

COWAL FIXED LINK WORKING GROUP

August 2017

Proposal on next phase of Fixed Link project following Ministerial Meeting 13 June 2017

Introduction

As a result of the referenced ministerial meeting (minutes attached as Appendix 1), it was agreed to move forward with the Cowal Fixed Link economic impact analysis based on the Scoping Note prepared in September 2016 by the Fraser of Allander Institute (Appendix 2). Both Argyll & Bute Council (the Council) and Highlands & Islands Enterprise (HIE) agreed to provide comments on the Scoping Note and this was to be followed by a proposal for the next phase of the project to be drafted by David McKenzie in consultation with Fraser of Allander Institute.

Status

Comments on the Scoping Note were received as follows:

- The Council – e-mail from Pippa Milne dated 12 July 2017 (Appendix 3)
- HIE – e-mail from David Smart dated 14 July 2017 (Appendix 4)

The consultation with Fraser of Allander Institute took place on 14 August 2017 in a phone call between Professor Graeme Roy and David McKenzie.

Proposal

It had been anticipated at the conclusion of the ministerial meeting that the existing Scoping Note would be updated to include the comments from the Council and HIE and an updated, wider proposal for an economic assessment would be circulated to stakeholders. It had been further anticipated that the cost of this wider assessment would be higher than the £10,000 estimated in the existing scoping note, possibly in the region of £30,000. The cost would, as minuted, be shared equally by the Council, HIE and Transport Scotland.

During the discussion with Professor Roy, the following issues were discussed:

1. The project for this economic impact work should be procured through normal channels to allow all possible qualified bidders to take forward the work;
2. The assessment, as described, would need to meet expectations of all stakeholders with a substantial level of detail and evidence. In particular, meeting the requirements of the

Transport Scotland STAG process. This would indicate that the proposal / scope for the economic assessment would need to be carefully drafted to ensure that the resulting assessment would clearly meet the demands of all stakeholders.

3. The Fixed Link Group would require, however, advice and guidance on the technical aspects of any modelling being taken forward.

Given the above, it was agreed between Professor Roy and David McKenzie that a number of steps should be completed:

1. Set up the Cowal Fixed Link Working Group as a formal constituted organisation based on the Borders Railway Campaign model. Anticipated cost £2,000.
2. This new organisation to appoint Fraser of Allander Institute as advisers with the remit to prepare a tender document for the wider proposal, including interviewing the Council, HIE, Transport Scotland and other key stakeholders to ensure that the economic assessment meets all appropriate expectations. Anticipated cost £5,000.
3. Fixed Link Group, with assistance from Fraser of Allander Institute, to post the tender on the Scottish Government procurement portal inviting bids.
4. Fixed Link Group, with assistance from Fraser of Allander Institute, to evaluate bids and to recommend an appropriate supplier to the key stakeholders. Once agreed, the assessment would be carried out.
5. Fraser of Allander Institute to help support Fixed Link Group in understanding and interpreting findings of assessment – including leading on any engagement with successful contractors – to ensure that stakeholders views and objectives were accurately captured.

The intention is to complete this process before the end of 2017 so that the input can be used by Transport Scotland as they prepare the next Scottish infrastructure investment plans.

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APPENDIX 1

Minutes of Ministerial Meeting 13 June 2017

Cowal Fixed Link Meeting Scottish Parliament 13 June 2017

Thank you all for attending the meeting hosted by Humza Yousaf MSP and Michael Russell MSP held in the Scottish Parliament on Tuesday 13 June 2017. The meeting was held to review progress on the suggested road / rail link from Cowal / South Argyll to the Central Belt that has been proposed by the Cowal Fixed Link Working Group and to agree next steps in this project. I copy this note to invitees who could not attend and to members of the Fixed Link Working Group.

In attendance were:

Mr Humza Yousaf MSP – Minister for Transport and Islands
Mr Michael Russell – MSP for Argyll & Bute
Cllr David Parker – Borders Railway
Ms Pippa Milne – Argyll & Bute Council
Ms Jennifer Nicoll – HIE
Mr Richard Hadfield – Transport Scotland
Mr Paul Junik – Transport Scotland
Heather Wolfe – Parliamentary Assistant
David McKenzie – Chair, Cowal Fixed Link Working Group

The meeting reviewed the origins of the Fixed Link proposals; the dire economic conditions to be found in Cowal and other parts of South Argyll which could be addressed by such a link or links ; noted that while these conditions can be found in other parts of Scotland, the proposed link would permit Cowal and South Argyll to grasp a unique opportunity due to the proximity of Glasgow and environs; and considered that such a link or links would not only serve Cowal and South Argyll, but would provide the initial arterial link to a potential network of road /rail across Argyll, Western Scotland and, eventually, perhaps beyond.

The meeting reviewed the briefing paper prepared in advance of the meeting and this is attached. The four key decisions requested from the meeting are summarised:

1. Agreement from all involved organisations, specifically Transport Scotland, the Council and HIE, that they are committed to take the project forward and that officers in each organisation are appointed to support.
2. Establish a schedule and process leading to the Minister for Transport and Islands making a statement in the Scottish Parliament that the Scottish Government is supportive of a fixed link.
3. Initial seed funding and initial actions:

A commitment of £30,000 is requested in order to achieve the following within the next 4 – 6 months:

- a. Converting the informal Working Group into a formal structure based on the Borders Railway Campaign model.
- b. Commission an economic impact study to fully assess the expected benefit to Cowal, Bute and South Argyll of the improved connectivity that will result from the Fixed Link provision. Discussions with Fraser of Allander Institute in the University of Strathclyde have resulted in them agreeing to run such a study and the initial Scoping Document is attached.
- c. As recommended by the Economic Forum report prepared for Argyll & Bute Council in February 2016 and in the HIE Transport Connectivity study from October 2016, the Working Group plan to run a series of public consultations in various locations that would be affected by a Fixed Link.

4. Preparation for a full engineering feasibility study.

The meeting agreed to take forward actions 1., 3.a. and 3.b. Specifically:

- Argyll and Bute Council (the Council) and Highlands & Islands Enterprise (HIE) will support the project at this stage, leading to the completion of the economic impact study. Pippa Milne from the Council and Jennifer Nicoll from HIE will be the contacts for the time being. Mr Yousaf will be the contact with the Scottish Government / Transport Scotland for the time being.
- Funding of £30,000 is agreed with the initial plan being £10,000 each from the Council and HIE, with the Scottish Government to consider the remaining balance once the Council and HIE confirm.
- All parties agreed that the economic impact study needs to be more robust than the current scoping document outlines and that the majority of the funds should be allocated to this more robust effort. The Council and HIE agreed to review the current scoping document and to make recommendations on the additional content / actions they would like to see. These recommendations to be sent to David McKenzie within 3 or 4 days in order that the project might be progressed with the Fraser of Allander Institute.
- The Fixed Link Working Group will be constituted as a formal body on the lines of the Borders Railway Campaign, with the members of the current Working Group and the current Stakeholder Group being candidates for the initial Board. Cllr Parker from the Borders Railway project will provide guidance.
- It is understood that the Cowal Fixed Link will be considered as candidate project by Transport Scotland as part of the strategic plan for rail links for Scotland currently under development. The

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output from the economic impact study will be factored in to this study by Transport Scotland and will be an influence in arriving at which projects are prioritised.

As soon as I have the comments from the Council and HIE on the scoping document for the economic impact study, I will schedule a meeting with Fraser of Allander Institute and distribute the revised more robust proposal.

Regards

David McKenzie

The Economic Impact of the Cowal Fixed Link

A scoping note prepared for the Cowal Fixed Link Working Group

September 2016

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Introduction

Following discussions with the Cowal Fixed Link Working Group (CFLWG), the Fraser of Allander (FAI) has prepared this scoping note, which indicates how an Institute such as the FAI could investigate the potential economic impact resulting from the construction of the proposed Cowal Fixed Link (CFL).

It aims to provide an illustration of the potential options to model economic impacts and the estimated costs and timescales associated with such a research project.

Study scope

The key rationale that should underpin any evaluation of the construction of the proposed CFL is how well it could integrate the Cowal area with the wider local economy, particularly with nearby towns such as Paisley, Greenock and especially Glasgow, and the economic costs and benefits of doing so.

A typical value for money analysis at a national level will only provide an aggregate assessment. It will therefore likely to lead to the conclusion that the project was unaffordable. However, this would ignore important wider objectives around inclusive economic growth and ensuring that all parts of the country, particularly remote and vulnerable communities, have the opportunity to become economically and financially sustainable.

Since 2007, the Scottish Government has been clear about their ambition that the benefits of economic growth should be enjoyed across the whole of Scotland. Differences in income, participation and growth between different parts of Scotland can act as a drag on the nation's collective economic performance and potential. A key objective of the Scottish Government is therefore to boost economic activity and employment in the weakest economic regions.

Indeed the Scottish Government's Economic Strategy – page 24 and 25 – makes clear that “Ensuring that all regions and communities can prosper is important for both overall economic performance and ensuring that all areas have the opportunity to fulfil their potential.” It also notes that one of the key drivers of regional inequalities in Scotland is that communities in rural areas can face challenges from accessibility and connectivity.

A CFL could be expected to have a number of advantages.

Linking Cowal with nearby conurbations could make it easier for firms based in Cowal to export and increase turnover and employment. In addition, widening the supply base could create greater access to suppliers, increasing the efficiency of companies by making it easier and cheaper to access inputs. The CFL will both boost the competitive position of existing local companies and make it easier to attract new companies to locate in Cowal. The ability to attract new firms creates opportunities to diversify the existing business base and attract more high-value added companies, resulting in higher wages for those living locally.

For employees, a CFL will significantly reduce travelling time to nearby conurbations. This could benefit existing commuters based in Cowal and could enable Cowal residents to take up job opportunities in other areas. More significantly, the CFL could make it much more practicable to live in Cowal and commute to other local areas, thereby encouraging long-term population growth.

The CFL could also present local decision makers with an opportunity to market the areas existing attractions and could considerably increase the number of tourists visiting Cowal.

These potential benefits would need to be compared with the financial cost of the initiative. Without a full assessment of the economic benefits however, only the cost side is presented.

Required Investment Support

Recent experience of other major new transport links in Scotland suggests that making a success of CFL depends upon additional supplementary investments to maximise the CFL's local impact. This can include initiatives to boost investment, improve local travel links, attract more tourists and secure greater employment opportunities.

The new Borders Railway (BR) is an excellent example. The building of the BR was accompanied by an economic strategy explicitly intended to integrate the Borders and Midlothian into the Edinburgh City Region. This involved;

- Constructing a new Central Borders Business Park - on completion this will create

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6,300 square metres of new office and industrial accommodation

- A PR and marketing campaign designed to promote the area to new and expanding businesses and housing developers as a place to invest
- A Borders Railway Investment Fund designed to help businesses find new markets and innovate
- New housing - 4,000 new homes will be built along the route
- Skills investment in order to help locals move into better paid jobs

Study Methods

The CFL is in its early stages and analysis of its potential benefits to Cowal would require the FAI to construct and evaluate impact scenarios. These would be based on the analysis outlined above under Study scope, i.e.

- The impact – on turnover and employment – on the existing business base in Cowal
- The potential impact resulting from attracting new industry to Cowal, including any projected increase due to diversifying into new high-value added companies
- The possible increase in employment and wages for existing local residents
- The number of new residents likely to be attracted to live in the Cowal area
- The economic impact of additional tourists attracted to Cowal
- The short-term impacts of new construction activities, including building new industrial facilities and new housebuilding.

Costs

We estimate – based on our past experience – that the costs for the study would be £10,000, excluding VAT.

Timescale

We expect that the study would take 2 months to complete.

APPENDIX 3

Comments on Scoping Note from Argyll & Bute Council – e-mail dated 12 July 2017

I've included below comments made from an officer perspective with respect to the scope of the economic feasibility study. As you are aware committee approval would be required before any funding could be committed and it is possible that elected members may have further comments on the scope assuming they agreed to go forward.

- The scope should cover the Clyde link plus links into mid Argyll and others highlighted in the HIE Connectivity Report.
- Impact on wider Argyll (positive and negative)
- Economic inclusivity to include
 - Impact on cost of services
 - Impact on value for money of existing services through growing population
 - Impact on continued availability/sustainability of services
- Agree it should consider how the CFL and further links into mid Argyll could help remote and vulnerable communities, have the opportunity to become economically and financially sustainable
- What potential is there for job creation in Cowal as a direct result of the CFL and what is the net change likely to be? Would any other development/regeneration be required to realise potential benefits. For example, build out of the sandbank Industrial estate, Ardyne aquaculture hub, mountain bike center, Castle Toward.
- What is the potential for population change by building this link positive and negative?
- What is the potential for GVA expansion by creating the CFL? Focus on our main sectors, public services, construction, tourism, forestry, digital services, food and drink including aquaculture.
- What are the relative benefits of the CFL compared to other improvements highlighted in the HIE connectivity report and Argyll and Bute Council Single Investment Plan.

In terms of funding we are still concerned as to whether £30k in total would be enough to undertake a study.

We discussed at the meeting the need for this to be considered a national infrastructure project and I would also add that my advice to our elected members would be to seek assurance from Transport Scotland that they would be committing funding to the project. Bearing in mind the need for any study to feed into STAG work and be relied upon by Transport Scotland should the project proceed I would also be suggesting to members that they consider encouraging Transport Scotland to lead on the commissioning of the study.

I hope these comments are useful and I'm happy to provide further clarification if required.

Best regards

Pippa

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APPENDIX 4

Comments on Scoping Note from HIE – e-mail dated 14 July 2017

I have reviewed Pippa's comments and agree with these. Without wishing to gild the lily the following are specific questions that I think the scoping document needs to consider

- Will the provision of a fixed link make Argyll and Bute a more attractive place for inward investors to choose to locate and stimulate indigenous private sector development?
- The development of the digital economy is changing the way people work – is the need for a fixed link being made redundant by new ways of working or would it produce synergic benefits?
- Would the CFL support the objectives of the Glasgow Region City Deal and Ayrshire Growth Deal?
- What would be the impact on population growth and the demographic profile of the population?

Hope these are of some interest.

Please call me at any time if you would like to discuss further

Yours

David Smart

Head of Special Projects