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LONDON SW1A 2AU

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Office of the
Aberdeen City Council

31 MAR 2014

Valerie Watts
Office of Chief Executive
Aberdeen City Council
2nd Floor
Town House
Broad Street
Aberdeen
AB10 1FY

Our Ref: SO/SG

27 March 2014

Dear Valerie,

Thank you for your letter of 19 December 2013.

Your letter outlined the motion agreed by Aberdeen City Council highlighting your disappointment with the Scottish Government's White Paper. You asked for my response to the White Paper.

Aberdeen is a successful Scottish city and I expect that the Smarter Aberdeen vision adopted by the Council will enhance this success even further. Aberdeen is host to almost 25% of the top 100 companies in Scotland and the unemployment rate stands at just 4.1%.

As you will be aware the UK Government held its regional Cabinet meeting in Aberdeen last week where there was a clear focus on the Oil and Gas sector and a recognition of the contribution this industry makes to both Aberdeen and the broader UK economy. The publication of the Wood Review and our commitment to implement its recommendations sends a strong signal that the UK Government will do all it can, working with the industry and the regulator to maximise production of oil and gas over the coming decades.

Benefits of single UK wide market

Aberdeen, and similar cities across Scotland, are stronger as part of the UK. Aberdeen benefits from being part of the UK's domestic market. Goods, services, capital and people are able to move freely across the UK, assisting both business and consumers.

As part of the UK-wide market, Scotland can pool resources and share risks with England, Wales and Northern Ireland. The UK's broader tax base sustains high and stable public spending in Scotland – consistently 10% higher than the UK average, which equates to £1,200 per person. This public spending has remained consistent in Scotland despite Scottish receipts from North Sea oil and gas fluctuating between 2.4% to 8.3% of Scottish GDP since devolution.

Benefits of UK single shared currency union

Like the rest of the UK, Scotland and Aberdeen benefit from using the UK pound. This is essential for Scotland, as our economy is highly integrated with the rest of the UK. Businesses in Aberdeen can trade freely without transaction costs and individuals can be reassured that our financial services are protected with the Bank of England able to step in as a lender of last resort when required.

In the event of a 'yes' vote, the Chancellor has said that there will not be a formal currency union between the continuing-UK and an independent Scotland. The Chief Secretary and the Shadow Chancellor have supported this position. The Treasury have also made it clear that they would advise the continuing-UK Government against this formal currency union. A Eurozone style currency union would cost jobs, cost money and would not provide economic security for either an independent Scotland or the continuing-UK.

Exploitation of oil and gas resources as part of the UK

Exploitation of the oil and gas resources of the United Kingdom Continental Shelf (UKCS) is a success story for both Scotland and the UK. Aberdeen, specifically, is recognised as a centre of excellence, particularly in subsea oil and gas production, with well in excess of 1,000 companies in Aberdeen City and Aberdeenshire more generally that operate wholly or predominantly in the energy sector. These include a spectrum of companies ranging from exploration and production multinationals to smaller, specialist enterprises that play a supporting role to the sector. These smaller enterprises operate in a variety of fields, such as engineering, consultancy, legal and financial services, human resources, catering and IT.

The Oil & Gas UK Economic Report 2010 set out that 110,000 Scottish jobs were employed directly by oil and gas companies or in the wider supply chain, with another 45,000 in the export of goods and services. Additionally, 41,000 jobs were supported by economic activity induced by employees' spending throughout Scotland

Critical to this success has been the diverse UK fiscal base, an established regulatory structure and an active UK Government working at home and internationally to promote the industry and secure investment. The size and diversity of the UK economy has enabled the UK Government to provide essential support in the form of tax reliefs to the industry, which are vital to ensuring the UKCS (as a mature region) has future competitive appeal and remains a commercially viable destination for investment.

Now, more than ever before, the UKCS, needs certainty both in terms of the fiscal framework and regulatory regime, to help maintain its competitive appeal in what is a truly global business.

Scottish Government White Paper

In the event of independence, the current benefits outlined in this letter would be at risk. The Scottish Government need to provide a response to how these issues would be addressed. Their White Paper was the opportunity to produce answers on this. However, it provided no answers to these big questions. It only provided assertions and uncosted promises.

The White Paper is not the manifesto for independence that the Scottish Government have claimed. In the event of independence Scotland would need to negotiate their future with dozens of countries who would be acting in the interests of their own citizens.

Scotland currently benefits from the best of both worlds. It has devolved powers that allow it to affect the lives of the people of Aberdeen – powers over policing, justice, health, sport, transport and education. You as a Council can decide if the Scottish Government are using those powers effectively.

Scotland analysis programme

In order to inform and support the debate on Scotland's future, the UK Government is undertaking a programme of analysis on how Scotland contributes to and benefits from being part of the United Kingdom. This work is known as the Scotland analysis programme. As part of the programme the UK Government has so far published the following papers:

- ***devolution and the implications of Scottish independence*** – which examined the legal implications of Scottish independence;
- ***currency and monetary union*** – which examined the currency options available to an independent Scotland and the strengths of the current arrangements;
- ***business and microeconomic framework*** – which examined the benefits of the UK's single, domestic market for businesses and employees;
- ***financial services and banking*** – which examined the benefits of the UK's internationally competitive single, domestic financial services and banking market for businesses and households;
- ***macroeconomic and fiscal performance*** – which examined the impact of integration within the UK on UK and Scottish economic performance and fiscal stability;
- ***defence*** – which examined the benefits for both Scotland and the UK of the UK's integrated defence capabilities, the UK's international defence alliances and relationships, and the UK's defence industry;
- ***security*** – which examined the benefits of the UK's strong security union;
- ***science and research*** – which examined the benefits of the UK's integrated science and research sector supporting the flow of knowledge across the UK;
- ***EU and international issues*** – which examined Scotland's place in the world and demonstrates that the UK delivers for Scotland internationally through its unique and historic role in world affairs;

- ***borders and citizenship***– which examined how Scotland benefits from a fully integrated system across the UK to manage the UK's border; and
- ***assessment of a sterling currency union*** - which concluded that, in the event of a vote for Scottish independence, the Treasury would advise the UK Government against entering into a currency union.

These papers are available to read online at www.gov.uk/scotlandanalysis

Further analysis will be published throughout 2014 and will be available on the web address provided above.

I believe that by sharing this analysis and making the people of Aberdeen aware of the true benefits of being part of the UK, they and the rest of Scotland will choose to remain part of a strong, successful United Kingdom.

**Rt Hon ALISTAIR CARMICHAEL MP
SECRETARY OF STATE FOR SCOTLAND**

Your Ref.
Our Ref. VW/CM/EM
Contact Valerie Watts
Email chiefexecutive@aberdeencity.gov.uk
Direct Dial 01224 522500
Direct Fax 01224 644346



ABERDEEN CITY COUNCIL

19 December 2013

Rt Hon Alistair Carmichael MP
Secretary of State for Scotland
Scotland House
Dover House
LONDON
SW1A 2AU

Office of Chief Executive
Aberdeen City Council
2nd Floor
Town House
Broad Street
Aberdeen AB10 1FY

Tel 0845 608 09 10
Minicom 01224 522381
DX 529451, Aberdeen 9
www.aberdeencity.gov.uk

Dear Mr Carmichael

Aberdeen City Council

At its meeting yesterday Aberdeen City Council agreed the following motion proposed by Councillors Crockett, Boulton and Forsyth:-

"Council:-

Notes Scotland's future will be determined by a public referendum on 18 September 2014.

Notes the Smarter Aberdeen vision adopted by Council, which recognises that Aberdeen is stronger now and will grow even stronger in the future - economically, politically, and socially - as a partner within the United Kingdom.

Agrees that the United Kingdom has served Scotland and its people well for over 300 years and that Scotland enjoys the best of both worlds - a parliament making decisions over health and education, plus strength of being part of a wider United Kingdom with real economic clout and the most professional armed forces in the world.

Agrees that the 670 page White Paper issued by the SNP Scottish Government fails to provide the facts and answers promised to the Scottish people and instead produces the usual assertion, assumption and uncoded promises which fail to address the needs, aspirations and central questions of hard working Scottish people.

Agrees that it is disappointing that there are pledges made in the White Paper which the Scottish Government already has the power to implement, such as childcare provision.

VALERIE WATTS
CHIEF EXECUTIVE



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Agrees that there is nothing in the White Paper to justify the break-up of a country that has been built up over 300 years of shared endeavour and that Aberdeen City Council should actively engage with the local residents it represents to ensure they are fully informed of the potential impact on Council services which many local people depend on before the referendum on 18 September.

Instructs the Chief Executive to write to the Secretary of State for Scotland inviting him to provide a written response to the Scottish Government's White Paper and thereafter make a copy of the Secretary of State for Scotland's response to the White Paper available to the public."

As set out above, I therefore now write to invite you to provide the requested response to the White Paper. Once I have it to hand I will ensure that it is made available to the public of Aberdeen.

Yours sincerely

Valerie Watts
Chief Executive