

ECONOMIC DEVELOPMENT
TOPIC GROUP PAPER

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MORAY FIRTH PARTNERSHIP

ECONOMIC DEVELOPMENT TOPIC GROUP PAPER

Contents

- 1. Executive Summary**
- 2. Map and description indicating the area in which the Economic Development Topic Group has an interest**
- 3. Vision**
- 4. Review of Information**
 - 4.1 Manufacturing and processing (including engineering)
 - 4.2 Shipping, ports and harbours
 - 4.3 Transport and Infrastructure
 - 4.4 Oil and Gas
- 5. Review of Issues and Opportunities**
- 6. Appendices**
 - Topic Group members and consultees

1 Executive Summary

Contributors to the Economic Development Topic Paper include representatives from BARMAC, Business Information Source, Cromarty Firth Port Authority, Highlands and Islands Enterprise, Inverness Chamber of Commerce, Inverness Harbour Trust, Moray Council, North of Scotland Yachting Association, Talisman, TEXACO. The agreed vision of the Topic Group is *'to promote and facilitate economic development of the area by strengthening and diversifying the economic base of the Moray Firth area through sustainable business development, training, marketing and investment, whilst retaining the special natural and cultural qualities of the area and thereby enhancing the quality of life'*.

The Geographical area considered by the Topic Group covers the immediate coastal land and territorial waters of the Moray Firth area as defined by the Partnership, with further consideration of relevant economic influences from outside the area, such as oil installations.

Given that the Guidelines ultimately produced by the Partnership will focus on the promotion and co-ordination of strategic activities, discussion of economic development in the Moray Firth has been restricted to strategically important information and issues. It was recognised that there was potential overlap with other Topic Groups, especially Fisheries and Landuse, and these subjects were therefore not considered in discussions.

The paper provides a review of existing information with respect to manufacturing and processing (including engineering); shipping, ports and harbours; oil and gas; transport and infrastructure (including rail, road and air). Some details of key reports and plans, data sources and key organisations and individuals are provided.

A wide range of issues and opportunities are raised in the paper including consideration of the interactions between economic development and changing population dynamics; lack of clarity regarding EU status for the area post 1999; the potential role of the Partnership in helping to avoid conflict and promote co-operation through discussion of planning issues, development proposals and applications at an early stage.

2 Geographical area which the Economic Development Topic Group has considered

The Topic Group has considered the area within the Partnership's very broad definition of the Moray Firth; around the immediate coastal land and territorial waters. However, the group has decided to consider relevant economic influences from outside the area, such as oil installations.

Discussion has been limited to economic development activities directly relevant to the coastal and marine area and also on strategically important

information and issues as the Guidelines ultimately produced by the Partnership will focus on the promotion and co-ordination of strategic activities.

The group recognised the potential overlap with other Topic Groups and with Fisheries and Land Use particularly. The group has therefore not considered those subjects in their discussions.

3 Vision

To promote and facilitate economic development of the area by strengthening and diversifying the economic base of the Moray Firth area through sustainable business development, training, marketing and investment, whilst retaining the special natural and cultural qualities of the area and thereby enhancing the quality of life.

4 Review of Information

This section has been sub-divided into the following subject areas:-

1. Manufacturing and Processing (including engineering).
2. Shipping, Ports and Harbours.
3. Oil and Gas.
4. Transport and Infrastructure (including rail, road and air).

4.1 Manufacturing and Process

4.1.1 Current Situation

Defining 'Manufacturing/Production and Processing' (M/P&P) creates a difficulty as the terms represent different activities to different agencies. This results in confusion with classifying businesses within these sectors, and affects the ability to withdraw complete data from national databases.

Manufacturing and Processing can be defined as:

- mechanical engineering
- marine engineering and products
- timber products
- electronics
- crafts
- building products
- textiles
- food processing
- value added activities

M/P&P as economic activities are characterised by factors such as increasing competition, globalisation, increasingly differentiated and complex markets, and the quickening pace of innovation and product development.

M/P&P are important to this area's economy for a number of important reasons, including:

- helping to diversify and widen the economic base of the locality
- providing a choice of employment which helps retain population
- providing high quality jobs
- acting as an engine for growth

4.1.2 Key Reports and Plans

Detailed information, both at the strategic sectoral level for Manufacturing/Production and Processing, and for individual companies and employers is held by Highlands and Islands Enterprise, Grampian Enterprise, Moray, Badenoch and Strathspey Enterprise and Highland Council. HIE, through its network of Local Enterprise Companies, is continually updating its strategic intelligence of sectoral activity. Data held by the Business Information Source on behalf of the HIE network and the Business Shops, on behalf of GE and MBSE, provides both localised and national sectoral intelligence, whether at the level of reviewing individual businesses, or providing a sector overview.

Highland Council produces a regularly updated Industrial Directory which provides a concise range of details of employers and businesses active within the Council boundary.

4.1.3 Data Sources and Scope

NOMIS (National On-line Manpower Information System) is the main source of official statistics at local level. Various datasets cover population, employment, unemployment and industrial structure etc. Data is available at various geographical levels, from national to ward and postcode sector, although not every geographical level is available for every dataset.

GRO(S) (General Registrar for Scotland) provides annual population estimates, usually around July each year. Estimates are at Local Authority area level and include data on age structure of the population and migration activity.

Census of Population provides the most detailed population and employment data for the HIE area. This is the only source of data on self-employment and economic activity, two important indicators. Since the Census is only carried out every 10 years, the last being 1991, the main constraint in using it is that the data becomes dated.

Census of Employment (Annual Employers Survey) which was previously the bi-annual Census of employment. While the Census of employment traditionally surveyed all employers in the HIE area, the AES now only surveys major employers, with estimates being made of employment in other firms.

Regional Tends (ONS) providing data covering a wide range of areas, from European Community outputs, national population, education, labour market housing, health and the environment, to more limited data at sub-regional level.

Yellow Pages Database is a commercially produced electronic version of yellow pages, providing company details, business sector, employee number and full address including post code.

Trendscan is a commercially produced CD which lists detailed information on companies active in Scotland. Information available from this package ranges from employee numbers to sales and turnover.

This is not a comprehensive list and many other sources are available if required.

4.1.4 Key organisations and Individuals

Within the Moray Firth Partnership area, a range of businesses, whether large inward investment projects or indigenous small employers, are active. The following list is indicative of the range of businesses that are active within the Partnership's boundary.

Manufacturing

- traditional engineering - boat building
- specialist engineering activity - high value engineering products, freezers
- diversified activities - nail products, kit home manufacturers
- medical / healthcare - bio-technology
- technology - carbon fibre materials, manufacturer of pre-recorded tapes
- textiles

Processing

- fish - salmon and trout, seafish processing, shellfish
- meats
- timber

Production

- bakery and food activity
- whiskey and soft drinks/mineral water
- agricultural activity - arable cropping, dairying and the production of beef cattle
- quarrying, extracting sand and gravel - crushed rock

4.1.5 Review of existing data and its quality

The nature of data availability and dissemination required for such specific localities results in gaps appearing in information when examining at postcode or ward level. Consequently, for smaller areas, information may be an estimate or regression of regional data. The nature and source of data collection ensures that reproduction can be undertaken with confidence in collection accuracy. Of concern, however, can be the time involved between collating and processing information for electronic storage and timing of updating material.

4.1.6 Identification of key data gaps and research, survey and monitoring needs

To complete the availability of data, localised geographical or sectoral databases are being established, either by appropriate local agencies, in partnership to provide national coverage, or by the individual sectors themselves (e.g. Food and Drink database held by HIE. Environmental consultants database held by BIS). Information held on these datasets, while introducing an element of duplication, are also likely to contain confidential information, which may result in restricted access.

4.2 Shipping, Ports and Harbours

At the time that this paper was being produced information on shipping, ports and harbours was not available. The Economic Development Topic Group is currently seeking the information required to update this section.

4.3 Transport and Infrastructure

General

An adequate transport infrastructure is vitally important in maximising accessibility both to the Moray Firth Partnership's area and within it. This is particularly true for peripheral locations with dispersed settlement patterns such as Highland, Moray and Aberdeenshire.

External communications in the form of road, rail, air and sea are vital to the area's economy. Internal communications are equally important to economic development and as a determinant of the quality of life in terms of accessing employment, social and recreational opportunities. Different modes of transport do, however, have varying impacts on the environment.

The region surrounding the Moray Firth is one of peripherally much of which is remote from major centres of economic activity.

Road Network

For the coastal area bordering the Moray Firth there are two roads of strategic importance:

- a. the A9 provides the main north/south road link between Inverness and Latheron in Caithness, the coastal road north to Duncansby Head then becoming the A99;
- b. the A96 is the principal road between Inverness and Fochabers in Morayshire. The A98 continues through Cullen, Banff and Macduff and the B9031 is the coastal route through to Fraserburgh in the extreme east of the Moray Firth area.

Inverness is the main town on the Moray Firth coastline, with a population of some 68,000 people and the centre of various transport activities. Consideration therefore must also be given to the north/south A9 link between Inverness and Perth and also the Inverness/Fort William A82 route which also creates much transport activity, again primarily from the car user.

Since 1981 there have been a number of significant improvements to the road network which have substantially reduced travel times, particularly from areas to the north and south of Inverness as a result of the Kessock and Cromarty Firth crossings. Journey times from Inverness to Fortrose, Dingwall and Dornoch, for example, fell by over 50% between 1981 and 1991. The central belt has also become more accessible with travel times reducing by 29% to Glasgow and 19% to Edinburgh in the same period.

Rail Services

The main railway links within the area under consideration are:

- a. The North Rail Line which runs from Inverness to Wick.
- b. The East Rail Line which runs from Inverness to Lhanbryde and onwards to Aberdeen. There are no rail links between Lhanbryde and Fraserburgh along the coast.
- c. The South Rail Line links into the national network at Perth.
- d. The West Rail Line terminates at Kyle of Lochalsh.

In the last two years English, Welsh and Scottish Railways Enterprise Service have gained new traffic (from single wagon loads of 24 tonnes to full trainloads) including fibreglass, mineral water, cement, flagstones, fridge/freezers and pipes for the offshore oil industry. Total traffic carried is around half a million tonnes per year and much of the new traffic uses the North Rail Line. It is anticipated that there will be a continued growth in rail freight in the future with movement of more of the same type of products as well as new products.

Air Transport

Travel by air is a relatively small proportion of all travel although there has been a substantial growth over the last 10 years. Between 1986/87 and

1995/96 the total number of passengers through Inverness and Wick Airports has increased by almost two-thirds from 206,949 to 334,966. Growth has been faster in Inverness and accounted for 82% of passengers in 1986 and 85% in 1995. (Most of the growth has been on the Inverness to London route.) Passenger numbers have increased by around 70% for all Scottish airports in the same period.

There is now an average of 82 public transport flights each day from Highland airports compared with 69 in 1986/87. The vast majority of flights are to other Scottish and UK airports.

Again, with the main airport within the Moray Firth Partnership area being Dalcross, some 7 miles east of Inverness, puts pressure on Inverness as a transport and communication centre.

Cargo handling by Highland airports has fallen by 51% over the last 10 years with 662 tonnes handled during 1995/96. In Scotland as a whole cargo handling has increased by around one-third between 1986 and 1994.

Bus Services

For Scotland as a whole there has been a 20% decline in the use of business as a form of transport between 1986 and 1994. In rural areas however, bus services are often the vital lifeline for less mobile people. Figures obtained from a major company operating from Inverness within the Inverness and Easter Ross area show that between 1993 and 1996 the average daily number of passengers carried has increased by some 2.6% from 11,858 to 12,173. The total annual mileage has also increased by over a third in the same period.

Cycling

In Highland over 4% of residents travel to work by bike. The United Kingdom Tourism Survey of 1992/94 found that cycling as the main purpose of a Scottish holiday trip was highest in the Highlands and Islands area with 40% of holidays where cycling was the main purpose of the trips taking place here. A study on cycling within Highland estimated that the tourism impact of cycling in the Highlands is in the region of £14.75 million in income and 400 full-time equivalent jobs, most of which is generated by UK visitors to the area. This would increase by around £3 million and 80 jobs with the completion of the Highland section of the National Cycle Network.

4.4 Oil and Gas

4.4.1 Current Situation

Offshore Oil and Gas Production Activity in the Moray Firth Area

Currently (October 1997), oil and gas are produced from two fields in the Moray Firth area; the Beatrice Field which is operated by Talisman Energy

(UK) Limited and the Captain Field which is operated by Texaco North Sea UK Co.

The Beatrice Field consists of 3 platforms and is located approximately 20km off the coastline of the inner Moray Firth.

All produced fluids are processed at Beatrice and stabilised crude oil is exported via a 16", 81 km long export pipeline to Nigg Oil Terminal for further processing and export via marine tankers.

The current average Field manning level 80-90. Current production is approximately 10,000 barrels of oil per day.

The Captain Field is located approximately 50 miles off shore and consists of a platform and a Floating Production, Storage and Offloading (FPSO) facility. Oil export from the Field is by shuttle tanker from the FPSO, which has a storage capacity of 555,000 barrels, for shipment to international markets.

The peak production is predicted to be in the region of 65,000 barrels of oil per day.

Onshore Oil and Gas Activity in the Moray Firth

Oil Terminals

Nigg Oil Terminal, which is operated by Talisman Energy (UK) Limited, is located 3km from Nigg on the Cromarty Firth.

The Terminal is involved in the handling of the crude oil from the three sources: via the 16" pipeline from the Beatrice Field, via shuttle tanker from the Captain Field and via ship to ship transfers involving crude from various fields in the UK Sector of the North Sea.

Construction/Fabrication Yards

The Fabrication yards at Nigg and Ardersier celebrate their 25th anniversary this year, with 900,000 tonnes of fabrication completed to date. The Highland Fabricators yard in Nigg and the McDermott Scotland yard in Ardersier were brought together in 1995 to form BARMAC, a joint venture with a refurbished Nigg dock opening in 1997.

Coflexip Stena operate a pipeline fabrication yard at Evanton in the Cromarty Firth while Smitt Land & Marine operate a yard near Tain.

4.4.2 Future Developments

Offshore Oil and Gas Production Activity in the Moray Firth Area

Production from the Beatrice Field is likely to continue until at least 2003 while Captain is a new development with an expected life span of approximately 10 years.

Known future developments include phase 2 of Captain Field which is envisaged will increase production to 100,000 barrels per day and the new Ross Field which will be operated by Talisman Energy (UK) Ltd.

The Ross development will involve subsea production wells tied back to a FPSO for processing and subsequent oil export by shuttle tanker. Gas produced will be used for fuel with the excess gas being exported by a dedicated pipeline that will link into the existing Frigg UK pipeline, which comes ashore at St Fergus. It is anticipated that peak production will be approximately 40,000 barrels per day. Drilling of the development wells is currently on going with the first oil anticipated in September 1998.

The Captain Phase 2 development is likely to involve the installation of 1-2 additional platforms and a subsea manifold.

Other known but undeveloped discoveries in the Moray Firth area include the Phoenix gas field.

The DTI have announced that the 18th Licensing Round will dedicate to open existing acreage i.e. Blocks that have been previously licensed but have subsequently been relinquished by the oil companies concerned. This is likely to include a substantial number of Blocks in the outer Moray Firth. The timetable for applications has yet to be fixed but is likely to be around Easter 1998. Due to this forthcoming licensing round, there has been a noticeable increase in seismic activity in the Moray Firth in the past few months.

Onshore Oil and Gas Activity in the Moray Firth

Planning permission has been granted for new storage and processing facilities at Nigg Oil Terminal. The proposed modifications will be located entirely within the boundary of the existing Terminal.

Two contracts are currently secured for the Nigg Dock; to supply and fabricate Elf Elgin PUQ, a Jack-Up production platform (scheduled for completion in August 1999) and to construct a Gravity Base Structure for Amerada Hess's South Arne development (completion March 1999). Current contracts for Ardersier are (i) an integrated deck for Amerada Hess South Arne, (ii) 2 Platforms plus a triplex module for Conoco Viking Phoenix and (iii) 3 no modules for Chevron Alba

5. Issues and Opportunities

Issues

- ◆ From an environmental perspective, increasing legislation, customer (final or supplier) pressure and supply chain pressure are issues facing business.
- ◆ The interactions between economic development and changing population dynamics should be considered.
- ◆ The interaction between economic development and specific interest groups.
- ◆ EU status for the area is unclear post 1999.
- ◆ The legislative framework is crucial to economic development.
- ◆ Data collation - accuracy, resourcing and timeliness.
- ◆ Does the Moray Firth area want more speculative work, eg oil and gas or an economically safer portfolio in key business sectors.
- ◆ British Airways decision to change the Inverness to London service from Heathrow to Gatwick and to transfer operational responsibility to their franchisee - British Regional Airlines.

Training and Education are witnessing a move towards Vocational Qualifications, with training provision having to develop to accommodate remoteness/sparsity.

There are issues related to the limitations of infrastructure.

The future role of the Crown Estate and its impact on Economic Development, eg fish farming, yacht moorings etc.

Integration of oil spill contingency arrangements, eg the lessons learnt from Exercise 'Highland Chieftain'.

Potential impact of increased level of tanker traffic in the Moray Firth.

Expansion of exploration and production in the Moray Firth area, eg the Ross Field.

All Topic Groups are likely to encounter legislative problems.

The Moray Firth area is not a recognised unit of capture for relevant information. Consequently information may be an estimate or regression of regional data.

✦ **Denotes high priority issues**

Opportunities

In terms of business management, the ever improving and increasing capacity of communication systems is providing benefits and opportunities.

Improvement for the support structure for Small Medium Enterprises (250 employees).

Potential role for the Partnership to help avoid conflict and promote co-operation by possibly discussing planning issues, development proposals and applications at an early stage.

Link the distribution network to ports and sea cargo and to a European-wide market focusing particularly on bulk cargoes.

Opportunity for Floating Production Systems business in the Oil and Gas industry.

Potential for integration of transport infrastructure, eg a direct rail link from Dalcross Airport to the centre of Inverness.

Harnessing community groups and community businesses in the work of the Partnership.

Increasing local sourcing of business inputs, rather than transportation into the area.

Potential of exploiting decommissioning market.

Given the strong focus on industrial environmental protection, this is a possible growth business.

Economic Development should be greatly enhanced by UHI.

Freight is the main area of commercial traffic and consideration should be given to the integration of road, rail, air and sea and the upgrading of key terminal points throughout the region in order to get that freight to the nearest point of consumption.

6 Appendices

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