

# Speech: Lord Dunlop spoke at Scotland Policy conference, Edinburgh.

Introduction

Good morning ladies and gentlemen.

Thank you for inviting me to address your conference today.

This conference is taking place at a crucially important time.

Yesterday the Bill to authorise the Prime Minister to notify the UK's intention to withdraw from the European Union passed its Third Reading in the House of Lords.

The debates in the Upper House have been passionate, lively and continuing late into the evening.

And if I may say so, they have been a million miles from the perception many people have of the House of Lords.

When I joined the House of Lords one of my new colleagues recounted the story of a peer who'd had a dream he was making a speech in the Chamber of the House of Lords...

...and then the Peer woke up and realised he was making a speech in the Chamber of the House of Lords!

Well I can assure you everyone in the House of Lords has been wide-awake and on their toes as we've considered the Article 50 Bill.

The Bill now goes back to the House of Commons to consider Lords Amendments and then on to what is colloquially known as "ping pong"...

... or possibly if you're Boris Johnson – "whiff whaff".

The key point is that we're on track to meet the Prime Minister's commitment to trigger Article 50 by the end of March.

Against that backdrop my theme is very simple: working together...

...because there's never been a time when it's been more important for us to come together and to work together in the national interest.

I believe that's what people here in Scotland – and right across the UK – want from – and expect – of their governments.

So today I want to cover three aspects...

...strengthening the performance of the Scottish economy...

...securing the best deal as we exit the EU...

...and reaching a sensible and stable settlement with the devolved administrations as powers are repatriated from the EU.

### **Scotland's Economic Performance**

I had the good fortune to study at Edinburgh University under the late, great Professor John P McIntosh.

He was one of the foremost political thinkers of his generation – in so many ways the father of devolution.

I often wonder what he would make of today's Scottish politics.

He would certainly be proud to see a Scottish Parliament at Holyrood.

And not just any old parliament...

...but a parliament now widely accepted as one of the most powerful devolved parliaments anywhere in the world.

I suspect however he would also be dismayed that...

...after nearly 20 years of devolved government...

...constitutional politics continues obsessively to dominate public discourse in Scotland...

...with other vitally and immediately important issues...

...the state of our schools and hospitals, the deficit in our public finances or the development of our economy all struggling to command such attention.

At the top of the list of those matters that must command our attention is the performance of Scotland's economy...

...because by nearly all key measures, the Scottish economy is beginning to lag behind that of the rest of the UK.

Our GDP growth last year was a third that of the UK as a whole, remaining pretty much flat over the last six quarters.

The number of businesses in Scotland is falling, whereas in the rest of the UK, it is rising.

And activity in the labour market is lagging behind the UK – the worst performance of any of our regions or nations.

My purpose in reeling off these rather downbeat statistics is not to depress you or to talk down Scotland.

I bow to no-one in my confidence in the potential of Scotland and in the talents of her people.

But we do need a reality check.

In recent years the Scottish economy has not been performing as well as we would all like it to.

And closing this growth gap is more important than ever given the new and extensive tax powers devolved to the Scottish Parliament.

Because in future what the Scottish Government is able to spend on public services will depend in large part on revenues raised here in Scotland...

...accounting for over 50% of the total Scottish budget.

If ever there was an incentive to pursue, enterprise-friendly, pro-growth policies then this is it.

So it's time for us to address these immediate – and I hope temporary – challenges before they become permanent structural imbalances.

That's why the UK Government has been working closely with the Scottish Government on the UK City Deal programme.

It's widely accepted that cities...

...with their concentrations of talented and enterprising people, their infrastructure and their institutions of higher education...

...are principal drivers of growth and job creation.

It's a notable achievement that Scotland is the only part of the UK where each of its cities either already has a city deal or is in the process of negotiating one.

City Deals are not about carving out separate and isolated enclaves.

Quite the reverse – they are about creating a network of regional economic powerhouses capable of forging mutually beneficial connections and linkages.

The value of connectivity is clear beyond doubt.

Just look at the trade flows within the UK.

Scottish trade with the UK is worth four times more than its trade with the EU – nearly £50b to the rest of the UK, just over £12.3b to the EU.

Since 2002, Scottish sales to other parts of the UK have risen by 74%, while exports to the EU have increased by just 8%.

The message is very clear: on this island of ours we are thoroughly inter-dependent.

We want to build on those vital economic connections.

That's what the UK Government's Industrial Strategy is all about...

...by driving collaboration across the UK through, for example, sector deals and the Innovation Challenge Fund.

And I want to ensure that – in what will be a very competitive environment – we are putting our best foot forward to maximise the benefits for Scotland from these initiatives.

We will work closely with Scottish ministers to align our strategy with the Scottish Government's so that it's fit for purpose here in Scotland.

The prize of working effectively together is potentially huge.

If business productivity were to rise by one per cent every year...

...within a decade it would add £240bn to the size of the economy...

...equivalent to £9,000 per household in Britain.

## **Brexit**

And of course we need to address these challenges as the UK negotiates its exit from the EU.

Challenges that were manifest before the vote last June.

And challenges therefore that are not a result of Brexit.

However, Brexit provides the sharp spur to redouble our efforts to improve the productivity and competitiveness of the Scottish and UK economies...

...so that we can realise our ambition of a Britain that continues to be the global, outward-facing, progressive country we all want it to be.

Negotiating with our European partners the best possible deal for Scotland and the UK as a whole is of the highest priority.

Over the last 8 months the Secretary of State for Scotland and I have talked to businesses in every part of Scotland.

Our overwhelming sense is that most Scottish businesses whatever their views about Brexit...

...will manage it with great resilience...

...and want us to get on with agreeing a new and ambitious trading relationship with the EU.

And let me assure you in achieving this mission, the UK wants to work with the Scottish Government.

We will put ourselves in the strongest position to achieve our joint objectives if we present a united front to the EU.

And despite some of the high-octane public rhetoric from some Scottish

Government Ministers...

...who sometimes seem to prefer process arguments...

...and to emphasise division and difference...

...there is significant common ground between the Scottish Government's priorities and those articulated by the Prime Minister:

- The freest and most frictionless trade with the EU single market.
- Immigration arrangements ensuring all sectors of our economy – whether seasonal fruit pickers or the brightest and best research graduates – can continue to source the skills and labour to drive the growth, which last year made the UK the fastest-growing developed economy.
- Early guarantees of the status of EU nationals who have chosen to come here to live, work and make such a valuable contribution to our nation.
- Protection and enhancement of employment rights.
- Incorporation of the current framework of environmental regulation into domestic law with the Great Repeal Bill.
- Continuing investment in European R&D collaboration for our world-class universities.
- A phased approach to implementation where necessary to avoid a sudden cliff-edge exit that would disrupt business.

I could go on...

So let's not exaggerate divisions or elevate difference to being an end in itself.

To do so would be to put ideology and partisanship before practicality and policy outcomes.

Let's instead make shared goals the means to secure an outcome that works for all parts of the UK, and most certainly for Scotland.

Above all this is about mindset and motivation. The UK and Scottish Governments will not agree on everything.

But the questions are these...

...does the SNP Government genuinely want to find practical solutions that help

to bridge the differences?

And does it want to make the process of inter-governmental relations work?

Indeed does it even have any longer-term interest in seeing the United Kingdom work better?

Or is everything to be seen through the prism of how it advances the cause of separating Scotland from the rest of the United Kingdom?

The Scottish Government argues that its policy paper , 'Scotland's Place in Europe', represents a compromise.

A compromise apparently in the sense that...

...first the SNP Government is prepared to accept that the UK – and Scotland – is leaving the EU...

...and second it is prepared not to press for independence.

My contention is that this is not a compromise.

This is democracy and the need to respect the results of two referendums...

... respect by not hijacking for the cause of independence the votes of those people in Scotland who voted to Remain and who believe strongly in our Union of four nations...

...and respect by not discounting the views of the many people who believe in independence but who voted to Leave the European Union.

All the recent evidence suggests that the majority of people in Scotland don't believe that now is the time for another independence referendum...

...just two and half years after the last one.

They know this would create only greater uncertainty and division...

...damaging our economy and driving away investment and talent.

And they also want to be able to judge for themselves how the deal we are able to reach with our European partners works in practice.

### **Constitutional Settlement**

My final point relates to the devolved settlements following Brexit.

The Scottish Government recently issued a statement, which suggested that the UK Government would use Brexit to mount 'an attack on the very foundations of the devolved parliament.'

There was one problem with this statement. It was a statement based on an assertion for which absolutely no evidence was produced.

As someone who, for the last five years, has worked at the heart of the UK Government developing our very positive devolution agenda, I was disappointed by it.

The reality is that modern Conservatives are enthusiastic devolutionists...  
...and we've a record to prove it.

Since 2010 Conservative-led governments have taken forward [five] major pieces of devolutionary legislation – including two Wales Bills and two Scotland Bills.

And we don't want devolution to stop at Holyrood...

...we would like to see more power handed on to local communities and people.

When David Cameron said in 2012 that he was happy to consider proposals for further devolution, Alex Salmond said he couldn't be trusted and muttered darkly of Alec Douglas-Home.

Well Alex Salmond was as wrong about this as he was about his oil forecasts – a couple of material changes since the 2014 referendum people might wish to bear in mind when next they hear material change used to justify Indyref 2.

The UK Government kept its word and the Vow was delivered in full.

And last Friday in Glasgow the Prime Minister made the position post-Brexit clear...

...none of the decisions currently taken at Holyrood will be taken back by Westminster...

...and more decisions will be devolved to Holyrood as a result of Brexit.

The irony is – as David Mundell has pointed out – that any new powers devolved to the Scottish Parliament as a result of Brexit would be handed back to Brussels by the SNP Government given half a chance.

So my message again to the Scottish Government is don't let's have a process row when what is required is a sensible and practical discussion to agree what common frameworks across the UK may be needed...

... to ensure that as we exit the EU we don't create new barriers within our own UK home market or impair our ability to negotiate an ambitious set of new free trade agreements.

To deny the need for such UK frameworks would be to act against the interests of Scottish fisherman or farmers or any other Scottish business who do not want to see their routes to market in any way impaired.

## **Conclusion**

So in conclusion, the UK Government's aim is to forge a new relationship with our friends in the European Union based on an ambitious free trade agreement.

We are leaving the EU but we are not leaving Europe.

It's strongly in the UK's interests and of those of our European partners that we continue to work closely together.

We want to strike the best possible deal for the whole UK – a deal that works for each part of our country and particularly for Scotland.

Scotland's priorities are shared by other parts of the UK.

We will succeed if we present a united front in the negotiations – a Team UK approach.

A united approach is certainly what we can expect from the EU.

I believe we can achieve a united approach because there is much common ground between the outcomes sought by both the UK and Scottish Governments.

We will continue to work hard with the Scottish Government to build on that common ground.

It's what people in Scotland want, expect and deserve. And we must not let them down. Thank you for listening.