

Regional Transformational Opportunities

Convention of the Highlands and Islands
October 2019



Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Background

1. In October 2018, the Convention of the Highlands and Islands (COHI) considered a paper from HIE on “Major Project Identification.” The broad criteria aimed to stimulate thinking around projects which were significant in their impact, scale and complexity. The resulting list was diverse, ranging from locally significant large capital projects which were nearing commencement to nationally significant projects in their infancy.
2. Whilst the original projects identified remain important major investments of interest (updates on which are appended to this report), a further exercise was requested to discern the strategic and transformational opportunities, those where the region has a strong comparative advantage, can generate significant impact regionally and nationally and for which a strong team Scotland approach is required to inject pace or to accomplish.
3. Fundamentally, the task was to identify the ‘game changers’ for the region.

Approach

4. Highlands and Islands Enterprise (HIE) and the COHI Senior Officers Group (SOG) were tasked with progressing a further review and agreed to adopt a thematic approach to identifying opportunities. Such an approach could have a wider geographical reach, opportunities for intra-regional projects and collaboration, and potential for stronger inclusive growth.
5. Four priority areas were agreed:
 - Marine;
 - Energy;
 - Advanced Technology (including space and the aeronautical sector); and
 - Natural Capital.
6. There are crossovers between these and natural capital, in particular, can be viewed as an overarching theme e.g. natural capital as an asset and an enabler for the energy and marine sectors.
7. HIE commissioned ekosgen to undertake a short piece of work to identify, in more detail, the nature and potential scale of regional transformation opportunities (RTOs) in the Highlands and Islands. This work sits alongside other COHI strategic projects such as housing, skills, transport and connectivity. These are all enablers that will impact on whether the RTOs can be delivered but they are not the focus of the RTOs themselves.
8. As well as a desk review of relevant papers, documents and materials, ekosgen conducted a series of consultations with regional and national stakeholders. A workshop in late September with SOG representatives and others examined the emerging RTOs, explored the potential impacts and scale of each, identified key enablers and infrastructure requirements, and considered alignment with Scottish and UK Government priorities.

Report and Next Steps

9. Attached is a summary report setting out the RTOs that have emerged from the research to date, and the rationale for their inclusion. There is scope for further revisions following discussions with COHI.
10. Further desk based research for each RTO will continue along with further consultations to add to the findings and to gain more clarity on the enablers required to progress the RTOs and potential challenges and inhibitors. This will include an overview of the infrastructural implications, resource requirements and indications of potential funding routes where applicable. A more detailed report will be provided by the end of October.

Annex – Original Major Project Updates

Area	PROJECT	Part of Growth DEAL	Impact (FTEs)	Costs	Start	End	PROGRESS
Argyll and Islands	Oban Strategic Development Framework	YES	TBC	£40m+	2014	2030	<p>Oban, as the key economic driver for Lorn and the Islands has continued to experience strong growth and investment over the last 12 months. Scottish Seafarms £30m+ investment at Barcaldine has been completed, GaelForce Fusion has secured the former Sealife Centre as a new base for their Argyll operations and several national retailers have moved into the town including Screwfix and M&S Food and a new Premier Inn has recently opened. These investments and resultant job creation are welcome and demonstrate business confidence in the region. The Argyll and Bute Rural Growth Deal will seek to fund projects driving skills and innovation, particularly in the marine economy. However, with Oban’s unique geography, enabling infrastructure growth to support these investments is proving challenging, with particular issues around road infrastructure and transport connectivity, particularly to the Ferry Terminal and the islands it serves following the introduction of RET. Housing remains a particular challenge, with 300 units now underway at Dunbeg, further investment is required. These challenges are affecting business investment decisions and without a clear plan to address some of these wider issues, the growth that is currently being experienced may not continue.</p> <p>In terms of specific actions:</p> <ul style="list-style-type: none"> - Destination and Origin Survey completed in summer 2019. - Oban Strategic Development Framework progressing to form supplementary planning guidance - Argyll and Bute Growth Deal quantum announcement with projects in Oban supporting skills and innovation with partners Argyll College UHI and Scottish Association for Marine Science UHI at the European Marine Science Park - Growing student numbers in Oban, with increase business focus on the economic contribution of the students and academic partners - Multi-agency infrastructure working group established

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Highland	Space Hub Sutherland	No	40 (direct) 400 across region	£17.3m*	2018	2023	HIE continues to develop the project and it is planned that the Outline Business Case provided in 2018 will be revised by the end of 2019 to reflect more accurate costs. The Planning Application is to be submitted in December 2019 with an outcome expected in Q1 2020. First launch is expected to be late 2021 or early 2022. HIE continues to plan the development of cluster activity in the Region to support the Launch developments. * The capital costs for the project continue to be reviewed.
Highland	Tourism Village Development - west coast	No	400	£60m			No update
Innse Gall	Stornoway Harbour	Yes	TBC	£60m	2019	2024	Significant progress made on this. HIE has provided assistance for a Development Manager to enhance capacity in the port authority to deliver the ambitious plan. The masterplan development was split into the Newton Basin & Marina development (£10m) and the Deep Water Port at Arnish development (£50m) – total Project cost is nearer £60m. The Newton Basin Marina project is well underway and with £3.5m assistance from HIE it is fully funded. The deep water port project has received a grant approval for £10m from HIE towards the project and an application for £22.5m to the Scottish Futures Trust is expected before the end of October.
Innse Gall	Uist SpacePort	TBC	TBC	£69m	2019	2021	Uist Spaceport continues to be developed and there have been numerous public consultation meetings over the last few months. HIE is supporting the consortium with revenue and capital funding (through CNES) to realise the opportunities the market is presenting.
Moray	Aviation and Advanced Technologies Academy/RAF Expansion	Yes	1000	£500m	2021	2029	RAF Lossiemouth has been expanding since 2018 and is now home to four squadrons of fighter jets, with 9 P-8 Poseidon aircraft, produced by The Boeing Company, due in 20/21. The MoD have committed at least £400m to the development of Lossiemouth as the headquarters of the RAF in Scotland and a major location in the air defence of the North Atlantic. The University of the Highlands and Islands is working with international industry partners, and the MoD, to establish a substantial training and research centre

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							<p>adjacent to RAF Lossiemouth which will address global skills requirements for the aviation sector over the next ten years. This centre will largely be focused on commercial aviation skills pathways and through close collaboration with key industry partners, will deliver international standard education and qualifications for this high value sector.</p> <p>Through the Moray Growth Deal announcement due in November 2019, the UK government plans to support the establishment of this centre of excellence with industry endorsement – the only facility of its kind in the UK. This development will attract international students and researchers to Moray, as well as spin-off benefits for other sectors such as Space.</p>
North Ayrshire Council	Transitioning to a Tourism & Creative Arts destination with global reach - Marine Tourism	Yes	335	£5m	2019	2022	<p>AGD Head of Terms agreed and OBC progressed. The investment will deliver regeneration activity alongside new assets to support marine tourism and the wider cluster of marine tourism economic development of the region. Critical marine infrastructure to enable further investment to secure the development of the Marine Tourism industry on the Isles of Arran and Cumbrae will focus on securing infrastructure that supports key components such as sailing and boating, marine leisure and recreation to position the Clyde region of Ayrshire and the islands as an accessible world-class marine tourism destination. Project plans have been developed for the initial stages of mobilisation. Stakeholder and engagement plans have been developed to investigate concept and design development with the industry, community and stakeholders.</p> <p>The development of the Coig (Gaelic for 5) touring route initiative for Arran, Bute and Cumbrae will attract an additional 100,000 visitors over 3 years to the area through the development of 5 new touring routes over the Clyde islands (3 routes) and mainland Ayrshire and Clydemuirshiel (2 routes). This digital social media driven tourism destination project will highlight key creative and arts sectors. The Coig will work in partnership with VisitScotland marketing, the Year of Coasts & Waters 2020 campaigns and the West Coast Waters initiative to build</p>

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							sector capacity, events and business development in the creative and arts industries. The Coig will be launched in late October 2019.
Orkney	Scapa Flow Harbour Development – including International LNG Distribution Hub	Yes	100+	£95m	2019	2025	OIC Harbours Masterplan completed and consulted upon. Location options for key elements of project being considered. Outline submission prepared for financial request under the Islands Deal.
Orkney	Tourism development – including Orkney World Heritage Site and Gateway Initiatives	Yes	100+	£33m	2019	2024	Some minor improvement works being undertaken this year. Options appraisal for more substantive developments now underway. Outline submission prepared for financial request under the Islands Deal.
Shetland	Ultra-Deep Water Decommissioning Facility - Dales Voe	Yes	100+	£44m-£48m	TBC	TBC	The Dales Voe Ultra Deep Water project now has a developed business case and economic impact assessment. The next steps are to work on securing private sector investors for the project prior to considering public sector routes to funding, this will be carried out in partnership with the OGA, Scottish Government, Lerwick Port Authority and HIE. An environmental assessment is also to be commissioned looking into the low carbon benefits from the project and potential additional opportunities in the future. Also, there are site investigation works being carried out to get closer to a defined cost estimate for the project.
Shetland	Shetland Space Centre in Unst	TBC	TBC	TBC	TBC	TBC	Shetland Space Centre (SSC) plans to build and operate a satellite launch site and a ground station in Unst, Shetland. It follows the identification in the 2017 Sceptre report that Shetland offered the best orbital access, though it was also the most logistically challenging location.