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My ref:

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Dear Tim,

My Secretary of State has asked me to circulate the attached draft of his speech on inner city issues which he is giving to the Greater London Area Conservative Political Centre, tomorrow evening, for your information.

I am copying this to Private Secretaries of all Ministers on E(UP) and Mr Trippier, and to Sir Robert Armstrong.

Yours

Brian Leonard

B H LEONARD  
Private Secretary

Prime Minister

This is of course for a political audience, but its tone strikes me as wrong.

The only particular point which I suggest goes over the top is marked on page 10.

DW  
6/7.

## RAFT SPEECH ON INNER CITIES

In asking me, you said that, if there were to be a June election, this would be a victory dinner. You were prophetic on both counts. We can be justly proud of our victory - and each of us in our individual contribution to it.

For us, the victors, there is work to do, problems to solve. But for Mr Kinnock, the loser, the next campaign has already started. I imagine he is out canvassing tonight. But what an error of judgement to think that it is more electioneering that is needed: What he needs to do is to get the right attitude to political problems, the right answers.

We are determined to get the right answers. Let me search for some.

There is much talk of the North/South divide, as if we were in Korea, with the Communists in control in the North and a Right wing Government in the South, and a heavily patrolled frontier in between. The reality of course is quite different. Most country areas in the kingdom remain prosperous, with fairly low levels of unemployment. But in the older industrial cities prosperity has not yet returned. These areas are not just "northern" cities. People living in the Midlands and in some areas of inner London or even in cities like Bristol must feel that the definition of the North/South divide as it is commonly understood (the "poor"



North - the "rich" South) does not fit their experience. Neither does it fit the experience of residents of Boothferry, Brigg and Cleethorpes, Ryedale or Batley and Spen!

I know it is a shred of comfort to Labour, but also too much is made of the political "divide". It was certainly true in the election that we did not do as well in Scotland or Wales as we would have liked - for reasons I believe which have much less to do with any divide in prosperity and more to do with concepts of national identity, and I believe a lack of understanding of what we stand for as a Party; problems we must recognise, but not panic about! In many parts of the North of England and the Midlands, the Conservative Party still thrives. In the North West, we won 34 seats to Labour's 36. In Yorkshire, we won 21 to Labour's 33. In the West Midlands we won 36 to Labour's 22 and in the East Midlands 31 to Labour's 11. The fact is as several commentators have pointed out, that there has tended to be a political "divide" in this country for a long time but the important trend I would identify for the long term is that whatever "dividing line" exists seems to be moving further and further north and beneath that dividing line the Labour Party is gradually disappearing without trace. The Labour Party has only three seats below the Wash outside London, and is losing ground rapidly in London too. Compare that performance with the performance of the Conservative Party in the North, even in Scotland, and I think it is clear that the Labour Party has rather more fundamental questions to ask itself than we have to

ask ourselves. In passing, it doesn't help when Gerald Kaufman writes an article in the Guardian which argues that the Labour Party "must set its sights on the self-centred South". Very few people in the South or anywhere else like being sermonised on their supposed moral shortcomings especially by Labour politicians. To Conservatives I would say that the fact that we did not win all 650 seats in the House of Commons is not really a cause for alarm and despondency. As we bring back prosperity to inner cities we will no doubt increase our majority, but some opposition helps keep us on our toes!

But to return to the real issue of the "divide" in prosperity, it is an inner city problem. We all know the history.

Our older cities grew rich on the industries of the Industrial Revolution; coal, steel, shipping and shipbuilding, heavy engineering, railways, cotton and much else. Their economies were based on the import of food and raw materials from the Empire, in return for the export of manufactured goods.

But that all changed. Empire changed to Commonwealth. The old heavy industries lost their world markets as demand decreased, as the Empire ceased to be a protected market. They may for decades have been uncompetitive but they became more uncompetitive. Thus Trade with the Commonwealth was displaced increasingly by a different sort of trade with Europe. And we are now virtually self sufficient in temperate food-stuffs.



Uncompetitiveness and falling markets were exacerbated by weak management and strong trade unions both defending deeply entrenched restrictive practices.

As markets were lost, and prosperity declined, the cities became more and more derelict. The tendency has been for the political representatives and union leaders in many of these areas to look for scapegoats for this elsewhere. It was always someone else's fault. It could not be the trades unions fault, or the fault of restrictive practices, or low productivity. It was partly the fault of the "bosses", but more - much more - according to the unions and local politicians and indeed some of the bosses - the fault of the "wicked Tories" who "starved" the cities of money: who "prevented" new investment; who "refused" to build the necessary infrastructure; and who on some strange whimsy conducted a mindless and vicious campaign against the inner cities and the people who lived there.

These allegations have never been true. Even those who cannot find it in their hearts to credit us with good intentions might at least rise to the cynical view that no political party deliberately sets out to alienate vast chunks of the electorate by pointless exercises in malign neglect. Or does it? The Labour Party does seem to have achieved that in the whole of Southern England.

Successive Governments - Labour and Conservative - have had successive regional policies; putting money into new industries which often faded away in due course. The first Act I remember as a new MP was the Local Employment Act 1960. Since then we must have had half a dozen new "regional policies". This Government still spends £821m per annum on promoting new industry, and regional assistance, quite apart from the DOE programmes - which currently are approaching £600m for Urban Policy, as well as the transfer of £1bn of Rate Support Grant from South to North.

Conservative Governments in particular have rebuilt the Northern infrastructure at vast expense. I remember Lord Hailsham's initiative to get the road programme moving in the North East, the West of Scotland and the North West in 1963.

Communications in the northern cities - roads, railways and air services are now often far better than in the rest of the kingdom. The North West for example is served by an excellent motorway and trunk road network. The problems of congestion from past under-investment come if anywhere in the traffic bottlenecks of London and the South East, and East Anglia and parts of the South West. This is because priority in road building has for decades been given to Scotland and the North.

And is there a lack of money? Far from it. Just look at the RSG figures. The Exchequer is currently providing in grant about £275 per head in England, £420 in Wales and £430 in Scotland.



we have a situation in which even though a vast amount of money is redistributed both to the North, and in particular to our older industrial cities, the cry goes up that it isn't enough, that the South is "hogging" it, that it is "self centred" and the Tories "don't care". Somehow the problems of the inner cities become the fault of the successful South and those grasping "yuppies" - those unreasonable young people who want to work hard to earn money and to succeed - and incidentally to pay more in taxes to support public spending programmes in the regions! The politics of inner cities has become pork barrel politics about which Party can get most out of the taxpayers. Having entrenched the concept of the unfair deal, however untrue that is, it is a winner to campaign for a fairer deal. And it's a competition which it is hard for Governments to win. It is interesting that we have always done best in the North after a period of Labour Government.

In this atmosphere - the atmosphere of knee-jerk appeals to envy - the Labour Party thrives. It gets people nowhere and it gets the Labour Party nowhere as more and more people benefit from private sector led economic success. It persists though where people are attracted by the promise of even more of someone else's gold, although it is always "over the rainbow".

We can't be mealy mouthed about why the inner cities have not shared in our prosperity. Apart from the industrial legacy of this past, which I have described. One of the key reasons is

at the strategem of building a political power base on blaming others for the ills of the local economy is one of the worst enemies of success because it denies personal responsibility. A local workforce with local political leaders who argue that when things go wrong they cannot be held responsible are not likely to attract employers or will not keep them for long if they do. Bill Deedes in the Telegraph a fortnight ago told a moral tale which illustrates my point very well:

"Goodness" he said, "What trouble I was in when Rolls Royce sought to build in my southern constituency and was ordered elsewhere. In 1963 I went up to see the opening of the £23½ million Rootes pressed steel plant at Linwood near Glasgow. It offered jobs to 4,000 redundant shipyard workers and was to produce a world-beating car. From day one industrial trouble converted it into a disaster".

I would add as a postscript that no doubt the Tories were blamed.

There is a doctrinal problem too. Socialists see the solution as more Socialism; more controls, more public money; more public ownership; more direction of industry and investment; more power to trades unions. In this country, Socialists will not accept what most Socialists in other European countries have accepted. They will not accept the solution of more freedom, fewer controls, lower taxes and rates, more private investment and people working for their own benefit which becomes benefit for



the Community because it generates wealth. But it is a solution which has worked wonders outside our inner cities, outside Socialist municipal control.

There has been a half-consensus that the solution to these problems should be based on partnership between the public and private sectors and between central and local government. On the whole this approach has worked where Local Government shares with central government a positive attitude to the private sector and an understanding of the incentives businessmen need to locate in one area rather than another. However in too many of our inner cities, the philosophy of those who represent and defend the public sector cannot be reconciled with private enterprise. There is no meeting of minds between private enterprise and those who believe in state control; or between industrial competitiveness and those who defend restrictive practices; or between the need of businesses for low taxes and rates and the belief in high public spending; or between those who need to make profits to survive and those who think that profits are morally evil. Nor is it possible to reconcile dislike of private capital with the needs of the cities for large investment sums.

Where there is a clash of philosophy the private sector is driven out. It is, after all, a matter of choice for them. Robert Kilroy-Silk described the phenomenon in an extreme form in Liverpool. He said:

The Militants and their ilk are the biggest deterrent to job creation on Merseyside. Dozens of times in the last few years I have tried fruitlessly to persuade companies to locate on Merseyside or in Knowsley. Each time the decision went against us because of their perception of our Militancy"

Partnerships can only work where the partners share at least some understanding and some of the same philosophy. There is an old adage which says that a marriage should be founded on incompatibility - provided the husband has the income, and the wife has the patability. But I don't think that applies in this case. In areas where it does not work and with the continuing leftward drift of the Labour Party, the prospects are not encouraging, what is the Government to do? Produce more money and see it wasted? Be blamed for the resulting unemployment and squalor? We need more direct and targetted initiatives. That is why we are pioneering the CTC's, UDCs, mini-UDCs and Housing Action Trusts.

These do not take to Whitehall what should be done locally. They give to local private enterprise and private people both the tools to rebuild that prosperity in our inner cities which they created there in the first place, and the freedom to get on with the job.

I will not rehearse the details of all the policy instruments that we are assembling. Suffice it to say that they all hang



"no holds barred" work done and  
will be pulled or opened up

together. A strict planning regime in the South, and <sup>a much more relaxed</sup> ~~no holds~~  
~~barred~~ <sup>or</sup> in the areas of industrial dereliction; higher business  
rate in the South, a lower one in the North with no chance for  
high spending Councils to wreck it. Government intervention -  
through the UDCs - both maxi and mini - the Urban Programme and  
the Derelict Land Grant to clear up the mess of the past: the new  
housing and education policies designed to bring choice and  
excellence to those drab industrial areas: better training; help  
for small businesses; grants for community activities. All this  
is coordinated by the City Action Teams and the Regional Offices.  
It's a full worked out comprehensive and coordinated programme,  
designed to give the opportunity for the northern cities to pull  
themselves up by our bootstraps. But it is they, and they  
alone, who can do the pulling up.

Thus all our policies are a coherent whole. Our object is to  
restore power and decision taking to local people, to make them  
be responsible for their own revival of prosperity and pride. It  
is an interim step only to intervene where municipal Socialism is  
standing in their way - by giving choice and decision-making back  
to the people in housing and education and the level of services  
which their local authority is to provide. But it does require  
direct intervention - particularly where we think it right to  
create an Urban Development Corporation - in order to clear away  
the restrictions and the blight. We will be accused of  
centralization over the months ahead. But I want to make it  
clear that the long term objective is to give power back to the

●ople both to shape their own economic revival, and to shape the nature of the Council they elect to perform local services on their behalf.

I have tried to describe the true nature of the problem, and to set it in its true political perspective. It is not North/South, it is City/Surburbia. It is not without doctrinal difficulties, it is not cheap, and what can be spent must be measured against the damage which high rates and taxes can do to the economy both local and national. Caring is easy; a rational, comprehensive approach is what is needed. I hope I have described one tonight.