

MAKE SURE YOU'RE IN THE KNOW

The referendum on 18th September 2014 means making a big decision – a forever decision – that affects everything: how we live and work, what money we use, the tax we pay, the laws we abide by and the passport we carry.

Creating an independent Scotland would mean creating a brand new state. The UK would still go on without Scotland in the event of independence, and all the organisations and services it provides would also continue, but would no longer be shared automatically with people in Scotland.

And it's not simply the case that things like the pound, our pensions or the BBC would automatically carry over. Exactly how the new country would work – everything from its economy and taxes, to its army and public services – cannot be known.

What we do know is: the UK works. And works well.

It works well for our families, it works well for our finances and it will work well for our future. We believe that united we have much more to share and much more to gain.



THIS DEBATE COULDN'T MATTER MORE. AND HERE'S WHY WE THINK THE UK MATTERS TO YOU:



Size matters

because being part of the UK brings us more opportunities to invent and manufacture, solve problems and provide strength in numbers. Having more people means there are more goods and services for us all to use, and we have more influence when it comes to working with others around the world.



Together matters

because goods, business and people can move freely around the UK without the need for things like passports or customs checks. The different parts of the UK do most of their business with each other so it's important this can be done openly, without barriers or borders. But it's not just physical things – the whole of the UK also benefits from the free flow of ideas and innovation.



Money matters

because the UK has a resilient economy and a strong currency, and both have served us well during tough times. And it's an economy we control, with the Bank of England setting our interest rates (which affect our mortgage rates) rather than a shared central bank that serves multiple countries.



Devolution matters

because it means the Scottish Parliament decides on the day-to-day issues that matter to people and businesses in Scotland. Decisions and initiatives made by the Scottish Parliament have inspired the rest of the UK, such as the ban on smoking in public places, pioneered by Scotland in 2005.

Your decision matters.

Given how complex the issue is, and the major and long term consequences it could have, it is important to make an informed choice.

Our comprehensive analysis gives you the facts and information you need.

KNOW THE FACTS

**The fact is, no one has all the facts.
If Scotland decides to become independent
then many more complex decisions will follow
– many would require difficult negotiations,
of which we can't predict the outcome.**

What we do know is that the UK already works well for all of us. Many of the things we enjoy and benefit from within the UK would not automatically be available in a new country.

The UK provides world class defence, international influence, financial security, pensions and benefits, world-leading science and the very best of sport and culture – it's too good to gamble.



IF YOU REMEMBER FIVE THINGS ABOUT THE UK AND INDEPENDENCE, MAKE IT THESE:

- 1. Independence is the end of the United Kingdom as we know it.** It would mean Scotland leaving and starting again. The services and institutions we now share will stay part of the continuing UK and the new Scotland will have to create much of its own infrastructure and negotiate its own terms and conditions with other countries. **Scotland currently shares more than 200 public bodies with the rest of the UK** – recreating these will take time and money.
- 2. The UK has a diverse and successful economy.** The UK has a population of around 63 million people; Scotland's population is around 5 million. This means far more people are paying tax across the UK, which is what funds public spending and ensures we provide for one another – whether that's through the NHS or the State Pension. Scotland benefits from this, as public spending is 10% higher per person in Scotland than across the UK as a whole. Being part of the UK means Scotland's economy – which is particularly strong in sectors like energy and financial services – is better protected against the ups and downs of the global economy. **The UK is the 6th largest economy in the world, despite being only 22nd in terms of population size.**
- 3. Being part of the UK is a key factor in that economic success.** Scottish businesses do most of their trade with the rest of the UK; separation could see trade move less freely, affecting jobs and income. **70% of Scottish exports (40% of all Scottish goods and services) go to the rest of the UK.**
- 4. The UK has major international influence.** The UK has a seat at the top table, where we influence global decisions on security, trade, finance and farming. As a major player in the UN Security Council, NATO and the EU, the UK carries influence through its international alliances and world class armed forces that not only help to protect us all, but also generate jobs. **The UK spends over £34 billion on defence annually, and 12,500 regular armed forces (8.8% of the UK total) will be based in Scotland by 2020.**
- 5. We are a truly united kingdom.** The UK doesn't just share business and government institutions, it has centuries of shared culture, media, sport and arts. The diversity of the UK enriches everything we do – from our academic research and technological innovation to our performing arts – and it means we can invest more in doing it. **Scottish communities received one fifth of UK Government money spent improving broadband in rural areas. And the BBC, which receives just over £300 million in licence fees from Scotland each year, spends just under £4 billion on broadcasting that Scottish viewers and listeners can enjoy.**

The referendum asks a big question of you. Before you decide, have you thought about what your answer would be to these questions:

- What protects my finances from global economic instability?
- How do I benefit from being part of a united kingdom?
- What would independence mean for jobs and pensions?
- How much would independence cost? How much would it cost me and my family?
- Does it matter what currency we have?

You wouldn't move house without doing your homework or go on holiday without checking out the destination. So don't take Scotland's biggest decision in 300 years without getting clued up first.

KNOW THE NUMBERS

The referendum is a big deal and there's a lot of information to get your head around. To help you decide here's some fast facts about the organisations and resources shared across the UK, which make us a strong and stable family:



£1,200

Public spending in Scotland is about **£1,200 higher per person** than the UK level.



£2,000 – the potential cost per household every year of putting a border between Scotland and the wider UK economy.

£ 200+

200+ – the number of public bodies Scotland shares with the rest of the UK – from MI5 and Royal Mint, to the Driving Standards Agency and the Big Lottery Fund.



NEW BORROWING POWERS

More powers are coming to Scotland – from 2015-16 the Scottish Parliament will have new borrowing powers and the power to set its own Scottish income tax rate, without the need for independence.



THE IMPACT OF A BORDER... IN NUMBERS

WORKING TOGETHER WITHOUT BORDERS MEANS
OUR ECONOMY IS DIVERSE AND SUCCESSFUL:



Almost **200,000 jobs in Scotland depend on the financial sector.**
Nine out of ten Scottish financial services companies' customers are in the rest of the UK



70% of Scottish goods and services are sold to the rest of the UK



In 2012 Scotland exported **£48 billion** worth of goods and services to the rest of the UK and imported **£59 billion** from the rest of the UK...



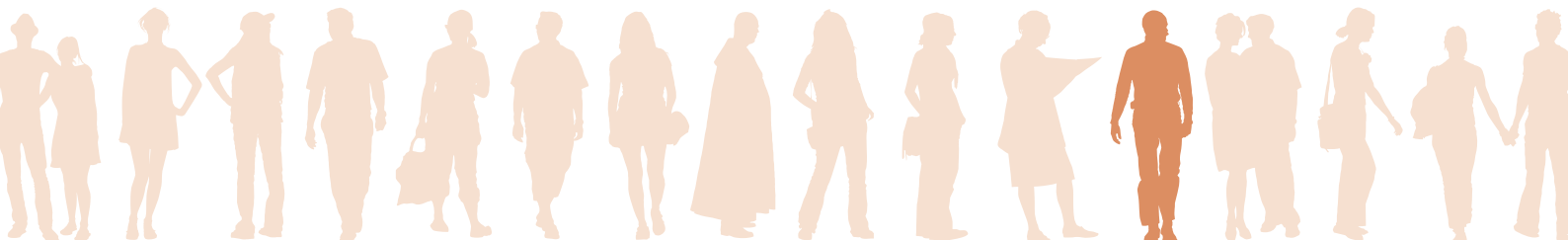
... and businesses operating in Scotland but owned elsewhere in the UK supported **338,000 Scottish jobs**



More than **450,000 people** living in Scotland today were born in England, Wales or NI, and more than **830,000 people** born in Scotland now live elsewhere in the UK



c30,000 – the number of people who travel in and out of Scotland each day to work



KNOW THE ANSWERS

Did you know that the UK Government spends 10% more on every person in Scotland than the UK average?

Or that more than 450,000 people living in Scotland today were born in England, Wales or Northern Ireland, and more than 800,000 people born in Scotland now live somewhere else in the UK?

Have you wondered what the Bank of England actually does or what an alternative to the pound might be? Well, you're not the only one.

There's far more than just one question that needs answering in this referendum, over the page we've answered some of them.



NO ONE HAS ALL THE ANSWERS, BUT TO HELP MAKE SURE YOU'RE IN THE KNOW ABOUT WHAT WE DO KNOW, HERE'S OUR REFERENDUM RUNDOWN:

1. Will I pay more or less tax under independence?

Since devolution Scottish households and businesses have contributed slightly less tax than the UK average. Over the same period, public spending per person in Scotland has been around 10% higher than the UK average.

North Sea oil and gas revenues would help support Scotland's public finances, but are forecast to halve by 2017-18, and decline significantly in the long term. The number of taxpayers compared to pensioners is also forecast to decline more quickly in Scotland than elsewhere in the UK, resulting in fewer taxpayers funding each pensioner. All this means that the government of an independent Scotland would face hard choices on whether to increase taxes or reduce public service spending in order to balance the books. Even in the Institute for Fiscal Studies' most optimistic scenario, an independent Scotland would have to find permanent tax increases or spending cuts equivalent to £3bn per year, after 2020. This is equivalent to an 8 percentage point increase in the basic rate of income tax; in other words, an average increase for basic rate taxpayers in Scotland of around £1,000 a year.

2. What will happen to my pension and benefits?

Pensions and benefits will definitely be affected. At the moment, 70% of people in Scotland buy their personal pensions from firms elsewhere in the UK. The Institute of Chartered Accountants of Scotland have highlighted that cross-border employers would face higher costs to fully fund their pension liabilities. Private pensions may also be less secure, as they wouldn't necessarily be included in the UK Government's Pension Protection Fund.

Public spending on pensions and benefits is currently 2% per person higher in Scotland than in the rest of the UK. It's difficult to see how this support would be maintained in an independent Scotland, which would also have to fund its own financial institutions, pay to be a member of international organisations, set up its own armed forces, and negotiate its international treaties.

3. How would an independent Scotland's armed forces work?

The current UK armed forces based in Scotland would not automatically become Scottish on independence. Nor would the creation of independent defence capabilities and armed forces be as simple as transferring units or assets that are recruited or based in Scotland now. Many critical functions could not be split. Whether replacing or rebuilding these functions, the government in Scotland would have an expensive task: recruiting, training, housing and managing service men and women; developing and maintaining ships, weapons, and planes; and creating support networks such as medical provision and intelligence. An independent Scottish government would also need to create new security services and new organisations to protect people from online crime, from scratch.

4. Will there be a border and what passports will we need?

If Scotland votes for independence an international border would be created between an independent Scotland and the continuing UK. It's not yet known whether Scotland would be required to join the European borderless travel area (the Schengen area), which covers most EU countries but not the UK and Ireland – if it were required, people would need to show a passport to cross the border between Scotland and the rest of the UK. If an independent Scotland were able to negotiate an opt-out from Schengen, it could be part of a Common Travel Area with UK and Ireland, but this would depend on it agreeing to align some of its visa and immigration policies with those of the UK and Ireland.

5. What impact will independence have on Scottish trade, jobs and businesses?

Currently, most Scottish exports go to elsewhere in the UK and most businesses in Scotland have mainly UK customers. Scottish firms sell goods and services to the rest of the UK without restrictions, so any form of border and separation would make that trade more difficult and potentially more expensive. And, there's no guarantee that Scotland would become a member of the EU straight away. Costs and uncertainties like these will likely affect how businesses perform and employment prospects for Scottish people.

6. What money will we use and how will it be kept safe?

No one should vote for independence assuming that an independent Scotland would keep the UK pound. If the government of an independent Scottish state wanted to enter into a currency union with the UK – where the UK pound was to be shared – this would have to be agreed with the continuing UK. As the euro has shown, this may not be in the best interests of either country so it is hard to see how a currency union that satisfies both governments would be agreed upon.

Alternatively an independent Scotland could use the pound 'unilaterally', by importing UK pounds into Scotland. This would mean Scotland having no say over interest rates and no central bank to bail out financial institutions in the case of crisis, or to back mortgages, savings and pensions. So an independent Scotland may be required to join the euro or it may choose to establish an altogether new currency in the event of independence, neither of which has the history and stability of the UK pound we share now.

7. How will the UK debt be divided and paid?

In the event of independence, the UK Government would honour all of its debt obligations, but an independent Scotland would be responsible for repaying the UK for a fair and proportionate share of this debt. The size of that share and the terms of repayment would need to be negotiated between both governments. Options include splitting the debt according to population size (as happened when the former Czechoslovakia broke up), or according to economic output per person. In either case, an independent Scotland would have large existing debts for a relatively small country. It would also have to establish a new system for managing its currency and borrowing money on financial markets for the first time, the consequences of which are hard to predict but most experts agree that an independent Scotland would pay higher interest rates than it does as part of the UK.

