ARGYLL AND BUTE ECONOMIC FORUM REPORT

February 2016

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GLOSSARY

AITC	Argyll and the Isles Tourism Co-operative Ltd
AISTPSG	Argyll and the Isles Tourism Partnership Steering Group
BIDS	Business Improvement Districts Scotland
BRC	British Retail Consortium
CALMAC	Caledonian MacBrayne (CalMac Ferries Ltd)
CFA	Clyde Fishermen's Association
CPP	Community Planning Partnership
EKOS	Economic and Social Development
HIAL	Highlands and Islands Airports Limited
HIE	Highlands and Islands Enterprise
HI TRANS	The Highlands and Islands Transport Partnership
MACC	Machrihanish Airbase Community Company
MPAS	Marine Protected Areas
NOMIS	National Online Manpower Information System
RET	Road Equivalent Tariff
SALSA	Safe and Local Supplier Approval
SAMS	Scottish Association of Marine Science
SE	Scottish Enterprise
SEPA	Scottish Environment Protection Agency
SPT	Strathclyde Partnership for Transport (SPT)
SUSTRANS	Sustainable Transport (British Cycling Organization)
THI	Townscape Heritage Initiative
UHI	University of the Highlands and Islands
WSLF	West of Scotland Loan Fund Limited

SUMMARY AND RECOMMENDATIONS

The 2011 census showed a continuation of population decline in Argyll. At the beginning of 2015 I was asked by the Argyll and Bute Community Planning Partnership to Chair a new Economic Forum which would look at this problem, specifically from a business perspective. The Forum members are business leaders, a senior Council member, the Council's Chief Executive, and representatives of the Scottish Government, HIE, Scottish Enterprise, SAMs and CalMac. During the course of the year, numerous meetings were held with interested individuals and groups throughout Argyll, existing reports and data were reviewed, and all the principal towns were visited. This section summarises our findings and our principal recommendations.

A SHARED VISION

Argyll and Bute can clearly succeed and grow. We are well positioned, with strong advantages in two of the world's fastest growing industry sectors, namely tourism, and food and drink production, particularly aquaculture. The development of the digital infrastructure is a big potential boost to many other industries. We have a strong entrepreneurial tradition and many great small businesses. We have good education and one of the finest environments in which to live. But as in any business, if we are to achieve our potential, we need a joined up approach from all of us, with all working to the same objective: business people, Councillors, Council officers, MSPs, journalists, editors, school teachers, parents, agencies such as HIE, Scottish Enterprise and the Scottish and UK Governments. With strong and positive support from all of these, Argyll and Bute can thrive: and we will see again a growth in our economy and population, and a rise in the number of working age people.

DEMOGRAPHIC DATA

Examination of the data showed that Argyll is losing younger people while gaining older. Specifically we need to attract more of the 20-44 working age group to stay, and to come and live in Argyll. The key to this is the provision of sustainable jobs.

Encouragingly, the data showed that while public sector employment had fallen in the 10 years to 2011, private sector employment rose by 6%. In addition, there were strong regional variations with some regions, including many islands such as Coll, Iona and Mull, showing strong population growth. In all these places jobs had also increased.

Based on our reviews and discussions with both the private and public sector, we focused on two key areas for employment growth, namely tourism and food production, including aquaculture. Both of these are fast growing industries worldwide in which we have clear comparative advantages. Both have shown high levels of growth, investment, and new employment in Argyll in recent years; and we have concentrated on these two industries because of their potential employment impact. However, we also expect to see strong growth in many other areas such as IT services, marine science, academic research and teaching, to name but a few.

We looked closely at the important opportunities in the field of education, covering Schools, Further Education and Higher Education. In each case we recommended actions which would enhance Argyll's growth.

We considered the key barriers to Argyll's growth, which are mobile connectivity, affordable housing, and transport links; and what should be done to remove or reduce those barriers.

Finally, we considered the position of four towns in Argyll and Bute with particular problems of declining population.

TOURISM

Tourism is Argyll's largest private sector employer with some 25% of all private sector jobs. It is also growing fast, with some 30% of new employment, and very substantial capital investment. The tourism industry is growing rapidly worldwide (6% p.a. visitor growth in Scotland) and we have clear comparative advantages. It is a key sector for Argyll and Bute to develop sustainable employment. Our recommendations for improving our opportunities for growth are as follows:

1. MARKETING AND PROMOTION

Argyll's recognition, while growing, is well below its potential. A marketing programme led by AITC supported by the Council and key agencies should be launched. The focus should be on holidays and not just accommodation. The programme and branding should be based on the known preferences of our visitors, namely:

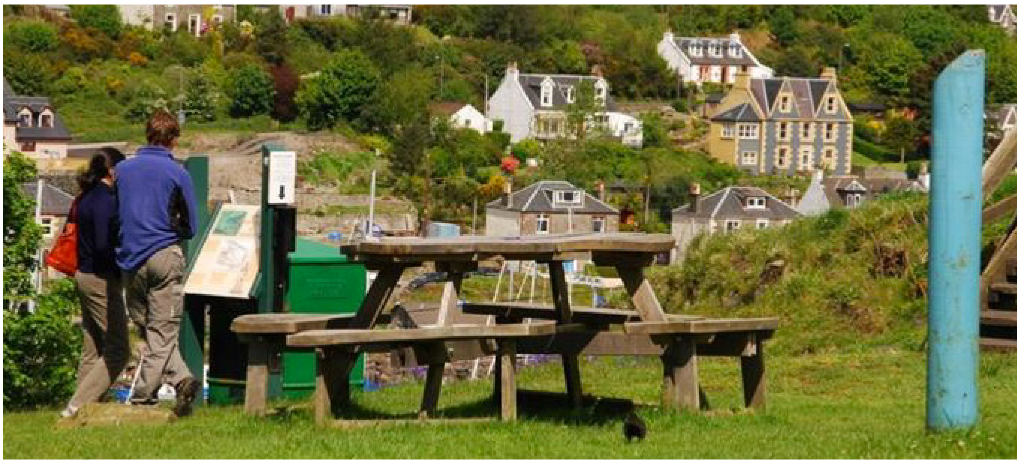
- Landscape.
- Walking.
- Visiting historic sites.
- Trying local food and drink.
- The focus should be on both high season and off-season marketing.

In addition, AITC is developing a sensible focus on young people and adventure tourism.

2. OPERATIONS

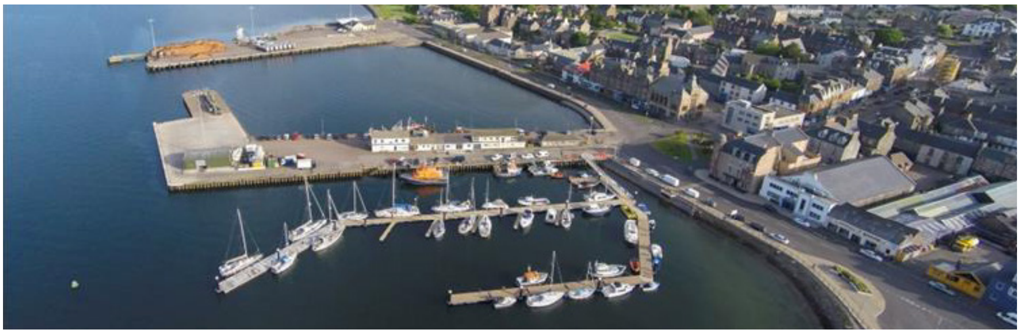
To meet these visitor preferences, we need:

- A much more proactive approach to meeting visitors' needs, providing a full range of visitor services, anticipating those visitor needs, and treating them as we would like to be treated ourselves. We need to raise the bar.



- Conservation, maintenance and improvement of our landscape and natural environment.
- Better marked paths, and clear and simple maps of all paths and beaches, widely available

We also need to enhance our cultural assets. Specifically:
- The expansion of Kilmartin Museum should be supported.
- The process of seeking World Heritage Status for Kilmartin Glen should be started now.
- Mount Stuart's efforts to greatly increase their visitor numbers on Bute should be supported.
- Off-season events and festivals, and all our Highland cultural assets should be encouraged and supported by the Council, by other agencies and by private companies.
- The link between tourism and food needs to be stressed, as with the "Taste of Place" initiative.



There is a specific need to support the fast growing marine tourism sector. To do this we recommend:
- Support by HIE and the Council for more moorings and pontoons.
- Expansion of Campbeltown, Tobermory and Tarbert Marinas.
- Establishment of a new berthing and step ashore facility at Oban North Pier.

Given the importance of the tourist sector, we recommend that AITC, the Council, HIE and Visit Scotland work together to draw up appropriate plans to deliver the improvements we need.

FOOD AND DRINK PRODUCTION

Within this broad industry, the growth sectors for Argyll are food and drink processing including aquaculture. Again, this is a growth industry (6% p.a. in real terms worldwide) in which we have clear advantages.

Our key recommendations for aquaculture are:

- While maintaining our environmental controls, the planning process urgently needs to be streamlined to match that of Norway. Three separate applications looked at in series rather than simultaneously does not match Norway's "one stop shopping". Important investment and jobs are being lost as a result.
- The Council and HIE should stay close to senior executives in the aquaculture companies.
- Diversification of product – particularly more shellfish – should be encouraged.

In the food processing sector, we have a large number of small companies, and we are very supportive of two key collaborative groups, Food from Argyll, and Argyll Hill Lamb.

Our specific recommendations include the following:

- Processors should consider a greater focus on Food Service, rather than the multiples, where volumes are high but margins are low.
- The potential link with tourism is equally valuable to the Food and Drink industry and should be exploited.
- A meat cutting operation is needed in Argyll to reduce our "commodity" exports.

AGRICULTURE, FISHERIES AND FORESTRY

We also looked at the issue of sustaining our traditional agriculture, forestry and fishery sectors. While now a small portion of total employment (4%), these sectors have obvious rural and local importance. We saw one particular opportunity for employment growth, namely in forestry: the establishment of a wood pellet plant could materially increase employment in the forestry sector, through changing the profitability of relatively labour intensive thinning. Specifically our recommendation is:

- The Council, Forestry Commission and HIE should pursue the possibility of establishing a wood pellet plant in Argyll.

YOUTH AND EDUCATION

There are clear signs that more young people want to stay in Argyll and Bute for training, Further Education and Higher Education. Student numbers at UHI/Argyll College and at SAMS (the Scottish Association of Marine Sciences) have risen dramatically over the last 10 years. Our specific recommendations are:

1. SCHOOLS

- To encourage working age people to make their home here, all schools should be brought up to the highest standards of education.
- The exposure of school students to local business is inadequate. This leads to a lack of knowledge of the opportunities in Argyll and Bute, which does not help to retain our young people. Regular visits by local business people to schools should be organised by school heads; as well as regular employment fairs. Local companies need to play an active role in this.
- The Young Enterprise Scotland Scheme has been successful, and it has clear application in Argyll and Bute, with our high proportion of self-employed. It is currently only in four secondary schools, and needs to be taken up by the others.
- Many companies in Argyll and Bute now offer apprenticeships. These need to be widened, particularly in mechanics, electrical, painting, plumbing, agriculture and forestry.

2. FURTHER EDUCATION AND HIGHER EDUCATION

If we can allow more students to study in Argyll, more will stay. Demand for Further and Higher Education is clearly growing; over the last 6 years the number of fulltime Argyll College UHI students has tripled to 450.

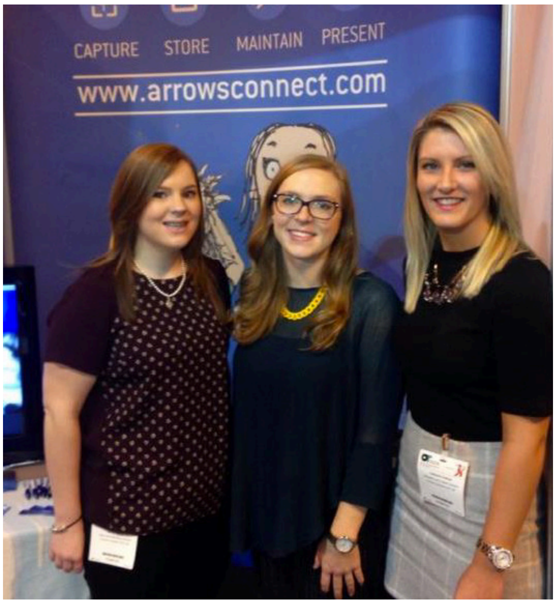
Our recommendations are:

- We need more courses geared to employers' needs and to our sectoral opportunities. The Scottish Funding Council, UHI Argyll College, HIE, Scottish Enterprise, the Council and our MSPs should give every assistance in assuring that they are delivered appropriately and in securing the additional funding needed. In addition the Scottish Funding Council should reconsider its distribution policy which does not cater for the particular issues of Argyll and Bute.
- SAMS is an educational gem in the heart of Argyll, bringing in many foreign as well as UK students. It needs the fullest support from UHI and HIE.
- We fully support the Council's vision of Oban as a university town. In particular, we should encourage the immediate development of town centre student accommodation.
- In order to stay in touch with the students who go to study outside Argyll, we propose a regular email newsletter to all of these, with news of activities and job opportunities in Argyll.

OTHER AREAS OF OPPORTUNITY

1. CONSTRUCTION.

Construction is an important and growing employer in Argyll. After tourism, it is the second largest source of new private sector employment. One of the biggest investors is the Council where 36% of Council construction expenditure goes to local firms. It is essential that all public sector and agencies and local businesses seek to increase their proportion wherever possible within the rules of public sector procurement.



2. SMALL BUSINESSES.

Argyll's private sector is dominated by small businesses, many showing good growth. They need every possible encouragement.

Specifically:

- The Scottish Government, together with our MSPs, and the Council through its Business Gateway should seek to solve the urgent problem of lack of funding for smaller companies in Argyll.
- We admire and encourage the business advice offered by Business Gateway, run by the Council and by HIE and Scottish Enterprise to account managed businesses. We propose starting, as a private sector initiative, a volunteer strategic advisory group to supplement their work, made up of retired experienced business people in Argyll, focusing on helping Argyll businesses to scale up.
- We encourage small business leaders to form informal groups – forums – to regularly explore their business issues together. Two brains are usually better than one.
- The public sector should bend over backwards to help small businesses with contracts, from catering to repairs, from decorating to transport.

THE BARRIERS

There are a number of important barriers to achieving our goal. If they are not removed quickly, then the opportunities will simply not be achieved. It is essential they are dealt with.

The key three are:

- Mobile and broadband connectivity.
- Affordable housing.
- Transport links.

1. MOBILE CONNECTIVITY

Argyll and Bute has moved ahead in internet coverage. Largely through the excellent HIE and Scottish Government sponsored initiative, by the end of 2016, 83% of premises will have access to a new fibre internet connection, although there is clearly still more to do to improve coverage and broadband speeds.

Mobile connectivity remains dangerously low, with minimal 4G coverage. Given that smartphones are now ubiquitous, (40 million in the UK alone), this is a major hindrance in tourism, fish farming, nursing to name just three important examples. It needs to be put right urgently and we have been lobbying the Scottish and UK Governments hard. We applaud the recent appointment of the CEO of HIE to tackle this issue.

Our key recommendations are:

- Change the UK Electronic Communications Code to make mobile phone mast payments to site owners move into line with other infrastructure, thus greatly reducing the cost of running the mobile service in Argyll.
- Allow higher mast heights than the current 20 metres; our topography demands it.

2. AFFORDABLE HOUSING

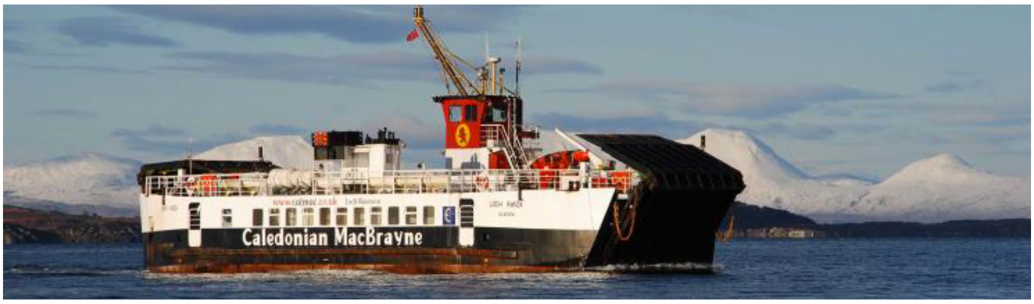
The lack of affordable housing was cited as a barrier by many we talked to. On this, we are encouraged that through the Council's Strategic Housing Fund, Housing Associations and Scottish Government funding clear advances are being made, with some 500 new units and 500 recovered empty houses returned back into use since 2011. This effort needs to be continued. It is clear that there is a focus on the issue but we need to make sure that the housing is built in places where it is needed and in sufficient volume to enable the growth we want to see.

3. TRANSPORT LINKS

Argyll and Bute is predominantly linked by roads and ferries. We welcome the improvement seen in recent years but much remains to be done. Specifically:

ROADS

- The critical A83 problem needs solving. Despite £10 million spent on protection against landslides, the Rest and be Thankful was again closed after Christmas 2015. A permanent solution is needed. Argyll must be accessible at all times.
- We endorse the anticipated recommendations from the current HIE commissioned study to upgrade the A816 Lochgilphead/Oban road and the A8003 Dunoon/Portavadie road.



FERRIES

- AITC and CalMac should liaise on improving summer timings, capacity and booking facilities for tourists.

AIR

- We endorse the development of Oban as a regional airport. We encourage the Council to consider an Edinburgh as well as a Glasgow link, given tourist travel patterns, and to ensure regular links to our islands.

FIXED LINKS

- To help Bute and Rothesay flourish again, we recommend that a tunnel or bridge at Colintraive should be given serious consideration.

FOUR TOWNS

The census showed marked population decline in three of our large towns, Helensburgh, Campbeltown and Rothesay; and static population in Dunoon. We visited each of these.

- HELENSBURGH. Following a big improvement in the look of the town led by the Council, new businesses are starting, and a big expansion in house building is underway. It is very likely that the town has turned a corner.

- DUNOON. Dunoon has the advantage and disadvantage of being very near the Central Belt. There are good signs of IT businesses developing with the fast internet connection now in place; and some other major local employment initiatives. There is a clear opportunity for greater short-term and day visitor offerings.

- CAMPBELTOWN. The town has suffered greatly from industrial job losses over the years, but there is a strong entrepreneurial spirit and a series of new investments in the town and in new businesses, which are encouraging.

- ROTHESAY. Rothesay is a beautiful town on a beautiful island. What it needs is a strong vision of what it could be. We have offered one; and we are very glad that the people of Bute themselves are now working on their own vision, “Building a Better Bute”. Bute has great assets. With a proper vision, well implemented, they too can turn the corner.

I. INTRODUCTION

In the ten years to 2011, Argyll and Bute saw an overall 3.4% decline in its population, continuing a long-term trend. In the same period the population of Scotland increased by 5%.

In March 2015 I was asked by Argyll and Bute Council to chair a new Economic Forum, consisting of business leaders, Council employees and members, and representatives of Government bodies, to look at this problem. I was asked specifically to look at it with a business perspective, and to make recommendations on how we could get back on a positive track.

The data showed that Argyll and Bute had seen a fall in working age population, and a rise in the over 60s. If this trend were to continue, it would lead to a self-perpetuating downward spiral. With less young people there would be less children, making schools less viable, itself making it even harder to retain and attract working age population. Local Government revenues would decline, as would local services, making it harder to attract people, including retirees, and the spiral would continue. So the objective is to retain and attract working age people.

From our discussions it was clear that the key solutions lay in two areas:

1. Sustainable employment
2. Education and Training

With respect to the first, if there are attractive jobs, people will stay in or come to Argyll. On the second, if there are adequate post-school educational and training facilities, young people will also be attracted to stay or come to Argyll. So our principal focus has been on the opportunities in these two areas.

However, in helping Argyll to grow, identifying and encouraging opportunities is only one side of the coin: we also sought to identify the barriers to growth that existed in Argyll; and to seek ways of dismantling or reducing those barriers.

Finally, it was very clear from the demographic data that there are particular problems of population declines in three of our large towns, namely Campbeltown, Helensburgh and Rothesay, and of stagnation in Dunoon. Each of these were considered individually.

II. DEMOGRAPHIC DATA

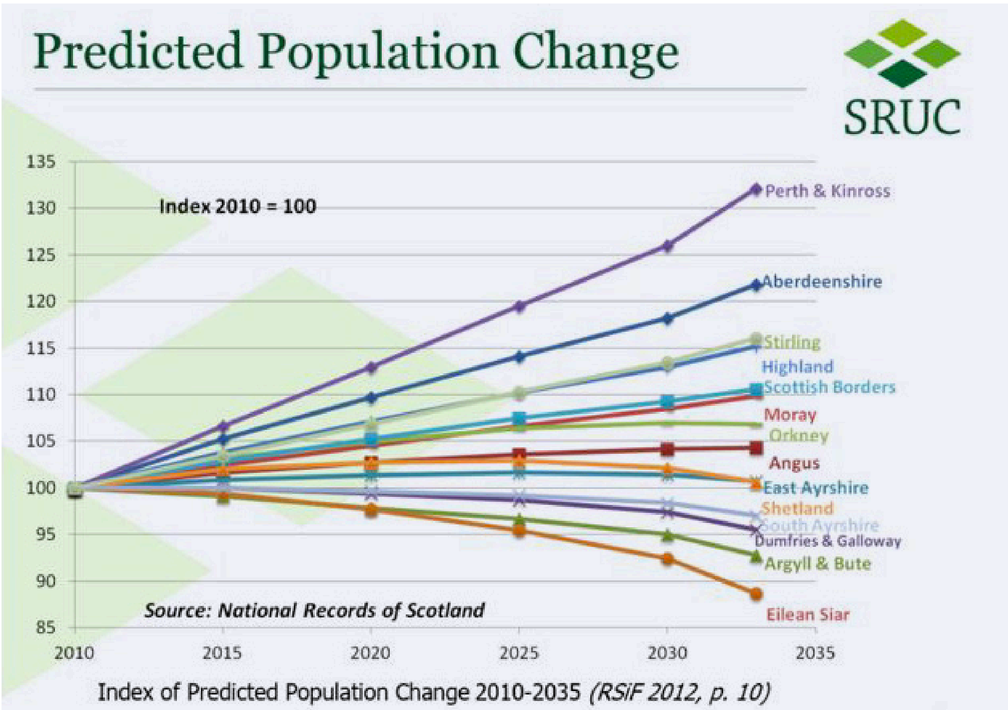
Collective data always needs disaggregating if we are to learn anything useful. This was certainly the case for Argyll and Bute. So while looking at the overall data, we also looked at age group data, regional and town variations, and at employment data.

A. AGGREGATE POPULATION CHANGES

YEAR	POPULATION	% CHANGE
1991	92,025	
2001	91,306	-0.78%
2011	88,200	-3.4%

Source: https://www.argyll-bute.gov.uk/understanding-argyll-and-bute#population
https://www.argyll-bute.gov.uk/moderngov/documents/s97566/Islands%20Task%20Force_Argyll%20and%20Bute_islands%20information_23032015.pdf

Argyll and Bute's population has actually been declining since the 1960s. The key point here is that the downward trend, which appeared to be stabilising up to 2001, had accelerated. This has led to the National Records Office to predicting a continuing decline over the next 20 years.



B. AGE GROUP DATA

AGE GROUP	% POPULATION CHANGE (2001-2011)
0-14	- 16.1%
15-44	- 10%
45-64	+ 9.9%
65+	+ 16.7%

Source: HIE Argyll and the Islands Area Profile May 2014

There are several important facts which become clear from this and other census data:

1. 14.9% of our population is in the 16-29 range. This compares with 18.3% in Scotland as a whole.
2. The over 60s make up 31.4% of our population. The Scottish comparable is 24%.
3. Migration data shows that key outward migration is in the 16-29 age group. For 30-44, it is roughly flat; and for 45 upwards there is net inward migration.
4. The fall in 0-15 year olds was seen throughout Scotland: only two of Scotland's 33 council areas showed an increase, one of which was Highlands. But the fall in Argyll and Bute, at 16.6%, was the greatest, and compared with an average fall of 6.5% in Scotland as a whole.
5. Argyll and Bute was one of only 5 of the 33 Scottish council areas seeing a fall in the 15-64 group, "the working group", indeed, at 5.2% the greatest fall against an average growth of 5% for Scotland as a whole.
6. Our key loss of "working population" is in the 25-44 age group (see table below). We had stability in the 15-24 group, and an increase in the 44+ group.

In summary, the critical challenge is first, to retain more of the 25-44 age group; second, to attract more of the same group to return or migrate to Argyll and Bute. And the key to that is sustainable, attractive jobs.

AGE BREAKDOWN IN 2001 AND 2011 POPULATION IN %

		0-14	15-24	25-44	45-64	65+
Argyll and the Islands	2001	17.4	9.0	24.9	28.3	20.4
	2011	14.6	9.9	20.6	31.1	23.8
Highlands and Islands	2001	18.3	10.3	27.4	26.7	17.2
	2011	16.3	10.8	23.7	29.7	19.4
Scotland	2001	17.9	12.5	29.2	24.5	15.9
	2011	16.1	13.1	26.5	27.5	16.8

Source: Census 2001 and 2011

HIE Argyll and the Islands Area Profile May 2014

C. REGIONAL AND TOWN DATA

While the aggregate population change figures for Argyll and Bute are negative, there are big variations by region, as shown on the attached chart.

TOWN/AREA	POPULATION	% POP. CHANGES 2001-11
OBAN	9,974	+5.6%
MULL	2,800	+4.99%
LOCHGILPHEAD	3,825	+3.2%
DUNOON	9,960	+1.6%
CAMPBELTOWN	6,423	-4.9%
HELENSBURGH	13,660	-6.6%
ROTHESAY	4,637	-9.2%

Sources: Figures taken from HIE Settlement Profiles 2014, Wikipedia and https://www.argyll-bute.gov.uk/info/statistics/quick-facts-and-figures-about-argyll-and-bute

1. It should be noted that 45% of Argyll and Bute's population lives in areas that are classed as "rural remote" and 7% in "rural accessible". So the big towns contain only half the population.
2. In "rural remote" areas, including our island communities, the data is highly variable. For example, Tiree saw a big fall of population of 15.4% to 653, whereas its neighbor, Coll, saw an increase of 19% to 195, and Iona of 42% to 177.
3. All of the areas that have shown growth in population have seen a growth in jobs over the same period.
4. With the increased jobs and population comes an increase in trade for existing businesses, and the general "wealth effect" which implies further growth. A key task is to find ways of creating more jobs throughout Argyll and Bute, including in those declining areas.

D. EMPLOYMENT DATA

Importantly, during the 2009-2013 period, while total employment fell by 4% from 38,861 to 35,485 , the fall was concentrated in public sector jobs, which declined by 18%, from 15,138 to 12,420. Private sector jobs in Argyll actually went up from 21,723 to 23,065, an increase of 6%. This is a source of optimism for the future. According to the NOMIS report dated 30 June 2015, the biggest increases were in "accommodation and food services" (+28%); "arts, entertainment, recreation and other services" (+28%); and "professional, scientific and technical" (+24%). The biggest falls were in "public administration and defence" (-36%) and "retail" (-19%). The fall in public administration and defence was so big that it probably had something to do with changes at Faslane, on which we have been unable to obtain greater data. Examining the best ways in which private sector employment can continue to grow is the focus of this report.

III. OPPORTUNITIES FOR INCREASED EMPLOYMENT

We approached this as if Argyll and Bute were a business, and we asked three questions:

1. What are the parts of the business that are growing, attracting sustained investment, and which could grow further, producing larger numbers of high quality jobs?
2. What could be done to encourage and accelerate that growth?
3. What are the barriers to that growth which need to be removed or reduced?

GROWTH AREAS

We identified two clear areas in which Argyll and Bute has large and growing employment; which have been attracting substantial investment, and in which we have, not surprisingly, comparative advantage. These are Tourism and Hospitality, and Food and Drink Production, particularly Aquaculture.

We also identified a further area where Argyll and Bute beats the averages, and that is the number and growth of small businesses, usually family owned.

We should stress here that we have focused only on the major areas for increased employment. There are many other sectors which could see employment increases, but of a lesser scale, ranging from textiles to jewellery, from renewable energy to charities. For example, plans for two new Islay distilleries have recently been announced. However, individually none of these are of a current or potential employment scale which warranted a full investigation by the Forum.

Importantly, it is also clear that the completion of the HIE and Scottish and UK Government funded digital infrastructure has the potential not only to help Argyll's existing businesses to grow, but also for new businesses to be launched and to come in. We would hope to see tech based, defence, aerospace, marine and life sciences, renewable energy and creative industry clusters emerge in certain areas such as HMNB Clyde, Sandbank, Ardyne, Barcaldine, Machrihanish, Rothesay and Oban, around existing businesses. The development of Oban as a university town – discussed below – would further enhance this. The potential for back office businesses will also be greatly improved: a new 100 person customer service centre opened in Dunoon last year. Given the growing proportion of customer service conducted live on-line, this would not be possible without the fibre infrastructure.

A. TOURISM AND HOSPITALITY

15% of all jobs in Argyll and Bute are tourism-related, or approximately 25% of all private sector jobs. And they are growing: in recent years, of the young people entering employment and training, 30.3% went into this sector, more than twice as many as the next highest sector (Construction: 13.5%).

Simultaneously, considerable investment has gone into new buildings or upgrading of hotels, marinas, golf courses, restaurants, music festivals, walking paths and other tourism-related facilities. The Economic Development Service at Argyll and Bute Council estimate in excess of £300 million capital investment from both public and predominately private sources has been invested in tourism over a 10 year period from 2005. Much of this has been inward investment. Projects include the Ardgartan Hotel, Portavadie, the Jura Hotel, Visitor Centre improvements on Islay and at Cruachan, the Ugadale Hotel, the Loch Lomond Arms Hotel, the Commodore Hotel Helensburgh, Helensburgh Chord, the Eriskay House Hotel, Machrie, Duck Bay, the Royal Hotel Campbeltown, the George Hotel, Campbeltown Marina, Tarbert Marina improvements, and Tobermory Harbour improvements.

In addition, there is £150 million of projects that have full planning consent but are yet to be built, including Saul More Farm Golf Course, Oban, Ben Arthur marina and hotel complex, Arrochar, the Tom Laith development, Oban, Natural Retreats at Loch Fyne, NVA St Peters Helensburgh, and new projects that are in the planning or pre-planning pipeline such as the Premier Inn in Oban, Kilmartin Museum and the proposed visitor centre at the top of the Rest and Be Thankful.

All of this has both supported and created an increase in visitor numbers. Prior to 2014, numbers were only available from Visit Scotland for Argyll and the Isles, Stirling and the Forth Valley. We now have emerging data for just Argyll and the Isles for 2014:

TOTAL TRIPS	1,067,000	
VISITOR SPEND	£270 MILLION	
VISITORS FROM:	NUMBERS	SPEND
SCOTLAND	551,000	£100 MILLION
REST OF UK	351,000	£124 MILLION

Source: Visit Scotland

One further piece of evidence of increased demand is online searches for accommodation in Argyll and Bute, which showed a 54% increase on Visit

Scotland website between 2013/14 and 2014/15. This is not a surprise but it is encouraging. Tourism is a huge worldwide industry and is growing fast. In Scotland it is growing at 6% p.a. in visitor numbers. These are high growth rates, and an industry in which Argyll has strong advantages. In future it is important that VisitScotland and local partners discuss together how they can maintain good tourism data for Argyll and Bute on which decisions can be made. Currently, data collection is much better in Edinburgh for example. This can lead to a distorted allocation of resources.

Argyll and Bute's Tourism facilities consist of many small to medium size operations. Their ability to grow purely on their own is limited. So a degree of cooperation is needed to maximise growth. AITC – the Argyll and the Isles Tourism Cooperative – is successfully filling that need. Member run, it has gained increasing energy and focus, and is clearly marking out the areas for improvement to continue Argyll and Bute on the growth track.

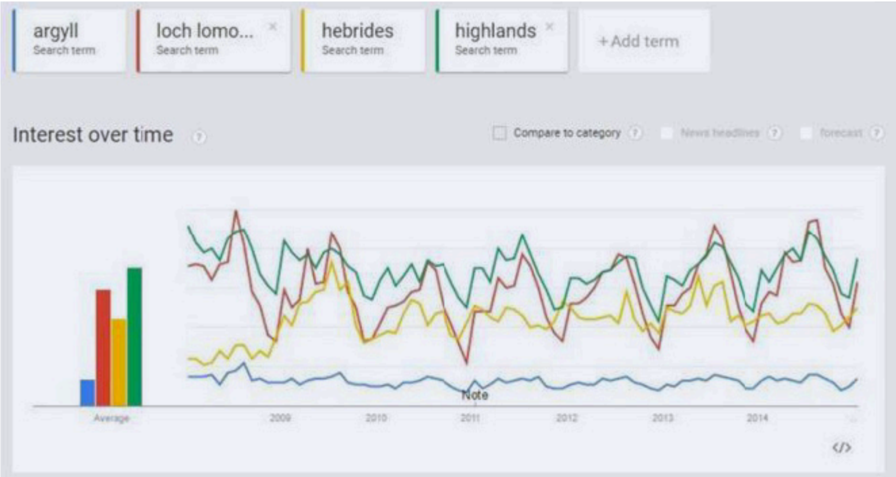
To help tourism to grow as a vital industry for Argyll and Bute, what needs to be done? We identified six key areas which are set out below.

Given the importance of this sector, we recommend that Argyll and the Isles Tourism Partnership Steering Group (AITSPG), continue to work together to draw up appropriate plans to deliver the improvements we need.

1. MARKETING

First, the Argyll brand is too little recognised. This is shown in the table below showing Google-related search hits:

BRAND PERFORMANCE



Source: The Lane Agency

It is perfectly possible to change this, but the AITC will need support for its marketing budget from a combination of its members, Argyll and Bute Council, HIE and Visit Scotland.

Secondly, it is clear that marketing should focus on holidays – including all the attractions and facilities of Argyll – and not just accommodation. There is an old marketing lesson here: when a customer buys a drill, he actually wants a hole. What our customers are looking for are holidays, short or long.

Marketing and branding go together. Both must focus very clearly on the products we provide, and those must be what the customer wants. From visitor surveys we know what the customer wants from Argyll and Bute:

ACTIVITIES BY VISITORS TO ARGYLL AND THE ISLES	
SIGHTSEEING AND LANDSCAPE	56%
TRYING LOCAL FOOD	54%
SHORT WALK, STROLL	49%
VISITING A BEACH	43%
LONG WALK, HIKE, RAMBLE	40%
VISITING A HISTORIC HOUSE OR SITE	38%
SHOPPING	38%
CENTRE BASED WALKING	35%

Source: Visit Scotland Visitor Survey 2011

So this tells us the key focus areas for our branding: scenery, food, walks and cultural sites. It also stresses five things from an operational point of view:

1. We need to do everything we can to preserve our landscape.
2. We need to stress the link between good local food and drink, and tourism.
3. We need very good marked walking paths; good access to beaches; and first rate maps for all walks and beaches.
4. We need to continue to enhance our cultural assets.
5. We need to maximise other activities as well – fishing, kayaking, sailing, mountain biking are all activities in which we have comparative advantage. AITC are focusing on the market for young and day visitors, in both high and low seasons, and activities such as these are essential components of their offering.

Tourist businesses in Argyll also need to think more creatively about their own individual marketing, including websites and brochures, focusing on holidays and activities, not simply accommodation. To give just a single example, while our dominant source of visitors remains the UK and Europe, at least one of the hotels in Argyll now has a Chinese version of each website and brochure. A good idea: 50% of the visitors to the Ben Nevis Gondola last Easter were Chinese. In the last 10 years the number of Chinese earning $35,000 – the threshold for tourist activity – has risen from 6 million to 27 million. It will go on rising; and Chinese visitors are now the fastest growing sector of the UK tourist market.

Finally – and this is key – we need to raise the bar of our tourism efforts materially. In many ways our tourism industry has been reactive rather than proactive: tourism is often treated as something that just happens. Being proactive means thinking ahead to provide the services that tourists needs.

For example, an angling club or golf club which welcomes visitors should offer fishing or golf equipment for rent. A kayaking firm should have not just kayaks, but clothing to rent and guides to guide. Windsurfing conditions are ideal in Tiree and other islands – but wind surfboards and wetsuits – and instructors – need to be available for rent. There are numerous walking paths in Argyll now – but only one walking guide service on the web.

When a tourist arrives at Oban station, there should be people to welcome them enthusiastically and tell them about the options. We need to up our game, to raise the bar – materially. And that means being much more proactive, with the golden theme of a good business – treating our visitors as we would like to be treated ourselves.

2. SEASONALITY

It is clear from both data and our meeting with the industry that seasonality is changing: more people are taking second and third holidays, and short breaks.

VISITOR NUMBERS (000)	JAN-MAR	APR-JUN	JUL-SEPT	OCT-DEC
SCOTLAND	2,153	3,387	4,010	2,541
	18%	28%	33%	21%
ARGYLL AND THE ISLES, LOMOND AND FORTH VALLEY	268	399	388	257
	20%	30%	30%	20%

The data here includes the Forth Valley. While the summer season/ off-season split is clear, it is only a 60/40 split and more can be done in Argyll to increase the off-season uptake, particularly in the Scottish and UK market. This should form part of the marketing strategy. In addition, encouragement should be given to the creation of smaller off-season festivals and events. The Oban and Dunoon BID team (Business Improvement Districts) should focus some of their income in this way.

The AITC is focusing on what more can be done to improve the attraction to young people and adventure visitors, especially those who come for shorter periods. This will also help the seasonality issue. It does mean that provision of mountain biking, kayaking, rib tours, wildlife tours needs to be of the highest quality.

3. MARINE TOURISM

Marine Tourism is one of our fastest growing areas, as shown in part by the chart below. It has also been identified as a key sector by the Scottish Government in the recent Marine Tourism Strategy. This needs further encouragement – in particular, each seaside community needs to consider how it can enhance its attraction to marine visitors by increasing local moorings, landing pontoons and other facilities. The Council, and its partners such as the Scottish Government and HIE, should also give immediate attention to four marina facilities, and to opening up Loch Fyne to sailors:

a) **CAMPBELTOWN.** As we will discuss below, Campbeltown needs support. The marina facility has been expanded, but it is too small and apparently cannot be expanded further. This seems surprising, and we would suggest a reexamination.

b) **OBAN.** Oban is one town which is a core and regular yachting destination without a shore-based marina facility on the mainland. Every yachtsman we have talked to would like to see one in Oban Bay (the Kerrera Marina is accessible only by ferry), and if we are going to respond to customer needs, the Council, HIE and its partners should construct a new berthing facility and step ashore facility as soon as possible.

c) **TOBERMORY AND TARBERT.** Both of these have very good marina facilities, but they need to be expanded to cater for current and future demand.

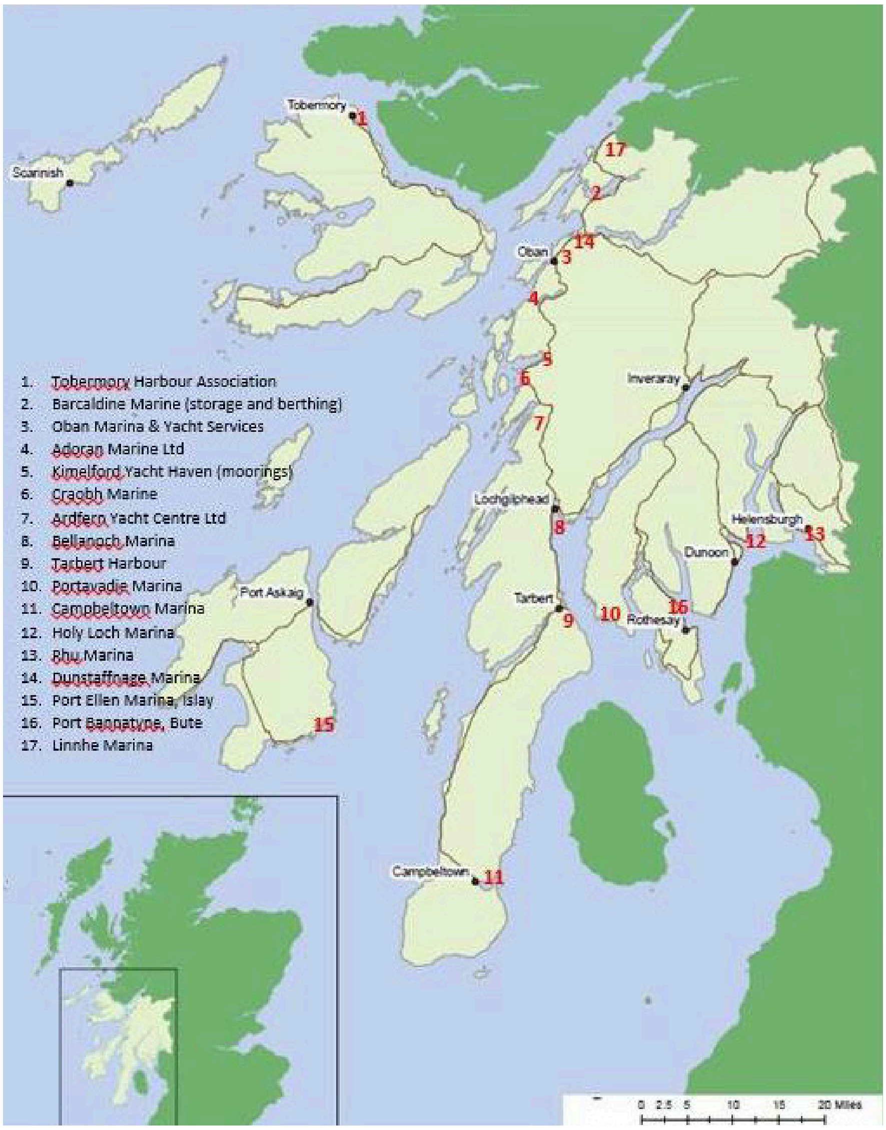
d) **LOCH FYNE.** Loch Fyne is a large and beautiful loch which could be made more attractive to visiting yachtsmen, particularly those berthed in the excellent facilities of Portavadie and Tarbert. Loch Fyne needs more pontoons similar to that built by the community in Strachur, and more moorings. Several years ago HIE put in moorings at several places in Loch Fyne but, other than those at Otter Ferry, many appear not to have been maintained. HIE and the Council should consider increasing moorings in Loch Fyne from Tarbert/ Portavadie up to Cairndow.

e) **INVERARAY PIER** is in private ownership and for health and safety reasons closed to the public. Public agencies, the local community and adjacent private businesses need to work with the private owner of the Pier to facilitate demolition of part of the Pier and the construction of new berthing facilities to provide yachtsmen with access to Inveraray.

f) The **CRINAN CANAL** is a key artery for yachtsmen (it is used by nearly 2,000 boats each year) and it is essential that it is kept in good repair, and with steadily enhanced facilities.

There is also potential for increasing our currently very small share of the growing cruise market, particularly in Oban and Campbeltown, and at Iona and Bute.

MAP OF MARINAS IN ARGYLL AND BUTE



4. MAJOR CULTURAL ATTRACTIONS

There are many small museums, historic sites and other attractions in Argyll, but five principal ones are:

- Kilmartin Glen and Museum
- Mount Stuart on Bute Rothesay Castle
- Iona Abbey
- Inveraray Castle

SITE	2014 VISITOR NUMBERS
KILMARTIN MUSEUM	15,000
MOUNT STUART	20,000
ROTHESAY CASTLE	9,000
IONA ABBEY	59,000
INVERARAY CASTLE	100,000
STIRLING CASTLE	400,000
LOCH LOMOND SHORES	1,140,000

i. KILMARTIN GLEN

Kilmartin Glen holds the largest collection of Neolithic monuments in the world. The museum is excellent but too small. A much needed expansion is planned, and funding of £3.1million has been obtained from the Heritage Lottery Fund, on the back of a generous donation of £450,000 from Argyll and Bute Council.

We should go further. While there are other possible sites, Kilmartin is the one in Argyll and Bute which could obtain World Heritage status. This would provide a major attraction to tourism growth in Mid Argyll, with clear spin off to local facilities, and incentives to expand those facilities. Plans to apply for World Heritage status – which will take a number of years to achieve – should commence now.

ii. MOUNT STUART AND ROTHESAY CASTLE

Mount Stuart, the seat of the Marquis of Bute, contains one of the finest art collections in Scotland. It is a key asset for Bute and Argyll and should be seen as one of the key visitor attractions in Scotland. In recent years considerable work has gone into improvements. However, as shown above, it has only 20,000 visitors each year. It is clear from our discussion with the new leadership that renewed energy is going into a variety of initiatives to increase this number materially. Mount Stuart, along with the virtually unspoilt 12th century Rothesay Castle, are the principal tourist attractions on Bute and their enhancement will be particularly important to the future of Bute, as we discuss below.

iii. INVERARAY CASTLE

The numbers speak for themselves. The location on the A83 is clearly important, but the castle and wider estate and the village of Inveraray with its attractions is a key asset for Argyll.

iv. IONA ABBEY

Iona – a beautiful island itself – contains one of Argyll's principle attractions – the Abbey founded by St. Columba. In the last 20 years, it has been imaginatively repaired and restored and now attracts 60,000 visitors each year (out of a total of over 100,000 visiting the island), despite its remoteness off the south western tip of Mull. As a result, the island's population is growing, as it is on Mull, and it serves as an example of what can be achieved. Iona Abbey needs to be marketed as part of a Celtic Trail which could attract very many tourists not only to Ireland but also to Scotland.

v. FACILITIES AND ACCESS

It is very important that local businesses, landowners and public agencies work together to provide appropriate visitor facilities at all our key tourist attractions. To give just one example, Kilchurn Castle, on the eastern end of Loch Awe, is one of Scotland's best known castles and the most photographed sites in Argyll and Bute. But there is nowhere by the A819 to safely park cars or buses.

5. MUSIC, FESTIVALS AND EVENTS

Part of the heart of a community is music, and it is also an important attraction to visitors. The increase in music festivals in Argyll and Bute has been noted, inspired in part by the growth of Celtic rock bands. Tiree Music Festival, for example, produced consecutive sell-outs at the increased capacities of 1,000 (2011), 1,250 (2012), 1,500 (2013), 1,600 (2014) and 1,700 (2015).

Throughout the year Argyll plays host to a range of events and festivals such as:

- The Cowal Highland Gathering
- Tarbert Music Festival
- CowalFest - Cowal Walking and Arts Festival
- The Mull of Kintyre Music Festival
- The Islay and Bute Jazz festivals
- The Seafood Festival in Tarbert
- The Mull Rally
- The Tiree Wave Classic
- The Tiree Music Festival
- The Luss Highland Gathering

And there are of course numerous other Highland Games in Argyll, featuring pipers, bands, dancers and athletes. These are not only core attractions for our visitors, but are also very important in giving a sense of belonging to our young people. Piping, accordion playing and dancing do not happen without very good teachers, and organisers. We need to give them every support, and to celebrate all our cultural assets.

The Council has played an important role in helping to sponsor, facilitate or support most of these. It should continue to do so where it can, and private sponsorship is essential to take advantage of these opportunities. Further establishing Argyll as a cultural target for visitors is an important way to provide greater growth to this very important industry.

6. OTHER FACILITIES

While considerable work has gone into providing improved holiday facilities, more needs to be done. Key areas which we identified which need further development are:

- Marked walking paths, including long distance paths – and maps for visitors.
- Cycle tracks.
- Mountain bike tracks.
- Kayaking facilities.

Many of them could be developed further through community initiatives working in partnership with private businesses and estates, community owned land and key agencies such as the Council, SUSTRANS, Forestry Commission SPT and Hi TRANS. Argyll and Bute is principally an “outdoors” holiday destination. If we are going to win more tourists we need to build – and market – the best of our outdoors facilities.

One example, now being investigated by the AITC is the use of “iBeacons”, which can link to a smart phone at a distant of up to 7 metres, giving site information on walking paths, through fixed data points. But good widely available maps of walks and beaches are essential.

Finally, as I have pointed out above, we need to be much more proactive and to raise the bar in all our tourism activities. Equipment needs to be available for rent, guides available to guide, enthusiastic young Argyllers to welcome visitors.

7. FERRIES

The Argyll and Bute Ferry services largely provided by Cal Mac have become increasingly busy in recent years. This success has sometimes led to capacity issues and the age of the fleet and our changing climate has placed demands on this lifeline service. In the past fares have been criticised as being too high. In response to this the Scottish Government has introduced RET (Road Equivalent Tariff) which on average increases vehicular traffic by 35% and passenger numbers by circa 10%.

Unfortunately additional ferry space and ferry journeys are still in the process of being provided. Thought urgently needs to be given as to how the increased demand from tourists can be met: often when a tourist, or local, is trying to book a ferry it can be fully booked at peak times on some popular routes. The CalMac booking system requires improvement and a fresh look at ferry timetables is also needed. CalMac have assured us that they are doing this.

The issue of freight charges, another issue of major importance to island communities, is currently being considered by the Scottish Government and Transport Scotland. Lower freight costs would greatly help these economically fragile communities to prosper.

B. FOOD PRODUCTION

With abundant hill land, fertile lowlands and relatively sheltered seas, Argyll and Bute has traditionally been an agricultural and fishing county. Sadly, mechanisation and global competition have led to a major decline in employment in these two areas, which now provide only 4% of our jobs – although still bigger than the Scottish average of 2%. The head of the Clyde Fishermen's Association (CFA) cites a 70% decline in employment over the last 20 years.

While both of these primary products remain very important to communities throughout Argyll and need to be sustained – we comment on each below – nobody in either industry has indicated the likelihood of employment growth in the future, which is the focus of this report. However, there is considerable growth potential in two areas, aquaculture (both fin fish and shellfish); and food processing and products. Both of these have seen major increases in investment and employment over the last 15 years and have the potential for more.

1. AQUACULTURE

The following data gives an idea of the current scope of aquaculture:

- Direct Employment: 595 (489 finfish, 109 shellfish) plus processing jobs (full and part time)
- Capital Investment: £25m, 2009-2012; £5m in 2012.
- Salaries: £12m (£10m finfish, £2m shellfish)
- Total Growth Value Added: Est. £31m, plus processing and retail

Source: Argyll case study in Marine Scotland: An Assessment of the Benefits to Scotland of Aquaculture, April 2014

Despite fluctuations in this global industry (currency issues, loss of markets due to international sanctions) in the medium term growth is projected to continue. All four major salmon companies have operations in Argyll and Bute. The Scottish industry as a whole is planning to increase production from 160,000 tonnes to 210,000 tonnes p.a., with a capital expenditure of £100 million across Scotland. This is not a surprise. Annual world fish consumption went up from 18.7kg per capita in 2011 to 20kg in 2015; and Salmon's share of that consumption has risen from 44% to 51%. As a result, aquaculture worldwide is showing volume growth of 6% p.a., a very high rate. Clearly, a key target for Argyll is to secure as much of that expenditure as possible.

Automation has played a role in aquaculture too, with considerable increases in productivity. While this has led to a slowdown in the rate of employment expansion, it has led to an increase in attractive, better paid jobs. At the same time, the production volume increases have led to increased jobs in associated areas, particularly transport and supplies. There are now some 600 jobs in aquaculture directly, with an estimated four times that number in associated services. Indeed, a recent survey by EKOS consultants (which informed the Community Planning Partnership (CPP) for the Compelling Skills report) found that the aquaculture sector was one of the most likely to recruit more staff in the next three years.Argyll's objective must be to maximize our share of future aquaculture investment.

Five things are key to that:

i. Staying close to the key decision makers.
ii. Streamlining the planning application and consent process.
iii. Encouraging the widening of species produced.
iv. Enabling greater local processing to help add value to the local product.
v. Enabling greater collaboration with the academic sector to ensure Argyll grows as a centre of excellence for aquaculture technology and product improvement.

i. STAYING CLOSE TO THE DECISION MAKERS.

Within Argyll and Bute, the Council and HIE need to stay very close to the top executives of the four major aquaculture companies, understanding their needs and responding to them. It should be made clear to them that we are very keen to have their investment, and will do all we can to make fish farming in Argyll more profitable than anywhere else.

ii. STREAMLINING THE PLANNING APPLICATION AND CONSENT PROCESS.

This change was cited as critical by the aquaculture companies. Currently, a company seeking a new fish farming site needs to prepare three different applications (which all differ, although having similar data requirements) for Argyll and Bute Council, SEPA and Marine Scotland; and crucially, they are dealt with only one after another.

In Norway, they have "one stop shopping", with a single application form and simultaneous review. This leads to an application process period three times faster than in Scotland, and largely as a result, aquaculture investment and productions in Norway have been growing faster than in Scotland, despite the fact that it is more profitable in Scotland.

This lacks common sense. We clearly need regulation and important environmental controls; but we should not hamper inward investment and job creations through an unnecessarily long process. I am pleased to report that a working group on this issue has now proposed a single application form; and simultaneous evaluation by the three agencies. This should be implemented swiftly; and should apply equally to site expansions.

iii. WIDENING OF SPECIES

	# OF COMPANIES	TONNES	£ MILLION
SALMON	4	30,000	120
TROUT	2	3,000	9
HALIBUT	1	70	0.75
OYSTER	5/10	4M UNITS	1.4
MUSSELS	2	800	0.9

It would be good if diversification could be further encouraged. In particular, shellfish production could expand considerably: our oyster production at 4 million units compares with France at 60 million units, with a similar coastline length.

The recent acquisition by Loch Fyne Oysters of an oyster hatchery in Cumbria, the funding of a mussel hatchery in Shetland, and the establishment of a scallop hatchery in Ross and Cromarty help address the current constraints and provide an opportunity for Argyll entrepreneurs to expand this sector. There is also a potential for scallop ranching, and possibly lobster ranching. Halibut is a new and growing product, based on the production facilities in Gigha.

iv. PROCESSING

Processing can be a big employer for the aquaculture industry. Loch Fyne Oysters now employs 120 people in processing at Cairndow. The Scottish Salmon Company is planning a major new processing plant at Ardyne, near Dunoon, that has full planning consent for phase 1 and an approved masterplan from the Council. At the same time, the scallop and nephrops (prawn) catch for the fishing industry is today processed almost entirely outside Argyll, or shipped directly abroad. The possibility of some of that catch also being processed at Ardyne, or another suitable site in Argyll and Bute should be investigated.

v. COLLABORATION WITH THE ACADEMIC SECTOR

Building on current work with private sector companies and Universities, including the University of the Highland and Islands, SAMS at Dunstaffnage has the potential to be a centre of excellence for the aquaculture industry in terms of new species, new technologies and new product development. Indeed, SAMS already plays an important role in the development of future food products, including those based on seaweed and algae.

Within aquaculture there is an opportunity to develop Marine Biotechnology, sometimes known as Blue Technology, which involves the use of marine macro and micro algae in the development of new products such as nutraceutical and pharma applications, bioremediation and biofuels. HIE are developing a business case for the creation of a pilot biorefinery to be situated at the European Marine Science Park. There is an opportunity, with the right investment, for Argyll and Bute to become the national and international leader in marine biotechnology.

2. FOOD AND DRINK PROCESSING AND PRODUCTS

Argyll and Bute have a number of excellent food and drink producers with products including cheese, whisky, seafood, meat, beer, preserves and puddings. The Scottish Government Annual Business Survey 2013 identified 47 businesses, with turnover of £268 million, an increase of 60% over the previous 5 years.

Employment was estimated at 800, and growing. All of the figures are probably underestimates. Many of these companies are small employers. The largest, Loch Fyne Oysters and the Campbeltown Creamery employ 120 and 80 (including farmers) people respectively, (and the latter has very specific issues which are discussed below); and the whisky companies, with the exception of Springbank (currently 70+ employees), each employ relatively few people.

Loch Fyne Oysters is large enough to play an important role in processing and distribution, including for smaller local suppliers, such as oyster farmers. The size of the remainder has encouraged sensible cooperation. This has manifested itself in a producer-owned cooperative, “Food From Argyll”, which is making good progress in expanding the knowledge of and market for these wonderful products.

As an illustration of the breadth of Argyll’s products, the list of members is shown below:

SEAFOOD AND SMOKERIES
Argyll Smokery, Dunoon
Caledonian Oysters, Loch Creran
Gigha Halibut, Gigha
Inverawe Smokehouse, Inverawe
Kames Fish, Kilmelford
Loch Fyne Oysters, Clachan
MacMillan Foods, Campbeltown
The Ethical Shellfish Company, Isle of Mull

MEAT AND GAME
Argyll Hill Lamb
The Real Mackay Stovie Company, Inveraray
Winston Churchill Venison, Dunoon

PUDDING AND SWEETS
Bumble, Tarbert
Caramiche Chocolates, Dunoon
Chrystals Shortbread, Helensburgh
Island Bakery, Isle of Mull

DRINKS
Fyne Ales, Glen Fyne
Home Ground Coffee, Cardross

CHEESE AND PRESERVES
Fyne Preserves, Loch Fyne
Henshelwoods, Isle of Bute
Isle of Mull Cheese, Tobermory
Kings Cross Herbs
MacMillan Foods, Campbeltown

In addition to Food from Argyll, Bidvest has been showcasing foods from Scotland with Argyll producers playing an increasing role. Food From Argyll needs to expand with the support of public agencies and the Scottish Government. In particular, the development of food and drink festivals in Argyll and Bute, linked to tourism, show real promise: Bowfest at Inveraray Castle, for example, attracts 5,000 visitors, who also enjoy local crafts and music.

Below are a number of suggestions to enhance food production activities, as a result of the work of the Economic Forum.

i. There is great potential to drive the Argyll umbrella brand, and we strongly endorse the work of Food from Argyll and Argyll Hill Lamb.
ii. Many food producers target the multiples (Tesco etc). While this can produce high volume, it almost always produces low profit margins. Targeting the food service sector (which focuses on restaurants and smaller outlets) can take longer, but it shows stronger brand loyalty and higher margins. There is an important link here with tourism: local provenance is sought after and providing local products for our growing visitor numbers can achieve premium margins.
iii. A meat cutting and processing plant is needed in Argyll to convert the "commodity product" – carcasses into what the customer wants – select cuts or near finished dishes.
iv. The Sea Food sector is heavily focused on exports; the food service sector offers an opportunity for expanding local processing.
v. Public agency support is essential to help small local food producers to obtain SALSA or BRC equivalent certification, as very small producers struggle with this requirement for distribution, and the Council provides this. It is also important that potential food

production entrepreneurs are helped to understand that health and environmental requirements are not a serious barrier to entry.

vi. The Council should continue to maximise its efforts to give preference to local producers in its own food tendering process.

We have spent little time here on the drinks sector, as the potential for greatly increased employment appears to be limited. Argyll produces the best whisky in the world, from 14 distilleries (with two more planned). Whisky is a major asset to tourism and indeed a key attraction for Islay and Campbeltown. In Loch Fyne Ales we have a fast growing, prize-winning brewery, also catering for visitors. The link between tourism and food applies equally to the drink sector.

3. AGRICULTURE, FISHERIES AND FORESTRY

With a focus on job creation, aquaculture, and food and drink production are key assets. However, three areas of primary production, which are very important to Argyll, and which need sustaining, are agriculture, fisheries and forestry, with combined employment of 900.

Output in primary industries in all Scottish regions has declined over recent years. However, the primary industries' economic contribution to the Argyll and Bute economy is proportionately higher than all other regions bar Orkney, Shetland, Borders and Dumfries and Galloway.

i. AGRICULTURE

Argyll is essentially a livestock region. Sheep, beef and livestock numbers dropped significantly during 2003- 11, partly due to the reduction in "headage" payments under the CAP. Numbers have increased somewhat since 2011, when output was £56 million – very similar to 2003.

A combination of falling or stagnant product prices, mechanisation and rising input costs have put intense pressure on farmers; as have recent major delays in payments of the Single Farm Payment by the Scottish Government, reportedly as a result of a faulty new computer system.

As a result, employment has fallen; the farming population is ageing; there have been moves to consolidate farms and farmers have sought to diversify their activities. Farmers are an important reservoir of individual entrepreneurs involved in both identified areas for growth - food production and tourism.

Downward pressures on the level of subsidies, prices and overall income will require the farmers to make further use of their own entrepreneurship to survive. However, in this very important sector, there are some positive factors. While it is unlikely that agriculture will provide increased employment, it is possible that existing employment can be sustained as a result of:

1. Increased stock numbers, improved productivity.
2. Changes in technology.
3. Diversification and adding value.
4. More training at UHI Argyll College.
5. Marketing cooperatives.

These last three are particularly important.

Diversification has primarily been into tourism-related accommodation, renewably energy and food production.

Farm holidays are growing in popularity internationally.

Training at Argyll College in agriculture and land-based activities is growing. One specific area which was regularly cited to us was the need for more butchers in Argyll.

The key new marketing cooperative is “Argyll Hill Lamb”. This is already achieving premium prices for finished lamb, and more farmers should be encouraged to join. With sufficient numbers, a cutting plant could be established (both Oban and Cairndow have been mentioned as possible sites). At the moment, much of Argyll’s lamb is sent to Wales for cutting, and then sold as Welsh lamb! This makes no sense. The Argyll Hill Lamb team deserves full support from the farming community.

ii. FISHING

The Argyll fishing industry employment has reduced considerably by 70% over the last 20 years, and the catch is now based almost solely on prawns (nephrops) and, to a lesser extent, scallops. However, it has stabilised in recent years, and given its importance in remote locations such as Kintyre and Knapdale, it is important that it is sustained. One particular risk to the industry is its heavy reliance on a single species.

There are few immediate signs of increased employment. One possible positive indicator is a recent recommendation that the prawn quota be increased by 41%, which could lead to increased fishing intensity, and higher employment ashore.

A key current concern of the Clyde fisherman is the proposals for Marine Protection Areas (MPAs) in the Clyde, and other environment proposals, aimed in part at recovery of fish stocks. Clearly a balance has to be achieved amongst all these objectives – maintaining fishing employment, protecting the environment, and improving the much declined fish stocks.

iii. FORESTRY

Like Agriculture and Fishing, employment in Forestry has fallen over the last 30 years, due to mechanisation, poor financial results at the Forestry Commission, reduction of new planting/restocking and a fall in the profitability of thinning (the process of thinning a commercial forest at stages during its growth ahead of full harvesting). The sector will remain important, with Argyll and Bute producing approximately 15% of Scottish timber, and we are unlikely to see further employment falls. Indeed, there have been some recent increases with more forests reaching maturity.

Given the large scale requirements for modern timber mills, it is highly unlikely that a new plant will be built in Argyll and this was confirmed by the Argyll and Bute Forest and Woodland Strategy. The big mills at Fort William, Troon and Lockerbie can absorb Argyll's output.

However, the advent of biomass heating has changed the position. While there have been numerous private conversions to biomass heating, institutional heating has made a big change too. Argyll and Bute Council have moved many of their buildings and most schools to biomass heating. Currently, the pellets for these plants come from Girvan and Wales, while woodchips are now produced locally. Biomass, being a high volume, low value product should ideally be processed as near source as possible. The Girvan pellet producer, Land Energy, has expressed preliminary interest in setting up a plant in Argyll.

There could be immediate employment benefits from such a plant. However, there could also be important secondary benefits. Timber thinning is more complex and labour intensive than clear felling; and a pelletisation plant would give an outlet for thinned timber, creating a more valuable final crop at the same time. The secondary employment effect could be large.

Given this strong possibility, the opportunity, which embraces the need for further training and developing new systems, should be pursued by the Council, the Forestry Commission and its partners, including HIE. Discussions with the private sector indicate that given the right support they are ready for the challenge.

C. YOUNG PEOPLE AND EDUCATION

This is the third area where there is important potential for growth. In so many ways, Argyll and Bute is a wonderful place to live. We have beautiful scenery, varied outside activities and a peaceful and safe environment. In Argyll you can even live longer: Dr Richard Mitchell, an epidemiologist at the University of Glasgow, has published a study which shows that people who live near open green spaces live longer and have less diseases, results collaborated by recent studies in the Netherlands, Canada and Japan. But good education facilities are key to retaining and attracting working age people.

1. SCHOOLS

Overall, the quality of Argyll and Bute's schools is high. Nevertheless, the quality does vary from school to school and it is essential that standards across the board continue to improve. In particular, concerns have been raised with us on the breadth of curriculum, particularly at Higher and Advanced Higher levels in some STEM subjects (science, technology, engineering and mathematics).

However, what became clear from the work of the Economic Forum is that there is too little engagement by schools with employers. This is very important to both our ability to retain and attract young people, and to the schools themselves.

A number of schools have strong and effective relationships with local employers, which help to deliver programmes of work experience placements, careers events and general inputs to the school curriculum. However it is too rare, and is largely based on school staff local knowledge, contacts and personal arrangements. There is clearly a role for the business community in assisting with this.

Overall Argyll has good performance in young people leaving school and obtaining positive destinations (93.1% in 2015), but clearly we need more jobs and studying opportunities.

If young people in the later stages of their school careers have not had exposure to employment opportunities, then they won't know what they are. From the point of view of the schools, if we continue to lose working age people, there will be less children to teach, and the schools themselves and their teaching jobs will be at risk. So it is in everybody's interest that this should change.

In particular, there are many high quality careers opening up in tourism, aquaculture, food production, IT Services, marine science, academic research and teaching, to name but a few – and our young need to be aware of these.

There are several ways this can be done:

1. The business community and each secondary school should develop a coherent structure for engagement, including a regular series of visits from employers in their area to speak about the opportunities in their firms or industries; and additionally hold an annual employment fair.
2. Local employers should offer more summer jobs to students from local schools, possibly enabled through the Chamber of Commerce, and the Business Improvement District teams.
3. Schools should work actively with Young Enterprise Scotland and other educational enterprise schemes.

Many Primary and Secondary Schools in Argyll and Bute run enterprise schemes but currently only Helensburgh, Oban, Dunoon and Lochgilphead participate in additional enterprise activity, such as Young Enterprise Scotland. Argyll and Bute has a high percentage of the self-employed, and additional enterprise schemes provide school children with experience of setting up a business; this activity is claimed to be the ultimate business experience for S5 and S6 pupils. Working through the Developing the Young Workforce action plan could help in strengthening this across all 10 secondary schools.

Pupils who participate develop a wide range of skills throughout a year-long entrepreneurial experience, come up with an idea and manufacture and sell their product. In the Young Enterprise Scotland scheme, every young person taking part has the opportunity to sit a Young Enterprise exam which is run in partnership with the University of Strathclyde Business School – an excellent addition to a pupil's CV. At the end of the year the young companies submit a Business Report, are judged on their Trade Stands at a local final event and deliver a Business Presentation to an audience.

Many young people have reported that such activity is ranked by them as a most significant educational experience enabling them to develop life-skills such as team work, self-motivation, decision making skills and confidence in their abilities. In this context, after Young Enterprise, participants need to be made aware of all available employment opportunities.

In addition, it would be beneficial to introduce a broader range of work experience placements and the development of a greater number of internships that would provide ongoing experience and mentoring support for young people and that may lead to longer term post school employment, and improved means for schools to communicate with the business sector.

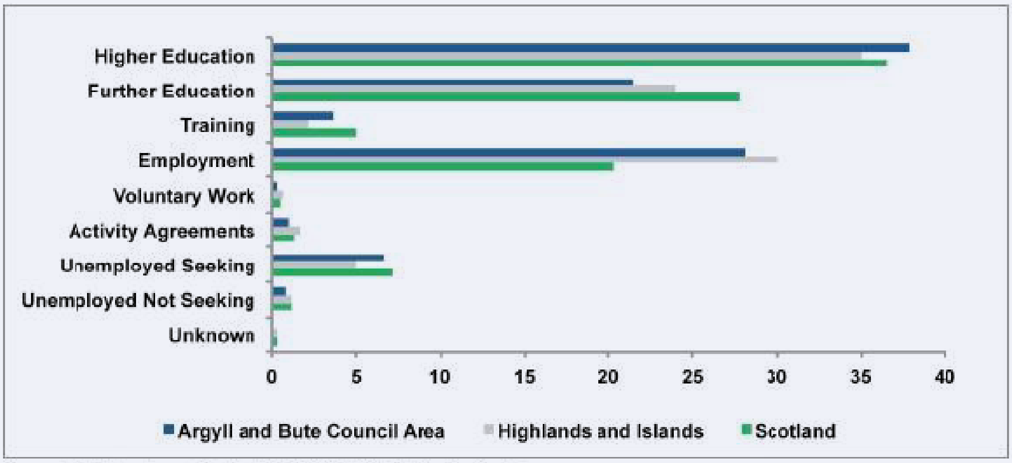
Rather than viewing work experience as one week placements and only at the end of the senior phase, businesses should be encouraged to offer on-going placements and mentoring for young people throughout their secondary school career. This would support young people to gain practical employment skills, introduce them to a specific industry and potentially help them to gain employment on leaving school. These relationships should not be restricted to young people at risk but also for students pursuing an academic career.

4. The recent Woods Commission Report set out the national strategy to increase the rate of youth employment, which encouraged more employers to offer work experience opportunities and to recruit young people direct from education. The Argyll and Bute Regional Group is currently being established with representation from key businesses, the two Chambers of Commerce (Lochgilphead and Helensburgh), and the BID Groups in Oban and Dunoon. Local companies should strive to offer more apprenticeships. Some areas are already very good. Construction, Mechanics, Electrical, Painting, Plumbing, Agriculture and Forestry are areas which could grow. Skills Development Scotland is working with the Council, HIE, Argyll College and the private sector to promote Modern Apprenticeships and this is to be encouraged.

2. FURTHER EDUCATION

Argyll and Bute has traditionally had a higher than average number of people entering higher education and a lower number entering further education and skills training.

SCHOOL LEAVERS' DESTINATIONS % 2012/13

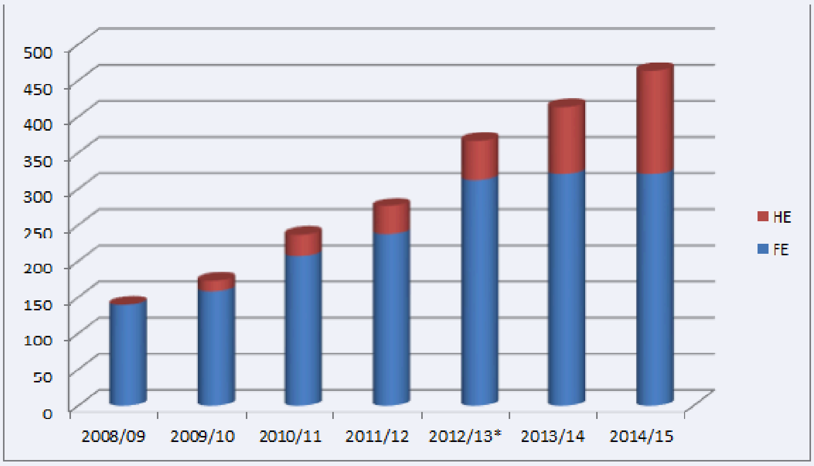


Source: Skills Development Scotland SLDR 2012/13 Initial Destination Figures
Note: School attainment and destination figures are only available for local authority areas, therefore the Highlands and Islands figures include all of Argyll and Bute.

This pattern has been changing throughout the country, and equally in Argyll, as shown in the graph below. This also shows a tripling of full time students at Argyll College over 6 years.

Full time numbers of Argyll College UHI students to 2014/15

Table 1



**targets at Feb 2015.*

Increase in all Full Time student numbers at Argyll College over the eight year period from academic year 2008/09 till 2014/15.

This is very important for Argyll and Bute: we want to retain more young people in Argyll; they need to develop more skills; and 86% of businesses in Argyll reported (in the EKOS study) that they have difficulty finding young people with the right skills, particularly in certain areas: E.g. Tradesmen (electricians, plumbers), chefs and butchers. Agricultural education should also be delivered by Argyll College given the high level of farming activity in Argyll and Bute and the number of students who require to attend College in other parts of Scotland.

Argyll College has done a very good job in many areas, including building trade skills at Lochgilphead. The College is, however, under-funded and requires improved accommodation as well as increased teaching space, particularly in Oban where it has aspirations to increase Courses. It also has ambitions to increase its operations in Argyll and Bute's islands, particularly Coll and Tiree, as well as opening a Helensburgh site. And it is clear from the graph above that demand and supply is growing.

The challenge is to expand the areas and sources of quality training to further match the business needs of employers and the sectoral opportunities; and continually to make school students aware of the opportunities. We need greater delivery. To support this, more funding will be needed and The Scottish Funding Council, HIE, the Council and our MSPs should give every assistance in securing this. In addition the

Scottish Funding Council should reconsider its distribution policy which does not cater for the particular issues of Argyll and Bute. If we can get this right, we will retain more young people, and also attract more employers seeking skilled employees.

One footnote here: with our many islands and sea passages it is not a surprise that one of our larger employers is CalMac, with 182 of its c1000 seafarers based in Argyll and Bute. (There are also around 100 port staff). While 26% of all non-maritime training was carried out in Argyll & Bute in 2015, 3% of its highly specialised, compulsory safety and other maritime training was carried out in the area. CalMac has worked hard with Scottish based training providers in recent years to increase the amount of specialised maritime training which takes place in Scotland to 60%, so there is therefore an opportunity for CalMac, Argyll College and the Scottish Government (which owns CalMac) to work together to secure a larger share of this activity for Argyll & Bute.

3. HIGHER EDUCATION

Going away to university is a long tradition, and for many people it is the right thing to do. For students from Argyll and Bute the principal destination are the Universities in Glasgow and the wider central belt. However, there is a discernible change emerging. First, some students are simply finding that university is less satisfying than they expected; second, and more important, the cost of living away from home at university is high and is increasing.

The development of the University of the Highlands and Islands (UHI) is beginning to change that, and Argyll is no exception, as the graph above shows. Expanding Argyll College's undergraduate offering should be a priority; and thought should be given to focusing on areas in which we have a comparative advantage. Areas which seem to make sense, and which have been cited to the Economic Forum, include Aquaculture, Agriculture, Engineering, Maritime Skills, Archaeology (working with Kilmartin Museum), Rural Enterprise, Digital Services and Renewable Energy.

In this context, we would stress the importance of SAMS, the Scottish Association for Marine Science. This is an educational gem in the heart of Argyll, a leading centre for study and research in Marine Science, attracting MAs and PhDs from all over the world – many of whom stay on in Argyll post qualification. SAMS has shown meaningful growth:

ACADEMIC YEAR	UNDERGRAD. REGISTR.	NEW POSTGRAD. REGISTR.
2000-01	10	
2001-02	11	
2002-03	20	
2003-04	16	
2004-05	15	
2005-06	15	3
2006-07	16	1
2007-08	27	4
2008-09	27	3
2009-10	35	5
2010-11	47	10
2011-12	59	8
2012-13	73	5
2013-14	74	5
2014-15	85	10
2015-16	90	9

Source: SAMS

4. OBAN AS A UNIVERSITY TOWN

SAMS' location next to Oban, and the growth of Argyll College in Oban, has led to the Council's and HIE's concept of developing Oban as a university town. We would strongly endorse this idea, which is the subject of a detailed report commissioned by HIE, in partnership with the council and UHI/Argyll College.

To do that, one critical component that has been identified in the report will be the development of purpose-built student accommodation in central Oban. With interest rates as low as they are, and investors searching for income yield, this is the best time ever seen to secure non-recourse financing for student accommodation. It is being developed all over Britain today. We strongly recommend that the public agencies and the Scottish Government make this an urgent priority, while these conditions remain.

The development of Oban as a University Town would have an effect beyond the growth in local student and teacher numbers, and the ability to retain more people in Argyll. It would encourage more people to come and study here, and many will stay on to develop careers and start families. These include European students coming to SAMS. It will also have spin-off effects, particularly in the creative sectors, as other University Towns have shown.

If we do these things, more young people will stay, and more will come. A recent HIE study "Our Next Generation" showed that 80% of young people in the Highlands are proud to be associated with their community, a 6% increase since 2009. We would be moving with the momentum.

5. JOBS POST FURTHER EDUCATION AND HIGHER EDUCATION

It is obvious that as we continue to build the FE and HE offering in Argyll and Bute, attracting as many national and international students as possible to Argyll, there must be strong links with local employers to ensure that the maximum number of careers can be started here. However, in one final, less obvious idea that needs to be explored here, addressing the issue of attracting those students who have gone away to study, to return to work in Argyll and Bute.

When students leave school they should be asked if they are willing to receive future information on opportunities in Argyll; and if so to give their email addresses. Regular newsletters or e-zines could be sent to the growing student body on events in Argyll, including festivals; on summer job opportunities; and on full-time job opportunities. It would be simple to administer (a part-time job) and operate at the touch of a key. It would be the simplest form of direct marketing to those whom we would like to have back.

Many employers, including the Council and HIE, have difficulty in recruiting people to jobs in Argyll. The Council, in particular, appears to have difficulty in recruiting teachers. Thought should be given to wider marketing of employment opportunities in Argyll, particularly with a view to pointing out to potential employees that there may well be jobs available in Argyll for their partners. An Argyll based equivalent of S1 Jobs could be promoted by HIE.

D. OTHER AREAS OF OPPORTUNITY

As we stated at the beginning, the Forum saw Tourism, Food Production and Youth and Education as the key areas of growth opportunity for Argyll and Bute. There are two other areas of opportunity which we would like to highlight, namely construction and small businesses, before moving on to describe the barriers to Argyll's growth, and what can be done to dismantle them.

1. CONSTRUCTION

The construction industry is an important and growing employer in Argyll and Bute. After tourism, it is the second largest industry for new employment in the private sector. Over the years many advances have been made in training facilities, investment and skills, enabling local companies to take on bigger and more complicated jobs, and to offer enhanced career opportunities. All this we applaud.

In addition, local construction companies are working imaginatively to produce affordable houses, and affordable work units which we need in Argyll, and which we discuss further below. And these companies provide essential services to the growing number of older members of our community.

Given this, it is essential they are given every possible opportunity to grow. One of the biggest investors in construction projects in Argyll is the Council. In 2013/14, their tendered capital expenditure programme was £11 million. Of that Council expenditure, £4million or 36% went to local firms, who bid for 50% of the business.

The Council has actively sought to increase the number of local firms successfully securing contracts within the rules and regulations of the EU Procurement Directive within which the public sector must comply. This has been achieved in partnership with the Council's Business Gateway team via training, encouraging companies to sign up to the Scottish procurement framework and inviting companies to meet the buyer workshops on specific forthcoming large planned expenditure e.g. the CHORD capital regeneration programme. To date the Council has been successful in increasing the number of local companies securing contracts.

It is essential that all public sector agencies and local businesses seek to increase this proportion, and ensure that wherever possible contracts are given locally. This is a clear and direct contribution they can make.

2. SMALL BUSINESSES

The Argyll and Bute private sector is dominated by small businesses. Argyll and Bute has nearly twice the percentages of self- employed compared to Scotland as a whole (7,600 self-employed). The majority of business can be classed as 'micro- businesses' i.e. employing fewer than nine employees. There are around 400 businesses with over 10 employees in Argyll and Bute but only 35 employing over 50.

Small businesses require small, economical business units to operate from and an increased number of such units require to be provided in all towns of Argyll and Bute. Good progress is being made on this.

There are also some clear signs of growth. For example, the John Noble Trust, which provides interest-free loans and grants to small businesses in Argyll, has seen a 54% increase in applications over the last year. The new digital infrastructure should give additional impetus to this.

By definition, this is a sector of entrepreneurs, and they need to be given every help to grow. The majority of them operate in the key growth sectors we have highlighted earlier. The "scaling up" of a number of these smaller businesses is a real opportunity for Argyll. From conversations with 38 such entrepreneurs at a two-day seminar in the spring of 2015, three basic needs emerged:

i. FUNDING FOR GROWTH

At the moment bank funding is not available for Argyll's key business sectors such as tourism at an affordable rate. Two of the few sources of funding (besides own resources, family and friends) are The John Noble Trust and The Kilfinan Trust, both of which make small interest-free loans, and occasional grants.

The Council used to make grants but no longer does. European co-financed loans have been made through the West of Scotland Loan Fund (WSLF). However, this has now been merged into Business Loan Scotland (BLS) taking it even further from Argyll and Bute. Argyll and Bute Council have been advised that BLS has now ceased making interest bearing loans of £25,000 or less, other than to limited companies. DSL Business Finance can occasionally provide small loans. There is some possibility of an SME (small and medium enterprises) Holding Fund from European Regional Development Funds, but not for another 12 months.

To a businessman, this sounds like a bureaucratic solution leading to precisely the wrong outcome. We would strongly encourage the Council and its agency partners, together with our MSPs, to find a creative solution. It is much needed.

ii. ADVICE FOR GROWTH

For larger "account managed" businesses, advice comes from HIE and SE and is highly rated. For smaller business, advice is offered in Argyll by Business Gateway, run by the Council. They have advised over 800 new startups and 2500 existing businesses since 2009. They are a dedicated team, and reports back are also generally very positive. The nature of the advice they give is generally more at the business plan level than at the strategic level.

There is a possible complement to this, which needs exploring, with a particular focus on helping companies to scale up. Argyll and Bute have a large population of retired people coming from other parts of the country. Many of them are former business executives and business leaders. It would be relatively simple to set up a volunteer business mentoring group in Argyll – and a number of those retired business executives have told us they are willing to join. This is a private sector initiative, which should be started in the summer of 2016.

Finally, running a small business can be lonely. Very few of these smaller companies have Boards. Mentoring helps. But we would encourage smaller businesses in Argyll to set up their own informal networks; forums of a few like minded people, for regular discussion on mutual problems and issues; for occasional mutual solutions; and for simple encouragement and good cheer. Two brains are usually better than one.

iii. SINGLE POINT OF CONTACT

One problem for Argyll businesses is that there is no single point of contact for discussion with local or central Government, as there would be, for example, in Glasgow. We have two Chambers of Commerce and two BIDS Areas. The Federation of Small Businesses have shown renewed interest in becoming involved in Argyll. These five groups should get together to seek a solution.

iv. PUBLIC SECTOR CONTRACTS

Finally, given the importance of small businesses to employment in Argyll, the public sector should continue as much as possible to help companies with contracts, from catering to repairs, from decorating to transport.

Secondly, planning permissions for smaller businesses need to be given a greater priority. Small businesses have small staffs, and the planners should ensure to give them every assistance in expediting their plans, including pre application advice and 'fast tracking' of applications which have employment and/or economic benefits to the area.

IV. THE BARRIERS

From the above it is clear that there are a number of key opportunities to put Argyll and Bute onto a growth track, and to arrest the problem of declining population. However, there are some clear barriers to those opportunities which have been apparent from our discussions with many sectors of the community throughout Argyll. We would stress that if those barriers are not removed, then the opportunities will be impossible to achieve.

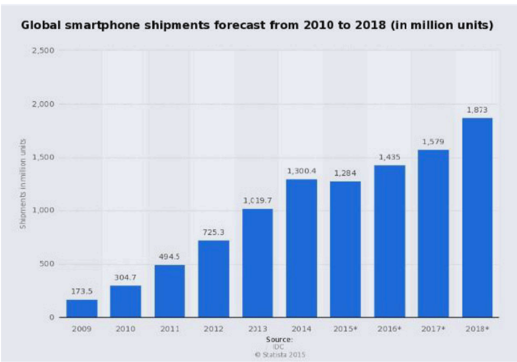
The key barriers are:

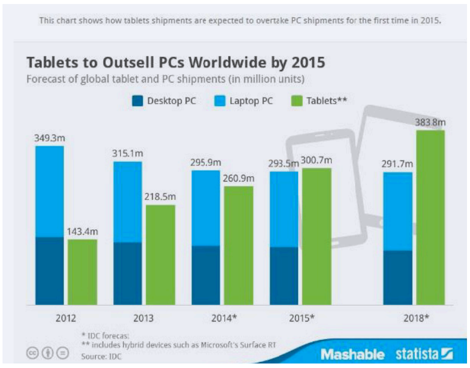
- Mobile and Broadband connectivity
- Affordable housing
- Transport links

The importance of tackling these issues now is backed up by the recent EKOS research study: “We would stress the absolute priority that the key infrastructure issues are fully addressed, particularly around broadband/ mobile; housing and transport.”

A. MOBILE AND BROADBAND CONNECTIVITY

There is no need to explain the importance of broadband connectivity in today’s world. Without it, it will soon be impossible to operate any business or service. The critical importance of mobile has until recently been less understood. There are now over 40 million smartphones in the UK alone, over 3 billion worldwide. The graphs below show global sales projections for both smartphones and tablets. With the rapid take up of smart phones (which need mobile communication links to broadband lines to operate), providing fast and reliable mobile connections is now essential. This need was raised continuously to us throughout the year, and it is the single biggest barrier to Argyll’s development.





Below we give three illustrations of this.

The first concerns tourism, Argyll's principal industry, which comes with big growth potential. Modern tourists travel without a laptop now: they carry a smart phone. Assume they are in Cowal, heading for the Tarbert-Portavadie ferry. They search on their smart phone for CalMac ferry timetables: no signal. They get to Portavadie and want to know the restaurants in Tarbert: no signal. They get to Tarbet and want to go on Airbnb to find a room: no signal. And finally they want to email their office or home when they find a room: no signal. It simply won't work: a thriving tourism industry is dependent on good mobile communications.

Equally dependent are those who provide goods and services for tourists. Most visitors carry credit cards or Apple Pay and little cash. At a recent food festival in Argyll, over £5,000 of sales were lost because the card readers could not pick up a mobile signal. This is a major constraint on our small businesses.

The second example is from the aquaculture sector, another key growth sector for Argyll and Bute. The CEO of Marine Harvest told us that this was the single biggest barrier to running his business properly: with workers scattered at different sites and in different vehicles throughout the day, good mobile communications are essential to an efficient operation.

The third example is nursing services. Argyll and Bute consist of widely scattered communities and the district nurses play an essential role. We were informed that NHS Scotland now requires district nurses to communicate with GPs and patient medical records through tablets or smartphones. In Argyll this is simply impossible.

In the chart below we show the current coverage by the mobile company EE with the greatest coverage in Argyll, as published by the communications regulator Ofcom.

As the map below shows, 4G coverage in Argyll is a virtual white space, with the exception of spin off from Gourock around Dunoon; and the 4G signal from the single new mast on Coll erected in 2015 by Scottish Futures Trust. To be clear, Argyll and Bute needs ubiquitous 4G coverage. The fact that UK trials of 5G are now taking place merely emphasises how deprived we are.

4G Data Key	
	In green areas you are likely to have sufficient signal to use 4G data services reliably
	In white areas you are unlikely have sufficient signal to use 4G data services reliably.

How has this come about? While the need for wide internet coverage has been seen for some years, the rapid rise of smart phones has surprised many players. As late as the last 4G spectrum licences, the UK Government saw mobiles as something of a luxury, allowing the mobile operators to trade off higher spectrum payments for lower (95%) coverage obligations. It is inconceivable that any Government would allow less than 100% electricity coverage: not so with mobile phones. The Scottish Government had developed an internet strategy early, and, as shown below, through HIE's good work, internet coverage in Argyll and Bute will cover 83% of premises (85% in Lomond and Helensburgh) by the end of 2016. There are also a number of local initiatives (e.g. GigaPlus Argyll) to fill in some of the gaps. However, the Scottish Government needs a comprehensive mobile strategy.

What can now be done about this? The positive news is that the internet buildout in Argyll enables better mobile coverage: the mobile companies pass the signals to and from masts through the internet (the "backhaul"). It is clear that without an obligation for universal coverage, the Scottish Government will have to play a big role. The internet network in Argyll would not have been built without Government assistance through HIE. The Coll mast is Government funded (through Scottish Futures Trust) with revenue funding provided by the Council, as are the various Community Broadband efforts. We are pleased to report that the Scottish Government has now asked the CEO of HIE, himself a member of our Argyll and Bute Economic Forum, to come up with solutions.

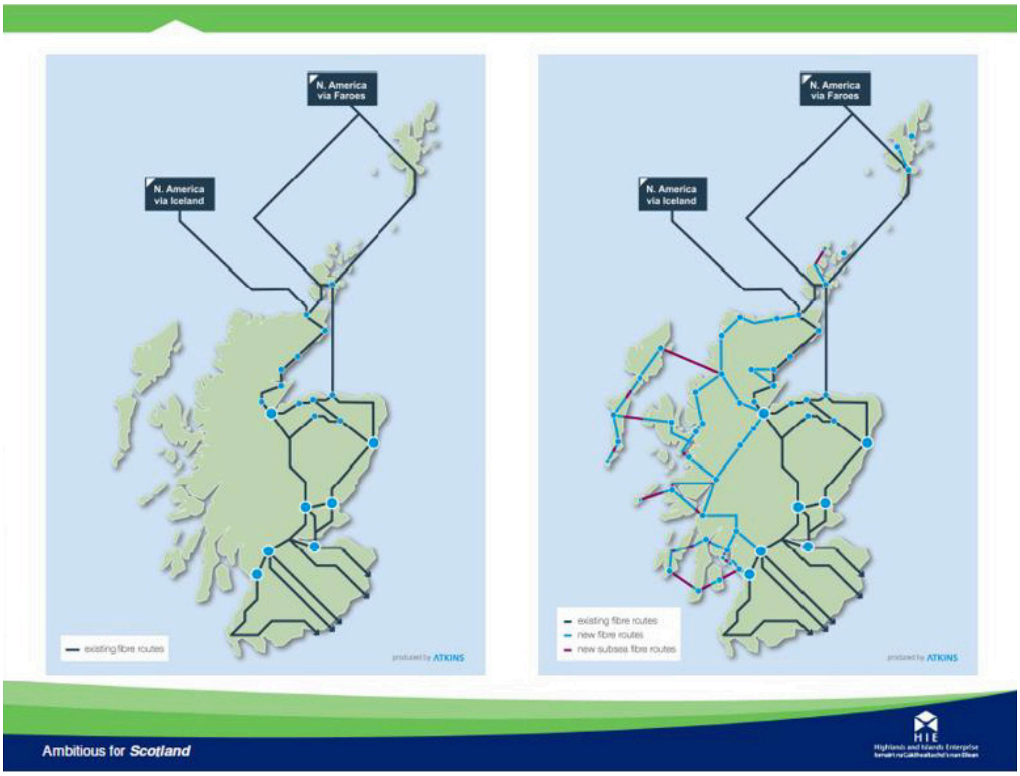
There are three key moving parts here. First, access to mast sites (including public buildings). Second, planning issues. Third, business rates for mobile assets. All three are on the HIE CEO's agenda.

No site for a mast in Argyll has been refused planning permission. However, the permitted development rights for the height of masts is often restricted to 20 metres. Given our topography, many need to be higher.

One key barrier which we see is the cost of mast sites. At the moment, it is an open negotiation between a landlord and the mobile company. The landowners can refuse permission and charges are as high as £6,000/£7,000 p.a. for mast sites. This is a totally different – and high multiple of the charge to the landowner for electricity poles or water pipes. The UK Government has been considering changes to the Electronic Communications Code (EEC), which legislates on this subject, for 5 years now. The Law Commission has recommended changes to bring mobile phone masts more in line with other infrastructure. We have been lobbying and continue to lobby the relevant ministers to move this along: 5 years consideration is enough.

We have spent considerable time on this single issue of mobile connectivity in both Edinburgh and London. We will continue to do so, with strong and helpful support from our MSPs and MP. If we cannot solve this problem the opportunities we have set out will wither.

The map on the left below shows the existing fibre network across the Highlands and Islands prior to 2013. The map on the right shows the additional networks that have been created as a result of a £146m investment project announced in 2013, led by HIE and delivered by Openreach.



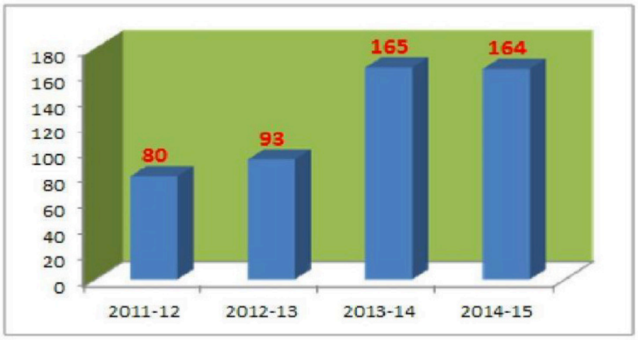
B. AFFORDABLE HOUSING

Many of the people we have talked to, in a wide variety of sectors, cited affordable housing as a barrier to development, particularly for lower paid staff. A 2015 survey by Argyll and Bute Council stressed the importance of this.

We have had presentations to the Forum from the relevant Council officials and have visited a number of housing developers and contractors, as well as affordable housing developments. It is clear that the Council continues to take this issue seriously, and we would hope that the very good progress over the last few years continues as set out in the Strategic Housing Investment Plan 2015 – 2020.

Since 2011, the Council has invested £7.58m supporting a £30.45m grant funding from the Scottish Government resulting in 502 new units spread across areas of need in Argyll and Bute. In addition, through the Empty Homes Initiative, since 2013, the Council has brought over 500 empty homes back into use. Assistance from the private sector for new stock to encourage first time buyers would clearly be very beneficial.

AFFORDABLE HOUSING COMPLETIONS 2011-15



Affordable Units built during the last four years

Source: Meeting the Need and Demand for Affordable Housing in Argyll and Bute, by Donald MacVicar, Head of Community and Culture Economic Forum Presentation, 18 November 2015

We gained a sense of progress in this area. However, there remains insufficient affordable housing in some growth areas; and more will be needed to accommodate our desired population growth.

We would encourage the Council and the local housing associations through the strategic housing forum to continue this progress, and to make use of all available Government finance schemes, as well as taking advantage of the current very low levels of interest. There is also a great opportunity for Argyll to take advantage of the Scottish Government's commitment to increase the provision of affordable housing throughout Scotland which was announced in the recent Budget.

C. TRANSPORT LINKS

While transport links were less often mentioned as a barrier, Argyll's geography makes this a regular topic. We cover this under five headings:

1. ROADS

Argyll and Bute is essentially linked by roads and ferries. A recent HIE commissioned study into transport connectivity, which is still not complete, has considered the road infrastructure, (as well as fixed links and other transport modes). It is expected to recommend various upgrades. These are in addition to the vital work to upgrade the main road entries into Argyll, the A82 and A83. If we are to achieve more off-season tourism, it is essential that Argyll and Bute is viewed as having open access in all weather conditions. The A83 problem, with an increasing number of closures from landslides, needs to be fixed once and for all. It is Argyll's front door. The Scottish Government has so far spent £10 million on tackling the problem – only to have the Rest and Be Thankful closed again at Christmas 2015. A permanent solution is absolutely required.

The expected upgrades recommended include the A816 Lochgilphead/ Oban road: essential if we are to seize the opportunities offered by Kilmartin Glen; and the A8003 Dunoon/Portavadie road, which could help markedly in under-performing Cowal and the Kintyre peninsular. The HIE recommendations should be a priority for the Council and the Scottish Government.

2. FERRIES

On the whole, the ferry services are viewed as a success story in Argyll and Bute with increasing passenger and vehicle numbers over recent years. That said, there are challenges including capacity, booking facilities, reliability, the age of the fleet, and the pier infrastructure. The town centre passenger ferry link between Dunoon and Gourock however is also a concern for the people of Dunoon.

The RET (Road Equivalent Tariff) will help reduce costs for many islanders; but these are still high for Island-based producers. They need revisiting by the Scottish Government and Transport Scotland is now reviewing this issue. Timetables have improved, but regular local consultation by CalMac on ferry timings is essential. The ferries still often do not meet summer tourist needs in neither timings nor capacity, and the AITC and CalMac – who already liaise quite closely – should make this a priority. The reliability and safety record is good. The development of safe, fast cabin-ribs has opened up new routes to the islands, and on other routes (e.g. Campbeltown/Gourock). These should be encouraged, and assisted by the Council, where needed.

3. TRAINS

The key link is the Oban/Glasgow line. Helensburgh/Glasgow has regular reliable services, which are essential to Helensburgh's continuing development. The Oban schedule has recently increased to six trains per day and has proved very successful. Given that Oban is likely to continue to be at the core of Argyll's economic growth, and given the long lead times in any rail upgrade, attention should be given now to how this service might be further enhanced and expanded. One particular suggestion is that all trains should now have power points, and Wi-Fi. Finally, if Oban is to grow it needs to be connected not just to Scotland but the world. Thought should be given to reinstating a night sleeper service to London; or at least improving the connections with the Fort William service.

4. AIR

The Council has clear ambitions to develop Oban airport as a travel hub, with flights from and to Glasgow, and to those islands with airports. Bids are now being sought for the Glasgow-Oban link. Clearly we would encourage this. However, we have also stressed to the Council the importance of considering an Edinburgh link. For foreign tourists in particular, Edinburgh is very frequently a tourist destination: In 2014, 1,588,000 overseas tourists visited Edinburgh, (source: Visit Britain). Many of them then head up the East coast. An air link to Oban (and possibly to Machrihanish, operated by HIAL, or Islay and Tiree again operated by HIAL) could capture more of this market for Argyll, and this needs further study.

5. FIXED LINKS

The question of greater fixed links across the Clyde estuary, and possible East/West across Argyll, to further open up Argyll to the central belt, is currently being studied by HIE. Any such development would doubtless help to a greater or lesser extent. However, none of them are likely to be rapid, and we have focused on the areas which could be dealt with quite rapidly, and which could have more immediate effects on the issue of declining population. The one exception, as discussed below in the section on Rothesay, would be a tunnel or bridge at Colintraive, which could support that island's development. We realise that this is controversial and not everybody on Bute agrees. Tourists are wary of being "stuck" in difficult weather conditions, and a number of Bute citizens would like to see the link.

Nevertheless, the case for fixed links is well made, not just for Dunoon and Cowal, but as an alternative to the A83. We would endorse the suggestion that there should now be a Public Consultation on the Fixed Link options.

V. FOUR TOWNS

During our work it became clear that there were four towns in Argyll which deserved particular attention, as a result of a major decline in population, or of stagnation.

	% POPULATION CHANGE 2001-2011
CAMPBELTOWN	-4.9%
DUNOON	+1.6%
HELENSBURGH	-6.6%
ROTHESAY	-9.2%

In each of these towns we found people working hard for improvements in their communities. Each of them had different issues and opportunities, which we explore below.

1. CAMPBELTOWN

Situated near the Mull of Kintyre, Campbeltown's key issue is distance. It is 138 miles by road from Glasgow and, 2 hrs 10 minutes by ferry (to Ardrossan) and train. It has suffered over the years from a major decline or closures in four key industries, namely fishing, shipbuilding, manufacturing (Jaeger) and MOD activities at Machrihanish. At the same time it has certain advantages: a wonderful natural harbour, some of the best grazing land in Argyll, a well built and attractive town, two international standard golf courses, and an airport with one of the longest runways in Europe.

The key issue here, as elsewhere, is jobs. Commendable efforts have been going in to improve the town assets to attract more residents. The Council has done a great deal to make the town more attractive, and there is now a range of new affordable housing. An American investor group has improved two key hotels to international standards, and a new golf course has been created. Campbeltown has two major employers, a wind tower manufacturing firm, Wind Towers Scotland (WTS), jointly owned by SSE and HIE employing 135 people, and a creamery directly employing 35 people, which is also of obvious importance to the local dairy farmers. Aquaculture is now a growing feature in the local area but more jobs are needed.

An additional issue is the risk faced by those two major employers. There have been changes in Government policy on the subsidies for on-shore wind turbines, and the creamery has had well publicised financial problems and is currently in part being subsidised by the Government.

Machrihanish has been bought by the Machrihanish Airbase Community Company (MACC) and is now home to some 44 tenants, while continuing to supply airport facilities. MACC has hopes for two major developments, namely the planned NIRI onshore fish farming business that has recently commenced construction, and the new UK Spaceport project. The Council has formed a consortium with MACC, and are actively supporting both of these with assistance from HIE.

The one additional suggestion made to us was the possibility of Machrihanish becoming an Enterprise zone, which would encompass Business Rates relief, 100% enhanced capital allowance, simplified planning, superfast broadband and possible public funding. This should be investigated as a matter of priority.

The other possibility is to grow the many existing small businesses. In this, additional company financing, and the mentoring scheme proposed above would be of help. Campbeltown clearly has continuing issues as outlined above. But there is also a strong can-do tradition in the town which will turn out to be its greatest asset.

2. DUNOON

Dunoon has not actually had a population decline, but in each survey area we have seen it falls below average. In the recent HIE study on the attitudes of the young people it was one of the lowest scoring as a place young people would like to return to.

One of its key advantages is also one of its key problems: its proximity to the Glasgow hinterland – indeed it is highly visible across the Clyde. This makes it relatively easy to access (for example, Western Ferries carried over 600,000 vehicles last year) compared to the more distant parts of Argyll. At the same time it is very near the magnet of the central belt for young people.

However, Dunoon has partial 4G coverage (albeit from masts across the Clyde), and newly installed fibre internet. It has a number of small but growing tech and other businesses, a recently expanded customer services centre, an iconic pier that the Council has completely refurbished, a decent industrial park at Sandbank, and a wonderfully restored Burgh Hall acting as a focus of creative energy at its centre. All this will doubtless see further growth.

There are four additional things which could make a difference. First, the potential Ardyne fish processing centre, discussed above. Second, a move to provide some enhanced facilities for day trip visitors from across the water. A particular idea given to us was decent mountain bike trails through the local forests. There will be others – zip lines, were also mentioned – and all these should be positively explored.

The third suggestion concerns the Council Economic Development Office in Dunoon. Currently the officer in place is focused on project development. There is a need for an officer to focus on the wider regeneration of the area: we noted the clear energy supplied by these individuals in Campbeltown and Helensburgh.

Finally, the Public Consultation should take place on the question of the Fixed Link, discussed above. This could make an important difference to Dunoon and Cowal.

3. HELENSBURGH

Helensburgh has unique attributes in Argyll. It is a long established commuter town for Glasgow, with a fast, direct service. It contains the famous Faslane Royal Naval Submarine Base, employing more than 6,500, the largest single employer in Argyll, and one of the largest in Scotland. And until 1996, it was part of West Dunbartonshire.

Between 2001 and 2011, Helensburgh's population fell 6.6% from 14,626 to 13,660. This still seems odd to many researchers and analysts, and may well have had something to do with temporary shifts in employment at Faslane. Nevertheless, it is certainly true that over the last 20 years the town had deteriorated and, until recently, had a distinctly worn look.

In the last few years this has changed markedly, and the Council deserves praise for what has been done. The centre of the town has been transformed, creating a crossroads with an elegant central square. Pavements have been restored, shop fronts have been renewed, bicycle tracks and walkways installed along the seafront.

There is a major plan to restore the beautiful but rundown Hermitage Park which has now received a grant of over £2.3m from the Heritage Lottery Fund, an Arts Centre has been developed by a local entrepreneur, a new submarine museum is being built, and a beautiful new Council Civic Centre and wedding venue has just opened. Helensburgh is also home to Hill House, one of Charles Rennie Mackintosh's iconic buildings, and nearby Cardross is expecting major investment in the former St Peter Seminary building, one of Scotland's most important modern buildings. The result of all this is a clear lift in the town with a number of new businesses opening up.

There are currently 24 housing units under construction in Helensburgh, with a further 86 confirmed in the programme to 2018. Planning permission for 300 new homes is now being sought, and additional sites are currently being investigated. Faslane has been selected as the base for all UK submarine activity; and - a clear sign of rising prosperity – in the last 18 months three new restaurants have opened, with more planned, and all are apparently thriving.

All this bodes well for the future. Recent building and entrepreneurial momentum such as this convinces me that Helensburgh will no longer be on the decline list very soon.

4. ROTHESAY

Rothesay is fundamentally a beautiful town. It has fine buildings, many of them listed, set around a bay, and with an unspoilt 12th century castle at its centre. Bute is a lovely island, the nearest to Glasgow. There is a history of enterprise (and several good small businesses), good farming land, wonderful beaches, and a spectacular asset in Mount Stuart and its fine art collection. And yet it continues to decline, with a fall in population of 9.2% between 2001 and 2011. So finding solutions is not easy. My own reflection is that Bute needs a new vision, and it is very encouraging that the Bute's own Alliance for Action is working towards that end.

For what it is worth, the one that keeps coming back to me is that Rothesay could be to Glasgow what Bath is to London. From a very poor start many years ago, Bath has become a regular and popular destination for London visitors (and to those from further afield), attracted by its architecture. As a result, houses have steadily been refurbished over the last 30 years, there are plenty of good restaurants, and now plentiful jobs, as more people have settled there. A long term target as an upmarket visitor destination and weekend home base could just be the right one for Rothesay and Bute, leading to an increased permanent population.

If that is the right vision – and that or any other will need a consensus from all those involved on Bute – what are the first steps which need to be undertaken?

They are possibly the following:

1. Tidy up the town, as has been happening in Helensburgh and Campbeltown. A good start has been made on the front, with the implementation of the THI, work planned for the pavilion and the square, but more can be done. Grants or prizes could be given for those who do up their shop fronts. There are also too many shops for Rothesay's current population. Some of them should be given permission to convert to residential: there are few more negative sights than empty or boarded up shops.
2. A key to this vision would be much greater engagement with Mount Stuart. Fortunately the Marquess of Bute – who owns the great majority of the island – is willing to put more money into developments on the island, and has appointed a first class Chief

Executive at Mount Stuart who is willing and able to do it. The Mount Stuart Collection is outstanding, and much of it is not displayed. We understand that a number of options are being discussed to broaden the reach of Mount Stuart.

3. The next step would be to find a developer(s) willing to take on some of the elegant, but run-down, buildings and turn them into upmarket flats, duplexes or houses. And to set up a least one further good restaurant.
4. Finally, marketing would be needed to attract people. First time buyers will be few and price will be key. To encourage that, a series of different initiatives would be required. For example, a festival of food and drink at Mount Stuart, music festivals – all aimed at Glasgow and Central Belt inhabitants. And to do this the marketing style would have to be changed. Calling Mount Stuart "the hidden gem" on the "secret island" on Argyll's "secret coast" is not a positive message. It reminds one of operas billed as "very rarely seen": the reason they are very rarely seen is that they contain no good tunes. Bute is full of good tunes, and will need to boast about them.

All good businesses are built from a strong vision. That is what Bute needs. I don't know whether the one I have sketched out is the right one, that is for the people of Bute to decide. In this context, I am delighted that individuals on Bute, backed by HIE and the Council, have now formed an Alliance for Action that aims to "Build a Better Bute". The partnership approach to regeneration involves public agencies, private trusts, local businesses and most importantly local residents. The Alliance will focus initially on improving the town centre and the wider economy. I wish them every success in producing the right vision for Bute.

VI. A SHARED VISION

For any business to succeed, there has to be a clear understanding throughout the organisation of the objectives, the plan and each person's role in it. In this report, we have tried to set out the objective of growing sustainable jobs around tourism, food and drink production, and education and training. And we have covered the most critical barriers to our growth and what needs to be done to remove them. This final section is about sharing that vision.

As in a business, if we are to achieve our potential, we have to have a joined-up approach from all of us. For example, at Council level it is important that as much public agency money as possible is spent on local firms, rather than on those from outside Argyll. It is crucial that planning and other regulatory services are open for business and support economic growth. It is important that heads of schools understand that their contribution is not just to educate our children so that they can go away to university, but that they have a key role in helping the young to understand the opportunities here. And it is essential that all of us who live in and love Argyll support that growth.

To give just one example, we found – and surveys have found – that many people in Argyll think that there is no career future in tourism jobs, despite it being our largest and fastest growing industry, and, worse, tell their children that. Any Swiss, Austrian or Italian person would find that incredible. For example, at Portavadie, there are now 85 full-time employees, of whom 12 are departmental managers. Portavadie is also now hosting an Executive Certificate in Rural Tourism Management in conjunction with AITC. With the existing and potential growth in tourism there will be many ways for careers to progress. The aquaculture sector already has high quality, well paid jobs, as clearly do the Further and Higher Education sectors.

Finally, we need strong and consistent positive support from all our leaders – business people, MSPs, Councillors, agency leaders, newspaper editors, journalists and others. To make this happen, to reverse our historic population decline, there has to be a positive will from all of us to make it happen. And if there is? Then I don't have the slightest doubt we can succeed, and see the rising population, the growth in the number of working families, and the increased prosperity we all want.

Nicholas Ferguson, CBE
Kilfinan, Argyll
February 2016

PHOTO CREDITS

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