

PRIME MINISTER

SPEECH TO SCOTTISH CBI: 8 SEPTEMBER

We are having a first talk tomorrow afternoon about the coverage of your speech to the Scottish CBI.

I enclose as background various bits of material:

Flag A - Scottish Office media summaries for the last few days. (You mentioned The Scotsman and Glasgow Herald earlier today; I will come out tomorrow with recent copies).

Flag B - Draft material provided by the Scottish Office, organised under five headings.

Flag C - Latest edition of the bull points and core brief on the Scottish economy.

Flag D - Extract from the Chancellor's speech in Glasgow last November in which he talked of a hostile attitude to enterprise in Scotland.

Flag E - Papers presented to a Coopers and Lylebrand conference in May, who took as its starting point the Chancellor's enterprise criticism.

Flag F - The latest draft of Bill Hughes' speech for 8 September, which will follow yours. (Trevor Holdsworth will be speaking before you, but I have not yet had a draft of his remarks).

Possible theme

You might like to focus on Scottish business achievement. You could divide that into material on the record so far and the agenda/charges for the future.

ms

* on SCOTLAND:
Reg. pol
June 79

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Possible framework

A possible broad structure might be:

- (i) The Scottish economy record so far - summary of overall bull points.
- (ii) Small selection of individual case studies. (The Scottish Office material includes some; I am separately assembling some published material from the monthly Scottish Business Insider).
- (iii) The background to success - Government setting the right macro framework. This section would need to include a passage on the recent interest rate moves.
- (iv) The background to success - encouragement of enterprise. You could make a reference back to the Chancellor's speech, but emphasise that what is involved is rediscovering/uncovering enterprise rather than creating it. You might work in some suitable references to 19th/early 20th century Scottish business success, and it might be possible to dig out some suitable quotes from e.g. David Hume or Adam Smith. The general flavour might be that you now believe that Scotland is following the rest of the UK.
- (v) The challenges:
 - Europe;
 - education (possible reference to Paisley Grammar) and training (appropriate reference to Bill Hughes);
 - privatisation/competition.

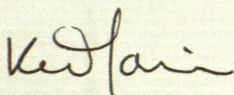
Somewhere in this section it will be necessary to have a reference to Scottish business rates.

(vi) An upbeat peroration

Drafting arrangements

Following our talk tomorrow on broad coverage I will put in hand a detailed draft to show you on Friday evening. You might like to look at this over the weekend in the light of the discussions at, and in the margins of, Saturday's seminar.

We have then provided long slots in the diary next Monday and Wednesday for detailed drafting sessions. But you will also want to consider whether you would find it helpful for me to stay on after the seminar on Saturday, or come back on Sunday, for a drafting session.



PP

PAUL GRAY

30 August 1988

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pg on return



Clc M

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 August 1988

I am writing to acknowledge receipt
of the copy of your proposed speech.
I am most grateful to you for having
sent this.

P. A. BEARPARK

W. Y. Hughes, Esq.

A handwritten signature in cursive script, likely belonging to P. A. Bearpark.

Grampian Holdings p.l.c.
Stag House, Castlebank Street
Glasgow G11 6DY

Telephone 041-357 2000 Telex 779393

AS AGREED, COPY OF MY PROPOSED
SPEECH FOR THE EVENING OF 8 SEPT.

WOULD APPRECIATE ANY COMMENTS
THAT YOU WISH TO MAKE.

W Y HUGHES

16.8.88

With compliments

DRAFT 3

Prime Minister: CBI Scotland is delighted that you have chosen this platform to restate your philosophies and re-emphasise your Government's strategy for the economy.

As business managers and investors we are great believers in track-record. Backing and supporting success is the best guarantee for future success. Your Government has managed the economy well and we have every confidence that not only will this continue but the benefits of that success will be shared more widely than before.

The Secretary of State for Scotland when recently addressing the CBI here in Glasgow identified three key areas of focus for the Scottish economy.

Firstly to initiate and encourage new indigenous companies.

Secondly to boost competitiveness.

Thirdly, through privatisation, to create major new Scottish private companies.

We are in agreement with these objectives, especially as each of these thrusts is supportive of private initiative and the building of an entrepreneurial culture. As you have pointed out Prime Minister on many previous occasions Scotland is the home of enterprise - yes, we admit it has gone through a dormant period, yes, it has dragged its heels somewhat in grasping the opportunities that a changing world affords but be assured that Scotland is preparing itself well for the challenges ahead.

Our education system has changed gear, our schools are reaching out to meet business needs, our colleges are linking into the workplace, our Universities are producing able, exciting young graduates. Many of these graduates are now finding their employment in Scotland, especially as more inward investors see Scotland as an ideal base for their R and D operations. We in business must maintain the closest connection with Education and CBI Scotland sees itself as being focal in encouraging all Scottish businessmen to see this partnership as a responsibility that must be discharged for the well-being of our economy.

If we are progressing well in the world of education, as we are, the same I am afraid cannot be said for training. Here the picture is unsatisfactory. Skill shortages are appearing too rapidly for comfort, the number of young people joining the workplace will decline dramatically yet we have not only 11% unemployed but the majority of those people ill-equipped to fill the many vacancies that will soon be upon us.

We recognise that this is industry's problem as much as Government's, and together we must solve it. If not, the continuance of the exciting economic growth of the past years will be hindered.

Industry will need these people and the vast resources that your Government is pumping into training must not only be cost effective but give value for money. How critical it is that we optimise this resource by integrating manpower training not only with business development but also with urban renewal.

Every generation has its inheritances, bringing problems that were not anticipated. Here in Scotland the peripheral housing estates around our cities, built in haste after the war to cope with appalling housing conditions, are foremost in that category. The CBI Scottish Council has only today received a report from its specially formed Task Force which has been addressing this problem. It is recognised that there is already a wide range of initiatives, however, CBI Scotland's approach aims to instill confidence so sadly lacking by encouraging local communities to take responsibility for their economic future.

Economic policies aimed at increasing prosperity must be the answer. Housing and social programmes, however necessary, are only of temporary help if people remain unemployed. CBI Scotland intends to encourage change and has decided to select Drumchapel, a peripheral estate on the edge of Glasgow, for particular support. This, of course, will be complementary to our involvement in the Government's own efforts in four other housing estates in Scotland. Glasgow will only be Miles Better when the city's regeneration reaches every corner. We believe the CBI can do something to help that process.

I would be defaulting Prime Minister if I did not share two further matters with you; however I do not wish tonight to labour either. Firstly, business rates; there could be no greater boost to business competitiveness in Scotland than to enjoy business rates that are comparable with the rest of the UK. Secondly, devolution. We are comfortable with the present arrangements. That does not mean any opting out of responsibility for the well being of our community, in fact the reverse must be the case with businessmen penetrating all/.....

all walks of public life and bringing to them our knowledge, skills and experience. As you have already reminded us Prime Minister, we could do much more in this direction. I am sure you are already surprised that it has taken me so long to mention those three immortal words - Scotland is different. However it is - if only because the sun creeps over the horizon rather later on a winter morning than in London. The reason is essentially longitudinal, being much further West than most of England as well as being further North. So we are uneasy about proposals to align ourselves with European practice in setting time. CBI Scotland has left our colleagues in Centre Point in no doubt about this - as Sir Trevor would confirm.

Other differences stem from Scotland's location on the edge of Europe. We believe that anything that brings us closer to the centre of the European Community can only benefit. Sadly there are those in Scotland who believe that change can only be for the worse, and the coming changes in 1992 and 1993 will be further evidence of this. CBI Scotland and its members are not amongst such doubters.

We see the Channel Tunnel as one of the most exciting engineering projects this century. Many Scottish firms are already profitably involved in its construction. It will have the effect of moving Glasgow 250 miles closer to Paris - a most attractive proposition from a variety of aspects. Our task now is to encourage our members to plan ahead so that the tunnel's advantages may be fully exploited. And we believe - with your Ministers - that congestion around London should not be allowed to disadvantage Scottish business in competition with firms in the south of England. Road and rail links should provide an uninterrupted flow of traffic, not create a series of hopeless bottlenecks.

As with the Tunnel, Scotland is looking forward to the completion in 1992 of the European internal market. There are technical differences for Scotland - for example, Scots law takes a different approach on some of the fundamental commercial relationships that will be changed by 1992 - but I suspect the big difference compared with England is the advantage that we have of seeing the Continent from the edge.

Scotland has always been aware of Europe. History is evidence of this. We look on the completion of the internal market as a natural development of our historical links.

The vista is therefore one of challenge, of competition, of complexity but above all one of opportunity. Opportunities greater than ever afforded before to create within Scotland an exciting industrial and commercial culture that will bring prosperity to our whole society.

CBI Scotland as it links across all strands of Scottish business life believes Scotland is in a GO position. You, Prime Minister, have created the environment for success. Through the stewardship of Scottish businessmen we intend to deliver that success to our whole community.

United Biscuits

29/8.

01-560 3131

SYON LANE
ISLEWORTH
MIDDLESEX

Nigel Wicks, Esq.,
10 Downing Street,
London S.W.1.

Mr Gray (r.i.)

For the
speed.

8th August 1988

Wick
10-1

Dear Nigel

I very much hope that the Prime Minister would be prepared to say something along the lines of the enclosed when she speaks at the Scottish CBI Conference.

What marvellous publicity she got on her trip to Australia and the Far East ! It must have been exhausting.

Yrs
Hector.

Suggested words for PM

I have been very much impressed during the past decade by the ever increasing involvement of the private sector in combatting the problems of our communities. This is particularly evidenced here in Scotland by the work of Scottish Business in the Community and the 40 strong local enterprise trust network, supported by over 1,400 national and local companies.

These private/public sector local partnerships have contributed substantially to our economic recovery, particularly with regard to the formation and development of new and existing small businesses, and we must now build on this success. I would urge all established Scottish companies to invest in their communities by such involvement.

Graham T Ross

5 August 1988

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LOCAL GOVERNMENT: Rates
P70



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Prime Minister

**HARMONISATION OF RATING
ENGLAND/WALES AND SCOTLAND**

I have read with interest Nick Ridley's minute to you of 28 June.

I am of course content with the basis on which Nick suggests you should reply to Mr Tommy MacPherson of the ABCC.

As regards Nick's comments on the issues we all face after 1990, I very much agree with his approach. I should certainly like to take up his suggestion that my officials should prepare a paper developing ideas for joint consideration on the basis Nick has outlined.

There is considerable support in Scotland for the Government's objective of a uniform business rate throughout Britain that would eliminate barriers to competition and growth but there is great concern about the apparent slow progress being made. It will be important to obtain a firm statement of the Government's intentions in time for your address to the Scottish CBI in September.

I am copying this minute to recipients of Nick's minute.

MR

MR

Scottish Office
5 July 1988

EXTRACT FROM CHANCELLOR OF THE EXCHEQUER'S SPEECH IN
GLASGOW, 23 NOVEMBER 1987

The results of this month's CBI survey of manufacturing industry, published today, are of particular interest. For they are the first to show the state of British industry after the world stock market collapse. And the picture that emerges is profoundly encouraging. A record balance of firms reporting order books above normal. And, in particular, a record balance of firms reporting export order books above normal.

All in all, excellent prospects and business confidence as robust as ever.

Within the overall UK picture, Scotland's economy has also made great advances. You would not get that impression from those who wish to run Scotland down. The puzzling thing is that Scotland's most assiduous denigrators are Scots themselves. But Scottish business and industry itself has not been idle these past eight-and-a-half years: far from it.

Between 1979 and 1986 manufacturing productivity in Scotland increased by over 5 per cent a year compared with 3½ per cent a year in the UK as a whole. Unemployment in Scotland is now falling fast - down by over 30,000 so far this year. And Scottish living standards are higher than in most of the regions of England.

What has to be recognised is that Scotland's economy is going through a major transition, as the older heavy industries give way to new growth sectors. This has been a painful process, but

Scotland's manufacturing industry has emerged fitter and more competitive. The development of the electronic components sector and financial services are just two examples of the new direction of Scottish industry.

I know that there is a view in some quarters that the decline in manufacturing employment is a sign of "deindustrialisation", as they call it. This is doubly misguided. First, manufacturing output is going from strength to strength. And second, the growth of service jobs is a feature of most modern economies. Moreover, services such as insurance and finance and tourism make a direct contribution to wealth creation in their own right. It is folly not to exploit them to the full.

Tourism, for example, already puts some £1,400 million into the Scottish economy each year, and, unlike many other industries, it benefits virtually all parts of Scotland. Again, there is the financial services industry, the fastest-growing sector in Scotland. This already employs around 80,000 people and has increased its manpower by some 27 per cent over the last decade. The range of financial services now available in Scotland is unparalleled in the United Kingdom outside the City of London. Expansion of services such as finance and tourism must be a vital ingredient in the strategy to attract new investment to Scotland, and generally to promote Scotland as a good place to invest and to work.

But despite the undoubted success so far, there is still a barrier along Scotland's road to prosperity. That barrier is the pervasive presence of a hostile attitude to enterprise and wealth creation, to the enterprise culture on which economic success in a free society depends. That is not to say that there is no enterprise in Scotland - of course there is. Rather that it is frequently swamped by an overriding sense of dependence on the State. Large areas of Scottish life are sheltered from market forces, and exhibit the culture of dependence rather than that of enterprise.

The origin of this dependence culture is complex. The former predominance of heavy industries, most of them State-owned - coal,

steel, shipbuilding - in Scotland's economy played a part, bolstering the view that economic decisions should be made by the political process rather than in the market place. The interventionist role of big Government may have been rejected nationally in three successive elections, but it is a notion that still lingers in Scotland more than anywhere else in the UK.

Another feature of Scotland which underpins this dependence is housing. While nationally only a fifth of families now live in council accommodation, in Scotland the proportion is a half. And even the Eastern bloc countries can't beat the more than 80% council housing of parts of Glasgow. The process of being allocated a house and the petty restrictions on making alterations or improvements have undermined individual self-confidence.

When you add to this sense of dependence a political climate which is hostile to enterprise, the economic achievements I mentioned earlier are all the more remarkable.

Happily, powerful forces of change are at work. Ownership, whether it is of home or shares, has played a major part in changing attitudes in the rest of the UK. The privatisation programme and the council house Right to Buy legislation have contributed hugely to the establishment of the enterprise culture. They will help reshape attitudes in Scotland, too.

The development of private sector solutions to the problems experienced in Scotland's cities will be a great challenge to Scottish businessmen. A vigorous financial services sector stands ready to support them.

I am confident that attitudes will increasingly change, and indeed will force change on paternalistic local authorities. The policies that have brought growing prosperity to other parts of the UK will work in Scotland too. The last thing Scotland needs is soft Labour policies.

This essentially optimistic view of Scotland's potential is shared by the country's business leaders. Even the Fraser of Allander

Institute predicts strong Scottish performance compared with the UK as a whole. And such confidence will be crucial to Scotland's success. The self-confidence of individuals to take more control of their own life; and the confidence of businesses to invest in the future.

Scotland today represents an attractive investment opportunity. Ford certainly thought so when they announced recently their planned new components plant in Dundee. And HCI want to base in Scotland a business serving countries as far afield as the Middle East. This will bring welcome jobs to Clydebank. If someone had said a few years ago that a private hospital would bring jobs to Clydebank they would have been ridiculed. Yet that is now precisely what is in prospect.

I do not believe that current international uncertainties threaten this encouraging picture to any significant extent. The British economy is sounder and stronger than at any time since the War. Our rate of growth is the fastest of all the major nations in the world. And we will work together with those other nations to pursue sensible and appropriate policies. The only real threat to Scotland is the entrenchment of the anti-enterprise culture: all those who wish greater prosperity for Scotland should strive to expunge the ghost of dependence and embrace the spirit of enterprise.

That is the way forward for Scotland.