

Scotland

Scotland now poses the most difficult political problem facing the Government. Labour, supported by a large swathe of Scottish opinion, argues that a party which obtained less than a quarter of the Scottish vote has no right to govern the Scottish nation. We have constitutional logic on our side when we reply that the whole United Kingdom is the unit of sovereignty. But that may not help us in pure political terms with the Scottish electorate. Indeed, if we make this point in the wrong tone of voice, it may even make matters worse.

The immediate risk is simply political embarrassment aggravated by Labour attacks. But the medium-term danger is organised resistance - such as rent strikes and refusal to pay the community charge - to Government policies. And the long-term danger is the virtual disappearance of the Conservative Party and the growth in support and influence of nationalist politics.

To counter these risks we need the calm exercise of authority, a willingness to listen sympathetically to Scottish complaints, a judicious mixture of resistance and concession, a proper diagnosis of our electoral defeat in Scotland leading to policies designed to achieve a better result next time and, perhaps more important than anything else, the right tone of voice.

Why we lost Scotland

Economic problems were almost certainly not the main cause of our electoral setback. Scotland is doing better

economically than the depressed English regions, where we achieved a higher percentage of the popular vote. (We outline Scotland's recent economic performance in greater detail in Appendix 1). There is some evidence of tactical voting to get the Conservative out. And we lost heavily in several prosperous constituences which would have been natural Thatcherite territory in England. So further economic success in Scotland, though it would certainly be welcome on all sort of grounds, will not necessarily solve our political problem.

Scottish national feeling is plainly one element in the Government's loss of support. After eight years in power, we are seen as the London party and resented accordingly by the periphery. Quite apart from that, many Scots see us as the party of the South East - the English National Party in fact - because of our electoral dominance south of the Wash. And while we have (rightly) resisted devolution, we have not yet found other ways of expressing and celebrating Scottish national sentiment. That has handed the Scottish national card to our opponents.

There is a further complication. Scotland has a Socialist "dependency culture" rather than an enterprise one. Successful politics is seen as going down to England, begging bowl in hand, to secure more crumbs from the rich man's table. The trouble with such politics is that they breed resentment and dissatisfaction in the recipient whether or not the rich man forks out.

This is stony political ground for a political party which nationally is associated with ideas like industrial self-reliance and personal responsibility. In the last eight years we have not changed the Scottish political culture as much as we might wish. Indeed, we have had to take pride the fact that public spending in Scotland is 25% above the national average.

Finally, Thatcherism has been applied much more timidly in Scotland and there have been few attempts to implement specifically Scottish Thatcherite reforms. For instance, Scotland's equivalent of the National Bus Company, the Scottish Bus Group, has not been privatised. And the Scottish Office has opposed privatising the Forestry Commission which looms large in Scottish life, which now makes only a small loss, and which could be sold off in large and small chunks (for instance, Forestry Commission housing). More generally, the enterprise economy has reached Scotland but not as much as certain other parts of the UK. Council house sales have not been as large proportionately as in England - 9% by comparison with 20%: and the initial council house stock is far larger proportionately than in England. (see Appendix 2). There is no proposal to privatise water in Scotland and the proposals for education reform are considerably less radical than in England and Wales.

One should not under-estimate the problems facing the Scottish Office here. Bus deregulation has had less effect in Scotland partly because private competitors have not come forward in large numbers; and the wide variations in the sale of council houses suggest that some local authorities have placed great obstacles in the way of tenant purchase. Among Conservative supporters, however, there is a definite feeling that the Scottish Office has not pushed energetically for Thatcherite approaches.

The result has been paradoxical. Many Scots felt that George Younger and Malcolm Rifkind in succession had cleverly defended them against you and the full rigours of Thatcherism. Thus, we failed to get the political benefits of Whitehall's largesse, and the Scots failed to get the full practical benefits of Conservative reform. And when the election came, the voters decided to support parties

with a stronger claim to be opposed to Thatcherism than the Scottish Ministers in your own government.

We are faced in Scotland, furthermore, by a more formidable opponent in a moderate Labour party with a strong base in large scale public housing provision (only 42% of households in Scotland are owner occupied), in an industrial working class which is less changed than its English counterpart, and in a more self confident collectivist political culture (made more palatable by nationalist sentiment). Against this background, the Labour party seems more plausible as a governing party.

Finally, the Scottish media are almost uniformly hostile. Even traditionally Conservative papers like the Glasgow Herald have swung in the Alliance direction. This establishes a political atmosphere in which we are at a marked disadvantage.

What is to be done?

Nothing should be done right away. Any new policy or political gesture would be discounted as a response to the election result. It would, if anything, lead to greater cynicism about the Government's attitude to Scotland.

In particular, we should have no truck with the idea of devolution. It should be ruled out, politely but precisely, on the grounds that it would be bad for Scotland and bad for the United Kingdom. (Any uncertainty on this point is likely to lead to major internal arguments within the Scottish Conservative Party, thus intensifying our already difficult political problems.) In stating our position here, however, we should also make clear that we recognise that Scotland voted largely against the Government and that we are seriously considering how to address its grievances.

Between now and the Autumn, we should develop a number of proposals which would have two aims. First, they would advance Thatcherite reform. Secondly, they would divert Scottish attention from political nationalism onto economic and cultural nationalism. The result would be "tartan Thatcherism". (We will receive some help here from The Adam Smith Institute which is seen partly as a Scottish institution and which will be unveiling its Scottish Renaissance Project to boost Scotland's economic, social and cultural identity.) These might be such measures as:

(1) Selling off the SSEB and the Hydro Board separately and first, specifically to allow Scottish investors and institutions two weeks grace to purchase shares before they go on sale more generally.

(2) Change the functions of the Scottish Housing Association, charging it with responsibility to take over and administer certain council estates in order to maximise private participation - for instance by encouraging tenant participation in housing associations and co-ops, and by involving private builders and developers in renovation schemes.

(3) Allowing grants to refurbish and resurface council houses, only provided they have first been taken out of council hands by private purchase or will move to housing associations or private co-operatives.

(4) Escape the dilemma of either closing Ravenscraig or continuing to subsidise it by privatising it (as part of a coal and steel package with at least the chance of profitability.) Ministers could then challenge the Scots, in particular the Edinburgh financial services industry, to put their money where their mouth is. Every Scottish backbench Tory MP could be mobilised to write cheques on this one.

(5) Promoting an annual Glasgow Festival of Science and Technology, to be held a week after the Edinburgh Festival.

(6) When the new EEC passport comes in next year, producing a Scottish version (as we have a Scottish £1 coin and postage stamp), with a national competition for its design.

We should encourage the ASI and other bodies with a Scottish flavour to produce similar ideas. Not all of them will prove acceptable, but the fact that the Government is paying serious attention to Scottish innovations will itself create a good impression. And some of these ideas - the passport and the Glasgow Festival - would add little to public spending.

Symbols and Exhortation

Attempting to change the political attitudes of Scots is probably best done by practical measures, such as extending the right to buy and encouraging self employment, rather than by moral exhortation.

But symbolism and exhortation have their place. In particular, patronage and appointments can be employed in Scotland to give the government a more Scottish image and to associate it with admired Scots. Since many successful Scots are models of Thatcherite enterprise, this can kill two birds with one stone. Every Honours list should contain a Scottish Thatcherite peer; well known Scots should decorate the Government front bench in the Lords, not necessarily representing the Scottish Office; and appointments to major Scottish institutions - for instance, the chairmanship of a revitalised Scottish Housing Association - should go to figures like Jimmy Gulliver who have shown that they can beat the English at their own game (given fair rules).

Exhortation too has its place. You might, for instance, pay an Autumn visit to "listen" to the Scots on their problems. One of the Scottish financial institutions could arrange a seminar in Edinburgh that might be critical but not hostile. Glasgow, on the other hand, would be a good venue for an industrial seminar.

In this regard the issue of your own image in Scotland must be tackled. As Conor Cruise O'Brien points out in today's Times, you have the image among Scots of an unsympathetic southern English housewife with no understanding of or interest in Scottish affairs. This is grossly unfair. You have in fact visited Scotland more frequently than any recent Prime Minister. But life is unfair and our task here is to solve the problem.

We suggest two general ideas. The first is that at the next Scottish Tory Conference, you might confront this false image in a humorous and ironic way. You might also directly address the topic of whether Thatcherism and Scotland are incompatible, claiming the Scottish tradition of Smith, Hume and Fergusson as your philosophical inspiration. There is everything to be said for your dragging this problem into the limelight and confronting it unapologetically. If we skate around it, we will undermine the impact of our achievements elsewhere.

As well as dealing with these points in a speech, you might also talk directly to the Scottish people on a television and radio phone-in similar to election call. We also suggest two conventional television appearances - one with the Scottish equivalent of Jimmy Young, and a long serious interview with an obvious critic (perhaps John Lloyd, the editor of the New Statesman and a Scot from Fife, who is a fair-minded opponent.)

The general problem of media hostility remains. Fortunately, some relief is at hand. There is deep unease at the top of the BBC about their senior management in Scotland. A change will be made in the near future, and there is a good chance that we will see BBC Scotland return to political neutrality. We should let matters take their course.

In newspapers, all we can hope for is a change of ownership on one of the major newspapers. If a friendly billionaire were to buy the Glasgow Herald from Lonhro, for instance, it could be converted back to Conservatism without too much upheaval. Iain Sproat is attempting something on these lines and is said to have accumulated enough money to make a credible bid for the Scotsman. You might want to encourage him - for the reasons cited above, he might even be a candidate for the Upper House. (In the popular market, the Sun is beginning to make headway - which could have useful effects.)

To examine these and other matters, we plan to visit Scotland during the parliamentary recess and report back.

P.P. B.G.

BRIAN GRIFFITHS

J.O'S

JOHN O'SULLIVAN

Scottish GDP and Growth

Looking at GDP per head, but excluding the continental shelf, Scotland has the third highest income level of all UK regions, following only South East England and East Anglia. Scottish GDP per head is 97.3% of the UK average as against 114.8% in South East England and 100.8% in East Anglia. The GDP growth rate has also been rapid. During the period 1980-1985, GDP per head grew an average $\frac{1}{2}$ % a year faster than the South East of England, and the Scottish growth rate was the third highest region in the UK - following East Anglia and Wales. The gap between Scotland and the South East of England has therefore been narrowing.

Another measure of income is personal disposable income per head, which takes account of taxes, national insurance, etc. This shows the same picture as GDP per head - with Scotland again third after South East England and East Anglia, at 98.7% of the UK average.

At the aggregate level, therefore, the Scottish economy is clearly relatively successful - and not just because of North Sea Oil.

Enterprise in Scotland

The success of the Scottish economy cannot simply be put down to an influx of foreign investment, although that has obviously been a significant contributor. Employment in foreign owned enterprises accounts for 16% of Scottish manufacturing employment - only slightly higher than the UK average of 14%. It is significantly less than the South East of England, where foreign owned enterprises account for almost 20% of manufacturing employment. Similarly, net

capital expenditure by foreign manufacturing enterprises provides 26% of Scottish investment as against 28% in the South East of England.

However, self-employment, as one measure of local enterprise, is below the national average - with 9.8% of the workforce in self-employment in Scotland as against 10.9% for the whole of Great Britain and 11.1% in the South East. Similarly, self-employment has grown less rapidly in Scotland during recent years - an increase of 14.5% from 1983-86, compared to 18.8% for Great Britain and 24% in the South East. However, the Scottish performance was considerably better than either the East or West Midlands (6.3% and 5.6% respectively) or East Anglia (11.7%). These figures are indicative, but certainly do not suggest that self-employment is dead or dying in Scotland.

Another measure is new business registrations. Here again Scottish performance has been less impressive than some other parts of the UK - with Scotland accounting for 6.4% of the net gain in new businesses between 1980-85, although it accounts for 8.3% of UK GDP. The growth in businesses in Scotland over that period (9.7%) was higher than Wales (9.1%), the North of England (8.6%), Yorkshire & Humberside (7.7%) and the North West (6.6%), but lower than six other UK regions and lower than the UK average (11.7%). There is some evidence, therefore that the Scottish economy could be labelled as less enterprising than the more go-ahead parts of the UK; but the difference is not dramatic.

Unemployment in Scotland

Unemployment is the least favourable economic indicator in Scotland. The rate of unemployment is currently at 13.5% - the highest of any region except Northern Ireland and the North East. Worst, the unemployment rate has fallen least in

Scotland over the last year of any region by a long way - a fall of 0.3% as against a fall of 0.8% for the second worst region (East Midlands) and an average of 1% for the UK as a whole. This may reflect the less enterprising economy; but it is perhaps more likely to reflect the fact that the Scottish MSC has been less rigorous than other areas of the MSC in implementing the Government's Restart programme and availability testing. As a result, we may have had less impact on cutting through the dependency culture - particularly on the large Scottish council estates.

Conclusion

From most indicators there is no reason for Scotland to feel it is particularly economically depressed; quite the contrary. The Scottish perception of economic failure is perhaps another illustration of the lack of self-confidence and Thatcherite enthusiasm by comparison with, for example, the South East.

Housing

Housing is one of the areas where Thatcherism has its clearest meaning: the sale of council houses and encouraging owner occupation.

Scotland started in 1978 with a far greater predominance of council housing than in England:

Housing Tenure: December 1978

	Owner occupied	Local authority	Other
England	57%	29%	14%
Scotland	35%	54%	11%

Council housing was not only the largest tenure, but the majority of Scottish families lived in council houses. Council house rents have moved up sharply but are still well below English levels.

Since then, the "right to buy" has applied in Scotland as in England. Indeed local authorities there have a greater incentive to sell because they may spend in full their receipts. By December 1985, the tenure pattern had changed in both England and Scotland in favour of owner occupation as follows:

Housing Tenure: December 1985

	Total number	Owner occupied	Local authorities	Other
England	18.7 million	64%	25%	11%

Scotland	2.0 million	41%	50%	8%
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Local authority housing was still the largest tenure and still housed a bare majority of Scottish families, but the owner occupier sector was now much closer to it in size.

Looking at these figures more closely, the number of owner occupied buildings had increased in roughly equal proportions in both England and Scotland, but that there was a much smaller fall in the total number of council houses in Scotland.

Changes in Tenure: December 1978 - December 1985

	Owner occupied	Local authority	Other
England	+20%	-10%	-16%
Scotland	+24%	-3%	-20%

A closer examination of the figures for right to buy sales reveals that performance on right to buy sales is broadly the same relative to the size of the total housing stock in England as in Scotland. The reason the number of council houses has not fallen as fast as in England is partly that the Scots have built proportionately more new council houses and partly that they have sold a smaller proportion of their council houses:

Right to Buy Sales: 1979 to 1987

	Total number	% of L A Stock
England	920,000	20%
Scotland	90,000	9%

Council House building: 1979-1985

	Total number	% housing stock
England	159,000	0.8%
Scotland	31,000	1.5%

The conclusion is that in applying housing policies Scotland has been Thatcherite but with less enthusiasm than England. Because it started so much further behind the result is still far less Thatcherite than England.

However it is ahead of England in making progress on transferring rented council housing to the private sector and introducing more enterprise on council estates. Glasgow District Council has a policy of transferring 25% of its stock to tenant co-operatives and there are flourishing community enterprise initiatives on council estates in Scotland.

10. R

CONTRIBUTIONS ON THE POSITION IN SCOTLAND

- Flag A NICHOLAS FAIRBAIRN
- Flag B MICHAEL FORSYTH
- Flag C JOHN MacKAY
- Flag D IAIN SPROAT
- Flag E BILL WALKER
- Flag F Scottish Candidates

PRIME MINISTER

Nicky Fairbairn has sent you the attached letter and brief on his views about Scotland.

In the penultimate paragraph, he goes on about how he won Perth and Kinross by telling his constituents how well they did in terms of receiving taxpayers' money, Malcolm Rifkind made the point that, when it came to throwing taxpayers' money at the Scots, the Government was seen to wish to cut back on public expenditure and the Labour Party were liable to appear more convincing.

AH.
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ARCHIE HAMILTON

24.7.87



HOUSE OF COMMONS
LONDON SW1A 0AA

My dear Margaret,

You asked me in the
smoking room what went wrong
in Scotland. It is I believe
more simple than is imagined;
but also perhaps difficult for
me who has not lived there for
more than a thousand years as
my family have to perceive.

I hope the enclosed which is
intended to analyse the

underlying problem rather
than details of the battle is
helpful. I will be happy to
talk if it will help.

I have entrusted this to
Archie —

Warmest regards
Helen

14th July 1987

From:- Nicholas Fairbairn, QC., MP.



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Election in Scotland, Tory, 1987.

To understand this or any Scottish General Election result one must first understand the psychological relationship which Scotland feels towards England. For historical reasons (through her exclusion by war from England and world affairs, her inability to unite and compete, her humiliation at a union of the Parliaments achieved by bribery and her Royal neglect following the union of the Crown until 1822), Scotland subconsciously feels in the position that children feel in relation to parents. Whether or not such a feeling is justified is not relevant, but the feeling of the child in the nursery towards the parent in the drawing room very much sums up Scottish political sensitivity, namely feelings of inferiority, juniority, neglect and righteous indignation and resentment of parental condescension and indifference. Such perceived injustices, justified or not, are quickly activated by any apparent confirmation of them. These feelings, although imagined rather than real, have got to be confronted politically as if they were real and not imagined.

During the '50s, '60s and '70s Scotland lagged abysmally behind the rest of the United Kingdom, partly because the phenomenon of the Industrial Revolution when Scotland had the unique benefit of iron and coal and cheap Irish labour, was prolonged by the necessities of the Second World War and partly by the singular bloody-mindedness of the Clydeside Trade Union tradition and partly by a stubborn resistance to change. This meant that Scotland has had to shed a particularly large proportion of its traditional "toys" under the enlightenment of the Thatcher revolution.

All these feelings of resentment that Scotland was getting the children's second best were exacerbated by such unfairness or perceived

/unfairness

unfairness~~s~~ however trivial as:-

1. The heating allowance in cold weather
2. Revaluation, by which for instance the Perth football ground *is more* than Wembley. *highly rated*
3. The closure of Gartcosh and Caterpillar, the Guinness fiasco and the "removal" of the T.S.B. from Scotland. Whatever the rights and wrongs of these events, they emphasise the impression that the adults (English) are stealing the children's (Scots) toys, and the parents don't care about the nursery. They "allow" the children's toys to be stolen.
4. The *British* media and *English* politicians constantly use terms like "in the north of the country" when they mean in the north of England. We are now engaged as a Government on a war on what is called "Inner City problems and decay". This is an English phenomenon. In all the towns and cities in Scotland rich and poor live together. In Scotland we have outer city problems created by Socialist housing estates. (In "Faith in the Cities" Scotland was mentioned once - disparagingly).

I merely give these as examples of an endless list of political irritants which reinforce in the under mind of the Scottish voter the falsely perceived fantasy that the south east of England gets all the privileges and we get the left-overs in the nursery from the dining room. This sensitive paranoia is magnified by the huge scale of the Prime Minister's success and personality, because to the Scots she personifies that south east of England, of which we are falsely envious. By contrast Alec Home and Harold Macmillan did not do the reverse for the English or the Scots, nor as Englishmen *or householders* did Wilson, Callaghan or Churchill. The fact that Margaret Thatcher has visited Scotland more often as Prime Minister than the rest of them put together is unknown, because Central Office doesn't broadcast the fact.

/I trust

I trust that, rather than going into detail, I have identified the psychological political anxiety which Scotland feels. Scotland has no desire whatever for separation or an Assembly. She wants to be an equal, not a separate or subsidiary, member of the family.

What must be done? All these feelings of alienation which are imagined rather than real, have to be confronted politically as if they were real and not imagined. It defies belief that during the last Election the huge swing of advantage under the Tories which Scotland has enjoyed ^{since 1979} was never exploited in a single advertisement, in any of the Scottish newspapers, which are even more paranoically anti-Tory (anti-parent) than the electorate.

In Perth and Kinross the message which we got over was the immense economic advantage the Scots had over the English, e.g. £127 to £100 spent per capita, 30% of all British regional development grants, 80% of inward investments, better roads, better quality of life etc. etc. We increased our vote and held our majority as a result.

Lastly may I say that there is another element in Scotland's feeling of subliminal resentment which is anti-Tory (anti-parent) and that is condescension, which children resent very much, and which English Ministers constantly exude by references to Scottish ancestors etc. We are all British. The North British live in Scotland, not Cumbria.

Scotland is not so much a nation as a separate family & it feels & identifies like members of a family, living in a separate house from English.

~~All the~~



16.7.1987.

PRIME MINISTER

Michael Forsyth has prepared the attached memorandum on the Scottish position which you will wish to see.



ARCHIE HAMILTON

24.7.89



HOUSE OF COMMONS
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CONFIDENTIAL

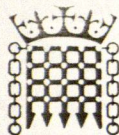
The Election in Scotland - Lessons for the Conservatives

Among factors contributing to the poor electoral performance in Scotland are the following:

- i) The Scottish media is largely hostile
- ii) Scotland has not experienced much Thatcherism. It has had a diluted version (e.g. transport deregulation).
- iii) Scotland has had a "dependence culture" rather than an enterprise culture. Successful politics has been taken to mean going down to England, begging bowl in hand, to secure more crumbs from the rich man's table. This has applied to Tory as well as to Labour politicians.
- iv) Successes in Scotland have counted for less than failures. Even through Scottish economic performance has improved, the Scots do not perceive themselves to be successful. Talk of a separate Assembly is a product of that perception; change is not the recourse of those with satisfied aspirations.
- v) The Party's organisation is poor and lacks professionalism.
- vi) We have allowed our local government base to wither and atrophy leaving us without a voice at local level. →
- vii) Business leaders and others have taken a low profile as there is no clear perception in their minds that their own success is tied to that of the Conservatives.
- viii) A combination of these factors has resulted in a widespread belief that the Government is anti-Scottish.

A Political Response

The anti-Scottish charge can be taken on by seeking to satisfy Scottish cultural, social and economic aspirations, without entering the devious and sterile ground of devolution. Scotland needs less socialism not more, and our policies if properly presented can be shown to be exciting and in tune with Scotland's yearning for recognition of its identity and reassertion of its pride.



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Taking each of the factors outlined above in turn - positive action which could be taken is as follows:-

i) Media monitoring should be professionally undertaken and a proper group established to register complaints and write letters to the press. This requires substantial and highly professional resources. Let us encourage the Scottish Policy Units which will argue for an independent position for market solutions.

ii) A vigorous privatisation programme to create Scottish companies run and controlled in Scotland with preference for shareholding given to Scots should be undertaken. Candidates include water, electricity, forestry, Scottish ports, buses and steel (Ravenscraig, Dalziel and Shotton combined).

iii) High spending policies in the Highlands have not produced political success. We now have no seats in the Highland Board area! Resources should be redeployed and emphasis placed on capital projects, though schemes like Aonoch Mhor and Dornoch Bridge make no sense at all. Their abandonment would be symbolic. We must encourage the rapid growth of those groups in Scotland whose interest lies in the election of Conservative Governments and Councillors: Home owners, shareowners, the self-employed, private sector employees etc. For example, larger discounts on council sales, the removal of limitations on discounts, equity sharing schemes, rents to mortgage payments, the privatisation programme, the encouragement of open-cast mining and Enterprise Trusts can all play a role. We must encourage the provision of low cost private sector housing and tackle derelict land held by councils.

iv) We should consider ways of highlighting success in Scotland by exhibitions, conferences etc.

v) It is important to recognise that a revamped organisation implies bringing in highly paid and highly professional people. It is a necessary but not a sufficient condition for success.



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vi) Training should be introduced for all local government candidates - the lists for local government and parliamentary candidates should be revamped. Our policy should be to diminish the power and patronage of local government and return it to the people - education and housing are crucial areas here.

vii) Patronage and appointments made by Government should be sensitive to the widespread belief that Labour domination of local government makes it unwise to be identified with the Conservatives.

viii) All Whitehall department and Ministers should be instructed to take account of the Scottish dimension and our policy presented accordingly.

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Political

M7

"Innishail",
Polvinister Road,
OBAN,
Argyll.

29th June, 1987.

PLS

Dear Prime Minister

Thank you for your letter. Naturally I am very disappointed not to be in the House of Commons sharing in the splendid election result and the third term.

I greatly enjoyed my work at the Scottish Office and would like to thank you for giving me the opportunity to serve in your Government.

You must wonder how it is that at a time when we are doing so well in England, Scotland should return such a perverse result. The reasons are complex and will need to be identified so that we can find ways of countering them and rebuilding our Party in Scotland.

Scotland is a small country dominated by three newspaper, BBC Scotland and Scottish Television. I need not tell you how hostile almost all of them are to us. They poison the atmosphere for us and make it very difficult to counter the propaganda of the other parties and the Trade Unions. The latter play a much more prominent part in Scottish public life than their counterparts do south of the border.

Into this hostile environment issues on the jobs front like Gartcosh, Bathgate, Linwood, Invergordon and Fort William take on a much greater significance than they would in England. My constituency was not affected by any of these closures yet because of the "small country feeling" they had an effect on my electors. I am sure it is unemployment which has distanced our Government from the Scottish people and despite the successes we have had the new industries never employ the same numbers as the old dying ones and the media always ensure maximum coverage for the bad news and minimum coverage for the good.

29th June, 1987.

This leads to the view we all encountered on the doorstep, that the Conservatives don't care about Scotland. All our efforts to explain the high per capita expenditure on jobs, on education, on health were either set aside or simply not believed. I doubt therefore if more money is an answer. More attention, more sympathy and more jobs will be needed if we are to show we do care.

Perhaps the most perverse reaction on the doorstep was the one which said "Mr. Kinnock isn't going to win, Mrs. Thatcher will be Prime Minister - the English will see to that - so we can show that we need more attention and that you will need to do more for Scotland". A reaction more akin to that encountered in a By-election than in a General Election. This was prevalent among those who are doing well but who have a Calvinist guilt complex about doing well and were telling us that we should have more public spending with higher taxes if necessary, safe in the knowledge that they would not be asked to make that sacrifice - once again the English would see to it.

Even those people who complained bitterly about rating and who stood to gain from the Community Charge, felt guilty about it and the losers, especially those in low rated owner occupied property, were not happy. I have been a long term opponent of the rating system as I know you have, but my experience tells me that we will have to work very hard to bring this reform to fruition North and South of the border without causing electoral damage to our Party.

I remain to be convinced that Devolution had any effect on votes but we are going to hear a lot about it. It may be that the Scots will have to be brought face to face with the issue and its consequences, higher taxes, a reduction in the Scottish Members at Westminster and a changed status for those who remain, not allowing them to vote on those matters delegated to a Scottish Assembly, a suspicion among investors about Scotland and a distinct threat to jobs which will be highlighted by business and commerce if the prospect of an Assembly were ever to loom over the horizon. You will recall that when faced with the Devolution cliff last time ~~to~~ the Referendum the Scots decided not to jump. We may need to take them to the cliff edge again.

Obviously there were other issues like the long teachers strike and the effect the targeting of schools in Ministers' Constituencies had on those of us who were at the Scottish Office. I hope we can commission an attitudinal study of the Scottish electorate so that we have the facts on which to work to rebuild our Party. I hope I can play my part in that work and naturally I hope to return to the House of Commons.

29th June, 1987

Despite the miserable result in Scotland the result over the whole country was a great triumph for you and I send you my very best wishes for the third term.

Yours ever

John

John J. MacKay



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

10th July, 1987

Dear John,

Thank you so much for your letter of 29th June.

I am most grateful to you for putting your thoughts on paper about the situation in Scotland. The results there were certainly very perplexing, and we obviously have quite a task ahead.

With my very best wishes.

Yours

Raymond

John MacKay Esq

D

2 St. James's Square London SW1Y 4JN
Telephone 01-839 3422

2 July 1987 R4

Rt Hon Margaret Thatcher, M.P.
10 Downing Street
LONDON SW1

Dear Margaret

You may remember that at lunch on the day of the Election you said to me that you feared the Conservatives would do badly in Scotland. I replied yes, and that the reason was that Thatcherism had not been tried in Scotland. Nonetheless, I must admit that I had not anticipated the actual extent of the disaster. And now I am concerned that the wrong answers as to how to put things right (or at least better) in Scotland, are being put to you. I am as convinced as I am of anything in politics that the answer to Scotland's problems is a strong dose of Thatcherism, and not, repeat not, any move to Devolution, or more subsidy and interventions.

I am also worried that those in Scotland who are asked to say why things went wrong, are the very people (with a notable exception or two) who are actually responsible for them having gone wrong in the first place; and have therefore already shown themselves incapable, to a greater or lesser degree, of fully understanding the reasons for the said situation; or else have a vested interest (perhaps partly subconsciously) in re-writing history or covering it up.

What should be done now? Here are a few things I would suggest on several levels:

1. Do nothing further now publicly. Do not be seen to be panicked into appeasing actions, of a Devolutionary (or any other) nature. Almost any public action of that sort would be perceived as weakness. Let things regain an even, if uncomfortable, keel.
2. Certainly do not follow John Biffen's advice to set up some kind of Parliamentary committee to look into procedures for dealing with Scottish business. Although it may not be politic to say so at this

moment, the fact is that Scottish M.P's get more than their fair share, on any demographic basis, of Parliamentary time. Any fiddling about with this time, or the procedures which apply to it, would be seen as appeasement, as a victory for the Labour, Liberal and Nationalist drive for more devolved powers.

3. Determine to get a much more dynamic programme of council house sales under way, in Scotland. Market the benefits of owning your own house in Scotland: don't just tell people they can buy their council houses and flats if they want. Sell your ideas to them. Provide fresh incentives to people to buy (and that does not just mean giving deeper discounts). I could easily devise such a plan. I am a non-executive director of a company, D'Arcy Masius Benton & Bowles, which sell 2 million Mars Bars a day, and has been marketing Mars for over 50 years: working out a plan to sell, say, half a million council houses over 4 years is peanuts by comparison. The number one priority to get Tory votes in Scotland is to sell over 60 per cent of council houses by the time of the next Election. It can be done. Only 25% of home-owners voted Labour at the last Election, and the same thinking would prevail in Scotland. Ponder that percentage, and act on its implications.
4. Somebody favourable to the Tory Party should buy The Scotsman newspaper from Thomson; then see that it gives the Tory Party and its policies proper coverage. Buying the Glasgow Herald would help, too. It is true that in the last few weeks The Sun has started a Scottish edition, and this now sells 250,000 copies a day giving Tory views. But The Daily Mirror equivalent, The Daily Record, sells 700,000. And the Tories, basically, have no major media outlets in Scotland. BBC TV and STV are (although they would no doubt deny it) anti-Tory. We must acquire another important Conservative media mouthpiece.
5. We need to raise serious money in Scotland to pay for better Party services. Then we need to clear out the mass of dead wood in various parts of the Party bureaucracy - wood that is dead because the Party cannot afford to pay a decent wage, and a decent wage is a necessary if not sufficient base for getting enough people of a high enough calibre among Party professionals. We must have a far higher calibre of person, in general, professionally running the Party in Scotland.

6. You, as leader of the Party, should pick and appoint the equivalent of, say eight non-executive, non-paid, directors of a Board, who together with those who rise through the volunteer side of the Party already, would form a Board which could exercise real and sharp control over the way the Party is run in Scotland. Of course, good people do rise through the voluntary side already (James Goold is certainly one), but too often the people who rise through the voluntary side are those not always tremendously impressive in running a major organisation: sometimes, indeed, such people have the time to work hard for the Tories precisely because they are not wanted desperately by a commercial or industrial enterprise. But the sort of "non-executive director" equivalents I am suggesting would be people at the height of considerable powers and wide experience, who did not have time or inclination to slog up through the Party organisation (thank goodness for such people in other contexts who do slog, but they don't have a monopoly of ability to serve the Party): people with Scottish connections like Hector Laing, James Gulliver, Ian McGregor, Charles Forte etc etc. Also, such people would not be beholden to the Party machine for future favours etc. They would criticise and recommend fearlessly. They would bring a real drive and weight to the Party in Scotland. They could be appointed by you for a 3 year term say; with "Board" meetings once a month, plus work on any sub-committees the "Board" itself decided upon. Not too taxing work, but an opportunity for proven people to make a major contribution.

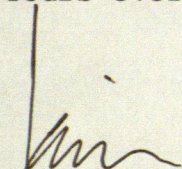
7. There has got to be in Scottish Central Office a rigorous, regular efficiency audit by check list of all the basic constituency activities in each constituency in Scotland: is there a chairman, a secretary, a treasurer in each ward? Has the numerical strength of Association membership fallen below a pre-decided danger level? Likewise the Y.C.'s? Are there adequate constituency activities being held to keep the interest of the membership? These are all things which should be automatically checked, and if necessary rectified, on a regular monthly basis. At the moment, too many constituencies have just gone rotten from the heart outwards because nobody at the professional centre (let alone the local associations themselves) has checked, found out what was wrong, and raised Cain until it was put right. Nobody has taken a real grip. The result was seen on 11 June 1987.

8. It is perfectly possible to ensure that every single constituency in Scotland has ONE visit each month, or every other month, (apart from, perhaps, two holiday months) from a major figure in the Party: an M.P., an M.E.P., a Peer, a high-ranking Party figure or industrialist etc. Of course, constituencies would have other meetings and functions but each month they should have at least that one prestige meeting which would stop constituencies feeling they were half-dead, abandoned, or neglected by the Party, inject new ideas into them, and give serious political copy for local newspapers. Let me make a more detailed proposal in this regard: the Conservatives now have a margin of 101 in Parliament. There is therefore scope for the Whips to allow, for say two or three days each week, two (or whatever number, on detailed reflection, seemed sensible) M.P.'s - not just Scottish ones, since they are sadly few and will be needed per capita much more frequently in the House, during the week - to be absent from Westminster for a mini Scottish tour, say covering two constituencies a day - a lunchtime and an evening meeting, or more than two constituencies in cities. There are only 72 constituencies in Scotland and 10 have Tory M.P.'s already: it would be perfectly possible to devise a schedule so that each constituency got regularly covered by prestigious people drawn from a pool of distinguished Tories. It just requires sitting down, drawing up a list, allocating times, devising a schedule, and then making certain it is carried out. It is not difficult: it just needs GRIP. Michael Bishop has offered free travel on British Midland, and presumably this applies to Loganair too, so that the expense of such an exercise would not be prohibitive.

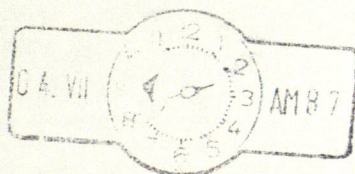
These are just a few preliminary notions.

As you will see, I completely reject the idea that Scotland is hopeless for the Tories. I do not even believe it is particularly difficult. It just requires some fresh thinking - along the lines I have indicated above - and some straight-forward drive and grip, in the application of political or organisational measures. I should be delighted to discuss these and other ideas with you, and/or anyone else you nominate. And I should welcome any chance to do something more for the Party, in Scotland or anywhere else.

Yours ever



IAIN SPROAT



E

TEXT OF A LETTER MARKED PRIVATE AND CONFIDENTIAL TO THE PRIME
MINISTER FROM MR. BILL WALKER, MP.

Dear Prime Minister,

I enclose a copy of a letter which I have today sent to James Goold. I believe the Unitary Parliament is now in grave danger and your great achievements over the last eight years may be lost in the constitutional problems which will follow another general election victory in England and the loss of the remaining Conservative seats in Scotland.

The image of the Party in Scotland is very bad and the majority of Scots believe us to be a party of the South of England with members of parliament lacking in even the most simple knowlege and experience of ordinary Scottish life.

I warned James Goold and Michael Alison of the danger we faced in not taking seriously enough the SNP and the Grange Order. Scotland is still tribal and the Scottish dimension cannot be turned to Conservative advantage if we continue to be perceived as the party of absentee landlords, absentee members of Parliament and absentee company owners.

Up to this time I have been a loyal supporter of yourself and your policy. Sadly, if I cannot see some real changes in the way your chosen leaders respond to Scotland's needs, I may be forced to adopt other methods to prevent the destruction of the party in Scotland. For your information I have never had any grand illusions about my own ability, nor have I ever underestimated the envy which my representing North Tayside, a wealthy county constituency, has in some sections of the party. After all I am the only Scottish Conservative MP of Scottish humble origins.

Yours ever,

Bill

TEXT OF A LETTER FROM BILL WALKER MP TO LORD GOOLD

Dear Jim,

Thank you for your letter of 12th June 1987 containing your congratulations on holding my seat. Sadly I cannot help you with regard to your request for suggestions regarding the situation of the party in Scotland.

It would seem that my own talents and capacity for hard work are not considered of value by the Prime Minister or the party. My advice over the years has been ignored and the individuals responsible for the present state of the party and for the image of the party in Scotland are still entrusted with the well being of the party. They also seem to have the confidence of the Prime Minister!

Consequently, I shall leave them to handle what I believe will turn out to be the most difficult constitutional problem of the century. For my part, I shall concentrate my own efforts in my constituency; sadly I cannot say that the Prime Minister and the Scottish leadership can count on my unqualified support in and out of parliament.

Yours sincerely,

Bill

PRIME MINISTER

Four of our candidates in Scotland have written the attached paper on what they believe are the problems facing the Party in Scotland. Lord Goold has read this and thinks there are a few points worth noting. One of the authors, Bernard Jenkin, is Patrick Jenkin's son.

Amanda

Amanda

24.7.87

*Would you put
all the 'Scottish'
letters together in one
folder
not*

F

CONFIDENTIAL

TURNING SCOTLAND AROUND (TSAR)

The scale of the Labour victory cannot be put down to any particular factor, nor should attempts be made to assert that the result was "not that bad". A poor result in 1983 was concealed by the effects of the Alliance surge, so that we were able to hold seats such as Aberdeen South and even make some gains. Though Tory support at this General Election weakened only slightly, we had to face the full force of the deeply anti-Thatcher, anti-English vote, which was pressed and educated by the media to vote tactically.

The evidence of voting patterns in Scotland over the last 25 years suggests that Tory support in Scotland is in a terminal state of decline.

The authors of these notes have only their own experiences of the '87 campaign upon which to base their comments, but they all have the advantage of being outsiders, even if only temporarily - candidates who were recruited or brought back from the South to fight Labour strongholds in industrial Scotland - and they therefore claim a degree of objectivity that those permanently active in the Scottish Party may not have.

<u>BERNARD JENKIN</u>	GLASGOW CENTRAL
<u>ANNE STRUTT</u>	GLASGOW PROVAN
<u>JOHN BERCOW</u>	MOTHERWELL SOUTH
<u>ELEANOR LAING</u>	PAISLEY NORTH

14th July 1987

The Right Approach to Scotland

1. The Press

The problem

The key factor that must be understood by those not involved in Scottish politics is that the atmosphere is completely different from the south of England. Apart from history, this can mainly be attributed to the role played by the press. There is hardly a single Scottish daily paper of any significance that supports the Government:-

<u>Publication</u>	<u>Owner</u>	<u>Affiliation</u>
GLASGOW HERALD	Tiny Rowland	anti Tory
GLASGOW EVENING TIMES	Tiny Rowland	only Labour
DAILY RECORD	Robert Maxwell	only Labour
THE SCOTSMAN	Thompson Regional Press Alliance	
DUNDEE COURIER	D C Thompson	Conservative
SUNDAY POST	D C Thompson	Conservative

Whilst THE SUN and the DAILY TELEGRAPH have quite wide circulations in Scotland and now both carry pages of Scottish news, readers do not identify with them. People do not buy them to read about Scotland and they are therefore no antidote to the purely Scottish press which portrays itself as fiercely nationalistic. The 'best' stories are always those in which Scottish interests are being ignored by the English. Scots are taught from the cradle to the grave to feel aggrieved by England's treatment of Scotland. The lack of an assembly is portrayed by the media as the denial of a basic human right.

During the election, coverage of Tory Candidates was very poor. One paper, the GLASGOW EVENING TIMES, actually had a ban on reporting speeches by or stories about Conservative Candidates and journalists were temporarily forbidden to cover "bad" stories about the District Council!

Solution

The landscape of the Scottish press must be transformed. As far as they are concerned, nothing good has happened in Scotland since 1979.

Our suggestions are that existing publications be taken over by more favourably inclined owners and that Scottish competitors be set up.

The Right Approach to Scotland

TV & Radio

Problem

The broadcast media are in sympathy with the press and therefore have no difficulty in taking up the same themes and ignoring the stories that they ignore, though it should be stressed that the BBC is far worse than the independent stations.

Solution

The Party should set up media monitoring in Edinburgh, and regularly challenge broadcast output in Scotland. This would be considerably easier than in the south as the bias is more transparent.

The Party could also improve media coverage considerably by ensuring that there are good spokesmen available and known to programme producers. Insiders complain that good, entertaining Tory spokesmen are very difficult to find - even for prestige programmes such as 'Good Morning Scotland'..

The Right Approach to Scotland

Party Organisation

Problems

Generally, the campaign lacked regional sensitivity. The tone of the last week's campaign material, with the 'Britain is Great Again' slogan, was probably counter productive in Scotland.

Before and during the campaign, there was a strong sense that the Scottish dimension was not of concern to Smith Square. Much of the initiative and planning is left to Chester Street, which does not appear to be allocated the resources with which to cope.

There is a desperate lack of agents in Scotland. We understand that during the election campaign there were only 12 qualified full-time agents in constituencies in Scotland, to serve 21 sitting MPs in a total of 72 seats. We cannot expect much improvement in party organisation on the ground until there are substantially more full-time agents. Party membership is consequently very low and ageing.

Lack of resource is further demonstrated by the lack of research staff and output in Scotland. Apart from the very occasional edition of "Politics Today" about Scotland, the Research Department feels no responsibility for Scottish issues. Except for the election campaign when one extra pair of hands was found, only one person in Chester Street is available to deal with all the departmental headings of the Scottish Office - an impossible task.

Solutions

There needs to be a redefinition of the relationship between Smith Square and Chester Street. We understand that the Scottish Party raised £400,000 more than Chester Street was allocated last year. Any money raised in Scotland should stay in Scotland and not go to London for redistribution. This would encourage the Scottish Party to take its life into its own hands.

Much more should be spent in Scotland anyway - particularly on agents - as a prerequisite to increasing membership. Consideration should be given to running an entirely Scottish campaign in Scotland during general elections with different agencies - particularly on advertising - and different campaign themes where appropriate. This could do much to positively excite the interest of the Scottish media.

The Scottish Party needs to become fashionable in Scotland. Being a Conservative in Scotland in the 1980's is like what it was being a Conservative in England during the 60's and 70's - you are made to feel out of step and irrelevant.

The political re-education of Scotland should commence with a sophisticated direct mail campaign, starting now and building up to the next election. (All those on our canvass returns would be a good start.)

Smith Square staff - both research staff and others - should be seconded to Chester Street for a set period in order to boost resources, share expertise and widen their own horizons. Business should be encouraged to offer secondments or top up salaries.

The Right Approach To Scotland

Government

Problem

The considerable anti-Government feeling, felt by many traditional Tory supporters in Scotland, arises from all of the factors already discussed, but it is focussed upon English ministers, and most particularly, on the Prime Minister. We were often told that "That woman doesn't care about Scotland".

The continual personal vilification of the PM in the press ensures that this impression is continuously reinforced. She does not help herself when she refers to the English as "we" and the Scots as "you" or "they"; this betrays her lack of confidence on Scottish issues and that she does not identify with them.

The failure of Scots to identify with the Government is reinforced by other ministers who show little feel for the very different atmosphere of Scottish politics when they go to Scotland. Those of us new to Scottish politics have discovered how alien it can be.

This is made worse by the fact that the Scottish Office serves to insulate departmental ministers from the Scottish dimension. Other ministers from UK departments have often failed to consider the impact of a policy change in Scotland. In particular, the delay in rates reform, the mishandling of cold weather payments and the treatment of the Scottish Universities must each have lost the Tories many thousands of votes. Even minor matters such as tolls on bridges need to be handled very carefully.

Solution

The Prime Minister must be wrapped in tartan and be shown to care about Scotland. There is a strong case for emulation of the Royal Family, with perhaps a second Chequers in Scotland, and a programme of regular visits to Scottish cultural events such as the Royal Highland Show, the Edinburgh Festival or the Braemar Games.

Ministers must be kept in touch with the Scottish dimension. They should be instructed to give special consideration to the comments of Scottish Office ministers on Cabinet committees. The PM should circulate a memo asking them to give special attention to the impact in Scotland of anything they do.

Awareness among Civil Servants could also be improved by structuring career development programmes to include a spell at the Scottish Office.

The Right Approach to Scotland

POLICIES

Problem

For whatever reason, policies that are considered to be politically appropriate in England & Wales seem always somehow diluted by the Scottish Office. This is very often because ministers have felt they simply have too much on their plate. There is also evidence of considerable inertia in the Scottish Office, where civil servants put up specific Scottish objections to otherwise perfectly reasonable ideas.

For example, the housing and education proposals in the Scottish Manifesto were unfortunately watered down versions of the English. Full private sector involvement in the management of housing estates is supplanted by a new Government (!) agency - Scottish Homes. In schools, the new School Councils (governing bodies) will have few powers and there is no provision for opting out. In local government, the competitive tendering proposals are not intended to be applied so extensively north of the border.

In industry, companies are still cushioned by a panoply of bodies providing grants and subsidies, despite the fact that Scotland is by no means the most depressed of the economic regions. Even major exporting companies are suffering from 'grant-itis' - the malaise that did so much damage to British industry as a whole in the '60s and '70s. Small businessmen do not even think of starting up without some grant.



Apart from confirming to the Scots that we agree that Thatcherism is somehow not right for Scotland, all these policies lead one group after another to believe that their very interests do not lie with a Conservative Government in the long term. Each group is a client of the State, essentially dependent on non-Conservative policy and/or Government money for its continuation.

Strong "Thatcherite" policies carried out in the south have hitherto not been of much benefit to Scots - they feel left out of it. The council house sales programme is an undoubted success, but as so much of Scottish housing is appalling, and owner occupation rates are still well below 50%, in many areas such a policy could still be a vote loser.

Similarly privatisation; the penetration for share ownership is much lower in Scotland. The new privatised companies have never been perceived as a benefit to Scots. Unfortunately Britoil was privatised before massed share ownership had really taken off and is portrayed as Westminster selling Scotland's oil.

Solution

A strong dose of Thatcherism. With only 10 seats left in Scotland the continuation of existing 'softline' policies is hard to justify.

The PM should chair a regular cabinet committee on Scotland with other English departmental ministers present to ensure that policies are properly connected with the overall thrust of Government. She cannot afford to go on giving the impression that it does not matter if Scotland 'gets away with it'.

Policy must be aimed at awakening the enterprise culture of Scotland. As it is, ambitious entrepreneurs come south to make their money and provide employment. Many employers in the south look to Scotland for a steady supply of frustrated and dissatisfied high-fliers, particularly professionals, who are looking for wider career opportunities. Ways should be devised to provide more opportunity for them in Scotland.

New Government agencies like Scottish Homes are hardly likely to promote the enterprise culture. We must create the interest groups who depend upon the re-election of Conservative governments so they identify with our goals.

This could be started with the privatisation of the SSEB, (without making Scots feel like the "poll tax guinea pigs" again) which should be a share issue with 2 priority groups - customers and Scotsmen. This should be the first Scottish company to be owned by the Scottish people.

To facilitate the execution of the housing policy, the houses must be vitually given away, with major incentives for new home owners taking public sector stock. Barratt and Wimpey sell homes with free carpets, fridges and curtains - why not the State? What are they worth to the State anyway? A massive education process must take place regarding new choice of landlord or the average council tenant will continue to opt for the devil they know. They currently believe - thanks to successful Labour and press propaganda - that housing estates are going to be flogged off wholesale to the private sector.

Generally, there is no excuse for Scottish policies to be any less radical than in England. Indeed, policies should be more radical, because the problems are so much worse.

These must however be set in a pro-Scottish context. For example, the Scottish Office ought to hold the SSEB's golden share in Edinburgh and ensure that the Head Office always remains there. The new EEC passport could have a Scottish derivative. These are touches to policy that could deflect many of the anti-Scottish accusations that cost so many Tory votes.

The greatest sin however would be to succumb to the pressure for an assembly. Even Conservatives who support it rarely argue that it would of itself be good for Scotland. Much more often they merely say that that the only way for the Conservatives to lose their anti-Scottish image is to support devolution.

Any move towards an assembly would would put Scotland on the slippery slope towards separation. If it worked well, the demand woud be for more powers; and, more likely, if it worked badly, the demand would still be for more powers. It is a recipe for continuing constitutional conflict and chaos for which Scotland would never thank the Conservatives.

Much better that we should concentrate upon policies which will benefit Scotland, rather than create obstructions that will frustrate the very policies we believe are Scotland's only hope.