

ECONOMIC PERSPECTIVE 2

COSMETICS AND CRISIS?

AN ENTERPRISE ZONE FOR LANARKSHIRE

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Introduction

The announcement by British Steel of the forthcoming closure of its Ravenscraig steel works has generated a great deal of media interest and political controversy. The closure of Ravenscraig and the related closure of the plant and ore terminal at Hunterston will result in the loss of at least 1200 direct jobs, a number of further indirect job losses and knock-on effects on the industrial infrastructure of the local economy. In itself the imminent closure represents a catastrophe for the locality but it is important to acknowledge that it is not an isolated incident. It follows other industrial contractions in the region including Gartcosh, Linwood and Bathgate. The accumulated effects of the industrial restructuring, therefore, pose a considerable challenge to government, development bodies and local authorities.

The government has responded to the announcement of the Ravenscraig closure and to the consequences of the anticipated local economic crisis by stating its intent to establish an enterprise zone in the area. Such a reaction is now an established tradition in Scotland where four enterprise zones have been located in areas suffering acute economic distress as a consequence of industrial restructuring. The individual circumstances of these designated zones were often compounded by the precipitous collapse of an individual firm, such as the Singer Sewing Machine Co. Ltd. in Clydebank and the British Aluminium Co. smelter at Invergordon.

It is clear that the Ravenscraig closure throws into sharp relief the ongoing, but often overlooked, debate concerning the strengths and weaknesses of the Scottish economy, the nature of the industrial restructuring taking place and the geographical consequences within Scotland of this economic change. It also raises questions regarding the response of the government, generally within the context of Scotland's broader economic recovery, and specifically with respect to Ravenscraig.

This paper considers whether an enterprise zone is an appropriate response by government to the problems in Lanarkshire caused by the Ravenscraig closure. To this end the paper briefly reviews the experience of the established enterprise zones in Scotland and considers the broader policy and institutional context into which an enterprise zone designation in Lanarkshire would fit.

The Enterprise Zone Experiment

Enterprise zones were introduced in the Local Government, Planning and Land Act 1980. The concept was established on an experimental basis for a specified period of ten years. Enterprise zones were intended "to test how far industrial and commercial activity can be encouraged by the removal or streamlined administration of certain statutory or administrative controls" (Department of the Environment, 1980). The initiative was broadly representative of the market-led approach to local economic renaissance on the part of the newly elected Conservative government.

In practice, the enterprise zone experiment was essentially a property-led local economic development policy initiative. It emphasised the role of the land and property base in the designated zones as the trigger to secure further local economic and development activity. This was to be achieved in a number of ways, including the packaging of available land into viable units for development; the creation of a simplified planning regime to remove or minimise the perceived delays and uncertainties for property developers; the upgrading of land damaged by earlier industrial use; the provision of infrastructure and other supporting services; and, the provision of a range of financial and administrative incentives to encourage investment in commercial and industrial property. The incentives designed to secure an attractive supply of land in the designated areas included a simplified planning regime, tax incentives and relief to encourage investment in commercial and industrial property, rates exemptions to encourage the occupation of the property established and streamlined administrative arrangements (Danson and Lloyd, 1992).

From Economic Planning to Crisis Management

Following the legislation, the government initiated two distinct rounds of enterprise zone designation. These took place in 1981 and 1984. In addition in a relatively limited number of instances the government has employed the enterprise zone measure in a more ad hoc manner or 'unplanned' way and as a form of local crisis management. It is in the latter category or use of the enterprise zone measure that the proposed designation in Lanarkshire falls. There is an important difference in the nature of the designations.

On the one hand, the evidence would suggest that the bulk of the enterprise zones made in the two formal rounds of designations were employed by the government in a relatively systematic manner. Initially enterprise zones were designated in areas of economic and industrial distress - and the designation was undertaken in a relatively programmed way. Thus the enterprise zone designations were targeted on specific geographical areas of particular economic decline and physical decay. The first round of enterprise zone designations in 1981, for example, were composed in large part of vacant and under-used land, often the result of earlier industrial or commercial activity. This phase of designations included the enterprise zone in Clydebank which followed the continuing local effects of industrial restructuring and the precipitate closure of the Singer Sewing Machine Co. The enterprise zone built on the setting up in 1980 of a SDA Task Force to initiate industrial promotion, factory building, environmental improvement and the provision of advice to small business (Jordan and Reilly, 1982). In other words, the designation formed part of an established 'planned' response to the difficulties of the locality.

This general approach was confirmed in the second round of enterprise zones in 1984. These appeared to be targeted on areas in an equally programmed manner, although the individual zones comprised land of relatively superior quality, including established industrial estates and greenfield sites. The Tayside enterprise zone, for example, formed part of the second phase of designations. This was based on a number of individual sites in Dundee and Arbroath. The local economy had experienced endemic industrial restructuring and decline throughout the post war period. The Dundee Project, established in the late 1970s by the SDA, was intended to promote Dundee as a location for high technology based industrial activity and provided the context to the subsequent enterprise zone designation.

On the other hand, the government have also designated enterprise zones outwith these formal rounds. Indeed, the use of enterprise status in this 'one-off' fashion occurred relatively early on, immediately prior to the formal designations in 1984. The Invergordon enterprise zone would appear to have been made for the purposes of crisis management as a consequence of rapidly deteriorating economic circumstances exacerbated by a high political profile. An aspect of the HIDB's early industrial development strategy was to attract large scale capital intensive enterprises to the region which would be located in key growth centres. Invergordon was the preferred location for an aluminium smelter operated by the British Aluminium Co. The smelter commenced production in 1971. In December 1981 the aluminium smelter closed due to deteriorating conditions in world commodity markets. There was an immediate loss of some 890 jobs, which represented 10% of local employment with the result that unemployment reached 24%. There was a further multiplier effect on local firms supplying the smelter. The effects created a local crisis in the area and the Secretary of State responded by

establishing 'a study for recovery' by the Scottish Office and the HIDB. This recommended action in the form of additional regional assistance to the area and the provision of further incentives to create a de facto enterprise zone. As a consequence of these recommendations and the political sensitivity of the crisis, the Invergordon enterprise zone was granted formal status in the summer of 1982.

The crisis management aspect of the experiment was confirmed with the subsequent enterprise zone designation in 1989 in Inverclyde, which forms part of the Port Glasgow-Greenock-Gourock area of the regional economy. Up to the mid 1980s, the local economy was subject to a marked decline in the traditional industrial sectors of shipbuilding, marine engineering and associated port-related activities with some limited inward investment associated primarily with high technology and electronics. In 1985, the SDA in partnership with Strathclyde Regional Council and Inverclyde District Council established the Inverclyde Initiative. This had the stated objectives of diversifying the local industrial base, initiating training programmes in the local area and developing new business enterprises. The continued deterioration in the local economy prompted the need for action on the part of central government (Lloyd and Danson, 1991).

A Qualified Success?

In 1986, a Department of the Environment evaluation of the enterprise zone experiment concluded that, in addition to creating jobs and firm related benefits, the enterprise zone designation had encouraged the development of new premises in the zones (Department of the Environment, 1987). In addition enterprise zones had involved the removal of physical dereliction and secured the physical improvement of the environment in the designated areas. This general observation must be placed in context, however, as what was conceived of as an economic experiment in private sector led regeneration actually comprised in practice significant inputs of public sector effort and spending. In terms of the costs of the enterprise zone experiment, for example, over the period 1981 to 1988, public sector expenditure was £472 million (at 1987-1988 prices). In addition, the estimated public sector land acquisition costs were £41 million and public sector infrastructure investment was £188 million (Department of the Environment, 1987). For the purposes of this paper, however, we may draw attention to two further qualifications.

Firstly, there is a marked geographical distribution to the achievements of the enterprise zone experiment in Britain. The three main Scottish zones, for example, have captured only a small proportion of the overall activity created in or attracted to the zones. Secondly, this geographical bias is reflected at a more local or sub-regional level. Within Scotland, there is a marked concentration in the Clydebank designation. Thus, with respect to employment, for example, 8.5% of total

TABLE 1 **PROGRESS IN SCOTTISH ENTERPRISE ZONES SINCE DESIGNATION**

	% Change since Designation		
	Clydebank	Tayside	Invergordon
Developed land	41	34	79
Establishments	31	359	400
Floorspace ('000 sq.m.	7	151	483
Employment	105	266	483

Source: Department of the Environment, 1990,

employment is located in Scotland, with the greater bulk of those jobs in the Clydebank zone. With respect to the numbers of establishments in the enterprise zones, some 9% of the total is located in Scotland. Again, the greatest concentration is in Clydebank. That is not to imply that the Tayside and Invergordon zones have not attracted jobs and firms (Danson and Lloyd, 1992). A summary, in percentage terms, of the changes in the post designation period in the Scottish enterprise zones is presented in Table 1.

On the basis of the available evidence it is possible to assert that the individual Scottish enterprise zones have experienced a turning round of their respective local economies in terms of attracting firms, employment and physical regeneration. The key point, of course, is that the effects of the enterprise zone measures have been relatively modest and, furthermore, are largely localised.

Whilst the Scottish enterprise zones have experienced some positive economic recovery in terms of jobs, firms and an increase in floorspace available, these changes must be put into context. These trends have been fairly universal outwith the major cities since the recession of the early 1980's. By extension, these changes have been strongest where the local economy had collapsed after the closure of major, dominant employers. For example, despite their designation as enterprise zones, Inverclyde (12.1%) and Clydebank (12.1%) still had the third equal highest unemployment rates in Strathclyde in late 1990. Furthermore, there are important distributional considerations to take into account. The localised effects of the enterprise zone experiment have included a redistribution of activity, usually in short distance or short term moves into the designated areas. Such displacement of employment and companies in this way clearly erodes the overall contribution of an enterprise zone in its sub-regional economic context. Further, the poor supply of factory and office premises in the regions in which the enterprise zones are located has also tended to exaggerate the impact of the property developments and of the 'boundary - hopping' moves by firms, and thus the benefits of the provision of commercial and industrial space in the designated zones.

A further irony is that the enterprise zone experiment to date has only worked through the underpinning of local land, labour and capital markets by massive public sector interventions - the issues associated with the Ravenscraig plant itself. A key element in the enterprise zone experiment to date has been the presence of extensive public sector intervention through its role as landowner, provider of infrastructure and supporting services, planner and provider of financial resources and incentives. To a large extent the formation of new companies and job creation has been through the concentrated and co-ordinated efforts of local and central government agencies: the (then) HIBD and SDA, Training Agency, Regional and District Councils, working through Task Forces, Initiatives and Agreements, with the private sector gaining the benefits of land, labour and capital assistance and subsidies. Yet the critical role of the public sector in the apparently private sector economic experiment has not been fully acknowledged or asserted.

The Appropriateness of a Lanarkshire Enterprise Zone?

The evidence of the achievements of the existing Scottish enterprise zones shows that the measure is ambiguous in its impact on given localities. The implications therefore of a Lanarkshire enterprise zone may be identified as follows.

On the positive side, an enterprise zone designation would provide an additional layer of incentives, although it is important that this be integrated and managed within any established development framework for local economic regeneration. This point is discussed in further detail below. A designation would also represent an acknowledgement by government of the economic difficulties of the area and therefore a designation may contribute to the morale of Lanarkshire. The evidence would also suggest that some economic activity will take place in the designated enterprise zone.

On the negative side, however, the evidence suggests that there would be a significant displacement effect within Lanarkshire and the wider sub-region. Established firms

and jobs may simply relocate so as to realise the financial and other incentives available in the zone. This would simply weaken other parts of the sub-regional economy and erode any overall regeneration strategy. There is also the possibility that the designation may conflict with established initiatives in the area. An example would be the Monklands Simplified Planning Zone, which provides a simplified planning regime as an inducement to developers but not the financial incentives associated with enterprise zone status.

An Economic Development Framework?

In order to accommodate any costs associated with a Lanarkshire enterprise zone it is necessary to integrate the designation within a broader development framework. This would ensure the enterprise zone designation is not used in isolation from the established instruments and agents which could be mobilised in a systematic manner to address the problems of the Lanarkshire sub-region. These include bodies such as Locate in Scotland, Scottish Enterprise, the Lanarkshire Development Agency and the local authorities together with policy instruments such as the National Planning Guidelines (and their forthcoming replacement - the National Planning Policy Guidelines). The significant characteristic of these institutions and mechanisms is that they are capable of operating in an integrated manner and would establish an enterprise zone within a wider economic development context.

Locate in Scotland (LIS) has the capacity to target Lanarkshire for inward investment. It is an established mechanism for attracting and channelling inward investment into Scotland. Furthermore, with respect to high technology development LIS has demonstrated its ability to liaise with planning authorities to translate the technology/industrial policy into land development in specific sites. The National Planning Guidelines are published by the Scottish Office Environment Department and have the principal purpose of identifying land resources which should either be safeguarded from or for development. The National Planning Guidelines on 'High Technology: Individual High Amenity Sites' identified four categories of sites for high technology industry. The category of large single-user high amenity sites is of particular interest as it included sites relevant to the Lanarkshire economy, notably Newhouse and Hunterston (Scottish Development Department, 1985). This site specific advice is also continued in the draft National Planning Policy Guidance "Land for Business and Industry" issued in October 1991 which replaces the National Planning Guidelines (Scottish Office Environment Department, 1991).

Running parallel to these arrangements is Scottish Enterprise which was launched with such fanfare and expectation in April 1991 (Danson et al, 1990). The Ravenscraig crisis effectively provides the new body with its first real challenge, particularly as it combines training needs with economic development and enterprise. These requirements fit the objectives of Scottish Enterprise

perfectly. Furthermore, the Lanarkshire Development Agency (the relevant Local Enterprise Company) is in a position to co-ordinate a host of bodies in the area all of which have a vested interest in economic recovery and development. These include, for example, the districts councils of Clydesdale, East Kilbride, Hamilton, Monklands and Motherwell; Strathclyde Regional Council; East Kilbride Development Corporation and a number of enterprise trusts. These bodies are already addressing the localised and accumulated effects of industrial restructuring. Furthermore, the LEC has identified a critical deficiency in the local infrastructure, namely a shortage of marketable industrial sites and buildings and an over-abundance of vacant and derelict land (Danson, Lloyd and Newlands, 1991). This again provides a wider strategic management context within which the enterprise zone designation could fit.

Nevertheless, despite this interlocking and multi-layered network of complementary agencies, authorities, institutions and mechanisms, which jointly pioneered a recovery strategy for Lanarkshire through the Secretary of State's own 'Task Force' in 1991, the government has still chosen to react to the announced closure with a cosmetic crisis management exercise.

Conclusions

An enterprise zone is principally a means of facilitating the crisis management of localities experiencing concentrated economic catastrophe and industrial collapse. Furthermore such areas also assume a high political profile. It follows, therefore, that enterprise zones are not principally concerned with the planned strategic regeneration of the Scottish economy. Thus, an enterprise zone designation alone is not appropriate for the circumstances of the Lanarkshire economy. There are, however, a number of bodies and policy instruments which could establish a strategic and planned context to the managed regeneration of the Lanarkshire economy. Such a managed approach would also represent a vote of confidence in established Scottish institutions and offset any criticism that an enterprise zone has been imposed on the region from Westminster with little understanding or appreciation of the nature and extent of the local difficulties. Thus, we would question the appropriateness of an enterprise zone in isolation from an integrated economic and land use strategy for Lanarkshire.

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