

## ECONOMIC PERSPECTIVE 3

### THE HIGHLANDS AND ISLANDS DEVELOPMENT BOARD: THE BEGINNING OR THE END?

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#### Introduction

The Annual Report for 1990 of the Highlands and Islands Development Board (HIDB) sets out the progress achieved in the twenty-fifth year of the Board. It is also the HIDB's last, as from April 1991, the HIDB was replaced by Highlands and Islands Enterprise as the body now responsible for the economic and social development of the region. Highlands and Islands Enterprise will combine the functions and responsibilities previously discharged by the HIDB with those of the Training Agency in the Highlands and Islands of Scotland.

The HIDB was established in 1965 with two main objectives: firstly, to assist the people of the Highlands and Islands improve their economic and social conditions and, secondly, to enable the region to play a more effective part in the economic and social development of the national economy. Its task was a daunting one, particularly given the problems - including population loss, unemployment, poor service provision and a lack of inward investment - in such a remote, inaccessible area. The HIDB was notable for two further reasons: the extensive range of the developmental and financial powers it was granted and the fact that its remit included a social aspect. It is interesting to note in this respect that its replacement body, Highlands and Islands Enterprise, is also responsible for the social development of the region.

In its subsequent twenty five year history, the HIDB survived two critical reviews of its work - both in the 1980's, a consequence of a government ideologically suspicious of excessive public sector intervention. One outcome was that the HIDB's developmental objectives were put on a more commercial and opportunistic basis (Danson, Lloyd and Newlands, 1991). Notwithstanding this restriction on its activities, however, the Board has continued to play a critically important role in the general development of the Highlands and Islands of Scotland.

This short paper examines the first and last Annual Reports of the HIDB as a means of highlighting the achievements of the Board throughout its lifetime of a quarter of a century. It does not attempt a systematic assessment of the contribution of the HIDB to the development of the regional economy, but rather seeks to gain an insight into the interventions and issues associated with its work. The paper also considers some

of the matters arising from this period which may spillover onto the developmental and training agenda of Highlands and Islands Enterprise and its Local Enterprise Companies.

#### In the Beginning.....

The first Annual Report of the HIDB covers the period 1965 - 1966 (HIDB, 1966). This primarily sets the scene: laying down the philosophy and intentions of the newly appointed body and it therefore provides a useful starting point for our comparison of the beginning and end of the HIDB era.

In the Foreword to the Report, for example, the then Chairman (Professor Robert Grieve) stated that the "Highlands and Islands Development Act gives very great powers to this Board: powers regarded as concordant with the intractable character of the problems involved. These emerged from a general build-up of feeling about the need for something to be done in the Highlands and from a study of all those concurrent attempts being made in western civilisation and elsewhere. It is therefore.....no exaggeration to claim that the efforts of this Board will have world significance". A trenchant observer at the time argued that up to that time no other agency engaged in regional development in Britain had been presented with such an armoury of powers, including the means to provide financial assistance via grant, loan and equity, to set up and carry on businesses, to undertake research and promotion, to provide advisory, management and training, to acquire land, erect factories and other premises and to provide equipment (Carter, 1974). The nature of the advocacy on the part of the Board and commentary on its potential point to the optimistic and progressive intentions of the HIDB.

The first Annual Report set out the nature of the challenge facing the HIDB. Depopulation was recognised as the central problem for the region, but the Report also acknowledged that addressing this issue was not to be an easy course of action. Yet, it is this indicator that has subsequently emerged as the most emotive of signals as to the overall health of the regional economy and the success of the HIDB itself. For its part the Board proposed a broad set of policies to address the central problem of depopulation. These were structured around the perceived three main props of the Highlands and

## Islands economy.

Firstly, Forestry, which the HIDB perceived as a great long term hope for creating rural employment and a more secure local economy. The critical aspect of this economic prop is the attention being paid to developing the natural resource potential of the region and the emphasis on the long term benefits to be derived. Secondly, the HIDB identified Tourism, which the Board considered as having the potential for creating a beneficial short term impact on the Highland economy. The Board qualified its enthusiasm for tourism related activities, however, by stating that its development must be selective, that means must be sought for extending the season and that the activity must be capable of development without spoiling the landscape. This qualification has subsequently re-emerged to haunt development proposals supported by the HIDB, such as the proposed extension of skiing facilities in the Cairngorms. Finally, the HIDB identified Manufacturing as the third prop of the Highlands and Islands economy and the most urgent in terms of addressing the problem of depopulation. The Board recognised that the region was poorly represented in manufacturing and, as a consequence, manufacturing development assumed the highest priority in the HIDB agenda. The stress on the need to establish a Highland manufacturing base reflected the then prevailing perception that the problem of the Highlands and Islands was its 'under - developed' status, demonstrated by its low level of industrial investment and activity. The HIDB took the expected view that an injection of capital investment would make good the regional deficiency.

The issue of industrial promotion is discussed at length in the first Annual Report. The HIDB argued the case for a fresh approach to attracting industry to the region so as to address the depopulation problem. Its philosophy is relatively 'hands-off', however, with respect to the location of industry in the regional economy. The Report stated that "our primary function in promoting industry is to offer financial aid, to provide, where we can, basic information and essential help to a developer, and to use our knowledge of our area to ensure that obstructions or difficulties are removed or smoothed away. We cannot, nor would we wish to, dictate where an industrialist will establish himself. Even to attempt to do so would dispel immediately his interest in the possibility of developing in the Highlands and Islands".

As a consequence of this philosophy the HIDB set out a three point policy framework: a) to encourage the growth of industrial enterprise wherever a developer showed a personal or specific desire to expand his enterprise; b) to pursue a more methodical programme of building small industrial growth points in scale with the possibilities of the West and the islands; and, c) to generate major growth points, involving substantial increases in population wherever the natural advantages of the area seemed to warrant it. In this context the Moray Firth emerged as the most important locality for planned

growth, as evidenced by the later build up of oil rig construction yards in the locality, together with the ill-fated aluminium smelter at Invergordon. The HIDB stated clearly its interest in attracting and encouraging both small scale and large scale activity. It stated, however, that "development will have to be a balanced one, with smaller industrial groupings wherever opportunity offers and with major growth units in districts favourable to their establishment and development". The Board correctly noted that it would not be possible to meet the needs of each individual district in the region in this way.

A key issue identified in the Report concerned the land question, which was recognised as the "basic natural resource" of the region. The Board stated that it had been under considerable pressure in its first year to produce a 'land use plan' for the Highlands and Islands and this was seen as essential to its long term development programme. Before that, however, the HIDB stated its intention to establish a land use policy based on a systematic capability survey and study of the land use potential of the area. Interestingly, the Board stressed the need to encourage the multi - use and diversification of land use, balanced with the needs of nature conservation. These ideas are, of course, in common currency today but in the 1960's they would have been considered very forward thinking.

## ....and in the end

Population has remained the key litmus test for any assessment of the Board's work in enhancing the economic and social health of the Highlands and Islands. During the 1970's and 1980's there was a stabilising of population. It is important to note, however, that there remained a marked geographical distribution in the region. In broad terms, population in the Highlands and Islands continues to drift away from the north and west towards the Moray Firth area and Easter Ross. Many remoter areas, such as Sutherland, Bute, Lewis and Harris have continued to lose population although at a slower rate than previously was the case. Thus whilst some areas, such as Skye and Lochalsh, Badenoch and Strathspey have experienced population growth in excess of 9% over the period 1981 - 1988, other areas have continued to contract, such as Caithness (-3.9%), Sutherland (-2.7%) and Shetland (-15.9%) (HIDB, 1991).

The Annual Report for 1990 shows that, whilst in 1990, average unemployment in the region fell to 8.9% (compared to 9.3% for Scotland and 6.6% for Britain), there remain significant geographical variations within the Highlands and Islands. Thus Shetland, with an average unemployment rate of 3.7%, must be contrasted with Sutherland (13.9%), Western Isles (13.15), Wick (12.0%) and Invergordon and Dingwall (12.5%). In addition, the Annual Report showed that incomes in the region are 12% below the average for Britain with higher relative prices and transport costs, suggesting overall standards of living are substantially lower than the national average.

For the period 1981 - 1990, the HIDB provided £161 million (in 1990 prices) in grant aid for land development, fisheries, tourism, manufacturing, services and processing. The greater proportion was allocated to manufacturing, services and processing including such activities as fish processing, boatyards and marine engineering and construction. The Board also allocated £95 million as loan and equity to these activities. The HIDB stated that this approved expenditure created an estimated 20,300 jobs and protected 5,400 others. The economic assistance provided to the Highlands and Islands also varied throughout the region. The largest allocation of grant assistance, for example, going to East Ross, Shetland, Orkney, Lewis and Harris.

Although the HIDB were initially committed to an industrial development strategy based on large scale, capital intensive inward investment, such as the aluminium smelter at Invergordon, the Board also pursued local economic development in the region through resource based activities, such as marine fish farming. This approach complemented its social development responsibilities and, over time, the Board has committed itself to injecting a higher per capita level of assistance into the remoter areas of the region. The 1990 Annual report talks of 'Community Action', which is the HIDB's adopted term for its social development function. It states that its purpose "is to enrich culture, community life and amenity, to enhance local identity and self confidence and to help create local organisations and networks to foster local participation in the development process". In terms of its social responsibilities, in 1990 the HIDB approved 417 Community Action cases, involving allocated expenditure of 1.1 million (approximately 25% of the total project costs) for social and voluntary activities, village halls, sport and cultural activities. A central facet to the social development strategy of the HIDB has been the encouragement and support for community enterprises.

An early concern of the HIDB, as noted in its first Annual report, was that of land development. The Board had been granted extensive powers of land acquisition and development but it proved reluctant to challenge the established landowning interests in the region. Although the Board had come to recognise in the mid 1970's that land use and development were fundamental to the overall economic and social regeneration of the Highlands and Islands, it discovered that its land powers were actually inappropriate to its needs (Hunter, 1978). The intervening period shows that the HIDB has not been successful in overcoming this drawback which has limited its ability to address the ownership and management problems associated with poorly used land in the region. Notwithstanding this, however, the Board has maintained a land development programme throughout its tenure. The 1990 Annual Report points to the new Rural Enterprise programme being administered by the HIDB for the EC for the introduction of new marketing initiatives and a Business Development Scheme to encourage diversification by farmers and

crofters into non - agricultural activities.

#### ....and so on to the future

The Annual Report for 1990 of the HIDB effectively marks the end of an area in terms of regional development in the Highlands and Islands. Throughout its years of operation the HIDB provided a strategic approach to the problems of an area with not inconsiderable problems of location, communication and economic structure. The Board provided a valuable context within which other public sector policies, including those of the local authorities could be accommodated. And all this took place against increasing uncertainty and instability for many of the economic sectors and activities in the region, including agriculture, crofting, energy, oil and gas, fish farming and textiles. Now that strategic framework is to be eroded.

In April 1991, the HIDB was replaced by Highlands and Islands Enterprise, which assumes the responsibilities of the Board together with those of the Employment Department with respect to training. Notwithstanding the apparent similarity in name, together with the eloquent case made by the government to retain a separate body for the Highlands and Islands and the fact that Highlands and Islands Enterprise has adopted the administrative infrastructure of the Board, the two bodies are ideologically different institutions. It is to be expected, therefore, that the course of social and economic development in the Highlands and Islands will trace a different course in the future. The over - riding feature of the new arrangements is the greater role played by the private sector. As an institution, Highlands and Islands Enterprise itself will be responsible for setting the strategic and policy agenda for the provision of training, economic development and environmental improvement in the region. But, as with Scottish Enterprise, the equivalent body in lowland Scotland, the actual delivery of the training and enterprise development services will be secured through a network of Local Enterprise Companies (LEC's). The LEC's in the Highlands and Islands Enterprise area, of which there are ten, will deliver the required training, enterprise and business development, and environmental improvement services across the region. These programmes will involve national and customised local schemes to reflect the varying circumstances throughout the Highlands and Islands. In addition, Highlands and Islands Enterprise will have a social development responsibility, reflecting the established policy concern of the Highlands and Islands Development Board.

#### Conclusion

This preliminary review of the first and last Annual Reports of the HIDB suggests a number of key issues which nominate themselves for consideration on the new developmental agenda of Highlands and Islands Enterprise. This is, of course, a tentative conclusion as it is important to bear in mind that Highlands and Islands

Enterprise has a distinctly different and wider remit than that discharged by the Board, particularly with respect to the provision of training in the region. Using the first HIDB Annual Report as a reference point it is clear that three main issues are relevant to the future intentions of Highlands and Islands Enterprise. These are the economic development strategy to be employed, the land question and the case for a Highland University. The economic development strategy will require considerable attention as it is clear from the experience of the HIDB that a strategic or holistic perspective is required in order to balance the requirements of inward investment, indigenous growth and development, the promotion of small enterprises and the encouragement of natural resource based activity, including tourism, winter sports and fishing. The structure of Highlands and Islands Enterprise may militate against that, as the fragmentation of the delivery of economic and business development to the LEC's will require considerable 'central' direction. The experience of the HIDB also suggests that the land question will not disappear. Land is clearly a central resource of the region and its ownership and use (and potential) is critical to any economic development strategy. Land must remain somewhere on the agenda of Highlands and Islands Enterprise. Finally, the first Annual Report of the HIDB puts the case for a Highland University. That issue remains unresolved but, as a number of recent planning decisions testify, it is not a forgotten issue. It is a matter of the highest priority for Highlands and Islands Enterprise, particularly as the new body, as the training conduit for the region, will have to decide on its strategy regarding the relationship of training and education.

This brief review of the first and last reports of the HIDB suggests that, although its era has come to an end, many of the key development issues which it addressed during its tenure remain. These relate to the nature and type of appropriate inward investment, the extent of support to be given to indigenous activity and the intra-regional distribution of assistance and activity. Concern must also remain about the appropriateness of importing skills, technologies and establishments which are likely to be subject to exaggerated cyclical fluctuation. It is likely that these issues will either be adopted immediately by Highlands and Islands Enterprise or re-emerge in time to assume greater significance. They certainly were not resolved during the quarter of a century of the Board and one may assume that it will now fall to Highlands and Islands Enterprise to take on the necessary task. The land question is a case in point here. A final point is that the issues which are now going forward for Highlands and Islands Enterprise share a common characteristic. They are all subject to extreme uncertainty. The components of the region's economic development strategy, for example, are increasingly exposed to uncertainty: some of which is the consequence of broader market forces, as with fish farming, some as a result of government policy, as with forestry, or public policy decisions, such as the phased close down of Dounreay. It is this - the uncertainty of securing planned development in a remote regional

economy - that will characterise the challenge of the new approach of Highlands and Islands Enterprise.

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