

CHAPELCROSS Development Framework

A vision for Chapelcross

Charrette Report Appendices
A: Sub-regional Economic Baseline Study
B: Towards a Marketing Strategy



Dumfries

Chapelcross

Annan

Gretna

Carlisle

Final Appendices prepared by

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CHAPELCROSS Development Framework

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APPENDIX A: Sub-regional Economic Baseline Study

Chapelcross Development Framework M74 Corridor Baseline Report



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CHAPELCROSS DEVELOPMENT FRAMEWORK: BASELINE REPORT

1. Introduction

1.1 This report provides the **socio-economic context** for the Chapelcross Development Framework. It is based on original research and analysis by Kraken Research. This research uses official statistics, analysed at datazone level, to build a detailed picture of the M74 corridor area.¹ This new research is at the heart of the report and it is complemented by a review of secondary sources. We have also had sight of a working draft of a baseline report produced by Arup as part of the M74 Economic Study, commissioned by Scottish Enterprise.² Although this draft is not yet ready for publication, the emerging findings appear to be consistent with our research.

1.2 The report is in **5 sections** including this introduction:

- Section 2 reviews the regional policy context
- Section 3 reviews previous studies and policy documents for the Gretna-Lockerbie-Annan Regeneration Corridor³
- Section 4 reviews previous sector studies
- Section 5 sets out the results of our original research on the M74 corridor area

¹ For a definition of the M74 corridor, see Section 5.

² Draft 2, dated 6 January 2015

³ We have adopted the simpler term M74 corridor in this report.

2. Regional context

2.1 The **Crichton Institute** has recently completed a baseline study of the Dumfries and Galloway economy.⁴ The report provides the evidence base for a new regional economic strategy, currently being developed. Key messages from this report include:

- the region has an ageing population with the highest proportion of over 65s of any Scottish Council area
- population projections suggest that a growing elderly population will depend increasingly on a relatively small labour force
- the labour market is “performing poorly”, with significant under-employment and a low proportion of graduates in the workforce
- over-represented sectors include land-based industries, retail, accommodation and residential care
- knowledge-based industries (professional, scientific and technical services, business administration, finance and insurance, ICT) are under-represented.

2.2 The report shows that **gross value added** (GVA) declined by 2.4% in Dumfries and Galloway between 2008 and 2012, markedly worse than in Scotland and most comparable regions. Provisional calculations suggest that Dumfries and Galloway generated £2.074 bn in GVA in 2012, two-thirds of which was accounted for by 3 broad sectors:

- public administration, education and health
- wholesale, retail, transport, accommodation and food
- production including manufacturing.

2.3 Dumfries and Galloway is a **low-productivity region**. GVA per capita was £15,626 in 2012, compared with a Scottish average of £20,571. This reflects the over-representation of sectors such as agriculture and retail, and the under-representation of knowledge-based services and high-tech manufacturing. The region’s most important manufacturing sector is food and drink, which employs 9,600 people and contributes £106.8m to GVA. Other key sectors include tourism (£68.1m), energy (£66.6m) and financial and business services (£57.6m).

2.4 This lack of economic vitality is reflected in **demographic trends**. Mid-year population estimates suggest that the number of people living in Dumfries and

⁴ Dumfries and Galloway Council, *Dumfries and Galloway Regional Economic Strategy 2014-2020: Baseline study and regional economic profile* (Crichton Institute, 2014)

Galloway declined slightly between 2008 and 2012; in the same period the population of Scotland grew by more than 2%. The number of residents aged 65+ increased more rapidly (+8%) than in Scotland, while the number of working age people (aged 25-49) and dependent children (0-15) declined much more rapidly than in Scotland. The population of Scotland is ageing naturally because of longer life expectancy, but the process is accentuated in Dumfries and Galloway by the out-migration of younger and working-age people and in-migration of older people. This is typical of the experience of many rural areas.

- 2.5 The relatively low **employment rate** in Dumfries and Galloway (68% in 2013/Scotland 71%) is partly a reflection of an ageing population, but data on job vacancies suggest that there has also been a decline in the demand for labour, and the unemployment rate (using the ILO definition) doubled between 2008 and 2012. Claimant count unemployment fell during 2013; rates are higher in parts of Dumfries and in the west, lower in Annandale & Eskdale (the M74 corridor).
- 2.6 The Crichton report also points to the region's growing dependency on **part-time jobs**. In 2003, the proportion of jobs in Dumfries and Galloway which were full-time (76%) was higher than the Scottish average, but it fell sharply in the ten years to 2013, to 66% (Scotland 74%).
- 2.7 Measured by employment the following sectors are **over-represented** in Dumfries and Galloway:
- agriculture
 - manufacturing (especially food and rubber/plastics)
 - retail
 - education
 - accommodation
 - food services.
- 2.8 The following sectors are **under-represented** in Dumfries and Galloway:
- professional, scientific and technical services
 - business administration and support
 - finance and communication
 - ICT
- 2.9 The region's low productivity is reflected in workforce **occupations**. Elementary, process, skilled trades, caring, leisure and other service occupations are all over-represented, while professional and technical occupations are under-represented. This, together with a bias towards low-

wage sectors, has resulted in Dumfries and Galloway having the lowest **average pay for full-time workers** in Scotland. But the cost of living in the south of Scotland is still relatively high: the result is a squeeze on household incomes which “suppress[es] demand for local goods and services”.

- 2.10 The picture on workforce **qualifications** is very similar, despite the relatively strong performance of the region’s schools. Only 20% of the region’s workforce are educated to degree level or higher, compared with more than 30% for Scotland. There is a lack of opportunity in the region which makes it hard to attract and retain highly educated people. The region’s high proportion of small and micro-businesses is a factor contributing to the low-level of **work-related training** in Dumfries and Galloway.
- 2.11 In 2013 there were 5,900 VAT/PAYE-registered **businesses** in Dumfries and Galloway, more than a third of which were in agriculture, forestry or fishing. The next largest category was wholesale/retail/motor trade, followed by construction and accommodation/food. Only about 12% of businesses in Dumfries and Galloway operate in knowledge-intensive areas, as defined by Eurostat. This is lower than in other rural regions in Scotland, and less than half the Scottish average. However, business density – which is often high in rural areas – is only around the Scottish average in Dumfries and Galloway, and there were fewer new businesses per capita in 2012 than in any of the comparator regions.
- 2.12 Nevertheless, the region has a significant number of **key companies**. In 2014, Scottish Enterprise reported that it was providing support for 51 account managed companies, of which 14 were in the food and drink sector, 10 in chemicals and 8 in forest industries.
- 2.13 The Crichton reports explores aspects of the **rurality** of Dumfries and Galloway, including the high proportion of “access deprived” datazones. Of particular concern is the low percentage of addresses with a broadband connection and low broadband speeds.
- 2.14 The **Regional Economic Strategy** for 2015-2020, which draws on this baseline analysis, has not yet been published (January 2015) but we have been given sight of a draft which proposes 6 strategic objectives:
- SO1 - more growing businesses
 - SO2 - developing places
 - SO3 - better skills, better opportunities
 - SO4- well-developed infrastructure

- SO5 - large investment projects
 - SO6 - intelligence, leadership and influence.
- 2.15 The draft also includes an “**activity matrix**”. The list is provisional, but activities which are likely to be of particular significance for the Chapelcross site include:
- develop and strengthen the supply chain (SO1)
 - invest in effective transport links (SO2/SO4)
 - invest in ICT infrastructure (SO4)
 - maximise potential of employment land and property (SO4)
 - inward investment activities (SO5)
 - investment in the Chapelcross site and the M74 corridor (SO5)
 - maximise resources coming in to the region (SO6)
 - maximise the role of national agencies (SO6)
- 2.16 The Crichton report updates the analysis in the Local Development Plan **Main Issues Report**⁵, which draws in turn on the previous Regional Economic Strategy (2008). The Main Issues report identifies five key sectors:
- tourism
 - food and drink
 - forestry
 - energy
 - agriculture.
- 2.17 The Main Issues report identifies the **M74 corridor** as the area that “offers the most potential as it is the most accessible part of the region with good road and rail links”:
- “The A74 (M) corridor has the potential to be developed as an area of opportunity for storage and distribution facilities to maximise the good road and rail links and to build on the proposals to create data centres”.
- 2.18 The adopted **Local Development Plan** identifies the Gretna-Lockerbie-Annan regeneration corridor as a key location for business and industry, and Policy ED4 states that Dumfries and Galloway Council “will encourage business and industrial development proposals at Chapelcross”. As a large brownfield site in the regeneration corridor, Chapelcross “provides expansion potential for existing businesses and opportunities for inward investment projects. Almost 60 hectares of land has been allocated for development within this Plan and the rest of the site will become available for development over the course of future LDPs.”

⁵ Dumfries and Galloway Council, *Local Development Plan: Main Issues Report*, March 2011

- 2.19 The **South of Scotland Alliance**⁶ has published its development programme for the period 2014-2016, which describes four key strategic projects, including an economic development strategy for the M74 corridor.⁷ The Alliance sets out the economic context for this wider south of Scotland area. It notes challenges including low per capita GVA, low productivity, dependency on agriculture, forestry and fishing, and a low rate of VAT/PAYE registrations, all of which are discussed in the Crichton report. The partners also highlight opportunities including key market segments in the food and drink and tourism sectors, maximising higher education assets, and niche products.⁸
- 2.20 The programme identifies **6 key outcomes**:
- bringing new types of business and different sectors to the south of Scotland
 - encouraging existing businesses to grow
 - expanding the service sector
 - increase visitor numbers and spend
 - sustain communities by increasing the working age population
 - close the GVA gap.
- 2.21 Priority 3 in the programme is the development of **an economic development strategy for the M74 corridor**. A separate study, commissioned by the Council and SE and being undertaken by Arup, will include baseline analysis, an appraisal of options for existing and new industry sectors, and the production of a strategy spanning time horizons from 5 to 20 years.⁹ The Alliance highlights opportunities for energy sector developments at Chapelcross and Eastriggs. Eastriggs, a MOD facility, is another huge and challenging brownfield site (with rail access) within a few miles of Chapelcross; the MOD is also seeking to dispose of land at Longtown, just across the border in Cumbria.
- 2.22 Chapelcross was the subject of an earlier report, the 2009 **Chapelcross Development Framework**, which was commissioned by Scottish Enterprise.¹⁰

⁶ A partnership between Scottish Borders Council, Dumfries and Galloway Council and Scottish Enterprise.

⁷ South of Scotland Alliance, *South of Scotland Rural Regional Economic Development Programme 2014-2016*

⁸ There is an authoritative, if somewhat dated account of the South of Scotland economy in Scottish Enterprise, *South of Scotland Economic Review*. Report by SLIMS and Oxford Economics, March 2009.

⁹ As noted above, we have had sight of a working draft of the Arup baseline report

¹⁰ Scottish Enterprise, *Chapelcross Development Framework*, report by Turner & Townsend, *et al*, March 2009

The property market analysis in this report draws on a 2008 study by Ryden,¹¹ and the conclusions reflect the immediate impact of the financial crash of the same year, but some key messages remain relevant, including:

- activity in the local industrial/commercial property market was dominated by developments at Steven’s Croft, Lockerbie
- virtually no modern industrial space was available and very few office options except the Crichton Campus and Brasswell Office Park¹².

2.23 The 2009 report noted that a key consideration for development aspirations in the M74 corridor (and specifically Chapelcross) was its **proximity to Carlisle**, a medium-sized city where “the scale and quality of [the] business space market, including the 162 ha regional development site Kingmoor Park on Junction 44 of the M6, outweighs anything Dumfries and Galloway has to offer”. Taking account of this backdrop the masterplan states that the “specific targets” for economic development at Chapelcross are:

- distribution
- haulage
- renewables/energy
- incubator/R&D office
- general industrial.

Conclusions

2.24 The Crichton Institute report provides a comprehensive, authoritative and up-to-date account of the regional economy, but it contains **no real surprises**. It confirms that the challenges facing Dumfries and Galloway for many years remain unchanged: an economy based on a few key sectors, low productivity, low-wage/low-skill jobs and an ageing population. There are local variations some of which are explored in Section 5 of this report. Overall, the analysis continues to give some cause for concern but there are bright spots: the region enjoys an enviable quality of life and there have been some recent success stories, notably at Steven’s Croft (Lockerbie) and the Crichton Campus (Dumfries).

2.25 The baseline study highlights the threat posed by the **shutdown of the Chapelcross site**. The demands of the decommissioning programme have sustained employment at Chapelcross (1,000 at its peak), but the defueling

¹¹ Scottish Enterprise South, *Dumfries and Galloway Business Space Development Study*, report by Ryden, December 2008

¹² It is noted that SE have recently delivered the Annan Industry Park, which was part funded by the NDA, to address the shortage of suitable office and industrial space in the area.

process has been completed and employment will reduce sharply in the years ahead. Chapelcross has been a source of well-paid jobs which are in short supply in this rural area, including highly skilled jobs for scientists, technicians and engineers which will be very hard to replace.

- 2.26 The new local development plan highlights the potential of the **M74 corridor** as a site for the growth of existing businesses and inward investment. For the first time, Chapelcross is identified as a priority location for business and industry, and the M74 corridor (including Chapelcross and Eastriggs) is one of four priorities set out in the South of Scotland Rural Regional Economic Development Programme for 2014-2016.
- 2.27 The 2009 Chapelcross Development Framework contains some useful and important analysis including a market appraisal which, though brief and high-level, highlights the competitive threat posed by Carlisle, especially the Kingsmoor Park site.

3. The Gretna-Lockerbie-Annan Regeneration Corridor

- 3.1 The Gretna-Lockerbie-Annan (GLA) corridor is one of the **Nuclear Decommissioning Authority's** four priority areas in the UK. The NDA aims to work with economic development agencies to minimise the impact (and maximise the opportunity) of decommissioning and clean-up of nuclear sites by:
- creating opportunities for local people linked to decommissioning
 - supporting the diversification of local economies
 - increasing the attractiveness of areas near NDA sites as places to live, work and invest.
- 3.2 The NDA published its **area plan for the GLA Corridor** in 2009.¹³ The supporting economic analysis has been superseded by the Crichton Institute report and by this report, but the key message remains valid:
- “...the biggest challenge for economic sustainability of the Corridor area is the decommissioning of the Chapelcross site... [T]here are currently 420 direct full-time equivalent employees at the site and 50 contracted staff. This number is expected to decline to around 300 following the completion of defueling operations, declining progressively thereafter to only a handful of people by 2028 as the site enters care and maintenance”.
- 3.3 The area plan quotes the 2004 **Corridor Regeneration Strategy Group (CoReS)** strategy, which was based on four key objectives:
- wealth: raising income and living standards
 - diversity: new economic opportunities for sustainable growth
 - inspiration: a vision that everyone can aspire to and be part of
 - inclusion: so that all local residents benefit.
- 3.4 The aim of CoReS – as stated in 2013 – is “to promote and maximise the strategic economic potential of M74 corridor and the wider Annandale & Eskdale area”. The group will:
- market the area as a positive destination for existing and new businesses and visitors
 - promote sustainable economic development and seek to attract investment, targeting emerging sectors and R&D opportunities
 - alleviate strategic barriers to growth
 - support the development and delivery of agreed strategic priority projects such as the Chapelcross site and links with the Cumbria region

¹³ Nuclear Decommissioning Authority, *Gretna-Lockerbie-Annan Corridor: Priority Area Plan Socio-Economic*, June 2009

- promote improved transportation and digital connectivity
- promote challenges and opportunities to Scottish Government, UK Government and key National Agencies.

3.5 The CoReS Strategy also identified **market-led opportunities for economic change in the corridor area**, which were framed around six themes:

- diversifying the existing Chapelcross base
- building on the international profile of Gretna to create new commerce and tourism
- transport and communications connectivity
- higher value businesses
- new sector opportunities to attract investment
- image and competitive advantage.

3.6 In the past few years Dumfries and Galloway Council has commissioned **masterplans for the three principal settlements** in the GLA corridor:

- Gretna (Gillespies) 2009¹⁴
- Annan (Turley Associates) 2010¹⁵
- Lockerbie (Ironsides Farrar) 2013¹⁶

3.7 The scope of these reports varies. The Gretna study is tightly focused on urban design and public realm interventions, but the Annan and Lockerbie studies have more strategic content:

- The **Annan** study includes a baseline report which highlights the town's exceptionally high level of manufacturing employment and process jobs; the proportion of managerial and professional jobs is very low. Many better-off families depend on jobs in Dumfries or Carlisle, and the report suggests that some of the people working at Chapelcross have transferable skills. New employment uses at Chapelcross would be "hugely significant". The report highlights new opportunities including tidal energy, but also notes the problems caused by slow, low-bandwidth internet connections. Specifically, the report suggests that the Kerr Timber Products sawmill should be relocated, possibly to Chapelcross, to create a high amenity residential development site.
- The **Lockerbie** study sets out a "2020 Vision" which includes making the town "a stronger business location for key sectors". Lockerbie should be a

¹⁴ Dumfries and Galloway Council, *Gretna & Area Regeneration*, report by Gillespies & DG First, November 2009

¹⁵ Dumfries and Galloway Council, *Annan Regeneration Masterplan Report*, by Turley Associates, July 2010

¹⁶ Dumfries and Galloway Council, *Lockerbie Regeneration Masterplan Report*, by Ironsides Farrar, March 2013

retail and commercial hub, and a site for primary industry and manufacturing; it should also be an O&M centre for the renewables sector. The masterplan includes proposals to attract strategic inward investment by promoting and developing cluster activity.

Conclusions

- 3.8 In the decade since power generation ceased at Chapelcross the NDA and local partners (through CoReS) have **framed a response** in terms of support for the workforce and the development of strategies to diversify the local economy and attract investment. Target sectors have been identified and a series of masterplans has focused on the future role of Gretna, Annan and Lockerbie as the principal centres in the catchment area.

4. Industry sector studies

4.1 Dumfries and Galloway has been the subject of a number of sector studies and policies, some of which are now out of date. Figure 4-1 records the key sectors identified in a range of recent policy documents, together with a provisional, desk-based assessment of the suitability of Chapelcross as a location. It is important to stress that this assessment was based on the **capacity, character and locational attributes** of the Chapelcross site, not market intelligence or other evidence of demand. The assessment was tested and broadly endorsed at the Chapelcross charrette (March 2015).

Figure 4-1: Key sectors – assessing the case for Chapelcross

Sector	Suitability	Commentary
Distribution/logistics	✓	Plentiful land available for warehouses, yards etc; close proximity to M74 and A75.
Energy/renewables	✓	Long history of energy generating at the site; proximity to Solway Firth (wind/tidal power).
Data centres	✓	Space for large buildings and secure sites; plentiful energy; ideal climate; proximity to M74 corridor.
Forest industries	✓	Well established industry cluster in D&G; access to timber supplies; proximity to facilities at Steven's Croft, M74 and trunk roads.
Food and drink	?	D&G's most important manufacturing industry, but Chapelcross is not an ideal site for a food producer.
Science/R&D	?	The Crichton Campus is the preferred location, but possible opportunities for R&D/innovation linked to key sectors above.
Tourism	?	Other more attractive sites for hotels, attractions etc.

4.2 The sectors most likely to attract **investment at Chapelcross** would therefore appear to be:

- energy, including renewables
- forest and timber technologies
- transport, distribution and logistics
- data centres.

Transport, distribution and logistics

4.3 The last sector study on transport, distribution and logistics dates back to 1999.¹⁷ Major developments since then, including the rapid rise of internet

¹⁷ Dumfries and Galloway Enterprise, *Potential for distribution developments in the M74/M6 corridor in Dumfries and Galloway*. Report by Steer Davies Gleave, 1999.

shopping, changes in the structure of the industry and later developments at Steven's Croft and Carlisle mean that the report is of little value as a guide to investment opportunities. The market situation has changed, however: parts of the MOD site at Longtown in Cumbria, which is very close to the M74 and has direct rail access from the west coast main line, are now being marketed to the transport and distribution sector.

Renewable energy

- 4.4 A 2013 report on renewable energy, commissioned by Dumfries and Galloway Council, contains a useful and up-to-date account of the state of the sector in the region.¹⁸ In Figure 4-2 we reproduce a summary of the key findings; it concludes that Dumfries and Galloway is an “active player” in the sector, but that the prospects of other major investments in the near future are slim.
- 4.5 Extrapolating from a range of sources Ekos estimate that the renewables sector supports 300-400 direct full-time equivalent jobs in the region, rising to 525 once multiplier effects are taken into account. An earlier report by BVG consultants on the Robin Rigg offshore wind farm concluded that locally sourced content was minimal (0.2%).¹⁹ The lack of port capacity on the Solway Firth limits economic opportunities for Dumfries and Galloway: O&M support for Robin Rigg is supplied by the port of Workington.
- 4.6 The Ekos report suggests that, all other things being equal, employment in the renewables sector in Dumfries and Galloway could increase to 1,000 – 1,500 jobs. The main areas of jobs growth are likely to be onshore wind, micro-generation, biomass and residential/commercial. Ekos notes that some stakeholders anticipated other “game-changing” possibilities associated with data centres and the Solway marine energy pilot.

¹⁸ Dumfries and Galloway Council, *Economic Benefits from Renewable Energy*. Report by Ekos, February 2013.

¹⁹ E.ON Climate and Renewables, *UK content analysis of Robin Rigg offshore wind farm*. Report by BVG Associates, September 2011.

Figure 4-2: Renewable Energy in Dumfries and Galloway

Source	Current status (2013)	Future prospects
Onshore wind	Very active. 7 projects operational + 13 under or awaiting construction.	Pipeline demand strong but may be more difficult to get consents for large schemes. Micro schemes likely to continue to develop.
Offshore wind	Two offshore wind farms at Robin Rigg. Proposal to develop Solway and Wigtown Bay withdrawn.	No short-term opportunities, but less contentious location identified for medium-long term.
Wave/tidal	No current projects included in Government proposals. Feasibility study for Solway Energy Gateway.	Solway identified as potential future location. Prospects will depend on feasibility/test studies.
Biomass	Largest biomass plant in the UK at Steven’s Croft + some small local schemes.	No major developments in prospect, but local schemes will continue.
Hydro	One major hydro scheme + 20 micro schemes	Major new schemes unlikely, but micro projects likely to continue to come forward.
Solar PV	D&G has the highest installed capacity and most solar/PV installations in Scotland, but mostly for domestic use.	Likely to continue to be small scale.

Source: Ekos

4.7 Data centres are discussed below. The most recent published statement on tidal energy is contained in the Solway Firth Partnership Business Plan 2013-2015:

“Solway Energy Gateway Ltd has been established to assess the potential for tidal energy generation in the Solway Firth. A feasibility study examining a range of options was launched at the Solway Firth Partnership conference in 2010 although consultation made it clear that a scheme entailing confinement of water and permanent inundation of the saltmarsh east of a proposed alignment between Bowness on Solway and Seafield at Annan would not be acceptable. Work is underway to test innovative technology in several Cumbrian watercourses with a view to exploring the potential to build a porous weir across the Solway”.

4.8 Arup’s baseline report for the M74 Economic Study (currently in draft) will include a commentary on the energy sector in Dumfries and Galloway.

Data centres

4.9 There has been active interest in two data centre projects in the M74 corridor in recent years. The two proposals – by Internet Villages International (IVI) and Lockerbie Data Centres (LDC) were the subject of a 2009 report by Broad Group.²⁰ The IVI project at Johnstonebank Farm, Ecclefechan was taken over by Scotia Global Ltd, but they withdrew and put the site up for sale in 2014.

²⁰ Scottish Enterprise, *Opportunities in the datacentre market: an evaluation of M74 corridor proposals*. Report by Broad Group, May 2009.

- 4.10 Lockerbie Data Centres Limited (LDC) was formed in 2008 and acquired a 280 acre site at Peelhouses Farm, near Lockerbie.²¹ Planning permission for the project was granted in 2010 for a 250,000 ft² data centre, Class 4 business units within a technology park, a horticultural research and commercial centre, visitor information centre and associated infrastructure; ownership of the site has since changed hands and the consent was extended for another 3 years in September 2013. We understand that the Peelhouse Farm scheme has now been withdrawn, but the M74 corridor continues to be one of the locations for a very large data centre development highlighted by Scottish Development International (SDI) in their promotional material.²²
- 4.11 The Broad Group report concludes that either of the data centre proposals (both were still live at the time of writing) “would have a transformational effect... [there is] an opportunity to firmly place Lockerbie as one of the renewable centres of Europe and a main data centre hub”. The report states that the M74 corridor offers all of Scotland’s advantages as a data centre location: plentiful energy supplies including renewables, cheap land, space, water and a cool climate, but that the quality of telecoms services “is still the major cause for concern”.
- 4.12 The Broad Group report offers an authoritative account of global and European trends in the emerging data centre industry at the time of writing, but its grasp of local conditions seems less secure. It acknowledges that data centres create very few direct jobs but argues that “a clustering effect” could attract high-tech and creative industries, creating anything between 8,000 and 12,000 jobs. Such figures are clearly not achievable in the M74 corridor area. Data centres may well be important strategic economic assets for Scotland, but there is still no robust appraisal of the likely benefits for the local community.

Forest industries

- 4.13 The Dumfries and Galloway **Forestry and Woodland Strategy** was published in 2014.²³ It includes a section on woodlands and sustainable growth based on the following policy objectives:
- predictable and sustainable timber supplies

²¹ Information from Scottish Development International.

²² Scottish Development International, *Scotland Cool and Secure: a natural home for your datacentre operations*, undated.

²³ Dumfries and Galloway Council Local Development Plan, *Dumfries and Galloway Forestry and Woodland Strategy*, January 2014

- promoting sustainable production and value added to local forest products
- forestry employment and skills development
- sustainable timber transport
- forest tourism.

4.14 The strategy discusses the case for further development of renewable energy from forest using biomass and wood fuel. Steven’s Croft is the largest biomass plant in Scotland, generating 44MW a year, enough to power 70,000 homes. As well as 40 direct jobs, the plant supports 300 indirect jobs in local sawmills and processing plants, but the document notes that the plant is unlikely to be sustained exclusively by local sources in the future. There may be opportunities to create more small-to-medium scale biomass plants in the region, but “it may be difficult to secure sufficient timber to provide for another large scale biomass plant”.

Other industries

4.15 A number of strategy documents make the case for attracting **science and technology services, R&D and innovation centres** to Dumfries and Galloway, especially if they are linked to the region’s key industry sectors. A technology park formed part of the now-defunct Katalyst Projects Ltd’s original proposals for Chapelcross, and something similar is proposed for the data centre project near Lockerbie. However, this aspiration does not appear to be supported by any market research. Locally, the principal source of research expertise is the Crichton Carbon Centre, but many of the key sectors in the region are already catered for by innovation centres such as the Scottish Centre for Food Development and Innovation (Queen Margaret University), the International Technology and Renewable Energy Zone (Strathclyde University) and the Wood Products Innovation Gateway (Napier University).

4.16 A 2008 study by Promar examined the feasibility of establishing a dedicated **food location** in Dumfries and Galloway:²⁴ “The proposed project aims to deliver assistance to locally based food and drink SMEs in the region with their processing, distribution/logistics and retailing activities, as well as providing locally produced food and drink products to local consumers.” The study concluded that regional producers supported the concept, but that the level of support varied for different parts of the proposed package: a retail outlet for local artisan produce was the most popular suggestion. The food location concept has not been implemented but trade and consumer research

²⁴ Scottish Enterprise, *Feasibility Study for a Food Location in Dumfries and Galloway*, report by Promar International, October 2008.

suggested that the preferred location for the facility would be Dumfries, followed by Castle Douglas.

- 4.17 Finally, it should be noted that Chapelcross has been short-listed by the Ministry of Defence (MOD) as one of five potential sites for a **Reactor Pressure Vessel (RPV) storage facility**. Under the MOD's Submarine Recycling Project, PRVs – which contain intermediate level radioactive waste – will be removed and transported to safe storage areas. They will be stored until a geological disposal facility is available sometime after 2040. The NDA has confirmed that an RPV store could be accommodated within the existing nuclear-licensed site at Chapelcross. Our understanding is that there would be little or no local employment associated with this use.

Conclusions

- 4.18 This review has examined a range of studies and strategies spanning a 15-year period. There is a broad consensus around the **priority sectors** (in terms of current significance and growth potential) for Dumfries and Galloway, and we have attempted an initial appraisal of the suitability of Chapelcross as a location for these industries, taking account of the site's capacity, character and location. The most promising uses appear to be:
- energy, including renewables
 - forest and timber technologies
 - transport, distribution and logistics
 - data centres.
- 4.19 We have examined the available evidence relating to each of these sectors. Up-to-date evidence of **market demand** is in short supply but our provisional conclusions, as they relate to Chapelcross, can be summarised as follows:
- Chapelcross would be a suitable location for a large **biomass** power generation plant, but local timber supplies are already extended by the demands of Steven's Croft; an investment in tidal energy from the Solway Firth remains a possibility but it is not clear whether it would deliver any significant local benefits
 - Chapelcross would be a suitable site for **timber processing** or other value added activities; the 2010 Annan masterplan recommended that the Kerr sawmill should be relocated, possibly to Chapelcross
 - the site has ample capacity to accommodate a **road haulage** operation or large **distribution** centres, although it would benefit from the proposed improved road link to the M74; the Longtown site appears to enjoy some

advantages over Chapelcross in terms of location and infrastructure, but we are aware of interest in using Chapelcross for coal storage/distribution

- Chapelcross is a promising site for one or more large **data centres** even though two proposed schemes have failed to deliver; the M74 is being marketed by SDI as a data centre location, although the challenge would be to attract complementary development creating a significant number of jobs.

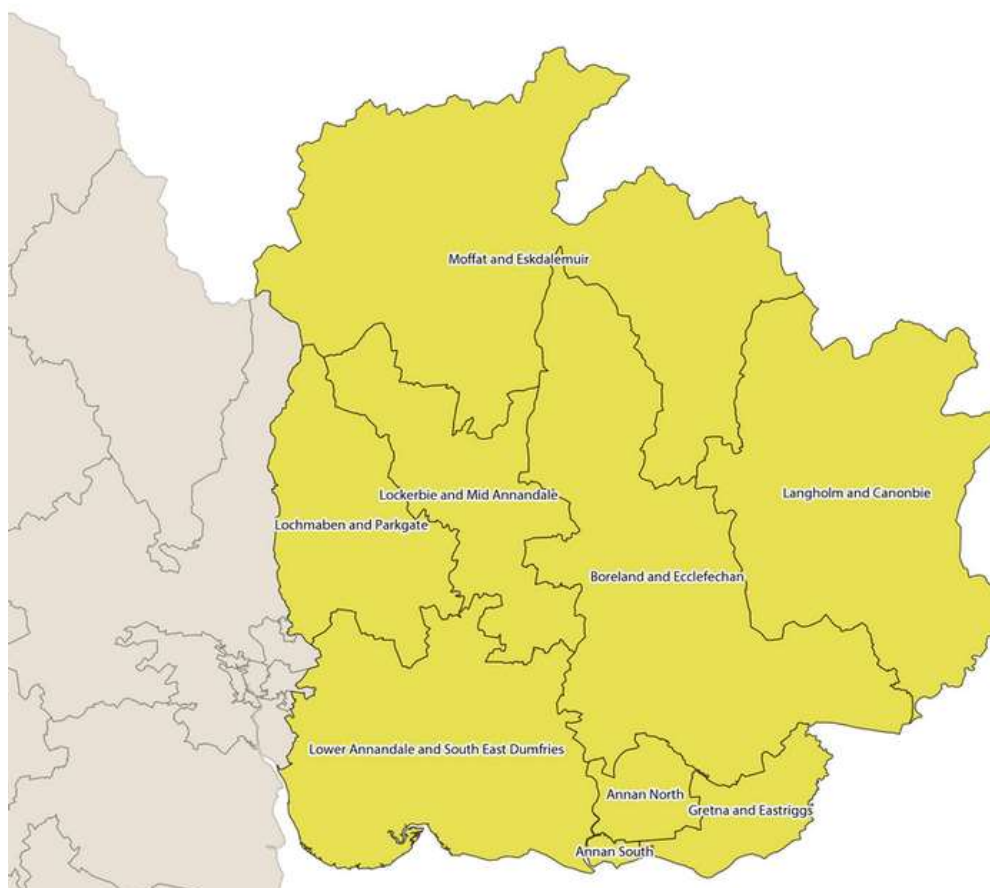
5. The M74 corridor: an economic and social portrait

Introduction

5.1 This section of the report presents the results of research and analysis carried out by Kraken Research. As shown in Figure 5-1, we have taken the former Annandale and Eskdale district as the best available proxy for the **M74 corridor area**. Based on 2001 definitions, the area includes 9 Intermediate Zones:

- Moffat and Eskdalemuir
- Lochmaben and Parkgate
- Lockerbie and Mid-Annandale
- Boreland and Ecclefechan
- Langholm and Canonbie
- Lower Annandale and SE Dumfries
- Annan North
- Annan South
- Gretna and Eastriggs

Figure 5-1: The M74 corridor with Intermediate Zones shown



5.2 Data gathered at small area level always need to be treated with some caution, especially if the source is **survey-based**, like the Business Register and Employment Survey (BRES). Our two key sources are the 2011 Census and the 2013 BRES: the former reports by place of residence, while the latter generates employment estimates based on place of work.

5.3 The M74 corridor is a thinly populated rural area, with three small towns (Annan, Gretna and Lockerbie) and a number of other local centres. However,

it is part of a larger and more populous **travel to work area** which includes Dumfries and Carlisle. The Arup M74 corridor study will include analysis and commentary on this wider area.

Demography

- 5.4 The **population** of the M74 corridor area was 42,612 at the 2011 Census (Figure 5-2). This represents almost exactly a quarter of the population of Dumfries and Galloway and 0.7% of the population of Scotland. The table shows that the age structure of the study area is very similar to the Dumfries and Galloway region. Both are markedly different from the age structure of Scotland: only 13.9% of M74 residents are aged 16 to 20, compared with 18.5% in Scotland; by contrast, 29.6% are aged 60+, 23.2% in Scotland.

Figure 5-2: Population of the M74 Corridor, Dumfries and Galloway and Scotland, 2011

Geography	0 to 15	16 to 29	30 to 44	45 to 59	60 to 74	75 plus	Total
M74 Corridor	7,107	5,940	7,177	9,791	8,505	4,092	42,612
Dumfries & Galloway	25,164	21,958	25,518	33,962	29,669	15,053	151,324
Scotland	916,331	978,120	1,056,449	1,117,647	818,314	408,542	5,295,403
Share by ageband M74	16.68	13.94	16.84	22.98	19.96	9.60	100.00
Share by ageband D&G	16.63	14.51	16.86	22.44	19.61	9.95	100.00
Share by ageband Scotland	17.30	18.47	19.95	21.11	15.45	7.72	100.00

Source: Census 2011/Kraken

- 5.5 In the absence of any large urban settlement, the population is distributed across the study area (Figure 5-3):

Figure 5-3: Population of the M74 Corridor by Intermediate Zone, 2011

Intermediate zone	Pop 2011
Annan North	5,865
Annan South	2,947
Boreland and Ecclefechan	4,224
Gretna and Eastriggs	5,887
Langholm and Canonbie	3,701
Lochmaben and Parkgate	4,027
Lockerbie and Mid Annandale	5,479
Lower Annandale and South East Dumfries	6,521
Moffat and Eskdalemuir	3,961
M74 corridor	42,612

Source: Census 2011/Kraken

Local economy: employment and business base

5.6 Figure 5-4 analyses **employment in the M74 corridor** based on the results of the 2013 Business Register and Employment Survey (BRES):

- Col (i) shows that:
 - there were **12,394 employees in employment** in the area, 23% of the total for Dumfries and Galloway
 - the five **largest employment sectors** were manufacturing (20.97%), wholesale, retail etc (17.60), accommodation and food (11.30), health and social work (11.25) and education (8.26)
 - the **location quotient (LQ)**²⁵ column shows manufacturing, tourism (accommodation and food) and wholesale/retail are significant employers *and* over-represented locally; healthcare, public administration and tradable services are all significantly under-represented.
- Col (ii) shows **employment change** between 2009 and 2013: there was a decrease of 411 jobs (-3.21%)
- Col (iii) shows the share of employment by sector in **Dumfries and Galloway**, as well as change between 2009 and 2013: the key points to note are that, compared with the wider region, the M74 corridor has a larger share of employment in manufacturing, but a smaller share in public administration, healthcare and ICT; this reflects the role of Dumfries as the regional capital.

Figure 5-4: Employees in the M74 corridor, 2013

Industry	(i) M74 corridor employment 2013			(ii) M74 2009-13		(iii) Dumfries & Galloway	
	Jobs	% share	LQ	Change	% change	% share	% change
A : Agriculture, forestry and fishing	171	1.38	0.92	95	1.25	1.14	0.43
B : Mining and quarrying	22	0.18	0.14	-5	-0.19	0.30	-0.08
C : Manufacturing	2,599	20.97	2.86	15	0.01	10.62	-0.09
D : Electricity, gas, steam and air conditioning supply	46	0.37	0.53	10	0.28	0.36	-0.12
E : Water supply; sewerage, waste management, remediation*						1.29	0.03
F : Construction	772	6.23	1.15	-51	-0.06	5.04	-0.07
G : Wholesale and retail trade; repair of motor vehicles	2,181	17.60	1.21	-205	-0.09	18.17	-0.04
H : Transportation and storage	481	3.88	0.98	-61	-0.11	4.51	0.02
I : Accommodation and food service activities	1,401	11.30	1.46	9	0.01	9.35	0.04
J : Information and communication	67	0.54	0.21	-44	-0.40	0.94	-0.09
K : Financial and insurance activities	112	0.90	0.25	-8	-0.07	1.04	-0.15
L : Real estate activities	141	1.14	0.87	52	0.58	1.43	0.17
M : Professional, scientific and technical activities	368	2.97	0.44	-33	-0.08	3.61	-0.16
N : Administrative and support service activities	368	2.97	0.39	196	1.14	3.18	0.35
O : Public administration and defence; social security	449	3.62	0.60	-89	-0.17	6.19	-0.05
P : Education	1,024	8.26	1.04	-39	-0.04	9.65	0.04
Q : Human health and social work activities	1,394	11.25	0.70	-167	-0.11	18.84	-0.07
R : Arts, entertainment and recreation	282	2.28	0.79	4	0.01	2.79	0.23
S : Other service activities	133	1.07	0.57	-41	-0.24	1.57	0.05
TOTAL	12,394			-411	-3.21		-2.14

Source: Business Register and Employment Survey (BRES)/Kraken

* Data suppressed for reasons of confidentiality

²⁵ The location quotient is the ratio of the share of local employment in a given sector to the same sector's share of Scottish employment. A value in excess of 1 indicates that a sector is over-represented locally, a value of less than 1 means that it is under-represented.

- 5.7 67% of jobs in the M74 corridor are full-time, almost precisely the same as the Scottish average, but there are significant variations by sector. Manufacturing is the largest employment sector in the study area, with an employment share approaching three times the Scottish average. This is exceptional and manufacturing makes an even greater contribution than this suggests because 94% of local jobs in the sector are full-time. By contrast only 55% of jobs in the second largest sector (wholesale/retail etc) are full-time, and full-time employment drops to 48% for accommodation and food, 47% for health and social care and 42% for education.
- 5.8 The 2014 Inter-Departmental Business Register recorded **2,105 local workplace units** in the study area, of which 2,035 were private businesses (Figure 5-5). As is typically the case, especially in rural areas, the business base is dominated by microbusinesses employing fewer than 10 people (86% of workplace units); there were 290 small and medium sized units, including 245 private sector SMEs.
- 5.9 Almost a third of the business base (32%) is accounted for agriculture, forestry and fishing businesses, the vast majority of which are micro-businesses. The next largest **sector group** is wholesale/retail/motor repair (13%), followed by construction (11%). This is very typical of a rural economy. Manufacturing accounts for 5% of the business base but 21% of local employment. This is because 38% of the area’s manufacturing workplaces are SMEs, which is the largest share for the private sector; next largest is accommodation and food (32%); 64% of all the public sector workplace units are small or medium-sized.

Figure 5-5: Workplace units in the M74 corridor area

Industry	Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)	Total units	Sector share %
A : Agriculture, forestry and fishing	665	15	0	0	680	32.30
B : Mining and quarrying	0	0	0	0	0	0.00
C : Manufacturing	65	25	15	0	105	4.99
D : Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0.00
E : Water supply; sewerage, waste management, remediation	0	0	0	0	0	0.00
F : Construction	205	20	0	0	225	10.69
G : Wholesale and retail trade; repair of motor vehicles	225	55	0	0	280	13.30
H : Transportation and storage	95	15	0	0	110	5.23
I : Accommodation and food service activities	85	40	0	0	125	5.94
J : Information and communication	30	0	0	0	30	1.43
K : Financial and insurance activities	25	0	0	0	25	1.19
L : Real estate activities	25	0	0	0	25	1.19
M : Professional, scientific and technical activities	130	10	0	0	140	6.65
N : Administrative and support service activities	100	5	0	0	105	4.99
O : Public administration and defence; social security	10	10	0	0	20	0.95
P : Education	15	20	5	0	40	1.90
Q : Human health and social work activities	55	40	5	0	100	4.75
R : Arts, entertainment and recreation	40	10	0	0	50	2.38
S : Other service activities	45	0	0	0	45	2.14
Total	1,815	265	25	0	2,105	
% share	86.22	12.59	1.19	0.00		

Source: NOMIS/IDBR/Kraken

The local workforce

- 5.10 The **working age population** (age 16-74) of the M74 corridor is 31,413, of whom 21,630 (69%) are **economically active**, which precisely matches the Scottish average (Figure 5-6). Of these, **20,324 (64.7%) are in employment**, slightly higher than the Scottish average, although the M74 Corridor is more dependent on part-time employment.²⁶ 16,168 people (51.5%) are in **employee jobs**: although we should not expect the 2011 Census and 2013 BRES data to match precisely, it is worth noting that BRES estimates that there were 12,394 employee jobs in the M74 Corridor. This implies a net daily outflow of 3,000-4,000 **commuters** travelling from the study area to Dumfries, Carlisle and other locations.²⁷ As in most rural areas, **self-employment** is an important source of work in the study area: 11.5% of 16-74 years olds are self-employed (3,624 people) and this accounts for 17.8% of all jobs. **Unemployment** (3.8%) is lower than the Scottish average.

Figure 5-6: Economic activity and inactivity, M74 Corridor residents age 16-74, 2011

All persons age 16-74	M74 Corridor residents						Scotland %
	Female	Female %	Male	Male %	Total	Total %	
Employee part-time	4,069	25.5	672	4.4	4,741	15.1	13.3
Employee full-time	4,292	26.8	7,135	46.3	11,427	36.4	39.6
Self-employed	1,032	6.5	2,592	16.8	3,624	11.5	7.5
Unemployed	454	2.8	743	4.8	1,197	3.8	4.8
FT student (emp/unemp)	383	2.4	258	1.7	641	2.0	3.7
<i>Total economically active</i>	<i>10,230</i> ✓	<i>64.0</i>	<i>11,400</i> ✓	<i>73.9</i> ✓	<i>21,630</i>	<i>68.9</i>	<i>68.9</i>
Retired	3,499	21.9	2,672	17.3	6,171	19.6	14.9
Student	494	3.1	434	2.8	928	3.0	5.5
Looking after home/family	900	5.6	101	0.7	1,001	3.2	3.6
Long-term sick/disabled	639	4.0	613	4.0	1,252	4.0	5.1
Other	226	1.4	205	1.3	431	1.4	1.9
<i>Total economically inactive</i>	<i>5,758</i> ✓	<i>36.0</i>	<i>4,025</i> ✓	<i>26.1</i>	<i>9,783</i> ✓	<i>31.1</i>	<i>31.0</i>
Total	15,988		15,425		31,413		

Source: Census 2011/Kraken

- 5.11 Among the **economically inactive** the largest group is the retired population (19.6%). This is well above the Scottish average (14.9%), predictably so given the area's ageing population.
- 5.12 Figure 5-7 analyses the **employed population by industry**. Note that these are not necessarily local jobs: as we have seen, some of the employed residents of the M74 corridor travel to work in other areas. Unlike BRES, which is a survey of employees, this table includes self-employed people and agricultural workers. The table compares the share of employment by industry with the Scottish average. It shows that local people are more likely to work in

²⁶ Includes employees (full-time and part-time), self-employed and economically active students. The figure in the table for economically active full-time students (641) includes 109 who are unemployed.

²⁷ The net daily outflow is the number of out-commuters less the number of in-commuters.

traditional rural industries such as agriculture and forestry, manufacturing and construction, but less likely to work in education and public administration. The percentage of people working in wholesale/retail, accommodation/food and human health is close to the Scottish average. Knowledge-based services and professional, scientific and technical activities (Groups J-M) only account for 6.6% of employment, less than half the Scottish share (13.6%).

Figure 5-7: M74 corridor residents in employment, aged 16-74, analysed by industry, 2011

Industry	M74 corridor		Scotland
	Jobs	% share	% share
A : Agriculture, forestry and fishing	1,937	9.53	2.00
B : Mining and quarrying	83	0.41	1.35
C : Manufacturing	2,213	10.89	7.71
D : Electricity, gas, steam and air conditioning supply	254	1.25	0.80
E : Water supply; sewerage, waste management, remediation	256	1.26	0.76
F : Construction	1,885	9.27	7.96
G : Wholesale and retail trade; repair of motor vehicles	3,190	15.70	14.96
H : Transportation and storage	1,126	5.54	4.97
I : Accommodation and food service activities	1,377	6.78	6.28
J : Information and communication	199	0.98	2.74
K : Financial and insurance activities	268	1.32	4.51
L : Real estate activities	230	1.13	1.17
M : Professional, scientific and technical activities	637	3.13	5.22
N : Administrative and support service activities	605	2.98	4.34
O : Public administration and defence; social security	1,198	5.89	6.97
P : Education	1,315	6.47	8.42
Q : Human health and social work activities	2,793	13.74	14.98
R, S : Arts, entertainment and other service activities	758	3.73	4.86
Total	20,324	100.00	100.00

Source: Census 2011/Kraken

- 5.13 The local workforce is biased towards manual and lower level **occupations**. Compared with Scotland, there are fewer people working in professional and technical occupations (Groups 2 and 3, 20.0%/Scotland 29.4%). There are more skilled tradespeople (Group 5, 18.3%/Scotland 12.5%) and more people working in process and elementary occupations (Groups 8 and 9, 25.5%/Scotland 19.3%).

Figure 5-8: M74 corridor residents in employment, aged 16-74, analysed by occupation, 2011

Occupational group	M74 Corridor		Scotland
	Total	% share	% share
1. Managers, directors and senior officials	1,681	8.3	8.4
2. Professional occupations	2,303	11.3	16.8
3. Associate professional and technical occupations	1,778	8.7	12.6
4. Administrative and secretarial occupations	1,986	9.8	11.4
5. Skilled trades occupations	3,715	18.3	12.5
6. Caring, leisure and other service occupations	1,965	9.7	9.7
7. Sales and customer service occupations	1,710	8.4	9.3
8. Process, plant and machine operatives	2,480	12.2	7.7
9. Elementary occupations	2,706	13.3	11.6
Total	20,324	100.0	100.0

Source: Census 2011/Kraken

- 5.14 These findings are reflected in Figure 5-9 which shows the **educational qualifications** of M74 Corridor residents aged 16 and over. Compared with Scotland, residents are more likely to have no qualifications (33.7%/26.8%) and less likely to have a degree or higher qualification (20.4%/26.1%). This is broadly in line with regional averages.

Figure 5-9, M74 Corridor residents aged 16 and over, highest qualification held, 2011

Highest qualification	M74 Corridor		Scotland
	Number	% share	% share
No qualifications	11,982	33.7	26.8
Level 1	9,061	25.5	23.1
Level 2	4,666	13.1	14.3
Level 3	2,548	7.2	9.7
Level 4 or above	7,248	20.4	26.1
Total	35,505	100.0	100.0

Source: Census 2011/Kraken

Regional context: Dumfries and Carlisle

- 5.15 The M74 corridor has a small population and business base but, as we have seen, its location – served by the motorway and the West Coast Main Line railway, a gateway to Irish Sea routes, and with access to timber supplies and other valuable natural resources – gives the area strategic significance. It also needs to be seen in a **regional context**, as part of a travel-to-work area which includes Dumfries and Carlisle, an area with a population exceeding 200,000 – equivalent to a medium-sized city.
- 5.16 **Dumfries**, which lies immediately to the west of the study area, is a medium-sized town (population 32,900 at the 2011 Census) but it is the recognised local capital and a centre for administration, education, healthcare, business and industry. Unlike the rest of Dumfries and Galloway, which has an ageing

population, Dumfries has a relatively youthful age structure. 33% of employed local residents work in managerial, professional and technical occupations, less than the Scottish average (37.8%) but much higher than in Lockerbie (25.4), Annan (22.2) or Gretna (21.6).²⁸

- 5.17 **Carlisle** is a small city with a population of 107,500 (2011), an increase of 6.6% since 2001.²⁹ Carlisle is only short distance from the principal towns in the M74 corridor, Gretna (10 miles), Annan (18) and Lockerbie (25) and it is an important retail, leisure and entertainment destination for residents of the study area. Nevertheless, the 2013 *Economic Review of Carlisle* suggests that the city has a relatively self-contained labour market. A 2008 study found that only 7% of employed residents travelled to neighbouring districts (including Dumfries and Galloway) to work, and that 3% of the city's employees in employment were residents of Dumfries and Galloway. The report does not quote the source data, but these suggest a modest net daily outflow of commuters from Dumfries and Galloway to Carlisle.
- 5.18 The *Economic Review* describes **employment change in Carlisle** in recent years. It highlights the city's areas of economic specialisation, which include motor trades, transport and storage, public administration, manufacturing and retail, all of which have LQs (compared with GB) in excess of 1.2. By contrast arts and culture, business and financial services, professional and scientific services and ICT are all under-represented, suggesting that Carlisle has the characteristics of a rural centre rather than a dynamic city. This impression is confirmed by 2011 Census data on residents' occupations, which show that only 31% work in managerial, professional or technical jobs (England & Wales 51%). Residents' qualifications reflect this: only a quarter have a degree or higher (UK 37%), and median wages are well below the UK level.
- 5.19 Business surveys quoted in the *Economic Review* show that proximity to the motorway/trunk road is easily the most popular attribute of Carlisle as a **business location**, followed by labour costs, rail links and access to suppliers and markets. Carlisle's prime business location, Kingmoor Park, was previously designated as one of North West England's Regional Investment Sites. Kingmoor Park is a very large (88 ha) development area on the north side of the city, close to Junction 44 of the M6 and served by the new Carlisle Northern Development Route (CNDR). The site is segmented into three areas –

²⁸ All data from locality reports: www.scotlandscensus.gov.uk

²⁹ Population data for Carlisle City Council area, which includes outlying suburbs and villages. Most of the information in the following paragraphs was obtained from Carlisle Economic Partnership, *Economic Review of Carlisle*, January 2013.

the Kingmoor Business Park and two areas of primarily industrial development.³⁰ The presence of this large, serviced and still developing site within a few miles of the border clearly has an impact on demand for industrial and commercial property in south west Scotland, especially the M74 corridor.

Conclusions

- 5.20 The M74 corridor covers an extensive land area but the resident **population** (42,600) is small and so is number of people in local employment (12,400, excluding the self-employed). The implications of this are clear: the loss of [300] well-paid jobs at Chapelcross, including scientific, technical and skilled jobs, will have a significant direct and indirect impact on the local economy, and there is a pressing need to replace them.
- 5.21 The area's **economic specialisation** is manufacturing, which accounts for 21% of all jobs, the vast majority of which are full-time. This is an exceptionally high share, but it needs to be seen in the context of a continuing decline in manufacturing employment in Scotland and the UK, stretching back for decades. Service sector employment, especially knowledge-based tradable services, lags well behind the national average, but this is typical of the experience of rural areas a long way from major cities. Other key sectors, such as retail and tourism, are characterised by relatively low wages and a high incidence of part-time employment, and the story is similar in health and social care.
- 5.22 The study area is dominated by **micro-businesses**, some of which will have growth potential; 15% of local workplaces employ 10 or more people, including a cohort of 25 units that employ between 50 and 249 people. These SMEs will have a key role to play in the future as providers of jobs and a source of future growth.
- 5.23 Census data on the local **workforce** show that the economic activity and employment rates compare favourably with Scotland, although the M74 Corridor has a high level of self-employment and is slightly more dependent on part-time employment. The industries worked in are typical of many rural areas in Scotland, with a bias towards agriculture, forestry, manufacturing and forestry offset by a low level of participation in knowledge-based services, scientific and technical activities. This is reflected in (a) a bias towards manual,

³⁰ Carlisle City Council, *Employment Sites Study: Implications for M6 Corridor*, report by DTZ, June 2010

routine and elementary occupations, with professional and technical occupations under-represented, and (b) relatively low levels of educational attainment.

- 5.24 The study area has a small resident population and a small economic base, but it forms part of a wider **travel-to-work area** that includes Dumfries and Carlisle. There is a flow of commuters in both directions between the M74 corridor area and these larger urban centres, but all the evidence points to a net daily outflow towards the larger towns.

yellow book
Kraken Research

March 2015

A vision for Chapelcross



APPENDIX B: Towards a Marketing Strategy

Strictly Private and Confidential

April 2015

Towards a Marketing Strategy

Chapelcross and future investment in Dumfries & Galloway

Sign Off

Author	_____ <i>Signature</i>	___/___/___ <i>Date</i>
Line Manager	_____ <i>Signature</i>	___/___/___ <i>Date</i>
Director	_____ <i>Signature</i>	___/___/___ <i>Date</i>

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1. Introduction and Scope of the Report

This report has been written to complement the research carried out by John Lord of yellow book ltd, and the work of the inter agency charrette held in Annan in February of this year.

The economic analysis shows the extent of the economic challenges facing Dumfries & Galloway and the scale of developable land that is being released at Chapelcross and the surrounding area.

The closure of Chapelcross is a severe and painful blow to the local communities and the wider Dumfries & Galloway area. Indeed, what is perhaps the most surprising feature of the issue is that there has not been more controversy and discussion about the closure and its economic impact on the local area. This may be due to the relative size of the Dumfries & Galloway's population, approximately 3% of Scotland total. However, it could be argued that Dumfries & Galloway has an importance beyond just the interests of its local population, and is a key strategic resource for Scotland as its principle "gateway" for road travellers, an area that provides for a high proportion of Scotland's food and drink production, and an area that has played and is playing a strong role in meeting Scotland's renewable energy requirements.

This report has been produced in the context of an understanding of the desire, expressed throughout discussions with stakeholders and agencies representing the area, that Dumfries & Galloway wants to be seen as a dynamic hub of enterprise, and an area that can "punch above its weight" in a Scottish context.

i Background and content of economic development in Dumfries & Galloway and relationships to the findings of the charrette

The yellow book report sets out the challenges facing the local area. The loss of "high value" jobs from Chapelcross will cause significant harm to the local economy. Indeed, the damage will be measured in social terms as well. It was repeated throughout the charrette that many of the social organisations that contribute hugely to the very fabric of the local community and to enhancing the quality of life of all local residents receive significant support from Chapelcross employees. Chapelcross is more than a provider of jobs and income. The plant had become a highly valued and integrated part of the local life since its inception, and its loss will cause for more than just the damage that the number of job losses - and the losses are severe. Therefore it is right that the matter be addressed with real urgency, and that the wider consequences of the closure need to be addressed to the wider community and regional economy.

Dumfries & Galloway has achieved success in manufacturing, which employs a higher proportion of people than the Scottish average, and has created successful agricultural, forestry and tourism sectors. It has done so against a backdrop of challenging economic circumstance and in the absence of support for economic development that exists in other areas of Scotland. Dumfries & Galloway has no equivalent of the Highlands and Islands Enterprise agency (HIE), despite facing many of the same challenges as a rural economy. And like in the neighbouring Scottish Borders area, Dumfries & Galloway has had to cope with major structural economic



change and public sector funding reductions. The area has also seen a reduction in resources allocated through agencies such as Scottish Enterprise, which has been restructured to focus on national priority developments and key Scottish companies.

Dumfries & Galloway Council (the Council) has been unable to respond to these circumstances as it might have wished because of spending pressure. So at a time when Dumfries & Galloway is facing one of its most severe economic challenges, it is least well prepared and equipped to respond with sufficient resources to secure the resilience of the economy in the coming years. Some areas of Scotland such as Glasgow and Edinburgh have been able to marshal resources to plug the gaps left by the restructuring of Scottish Enterprise, but because of the scale of operation in Dumfries & Galloway Council such a response has simply not been possible.

Because of these circumstances, and the impact of financial pressure on the Council, Dumfries & Galloway is not well placed to respond positively to the closure of Chapelcross. The Council is not geared up to market local development sites, nor does it at present have the capacity to the wider regional economy,

A quick web search on “Invest in Dumfries & Galloway” demonstrates that there simply hasn’t been the capacity to prioritise marketing and inward investment in the area. Of course web based information in itself neither fulfils a marketing function for an area, nor does it secure new jobs and investment. However it does indicate that Dumfries & Galloway does need to identify additional resources if it is to be able to respond to the challenges that the closure of Chapelcross will bring.

In some areas the region is well represented. A web search on “Visit Dumfries & Galloway” yields up-to-date, user-friendly information about the region and its attractions. More than this, there are signs that at least in terms of tourism, there has been coordinated activity to develop the tourism product as well as market it. The “Devils Porridge” visitor attraction has been opened against a backdrop of a challenging economy and further afield, the Wigtown Book Festival has been a stunning success. The Festival is now a 10 day event that attracts plaudits and visitors from far and wide. There are other successes too; the new Annan Distillery has been successfully developed with key support (and funding) from Dumfries & Galloway Council.

The region is strong in food and drink and is home to one of Scotland very few “Michelin Star” restaurants, an accolade that Scotland largest city and many other council areas cannot boast.

Dumfries & Galloway is also home to internationally known Gretna; a visitor attraction and destination of international significance that brings hundreds of thousands of visitors each year. The area is also the location of some of Scotland’s finest world class coast and countryside, which helps support and grows its endemic tourism industry, which in many areas is thriving.

The issues are not that the area lacks enterprise, or the raw material to achieve far greater growth and job creation. What the areas lack is a defined and shared strategic plan, and most significantly, the resources to deliver it.



Obviously cash cannot solve all of the challenges facing Dumfries & Galloway, but without cash the problems created by the closure of Chapelcross cannot be seriously tackled, nor can the wider Dumfries & Galloway economy fully realise its potential.

ii Role of the marketing and “promotional” activity to support the regeneration of Chapelcross and the wider regional area

Marketing cannot resolve all of the issues facing the community post the closure of Chapelcross. Indeed, on its own, marketing would take time to bring any serious economic jobs to the area. There is also the issue of defining the target of marketing. It is clear from some of the examples that will be discussed that some areas have achieved success by marketing themselves to decision makers and politicians. Drawing a line between consumer marketing and what might be considered as political lobbying is a straightforward enough task. What is also true is that successful initiatives elsewhere have almost always begun by raising awareness of the challenges amongst those at all levels that have the resources to allocate to help deliver investment and jobs in the respective area.

For the purposes of this report, the strategy set out is considered appropriate to help secure the resources needed, as well as the approach that can be taken to market Chapelcross as a developmental site.

iii Towards a marketing strategy

A marketing strategy for the site is a relatively straightforward task. There are a variety of means by which the site can be brought to market and investment encouraged. What is clear from the charrette is that there needs to be an agreed vision for the site, for what industries will be targeted for investment, and how the site is positioned vis-à-vis Longtown and Easttriggs, whilst keeping it in the context of other sites in the area.

There are a number of examples of marketing initiatives and approaches that are included in this report. It is important to bear in mind that many marketing initiatives have an internal as well as an external audience in mind. Like a flag, a good campaign can help the team to “rally round” specific objectives. Talking about and hearing about economic development and inward investment issues raises the awareness of people involved in the development process.

This report makes recommendations to “market” Dumfries and Galloway to itself as well as to the wider world. Just as individuals are defined by what they talk about and say, so are communities. The more debate and discussion there is about inward investment and economic development within the organisations and stakeholders in Dumfries & Galloway, the better the area will be at spotting and taking advantage of opportunities to grow the economy.

The enthusiasm and drive shown by so many of the participants involved in the charrette was impressive; it is clear that within the Council and key agencies, many people understand the issues very well, and are keen to do something about them. The debate has obviously been going on for some time within the area. All that needs to happen is for the debate to be widened and for more people and organisations to be recruited and evangelise about the opportunities and about what the area has to offer.

Marketing - in this instance begins at home and at the same time as it reaches to the wider world.

The content of this report is based on personal experiences as are many of the views that are expressed in the report. The rationale for those views has been set out, but marketing is often as much an art as a science, and the report should be read in that context.

The report seeks to set out the “how’s” as well as the “what’s”. The area needs help to mobilise resources every bit as much as it needs the resources themselves. For Dumfries & Galloway to plug the “economic gap” created by the closure of Chapelcross is a huge challenge. It is considered that the Council and the Nuclear Decommissioning Agency cannot succeed in that task without additional resources and help. Exactly what resources and where they come from will have to be determined, but this report seeks to lay out guidance on some of the themes and approaches that could be implemented.



2. Relevant Case Studies to be reviewed to inform the strategy

i Edinburgh St James

This project is a £850 million project to transform the old “St James Centre” in Edinburgh into a major mixed-use retail, tourism and residential development. The project is supported by £62 million of public funding provided by a “Growth Accelerator Model”. This is a variant of a “Tax Incremental Finance” (TIF) scheme. The development is perhaps the least directly comparable to the circumstances at Chapelcross, however it illustrates an alternate model and range of activities that can be utilised to market a site.

PPS is working on the project, the information contained in this report only includes what is in the public domain.

Details of the development project:

- **Developer - TH Henderson Real Estate**
- **£850m development value**
- **250,000 sq. of retail**
- **1 five star hotel**
- **85 retail units and 30 food and beverage units**
- **250 private residential units**
- **A 6 screen “premium” cinema**
- **3000 new jobs**

This project was described the project at the charrette as the “Rolls Royce” option. It is at the very top end of the range of marketing that might be undertaken for an investment opportunity. The project is being marketed internationally at events such as MIPIM (an international property event hosted in Cannes, France each March) and MAPIC (an international retail real estate show held in Cannes every November). Regular visits have been hosted for international investors and there is a high-quality dedicated website (www.edinburghstjames.co.uk) bespoke marketing brochures for the retail, tourism and residential elements of the proposal. In addition high-quality video material has been produced alongside interactive visual representations and fly throughs.

ii Irvine Bay



Irvine Bay is an 'Urban Regeneration Company' (URC) that has been primarily funded by the Scottish Government and North Ayrshire Council to regenerate one of Scotland's most challenged local economies. It recently received £375,000 from the NDA and EnergySolutions, which has provided the final piece of a financial jigsaw to develop a £3 million project to provide office accommodation at Ardrossan Quayside.

The population of Ayrshire is very similar to Dumfries & Galloway, though of course the scale of challenges faced are markedly more severe. The URC was set up in 2012 and will be wound down in 2017, with remaining activities taken on by the Council absorbing the activities within its own operation. The project has supported a very active programme of internal and external marketing and has had the benefit of Enterprise Zone status, which brings tax allowances and benefits to use as levers for inward investment. As a result the Irvine Bay URC has led to significant investment in the area with £48 million being invested so far. Of that investment, £40 million has been public sector funding. The company employs 12 staff and has highlighted the following successes as a result of its activity:

- 20% increase in companies in the area, up from 5 to 30
- 375 jobs created since the creation of the Enterprise Zone
- 200,000 sq ft of business premises created

In terms of the relationship between jobs to funding, this equates to £128,000 per job created. This is a very high ratio, and whilst it would be wise not to be critical of the efficacy of the URC – after all it was operating through a long period of economic downturn, it does raise a number of issues that the partners may wish to consider:

1. If the partners wish to pursue Enterprise Zone status for the Chapelcross site, the Irvine Bay Experience does raise questions about how effective the financial incentives offered are for attracting inward investment.



2. There would be advantages to having an 'in-house' Council team operating the Enterprise Zone as opposed to setting up a separate organisation with its own identity and staff. 12 staff is a high overhead and whilst there would obviously be additional benefits beyond Chapelcross from such an organisation from such an arrangement, there is a lot to be said for the additional synergies that could flow from having an organisation 'in-house' within the Council.
3. Enterprise Zones may not be a favoured model moving forward, and therefore a strategic decision needs to be taken by the Council and the NDA, or simply the Council about how to position Chapelcross to attract the right and scale of resources to make a difference in the regeneration of the site.

Irvine Bay is an interesting model and has been a force that has undoubtedly helped to focus inward investment activity in North Ayrshire and that will remain a legacy of the project beyond the termination of the URC. However, given the outcomes it is considered that this is not necessarily a model that Dumfries & Galloway Council should follow directly as an approach to marketing Chapelcross and the wider area.

iii The Edinburgh 12

The Edinburgh 12 was developed as a marketing strategy for key sites in the city as a key component of the Council's Economic Resilience Strategy that was created in response to the economic downturn. The Edinburgh 12 marketing strategy simply focused on the key sites in the city that were being brought forward and were 'shovel ready' for development. Most of the sites were being developed for a long time and had either been through planning, or had few major planning issues to deal with.



The sites selected were ones that could be brought forward and developed within five years. What is significant is not just that the sites were actively promoted and marketed by the Council as part of its own marketing initiatives, what the Council offered was tailored support through the development process for site owners, so that they had a single point of contact within the Council and they effectively had their own 'champion' supporting the project through planning and other procedures in a way that helped make the whole development process easier for those promoting individual sites.

This was an extremely effective strategy and all of the sites are moving forward positively at present and the Council has managed to speed up the process and make things happen more quickly than they otherwise would. This comprehensive approach does have some important lessons for taking forward the agenda for Chapelcross which I shall return to later.

It is also significant that Council officers now meet monthly with some of the key agents involved in promoting and developing sites in the city. Whilst the scale may be different in Dumfries & Galloway, there should be a lot of very common ground in terms of issues and approaches to attracting investment into the area.



iv Solway 45

Solway 45 (Longtown) is included based on the impact of the site visit undertaken as part of the charrette, at which there was evident surprise among the group visiting as to the progress that had been made by the Ministry of Defence (MOD) in taking forward the development of the site. The site has been advertised and marketed by the MOD, which has been successful in attracting private sector interest. The approach is supported by an attractive website, and agents appear to have been active in bringing the site to the attention of the market.



Indeed, one company was already onsite when our visit took place. As is referred to separately in the report by yellow Book, Solway 45 is now up and running as a significant centre for distribution services. That does – again as has been said by yellow Book, show that there is little to be gained by competing for the same investment as Solway 45. Rather, Chapelcross should be developed in a complimentary way.

That also raises the issue of the former munitions storage facility at Eastriggs. This is a major new site for which planning use has yet to be established. Given that Solway 45 is now actively being developed as a centre for distribution in what can be seen as a complimentary way to potential future uses of Chapelcross, it will be important for the Council to consider carefully how best to work with the MOD to ensure that Eastriggs is developed in a way that works well with Chapelcross. It could take some time to establish appropriate planning designations for Eastriggs and it would be wise for the Council to ensure that both sites are as complimentary as possible moving forward.

The possibility of tourism related developments is raised in the yellow book report and there is certainly much to commend this as an approach. What would be helpful is to perhaps see if a more active partnership could be developed with the MOD in the longer term which could perhaps see a degree of joint marketing being developed for these and perhaps even other nearby sites.

An important point to note when considering the development of both Solway 45 and Eastriggs is funding for marketing. It was mentioned during the tour of Longtown that a sum of £4.5 million had been allocated to take forward the marketing of both sites. Unfortunately it has not been possible to get details of this, but it does perhaps indicate that there has been a significant effort on the part of the MOD to take both sites forward and to secure new investment. Whatever the budget for marketing of the sites, Solway 45 has moved forward quickly to market and at the time of the visit had already secured one now business occupier. Such a strategic financial resource – of whatever scale could certainly be critical for the successful regeneration of Chapelcross, though it is perhaps difficult at present to see where such a resource will come from. Neither the Council nor the NDA seems to have the capacity to make a significant cash contribution to taking forward the marketing of the site. Without bespoke resources, the successful regeneration of Chapelcross could be in serious jeopardy. This is a critical issue to be addressed.



v Cockerzie Power Station



Cockerzie Power Station is included simply because of the debate that took place during the charrette. Energy use is obviously one of the potential uses for at least part of the Chapelcross site. In just the last few weeks Scottish Enterprise has taken a decision to confirm what was already known, that the proposed Energy Park will not now go ahead. This decision follows after a massive local campaign which culminated last September in 1,000 people linking hands at the site to protest at the proposals. This for a proposal that had the fullest possible

Scottish Enterprise and Scottish Government support – and commitments to funding. Indeed, figures of ‘£100million’ apparently were mentioned in terms of future public sector support for the project.

The details of the initiative are not necessarily important in consideration of the issues at Chapelcross, but what is significant is that this project quickly became a ‘national project’, and there was no shortage of potential funding to take the proposal forward. In addition, the Cockerzie experience demonstrates the importance of getting stakeholder communication right on major projects like this. Given past experience with potentially controversial projects in Dumfries & Galloway, it should be noted that stakeholder management is every bit as important as any marketing strategy. Because the Cockerzie proposals fell foul of local stakeholders, there is now no project to take forward. That painful experience must be avoided at all cost for Chapelcross.



3. Towards a marketing strategy

i Dumfries & Galloway's role in Scotland

Dumfries & Galloway is a geographically large area, but is relatively small in terms of the proportion of Scotland's population that it contains. With a population of just under 150,000, Dumfries & Galloway is the 12th most populous Council in Scotland. In terms of the preceding discussion of Irvine Bay Regeneration and the proposed Energy Park for Cockenzie in East Lothian, it is worth bearing in mind that both Council areas have a lower population than Dumfries & Galloway. To take that analogy further, there has obviously been a great deal of concern about the possible closure of Prestwick Airport in the past two years, to the extent that the airport has been taken into public ownership with an as yet undefined public sector contribution to secure its future.

When it comes to securing funds for marketing and promoting the Dumfries & Galloway economy, all the decisions are likely to be political. This is a straightforward chicken and egg position. Without the political backing and the cash that should flow from it, the effective marketing and regeneration of Chapelcross is unlikely to be possible. Further to this, the significant strategic contribution of Dumfries & Galloway to the Scottish economy is unlikely to be fully recognised unless these issues are raised as part of a high profile strategic response from the Council in particular. The yellow book Report spells out the sectorial strengths of the local economy in very clear terms. The area has great strengths in terms of tourism, agriculture, forestry and manufacturing, but has an aging population and a significant proportion of lifestyle businesses.

There is also a great strength in terms of the area's contribution to the development of renewable energy. Dumfries & Galloway is one of the primary areas of Scotland that is contributing to the achievement of the Scottish Government's target of meeting 100% of the country's electricity needs by 2020. That ambitious target will only be met – if it is met, because of the huge contribution made by Dumfries & Galloway, sometimes at significant costs in terms of community cohesion due to the controversial nature of such proposals. At the same time, Dumfries & Galloway is contributing to that policy through its contribution to the reduction of nuclear capacity.

It can be argued by the Council that Dumfries & Galloway is one of the local authorities making a contribution to the Scottish economy through the delivery of government energy policy that is significantly beyond its size. In addition, the key point to get through as the partners seek active support for the regeneration of Chapelcross is that not only is there a powerful case to help with the regeneration of Chapelcross in its own right, but there is a powerful case because of the importance of Dumfries & Galloway maximising its potential for the wider Scottish economy.

The success of Dumfries & Galloway is important not just to the citizens of Dumfries & Galloway, it is important for the contribution it can make to the overall economic success of Scotland.

In that regard, it is significant that the area is not able to rely – as Highland region does, upon the support of a bespoke economic development agency. Like the Scottish Borders, Dumfries & Galloway is at a competitive disadvantage to other areas of Scotland because it does not have access to the resources for marketing the area



and attracting investment that other local authority areas have. The most significant areas are the larger Council areas and the cities. In many of these Councils there are dedicated teams and budgets for marketing and economic development activity and in some areas, like the previously highlighted Irvine Bay, nearly £50 million has been accessed to support economic development activity. This is a key strategic weakness for the Dumfries & Galloway (and Scottish Borders) economy, and represents a significant drag of the areas future prospects. And that is without taking into account some of the relatively big distances between the local area and the larger conurbations of Glasgow and Edinburgh.

Dumfries & Galloway faces considerable economic challenges because of its geography and the lack of supporting infrastructure before taking into account the additional challenge that the closure of Chapelcross will bring. There seems to be very limited awareness of these issues at a Scottish level.

ii Other nuclear sites and “government” supported campaigns

Trawsfynydd has been mentioned as a successful response to the challenges faced by a power station closure. There has certainly been a considerable amount of activity and press coverage in relation to the issues caused by the closure and indeed a good deal of political debate about the issues. Without dwelling on the details of the response to the closure of the Trawsfynydd Station, the main practical response to the closure has come from the Welsh Assembly. What has emerged is what is seen to be a successful and attractive tourism offer which has been created based around the lake that provided cooling water to the former power station.

A holiday village with water based activities, combined with the attractions of the Snowdonia National Park has been brought together to create what has been seen as a very positive legacy for the power station. The local population is fairly small at just under 13,000, and there are potential lessons that can be drawn from the experience of regeneration there. However, the principal lesson is not necessarily about regeneration at all. The principle lesson is that in order for there to be agreement on action to tackle the impact of a closure, there needs to be political buy in to the perception that the impact of the closure is of sufficient scale to merit intervention. Success at Chapelcross will be aided by a widely held political perception that there is an economic challenge for the area that requires to be addressed. In looking at these issues there is merit in considering other areas where economic intervention has taken place and the underlying motivation for that intervention. Securing the necessary partnership for tackling the challenges caused by the challenges of a major closure or high unemployment rates are issues that go broader than simply the nuclear industry, and these can provide an informative insight into how a case can be made to gain political and financial support for a programme to tackle issues at Chapelcross.

Prestwick Airport was mentioned earlier, and this is another case where politics and local concerns have driven a political response that has brought very significant resources in its wake. This is worth considering as publicity has put the current costs incurred in ‘saving’ Prestwick Airport at £40 million so far. Perhaps Prestwick and the Annan area are not directly comparable, but there is merit in looking at some of the possible comparisons from the point of view of what spurs political action. If you take the catchment population of the town of Prestwick, it is just below 15,000, and the population of South Ayrshire is some 111,400 (compared to 148,000 in Dumfries and Galloway). At Prestwick there are an estimated 300 people who are directly employed by the airport, as compared to upwards of 500 people at Chapelcross at its peak of operation. South Ayrshire would face

significant challenges if Prestwick closed, but it is worth noting the significant strategic advantage that Prestwick has compared to (for example) Dumfries & Galloway, because it is only a 30 minute drive from Scotland's largest local economy (Glasgow). Tackling unemployment and the consequences of a major closure is arguably a more significant challenge for rural Dumfries and Galloway than the more urbanised Prestwick, yet the issues at Chapelcross have barely featured in national politics when compared to Prestwick.

Indeed, using similar arguments, the population of Dundee is less than Dumfries & Galloway. In Dundee the much publicised cost of the proposed V&A, which is not a closure but a new and iconic project, has now risen to an estimated £80million. Additional funding was agreed without any political controversy for a project that will employ an estimated 51 FTE jobs. And Dundee gets more support for regeneration than simply the funding for the V&A. The reason for setting these issues out is simply to point out that such decisions on funding are not necessarily or often primarily driven by economics, nor even necessarily by an objective assessment of the relative strengths of each case.

Chapelcross employed over 500 people at its peak and even recent employment is in line with the jobs numbers at Prestwick Airport. Now no-one is, or would, suggest that these other public sector investments and funding for initiatives are not worthy. A successful Prestwick Airport will make a huge contribution to providing wealth and work on South Ayrshire, whilst the V&A will make a huge and lasting contribution to the development of Dundee as a tourist attraction. Rather, these examples simply emphasise the importance to those looking to create a lasting legacy from Chapelcross of getting political buy in to the measures needed to repair the impact that the closure will have on the local economy of the area. The NDA and the Council have differing responsibilities regarding the local area, but both want to see a lasting and positive legacy that acknowledges the huge contribution that the plant and local people have made to powering Scotland's economy. Achieving that will require some campaigning to ensure that the needs of the community are identified and acknowledged, though obviously responsibility for action in this regard will be different for each partner.

iii Scotland's Gateway Region

Dumfries & Galloway has another very significant and important role for Scotland. It is of course the principal road gateway for goods and visitors into and out of Scotland. This in itself should give the area greater status and importance than it arguably currently has. The M74 is a huge asset for the wider area, but is also a key connection between Scotland and the very significant economic hubs south of the border. Much of what Scotland eats is produced in Dumfries & Galloway, but also much more of what it eats has to travel through Dumfries & Galloway in order to reach the table. A very significant proportion of visitors still travel to Scotland via the M74 despite the rise in air travel. English visitors are the most important source of tourism income for Scotland, and Dumfries & Galloway plays its part in their welcome to and journey through Scotland.

In terms of goods and services, the area is a key connection to England and this is undoubtedly why Longtown is being developed as a distribution hub. Nearly 20 million people live inside a three hour drive of both Chapelcross and Longtown. Dumfries & Galloway may not be directly close to any one population centre, but it is fairly close to a great many including the 'Northern Powerhouse' economy of Greater Manchester and what is arguably the Scottish equivalent of the M8 powerhouse economy that includes Glasgow and Edinburgh.



There is a strong case for referring to, and positioning, Dumfries & Galloway as Scotland's Gateway Region. Marketing the area as such could have significant benefits in automatically getting over two points: Firstly, the importance of that 'Gateway' role can be recognised and attention drawn to it every time the phrase is mentioned. In addition, calling the area a 'region' gets over a sense of scale that the geography of the area can justify and which is not inappropriate for the 12 largest local authority area. Obviously that has connotations back to a different structure of local government, but there are many advantages to adopting such an approach.

As part of such a strategy to position the area, it should also be ambitious in the way it presents itself to the wider world. Dumfries & Galloway has world class countryside. That is an unarguable fact, and in the wider promotion of the area, the regular use of such phraseology helps fix and associate the terms 'world class' and Dumfries & Galloway, and such an association is not only justified, but will help frame the debate about the area in a positive way. The area is host to a stunning food offer. Not even the mighty Glasgow – a hugely successful visitor destination, can boast the presence of a Michelin-starred restaurant. There is 'world class' food being produced and prepared in the area which can again be referred to and which can help build the area's brand. Gretna is a hugely successful attraction and brand.

All of these assets can play a role in further enhancing the competitiveness of the local economy. These issues may seem a diversion from the issues presented by Chapelcross, but I do not think they are. There are fantastic assets in terms of people, businesses and natural resources in the regional area than are not being as actively marketed as they should be because the Council simply does not have the resources to do so. Only by linking the response to Chapelcross with a wider strategic realignment of the way Dumfries & Galloway manages economic development can the area fully repair the damage done by the station's closure and fully realise the enormous potential it has. It is very clear from the yellow book report that accompanies this, that the regeneration of the site requires a long term approach. By necessity that means that adequately responding to Chapelcross requires a wider perspective than simply looking within the site boundaries.

iv Position relative to Longtown and Eastriggs

Longtown is already being marketed and has quickly established itself as a leading site for the location of distribution services. That development will undoubtedly bring additional benefits to Dumfries & Galloway. Although the site is in England, employment will inevitably be drawn from Dumfries & Galloway as well as south of the border. The Council should avoid getting into competition with this site or with the MOD. However, the Council will take the planning decisions regarding land use at Eastriggs in the coming years. This raises some important issues for the Council and for the MOD. It is surely in the interests of both to work together to maximise the opportunities ahead. The combined land holding is huge. These sites combined must represent one of the largest development areas in the UK and all strategically placed to serve Scotland and England.

It is considered that the good relations between both parties should be built upon and that the Council and the MOD should explore ways in which these sites might be marketed together when appropriate and in as complementary a way as possible. This could ensure the success of the distribution hub at Longtown, and Energy and Business Park at Chapelcross and whatever tourism/leisure (or other) types of development might be located at Eastriggs. The sites could all be marketed as 'Gateway Business Parks', but a better approach might be to market the Chapelcross site on its own as such.



v Developable land in Dumfries & Galloway

I have not been able to secure any detailed breakdown of the developable land in Dumfries & Galloway. However, whatever marketing is carried out for Chapelcross could provide added value by including details of the other developable land in the wider area. That way economies could be made and a better offer made to market and to local businesses. I would suggest that there is much merit in emulating the approach taken for the 'Edinburgh 12'. Of course there will have to be resources secured on the basis of the regeneration of Chapelcross, but by complementing (or simply utilising) those resources, added value can be achieved. Site maps and promotional material can be produced that incorporates Chapelcross but is careful to do so in the context of the wider offer in the area.

Further to that, it is considered that the Council should consider an approach that enables bespoke and identified officers and resources to help developers and investors on their journey through the system. The quality and commitment of the officers working in the Council and the public agencies in the area is impressive; these are determined people who are working in a challenging environment with very limited resources to help bring investment to the area.

Should resources be secured to help with the regeneration of Chapelcross, the resources should be located as closely as possible to the Council to ensure that the efforts to regenerate the site can be utilised to spread benefits to Chapelcross and across the whole regional area in an efficient and cost effective manner. It is strongly advised against using a model like Irvine Bay that saw the creation of a separate team to take forward the proposals. For this to work best, the Council needs to be intimately involved in driving the process forward.

As a first step, an audit of land that might be included in a list of 'development ready' sites should be produced for the area so that the best approach to taking forward Chapelcross in the context of the other sites in the area can be considered.

vi The ‘Our Borderlands’ initiative and possible joint working

Last year, the Scottish Affairs Committee at Westminster carried out a wide ranging review of issues affecting the communities of the South of Scotland and produced conclusions in line with many of the findings of this report. The committee findings robustly outline the need for greater inter-agency working and the need to identify resources to help stimulate the economy and tackle infrastructure issues. Whilst the findings of the committee report are profound, there is a need to ensure that any action taken by the Council is focused on securing the maximum economic benefits for Dumfries & Galloway and Chapelcross would work well within that context. In addition, the report raises some very challenging issues that will require a high degree of intergovernmental working by Westminster and Holyrood. Dumfries & Galloway Council will need to have a very clear strategic approach to securing the right balance of measures and relationships to ensure that such cross border working can be delivered effectively. The Council will also need to play an active role in helping lead the response to these, and other issues, by neighbouring Councils on both sides of the border, and to ensure that any investment or funding decisions are taken on the basis of what will achieve the maximum economic benefit for the area.

One specific quote from the committee sums up very well the challenges faced by Dumfries & Galloway and the need for a more collaborative intergovernmental and inter-agency approach to tackling future economic development efficiently and effectively:

‘The specific challenges faced in the south of Scotland require effective collaboration and joint strategies between the different levels of Government in both Scotland and the UK. The UK and Scottish Governments need to find new ways of working together, and with local government, to deliver for the people of Scotland. This is arguably one of the least developed areas in the post-devolution landscape and should be a major area of work in the context of the implementation of the Smith Agreement during the course of the next Parliament.’

Our Borderlands – Our Future: Final Report – Scottish Affairs Committee (Paragraph 64)

This clear expression and acknowledgement of need by such a body is extremely helpful in building a case for new funding initiatives to tackle Chapelcross in the context of the needs of the regional economy in terms of structural funds and key strategic priorities like Superfast Broadband proposals (on which there is already much activity) to redefine the boundaries of NUTS 2 Funding could in themselves transform the areas ability to manage major strategic developments like Chapelcross and more. This is an issue that presents a major opportunity to secure additional funding for the area, but will require a sophisticated handling of the inter-governmental politics and negotiations that will be involved.



4. Likely Promotional and Positioning activity

i Laying the foundations

It is recommended that the partners support the work already done by formally designating those working on Chapelcross as a 'Task Force'. Providing a clear channel of authority for taking forward proposals for the area will be important. The NDA may wish to allow the Council to lead in this regard, and that should not undermine the success of such a team but the ideal would be if both parties could work closely together.

As indicated, there would be considerable advantages in marketing the available and developable land in the area in a coherent way. An audit of available land will be a key asset in this regard and should be produced as a matter of priority. The partners will have to take a view on whether to market the site as 'Scotland's Gateway Business Park', 'Scotland's Gateway Energy and Business Park' or whatever brand it feels is appropriate. Branding the site as 'Scotland's' has some very important advantages as it does help emphasise the value of the site and the area to Scotland.

This can also help to position the site as a national resource and priority, helping to secure national support and resources. The name could provide an overall brand for the park of say, 'Scotland's Gateway Business Park', and underneath that sub-brands could be used for areas of the park where energy uses predominate and others where perhaps timber/forestry and other uses are significant. The overall brand needs to be flexible enough to not exclude or discourage any specific uses. I would recommend that the Energy Park element be used as a sub-brand complementing the overall presentation of the offer at Chapelcross.

The partners need to seek the support of one of the major companies to act as agents and to promote the sites at the appropriate time, but any positive relationships with major players like GVA, CBRE and JLL should be 'warmed up' and made aware of what the Council is planning for Chapelcross and beyond.

ii A national priority

Spelling out the importance of the Dumfries & Galloway area to Scotland is obviously not the role of the NDA. So in this regard this section is more relevant to the Council's role in raising the profile of the site and the damage being done to the local economy. Attracting significant funding for the site is only likely to be possible from the Scottish Government in the first instance. The Council will have to consider the steps needed to do this, but from the perspective of the site, and there needs to be a greater understanding of the contribution that the area makes to Scotland. There also needs to be a campaign that successfully wins support for the national importance of tackling the issues raised by the closure of Chapelcross.

The V&A, Prestwick Airport and the whole Irvine Bay area are obviously pressing cases for action and help, but they are no more pressing than the issues facing Dumfries & Galloway. Not only will jobs be lost, but it is clear from what many people have said that workers from the power station make a huge contribution to the local communities at a social level by being involved in clubs and organisations. This is more than an economic issue, but it is hard to argue that the problems have not had the political attention that the merit. Resources were found for Trawsfynydd from the Welsh Assembly and unless resources can be found from the Scottish Government, the battle to tackle the legacy of Chapelcross may not be successful for a very great period of time. The Council needs to mobilise opinion beyond the boundaries of its domain behind tackling the issues and providing the resources to do so.

iii Spelling out the needs of the area

I have set out some of the challenges that the area faces compared to other areas where significant public money is being spent on economic development and inward investment. The Council has been working with neighbouring local authorities North and South of the Border on shared issues. It is worth considering whether these discussions might be advanced to look at a much more formally structured and conjoined approach to both governments to seek support to help tackle the unique challenges faced by the borders communities. This may or may not be difficult to achieve on a cross political party basis, but there is ample reason for believing that if approached in the right way, both UK and Scottish Governments will be receptive to the strength of case that the area has.

As stated in this report and in the 'Our Borderlands – Our Future report', there is undoubtedly a strategic gap in supporting the local economies in Dumfries & Galloway and the Scottish Borders, compared to areas such as the Highlands. Highlighting concern in this regard will underpin the need for support for Chapelcross, and the wider regional economy. Arguably, the area has had neither the financial support nor the public attention that its challenges merit. Now is a good time to make sure that position changes.

iv Complimenting a regional brand

The area does not have a strongly developed brand for inward investment purposes. There will be a need to develop branded material for the marketing of the Chapelcross site, and it would make sense to take advantage of that opportunity to create branding for the wider area. If the 'Gateway' theme is one that the Council thinks is appropriate, then complementary branding for Chapelcross as a 'Gateway Business Park' and the area as 'Scotland's Gateway Region' could be developed. A great deal of time and money could be spent on developing a brand for the area and for the site. It is considered that there is neither the time nor the resources available for doing so. This would not be a brand to be used instead of Council branding. Rather it would specifically be used for inward investment purposes.

There could be huge advantages to presenting the area in that context and as part of a joined up communications strategy, both brands can be used in the long term to maximise the profile of the area to politicians, investors and where appropriate to the local stakeholders and population of the area. A productive debate on inward investment does not always appear to take place in Dumfries & Galloway from what was



learned through the charrette process. It is important that there is a concurrent marketing approach undertaken with local residents and stakeholders to ensure that they feel part of the process and that the profile of economic development and inward investment is raised within the community. This in itself will help raise the profile of Chapelcross issues in ways that help support the Council's wider strategic objectives. Cockenzie has shown the dangers of getting local engagement wrong and it will be important, if there is a strong case being made at a national level for action, that it is not undermined at a local level by discords and local protests.

v Scotland's Business Gateway and Energy Park?

The discussion at the charrette included very interesting ideas about on-site energy storage as a key strategic use for the site. This certainly seems like a very attractive option to pursue in conjunction with Scottish Enterprise. An Energy Park has certainly been part of the discussions from the inception of this process. More significantly however, there has been a proposal for just such a facility that attracted support at the highest level and appeared to have the green light for very significant funding. It would not necessarily be appropriate to propose Chapelcross as a direct substitute for the Cockenzie proposals – not least because locals in the area might ask why it is a good idea for Chapelcross when it was not considered so for Cockenzie.

But there is a very clear strategic 'gap in the market' for such a facility and there would appear to be no impediment to funding just such a facility. To achieve this is a political lobbying and strategic communications issue rather than a marketing initiative, but as said earlier there does need to be a resource identified ahead of any marketing drive. It is recommended that the Council give consideration to how to take forward such an initiative whether on its own or as part of a wider debate with Scottish Borders and other councils. This could and should be positioned as a national strategic project.

To take the proposal forward will require the proposal to be presented carefully. At present there is one local company which appears to want to relocate quickly to Chapelcross. That is a huge positive, and whilst the area is about to lose 300 jobs, one employer could move to the site and double its workforce to around 150. Branding the site needs to be done in a way that allows the widest range of developments on the site. An Energy Park can be part of the site – perhaps even a separately branded part of the site, but the overall brand must be positioned as a broadly based Business Park.

The choice of whether it is branded as 'Scotland's Gateway Business Park' or as something else is of course ultimately a matter for the Council, but it would register the significance of the site as a strategic national resource and it would allow the site to operate with the 'Energy Park' as a sub or sister brand.

Having considered all of the issues a family of brands that support the promotion of 'Scotland's Gateway Region', 'Scotland's Gateway Business Park' and in tandem 'Scotland's Gateway Energy Park', could be a potentially powerful combination. Such an approach enables the Council to market its entire stock of developable land, secure a lasting legacy for Chapelcross and gain recognition as an important economic hub and corridor for the creation of wealth for Dumfries & Galloway and the whole of Scotland. This is of course a long term vision for the site and for the area, but with the economy growing, with one prominent employer keen to be on site, this is an opportunity that can and should be grasped.



Donald Anderson

Director, PPS Scotland



5. Summary, Conclusions and Recommendations

These conclusions and recommendations are based on the findings of this report and the economic analysis carried out by John Lord of yellow book. This represents the steps that need to be taken to get the infrastructure in place to support a Marketing Strategy for the Chapelcross site as well as the practical steps that could be taken now to help develop such a strategy. Chapelcross is a major long term economic project that should have a high priority for the Council, and the appropriate level of support from the Scottish and the UK Governments.

The 'yellow book' report very accurately sets out the economic challenges facing the local economy around the Chapelcross site, but it goes further and helpfully sets out some of the structural characteristics of the local economy that the Council and the area needs to address regardless of the challenges posed by the closure of Chapelcross. Dumfries & Galloway is an important part of the Scottish economy and important to Scotland because of its strategic location, and because of its function as the principal road 'gateway' to Scotland. It is also important as one of the medium sized local authorities in terms of population.

However, despite the relative importance of the area, there remain obstacles to creating the right infrastructure and funding support to tackle the consequences of the closure of Chapelcross and to maximise the opportunities for growth in the south of Scotland. Dumfries & Galloway and the Scottish Borders do not have the support for their local economies that other parts of Scotland benefit from. Whether in the principal cities, or in the Highlands through Highlands and Islands Enterprise, many other areas have access to funding that helps to attract funding and develop local initiatives to boost investment and job creation. This 'gap' has been eloquently set out in the 'Scottish Borderlands' report from the Scottish Affairs Committee of the Westminster Parliament.

There will be differing responsibilities and responses regarding these issues from the two partners. The draft recommendations below designate initial allocations for these responsibilities, i.e. where best addressed by one, other or both of the Council and the Nuclear Decommissioning Agency. Of course there will be some areas of crossover, but in essence the actions of advocacy and area promotion would instinctively fall under the scope of Dumfries & Galloway Council, and areas of partnership working, employee support and site redevelopment would involve greater input from the NDA.



Initial Recommendations for the Council and the NDA together

1. That the Council and the NDA form a joint 'Task Force' to provide a focus for activity regarding the practical implications of the Chapelcross closure and the marketing of the new development site. In the short term this should include the development of practical initiatives to advise (and perhaps train) those losing their jobs to help them find other employment or start a new business.
2. That the 'Task Force' have access to resources to develop and implement a marketing strategy for the site in the context of developing the three major sites on the M74 corridor.
3. That a view be taken about the best mechanism for attracting Scottish and UK Government support for taking forward initiatives for an 'Energy Park' or 'Enterprise Zone', or indeed some other vision of how Chapelcross can be successfully promoted.
4. That the Council and the NDA work co-operatively to enhance the wider regeneration of the M74 corridor in the context of Chapelcross as a key long term inward investment location.

Initial Recommendation for Dumfries & Galloway Council

1. That as a precautionary measure the Council registers domain names relevant to the marketing of Dumfries & Galloway and Chapelcross. These should include names such as Invest in Dumfries & Galloway, Invest in Chapelcross, or any related names that might be used to promote the site and the region in the foreseeable future. This should be done to protect the Council's position. It is unlikely, but vexatious and speculative registration can happen, and it would be best to protect the Council's position in this regard.
2. That the Council take an early view on the issue of marketing the area around the M74 corridor, and Dumfries & Galloway as either 'Scotland's Gateway Business Park' and/or 'Scotland's Gateway Region', or suitable alternatives. This will help inform and provide guidance for the development of a marketing strategy.
3. That the Council form a steering group to take forward a campaign to gain recognition for the need for investment in the Chapelcross site, and to support elected members in lobbying for recognition of the areas needs and challenges. The steering group should draw on existing officer support and expertise, but will need both an officer and an elected member 'champion' to help take the proposals forward.

4. That the Council take an early report to Council setting out the vision for the redevelopment of Chapelcross on the basis of its preferred option. This could be as an 'Energy Park' or 'Enterprise Zone', or both. The report should set out the need and the objective of gaining recognition for Chapelcross as a National Infrastructure Project, and potentially involve lobbying both the Scottish and UK Governments.
5. That the Council liaise with local and national bodies to gather support for the wider development aspirations for the development of the M74 Corridor in the context of attracting future investment into the wider Dumfries & Galloway area. This should include proposals for the holistic promotion of Dumfries & Galloway as one of Scotland's and Britain's best communities in which to Live, Invest, Study and Visit. To be done in partnership with other agencies such as Visit Scotland, Scottish Enterprise and local education facilities.
6. That the Council produces a funding bid (or series of bids) for sufficient resources under the auspices of the 'challenge' of Chapelcross for submission to the Scottish and UK Governments.
7. That the Council review its economic development policies and strategies to ensure that these reflect the wider vision necessary to develop Dumfries & Galloway as one of Scotland's most important economic hubs, and as a centre for economic development and enterprise that attracts investment from throughout and beyond the UK. The aim being to set out a clear vision to make Dumfries & Galloway one of Scotland's and Britain's strongest local economies and places to live, attracting national and international investment on a scale that recognises the areas key strategic importance as the 'Gateway' to Scotland, with access to world class coast and countryside for both residents and visitors.
8. That web and sector based marketing material be produced to raise the profile of the uniquely positive offer that Dumfries & Galloway has as an inward investment location, visitor destination, and as a place in which to live and study.

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