

---

# Economic Perspective

---

## SCOTTISH TRADE: WINDS OF CHANGE

by Jim Walker\*

In February 1970 the Scottish Council (Development and Industry) published a document entitled **Oceanspan: A Maritime Based Development Strategy for A European Scotland 1970-2000(1)**. This study was intended as a blueprint for the development of an integrated transport and industrial system stretching across the central belt of Scotland. The basic premise of the study was that, because of Scotland's strategic position as regards trade flows from both Europe and North America and its history of open and free trade, it would be the ideal site for the development of large scale entrepot trade (similar to the tobacco trade which flourished in Glasgow during the 18th and 19th centuries). The basic amenities readily available in Scotland such as shipbuilding and ship repair facilities, established port developments on both coasts, an industrial structure based on converting raw materials into goods at a higher level of fabrication and a well trained and highly skilled workforce, were seen as being of prime importance to the plan. This was the case even though, in 1970, the total trade flow in and out of Scottish ports amounted to only 5.7% of UK total trade flows. This figure however, grossly understates Scotland's reliance on trade as over half of her total trade enters or leaves by other UK ports.

Nevertheless, Scotland's experience and reliance on exports and imports and the central belt's ease of access to the deep-sea services on the Clyde and the near-sea European routes on the Forth were cited as the main planks on which the Oceanspan project could be built.

"The basic strategy for future development which is now proposed is to develop an industrial corridor in Central Scotland, fed by an ocean terminal in the West and supplying Europe through a distribution terminal in the East." (p9)

The whole project was seen as an opportunity to alter radically the shape of Scotland's industrial structure from North Ayrshire (petroleum refining, petrochemical and chemical plant, steel works and power station developments) through the Falkirk/Grangemouth area (further extension of the petrochemical industries) to the Lothians where new and existing industry would be strengthened from the expansion of the port facilities in Central Scotland. A growth axis encompassing major infrastructural benefits was to run across the breadth of Scotland from Ayrshire to Edinburgh and the envisaged port system was compared with Rotterdam which feeds the Ranstad, Holland's integrated planning belt of industry and finance.

---

\*Many thanks to Mr Ian Whale, Business Development Officer at the Forth Ports Authority and to the Deputy Marketing Manager, Clyde Port Authority for their help in supplying much of the information contained in this article. The views expressed are those of the author and not necessarily those of The Fraser of Allander Institute.

The report received much criticism on its publication; being met with charges of unrealism and infeasibility (eg the amount of time spent in unloading and reloading the transit goods) however it did describe the available areas for expansion in the Scottish economy and it was a concrete proposal which government, both central and local, could have considered and acted upon. On the thirteenth anniversary of the publication of **Oceanspan** it is of interest to see how Scotland's port system has responded to the changes which have taken place at home and abroad and to examine the factors which have since affected its structure.

During the sixties two major port authorities were created in Scotland on opposite sides of the country. The Forth Ports Authority and the Clyde Port Authority between them controlled all of the major ports in Scotland: Greenock and Glasgow in the West and Grangemouth and Leith in the East. In 1967 in value terms(2) these two authorities could lay claim to handling 78% of Scotland's port trade by 1970 this figure had fallen to 73% most of which could be accounted for by the increased handling by the airports (increasing from 14% to 20%). However, by 1979 Clyde Port and the Forth Ports accounted for only 53% of Scottish trade (and the airports for only 13%). If any of **Oceanspan's** proposals had come into commission the shift would have been expected to be in the opposite direction.

Three major exogenous shocks have had far reaching effects on the pattern and distribution of trade in Scotland. First, the discovery of North Sea oil and gas. This has swung the balance of goods handling away from the west coast ports of the Clyde towards the east coast ports of not just the Forth but Fraserburgh, Montrose and Peterhead on the mainland and Kirkwall and Lerwick in the Orkneys and Shetlands, respectively. These five ports in 1970 accounted for only 0.81% of total Scottish trade through ports whereas in 1979 this proportion had risen to 29.8%. This was almost exclusively the result of crude oil trade. The west coast oil handling terminal at Finnart on Loch Long has suffered sharp reductions in crude oil imports because of the now readily available indigenous supply. Although the value figures inflate this movement (because of the oil price increases over the period) the shift is significantly similar in volume terms. Almost 90% of the traffic (in gross registered tonnage) through the Forth ports in 1982 was fuel (oil, gas and coal) related.

The second shock has been Britain's entry into the European Economic Community. Whereas **Oceanspan** envisaged this change as a promoter of growth throughout the industrial central belt - promoting entrepot trade through the Atlantic-facing Clyde ports towards the east coast and trans-shipment of goods from the Continent across Scotland by means of fast land transport and then re-exporting from the Clyde - it has been an example of, the long recognised trade creation and trade diversion effects of a customs union. Trade has been promoted on the near-sea routes facing the Continent resulting in the Forth estuary handling more cargo in 1982 than either the Clyde or the Mersey and rivalling the tonnages of the Tees and Humber. But, as a parallel occurrence trade has been diverted away from the Clyde and west coast. It is uneconomic for exporters to ship goods from the Clyde to Europe which is now by far Scotland's major foreign trading partner - taking 38% of our manufactured goods exports in 1979 - an increase of 15% since 1973. North America, on the other hand, has fallen in importance, receiving only 16% of Scottish manufactured goods in 1979 (a large proportion of which is whisky), in comparison with the 23% share it had in 1973.

The third factor, and possibly the most damaging one to the West coast has been the rapid unitisation of cargo over the last two decades. Containerisation and palletisation has led to rapid changes in the type and pattern of shipping. Roll-on/roll-off cargo ships have become the operating norm on the near-sea European route, thus facilitating internal distribution from the port of entry. The deep sea container lines have increased the size of their vessels enormously; with this consequent reduction in number of ships, in the European context, it means that each ship is more likely to call at not only a UK port, but also at a French, Dutch, German or Scandinavian port, therefore making west coast ports a much less attractive option. Coupled with Britain's EEC entry, unitisation has resulted in the diminution of trade through all west coast ports of the UK and the expansion of the east coast ports - particularly those in the South-East.

The likelihood of an East-West trade and industry axis in Scotland now looks more distant than ever. The visualised growth in the industrial base across the central belt and the expansion of the west coast ports are ideas of the past. The bright spot on an apparently rather gloomy horizon for Scottish ports is the prospect of spin-offs from increased cargo handling and from oil related industries springing up on the east coast.

In 1981, for the first time since its inception, the Clyde Port Authority showed a loss amounting to £824,000. The mood of the Chairman's remarks in the Authority's report(3) for 1981 was less than hopeful. General cargo handling continued to decrease (by 32% over the year); the outlook for the Greenock Container Terminal was not one of optimism as customers continued to move elsewhere and Finnart's handling of crude oil dropped. Only the Hunterston ore terminal showed an increase in tonnage handled - but with the rundown in the steel industry in Lanarkshire and Ayrshire it is doubtful as to whether this improvement will be continued.

In contrast to the pessimistic reading in the Clyde Port Authority's report is the buoyant language of the Forth Port Authority, 1982 handbook(4). Over £37million has been invested on cargo handling and port-based industry facilities since 1968 and the value of its cargo handled remained at a higher level than in the late sixties. An increase in existing cargo handling activities and a revival of at least one old activity, coal exporting, was reported.

The possibilities of expansion of industry and trade now appear to lie firmly in the direction of the east coast areas. The future of the Clyde ports is, to say the least, bleak and a continued rundown of port facilities, dock workforce and cargo handling appears inevitable. With just 19% of Scottish ports trade in 1979 (compared with 46% in 1967) and sharp falls reported in cargo handling since then, it no longer holds claim to the title of a major British seaport, and the viability of its very existence, above that of a local, coastal port, could be an issue in the very near future. On the other hand, the future of the Forth ports lies in the hands of their managing authority. If it can establish the hinterland in the eyes of the Europeans and the major container lines, as Scotland's main port and industrial complex offering a large selection of services and facilities and with good access to the Scottish market, then there is no apparent reason why it cannot increase its activities and move from strength to strength. Good marketing and vigorous promotion must be employed to the fullest, however, as no doubt the governing bodies of ports such as Felixtone, Hull, Southampton, London and Newcastle (to name but a few) have similar ideas for their ports and will not sit back passively and let another authority attract trade away from them.

The developments imagined under the **Oceanspan** proposals have obviously not materialised. The plan took into account the imminent British membership of the EEC but failed to foresee the combined effects of this event with North Sea oil development and the rapid advance in unitisation methods in shipping during the seventies. Unfortunately, these three phenomena have unintentionally conspired against the development and growth of the west coast of, not only Scotland but, the UK. It is now extremely doubtful whether a maritime strategy which involves the west coast port system could act as a growth pole for Scotland; the trade emphasis has been too far removed. It may be difficult for many of us to accept, particularly those who remember the pre-eminent days of the Clyde, that the recognised trading heartland of Scotland is in rapid decline - and with it the established industrial base - but the evidence is overwhelming. The best strategy would be to shift the emphasis of development agencies (such as the SDA) towards promoting the east coast (particularly the Forth) as the principal trading area of Scotland and as a suitable landing and loading point for UK traded goods and consequently, allow the mid-east hinterland of Scotland to reap the spin-off benefits of industries and services that effective promotion of such an area would yield.

#### REFERENCES AND NOTES

1. **Oceanspan**, Scottish Council (Development and Industry), February, 1970.
2. In volume terms the proportions for Clyde Port and the Forth Ports are likely to be slightly higher reflecting the incidence of low value - high weight goods handled by some of their constituent ports (ie Hunterston ore terminal, and bulk raw materials at many of the Forth Ports and Greenock).
3. Clyde Port Authority, Report and Accounts, 1981.
4. **Forth Ports**, 1982 Handbook, Forth Ports Authority, 1982.