 Arrive London Heathrow



cc Mr Hall
Mr Portillo
Miss Young
→

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

16 April 1984

E S Gowans Esq
Private Secretary to the
Secretary of State for Scotland

Dear Eddie,

THE CHANCELLOR'S VISIT TO SCOTLAND: 9 MAY

The Chancellor will be travelling to Scotland on 9 May to address the Party Conference in Perth and the Institute of Directors in Dundee in the evening. I should be most grateful if you could provide us with some background briefing on the Scottish scene on which the Chancellor might draw for his speaking engagement in Dundee in particular. It would be most helpful if this could reach us by Wednesday 2 May.

*Yours sincerely,
Margaret O'Mara*

MISS M O'MARA
Private Secretary



FROM: MISS M O'MARA

DATE: 16 April 1984

cc Miss Young

Handwritten initials

MR PORTILLO

STAFFORD AND SCOTLAND

The Chancellor was grateful for your minute of 12 April.

2. He is content with the revised Scottish programme. As far as the Stafford visit is concerned, he would like to travel to Stafford by train and return by official car so that he can work on his boxes. I should be grateful if Miss Young would discuss the details with Miss Ash.

mom

MISS M O'MARA



FROM: MISS M O'MARA

DATE: 16 April 1984

cc Miss Young



MR PORTILLO

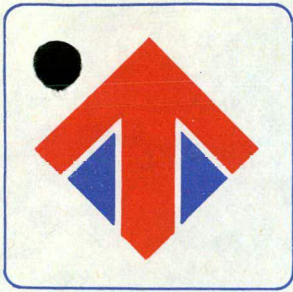
STAFFORD AND SCOTLAND

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MOM

MISS M O'MARA



Chairman: Sir James Goold CA FCIQB

Director: Sir Graham Macmillan

Deputy Chairman: Dr Alistair Smith CBE

Deputy Directors: Robert M Balfour

Vice-Chairman: Ian Lang MP

Peter D Smith

Scottish Conservative Party

Headquarters: 3 Chester Street, Edinburgh EH3 7BE

Telephone: 031-226 4426

24 April 1984

The Rt Hon Nigel Lawson MP
11 Downing Street
LONDON SW1

Dear Mr Lawson

I am writing to confirm the arrangements for your trip to Scotland on Wednesday 9th May, which I have already discussed with Mr Portillo.

I understand that you arrive at Edinburgh Airport at 12.20 hours on the British Airways Shuttle. We will arrange a car to take you, Mr Portillo and your Secretary direct to the Station Hotel, Perth where you can have lunch. The journey time is less than one hour.

Your transport from the hotel to the Conference Hall is provided by the SCUA and the motion you will be replying to will commence around 3.00 pm. The wording of the motion has already been sent to you.

After your reply, we will arrange transport to take you to the home of Mr Patrick McPherson, Chairman of the Dundee Institute of Directors. You should arrive at his home, Milnfield House, Invergowrie, around 5.00 pm.

Representatives of the media will be present and it is hoped that you will give interviews to the press and local radio, etc.

You will then have ample time to freshen up before going on to the Institute of Directors' Dinner in the Invercarse Hotel, Ninewells. The timing there is 7.15 for 7.45 pm.

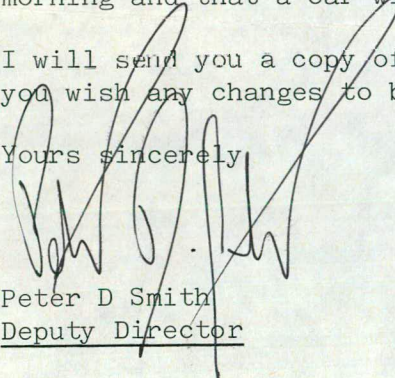
Transport to the dinner will be provided by Mr McPherson.

After the dinner, Mr Donald Hardie, Director of the Scottish Institute of Directors, will provide transport to take you to the Royal Scot Hotel, Edinburgh, where you will stay overnight.

I understand from Mr Portillo that you will leave by an early shuttle on Thursday morning and that a car will probably be provided by the Government car pool.

I will send you a copy of the programme, typed up, but if there are any queries, or you wish any changes to be made, I would be grateful if you could let me know.

Yours sincerely


Peter D Smith
Deputy Director

HM TREASURY - MCO	
30 APR 1984	
ACTION	Mr Battisill
	Mr Mackenzie
	Mr Portillo

Scottish Conservative & Unionist Association



Headquarters: 3 Chester Street,
Edinburgh EH3 7RF
Telephone: 031-226 4426

President:
Mr D. O. G. Maclean
Vice-Presidents:
Mrs J. M. Dalgleish, J.P.
Mr I. A. McCrone
Secretary:
Miss Ann C. Hay

The Rt Hon Nigel Lawson MP
11 Downing Street
London
SW1

25 April 1984

Dear Nigel

I enclose herewith a copy of the Handbook for the Annual Conference of the Scottish Conservative and Unionist Association.

I understand my colleague, Peter Smith has contacted you about your travelling arrangements.

We are looking forward to seeing and hearing you on 9 May.

Yours sincerely

Ann C. Hay (Miss)

pmf

FROM : M D X PORTILLO
DATE : 27 APRIL 1984

PS/CHANCELLOR

cc PS/CST
PS/FST
Mr Ridley
Mr Lord

SCOTTISH CONSERVATIVE PARTY CONFERENCE : 9 MAY

We are blessed this year with an excellent motion which reads:

"Whilst congratulating HM Government in general and the Chancellor of the Exchequer in particular on recently producing a powerful Budget which should sustain economic recovery well into the lifetime of this Parliament, this Conference urges the Chancellor to consider reducing the current high level of subsidies payable to nationalised industries in order that those monies saved can be utilised in Health, Education and Tax Cuts".

2. This gives the Chancellor a valuable opportunity to explore the theme of public expenditure, with emphasis on the cost of support to industry and the need for value for money in health and education.

3. In the attached outline I propose that he should stick closely to the motion. Since he has only 15-20 minutes, the final text, if it follows this outline, will need to be tightly written.

4. This speech could prove to be of great public interest and political value. What the Chancellor says on nationalised industries could be important background to the miners' dispute. His comments on public expenditure could give a boost to the green paper which has been somewhat lost from sight. His comments on health and education could put across important messages about value for money and provision outside the state system. And this could be an opportunity

to lay down a marker for the PES round and enlist the support of the party for the fight to hold public expenditure steady.

5. If the Chancellor agrees with this, I hope that you will commission the best available figures to make the points in sections four and five and seek officials' advice on the best way to present some of the messages.

6. If the speech is to get attention, it needs to be distributed in London as well as Scotland, and probably the day before. That would mean being well ahead by the end of next week. I shall be happy to produce a draft on Monday.

A handwritten signature in blue ink, consisting of a large, stylized 'M' followed by 'D X' and a period.

M D X PORTILLO

OUTLINE OF CHANCELLOR'S SPEECH AT SCOTTISH
CONSERVATIVE PARTY CONFERENCE

1. Introduction

Pleasure of being in Scotland.

Excellent motion moved by Mr John Campbell.

2. The Budget

Building on our strategy since 1979. And building on
our success: inflation down to 5% and growth.

Two themes were to continue to reduce inflation.
And a series of tax reforms to simplify the system
and make the economy work better. High level of
unemployment shows the need to make it work better.

Personal tax changes to take people out of paying
income tax and make it more worthwhile to find a
job, work harder or get a better job.

Company tax changes to encourage British business
to put its money into genuinely profitable projects.
Britain's poor investment/profitability record
on any measure.

3. Public spending

Budget and Green Paper focus attention on government
spending. Our failure to control it in the past

a vital element in our economic misfortunes: in inflation, interest rates, poor investment performance, heavy burden of taxation, in depressing incentives and in unemployment. Absolutely essential that we hold it in check now.

Fortunately, no need to cut overall level. With growth, there will be room for tax cuts if we can just hold it steady. Not that that will be easy: inevitable rises must be balanced by reductions elsewhere. If we fail to hold it, growth will be put in doubt, tax cuts will not occur.

Now that we are in recovery, this is no time to be lax about government expenditure. Many will try to persuade us to let it creep up again. Essential to resist.

4. Nationalised industries

Mr Campbell absolutely right to call attention to the level of subsidies. Extraordinary sums of money involved. For example, BR receiving nearly £1 billion from government to cover its losses. British Steel £275 million. BS £175 million. NCB £1100 million. Those subsidies alone enough to cut income tax by 2p and raise thresholds by £x taking y people out of tax, and reducing tax bill for most people by £z per week.

But that is not all. Government spent £1600 million last year on various aids to industry through DTI budget. And since 1978-79 has provided BL with over £1600 million in subsidies.

Very important to remember this when people urge government to spend money on British industry. It all has to come from somewhere: and it adds to taxes, to problems of private sector trying to borrow and can add to inflationary pressure.

5. Government policy

To back managements in putting things on an economic and commercial basis: British Steel, BL, process underway at BS. [This is the issue in the miners' dispute].

Also to privatise, introduce competition. Remarkable successes at National Freight. Better for taxpayer, better for management and workforce, better for customer, and better for jobs too.

6. Education and Health

Mr Campbell wants to see more spent on them. Certainly we all want higher standards in both. And as economy grows, and people have more, natural that they should want to spend more on health and their children.

But two important questions. First, do we need to see that extra spent through the state? Second, what the state does spend must be spent effectively. We must look for better ways of providing what parents and patients want.

Mr Campbell wants to see tax cuts - quite rightly. But just as important to control government spending in education and health and to obtain value for money as in ni's. But essential to allow people freedom too to make their own additional or alternative arrangements.

7. Conclusion

Motion rightly identifies crucial issue of appropriate level of public expenditure. Critical debate stimulated by government green paper. Aim is not to reduce standards, but to build on success, continue growth - and after a period of restraint there will then be chance of modest increase in spending without damage.

Need to enlist party in great cause. Your support essential.



ppp

FROM: MISS M O'MARA
DATE: 1 May 1984

Mr Grimstone
Mr Aaronson

cc Mr Allen
Mr Folger
Mr Norgrove
Mr Portillo

SCOTTISH PARTY CONFERENCE: WEDNESDAY 9 MAY

... I attach an extract from the outline of the speech the Chancellor will be giving at the Scottish Party Conference next week. I should be grateful if Mr Aaronson could fill in the gaps in Section 4 and if Mr Grimstone could suggest some telling examples to include in Section 5.

2. Could this material reach me by close of play tomorrow, if possible.

mom

MISS M O'MARA

a vital element in our economic misfortunes: in inflation, interest rates, poor investment performance, heavy burden of taxation, in depressing incentives and in unemployment. Absolutely essential that we hold it in check now.

Fortunately, no need to cut overall level. With growth, there will be room for tax cuts if we can just hold it steady. Not that that will be easy: inevitable rises must be balanced by reductions elsewhere. If we fail to hold it, growth will be put in doubt, tax cuts will not occur.

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FROM: MISS D YOUNG
DATE: 1 MAY 1984

Miss S Lyons

cc Mr Portillo

I would be grateful if, as discussed, you would book tickets for the Chancellor, Miss O'Mara and Mr Portillo on the 11.10 am flight from Heathrow to Edinburgh on 9 May and on the 07.10 am flight from Edinburgh to London on 10 May.

2. This trip involves a Party engagement and an official engagement. The cost of Mr Portillo's tickets will be reimbursed by Conservative Central Office.

A handwritten signature in cursive script, appearing to read 'D Young'.

Miss D Young
Assistant Private Secretary



PS. Ask some notes
for
Speech
Unit
head

C

The Whips say
you may stick to the
planned programme
(see below), despite
the 3-line whips
provided you don't
tell any colleagues
that this has been
agreed!

sequences
for
M.

HCP

for
M.

^c
This isn't yet a final
form but as we lose
Monday next week, you
may like to glance how to
see whether it's on the
right lines.

MOM
3/5

FROM : M D X PORTILLO
DATE : 3 MAY 1984

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State
PS/Economic Secretary
Mr Monger
Mr Scholar
Mr Battishill
Mr Culpin
Mr Wilson
Mr Bell-Berry
Mr Grimstone
Mr Robson
Mr Folger
Mr Makeham
Mr Ridley
Mr Lord

SCOTTISH CONSERVATIVE PARTY CONFERENCE : 9 MAY

I attach a first full draft. I am asking copy recipients to send me
comments by 3.30pm Friday 4 May. I am grateful for the contributions
already made.

M D X
M D X PORTILLO

CHANCELLOR'S SPEECH TO THE SCOTTISH CONSERVATIVE PARTY
CONFERENCE: 9 MAY

Mr Chairman, as I came into the hall just now I was forcibly reminded of the fact that I was in Scotland by the sight of a man wearing a kilt. And that in turn reminded me of the old saying. When you see a man in London wearing a kilt, he is assumed to be a Scotsman. When you see a man in Edinburgh wearing a kilt, he is assumed to be a Highlander. But when you see a man in Perth wearing a kilt, he is assumed to be an American.

It would give me pleasure at any time to be in Scotland, but particularly to come to reply to such a very excellent motion. Excellent not merely because it congratulates Her Majesty's Government and the Chancellor of the Exchequer in particular, but excellent too because it addresses our attention to some of the key issues of economic policy and confronts us squarely with the choices we must make. Mr Campbell, who to judge by his name would qualify to wear the tartan, showed a remarkable mastery of his subject in his energetic opening speech.

Economic
successes

He was kind enough to mention the Budget. That Budget was firmly in line with the strategy that we have been pursuing consistently since 1979. We have resisted every invitation to abandon our policies, chuck them away and throw in the towel before they had even been given a chance to work. Time and again we were told that our policies could not work. We were told that we could not bring down inflation, the way

that we were going. But we did. And then we were told that even if we brought down inflation, it would be at the cost of perpetual decline and recession. I remember the expression used: "a self-perpetuating downward spiral".

In Spring 1981, 364 economists got together to write a letter to the Times saying that our policies could not succeed. And that was remarkable in itself, because never had it been known for so many economists to agree on anything. And when they did agree in such large numbers, they got it wrong. No sooner was the ink dry on their letter than the economy began to recover: hesitantly at first, then more and more strongly.

When we had inflation down and growth in the economy, we were told it could not last. Mr Hattersley predicted at the time of the last election that inflation would be 10 per cent at the end of 1983. He was just 100% wrong, which is about his average.

So it was a Budget that built on our success. Inflation is now down to around 5%. And at the same time the economy is still growing strongly. Last year our rate of economic growth put us at the very top of the Common Market league table. This year we shall be at or near the top again. Britain has not enjoyed low inflation and steady growth at the same time since the 1960s. Today we do enjoy them together, and that is a winning combination.

There are many other signs of success too, and a great deal of good news about the economy. The balance of payments is healthy. Productivity has improved year by year. Britain has moved firmly into the computer age, so much so that we have already passed Germany in the use of microchips. We now have the fastest growing integrated circuit industry in Europe. [And a lot of it here in Scotland]?

Some of our industries are doing particularly well after years in the doldrums. Britain's car production was above the one million mark last year for the first time since 1979. And the house building figures for the private sector were the best for 10 years.

Obviously what we all most want now is for more people to be able to get a job. There are some hopeful signs there too. The number of people in work has risen, after falling steadily for years. Between March and December last year, 200,000 new jobs were created. And the number of people working in the service industries - that's everyone from barmaids to computer programmers - rose by well over a quarter of a million.

But the present terribly high level of unemployment shows that our economy could still work better - much better. And we must do better still on inflation. My aim is to achieve stable prices.

The Budget

So the two themes of my Budget were to continue to reduce inflation. And to introduce a series of tax reforms to make our system simpler and so help the economy to work better.

Maintaining the fight against inflation - that had to be my first priority. That means keeping firm control on Government borrowing, spending and the money supply. These needs came first, and that left me very little money to give away, that is to use to cut taxation. But we did what we could, by pushing up the personal tax allowances, allowing people to earn more before they pay income tax. The changes we made took no fewer than 850,000 people out of tax - 100,000 of those are widows. Most married couples will be at least £2 a week better off. Those in work will keep more of what they earn. And for those out of work there is more incentive to find a job.

We made a lot of important changes to company taxation too. I was concerned that British business was not putting its money into projects that earned good profits. On any measure British companies get a worse return on their investment in new projects than their competitors in France, Germany or the USA - let alone Japan. I am sure that that was partly because the old tax rules seemed to encourage companies to put their money where it would save tax, and not where it would truly make the best profit. Our new tax system will give companies smaller tax subsidies, but it will also tax their profits at a much lower rate. Those profits are what provide growth, and growth can bring new jobs to our economy.

And just to help those jobs on their way, we also abolished Labour's hated tax on jobs - the National Insurance Surcharge

That means that it will be cheaper for British companies to take on more employees. It was a nasty little tax, and I am proud that we have got rid of it at last.

Public spending

As I have said, our economic prospects today are better than they have been for a very long time. But that does not mean that Britain is in the clear, and that we can relax our grip. In the Budget I tried to focus peoples' minds, as Mr Campbell has done again today, on the subject of government spending. In the past, we have far too often failed in our attempts to control it. Some previous governments have forecast growth in the economy, and planned their spending, and committed the money only to find that the growth they expected did not occur. Other governments have not looked ahead at all and have not planned at all. In one way and another, for years and years, we allowed the amount that the government was spending to creep inexorably upwards. Twenty years ago public expenditure - the whole lot of it - came to about £10 billion. Today it stands at about £140 billion. Now, of course, there has been a lot of inflation in between, but even taking account of that we spend today twice as much as we did in the middle-1960s. And as a proportion of our national output, the rise in government spending has been almost as dramatic.

During our five years of office, we have struggled to contain this monster. And now we do indeed have it under control.

Last year we halted the rise and succeeded in our objective of holding government spending steady. As a proportion of our national output, public spending fell for the first time in several years.

Our bad habits of the past, our failure to control government spending over many years, has had very damaging results for our economy. High levels of spending have generally meant high levels of government borrowing, and that has pushed up interest rates and made it difficult for private industry to borrow the money that it needs to invest in the future. High levels of government spending have meant an increasing burden of taxation too. Twenty years ago a married man would start paying income tax if his earnings were just under half of the national average. Today, he pays tax if his earnings are just a third of the national average. That is why I say that there are many people paying tax today who should be free income tax altogether.

For all these reasons, we must now hold the level of government spending, after allowing for inflation, to where it is today. If we can do just that, then as the economy grows in the years ahead, we shall have the room to cut taxes. And as we cut taxes, as we take that burden off people and companies, as we give people back the incentive to work harder and give of their best, then we can expect the economy to grow faster. We shall establish, to turn the economists' gloomy phrase on its head,

we shall establish a self-perpetuating upward spiral. But, if on the other hand we fail now or stop trying, if we allow government spending once again to creep up as so often in the past, then we shall put at risk all that we have achieved, and our economic recovery may disappear like scotch mist.

Nationalised industries

Finding new ways to spend money is easy. But finding places where you can save money, that is a much more difficult proposition. Mr Campbell was absolutely right to call our attention to the level of subsidies which we are still having to pay to some of our nationalised industries. The sums of money involved are very large indeed. British Rail, for example, last year received from public funds no less than £1 billion to cover its losses. And the taxpayer paid out almost as much to the National Coal Board - no less than £900 million.

It would be wholly unrealistic to think of doing away with these subsidies altogether. One of the reasons that we support British Rail financially is that it provides a service to some rural areas which for social reasons clearly require transport of some kind. And some of the money that we pay to the coal industry is to help men in those areas where the pits are in decline and where jobs are disappearing.

But nonetheless we do well to remember just how much those subsidies are costing us. £1,900 million to the coal industry and the railways. That is equal to the revenue cost of reducing the standard rate of income tax by almost 2 pence. Think of that. Or to the cost of increasing all the main personal tax allowances by about 10%, which would enable us to take nearly a million more people out of tax, and cut the married man's tax bill by nearly £2 per week.

[And that is not all. On top of what we spend on the nationalised industries, the government gives a lot of help in the private sector too. The Department of Trade and Industry spends £1,600 million on various aids to British industry. And over the last five years we have provided another £1,600 million of finance to British Leyland.

Again there is a good case to be made for the money that we spend. But again it is right to make people aware of just how much we spend. We are always being urged to spend more on British industry. I can only say that every penny we spend has to come from somewhere, and that adds to our taxes and to the problems of the great mass of private business that wants to borrow for expansion. There is always a queue of companies looking for government handouts. But there is an even larger group - a quieter group - of British businesses that want lower taxation and the chance to make their own way in the world.]

There have been two prongs to our policy towards the nationalised industries. First, to back the managements in their efforts to put their businesses onto an economic and commercial basis, working within tight financial disciplines imposed by the Government. The process for many has been painful. [The steel industry has had to contract from 000,000 employees in 1979 to just 000,000 today. But its losses, once running at a million pounds a day, are now

British Leyland, which two years ago made a trading loss of over £300 million, last year traded profitably. The process of restructuring and contraction is well underway at British Shipbuilders.)

No-one seeks to disguise the problems that are involved in bringing our long-established nationalised industries to a position where they can stand on their own two feet. The government has a duty to help them through the difficult period of adjustment. But it also has a duty to the great mass of taxpayers who could not forever be asked to bear the cost of uneconomic activity whether in steel, ships, cars or coal.

[That is why I find the remarks of the Labour Party so hypocritical. They know that during their last term of office there were 32 pit closures - more than have occurred under this government. And that between 1964 and 1970, over 250 pits were closed with a loss of 200,000 jobs. Yet today Mr Hattersley can say that there's "very little difference at all" between Arthur Scargill and himself about "the future of the coal industry, about the need to keep pits open". It is a remark of breathtaking opportunism.]

The second prong of our policy is to introduce competition where before there has been monopoly, and to put companies back into the private sector wherever we can. The results of this programme are remarkable. It has brought benefits to the taxpayer in the subsidies that we no longer have to pay. To the management of those companies who are now able to do their job free from interference. To the workforce, who can take shares in their companies, and so benefit directly from their own efforts. And benefits to the customers, who receive a much higher standard of service from companies which are now forced to compete for the first time.

Education and Health

The motion we are discussing today, calls on us to save money in the nationalised industries and to make use of those savings in health and education and tax cuts. Like anyone else here I should like to see higher standards both in education and in health care. As our economy grows, as prosperity spreads amongst our people, and as people find that they have more to spend, it is only natural that they will demand better standards for the treatment of the sick and better standards for the education of their children.

But that raises two important points. The first is, if extra money needs to be spent, does all that money have to be channelled through the state? I think the answer to that is clearly "no". Even today, what the nation spends on health and education is a combination of money spent by government on the one hand, and by individuals on the others. These matters are so important to people that there is a very natural tendency for some, perhaps for very many, to wish to supplement what the state provides by making provision of their own, and as our prosperity increases that trend is likely to grow. It is vitally important that we defend that freedom, that freedom to choose, which is so often threatened by the Labour Party.

The second point is, we must ensure that what the state does spend - the £15,000 million that we are spending on health and the personal social services and the £12,000 million that we are spending on education - should be spent as effectively

and as efficiently as possible. It is not enough just to throw money at our schools and at our hospitals. We must constantly be on the lookout for better ways of providing the education that parents want for their children and the service that patients want from the National Health Service.

So I would say ^{to} Mr Campbell, you are quite right to seek savings wherever we can make them in the nationalised industries. And you are quite right to wish to see much of that money devoted to cutting taxation. But the government's responsibility to the taxpayer is to ensure value for money and efficiency in every penny that we spend. That rule and that duty apply just as strongly to the money that we spend on health and education as to the money that we spend on the nationalised industries.

Conclusion

The motion - and many of the excellent speeches that we have heard today in this debate - has identified what I believe will be one of the crucial political issues in the next few years: what should be the appropriate level of government spending. That debate is already well underway, and the government has done what it can to inform it and to encourage it by coming forward from its green paper on public expenditure and taxation into the 1990s.

That green paper does something which has been all too rare for British governments in the past: it looks ahead. It emphasises the need to see where our money is coming from before we decide how to spend it. And it shows that if we can exercise restraint in government spending over the years ahead, we can make real progress in reducing the burden of tax generally, and in taking those on very low incomes out of income tax altogether.

Fortunately, I do not think that we need to cut our spending. But we do need to hold it tightly and securely where it is. That in itself will be far from easy. It means that if on some things we find we need in fact to spend more, then on others we shall have to find ways of making savings, ways to spend less so that we can keep the balance.

Our economy desperately needs a few years of tight restraint, a few years in which the recovery can continue to spread and British business can keep up its improving performance.

Looking at the economy today, we have every reason to be optimistic about the future. But we have a nasty habit, we British, of spoiling things at the first signs of success; of chucking away years of toil and achievement, either because we haven't the patience to see it through, or because short-term greed gets the better of us. Now that we can see better times ahead, now that we can probably find the elbow room to reduce taxes, I just know that the Government will be

deluged with demands to spend a bit more here and a bit more there in this or that good cause.

We shall have to resist many of those pleas. It will give me no pleasure at all to do so, because there are many deserving causes on which we should all like to spend more. But we can only spend what we can afford, and if we spend more than that, we shall all be the poorer for it.

I am not saying that the Government can never spend more than it does today on the things that people want. I can imagine a day, some years from now, when our economy is strong enough to enable us to increase - moderately - what the Government spends, without putting at risk all that we have achieved. But that day is not yet. For some years we need firm restraint if we are to reap the full prize of lower taxation and a dynamic economy, capable of creating the new jobs that we all want to see.

The way ahead is still not easy. If the government is to succeed it will need your understanding, your help and your support. I call on this conference to give its backing to us, and to keep faith with us in the years ahead.

I commend the motion to the conference.

*David
You can paper
M.*

FROM : M D X PORTILLO
DATE : 3 MAY 1984

PS/CHANCELLOR

SCOTTISH CONFERENCE SPEECH

In case you show the draft to the Chancellor tonight, you might substitute the following passage for the second half of the first paragraph on page 9. I will, of course, include it in tomorrow's draft.

(A)

"The process for many has been painful, as you in Scotland know full well. The British Steel Corporation, for example, has had to reduce its manpower by over 100,000 in just 5 years. Such changes are, sadly, very necessary to enable the Corporation to compete successfully and stay in being.

At British Leyland, the company's improved performance is bearing fruit. Two years ago it made a trading loss of over £300 million. Last year it traded profitably. The process of restructuring and contraction is well underway at British Shipbuilders."

J. Smith
PP M D X PORTILLO

*Thanks.
1 Answer
pronounced.*

FROM : M D X PORTILLO
DATE : 4 MAY 1984

CHANCELLOR

cc Miss Young

INSTITUTE OF DIRECTORS DUNDEE : 9 MAY

The Whips will pronounce on Tuesday. There is no quicker way of returning than the 07.10 plane on Thursday morning. The Whips expect that voting will still be going on then. I have checked that George Younger who is exempt from attending the House is free that evening, and so might stand in for you. But I have kept that information to myself.

M D X PORTILLO

Maintaining the fight against inflation - that had to be my first priority. That means keeping firm control on Government borrowing, spending, and the money supply. These needs came first,

and the tax cuts in my Budget - at least for this year - had to be matched by increases elsewhere. But, on income tax, we did

raise the personal tax allowances by fully 12 1/2 per cent - much more than inflation - allowing people to earn more before they

pay income tax. The changes we made took no fewer than 850,000 people out of tax - 100,000 of those are widows. The

married man's allowance is now at its highest level, allowing for inflation, since the war and most married couples will be

at least £2 a week better off. Those in work will keep more of what they earn. And for those out of work there is more incentive to find a job.

Insert (A)

We made a lot of important changes to company taxation, too. I was concerned that British business was not putting its money

into projects that earned good profits. On any measure British companies have been getting a worse return on their

investment in new projects than their competitors in France, Germany or the USA - let alone Japan. I am sure that that

was partly because the old tax rules seemed to encourage companies to put their money where it would save tax, and

not where it would truly make the best pre-tax profit. Our new proposals will give companies less generous tax

allowances for investment, but in return we shall tax their profits at a much lower rate. Those profits are what provide

growth, and growth can bring new jobs to our economy.

And just to help those jobs on their way, we also abolished Labour's hated tax on jobs - the National Insurance Surcharge.

This need to reduce still further Govt borrowing in this year's Budget, any tax cuts I made had to be financed by increases in other taxes.

Government is unambiguously committed, let there be no doubt about that - means that we have to keep firm control over Govt Govt

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number

has been

I have little doubt that

Economic return. The changes

the profits they earn

the source of

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and the provision of jobs

dynamic

UNCLASSIFIED

FROM: J STUART

DATE: 8 May 1984

1. MS CONN 875
2. MR BAILLIE

cc Ms Life
float

CHANCELLOR'S VISIT TO SCOTLAND ON 9 MAY

We have no particular comments on the Scottish Office briefing you circulated on 4 May.

Regional Industrial Policy

2. The only point concerning industrial support expenditure in Scotland the Chancellor might bear in mind is the current Review of Regional Industrial Policy following the publication of the White Paper in December last year. Dundee is a Special Development Area; Perth is not an Assisted Area. It is not inconceivable that the Chancellor might be asked whether, say, Dundee is likely to retain its Assisted Area status.

3. At present the Government is still receiving comments in reply to its White Paper. If asked about it, the Chancellor can only repeat previous advice that decisions will be announced in the autumn when all the evidence has been considered.

J Stuart

J STUART



(12)

C

Mick Folger urges caution on the
pace of the recovery in Scotland
— as the brief says, latest figures
are for 1981 but Scottish office
admits the view of the Fraser of
Allander Institute that Scottish
growth may have been 2% in
1983 with a forecast of 2½%
for 1984, compared with 3% for
the UK as a whole.

MOM

875

A.2 SCOTTISH ECONOMY: RECENT DEVELOPMENTS AND SHORT-TERM PROSPECT

MAIN POSITIVE AREAS

1. Encouraging indicators

(i) January CBI Survey reported an increase in business confidence in Scotland, together with brighter prospects for output and new orders. Results were the best recorded in current phase of recovery.

(ii) Recent electronics investment announcements (Hewlett Packard, Shin-Etsu Handotai, National Semi-conductor) promise over 2,000 jobs in next four years.

(iii) Fraser of Allander Commentary (February) expects growth in Scotland to pick up to 2½ per cent in 1984 - almost matching the UK rate.

(iv) Private house starts in Scotland estimated to have increased by over 25 per cent in 1983 to highest level for five years.

(v) Total employment began to stabilise last year, and may have increased a little in the third quarter.

(vi) Placings by Jobcentres and Careers Offices have increased: 60,000 people in Scotland found jobs through these routes alone in fourth quarter of last year - 8,000 up on 1982. Total flow out of unemployment averaged over 40,000 a month throughout 1983.

2. Recent manufacturing productivity growth in Scotland has been impressive (See Background Note 4)

(i) In a period when productivity nationally has risen strongly, Scottish performance has been better. Between 1979 and 1982, the growth rate of manufacturing productivity in Scotland was running at over 4½ per cent per annum - well in excess of the trend rate of growth of around 2½ per cent during the previous decade. In the UK as a whole, manufacturing productivity grew by about 1½ per cent per annum in the 3 years up to 1982.

Manufacturing: output per employee

% change on previous year

	Scotland	UK
1979	0	+ 0.5
1980	+ 0.8	- 3.8
1981	+ 6.7	+ 3.0
1982	+ 5.9	+ 5.7

(ii) With pay settlements in Scotland having fallen in line with the UK, this better productivity performance will have been associated with a relative strengthening of the competitive position of Scottish industry - essential to a long term improvement in Scotland's economic performance.

(iii) A further indicator of performance is given by the level of productivity (GDP per employee) in manufacturing industry: in 1981 this is estimated to have been 3 per cent higher in Scotland than in the UK.

3. Labour market trends have been less severe in Scotland than in UK since 1979

(i) Net job losses in Scotland have been less than in GB due to service employment being better sustained:

	% Change	
	Sept 1979 - Sept 1983	
	Scotland	GB
<i>Employees in employment</i> Total employment	-8.4	-8.9
Manufacturing	-25.7	-22.7
Services	+1.3	-0.6

(ii) In early part of recession unemployment rate rose more quickly in Scotland, but this was offset by a lower growth in year to mid-1981. There was little change in gap between rates over the whole period to mid-1981. Since then, the underlying gap (allowing for the DHSS scheme effects) has narrowed slightly.

MAIN DEFENSIVE AREAS

4. Little sign of recovery in manufacturing

(i) Latest CBI results suggest upturn in manufacturing output is in prospect, with some increase in investment authorisations during 1984. Strength of UK recovery will be major determinant of Scottish prospects this year. Improved productivity performance will help in longer term.

(ii) Nevertheless the problems of the traditional industries - steel and shipbuilding - and low workload in parts of the oil-related sector may act as a brake on the pace of Scottish recovery in 1984.

5. Recovery lagging behind UK

(i) Improved UK growth prospect will help boost Scottish recovery, and Scotland will benefit also as stimulus of the recovery in North Sea development feeds through to activity.

(ii) Although there are some indications that recovery of output in Scotland may lag this year, this is by no means certain. Total output in the economy as a whole is likely to expand, with more modest growth in the manufacturing sector.

6. No prospect of end to rising unemployment

(i) Not practice of Governments to make forecasts of unemployment. Trend this year will depend on rate of expansion of output. Figures for first quarter were disappointing, but these followed a period of substantial improvement in unemployment in Scotland.

(ii) Longer-term outlook for unemployment depends very much on continued progress in reducing costs and improving competitiveness. Budget measures will also help to shift balance of tax system in favour of creation of new jobs.

(iii) Government concern for unemployed shown in increased resources devoted to special measures and to training: special measures currently cover over 90,000 people.

7. Job losses in Scotland remain high

(i) Redundancies in Scotland actually fell by 12,000 in 1983 to just under 37,000.

(ii) New opportunities being created all the time: (eg) placings at Job centres alone averaged about 50,000-60,000 a quarter over past year.

BACKGROUND NOTE (Not for use)

1. The notes in the Brief above emphasise the strong points in the present recovery. But particular care needs to be taken in the presentation of trends in manufacturing output, which has been less buoyant than the economy as a whole. In discussing the performance of the Scottish economy relative to the UK in 1983 and 1984, it would be unwise to suggest that Scotland is leading the UK out of recession.

2. This is borne out in particular by the latest industrial production figures for the first three quarters of 1983. These confirm that manufacturing output was particularly weak last year. Indeed, the manufacturing sector in Scotland experienced a further recession after mid-1982, with output falling by 7 per cent in the 5 quarters up to Q3 1983. This reversed the more favourable comparisons with the UK which had been evident over the 1979-82 period.

3. In their February quarterly economic commentary, the Fraser of Allander Institute suggest that the recovery in Scotland should pick up in 1984, with a growth rate of 2½ per cent, as against an estimate of under 2 per cent for 1983. Unemployment is not expected to come down, however, and growth in Scotland is expected to lag slightly behind that for the UK. This view is broadly similar to our own, and the defensive line suggested is point 5 above does not rule out the possibility of a slower Scottish recovery.

4. The productivity record in Scottish manufacturing over the past few years is highlighted in positive point No 2 above. The period of comparison chosen is particularly favourable to Scotland, although it remains true that productivity growth in Scotland has been faster than in the UK over the 5-year period between 1978 and 1983. Final figures are not yet available, but it seems likely that productivity growth over this period averaged 3% per annum in Scotland, as against 2% in the UK. The figures given in the table are based on the revised index of production for Scotland, issued in April 1984. This showed that the fall in Scottish manufacturing output since 1978 was considerably greater than had previously been thought. This revision has tended to depress previous productivity growth estimates, particularly in 1979 and 1980.

A.3 SCOTTISH ECONOMY: LONGER TERM PERFORMANCE

MAIN POSITIVE AREAS

1. Significant progress relative to UK since 1971 despite background of national economic difficulty

(i) Main indicators of economic performance have shown an improvement in Scotland relative to the UK since 1971. Population loss through net migration also significantly lower in 1971-81 than in 1961-71.

	Scotland as percentage of UK	
	1971	1981
GDP per head	93.0	98.4
Personal disposable income per head	92.6	97.4
Average earnings (male manuals)	96.9	102.3
	1961-71	1971-81
Net migration (thousands)	-326.5	-144.2

(ii) In 1971 Scotland was ranked eighth among the UK economic planning regions in terms of GDP per head of population: by 1981 Scotland had moved up to second position.

2. Adverse economic structure no longer a serious handicap in Scotland's relative economic performance

(i) Apart from the obvious benefits of North Sea oil employment, a further factor underlying Scotland's better performance relative to the UK since 1971 was that of economic structure. As a result of substantial changes in earlier decades the Scottish economy entered the 1970s with a much less adverse employment structure relative to the UK than had previously been the case; indeed in employment terms, structure in Scotland more closely resembled the national average than did that of any of the other UK regions.

3. **Regional policy and oil-related employment have both been major influences on relative performance.**

(i) Regional policy was a major influence both in the earlier restructuring of the Scottish economy up to 1970 and in the subsequent period. The gain in jobs (direct and indirect) in Scotland as a result of regional policy is estimated at around 90,000 in the period 1960-1976. Since then the flow of new jobs induced by regional policy has continued, although at a slower rate as a consequence of lower economic activity. With the overall decline in manufacturing employment affecting the jobs previously gained, however, there has been little change in the overall employment impact of regional policy.

(ii) Oil-related employment in Scotland - both direct and indirect and allowing for multiplier effects - is estimated to have grown rapidly since early 1970s to around 96-112,000 at present.

4. **Scottish share of profits in GDP generally higher than in UK during 1970s**

The share of profits within both total and manufacturing GDP was consistently higher in Scotland during the 1970s than in the UK. This was the case despite a fall in profits as a share of manufacturing GDP in response to the difficult economic circumstances of the period (see Background Note 2).

MAIN DEFENSIVE AREAS

5. **Reduction in expenditure on regional policy, slowdown in oil-related growth and cessation of faster growth in public sector employment in Scotland combine to mean a significantly worse outlook for Scotland.**

(i) Undoubtedly true that some of the factors which operated to give Scotland a more favourable performance in the 1970s will apply less strongly in the 1980s.

(ii) But on the other hand we are starting from a position of greater relative strength vis-a-vis the rest of the UK. Important that we make the most of our resources, both human and natural.

(iii) Regional policy will continue to make a contribution. Increased emphasis on selectivity helps concentrate resources on areas of greatest need: improved arrangements (LIS) ensure that we make the most of inward investment.

(iv) Expertise gained in North Sea can help oil-related firms in Scotland compete for overseas business.

(v) Public sector employment could not have kept on growing at previous rate. Imposes burden on productive sector of economy and so reduces employment opportunities in other areas.

6. **Warwick University, Cambridge Economic Policy Group and Fraser of Allander all project very high unemployment into the late 1980s.**

(i) Such projections are useful in illustrating what might happen on the continuation of current trends or on the basis of stated assumptions.

(ii) But much can happen to bring about different results. In the UK we cannot control developments in the world economy, but we can improve our productivity performance, and low wage settlements would considerably enhance our competitive position.

(iii) Must accept that world economic conditions are unlikely to return to the rapid growth of the 1960s and it will therefore be difficult to reduce unemployment rapidly. All the more imperative that we put our own house in order.

7. **Warwick projects relatively better Scottish performance than rest of UK, Cambridge worse.**

Forecasts will vary according to assumptions made. Outcome in Scotland will be determined by our actual performance and the extent to which we succeed in matching productivity performance elsewhere and taking advantage of general opportunities.

8. **Transport costs and peripherality pose a particular problem for Scotland**

(i) Stupid to deny the facts of our economic geography, but equally it would be wrong to over-emphasise it. Transport costs are important in particular cases, but

studies tend to show that they do not impose a significantly heavy differential burden overall on Scottish industry.

(ii) It is also the case that the structure of Scottish industry as it has developed through time will have reflected location.

9. **Scottish economy exposed to loss of its industrial base as a result of overseas control.**

Wrong to interpret closures in recent years as being indicative of a poor performance by overseas-owned plants. These have made an important contribution in the past and

- employment record subsequent to opening of overseas-owned plants has generally been superior to that of indigenous plants
- share of overseas-owned plants in Scottish employment has been broadly constant since 1976.

BACKGROUND NOTE (not for use)

1. **Long-term forecasts of the Scottish economy**

There are currently three organisations producing long-term forecasts which are of particular interest to Scotland. The Fraser of Allander Institute at Strathclyde University have developed a detailed model of the Scottish economy, and have published long term projections of output and employment. In addition, the Institute for Employment Research at the University of Warwick and the Cambridge Economic Policy Group (CEPG) produce projections of labour market trends in Scotland up to around 1990, derived from forecasts of the UK economy. Some of the main points arising from these projections are:-

Fraser of Allander (Nov 1983) project the growth of GDP in Scotland up to 1988 in their confidential subscriber service: this is forecast to grow by an average of 1.3 per cent per annum between 1982 and 1988. After a more rapid recovery in 1982-83, growth rates are forecast to settle down to about 1.2 per cent a year. Total employment in Scotland is expected to rise by 4 per cent between 1981 and 1988, but unemployment is expected to rise further as the labour force grows. After an initially more rapid recovery, growth in investment is projected to tail away, and exports are expected to show the most rapid growth thereafter. The GDP growth forecast is more pessimistic than comparable projections for the UK.

The **CEPG** (Dec 1982) set out projections of employment in the UK regions on a range of economic policy assumptions. On each of the alternative policy options, employment change over the period 1981 to 1990 is projected to be less favourable in Scotland compared to the UK overall. The difference between the Scottish and UK unemployment rates (CEPG definition) increases from 2.3 per cent in 1981 to 3.2 per cent in 1990 on the basis of current policies: net emigration from Scotland is heavy, averaging 30,000 to 33,000 per annum. The less favourable outlook for Scotland is attributed to: (i) the handicap of the Clydeside conurbation (ii) a continued decline in the share of manufacturing employment within the total and (iii) a tailing off of above average growth in private services in the last few years.

The Warwick group (Summer 1983) project a very favourable relative performance in Scotland up to 1990. Although the short-term outlook is for employment to decline marginally up to 1985, with a consequent further increase in unemployment, the longer term prospect is considerably brighter: growth in employment above the national average in the second half of the decade, accompanied by falling unemployment. Indeed, by 1990, the unemployment rate in Scotland is forecast to be no higher than the national average, at about 12 per cent. This is viewed as part of a widespread reduction in unemployment rate differentials throughout the UK. The forecast is, however, very sensitive to assumptions on productivity and migration, and does in fact envisage net migration from Scotland continuing possibly a little above its current average rate.

The Scottish outcome depends both on the performance of the UK economy and Scottish performance relative to the UK. At the UK level, the range of outcomes considered by Government in assessment work is currently very wide reflecting difficulties in interpreting recent experience. In terms of relative performance, we think Scotland will do well to match the UK, and accordingly view Warwick as over-optimistic.

2. Share of profits in GDP

Point 4 above refers to the higher share of profits (trading profits and surpluses in the company sector net of stock appreciation) in total GDP and manufacturing GDP in Scotland than in the UK overall. The following table gives details for recent years:

Trading profits and surpluses (net of stock appreciation):

	% of GDP				
	1972	1978	1979	1980	1981
All industries					
Scotland	17.8	16.9	15.4	13.5	13.5
UK	15.6	16.2	14.1	12.2	11.3
Manufacturing					
Scotland	27.2	26.1	23.1	22.3	26.5
UK	24.4	24.8	20.6	20.1	21.1

B.1 UNEMPLOYMENT**MAIN POINTS****1. Unemployment fell in March and April; but not sufficiently to offset the worsening in the underlying trend evident since January.**

(i) Seasonally adjusted unemployment is provisionally estimated to have fallen by 1,800 in April, following a fall of 200 in March. These figures - together with the rise in vacancies recorded in April - provide some support for the view that the disappointing trend in unemployment in the first 2 months of the year may have been a temporary setback. Nevertheless, the most recent falls in unemployment do not compensate for the increase of 10,000 recorded over the November - February period.

(ii) It is therefore still too early to present a buoyant picture of the labour market. The latest 3-month trend is a little more favourable, showing an average monthly increase in unemployment of 600 compared with an average of 2,200 in the preceding 3 months. But on a 6-monthly basis, the most recent period indicates an average increase of 1,400 still above the 600 recorded in the previous 6 months.

2. Gap between Scottish and UK rates wider

The gap between the seasonally adjusted unemployment rates in Scotland and the UK widened to 1.8 points in January - up from 1.6 points in September. The fall in unemployment in April was larger in Scotland than in the UK as a whole, and the gap consequently narrowed to 1.7 points.

3. Fewer unemployed school leavers in April than a year ago.

There were 17,300 unemployed school leavers claiming benefit in Scotland in April compared with 19,000 in March and 18,900 a year ago. The more favourable trend in school leaver unemployment in recent months, as compared with adults, reflects the introduction of YTS as well as indications of improved job opportunities towards the end of last year.

UNEMPL-
-OYMENT

4. **Male rates well above female rates.**

The seasonally adjusted unemployment rate for males in Scotland in April 1984 was 17.2% and that for females was 10.4%. The substantially higher rate for males reflects both the character of the recession which has had a greater impact on the more heavily on the male dominated areas of manufacturing and construction - and also the fact that females show a much greater tendency to drop out of the labour market on becoming unemployed as opposed to registering as available for work. In addition, the new benefit-based count excludes many married women who register as available for work.

5. **Special measures are holding down unemployment.**

At the end of March 1984, about 75,000 people were covered by the special employment measures in Scotland, about 60 per cent of whom were on schemes specially directed towards young people. The direct effect of the measures in reducing the unemployment count is estimated to be around 52,000. Details of the current coverage of each scheme are given in Background Table 2, and in the Annex.

[NB Total coverage figures quoted here are based on an estimate of the current coverage of the Young Workers Scheme (YWS). Press releases have given cumulative figures for YWS coverage; the scheme has been operating since January 1982]

BACKGROUND NOTE

1. Monthly figures in mid-1983 are distorted by the introduction of the two new DHSS provisions for unemployed men aged 60 and over which were announced in the 1983 Budget: these have the effect of artificially lowering the published figures between April and August 1983. The Department of Employment provisionally estimate that 11,400 people in Scotland took advantage of the schemes. The Scottish share of the UK total availing themselves of the schemes, at about 7 per cent, is well below the Scottish share of UK unemployment of about 11 per cent, tending to increase measured Scottish unemployment slightly relative to the UK.
2. The rise in seasonally adjusted unemployment over the year to April 1984 was 11,700 bringing the latest figure to 320,300 (14.3%). Over the same period, total unemployment rose by 8,900 to 337,246 (15.1%). These figures include an allowance for the 11,400 older men removed from the count between April and August; the published figures are not adjusted in this way, and record changes of +2,700 and -100 respectively.
3. The character of the recession has also affected the distribution of unemployment between the various Scottish regions with unemployment rates tending to be higher in the industrial regions. Strathclyde in particular has been badly affected. The cushioning effects of oil related employment are very evident in Grampian (details are shown in Background Table 1).

4. In January 1984, figures for unemployment duration showed that 129,100 people in Scotland had been out of work for over a year, 37 cent of total unemployment. Of these, some 70,000 had been unemployed for over 2 years, representing almost a fifth of total unemployment.
5. Analysis of flows into and out of unemployment is available from the new benefit-based count. Flows off the count averaged 40,000 a month in Scotland in 1983. These include the effects of (eg) job-switching and retirements as well as people moving into new jobs. In comparison with other regions of GB, people in Scotland, the Northern Region and Wales were more likely to become unemployed than elsewhere in the first 10 months of 1983; conversely, the likelihood of ceasing to be unemployed was generally higher in Scotland than in most other regions, outside the South of England.

BACKGROUND TABLES
TABLE 1 Total Unemployment Rates in the Scottish Regions: April 1984

	April 1984			April 1983	Change April 83- April 84 % points
	Male	Female	Total	Total	
	%	%	%	%	
Highland	14.9	12.7	14.1	14.0	+0.1
Shetland	6.0	7.7	6.5	7.3	-0.8
Orkney	13.7	9.0	12.0	12.5	-0.5
Western Isles	28.2	12.5	21.5	22.5	-1.0
Grampian	9.1	7.9	8.6	9.0	-0.4
Tayside	16.6	11.8	14.5	14.6	-0.1
Fife	14.9	11.6	13.5	13.2	+0.3
Strathclyde	21.3	12.1	17.5	17.4	+0.1
Lothian	14.8	9.2	12.4	12.4	0
Central	17.0	13.3	15.5	15.5	0
Dumfries and Galloway	14.2	12.5	13.5	13.7	-0.2
Borders	9.2	7.7	8.6	10.0	-1.4
Scotland	18.0	11.2	15.1	15.1	0
United Kingdom	15.6	9.4	13.0	13.3	-0.3

TABLE 2 Coverage of Special Employment and Training Measures in Scotland: March 1984

Scheme	Coverage (thousands)
YOP	0.8
YTS	33.3
Young Workers Scheme	11.9*
Community Enterprise Programme/Community Programme	15.5
Job Release Scheme	7.2
Temporary short-time working Compensation Scheme	0.8
Community Industry	1.5
Training in Industry	0.9
Enterprise Allowance	2.2
Job Splitting Scheme	0.2
TOTAL	74.3

*estimated current coverage (previous figures were cumulative)

SPECIAL EMPLOYMENT AND TRAINING MEASURES

The programme of special measures is as follows:-

The Community Programme provides temporary employment for long-term unemployed adults on projects of benefit to the community. Recruitment to job opportunities is normally restricted to people aged 18 to 24 years of age who have been unemployed for over 6 months in the past 9 months and those aged 25 years and over who have been unemployed for over 12 months in the past 15 months. On 16 November 1983 the Secretary of State for Employment announced that the programme would be extended for a further 2 years to October 1986.

The Youth Opportunities Programme is being phased out, and there have been no new entrants since 1 April 1983 following the introduction of the Youth Training Scheme.

The Youth Training Scheme YTS provides a high quality integrated programme of training and planned work experience lasting up to a year, including a minimum of 13 weeks off-the-job training or further education. It is designed to give school leavers a range of practical transferrable skills to enable them to compete more effectively in the labour market. The majority of places will be work based with employers. During the first year of the scheme, 3 groups of young people are able to participate - 16 year old school leavers (whether employed or unemployed), unemployed 17 year old leavers in their first post-school year and disabled leavers up to age 21.

The Young Workers Scheme came into operation on 4 January 1982 and is designed to encourage employers to take on more young people at realistic wage rates. Under the scheme employers are able to claim weekly payments in respect of young people in their employment who are under 18 in their first year of employment. Payments are £7.50 a week where the eligible person's gross earnings are £47 a week or less and £15 a week where gross earnings are £42 a week or less. From 1 April young people staying on in education and leaving at 17 will continue to be eligible for the scheme immediately on leaving education as well as those who have left school at 16 and who have been out of school for a year. Employers will be able to claim a subsidy of £15 a week in respect of eligible young people earning £50 or less a week in jobs taken up on or after 1 April 1984.

The Temporary Short-Time Working Compensation Scheme encouraged employers to adopt short-time working instead of redundancies. The scheme is closed for applications on 31 March 1984.

The Job Release Scheme makes it easier for older workers to give up work early and to release their jobs to unemployed people. It offers a weekly allowance from the date the applicant leaves work until the State pension age, provided the applicant's employer agrees to replace him or her by an unemployed person. The scheme is at present open to 2 categories of people: one for all men aged 64 and women aged 59 and one for disabled men aged 60 or over. The part-time Job Release Scheme came into operation in October 1983 and allows people in the 2 age groups specified above as well as all men aged 62 or 63 to change to part-time work and receive a weekly allowance provided an unemployed person is recruited by the employer as a result of the application. The scheme will remain open to the 3 categories of people until 31 March 1985.

The Job Splitting Scheme encourages employers to split existing full-time jobs into two part-time jobs and so open more job opportunities for unemployed people. The scheme opened in January 1983 and will be open for applications until 31 March 1985. A grant of £750 is paid to an employer who splits an existing full-time job into 2 part-time jobs and keeps them filled for 12 months.

SPECIAL
EMPLOYMENT
MEASURES

The Enterprise Allowance scheme helps unemployed people who want to start up in business but who may be deterred by the fact that they would lose their entitlement to unemployment or supplementary benefit. Under the scheme they are paid a flat rate taxable allowance of £40 a week for a maximum of 52 weeks. Applicants have to be in receipt of unemployment or supplementary benefit for at least 13 weeks, be between 18 and State pension age, and must be able to show that they have at least £1,000 available to invest in the business. Following a trial period in 5 pilot areas, the scheme was expanded on 1 August 1983 and will provide support for a further 60,000 people in GB in the period to 31 March 1985.

Community Industry (CI) provides temporary jobs for personally and socially disadvantaged young people who undertake work projects of benefit to the community. The scheme is mainly financed through a grant to the NAYC which employs the adult staff and the young people. *SINCE* 1 April 1983 CI has recruited youngsters in the 16-19 year old age group who are either outwith the YTS age criterion or for whom YTS is not felt to provide the most appropriate environment.

IDS
May 1984

B.2 EMPLOYMENT**MAIN POINTS****Employment began to rise in second half of last year**

- 1.. Employment in Scotland began to increase towards the end of 1983. The number of jobs in December 1983 was 2,000 higher than in December of the previous year - the first year-on-year increase since March 1980. Service sector employment increased by 28,000, mainly in distribution and catering services and in public administration. This helped to offset further rundowns of 20,000 jobs in the manufacturing sector, 3,000 in construction, 2,000 in agriculture and fishing, and 1,000 in energy and water supply.
2. Final corrections for seasonal variation are not yet available, but preliminary results suggest that total employment rose by 5-10,000 between June and December after declining in the first half of the year. This increase of a little under $\frac{1}{2}$ % of total employment is rather less than that recorded in GB as a whole, but the broad trend is similar.

Trends since 1979

3. Since 1979 employment in Scotland has fallen by less than in GB (Background Table 2). A better relative performance from oil-related and service sector employment in Scotland (especially in the public sector) helped to offset weaknesses in the manufacturing and construction industries.
4. There was a marked difference between male and female employment in Scotland over the period. Male employment fell by about 13 per cent (160,000 jobs) between 1979 and 1983, more than twice as fast as the decline in female employment, which was 5 $\frac{1}{2}$ per cent (48,000 jobs). Part-time female employment showed a significant increase, up by 7 $\frac{1}{2}$ per cent (24,000 jobs)

Adjustments to statistics

5. The current method of estimating quarterly employment levels understates the total number of jobs in the economy. This is particularly true in the service sector and also of jobs associated with the opening of new firms. The Manpower Services Commission estimate these factors accounted for an extra 40,000 jobs in Scotland, about 36,000 of which are in the service sector. The figures in Background Table 2 are given on this adjusted basis, and the general statements in the above paragraphs are based on these figures; the figures in Background Table 3 are on the unadjusted basis.

BACKGROUND NOTE

TABLE 1 **Employees in Employment: Scotland**

Standard Industrial Classification (1980)	December 1983	
	Thousands	% of Total
Agriculture, etc	42	2.2
Energy and water supply	73	3.9
Metal manufacturing & chemicals	55	2.9
Metal goods, engineering & vehicles	181	9.6
Other manufacturing	205	10.9
Total manufacturing (adjusted for undercounting)	440 (444)	23.3
Construction	126	6.7
Wholesale distribution, hotels & eating	178	9.4
Retail distribution	198	10.5
Transport & communication	117	6.2
Banking, insurance & finance	129	6.8
Public administration & defence	174	9.2
Education, health & other services	412	21.8
Total Services (adjusted for undercounting)	1,209 (1,245)	64.0
TOTAL	1,890.0	100.0
TOTAL (adjusted for undercounting)	1,930.0	-

TABLE 2 Changes in employment: Scotland & GB (%) - adjusted for undercounting

SIC(1980)	Dec 1982-Dec 1983		Dec 1979-Dec 1983	
	Scotland	GB	Scotland	GB
Manufacturing	-4.3	-2.9	-25.8	-22.6
Services	+2.3	+2.1	+2.1	-0.4
TOTAL	+0.1	+0.2	-8.0	-8.8

TABLE 3 Changes in employment: Scotland and GB(%) - not adjusted

SIC(1980)	Dec 1982-Dec 1983		Dec 1979-Dec 1983	
	Scotland	GB	Scotland	GB
Agriculture, etc	-5.0	-3.9	-11.0	-4.4
Energy & water supply	-1.9	-4.4	-2.4	-11.7
Manufacturing	-4.8	-3.2	-26.5	-23.1
Construction	-2.4	-2.5	-20.1	-19.5
Services	+1.0	+1.0	-0.9	-2.8
TOTAL	-0.9	-0.6	-9.9	-10.4

B.3 OTHER LABOUR MARKET INDICATORS

1. Vacancies began to recover in April after 5 months of decline.

(i) Unfilled vacancies in Scotland rose by 800* in April to 15,800 (seasonally adjusted). During the initial stages of recovery, vacancies rose steadily to reach a peak of almost 18,000 in mid-83. After October, however, vacancies began to decline reflecting some weakening in the labour market in Scotland over the winter months.

(ii) The number of placings by Job centres and PER offices gives some indication of the extent of activity which exists in the labour market even during times of recession. For the fourth quarter of 1983, placings totalled 60,000 in Scotland, 8,000 up on the same period in 1982.

2. Redundancies fall in 1983 but remain high

(i) The number of redundancies notified to MSC Scotland as due to occur during the fourth quarter of 1983 fell to 7,610. The figure was the lowest fourth quarter total recorded since 1978. Redundancies in manufacturing totalled 5,207, largely the result of 1,800 job losses in mechanical engineering, and a further 1,200 in the shipbuilding industry. Advance indications for the first quarter of this year suggest some increase in the redundancy total.

(ii) Within Scotland, redundancies in recent years have been concentrated most heavily on Strathclyde and have been most pronounced in metal manufacture, engineering, textiles and in the construction industry. The total for 1983, at just under 37,000, was 12,000 down on the previous year.

3. Upturn in overtime towards end 1983

Overtime working remained fairly flat in the first 9 months of 1983, but increased in December. Taken together with numbers on short-time working which showed a steady decline throughout 1983, this suggests that manufacturing production may have begun to increase again in the latter part of the year. More recent unemployment information, however, tends to indicate some deterioration in the labour market since then.

*Seasonal factors for the unfilled vacancies series have been revised.

1. Mrs Conn
2. Mrs Watson

UNCLASSIFIED

Span.

P. 9.

FROM: J STUART

DATE: 8 May 1984

1. MS CONN
2. MR BAILLIE

cc Ms Life
float

CHANCELLOR'S VISIT TO SCOTLAND ON 9 MAY

We have no particular comments on the Scottish Office briefing you circulated on 4 May.

Regional Industrial Policy

2. The only point concerning industrial support expenditure in Scotland the Chancellor might bear in mind is the current Review of Regional Industrial Policy following the publication of the White Paper in December last year. Dundee is a Special Development Area; Perth is not an Assisted Area. It is not inconceivable that the Chancellor might be asked whether, say, Dundee is likely to retain its Assisted Area status.

3. At present the Government is still receiving comments in reply to its White Paper. If asked about it, the Chancellor can only repeat previous advice that decisions will be announced in the autumn when all the evidence has been considered.

J Stuart

J STUART



cc Mr Tortello
Miss HSE
Mr Pesetz
Miss Cimara
Mr Baillie

CHANCELLOR'S TRIP TO SCOTLAND ON 9 MAY

9.00 a.m. No.10 (Bi-lat)
11.10 a.m. Depart London (Heathrow) BA 4752, *Hounslow Suite*
12.20 p.m. Arrive Edinburgh (met by Party car)
approx.
1.20 p.m. Lunch: Station Hotel, Perth
3.00 p.m. Economic Debate (Driven by Party car), *Cultyhall, Perth (SPK)*
5.00 p.m. Arrive at home of Mr McPherson, Milnfield House, Invergowrie
Interviews
(Driven by Mr McPherson)
7.15 for
7.30 p.m. Dinner: Institute of Directors
Invercarse Hotel, Ninewells, Dundee (SPK)
(Car provided by Scottish I of D)
Overnight: Crest Hotel, Queensferry Road, Edinburgh
(Tel: 031 332 2442)

10 May

07.10 a.m. Depart Edinburgh (BA 4713)
08.20 a.m. Arrive London (Heathrow), *Hounslow Suite*



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

10 May 1984

J P McPherson Esq JP
Mylnefield House
Invergowrie
DUNDEE
DD2 5EH

Dear Mr McPherson,

I know that the Chancellor will be writing to you himself to thank you for all the trouble you took to make yesterday's dinner such a success but I should like to thank you and your wife myself for all your kindness. It was very good to have the opportunity to relax for a while in such lovely surroundings and the tea was just what we needed! I am only sorry that we could not stay longer.

Yours sincerely,

Margaret

MISS M O'MARA



cc Mr Portillo
Miss Asch
Mr Peretz
Miss O'Mara
Mr Baillie

CHANCELLOR'S TRIP TO SCOTLAND ON 9 MAY

9.00 a.m. No.10 (Bi-lat)
11.10 a.m. Depart London (Heathrow) BA 4752, Hounslow Suite
12.20 p.m. Arrive Edinburgh (met by Party car)
approx.
1.20 p.m. Lunch: Station Hotel, Perth
3.00 p.m. Economic Debate (Driven by Party car), City Hall, Perth (SPK)
5.00 p.m. Arrive at home of Mr McPherson, Milnfield House, Invergowrie
Interviews
(Driven by Mr McPherson)
7.15 for
7.30 p.m. Dinner: Institute of Directors
Invercarse Hotel, Ninewells, Dundee (SPK)
(Car provided by Scottish I of D)
Overnight: Crest Hotel, Queensferry Road, Edinburgh
(Tel: 031 332 2442)

10 May

07.10 a.m. Depart Edinburgh (BA 4713)
08.20 a.m. Arrive London (Heathrow), Hounslow Suite

DUNDEE GOOD NEWS - 1 JANUARY 1984 TO 26 APRIL 1984

10/5/84

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The figures for the same time last year are given in brackets.

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DRUG DEVELOPMENT (SCOTLAND) LTD - DUNDEE

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DUNDEE

DRUG
DEVELOPMENT
(SCOTLAND) LTD

EXTRACT FROM MR STEWART'S ADDRESS TO THE INSTITUTE OF DIRECTORS, SCOTTISH DIVISION
IN DUNDEE - FRIDAY 17 FEBRUARY

So far I have concentrated on research and technology, but industry's other crucial resource is manpower, and the need for properly trained manpower in industry is now more vital than ever. The Government are determined to ensure that the basic education which young people receive will prepare them properly for life in the modern industrial society. We have done this by radically restructuring the school curriculum in Scotland. For this reason, the criticisms which Mr Goldsmith has made on more than one occasion of the education system in England and Wales are now far less applicable here. For in this area, Scotland is ahead of the game.

Our reforms include firstly new courses for 14-16 year olds with a heavy vocational slant. We have also introduced a much more flexible curriculum for 16-18 year olds which will allow them to choose from some 400 modules designed to inculcate knowledge, skills and attitudes which can be developed and assessed as a basis for present and future employment needs.

Furthermore, it was recently announced that educational authorities will be able to benefit from a £2 million MSC fund for special projects under the extended Technical and Vocational Education Initiative.

One attraction of the reforms for 16-18 year olds is that the traditional barrier between those who remain at school and those who leave will be broken down. It is hoped that the modules which are being designed can also form part of the off-the-job training component of the Youth Training Scheme, thus promoting consistency of standards in skills training. Industry in Scotland has responded magnificently in making YTS places available, but I hope that those employers who have done so will ensure that the on-the-job training matches the off-the-job component in quality so that YTS can be a really effective bridge between school and work. I acknowledge that there have been problems this year with the lower than anticipated take-up, but if YTS can establish a good reputation amongst young people and employers, I hope that such problems can be reduced as the scheme develops.

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DUNDEE

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TAYSIDE ENTERPRISE ZONE AND AREA INITIATIVES IN DUNDEE

The regeneration of the Dundee economy is a high priority for the Government. Dundee is within a special development area and 6 key sites within the city which extend in total to 210 acres are included in the Tayside Enterprise Zone which was designated in January 1984. (The remaining 87 acres of the EZ are at nearby Arbroath). In addition, Dundee benefits from 2 major projects on which the Scottish Development Agency is co-operating with Tayside Regional Council, the City of Dundee District Council and local private sector interests. The first of these is an £8 million project aimed at regenerating the Blackness area which has suffered particularly from the run down of the traditional jute industry. The Blackness project, which was launched in 1981, has helped to create 600 new jobs and to safeguard a further 400 in a wide range of companies. The second project is that covering the rest of Dundee for which a budget of £40 million has been agreed. This project, which has been reinforced by the decision to establish an Enterprise Zone in Tayside, has as one of its principal aims, the development of Dundee as a centre for high technology industry. The Scottish Development Agency's commitment to these 2 projects totals nearly £25 million.

TAYSIDE

E-Z
+ AREA
INITIATIVES

16-18s IN SCOTLAND - THE NATIONAL PROGRAMMEGENERAL

1 The Government's plans for the reform of non-advanced education for 16-18 year olds in Scotland - the Action Plan - were published in January 1983. Since then rapid progress has been made in the development of new modular courses and a single vocational certificate to replace and improve existing provision.

DEVELOPMENT MACHINERY

2 The main work of development is being carried out under the supervision of three Task Groups for the main policy areas (curriculum and assessment; guidance; and teacher education) and 4 development teams concerned with the main areas of study (science; technology; business and administration; and inter-disciplinary). The membership includes representatives of SED, the main examining bodies for 16-18 age group in Scotland, MSC, industrial or commercial interests and other educational interests including the colleges of further education and secondary schools. A team of National Development Officers has been seconded for the period January-June 1984 to continue work on national curriculum development. Small, short-life working groups have also been set up to deal with development of modules in some, usually specialised, areas of study.

CURRICULUM DEVELOPMENT

3 The present structure of non-advanced courses in further education has been analysed and draft descriptors of some 600 modules, capable of replacing the first year of most SCOTBEC, SCOTEC and CGLI courses, have now been written. Many opportunities for rationalisation and modernisation have been taken and are still being sought. Descriptors of individual modules and typical programmes of study based on modules to replace existing courses were issued to colleges and schools in February 1984. Arrangements have been made with education authorities to distribute revised and new module descriptors to colleges and schools over the next few weeks.

CONSULTATION

4 Consultation with industry and commerce about programmes of modules is carried out mainly through the established committee network of SCOTBEC, SCOTEC and CGLI within which employers and trade unions participate. The modular system facilitates a continuing revision of component parts and the storing of the modules on word processor allows easy modification in response to changing need to be a feature of the new provision. Given that the 16-18 curriculum development programme is a revision rather than a re-write of existing provision, much of the consultation undertaken through the

16s → 18
ACTION
PLAN

various committees of SCOTBEC and SCOTEK consists of recommendations on equivalences between the modular programmes and the existing courses of SCOTBEC and SCOTEK. SCOTBEC and SCOTEK additionally involve other interested bodies as appropriate.

TIMETABLE FOR IMPLEMENTATION

5 Some bodies have expressed doubts about pressing ahead with implementation in August 1984. These doubts are based mainly on a concern over the length of time required for consultation process. The fact that consultation is now envisaged as continuing should help to allay these doubts. The decision to be announced by SED early in May on which courses should be replaced in August will take full account of the recommendations made by the SCOTBEC and SCOTEK Committees and the reactions of industrial users to the modular programmes and descriptors. The Department is anxious to maintain the momentum generated to date in Education Authorities and Colleges by encouraging the initial introduction of modular courses from August 1984 and completion of the transition as quickly as possible.

IN-SERVICE TRAINING

6 Preparation for the introduction of the modules into further education colleges and schools is a matter for individual education authorities, and decisions on in-service training and preparation time for staff rests with them. However, the Department has arranged the secondment of three teams of Territorial Development Officers to support in-service work in the Regions. They are a resource for regions to use for in-service work and a point of reference for colleges and schools. The Department has also issued a suggested framework for in-service training between March and June 1984 and preliminary guidelines for lecturers and teachers on the new curriculum and assessment arrangements.

SCHOOLS

7 The Minister has previously indicated that he recognises schools are already heavily committed to the introduction of new arrangements for curriculum and assessment for the 14-16 age group and that only a limited number of 16-18 modules can be introduced in schools in academic session 1984/85. A preliminary list of modules suitable for use in schools has been distributed to secondary schools and will be updated as part of the current distribution exercise. It is not intended that schools should attempt to offer the whole range of available modules from August 1984. The selection made by individual schools should take account of resources and facilities available locally as well as the needs of pupils. Nevertheless modules should be of particular value for pupils not taking a full timetable of SCE Ordinary or Higher grade subjects and for pupils returning in S5 but intending to leave at Christmas.

RESOURCES

8 The Government has made it clear that the implementation of Action Plan should be achieved through rationalisation of existing resources and it is expected that despite some short-term problems for authorities in releasing staff to work on planning for the implementation of the programme, in the longer term the more efficient use of resources will provide benefits for education authorities, teaching staff and students. Rationalisation of resources will be needed in any case as the numbers in the age group fall in the later 1980s. The 16-18 implementation programme specifically urges that proposals for national curriculum redesign should encourage local planning to make the most efficient and economical use of all currently available resources. Programmes being undertaken by authorities such as Strathclyde, are very much in line with the spirit of Action Plan.

ANNOUNCEMENT OF IMPLEMENTATION

9 A draft Circular to announce details of introduction of the new system of modular courses and the 16-18 certificate is now in the final stages of preparation. It is hoped to make the announcement early in May (the present target date is 4 May but this depends on final agreement of some details with SCOTEC).

LINKS BETWEEN INDUSTRY AND CENTRAL INSTITUTIONS

There is a great deal of scope for industry to increase its use of the resources in the universities and colleges. This can be to the benefit of both industry and the higher education system, and to the country as a whole. Links already exist. In the Scottish central institutions, which are directly funded by the Secretary of State, there has always been a strong emphasis on the vocational direction of the courses offered, and there are a number of examples of links with industry through research and consultancy. This is particularly true of the large technical central institutions such as Robert Gordon's in Aberdeen, Paisley College of Technology and Dundee College of Technology. But they are by no means alone, and there are very few indeed with no role to play in this regard.

At Dundee College of Technology collaboration with industry covers electronics, computing and microbiology. One project involves a local manufacturer, Rautomead (pronounced Row-(as in how)toe-meed) Ltd with whom the College is collaborating on a study of continuous metal castings - work which is attracting national and international attention. With Ferranti Ltd (Dundee) the College is involved in the preparation of computer analysis of radar receiver circuitry. In conjunction with Boots they are carrying out research involving the synthesis of compounds of possible therapeutic interest. The College is also very much involved with DISC, the Dundee Industrial Services Centre, which provides short courses in the small business field.

LINKS
BETWEEN
INDUSTRY/
CEN. INST.

SPARE



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Miss M O'Mara
Private Secretary to the Chancellor of
the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

14 May 1984

Dear Margaret,

THE CHANCELLOR'S VISIT TO SCOTLAND: WEDNESDAY 9 MAY

As requested in your letter of 16 April I now attach the briefing for the Chancellor's visit to Scotland on 9 May. I apologise for being unable to meet your deadline of 2 May.

Part I of the notes relate specifically to Dundee and Tayside Region. Part III deals with the economic situation throughout Scotland and notes IIII - III4 are extracts from our 'core brief' on the Scottish economy.

The Chancellor may be interested to know that Mr Allan Stewart addressed the Institute of Directors Scottish Division in Dundee on 11 February on the general theme of education/industry links. An extract of his speech is included at note III because it sums up the philosophy of our 16-18s Action Plan. Note II2, though covering industry's links with tertiary education throughout Scotland, also contains a special reference to what has been achieved to Mr Stewart's visit and to Scotland's achievements in developing closer links between education and industry's needs, but that is of course for your to decide.

You will no doubt wish to consider, if you have not already done so, informing Dundee District Council of the Chancellor's visit.

*Yours sincerely,
John Graham*

J S GRAHAM
Private Secretary

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A.2 SCOTTISH ECONOMY: RECENT DEVELOPMENTS AND SHORT-TERM PROSPECT

MAIN POSITIVE AREAS

1. Encouraging indicators

(i) January CBI Survey reported an increase in business confidence in Scotland, together with brighter prospects for output and new orders. Results were the best recorded in current phase of recovery.

(ii) Recent electronics investment announcements (Hewlett Packard, Shin-Etsu Handotai, National Semi-conductor) promise over 2,000 jobs in next four years.

(iii) Fraser of Allander Commentary (February) expects growth in Scotland to pick up to 2½ per cent in 1984 - almost matching the UK rate.

(iv) Private house starts in Scotland estimated to have increased by over 25 per cent in 1983 to highest level for five years.

(v) Total employment began to stabilise last year, and may have increased a little in the third quarter.

(vi) Placings by Jobcentres and Careers Offices have increased: 60,000 people in Scotland found jobs through these routes alone in fourth quarter of last year - 8,000 up on 1982. Total flow out of unemployment averaged over 40,000 a month throughout 1983.

2. Recent manufacturing productivity growth in Scotland has been impressive (See Background Note 4)

(i) In a period when productivity nationally has risen strongly, Scottish performance has been better. Between 1979 and 1982, the growth rate of manufacturing productivity in Scotland was running at over 4½ per cent per annum - well in excess of the trend rate of growth of around 2½ per cent during the previous decade. In the UK as a whole, manufacturing productivity grew by about 1½ per cent per annum in the 3 years up to 1982.

Manufacturing: output per employee

% change on previous year

	Scotland	UK
1979	0	+ 0.5
1980	+ 0.8	- 3.8
1981	+ 6.7	+ 3.0
1982	+ 5.9	+ 5.7

(ii) With pay settlements in Scotland having fallen in line with the UK, this better productivity performance will have been associated with a relative strengthening of the competitive position of Scottish industry - essential to a long term improvement in Scotland's economic performance.

(iii) A further indicator of performance is given by the level of productivity (GDP per employee) in manufacturing industry: in 1981 this is estimated to have been 3 per cent higher in Scotland than in the UK.

3. Labour market trends have been less severe in Scotland than in UK since 1979

(i) Net job losses in Scotland have been less than in GB due to service employment being better sustained:

	% Change	
	Sept 1979 - Sept 1983	
	Scotland	GB
Total employment	-8.4	-8.9
Manufacturing	-25.7	-22.7
Services	+1.3	-0.6

(ii) In early part of recession unemployment rate rose more quickly in Scotland, but this was offset by a lower growth in year to mid-1981. There was little change in gap between rates over the whole period to mid-1981. Since then, the underlying gap (allowing for the DHSS scheme effects) has narrowed slightly.

MAIN DEFENSIVE AREAS

4. Little sign of recovery in manufacturing

(i) Latest CBI results suggest upturn in manufacturing output is in prospect, with some increase in investment authorisations during 1984. Strength of UK recovery will be major determinant of Scottish prospects this year. Improved productivity performance will help in longer term.

(ii) Nevertheless the problems of the traditional industries - steel and shipbuilding - and low workload in parts of the oil-related sector may act as a brake on the pace of Scottish recovery in 1984.

5. Recovery lagging behind UK

(i) Improved UK growth prospect will help boost Scottish recovery, and Scotland will benefit also as stimulus of the recovery in North Sea development feeds through to activity.

(ii) Although there are some indications that recovery of output in Scotland may lag this year, this is by no means certain. Total output in the economy as a whole is likely to expand, with more modest growth in the manufacturing sector.

6. No prospect of end to rising unemployment

(i) Not practice of Governments to make forecasts of unemployment. Trend this year will depend on rate of expansion of output. Figures for first quarter were disappointing, but these followed a period of substantial improvement in unemployment in Scotland.

(ii) Longer-term outlook for unemployment depends very much on continued progress in reducing costs and improving competitiveness. Budget measures will also help to shift balance of tax system in favour of creation of new jobs.

(iii) Government concern for unemployed shown in increased resources devoted to special measures and to training: special measures currently cover over 90,000 people.

7. Job losses in Scotland remain high

(i) Redundancies in Scotland actually fell by 12,000 in 1983 to just under 37,000.

(ii) New opportunities being created all the time: (eg) placings at Job centres alone averaged about 50,000-60,000 a quarter over past year.

BACKGROUND NOTE (Not for use)

1. The notes in the Brief above emphasise the strong points in the present recovery. But particular care needs to be taken in the presentation of trends in manufacturing output, which has been less buoyant than the economy as a whole. In discussing the performance of the Scottish economy relative to the UK in 1983 and 1984, it would be unwise to suggest that Scotland is leading the UK out of recession.

2. This is borne out in particular by the latest industrial production figures for the first three quarters of 1983. These confirm that manufacturing output was particularly weak last year. Indeed, the manufacturing sector in Scotland experienced a further recession after mid-1982, with output falling by 7 per cent in the 5 quarters up to Q3 1983. This reversed the more favourable comparisons with the UK which had been evident over the 1979-82 period.

3. In their February quarterly economic commentary, the Fraser of Allander Institute suggest that the recovery in Scotland should pick up in 1984, with a growth rate of 2½ per cent, as against an estimate of under 2 per cent for 1983. Unemployment is not expected to come down, however, and growth in Scotland is expected to lag slightly behind that for the UK. This view is broadly similar to our own, and the defensive line suggested is point 5 above does not rule out the possibility of a slower Scottish recovery.

4. The productivity record in Scottish manufacturing over the past few years is highlighted in positive point No 2 above. The period of comparison chosen is particular favourable to Scotland, although it remains true that productivity growth in Scotland has been faster than in the UK over the 5-year period between 1978 and 1983. Final figures are not yet available, but it seems likely that productivity growth over this period averaged 3% per annum in Scotland, as against 2% in the UK. The figures given in the table are based on the revised index of production for Scotland, issued in April 1984. This showed that the fall in Scottish manufacturing output since 1978 was considerably greater than had previously been thought. This revision has tended to depress previous productivity growth estimates, particularly in 1979 and 1980.

A.3 SCOTTISH ECONOMY: LONGER TERM PERFORMANCE

MAIN POSITIVE AREAS

1. Significant progress relative to UK since 1971 despite background of national economic difficulty

(i) Main indicators of economic performance have shown an improvement in Scotland relative to the UK since 1971. Population loss through net migration also significantly lower in 1971-81 than in 1961-71.

	Scotland as percentage of UK	
	1971	1981
GDP per head	93.0	98.4
Personal disposable income per head	92.6	97.4
Average earnings (male manuals)	96.9	102.3
	1961-71	1971-81
Net migration (thousands)	-326.5	-144.2

(ii) In 1971 Scotland was ranked eighth among the UK economic planning regions in terms of GDP per head of population: by 1981 Scotland had moved up to second position.

2. Adverse economic structure no longer a serious handicap in Scotland's relative economic performance

(i) Apart from the obvious benefits of North Sea oil employment, a further factor underlying Scotland's better performance relative to the UK since 1971 was that of economic structure. As a result of substantial changes in earlier decades the Scottish economy entered the 1970s with a much less adverse employment structure relative to the UK than had previously been the case; indeed in employment terms, structure in Scotland more closely resembled the national average than did that of any of the other UK regions.

3. Regional policy and oil-related employment have both been major influences on relative performance.

(i) Regional policy was a major influence both in the earlier restructuring of the Scottish economy up to 1970 and in the subsequent period. The gain in jobs (direct and indirect) in Scotland as a result of regional policy is estimated at around 90,000 in the period 1960-1976. Since then the flow of new jobs induced by regional policy has continued, although at a slower rate as a consequence of lower economic activity. With the overall decline in manufacturing employment affecting the jobs previously gained, however, there has been little change in the overall employment impact of regional policy.

(ii) Oil-related employment in Scotland - both direct and indirect and allowing for multiplier effects - is estimated to have grown rapidly since early 1970s to around 96-112,000 at present.

4. Scottish share of profits in GDP generally higher than in UK during 1970s

The share of profits within both total and manufacturing GDP was consistently higher in Scotland during the 1970s than in the UK. This was the case despite a fall in profits as a share of manufacturing GDP in response to the difficult economic circumstances of the period (see Background Note 2).

MAIN DEFENSIVE AREAS

5. Reduction in expenditure on regional policy, slowdown in oil-related growth and cessation of faster growth in public sector employment in Scotland combine to mean a significantly worse outlook for Scotland.

(i) Undoubtedly true that some of the factors which operated to give Scotland a more favourable performance in the 1970s will apply less strongly in the 1980s.

(ii) But on the other hand we are starting from a position of greater relative strength vis-a-vis the rest of the UK. Important that we make the most of our resources, both human and natural.

(iii) Regional policy will continue to make a contribution. Increased emphasis on selectivity helps concentrate resources on areas of greatest need: improved arrangements (LIS) ensure that we make the most of inward investment.

(iv) Expertise gained in North Sea can help oil-related firms in Scotland compete for overseas business.

(v) Public sector employment could not have kept on growing at previous rate. Imposes burden on productive sector of economy and so reduces employment opportunities in other areas.

6. Warwick University, Cambridge Economic Policy Group and Fraser of Allander all project very high unemployment into the late 1980s.

(i) Such projections are useful in illustrating what might happen on the continuation of current trends or on the basis of stated assumptions.

(ii) But much can happen to bring about different results. In the UK we cannot control developments in the world economy, but we can improve our productivity performance, and low wage settlements would considerably enhance our competitive position.

(iii) Must accept that world economic conditions are unlikely to return to the rapid growth of the 1960s and it will therefore be difficult to reduce unemployment rapidly. All the more imperative that we put our own house in order.

7. Warwick projects relatively better Scottish performance than rest of UK, Cambridge worse.

Forecasts will vary according to assumptions made. Outcome in Scotland will be determined by our actual performance and the extent to which we succeed in matching productivity performance elsewhere and taking advantage of general opportunities.

8. Transport costs and peripherality pose a particular problem for Scotland

(i) Stupid to deny the facts of our economic geography, but equally it would be wrong to over-emphasise it. Transport costs are important in particular cases, but

studies tend to show that they do not impose a significantly heavy differential burden overall on Scottish industry.

(ii) It is also the case that the structure of Scottish industry as it has developed through time will have reflected location.

9. **Scottish economy exposed to loss of its industrial base as a result of overseas control.**

Wrong to interpret closures in recent years as being indicative of a poor performance by overseas-owned plants. These have made an important contribution in the past and

- employment record subsequent to opening of overseas-owned plants has generally been superior to that of indigenous plants
- share of overseas-owned plants in Scottish employment has been broadly constant since 1976.

BACKGROUND NOTE (not for use)

1. **Long-term forecasts of the Scottish economy**

There are currently three organisations producing long-term forecasts which are of particular interest to Scotland. The Fraser of Allander Institute at Strathclyde University have developed a detailed model of the Scottish economy, and have published long term projections of output and employment. In addition, the Institute for Employment Research at the University of Warwick and the Cambridge Economic Policy Group (CEPG) produce projections of labour market trends in Scotland up to around 1990, derived from forecasts of the UK economy. Some of the main points arising from these projections are:-

Fraser of Allander (Nov 1983) project the growth of GDP in Scotland up to 1988 in their confidential subscriber service: this is forecast to grow by an average of 1.3 per cent per annum between 1982 and 1988. After a more rapid recovery in 1982-83, growth rates are forecast to settle down to about 1.2 per cent a year. Total employment in Scotland is expected to rise by 4 per cent between 1981 and 1988, but unemployment is expected to rise further as the labour force grows. After an initially more rapid recovery, growth in investment is projected to tail away, and exports are expected to show the most rapid growth thereafter. The GDP growth forecast is more pessimistic than comparable projections for the UK.

The **CEPG** (Dec 1982) set out projections of employment in the UK regions on a range of economic policy assumptions. On each of the alternative policy options, employment change over the period 1981 to 1990 is projected to be less favourable in Scotland compared to the UK overall. The difference between the Scottish and UK unemployment rates (CEPG definition) increases from 2.3 per cent in 1981 to 3.2 per cent in 1990 on the basis of current policies: net emigration from Scotland is heavy, averaging 30,000 to 33,000 per annum. The less favourable outlook for Scotland is attributed to: (i) the handicap of the Clydeside conurbation (ii) a continued decline in the share of manufacturing employment within the total and (iii) a tailing off of above average growth in private services in the last few years.

The Warwick group (Summer 1983) project a very favourable relative performance in Scotland up to 1990. Although the short-term outlook is for employment to decline marginally up to 1985, with a consequent further increase in unemployment, the longer term prospect is considerably brighter: growth in employment above the national average in the second half of the decade, accompanied by falling unemployment. Indeed, by 1990, the unemployment rate in Scotland is forecast to be no higher than the national average, at about 12 per cent. This is viewed as part of a widespread reduction in unemployment rate differentials throughout the UK. The forecast is, however, very sensitive to assumptions on productivity and migration, and does in fact envisage net migration from Scotland continuing possibly a little above its current average rate.

The Scottish outcome depends both on the performance of the UK economy and Scottish performance relative to the UK. At the UK level, the range of outcomes considered by Government in assessment work is currently very wide reflecting difficulties in interpreting recent experience. In terms of relative performance, we think Scotland will do well to match the UK, and accordingly view Warwick as over-optimistic.

2. Share of profits in GDP

Point 4 above refers to the higher share of profits (trading profits and surpluses in the company sector net of stock appreciation) in total GDP and manufacturing GDP in Scotland than in the UK overall. The following table gives details for recent years:

Trading profits and surpluses (net of stock appreciation):

	1972	1978	1979	1980	% of GDP 1981
All industries					
Scotland	17.8	16.9	15.4	13.5	13.5
UK	15.6	16.2	14.1	12.2	11.3
Manufacturing					
Scotland	27.2	26.1	23.1	22.3	26.5
UK	24.4	24.8	20.6	20.1	21.1

B.1 UNEMPLOYMENT

MAIN POINTS

1. **Unemployment fell in March and April; but not sufficiently to offset the worsening in the underlying trend evident since January.**

(i) Seasonally adjusted unemployment is provisionally estimated to have fallen by 1,800 in April, following a fall of 200 in March. These figures - together with the rise in vacancies recorded in April - provide some support for the view that the disappointing trend in unemployment in the first 2 months of the year may have been a temporary setback. Nevertheless, the most recent falls in unemployment do not compensate for the increase of 10,000 recorded over the November - February period.

(ii) It is therefore still too early to present a buoyant picture of the labour market. The latest 3-month trend is a little more favourable, showing an average monthly increase in unemployment of 600 compared with an average of 2,200 in the preceding 3 months. But on a 6-monthly basis, the most recent period indicates an average increase of 1,400 still above the 600 recorded in the previous 6 months.

2. **Gap between Scottish and UK rates wider**

The gap between the seasonally adjusted unemployment rates in Scotland and the UK widened to 1.8 points in January - up from 1.6 points in September. The fall in unemployment in April was larger in Scotland than in the UK as a whole, and the gap consequently narrowed to 1.7 points.

3. **Fewer unemployed school leavers in April than a year ago.**

There were 17,300 unemployed school leavers claiming benefit in Scotland in April compared with 19,000 in March and 18,900 a year ago. The more favourable trend in school leaver unemployment in recent months, as compared with adults, reflects the introduction of YTS as well as indications of improved job opportunities towards the end of last year.

4. **Male rates well above female rates.**

The seasonally adjusted unemployment rate for males in Scotland in April 1984 was 17.2% and that for females was 10.4%. The substantially higher rate for males reflects both the character of the recession which has had a greater impact on the more heavily on the male dominated areas of manufacturing and construction - and also the fact that females show a much greater tendency to drop out of the labour market on becoming unemployed as opposed to registering as available for work. In addition, the new benefit-based count excludes many married women who register as available for work.

5. **Special measures are holding down unemployment.**

At the end of March 1984, about 75,000 people were covered by the special employment measures in Scotland, about 60 per cent of whom were on schemes specially directed towards young people. The direct effect of the measures in reducing the unemployment count is estimated to be around 52,000. Details of the current coverage of each scheme are given in Background Table 2, and in the Annex.

[NB Total coverage figures quoted here are based on an estimate of the current coverage of the Young Workers Scheme (YWS). Press releases have given cumulative figures for YWS coverage; the scheme has been operating since January 1982]

BACKGROUND NOTE

1. Monthly figures in mid-1983 are distorted by the introduction of the two new DHSS provisions for unemployed men aged 60 and over which were announced in the 1983 Budget: these have the effect of artificially lowering the published figures between April and August 1983. The Department of Employment provisionally estimate that 11,400 people in Scotland took advantage of the schemes. The Scottish share of the UK total availing themselves of the schemes, at about 7 per cent, is well below the Scottish share of UK unemployment of about 11 per cent, tending to increase measured Scottish unemployment slightly relative to the UK.
2. The rise in seasonally adjusted unemployment over the year to April 1984 was 11,700 bringing the latest figure to 320,300 (14.3%). Over the same period, total unemployment rose by 8,900 to 337,246 (15.1%). These figures include an allowance for the 11,400 older men removed from the count between April and August; the published figures are not adjusted in this way, and record changes of +2,700 and -100 respectively.
3. The character of the recession has also affected the distribution of unemployment between the various Scottish regions with unemployment rates tending to be higher in the industrial regions. Strathclyde in particular has been badly affected. The cushioning effects of oil related employment are very evident in Grampian (details are shown in Background Table 1).

4. In January 1984, figures for unemployment duration showed that 129,100 people in Scotland had been out of work for over a year, 37 cent of total unemployment. Of these, some 70,000 had been unemployed for over 2 years, representing almost a fifth of total unemployment.
5. Analysis of flows into and out of unemployment is available from the new benefit-based count. Flows off the count averaged 40,000 a month in Scotland in 1983. These include the effects of (eg) job-switching and retirements as well as people moving into new jobs. In comparison with other regions of GB, people in Scotland, the Northern Region and Wales were more likely to become unemployed than elsewhere in the first 10 months of 1983; conversely, the likelihood of ceasing to be unemployed was generally higher in Scotland than in most other regions, outside the South of England.

BACKGROUND TABLES

TABLE 1 Total Unemployment Rates in the Scottish Regions: April 1984

	April 1984			April 1983	Change April 83- April 84 % points
	Male	Female	Total	Total	
	%	%	%	%	
Highland	14.9	12.7	14.1	14.0	+0.1
Shetland	6.0	7.7	6.5	7.3	-0.8
Orkney	13.7	9.0	12.0	12.5	-0.5
Western Isles	28.2	12.5	21.5	22.5	-1.0
Grampian	9.1	7.9	8.6	9.0	-0.4
Tayside	16.6	11.8	14.5	14.6	-0.1
Fife	14.9	11.6	13.5	13.2	+0.3
Strathclyde	21.3	12.1	17.5	17.4	+0.1
Lothian	14.8	9.2	12.4	12.4	0
Central	17.0	13.3	15.5	15.5	0
Dumfries and Galloway	14.2	12.5	13.5	13.7	-0.2
Borders	9.2	7.7	8.6	10.0	-1.4
Scotland	18.0	11.2	15.1	15.1	0
United Kingdom	15.6	9.4	13.0	13.3	-0.3

TABLE 2 Coverage of Special Employment and Training Measures in Scotland: March 1984

Scheme	Coverage (thousands)
YOP	0.8
YTS	33.3
Young Workers Scheme	11.9*
Community Enterprise Programme/Community Programme	15.5
Job Release Scheme	7.2
Temporary short-time working Compensation Scheme	0.8
Community Industry	1.5
Training in Industry	0.9
Enterprise Allowance	2.2
Job Splitting Scheme	0.2
TOTAL	74.3

*estimated current coverage (previous figures were cumulative)

SPECIAL EMPLOYMENT AND TRAINING MEASURES

The programme of special measures is as follows:-

The Community Programme provides temporary employment for long-term unemployed adults on projects of benefit to the community. Recruitment to job opportunities is normally restricted to people aged 18 to 24 years of age who have been unemployed for over 6 months in the past 9 months and those aged 25 years and over who have been unemployed for over 12 months in the past 15 months. On 16 November 1983 the Secretary of State for Employment announced that the programme would be extended for a further 2 years to October 1986.

The Youth Opportunities Programme is being phased out, and there have been no new entrants since 1 April 1983 following the introduction of the Youth Training Scheme.

The Youth Training Scheme YTS provides a high quality integrated programme of training and planned work experience lasting up to a year, including a minimum of 13 weeks off-the-job training or further education. It is designed to give school leavers a range of practical transferrable skills to enable them to compete more effectively in the labour market. The majority of places will be work based with employers. During the first year of the scheme, 3 groups of young people are able to participate - 16 year old school leavers (whether employed or unemployed), unemployed 17 year old leavers in their first post-school year and disabled leavers up to age 21.

The Young Workers Scheme came into operation on 4 January 1982 and is designed to encourage employers to take on more young people at realistic wage rates. Under the scheme employers are able to claim weekly payments in respect of young people in their employment who are under 18 in their first year of employment. Payments are £7.50 a week where the eligible person's gross earnings are £47 a week or less and £15 a week where gross earnings are £42 a week or less. From 1 April young people staying on in education and leaving at 17 will continue to be eligible for the scheme immediately on leaving education as well as those who have left school at 16 and who have been out of school for a year. Employers will be able to claim a subsidy of £15 a week in respect of eligible young people earning £50 or less a week in jobs taken up on or after 1 April 1984.

The Temporary Short-Time Working Compensation Scheme encouraged employers to adopt short-time working instead of redundancies. The scheme is closed for applications on 31 March 1984.

The Job Release Scheme makes it easier for older workers to give up work early and to release their jobs to unemployed people. It offers a weekly allowance from the date the applicant leaves work until the State pension age, provided the applicant's employer agrees to replace him or her by an unemployed person. The scheme is at present open to 2 categories of people: one for all men aged 64 and women aged 59 and one for disabled men aged 60 or over. The part-time Job Release Scheme came into operation in October 1983 and allows people in the 2 age groups specified above as well as all men aged 62 or 63 to change to part-time work and receive a weekly allowance provided an unemployed person is recruited by the employer as a result of the application. The scheme will remain open to the 3 categories of people until 31 March 1985.

The Job Splitting Scheme encourages employers to split existing full-time jobs into two part-time jobs and so open more job opportunities for unemployed people. The scheme opened in January 1983 and will be open for applications until 31 March 1985. A grant of £750 is paid to an employer who splits an existing full-time job into 2 part-time jobs and keeps them filled for 12 months.

The Enterprise Allowance scheme helps unemployed people who want to start up in business but who may be deterred by the fact that they would lose their entitlement to unemployment or supplementary benefit. Under the scheme they are paid a flat rate taxable allowance of £40 a week for a maximum of 52 weeks. Applicants have to be in receipt of unemployment or supplementary benefit for at least 13 weeks, be between 18 and State pension age, and must be able to show that they have at least £1,000 available to invest in the business. Following a trial period in 5 pilot areas, the scheme was expanded on 1 August 1983 and will provide support for a further 60,000 people in GB in the period to 31 March 1985.

Community Industry (CI) provides temporary jobs for personally and socially disadvantaged young people who undertake work projects of benefit to the community. The scheme is mainly financed through a grant to the NAYC which employs the adult staff and the young people. *SINCE* 1 April 1983 CI has recruited youngsters in the 16-19 year old age group who are either outwith the YTS age criterion or for whom YTS is not felt to provide the most appropriate environment.

IDS
May 1984

MAIN POINTS

Employment began to rise in second half of last year

- 1.. Employment in Scotland began to increase towards the end of 1983. The number of jobs in December 1983 was 2,000 higher than in December of the previous year - the first year-on-year increase since March 1980. Service sector employment increased by 28,000, mainly in distribution and catering services and in public administration. This helped to offset further rundowns of 20,000 jobs in the manufacturing sector, 3,000 in construction, 2,000 in agriculture and fishing, and 1,000 in energy and water supply.
2. Final corrections for seasonal variation are not yet available, but preliminary results suggest that total employment rose by 5-10,000 between June and December after declining in the first half of the year. This increase of a little under $\frac{1}{2}$ % of total employment is rather less than that recorded in GB as a whole, but the broad trend is similar.

Trends since 1979

3. Since 1979 employment in Scotland has fallen by less than in GB (Background Table 2). A better relative performance from oil-related and service sector employment in Scotland (especially in the public sector) helped to offset weaknesses in the manufacturing and construction industries.
4. There was a marked difference between male and female employment in Scotland over the period. Male employment fell by about 13 per cent (160,000 jobs) between 1979 and 1983, more than twice as fast as the decline in female employment, which was $5\frac{1}{2}$ per cent (48,000 jobs). Part-time female employment showed a significant increase, up by $7\frac{1}{2}$ per cent (24,000 jobs)

Adjustments to statistics

5. The current method of estimating quarterly employment levels understates the total number of jobs in the economy. This is particularly true in the service sector and also of jobs associated with the opening of new firms. The Manpower Services Commission estimate these factors accounted for an extra 40,000 jobs in Scotland, about 36,000 of which are in the service sector. The figures in Background Table 2 are given on this adjusted basis, and the general statements in the above paragraphs are based on these figures; the figures in Background Table 3 are on the unadjusted basis.

BACKGROUND NOTE

TABLE 1 **Employees in Employment: Scotland**

Standard Industrial Classification (1980)	December 1983	
	Thousands	% of Total
Agriculture, etc	42	2.2
Energy and water supply	73	3.9
Metal manufacturing & chemicals	55	2.9
Metal goods, engineering & vehicles	181	9.6
Other manufacturing	205	10.9
Total manufacturing (adjusted for undercounting)	440 (444)	23.3
Construction	126	6.7
Wholesale distribution, hotels & eating	178	9.4
Retail distribution	198	10.5
Transport & communication	117	6.2
Banking, insurance & finance	129	6.8
Public administration & defence	174	9.2
Education, health & other services	412	21.8
Total Services (adjusted for undercounting)	1,209 (1,245)	64.0
TOTAL	1,890.0	100.0
TOTAL (adjusted for undercounting)	1,930.0	-

TABLE 2 Changes in employment: Scotland & GB (%) - adjusted for undercounting

SIC(1980)	Dec 1982-Dec 1983		Dec 1979-Dec 1983	
	Scotland	GB	Scotland	GB
Manufacturing	-4.3	-2.9	-25.8	-22.6
Services	+2.3	+2.1	+2.1	-0.4
TOTAL	+0.1	+0.2	-8.0	-8.8

TABLE 3 Changes in employment: Scotland and GB(%) - not adjusted

SIC(1980)	Dec 1982-Dec 1983		Dec 1979-Dec 1983	
	Scotland	GB	Scotland	GB
Agriculture, etc	-5.0	-3.9	-11.0	-4.4
Energy & water supply	-1.9	-4.4	-2.4	-11.7
Manufacturing	-4.8	-3.2	-26.5	-23.1
Construction	-2.4	-2.5	-20.1	-19.5
Services	+1.0	+1.0	-0.9	-2.8
TOTAL	-0.9	-0.6	-9.9	-10.4

B.3 OTHER LABOUR MARKET INDICATORS

1. Vacancies began to recover in April after 5 months of decline.

(i) Unfilled vacancies in Scotland rose by 800* in April to 15,800 (seasonally adjusted). During the initial stages of recovery, vacancies rose steadily to reach a peak of almost 18,000 in mid-83. After October, however, vacancies began to decline reflecting some weakening in the labour market in Scotland over the winter months.

(ii) The number of placings by Job centres and PER offices gives some indication of the extent of activity which exists in the labour market even during times of recession. For the fourth quarter of 1983, placings totalled 60,000 in Scotland, 8,000 up on the same period in 1982.

2. Redundancies fall in 1983 but remain high

(i) The number of redundancies notified to MSC Scotland as due to occur during the fourth quarter of 1983 fell to 7,610. The figure was the lowest fourth quarter total recorded since 1978. Redundancies in manufacturing totalled 5,207, largely the result of 1,800 job losses in mechanical engineering, and a further 1,200 in the shipbuilding industry. Advance indications for the first quarter of this year suggest some increase in the redundancy total.

(ii) Within Scotland, redundancies in recent years have been concentrated most heavily on Strathclyde and have been most pronounced in metal manufacture, engineering, textiles and in the construction industry. The total for 1983, at just under 37,000, was 12,000 down on the previous year.

3. Upturn in overtime towards end 1983

Overtime working remained fairly flat in the first 9 months of 1983, but increased in December. Taken together with numbers on short-time working which showed a steady decline throughout 1983, this suggests that manufacturing production may have begun to increase again in the latter part of the year. More recent unemployment information, however, tends to indicate some deterioration in the labour market since then.

*Seasonal factors for the unfilled vacancies series have been revised.

GOOD NEWS SCOTLAND
SUMMARY - APRIL 1984

1. Since 1 April Scottish based companies have published export orders totalling £35.6 million and have announced contracts or investments amounting to £84 million for work to be undertaken in Scotland.

2. Projects promising 1789 new jobs were announced during this period as follows:

Manufacturing and services jobs within 2-3 years	989
Further manufacturing and services jobs within 5 years	500
Construction jobs within 2-3 years	300
Total	<u>1,789</u>
Jobs Safeguarded	500

3. Item No 1 NCR at Dundee has not been included in this month's totals as the precise value of the contract allocated to the Dundee company has not been disclosed.

4. Cumulative figures from 1 January to 31 April now stand as follows:

Export Orders	£163.5 million
Contracts/Investments	£610.5 million
Jobs promised within 2/3 years	5,191
Further jobs promised within 5 years	2,772
Jobs safeguarded	2,700

GOOD NEWS INDEX

COMPANY

LOCATION

(Manufacturing and Service Industry)

1. NCR	Dundee
2. John Brown Engineering	Clydebank
3. British Aerospace	Prestwick
4. Integrated Power Semiconductors	Livingston
5. Terex	Newhouse
6. Comex Holder	Aberdeen
7. Aoc International	Aberdeen
8. Volvo	Irvine
8. Walter Alexander	Falkirk
9. Joy Manufacturing	East Kilbride
10. A C (Scotland)	Glasgow
11. Sangamo Controls	Port Glasgow
12. Templeton Supermarket	Fife
13. BMK Ltd	Kilmarnock
14. A I Welders	Inverness
15. Babcock Power	Renfrew
16. Ferguson-Ailsa	Port Glasgow
17. Business Centre	Coatbridge
18. Scomag Hydraulic	Bellshill
19. Webco Industrial Rubber	Aberdeen
20. Linn Products	Glasgow
21. Nuclear Enterprises	Edinburgh
22. William Baird	Scotland
23. High Technology Industrial Engineering	Leven
24. Various	Wishaw
25. Fish Processing plant	Shetland

Construction

26. Robert McAlpine & Sons	Scotland
27. Taylor Woodrow (Construction)	Scotland
28. Derek Crouch (Scotland) Ltd	Stirling
29. Balfour Beatty (Construction)	Aberdeen
30. A R Campbell (Construction) Ltd	Stirling
31. Mountleigh Homes	Scotland

GOOD NEWS NOTES

1. NCR at Dundee which produces data processing equipment is to handle a substantial part of three major orders worth more than £65m (100 million dollars) for Fellasdate and Norske Credit Bank of Norway and the ISB Group of Commercial Banks.
2. John Brown Engineering of Clydebank has won orders worth more than £28m for eight turbines for power projects in the UK, USA, Singapore, Libya and Canada.
3. British Aerospace is to invest £10m at its premises at Prestwick creating 150 new jobs. The company has also won £12m worth of orders for its Jetstream 31 light aircraft.
4. Integrated Power Semiconductors Ltd set up by a group of Californian electronics experts is to open a £15m plant at Livingston which will create around 500 new jobs by 1989. The company will be primarily involved in the design and manufacture of power control integrated circuit products.
5. Truck manufacturers Terex at Newhouse in Lanarkshire has recently won orders totalling more than £6.5m creating 140 jobs. The orders are for spare parts and machinery for companies in France, Finland, Turkey and Britain.
6. Diving company Comex Holder of Aberdeen has won contracts worth around £6m for subsea construction and inspection work on BP and Conoco's gas and oil fields.
7. Two contracts together worth more than £5m have been awarded to Aberdeen based AOC International. One contract is for the welding on the deck to the hull of Conoco's tension leg platform for the Hutton Field. The second covers inshore and offshore mechanical, structural and piping hook-up for the platform.
8. Both Volvo at Irvine and Walter Alexander at Falkirk have received orders from the Scottish Bus Group. The Volvo contract worth £500K is for chassis and the Walter Alexander contract valued at £4m is for bodywork.

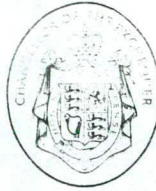
9. East Kilbride mining machinery company Joy Manufacturing Company (UK) has won a £3.2m order from the National Coal Board to supply high performance equipment for Ellington Colliery at Northumberland giving continuity of work for the 200 strong workforce.
10. AC (Scotland) is to set up a £2.5m manufacturing plant in Glasgow to produce high performance specialist cars. The company is expected to create 30 new jobs.
11. Sangamo Controls of Port Glasgow which manufactures time controls systems is to invest £2m in the production of fully electronic timeswitches.
12. Templeton's is to open a new supermarket costing £1.5m at Cupar in Fife, creating 40 new jobs.
13. BMK Ltd, carpet manufacturers at Kilmarnock in Ayrshire, has won orders worth more than £500K over the last two months and repurchased factory premises sold to the Scottish Development Agency in 1981. The company has recently invested around £830K in its present premises providing job security for its 300 strong workforce.
14. AI Welders of Inverness has announced a £1.1m offer for a large flash-welding machine which Davy McKee (Poole) are supplying for a major steel-rolling mill in Yugoslavia.
15. Babcock Power at Renfrew has won a £1m contract to develop ultrasonic equipment which will be used to test forgings on the reactor pressure vessel for the proposed nuclear plant at Sizewell in Suffolk.
16. Shetland Islands Council has awarded a £800K contract for a ferry to Ferguson-Ailsa the Port Glasgow shipyard.
17. A £750K Business Centre is to be built at Coatbridge in Lanarkshire creating around 60 new jobs early next year.
18. Scomag Hydraulic of Bellshill in Lanarkshire has won two contracts worth £500K for two shape control machines for the Welsh tinsplate industry and two heave compensation systems for position control of remotely operated vehicles working in the North Sea. 12 new jobs will be created.

19. Aberdeen based Webco Industrial Rubber is to expand by opening a new factory at Ellon investing £500K. The expansion is based on a new inhouse thermal insulation for subsea pipelines. 50 new jobs will be created early next year.
20. Hi-fi manufacturers Linn Products has opened a £500K plant in Glasgow as an interim development which will eventually be superseded by a multi-million pound investment in a greenfield site outside the city.
21. Nuclear Enterprises of Edinburgh has been awarded a £300K contract to produce five large plastic domes capable of detecting the distant and ancient space radiation as part of a £100m joint Europe and USA space observatory.
22. Textile company William Baird is to create a further 300 new jobs within its five manufacturing units in Scotland over the next two years. This is a result of substantial capital investment.
23. High Technology Industrial Engineering a specialist offshore fabrication company has announced plans to create 100 new jobs at its premises in Leven, Fife over the next three years.
24. Ninety jobs are to be created at Netherton Industrial Estate, Wishaw by the clothing company Clifford Williams and several small businesses.
25. A fish processing plant at Yell in Shetland is to re-open creating 17 jobs.
26. Robert McAlpine and Sons Scotland has won a contract worth £11m for the construction of the new Royal Scottish Academy of Music and Drama in Glasgow.
27. Taylor Woodrow Construction (Scotland) has been awarded a £2.2m contract by Blue Circle Leasing for work on a new plant at Dunbar Cement Works, East Lothian.
28. Building firm Derek Crouch (Scotland) Ltd at Stirling has won orders worth around £1.8m for sheltered housing at Greenock and for converting the former Loch Lomond Hotel at Balloch into flats.

29. The Aberdeen office of Balfour Beatty Construction has won two contracts for work in North-East Scotland worth more than £1.13m. The first valued at 73K is for the construction of a reinforced concrete tank and inlet works for part of a sewage system for Grampian Regional Council and the second worth £40,715 is for the construction of a footbridge at Aberdeen Airport.

30. A R Campbell (Construction) of Stirling has been awarded a £215K contract for extension work to be carried out at Strathcarron Hospice at Denny.

31. Housebuilding developers Mountleigh Homes is to create between 200 and 300 jobs over the next two years due to its first house building venture in Scotland.



FROM: MISS M O'MARA

DATE: 14 May 1984

cc Mr Portillo
Miss Lyons

6/1/85 pl
29/5 pl
Bank Not
B/F 24/5
D

MRS DA GAMA

CHANCELLOR'S SCOTTISH TOUR: WEDNESDAY 9 MAY

The Chancellor, Mr Portillo and I stayed overnight in Edinburgh last Wednesday, as arranged by Miss Lyons. Since the hotel asked us to settle the bill immediately, I paid for the whole party. I should be grateful if you could now reimburse me. I attach the receipts.

2. I think it would probably be simpler if you could repay the whole amount to me and if Conservative Central Office were to subsequently reimburse you for the cost of Mr Portillo's accommodation. But if this causes you any difficulty, I am quite happy to negotiate with them direct.

Mon
MISS M O'MARA

*Could I pl. have the brief from the
Scottish Office for this trip?*

None

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510	46.00	Ms O'Mara	1	D	10/5
ROOM	RATE	NAME	PERS.		
To: _____				A	9/5

Crest Hotel Edinburgh

Queensferry Road
Edinburgh EH4 3HL
Telephone Edinburgh (031) 332 2442
Telex 72541

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ROOM 46.00
664A09/05/11510 51 46.00
ACCESS 46.00-
703A09/05/ 510 73 .00

EXPLANATION OF CODE

TOUR	Tours
CONF	Groups & Conferences
TERM 1	Special Offers
ROOM	Rooms
E BFT	English Breakfast
C BFT	Continental Breakfast
RESTL	Restaurant Lunch
RESTD	Restaurant Dinner
FOOD	Food Other
FUNCL	Function Lunch
FUNCD	Function Dinner
FUNCT	Function Other
DBAR	Restaurant Drinks
CBAR	Bar Drinks
PHONE	Telephone & Telex
RHIRE	Room Hire
MUSIC	Band & Entertainers
VALET	Laundry & Dry Cleaning
EHIRE	Equipment Hire
MISC	Miscellaneous

TAX POINT: LAST DATE PRINTED
PRICES INCLUDE SERVICE AND V.A.T.

SIGNATURE

CREST HOTELS LIMITED MAY, IF IT SO WISHES, REQUIRE THAT PAYMENT OF ANY SUMS DUE OR PART THEREOF BE MADE AT ITS REGISTERED OFFICE AT:-
BRIDGE STREET, BANBURY,
OXON OX16 8RQ
TELEPHONE BANBURY (0295) 52555
TELEX 837324
REGISTERED No. 31133 ENGLAND
VAT REGISTERED No. 232 1538 95

RESERVATION OFFICES:-

London (01) 236 3242 Glasgow (041) 221 9403
Banbury (0295) 67733 Manchester (061) 834 1300
Birmingham (021) 643 4428 Preston (0772) 52682

RATE	V.A.T. SUMMARY	£	p
46.00	Hotel Services (excl. V.A.T.)		
	V.A.T. @ 15%		
510	Hotel Services (incl. V.A.T.)		
	Services at Zero Rate		
	Total value of invoice	£	

CHEQUES SHOULD BE MADE PAYABLE TO CREST HOTELS LIMITED

HAVE YOU LEFT YOUR KEY?

300/83081



309				
310	46.00	Mr. N. Lawson	1	D 10/5
ROOM	RATE	NAME	PERS.	
To:-			A	9/5

Crest Hotel Edinburgh

Queensferry Road
Edinburgh EH4 3HL
Telephone Edinburgh (031) 332 2442
Telex 72541

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2	ROOM		46.00
3	662A09/05/11309 03		46.00
4	ACCESS		46.00-
5	701A09/05/ 309 25		.00
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EXPLANATION OF CODE	
TOUR	Tours
CONF	Groups & Conferences
TERM 1	Special Offers
ROOM	Rooms
E BFT	English Breakfast
C BFT	Continental Breakfast
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EHIRE	Equipment Hire
MISC	Miscellaneous
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46.00	Hotel Services (excl. V.A.T.)		
	V.A.T. @ 15%		
309	Hotel Services (incl. V.A.T.)		
	Services at Zero Rate		
	Total value of invoice	£	

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HAVE YOU LEFT YOUR KEY?

300/83079



Crest Hotel Edinburgh

Queensferry Road
Edinburgh EH4 3HL
Telephone Edinburgh (031) 332 2442
Telex 72541

509	46.00	Mr.M.Portillo	1	D	10/5
ROOM	RATE	NAME	PERS.		
To:-				A	9/5

EXPLANATION OF CODE	
TOUR	Tours
CONF	Groups & Conferences
TERM 1	Special Offers
ROOM	Rooms
E BFT	English Breakfast
C BFT	Continental Breakfast
RESTL	Restaurant Lunch
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PHONE	Telephone & Telex
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VALET	Laundry & Dry Cleaning
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MISC	Miscellaneous
TAX POINT: LAST DATE PRINTED	
PRICES INCLUDE SERVICE AND V.A.T.	

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Banbury (0295) 67733 Manchester (061) 834 1300
Birmingham (021) 643 4428 Preston (0772) 52682

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RATE	V.A.T. SUMMARY	£	p
46.00	Hotel Services (excl. V.A.T.)		
	V.A.T. @ 15%		
ROOM No.	Hotel Services (incl. V.A.T.)		
509	Services at Zero Rate		
	Total value of invoice	£	

CHEQUES SHOULD BE MADE PAYABLE TO CREST HOTELS LIMITED

HAVE YOU LEFT YOUR KEY?

300/83080



1-Pl copy to
Mr. Poshillo
2. Prof

PP

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

16 May 1984

Miss Susan Elliot
Edinburgh South Constituency
19 Newington Road
EDINBURGH EH9 1QR

Susan

It was very kind of you to come to Edinburgh airport and drive us to the Perth conference last week. I am sorry that the local elections were such a disappointment in Edinburgh - better luck in the Euro campaign!

Nigel Lawson

NIGEL LAWSON



prop

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

J S Graham Esq
Private Secretary to the
Secretary of State for Scotland
Scottish Office
Whitehall
London SW1A 2AU

24 May 1984

Dear John,

CHANCELLOR'S VISIT TO SCOTLAND: WEDNESDAY 9 MAY

I am sorry that it was only today that I realised we had not written to thank you for the detailed brief you provided for the Chancellor's visit to Scotland earlier this month. In fact, the Chancellor found the first section on Dundee and Tayside particularly helpful and I should be grateful if you could pass on our thanks to those who compiled it for us.

Yours sincerely,

Margaret O'Mara

MISS O'MARA
Private Secretary