



PO-CH/NL/0863

PART A

Chel
Lawson

PART A

CONFIDENTIAL
(Circulate under cover and
notify REGISTRY of movement)

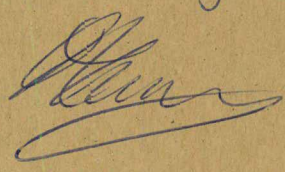

PO -CH /NL/ ~~0135~~
 0863
PART A

CHANCELLOR'S SPEECH TO
THE CONFEDERATION OF
BRITISH INDUSTRY (CBI)
IN SCOTLAND

PO -CH /NL/ ~~0135~~
0863
PART A

18/3/86
Begins: ~~30/10/86~~
Ends: 8/12/86
3/9/86

DD: 25 years

 5/9/95

Confederation of British Industry
Beresford House
5 Claremont Terrace
Glasgow G3 7XT
Telephone 041 332 8661

Telex 262798 (CBI-G)
To: Glasgow

Director-General
Sir Terence Beckett CBE

Director Scottish Office
John Davidson

Scottish Office



Our Ref JD/YB

18 March 1986

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
The Treasury
Parliament Street
London SW1P 3AG

Dear Mr Lawson

The Annual Dinner arranged by CBI Scotland is the principal industrial and commercial function in Scotland attended by over 500 members and guests. This year the dinner is being held on Thursday 4 September in The Albany Hotel, Glasgow.

My Chairman, Mr J M Little CBE, would be honoured if you could be the principal guest, proposing the toast of The Confederation of British Industry. The toast will be replied to by Mr D W Nickson CBE, who will, by then, be President of the CBI.

The dinner will be held at 7.15 pm for 7.45 pm in The Albany Hotel, Glasgow. Dress is Black Tie. Members of the press are present as guests and we should be very pleased to make any other arrangements and to provide accommodation required by you and your staff.

I very much hope you will be able to accept this invitation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Davidson', written over a horizontal line.

JOHN DAVIDSON
SCOTTISH DIRECTOR

2794/44

OK

CHANCELLOR

cc
You also received an invitation yesterday from Sir Eric Jarrow inviting you to lunch at Clydesdale Bank HQ in Scotland. This might add to the strength of the case for a 2 day visit?

FROM: P J CROPPER
DATE: 27 March 1986

cc Mr Scholar
Miss O'Mara
Mr Culpin
Mr Walters
Mr P Edwards
Mr Lord
Mr Davies
Mr P Lilley MP
Mrs D Lester

SCOTLAND

27/3

When talking to Bill Henderson in Edinburgh about the Inverness visit, I was not aware of the Glasgow CBI invitation attached.

2. I have now spoken to Bill again and he thinks it would be magnificent if you could do:

- Thursday 4 Sept. CBI Dinner
- Friday 5 Sept. Inverness Lunch
- Friday 5 Sept. Edinburgh (Fletcher) Dinner.

3. You would not need to do a big speech in Inverness: it is more the honour you do them of visiting the far north, shaking their hands etc etc. So the big speech would be CBI Glasgow.

4. I gather your diary can accommodate this. We ought, I suspect, to give an answer on CBI Glasgow before Easter if at all possible.

P J CROPPER

Confederation of British Industry
Beresford House
5 Claremont Terrace
Glasgow G3 7XT
Telephone 041 332 8661

Telex 262798 (CBI-G)
To: Glasgow

Director-General
Sir Terence Beckett CBE

Director Scottish Office
John Davidson

Scottish Office



Our Ref JD/YB

18 March 1986

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
The Treasury
Parliament Street
London SW1P 3AG

Dear Mr Lawson

The Annual Dinner arranged by CBI Scotland is the principal industrial and commercial function in Scotland attended by over 500 members and guests. This year the dinner is being held on Thursday 4 September in The Albany Hotel, Glasgow.

My Chairman, Mr J M Little CBE, would be honoured if you could be the principal guest, proposing the toast of The Confederation of British Industry. The toast will be replied to by Mr D W Nickson CBE, who will, by then, be President of the CBI.

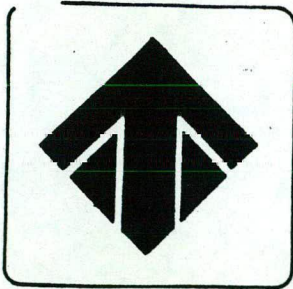
The dinner will be held at 7.15 pm for 7.45 pm in The Albany Hotel, Glasgow. Dress is Black Tie. Members of the press are present as guests and we should be very pleased to make any other arrangements and to provide accommodation required by you and your staff.

I very much hope you will be able to accept this invitation.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'John Davidson', written over a horizontal line.

JOHN DAVIDSON
SCOTTISH DIRECTOR



Chairman: Sir James Goold CA FCIQB DL

Deputy Chairman: Sir Donald Maclean

Vice-Chairmen: Ian Lang MP

Mrs Jean Chalmers CBE

Director: William R Henderson TD

Deputy Directors: Robert M Balfour

Walter M Ross

Scottish Conservative Party

Headquarters:
3 Chester Street
Edinburgh EH3 7RF

Telephone: 031-226 4426

Fax: 031-226 6472

Telex: 727323

Our Ref: JDG/BL/200

21st March, 1986

The Rt. Hon. Nigel Lawson, M.P.,
Chancellor of the Exchequer,
11 Downing Street,
London.
SW1.

Dear Nigel,

I understand that you have been invited to be the Principal Guest at the Annual Dinner of CBI Scotland in Glasgow on Thursday, 4th September.

I can confirm that this is a major and very important event in the industrial life of Scotland and if you were able to accept it would be a tremendous boost to your many supporters in Scottish Industry.

Congratulations on your Budget this week. It was splendid and has been extremely well received by the normally hostile Scottish press but more importantly by our own supporters. We must continue to stick to our guns at all times because there is no doubt that our policies are right and are working.

All good wishes.

James Goold

James Goold



1. Get in
Talk CBI
Dinner speech.
2.

Ch.

Speech Committee: existing

Commitments

The main problem is

going to be the speech

CBI on 4 Sept. We agree

to see now who is

going to be responsible

for the speech - what topic -

& broadly what time table.

(I think Reserve &

be closely involved, as Alex

wish be grand (and ^{*}).

RH.

1976.

* + I wish certainly be
a holiday!

FROM: D N WALTERS
DATE: 27 MARCH 1986

ms 27/3

- 1. MR SCHOLAR
- 2. CHANCELLOR OF THE EXCHEQUER

- cc Mr Culpin
- Miss O'Mara
- Mrs Lester
- Mr Edwards
- Mr Cropper
- Mr Lord
- Mr H Davies
- Mr P Lilley - MP

SPEECH ENGAGEMENTS: CBI ANNUAL DINNER, SCOTLAND

You asked for Junior Speech Committee advice on the invitation (attached) from the CBI for you to be principal guest at the CBI Scotland annual dinner in Glasgow on Thursday 4 September. The invitation has been supported in writing by the Scottish Conservative Party (also attached).

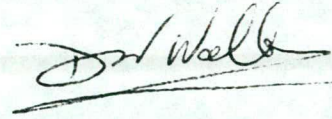
2. The function will be attended by 500 members and guests including members of the press. We have no record of you having previously received an invitation to this annual event.

3. Currently, your diary is clear for the week including Thursday 4 September; but a date has still to be arranged in that month for your Crosby and Hazelgrove visit. You also have only one other day in September taken up with speech occasions. However, that (the 12th) also involves Scotland - a visit to Edinburgh and Inverness.

4. Junior Speech Committee generally feels that the CBI dinner is an event which you should, if possible, attend. (Mr Davies has commented that the invitation is flattering and that, should you decline, the response would need to be appropriately tailored.) However, the Committee think that two trips to Scotland in as many weeks is not appropriate.

5. Mr Cropper has spoken again to the Director of the Party in Scotland. The Director's view is that it is unlikely that the CBI could be persuaded to change the date of their annual dinner. However, he did not see any difficulty in moving the Inverness and Edinburgh trip forward by a week thereby allowing that event and the Glasgow function to be covered in consecutive days. Mr Cropper has minuted separately today suggesting this is desirable and possible.

The Committee recommend that, since Inverness and Edinburgh can be moved to 5 September, you should accept the CBI annual dinner in Glasgow on the 4th. Mr Lilley has also advised that, if this arrangement is acceptable to you, you may care to consider including in the itinerary a visit to Stirling to take up a long standing open invitation to visit Michael Forsyth's constituency.

A handwritten signature in dark ink, appearing to read 'D N Walters', written in a cursive style. The signature is positioned above a horizontal line.

D N WALTERS

Confederation of British Industry
Beresford House
5 Claremont Terrace
Glasgow G3 7XT
Telephone 041 332 8661

Telex 262798 (CBI-G)
To: Glasgow

Director-General
Sir Terence Beckett CBE

Director Scottish Office
John Davidson

Scottish Office

CBI
INDUSTRY
YEAR 1986

Our Ref JD/YB

18 March 1986

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
The Treasury
Parliament Street
London SW1P 3AG

Dear Mr Lawson

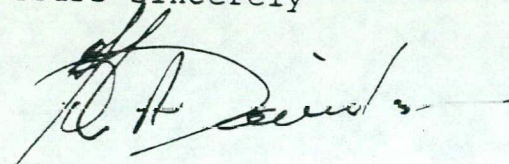
The Annual Dinner arranged by CBI Scotland is the principal industrial and commercial function in Scotland attended by over 500 members and guests. This year the dinner is being held on Thursday 4 September in The Albany Hotel, Glasgow.

My Chairman, Mr J M Little CBE, would be honoured if you could be the principal guest, proposing the toast of The Confederation of British Industry. The toast will be replied to by Mr D W Nickson CBE, who will, by then, be President of the CBI.

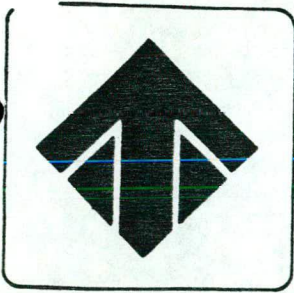
The dinner will be held at 7.15 pm for 7.45 pm in The Albany Hotel, Glasgow. Dress is Black Tie. Members of the press are present as guests and we should be very pleased to make any other arrangements and to provide accommodation required by you and your staff.

I very much hope you will be able to accept this invitation.

Yours sincerely



JOHN DAVIDSON
SCOTTISH DIRECTOR



Chairman: Sir James Goold CA FCIQB DL

Deputy Chairman: Sir Donald Maclean
Vice-Chairmen: Ian Lang MP
Mrs Jean Chalmers CBE

Director: William R Henderson TD
Deputy Directors: Robert M Balfour
Waiter M Ross

Scottish Conservative Party

Headquarters:
3 Chester Street
Edinburgh EH3 7RF

Telephone: 031-226 4426
Fax: 031-226 6472
Telex: 727323

Our Ref: JDG/BL/200

21st March, 1986

The Rt. Hon. Nigel Lawson, M.P.,
Chancellor of the Exchequer,
11 Downing Street,
London.
SW1.

Dear Nigel,

I understand that you have been invited to be the Principal Guest at the Annual Dinner of CBI Scotland in Glasgow on Thursday, 4th September.

I can confirm that this is a major and very important event in the industrial life of Scotland and if you were able to accept it would be a tremendous boost to your many supporters in Scottish Industry.

Congratulations on your Budget this week. It was splendid and has been extremely well received by the normally hostile Scottish press but more importantly by our own supporters. We must continue to stick to our guns at all times because there is no doubt that our policies are right and are working.

All good wishes.

James Goold

James Goold

FROM: P J CROPPER
DATE: 26 March 1986

CHANCELLOR

cc Mr Scholar
Miss O'Mara
Mr Culpin
Mr Walters
Mr P Edwards
Mr Lord
Mr Davies
Mr P Lilley MP
Mrs D Lester ←

ENGAGEMENTS

1. Inverness and Edinburgh. Bill Henderson, Director of the Party in Scotland, is delighted to arrange a day in the North on Friday 12 September, terminating in Edinburgh in the evening. He will be sending a draft itinerary.
2. Mr Howard. I attach a request from Central Office that you see Mr Howard, leader of the Australian Liberal Party, on June 16 or 17.
3. Womens Conference. Central Office has not yet been given a time for the Prime Minister's session. Subject to that they can accommodate your wish to switch from the Tuesday afternoon to Wednesday afternoon 4 June. It will have to be earlier (2 or 2.15) because it is the final session of the conference.
4. EDU Conference 21 April. They will be delighted if you are able to look in on your return from Windsor. However nothing is at this stage being said about the possibility. It is at the Royal Horse Guards Hotel. I have discussed it with Scott Hamilton at Central Office: Jim Spicer has been in touch with the Chief Secretary and the Minister of State. I shall be attending the Conference.
5. Charities Conference. I am in touch with the office of the Chancellor of the Duchy of Lancaster with a view to trying to find a date towards the end of April for this. The thought

is that Lancaster House might be obtainable. We will let you know.

A handwritten signature in black ink, appearing to be 'P J Cropper', written in a cursive style.

P J CROPPER



Conservative Party International Office

32 Smith Square Westminster London SW1P 3HH
Tel. 01-222 9000 Telex 8814563 Fax. 01-222 1135

Peter Cropper, Esq.,
Special Adviser,
H.M. Treasury,
Parliament Street,
LONDON SW1.

21st March 1986

John Peter,

Mr. John Howard, the Leader of the Australian Liberal Party, will be visiting London in June and would very much like to meet with the Chancellor of the Exchequer.

Mr. Howard replaced Mr. Andrew Peacock in a surprise leadership change last September, and this is his first visit to this country as Leader of the Party. He was, of course, Minister of Finance in the last Liberal Administration under Malcolm Fraser.

Ideally, he would appreciate an appointment on either Monday 16th or Tuesday 17th of June. I am also seeking to arrange appointments with the Prime Minister and the Foreign Secretary on those same days.

I would be very grateful if you could let me know whether such a meeting would be possible, together with a most convenient time.

Yours ever,

Scott

SCOTT HAMILTON



FROM: MRS D C LESTER

DATE: 1 April 1986

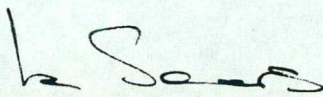
MR CROPPER

cc Mr Scholar
Miss O'Mara
Mr Culpin
Mr Walters
Mr P Edwards
Mr Lord
Mr Davies
Mr P Lilley MP

SCOTLAND: SEPTEMBER 1986

The Chancellor has seen your minute of 27 March and agrees to a two day tour of Scotland.

2. I have accepted the invitation from the CBI.


MRS D C LESTER



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

1 April 1986

John Davidson Esq
Scottish Director
Confederation of British Industry
Beresford House
5 Claremont Terrace
Glasgow
G3 7XT

Dear Mr Davidson,

The Chancellor of the Exchequer has asked me to thank you for your letter of 18 March and the kind invitation to attend the CBI Scotland annual dinner on Thursday 4 September. The Chancellor will be pleased to attend and to propose the toast of the Confederation of British Industry.

I shall be in touch with your office nearer the date about precise arrangements.

Yours Sincerely

L Sears

MRS D C LESTER
Diary Secretary

FROM: M C SCHOLAR
DATE: 24 JUNE 1986

18/7

CHANCELLOR OF THE EXCHEQUER

cc Mr Monck
Mr Culpin
Mr A Allan
Mr Ross Goobey
Mr Tyrie
Mr P Lilley - MP

W 2/7

SCOTTISH CBI SPEECH ON THURSDAY 4 SEPTEMBER

... I attach a possible outline for this speech, for discussion at your meeting at 11am tomorrow.

MCS

M C SCHOLAR

By [you need to see a full draft by mid July]

Who is consulting business leaders? (P. Lilley to talk to business MPs, Scottish MPs right to be asked to offer something)

This is as discussed. Poor first case for a way to push on pay, given timing (though this will be before any RPI - which should be a good) Don't you have to be any ready for the first meeting, through, by then.

Something on public financing, perhaps? We also need to see one who is going to be responsible for this speech in to his pages (Michael is on leave, Robert will be). Please visit Alex. K 24/6

4

SCOTTISH CBI SPEECH: OUTLINE

*Some things above
'Bit (in Scotland)
etc Scottish theme*

- Scotland a cradle of Enterprise culture - David Hume and Adam Smith (quotes), and Scottish engineers and businessmen practising what they preached (examples)

- But free enterprise for many years in retreat here
 - high taxation
 - untrammelled trade union power
 - controls and restrictions
 - grossly excessive public borrowing - rampant inflation
 - business morale at rock bottom

- Contrast this retreat with position in US and Japan on all these counts and with jobs created/lost in Scotland, US and Japan over 10 years

- This government has since 1979 turned the tide:-
 - (i) stabilisation programme
 - : inflation record - rate of growth of output now set to exceed inflation rate
 - : recreated business confidence - stood up to strikes
 - : provided climate for steady growth

 - (ii) a whole raft of measures to put enterprise back in the driving seat
 - tax reductions, tax reform, and tax abolition
 - reduction in size of public sector; transformation of efficiency of what remains
 - abolition of controls, bureaucratic burdens etc
 - small business/Enterprise Allowance/Loan Guarantee Scheme/BES etc (NB small business sector relatively more important in Scotland than in England - but still small compared with that in Germany, US and Japan)
 - popular capitalism (but NB Scottish home ownership growth lagging behind England)

- Industry's response has been, in the main, highly encouraging. But industry's performance has its strengths and weaknesses:-

Strengths

Vigour

- output growth - top of EC growth league
- generation of new jobs compared with rest of Europe
- business start-ups exceeding stops by 700 a week

*low
(with care)
See forecast*

Efficiency and Innovative skill - examples of new products and markets and good design (Scottish firms?)
- improvements in productivity

Sound financial management

- company profitability highest since 1960
- industrial investment up 32 per cent since 1983 election

Weaknesses: mention three smaller weaknesses and one big weakness

- : not enough training of the workforce
- : too much them and us: management must create a flexible and highly motivated workforce so that it can insist on proper quality control, delivery dates, after-sales service, etc
- : problem of turning R&D into marketable products - leaving it to our competitors to exploit British innovation

But big weakness is failure to control unit labour costs - labour costs overshadow other industrial costs eg raw materials, interest rates

- step change in inflation (not a flash in pan - follows years of gradually reducing inflation) offers unparalleled opportunity to break with bad old habits
- revert to US - comparison on real income restraint and jobs growth

*pay settlements
coming down in
the countries.
(see forecast)*

pay

- compare inflation and unit labour costs performance
of competitors

- consequences for employment

- Future bright - especially for Scotland - [once pause is past?]



FROM: MRS R LOMAX
 DATE: 25 June 1986

1 Tony
 2 Gaby
 3 by 18/7

MR SCHOLAR

cc Mr Monck
 Mr Culpin
 Miss O'Mara
 Mr A Allan
 Mr Ross Goobey
 Mr Tyrie
 Mr P Lilley - HoC

by 21/7

SCOTTISH CBI SPEECH: THURSDAY 4 SEPTEMBER

This morning the Chancellor discussed with you and others the speech outline attached to your minute of 24 June. He thought it was on the right lines though there might be a little too much material for a 20 minute speech. If so, the recapitulatory sections on the first page could be condensed or even omitted.

2. The Chancellor emphasised that he would want a good Scottish section, as in his speech to the Scottish Party Conference last year. On that occasion, Mr Lilley had spoken to Scottish MPs, who had been helpful in suggesting issues of interest to a Scottish audience. The Scottish Office should also be able to supply material, including specific examples.

3. It was for consideration how much to say about the offshore oil industry. The Chancellor thought it might be odd to make no reference to it at all. He asked for briefing on the current position from the Department of Energy and the Offshore Supplies Office.

4. The Chancellor also wanted to mention growth areas of the Scottish economy including "Silicon Glen", the financial services industry, and the service sector generally. There might be a case for mentioning the Scottish Development Agency, though not in such a way as to suggest that the success of the Scottish economy was due to interventionist policies.



5. The Chancellor confirmed that the main theme of the speech should be the strengths and weaknesses of British industry. The "strengths" story was that industry had responded far better than its detractors thought possible to the various challenges of the early 1980s - the world recession, the structural impact of North Sea oil, and the reimposition of financial discipline. The temptation now was for industry to rest on its laurels, and take a short term view.

6. Its Achilles heel - "cost incontinence" - stemmed from a more fundamental weakness: living for the short term, and failing to look to the future. This was reflected in low R&D investment, as well as a tendency to judge the affordability of pay settlements by current profits. The City was not entirely to blame for pressing industry to produce short term results: a more disciplined approach to pay would release resources for R&D investment without denting short term profits.

7. Mr Monck commented that a strong pay message would be well timed: the speech would coincide with the TUC Conference and the CBI should be coming out with a new pay initiative at around that time.

8. The Chancellor also asked for material on:-

- Profit related pay.
- Inward investment (including the proportion of US investment in the UK going to Scotland).
- Education, especially the relationship between Universities and Industry in Scotland.
- Public expenditure per head in Scotland compared with the rest of the UK (though he was unlikely to want to say much about public expenditure, given the time of year).

9. You agreed to submit a full draft of the speech by Friday 18 July, drawing on input from Mr Lilley and the Scottish Office.



The Chancellor will then hold a further meeting before the recess, and Mr Ross Goobey and Mr Allan will take the speech through its final stages towards the end of August.

A handwritten signature in cursive script, appearing to read "RL".

RACHEL LOMAX



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

27 June 1986

R S B Gordon
Private Secretary
Secretary of State for Scotland
Dover House
Whitehall
LONDON SW1A 2AU

Dear Robert,

SPEECH BY THE CHANCELLOR TO THE SCOTTISH CBI ON 4 SEPTEMBER

The Chancellor is addressing the Scottish CBI on 4 September and has it in mind to deliver a speech as outlined in the attachment.

He would find it very helpful if the Scottish Office could provide some factual material on which he could draw in working up the outline into a full speech - in particular, for examples of Scottish industrial successes and failures on the schema in page 2 of the outline.

The Chancellor has asked specifically for material on:

- inward investment into Scotland
- Scottish education, including the relationship between universities and industry in Scotland.

I wonder, too, if Geoff Dart in the Energy Secretary's office - to whom I am copying this letter - could help on a further request by the Chancellor? The Chancellor thinks it would look odd to say nothing at all, in current circumstances, about the offshore oil industry, and wonders what the Department of Energy/Offshore Supplies Office view on this is. Please could we have some briefing on the current position.

I would be grateful if you and Geoff Dart would let me have this material by Tuesday 15 July.

Yours sincerely,
Cathy Ryding

CATHY RYDING
Assistant Private Secretary

SCOTTISH CBI SPEECH: OUTLINE

- Scotland a cradle of Enterprise culture - David Hume and Adam Smith (quotes), and Scottish engineers and businessmen practising what they preached (examples)
- But free enterprise for many years in retreat here
 - high taxation
 - untrammelled trade union power
 - controls and restrictions
 - grossly excessive public borrowing - rampant inflation
 - business morale at rock bottom
- Contrast this retreat with position in US and Japan on all these counts and with jobs created/lost in Scotland, US and Japan over 10 years
- This government has since 1979 turned the tide:-
 - (i) stabilisation programme
 - : inflation record - rate of growth of output now set to exceed inflation rate
 - : recreated business confidence - stood up to strikes
 - : provided climate for steady growth
 - (ii) a whole raft of measures to put enterprise back in the driving seat
 - tax reductions, tax reform, and tax abolition
 - reduction in size of public sector; transformation of efficiency of what remains
 - abolition of controls, bureaucratic burdens etc
 - small business/Enterprise Allowance/Loan Guarantee Scheme/BES etc (NB small business sector relatively more important in Scotland than in England - but still small compared with that in Germany, US and Japan)
 - popular capitalism (but NB Scottish home ownership growth lagging behind England)

- Industry's response has been, in the main, highly encouraging. But industry's performance has its strengths and weaknesses:-

Strengths

Vigour

- output growth - top of EC growth league
- generation of new jobs compared with rest of Europe
- business start-ups exceeding stops by 700 a week

Efficiency and Innovative skill - examples of new products and markets and good design (Scottish firms?)
- improvements in productivity

Sound financial management

- company profitability highest since 1960
- industrial investment up 32 per cent since 1983 election

Weaknesses: mention three smaller weaknesses and one big weakness

: not enough training of the workforce

: too much them and us: management must create a flexible and highly motivated workforce so that it can insist on proper quality control, delivery dates, after-sales service, etc

: problem of turning R&D into marketable products - leaving it to our competitors to exploit British innovation

But big weakness is failure to control unit labour costs - labour costs overshadow other industrial costs eg raw materials, interest rates

- step change in inflation (not a flash in pan - follows years of gradually reducing inflation) offers unparalleled opportunity to break with bad old habits
- revert to US - comparison on real income restraint and jobs growth

- compare inflation and unit labour costs performance of competitors
- consequences for employment

- Future bright - especially for Scotland - [once pause is past?]

FLAG F

M R SCHOLAR

FROM: W J E NORTON
DATE: 1st July 1986

CHANCELLOR'S SPEECH TO SCOTTISH CBI ON 4 SEPTEMBER

Your request of 27 June for briefing material.

2. Per capita "total identifiable" public expenditure figures in 1984-85 (the latest available) are:-

England	- £1,761
UK average	- £1,836
Wales	- £1,927
Scotland	- £2,210

3. I find it difficult to see what other "useful material" I can offer. Given the eulogies about how generously Scotland is treated in public expenditure terms, by both the Prime Minister and the Chief Secretary, at the Scottish Conservative Conference in Perth last month, and our designs on the Scottish block in PES (you might wish to remind the Chancellor of both these things), I share the view in Mrs Lomax's minute of 25 June that the less said about public expenditure on this occasion, the better!

W J E N

W J E NORTON

1 Rachel
2 pro



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

CH/EXCHEQUER	
REC.	16 JUL 1986
ACTION	MR SCHOLAR
COPIES TO	

✓
17/17

Ms Cathy Ryding
Private Secretary
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Scottish CBI
Speech - meeting
folder

16 July 1986

Yours Cathy,

SPEECH BY THE CHANCELLOR TO THE SCOTTISH CBI ON 4 SEPTEMBER

Thank you for sending me a copy of your letter of 27 June to Robert Gordon at the Scottish Office.

I attach, as requested, briefing notes on the effect of the slump in oil prices on the offshore supplies industry which we hope the Chancellor will be able to draw on for his speech to the Scottish CBI.

Because of the Scottish dimension to this, I attach also background notes with an emphasis on the current Scottish offshore industrial scene.

Yours sincerely,

S R SKLAROFF
Private Secretary

EFFECT OF FLUCTUATING OIL PRICES ON OFFSHORE SUPPLIES INDUSTRY

1 It is now clear that fluctuating oil prices have already led to cut-backs in oil company budgets and expenditure. Exploration budgets have been trimmed by up to 30% and that has affected drilling contractors and others involved in exploration work. Project development eg. Shell's Gannet/Kittiwake and BP's Miller whose development has now been deferred has similarly been affected by a reduction in oil company investment.


2 At present, however, most of the main platform yards and associated contractors have plenty of work because of orders placed in 1985 and in the first half of 1986.

3 But shortages of work have already appeared among the contractors doing 'front-end' design work and these will spread rapidly into other sectors of the industry as work already in hand is completed.

4 Significant job losses in the industry are already occurring; the UK Offshore Operators' Association - UKOOA - estimate 15,000 to 20,000 though this includes personnel in oil companies as well as contractors and has to be compared with an estimated 300,000 total employment in the industry. Realistically, therefore, we have to recognise that the slump in oil prices has already led and will continue to lead to some short-term reduction in the volume of business available to oil-related industries.

5 To be realistic, however, is not to be pessimistic. In the UK we are fortunate in the extent of our gas resources. In May this year, the Department of Energy gave the go-ahead for the development of a major new North Sea gas complex - BP's Cleeton and Ravenspurn gas fields. This is the second major offshore gas development on the UKCS this year following the Energy Department's approval of the Conoco 'V' Block in February. More than £760M is likely to be spent on Cleeton and Ravenspurn development which will provide substantial opportunities for our supplies industry. Provided that bids are keen and competitive, UK yards have the opportunity to make a 100% clean sweep of the fabrication orders.

6 At the same time, approval was also given to Texaco's £40M Petronella oilfield which is the latest marginal field to be developed by remote sub sea facility.



This technology has already been proved successful on Texaco's neighbouring Highlander field and demonstrates that the North Sea leads the world in deep water offshore sub-sea technology.

7 These projects bring the number of new developments approved so far this year to 10 including the 'V' Block, Amerada Hess's Ivanhoe/Rob Roy oilfield and Phillips' Hewett gas field. Total expenditure on them should exceed £1.9BN. Over the next year, another 12 or so projects are expected to come forward for approval.

8 Despite the present uncertainties, current expenditure on our producing oil and gas fields remains substantial. Each day over £4.5M is being spent on supplying and operating rigs and platforms and £1.5M on the maintenance of our offshore oil and gas operations. These factors constitute a base line for a continued high level of activity on the UKCS.

9 Expenditure on the scale of that anticipated for this year's new projects and for routine supply and maintenance shows clearly that although the North Sea cannot remain unscathed by the fall in oil prices it is still a remarkably robust and resilient market with an encouraging outlook for further offshore gas projects in particular.



BACKGROUND

UK FABRICATION INDUSTRY

1. SHORT-TERM PROSPECTS

1 Currently, fabrication yards are active on work stemming from Marathon's Brae 'B' and Total's North Alwyn projects. More recently, good tonnages of work have come from Shell's Tern and Eider projects - major oilfield developments - and from Conoco's 'V' Block gas field project. This means that a number of yards will have a baseload of work through 1987 into 1988.

2. However, due to the general downturn in crude prices the volume of business available to the construction industry is likely to be considerably less in the short-term although bidding is now taking place for a range of smaller work in connection with BP's Villages gas field project where, provided bids are keen and competitive, UK yards can make a 100% clean sweep of fabrication orders.

3. Discussions are also being held on other gas field projects. The Department of Energy hopes to be in a position to approve, in the near future, three new drilling platforms for British Gas's Morecambe Bay and a small platform for the Phillips' Audrey project.

4. The Energy Department is also reviewing other gas field projects including Britoil's Amethyst and Phase 1 of Shell's Sole Pit.

5. But some major oilfield projects are already experiencing slippage eg BP's Miller and Shell's Gannet/Kittiwake. There is still hope, however, for a certain level of business from incremental investment in fresh facilities eg templates and modifications to existing platforms.

6. For the time being, much of the available business will come from the gas field developments. These are, however, smaller and less complex in nature and will not generate the same level of business as with oilfield developments.

7. It has to be recognised that, in the circumstances, some construction/fabrication yards are in the short-term likely to be under-utilised.

2. SCOTTISH FABRICATION YARDS - CURRENT WORKLOAD

SCOTTISH FABRICATION YARDS - WORKLOAD

1. Highlands Fabricators

Marathon Brae B MSF, Flare etc	completion mid 1987
Shell Eider Jacket	completion mid 1988

2. Howard Doris (Kishorn)

Total Alwyn NAB Compression Modules completion end 1986

3. Kestrel Marine

Shell Leman F&G Topsides completion early 1987



4. Lewis Offshore

None

5. McDermott

Marathon Brae B Jacket completion early 1987
Marathon Brae B Compression Module completion mid 1987

6. Motherwell Bridge

None

7. RGC

Total Alywn NAB Modules completion end 1986
Shell Tern MSF & W'head Modules completion Mid 1988
Shell Tern Jacket completion early 1988

8. UIE

Transworld JURIS completion 1986
Total Alywn NAB Modules completion end 1986
Conoco V Wellhead Decks completion end 1987

9. Carronhall

Arco Thames Living Quarter Modules completion end 1986

3. **RECENT SCOTTISH AWARDS**

Below are details of a variety of awards, ie. not limited to fabrication, placed during the last six months.

1. Award for fabrication of the Eider Jacket awarded to Highlands Fabricators by Shell.
2. Order for Steel for Eider Satellite Platform placed with British Steel Corporation with 85% of the work going to Ravenscraig.
3. Order for fabrication of the Tern Jacket awarded to RGC.
4. Order for Tern module and support frame fabrication to RGC.
5. Order to AOC for hook-up and commissioning for Total's Alwyn NAB.
6. Award to BSC for Steel for the Villages project.
7. Order to British Pipe Coaters for pipe coating for the BP Buchan Forties Pipeline.
8. Award to UIE for fabrication of satellite decks for Conoco V Block.



INVESTMENT IN CROMARTY FIRTH

9. Recent announcement of £3M of investment in Cromarty Firth to develop a wetdock for inspection, maintenance and repair of offshore mobile structures.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

cc
Mr SCHLAR

Cathy Ryding
Assistant Private Secretary
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 July 1986

Dear Cathy.

SPEECH BY THE CHANCELLOR TO THE SCOTTISH
CBI ON 4 SEPTEMBER

I refer to your letter of 27 June to Robert Gordon and enclose the material requested together with other material which you may find helpful.

My apologies for not having met your deadline of Tuesday 15th.

Yours
Andy

ANDY RINNING
Private Secretary

PUP

SPEECH BY THE CHANCELLOR TO THE SCOTTISH CBI ON 4 SEPTEMBER

BACKGROUND NOTES ON SCHOOL EDUCATION

The school curriculum and examinations in Scotland

1. The Government have in hand a number of reforms designed to improve and modernise the school curriculum and the structure of public examinations in Scotland in order to make them more motivating and relevant to working life and to develop in our young people the skills that the economy needs. Key elements are:

1.1 The primary curriculum

The Government attach considerable importance to the improvement of teaching in the primary school and at present the main instrument for achieving this in Scotland is the Primary Education Development Programme, which is led by HM Inspectorate of Schools. Priority has also been given by the Consultative Committee on the Curriculum to the development of science (on which a project has been completed) and mathematics, where the CCC are currently working with a project team sponsored by the Schools Curriculum Development Committee in England and Wales;

1.2 The 14-16 age group

New courses and assessment arrangements for examinations at 16 (Standard Grade) began to be introduced in Scotland from 1984. Curriculum development has been seriously hampered by the teachers' dispute which has led to delay in the introduction of some Standard Grade courses and has forced the Government to retain the traditional Ordinary Grade examinations in being in parallel to the new examinations, for the time being. Nevertheless, Ministers' commitment to the introduction of Standard Grade was restated in January 1986 and the programme is continuing. Standard Grade will offer a more relevant and skills based curriculum leading to forms of assessment designed to motivate pupils of all levels of ability, providing them with a certificate which explains in positive terms what they know and can do. It is widely welcomed by employers' interests. The pace at which it will be taken up in Scottish schools however will depend critically on the final outcome of the teachers' dispute; if the Chancellor refers to this therefore he may wish simply to express the Government's commitment to the continuing implementation of Standard Grade courses and its confidence that the fundamental merits of those courses will be appreciated by both pupils and teachers.

1.3 16-18 age group

Substantial reforms are also underway for the 16-18 age group. The Scottish Certificate of Education Higher Grade examination is being revised in order to fit in with the new Standard Grade examinations; and National Certificate modular courses are being taught in the 5th and 6th years of many Scottish schools, importing a significant element of vocationally relevant teaching and in this important way enriching the curriculum at that level.

Certificate of Sixth Year Studies courses (taken in the 6th year in Scottish schools) are also being revised.

1.4 TVEI

The changes in the school curriculum being brought about at both 14-16 and 16-18 are being strongly underpinned by the technical and vocational education

E R

initiative. Scotland is now participating fully in the pilot TVEI scheme; and as the pilot schemes have developed so too has appreciation of the way in which TVEI has been able to enrich the curriculum. Lord Young's announcement of 2 July that TVEI was to be extended at a cost of an average of £90 millions per year over 10 years to reach all schools in Great Britain applied equally to Scotland; and the Chancellor might emphasise that as long as good quality schemes come forward from Scottish authorities, Scotland will benefit substantially from the resources available.

Altogether, these changes aim substantially to improve the curriculum available to young people and to make it much more likely to fit them with the skills needed in our increasingly technological and entrepreneurial society. A wide range of initiatives are also being undertaken in Scotland to develop links between industry and the school curriculum, such as the Schools Mini-Enterprise Project, under which young people set up and run their own business in the school, which was launched by the Scottish Minister for Industry and Education, Mr Allan Stewart, in Glasgow on 7 July. Scottish Ministers are well aware that the relationship between industry and education is very much a two way process. Industrialists and educators are already brought together in the Scottish Education and Industry Committee, which deals with curricular matters, and important efforts are being made to improve communication of industry's views on curricular matters. We are very keen that industry should join us in this work.

SED III
14 July 1986

From: Peter LUCEY

To: Michael Scholar

Di/M type

CBI Scotland Speech: Thoughts of Scots Members

(A) James Douglas-Hamilton

- ① Falling oil prices are causing serious concern - orders and jobs at risk.
- ② More pits may close.
- ③ C/Ex should emphasize incentives for small business which are very popular.
- ④ Rate reform is a top priority next year. Commercial rate payers hope to see comparability of rates with south of the Border.
- ⑤ Give the audience hope - plenty of good news.
- ⑥ Emphasize government incentives / purchases of British goods e.g. frigates.
- ⑦ Mention inward investment which has generated '40,000 jobs', 'more than in traditional industries'.
- ⑧ The Nuclear issue is live in Scotland.
- ⑨ Michael Ancram may have examples of looney-council activities.
- ⑩ Hewlett-Packard lost orders, persuaded employees to take a pay cut, won new orders, raised pay. Their MD is David Baldern - in London.
- ⑪ cf pamphlet prepared by J Douglas-Hamilton et al, published by Scottish Office, called 'Leading Scotland'.

B. Michael Hunt MP

- ① Acknowledge Scottish concerns e.g. of continuing lay-offs in manufacturing.
- ② Don't just launch into a catalogue of successes without recognising their worries.
- ③ Take credit for Yarrow order for 2-type 23 frigates - the yard is improving its facilities on the back of this order to make itself world class.
- ④ Caledonian Air-Motive (engine rebuilding) is expanding despite the extreme difficulties.
- ⑤ Guinness take-over of Distillers is a major hot-potato. Many fear loss of central management jobs/spin off. Already Guinness has reneged on ~~many~~ several promises.
- ⑥ Take up of Enterprise Allowance schemes has been heartening.
- ⑦ Mention oil ^{price} worries.
- ⑧ Emphasise that Scottish Tory MPs make a big impact in H.o. Commons; ^{they} praise Scotland's achievements whereas Labour only denigrate.
- ⑨ Mention consideration given to Scottish Whiskey in last two Finance Bills.
- ⑩ Mention Scotland's cultural contribution eg Ed. Festival.

(1) Michael Forsyth MP

- ① Welcome. must welcome industrial change - it has a strong stake in service industries (e.g. Financial services) which have brought growth.
- ② Infrastructure. The new Lothian Labour council cancelled the ^{planned new} Edinburgh, within 24 hours of election. It would have cost £40m but cost the ~~country~~ City £3½ m merely to renege on plans for this road. So much for their care for infrastructure.
- ③ Nuclear issue. Scotland has much more than UK. if closed down this would raise electricity tariffs by 20+%. The hypocrisy of Labour's agitation on winter heating allowance was sheer hypocrisy.
- ④ Oil. SDP/Liberal alliance divided. Malcolm Bruce (Lib) is calling for oil production cuts. Kennedy (SDP) is calling for incentives to boost output/new fields. Recognize explicitly concern about oil price threat to industry.
- ⑤ Devolution. Labour promises an assembly with power to levy tax. Imagine an extra tax on top of rates.



A

Account revised
version of the book for the speech,
we ~~are~~ have retype

shall ~~are~~ ~~are~~

I am working on a
rather more substantial
version of the paper
Conclusion.

M.



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

20 August 1986

Robert Gordon Esq
Private Secretary to the
Secretary of State for Scotland

Dear Robert

CHANCELLOR'S SPEECH TO THE SCOTTISH CBI: 4 SEPTEMBER

... I enclose an early draft of the speech the Chancellor will be making to the Scottish CBI in Glasgow on 4 September. I should stress that this is an early draft, and may be subject to substantial revision. In particular, it probably needs shortening a bit. However, we would be most grateful if someone in the Scottish Office could check some of the specific Scottish references for factual accuracy: there are several claims in the draft which we are not sure about.

Yours ever,

Tony Kuczys

A W KUCZYS
Private Secretary

*Amey 15 Aug
NS x PRP*

Ch

I haven't yet had a chance to go through this version. It incorporates some comments from Margaret O'Mara and Peter on a version (closely based on Michael's original) which I consulted just before I went on leave - but not yet any Scottish Office comments. I consulted about 28 minutes as drafted (you were asked for 20). Omitting bracketed sections reduces it to 25 mins. Perhaps we could have a word on Thursday & I'll let you have another redraft for the weekend.

*heads to
Lanark
4/2/86*

AA

C.
I understand you are redrafting
the CBI peroration yourself. But
you may like to see Miss O'Mara's
comments. *AMH*

FROM: MISS M O'MARA
DATE: 2 SEPTEMBER 1986

PRINCIPAL PRIVATE SECRETARY

cc Mr Scholar
Mr Pickford
Mr Pickering o.r
Mr Ross Goobey
Mr Tyrie
GB/04

PERORATION FOR SCOTTISH CBI SPEECH/SCUNTHORPE OPENING

Scottish CBI Speech

I attach some annotated comments on the draft peroration Mr Ross Goobey supplied last night.

2. They are fairly self-explanatory but I would stress our concern about paragraph 6. As you know, officials have been costing the Liberal and SDP programmes. Mr Tyrie will be putting up a note shortly but there are still one or two bugs to be sorted out - notably a revised costing which DHSS have produced on pensions. What is clear is that the SDP total will be below £10 billion and could not be rounded to it. If asked (and we almost certainly should be), we would have to give the same kind of detailed breakdown of the total as for Labour. That would soon give the lie to "by more than £10 billion".

3. If the Chancellor wants to couple the two Alliance parties together, we could probably justify the phrase "by around £10 billion for both...". But we would much prefer not to give any total until Ministers have had a chance to reflect on Mr Tyrie's note.

4. Also, while the SDP have identified those taxpayers who would be worse off under their proposals, Labour have done so only in respect of their £3.6 billion "anti-poverty package" and the Liberals not at all.

C.
I discussed this with Mr Ross Goobey.
We guess that you will not want to
couple the 2 Alliance parties. I
~~have~~ think Miss O'Mara's suggested - 1 -
redraft of para 6 looks the best
presentation overall. *AMH*

Scunthorpe

5. Finally, the figures Mr Hickmet supplied for the unemployment fall in Scunthorpe seem to be wrong (Mr Ross Goobey's paragraph 4). There has indeed been a fall of around 1,000 in the Scunthorpe Travel To Work Area since June 1983 (from 10,041 to 9,058) but this represents a drop of 10 per cent, not 13 per cent.

MOM

MISS M O'MARA

*M. Harold
...
Again by mail to
be quick.
Also could you check
mark X.*

FROM: A ROSS GOOBEY
DATE: 1 SEPTEMBER 1986

CHANCELLOR

cc Miss O'Mara
Mr Cropper
Mr Tyrie

*Copy to Mr...
2/9*

① CBI SPEECH 4 SEPTEMBER/SCUNTHORPE OPENING 4 SEPTEMBER

I attach draft paragraphs of the conclusion you suggested. ①

2. I have spoken to Richard Hickmet. He suggests one or two useful additions to the draft ② I have submitted today.

3. At the end of paragraph 6... "In Scunthorpe such an action would only create a shortage of the skilled men who are already attracting so much new industry to the area."

4. Para 8, after "And jobs are being created...In Scunthorpe, unemployment has fallen by 1,000 or 13 per cent since June 1983 as the measures we and British Steel have taken to attract new industry have borne fruit. Indeed in the nation as a whole..." With a consequential insertion of "in the nation as a whole" after "Yet unemployment".

*I make this 10 per cent
fall in unemployment since*

5. Hickmet is going to emphasise the importance of the Enterprise Zone and other special measures as having been important to the relative success of Scunthorpe (and Corby).

ARL

A ROSS GOOBEY

DRAFT CONCLUSION: SCOTTISH CBI SPEECH 4 SEPTEMBER

1. Unarguably the great achievements of this Government (so far) in your area of interest have been the change in the balance of power between industry and trade union leaders, the encouragement of productivity gains in public and private sectors, ^{from} control of ~~the growth in public expenditure~~, ^{an £8 billion cut in income tax,} ~~with its consequent rewards in~~ ~~reducing the tax burden at all levels,~~ and the reduction of ~~inflation~~ ^{almost} to its lowest figure for twenty years.

the reduction of income
reducing the tax burden at all levels,
 X *inflation to its lowest figure for twenty years.*
Actually since November 1967's formulation
have used in body of speech

3. All these achievements, yes, all of them, would be threatened by a change of government.

4. A Labour government will strip the industrialist of his ability to manage by repealing our Industrial Relations legislation, only perhaps leaving an inadequate fig leaf of ballots before strikes.

5. A Labour government will actively encourage the reversal of productivity gains in the public sector by forcing extra employment on unwilling managers.

6. All the three opposition parties have plans to increase public expenditure by significant amounts, ~~by more than £10 billion for~~ ~~either the Liberals or the SDP and~~ £28 billion plus for Labour!
 They ~~themselves~~ have identified the taxpayers who would be worse off as a result, and by no stretch of the imagination could those sufferers be called rich.

No! - see
 covering
 minute
 Only SDP
 Labour - to
 come
 extra

Pa. SDP have identified tax losses, Labour and partly a Liberal's not at all.

7. No, to take the opposition way would be to give back all

the advances industry has made over the past seven years and return to the quicksands of stop/go and hyper-inflation. I warn against changing direction not merely out of my partisan interest, but because any objective observer must see that it would involve too great a risk of reverting to our bad old ways.

8. This government's resolve to win has not slackened; nor I believe has Scotland's.

Plan Parks. I have made
changes to pp 4, 5 & 15;



& reflects
these in
no highlights.

C.

PS. Spk in gut of your ^{Mr.} Chair

1. The revised draft speech ^{now} incorporates comments from Terry Burns and Stephen Matthews ^{W2} on the para on the pause (p4), ^{Mr.} and my suggested redraft of the para on redundancies and the unemployed (~~para~~ pp14-15).

2. I have also drafted 1 1/2 pages of highlights.

3. You speak first proposing the toast of The CBI. Simon Woodall (ID7) is doing a brief note on what Mr Nickson will say in reply, but ~~rough~~ generally it chimes in well with your speech.

Over

4. Once you are happy with the text we will run off the speaking copy.

5. COI are not prepared to release the conclusion, so that will drop for the press.

AMH

3.9.

FROM: S H WOODALL
3 September 1986

PRINCIPAL PRIVATE SECRETARY

cc Miss O'Mara
Mr Haigh
Mr Ross Goobey

SCOTTISH CBI SPEECH

I hope to get a copy of the CBI Press Notice, covering the main points of the President's speech at the CBI Annual Dinner, late tonight or early tomorrow. [I will let you have a copy as soon as I get it.]

Now unlikely to arrive in time.

In the meantime, the Chancellor may wish to be aware of the main points of the President's speech (which I have got from the CBI). These are listed below.

Main Points

- (i) Opening - president will open with passage about his own background and his connections with Glasgow.
- (ii) Passage on theme of: "We are now allowed to manage our businesses."
- (iii) "Although do not always agree - cannot complain about consistency of Treasury policy"
- (iv) Hiccup over oil - "some problems but do not panic".
- (v) "Shame this year not as good as expected - CBI forecast etc - but hope prospects for 1987 much better."
- (vi) Pay - commitment never to make a major speech without reference to importance of moderation in pay settlements - also "bosses should look at their own rises - big rises for them do not help!"
- (v) Conclusion - "Hope members will support CBI National Conference - next year it will be in Glasgow!"

Good

OK

OK

He will have heard you say the outlook is better.

Follow up Good.

S H Woodall

S H WOODALL