

DS2AJQ

PRIME MINISTER

SCOTTISH CBI SPEECH

We are having another session on the Scottish CBI speech tomorrow morning.

I attach a re-worked version of the draft at Flag A. This follows very closely the version we had on Sunday, but now includes contributions and comments both from other Departments and from within the office. I will explain the significance of the various square brackets as we go through it.

There are also some other attachments you will want to see.

At Flag B is some material on the Enterprise Allowance scheme that Geoffrey Holland has supplied following your request on Saturday. I doubt if it is worth including any of these examples but you may want to consider the point.

At Flag C are some papers relating to Scottish business rates. Your view on Sunday was that, as we did not have anything very impressive to say on this subject, it was better to stay silent. I mentioned this to Bill Hughes when I spoke to him yesterday and he thought that judgement was probably right - although (understandably) he feels the need to make a brief reference to the subject in his speech.

But there have been other developments on business rates:

- (i) You have had the letter from the Glasgow Chamber of Commerce, which will be released to the press on Thursday, challenging you to say something on the subject in your speech. This letter and a draft Scottish Office reply are in the papers at Flag C.

(ii) Malcolm Rifkind feels very strongly that you should say something on business rates. He thinks that, particularly in the light of the Chamber of Commerce letter, were you to say nothing that would be a major story in itself which would detract from the coverage of your speech. Also in the papers at Flag C is a suggested passage for the speech from the Scottish Office.

We will need to discuss how you want to handle all this. On balance, my own view remains that it would be best to leave the subject out of the speech.

At Flag D is a selection of the cuttings from the Scottish press on the Bill Hughes' proposals and Saturday's meeting. You will see it has been big news, and you may want to glance through the material.

The Other Speeches

At Flag E is the latest draft of Bill Hughes' speech which he has sent me following our conversation yesterday when I told him the likely broad coverage of your speech.

I have also talked to Trevor Holdsworth to find out what he was planning to say. He has not let me have a full draft, but the shape of his speech will be:

- Everything is going very well. Far too much doom and gloom around about over-heating. Certainly no cause for panic - but of course should not be complacent either.
- Refer back to Brookings Institute 1979 Report which talked about the United Kingdom's productivity problems resting deep in its social structure. Discussion of how things have been transformed since 1979.

- Importance of investment in people - both schools and vocational training. Industry should do more. Importance of education/industry interface, including material on latest CBI taskforce.

This all seems to fit pretty well with your speech.

Recg.

PAUL GRAY

6 September 1988

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SP3AAP

SPEECH TO SCOTTISH CBI

THURSDAY 8 SEPTEMBER 1988

Paul - The language has got
stilted - it's no longer flows.
I have started to correct it. We
will look at it - against the original.
Some of this is just 'unpleasant'.

INTRODUCTION

Thank you Sir Trevor for your warm welcome.

It is a great pleasure to attend this CBI
function during your first year as the
National President.

I am delighted that you have taken over
the reins after David Nickson's most
successful term of office.

~~Because~~ ^y you are well placed to tell us ~~all~~

to
 how ~~we should be~~ facing ~~up to~~ the
 challenges of the future.

At GKN you presided over the transition
 from a traditional engineering company to
 one ~~meeting~~ ^{which meets} the needs of the ~~late 1980s~~ ^{nineties}.

And now as Chairman of British Satellite
 Broadcasting you are ~~dealing with the~~ ^{involved with}
~~products of the future.~~ ^{for the}

technology

~~So you have shown us how to tackle change.~~

~~You have demonstrated that tomorrow's
security lies not in resisting change but
in harnessing it.~~

Your work is a splendid example of the
energy and innovation that built a great
industrial and commercial nation.

It is also a great pleasure for me to be

~~back~~ in Glasgow ~~once~~ again. ~~Yours~~ ~~John~~ ~~Lee~~

~~This is my second visit this year.~~

When I was here in May I greatly enjoyed

~~my visit to the Garden Festival - and saw~~

~~Glasgow Celtic win the Scottish Cup in~~

~~this their centenary year.~~

L L

~~Glasgow as a city too has changed,~~

Few of us can fail to have heard that

"Glasgow's miles better".

What I saw in May demonstrated just why it

is a city of growing confidence and
pride.

It's also people who
~~And one that~~ *(shows)* great magnanimity - *in deed*

~~I must say~~ ^{was} I ~~am~~ greatly impressed by the

integrity of the researchers at Glasgow

University who have ^{recently} ~~just~~ published a study

which concludes that the city with the

highest quality of life - not just in

Scotland but in Great Britain as a whole

- is Edinburgh!

SCOTLAND'S SUCCESS

So both Scotland's largest cities are thriving.

And so ~~is the whole of Scotland~~ *as a whole*

But I need hardly tell this audience that
business in Scotland is doing well.

- It is true of manufacturing - where
investment ~~rose by a quarter between~~
~~1984 and 1986~~ and is rising again this
year, *and*

~~And the Scottish manufacturing~~

you productivity record ~~since 1979~~ is
 better than that ~~achieved by~~ ^{of} any of the
~~seven major OECD~~ ^{Summit} countries.

- It is true of Scottish financial and
business services - where employment
^{a third} has risen by ~~34 per cent~~ since 1979 [and
^{companies} where Edinburgh based operations managed
^{U.K. as power or insurance for} ~~some~~ 20 per cent of finance raised in the ~~last~~ ^{years}

UK.]

underlying

- It is true of Scottish construction
over 25%
where orders were up by ~~26%~~ in the last year.
- And - Mr. Chairman - it is true in the transport sector, where I understand you too have had a very *successful* ~~good~~ year.

① *And it's good news for everyone that unemployment is falling*

~~When we look at the overall picture we see~~

~~more jobs being created, and the food is the best~~

~~that Scottish ^{un}unemployment has now fallen~~

1 last year.

by 67,000 since January 1987,

So
And no-one is more concerned about jobs in ~~in~~
~~Scotland~~ than the business community. //

N.P. ~~In politics the demands we hear constantly~~
~~are for more resources for the public~~
~~sector.~~

~~But let's get it right.~~

4
~~In order to have good public services you~~
~~first need a flourishing private sector.~~

2
~~And we know that in Scotland 3 out of 4~~

jobs are in the private sector.

③ *Business men*
 They create the wealth that finances
 public spending.

~~Let me give you some examples of how that
 wealth is being created.~~

Earlier this year I visited IBM at
where and under
 Greenock ~~and saw how~~ employment had grown
 from 10 in 1951 to about 2,500 in 1988 as
 the company ^{*responded*} ~~rose~~ to the challenges of the

electronic age.

Since then *May*

- Rocep Pressure Packs have opened a new

factory at Renfrew ~~(to manufacture a~~

~~new kind of aerosol~~

revolutionary pressurised dispenser -

invented and developed in Scotland - which

does not harm the ozone layer.)

~~They have already won orders which will~~

~~secure~~] 70 jobs over the next 10 years.

~~And such an innovatory product offers~~

~~substantial scope for expansion;~~

- British Telecom have shown their confidence in Scotland's high tech reputation by opening their systems and software engineering centre in Glasgow. ~~This £5 million investment will grow to provide over 100 high-quality jobs;~~

(2) - JVC have established their European colour television facility at East Kilbride, involving ~~an investment of £27 million and the subsequent creation of 650 jobs.~~

In due course the company will expand into compact disc players and computer display monitors;

(1) - then last week we had BP demonstrating its confidence in Scotland with its decision

~~to relocate over 400 staff from London to~~
~~its Britoil offices in Glasgow - (a move~~
~~that is also expected to generate a~~
~~further 180 jobs in the Glasgow area;)~~

move 400 jobs

~~And another Japanese company, the plastics~~
~~mouldings manufacturer, Tenma, has just~~
~~this week announced that it has chosen~~
~~Cumbernauld Scotland as its base to expand into the~~
~~European market.~~

Tenma a.s.

this week

200 jobs.

Its purpose-built facility at Cumbernauld
will create around 200 new jobs.

This is the first Japanese sub-contract
company to establish itself in Scotland.

So I come here this evening to congratulate

the people of Scotland and the businesses
of Scotland on your achievements.

~~I have not so far used the word~~

~~"enterprise".~~

~~But that is perhaps the single word that
best sums it up.~~

~~England has rediscovered enterprise.~~

~~Wales has rediscovered enterprise.~~

~~And, yes, it is abundantly clear that~~

~~Scotland has rediscovered enterprise -~~

~~indeed you could say it was invented here.~~

The clear proof of this was in last week's

"Scotsman".

Starting last ~~Wednesday~~ ^{to} that newspaper has
introduced a new regular weekly feature
with two pages dedicated to "Enterprise
Scotland".

Marvellous news.

^{line}
A sign of the times.

THE ECONOMY

Success you have to work ^{for it} constantly.
 But of ~~course success once achieved still has~~

~~to be continually worked for.~~
for success,

~~It is~~ an active thing.

either in business or in work,
 You can't sit back when ~~you have got it.~~

~~You have to earn it afresh every year.~~

~~So~~ You will expect me this evening to say how

I see the economy developing; and

~~Government's role in that process.~~

Government's first task must be to ensure

sound economic ^{policy} ~~foundations.~~

The battle against

~~Getting and keeping~~ inflation down has to

be the top priority.

For inflation is a threat to savings, ~~a~~ ^{an} ~~investment~~

^{and} ~~threat to~~ jobs, and ~~a threat to the very~~

~~existence of business itself.~~

and the other economic and social conditions

Unless we had got inflation down in the

early 1980s we would not have ^{had} ~~enjoyed~~ the

present prolonged period of economic
growth.

But ^{work} ~~you~~ can never relax your ^{efforts} ~~guard~~ against
inflation.

~~The battle has to be re-fought all the
time.~~

~~And~~ Once there is any sign that
inflationary pressures ^{is} are building up
~~again~~ Government must take the necessary

action to ^{stop} ~~contain~~ it.

Last October, in the wake of the Stock

Market crash, we faced a different threat.

There was a very real fear that a world

recession would follow.

^{The Economic Summit Conference}
So ~~world finance ministers~~ quickly agreed

~~to~~ reduced interest rates ~~to maintain~~

~~confidence and to ensure~~ ^{so} that monetary

conditions were not too tight.

~~They were right to do so, and as a result~~

the danger of world recession was

successfully averted.,

That was a great achievement.

But now it is clear that the fundamental

strength of the world economy has come

through even more strongly than we had

expected.

~~And you will have seen that
this is the condition for the next IMF report~~

And the UK has continued to be one of the

fastest growing economies, ~~in the world.~~

~~With confidence so strong we have had this~~

with

~~year~~ a combination of strong investment

growth and *very high* ~~buoyant~~ consumer demand.

~~As a result we ~~do~~ now have a sizeable~~

~~trade deficit, and there is a danger of~~

~~inflation rising again.~~

The strength of investment is ~~a very~~

encouraging ~~sign.~~

It will enhance our capacity to produce
 more / both for home and export markets.

But the ~~continued~~ rapid growth of private
consumption is less welcome.

It has led to imports growing ^{much} faster than
 exports, and a ~~substantial~~ trade deficit.

People have been borrowing more, consuming
 more, and saving much less.

~~Japanese~~ ^{Japanese} has much of the ~~same~~ ^{buy up}
 has been financed by too much
 borrowing. And that also true when
 savings have fallen sharply.

~~[But Mr. Chairman, in order to be sound,~~

~~borrowing has to be matched by savings.]~~

As you know the Government has cut its

borrowing to the bone.

Last year, we actually repaid debt.

And this year we are likely to repay

even more.

But the private sector needs to save too.

~~for to be sound borrowing has to be
matched by savings~~

The Chancellor

So ~~Nigel Lawson~~ has taken the necessary action.

Higher interest rates will give a
substantial incentive to savers, and a
disincentive to borrowers.

~~Of course those of you who are borrowing~~
~~to invest would prefer to be able to do it~~
~~more cheaply.~~

But it is in everyone's interest that we

get the balance between savings and investment right.

It will take a time.

But we had to take ^{desire} action

^{against the danger of renewed}
~~work against interest in~~

- to ~~keep up our guard against~~ inflation
- to help correct the current account

deficit

- and to ^{provide it} ~~ensure that steady and~~
~~could~~
^{to}
~~sustainable~~ growth continues.

[Otherwise the gap would be filled by printing money, and that would land us in big trouble as we have learned to our cost in the past.]

But Rest assured that this Government ~~will~~
~~never let up on the fight against~~
~~inflation.~~

~~We~~ will always take whatever action is

needed.

And ~~that we will~~ stick to it as long as is
necessary.

1992

Let me turn to another challenge - the prospect
of the European Single Market.

You may comment - that's what we joined the
European Community for, why has it taken
so long?

You would be right.

It is taking a time because we have to

~~Products~~ *for goods services*
 agree to standards that are acceptable in
 all our countries, and to ~~the~~ rules which
mean the ~~are the same for all of us, so that~~
ensure that
 competition will be fair.

~~That's a big job.~~

~~And it is a testing job for all of us.~~

As you
 We have to see that the standards are
 reasonable for our *business* manufacturers and our
 service businesses; and we have to

co-operate closely with you.

We also have to make sure that other member states don't have hidden subsidies and behind the scenes barriers, for example to company acquisitions.

The Commission have listed nearly 300 ^{charges} ~~steps~~ we ~~need to take.~~

We have already taken over 100.

Some remove barriers created by umpteen

different national regulations.

Others create new rules, common to all
Community countries.

This year, for example, they include
agreement to liberalise capital
movements and international road
haulage.

The key - as I am constantly saying - is
"make it simple".

The object of the European Community was

to minimise the regulations not to
increase the bureaucracy.

~~So we are on our guard, in all our
interests.~~

~~So~~ as 1992 approaches new opportunities are

opening up before us, *for which we must
prepare*

The creation of the Single Market will

affect everyone in business in Scotland.

When the process is complete Scottish

firms will have a domestic market of about
320 million customers.

But so of course will English firms; and

For what

French firms; and West German firms; and

On other competitors we do

all the firms in other Member States.

If industry and commerce in Scotland is to
seize the new opportunities and meet the
new competition it is vital to start to
plan ahead now

- ^{re: i} to plan the products ^{for the new markets} and ~~the marketing~~
- to plan ^{sales} the organisation needed in
other countries
- ^W and, hopefully, to be more proficient
in other European languages.

For you can rest assured that our European
partners are certainly doing all these
things.

[But we must also recognise just what "1992"
means.

We shan't wake up one morning and find
that everything has changed.

It is ^{a gradual process} ~~not a single event~~.

It is a gradual process of liberalisation
and harmonisation as, in co-operation with
our European partners, we steadily bring
down the barriers and remove the
constraints to freer trade between us.]

And I am greatly encouraged by how Scotland is rising to these challenges.

I understand for example that

- the Scottish organisation of the British Knitting and Clothing Export Council has been formed to bring together your woollen and clothing industries;
- Christian Salvesen is expanding its

European distribution activities;

- Sco-Fro Foods and Walkers Shortbread
are just two who this year have
received The Queen's Award for Export
Achievement for their efforts;
- And many of your other businesses are
already well established in Europe.

But I have heard it asked, how can Scotland

compete in Europe when it is on the very

edge of the Community's borders?

Well, how often do we hear Japanese

companies complaining that they cannot

export to Europe or North America because

they are
~~it is~~ too far away?

~~How often do we hear~~ ^{of} *Finns* companies in Sweden

and Finland saying they cannot compete

because they are too far north?

It is companies like Norfrost of

Caithness - exporting nearly half their

production of freezers - who have ^{shown} ~~shown~~
It can be done and have proved it,
~~how to meet the challenge.~~

And they have ^{shown} ~~demonstrated~~ too that
success in Europe is not the sole preserve
of large companies.

It is very often the smaller businesses,
with their swift response and
entrepreneurial flair, that are best
placed to identify and exploit the ^{many} market
opportunities.

1992 is about getting barriers down inside

Europe.

But let me stress it is not about putting
barriers up outside Europe.

Throughout its history the UK has always
been outward looking.

And our interest is in having more world
trade not less.

That is the way to ensure that the UK

remains strong and that we secure our
wider objectives in the world.

And let us not forget that in 1993 the

Channel Tunnel will also be opening.

That will mean the task of transporting

Scottish goods to Europe will be

substantially eased.

[Making the most of that opportunity will
require a great deal of planning, by you

and many others, particularly British
Rail.

I am sure it will be done.]

And it will then be that much easier for
visitors from the Continent to get to
Scotland to enjoy the delights your
tourist industry provides.

[And it will revolutionize our thinking.

In these islands we have great historical

connections with France, and now for the first time we shall have a direct link with her.

Our history is bound up with Europe - in the past through disputes and wars - in future in peace and ^{prosperity} ~~friendship~~.]

EDUCATION, TRAINING AND THE COMMUNITY

But as we look forward to the ^{1990's.} ~~European Single~~

~~Market~~ let us remember that our quality of

life and economic success will depend


above all on the people - the individuals

- who create it.

They will only be able to do so if they

have the right approach and the right

skills.



That is why our education reforms are so important.

A good broadly based education for all our people is essential.

It provides the basic grounding for the world of work and enterprise.

But more than that.

Coupled with the security of family ^{and values} ~~values~~

it provides the basis for citizenship, ^{upheld by the} ~~the~~ standards of our ^{of our national life} ~~community~~ and.

~~consideration for our fellow men and
women.~~

have to
We ~~are~~ building not only our material
standard of living but also the standards
and values by which we live.

Business has its part to play in forging

closer links with our schools.

I warmly welcome the enthusiasm shown for

Compacts between
developing ~~(employer + schools) compacts.~~
S r

Children respond when they can see *the purpose*
of their work and the
practical opportunities ahead ~~and know~~
~~what they have to work for.~~

Your ^{personal} interest in individual pupils is
rewarding for them and deeply satisfying
for you.

We all need to know that we matter - and
children most of all.

But schooling is only the start.

More jobs are being created.

Unemployment is continuing to fall.

~~And~~ Over the next seven years demographic trends mean that the number of 16 - 19 year olds in Scotland will fall by over a quarter.

Skilled labour is becoming scarce, and could become scarcer still.

It is imperative that we

~~So we have got to have the right~~

~~vocational and skills training.~~

Last week the Government launched the new
 Employment Training scheme, an important
 initiative which needs the closest
 co-operation between Government and

It should command the support of
 business. *all those who are genuinely interested
 in putting ~~the work~~ ^{the work} right ahead.*

The new scheme ~~takes~~ *identifies* the aptitudes of

individuals and ~~links them~~ *by* - through the

necessary training - *links them* - to the jobs of the

present and future.

For enterprise to succeed / people must have the
right skills.

Machines and technology ^{can't} ~~cannot~~ provide
leadership, motivation, inspiration.

People will remain our most precious
resource.

You Mr. Chairman are leading by example.

The proposals you have put forward for
Scottish Enterprise [] which you have

discussed with Malcolm Rifkind, Norman
Fowler and me -] have linked enterprise and
training in a new and exciting way.

Linked them not only ^{at the top} ~~through the parent~~
~~organisations~~, but even more important

through your belief in enterprise and

training at the local level, ^{and the involvement}
^{of local business people}

~~And linked them by putting the private~~
~~sector - not the state - in the driving~~
~~seat.~~

Your belief is that if people can see for

themselves the ~~work that is done in their~~ ^{benefit} ^{come to them}

local communities, then many more will

come forward to help than ~~would~~ ^c do so on a

national basis. ^{Witness for example the}

^{excellent work already been done by} ^{Scotts Prison in the}

[People who will work together to analyse

needs, identify opportunities and deliver

support.]

Direct

~~It is absolutely in line with everything we believe.~~

Like you we believe
~~that~~

People respond best when they are given responsibility and can see the results that flow from their efforts.

~~[We get better value for money when we spend it flexibly, in response to local needs, and we shall see the results in gains to local economies.]~~

You have

~~In Scotland it means identifying a~~ *use*

Scottish solution to respond to Scottish needs.

It will end the current arrangements which split training off from the main process of stimulating enterprise and creating wealth, by bringing together the work of the Scottish Development Agency and the Training Commission in Scotland.]

Mr. Chairman, it is marvellous to have people coming forward with new and fresh ideas.

~~I hope more of you will do it.~~

My approach to these things is not to search for the obstacles.

It is to seize the opportunities.

It's the "We can do it" approach.

I can assure you we are looking positively at your proposals and working on them most urgently.



[Of course we must discuss them with
Government.]

But we aim to come forward very soon with
plans based on your ideas.]

I know from the work of Business in the
Community that these days private
enterprise is rising fully to its
responsibilities not only in business but
also in the community.

I know that in this audience you will rise
to the opportunities and build on them.

Let me also say this.

I was deeply disappointed, as I am sure
were the Scottish people, about the
attitude of the leaders of the Transport
and General Workers Union over Dundee.

[This week's actions by the TUC,
particularly the attitude towards

Employment Training are a further
disappointment.]

I can only hope, Mr. Chairman, that some

trade union leaders will follow the
example which you have set. *Because*

Building a prosperous future and building
our communities involves us all equally as
responsible citizens.

PERORATION

Mr. Chairman, the achievements of the past few years and the present response give us great confidence we can face whatever challenges lie ahead. *H*

~~In Scotland, in Great Britain, in the United Kingdom of which we are all a part.~~

In that spirit and with that faith I ask you to rise and drink the toast to the CBI Scotland. *Long*



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

7 September 1988

Dear Paul,

PRIME MINISTER'S SPEECH TO SCOTTISH CBI, 8 SEPTEMBER

David Crawley's letter of 6 September refers.

There are a number of Japanese company's mentioned in the speech and , on reflection, it is thought that it would be better to substitute Scottish firms for one or more of the Japanese ones. You may wish to consider the following -

"Eclipse Blinds have announced plans for a £5M expansion at Hillington, leading to a doubling of their current workforce of 168. In 1984 the company did not export; today it is selling its products to over 30 countries."

141 → "ICI Films have announced an investment of £16M in Dumfries to extend polypropylene film production. This is on top of the £60M invested by the company in Dumfries in the 1980s."

"Clairmont Garments (Scotland) Limited - the former D & H Cohen - have accepted an offer of assistance towards an £8.75M expansion of its Glasgow garment factory. The project involves re-equipping the factory with the latest technology and will enable the company to meet fierce international competition."

I also enclose the top copy of the briefing sent round yesterday.

Yours sincerely
Mrs Jones

MRS MARGARET JONES
Private Secretary

07.IX.1940
AMS

DRAFT CONTRIBUTION TO THE PRIME MINISTER'S SPEECH TO THE SCOTTISH
CBI

Yesterday the TUC voted to withdraw its support from the new Employment Training programme. I believe that was a profoundly wrong decision.

It means that the TUC is now committed to opposing the largest programme we have ever had in this country for training unemployed people. That is an extraordinary position for the Trade Union movement to have reached. It is a position that unemployed people who are looking for training and for jobs simply will not understand.

The TUC have rejected the advice of their own General Council, of the General Secretary of the TUC and of many individual Trade Union leaders. And they have also rejected the advice of the Leader of the Opposition in his speech to the TUC on Tuesday.

I have to say that if Mr Kinnock had not waited until the 11th hour to express support for Employment Training the TUC's decision yesterday might have been different. But the truth is that the Labour Party have been attacking Employment Training for months. Some of their bitterest attacks came only last week as Employment Training was launched. The Labour Party bear a heavy responsibility for the campaign of opposition to Employment Training which culminated in yesterday's decision at the TUC.

But let me make it absolutely clear that the Employment Training programme will go ahead with or without TUC support.

The Government has committed £1.4 billion to ~~this programme~~. Employers, voluntary organisations and private training organisations have come forward with the 300,000 places we need to run the programme. We shall stand by our commitment to the unemployed. We shall ensure that they have the chance to train and to get back into jobs.

*There is no such opportunity to get back into C.T.U. people
help do work. We shall take that opportunity*

06/09 '88 11:02 041 334 8709

GRAMPIAN HOLDGS

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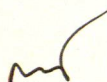
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FACSIMILE MESSAGE



TO: 10 DOWNING STREET

ATTENTION: PAUL GRAY

FROM: BILL HUGHES

DATE: 6.9.88

NUMBER OF PAGES (INCLUDING THIS ONE):- 6

DRAFT 6 ATTACHED.

HAVE ATTEMPTED TO SHARPEN THIS UP SOMEWHAT.

IN THE EVENT OF ERROR IN TRANSMISSION, PLEASE CONTACT THE ABOVE

DRAFT 6

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. A track record, not established, over weeks or months, but over years. Backing and supporting success is the best guarantee for future success. Your Government has managed the economy well and we have every confidence that this will continue and the benefits of that success will be shared more widely than ever 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 occasions Scotland is the home of enterprise - yes, we admit it has gone through dormant periods, yes, it has dragged its heels somewhat in grasping opportunities but be assured Scotland is preparing itself well for the challenges ahead.

- 2 -

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 research and development 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.

We are progressing well in education, but the same cannot be said of training. Here the picture is unsatisfactory. Skill shortages are appearing too rapidly for comfort, the number of young people joining the workplace is declining dramatically yet we still have 11% unemployed and 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 be deployed to best effect and give value for money. Your remarks this evening give much encouragement in this field and once again display how prepared your Government is to support and stimulate private sector initiative.

Every/.....

- 3 -

Every generation has its inheritances, which can bring 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. Today the CBI Scottish Council has accepted a report which has addressed this problem. The key recommendation being the encouragement of local communities to take responsibility for their economic future.

Policies aimed at increasing overall 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, 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 and will do something to help that process.

I would be defaulting Prime Minister if I did not share a further matter with you. 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 United Kingdom.

I am sure you are 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/.....

creeps over the horizon 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.

We see the Channel Tunnel as one of the most exciting engineering projects this century with many Scottish firms already profitably involved in its construction. Our task now is to encourage our members to plan ahead so that the tunnel's advantages may be fully exploited. And we believe that congestion around London should not be allowed to disadvantage Scottish business in competition with firms in the south of England.

Scotland shares your enthusiasm Prime Minister for the prospects afforded in the completion in 1992 of the European internal market.

Scotland has always been aware of Europe. History is evidence of this. We look on this development as a natural extension to our historical links.

The/.....

- 5 -

The vista therefore is 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 the benefit of our whole community.

B



Geoffrey Holland CB
Permanent Secretary

Department of Employment
Caxton House Tothill Street
London SW1H 9NF
Telephone 01-273 3000

6 September 1988

Paul Gray Esq
Private Secretary
10 Downing Street
London SW1

Dear Paul,

Mr Holland said on Saturday at Chequers that he would find some good examples of Enterprise Allowance Scheme successes in Scotland which you may wish to incorporate into the speech the Prime Minister is making on 8 September.

I attach 3 examples of EAS businesses which have all created jobs. The information has been checked and all the individuals cited are prepared to be quoted. If you want to get in touch with them, a useful first contact would be the Employment Department Regional Director in Scotland, Alan Brown at:

9 St Andrew Square
Edinburgh
031 225 8500 ext 401

I also attach some more general information on the scale of the EAS scheme in Scotland.

*Yours sincerely
J H Rutherford*

J H RUTHERFORD
Private Secretary



PM 30
1960

ENTERPRISE ALLOWANCE SCHEME: SCOTLAND

The Enterprise Allowance Scheme pays £40 per week for one year to people who have been in receipt of unemployment benefit for 8 weeks or more and who has a business idea they wish to develop.

Since EAS began 5 years ago over 375,000 unemployed people have taken advantage of it to start their own business. Nearly 35,000 of them have been in Scotland, including nearly 10,000 in 1987-88 and over 10,000 places are available in the current financial year in Scotland.

Three quarters of EAS participants who receive the allowance for a full year are still operating their businesses 18 months after the allowance began. Two-thirds are still going 3 years after they started up. Every 100 businesses still operating at the 3 year point creates a further 114 jobs.

LOTHIAN AND BORDERS

Mr and Mrs Shaw (Partnership)
Micro Print
Seton Works
Edinburgh Road
Cockenzie

Started on EAS December 1984.

Unemployed for 1 year prior to taking up EAS.

Employs 6 people and definitely looking to increase this to 7.

No employees when business started up.

Nature of business - Printing of anything from business cards to coloured brochures.

Turnover for 1987/88 was £80,000. Heading for £100,000 this year.

(Printed labels for boxes of Dio-degradeable confetti ordered by the Queen Mother).

LOTHIAN AND BORDERS

Stortex Scotland Ltd
2 Orwell Terrace
EDINBURGH

Business started by Mr Graham Scott.

Started on EAS March 1986 after being unemployed for 1 year.

Business is now a limited company with 4 Directors (2 non-executive) and 11 employees.

Nature of business: Storing of documents for various Government Departments plus other large businesses. The information is stored on micro-fiche and can be supplied to business/Government Departments at a minutes notice. The original documents are also stored away.

Turnover is around the £250,000 mark and the business is continuing to expand. They are currently looking for larger warehouse premises.

Area covered - Aberdeen, Glasgow, Dundee, Edinburgh (still expanding).

GLASGOW

Lytvale Ltd
8 Watt Road
Hillington Industrial Estate
GLASGOW

Manufacturer of knitwear. Started 3 August 1987. 6 partners. 14 full time staff.

	<u>Period of unemployment before starting on EAS</u>
Mohammad Razaq	- 2½ years
Mrs Rukhsana Razaq	- 6 months
Mrs Sarhat Mohammad	- 6 months
Mrs Rehana Mohammad	- 6 months
Mr Mushbag Mohammad	- 2½ years
Mr Tariq Mohammad	- 1 year

Now said to be thriving.

First year turnover only £20,000 but now doing much better.

Good example of a new ethnic minority run business.

CONFIDENTIAL

cefu



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

6 September 1988

Dear Paul

with PS

PRIME MINISTER'S SPEECH TO SCOTTISH CBI, 8 SEPTEMBER

Thank you for your letter of 5 September.

I attach a note of comments and contributions to fill the various gaps in the speech. I should say that we do attach a good deal of importance to the filling out of the comments on Bill Hughes' proposals. Given the wealth of coverage up here in recent days, there will be a risk of disappointment if the Prime Minister says too little.

I also attach some material for the Highland reception at Fort George, Inverness on 9 September. This consists of (a) notes for some (brief) words of welcome to the assembled company; and (b) brief background notes on issues of local interest which might be raised by guests at the reception. *(sent round earlier today)*

Yours sincerely

MS Jones

PP **DAVID CRAWLEY**
Private Secretary

CONFIDENTIAL

COMMENTS ON PRIME MINISTER'S SPEECH TO SCOTTISH CBI,
8 SEPTEMBER (DRAFT OF 5 SEPTEMBER)

Page

- 5 You should perhaps know that Glasgow Celtic have had a bad start to the new football season including a 5-1 defeat by their arch rivals Glasgow Rangers. There might be something to be said for not pursuing this particular analogy.
- 6 Suggest the deletion of "even from south of the Border" since it gives an alien flavour; and the quote in the following line should be delivered precisely as "Glasgow's miles better". Part of the purpose of the slogan was the elision of the "s" with "miles" to read "smiles".
- 8 Investment in Scotland rose by 25% between 1984 and 1986 but it fell in 1987. According to the latest CBI investment intentions survey, it is rising again this year. The best we can say therefore is either "It is true of manufacturing - where the CBI investment intentions this year are at very high levels" or "It is true of manufacturing - where investment rose by a quarter between 1984 and 1986 and is rising again this year".
- 8 Fifth line. This should read "It is true of financial and business services where employment has risen by 34 per cent since 1979".
- 8 Last line. This should read "It is true of construction where orders were up by 26% in the last year".
- 9 Second paragraph. Unemployment has now fallen by nearly 67,000.
- 10 "3 out of 4 jobs" in the private sector is correct.
- 11 The second sentence should read "Earlier this year I visited IBM at Greenock and saw how employment had grown from about 50 in 1952 to nearly 3,000 in 1987". The precise figures are 52 in 1952 and 2,867 in 1987. I should point out however that the Prime Minister used different figures in her speech to the Perth Conference when she said "10 in 1951 and about 2,500 ~~at present~~ ^{→ 1988}". We are checking the figures (confidentially) with IBM and will let you know if there is any change.
- 11 5 Scottish Office examples of significant announcements since April this year are contained in the attached note. If April were to be included you could add a sixth reference to Volvo Trucks which announced a £5.2m expansion on their site at Irvine resulting in 102 new jobs, bringing the total number of employees to around 370. Other post-April examples would be rather obscure.

CONFIDENTIAL

Page

- 34 Norfrost export almost half their production.
- 37 Line 6. Mr Rifkind would be glad if the following could be added: "Making the most of that opportunity will require a great deal of planning, by you and many others, particularly British Rail. I am sure that will be done."
- 43 Line 6. The number of 16-19 year olds will fall by 27%, rather than 25%.
- 45 Last sentence. Mr Rifkind would be grateful if this could be expanded to read: "The proposals you have put forward for Scottish Enterprise, which you have discussed with Malcolm Rifkind, Norman Fowler and myself, have linked enterprise".
- 46 Line 6. Add "And have linked them by putting the private sector - not the state - in the driving seat".
- 46 Suggest "Your belief is".
- 47 Line 1. Suggest you add "People who will work together to analyse needs, identify opportunities and deliver support."
- 47 Line 6. Add: "We get better value for money when we spend it flexibly, in response to local needs, and we shall see the results in gains to local economies."
- 47 Also add, after line 6: "In Scotland it means identifying a Scottish solution to respond to Scottish needs. It will end the current arrangements which split training off from the main process of stimulating enterprise and creating wealth, by bringing together the work of the Scottish Development Agency and the Training Commission in Scotland." J
- 48 After "positive view" in line 8 add: "Of course we must discuss them within Government. But we aim to come forward very soon with plans based on your ideas."
- 50 Suggest you delete "English trade unions" and add "leaders of the TGWU". The TGWU is not of course just an English trade union.
- 50 We are also a little uneasy about the reference to employment training given some signs of possible improvement but you will obviously wish to use your own judgement about whether to include anything there.



NEW INVESTMENT - SCOTTISH OFFICE EXAMPLES

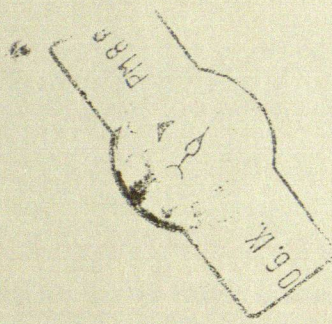
1. Since then, OKI, the Japanese electronics company, have established a printer manufacturing plant at Cumbernauld. When they experienced what Scotland had to offer, they more than doubled the size of their planned facility and decided to transfer major development work there. Already the company has recruited almost 250 workers.

③ ~~2. Another Japanese company, JVC,~~ have established their European colour television facility at East Kilbride, involving an investment of £27M and the subsequent creation of 650 jobs. In due course the company will expand into compact disc players and computer display monitors.

And another Japanese company, the
 ④ ~~3. The Japanese~~ plastic mouldings manufacturer, Tenma, has just this week announced that it has chosen Scotland as its base to expand into the European market. Its purpose-built facility at Cumbernauld will create around 200 new jobs. This is the first Japanese sub-contract company to establish itself in Scotland.

~~4. Rocep~~ Pressure Packs have opened a new factory at Renfrew to manufacture a revolutionary pressurised dispenser - invented and developed in Scotland - which does not harm the ozone layer. They have already won orders which will secure 70 jobs over the next 10 years. *And* such an innovatory product offers substantial scope for expansion.

② ~~5. British Telecom~~ have shown their confidence in Scotland's high tech reputation by opening their systems and software engineering centre in Glasgow. This £5M investment will grow to provide over 100 high-quality jobs.





Foreign and Commonwealth Office

London SW1A 2AH

6 September 1988

Dea Paul,

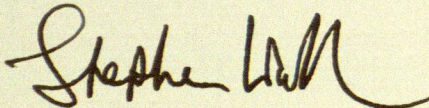
Prime Minister's speech to the Scottish CBI:
8 September 1988

Thank you for copying to me your letter of 5 September to David Crawley.

In order to provide the figures required on page 27, a slight expansion of the passage will be necessary. I suggest that the last paragraph on that page should read:

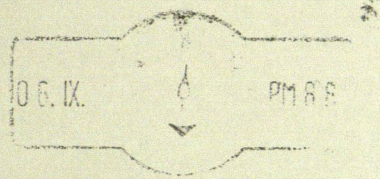
"The Commission have listed nearly 300 steps we need to take. We have already done 100. Some of these remove the barriers created by umpteen different national regulations. Others create new rules, common to all Community countries. As I am constantly saying - make it simple."

On page 38, it would be better to avoid a reference to the Channel Tunnel providing a "land border" with France. In order to be able to maintain more stringent security controls for the Channel Tunnel than are normal at Community land frontiers, we have avoided designating the Tunnel as a land border, with the restrictive implications that would have in terms of the controls we could apply. I suggest that the point might still be covered by: "... a direct physical link between France and Britain", which does not read as well but gives no hostages.

Jams,


(J S Wall)
Private Secretary

Paul Gray Esq
10 Downing Street



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LIBRARY

ccfu



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

6 September 1988

Paul Gray Esq
10 Downing Street
LONDON

Dear Paul,

PRIME MINISTER'S SPEECH TO SCOTTISH CBI, 8 SEPTEMBER

W.H.P.S.

Thank you for sending us a copy of the draft of the Prime Minister's speech to the Scottish CBI.

The Chancellor has the following comments.

- Page 18, third sentence, to conclude "... reduce interest rates to maintain confidence and ensure that the crash did not lead to a dangerous tightening of monetary conditions."
- Page 18, fourth sentence, insert "of world recession" after "danger".
- Page 19, third sentence, the Chancellor suggests that the strength of the UK economy could be put in a broader context, so that this sentence could run:

"As it has done so far in the 1980s, the UK has continued to be one of the fastest growing economies in the world. With confidence in our economic performance so strong, we have had this year a combination...".

- Page 20, first sentence, delete "It is true that".
- Page 20, last sentence, replace "imports...worrying" with "private consumption is far less comforting".
- *The following sentence*
could then run: "It has led to imports growing well about the growth of exports and has to slow down."

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- Page 21, second sentence, after "borrowing", start a new sentence to read, "In other words, people as a whole have been saving much less, and consuming more." The Chancellor would then omit the next sentence.
- Pages 21-22, the Chancellor thinks the paragraph which goes over the page could be strengthened by ending the first sentence at "bone", and continuing,

"Last year, we actually repaid debt, and this year we are likely to do so on an even larger scale. But the private sector..."
- Page 23, final sentence, the Chancellor suggests recasting along these lines:

"But we had to take action, to keep our ^{guard} ~~guide~~ up against inflation, to arrest the growth of the current account deficit, and to ensure that steady and sustainable growth continues".
- The Chancellor would omit the first sentence on page 24.

Please could you let me know if these comments give you any difficulty?

Yours,

Andrew

A P HUDSON

(Apologies for the delay.)



dti

the department for Enterprise

gpr

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Paul Gray Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

**Department of
Trade and Industry**

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Switchboard
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Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5423
Our ref PS2BHD
Your ref
Date 6 September 1988

Dear Paul,

PRIME MINISTER'S SPEECH TO THE SCOTTISH CBI : 8 SEPTEMBER
AND PRIME MINISTER'S VISIT TO GENERAL ACCIDENT : 12 SEPTEMBER

Thank you for copying to this Department your letter of 5
September to David Crawley in the Scottish Office. *WITH PS*

... I attach, as requested, a few comments on page 27 and a brief
for the Prime Minister for her visit on 12 September.

*Yours
Gareth*

GARETH JONES
Private Secretary

the
Enterprise
initiative

PRIME MINISTER'S SPEECH TO SCOTTISH CBI : 8 SEPTEMBER

I should say that generally we found this a very good draft, and the comments below are relatively minor:

- I suggest the first complete sentence on p.27 should be deleted, and the following sentence expanded to read:
"We also have to ensure that other Member States do not have hidden subsidies and behind the scenes barriers, for example to company acquisitions." (We are keen to see barriers to takeovers in other Member States reduced, but it is misleading to imply that a merger control regulation would be the only means of achieving this).

- the figures at the bottom of page 27 should read "some 300" and "over 100". You might amplify that reference on the following lines:

"In this year alone we have already seen agreements on many key measures. These include the agreement to liberalise movements of capital within the Community; a directive providing for mutual recognition of professional qualifications; and the liberalisation of international road haulage. All these are vital building blocks in completing the Single Market."

- two small points. On page 32, "Salveson" should read "Salvesen"; and on page 37, instead of "European visitors", which somehow implies we are not Europeans, why not say "visitors from the continent"?



Paul,

Everyone at Sports Day,
so I did to figure ~~myself~~
myself!

They show clearly that

- (a) spending per head in
Scotland is $\frac{1}{3}$ higher
than in England
- (b) but domestic rates no
higher: extra spending is
financed by higher grant
from taxpayers (nearly 60%
higher than in England) &
higher business rates (around
20% higher).

AA

LOCAL AUTHORITY SPENDING

	ENGLAND	<u>SCOTLAND</u>	WALES
1988-89 provision (PEWP Table 3.10)			
(£m)			
Relevant expenditure	29846	4277	1894
AEG	13775	2370	1256
Grant %	46.1	55.4	66.3
Population (million)	47.254	5.121	2.821
<u>Per head</u> (£)			
Spending	632	<u>835</u>	671
Financed by:			
Grant	292	<u>463</u>	445
Ratepayers	340	373	226
of which (roughly)			
domestic	156	<u>150</u>	n.a.
non-domestic	184	<u>224</u>	n.a.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 September 1988

Dear David,

PRIME MINISTER'S SPEECH TO SCOTTISH CBI

I was most grateful to you and others for comments on an earlier draft of the Prime Minister's speech to the Scottish CBI this evening.

I now attach the latest version of the speech. I should be grateful if you and copy recipients could let me have any final comments by 1030 this morning.

The Prime Minister's current intention is not to include any material in the speech on the subject of Scottish business rates. Rather, she plans to send on Friday morning a reply to the further letter on this subject from the Glasgow Chamber of Commerce; we will also be arranging to release copies of her reply to the press that day. I enclose the latest draft of the Prime Minister's reply, and I should be grateful for comments on this, also by 1030 this morning.

I am sending copies of both the speech and the letter to Alex Allan (HM Treasury); of the speech only to Nicholas Wilson (Department of Employment), Neil Thornton (Department of Trade and Industry), Stephen Wall (Foreign and Commonwealth Office) and Tom Jeffery (Department of Education and Science); and of the letter only to Roger Bright (Department of the Environment). I should be grateful if they too could let me have any final comments by 1030 this morning.

Va.
pd
(PAUL GRAY)

David Crawley, Esq.,
Scottish Office.