BACK ON TRACK

A new plan to put the economy first

Scottish Conservative & Unionist Party
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Scottish Conservative & Unionist

Common sense for a change

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Introduction

Economic growth is critical for Scotland.

If we want to put more money in the pockets of hard-working Scots, we need better economic growth.

If we want to fund high-quality public services, we need better economic growth.

And if we want to provide more high quality jobs, we need better economic growth.

As this paper sets out, the state of the Scottish economy under the SNP is dire.

There is a deficit of opportunity in Scotland and little encouragement for those with aspiration.

Nationalist ministers lack ambition. They do not understand business and are suspicious of success.

The state of the economy is the single most important issue that affects everyone in Scotland and dictates every other political decision.

Yet all too often, the out of touch SNP government does not even talk about it.

They instead prefer to focus on their obsession with breaking up the United Kingdom, fringe issues like gender self-ID or state overreach with their hate crime law.

On almost every occasion, the SNP is backed by Holyrood's other left-wing parties – Labour, the Lib Dems and the Greens.

John Swinney recently said that he wants the 2026 Holyrood elections to be a 'springboard' to achieve his lifelong ambition of separating Scotland from the rest of the UK.

Not only is this a distraction from the everyday issues that really affect people across Scotland, but the SNP's relentless agitation for independence is economically damaging, sowing uncertainty for business.

And if the SNP were ever succeed, it would be economically catastrophic.

The Scottish Conservatives believe that the economy, and improving people's livelihoods, must become the central focus of Scottish politics.

That means focusing our attention on revitalising the high streets that have been left to rot by this SNP Government.

It means supporting businesses at a time when they're being hammered by Labour tax rises.

But most importantly it means regenerating Scottish communities that have been left behind by nationalist neglect.

Our party believes that if communities get the right support and businesses have the freedom to succeed without government getting in their way, Scotland will have a more prosperous future.

This policy paper sets out a host of common-sense solutions to end Scotland's economic malaise.

Initiatives we believe would kickstart a new era of economic growth that could make everyone in Scotland better off.

Foreword

By Craig Hoy MSP and Murdo Fraser MSP

As Scottish Conservatives, we speak to many entrepreneurs and businesses who work hard every day to provide jobs and produce valuable goods and services.

Enterprise is the lifeblood of any economy and Scotland has it in abundance – but this entrepreneurial spirit is being constricted by an SNP Government that views business with suspicion.

This negative attitude has had a material impact on our economic growth, which compares poorly with both to the UK and to other developed economies with a similar population.

Our country has so many valuable industries supporting good jobs, from oil and gas to life sciences.

It should be the government's job to champion these sectors by supporting their needs, removing unnecessary barriers and giving them the freedom to grow, not getting in their way and making their lives more difficult.

This does not mean that government should be responsible for generating wealth, it simply means it should create the right environment for companies to thrive.

Sadly, Scottish businesses now have two governments intent on making it harder to do business, whether that be through the jobs tax the UK Labour Government imposed in their first budget or the SNP's consistent failure to pass on rates relief to struggling high street shops.

These problems are bad enough, but making matters even worse is the fact that Holyrood's left-wing parties aren't even interested in kickstarting economic growth in Scotland again.

The Scottish Greens do not even believe in economic growth. The SNP and Labour have proven through their actions they do not value it, while the Lib Dems have supported SNP budgets that have damaged businesses in Scotland.

The Scottish Conservatives believe in a different approach. We think economic growth should be the number one priority for the entire machinery of government, and every policy should be developed with that goal in mind.

We want to support the ambitions and aspirations of Scotland's entrepreneurs, especially those working all hours to run a small business – and we believe the solutions laid out in this policy paper will help achieve this.

These proposals are just the starting point for the Scottish Conservatives' offering on supporting businesses and economic growth in this country. We can and will go further in the future.

But the SNP Government can and should start working on these common-sense proposals now, to help finally end the years of stagnation that the nationalists have presided over for the last 18 years.

Craig Hoy MSP
Shadow Cabinet Secretary for Finance and Local Government

Murdo Fraser MSP
Shadow Cabinet Secretary for Business, Economy, Tourism and Culture

TO GROW SCOTLAND'S ECONOMY AND PROVIDE EVERYONE WITH MORE OPPORTUNITY THE SCOTTISH CONSERVATIVES WOULD:

Make economic growth the number one objective across all policy areas

Every single proposal that comes from the Scottish Government should be assessed against whether it achieves more economic growth for Scotland. This would ensure better coordination across the whole of government.

Exit Nicola Sturgeon's 'Wellbeing Economy Alliance'

This anti-growth group – of which the Scottish Government is still a member – suggests that economic growth in and of itself is a bad thing. This attitude has infected the whole of the Scottish Government and must be put to an end if we are to make economic growth a priority.

Oppose tax rises in the next session of the Scottish Parliament

Scotland's tax burden on individuals and businesses is already too high, so all Scottish Conservative MSPs will stand on a very clear commitment to oppose any new tax rises in the next session of the Scottish Parliament.

Introduce Regeneration Relief for Scotland's left-behind communities

So that areas without enough economic activity can receive 'Regeneration Relief'. This would provide business rates discounts to attract investment in areas without enough economic activity. The scheme would allow local residents to apply directly to their local authority for their area to be considered.

Have rent auctions for long-term empty shops to boost our high streets

Too many shop fronts in Scotland lie empty, with thousands being vacant for too long. By allowing councils to initiate lease auctions for empty shops, local entrepreneurs could set up new businesses that could bring jobs and opportunities to the area.

Introduce Canary Wharf-style enterprise zones to induce economic growth, starting in Grangemouth

We would introduce new Scottish Business Zones that would give local authorities and Scottish Ministers powers to streamline planning processes, provide tax breaks and acquire land for the purposes of bringing investment and growth to declining parts of Scotland. We believe the first Scottish Business Zone should be set up in the area affected by the closure of Grangemouth refinery, to retain high-skilled jobs in the area.

Attract businesses to Scotland by guaranteeing the lowest business rates for retail, hospitality and leisure businesses in the UK

Once the UK Government determines the rates for these businesses in their upcoming budget under the new multiplier system, the Scottish Conservatives would ensure Scotland had the lowest rates for these businesses in the UK.

Merge Scotland's existing national business and skills quangos into Growth Scotland

We would merge Scottish Enterprise, Scottish National Investment Bank and Skills Development Scotland into Growth Scotland. To boost their effectiveness, we would review the operation of South of Scotland Enterprise and Highlands and Islands Enterprise while guaranteeing the levels of funding for allocation to businesses they currently receive.

Establish the Scottish Growth Fund for businesses worth at least half a billion pounds a year

Through merging the existing pools of capital available to the aforementioned quangos, we would create a single pot of capital to make it easier for businesses to know where to go for funding.

End the 'woke' mandates of business agencies and instead have a singular focus on growth

Many of the business agencies openly admit they want to use their funding to further diversity and inclusion or prioritise net zero above other businesses. We would end this culture and simplify objectives so that Growth Scotland and its capital funding will be used for one goal – to grow Scotland's economy.

Establish Centres of Excellence for important Scottish industries

These centres of knowledge would be inspired by Singapore-style industry clusters and set up by Growth Scotland in consultation with the business community. They would be used to connect the various agencies of government with businesses to help them achieve economic growth by ensuring that appropriate training, infrastructure and regulation is provided by the government and its quangos.

Enact a moratorium on any new regulatory barriers with the rest of the UK for five years

Business groups have already pointed out the harm that is being caused by the SNP's insistence on diverging from the rest of the UK's regulation regime for little benefit. Therefore, we would put an end to any new regulatory barriers being erected in Scotland for the next session of Holyrood. Furthermore, we would explore rowing back on the already existing areas of divergence identified by the Office for the Internal Market.

Introduce a Reduction of Red Tape Bill

This business-led piece of legislation would allow businesses to apply for regulations to be repealed or amended. Ministers would then make an assessment as to whether the regulations in question are causing disproportionate harm to our economic growth. If ministers agree, then the regulations can be repealed or amended as appropriate.

The state of the Scottish economy

Growing Scotland's economy is not a priority for this SNP Government. In 2018, Nicola Sturgeon launched the Wellbeing Economy Governments Partnership designed to 'advance their shared ambition of building Wellbeing Economies'[i]. According to the Wellbeing Economy Alliance's website, a Wellbeing Economy opposes 'treating economic growth as an end in and of itself and pursuing it at all costs'.[ii] The Scottish Government is still a member of this alliance. At the start of this parliamentary session, John Swinney helped negotiate a deal that brought the Scottish Greens into government for the first time ever, a party that explicitly does not believe in economic growth.[iii] And for the 2025-26 budget, John Swinney could count upon Scottish Green support to help it pass. John Swinney even met with the Wellbeing Economy Alliance as recently as August to emphasise the Scottish Government's ongoing support for this anti-growth organisation.[iv]

Throughout this parliament, the SNP have treated economic growth as if it were a bad thing, but the complete opposite is the case. Economic growth is how we put more money into people's pockets and give individuals the opportunity to get on in life. Without economic growth, we will not be able to fund the public services that we all rely upon, nor will we be able to cut taxes that are sky high under the SNP.

The anti-growth mindset of the SNP Government has a real-world impact. In the five years since Scotland joined the Wellbeing Economy Governments partnership, Scotland's onshore economy grew by just shy of 3% between 2018 and 2023 — an annualised average of around 0.6%.[v] Of course the pandemic played a part in this, but such poor growth is simply unsustainable in the long run.

Thanks to SNP ministers, thousands of pounds of taxpayer money has gone to the Wellbeing Economy Alliance, while Scottish Government officials have even spent time organising its conferences – conferences that were not even taking place in Scotland.[vi] Under the Scottish Conservatives, we would stop this waste of time and taxpayers' money by **immediately withdrawing the Scottish Government from the Wellbeing Economy Alliance.** It promotes an anti-growth attitude within government that is not conducive to maximising Scotland's economic growth potential.

We would achieve this by closing down the Scottish Government Wellbeing Economy working groups, stopping officials from cooperating with the Alliance and putting an end to any more taxpayer funding being directed to the organisation.

The Scottish Fiscal Commission expect devolved spending in health and social care, education and social security alone to grow from £47 billion in 2029-30, to £125.1 billion by 2074-75 in real-terms.[vii] This represents annual growth of more than 2% above inflation. Our current economic growth rates are simply not sufficient to match this forecasted increase in spend.

When compared with other countries, the situation looks even worse. In 2023-24, Scotland's Gross Domestic Product totalled £218 billion, when including our geographical share of North Sea activity.[viii] If we exclude offshore activity from key sectors such as our oil and gas industry, which the SNP and Labour want to shut down prematurely, this shrinks to £201 billion. Adjusting this on a per capita basis equates to approximately £39,645 and £36,563 respectively.[ix] This puts Scotland around 18th or 20th amongst OECD countries depending on whether you include our offshore economic activity.[x]

Denmark, Finland, Ireland, New Zealand and Norway all have similar sized populations to Scotland. Ranking Scotland's economic performance relative to these countries makes for grim reading.

Country	Denmark	Finland	Ireland	New Zealand	Norway	Scotland
2007-2023 GDP Growth (%)	23.34	3.62	109.02	43.93	21.31	14.35
2023 GDP in USD (millions)	435,884	344,157	682,134	282,465	554,373	272,520

Source: OECD[xi], ONS[xii], Scottish Government[xiii] and World Bank.[xiv]

As demonstrated by this table, next to countries of comparable size, Scotland has had the second worst GDP growth since the SNP came to power and now has the smallest GDP in nominal terms too. Finland, the worst performer on GDP growth, is also a member of the Wellbeing Economy Alliance.

This is arguably one of the SNP's biggest failures since entering government. The nationalists cannot blame the UK's economic growth for their incompetence, as equivalent growth in the UK was over 44% higher than Scotland's during the same period.[xv] If Scotland had simply matched UK economic growth over the period, our economy would be £11 billion larger.

The Scottish Fiscal Commission has quantified the cost of this lost economic growth to the public purse. Since the devolution of income tax revenues in 2016-17, they estimate a total of £5.4 billion has been lost due to the SNP's failure to match the economic performance of the rest of the UK.[xvi] That is £5.4 billion we cannot spend on our NHS, schools or the police due to the nationalists' incompetence.

It's not just lost economic growth that the SNP have inflicted on Scotland, it's a lack of opportunity too. When the SNP first came to power in 2007, there was a consistently higher proportion of people in employment in Scotland compared to down south, according to the ONS' Labour Force Survey.[xvii] However, by 2016, this trend started to fade and in the last nine years the employment rate in Scotland has only exceeded the rate in England in two quarters. In the latest quarter, if the proportion of people in employment in Scotland matched the figure south of the border, we'd have more than 100,000 extra people working.

This is not the fault of job seekers but rather of an SNP Government who have failed to support people back into work. A good example of this is the Young Persons Guarantee where the Scottish Government promised to have every 16-24 year old in employment, education or training programme with the ultimate aim of reducing unemployment rates for 16-24 year olds back to pre-pandemic levels.[xviii] In 2019, 28.1% of 16-17 year olds and 64.8% of 18-24 year olds were in employment in Scotland.[xix] Recent data shows that only 25.2% of 16-17 year olds and 61.9% of 18-24 year olds are currently in employment, demonstrating that we are far from returning to pre-pandemic levels.

The UK Labour Government is also at fault here with their decision to hike national insurance on employers. This jobs tax will cost employers in Scotland at least £2.1 billion.[xx] It represents a near £900 increase in the cost of employing a worker on the average wage in Scotland and the Office for Budget Responsibility believe this cost will primarily be passed on through lower wages and higher prices.[xxi]

Another problem is that the SNP have been crowding out private sector investment with its bloated public sector. At the end of 2024, 22.5% of all employees in Scotland worked in the public sector[xxii], compared to 17.4% UK-wide.[xxiii] In fact, throughout the entire time the SNP have been in government, public sector employment in Scotland has been higher than in the rest of the UK – and it is the nationalists who are responsible for this. Devolved public sector employment numbers reached their highest ever level in Q1 of 2025 thanks to their profligate spending, despite public services getting worse.[xxiv] Meanwhile, private sector employment numbers have yet to reach pre-pandemic levels.

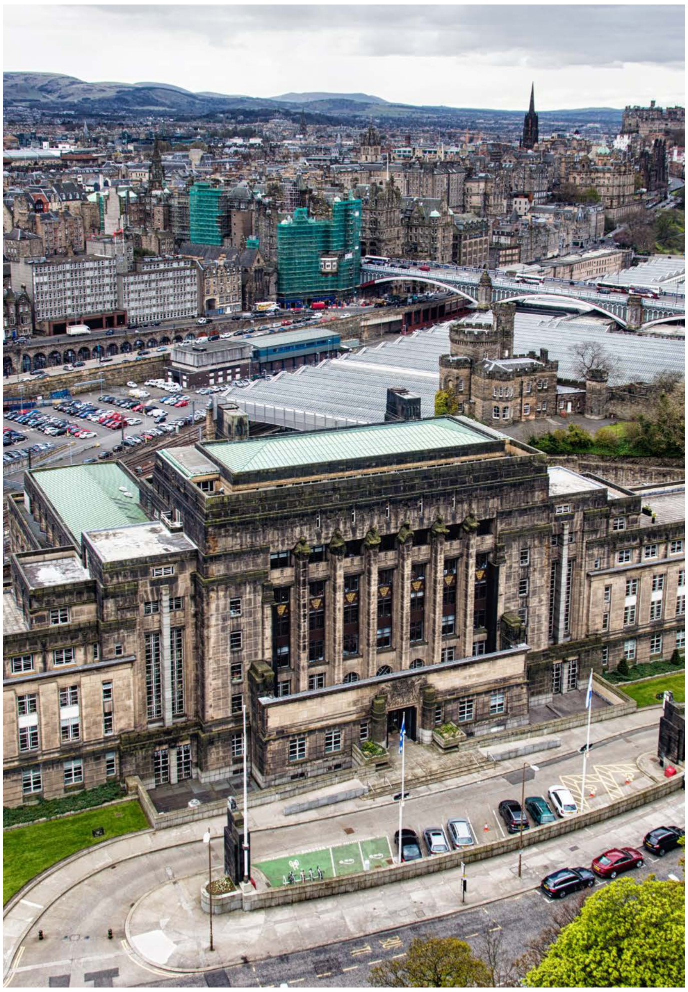
Not only is there a higher proportion of public sector jobs in Scotland, but the pay for these positions is substantially higher too. In 2024, the average full-time public sector worker earned £41,065 in Scotland, over £5,000 more than private sector workers.[xxv] Businesses often cannot compete with these higher wages and so can't afford to take more people on.

This has a material impact on Scotland's entrepreneurial environment. According to the Scottish Government, the number of businesses with at least one employee has grown by just 2.8% in the space of ten years. In fact, the current figure is lower than pre-pandemic levels and has been in decline for the last two years.[xxvi] Using the latest statistics, the number of enterprises in Scotland has grown by just 2.2% since 2015, compared to 11.2% across the whole of the UK.[xxvii] This means that in the last decade, under the SNP, Scotland has been five times worse at creating new businesses than the UK as a whole. The New Start Up Index Report 2024 paints an even gloomier picture for Scotland, ranking it the third worst region in the UK for starting up new businesses in that year.[xxviii]

Scotland has also consistently been less productive than the UK as a whole during the SNP's time in office. We have never exceeded the UK average since records began and are currently 1.1% less productive than the national average.[xxix] That may not seem like much, but it makes a huge difference when extrapolated across our economy. Just by matching UK productivity, Scotland's economy would be at least £2.5 billion bigger.[xxx] It is no wonder that our productivity lags behind the UK's when the SNP Government squanders its capital budget. It should be used to improve productivity, but has instead been spent on projects like the Ferguson Marine ferries that have gone nearly four times over budget and are eight years late.

These damning statistics all demonstrate that Scotland's economy has been poorly served by the nationalists – especially in the last ten years. There are no quick fixes to the mess created by the SNP Government, but the rest of this policy paper will spell out some of the problems generated by the nationalists' financial incompetence and explain how the Scottish Conservatives would work to get our economy back on track.

However, after so many years of SNP-led stagnation we cannot hope to successfully reprioritise economic growth without a sea change in the culture of Scotland's public sector. That is why we would require that every single minister and civil servant within the Scottish Government is focused on economic growth as the government's number one priority. As one of our first acts in government, **the Scottish Conservatives would issue a memorandum to all civil servants making the economic growth priority clear** to them. This priority would not just apply to economic policy but to every policy area. It would form a central part of the government's thinking for every piece of legislation, regulation and budget, in an immediate break from the current view of many SNP ministers.



Putting more money in people's pockets

Ultimately, prioritising economic growth is about governments providing people with more opportunity. It allows individuals to use their skills to fulfil their aspirations, make a better life for themselves and their family and puts more money into people's pockets.

Under the SNP, growth in disposable income for households has been extremely poor and is getting worse. In 2022 – the latest year we have data for – disposable household income per person stood at £20,854; that's £1,935 lower than the UK average.[xxxi] This is the biggest gap between the two figures since records began back in 1997. Even more damning is the trend since the SNP came to power. When adjusting Scotland's 2007 disposable household income per person for inflation, the figure is £21,450.[xxxii] This means that real disposable income has fallen in Scotland during the nationalists' tenure. Prior to the devolution of income tax revenues to the Scottish Government, disposable income had grown in real terms, showing the impact of SNP's tax rises on people's incomes.

The Scottish Conservatives want to reverse this trend and help support people's ambitions, rather than get in their way. Therefore, our party's MSPs will **commit to opposing tax rises** in the next session of the Scottish Parliament. This promise builds on our proposals, outlined in our Better Deal for Taxpayers policy paper to cut income tax by up to £444 for hard-working Scots.

Our pledge would not just apply to the taxes paid by individuals that are set at Holyrood, such as Scottish Income Tax and Land and Buildings Transaction Tax, but also to any taxes on businesses including any potential new levies. It had previously been reported that the Scottish Government were considering introducing an additional tax on large retailers who sell tobacco and alcohol products.[xxxiii] Whilst the tax has not yet come to fruition, the Scottish Retail Consortium warned that if it were to be introduced it would cause economic harm and hinder retailers' ability to keep down prices.[xxxiv] That is why the Scottish Conservatives are clear we will oppose the introduction of any such tax in the next session of parliament.

The largest tax on businesses that is devolved to the Scottish Parliament is non-domestic rates. Currently, non-domestic rates are set centrally by the Scottish Government in each budget. Described as the 'poundage', a business using a commercial property must pay this tax according to the 'rateable value' of their property. The rateable values are determined by assessors who, through joint assessment boards, cover different regions of Scotland. When the Scottish Government has decided upon the level of non-domestic rates businesses must pay, the Scottish Fiscal Commission forecast the estimated revenue for that year based on the number of properties that fall within each rateable value band and that money is then allocated to local authorities.[xxxv]

In 2025-26, just over £3.1 billion in non-domestic rates revenue will be allocated to local authorities.[xxxvi] But the process outlined above means that the revenue raised by local authorities does not match what they receive from the Scottish Government and some areas end up losing out. For example, Moray and the Scottish Borders ended up receiving less money than they raised in revenue from business rates in 2023-24 according to provisional figures.[xxxvii]

It's not just certain regions of Scotland that lose out under the present system, but certain sectors too. The Scottish Hospitality Group have criticised the current regime, saying the sector is treated 'unfairly', as a result of the way rates are calculated.[xxxviii]

There are valid criticisms of how the system is operating under this SNP Government, but that doesn't mean it's right to scrap the whole thing entirely. The Scottish Conservatives agree with the conclusions of the Barclay Review published in 2017, that a property tax system based on rateable values is the most sensible approach.[xxxix] However, there are several areas of improvement that nationalist ministers could have pursued but have failed to do so.

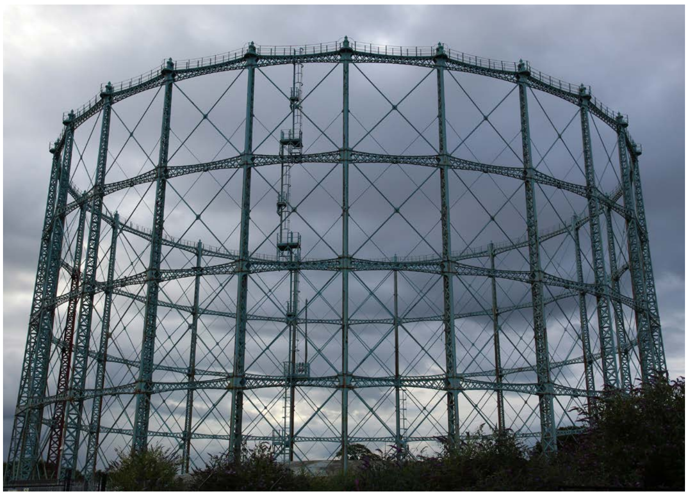
The existing system has not given the required support to areas of Scotland that are lacking investment. The Barclay review recommended expanding the Fresh Start relief from non-domestic rates for businesses occupying properties that were previously long-term empty. This is absolutely the right thing to do, but the take-up rate of this expanded relief is shocking. A generous 100% relief is offered for businesses occupying previously long-term empty properties for all premises with a rateable value of up to £100,000. Yet just 280 businesses capitalised on this relief according to the latest statistics[xl]– nowhere near enough to turn the tide of the high streets and even entire towns being emptied of any commercial enterprises across Scotland. For context, Fresh Start Relief constitutes less than 0.2% of all rates relief offered by the Scottish Government.

The Scottish Conservatives believe that ministers should be prioritising these left-behind areas. If we want to turn around the fortunes of these areas, we have to provide businesses with a proper incentive to invest in them. An example of how we could achieve this can be found from the UK's past. Under John Major's premiership, the Single Regeneration Budget (SRB) came into being in April 1994.[xli] This was a budget that required potential projects to bid for funding against specific objectives, which included enhancing employment prospects, education and skills in a local area, encouraging growth and wealth creation by improving the area's competitiveness and boosting the quality of life for local people.

For every £1 that was invested via SRB funding, £4 was attracted via local authorities, Enterprise Councils and the voluntary and private sector. This money was heavily targeted towards the most deprived areas. The 56 poorest districts in England received almost two thirds of total expenditure and the funds were given to areas of deprivation within those districts.[xlii]

A central feature of the SRB was partnership working, with various parties cooperating together at a local level to produce a regeneration scheme. An independent review found that this cooperation resulted in the best outcomes for local areas and so should be a key feature of any future regeneration policies.

Putting this principle into practice, the last Conservative UK Government rolled out City Region deals that covered the entirety of Scotland. These deals brought together the UK Government, Scottish Government, local authorities and other third parties to deliver direct investment. Specific examples include the Granton Gas Holder and River Leven regeneration projects.[xliii]



The Scottish Conservatives believe we need to go even further to revive neglected areas. We would launch partnerships across Scotland in conjunction with local authorities to offer a new business rates relief scheme called **Regeneration Relief** designed to permanently attract investment towards the left-behind towns of Scotland. The premise of the scheme is simple, provide a new business rates relief scheme in areas that currently lack investment and opportunity.

The scheme would operate via a partnership between the Scottish Government and local authorities, working together to identify areas in need of regeneration. These areas could qualify for relief via a number of metrics. For instance, if the number of businesses operating in the area falls below a certain threshold, or if the area has a higher level of unemployment than the regional average. The Scottish Government would then pledge to fund business rates relief for all businesses operating within that area, including any new businesses that set up there. Only businesses who actually employ someone on the premises would be eligible for relief. Local authorities would then be provided with the required funding so they do not lose out on any money as a result of this arrangement. As another measure to make it easier for businesses to set up in left behind areas, we would also relax planning laws so that it is easier to change the designation of properties so they can become commercial premises.

However, it won't be enough to simply provide relief in underinvested areas. We need to look again at how funding is currently allocated. The current system, where the Scottish Government allocates funds based on forecasts, does not provide much incentive for local authorities to attract business investment and grow, because councils do not see the immediate financial benefit of doing so.

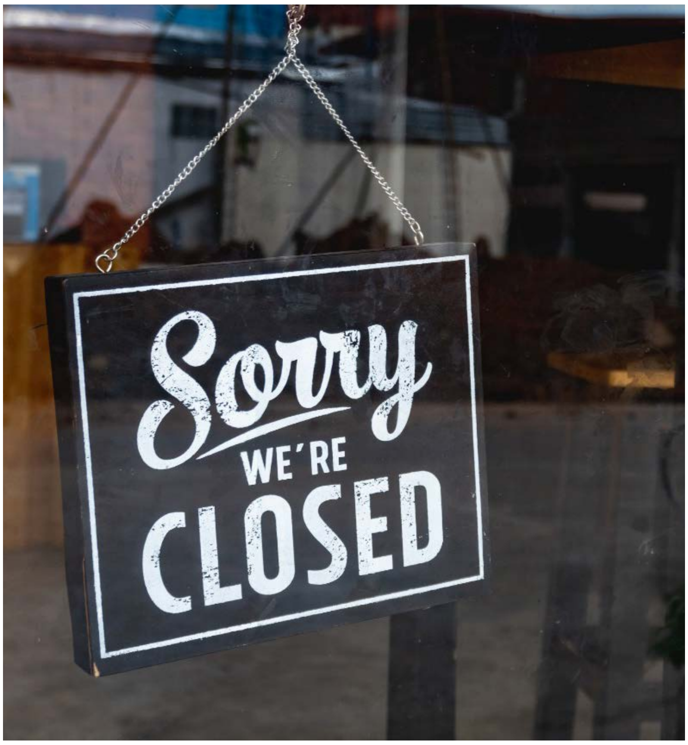
There is substantial evidence that councils are not currently incentivised to be more entrepreneurial. According to business count data, Aberdeenshire hosts around 7.4% of registered businesses in Scotland[xliv], but only receives 4.4% of the non-domestic rates funding issued by the Scottish Government.[xlv] Whilst there may be some valid reasons for that discrepancy, it is a substantial gap and suggests that the current system does not reward entrepreneurialism. The Scottish Conservatives would therefore explore changing the way business rates funding is distributed to ensure that it is both fair to non-central belt councils and encourages local authorities to foster an enterprising culture in their local area.

If we are to restore economic growth to Scotland, the revival must start on our high streets. One in every eight shops are currently lying empty on Scotland's high streets.[xlvi] In some areas of Scotland, especially outside the central belt, this problem is even worse. High streets are the life blood of our local communities, providing jobs and stimulating the local economy. If shop fronts lie empty, this reduces opportunities available for people living in the local area. We believe people's aspirations must be encouraged, and that starts by providing jobs in the areas where people actually live.

So, to help address the problem of empty shop fronts, the Scottish Conservatives would introduce **rent auctions for long-term vacant shops.** This would work by giving local authorities powers to initiate a rent auction on any commercial property within a high street or shopping centre unit that has been vacant for 18 months continuously, or 18 months within a 24-month window. To ensure that no landlords are being unfairly penalised if they have already made a clear effort to lease, sell or otherwise dispose of the property, there would be an exemption from being subject to compulsory rent auction where this is proven to be the case. The owner of the property subject to a rent auction would lease the premises for a period decided by the local authority. The process would facilitated by the local authority. Offers made during the auction would be made with no reserve price and the landlord has the ability to determine which is bid is successful, taking into account all factors, such as price and what the property would be used for.

The landlord could also sell the asset to a new owner before the auction takes place. If the property was sold after the lease had been issued to a new tenant, the new owner would have to honour it or negotiate an early exit like any other agreement. Although local authorities would have the power to issue rent auction notices, a landlord does not have to comply if it would be unreasonable for them to do so.

These properties would still be subject to existing planning and licensing conditions, meaning that shops could not be converted into an alternative use without planning permission. Think tank *Onward* estimate that compulsory rent auctions could help repurpose up to 3,000 shops that are currently lying vacant in Scotland.[xlvii]



Further adding to high streets' pain is the SNP's failure to pass on business rates relief offered by the UK Government. For 2022-23, the Conservative UK Government provided retail, hospitality and leisure (RHL) businesses in England 50% rates relief for the full financial year.[xlviii] As business rates are a devolved area, the Scottish Government received equivalent funding as a result of the policy. Given the cost of this relief to the UK Government, it is estimated that the Scottish Government received £180 million in Barnett consequentials. However, the Scottish Government provided only partial relief to RHL businesses for the first three months of 2022-23, with the remaining funding spent elsewhere.[xlix] In 2023-24, the Scottish Government received £199 million as a result of the UK Government's decision to offer 75% business rates relief for RHL businesses in England, but SNP ministers did not pass on this funding at all.[l] For 2024-25, the Conservative UK Government once again offered 75% rates relief to RHL businesses in England, resulting in £230 million for the SNP Government[li], but they spent only £4 million to provide relief to businesses on the islands alone, with the rest spent elsewhere.[lii] In this financial year, Labour reduced the rates relief package to 40%, providing £147 million for the Scottish Government.[liii] However, in John Swinney's budget only hospitality businesses and music venues were eligible for relief at a cost of £22 million according to the Scottish Fiscal Commission.[liv]

In total, this means **the SNP Government has failed to pass on at least £700 million** of business rates relief to eligible enterprises since 2022-23. That is completely unacceptable and helps to explain just why there are so many empty shop fronts in Scotland today. The Scottish Conservatives would take steps to permanently reverse this trend and revive our high streets. We would start by giving RHL businesses the **lowest business rates in the United Kingdom.** The UK Government will determine their business rates for England in its autumn budget, so we will provide more details of our plans when these are announced, but we want to make this declaration now so that the message is clear to our business community: the Scottish Conservatives want to support you to thrive in Scotland.

If we can attract more businesses to start up in Scotland, that will provide more jobs and opportunities for people across the country. This will inject more money into our economy, growing tax receipts and crucially putting more money in people's pockets. However, the nationalists have put more barriers to the smooth operation of running a business in Scotland than just tax.

Attracting investment into Scotland

There are at least 131 different public bodies in Scotland currently. Of those, at least five, Highlands and Islands Enterprise, Scottish Enterprise, Scottish National Investment Bank, Skills Development Scotland and South of Scotland Enterprise are business facing quangos.[lv] This cluttered landscape makes it difficult for businesses, both current and prospective, to know which public body is best tailored to their needs.

Scottish Enterprise is tasked with furthering the development of Scotland's economy, promoting our industrial efficiency and international competitiveness and furthering improvement of our environment.[lvi] The quango claims to fulfil these duties through the provision of business advice, innovation support, export support, entrepreneurial and scale up support, targeted capital investment, supporting businesses' transition to net zero and investment in projects that support regional capabilities. This support can come in the form of both financial aid and expert advice.

Scottish Enterprise also runs Scottish Development International. Their goal is to promote Scotland as a place of investment and trade, and is home to more than 30 global offices.[lvii] Its webpage provides some useful information about how to invest in Scotland, but there is also lots of jargon and the site appears to be reluctant to promote UK-wide initiatives that companies in Scotland can access, such as the British Business Bank. Furthermore, the 'values' promoted by Scottish Development International are clearly political and may put off some investors. On the sustainable economy webpage for example, the terms 'inclusive prosperity' and 'fair work' appear – both concepts that have originated from left-wing political parties. Fair work initiatives also imply businesses may have to sign up to additional costs, hardly the most attractive of values for potential investors.

The Scottish National Investment Bank (SNIB) provides capital to businesses and projects throughout Scotland 'to support the development of a fairer, more sustainable economy'.[lviii] SNIB claims that it not only invests its allocated public capital from the Scottish Government, but encourages private capital to invest alongside it.

Skills Development Scotland (SDS) has much more interaction with our education system, but its work is still of substantial interest to businesses in this country. SDS work in schools, career centres and other partners to ensure that workers have the right skills for the jobs that employees are recruiting for.[lix] They provide careers guidance, advice and information to people looking to develop their career, while partnering with enterprises and education providers to give pathways to work for those job seekers.

Highlands and Islands Enterprise (HIE) says that it works with communities, enterprises and stakeholders to unlock the region's potential while driving fair work and net zero practices.[lx] It invests in local businesses, supports jobs and aims to steer businesses in the direction of supporting net zero goals and other social objectives. This support can include both specialist advice and access to grants, loans and equity.

Finally, South of Scotland Enterprise (SOSE) has a similar remit to HIE, but for the South of Scotland region. It is the economic and community development agency for communities in Dumfries & Galloway and the Scottish Borders. SOSE aims to drive inclusive growth, increase competitiveness and tackle inequality within the region.[lxi] It uses its funding to support businesses and jobs in the region, with a specific focus on accelerating net zero and nature positive solutions and advocates for fair work and equality.[lxii]

Collectively, these agencies will receive a total budget of over £724 million in 2025-26.[lxiii] This is a substantial pot of money and does not even include other Scottish Government budget lines that are focused on providing support to businesses up and down the country. Many of the remits of these organisations overlap or their goals are very similar and their fates tied together. Some of their goals however – which have usually been imposed by SNP ministers – are highly questionable. Why should business agencies try to advance diversity and inclusion? And is it right that these agencies should have a specific bias towards businesses and projects that are advancing the SNP Government's net zero targets? We have lots of great businesses in Scotland, including net zero focused ones, but surely it isn't right to discriminate against businesses who aren't focused on achieving the SNP's political goals? Furthermore, given the similarities of these quangos, it may be difficult for businesses or potential investors to discern which agency is 'the right one' to go to.

We think it would be easier for businesses and entrepreneurs to have a 'one stop shop' agency to go to when they are looking to invest in Scotland. In Hong Kong, InvestHK was established in 2000 as a government department responsible for seeking foreign direct investment and supporting businesses to set up in Hong Kong.[lxiv] The department's website has an easy-to-use interface that clearly directs visitors to webpages on how to set up a company in Hong Kong, the region's tax basics and government policies relevant to businesses and investors. We believe a similar, but even more ambitious model could be established in Scotland.

That is why **the Scottish Conservatives would merge all of the existing national quangos into one and create Growth Scotland,** via new primary legislation. The functions of all these quangos, as they currently operate, would continue. However, their goals would change and be simplified into one, simple objective: to grow Scotland's economy. To be clear, that means **ending the prioritisation of advancing diversity or net zero causes** as some of these business agencies currently do. Our legislation would also make clear that Growth Scotland are focused on investing into the Scottish economy and providing more opportunities in the job market, rather than abstract ideas like the 'wellbeing economy'.

We believe that rural Scotland has continually been forgotten about by the SNP. We would therefore seek to retain distinct bodies for the Highlands and South Scotland. However, we would review their operation and investment strategies and revise their accountability so that they are accountable to the Scottish Parliament, rather than SNP ministers. We should ensure their work aligns with the mission of Growth Scotland. Where appropriate, back office functions with the regional agencies would be merged with Growth Scotland to enhance efficiency.

Growth Scotland would work by having one large pool of capital worth hundreds of millions of pounds to invest in Scottish jobs and businesses named **the Scottish Growth Fund.** We estimate this pool of capital would be worth at least half a billion pounds initially – possibly more. Growth Scotland would then be tasked with investing this money into businesses in order to grow Scotland's economy. Ideas that have the potential to grow Scotland's economy by the greatest amount would be prioritised. The legislation would make it clear that Growth Scotland would be responsible for investing the Scottish Growth Fund, but the body would be accountable to parliament. This would mean laying a report of its investment activities before Holyrood annually.

All of the current funds, grants and equity provided by the existing agencies would be consolidated into the Scottish Growth Fund. It would be left to Growth Scotland to design the structure of its investments into Scottish businesses, but we would want to ensure it delivers value for taxpayers' money and makes its interventions as effective as possible. The model pursued at the Scottish National Investment Bank, whereby they receive significant investment income from their portfolio, would be a potential model for Growth Scotland to pursue. Investments by SNIB usually take the form of debt or equity. This means they generate revenue via interest from their debt issued and will also make money from the equity they've acquired.[lxv] In 2023-24, the Scottish National Investment Bank made enough money through its investment income to cover its operational expenses, meaning it had more money to spend on financing Scottish businesses.[lxvi] The Scottish Conservatives would encourage this kind of prudence when it comes to managing money that has ultimately been provided by the taxpayer. We would allow Growth Scotland to keep all revenue it generates through its investments, allowing it to become less reliant on public money and encouraging smart investment.

To ensure that the regions forgotten by the SNP do not lose out through the establishment of the Scottish Growth Fund, we would guarantee that funding for businesses in the South of Scotland and Highland and Islands regions would remain at their current levels. This would include keeping the offices in those regions open.

The Scottish Growth Fund would be capitalised exclusively from the budgets of the existing national quangos but is not intended to replace or withdraw funding from existing initiatives such as the Scottish Growth Scheme. The Scottish Growth Scheme is the responsibility of the Scottish Government and is partnered with various companies to provide equity or debt financing to small and medium sized enterprises.[lxvii] Between 2019-20 and 2022-23, the scheme had provided £66.8 million to businesses in Scotland.[lxviii] So whilst this programme has offered assistance to businesses, the Scottish Growth Fund would be operating with a substantially larger budget, and its goals would be to target industries that offer the best potential for growing our economy.

Skills Development Scotland's functions are quite different to the other quangos that we intend to be included in Growth Scotland, but they are still just as vital. Partnering with education providers and businesses to ensure Scotland's workforce has the appropriate skills helps to grow our economy. If this work is conducted in tandem with the investments that would be made by Growth Scotland, we believe its interventions would be even more effective. Therefore, SDS' partnerships would continue under the new Growth Scotland name to support its ultimate objective of growing our economy.

However, Growth Scotland would not only combine the existing expertise of the various quangos it would replace, but provide new services to businesses and investors looking to set up in Scotland. Growth Scotland would give clear directions to potential investors and entrepreneurs on how to set up a business, where to find potential sources of funding in Scotland and what rules and regulations are pertinent to those looking to start up a business. Earlier this year, the UK Government announced that the Office for Investment would be launching a 'concierge service' that aims to provide a tailored service to companies looking to set up in the UK.[lxix] Growth Scotland could work with this new service, while providing a bespoke offering in order to make Scotland the most attractive place to invest in the UK.

Merging these quangos would also save taxpayers significant amounts of money. Currently, these five organisations are spending a collective £44 million on their 'corporate functions'.[lxx] Despite the implication of its name, this budget line does not go towards helping businesses but on the contrary, corporate functions actually describes how much each quango has to spend on its own bureaucracy. For example, these bodies are currently spending more than £7 million on HR costs alone. If the quangos were to be amalgamated into one, they could cut down on these unnecessary costs so that more money could go directly towards supporting businesses.

The legislation to create Growth Scotland would make all the statutory changes necessary to fulfil the aims outlined above and ensure that all existing assets and liabilities are transferred to the new entity. As the merger of these quangos would start from already operational public bodies that receive taxpayer money, we do not anticipate that any extra public money would be required to establish Growth Scotland. Overall, we expect the operational costs of running the body would reduce once the merging of corporate functions has been completed.

Even if we merged all the existing pools of capital derived from public sector bodies, as we intend, this amount of money will still not be enough to get Scotland's economy growing again. In 2024, it was estimated that Scotland's gross net investment in fixed capital assets

stood at just over £39 billion.[lxxi] This figure does not represent total investment in Scotland, but is a good estimate to illustrate the scale of investment in an economy of our size. If we take the total budgets of all the aforementioned business quangos in Scotland, it would not even make up 2% of this figure, so this money alone will not be transformative to our economic fortunes. Furthermore, business investment is another area where Scotland lags behind the rest of the UK, with 9.5% invested as a % of Scotland's GDP, compared to 9.8% UK-wide, so it clear that we need to make more money available for investment in Scotland.[lxxii]

There are very large pools of publicly managed capital that could make a real difference to Scottish businesses. The Strathclyde Pension Fund, managed by Glasgow City Council, has investment assets worth £31.3 billion.[lxxiii] It is the second largest local government pension scheme in the UK and is one of 11 that exist in Scotland. In total, these pension funds have assets under management worth £65 billion – around a third of the size of Scotland's entire economy.[lxxiv]

However, a lot of this money is not invested in the UK, let alone Scotland. Strathclyde Pension

Fund holds around £751 million worth of UK equities, compared to £5.451 billion overseas. That is no criticism of the fund's managers, who are ultimately tasked with maximising the value of their members' pensions. But given that such an enormous amount of money is available through these funds, it is right that we look at how they could be utilised to help grow our economy.

Another avenue that allows the Scottish Government to support businesses is through the public sector collaborating with the private sector. In 2022-23, there was £16.6 billion spent by Scotland's public sector on procurement activities.[lxxv] This is an enormous amount of potential investment in Scottish companies, but more than £7.6 billion of this money was not spent in Scotland. And despite total spend on procurement running to nearly £17 billion, it only added an estimated £7.5 billion to our economy. We could get much more bang for our buck if we decided to back Scottish businesses in public procurement contracts.

If we want to maximise the use of public sector funds to help grow Scotland's economy, we have to explore how we can improve these public-private partnerships. Of course it will not always be possible to award a public contract to a Scottish firm, but that doesn't mean there is no room for improvement. The Scottish Government seems to acknowledge that such collaboration is important. Kate Forbes recently gave a speech at Panmure House where she said 'collaboration between the public and the private sector matters for our future growth and for future prosperity'.[lxxvi] Unfortunately, this rhetoric is not matched by the reality that Scottish businesses face when dealing with the public sector.

The Federation of Small Businesses (FSB) have previously criticised public contracts in Scotland in their *Broken contracts* report.[lxxvii] It described a 'clunky' system that imposes 'disproportionately costly conditions' that make it harder for small Scottish businesses to compete with. At the time of their report, FSB criticised the fact that only 7% of public contracts went to what are described as microbusinesses, but in the latest year for which we have data this number has fallen to 6%. This suggests the situation has become worse, not better.

The Scottish Conservatives know that we have to do more to help our businesses, especially small and medium sized enterprises, become more competitive. Therefore, we would immediately start work with business groups to address their concerns regarding public procurement contracts so that we can unlock more investment in businesses based in Scotland.

Scotland's economy is made up of many different industries. Some of the most financially significant include our oil and gas sector, the food and drink industry and finance and insurance activities. Collectively, these industries, along with many others, generate billions of pounds and hundreds of thousands of jobs that support our economy. If we want to see our economy thrive, we must support the industries that most of us rely on for jobs, but we should also target support for new or developing industries with a high potential where Scotland has a comparative advantage.

These crucial sectors are often clustered around one particular region of Scotland. Most notably, there is a high concentration of energy companies in the North East of Scotland. Our emerging space sector is proving a significant employer in the far north and the Shetland islands. The health and life science industry adds an enormous £10.5 billion to our economy and is especially prominent in Glasgow and Edinburgh.[lxxviii] As the OECD notes, the economic performance of cities is increasingly becoming a determinant of a country's productivity.[lxxix] So if we want to maximise economic potential, growing our cities is crucial for that endeavour.

Part of how we can achieve this is through what is described in economics as 'agglomeration'. This is the concept of concentrating economic activity in a specific geographic region. Its benefits are enormous. Fixed costs for businesses are reduced because of shared public infrastructure and firms have greater access to workers and consumers. Knowledge is also more easily shared, leading to the transfer of skills through face-to-face contact that only of skills through face-to-face contact that only happens when operating in a close-quarters environment.[lxxx]

We need to do much better at capitalising on these effects for Scottish cities. While Edinburgh is more productive than the UK average, Aberdeen falls below this level, Glasgow is nearly 10% less productive and Dundee has one of the lowest productivity rates in the UK.[lxxxi] If we want to transform the fortunes of these cities, we have to focus on each of their strengths.

In Scotland, we are lucky to be home to some of the best universities in research and innovation in the country, with two of our universities ranking among the top 10 in the UK according to SCIMAGO.[lxxxii] However, we don't make the most of the enormous potential of the human capital these institutions bring.

To unlock this potential, we must provide support to specific clusters of industries that are concentrated in certain areas of Scotland. In Singapore, they deployed several different levers to develop a biomedical sciences cluster, as Tom Hunter's *Lessons from Singapore report* lays out.[lxxxiii] The Singaporean Government, through its Economic Development Board, encouraged foreign companies to set up R&D facilities, delivered through tax exemptions, clear regulations and respecting international practice. Physical infrastructure to support the cluster was created, specifically an integrated campus called Biopolis, which encouraged collaboration between the National University of Singapore, businesses and research institutes. The country also worked to build a domestic workforce who had the skills to participate in the cluster's work. Funding was provided for specific training programmes related to the cluster's activities and apprenticeship programmes were offered to give students the opportunity to work in biomedical science companies. The government then set up bespoke funds for life sciences to support the commercialisation of technology for the industry. To maximise collaboration, the Economic Development Board also created links between research centres and the private sector to allow for alignment between innovation and commercialisation.

We believe a similar approach could be adopted in Scotland. That is why we would launch new Centres of Excellence for Scottish Industry. These industries would be carefully selected by the Scottish Government in collaboration with businesses, universities and other relevant stakeholders and would be modelled on the approach adopted in Singapore.

Once selected, supporting these sectors would become a priority in the Scottish Government's industrial strategy for the next five years. These hubs would be established by Growth Scotland and bring together knowledge and expertise from the relevant sector to help solve shared industry-wide problems. Growth Scotland could then work with the Scottish Government and other public bodies to help provide solutions to the barriers that are getting in the way of economic growth.

Growth Scotland would also link up our world-class universities with relevant businesses looking to invest, so that the excellent ideas coming out of our universities can be commercialised and be converted into good jobs for local people. Training schemes and apprenticeships in these selected industries would be prioritised and Growth Scotland would seek to partner with colleges to provide enough courses to support the growth of these industries.

In particular, these sectors would be prioritised for R&D funding to support innovation. In 2022-23, the Scottish Funding Council allocated £406.7 million in capital grants for research and innovation.[lxxxiv] This is a huge sum of money and if it were used to support target sectors – combined with grant funding from Growth Scotland to support businesses looking to commercialise these ideas – it could be game-changing for our economy.

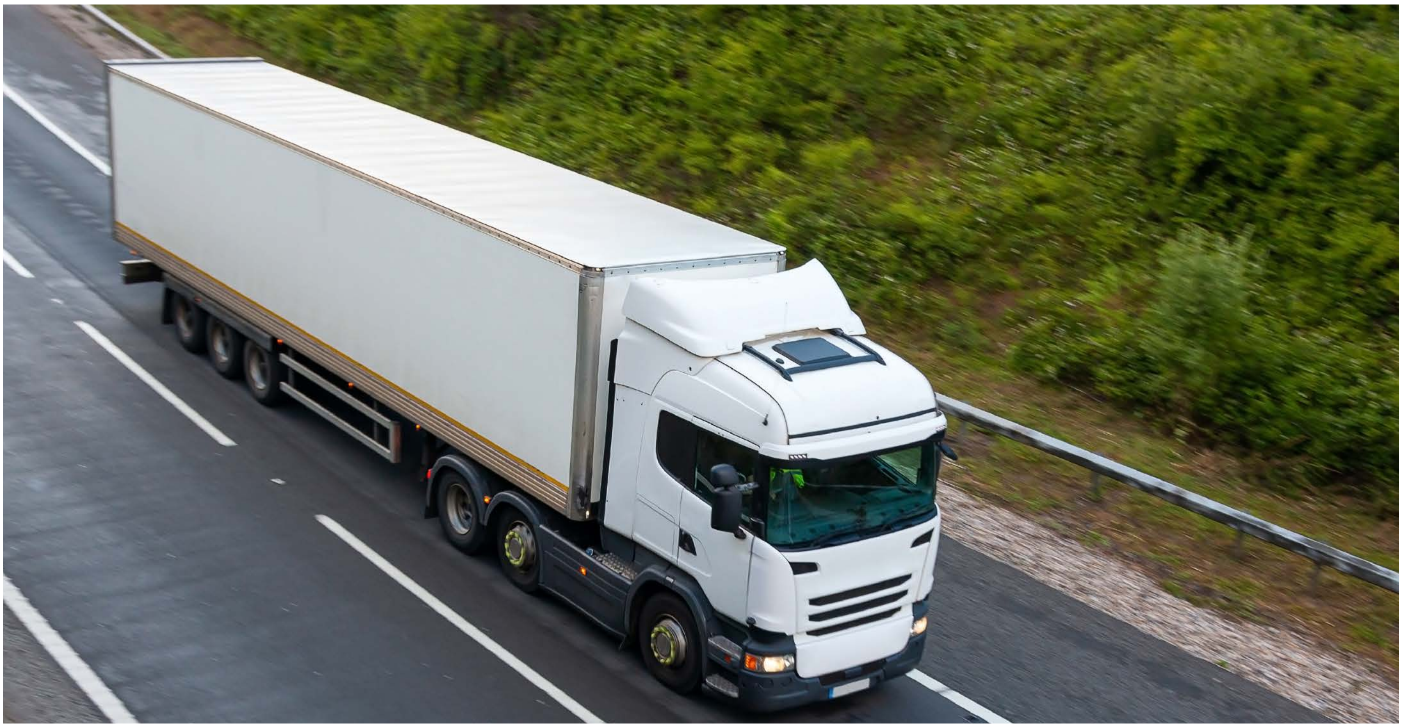
Reducing red tape for businesses

Far too often, the SNP Government's instinct has been to interfere in the business sector, making their lives more difficult and raising costs which are then passed on to the consumer. Since the SNP came to power, nationalist ministers have passed around 7,800 different regulations.[lxxxv]

Particularly damaging for businesses are regulations passed by the Scottish Government where they impact on our internal market. The UK's internal market is of enormous value to Scotland. Over 60% of Scotland's trade is with the rest of the UK in terms of exports, contributing roughly £49 billion to our economy in 2021.[lxxxvi] Previous figures from 2017 suggested that this equates to supporting around 530,000 jobs – nearly one in four at the time.[lxxxvii]

The previous Conservative UK Government passed the UK Internal Market Act 2020 designed to protect the strength of our economy and its frictionless trade across all parts of the United Kingdom. The Act established market access principles that enshrined into law the idea that goods produced in one part of the UK can be sold in another part without impediment.[lxxxviii] However, the Act also allowed devolved administrations to apply for exclusions from market access principles if certain criteria are fulfilled.

Since the passage of this Act, the Scottish Government has or is intending to diverge significantly from the UK in at least 18 different regulatory areas.[lxxxix] These areas are wide ranging and cover topics from Bovine Electronic ID tags to High Fat, Salt and Sugar food restrictions. Every time the Scottish Government seeks to diverge from the rest of the UK, it makes life more difficult for businesses in Scotland. This should be avoided as much as possible and business groups like the Scottish Retail Consortium have pointed out the negative impact it has on businesses. To mitigate against the damage that has already been done, the Scottish Conservatives would enact a moratorium on erecting any new regulatory barriers with the rest of the United Kingdom for the lifetime of the next Scottish Parliament. On top of this, given that divergence is already causing harm to Scottish businesses, we would review the existing areas of divergence that are being monitored by the Office for the Internal Market and look at what can be rowed back.



However, unlocking Scotland's potential will require more than just looking at existing divergences. Of the thousands of regulations that exist in Scotland, many of them are necessary – for instance to maintain the public's trust in the standards of goods/services or for safety purposes, to name just a few reasons. However, there are also examples of regulatory overreach that are causing unnecessary harm to our economy, and these must be stamped out.

We need to look at the whole regulatory landscape in Scotland. Businesses and entrepreneurs are all too aware of the regulations that hold them back or make their lives more difficult. To break them free from these binds, the Scottish Conservatives will **introduce a new Reduction of Red Tape Bill.** Rather than be government-led, we plan for this legislation to be business-led. This piece of legislation would be designed to allow ministers to easily repeal any devolved regulations they believe are disproportionately harming our economic growth when weighed against the other objectives the regulation is meant to achieve.

The Bill would not have a prescriptive list of regulations to repeal. Instead, it would require Scottish Ministers to consult with businesses who would then inform the government which regulations and legislation are causing them economic harm. All devolved regulations would be within scope of the Bill for assessment. A clear process would be set out for assessing regulations, to allow businesses to come forward with proposals for regulation repeal or amendment and ministers to make a judgement based on the evidence presented.

The Bill would also make clear that any new regulations would have to pass assessment criteria outlined in the legislation, to prove that they will not be expected to cause excessive harm to Scotland's economic growth. Only if regulations pass this test could they be enacted.

Passing this legislation to allow for regulations to be assessed will also enable us to better judge the cumulative impact of regulation. The Scottish Grocers' Federation have made clear that local grocery stores are under threat from 'cumulative cost pressures' and 'ever-growing' regulatory requirements.[xc] Therefore, our Bill would make it clear that when regulations interact and have a cumulative impact, this impact should be assessed in its totality, rather than in isolation.

Overhauling our regulatory landscape will help businesses, but we will need more ambition to get our economy growing properly. If we want to turbocharge growth in Scotland, there are several models we can look at, even from within the United Kingdom. The most prominent example of this is the Isle of Dogs Enterprise Zone and the London Docklands Development Corporation (LDDC) which completely transformed a declining part of the inner city into one of the most prosperous parts of the country.

By 1980, all of London's docks had closed and around eight square miles of vacant land had been left behind due to these closures.[xci] To transform its fortunes, then Environment Secretary Michael Heseltine launched the London Dockyards Development Corporation in 1981.

The LDDC was created via the Local Government, Planning and Land Act 1980, which enabled a Secretary of State to create a statutory instrument establishing an Urban Development Corporation (UDC) and its constitution, with its members appointed by the Secretary of State and funded via his discretionary departmental budget.[xcii]

UDCs were given powers over land acquisition, planning and infrastructure development.[xciii] Specifically, the 1980 Act allowed the Secretary of State to assume the responsibilities of local planning authorities, meaning they could personally approve proposals for the development of land with the UDC area. Furthermore, the UDC could also become the local planning authority for the area, in place of the existing local authority, should the Secretary of State deem that appropriate. The control of local authority or other public body land could also be transferred to the UDC via statutory instrument.

The UDC was also able to acquire any land in the UDC area, including compulsorily, so long as the Secretary of State authorised it. Land can also be acquired outside of the UDC area too, so long as it is being purchased in connection with the discharge of its functions within the area.

To ensure local authorities are aware of developments, UDCs were required to consult with local authorities through a code of practice. This code outlined how consultation would work in relation to the exercise of the UDCs powers. However, this consultation did not include a power of veto. Ultimately it was the Secretary of State who approved planning decisions or acquisitions for the UDC.

This allowed UDCs to act quickly and respond to market conditions. If a proposal for how the land could be regenerated was received by the corporation, it would be assessed purely on its merits, rather than having ideas imposed by central government. As the Chief Executive of the London Dockyards Development Corporation put it at the time, “There have been no master plans or detailed development frameworks.”[xciv]

Complementary to the LDDC was the Isle of Dogs Enterprise Zone. The aforementioned 1980 Act allowed UDCs to apply for an Enterprise Zone designation.[xcv] Where Enterprise Zones were designated, it had the effect of being able to grant planning permission for any class of development and could grant unconditional planning permission. A rates exemption was offered to certain classes of property if they were situated within an Enterprise Zone area. There were further incentives provided too, such as a write-off on capital costs and no training levies.[xcvi]

In the 17 years of its operation, the LDDC received £1.86 billion worth of public funding, yet generated around £7.66 billion in private sector investment, meaning the corporation generated £4 for every £1 invested by central government.[xcvii] Employment in the area tripled from 27,000 in 1981 to 85,000 in 1998. It is where Canary Wharf was built and grew into a bigger banking centre than Frankfurt.[xcviii] And new transport links emerged, such as London City Airport, Docklands Light Railways and the Jubilee line extension.[xcix]

There are some legacy versions of these policies still in place in Scotland, albeit nowhere near as ambitious as the models deployed in London during the 1980s. The Scottish Government’s Enterprise Areas, for example, allow businesses to claim up to 200,000 euros in business rates relief over a three year period or full expensing of capital expenditure in their first year. [c]

In the rest of the UK, new iterations of development corporations tend to be more locally-led, initiated by metro mayors and local authorities as well as central government. The Conservative Mayor for Tees Valley Ben Houchen described these new development corporations as ‘a genuinely fantastic way of accelerating development.’[ci] He also highlighted that one of the development corporations in the Tees Valley area approved a £200 million planning application in Middlesborough just 10 weeks, claiming that the local authority would ‘never dream’ of approving the application so quickly.[cii]

The Scottish Conservatives believe there are large areas of our country that are ripe for regeneration and investment, if only there was the political will coupled with the right tools to unlock it. There are approximately 22,500 acres of vacant and derelict land in Scotland.[ciii] This is enough land to build at least 700,000 homes.[civ]

To attract this investment into neglected parts of Scotland, we would introduce **Scottish Business Zones** (SBZs). Establishing SBZs would require legislation, but they would provide numerous benefits to businesses and investors. The legislation, which we would call the Jobs Creation Bill, would allow Scottish Ministers to establish a Scottish Business Zone. This would have to be done in partnership with the relevant local authority. The statutory objective of these zones would be very simple: they must grow Scotland's economy, attract investment or bring jobs into the local area. Each SBZ would be granted a budget that Scottish Ministers, in partnership with local authorities, could spend how they please, so long as it helps achieve economic growth or brings jobs into the zone.

The SBZ would have specific boundaries that are set out via a statutory instrument and would have all powers transferred from the existing local planning authority to Scottish Ministers, who would exercise these powers in conjunction with local authorities. SBZs would establish a bespoke, streamlined planning process, to speed up decisions for businesses and make the area more attractive for investors.

This streamlined process would include applications within the area being exempt from National Planning Framework policies. The primary criteria that would determine planning applications within these areas would be whether they present a viable plan to bring jobs and growth into the region.

On top of planning powers, Scottish Ministers could have publicly owned land transferred to an SBZ, as long as it was for the purposes of using it to fulfil its statutory objectives of growing our economy or bringing jobs/investment. Ministers would also be empowered to purchase any land, including compulsorily, in order to achieve these goals.

To further attract investment into these areas, numerous financial incentives would be offered for potential investors. Firstly, all businesses would be exempt from non-domestic rates in any area that is covered by a Scottish Business Zone. Secondly, any commercial properties bought within the confines of the SBZ boundary would be exempt from Land and Buildings Transaction Tax of any kind. Additionally, businesses in the area would benefit from the capital available to the SBZ to develop necessary infrastructure required in the area. We would also work with the UK Government to explore further incentives that could be offered, such as more expansive capital expensing allowances for businesses to reduce their tax burden and National Insurance Contribution exemptions.

To minimise the regulatory burden of businesses operating in these areas, SBZs would also have the ability to institute a regulation freeze. Ministers, in conjunction with local authorities, could use these powers to consult with businesses to disapply existing regulations as well as prevent new regulations from applying in this area. There would be a clear test set out in the legislation that defines the criteria for disapplying any regulations, and so could not be done carelessly, but the overall objective would be to disapply regulations which are harming the area's economic prospects.

We believe the best place to pilot our planned Scottish Business Zone would be in and around the Grangemouth refinery. When Grangemouth closed earlier this year, over 400 jobs were lost and was such a significant economic loss that the Scottish Government cited it as a contributor to the decline in Scotland's GDP in May 2025.[cv] By offering the numerous incentives we have outlined above, it would make it much easier for a potential investor to transform one of the options outlined in the Project Willow report into a reality. It should be noted that Grangemouth is also included in the Green Freeport site that was jointly designated by the UK and Scottish Governments, so there are already some incentives available to potential investors and some of them overlap with the offered incentives we have outlined for Scottish Business Zones. However, the additional benefits offered in relation to planning, land acquisition and regulatory exemptions would give investors further reasons to invest in the future of the Grangemouth site.

Conclusion

The proposals outlined in this policy paper are just the start of Scottish Conservative plans to get our economy growing again.

Making it clear that economic growth is the top priority for all ministers and civil servant would focus minds and demonstrate that the government is finally serious about providing more jobs and opportunities in Scotland.

Withdrawing from the ideologically motivated 'wellbeing economy' alliance would put an end to the SNP's hostile attitude towards economic growth and start a new era of a pro-business attitude in government.

Introducing Regeneration Relief would give Scotland's left-behind communities a new lease of life by making it more advantageous for businesses to set up in those areas.

Auctioning long-term vacant shops would give companies the opportunity to capitalise on empty properties with new business proposals that could revitalise communities who are struggling to retain their workforce.

Creating Growth Scotland by merging the existing enterprise and skills agencies would provide more coordination across government and allow publicly funded business grants to be more focused and directed towards the key industries that can unlock growth in Scotland. Those key industries would be supported by centres of excellence to further bolster their prospects.

A moratorium on regulatory divergence with the rest of the UK would stop the SNP from erecting unnecessary barriers for businesses looking to operate in Scotland that can often cause harmful or expensive changes to their product or service.

A bonfire of regulations led by consulting with businesses would ensure that government is listening to businesses and the harmful impact of regulation, both individual and cumulative.

And through the introduction of Scottish Business Zones with similar powers to the one that allowed Canary Wharf to develop, we could turbocharge growth in areas that desperately need investment, starting with the area around Grangemouth.

Our common-sense plans will back business, support aspiration and provide opportunity across Scotland. While other parties often scramble to do their best to attack business, we want to make it very clear that we will go out of our way to champion them and do all we can to allow them to thrive.

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