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PS/CofS

PS/IDS

Mr G. L. Wilson

Miss How

24 March 1988

Director, SIO

Mr Bocage

Mr Carter

Dear Andy,

Thank you for your letter of 22 March about the Prime Minister's visit to Scotland next Wednesday.

As agreed, I attach a programme for the visit to the Inverclyde Initiative Offices which will include the Inverclyde Enterprise Zone announcement; and briefing for her engagements during the day. The briefing is listed in the attached index. Please let me know if there are any other matters you would like to be covered. I would not wish to add any more to the briefing than would be absolutely essential but we shall at least need to let you have a note of the position on the Ford investment in Dundee on Tuesday of next week. As we discussed, I do not think it is necessary to give you a detailed brief on Glasgow issues which are unlikely to be raised while the Prime Minister is in Greenock.

One particular point I would be glad if you would note is the fact that Mr Rifkind will the day before have launched the Government's urban policy proposals for Scotland entitled "New Life for Urban Scotland". One of the key elements in that document is the announcement of four areas where major new regeneration initiatives will take place. All of them are decayed peripheral housing estates and they include, in particular, the Whitfield Estate which is in Dundee and Ferguslie Park which is in Paisley. It would be very useful for the Prime Minister at her press conference in Dundee to emphasise the choice of the Whitfield Estate and to link the good news of the urban policy announcement with her own announcement of the Inverclyde Enterprise Zone. The briefing attached to Annex C, background for the Dundee visit, makes this point.

I am copying this letter and its enclosures to Alex Pagett at Chester Street and to Amanda Ponsonby.

Yours sincerely,
David Crawley
DAVID CRAWLEY
Private Secretary

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HMP08433

POLITICAL BRIEFING FOR VISIT TO SCOTLAND ON 30 MARCH

Devolution

It would seem that the debate on devolution in the Scottish press has lost a great deal of momentum. The attitudes of the general public in Scotland on this issue do not appear to have altered significantly since the General Election. In the most recent opinion poll, 93% of Scots interviewed did not rate devolution as a priority issue. Competitive tendering in the National Health Service, unemployment and the community charge were the major issues concerning the Scots.

At the Scottish Labour Party Conference held in Perth several weeks ago, it was noticeable that the Labour Leader, Mr Neil Kinnock, made no reference to the issue of devolution in his speech. This is clearly very significant, since the Labour Party has committed itself to establishing a Scottish Assembly as a first priority for an incoming Labour Government. When interviewed on BBC TV Scotland on 11 March at the Conference, Mr Kinnock was asked the question "why did you not mention devolution in your speech today?". Mr Kinnock replied -

"I did not mention the condition of the environment in the Himalayas, I did not mention the future of the Scottish water industry, I did not mention anything about fishing, or a number of other things-----."

He was further asked to confirm that devolution was a very important issue to Scottish Labour delegates at the Conference. He replied -

"Of course it is and most of the time that I am speaking in Scotland, there is always some relevant reference that I can make. But you don't say, do you really, that the passion about devolution that we should share is when it ensures that it is a sort of incantation in every speech, as if it were the amen attached to an address to a conference and that if you don't actually use the word, devolution. If you don't actually use the word, then somehow there's been a pause in the enthusiasm, that would be nonsense, wouldn't it?"

Reading between the lines of what Mr Kinnock said during that interview, it is clear that despite the rhetoric of the Labour Party in Scotland in favour of devolution, their National Leader did not see fit to mention the issue at all in the course of his speech.

The issue at stake here is obviously deep concern in the Labour Party hierarchy that talk of devolved assemblies, or special conventions of Scottish MPs meeting in Edinburgh, would undermine the Labour Party's credibility as a national political force. Labour candidates in Scotland during the last General Election stood for election to a United Kingdom Parliament. If they wish to remain a United Kingdom Party seeking government then they must accept that they have a duty to those who elected them to remain a Party of the Union.

There is evidence to suggest that there is a nationalist streak within the Scottish Labour Party which Mr Kinnock is concerned about and this may well be the reason for not mentioning the matter in the course of his speech.

THE CONSERVATIVE CONSTITUTIONAL REFORM FORUM

In recent weeks, a small group within the Scottish Conservative Party have issued a document entitled "Unlocking the Future". This document calls upon the Scottish Conservative Party to take the lead in formulating proposals for a devolved Scottish Assembly. The main points in the paper include:

1. The ending of the block grant system.
2. The reform of local government in Scotland. They propose to break up the present structure of Regional and District Councils. In their place, the new local authorities would be, in practical terms, all-purpose and would deliver the same range of services as is provided at present by both regions and districts. They would be financed partly from the Assembly and partly from local taxation.
3. The proposed Assembly would be elected by a system of proportional representation.

The new constitutional arrangements which the Group proposes are more far-reaching than those proposed by the Labour Party.

1. They would harm the Scottish economy, by allowing a Scottish Assembly to raise all taxes in Scotland. This would mean in effect that taxes on the individual and on business would rise. This would have a major effect on companies deciding to invest in Scotland and also lead to indigenous Scottish companies moving south of the border. The effects on employment would be extremely damaging.
2. The proposal to reduce the number of Scottish Members of Parliament at Westminster from 72 to 57 would reduce Scotland's influence at the seat of Government. In effect, Scottish MPs at Westminster could only participate in debates on matters such as foreign affairs and defence, because all the major issues affecting Scotland would be decided by the Assembly in Edinburgh.

3. The position of Secretary of State for Scotland would be severely undermined at National Government level. He would be unable to speak authoritatively on Scottish matters in the Cabinet.

The authors of this document represent a very small section of the Scottish Conservative Party. Already, one of the authors of the document has distanced himself from some of the proposals. The Scottish Conservative Party has made it quite clear that these far-reaching constitutional changes would have a detrimental effect on the relationship between Scotland and Westminster, as well as having major adverse consequences for the Scottish economy.

THE LABOUR PARTY AND THE COMMUNITY CHARGE

At their recent Annual Conference, the Scottish Labour Party debated the issue of the Community Charge at great length. The question of non-payment of the Community Charge was discussed in great depth. Two camps emerged at Conference, emphasising the deep split within the Labour Party on this particular issue.

1. The official Labour Party line, endorsed by Conference was to urge people to return incomplete Registration forms (to be sent out in April in Scotland). The main purpose behind this ploy is to obstruct the registration process by encouraging people to return incomplete forms asking for further information. One could justifiably make the point that Mr Kinnock and Mr Dewar were "flirting with the law". They did not actually advocate non-payment of the Community Charge, but the intention is to disrupt the implementation process as much as possible.

2. Many Labour Regional and District councillors in Scotland as well as several Labour Members of Parliament in Scotland, such as Mr Dick Douglas of Dunfermline West, advocated a policy of non-payment of the Community Charge. Mr Douglas's speech to Conference included the phrase "Kinnock says pay; I say don't". There is obviously an important group within the Scottish Labour Party who wish to urge illegality on their fellow Scots.

The consequences of non-payment are clear. Local authorities would find themselves in a very difficult financial situation, unable to provide decent services for local people. In addition, their non-payment stance would lead to severe financial difficulties for many individuals in Scotland because of the fines which they would ultimately have to pay if they did not make their Community Charge payment.

The Labour Party is not the only Party in Scotland facing major difficulties on the Community Charge issue. The Scottish National Party are officially urging people not to pay the charge. This is a quite astonishing situation for a political party who represent 3 Scottish constituencies at Westminster to take. One would be quite justified in attacking their stance as urging people to break the law.

Following the revaluation in Scotland in 1985, the outcry from domestic ratepayers for a change in the system was enormous. The Government promised to abolish domestic rates and introduce a new fairer and more accountable system for raising local government finance. This we have done. The Community Charge will bring about a new relationship between local councils and the electorate. For the first time, everyone will have a direct interest in the spending policies of their local council.

PRIME MINISTER'S VISIT TO INVERCLYDE AND DUNDEE: 30 MARCH
1988

BRIEFING

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BRIEFING NOTES FOR PARTY RECEPTION ON 30TH MARCH 1988

The reception will be attended by District Council Candidates for the following Districts:

Angus
Dundee
North East Fife
Perth & Kinross

Also present will be the Constituency Chairmen from the Constituencies of:

East Angus
Dundee East
Dundee West
Perth & Kinross
North Tayside
North East Fife

Details of the Districts are as follows:

1. Angus District Council

Angus District is in the Tayside Region which is Labour controlled. Angus District Council has 21 wards and is SNP controlled. The current position is SNP 11, Conservatives 8, Independent 2. This is a Council where we hope to take control after the District Council Elections.

The Conservative Group Leader is Councillor Alexander Buchan who represents the Brechin North Ward. He is 61 years old, a retired agricultural merchant, and is a former Provost of Brechin. He is also Justice of the Peace and an Honorary Sheriff. Councillor Buchan served on Angus County Council from 1960-1974 and on Angus District from 1974 - present time. Until 1984 he sat as an Independent.

2. Dundee District Council

The City of Dundee District Council is in the Tayside Region which is Labour controlled. Dundee District Council has 45 seats and is controlled by Labour. The current position is Labour 25, Conservative 14, Social and Liberal Democrats 3, SNP 2, Independent 1. We hope to make gains on this Council at the District Council Elections.

The Conservative Group Leader is Councillor Charles Barton who represents the Eastern Ward in Dundee. He is 54 years old and is a publican. He is a former President of the Dundee License Trade Association. Councillor Barton has been a Councillor in the City of Dundee since 1975.

3. North East Fife District Council

The North East Fife District Council has 18 members and is in the Fife region which is Labour controlled. North East Fife District Council has 18 members and is currently Liberal controlled. The current position is Liberals 10, Conservatives 6, Independents 2. This is a Council where we hope to take control after the District Elections.

The Conservative Group Leader in North East Fife is Councillor David Niven. He is 73, a retired master butcher and is a former Provost of St Andrews. He is Chairman of North East Fife District Council from 1984-1988. Councillor Niven has been a Councillor since 1951.

4. Perth & Kinross District Council

Perth & Kinross District Council has 29 members and is in the Tayside Region which is Labour controlled. Perth & Kinross District is controlled by a coalition of Labour, Alliance, SNP and Independent. The current position is Conservative 14, Labour 6, Social and Liberal Democrats 5 Independent 3, SNP 1. This is a Council that we hope to take control of after the District Council Elections.

The Conservative Group Leader is Councillor Thomas Campbell who represents the Ericht Ward. He is 62 and retired. He is Chairman of the Perthshire Tourist Board. Councillor Campbell has been a Councillor since 1983 and has been the leader of the Conservative Group on Perth & Kinross since 1984.

ANNEX A

IBM GREENOCKCompany Background

1. Within the UK, IBM'S activities are grouped under IBM United Kingdom Ltd which was formed in 1951, the year the company established itself at Greenock (with 10 employees assembling typewriters, key punches, etc for marketing in the UK). By 1954, output from Greenock had grown to such an extent that the company leased a purpose-built factory in the Spango Valley from the Scottish Industrial Estates Corporation (a forerunner of the SDA). Since then the Greenock factory has grown extensively, currently employing some 2,800 in approximately 1.5m sq ft of manufacturing and office space. In addition Greenock now manufactures IBM products for the whole of Europe, the Middle East and Africa and is the IBM high volume plant in Europe for display systems, keyboards and the complete range of IBM personal computers.
2. IBM was one of the first major electronics companies to establish a presence in Scotland in 1951 and since then has played a major part in the development of "Silicon Glen". In addition to the company's own direct workforce, which has exceeded 2,000 since around 1970, the company has a substantial number of "vendors" undertaking sub-contract work. Indeed many of Scotland's indigenous companies have grown under the wing of IBM whose demand for high levels of commitment and quality from contractors has helped to develop Scotland as an attractive location for inward investment in the electronics sector. Recently, the Secretary of State for Scotland opened a new, fully automated surface mount technology (SMT) production line to assemble electronic circuits. The components themselves and the resulting circuit boards are much smaller than conventional printed circuit boards and produce a much cheaper and more reliable product than assembly techniques involving conventional components.
3. IBM has been, for a number of years, the worldwide leader in the manufacture and marketing of information handling equipment and, despite market fluctuations, has continued to show a trend of growth on growth nearly every year. The manufacture of personal computers (PCs) has

been of significant importance to the Greenock operation with a rate of growth far in excess of expectations. Production volume in 1984 and 1985 was, as a result, very much greater than forecast. The company could not, however, avoid the worldwide downturn which affected the electronics industry in 1985. With profit levels static and competition beginning to erode its dominant market position, IBM worldwide introduced a "retirement incentive" scheme in 1986 which has resulted in a reduction of some 10,000 employees. Under this and other redeployment measures, Greenock has seen a loss of some 200 jobs bringing the current total down to around 2,800. After years of market domination IBM is facing new challenges from companies such as Compaq, Unisys and DEC in the desk top and mini-computer sectors as well as pressure on its personal computers from the many low cost "clones" now available. The new generation of PCs launched towards the end of 1987 however appear to have re-established the company's leading position and have not, as yet, been challenged by compatible "clones".

4. All electronics manufacturers pay close attention to quality and several, including IBM at Greenock, have introduced Quality Circles as a way of involving staff in the drive for higher quality products. IBM has been extremely successful in developing a 'total quality' package and in 1986 IBM Greenock was awarded the British Quality Award by the British Quality Association.

5. The company collaborates closely with a number of Higher Education Institutions including, in Scotland, the Universities of Glasgow, Strathclyde, Heriot-Watt and Paisley College. Increasingly the company is concentrating its efforts on the development of manufacturing technology and recently wholly funded a computer integrated manufacturing facility at Cranfield Institute of Technology. Collaborative ventures in Scotland include a joint study contract with the University of Glasgow which will involve the provision of some £3.6m of computer hardware and participation in an advanced robotics research project at Heriot-Watt University to which IBM will second an engineer for 3 years. The company is currently known to be exploring the possibility of establishing a number of European super-computer centres in order to promote its image as a super-computer manufacturer. The main interested parties for such a project in the UK appear to be Cambridge University, the Rutherford-Appleton Laboratory and the University of Glasgow.

Financial Assistance

6. The Industry Department for Scotland made an offer of £2m in Regional Selective Assistance (RSA) in respect of IBM Greenock's surface mount technology facility in September 1987. This offer was accepted and a first instalment of £1.5m was authorised in November 1987. Previously the Greenock plant had benefited from RSA of some £1.5m for PC-related projects. Regional Development Grant of some £3.6m has also been made available to the company.

Personalities

7. The tour of the IBM facility will be led by Tony Cleaver, IBM (UK) Chief Executive, and Mr John McClelland, Plant Director at Greenock since 1987.

VISIT TO IBM, GREENOCK - DRAFT SPEAKING NOTES

In the late 1970s poor quality management cost British companies around £10 billion: in many instances between 15% and 30% of company turnover was being squandered on rejects, re-working, warranty costs, and customer complaints. Such a drain could not continue. It was clear to many of us that quality needed to be much higher on the corporate agenda if this country was to regain its international reputation.

To those of you working both for and with IBM I am sure that this situation must now seem almost inexplicable. Some companies in Britain have been getting it right for a long time - at least as long as you have here at Greenock. The paramount need for quality has certainly been well understood in the retail world. But in spite of our achievements, many companies supplying other parts of industry still require to take on board the quality message.

It has always been clear to me that our manufacturing companies must provide exceptional quality that reflects market awareness and represents good value for money. Total quality, the philosophy which must permeate an organisation from top to bottom to involve everyone at every level, can both improve sales and reduce costs, making more money available for reinvestment. This is why the Government's recent Enterprise Initiative places so much emphasis on developing key management skills in this area.

The single thing that has impressed me with IBM's approach to total quality is its recognition of the pre-eminent position of the customer. I have no doubt that it is this overriding objective together with the lead from the very top to "aim for perfection" that has instilled the tremendous sense of loyalty and commitment that I have detected everywhere I have visited this morning.

Today's customer - whether in industry or in the consumer market place - is interested in a well designed product that performs reliably and gives value for money. In many key areas product failure is not just inconvenient: it can lead a customer to ruin. International competition is intense and product weaknesses will be ruthlessly exploited. To survive

you must nurture and maintain the confidence of your customer. There is a pervasiveness about quality and reliability that merits vigilance and attention to detail at every step. This is what IBM at Greenock has achieved. Through the success of its Quality Circles programme and its Quality Council, costs have been reduced and defect free percentages increased to unprecedented levels. Indeed this plant has achieved a reputation within IBM itself as one of the most advanced, high quality and cost competitive facilities in the world. A position recognised in 1986 when IBM Greenock was awarded the British Quality Award by the British Quality Association.

Of course, none of this would have been possible without IBM's commitment to its suppliers and the efforts which they have made in their turn to provide the Greenock plant with fault-free components delivered to a demanding schedule. Through the Supplier Excellence awards which I have just had the pleasure of presenting, IBM has forged excellent quality partnerships with the other companies represented here today. Moreover, the creation of a technology partnership between IBM and Mullard means that tens of millions of pounds previously spent each year on imports from the Far East are now helping to provide thousands of jobs here in Britain.

It is sales that generate profit. But without quality as a starting point, sales simply will not follow. With quality, companies can capture their markets and generate the profits they need to prosper. I can think of no better evidence in support of this claim than the recommendation that I was delighted to make to Her Majesty The Queen in 1986 and, most unusually, again in 1987 that the Queen's Award for Export Achievement should be conferred upon IBM United Kingdom Ltd. To win this award once testifies to a significant achievement. To receive it in two consecutive years I believe speaks for itself.

In many ways, IBM is an exemplary company. Its profits have enabled it to be an excellent neighbour to the community in Inverclyde; to support the Arts in a generous way; and to give outstanding help to our education sector. And it has been able to do so by the strenuous pursuit of good quality supplies and value for its money.

Ladies and Gentlemen, has it ever struck you that that is what we, as a Government, are trying to achieve for the economy as a whole? It is by insistence on the achievement of those economic goals that we can best secure and safeguard our ability to pay for all of those services to which we attach so much importance. In the climate of the 1980s, I look forward to many more companies here in Scotland demonstrating their capacity to become 'IBM compatible'.

It therefore gives me the greatest of pleasure to mark the production of the 2 millionth PC here at Greenock and formally to declare open this splendid Customer Centre.

IBM (UK) LTD - SUPPLIER EXCELLENCE AWARDSBackground Note on Award Winners**WILLIAM COLLINS AND SONS PLC**

Founded in Scotland in 1918 William Collins has grown steadily to become a major force in UK and international publishing. The company is Scotland's largest remaining book manufacturer. The main activities of the group are printing, publishing and the distribution of books and technical documents divided between Bishopbriggs (near Glasgow) and London. Prospects for continued growth have been improved through the acquisition of MSD Holdings (producers of 'read and listen' material particularly in the children's market) in February 1988 and the purchase of a half share in the prestigious American publishing house, Harper and Ross, in September 1987. William Collins remains the prime source for IBM related publications.

In 1984 William Collins Sons & Company Ltd was offered Regional Selective Assistance of £1.5 million (on project costs of £12.4 million) to modernise the printing and binding departments of its Bishopbriggs plant, safeguarding 764 jobs. Employment (at both Bishopbriggs and London) currently stands at over 1,700 and sales turnover is around £170m.

FULLARTON FABRICATION (IRVINE) LTD, AYRSHIRE

Following a successful period manufacturing metal casings and closures for the computer and telecommunications industries, Fullarton was approach by IBM (its major customer) in 1986 to manufacture plastic injection moulded components. Fullarton took this opportunity to increase the company's product range and, following an approach to the Industry Department, for Scotland the company was offered Regional Selective Assistance of £500,000 on estimated project costs of £1.9 million. IBM remain a very major customer of the company. Other customers include Unisys, Wang, Mitsubishi and Apollo. Some 650 staff are employed at three Ayrshire facilities and sales turnover is currently around £25m.

TIMEX CORPORATION, DUNDEE

Part of the Timex Corporation (owned by the Fred Olsen Group), Timex has been manufacturing watches and clocks in Dundee since 1940. With the introduction of electronically operated timepieces and increasing competition from the Far East, Timex, in common with many other European manufacturers, faced very substantial difficulties. A major internal reappraisal reoriented the company from mechanical engineering to electronics in a very short timescale. The Dundee plant is now a major producer of electronic sub-assemblies for a variety of manufacturers at home and abroad, often in the face of fierce competition from the Far East. At the beginning of 1988 the company were producing 8,000 printed circuit boards (PCBs) per week for IBM (considerably in excess of the 5,000 per week originally required).

The Dundee facility has received substantial public support in recent years and, most recently, was offered Regional Selective Assistance of £270,000 on project costs of £1.02 million. Current employment is around 670 and annual sales turnover is £45m.

VOLEX PENCON, LEIGH, LANCASHIRE

Volex Pencon is a division of the Volex Group Plc, Salford, producing moulded-on plugs and connectors for a variety of applications including kettles, flymowers and telephone cables. This company was the first industrial organisation to win the British Safety Standard Award given by the British Council and sells to most of the major computer companies and other electrical manufacturers. Major customers include IBM, Hotpoint, Zanussi, Electrolux, Bosch, Boots and Marks & Spencer. Some 380 people are employed at the Leigh facility and sales turnover is around £15m.

NFI (FTM) DIVISION LTD, ISLE OF WIGHT

NFI (Nameplates for Industry) was founded by the present Chairman and his wife working out of their garage in Surrey in 1968. The business moved to the Isle of Wight in 1970 and diversified in 1980 into the production of membrane switches for the electronics industry. The company now operates 2 factories in the Isle of Wight: the original produces membrane switches, PCBs and electrical sub-assemblies and a

second was opened in 1985 to produce keyboards for the full IBM European product range. This latter development followed a direct approach to the company from IBM.

The company currently employs around 239 people and has an annual sales turnover of over £9m. Apart from a small Section 8 grant of £38,000 in 1983 for Computer Aided Design no Government assistance has been offered to the company.

IBM (UK) LTD - TECHNOLOGY SHARING AWARDBackground Note**MULLARD**

Mullard is a leading manufacturer of electronic components predominantly for the consumer electronics market. Part of the Philips Electronics Group, the company is the only UK producer of colour television (CTV) tubes for the open market (Sony, Bridgend, produce Trinitron tubes for in-house use only). Mullard is a world leader in teletext and viewdata integrated circuits. It has produced some 7 million teletext chip sets.

Mullard manufactures 20 inch and 22 inch CTV tubes at both Durham and Simonstone, near Burnley. Around one-third of production is for export and these plants, together with support facilities at Washington, Southport and Blackburn, employ some 3,300 personnel (almost 50% of Mullard's total employment).

Mullard has recently commenced production of Flatter, Squarer Tubes (FSTs), which are expected to replace conventional tubes completely. Durham is currently the chosen location for Philips' European production of high resolution 14 inch tubes. The first contract for the 14 inch tube was signed in December 1987 and is a multi-million pound contract from IBM. About two-thirds of present output is exported (the European market alone is worth about £100m).

PRIME MINISTER'S VISIT TO INVERCLYDE INITIATIVE: 30 MARCH 1988**PROGRAMME**

- 11.40 Prime Minister's party arrives Inverclyde Initiative
64-66 West Blackhall Street, Greenock.
- 11.42 Welcome by Sir Robin Duthie CBE, Chairman of Initiative and SDA.

Prime Minister and Secretary of State for Scotland escorted through foyer/reception area to Boardroom to meet privately with:-

Provost Sir Simpson Stevenson, Convener, Inverclyde District Council.

Councillor Charles Gray, Convener, Strathclyde Regional Council (or representative).

Mr Donald Draffan, Executive Head, Inverclyde Initiative.

Mr Alec Calvert, Chairman, Renfrew West and Inverclyde Conservative Association.

Mrs Moira Climie, Chairman, Greenock and Port Glasgow Conservative Association.
- 11.55 Return to main foyer/reception area where members of Initiative Board and staff and accredited press will be assembled.

Introductions to members of Initiative Board and the Chairman and Executive Director of the Enterprise Trust -

Mr John McLlland, IBM (UK) Ltd
Dr David Reed, National Semiconductors (UK) Ltd
Ms Catherine Gillen, Clarendon Group
Councillor Francis McGlone, Inverclyde District Council
Mr Michael Wilkinson, Strathclyde Regional Council
Mr J G Quigley, Chairman, Inverclyde Enterprise Trust
Mr Ian Marr, Thomas Auld & Son Ltd
Mr Kenneth Thomson, Greenock Telegraph
Mr Robert Beveridge, Beveridge & Co Metals Ltd
Councillor Ronald Young, Strathclyde Regional Council
Councillor Ross Finnie, Singer & Friedlander Ltd
Mr Ewan Macaulay, Director, Inverclyde Enterprise Trust
- 12.05 Short address by Prime Minister announcing decision on Enterprise Zone.
- 12.10 Short question and answer section.
- 12.25 Prime Minister's party departs.

ANNEX B

● PRIME MINISTER'S VISIT TO INVERCLYDE INITIATIVE:
30 MARCH 1988

SPEECH NOTES

1. WELCOME OPPORTUNITY TO MEET REPRESENTATIVES OF INVERCLYDE INITIATIVE - AN EXCELLENT EXAMPLE OF A JOINT PUBLIC/PRIVATE SECTOR PARTNERSHIP ARRANGEMENT WORKING FOR THE BENEFIT OF THE LOCAL COMMUNITY.

2. SINCE ITS INCEPTION IN MARCH 1985 THE INITIATIVE HAS MADE GOOD PROGRESS TOWARDS ITS TWIN OBJECTIVES:-

ECONOMIC REGENERATION THROUGH BUSINESS GROWTH AND NEW INVESTMENT;

ENVIRONMENTAL RENEWAL OF THE AREA.

3. THE GOVERNMENT, THROUGH THE SCOTTISH DEVELOPMENT AGENCY (SDA), HAS SPENT SOME £8.75 MILLION ON THE INITIATIVE SO FAR; THIS IN TURN HAS TRIGGERED SOME £40 MILLION OF PRIVATE SECTOR INVESTMENT. THE £20 MILLION MIXED USE RETAIL, LEISURE AND HOTEL DEVELOPMENT OF WHICH I HAVE HEARD DETAILS THIS MORNING AND WHICH WILL TRANSFORM THE CUSTOMS HOUSE QUAY AREA IS AN EXCELLENT EXAMPLE OF THIS COLLABORATIVE APPROACH. THE GOVERNMENT AND THE SDA HAVE DEMONSTRATED THAT MONEY WILL BE FOUND AS WORKABLE COST-EFFECTIVE PROJECTS ARE BROUGHT FORWARD.

4. DESPITE THE BEST ENDEAVOURS OF THE INITIATIVE, CIRCUMSTANCES IN INVERCLYDE HAVE WORSENED AS A RESULT OF WORLD CONDITIONS IN THE SHIPBUILDING AND MARINE ENGINEERING INDUSTRIES. HIGH UNEMPLOYMENT AND INDUSTRIAL DECAY IN THE AREA HAS BEEN A MATTER OF CONCERN FOR ALL OF US.

5. TOWARDS THE END OF LAST YEAR THE GOVERNMENT CONCLUDED THEIR REVIEW OF THE ENTERPRISE ZONE EXPERIMENT SO FAR. WE DECIDED TO RETAIN ENTERPRISE ZONES AS A POLICY INSTRUMENT BUT

ONLY FOR USE IN VERY EXCEPTIONAL CIRCUMSTANCES WHERE IT CAN BE DEMONSTRATED THAT A ZONE IS THE MOST COST-EFFECTIVE MECHANISM FOR TACKLING LOCALISED EMPLOYMENT AND ENVIRONMENTAL PROBLEMS.

6. MALCOLM RIFKIND LOST NO TIME IN INITIATING A VERY DETAILED ECONOMIC APPRAISAL OF THE LIKELY COSTS AND BENEFITS OF AN ENTERPRISE ZONE IN INVERCLYDE.

7. I AM DELIGHTED TO BE ABLE TO ANNOUNCE TODAY THAT THE GOVERNMENT HAVE AGREED THAT THE DESIGNATION OF AN ENTERPRISE ZONE IN INVERCLYDE OF SOME 260 ACRES, MOST OF WHICH WILL ENCOMPASS DERELICT INDUSTRIAL LAND IN GREENOCK AND PORT GLASGOW, IS JUSTIFIED. DESIGNATION OF THIS NEW ZONE CONSTITUTES A STATE AID AND WE ARE NOTIFYING THE EUROPEAN COMMISSION OF OUR PROPOSAL. THE SECRETARY OF STATE FOR SCOTLAND WILL SHORTLY ISSUE A FORMAL INVITATION TO THE DISTRICT COUNCIL TO PREPARE A DRAFT SCHEME FOR THE ENTERPRISE ZONE.

8. I AM CERTAIN THAT AN ENTERPRISE ZONE WILL BRING ABOUT A SIGNIFICANT AND COST-EFFECTIVE IMPROVEMENT IN THE LOCAL SITUATION. IT WILL NOT BE THE ANSWER TO ALL THE PROBLEMS OF INVERCLYDE, BUT IT WILL BE A POWERFUL ADDITION TO THE ARMOURY AVAILABLE TO THE SCOTTISH DEVELOPMENT AGENCY IN ITS SEARCH FOR INWARD INVESTMENT PROJECTS; TO THE INVERCLYDE INITIATIVE IN ITS EFFORTS TO STIMULATE LOCAL GROWTH; AND TO THE INITIATIVE AND THE REGIONAL AND DISTRICT COUNCILS IN IMPROVING THE LOCAL ENVIRONMENT AND MAKING INVERCLYDE A MORE ATTRACTIVE PLACE IN WHICH TO LIVE AND WORK.

9. THE CASE FOR AN ENTERPRISE ZONE FOR INVERCLYDE IS BASED ON ASSUMPTIONS ABOUT THE LIKELY PACE, TYPE AND SCALE OF DEVELOPMENTS. NEVERTHELESS, GIVEN THAT THE ZONE WILL HAVE A 10 YEAR LIFE SPAN, WE CAN, ON THE BASIS OF EXPERIENCE OF EARLIER ZONES, MAKE SOME ESTIMATES OF POSSIBLE COSTS AND BENEFITS.

10. THE COST TO THE GOVERNMENT OF DEVELOPING THE ZONE INCLUDING, LAND ACQUISITION AND ENVIRONMENTAL IMPROVEMENT, RATE RELIEF AND CAPITAL ALLOWANCES WILL, ON OUR BEST ESTIMATE, BE IN THE REGION OF £25 MILLION, EXCLUDING REGIONAL POLICY COSTS. THE POTENTIAL EMPLOYMENT WITHIN THE ZONE IS AROUND 3000 JOBS, OF WHICH ABOUT 2200 WILL BE NET ADDITIONAL JOBS. FROM THOSE FIGURES WE ESTIMATE THAT THE NET ADDITIONAL LOCAL EMPLOYMENT IN INVERCLYDE DISTRICT DUE TO DESIGNATION OF AN ENTERPRISE ZONE WILL BE ABOUT 3200.

11. THESE ESTIMATES SUGGEST THAT AN ENTERPRISE ZONE IN INVERCLYDE HAS THE POTENTIAL TO BE A VERY COST-EFFECTIVE USE OF PUBLIC RESOURCES. BUT THE NECESSARY CHANGE TO THE LOCAL ECONOMY MUST BE MADE TO HAPPEN. WE WILL CONTINUE TO LOOK FOR THE COMMITMENT AND SPIRIT OF CO-OPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS, ALREADY DEMONSTRATED IN THE INVERCLYDE INITIATIVE, TO TACKLE THE ENTRENCHED PROBLEMS OF THE AREA. GIVEN THAT CO-OPERATION I AM SURE THAT THE ENTERPRISE ZONE WILL BE SUCCESSFUL AND THAT SUCCESS WILL TRIGGER OFF A NEW AND BRIGHTER FUTURE FOR THE AREA.

DRAFT NEWS RELEASE

ISSUED ON BEHALF OF THE PRIME MINISTER'S OFFICE

PRIME MINISTER ANNOUNCES ENTERPRISE ZONE
FOR INVERCLYDE

The Prime Minister, Margaret Thatcher FRS, MP, today announced that the Government have agreed to designate an enterprise zone in Inverclyde.

The Inverclyde Initiative launched in March 1985 has made good progress over the past three years in economic regeneration and environmental renewal of the area. However, the trend of rising unemployment and industrial decay has continued due to worsening local circumstances in shipbuilding and marine engineering industries.

This has been a matter of serious concern to the Government, and particularly to the Secretary of State for Scotland who has been pressing for special measures for Inverclyde for some time.

The Prime Minister has therefore today informed Inverclyde District Council that a formal invitation to prepare a draft scheme for an enterprise zone will shortly be issued.

The zone will have a 10-year lifespan and will cover about 260 acres of mainly derelict industrial land in Greenock and Port Glasgow. The cost to the Government of developing the zone is estimated at £25 million, excluding any selective financial assistance.

On a visit this morning to the offices of the Inverclyde Initiative, the Prime Minister said:

"Although an enterprise zone cannot be a panacea for all the problems of Inverclyde; it is estimated that designation of the zone will create about 3200 additional local jobs, providing a tremendous boost to improving the local economy and environment. At the same time it will be a powerful addition to the armoury of the Scottish Development Agency in its quest for inward investment projects for the area and to the Inverclyde Initiative in its efforts to stimulate growth of local enterprise.

"The Government looks to public and private sector interests in the area to continue to work in partnership through arrangements like the Inverclyde Initiative to tackle the entrenched problems of the area. With commitment and a spirit of co-operation, I am confident that the enterprise zone will be successful and will be a harbinger of a new and brighter future for the people of Inverclyde."

NOTES FOR EDITORS

1. The Inverclyde Initiative was launched in March 1985 to help stimulate the regeneration of Inverclyde. It is overseen by a Board chaired by Sir Robin Duthie CBE with private sector participation. The SDA has the lead role through the project team and Agency programmes in the area.
2. To date the SDA has spent some £8.75 million through the Initiative. Private sector investment in the area since the inception of the Initiative has been more than £40 million.
3. A major development project to be undertaken by the private sector with Agency assistance is a £20 million mixed retail, hotel and leisure development on the derelict 22 acre Custom House Quay site in Greenock. This development, which will be outwith the proposed enterprise zone, is expected to provide some 700 jobs.
4. An Enterprise Zone constitutes a state aid and the Government is, therefore, required to notify the European Commission of their intention to create a new zone. This has been done and a formal invitation will shortly be issued to Inverclyde District Council to prepare a draft scheme for submission to the Secretary of State for Scotland; thereafter the Secretary of State will lay the necessary designation orders before Parliament. Completion of the statutory procedures and the bringing into operation of the new enterprise zone will take about 6 months.

INVERCLYDE ENTERPRISE ZONE

BACKGROUND NOTES

1. Why has it taken Government so long to agree an enterprise zone for Inverclyde?

Proposal had to await outcome of Government's policy review based on consultants' evaluation of the enterprise zone experiment so far. Government's decision to retain enterprise zones as a measure for use in exceptional circumstances announced 17 December 1987.

Secretary of State for Scotland immediately initiated an examination of the Inverclyde proposals in the light of the new policy and the research work on which it is based.

The decision to designate an enterprise zone has been reached 3 months after the establishment of the new ground rules.

2. When will the zone be brought into operation?

Prescribed statutory procedures, including public consultation, to be followed. Assuming no objections or other unforeseen snags the designation order should come into effect in autumn 1988.

3. How long will zone be in operation?

10 years - that is the normal life-span of an enterprise zone.

4. Area of zone?

About 260 acres in total, comprising a number of derelict industrial sites in Port Glasgow and Greenock and one high amenity site to attract a major high technology manufacturer.

5. Public sector costs involved?

Best estimates at 1987/88 prices -

	£ million
Extra land/infrastructure	9.5
Rates relief	8.3
Capital allowances	7.3
	<hr/>
(Selective financial assistance)	25.1
	<u>(15.0)</u>
	<u>(40.1)</u>

6. How many jobs?

Best estimates -

Net additional jobs on enterprise zone	2230
Net additional jobs in District due to EZ	970

	3200

7. EZ land ownership?

Most, if not all, of the land within the designated area will be owned by the Scottish Development Agency, Inverclyde District Council, Strathclyde Regional Council or the Clyde Port Authority thereby ensuring that maximum benefits will accrue to incoming enterprises.

THE INVERCLYDE INITIATIVE

1. Launched in 1985 the Inverclyde Initiative is supported by the Scottish Development Agency, local government and the private sector. Since its inception, £8.75 million of public money has been spent by the Initiative and it has generated some £40 million of private investment in the area.
2. It has made substantial progress towards its goal of revitalising the area by broadening its economic base and substantial progress has been made in 3 major areas - commercial property development, factory provision and training.
3. A private sector development is planned for the derelict 22 acre Custom House Quay site in Greenock. It includes various elements of retail development, a hotel, leisure facilities, a visitor centre and car parking. Some 800 jobs will be provided on completion of the project which will cost in the region of £20 million.
4. Additional success with the private sector has been achieved at Ardgowan Street, Port Glasgow, where the Agency acquired a 9 acre site and disposed of it to Apex Construction Ltd. The developer is providing some 300 jobs in 90,000 sq ft of industrial premises while the Initiative is acting as marketing agent for the development.
5. In developing the enterprise and enterprise training in Inverclyde, the Initiative works closely with the Inverclyde Enterprise Trust.

INVERCLYDE ENTERPRISE TRUST

1. The Inverclyde Enterprise Trust was set up in 1984 to promote the development of enterprise in Inverclyde. The Trust, a partnership of private and public initiative, has developed programmes to meet the needs of particular groups of clients and encourages young people to go into business for themselves. It provides low cost loans and gives free long-term training and management advice for existing small businesses. Its New Ventures Unit was set up to encourage those in full-time employment to develop their ideas and is linked with the Local Enterprise Fund for Youth (EFFY).
2. The Trust currently has 34 private sector sponsors, including IBM, and over the past year has dealt with 350 new clients from which have emerged 100 new small businesses. The annual running costs of the Trust are around £90,000-£100,000.

SHIPBUILDING IN INVERCLYDE

1. Greenock and Port Glasgow have been major centres for shipbuilding, ship repair and marine engineering. The area has shared in the general decline in these industries and the industry there is now represented only by British Shipbuilders' Ferguson yard and Clark Kincaid engine works, by Scott Lithgow, and by new small miscellaneous privately-owned companies. Recent private sector job losses have occurred in the closure of John Hastie (marine steering gear, 106 jobs) and James Lamont (ship repairer, 96 jobs).

2. British Shipbuilders

British Shipbuilders' two establishments are as follows:

2.1 Appledore-Ferguson Ltd

Appledore-Ferguson was formed in 1986 by the merger of 2 small shipbuilding subsidiaries, Ferguson-Ailsa (Port Glasgow and Troon) and Appledore (Devon). (The Ailsa yard at Troon was subsequently closed with the loss of 325 jobs.) There are 315 employed at Port Glasgow. Appledore-Ferguson specialises in small vessels (eg ferries, fishery protection vessels) and it is currently building 2 ferries for Caledonian MacBrayne. The first ferry (the Isle of Mull) is due for delivery this spring, the second in the spring of 1989. There have been pre-delivery problems with the Isle of Mull which is overweight against specification; but this is being resolved by negotiation between British Shipbuilders and CalMac.

The future of Appledore-Ferguson and with it the Port Glasgow yard, will depend on the current Ministerial consideration on British Shipbuilders.

2.2 Clark Kincaid

Clark Kincaid is British Shipbuilders' only remaining engine building works. It employs 491. Engine building work is supplemented by general engineering (but the company is not allowed to compete with private sector engine builders). The main current work is 2 engines for the container vessels being built by Govan Shipbuilders for the China Ocean Shipping Company. This work will run out in the autumn. The future of the works is also dependent on what happens to British Shipbuilders. It has excellent engineering facilities which should make it attractive for disposal as a going concern.

3. Scott 'Lithgow

Scott Lithgow was previously owned by British Shipbuilders. It built its reputation on the construction of large merchant vessels and super-tankers, and was the major employer in the area. In 1983 the workforce stood at around 5000. Under British Shipbuilders' ownership, Scott Lithgow's has developed for the construction of large vessels for the off-shore oil industry. In 1984, because of difficulties encountered over the construction of the Britoil rig and with financial penalties being incurred in respect of the BP rig, British Shipbuilders sold the yard to Trafalgar House, thus avoiding closure. The BP rig was completed in

February 1985. It has failed to win other orders, for 3 submarines, on which it was underbidder to Cammell Laird, and for 3 small vessels for MOD, which it was offered on a single tender basis in compensation for losing the submarine contract but for which it could not offer a satisfactory price. Trafalgar House used the yard to extend the Cunard vessel Atlantic Conveyor in 1987. The only remaining work is the rig for Britoil, now 3 years past its delivery date, and expected to be delivered at the end of March.

Future order prospects are very poor but the yard is exploring various possibilities including an entirely new concept of a floating hotel, based on rig construction techniques, for the Caribbean. The yard is also on the tender list for a floating jetty for the Trident development at Coulport.

Scott Lithgow occupied 173 acres on the banks of the Clyde, of which 45 acres was sold to the SDA. In March 1987 the sale of the land was completed at a cost of (COMMERCIAL - IN CONFIDENCE) £1 million.

The SDA also bought separately a 9 acre site belonging to Scott Lithgow for a small-scale private sector development for an additional £200,000.

GREENOCK TTWA: GENERAL ECONOMIC SITUATION

Greenock travel to work area (TTWA) comprises an area of 224 sq km situated along the lower banks of the River Clyde. In 1986 the area contained a population of some 97410. Population estimates by the Registrar General for the district of Inverclyde, which broadly coincides with the TTWA, show that since 1981 population has fallen by 3.9%. which compares unfavourably with a 1.1% fall for Scotland as a whole. Virtually all of the reduction in Inverclyde is attributable to out migration.

Population projections suggest that population in Inverclyde district will fall by a further 9% to the end of the century. By comparison, the population for Scotland as a whole is projected to fall by 1.4% over the same period.

Employment

i. Structure

The employment structure in the Greenock TTWA is shown in Table 1.

Table 1: Employment Structure

	Greenock	Strathclyde	Scotland
	No	%	%
Primary	734	2.0	2.7
Manufacturing	15189	41.2	25.8
of which shipbuilding	3633	9.9	1.8
Construction	1936	5.3	7.1
Services	19004	51.5	64.4
Total	36863	100.0	100.0

Source DE

Table 1 illustrates the major structural weakness of the Greenock TTWA economy: the over reliance of employment levels on a declining sector of the economy, specifically manufacturing. In 1984 manufacturing in general accounted for 41.2% of total employment while shipbuilding comprised 9.9% of total employment. These figures contrast with Scottish averages of 22.8% and 1.2% of employment for manufacturing and shipbuilding respectively.

Reflecting the high proportion of manufacturing employment and the long term economic decline of the area the proportion of employment in services is low -51.5% - when compared with the average for Scotland as a whole of 64.6%.

ii. Trends

Greenock TTWA has a long history of employment difficulties. Between 1971 and 1981 around 5800 (13%) jobs in the area were lost. This reduction consisted of fall in primary employment (-26.3%) manufacturing (-28.9%) and construction (-52.9%). Only the service sector recorded an increase in employment - of 10% between 1971 and 1981. The employment picture in Greenock TTWA compares badly with virtually static employment levels in Scotland over the same period.

Table 2 indicates the trend of employment in Greenock TTWA from 1981 to 1984. (The most recent period for which comprehensive estimates are available).

Table 2: Employment change in Greenock TTWA 1981-84 (Sic 80)

	1981	1984	Change 84/81	Changes in Scotland 84/81
			%	%
Primary	914	734	-19.7	-13.9
Manufacturing	18408	15189	-17.5	-13.6
of which shipbuilding	5995	3633	-39.4	-29.0
Construction	1296	1936	+49.4	-0.5
Services	20337	19004	-6.5	-0.1
Total	40955	36863	-10.0	-4.4

Source DE

In almost every category of employment Greenock has continued to perform worse than Scotland as a whole. Over the period Greenock lost 10.0% of jobs compared with an employment loss of 4.4% in Scotland. These figures indicate that the rate of job loss in the area has accelerated. In the 9 years from September 1971 the employment loss averaged 644 jobs (1.4%) per year, while in the 3 years from 1981 employment loss has averaged 1364 (3.2%) jobs per year.

Since 1984 closures and redundancies have continued, with major losses having taken place at Scott Lithgow's shipyards. Another 1800 job losses can be counted from various sources including the closure of: CWS Ltd (77 jobs); T D Brand Electrical Services Ltd (58 jobs); RHN Grieve Ltd (80 jobs). Major recent redundancies include: McMillan Offshore Scot Ltd (365 jobs); National Semiconductor (450); Lawrence Allison services (168 jobs); and John Hastie and Co Ltd (90 jobs).

Unemployment

Table 3 shows the unemployment levels in Greenock TTWA in February 1988.

Table 3: Unemployment in Greenock

	Greenock		Strathclyde		Scotland
	No	%		%	%
February 88	9,395	20.2		17.3	14.6
February 87	10,135	21.8		19.5	16.7
February 86	10,414	22.2		19.6	16.4
February 85	8,980	19.4		19.1	15.9
February 84	8,628	18.9		19.3	15.7

Source DE

The figures for 1983-86 are not directly comparable with figures for 1987-88 due to a change in the method of compilation in March 1986.

Total unemployment rose to a peak of 22.2%, 10414 claimants in February 1986 before falling by 1019 claimants to 20.2% in 1988. This trend mirrors

that experienced by Strathclyde region and Scotland as a whole. The level of unemployment in Greenock has, since 1984, remained consistently above the rate for Scotland.

Male unemployment stood at 7023 claimants 25.6% in February 1988, representing a 300 fall on February 1986. The comparable Scottish figure for February 1988 was 18.3%.

BACKGROUND BRIEFING FOR DUNDEE VISITS

DUNDEE - BULL POINTS

- * Dundee (Whitfield Housing Estate) has been chosen as the location for one of the major new initiatives on urban policy in Scotland announced on 29 March (see supplementary note on Urban Policy attached).
- * Dundee is a Development Area and qualifies for the full range of regional aid. Regional selective assistance offered since May 1979 amounts to £15.7 million, associated with the creation or safeguarding of 4,900 jobs.
- * The Dundee Project was established in 1982 as a partnership between the Scottish Development Agency, Tayside Regional Council, Dundee District Council and the local private sector. The Project has so far generated over £40 million of private sector investment and helped to create some 2,000 jobs.
- * Dundee shares in the Tayside Enterprise Zone (being developed under the umbrella of the Dundee Project). Employment in the Zone was 550 at designation in 1984 and has now risen to over 1,200. The Zone includes the Dundee Technology Park, a high-amenity setting which has attracted several high-technology companies.
- * The Dundee Waterfront Development is planned as a major element of the Dundee Project. Costing some £30 million (being met jointly by the public and private sectors) it will include a major tourism/heritage centre based on RRS "Discovery" located in a new berth at Craig Harbour.
- * The new Earl Grey Hotel, built by Stakis plc at a cost of £5.4 million (£1 million from public funds) is a key element in the development of the waterfront and in enhancing Dundee's potential for business and tourism.
- * Unemployment in Dundee has fallen by 2.5% in the past year (from 16.9% in February 1987 to 14.4% in February 1988).

URBAN POLICYLine to Take

- Yesterday Malcolm Rifkind announced the Government's urban policy proposals for Scotland. We intend to set up four major new initiatives in deprived urban areas in Scotland. One is to be in the Whitfield housing estate in Dundee. It will tackle at the same time economic, social, housing and environmental problems. This is good news for Dundee.
- The proposals are also good news for Scotland. Scotland has been in the forefront of tackling urban problems in Britain, as can be seen in Dundee and Glasgow for example, and these new proposals will keep it in the forefront. We attach great importance to these initiatives. They should set a pattern for urban regeneration in Scotland into the 1990s.
- This has been a good week for Scotland. The urban initiatives announced yesterday and the Enterprise Zone in Inverclyde which I announced today demonstrate our commitment to bringing new life to Scotland's urban areas in a positive and constructive partnership with the private sector and the local communities.

Background Note

1. The Government's document "New Life for Urban Scotland" was scheduled for publication on Tuesday 29 March. It points out that, while much progress has been made on the inner cities since the 1970s, for example through GEAR, the worst problems are now in the peripheral local authority housing estates on the outskirts of the cities and major towns. It proposes major new initiatives in peripheral estates in Castlemilk (Glasgow), Ferguslie Park (Paisley), Wester Hailes (Edinburgh) and Whitfield (Dundee).

2. The initiatives are to be taken forward by partnerships of various public bodies, the private sector and the local community. Local authorities have been told they will be consulted before final decisions are made. The initiatives will aim (as in GEAR) to pursue simultaneously economic, social, housing and environmental objectives over a period of up to ten years. The Scottish Development Agency and, in due course, Scottish Homes will play a leading role in them. The document states that

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it is too early to put a cost on the initiatives, but that they will be adequately resourced.

3. The Whitfield estate is in the north east of Dundee, with a population of 10,000. It has particularly serious problems of multiple deprivation - eg unemployment, overcrowding, single parent families - associated with problem housing (deck access tenements). The problems are worst in the Skarne area of Whitfield.

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THE DUNDEE PROJECT

1. The Dundee Project was established in November 1982 to provide a mechanism for the resources of the Scottish Development Agency, Tayside Regional Council and Dundee District Council to be combined with those of the private sector to stimulate and secure long-term economic growth.
2. It is estimated that the Project, now to be extended until 1990, has so far generated over £40 million of private sector investment and helped create around 2,000 jobs. It is promoting a number of major developments in the Tayside Enterprise Zone, eg the Technology Park, a high amenity setting for high technology companies. SDA expenditure on the Project since its inception is in excess of £25 million.

DUNDEE WATERFRONT DEVELOPMENT

3. The £30 million Dundee Waterfront Development is a major element of the Dundee Project and is perceived as essential to the credibility of the Project. It will be situated on the waterfront between the Tay road and rail bridge and (to the west of the Stakis Earl Grey Hotel) within the Tayside Enterprise Zone.

4. The proposals comprise a major tourism/heritage centre which will be a joint private/public sector project costing £4.8 million; the £3 million being met by the developers, £1.1 million by the Project and £0.7 million from other sources including the private sector. The Centre will focus attention on the RRS Discovery, relocated in a new berth at Craig Harbour, while the provision of specialist shopping, a multi-screen cinema, superstore, retail warehouse and offices are designed to attract tourism and commerce. The developers are the Gilbert Ash Group with the National Leasing and Finance Company. The key after users include MECCA, American Multiscreen Cinemas and Tesco. The provision of the Earl Grey Hotel, rated five star, and owned by the Stakis company, is seen as an important element of developing the waterfront and as filling a gap in the existing hotel market within the locality.

5. The work at Craig Harbour involves upgrading an existing and disused derelict harbour and includes the provision of a purpose built berth for "RRS Discovery" with its own dry docking facilities. The vessel requires to be kept floating in salt water and turned round at regular intervals to avoid differential erosion.

6. The development proposals proved to be somewhat contentious locally and a large number of representations were received. There has also been concern over the displacement effects in existing shopping centres of the retail element of the waterfront development. It now seems to be accepted that any adverse effect will be minimal and acceptable given the overall benefits likely to accrue from the development.

STAKIS EARL GREY HOTEL

1. The Earl Grey Hotel has been constructed by Stakis Plc at a cost of £5.4m. The hotel is sited on the Dundee Waterfront and is within the Tayside Enterprise Zone area. The hotel received public assistance of £1m, in the form of £0.5m grant and £0.5m loan, from the Scottish Development Agency under its LEG-UP (Local Enterprise Grants for Urban Projects) scheme.

2. LEG-UP exists to encourage private sector investment in deprived urban areas where such investment would not normally be an attractive proposition to developers or carries inordinate risk. It is analogous to the Urban Development Grant scheme in England and Wales. Since its inception in 1982, it is estimated that LEG-UP has attracted private sector investment of some £170 million into urban areas at a cost to the SDA of £29m.

3. The Earl Grey Hotel is built on the site of the former Earl Grey docks (named after the Whig Prime Minister) at the Landfall of the Tay Road bridge. In addition to 104 bedrooms, it has extensive restaurant, bar, and leisure facilities and has been accorded the top 5 crown commended status under the Scottish Tourist Board's classification and grading scheme. The achievement of this status was a condition of the SDA's assistance, reflecting the fact that hitherto Dundee had suffered from a shortage of top quality hotel accommodation. It is hoped that the project will play a key role in the regeneration of the Dundee waterfront, which is now under way, by helping attract business and tourists to the area. The strategic importance of the hotel to the city was a major element in the decision to offer LEG-UP assistance.

STAKIS PLC

1. Stakis PLC is one of Scotland's largest companies in terms of resources, profitability and employment. It is regarded as a well-run company with a particularly good record on staff training. The Chairman and President is Mr Reo Stakis, born in Cyprus and resident in Britain since 1928. The Company employs approximately 5,500 people and is based in Glasgow.

2. Stakis has 4 operational divisions - Hotels and Inns, Casinos, Property and Finance. The mainstream business of the Company is concentrated on tourism and leisure. The Hotels and Inns Division operates 34 hotels (22 in Scotland, 11 in England and Wales and one in Spain), 26 public houses, 7 steakhouses and 6 discotheques. Other operations include a Highland Lodge timeshare development and the recently-acquired Aviemore Centre (which is due for extensive upgrading and will be the subject of an application for public sector assistance, primarily from the Highlands and Islands Development Board).

3. The financial position of the group is very healthy: in 1987, an operating profit of £20.4 million was made on a turnover of £114.5 million with the Hotels and Inns and Casinos Divisions contributing profits of £11.6 million and £4.4 million respectively. The Company expects to continue their record of uninterrupted growth. The most significant future development will be the creation of a chain of Stakis Leisure Lodges throughout the UK. They will be situated on motorways near major conurbations with a leisure club being a main feature.

SCOTTISH ISSUES: BACKGROUND**BULL POINTS****MAJOR CURRENT ISSUES**

1. Regional Policy
2. Steel
3. Shipbuilding
4. Coal
5. Britoil
6. Scottish Development Agency
7. European Regional Development Fund
8. Electricity Privatisation
9. Devolution
10. Government's Mandate in Scotland
11. Community Charge
12. Scottish Homes
13. Trunk Road Programme
14. Scottish Transport Group
15. Dounreay Inquiry
16. Land Use in Caithness and Sutherland
17. School Management
18. Curriculum and Assessment
19. School Closures
20. Farming Problems in North-East
21. Fishing Industry
22. Primary Health Care
23. AIDS in Scotland
24. Industrial Action in the NHS

SCOTTISH ISSUES: BACKGROUND

BULL POINTS ON THE SCOTTISH ECONOMY

- * Unemployment trend now firmly downward: down over 42,000 in the year to February 1988 and now at its lowest level since April 1983.
- * Recent business and industrial surveys confirm improving prospects in the Scottish economy.
- * Manufacturing productivity in Scotland increased by 5.6% per annum between 1979 and the first half of 1987, compared with 3.9% per annum in the UK as a whole. (Over this period Scottish manufacturing productivity growth was higher than in any of the 7 major OECD economies.)
- * Service sector employment in Scotland increased by over 63,000 between June 1983 and June 1987.
- * The number of self-employed in Scotland increased by 45,000 between June 1981 and June 1987, compared with virtually no change in the 3 decades to 1981.
- * Average weekly earnings for men and women in Scotland (£214.60 and £139.90 respectively in April 1987) are higher than in any other part of the UK except the South East.
- * Inward investment totalling £2.6 billion, planned to create or safeguard some 50,000 jobs, has been attracted since the formation of Locate in Scotland in 1981.
- * The Scottish electronics industry more than trebled its output in real terms over the decade to 1986.
- * The Scottish Development Agency aims to spend some £136m in the current financial year and some £147m next year (£64.2m in 1978-79), and the Highlands and Islands Development Board some £38m this year and some £43m next year (£15.6m in 1978-79).
- * The Scottish Tourist Board is to receive £9m in Government funding this year, rising to £10m next year (£3.5m in 1978-79).
- * The Government's employment and training measures in Scotland currently cover some 118,000 people. Estimated expenditure on the YTS in Scotland is some £100m in the current year.

MAJOR CURRENT ISSUES

1. Regional Policy

[Changes announced to regional policy on 12 January included an end to Regional Development Grant and have led to questions about future spending on regional assistance.]

Line to take: Changes announced will make regional assistance more cost effective. Automatic grants are wasteful of resources. Funds available for regional assistance are not being reduced. Regional Selective Assistance will continue and 2 new grants for small companies in Development Areas are being introduced. Small and medium sized companies will also benefit from the expansion of Government assisted business advisory services, for which rates of support will be higher in Assisted Areas and in some other areas with urban problems.

2. Steel

[The main Scottish steel works are Ravenscraig (an integrated steel plant), the Dalzell plate mill and the Clydesdale tube works. The future of Ravenscraig is the sensitive issue.]

Line to take: The British Steel Corporation have made clear that, subject to market conditions, there will continue to be a commercial requirement for steel-making at Ravenscraig for at least the next 7 years. The Corporation have also undertaken that the hot strip mill at Ravenscraig will continue until at least 1989.

3. Shipbuilding

[There is widespread concern about the future of the Scottish shipbuilding industry in the face of worldwide over-capacity and shortage of orders.]

Line to take: The Government have helped Scottish yards to win orders against international competition. Last year's order for 2 container ships for China was won by Govan shipbuilders with the assistance of a £300 million aid package. Scottish yards are also benefiting from direct Government orders, including MOD contracts for Yarrows and the ODA contract for the St Helena ferry placed with Hall Russell of Aberdeen.

4. Coal

[The SSEB's decision to tender for coal suppliers after 31 March has caused concern for the future of the Scottish deep-mining industry.]

Line to take: Negotiations over SSEB's coal uptake and the price it is willing to pay are matters for British Coal and the SSEB. The Government cannot intervene in commercial matters of this kind. But glad that progress now appears to be being made in negotiations.

5. Britoil

[The Chancellor of the Exchequer announced on 23 February a number of commitments given by BP in relation to their takeover of Britoil. Britoil's present Glasgow office will have responsibility for BP's Norwegian and Irish interests as well as for those in the UK, and BP will transfer to Glasgow responsibility for a high technology R & D programme and will endow research fellowships in Scottish universities and central institutions. Employment levels at the Britoil offices in Glasgow and Aberdeen will be maintained.]

Line to take: The outcome of these negotiations is very satisfactory for Scotland. The commitments made by BP have gone considerably further than their original proposals, and fully recognise the significance of Britoil within the Scottish economy. The proposals to enhance the responsibilities of Britoil's Glasgow office and to transfer R & D activities to Glasgow are evidence of the benefits Scotland can expect to gain from the advent of a multi-national company of the status of BP.

6. Scottish Development Agency

[The SDA is the Government's main instrument of economic regeneration in Scotland. It builds and manages industrial projects, undertakes land renewal, and plays a leading role in urban regeneration, rural development, and support for small firms. Its gross expenditure in the current year is £136 million, and this is expected to rise to £147 million in 1988/89. The Agency's guidelines were reformed by the present Government in 1981 to place greater emphasis on participation with the private sector, with which the Agency now works closely in its various area initiatives. A review in 1986 confirmed the continuing importance of the Agency to Scotland, and more recently the Agency announced plans for a review of its organisational structure and the creation of a network of regional centres.]

Line to take: The increase in the Agency's resources for next year is firm evidence of the Government's continuing commitment to the Agency and its work for Scotland. The planned changes in the Agency's structure will help to bring the Agency closer to its customers and to improve efficiency in the delivery of its services.

7. European Regional Development Fund

[There is concern that under new proposals advanced by the European Commission the Highlands and Islands may lose their access to the European Regional Development Fund, which has substantially assisted development in the region.]

Line to take: The Government believe that the Highlands and Islands have a strong case for retention of their status. They have made representations to the Commission, and will continue to press the issue.. ,

8. Electricity Privatisation

[Proposals for privatisation of the electricity supply industry in Scotland were announced by the Secretary of State for Scotland on Wednesday 2 March. Details are contained in a White Paper ("Privatisation of the Scottish Electricity Industry" (Cmnd No 327) published on the same day. The Secretary of State proposes to create 2 companies based on the present regionally based utilities. This will build on the existing structure of the industry in Scotland and ensure it maintains its distinctive characteristics. While existing Boards are not suitably attractive candidates for privatisation as independent companies in their present form, the Secretary of State has concluded that 2 strong, well-balanced and commercially sound companies capable of independent operation can be established by means of some reallocation of assets between the existing Boards. Both Boards have been invited to consider, in consultation with Government, detailed proposals for achieving this reorganisation.]

Line to take: Privatisation will lead to greater efficiency and benefit customers by providing downward pressure on costs. Monopoly elements of the privatised industry will be regulated to safeguard interests of consumer: legislation will create strong and effective safeguards for the customer on prices and will establish new rights for the consumer and provide for a new system of guaranteed standards of service. It also means that employees, Scottish institutions and members of the public will have the opportunity to acquire a major stake in the ownership of one of our most important industries.

[Why 2 separate companies?]

Line to take The opinions of both Boards and all other interested parties were taken into account by the Secretary of State in forming the decision. Secretary of State concluded it would not be acceptable to create a single monopoly, whether or not involving a regional sub-structure. This would ignore regional diversity of present industry, and require heavy regulatory oversight. Inconsistent with Government's overall objective to maximise the competitive potential and commercial

pressures within the industry, and contrary to the interests of consumers.

[Sharing of nuclear]

Line to take: One of the central principles underlying restructuring will be a sharing of the benefits and costs associated with nuclear assets between 2 companies. All Scottish consumers have contributed to creation of these assets and they should benefit from that investment. Highest safety standards will be maintained.

9. Devolution: General Assembly

Line to take: Devolution was not a major issue in the 1987 General Election campaign; and a MORI opinion poll published on 9 March showed that only 7% of those interviewed considered devolution to be among the most important issues facing Scotland.

10. Government's Mandate in Scotland

Line to take: Last year's General Election was fought on a UK basis, and arguments that the Government have no mandate in Scotland are illogical. The main Opposition parties all support the unity of the United Kingdom.

11. Community Charge

[New system for Scotland will be introduced on 1 April 1989, one year ahead of England and Wales.]

Line to take: The earlier introduction of the community charge in Scotland reflects the experience of the 1985 revaluation which added to serious dissatisfaction with the domestic rating system. Scotland is not a guinea pig, because the English legislation will be on the Statute Book and well on its way to implementation there before the community charge comes into operation in Scotland. If changes are made to the Local Government Finance Bill during its passage through Parliament, the implications of these for Scotland will be considered.

[Criticism that the new system transfers the burden from the rich to the poor, and that a flat-rate charge is intrinsically unfair, and should instead be related to ability to pay.]

Line to take: You forget the unfairness of rates, under which the amount paid bears little relation to the use made of local services. The community charge spreads the same total burden much more widely, over all the adults who use the services. For those on low incomes there will be the protection of the rebate scheme, and the very poorest will have account taken of the minimum contribution (20%) in the level of the income support which they receive. A draft of the regulations on the community charge rebate scheme is now out to consultation with local authority associations.

[Criticism that the new system will be expensive and difficult to administer, and that time is too short for it to be introduced properly by 1 April 1989.]

Line to take: The community charge is well on track for introduction in Scotland on 1 April 1989. Local authorities are making good progress in installing necessary equipment and in working out registration and collection systems. The Secretary of State has provided additional capital allocations for this purpose.

[Campaigns for non-payment.]

Line to take: It is irresponsible for any political party or group to suggest that people should break the law. It would cause hardship for individuals, deny funds to local authorities (so putting jobs at risk) - and would not actually prevent introduction of the new scheme. Current dissension about non-payment among opponents of the community charge is a clear sign of their disarray.

12. Scottish Homes

[Scottish Homes is a proposed new housing development agency, which will incorporate the Housing Corporation in Scotland and the Scottish Special Housing Association (a public sector landlord owning over 80,000 houses and directly financed by the Secretary of State; not a housing association in the usual sense) but will have a wider remit and powers than either of them. It was the subject of a consultation document issued in May 1987 and of final proposals in the White Paper, "Housing: The Government's Proposals for Scotland", published in November 1987. Legislation to establish it is at present in Committee.]

Line to take: Scottish Homes is central to the Government's policies of creating greater diversity in the provision of housing for rent and greater freedom of choice for tenants. As an enabling and funding body

it will work in partnership with existing public landlords, housing associations and the new revitalised private sector. These new partnerships will be particularly important in large rundown council estates, which are Scotland's most pressing urban regeneration problem.

Rents will not rise as a direct consequence of the establishment of Scottish Homes. The rents of its own tenants (inherited from the SSHA) will be determined in very much the same way as at present. More generally, it will be concerned with making Government subsidy available to housing associations and others to enable rents to be set below market levels.

13. Trunk Road Programme

[Ministers have decided to reduce provision for the trunk road programme in 1988-89 by £7.5 million from baseline. This comes at a time when there was already a much larger number of schemes in the programme, likely to be ready for start within the next few years, than could be accommodated. More realistic start dates for schemes have therefore been advised to Regional Councils and to some MPs, causing considerable dissatisfaction.]

Line to take: A much greater number of worthwhile schemes are likely to be ready to start within the next year or two than could possibly be accommodated. As always, priorities have to be decided in the light of the resources available and the competing claims across the whole network. The cases that have been made for particular schemes are always most carefully considered before the programme of starts is decided each year.

14. Scottish Transport Group - Privatisation

[On 27 January the Secretary of State for Scotland announced that he will seek powers at an early opportunity to privatisate the Scottish Bus Group. He will be considering future arrangements for Caledonian MacBrayne, which, together with the Scottish Bus Group, forms the Scottish Transport Group.]

Line to take: The Government are convinced that privatisation of the Scottish Bus Group will be beneficial to the industry and to the travelling public in Scotland. In taking decisions about the future of Caledonian MacBrayne, full account will be taken of the Government's commitment to providing shipping services to the islands.

15. Dounreay Inquiry

[The United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited propose to build a European Demonstration Reprocessing Plant (EDRP) at Dounreay. The proposal has generated considerable public concern, particularly as regards the environmental implications.]

Line to take: The Secretary of State for Scotland has not yet received the report of the public local inquiry into the application to build the plant and it would be inappropriate to make any comment at this stage. Any representations about reopening the inquiry will be duly considered.

16. Land Use in Caithness and Sutherland

[There has been considerable debate in recent months about the relationship between afforestation and nature conservation in Caithness and Sutherland, particularly in the area of peatland known as the "Flow Country". On 25 January the Secretary of State for Scotland announced his interim view that the conservation needs of the area should be secured while at the same time protecting the local economy by allowing further forestry development.]

Line to take: The Government have accepted that a substantial area of the 2 counties requires to be safeguarded through the notification of additional Sites of Special Scientific Interest, within an overall balance between land uses. There is much cause for satisfaction that the various parties to the debate now agree that the needs of conservation and forestry in the area can and should be met in a mutually compatible way. We look to the work of the Highland Regional Council Working Party and other discussions now taking place to establish a detailed framework for permanent arrangements in the longer term.

17. School Management

[In August 1987 the Government issued a consultation document on proposals to establish school boards in Scotland. Some 8,000 submissions were received and revised proposals were published on 18 January. These provide for a school board for every school, with a majority of elected parent members. Boards will be able to take power to control budgets and to select staff. They will not however be able to seek power to control the curriculum, to dismiss staff or to change the character of the school. The School Boards (Scotland) Bill incorporates the revised policy.]

Line to take: The Government have clearly responded to the genuine concerns expressed during the consultation and built on the wide support for the principle of involving parents in the running of their schools. Our proposals will enable boards to evolve as parents wish and at a pace of their own choosing. The refinements made maintain the Secretary of

State's objectives. Boards will be able to take powers in all the areas originally proposed, including management of the budget and selection of staff.

18. Curriculum and Assessment in Scottish Schools

[On 19 November 1987, the Secretary of State for Scotland announced proposals for the development of the curriculum and the improvement of assessment in Scottish schools in a consultation paper entitled Curriculum and Assessment: A Policy for the 90s. Responses to the consultation paper have been invited by Easter 1988.]

Line to take

- a. The National Curriculum The programme of clarification and definition is an essential step in ensuring more consistent interpretation and delivery of the curriculum in Scottish schools, and in bridging the gap between primary and secondary schools.
- b. Assessment and Testing The aim is to improve the attainment of each child. The testing in key subjects will allow parents and teachers a realistic and objective view of pupils' progress against a national standard.

19. School Closures

[School closures have recently become a very emotive issue in Strathclyde where the Regional Council are undertaking statutory consultations on proposals to close 12 secondary schools and 20 primary schools. A particularly strong campaign developed in support of Paisley Grammar School (an area comprehensive secondary school, not a Grammar School in the English sense). Ministers have made regulations providing that decisions to close schools - such as Paisley Grammar - operating with rolls in excess of 80% of capacity will in future require the consent of the Secretary of State for Scotland.]

Line to take: The Regulations made recently are not directed against a particular authority nor intended to favour a particular school. Their aim is to ensure that the wishes of parents are properly taken into account whenever it is proposed that a popular school should be closed.

20. Farming Problems in North-East Scotland

[Poor weather during 1987 caused problems for arable farmers in parts of Grampian Region, and a recent report has forecast bankruptcies and a possible reduction of up to 20% in farm employment. Ministers have ruled out direct aid to compensate for the effects of the bad weather but have gained the support of the NFU, the Scottish Agricultural Colleges and the

Scottish clearing banks for the setting up of a special counselling initiative for a limited period (3 months) to offer advice to farmers.]

Line to take: The Government are aware that some cereal farmers in parts of North-East Scotland are facing considerable financial difficulties following the poor harvest of 1987. We are not convinced that any general scheme of compensation would be helpful, but we have supported the setting up, for a limited period, of a joint counselling initiative which will offer farmers in Grampian general advice on how they might tackle their problems.

21. Fishing Industry Difficulties

[Worries about future of the industry or sections of it.]

Line to take: The Government have ensured that the Common Fisheries Policy and measures taken under it to conserve stocks and improve structure have been very beneficial to the Scottish fishing industry. The value of landings by Scottish vessels has increased from £114m in 1979 to an estimated £272m in 1987. Earnings have more than doubled in the same period and are reflected in the considerable investment by fishermen in new vessels.

22. Primary Health Care

[The White Paper "Promoting Better Health" published on 25 November 1987 set out the Government's proposals for the future development of primary care services provided by doctors, dentists, community pharmacists, opticians and community nurses. The main features are a greater emphasis on the need for preventative care, on value for money, and on making the primary care services more responsive to the needs and wishes of the consumer. Substantial resources will be needed to finance these proposals, and the Health and Medicines Bill at present before Parliament gives power to levy charges on those who can afford to pay for sight tests and dental examinations.]

Line to take: Our package of proposals gives an exciting opportunity to make our primary care services better still. The patient will receive better services, practitioners will receive a financial reward more closely related to the quality of services provided, and taxpayers will see the available resources used more effectively.

23. AIDS in Scotland

[The AIDS problem in Scotland differs from that in England in that the number of cases of full AIDS is small at present (only 44 cases reported by the end of January 1988), but there are substantial numbers who have been found to have HIV infection. By the end of December 1987, 1,381 people who had chosen to be tested had been found to be seropositive. 57% of the number were intravenous drug misusers (compared with 7% of the total for the rest of the UK) and 27% were women (6% in the rest of the UK).]

Line to take: The high incidence of HIV infection among drug misusers is a matter of particular concern in Scotland. The most recent phase of the Government's AIDS public education campaign, which concentrated on the risk of infection from injecting drugs through the sharing of needles and syringes, was particularly appropriate in the Scottish context. The present stage of the AIDS public education campaign was launched on 17 February and is aimed at the general population.

24. Industrial Action in the NHS

[In December 1987 SHHD wrote to Health Boards instructing them to expose some of their domestic and catering services to competitive tender. Moves by Boards to implement these requirements have led to sporadic industrial action in the major Health Boards covering urban areas since mid-January. On Wednesday 24 February about 25,000 staff throughout the country participated in a national day of action called by the STUC. Small-scale action has continued in the major Boards since then. Effects on patient care have been minimised by management action, but nonetheless there have been examples of hospitals' left without adequate cover for certain services. As at 26 February, 2,447 operations have been cancelled because of industrial action, 901 of which arose on 24 February.]

Line to take: The Government deplore this unnecessary action by the Trade Unions. It is affecting patient care in Scotland, both through inadequate levels of cover for certain services and the loss of almost 2,500 operations. The Government's policy of competitive tendering for ancillary services is already providing in England considerable savings which can be used to improve patient care. Therefore the Unions are putting the patients in double jeopardy.

Industry Department for Scotland

March 1988