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Chuckling Buns Across The Fence? Governmental
Planning and Regeneration Projects in the Scottish
Highland Economy, 1945-82.

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Abstract

This thesis investigates the creation, operation and impact of four industrial developments in the Highlands of Scotland in Corpach, Aviemore, Dounreay and Invergordon in the period 1945 to 1982. The thesis is structured as follows: the introduction details the development of economic policy towards the Highlands and Scotland more generally, encompassing a literature survey to provide the necessary background and context of the developments, followed by individual case study analysis of the four developments, followed by a conclusion that assesses the overall themes present in the preceding case studies and introduction. Within the conclusion is a discussion of the regional policy aspect of the four developments, the effect the developments had on the areas in which they were located in terms of population and unemployment change and the political economy and politics of Highland development.

The argument developed in the thesis is that the motivations behind the four industrial projects detailed in the case studies were more complex than the publicly and privately stated justification for creating and establishing the developments that they would act as growth centres and attract further industries to the areas in which they were located. The thesis posits that developments in the Highlands only took place as a consequence of Scottish Office actions 'winning' large industrial projects for the area and only when Scottish Office policy aims converged with UK national economic and political interests. Consequently, short-term political goals usurped effective long-term economic development, resulting in a lack of infrastructural development that severely hindered the stated aims and justification of each development acting as a growth centre. Further, the argument is made that as a result of these short-term political goals, a policy of grand gestures of large-scale industrial developments that were inappropriate for the areas in which they were located was pursued, resulting in the eventual closure of all but the Aviemore complex. In short, the thesis is about the implementation failure of large-scale industry in the Highlands, post-1945.

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Chapter One. Introduction

The thesis is based on a framework of chronologically ordered discussion of the four industrial developments at Corpach (by Fort William)¹, Aviemore, Dounreay and Invergordon in the form of individual case studies.² In each case government sponsored the developments in a purported attempt at regenerating the Highlands by having them act as growth centres in order to try and reverse the long-standing issues of population decline, high-outward migration and high unemployment through intervention in and planning of the Highland economy. Corpach received a paper-pulp mill, Aviemore a winter sports and tourist facility, Dounreay the second nuclear Prototype Fast Reactor (PFR) and Invergordon an aluminium smelter. Each of the case studies serve as evidence for the failure of economic planning and intervention in the Highlands to address adequately the issues they were intended to solve, as well as going some way towards explaining the retreat of government from the intervention in and planning of the Scottish economy as a whole. The thesis covers the period 1945-82 for three reasons: first, the end of the Second World War presents a logical starting point for the discussion of the development of economic policy in Scotland, being as it were at the beginning of a period of relative stability in comparison to events prior to it; second, by 1982 two of the four developments discussed, Corpach and Invergordon, had ceased operations altogether, combined with the policy decisions of the Conservative government from 1979 to step back from the interventionist policies followed in Scotland by their predecessors represents a reasonable time at which to stop. The majority of the case studies are focused on the government's role in the four developments and are primarily based on governmental archival material. As a result, the bulk of the discussion is on the planning stages,

¹ Given the proximity of Corpach to Fort William geographically, the mill is often described in the governmental correspondence and media of the time as both the Corpach Mill and the Fort William Mill. For the purposes of this thesis both terms are used interchangeably and mean the same development.

² Although technically Dounreay predates both Corpach and Aviemore, the growth centre argument was used in relation to the establishment of the second reactor after the creation of Corpach and Aviemore. Consequently, Dounreay is the third case study discussed in the thesis.

with discussion reaching into the operation and closure of certain developments dependent on government's involvement in them and as far as the archives allowed.

The purpose of this introduction is to provide a background to governmental involvement in the Scottish and Highland economies up to the creation of the four developments and provide context for the discussion that follows. The introduction is structured in the following sub-sections: Introduction to the background to the four developments and arguments contained in the thesis; Justification for the thesis; Historiographical analysis of the literature; Regional Policy Development in Post-1945 Scotland; Reporting Scotland: Scottish Council (Development & Industry) Reports and the 'new' regional development policies; A Development Authority for the Highlands: the creation of the Highlands and Islands Development Board and Highland development.

This thesis argues that a combination of short-term political considerations, the urgent desire for a quick fix to social problems in the Highlands and UK national economic concerns took precedence over the effective planning of regional industrial development in the area for the longer term, as was claimed was happening both publicly and privately by governmental bodies charged with administering the creation of the developments. As a result, the thesis highlights the disconnect between regional economic development and political development. The resulting lack of infrastructural development in the Highlands contributed to a lack of embeddedness in the industrial developments on which the case studies focus, and their failure to solve the problems they were reputedly intended for. Moreover, this lack of infrastructural development ensured the area's continued unsuitability for large-scale manufacturing that exists into the current day. In short then, it is an analysis of the implementation failure of governmental economic intervention and planning in the Highlands in the post-1945 period.

The thesis takes its title from a quote by Sir Douglas Haddow, head of the Civil Service in Scotland between 1965-73. Haddow saw the Highlands as a problem area that had to be kept quiet by ‘chucking buns across the fence’ if necessary. In the course of saying this, leaning over a map, Haddow is reputed to have put his elbow on Fort William, stretched his arm out along the Great Glen and made a gesture westwards stating ‘as far as that area is concerned, it’s out’, referring to the intentions of the Scottish Office in its approach to economic development in the region.³ Of the four developments the thesis is concerned with, three fall into the area of the Highlands that Haddow’s elbow missed - only Dounreay falls outwith, purely a consequence of locational factors relative to Fast Reactor research in the 1950s. The ‘fence’ Haddow refers to is the Highland region boundary line, further reinforcing the idea that the Highlands is a distinct region from the rest of Scotland with its own peculiar characteristics. As a result, the thesis posits that the four developments were not the bespoke solution to Highland development that they were purported to be, but a reactionary set of policy achievements that had less to do with long-term integrated economic development of the region as satisfying short-term political and economic goals at Scottish and UK national levels.

The issues of economic planning and intervention in Scotland dominated the economic development of the country from the Second World War’s end until the early 1980s. This was especially so in the Highlands, where any major economic development that took place, from the creation of the Hydro electric schemes in the immediate period following the Second World War to the establishment of the industrial developments with which this thesis is concerned, did so with the hand of government firmly behind it. The literature on Scottish twentieth century economic history has only recently begun to address the issues of economic intervention and planning however, having been largely focused on the decline of the staple industries of shipbuilding, coal and steel, due in no small part to the thirty year rule on closure of official documents and the availability of extensive business archives pertaining to these industries. The opening of these documents, as well as the introduction of the

³ Hetherington, A, *Highlands and Islands: A Generation of Progress*, (AUP, Aberdeen, 1990), pg. 3.

Freedom of Information Act, has allowed access to government documents relating to the issues of economic planning and intervention and resulted in more attention being focused on the role of government in the economic development of the Scottish economy in the post-Second World War period in the literature in recent years.⁴ The responses to the staple industries' decline were shaped and determined by government. Administrative leadership in the Scottish Office and its constituent parts largely drove economic and industrial development in the country in the search for a panacea to the economic and social problems experienced during the period. From 1945 to 1962 the Department of Health Scotland (DHS) and the Scottish Home Department (SHD) had determined economic policy jointly and reported to the Secretary of State for Scotland. The creation of the Scottish Development Department (SDD) in 1962 was a response to recommendations set out in the Toothill Report of 1961⁵ that called for the establishment of a new department in the Scottish Office solely responsible for:

...the major economic duties of the existing Scottish departments... supported by an economic unit to advise on general measures needed to ensure the health and growth of the economy, on the implications for Scotland of national economic policies, on the broad issues of investment policy, on the economic implications of the programmes of public investment, and on the wider economic effects of major issues before departments.⁶

⁴ See Peden, GC, 'The Managed Economy: Scotland, 1919-2000' in Devine, Lee & Peden (eds.), *The Transformation of Scotland: The Economy Since 1700*, (EUP, Edinburgh, 2006), pp 233-266, Levitt, I, 'The Origins Of The Scottish Development Department, 1943-62', in *Scottish Affairs*, No. 14, Winter, 1996, pp 42-66, 'The Creation of the Highlands and Islands Development Board, 1935-65', *Northern Scotland*, vol. 19, 1999, pp 85-105, 'Too Deeply Committed: Aviemore, The Scottish Office and George Pottinger, 1959-72', *Scottish Affairs*, No. 51, Spring, 2005, pp 25-58, 'Regenerating the Scottish Highlands: Whitehall and the Fort William Pulp Mill, 1945-63', *Journal of Scottish Historical Studies*, Vol. 25, no.1, 2005, pp 21-39.

⁵ The report was named after the chairman JN Toothill of Ferranti Ltd, appointed by the Scottish Council (Development & Industry) (from now on SC(DI)) to head the inquiry. For more on Toothill, see Wilson, JF, 'Toothill, Sir John Norman (1908-1986)', *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

⁶ SC(DI), *Inquiry Into The Scottish Economy, 1960-1961*, (SC(DI), Edinburgh, 1961), pg. 191. For a more detailed discussion of the establishment of the Scottish Development Department, see Levitt, I, 'The Origins Of The Scottish Development Department, 1943-62', in *Scottish Affairs*, No. 14, Winter, 1996, pp 42-66 and Coats, AW, 'The Changing Role of Economists in Scottish Government Since 1960' in *Public Administration*, Winter, 1978, vol. 56, Issue 4, 1978, pp 399- 424.

Toothill had visited France and other European countries in late 1960 and had been suitably impressed by the commitment to central economic planning to recommend the creation of a central Scottish Development Department to coordinate planning in Scotland. Toothill's justified the need for a new integrated department by arguing that the only way to achieve growth was by a 'simultaneous attack' on past traditions. His experience at Ferranti was that the company had found difficulty in coordinating its sales, design and accountancy departments to work together to exploit a new teaching machine. As a result, the company created a successful new division under the control of the managing director, the example of which directly influenced Toothill's belief in the 'concentration' of effort required for the Scottish Office.⁷ Further, Toothill's recommendation for the Scottish economy that 'More diversification is needed' and that if this was to be achieved 'more new firms must be attracted to Scotland'⁸ was again influenced by his personal beliefs - his experience of and success in setting up a central electronics laboratory and training school at Crewe Toll as well as starting the first Scottish higher national certificates in electronics⁹ gave him the firm conviction that diversification into new industries and technologies would serve the country's industrial structure and economy well.

Following Toothill's recommendations, Douglas Haddow - the former Secretary of the Department of Health Scotland who was heavily involved in the discussions regarding the creation of the new body - became the head of the new Scottish Development Department, merging the physical and economic planning responsibilities previously held jointly by Haddow's old department and the Scottish Home Department, the 'acknowledged custodian' of Highland policy.¹⁰ The new department's name was no accident - Maclay felt that the then Prime Minister Harold Macmillan would object to the new department being named 'Local Government and Planning' as planning would imply the 'the application of a rigid blue-print' to the disadvantage of initiative. 'Development' instead brought out the government's

⁷ Levitt, I, 'The Origins of the Scottish Development Department, 1943-62', pg. 57.

⁸ SC(DI), *Inquiry Into The Scottish Economy, 1960-1961*, pg. 22.

⁹ Wilson, JF, 'Toothill, Sir John Norman (1908-1986)', *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

¹⁰ National Archives of Scotland folder (from now on NAS), DD15 234 folder notes.

commitment to a ‘flexible economy’ where officials in the Scottish Office could identify in advance the opportunities for investment.¹¹ The new department thus gave economic planning and intervention in Scotland a key platform from which to develop - a distinct department charged specifically with economic development through planning. Prior to his new appointment, as Secretary of the Department of Health Scotland, Haddow was also responsible for town and country planning and before that was private secretary to the then Secretary of State for Scotland, Tom Johnston between 1941 and 1943. As a result, both roles provided Haddow with the experience and knowledge necessary to play an effective role in the newly created department, not least the commitment to defending Scottish interests at Whitehall so effectively demonstrated by Johnston.¹² Haddow’s new role in the SDD, to all intents and purposes, would see him act as the overseer, on behalf of the Secretary of State, of all economic development that government was involved in the length and breadth of the country; from the creation of the new towns built to accommodate the Glasgow overspill programme, to the construction of the BMC car plant in Lanarkshire, to the location of the nuclear power facility in Dounreay in Caithness. Indeed, during the period almost all major economic and industrial development in the country had some form of government involvement with the Civil Service playing a defining role in it. Ian Levitt has called this role, with some justification, a symbol of ‘the Government’s administrative commitment to arrest industrial decline.’¹³

This commitment was to manifest itself in the subsequent creation of several more administrative bodies aimed at rejuvenating the Scottish economy - the Scottish Economic Planning Board (SEPB) in 1964, the Highlands and Islands Development Board (HIDB) in 1965, the Scottish Economic Planning Department (SEPD) in 1973 and the Scottish Development Agency (SDA) in 1975.¹⁴ The aim of each of the new

¹¹ Levitt, I, ‘The Origins of the Scottish Development Department, 1943-62’, pg. 58.

¹² Levitt, I, ‘Haddow, Sir (Thomas) Douglas (1913-1986)’, *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

¹³ Levitt, I, ‘The Origins Of The Scottish Development Department, 1943-62’, pg. 59.

¹⁴ For an in depth analysis of the work of the Scottish Development Agency, Henrik Halkier’s *Institutions, Discourse and Regional Development: The Scottish Development Agency and the Politics of Regional Policy* (Peter Lang, Brussels, 2006) should be consulted.

administrative developments was to reduce the economy's reliance on the declining staple industries and create new labour intensive manufacturing based industries that would take up the slack in economic performance and job losses, caused by the archaic declining industrial structure in the country, through the diversification of the industrial manufacturing base. The ultimate intention was that the industries created would become self-sustaining and would act as growth-centres, attracting other industries to the areas in which they were situated by virtue of their presence there. In short, they were all Toothill-inspired. The four developments in the Highlands with which this thesis is concerned were direct examples of this. Of these developments, Aviemore was crucially also an attempt at diversifying the new industries in the Highlands away from manufacturing through the creation of a tourist facility aimed at increasing both domestic tourism (visitors from the UK), as well as foreign tourism (visitors from outwith the UK). These Highland developments were government attempts at regenerating the Highland economy through industrial intervention, diversification and economic planning.

Justification

George Peden has argued twice in print over the last fourteen years that twentieth century Scottish economic history in general has been somewhat neglected in the considerable literature on the twentieth century economic history of Britain since a burst of activity in the 1970s.¹⁵ Whilst Peden's argument could be considered as a matter of opinion, depending the value you place on Scottish history, it is certainly the case that twentieth century Highland economic history has been neglected in both the main British literature as well as the Scottish literature. In some respects this is not entirely surprising - the Highlands and Islands is an area at the far north end of the UK, of approximately one half of the Scottish landmass¹⁶ and, during

¹⁵ Peden, GC, 'An Agenda for the Economic History of Twentieth Century Scotland', *Scottish Economic and Social History*, vol. 13, (Economic & Social History Society of Scotland, Glasgow, 1993), pp 5-26. & 'The Managed Economy: Scotland, 1919-2000' in Devine, TM, Lee, CH & Peden, GC, (eds.), *The Transformation of Scotland: The Economy Since 1700*; (EUP, Edinburgh, 2005), pg. 1.

¹⁶ HIDB *Annual Report 1966*, (HIDB, Inverness, 1966), pg. 3.

the twentieth century, its population witnessed a steady decline from its nineteenth century numbers. Further, any major development that has taken place in the area in the post-war period has done so with governmental guidance and finance. Consequently, any meaningful discussion of the area in relation to the wider issues in Scottish and British economic history could only realistically take place with reference to governmental documents, which until recently have been mostly inaccessible due to the thirty year closure rule. Thus, the occurrence of any substantial body of work on the Highlands - an area on the periphery of the economic activity, political life and social policies of much of Scottish society, let alone British society - in British post-war economic history literature has been, until recently, somewhat lacking. The area's physical peripherality is then key to understanding its economic development in the post-war period.

The Highlands in the post- Second World War period effectively served as a testing ground for governmental economic policy in respect of the Scottish economy as a whole. In particular the Fort William mill development, the first of the four Highland developments in the thesis, was described as 'a test case for industries in the Highlands' and the area as having 'the significance of a laboratory, the experiment in progress being to determine the effects of a major new industry on the locality, on the country as a whole, and on the industry itself.'¹⁷ More recently, Michael Fry has written about 'A Great Outdoor Laboratory' discussing the Highlands during the period between 1945-99, but barely touches on the four developments with which this thesis is concerned. Given that these developments were undoubtedly the largest experimental economic developments the area had ever seen, this is a little peculiar. Fry prefers instead to focus largely on the impact of North Sea Oil on mostly non-Highland areas and in the latter part of the chapter, the impact of the HIDB, essentially neglecting the most convincing justification of the title of his chapter altogether by ignoring the developments this thesis discusses.¹⁸ The Highlands during

¹⁷ SC(DI), *Development Committee Survey and Report of Fort William to Ballachulish*, February 1950, NAS SEP4/2622.

¹⁸ Fry, M, *Wild Scots: Four Hundred Years of Highland History*, (John Murray, London, 2005), pg. 288.

this period was an area with very little infrastructure, heavy industry or population - it was felt by many in the Scottish Office in particular that by locating industry there the problems could be reversed. The only difficulty was that industry, somewhat understandably, had little interest in locating in the area given its characteristics. As a result of industry's unwillingness to locate in the area, government sought to experiment with economic planning and intervention to attempt to solve the social and economic problems the region was facing by locating the four developments there, primarily by financial inducement.

Various governments in the immediate post-1945 period used economic planning and intervention and large-scale modernisation projects in an attempt to diversify the Scottish economy to offset secular decline in the staple industries and provide Scotland with new industries. Specifically, there was significant government investment in the Scottish motor industry with factories built at Bathgate and Linwood, a new steel strip mill constructed at Ravenscraig to provide materials for these factories, nuclear power stations at Hunterston and Torness established, a petrochemical complex at Grangemouth and the creation of several new towns at Irvine, East Kilbride, Cumbernauld and Glenrothes and Livingston to accommodate the overspill in the congested Central Belt region. The four large industrial projects in the Highlands were part of, and in some cases presaged, this wider governmental policy of directing industrial diversification and modernisation of the Scottish economy. Thus, relative to the wider issue of industrial change and the development of the Scottish economy, the history and failure of these developments is instructive in understanding the retreat on the part of government from taking an active role in the planning and management of the Scotland's economic fortunes and the subsequent development from a heavily-industrialised, manufacturing-based economy to one dominated by services. The purpose of this thesis is to investigate the developments in the Highlands in an attempt to understand and contribute to a greater understanding of the Scottish and Highland economic experience in the post-1945 period and investigate what wider lessons can be learned from them. The fact that there has been little relative analysis of these developments and governmental activity in the area

during the period therefore gives rise to the opportunity of analysing what happened for the benefit of developing a Scottish and Highland dimension to the considerable literature available on British twentieth century economic history.

A Scottish and Highland dimension is important for the discussion of economic history in Britain in the twentieth century for several reasons. Perhaps most importantly, in relation to Peden's point regarding the lack of work on Scottish economic history, is the issue of the treatment of Scotland within the existing literature itself. Scotland has been mostly treated as a region of the UK rather than as a country with its own set of very distinctive regions, each with distinctive experiences and problems. As this was almost undoubtedly the view of many in Whitehall, it has thus filtered into the non-Scottish-specific literature on British economic history.¹⁹ This is an understandable and entirely defensible point. As such, that there has been little relative discussion of the Scottish and indeed Highland experience during the period gives rise to the opportunity to analyse policy construction, implementation and effect through the lens of the Scottish experience contributing towards a more comprehensive understanding of the economic experience of the whole of the UK, as well as Scotland, particularly in relation to the development and execution of regional policy from 1945 onwards.

The Scottish Office, under the Secretary of State for Scotland, during the post-Second World War period drove many of the policy developments in Scotland through the creation of various departments, boards and agencies. Throughout the period the Scottish Office played the public role of defender of the national interest, leading and promoting economic policy in Scotland as bespoke policy for achieving growth, but in actuality tailoring it to UK national needs. Accordingly, the development of economic policy in Scotland, and in the case of this thesis the Highlands, has clear relevance to the literature on UK economic history for the same period. This thesis focuses on the application of national economic policies;

¹⁹ See for example Scott, P, 'The Worst of Both Worlds: British Regional Policy, 1954-1961', *Business History*, 38:4, 1996, pg. 60.

specifically the pursuit of economic growth through economic planning and management, through the regional policy instruments of the Scottish Office, in particular the SC(DI) (through secondment of Scottish Office civil servants to the council), the SDD and the Highlands and Islands Development Board (HIDB).²⁰ In doing this, the influence of social and political factors including the rise of nationalism in Scotland, the UK's balance of payments concerns and the Highland lobby are addressed. As well as providing an analysis of the Highland experience during the post-1945 period that contributes towards a wider understanding of both Scottish and British economic experiences, the thesis also adds to the literature on the Highlands and Scotland and goes some way towards redressing the imbalance in both the UK and Scottish literature on the post-1945 period that has seen the region's physical peripheral status reflected in historical analyses of the area.

Historiography

The main texts concerning twentieth century Scottish economic history²¹ have generally paid scant attention to the experiences of the Highlands during the post-war period, save for some analysis of the HIDB and the occasional chapter on the area, or mention of it, within the context of regional policy analysis. Devine & Finlay include a chapter by Cameron on the Highlands that analyses the change in the region over the twentieth century, assessing thematically the development of the area in relation to recognition at Scottish, UK and European levels of the historical problems present

²⁰ Whilst the Advisory Panel on the Highlands and Islands played a role in advising the Secretary of State for Scotland on Highland matters, its actual influence in policy making post-1945 was more limited. Consequently, it does not feature prominently in the discussion.

²¹ Campbell, RH, *Scotland since 1707: The Rise of an Industrial Society*, (Basil Blackwell, Edinburgh, 1985), Cooke et al, *Modern Scottish History, 1707 to the Present*, volume 2: *The Modernisation of Scotland, 1850 to the Present* (East Linton, 1998), Devine, TM & Findlay, RJ, *Scotland in the 20th Century*, (Edinburgh, EUP, 2000), Devine, TM, Lee, CH & Peden, GC, (eds.), *The Transformation of Scotland: The Economy Since 1700*; (EUP, Edinburgh, 2005), Finlay, RJ, *Modern Scotland: 1914-2000*, (London, Profile, 2004), Harvie, C, *No Gods and Precious Few Heroes*, (EUP, Edinburgh, 1998), Hood, N & Young, S, *Industry, Policy and the Scottish Economy* (EUP, Edinburgh, 1984), Johnston et al, *Structure and Growth of the Scottish Economy*, (Collins, London & Glasgow, 1971), Knox, WW, *Industrial Nation: Work, Culture and Society in Scotland, 1800-Present*, (EUP, Edinburgh, 1999) Lee, CH, *Scotland and the United Kingdom*, (MUP, Manchester, 1995), Payne, PL, *Growth and Contraction: Scottish Industry c.1860- 1990*, (The Economic & Social History Society of Scotland, Dundee, 1992), Saville, R, *The Economic Development of Modern Scotland 1950-1980* (John Donald Publishers Ltd, Edinburgh, 1985).

throughout its history. Cameron's conclusion is that there are signs of renewed confidence in the area over the last twenty years²², a point echoed by Mary Scanlon, current MSP for the Highlands.²³ At present, there is no existing monograph on the area's post-1945 economic history, although there are several articles and chapters.²⁴ Historians of twentieth century Scotland have preferred, understandably given the wealth of industry, population and statistics on the area, to focus instead on the Central Belt region as well as the role of government in Scotland for their writings and analysis. This thesis plugs into the existing literature and develops the themes within it by demonstrating how the experience of the Highlands was conditioned to a considerable extent by the role of government and economic planning and intervention, shedding some light on a somewhat neglected area. There is a general focus on land issues, and in particular crofting, in the Highlands within the wider Scottish historical literature²⁵, which given the dominance of the issue of the Highland Clearances within the minds of many Scots even today is unsurprising. Fry's revisionist history of the region, *Wild Scots*, argues that 'the concept of clearance is inadequate to characterise the general course of modern history'²⁶, a view Hunter describes somewhat succinctly as 'just crap'²⁷, although Fry's revisionist argument is supported by Harper in her book *Adventurers and Exiles: The Great Scottish Exodus, 1790-1914*.²⁸ Cameron has recently provided some historical context and comparison with the current discussion of land issues in the region, describing the HIDB's actions

²² Cameron, E, 'The Scottish Highlands: From Congested District to Objective One' in Devine, TM & Findlay, RJ, *Scotland in the 20th Century*, (Edinburgh, EUP, 2000), pp 153-169.

²³ <http://heritage.scotsman.com/index.cfm?id=1398942007> accessed 03/09/2007.

²⁴ These are discussed later in the historiography sub-section.

²⁵ A selected historiography of crofting and land issues: Cameron E, 'The Scottish Highlands: From Congested District to Objective One' in Devine TM and Finlay RJ, *Scotland in the 20th Century*, (EUP, Edinburgh: 1996), pp. 153- 169, 'Unfinished Business': The Land Question and the Scottish Parliament', *Contemporary British History*, vol. 15, No. 1, Spring 2001, pp83-114, & *Land for the People? The British Government and the Scottish Highlands, c. 1880-1925*, (Tuckwell, East Linton: 1996), Devine, TM, *Clanship to Crofters' War. The social transformation of the Scottish Highlands*, (MUP, Manchester: 1994), Fry, M, *Wild Scots: Four Hundred Years of Highland History*, (John Murray, London, 2005), Hunter, J, *The Claim of Crofting: The Scottish Highlands, 1930- 90*, (Mainstream, Edinburgh, 1991), *The Making of the Crofting Community*, New edition, (John Donald, Edinburgh: 2000) & *Last of the Free: A History of the Highlands and Islands of Scotland*, (Mainstream, Edinburgh, 2006), Prebble, J, *The Highland Clearances*, (Secker & Warburg, London, 1969).

²⁶ Fry, M, *Wild Scots*, pg. xii.

²⁷ <http://scotlandonsunday.scotsman.com/index.cfm?id=40312003> accessed 03/09/2007.

²⁸ Harper, M, *Adventurers and Exiles. The Great Scottish Exodus, 1790-1914* (Profile, London, 2003).

in the 1960s as ‘an unsuitable vehicle for instituting land reform’ and trying to present a solution to the problems in the area revolving around issues other than land.²⁹ Cameron also quotes Lord Bannerman of Kildonan, a staunch supporter of the HIDB and the Highlands³⁰, who, in relation to Highland problems, remarked,

The Highland problem, however, does not require just red-hot words; it requires a widespread militant action from the people left in the Highlands to show their anger at the chronic neglect of their country by London centralised government.³¹

Lord Bannerman’s proposal demonstrates the validity of Haddow’s assertion about the Highlands being a ‘troublesome area’ in fairly succinct terms, or at the very least the potential for the area to be troublesome. The question of land ownership in the Highlands is a hangover from the Clearances and is one that remains in the current day with Hunter asserting that the area was dealt ‘the rawest of raw deals’ in relation to the Clearances in a speech to the Royal Society of Edinburgh in 2007.³²

The issue of the Highland Clearances casts a lingering spectre over all discussions of the experience of the Highlands in the twentieth century and in many senses this thesis is no different - the problems of depopulation, high unemployment and low wages were a long-standing consequence of the Clearances with the issue of depopulation taken as a characteristic feature of Highland life.³³ However, where this thesis differs is that it does not focus on the Clearances *per se*, but rather how government saw fit to endeavour to remedy the enduring effects the Clearances had on the area in the second half of the twentieth century. Although the Highlands effectively missed the Industrial Revolution’s spread of heavy industry and manufacturing first time round, with the notable exception of the Duke of

²⁹ Cameron, E, ‘‘Unfinished Business’: The Land Question and the Scottish Parliament’, pg. 94.

³⁰ Finlay, RJ, ‘Bannerman, John McDonald, (1901-1969)’, *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

³¹ Cameron, E, ‘‘Unfinished Business’: The Land Question and the Scottish Parliament’, pg. 94.

³² <http://heritage.scotsman.com/index.cfm?id=1398942007> accessed 03/09/2007.

³³ HIDB *Annual Report* 1968, (HIDB, Inverness, 1969), pg. 7.

Sutherland's failed attempts to utilise steam power and the railway lines built to serve the Highland lairds' hunting lodges, the various governments of the post-war period identified the area as being ripe for industrial development. However, the area missed out on the Industrial Revolution the first time round due to its lack of farmable land and perhaps most crucially, its peripherality. This thesis details government attempts at solving the problems in the area and assesses them in respect of the UK national situation and the development of economic policy as administered by the Scottish Office on behalf of the UK government.

Recently, there have been a few historians who have focused on the Highlands in the post-Second World War period in relation to economic history, but none on the experience of the Highlands as a whole during the period. Chronologically speaking, Peter Payne's book *The Hydro* was the first non-governmentally commissioned study in the literature on twentieth century Scottish economic history to focus explicitly on the role of government in the Highlands, detailing the development of the Hydroelectric dams that brought electrification to the Highlands, essentially laying the groundwork for the post-war belief that the area could be industrialised.³⁴ This however was explicitly *not* the intention of the Hydro schemes - it was made clear at the time that the electricity produced by the dams was primarily for domestic use, in spite of recommendations by the Cooper Committee³⁵ for the new developments to be utilised for industrial applications.³⁶ Furthermore, Tom Johnston, as Secretary of State for Scotland between 1941-1945, was very keen for the Hydro to be 'used as an instrument for the rehabilitation of the Highlands' and presented it to Parliament as such.³⁷ Johnston had preferred the creation of the Hydro, with a 'strong social remit' as a means to develop the Highlands industrially to the recommendations of the Hilleary Report for the appointment of a Highland development agency with

³⁴ Payne, PL, *The Hydro*, (AUP, Aberdeen, 1988). For more on the construction of the Hydro electric schemes in the Highlands see also, Miller, J, *The Dam Builders: Power from the Glens*, (Birlinn, Edinburgh, 2002).

³⁵ The Cooper Committee was appointed to investigate the potential for development of hydro-power in the Highlands in 1941.

³⁶ McCrone, G, 'The Role of Government' in Saville, R, (ed), *The Economic Development of Modern Scotland 1950-1980*, (John Donald, Edinburgh, 1985), pg. 199.

³⁷ Payne, PL, *The Hydro*, pg. 45

executive powers to aid economic development.³⁸ However, Johnston's newly created North of Scotland Hydro-Electric Board (NSHEB) was limited legally by statute and financially by its expenditure on the dams to simply providing electricity and liaising with any relevant agencies charged with aiding development in the area. The creation of the Advisory Panel on the Highlands and Islands in 1947 by Joseph Westwood was a reaction to the existence of the Hydro, with the justification that its existence negated the need for a development agency. As a result the new Advisory Panel was simply intended to advise the Secretary of State on how best to proceed with Highland development.³⁹ The example of the Hydro in the Highlands undoubtedly went some way towards contributing to the idea that the development of industry could help solve the ills of the area however. Labour-intensive manufacturing would require manpower to build and operate it, as well as services when in operation. The issues of depopulation, unemployment and wages could thus be addressed by locating heavy industries in the area, while they could also contribute to the diversification of the Scottish economy. At least that was the theory.

Ewen Cameron has written extensively on the Highlands in the nineteenth and twentieth centuries, focusing much of his writing on land issue questions, producing several articles, chapters in books and two monographs on the area.⁴⁰ Of this body of work, Cameron's article 'The Scottish Highlands as a Special Policy Area, 1886-1965' is of most relevance to this thesis. In it, Cameron details the historical context of the development of a Highland policy since the 1880s as well as strategies successor governments have used 'to justify the perpetuation of a distinct Highland

³⁸ Gibson, JS, *The Thistle and the Crown: A History of the Scottish Office*, (HMSO, Edinburgh, 1985), pg. 151. The Hilleary Committee was set up by the Development Council's Scottish Economic Committee in 1937 to look into the overall development and social needs of the Highland area.

³⁹ Gibson, JS, *The Thistle and the Crown*, pg. 126.

⁴⁰ Articles and chapters by Cameron include 'Politics, ideology and the Highland land issue, 1886 to the 1920s', *Scottish Historical Review*, 72 (1993), pp 60-79, 'The political influence of Highland landowners: a reassessment', *Northern Scotland*, 14 (1994), pp 27-46, 'Congested District to Objective One: the Scottish Highlands in the twentieth century', in Devine, TM and Finlay, RJ, *Scotland in the Twentieth Century* (EUP, Edinburgh, 1996), 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', *Rural History*, 8, (1997), pp 195-216, 'The Highlands since 1850', in Cooke et al (eds.), *Modern Scottish History, 1707 to the Present*, vol. 2: *The Modernisation of Scotland, 1850 to the Present*, (Tuckwell, East Linton, 1998).

policy area'.⁴¹ In assessing these policies he also identifies the paradigm of 'special status' under which policies have been formulated in respect of the Highlands. Cameron concludes that as a result of this paradigm, there has been little actual change in policy towards the area with the government actively addressing new policies as 'atonement for the wrongs of the past'⁴², most obviously in Willie Ross' proclamation upon the creation of the Highlands and Islands Development Board that

It is regrettable in this day and age when we are placing so much emphasis on regional development, we have not faced this problem, which has been present for over 80 years, and used the powers that are in the special Scottish set up, to experiment and to prove a successful way to do things, which could have been applied to other areas now suffering from exactly the same problems which started in the Highlands 100 years ago.⁴³

Cameron's assessment of governmental action being conditioned by 'atonement for the past' concurs with Hunter's argument. Further he also observes how any disagreement with the idea that the Highlands is a special case deserving special treatment has been met with protests of not being 'sufficiently sensitive to Highland needs'.⁴⁴ These needs inevitably focused on the concern for crofters - a peculiarly Scottish term for an individual who farms a small rented arable plot of land, usually attached to a house and with a right of pasturage with other similar farms. Crofters have long held a prominent role in Highland life with their position in the area cemented by the Crofters' War in the 1880s culminating in the passing of the Crofters' Holding (Scotland) Act 1886 after a Royal Commission chaired by Lord Napier and Ettrick establishing the Crofters' Commission. The new act secured tenancy for crofters as long as rent - fixed fairly by a land court - was paid with compensation for improvements allowed and with the allowing of crofts to be

⁴¹ Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', pg.195.

⁴² *Ibid.*, pg. 211.

⁴³ *Hansard*, vol. 708, House of Commons debate, 16/03/1965, column 1080.

⁴⁴ Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', pg. 211.

bequeathed to relatives. This enshrined the rights of crofters in law and effectively negated any possibility of further land clearances in the Highlands.⁴⁵

The Commission then went out of existence in 1912 with the creation of the new Board of Agriculture before being reappointed in 1956 after a Committee of Enquiry was set up by the Scottish Office to review crofting matters at the suggestion of the Advisory Panel on the Highlands and Islands⁴⁶, resulting in the passing of the Crofters (Scotland) Act, 1955. The new commission was to keep under general review all matters relating to crofting and in particular the ‘need for industries to provide supplementary occupations for crofters or work for their families’ and to submit advice to the Secretary of State on these matters.⁴⁷ Crofting was, and still is to a degree, seen as the traditional way of life in the Highlands - any policies that impinged on this were often seen as an attack on the established and romanticised way of life of toiling the land, albeit not necessarily by the crofters themselves. Thus, the special treatment needed by the area was justified on the basis of heritage, emotional attachment and posterity. However, the increasing seriousness of depopulation in the Highlands led to the Commission working with the Highland Panel on solutions to the problem. Cameron identifies the support of the STUC, and later and more crucially the Labour Party, for the establishment of a Highland development authority in the late 1950s and early 1960s respectively as key to the acceptance of the ‘special’ status of the Highlands within the Scottish Office, which was not the case prior to this. The calls for a new authority led one official in the Scottish Office in 1960 to comment that the ‘real problems and emotional appeal’ of the area meant that it merited concessions, as ‘one does not willingly abandon an

⁴⁵ Devine, TM, ‘The Transformation of Agriculture: Cultivation and Clearance’, in Devine, TM, Lee, CH & Peden, GC, *The Transformation of Scotland: The Economy Since 1700*; (EUP, Edinburgh, 2005), pg. 97. Devine has written extensively on the Highlands and rural Scotland, between the 17th and early 20th century. See Devine, TM, *The Great Highland Famine*, (John Donald, Edinburgh, 1988), *The Transformation of Rural Scotland, 1650-1815, Social Change and the Agrarian Economy* (EUP, Edinburgh, 1994), *Clanship to Crofters’ War, The Social Transformation of the Scottish Highlands*, (MUP, Manchester, 1994) and *Farm Servants and Labour in Lowland Scotland, 1770-1914*, (John Donald, Edinburgh, 1996) for more on this. For more on the Highland economy in the 18th and 19th centuries see Gray, M, *The Highland Economy, 1750-1850*, (Oliver & Boyd, Edinburgh, 1957).

⁴⁶ Gibson, JS, *The Thistle and the Crown*, pg. 151.

⁴⁷ NAS SEP14/1619, DJ McCuish, Secretary of the Crofters’ Commission to Willie Ross, Secretary of State for Scotland, 16/12/1965.

accepted name' and that 'MPs and Whitehall are more ready to make concessions for the 'Highlands and Islands' than they would be for the 'Crofting Counties' a phrase which has all the wrong overtones.'⁴⁸ This subtle change in tack in governmental circles of identifying the area with crofting to an area no longer as confined and defined by its traditions, at least superficially, signalled the end of crofting being considered as the most important aspect of Highland industry, opening up the possibility that the area could modernise through industrial development without being dominated by the crofting argument. Cameron concludes that policy in respect of the Highlands has operated subject to constraints not limited to geography⁴⁹, an argument certainly true in relation to the developments with which this thesis is concerned.

Ian Levitt has also written on the region⁵⁰, with his most recent work on the developments at Aviemore and the Corpach mill being published in 2005. Levitt's work on Aviemore and Corpach are cited in each of the case studies in this thesis as secondary sources and as such form part of the later discussion. Levitt's primary themes in his work on the Highlands are the issues of Scottish sentiment and the democratic deficit in the Scottish Office's treatment of the Highlands - that the Scottish Office was to a degree constrained in its policy actions in the Highlands by public sentiment for the region, but with little actual political accountability past the issue of sentiment.⁵¹ There is a degree of overlap between Levitt's most recent work and this thesis, most obviously in the two case studies mentioned, although Levitt's focus in these articles is primarily on administrative policy development within the Scottish Office in relation to the Highlands and complements much of what the thesis details. The greater focus on the development of regional policy in respect of the

⁴⁸ NAS DD15/74, Note on 'Definition of the Highlands', 08/12/60.

⁴⁹ Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', pg. 211.

⁵⁰ Levitt, I, 'The Origins Of The Scottish Development Department, 1943-62', in *Scottish Affairs*, No. 14, Winter, 1996, pp 42-66, 'The Creation of the Highlands and Islands Development Board, 1935-65', *Northern Scotland*, vol. 19, 1999, pp 85-105, 'Too Deeply Committed: Aviemore, The Scottish Office and George Pottinger, 1959-72', *Scottish Affairs*, No. 51, Spring, 2005, pp 25-58, 'Regenerating the Scottish Highlands: Whitehall and the Fort William Pulp Mill, 1945-63', *Journal of Scottish Historical Studies*, Vol. 25, no.1, 2005, pp 21-39 & 'The Treasury, public investment and the development of hydro-electricity in the north of Scotland, 1951-64', *Northern Scotland*, 23, 2004.

⁵¹ Levitt, I, 'Regenerating the Scottish Highlands', pg. 34 & 'Too deeply committed', pg. 58.

Highlands and its application in this thesis as well as the analysis of the other two case studies (Invergordon and Dounreay) means that, taken together, Levitt's work and this body of work build up a greater understanding of the Highland economy in the post-1945 period and how it related to, relates to and was affected by, the wider issues of not just the Scottish economy, but the also UK experience during the period.

The literature on the economic experience of the UK in the post-1945 period is vast and very detailed. Thus, due to constraints of space, a brief survey of the most current developments in the literature in relation to regional policy decisions in the UK, relative to the period in which the developments that this thesis is concerned with were created, will be addressed. Scott, Tomlinson and O'Hara's work on regional policy during the period forms the basis for the current discussion of the UK regional policy analysis in the literature and builds upon the work of Rhodes, Moore and Parsons from the 1970s.⁵² Tomlinson provides a brief overview of regional policy as part of a wider discussion of the economic policy of the Labour government 1964-70, concluding that it was less about regional planning as it was about regional policy, a distinction he makes clear through his assessment that 'Policy for the regions was largely under the control of the Board of Trade until 1969' and that the new boards created 'never became economic planning bodies in the sense of having significant autonomous power over actions in their regions.'⁵³ The HIDB had some autonomy in its actions, but not so much as could be reasonably described as significant. The Scottish Office however did. The analysis in this thesis of the four developments in the Highlands provides a Scottish aspect to Tomlinson's assessment and shed new light on the administration of regional policy in the UK.

⁵² For more on this, see Moore, G & Rhodes, J, 'Evaluating the effects of British regional economic policy', *Economic Journal*, vol. 83, no. 329, 1973, pp 87-110 & 'Regional Economic Policy and the Movement of Manufacturing Firms to Development Areas', *Economic Journal*, vol. 43, no. 169, 1976, pp 17-31, Parsons, DW, *The political Economic of British Regional Policy*, (Croom Helm, Beckenham, 1986).

⁵³ Tomlinson, J, *The Labour Governments, 1964-70, vol. 3: Economic Policy*, (MUP, Manchester, 2004), pp 85 & 87.

Scott's work on regional policy decisions in the UK focuses on the period up to 1964.⁵⁴ One of the main themes in this thesis, the short-termism of regional policy in Scotland, is an extension and development of Scott's assertion that 'the government's perception of the regional problem as essentially a short-term problem of localised unemployment was demonstrated by the introduction of the Local Employment Act (1960).'⁵⁵ Where Scott was talking about regional policy through the 1950s and early 1960s in Britain generally, the discussion in this thesis of short-termism in policy execution in relation to the Highlands and Scotland provides further evidence to support this aspect of his view onward throughout the 1960s. Whilst policy in the Highlands was not focused exclusively on remedying localised unemployment, there was certainly a short-term aspect to it. Scott goes on to discuss the 'sea-change in the emphasis of policy' in the UK brought about with the publication of the Tothill Report in the early part of the decade⁵⁶, a point this thesis makes in the discussion of the development of regional policy in Scotland. Scott then discusses how government at the UK level considered Tothill's recommendations in December 1961 in a memorandum compiled by John Maclay, the Secretary of State for Scotland, before setting up a Civil Service working party to examine the issues raised. The consequence of this, Scott argues, was that the recommendations made by Tothill became a central component of the government's UK regional growth strategy.⁵⁷ In Scotland, the recommendations of Tothill were fully taken on board and, as discussed earlier, resulted in the creation of the SDD and inspired the four developments with which this thesis is concerned, directly informing the growth centre strategy pursued by the Scottish Office. Thus, the thesis is, in part, a development of Scott's arguments, but focused on Scotland and in particular the experience of the Highlands.

⁵⁴ See Scott, P, 'The Worst of Both Worlds', pp 41-64, 'Dispersion versus decentralization: British location of industry policies and regional development 1945-60', *Economy and Society*, 26:4, 1997, pp 579-598, 'British Regional Policy, 1945-51: A Lost Opportunity', *Twentieth Century British History*, vol. 8 no. 3, 1997, pp 358-382.

⁵⁵ Scott, P, 'The Worst of Both Worlds', pg. 56.

⁵⁶ *Ibid.*, pg. 59.

⁵⁷ *Ibid.*

Where Scott focuses on the period up to 1964, O'Hara has produced recent work on the regional policies of the Wilson government 1964-1970, filling a gap in the literature.⁵⁸ O'Hara states, 'Less work has gone into explaining regional policy between 1964 and 1970, partly because of a lack of available evidence.'⁵⁹ The same can more or less be said for regional policy in Scotland, with the exception of Levitt's recent work. In examining the influences on regional policy in the late 1960s in his article on the subject, O'Hara focuses on party politics at the UK level in the context of the economic environment, the structure of government, the influence of 'new regional economics' and the impact of new knowledge and statistics. In it, O'Hara concludes that 'the minutiae of policy tools were dependent on personal, official and interdepartmental rivalry.'⁶⁰ Although O'Hara neglects to mention Scotland in the article, his conclusion in this respect applies equally to regional development in Scotland, particularly the four developments this thesis details - Willie Ross' actions as Secretary of State for Scotland during the discussions for the siting of the PFR are a prime example of O'Hara's argument. In his most recent offering on the subject of regional policy, a chapter in his monograph on the Wilson government 1964-70, O'Hara concludes that regional planning was about, amongst other things, 'how to meet the requirements of the dynamic economics of the South East and Midlands'⁶¹, ignoring Scotland altogether. O'Hara's chapter does give some recognition to the distinction between Scotland's regions, mentioning the different primary industries and opportunities for growth in Central Scotland and the Highlands⁶², but curiously does not make any mention of the HIDB - the first ever regional development agency in the UK - in either his chapter 'Regional Planning' in *From Dreams to Disillusionment* or his article 'A Journey Without Maps: The Regional Policies of the 1964-70 British Labour Government' on the subject. Similarly, Tomlinson also omits to mention the HIDB in his discussion of regional policy in the UK in his monograph

⁵⁸ See O'Hara, G, Chapter 5: Regional Planning, *From Dreams to Disillusionment: Economic & Social Planning in 1960s Britain*, (Palgrave, Basingstoke, 2007) and 'A Journey Without Maps: Regional Policies of the 1964-70 British Labour Government', *Regional Studies*, vol.39, 9, pp 1184-1195.

⁵⁹ O'Hara, G, 'A Journey Without Maps', pg. 1184.

⁶⁰ *Ibid.*, pg. 1192.

⁶¹ O'Hara, G, *From Dreams to Disillusionment*, pg. 128.

⁶² *Ibid.*, pp 101 & 115.

on the Labour government of 1964-70.⁶³ Levitt has produced two articles detailing the creation of the HIDB and its first two years of operation⁶⁴, adding to the existing literature produced by Alexander, Hetherington and Grassie.

The literature on Highland economic history during the twentieth century can be split into two camps - the first being government-sponsored or written by former governmental officials and the second produced by independent observers. Both camps have focused on the role of government in the area during the post-war period, in particular the HIDB. In part this can be explained by the fact that almost all of the economic development in the Highlands during this time period took place with government firmly involved. The HIDB was perhaps the most obvious example of this. However the thirty year closure rule on official government documents has hindered discussion of the economic experience of the area during the whole period save for a few pieces. Sir Kenneth Alexander, former chairman of the HIDB, has produced two chapters discussing the role of the HIDB and the problems faced by the board under his tenure.⁶⁵ There has also been two books written by former journalists; Alistair Hetherington, a former editor of *The Guardian* and Controller of BBC Scotland⁶⁶, and James Grassie.⁶⁷ Hetherington's work brought together a number of Scottish writers, primarily Highland-based or from the area, and discusses the changes in the Highlands since 1965, the year the HIDB first came into being, concluding that 'The Highlands are no longer viewed as a place which the young must leave in order to succeed.'⁶⁸ Grassie's book is a look at the experimental nature of Highland development through the lens of the HIDB's activities, detailing the role

⁶³ Tomlinson, J, *The Labour Governments, 1964-70*, vol. 3, pp 85-89.

⁶⁴ Levitt, I, 'The Creation of the Highlands and Islands Development Board, 1935-65' and 'Taking a Gamble': the Scottish Office, Whitehall and the Highlands and Islands Development Board, 1965-67', *Northern Scotland*, 20, (2000), pp. 87-111.

⁶⁵ Alexander, Sir Kenneth, 'Developing the Highlands and Islands', in Blake et al (eds.), *A Maverick Institution: Dundee School of Economics*, (Gee & Co., London, 1981), pp 72- 85 & 'The Highlands and Islands Development Board' in Saville, R, (ed), *The Economic Development of Modern Scotland 1950-1980*, (John Donald, Edinburgh, 1985), pp 214-233.

⁶⁶ Hetherington, A, *Highlands and Islands: A Generation of Progress*, (AUP, Aberdeen, 1990). Hetherington was also a close contact of Harold Wilson. For more on this see Hetherington's obituary at <http://www.guardian.co.uk/Archive/Article/0,4273,3908911,00.html>.

⁶⁷ Grassie J, *Highland Experiment. The story of the Highlands and Islands Development Board*, (AUP, Aberdeen: 1983).

⁶⁸ Hetherington, A, *Highlands and Islands*, pg. 224.

the board played in everything from fishing development through to the closure of the last large-scale industrial development established in the area by the government, the Invergordon smelter. Grassie concludes his analysis by assessing the board's activities in the aftermath of the Invergordon closure as 'keeping many smaller companies afloat, sheltering the dim flame of development from the gale of recession'⁶⁹, predicting the future path of the board and its successor body HIE.

The fact that government played such an active role in industrial and economic development, even before the HIDB's founding, is instructive in that it demonstrates the view of government that the Scottish economy was unable by itself to generate solutions to the problems facing it and its regions, in this case the Highlands. Further, it shows quite clearly that this was the view of government also. The development of governmental policy in respect of the regions in Scotland is therefore crucial in understanding why this was the case.

Regional Policy Development in Post-1945 Scotland

For much of the twentieth century, Scotland's geographical composition, location, the size of its economy and inherent reliance on industrial manufacturing have meant that throughout the period the country has suffered from problems of poor economic performance. The overdependence on traditional industries such as shipbuilding, steel and coal, located in the central industrial belt, resulted in the lagging behind of the Scottish economy in performance compared to the British economy as a whole. The creation of the Scottish National Development Council (SNDC), and latterly the enactment of the Special Areas Acts of 1934 and 1937 mark the beginning stages of the growth of regional policy within Scotland. The creation of the SNDC in March 1930 by the Convention of Royal Burghs was a reaction to the encouragement of the then Labour government, in what Harvie calls a 'purely

⁶⁹ Grassie, J, *Highland Experiment*, pg. 129.

cosmetic move'⁷⁰, to regional groups for industrial development. Harvie's analysis is a little harsh however as the SNDC, along with the Clydesdale Bank and others, were one of the first groups to identify the structural imbalance in the Scottish economy and its heavy reliance on the staple industries as the root cause of the social and economic difficulties of the country⁷¹, providing the basis for much of the future economic policy pursued as a means to solving the problems. The recognition of a structural imbalance would later become a recurring theme of any analysis of the Scottish economy by commentators and government alike until the early 1970s. The SNDC was born out of nationalist pressure and gathered momentum from the beginning of the 1930s in tandem with the growing pace of factory closures between 1932 and 1934 where 58 factories opened, but 88 closed.⁷² That nationalist pressure precipitated the SNDC's creation is important as it demonstrates that there was a precedent for the growth of nationalism in Scotland affecting governmental policies in respect of the Scottish economy, one of the arguments put forward in this thesis.

The SNDC's momentum saw it gain the support of the STUC and even become the recipient of governmental funding. This evidence of increased awareness of the need for action in respect of the regional problems manifested itself in the government's creation of the Special Areas Acts of 1934 and 1937, with the appointment of a Special Areas Commissioner for Scotland - Sir Hugh Rose whose 'Special Area' covered the central Scottish industrial belt, excepting Glasgow.⁷³ Presaging many later prominent figures in Scottish economic life, Rose would go on to press government for industrial restructuring as the essential cure for unemployment only to be rebuffed with the response that 'further involvement lay beyond the competence of government.'⁷⁴ The Special Areas Acts were the first specific pieces of legislation to deal with the problem of regional depression and disparity in terms of unemployment and economic development in Britain as a whole and were inextricably linked with the idea of 'National economic recovery'. It was

⁷⁰ Harvie, C, *No Gods and Precious Few Heroes*, pg. 49.

⁷¹ Finlay, R, *Modern Scotland 1914-2000*, (Profile, London, 2004), pg. 174.

⁷² Harvie, C, *No Gods and Precious Few Heroes*, pg. 49.

⁷³ *Ibid.*

⁷⁴ Lee, CH, *Scotland and the United Kingdom*, (MUP, Manchester, 1995), pg. 160.

felt by those in government that only economic recovery on a national scale could alleviate the problems facing the depressed areas.⁷⁵

The introduction of these Special Areas was a reaction to the spread of the problems of regional inequalities that had been previously confined to rural areas.⁷⁶ Unemployment played a major role in this. The 1930s saw unprecedented levels of unemployment and it became incumbent on the government to do something about it; the political impact of the unemployment figures led Neville Chamberlain to admit in a speech to Parliament that ‘there was no possibility of comparatively small figures in unemployment rates for a decade.’⁷⁷ The resultant acts were designed to address the problem and symbolised a move away from laissez-faire government to more interventionist policies that have characterised governmental approaches to the economy since. The problems between the regions were identified in a series of studies commissioned by the government in the early 1930s and eventually led to the passing of the Special Areas acts resulting in the appointment of Special Area Commissioners charged with the task of rehabilitating the identified areas⁷⁸ and the formation of the Special Areas Reconstruction Association.⁷⁹ The disparities between the regions in terms of unemployment can be seen in Table 1.1:

⁷⁵ Parsons, DW, *The Political Economic of British Regional Policy*, pg. 5.

⁷⁶ McCrone, G, *Regional Policy in Britain*, (George Allen & Unwin, London, 1969), pg. 92.

⁷⁷ Parsons, DW, *The Political Economic of British Regional Policy*, pg. 11.

⁷⁸ McCrone, G, *Regional Policy in Britain*, pg. 93.

⁷⁹ Finlay, RJ, ‘Continuity and Change’ in Devine, TM & Finlay, RJ, *Scotland in the Twentieth Century*, (EUP, Edinburgh, 2000), pg. 80.

Table 1.1 Regional Unemployment Rates for 1931

Area	Unemployment (%)
South East	7.8
East Anglia	9.4
South West	8.1
West Midlands	12.1
East Midlands	9.6
North West Yorkshire/ Humberside	16.2
North	19.2
Wales	16.5
Scotland	16.1
Northern Ireland	n/a

Source: Lee, C, *Scotland and the United Kingdom*, (MUP, Manchester, 1995), pg. 67.

It is clear from the Table 1.1 that there was considerable difference among the regions and the acts were intended to go some way to addressing the imbalance between them. The table also reveals how even in the early 1930s the South East suffered lower unemployment levels than the others - a pattern that would continue until the present day and come to characterise one of the main differences between the regions in the UK throughout the twentieth century.

However, as important as these acts are in tracing the development of regional policy in Britain, they were not that far-reaching. Several historians have invariably described these regional policy decisions as ‘ad hoc’ and without any real sense of purpose other than to serve political necessities⁸⁰, arguing that the acts were not a part of an integrated set of policies designed to foster growth in the economy as a whole but were a reaction to political problems and designed to maintain the legitimacy of government in the face of rising unemployment and growing concern at the government’s ability to combat it. However, criticism of regional policy was by no

⁸⁰ See Parsons, DW, *The Political Economic of British Regional Policy*, (Croom Helm, Beckenham, 1986), McCrone, G, *Regional Policy in Britain*, (George Allen & Unwin, London, 1969), JN Randall in Damesick, PJ & Wood, PA, *Regional Problems, Problem Regions, and Public Policy on the United Kingdom*, (Clarendon Press, Oxford, 1987), Harvie, C, *No Gods and Precious Few Heroes*, (EUP, Edinburgh, 1998) for more on this.

means a new thing. In the beginning there was criticism of the term ‘Special Areas’ by Ernest Bevin who argued ‘It is of no great inducement to anybody to open a business... when you tell him he is going to a place where there is a depression’.⁸¹ Bevin’s words fell on deaf ears, however, before he later went on to become the Minister of Labour in the wartime government and was instrumental in many of the economic planning mechanisms put in place under the same government during the Second World War. Bevin’s words would later have a degree of resonance when trying to persuade companies to locate in the Highlands, albeit not entirely due to depression being the main issue - peripherality took that role - resulting in financial inducements playing a major role.

The Scottish Economic Committee (SEC) was set up in 1936 as a sub-committee of the SNDC (although it also spanned the Scottish Office) - the ‘authoritative Scots body’ recommended by Sir Hugh Rose in his first report of November 1935.⁸² During the SEC’s short lifetime, along with the other agencies that were created (Hillington Industrial Estate, Glasgow Empire Exhibition, Special Areas Reconstruction Association and the Scottish Development Council) it was important in ‘ideologically conditioning the Unionist Party to accept the legitimacy of using state apparatus as means of economic and social regeneration.’⁸³ Harvie also points out that the SEC was regarded with some suspicion within Whitehall at this time however. This was possibly a result of its belief in centralised allocation of industry as advocated by Hugh Dalton’s committee of enquiry for the Labour Party in 1937, later becoming the basis for the 1945 Distribution of Industry Act.⁸⁴ The SEC and the other agencies were some way ahead of the game it would seem in respect of using planning as a means to alleviate economic and social problems, at least in a regional context, calling for greater governmental intervention and support for the development of new industries. The committee played a major role in its short three

⁸¹ Quoted in DW Parsons’ *The Political Economic of British Regional Policy*, pg. 10, taken from minutes of evidence taken before The Royal Commission on the Geographical Distribution of the Industrial Population, 05/10/1937.

⁸² Harvie, C, *No Gods and Precious Few Heroes*, pg. 51.

⁸³ Finlay, RJ, ‘Continuity and Change’, pg. 80.

⁸⁴ Harvie, C, *No Gods and Precious Few Heroes*, pg. 51.

year lifetime in the establishment of industrial estates in Scotland (such as the Hillington estate) to bring in new industry and, crucially to this thesis, the economic development of the Highlands. The SEC set up a further committee chaired by Professor Hilleary in 1937 to investigate the problems in the Highlands and what would be required to solve them, producing what is often regarded as one of the landmarks in modern Highland economic history.⁸⁵ Hilleary's report, published in 1938, proposed a development board for the Highlands with executive powers as well as development in agriculture, forestry, fisheries, tourism (especially in light of the development of the motor-car in the UK) and the development of industrial centres where possible.⁸⁶ The report presaged the creation of the HIDB almost thirty years later and formed the blueprint for much of the approach of the board in the late 1960s and 1970s. Hilleary's proposals generated much discussion on how best to proceed with Highland development but this was as far as they went with world events severely impacting on the discussion.⁸⁷

The outbreak of war in 1939 saw the suspension of the SEC, but opened the floodgates for a spate of economic planning measures, going some way towards providing the impetus and indeed the confidence for subsequent governments to believe that they were best placed to foster economic growth as well as alleviate the economic and social ills of the nation, regions and all. The wartime economy allowed for the implementation of various measures that were designed to allow the government to dictate the production of what was needed for the war effort. The Barlow Report of 1940, otherwise known as the *Royal Commission on the Distribution of the Industrial Population*, advised that for the problem of the Special Areas to be resolved a check on the growth of the South East of the UK, and in particular London, had to be implemented.⁸⁸ Although the SEC had been suspended at the outbreak of war, economic planning in Scotland was beginning to take off. The

⁸⁵ *West Highland Free Press*, 04/11/2005. <http://www.whfp.com/1749/focus.html>, accessed 14/01/2006.

⁸⁶ Hilleary, EL, *The Highlands and Islands of Scotland : a review of the economic conditions with recommendations for improvement*, (Scottish Economic Committee, Edinburgh, 1938).

⁸⁷ Gibson, JS, *The Thistle and the Crown*, pg. 80.

⁸⁸ McCrone, G, *Regional Policy in Britain*, pg. 103.

appointment of Tom Johnston as the Labour Secretary of State in 1941 heralded the start of numerous reforms of government designed to administer post-war reconstruction and economic planning. The corporatist arrangements between government, industry and labour were in full swing. Based on the premise of state intervention, the government set about preparing for the post-war period on the basis of economic planning. Johnston's arrangements for Scotland were predicated on his own not inconsiderable power, such was the perceived threat of Scottish Nationalism.⁸⁹ Johnston believed that a strong voice for Scotland, nationalism with a small 'n', in the UK national Cabinet would be an effective tool for combating the increase in Scottish Nationalism.⁹⁰ Finlay states that amidst the 'triumph of state intervention and the coming of the Welfare State... the leaders of Scottish industry found their interests well protected and promoted by the government'.⁹¹ He argues that the policies of the reconstruction period under Johnston in Scotland were not distinct from the policies of the 1930s other than that industry was now included in the corporatist arrangements.

The introduction of the Clyde Valley Regional Plan of 1946⁹², influenced by the success of Roosevelt's Tennessee Valley Authority (TVA) electrification of rural areas in the USA, provided the blueprint for the regeneration of the Clyde basin and identified the major problems concerning housing provisions in the area and the need for a solution. Relative to the Highlands, the TVA demonstrated the positive impact electrification of rural areas could have, mimicked by the creation of the Hydro-electric schemes in the North of Scotland, establishing itself as a kind of blue print for Highland development. George Houston, one of the drafters of the proposals for a Highland Development Authority, later to become the HIDB, cites the TVA as an

⁸⁹ Finlay, RJ, 'Continuity and Change', pg. 80.

⁹⁰ Finlay, RJ, *Modern Scotland: 1914-2000*, (Profile Books, London, 2004), pg. 192.

⁹¹ *Ibid.*, pg. 81.

⁹² Clyde Valley Regional Planning Committee, *Clyde Valley Regional Plan*, (HMSO, Edinburgh, 1946).

influence on the plans for the new board.⁹³ Grassie, writing in 1983, described the board as ‘a dynamic body on the lines of the TVA’.⁹⁴

The establishment of the New Towns Act of 1946 allowed for the creation and planning of new towns by government appointed development organisations to solve the problem of a shortfall in housing stock and a rising population.⁹⁵ The successor 1947 Town and Country Planning Act, still in use today, provided the government with the means to direct expanding firms to Development Areas by the issuing of Industrial Development Certificates (IDC), necessary for planning permission to be granted for factories over 5000sqft.⁹⁶ This allowed the government to direct firms to these areas in order to try to combat unemployment. IDCs also prevented industrialists building in congested areas, but where the refusal of an IDC may have led the firm to delay or abandon the development, financial inducement could then be used to persuade the firm otherwise, as was the case with the Corpach, Aviemore and Invergordon developments. This issuance of IDCs was in addition to the construction of new towns, reinforcing the growing importance of regional policy under the Distribution of Industry Act.⁹⁷ The construction of the new towns of Cumbernauld, Livingston, Glenrothes, East Kilbride and Irvine was intended as another supplementary measure to the policy of siting factories in development areas. The new towns were designed to relieve urban pressures on the larger cities of Glasgow and Edinburgh, both of which were suffering from deterioration in the quality of their housing stocks.⁹⁸ This dual intention of sparking economic growth and alleviating social problems was part of a wider approach to regional policy that found its roots in the fear of a return of the mass-unemployment of the Great Depression. The building of new towns and the obvious requirement of building materials, labour and the construction of the necessary infrastructure, as well as the siting of new factories next

⁹³ Hetherington, A, *Highlands and Islands*, pg. 58.

⁹⁴ Grassie, J, *Highland Experiment*, pg. 103.

⁹⁵ Lee, C, *Scotland and the United Kingdom*, pg. 165.

⁹⁶ Millward, R, ‘Industrial and commercial performance since 1950’ in Floud & McCloskey (eds), *The Economic history of Britain since 1700, vol. 3: 1939-1992*, (CUP, Cambridge, 1994), pg. 159.

⁹⁷ Johnston et al, *Structure and Growth of the Scottish Economy*, pg. 319.

⁹⁸ Campbell, RH *Scotland since 1707*, pg. 310.

to them, provided ample employment opportunities for people moving to these areas.⁹⁹ Moreover, the dualistic intent to spark economic growth and alleviate social problems was one that would come to characterise much of the development of the Highlands later in the period.

The post-war period also saw the discarding of the term ‘Special Areas’, replacing it with the term ‘Development Area’; a result of the Distribution of Industry Act of 1945 and latterly the Distribution of Industry Act 1950 (designed to supplement the 1945 act). The new development areas now included Glasgow¹⁰⁰ and were based on unemployment figures.¹⁰¹ It was now the case that the entirety of Scotland was a ‘Development Area’, with the notable exception of Edinburgh. These two acts, as well as the Employment White Paper of 1944 and the Town and Country Planning Act of 1947, supplemented and modified by the Distribution of Industry (Industrial Finance) Act of 1958 followed by the Local Employment Act 1960, became the foundations of post-war regional policy and acted as the principal statutes for regional development¹⁰² until the recommendations of the Toothill Report in 1961 were taken on board by government - particularly in Scotland. These acts and policies were aimed at the alleviation of unemployment in the most depressed areas as the main focus of regional policy. The Distribution of Industry Act and the Town and Country Planning Act were used by the Board of Trade as a means of controlling industrial location by allowing government to designate Development Areas, grant loans and issue Industrial Development Certificates for industrial buildings. These powers would later come into play when government was looking to industrialise the Highlands through the need for an IDC in order to build a factory of a substantial size. Thus, when industrialists were looking to build a large new factory Government was able to dictate where it should be situated. The Highlands, an unattractive location for many industrialists due to its remoteness, thus became a more attractive proposition when grants were available to locate and an IDC readily attainable. As a

⁹⁹ Johnston et al, *Structure and Growth of the Scottish Economy*, pg. 320.

¹⁰⁰ McCrone, G, *Regional Policy in Britain*, pg. 107.

¹⁰¹ Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', pg. 161.

¹⁰² Johnston et al, *Structure and Growth of the Scottish Economy*, pg. 319.

direct result of the Distribution of Industry Acts of 1945 and 1950, loans and grants totalling £5.8m were made available to firms in Scotland between 1945 and 1958. As a result of the Distribution of Industry (Industrial Finance Act) of 1958, an extra £2m was made available of which £0.9m was earmarked for new enterprises. Between 1945 and 1960, 49m sqft of factory building for manufacturing industry was completed in Scotland, 11m sqft of which was financed directly by government. By 1959, 75,000 people (3.3% of the workforce) were employed in Board of Trade factories in Scotland by 1959.¹⁰³

The SEC's suspension at the outbreak of the Second World War eventually led to it being renamed the Scottish Council: Development and Industry SC(DI) in 1946 and the loss of its semi-autonomous capabilities. The new arrangements saw representation from parts of industry, unions and local authorities and the creation of joint bodies between the Scottish Office and other ministries dealing with industry in favour of a centralised system of permits and advanced factories built by the Board of Trade. Harvie states 'the valuable semi-autonomy of the SEC was lost - tragically at a time when increasing numbers of decisions ended up in the hands of less-than expert Whitehall mandarins.'¹⁰⁴ Although the semi-autonomy was lost, Harvie's assessment of it as being tragic is perhaps a little melodramatic. The new SC(DI) would serve the Scottish economy with advice, expertise and suggestions for economic development with a degree of distinction that carries on to the present day.

Reporting Scotland: Scottish Council (Development & Industry) Reports and the 'new' regional development policies

The involvement of the Scottish Council (Development & Industry) (SC(DI)) in Scottish economic life started with its formal creation from the ashes of the Scottish Development Council and Tom Johnston's Scottish Council on Industry on 3rd June 1946 at a meeting in the heart of Scottish administrative life, St Andrew's

¹⁰³ Ibid., pg. 320. Figures for Board of Trade expenditure in the Highlands during this period are not available.

¹⁰⁴ Harvie, C, *No Gods and Precious Few Heroes*, pg. 54.

House in Edinburgh. The meeting was overseen by the then Secretary of State for Scotland, Joseph Westwood, and brought together members from local authorities, the Chambers of Commerce, Scottish Banks and private firms.¹⁰⁵ The new body was a company limited by guarantee and funded by subscriptions from its members. Its explicit mission statement was to advise ‘the Secretary of State for Scotland in regard to the Industrial, Commercial and Economic problems of Scotland.’ The SC(DI), along with the Advisory Panel on the Highlands and Islands (a Scottish Office group set up to advise the Secretary of State for Scotland) and the Scottish Board for Industry, then went on to produce a further report focusing on Highland Transport costs in 1951.¹⁰⁶ The report recommended four measures to offset the disadvantages facing the area in terms of transport:

- i) increasing the efficiency of the transport system, including road, rail and sea links.
- ii) a deliberate policy of lowering transport charges over long distances.
- iii) assistance to be given to particular industries- namely agriculture, fisheries and forestry.
- iv) special steps taken to deal with the problem of very isolated areas.¹⁰⁷

These measures were by no means revolutionary - indeed they can be considered as a common sense approach in many respects. However, transport remains a serious problem in the area even until the present day with Highlands and Islands Enterprise (the successor to the HIDB) calling for improved transport infrastructure in the area repeatedly in its *A Smart, Successful Highlands and Islands* report of 2005.¹⁰⁸ The recommendations of the SC(DI)’s report were never taken on board although it certainly contributed to the idea that the SC(DI) was of value to thinking on the

¹⁰⁵ Wyper, A, Scottish Council (Development & Industry), 1946-79, (University of Glasgow Unpublished Master of Philosophy dissertation, Glasgow, 2004), pg. 13.

¹⁰⁶ Memorandum of Association quoted in SC(DI) Annual Report 1946-47 p.3 SC.2/1/1, quoted in Wyper, A, ‘Scottish Council (Development & Industry), 1946-79’, pg. 13.

¹⁰⁷ SC(DI), *Report of the Committee on Highland Transport Costs*, (SC(DI), Edinburgh, 1951), pg. 13.

¹⁰⁸ HIE, *A Smart, Successful Highlands and Islands: An Enterprise Strategy for the Highlands and Islands of Scotland*, (HIE, Inverness, 2005).

Scottish economy and an active contributor to the seeking out of solutions to the economic problems facing the country.

The role of the SC(DI) in Scottish economic life had become quite pronounced after the publication of several influential reports detailing the economic conditions facing Scotland and Scottish regions during the 1950s. The SC(DI) produced reports on the economic climate of several regions in Scotland of which the *Development Committee Survey and Report of Fort William to Ballachulish*, (Edinburgh, 1950), the *Report of the Committee on Highland Transport Costs*, (Edinburgh, 1951) and *Report of the Committee on Local Development in Scotland*, (Edinburgh, 1952) are of most relevance to this thesis. The 1950 report on Fort William and Ballachulish revealed that there was little or no unemployment in the area but warned of the dangers of committing the area to over-reliance on the Fort William aluminium smelter¹⁰⁹, whilst the report on Highland transport costs concluded that government should pursue a policy of increasing the efficiency of existing transport services in the area whilst deliberately lowering costs and providing special assistance in this respect to the Highland industries of agriculture, fishing and forestry¹¹⁰ - almost exactly the same calls that the *Smart, Successful Highlands and Islands* document in 2005 made, more than fifty years after the *Highland Transport* document was produced.

The most famous and influential of the SC(DI)'s reports during this period was undoubtedly Alec Cairncross' *Report of the Committee on Local Development in Scotland* of 1952 that revealed how Scotland's industrial structure was overly dependent on the declining Staple Industries of Coal, Steel and Shipbuilding.¹¹¹ Cairncross had finished his time working as economic advisor to the Board of Trade and then as Director of the Economics Division of the Organisation for European Economic Cooperation before returning to the University of Glasgow as Professor of Applied Economics. It was while at Glasgow that Cairncross wrote his report on the

¹⁰⁹ This is discussed in more depth in the case study on the Corpach paper pulp mill later in the thesis.

¹¹⁰ SC(DI), *Report of the Committee on Highland Transport Costs*, (SC(DI), Edinburgh, 1951), pg. 15.

¹¹¹ SC(DI), *Report of the Committee on Local Development in Scotland*, (SCDI, Edinburgh, 1952).

Scottish economy, working as part of the Department of Social and Economic Research whose focus was mostly on regional policy¹¹², presaging much of the future focus on the discipline that would inform the Labour party's manifesto commitment to it in the 1964 UK election. The title of Cairncross' report, *Report of the Committee on Local Development in Scotland*, demonstrates the focus on local/regional development as a means towards remedying the ills of the nation. Moreover, particularly in relation to this thesis, one of the assessors on the committee was REC Johnson, on secondment from the Scottish Home Department, who would later go on to become the under secretary responsible for regional development in Scotland and play a considerable role in the location and planning for the Aviemore and Corpach developments. Cairncross' report made clear in its summary of findings that it had 'envisaged the problem of local development in national rather than that of local terms' and that policy should be guided by three objectives:

- i) To accelerate the growth of new industrial communities in promising locations; industrial growth should come first, ahead of even the need to reduce unemployment in other areas.
- ii) To make fuller and more economical use of manpower and natural resources that are in danger of being wasted.
- iii) To arrest the decline of communities, and the consequent waste of material and social assets which they possess, in cases where a little help might restore them to a thriving condition.¹¹³

Relative to the Highlands, the new focus on regional policy and the findings of Cairncross' report meant the area began to be viewed as not just a part of Scotland as a whole, but as a distinct region with its own set of distinct problems, at least in Scottish circles if not Whitehall. The three main recommendations detailed above demonstrate a clear link between the projects undertaken in the Highlands and the guiding principles set out by Cairncross and his committee. All four developments

¹¹² Burk, K, 'Cairncross, Sir Alexander Kirkland (1911-1998)', *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

¹¹³ SC(DI), *Report of the Committee on Local Development in Scotland*, pp 40-41.

discussed in this thesis were planned for with Cairncross' report's findings firmly in mind, from its approach envisaging the problem of local development in national terms through to the commitment to arresting the decline of communities. Further, the Cairncross Report's suggestion that 'the dynamic character of industrial development... may involve the growth of new centres of industry in order to exploit the possibilities of technological advance'¹¹⁴ relates directly to each of the four developments and the government's aims for them to create new growth centres, based on new technologies. The Cairncross Report in this respect was therefore the base from which many in Scotland would go on to argue for industrial and infrastructural development in the Highlands in order to offset the difficulties facing the area. Cairncross followed up the report by editing a book by members of his department entitled *The Scottish Economy: A Statistical Account of Scottish Life* with the intention that the book go some way towards addressing the problem of unreliable and scarce statistics on Scottish economic and social life¹¹⁵, a problem that exists into the current day with there still being no National Accounts for Scotland produced.¹¹⁶ However, it wasn't until the production in 1961 of perhaps the most influential report by the SC(DI), the Toothill Report, *An Inquiry Into the Scottish Economy*,¹¹⁷ that the industrial development of the Highlands would really begin to gain momentum. Cairncross' influence in stimulating the discussion gave rise to the production of the Toothill Report, providing the starting point from which Toothill based his recommendations for the establishment of growth centres.¹¹⁸ Scott describes the Toothill Report's growth strategy as having 'strong similarities to that proposed by the Scottish Council nine years earlier'¹¹⁹ and with some justification.

The idea of the 'region' in Scottish economic life was firmly established by the publication of the Toothill Report. Chaired by JN Toothill, the then chairman of

¹¹⁴ Ibid., pg. 52.

¹¹⁵ Cairncross, AK, *The Scottish Economy: A Statistical Account of Scottish Life*, (CUP, Cambridge, 1954), pg. Xv.

¹¹⁶ *The Herald*, 01/03/07, pg. 19.

¹¹⁷ SC(DI), *Inquiry Into The Scottish Economy, 1960-1961*, (SC(DI), Edinburgh, 1961).

¹¹⁸ SC(DI), *Report of the Committee on Local Development in Scotland*, pg. 41.

¹¹⁹ Scott, P, 'The Worst of Both Worlds', pg. 59.

Ferranti Ltd.¹²⁰ Ferranti was an electronics firm brought to Scotland in 1941 that went on to become the foundation for the creation of Silicon Glen.¹²¹ The report was arguably the most influential report written on the Scottish economy in the post-Second World War period and the effective starting point for all subsequent economic and industrial policies and development in Scotland until the election of the Conservatives in 1979. The SC(DI)'s commissioning of Toothill to investigate how to remedy the ills facing the Scottish economy marks what is the effective beginning of large-scale governmental intervention in location of new industries in Scotland in the 1960s. The Toothill Report encouraged the idea of the 'region' and called for more governmental intervention in the economy to rectify the problems experienced by the country.¹²² The report took the view that unemployment was not a sufficient criterion for the application of regional policy. It argued instead that regional characteristics such as 'geographical location, communication facilities, development potential or established industrial base, offered the best prospects for generating economic growth'.¹²³ It was this idea of 'growth centres' that was to characterise regional economic policy in subsequent years, not just in Scotland but the UK as well. Toothill's recommendations were not original or new, but rather a synthesis of already existing ideas concerning the way forward for regional policy in Britain.¹²⁴ They were, however, the beginning of a new approach to British regional policy in Scotland. From seeking to address issues of unemployment, the government sought to identify areas of potential growth in the hope that it could use them to stimulate growth in the surrounding areas. This would inform the later decision to establish the Industrial Development Act 1966 that scheduled the whole of Northern England, all of Scotland except Edinburgh and most of Wales and South West England as

¹²⁰ For more on Ferranti, see Wilson, JF, *Ferranti: A History. The Emergence of a Family Business, 1882-1973*, (Carnegie Publishing, Lancaster, 2000).

¹²¹ Newlands, D, 'The Regional Economies of Scotland' in Devine, TM, Lee, CH & Peden, GC, *The Transformation of Scotland: The Economy Since 1700*; (EUP, Edinburgh, 2005), pg. 161.

¹²² Hutchison, IGC, 'Government' in *Scotland in the Twentieth Century*, (EUP, Edinburgh, 2000), pg. 48.

¹²³ Johnston et al, *Structure and Growth of the Scottish Economy*, pg. 321.

¹²⁴ Parsons, DW, *The Political Economic of British Regional Policy*, pg. 178.

Development Areas with the hope that this would encourage industry ‘voluntarily’ to move to the attractive ‘growing points’ within these new areas.¹²⁵

In March, 1962 the SDD was created as a result of the acceptance of the recommendations of the Toothill Report by John Maclay, the Scottish Secretary of State under Macmillan, before Maclay was later relieved of his duties the following July.¹²⁶ Had Maclay disagreed with the proposals put forward by Toothill it is quite conceivable that there could have been no creation of the SDD at all or for quite some time at least, such was the power of the Scottish Secretary’s position within the Scottish-based Civil Service. The creation of the Scottish Economic Planning Board in 1964¹²⁷ was a precursor to the unveiling of the National Plan in 1965, which was meant to signal the new dawn of economic planning in Britain. In Scotland, the SDD was at hand to provide a Regional Development Division to work hand in hand with the new regional bodies (planning boards and councils) in formulating and executing the new Plan. Although the regional planning bodies were failures elsewhere, the *Plan for Scotland*, produced by the new Scottish Secretary of State, William Ross, was far more detailed than its counterparts¹²⁸ and echoed many of the recommendations of the Toothill Report as well as linking growth to the improvement of infrastructure.¹²⁹ The intention was that the regional bodies would focus on achieving economic growth through centralised economic planning, in turn helping the UK national economic situation.

The election of Labour in 1964 brought with it a renewed vigour for economic planning and regional policy, vowing to use the ‘white heat of the technological revolution’ as a tool for growing the UK economy. This approach crystallised Wilson’s approach towards planning and the issue of modernity. Toothill had recommended the introduction of new, science-based industries that could help

¹²⁵ O’Hara, G, ‘A Journey Without Maps’, pg. 1185.

¹²⁶ Harvie, C, *No Gods and Precious Few Heroes*, pp 110-111.

¹²⁷ Lee, C, *Scotland and the United Kingdom*, (MUP, Manchester, 1995), pg. 160.

¹²⁸ In particular see *South East England*, Cmnd. 2308, (HMSO, London, 1964) and *North East: Programme for Regional Development and Growth*, Cmnd. 2206, (HMSO, London, 1964) for details.

¹²⁹ Harvie, C, *No Gods and Precious Few Heroes*, pg. 143.

establish growth centres¹³⁰, the Wilson government delivered them with an ambitious programme for the development of nuclear power across the country, of which Dounreay was a part, the establishment of two aluminium smelters (later supplemented with another) - including the Invergordon plant - powered by two of the numerous new nuclear reactors planned and several other technologically advanced manufacturing plants, including the Corpach mill – the first integrated paper pulp mill in the UK. The link between Toothill’s recommendations for new, science-based industries and Labour’s programme for a ‘technological revolution’ is thus clear. Combined with Labour’s commitment to developing the regions, Toothill’s recommendations resulted in a hitherto unseen focus on the Highlands during the 1960s and 1970s which has not been repeated. The establishment of the UK’s first ever Regional Development Agency in the form of the HIDB further enhanced the view that the Highlands was an area in which the government could play a defining role.

A Development Authority for the Highlands: the creation of the Highlands and Islands Development Board and Highland development

The same year as the National Plan was unveiled, the Highland Development Act 1965 was passed and allowed for the creation of the Highlands and Islands Development Board. At the introduction to the House of Commons debate on the passing of the Act, speaking as Secretary of State for Scotland, Willie Ross made the following statement:

For 200 years the Highlander has been the man on Scotland’s conscience... No part of Scotland has been given a shabbier deal by history from the ’45 onwards. Too often there has only been one way out of his trouble for the person born in the Highlands - emigration.¹³¹

¹³⁰ SC(DI), *Inquiry Into The Scottish Economy, 1960-1961*, pg. 37.

¹³¹ *Hansard*, vol. 708, House of Commons debate, 16/03/1965, col. 1095.

In making this statement, Ross was utilising a well-used tool in Scottish politics - the emotional appeal of the Highlands of Scotland. Romanticised by Robert Burns in his poem 'My Heart's In The Highlands', where it is characterised as 'the birthplace of valour' and 'the country of worth', the area has long held an emotional appeal to many Scots. Levitt and Cameron have both been identified Scottish sentiment for the region and the fall-out from the Clearances (the '45 as Ross calls it) as constraints on policy towards the area. The new HIDB was intended as the government's demonstrable administrative commitment to the area's regeneration, sat alongside the four developments with which this thesis is concerned, couched in the rhetoric of atonement for past actions. That Ross mentioned emigration from the area is important - it was recognition by the Government that the area was suffering and in order for it to remain a viable economic community governmental help was required, in much the same fashion as the Scottish economy was incapable of helping itself also.

The new board was charged with the task of stimulating growth in the Highlands and Islands of Scotland. This was to see the halcyon days of government involvement in the area. Calls for a development board in the Highlands had been canvassed by the Scottish Trade Union Congress (STUC) in the 1950s and 60s but had been met with a cool reception from the Conservative governments of the time.¹³² The HIDB's new chairman, Professor Robert Grieve¹³³, was intent on taking a proactive approach to planning in the Highlands, in part as a response to warnings by opposition MPs that the board should not be little more than an 'exercise in theoretical socialism'.¹³⁴ The idea that the Highlands suffered from special concerns that meant it needed its own authority dedicated to developing the area was met with support in the Labour party in the early 1960s. Maclay had originally viewed the idea of a Highland development authority as 'yet another piece of machinery' - a view endorsed by the Cabinet meeting that minuted:

¹³² Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', pg.206.

¹³³ Grieve was made a Sir in 1969, four years after becoming chairman of the HIDB.

¹³⁴ Hetherington, A, *Highlands and Islands*, pg. 3.

There was a limit however, to the amount of industrial investment which could usefully be made in Scotland; for the Highlands in particular the right solution of the problem of unemployment in the long-term might well be either an increase in emigration or the acceptance of a rather lower standard of living than obtained elsewhere in the United Kingdom.¹³⁵

However, with the upcoming election firmly in mind, the Conservative frostiness towards the idea melted markedly. The Conservative Party had embarked upon a revival of regional policy in the late 1950s and early 60s, motivated by the fear of the social and political consequences of significant unemployment in the regions, the belief that better use of labour was required to achieve higher growth and policies required for this should also include regional unemployment.¹³⁶ Nevertheless its primary concern in Scotland was the growing effect of the declining Staple Industries and the rising unemployment in Central Scotland.

The HIDB's chairman, Professor Robert Grieve was the former Chief Planning Officer for Scotland and had played a central role in the formulation of the Clyde Valley Regional Plan, as well as serving as the foundation Professor of Town and Region Planning at the University of Glasgow from 1964 until his appointment to the chairmanship of the HIDB. Whilst at Glasgow he wrote an Occasional Paper with Professor Donald Robertson entitled *The City and the Region* where the two set out their views on town and country planning. In his section of the paper, Grieve discussed the 'increasingly important role of planning in problems of the Scottish Economy.'¹³⁷ The HIDB under his stewardship would provide him with the opportunity to utilise planning as a means towards remedying the problems in the Highlands and by extension, the Scottish economy as a whole.

¹³⁵ Minutes of a Cabinet meeting on employment, 22/12/1958, NAS/DD12/443.

¹³⁶ Tomlinson, J 'Conservative modernisation, 1960-1964: Too little, too late?' *Contemporary British History*, 11:3, 1997, pp 20-21.

¹³⁷ Grieve, R, & Robertson, DJ, *The City and the Region*, University of Glasgow Social and Economic Studies Occasional Papers No. 2, (Oliver & Boyd, Edinburgh, 1964), pg. 30.

The loss of five Scottish by-elections after the 1961 census went some way towards focusing the Conservatives' attentions on other areas in Scotland too, lest it be accused of ignoring them. This was undoubtedly a factor in its reversal of opinion on the issue of a Highland development authority.¹³⁸ The 1961 census also marks another arguably more important milestone in the discussion of government policy in the Highlands in the post-war period. The census' publication revealed what had been long expected in many parts of the Highlands and indeed Scotland itself - the Highlands was suffering from severe depopulation and high unemployment. The 1961 Census was the first to ask a direct question on migration, asking what a person's usual address was the previous year in comparison to their present address.¹³⁹ This was the first time that the Census was able to display (limited) data on population movement within Scotland. However, this development illuminated, to a degree, the problems of out-migration from the Highlands to the rest of Scotland and beyond, with the Central Belt being the major recipient of the departing Highlanders.¹⁴⁰

Produced the same year as the Toothill report, the Census revealed the extent of depopulation in the Highlands, as outlined in Table 1.2.

¹³⁸ Levitt, I, 'The Creation of the Highlands and Islands Development Board, 1935-65', *Northern Scotland*, 19, 1999, pg. 104.

¹³⁹ Jones, HR, 'Migration to and from Scotland since 1961', *Transactions of the Institute of British Geographers*, No. 49, (March, 1970), pg. 145.

¹⁴⁰ *Ibid.*, pg. 150.

Table 1.2 Population Change in the Highlands of Scotland, Scotland and the UK

Year	1921	1931	1951	1961	% Change +/- between 1921-61
Highlands	371372	323277	316471	304161	-28.10
Scottish	4882500	4803000	5096400	5179300	+6.10
UK	44072000	44074000	50290000	52807000	+19.82

Source: Highlands & Islands Development Board Annual Reports, 1971 & 1981 & www.parliament.uk/commons/lib/research/rp99/rp99-111.pdf

The Census revealed a population loss of 28.1% in only forty years. Compared to Scotland, the Highland's loss was considerable against what was a fairly small increase nationally at the Scottish level of 6.1%. However, the UK population at this point had increased markedly by 28.1%, showing just how serious the problem of population decline was in the Highlands. This gave considerable cause for concern amongst many in government at both Scottish and British levels resulting in the development of policy aimed at halting the migration flow south (for example, the HIDB's flagship policy was entitled Operation Counterdrift and aimed directly at reducing the net outflow of migration from the Highlands). It was not politically desirable to have large-scale population movement from the Highlands given its importance to the vocal Highlanders in the Central Belt region between Glasgow and Edinburgh where the majority of the Scottish population, and Scottish based parliamentary seats, were located. Unemployment in the area was a concern and continued to be so until the developments this thesis is focused on took place and began to operate. Further, the area accounted for around two thirds of the entire Scottish landmass and it was considered a potential security concern to have effectively nobody living there. Of course, there was the small matter of any development in the Highlands being predicated on people actually being there as well.

In relation to the four developments discussed in the thesis, the HIDB was instrumental in the siting of the Invergordon aluminium smelter and the location of

the second reactor at Dounreay. Attempts were made by government to encourage development south of the Highlands also, especially in the central industrial belt, where, in 1980, 75% of the population and 80% of Scotland's industry was located.¹⁴¹ This manifested itself in the creation of a Scottish automobile industry with car factories being opened in Bathgate and Linwood, as well as the opening of the Ravenscraig steel strip mill and the nuclear power stations Torness B and Hunterston B on the east and west coasts respectively, the Grangemouth petro-chemical plant as well as the development of several new towns. These new developments were in response to the decline of the old industrial structure and its unfavourable effects on the Scottish economy.¹⁴² Warren identifies the old industrial structure as 'the most obvious source of weakness in the Scottish economy'¹⁴³ and this was a major concern for the policy makers of the time. The theory was that by diversifying the industrial manufacturing base with new industries decline could be halted and reversed. The HIDB saw its task as making sure that the Highlands wasn't left out of the diversification, enabling it to halt the depopulation in the area and solve the other problems present whilst demonstrating the commitment of the government at Scottish and UK levels to the region.

Growing nationalist sentiment also caused unease amongst not just Unionist politicians but also the Civil Service, primarily because their political masters were uptight over it. The growing support for the SNP in the early 1960s where the nationalists saw their position and influence in Scottish political life grow - putting up fifteen candidates in 1964, winning 64,000 votes followed by twenty three candidates in 1966, before going on to win sixty nine burgh and county seats in 1967, gaining 200,000 votes. The real sign that the Nationalists were a growing force in Scotland came with Winnie Ewing's by-election win in Hamilton in 1967 in a staunchly Labour seat and on paper the safest the party had in Scotland.¹⁴⁴ Growing support for

¹⁴¹ Warren, K, 'Scotland' in Manners et al, *Regional Development in Britain* (John Wiley & Sons, London, 1980), pg. 383.

¹⁴² Randall, JN, 'Scotland' in Damesick, PJ & Wood, PA, *Regional Problems, Problem Regions, and Public Policy on the United Kingdom*, (Clarendon Press, Oxford, 1987), pg. 221.

¹⁴³ Warren, K, 'Scotland' in Manners et al, *Regional Development in Britain*, pg. 383.

¹⁴⁴ Marr, A, *The Battle For Scotland*, (Penguin, London, 1992), pg. 118.

the Nationalists was of great concern to the Labour party at this point, with it recognised as being a ‘force to be reckoned with’ for Labour MPs.¹⁴⁵ Willie Ross upped his attacks on the party, dismissing the SNP as ‘Tartan Tories’ and viewed his role as Secretary of State as protecting the Union through gaining as much as he could for Scotland, following happily enough in the footsteps of his Labour predecessor Tom Johnston who had perfected the art of using the Nationalist bogeyman as a means of securing investment in Scotland. The result of this was that by the end of the 1960s, public expenditure per head of population in Scotland was some 20% higher than the British norm, yet the most fundamental problem of structural imbalance in the economy still existed.¹⁴⁶ Grand gestures of large industrial manufacturing bases may have curried favour with the electorate, but did little to help an economy almost wholly dependent on the hand of government directing its every move. The HIDB was a welcome construction in the Highlands in that it further focused attention, as well as expenditure, on the area. By the end of the 1960s government was spending 10% of all expenditure in Scotland on the Highlands¹⁴⁷, having established the four developments with which this thesis is concerned.

With the background for the developments now established, the discussion will turn to the individual discussion of each development in case study form.

¹⁴⁵ Crossman, R, *The Diaries of Cabinet Minister*, vol. 2, (Hamish Hamilton, London, 1976), pg. 377.

¹⁴⁶ Harvie, C, *No Gods and Precious Few Heroes*, pg. 144.

¹⁴⁷ Newlands, D, ‘The Regional Economies of Scotland’; pg. 170.

Chapter Two. The Fort William Paper Pulp Mill: A Test Case For Industry



Source: *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins, Teape & Co Ltd., London, 1966), front cover.

Introduction

The small village of Corpach near Fort William, on the straights of Loch Eil and Loch Linnhe, found itself as a perhaps unlikely starting point for what was to become a very costly and environment-changing industrial venture marking the beginning of government-sponsored attempts at industrialising and regenerating the Scottish Highlands in the post-Second World War period. The plan was to build an integrated paper-pulp mill at Annat Point on ground zoned for agricultural use to take advantage of government-planted maturing forests throughout the Highlands region in Scotland. It was one that appeared in most cases to make sense and was arguably the most appropriate of the four major industrial ventures undertaken by government with which this thesis is concerned, at least superficially. Permission was granted for the mill in 1963 as a result of the passing of the Fort William Pulp and Paper Mills Act. In September 1966 the mill opened for business. However, the venture was beset with problems from the outset. There weren't enough matured trees available in Scotland in the short term to ensure the mill's full operating capacity could be reached without importing more wood, although there would have been in the longer term. The woodland area of the Highlands had increased from 4% coverage of the region in the 1940s (post-Second World War), of which 25% was coniferous plantation, to 12% in the 1980s of which 83% was plantation¹⁴⁸, primarily as a result of a continued governmental policy of afforestation. However, the trees would need time, which the mills did not have, to reach full maturation before they would be of any use. Further, the transport costs of getting the necessary supplies to the mills, both from home and abroad, proved to be very expensive eventually causing the project considerable economic difficulties. The pulp part of the mills, the largest employer, closed in 1980 causing large scale unemployment in an area that had, prior to the mill's location there, had nearly full employment. The questions addressed in this case relate to the rationale behind locating and constructing the mill at Corpach, its intended aims and explanations for its eventual failure.

¹⁴⁸ Government Statistical Service, *The Scottish Environment Statistics*, (HMSO, Edinburgh, 1996) quoted in Mackey et al, *Land Cover Change: Scotland, from the 1940s to the 1980s*, (HMSO, Edinburgh, 1998), pg. 194. Coniferous trees are used in paper pulp manufacturing.

During World War Two, Scotland produced 99m cubic feet of pitprops for use in its coalmines, the major market for forestry products in Scotland, clearing vast swathes of forests from the country. By 1953 only 5.6m cubic feet of pitprops were delivered to mines for use however, but accounted for some 85% of demand.¹⁴⁹ The considerable reduction in demand in this market meant that the forests planted as part of the afforestation policy of the government, pursued since the creation of the Forestry Commission in 1919, were left to grow with very little end-use for them, save for the strategic purpose of having timber reserves in case of war.¹⁵⁰ The contraction of the mining industry and growth in the use of steel supports throughout the 1960s would further affected demand.¹⁵¹ Solly Zuckerman's governmental report of 1957, *Forestry, Agriculture and Marginal Land*, recommended a change from the defence-based forestry policy (for use in the event of war) to a more social-based forestry policy.¹⁵² Consequently, the policy of afforestation served an important further purpose in the Highlands other than providing for timber reserves, in helping stabilise a certain level of population and providing some supplementary industry. These were two very important factors in relation to Highland history in light of the denudation of forestry (the two world wars had used up about a third of all Scottish forests)¹⁵³ and depopulation the area had experienced and was experiencing respectively.

The Scottish paper industry in the 1950s was mainly focused on specialised papers. It was argued in a House of Commons debate in 1959 by William Hamilton MP for Fife West that the market for specialised papers was not capable of 'great expansion and the industry itself [was] incapable of mass production methods.'¹⁵⁴ Half the paper produced in Scotland at this time was esparto-based (a kind of grass)

¹⁴⁹ Anderson, ML, *A History of Scottish Forestry vol.2*, (Thomas Nelson and Sons, London, 1967), pg. 458.

¹⁵⁰ Warren, C, *Managing Scotland's Environment*, (EUP, Edinburgh, 2002), pg. 60.

¹⁵¹ Rowthorne, R & Wells, JR, *De-industrialisation & Foreign Trade*, (CUP, Cambridge, 1987), pg. 112.

¹⁵² HMSO, *Forestry, Agriculture and Marginal Land*, (HMSO, London, 1957).

¹⁵³ Warren, C, *Managing Scotland's Environment*, pg. 61.

¹⁵⁴ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 722 - 728.

with a further quarter of production being cardboard. These two products were based primarily on grass pulp and waste paper respectively and mixed with 10% wood pulp¹⁵⁵, indicating that paper making in Scotland at this stage was in the main not based on Scottish forest plantation stocks. Between 1951-57 a total of £15m was invested in the industry and by 1959 17,000 people were employed in paper making in Scotland¹⁵⁶ compared to 100,000 in the UK as a whole in the early 1960s.¹⁵⁷ However, by 1959 the coming of the European Fair Trade Association agreement also saw capital expenditure in the industry decline as a direct result of the fear that the industry would be squeezed out by cheap Scandinavian imports.¹⁵⁸ The paper industry in Scotland was by no means on its knees, but it certainly was not ripe for expansion either.

By 1961 the UK as a whole was importing 97% of its consumed sawn softwood (coniferous wood can be used for paper production), an increase from 1951's level of 94%.¹⁵⁹ UK trade with European nations at the same point in time for sawn softwood was such that the UK was importing 955,000 standards¹⁶⁰, of which 847,000 standards came from Finland and Sweden alone.¹⁶¹ The UK imported a further 358,000 standards from the USSR at the same stage¹⁶², bringing together a total of 1.313m standards of imported sawn softwood. The over-reliance on imports was something that government was seeking to reduce during this period. The surplus capacity of the unfelled maturing softwood forests in Scotland from the afforestation

¹⁵⁵ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 728.

¹⁵⁶ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 712.

¹⁵⁷ Jensen-Eriksen, N, 'Industrial diplomacy and the European integration: the case of the paper industry, 1956-72', conference paper given to the European Business History Association meeting 2006 in Copenhagen, pg. 2.

¹⁵⁸ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 722.

¹⁵⁹ 'Europe's consumption and imports of sawn softwood in 1949-51 and 1959-61', Table 3, in United Nations, *European Timber Trends and Prospects 1950-75*, (United Nations, New York, 1964), pg. 174.

¹⁶⁰ Measurements of sawn softwood are expressed in standards. A standard equals 4.67 cubic metres.

¹⁶¹ 'Intra-European trade in sawn softwood in 1949-51 and 1959-61', Table 5, in United Nations, *European Timber Trends and Prospects 1950-75*, pg. 175.

¹⁶² 'Sawn softwood trade of the USSR with Europe in 1950-51 and 1959-61', Table 7, in United Nations, *European Timber Trends and Prospects 1950-75*, pg. 177.

programme was clearly a tempting proposition to business for exploitation. At the same time the government was beginning to recognise the need for Highland development, paper companies were interested in locating a mill close to a supply of wood to improve efficiency of production and reduce costs without having to rely on imported wood. So much so that a consortium of companies: Bowater, Wiggins Teape, the Reed Paper Group and Thames Board, had expressed an interest in siting a mill in the Highlands to take advantage of the untapped resource in 1959. Government interest can perhaps unsurprisingly, given its major role in afforestation, be traced to an earlier period than this however.¹⁶³ Further, the pressing concern of Highland development brought the two issues closer together. If a way of marrying the issue of Highland development and exploiting the natural resource of the forests in Scotland could be found, the government could reduce its reliance on imports of sawn softwood and help its balance of payments concerns. A paper-pulp mill was one such way of doing this. The problem was then, where to site it?

Scottish forestry development and the ‘need’ for a mill

At the fifth meeting of the Executive Committee of the SC(DI) on the 11th September 1950, it was suggested by the Local Authorities Hydro-Electric Committee that a survey should be undertaken of the Lochaber area from Fort William to Ballachulish.¹⁶⁴ The intention of the survey was to determine the need for and possibility of introducing further industry into the area to counter balance the belief that it was over-reliant on aluminium smelting. The British Aluminium Company had located smelters in the Highlands to take advantage of the availability of cheap power sources in the form of hydro-electricity. In a chapter in the survey, entitled *The Danger of the Dependence on the Aluminium Industry*, it states that

¹⁶³ Ian Levitt’ article on the Government’s development of policy towards the construction of the pulp mill, entitled ‘Regenerating the Scottish Highlands: Whitehall and the Fort William Pulp Mill, 1945-63’ in the *Journal of Scottish Historical Studies*, vol. 25, no. 1, 2005, pp 21-39, is framed in the context of Whitehall’s involvement in the afforestation policy and the creation of the mill.

¹⁶⁴ Minute of the fifth meeting of the executive Committee, SCDI, 11/09/1950, NAS SEP4/2622.

The first point of note from these employment figures is that the aluminium industry, with factories at Fort William and Kinlochleven, provides more than one-third of the employment in the area, a proportion of which must be regarded as too great for the good of the district unless it can be shown that this industry is invulnerable.¹⁶⁵

Of course, no industry is invulnerable, but there was no explanation of what would have constituted a ‘good’ level of reliance on the industry in the area. The report then went on to detail the ‘special characteristics’ of the Lochaber area in comparison to the Highlands. The report’s findings that the Lochaber region, containing Fort William and Ballachulish, states, ‘There is little or no unemployment. Indeed, there is a shortage of workers throughout the area, greater in some parts than others.’¹⁶⁶ British Aluminium had expressed difficulty in attracting workers to the region to operate the smelters and the report picked up on this. The report also argued that this could be made easier with the provision of good housing and reasonable working conditions. The attitude that in order to attract workers to the Highlands the main things that were needed were nice houses and jobs was one replicated in the arguments for the other large-scale industrial developments that followed. Given that many of the officials who worked on the paper-pulp mill project also worked on these projects it is not surprising. Of course, decent living conditions and employment was the minimum that was needed to attract workers to the area.

The employment situation in the region was of little concern to the SC(DI), however. That the SC(DI) recommended in the report for further industry to be located in the Lochaber region, in spite of concerns over employment, is instructive in helping understand the change in attitudes within the organisation that eventually resulted in the production of the Toothill Report in 1961 and its suggested focus on ‘growth centre’ theory. The SC(DI) was beginning to recognise that simply

¹⁶⁵ SC(DI), *Development Committee Survey and Report of Fort William to Ballachulish*, February 1950, NAS SEP4/2622. British Aluminium Co. operated both smelters.

¹⁶⁶ SC(DI), *Development Committee Survey and Report of Fort William to Ballachulish*, February 1950, NAS SEP4/2622.

alleviating unemployment was no longer sufficient criteria for regional policy and that a new approach was needed. The Lochaber survey states, in relation to locating new industries in the area,

It may seem that the new industries which have been suggested for the area savour more of desperation than practicability, though there may be exceptions, such as glass tailoring, crafts and a few others. This does not mean that no real effort should be made to follow up the suggestions. On the contrary, we are here dealing with a test case for industries in the Highlands... In the Survey area and its surroundings the answers should be beginning to be seen; for the district has the significance of a laboratory, the experiment in progress being to determine the effects of a major new industry on the locality, on the country as a whole, and on the industry itself.¹⁶⁷

The last sentence held particular resonance later in the 1960s for those in the Scottish Office who took up the idea of locating a large industrial venture in the area as a test case for industry. So much so, that this idea of ‘testing’ the suitability of the Highlands for industrial expansion and regeneration became common parlance in correspondence between departments regarding the Fort William development. Highland development as an experiment is an enduring idea that is still used in the literature today and with some justification.¹⁶⁸ Expanding the industrial base of the Highlands was an experiment on the government’s part at remedying social ills with economic policies. Locating an industrial venture in the Lochaber area to help stem depopulation was recommended by the report as a means of ensuring dispersal of industry from the Central Belt region. It stated,

It would be less than honest if I did not state my view that the essential factor for the future of the Highlands is a policy of national decentralisation and

¹⁶⁷ SC(DI), *Development Committee Survey and Report of Fort William to Ballachulish*, February 1950, NAS SEP4/2622.

¹⁶⁸ See Levitt, I, ‘Regenerating the Scottish Highlands: Whitehall and the Fort William Pulp Mill, 1945-63’ and Fry, M, *Wild Scots*, (John Murray, Edinburgh, 2005), pp 288-304.

dispersal. Without this, only a little success can be expected from efforts to halt depopulation and bring new industries. There are powerful industrial, social, strategic and economic reasons for thinking that much more effort should be applied to developing certain types of industry in the countryside.... Yet official policy, while requiring the Highlands to plan, is all directed to bringing work to the Development Areas of the Central Valley. Indeed, the latest figures show that the position is being reached where new people must be brought into the Clydeside area to man the jobs now available, in spite of the fact that in large areas it is impossible to find sites for housing the existing population with decent standards of light, air and other amenities.

The designation of the Highlands as a development area in 1949 meant that if an industrialist wanted to locate there, they were able to apply for grants and loans to help with this. Moreover, even if an industrialist didn't want to locate there, they could be persuaded to do so by government offering more generous terms, or refusing the issuing of an IDC altogether. The SC(DI) knew this full well of course in making its recommendations about locating industry in the Highlands, encouraging the idea that the Highlands could sustain industry and be a profitable area to site industry in. The SC(DI)'s survey followed the Scottish Office's Advisory Panel on the Highlands review of forestry policy in 1952 that recommended development take place, especially in the North-West of the Highlands area¹⁶⁹, gaining support from the SC(DI) upon its learning of the recommendation. With the forestry planting that had taken and was taking place in the Highlands a paper-pulp mill was the logical choice to satisfy the recommendation. It of course had the further benefit of being of national use in helping Britain with its balance of payments problems.

It was not until 1958 that the idea of locating a pulp mill in the Highlands became a distinct possibility. In a House of Lords debate on forestry in late 1958, it was mentioned by the Government's spokesman in the House, the Earl of Waldergrave, that Britain was the largest importer of timber and timber products in

¹⁶⁹ Advisory Panel on the Highlands Report, 1952, NAS SEP12/27.

the world and produced only 10% of its requirements, or in other words, imported about 1000m hoppus feet of timber and timber products, worth about £370m annually, with around 100m Hoppus feet felled annually.¹⁷⁰ The debate discussed at length the growing surplus of thinnings in the forestry industry and what to do with them, an accumulation from the sawmilling industry that had grown as a result of the aforementioned large scale planting of softwoods in Scotland before and after the Second World War.¹⁷¹ The Earl of Airlie argued for Government support in establishing a pulp mill in Scotland ‘as quickly as possible’, after other forest-owning Scottish Lords had suggested the same solution.¹⁷² Earl Waldergrave responded that ‘The forestry industry cannot run to the Government and say ‘Set up a pulp factory and buy all our wood at guaranteed prices’’, although Waldergrave did go on to say that ‘[Government] will help private industry at the appropriate time’ before intimating that the appropriate time was when private industry had demonstrated that it was helping itself. The Earl of Buckinghamshire, on behalf of Lord Lovat at the end of the debate about transport costs, concluded that it cost £20 to transport timber from Inverness to London, £15 from the Borders to London, but only £10 from Scandinavia to London.¹⁷³ It is clear then that, relative to transports costs, the Scandinavian mills had a considerable advantage in not only economies of scale, but in transport costs also. Further, it demonstrates the peripherality of the Highlands and the difficulties of getting to and from the area. The Earl’s conclusion to the debate would later prove to be somewhat prophetic.

By the middle of the next year, there was a suggestion by a Member of Parliament, Sir James Duncan of South Angus, during a Commons debate on the matter in July 1959 that,

¹⁷⁰ *Hansard* vol. 213, House of Lords debate on Forestry Policy, 17/12/1958, col. 460-461. 1 hoppus foot is equal to 0.036 cubic metres.

¹⁷¹ Note on Scottish Pulp & Paper Mills (A Division of Wiggins, Teape & Co. Ltd.) Annat Point, Corpach, Fort William. Location Section, Scottish Development Department, 08/09/1966, NAS SEP4/448.

¹⁷² *Hansard*, vol. 213, House of Lords debate on Forestry Policy, 17/12/1958, col. 442-443.

¹⁷³ *Hansard*, vol. 213, House of Lords debate on Forestry Policy, 17/12/1958, col. 463.

One outlet, and it may be the main outlet, from the thinnings of these vast acreages which are coming into marketable form in the next twenty years, will be pulp... This is a young, growing industry and I hope Government... will not do anything to hinder or hurt the output from British forests, because I believe it is an industry which we ought to foster, being of very great importance to the Highlands of Scotland.¹⁷⁴

Sir James' point was a sentient one. The growing interest in constructing a pulp mill was a natural reaction to the growing surplus of thinnings from the care and maintenance of the afforestation programme that had been in full swing since the Second World War. Indeed, even prior to the war there had been interest in siting a pulp mill in the Highlands. In 1933, T Dalgleish of the Scottish Landowners Co-operative Forestry Society put forward a proposal for the supply of a pulpwood mill from Sitka spruce that had been grown on a thirty year rotation to no avail, following on from experiments in making paper from sawdust at Donside paper works in Aberdeen in 1918 during World War One.¹⁷⁵ Also of consideration was the substantial imbalance in UK wood pulp imports in comparison to production, exposing the country to the vagaries of international price fluctuations. The UK wood pulp production compared to imports for the ten years prior to this debate can be seen below, adding further support to the idea of constructing a pulp mill:

¹⁷⁴ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 716.

¹⁷⁵ Anderson, ML, *A History of Scottish Forestry*, pg. 457.

Table 2.1 United Kingdom production and imports: wood pulp, all grades, 1948-58 (in thousand short tons, air dry weight)

Year	Production	Imports	Trade Difference
1948	63	1300	-1237
1949	86	1478	-1392
1950	137	1603	-1467
1951	159	1872	-1713
1952	154	1611	-1457
1953	142	1797	-1655
1954	159	2148	-1989
1955	149	2512	-2363
1956	160	2464	-2304
1957	178	2395	-2217

Source: Appendix 1.7, from Reader, WJ, *Bowater: A History*, (CUP, Cambridge, 1981), pp. 356-157.

The fairly clear reliance on imports of pulp from the above table and the growing supply of thinnings available for making pulp as a result of the afforestation programme were powerful arguments for constructing a pulp mill to take advantage of the latter, whilst going some way to offsetting the former. The issue of the Government's unwillingness to take an active role in locating a mill anywhere, let alone Scotland, was short-lived when it became apparent that a consortium of private companies, operating under the name Scottish Pulp (Development) Ltd., were interested in setting up a pulp mill to take advantage of the growing supply of thinnings in the Highlands. The managing director of the consortium Dr Theodor Frankel, an Austrian immigrant and Wiggins Teape manager, had apparently been impressed while on holiday in the South of France with a colleague by reforestation in the area and foresaw the potential of reforestation in Scotland linked with pulp and

paper making.¹⁷⁶ With it clear to Scottish officials that something had to be done in the Highlands and it clear to officials in London that the UK was heavily reliant on wood pulp imports for its papermaking industry, an opportunity was beginning to present itself to government that could satisfy a number of its aims at both national and regional levels. Further, the experience of wartime supplies of paper and pulp from the Nordic countries being cut off during World War Two highlighted the need, at least in the minds of some paper manufacturers¹⁷⁷, for developing the domestic paper and pulp industry. Perhaps more foremost in their minds however was the introduction of the European Free Trade Area, of which several Nordic countries were to be members, that was to remove tariffs on paper and pulp products opening up the British domestic market to the larger Scandinavian operators.¹⁷⁸ Establishing a paper-pulp mill with sufficient output in the UK would be one way of creating a bulwark against the entry of the Scandinavian paper companies with their economies of scale and subsequently cheaper paper into the UK market.

Upon learning of the Scottish Pulp (Development) Ltd. consortium's interest in early 1959, the Scottish Secretary of State Jack Maclay directed his officials in the Scottish Office to assess the employment potential of the project and to meet with Frankel.¹⁷⁹ The meeting then took place between Frankel and Maclay on the 7th May 1959 where the discussion centred on the company's plans for the mill. Frankel intimated that he envisaged that when in full production the mill would use 10m hoppus feet of timber per year, employing approximately 400 people. Further, Frankel was of the mind that the company preferred the area in and around Fort William as a location and had already made arrangements with British Aluminium Co. to reuse the water it used in its nearby smelter operation that would normally be flushed straight into Loch Linnhe. Frankel also said that if a better location were to be

¹⁷⁶ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pg. 1.

¹⁷⁷ *Hansard*, vol. 610, House of Commons Debate on Scotland (Paper-Making Industry), 30/07/1959, col. 722.

¹⁷⁸ See Jensen-Eriksen, N, 'Industrial diplomacy and the European integration: the case of the paper industry, 1956-72' and 'Stab In The Back? The British Government, the Paper Industry and the Nordic Threat, 1956-72' in *Contemporary British History*, March 2007, pp 1-21 for more on this.

¹⁷⁹ SDD Minute, 24/04/1959, NAS SEP4/1726.

found the company would be open to the suggestion and made his appreciation of the efforts of the SC(DI) clear to Maclay.¹⁸⁰ The supply of water from British Aluminium's Fort William smelter was an important consideration for the mill due to it requiring 50m gallons of water a day for its proposed operations.¹⁸¹ However, locating at Fort William, in particular the Corpach site at Annat Point that was identified by the company as the desired site, was problematic as the water would need to be pumped for 3.5 miles to the site, an expensive, as well as logistically difficult, undertaking. Further, the need for a deepwater jetty for the supplies of wood from abroad to reach the mill would be required, meaning yet more capital outlay.¹⁸²

Two days later the *Glasgow Herald* ran a story with the headline 'Highlands May Have Wood Pulp Mill' detailing how government departments were studying 'intensively' the idea that a pulp mill should be located in the area, 'if private industry can be persuaded to build it.' It stated further 'Unless effluent could be discharged to a fast flowing river or to the sea, an extensive treatment plant would be required, adding considerably to capital costs.'¹⁸³ The Corpach site satisfied this requirement - Loch Linnhe is a coastal loch with sea tides that would be able to take the discharged effluent out to sea. Avoiding the requirement for an expensive treatment plant would be thus possible by locating at Corpach. Also, with the available water from the British Aluminium smelter, government support through the area's development area status and the proximity to the forest plantations in the Highlands, the Corpach site was the most suitable. There was no mention of the company in the article, but the suggestion that 'if private industry could be persuaded to build it' was enough of an implication that there was governmental support for the scheme. This is not surprising when it is considered that the British Aluminium smelter at Fort William was experiencing operational difficulties in the February before the meeting between

¹⁸⁰ Minute of meeting between Secretary of State Jack Maclay and Dr Frankel, Wiggins Teape, 07/05/1959, NAS SEP4/1726.

¹⁸¹ SHD minute for Secretary of State on above meeting 11/01/1960, written 03/02/1960, NAS SEP4/1726.

¹⁸² This will be covered in more depth later in the case study.

¹⁸³ *Glasgow Herald*, 'Highlands May Have Wood Pulp Mill', 09/05/1959, pg unknown, from folder NAS SEP4/1726.

Frankel and Maclay and the article's publication. At a meeting of the Highlands and Islands District Committee of the Scottish Board for Industry the Fort William representative, JA MacKenzie, expressed 'considerable concern at conditions in the area.' The BACo smelter was operating only 75 furnaces when the normal working number for that time of year was around the 140 mark. Further, the company had been unable to use any other of its normal supplies of water and had been draining the loch, a 'most unusual' occurrence for the time of year. MacKenzie then went on to ask if the Board of Trade could possibly find alternative industry for the area.¹⁸⁴ It is likely that Maclay was aware of the situation in the area; its over-reliance on the aluminium smelters that were experiencing operational difficulties coupled with the interest of a consortium of pulp and paper makers operating in international markets in locating a mill there made for ample opportunity to progress Highland development.

In August 1959 Scottish Pulp (Development) Ltd. announced at a press conference its intention to look into the possibility of building a large pulp mill in Fort William. The conference was a joint event organised by Lord Polwarth, the chairman of the Scottish Council (Development and Industry), with Scottish Pulp (Development) Ltd. Polwarth would later become an increasingly important figure in the discussions regarding governmental support for the establishment of the mill in the area. The company stated that only a 'really large' mill would have a chance of economic survival in Scotland and that as a result the prospective mill would use 12-15m cubic feet of pulpwood per year. Frankel said,

At present there is not enough wood in Scotland for such a mill to operate but there is an increasingly large supply. A major problem however will be to obtain raw material at a price that will allow us to compete with the extremely efficient mills in Scandinavia... If we can build as efficient a mill as the modern Scandinavian plants, we will be very happy. What we have to do is cut the cost

¹⁸⁴ Letter from R Forsyth, Board of Trade & Ministry of Supply Inverness District Office, to LI Macbeth, Board of Trade Glasgow, 10/02/1959, NAS SEP4/448.

from standing tree to the mill. Scotland's forests are, in comparison with Sweden and North America, small and well dispersed, and we must bring wood from the forests as economically as possible... Unless we can compete with other countries at that stage of the project we will not be able to operate.¹⁸⁵

Polwarth, perhaps mindful of the House of Lords debate on the paper industry noted above, went on to state 'Now is it most welcome that four of the leading papermakers in Britain are prepared to put down not only cash, but the services of their experts to carry on the investigation.'¹⁸⁶ A pulp mill at Corpach was now a realistic possibility. Private industry had expressed an interest and had gained the support of the Scottish Council (Development and Industry), giving the project a real chance of going ahead. It is not that surprising that the Scottish Council had expressed support for the venture - ten years previously it had set up a wood pulp group to study the feasibility of a mill as well as provided information for the OECD survey that had been published.¹⁸⁷ The following November Maclay met with Frankel again. Maclay was briefed that the Fort William area's average rate of unemployment over the previous 12 months, 2.8% or 141 persons wholly unemployed, would likely not in itself qualify the area for recognition for assistance under the existing legislation or the forthcoming Bill on Local Employment¹⁸⁸ or for that matter provide sufficient labour for the prospective pulp mill. Maclay was further briefed on Frankel's discussions with the Board of Trade and the Forestry Commission regarding the possibility of exemption of certain kinds of pulp wood from import duty in respect of the company's need, should the mill get the go ahead and required funding, to import wood initially until the

¹⁸⁵ *The Scotsman* article 'Pulp Mill May Be Built In North' 11/08/1959, pg. unknown, from NAS SEP4/2622

¹⁸⁶ *The Scotsman* article 'Pulp Mill May Be Built In North' 11/08/1959, pg. unknown, from NAS SEP4/2622

¹⁸⁷ *The Times*, 11/08/1959, pg. 5.

¹⁸⁸ This would later become the 1960 Local Employment Act where certain parts of the country were designated as development districts on the sole criterion of local unemployment rates and relieving unemployment as the test for receipt of government backing for industrial projects. The Highlands had already been designated as a development area in 1949 after pressure from the Scottish Office and Ministry of Labour on the Board of Trade, meaning Board of Trade loans and grants were available to industrialists looking to locate in the area. The concern of the officials in the Scottish Office was that in light of the new Bill there was no guarantee that the Fort William area would be included in the newly defined development districts as qualifying for Government assistance in light of its employment situation.

maturation of Highland forests. The wood was to be imported in small amounts of a few hundred tonnes at a time by boat before being moved on to the mill by rail, then from the mill by road to markets.¹⁸⁹ The company's intention at this point was not to import the wood from the EFTA - it is not clear why - and was seeking assurances from the Board of Trade regarding it. Maclay was briefed to refrain from commenting on the matter but was informed that the Board of trade was 'not unsympathetic' to Frankel's request, demonstrating some support from London for the establishment of a mill in the Highlands.¹⁹⁰ However, before it could become reality, the company wanted guarantees of financial support from the government. This was to prove somewhat problematic.

The analysis of the situation in official terms was in stark contrast to the analysis of the situation in the area in the *Aberdeen Press & Journal* which described Fort William as 'once an aluminium boom-town, now facing serious unemployment and depression' and as a place where 'ample labour is available'.¹⁹¹ This is in many ways indicative of the problems facing officials charged with the task of Highland development: popular perception was influenced directly by media representations, whereas official perception was influenced by government statistics, sometimes accurate, sometimes not. The two were and are often very different and Civil Servants had to weigh them both up before briefing ministers, taking into consideration the political, economic, environmental and social considerations of the preferred course of action. The *Press and Journal* ended its article on the matter with the statement 'It is widely felt too that here is an opportunity for the authorities to prove the sincerity of their concern for the Highlands'¹⁹², a sentiment that was to later characterise much of the attitudes of both the media and the Scottish Office towards tendering for large-scale industrial development in the Highlands.

¹⁸⁹ Letter from J Watson, SDD, to Mr Gold, Agriculture and Forestry Group, 25/09/1962, NAS DD12/2945.

¹⁹⁰ Note for Secretary of State's meeting with Dr Frankel to be held on 25/11/1959. Proposed Pulp Mill at Fort William, NAS SEP4/1726.

¹⁹¹ *Aberdeen Press & Journal*, 12/11/1959. 'A New Scots Industry Hangs In The Balance', page unknown, From NAS SEP4/1726.

¹⁹² *Aberdeen Press & Journal*, 12/11/1959. 'A New Scots Industry Hangs In The Balance', page unknown, from NAS SEP4/1726.

Scottish officials and the mill: Highland development

On the 18th December 1959 Scottish Pulp (Development) Ltd. were issued an Industrial Development Certificate (IDC) for a factory space of 250,000 sq. ft. at Corpach that was to prospectively employ 350 men and 30 women.¹⁹³ The issuing of this certificate was the first real physical sign from the government that it was supportive of the venture. Haddow commented in a note the following May that,

The Board of Trade's view about the industrial aspect of the wood pulp development has already been expressed by the issue of the industrial development certificate. We can, however, stress the importance of this development for the Highlands and that our over-riding interest in this matter is that this project should be secured for the Highlands.¹⁹⁴

At a meeting between the consortium and officials from the Scottish Home Department and the Department of Health for Scotland (both departments shared planning duties for Scotland at the national level at this time before the creation of the Scottish Development Department in 1962), the firm indicated to the Scottish Office officials that its Canadian consultants had told them that the site would have 'special difficulties' in relation to the water supplies and access for shipping at Fort William and would make the project 'uneconomic'. This was especially the case in relation to pulp mills constructed in Sweden where they were generally built at the mouth of a river and had ready access to both fresh water and the sea for discharge of effluent. The company maintained that a grant would be required to offset the capital cost of the necessary installations of a pipeline measuring 3.5 miles to the BACo plant for water and a deep-water jetty into Loch Linnhe for the project to go ahead. The jetty was required for outgoing products from the mill, in contrast to another pulping operation owned by another Wiggins Teape company (the only other pulping operation in Britain at the time) in Sudbrook, Monmouthshire where no timber was

¹⁹³ Note on Scottish Pulp (Development) Ltd. 15/09/1960, NAS SEP4/448.

¹⁹⁴ Memo on Pulp Mill, written by TD Haddow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

brought in by sea and pulp was supplied by road to paper manufacturers within a radius of thirty miles.¹⁹⁵ Scottish Home Department officials minuted on the above meeting that as a result of the special difficulties mentioned, the proposal to site the mill at Annat Point would make the project ‘likely to be abnormally costly by comparison with the Scandinavian mills’ and that the company would ‘seek direct financial assistance towards the capital cost of the water supply installation and the jetty’ on these grounds.¹⁹⁶ The location of the mill in the Highlands was proving to be problematic before it had even been constructed, and that is without considering that the Scandinavian mills were already well-established operators.

Inverness County Council’s Planning Committee approved the consortium’s application in principle on 19th January 1960. Frankel commented that the company was trying to put forward a ‘sound scheme in the national and industrial interests.’¹⁹⁷ This would later be a tactic for securing government support for the other large-scale industrial ventures in the Highlands. Indeed, government support in one form or another was recognised almost as a pre-requisite for industrial development in official circles with a Scottish Board for Industry note on the Fort William project stating ‘It is virtually impossible to get any industrialists to go to Fort William without special reason.’¹⁹⁸ British Aluminium had gone as a result of the cheap electricity provided by the hydro plants, and Scottish Pulp (Development) Ltd. were going with thoughts of a government loan in mind. The area was and still is, remote from centres of population and markets, sparsely populated, industrially weak and lacking in infrastructure. The Annat Point site was chosen essentially because of the ability to utilise the water from the BACo plant and due to its proximity to Highland forest plantations. The possibility of government backing for the venture was arguably the most crucial

¹⁹⁵ Note on meeting on Pulp Mill Project, Edinburgh 11/01/1960, between Scottish Office officials (Scottish Home Department and Department of Health Scotland) and Scottish Pulp Mill (Development) Ltd., NAS SEP4/1726.

¹⁹⁶ Scottish Home Department minute for Secretary of State on meeting on Pulp Mill Project, Edinburgh 11/01/1960, between Scottish Office officials (Scottish Home Department and Department of Health Scotland) and Scottish Pulp Mill (Development) Ltd., written 03/02/1960, NAS SEP4/1726.

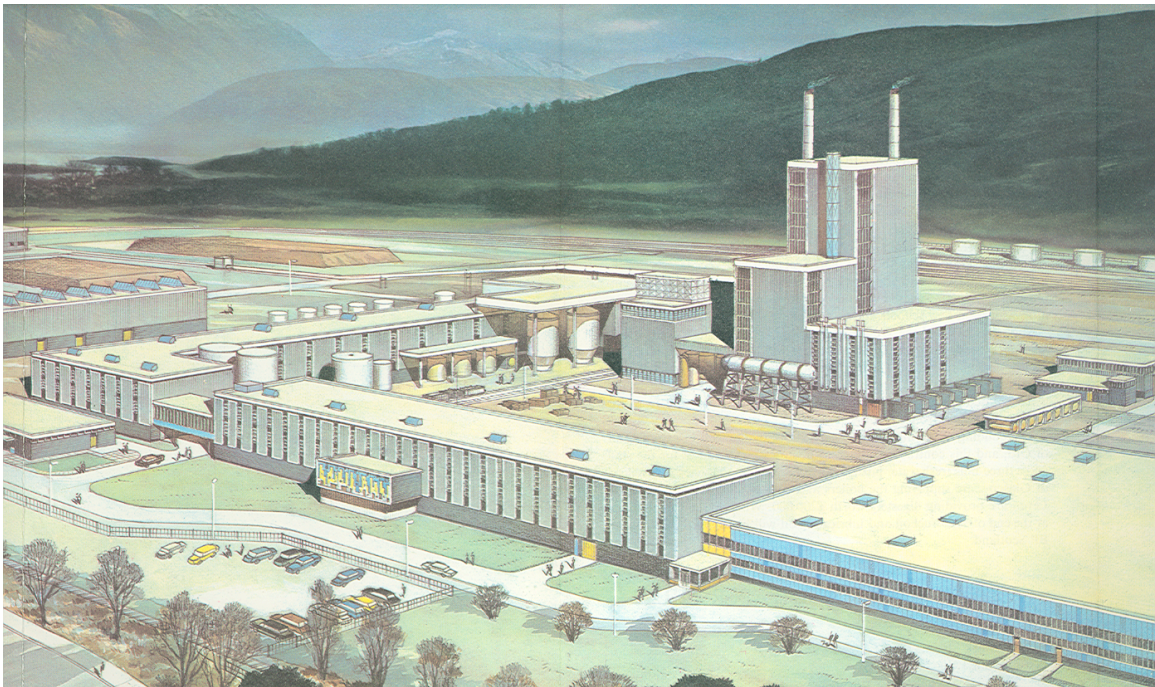
¹⁹⁷ *The Scotsman* article on mill ‘Blueprint for £8m Wood Pulp Mill Approved’ 20/01/1960, page unknown, from NAS SEP4/1726.

¹⁹⁸ Scottish Board for Industry note on Fort William - 16/09/1960, NAS SEP4/448.

factor in the likelihood of the consortium locating the mill in Fort William however as the consortium made clear that without such backing there was little chance of the venture going ahead at all, let alone in the area.

The acceptance of the application in principle by Fort William council for the mill gave the consortium the signal it wanted to go ahead with the formulation of its plans for the mill and the area. Frankel commented in *The Scotsman* after the application's success that 'a building of pleasing appearance, in harmony with the countryside, would be provided'¹⁹⁹ by the consortium. An artist's impression of the site can be seen below:

Figure 2.1 Artist impression of Corpach mill



Source: Promotional pamphlet: Scottish Pulp and Paper Mills, 'Scotland's Pulp and Paper Mill: A £20 Million Enterprise'. Published by Wiggins, Teape & Co., Ltd. No date.

¹⁹⁹ *The Scotsman*, 20/01/1960, page unknown, from NAS SEP4/1726.

It took the consortium some time to work out its plans for the mill, including detailed costings for the receipt of government support for the project. There was some concern on the part of government over the smell emitted by the proposed mill, one of a similar scent to ‘cooking cabbage’ or ‘silage’ according to Frankel as a result of the pulping process and its effect on Fort William. These fears were allayed however by meteorological advice received by the Scottish Office on the matter that advised the town would be affected by the smell only one day in ten at worst in the summer and scarcely in the winter months at all.²⁰⁰ No objections were lodged in response to the consortium’s application for development, although there were notes of official concerns over the potential for pollution of the Loch from the effluent discharged and pollution of the air from the mill. These concerns were passed to the Secretary of State, John Maclay, who was made aware that they might be raised again in response to a full application (with complete plans for the mill) being made for planning consent. In response, Maclay made it clear he was

...most anxious that this project should materialise. It may founder on technical Board of Trade Monopolies Commission complications, on the price of timber, or the cost to the company or the Government. But it would be tragic if all these difficulties are overcome and we then have an outburst of local trouble... The importance of the project to the North West of Scotland goes far beyond the visible 400 employees. In a minor scale it is of the same growth and breeder potential as the strip mill [at Ravenscraig in Lanarkshire].²⁰¹

Maclay’s continued support for the mill was crucial to its chances of being built since, as Secretary of State for Scotland, ultimate planning responsibility lay with his signature. Further, he made it clear in discussions with Sir Arthur Gosling of the Forestry Commission that if there were any problems in the price of timber for the new mill from the Forestry Commission, he would not be averse to ‘bridging any gap by a subsidy on social grounds if the scheme would otherwise founder’ so as to

²⁰⁰ Minutes, 02/12/1960, 14/12/1960, NAS SEP4/1533.

²⁰¹ Minute by Secretary of State for Scotland, 16/12/1960, NAS SEP4/1544.

ensure the Commission received a fair price and the mill obtained timber at a competitive price.²⁰²

Maclay's endeavours to secure the possibility of the pulp mill being located in the Highlands came from his awareness of the importance of industrial development in Scotland. He later commented, 'Scottish Secretaries were now being judged by the performance of the Scottish Economy'.²⁰³ His predecessor James Stuart had placed little emphasis on industry, but the growing clamour for government action in the press and the Scottish covenant movement headed by MacCormick meant Maclay effectively had little choice in focusing on industrial investment if he was to avoid large-scale criticism, or worse. Maclay stressed the importance of locating the mill in the Highlands as a means of attracting more industry to the area. He followed up his comment in his meeting with Gosling with a further note two months later again stressing his support stating, 'I repeat I am most anxious that this project should go ahead and don't want to convey any other impression.'²⁰⁴ The intention then was to attract other industrialists by showcasing the potential of the area to host industry successfully with the pulp mill being the first such instance of this. Cairncross' report had been published in 1952 and revealed an archaic economic structure in Scotland suffering from under-investment. There was belief that the economy needed government intervention and planning in order to offset the over-reliance on the Staple Industries through renewal and diversification.²⁰⁵ Ravenscraig was renewal; Fort William was diversification, although not just in a Scottish sense, but a Highland one too.

During 1961 the consortium spent much of the period formulating and amending its plans for the mill. Towards the end of the year the decision was taken, in

²⁰² Minute of discussion between Secretary of State and Sir Arthur Gosling, Forestry Commission, 15/12/1962, NAS SEP4/1544.

²⁰³ Harvie, C, 'Maclay, John Scott, Viscount Muirshiel (1905-1992)', *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004-5), pg. 2. From website www.oxforddnb.com/public/articles/113170741965851247-print.html accessed 07/07/2006.

²⁰⁴ Minute from White to Laing, Department of Health Scotland, 15/02/1961, NAS DD12/2727.

²⁰⁵ Cairncross, A, *Report of the Committee on Local Development in Scotland*, (SCDI, Edinburgh, 1952).

respect of the necessity of importing wood, that to take advantage of economies of scale it would be prudent to include a paper mill, intended to produce 40,000 tonnes per year of educational paper and medium to heavy weight printing grades²⁰⁶, in the immediate plans for the venture, with a further paper mill being introduced at a later stage. The idea of simply building a pulp mill was thought to be too uneconomic without adding a paper mill to the development due to the existing Scandinavian pulp manufacturers' dominant market position. It was known that a pulp mill alone simply couldn't compete in providing pulp to paper manufacturers.²⁰⁷ As a result, this eventually led to Bowater and Reed both leaving the consortium as their primary interest was in the pulp side of things, with both already operating a number of paper mills elsewhere.²⁰⁸

By the time Maclay met with Frankel again to discuss the plans in August 1961, the remaining members of the consortium, Wiggins, Teape and Thames Board had decided on a Swedish process of pulp manufacture, the Stora process, that 'had not so far been used on a large scale'. This led to Thames Board formally dropping out of the consortium in September 1962²⁰⁹ although this wasn't announced publicly until the 27th December the same year.²¹⁰ Thames Board withdrew on the further basis that the market acceptance of the duplex board instead of bleached folding box-board for packaging such items as frozen food meant that a mill making paper and pulp, as well as the kind of board the market required would have been unfeasible. As a result Thames Board decided to look into the possibility of constructing a new pulp and box-board mill based on a new groundwood process elsewhere in Scotland, with the Borders considered the most likely area.²¹¹ They believed that with the advent of the Common Market they could not hope to sell their board product in Europe and the

²⁰⁶ Hood, N & Young, S, *Industry Policy and the Scottish Economy*, (EUP, Edinburgh, 1984), pg. 283.

²⁰⁷ Turnock, D, *Scotland's Highlands and Islands*, (OUP, London, 1974), pg. 24.

²⁰⁸ Note on Scottish Pulp & Paper Mills (A Division of Wiggins, Teape & Co. Ltd.) Annat Point, Corpach, Fort William, Location Section, Scottish Development Department, 08/09/1966, NAS SEP4/448.

²⁰⁹ Memo on Pulp Mill, written by TD Haddow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

²¹⁰ *The Times*, 27/12/1962, pg.4.

²¹¹ Note of meeting between Forestry Commission and Scottish Pulp (Development) Ltd (Wiggins Teape and Thames Board Mills Ltd), 28/09/1962, NAS DD12/2945.

domestic market was unlikely to offer a 'satisfactory outlet'.²¹² They eventually built a wood pulp plant at Workington in Cumbernauld supplied by both English and Scottish forests.²¹³

The choice of process to be used was a critical juncture for the mill - the Stora process had not been well used and was based on a sulphite pulping process. The more commonly used process on the other hand was the Kraft process, based on sulphate pulping and used by mills worldwide. However, the Kraft process produces an obnoxious smell and brings with it a large timber requirement that would have stretched Highland resources to the limit. These two factors, although not insurmountable, persuaded the company to change to the Stora process at the behest of the local authorities, who would not accept the alternative in order to preserve Highland amenity. Thus, the alternative of using a relatively untried process was necessary.²¹⁴ Denuding the Highlands of attractive forests and wildlife and producing unpleasant smells would hardly add to the amenity of the area after all. Consequently, Thames Board dropped out, leaving Wiggins Teape as the only remaining interested party in establishing a mill.²¹⁵ Scottish Pulp (Development) Ltd. also changed its name at this point to Scottish Pulp and Paper Mills to reflect the newly envisaged mill's operations.

The new plans for the mill did not affect the amount of wood required, but did result in increased costs, as well as increased direct and indirect job creation of 870 and 1750 respectively.²¹⁶ This led officials in the Scottish Home Department to advise Maclay that,

²¹² Letter from Lister to Sheldrake, Scottish Development Department, 27/09/1962, NAS DD12/2945. Thames Board's rationale for this was not made clear at any point.

²¹³ Muir, A, *The British Paper & Board Makers Association, 1872-1972*, (The British Paper & Board Makers Association, London, 1972), pg. 67.

²¹⁴ Hood, N & Young, S, *Industry Policy and the Scottish Economy*, pg. 283.

²¹⁵ Meeting between Secretary of State for Scotland and Dr Frankel, 18/10/1961, NAS DD12/2727.

²¹⁶ Note on Scottish Pulp & Paper Mills (A Division of Wiggins, Teape & Co. Ltd.) Annat Point, Corpach, Fort William, Location Section, Scottish Development Department, 08/09/1966, NAS SEP4/448.

Although the Chancellor of the Exchequer has said more than once in public that the recent Ministerial decision to apply stricter criteria to applications by private industry for Government financial aid will not affect the operation of the Local Employment Act, the Treasury may well prove difficult about Exchequer assistance for this large and expensive project. They may insist for instance that the Board of Trade (even if the latter are sympathetic) should take a strict view of the cost per job ratio and they may also argue that the rate of unemployment in the Fort William area does not justify Exchequer assistance at all (there were only 47 unemployed in the area mid-September, representing 0.9%, and at the inter peak in February the figure was only 181 or 3.5%). The importance of this project is, of course, to the Highlands as a whole and moreover it would add to the strength of Fort William as a centre of stability and as is required in all rural areas to assist in stemming depopulation.²¹⁷

The opinion of the Scottish official responsible for the above note would later ring true. The Board of Trade was limited in its scope for reviewing applications for funding on the basis of only being able to consider direct job creation, although from the point of view of the Scottish Office it was indirect job creation that was the main concern. The fact that the mill project was more capital intensive than labour intensive meant the Local Employment Act was unlikely to cover the government sufficiently to grant support on the scale required. Fort William was not suffering unduly from unemployment at this point (an anomaly in relation to the Highlands generally during this period), although depopulation was a concern as was the belief in the over-reliance on the aluminium industry, making the indirect job creation in the area of even more importance to Scottish officials. The main crux of the matter here was the decision on the part of the then consortium, then later Scottish Pulp and Paper Mills, to locate in Fort William to be near a steady supply of water, as well as timber, and easy access for imports of wood (by sea, rail or road), as well as the availability

²¹⁷ Note on Proposed Pulp Mill at Annat for Secretary of State, JJ McCabe, Scottish Home Department to Mr Scott White (Private Secretary to Secretary of State), 16/10/1961, NAS DD12/2727.

of a site.²¹⁸ The Scottish Office were thus faced with the task of gaining support for the venture from Whitehall (the Treasury and Board of Trade most importantly) for an industrial venture located in an area that arguably didn't need it and couldn't supply the numbers of staff needed for it, but which was expected to be important to the surrounding areas. Special treatment of the area would be required in order to push through the project and circumvent existing policy at the UK national level to achieve this.

By the beginning of 1962 discussions had reached the stage where officials from all levels of government - from Scottish Office departments, Inverness County Council, Scottish Council (Development and Industry), Ministry of Labour and the Board of Trade - and the new company Scottish Paper and Pulp Mills, met to discuss taking the project forward. Tom Lister, a Scottish Office official with the Department of Health for Scotland²¹⁹, was designated as the lead Civil Servant on the project and discussions took place regarding recruitment of workers for the venture. Due to the lack of available labour in Fort William, it was estimated that about 200-250 skilled paper trade workers might come from existing mills, 50-80 skilled tradesmen such as electricians, engineers, plumbers and so on would be required that were envisaged to come from the Glasgow area. The remaining unskilled workers would be recruited mainly from the West and North of Scotland, outwith daily travelling distance of Fort William.²²⁰ The requirement to 'import' labour into the area had a knock-on effect of then requiring more houses to be built to house the influx of people as well as improving amenities for the new residents, not including the need to improve the road

²¹⁸ Invernessshire Delegation visits Monmouth Pulp Mill, Model for Fort William Project, Department of Health Scotland note sent to TH Frankel, 04/10/1962, NAS DD12/2945.

²¹⁹ The Department of Health for Scotland was at this point responsible for economic planning joint with the Scottish Home Department. A new department would be created later the same year as these discussions, known as the Scottish Development Department that was to hold responsibility for economic policy in Scotland. For further reading on this see Coats, AW, 'The Changing Role of Economists in Scottish Government since 1960' *Public Administration*, Winter 78, vol.56, Issue 4, (Blackwell, London, 1978), pp. 399-424, Kellas, JG, *Modern Scotland*, (George Allen & Unwin, London, 1980) and *The Scottish Political System*, (CUP, Cambridge, 1989) and Levitt, I, 'The Origins Of The Scottish Development Department, 1943-62', *Scottish Affairs*, no. 14, winter, 1996 pp 42-63.

²²⁰ Note of meeting to discuss the proposed mill at Annat, Fort William, 14/02/1962 between officials from Scottish Office, Inverness County Council, SC(DI), Scottish Paper and Pulp Mills, Ministry of Labour and Board of Trade, NAS DD12/2945. None of the figures mentioned included drivers for lorries bringing timber to the mills, of whom it was expected would be employed by outside firms.

network to cope with the increased traffic serving and coming from the mill. As a result a working party, consisting of members of the Scottish Home Department and the Department of Health for Scotland, was set up, holding its first meeting a month after the earlier cross-departmental meeting with Scottish Paper and Pulp Mills. In a note of the first meeting of the new working party, it was stated that

[The new mill] was potentially one of the most important developments in the Highlands economy for many years; the uncertainty which still attended it was likely to be removed soon; it merited, therefore, ranking as immediately urgent and work should proceed on the footing that everything was to be prepared short of committing physical operations.²²¹

Scottish officials were keen for the project to get off the ground and receive financial backing from the government, but their support for the project was not fully reflected in Whitehall.

By the second half of 1962 the new company had applied to the Board of Trade for a loan of £6m, but were informed that it was unlikely that it would receive more than £3m. However, by the end of July the Board of Trade had reconsidered its position and made it clear to Frankel and his company that it was prepared to regard the original submission of £6m for the project as eligible for consideration by the Board of Trade Advisory Committee, the body who were responsible for making the decisions on who was to receive support or not,²²² although the Board later made clear that it felt that the financial demands made by Wiggins Teape were ‘very heavy’ but that ‘the project has raised such high hopes in Scotland that there might be considerable political difficulties if it did not go ahead’.²²³ Lister wrote to Fort William’s Town Clerk, Robert Dow, enquiring about the possibility of the Town

²²¹ Note of first meeting of Departmental Working Party on Annat Pulp Mill, 23/03/1962 (Department of Health for Scotland and Scottish Home Department), NAS DD12/2945.

²²² Memo on Pulp Mill, written by TD Haddow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

²²³ Note by DN Charlish, Board of Trade on Pulp Mill at Fort William, 04/10/1962, The National Archives Public Record Office folder (from now on TNA PRO) BT258/851.

Council contributing to the housing needs of the new mill. Dow wrote back that the council had agreed in principle to build 200 houses for workers of the mill on the understanding that the houses would attract the industrial overspill subsidy of £32 per house and that the company and the newly created Scottish Development Department would secure tenants from areas with which the Town Council had overspill agreements.²²⁴ The intention was to build houses fairly close to the mill so that skilled workers could be called out in the middle of the night to attend any urgent work needing attention.²²⁵ After some discussion, Inverness County Council also agreed to supply 350 houses for the project to house the expected incoming 600 families to the area; a point reported by *The Scotsman* in relation to the difficulties in Bathgate experienced by the British Motor Corporation in housing provision there. *The Scotsman* reported, under the headline ‘Bathgate Cannot Supply BMC Housing Needs’, how Bathgate Town Council could only offer 30 houses for the BMC plant instead of the 500 it had originally promised, claiming the original proposal was too expensive. It went on to state ‘Firm wants 550 Houses: Needed for workers in pulp mill, Annat Project’²²⁶, the implication being that the Fort William and Inverness Councils, at the town and county levels, were more accommodating to industry’s needs than Bathgate. Of course, the lack of large-scale industry in the Highlands during this period perhaps influenced this.

The uncertainty surrounding the project’s finances was confined not only to the financial aspect - the Scottish Office wished to ensure that the afforestation policy of the Forestry Commission would continue to safeguard the long term future of the mill. A Scottish Development Department official wrote to another official in the Agriculture and Forestry Group to make clear the importance of the continued afforestation of the country. In the letter the official detailed the project’s expected operational needs as well as its importance to the Highlands, stating that it would require 2000 tons of timber per day when in full production and that

²²⁴ Letter from Robert Dow, Town Clerk Fort William, to TL Lister, SDD, 10/07/1962, NAS SEP4/1726.

²²⁵ Letter from TH Frankel, Scottish Pulp to Provost Canon GKB Henderson, Fort William, 07/08/1962, NAS DD12/2945.

²²⁶ *The Scotsman*, 12/09/1962, pg. 5.

...if the intention to use only Highland forest sources is to be realised, any steps to slow down forestry planting could only be detrimental to the economic and social benefits which the mill will bestow... The essential point is that as it is based on a full and steady supply of timber from Highland forest sources that supply must be ensured if the mill is to materialise. Any reduction in the programme could adversely affect the economics of the project and endanger its establishment in the first place or its viability at a later stage.²²⁷

The Scottish Development Department was trying to ensure that the afforestation programme on which the future of the mill depended would continue unabated, providing an element of security to its operations. As mentioned above, the afforestation policy continued resulting in 12% of the Highlands area being covered by the 1980s. Indeed, the area's woodland coverage almost doubled between the 1940s and 1970s from 1038 km sq. (4%) to 1861 km sq. (8%) then grew by half again to reach the 12% figure quoted.²²⁸ It seemed that a future supply of wood would not be a concern to the mill.

Financing the mill: a Noble endeavour?

By November it was fairly clear that a pulp mill was almost certainly going to be located at Fort William, but the question of how to finance it still remained. After Thames Board's official withdrawal from the consortium in September Scottish Pulp changed its request to an £8m loan from the Board of Trade, arguing that it could only realistically raise £6m of private funding for the project, estimated at this point to cost around £14m²²⁹ and that it expected to earn not more than 7% on its

²²⁷ Letter from J Watson, SDD, to Mr Gold, Agriculture and Forestry Group, 25/09/1962, NAS DD12/2945.

²²⁸ Table 19.1 'Land cover stock estimates for Highland region (total area: 24611km sq.), Government Statistical Service, *The Scottish Environment Statistics*, (HMSO, Edinburgh, 1996) quoted in Mackey et al, *Land Cover Change: Scotland, from the 1940s to the 1980s*, (HMSO, Edinburgh, 1998), pp. 190-191.

²²⁹ Letter from Lord Polwarth, SC(DI) to Prime Minister, 08/11/1962, NAS DD12 2946.

investment for the first 15 years.²³⁰ The Board of Trade made a provisional offer to the company of £6m under the Local Employment Act by this stage, but in light of Thames Board's withdrawal from the consortium and with its proposed £6m investment, the company made it clear that it would require even more support for the project if it was to go ahead, to the tune of £10m, taking into account the increase in the cost of the project to £18m (including the future installation of the second paper machine costing £4m). The company wanted the £10m in two instalments of £8m for the first phase of completion of the project and a further £2m for the second phase, to be completed in two to three years time from the original submission.²³¹ Lord Polwarth wrote to the Prime Minister confirming this (at the Prime Minister's invitation), as well as stressing again the importance of the project to the Highlands, stating

I only want to reinforce what I know Michael Noble has told you, namely the vital importance of this project for the future of the Highlands. There is no other comparable growth point that can be foreseen for this area, and I sincerely hope that the government's contribution will be related not merely to the number of jobs provided (though these are not eligible) but to the far wider importance for the economy of the Highlands as a whole. It is also important that a decision be taken as quickly as possible, as I know the company are beginning to feel they cannot delay matters any longer.²³²

The rising costs of the mill and the fact that 3 of the original 4 interested private companies had bailed out of the project did not seem to ring any alarm bells in Scottish Office circles, indeed, these factors only seemed to increase the will of the Scottish officials to win backing for the mill. Indeed, Wiggins Teape were only

²³⁰ Amendment to Paper for the President of the Board of Trade to put to the Population and Employment Committee: The Fort William Pulp Mill Project, originally written by J Leckie, Board of Trade, 06/12/1962, amended by AC Sheldrake, Scottish Development Department, NAS DD12/2946.

²³¹ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

²³² Letter from Lord Polwarth, SC(DI) to Prime Minister, 08/11/1962, NAS DD12 2946.

interested if a substantial sum towards constructing the mill could be provided by government.

The Board of Trade were understandably cautious of the rising costs of the project and made it clear that it was prepared only to countenance an outside limit of no more than £7.5m being made available for it based on commercial risk as well as the high 'cost per job' figure such support would entail. The cost per job issue was one that affected proposed government support for all industrial ventures and was a particularly difficult concern for Scottish officials to address in relation to Highland development. The mill project under the company's application for £10m from the government would result in a cost per job of £3500, compared to £2500 under the outside limit of £7.5m under the Board of Trade's maximum figure for support. The Board did however privately concede that there would 'clearly be no point in certifying for a sum less than £10m' but that to do so would require a 'radical change in the criteria which have previously been applied.'²³³

In a memorandum for the new Scottish Secretary of State Michael Noble, the Scottish Development Department noted that 'These are admittedly very high figures, but Scottish Ministers will not feel able to accept the argument that, for this reason, the loan needed to enable the project to go ahead must be refused.'²³⁴ Why? Scottish Ministers felt that the project was of such importance to the Highlands - industrially, economically and socially - that it justified special treatment. The memorandum provided a very detailed account of the Board of Trade, the Scottish Office and the company's respective positions in relation to the mill and what each wanted in respect of action. The numbers were fairly definitive, based on what were at that point the most up to date figures available from the company. If Noble had any misgivings about locating the mill in Fort William or its cost, he would have had some trouble convincing the Scottish Development Department otherwise. The mill's importance to the area had already entered the consciousness of the Scottish Office. Given that

²³³ Board of Trade note on Pulp and Paper Project at Fort William, 15/11/1962, TNA PRO BT258/852.

²³⁴ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

Noble was the Unionist MP for Argyllshire, it would have been unlikely that he would have held any misgivings as the mill would have some residual effects on his own constituency through its prospected utilisation of some Argyllshire forestry plantations. The details of the Scottish Office and Board of Trade's calculations for the employment and cost per job can be seen below in Table 2.2:

Table 2.2 Scottish Office calculations of proposed mill employment

Categories allowed by the Board of Trade for calculating of loan.

	Original Scheme	Original Scheme Total	Present Scheme	Present Scheme Total
Direct Employment	907			
Stage 1	N/A		725	
Stage 2		907	400	1125
Indirect Employment (Forestry)*				
Woods	1330		1330	
Transport	265		300**	
Others	100		100	1730
Total		2602		2855***

* Indirect employment will not materially be affected; what influence there is will be towards an increase.

** The Company's lorry drivers are now included in this figure instead of in the figure of direct employment. This is not therefore a true increase from 265 to 300 but an adjustment to balance the subtraction from the Stage 1 figures of the Company's 35 lorry drivers, ie, the reduction of Stage 1 direct employment from 907 to 750 includes not only the reduction due to changed plans but the converse of this increase.

*** There are some differences between our figures and the Board of Trade's. Ours we believe are more up to date and perhaps more accurate. At the most they would add about £90,000 to the sum offered; which does not affect the issues materially. We are advising [Board of] Trade separately.

Source: Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

The Board of Trade's cost per job calculations were thus based, more or less, on the above figures. The following table demonstrates the various scenarios played out by the Scottish Office in its calculations, seen below in Table 2.3:

Table 2.3 Board of Trade calculations of proposed mill employment

	Total Cost (a) £m	Employment (b)	Board of Trade Loan (c) £m	Approx. cost per job: (c)/ (b)= (d) £
1.Original Proposal	17.5	2600	6.0	2300
2. Revised Project 1st Mill only				
(a) (Board of Trade proposal)	14.0	2455	6.0	2420
(b) (Company's request)	14.0	2455	8.0	3225
1st and 2nd Mill				
(a) (Board of Trade proposal)	18.0	2855	7.5	2640
(b) (Company's request)	18.0	2855	10.0	3500

Source: Source: Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

The above shows quite clearly the difference in the cost per job between the money requested from the Board of Trade and what the Board was prepared to provide. Moreover, all figures include *indirect* job creation, indicating that the Scottish Development Department were anticipating a departure from normal Board of Trade policy where applications for support were judged on the basis of direct jobs created only, allowing for an 'easily demonstrable and understandable test against political or

Public Accounts Committee criticism.²³⁵ Indeed, if only direct job creation was factored, the cost per job would have been in the region of £10,000 per job.²³⁶ If Board of Trade support was to be secured, a precedent would have to be set with the Board shelling out substantially more than it normally did in relation to job creation.

The Scottish Office had briefed the Secretary of State on the mill several times, making it clear each time how it viewed the mill's importance to the regeneration of the area. Scottish officials had come to view the potential of the mill as a means of going some way to remedying the problems of depopulation and unemployment in the Highlands. The Scottish Development Department's memorandum for the Secretary of State on the 'State of Play' of the mill made clear that it considered even the indirect job creation numbers it had produced in the table above as 'wholly inadequate' arguing that 'The number of people who will be in jobs if it starts and not in jobs if it does not is much more than that.'²³⁷ The pulpwood needed, from forestry thinnings, would inevitably lead to the felling of larger timber along with it, with the department estimating a further 350 people being employed by this. It was believed that the supply of larger timber from the Highland forests would stimulate the promotion of further mills and drying kilns, as well as integrating with the efforts of the Highlands and Islands Advisory Panel's Development Group to encourage the building trade to use more home-grown timber. In terms of further industries created by building the mill, they believed that service industries such as shops, telephone exchanges, teaching and short-term builders for immediate infrastructural improvements (sewers, road improvements, house building and so on) would all contribute to the economy in the area. It was expected that included in the building of the mill and the improvements in housing and so on would be millions of pounds worth of contracts for Scottish companies. Frankel had also met with Richard Beeching, who at that point was determining his plans for his report on the railways

²³⁵ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

²³⁶ Note of a meeting between TD Haddow Scottish Development Department, Scottish Office, Ministry of Labour, Treasury and Board of Trade, 22/11/1962, NAS DD12/2946.

²³⁷ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

in Britain and had been assured that ‘the establishment of the pulp mill might be a major factor in determining the ultimate future of the line, which employs about 400.’²³⁸ The department believed that the mill’s establishment was vital for the social impact it could have on the area more than anything else and was clearly prepared to countenance the cost required to do so, even if the Board of Trade and Treasury were not. It had been convinced by residual benefits of the mill and its ‘potential’ for attracting industry rather than the actual direct job creation issue, which was the main issue that the London departments were agreed on but was hindering its progress. Job creation was also of course the basis of the existing legislation.

One saving grace for the proposal was the Board’s condition that a scheme for job creation costing above £3000 per job must have a ‘very special justification’, as well as the fact that the Rootes car plant at Linwood received government support for its venture costing £3000 per job created.²³⁹ The depopulation problem in the Highlands was, in Scottish circles at least, considered a very special justification. Indeed, Scottish Development Department officials wrote a note on the matter entitled ‘The Significance of the Pulp Mill in the context of Highland Depopulation’ detailing the department’s attitudes to the problem of depopulation in the Highlands and what was to be done to address it. It listed three ‘essential requirements’ for a stable and balanced population, based on the findings of the Highland Panel’s Norway Group and research by its own officials. The three requirements were:

- i) Opportunities for an appreciable number of jobs in manufacturing industry and supporting services
- ii) An accessible urban centre of population capable of providing the modern range of services and amenities; and

²³⁸ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

²³⁹ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

- iii) A stimulus to forestry, the main source of income and employment (other than tourism which is capable of growth over widely scattered communities.)²⁴⁰

Perhaps unsurprisingly, the note also concluded that the mill would be able to satisfy all three requirements. If Noble was in any doubt about the Scottish Development Department's support for the project, in respect of the Board of Trade's position, the following piece of advice to him would have allayed any such doubts,

The project is soundly based on natural resources and will provide a substantial growing point in the particularly intractable area of the Highlands. Indeed the project is an essential compliment to the heavy public investment in forestry in the area that has been and still is being undertaken, without this project or something very like it, there will be much greater difficulty in finding economic outlets for forestry production in years to come... In a situation where industries are relatively easy to come by, or where there is a good industrial background already so that a new project adds relatively less, the importance of not losing a promising project might not be so great. Here it is critical; this is a unique opportunity of turning the whole area at the southern end of the Great Glen into one that is no longer a steady drain on the Exchequer, as almost all Highland areas are. The project provides a basis for integrated economic planning.²⁴¹

There are two things of importance in the above quote - first, the influence of the Toothill Report in can be clearly seen from the first sentence, indeed it can be clearly seen throughout the whole quote. Second, the use of the phrase 'integrated economic planning' clearly predates Labour's 1964 election. The desire on the part of the Scottish Office to secure support for the mill marks the beginning of the policy of

²⁴⁰ Note by Scottish Development Department officials, 'The Significance of the Pulp Mill in the context of Highland Depopulation', 13/11/1962, NAS DD12/2946.

²⁴¹ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

‘growth points’ in the Highlands. It is clear that the belief was that if the mill could be secured for the area, there was the possibility of turning the Highlands into a self-sufficient area, all by government hand. Noble agreed with the analysis and agreed to put a paper to Cabinet if the Board of Trade’s response ‘did not show good progress towards a favourable decision.’²⁴²

The Board of Trade remained somewhat unconvinced of the merits of the proposed project. However, it had undertaken to consult with the new Scottish Secretary before making a final decision as well as being obligated to provide the Prime Minister with a reply to Lord Polwarth’s letter of the 8th November that stressed the importance of the project to the Highlands and pressing for a favourable and quick decision. The Scottish Office had put together the proposal with the intention that a decision, favourable or unfavourable, on the mill would not be reached ‘without consideration at the highest level’.²⁴³ Noble’s support for the matter ensured that, as did Polwarth’s intervention on behalf of the SC(DI). In between Lord Polwarth’s letter and his reply, officials in the Scottish Development Department had researched the capital value of the forest estate in the prospective supply area for the mill. They identified a total of 375,000 acres (about 60% of the total Forestry Commission Estate in Scotland), of which 255,000 acres were in the Highland Counties, for the supply area, covering the whole of the Highland Counties as well as Moray and Nairn, Banff, Stirling, Dumbarton and part of Aberdeenshire.²⁴⁴ The capital value of these stocks was £45m, of which the trees represented over £40m of the value themselves. The officials found that only a quarter of the Estate was in production at that moment representing an increasing capital value of £1m per annum. The Forestry Commission also indicated to them that if the mill did not materialise it would ‘be a major disaster and will probably eliminate any further interest the paper industry will have in wood supplies from them.’²⁴⁵ This served only

²⁴² Minute from Secretary of State for Scotland, 12/11/1962, NAS DD12/2946.

²⁴³ Pulp Mill State of Play - Memorandum for Secretary of State for Scotland by Scottish Development Department, 08/11/1962, NAS DD12/2946.

²⁴⁴ These figures do not include private forestry in receipt of Forestry Commission grants.

²⁴⁵ Note ‘Capital Value of Forest Estate in Pulp Mill Supply Area’ from AC Sheldrake SDD to JH McGuinness Under Secretary SDD, 20/11/1962, NAS DD12/2946.

to strengthen the belief of the Scottish officials in the project. Lord Polwarth got his reply on 20th November where the Prime Minister stated that the project raised financial issues that would need much further consideration but that the matter was being treated with ‘great urgency’.²⁴⁶ Further, upon signing the letter the Prime Minister Harold Macmillan intimated to the Board of Trade and the Scottish Office that the project ‘must not fail merely because of lack of agreement between Departments, and added that it must if necessary come to the Cabinet.’²⁴⁷ Macmillan’s actions here had precedent - he intervened in the siting of a new steel strip mill at Ravenscraig, insisting that the area receive the steel mill in spite of recommendations to the contrary. Macmillan’s personal intervention in the Ravenscraig project, the ‘judgement of Solomon’ as he called it²⁴⁸, was very similar to his intervention in the Corpach project. The Board of Trade had deep misgivings about it, but Macmillan had been influenced by the arguments put forward by the Scottish Office. With the Prime Minister on board along with the Secretary of State for Scotland, building the mill was no longer a case of if, but how and when.

With the Prime Minister’s support for the project clear, an interdepartmental meeting was arranged by the Permanent Secretary to the Board of Trade, Sir Richard Powell between officials from the Scottish Office, Ministry of Labour, the Treasury, the Forestry Commission and the Board of Trade for 22nd November. At the meeting, the Board of Trade made clear its difficulties with the application before agreeing to prepare a paper for discussion by Ministers within a fortnight.²⁴⁹ The aforesaid paper did not arrive with the Scottish Office until 12th December however, causing some consternation amongst Scottish officials who had pressed for an urgent solution.²⁵⁰ During the meeting the Board of Trade, along with the Treasury, made it clear that

²⁴⁶ Memo on Pulp Mill, written by TD Hadow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

²⁴⁷ Memo on Pulp Mill, written by TD Hadow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

²⁴⁸ Scott, P, ‘The Worst of Both Worlds’, pg. 54.

²⁴⁹ Note of a meeting between Hadow Scottish Development Department, Scottish Office, Ministry of Labour, Treasury, Forestry Commission and Board of Trade, 22/11/1962, NAS DD12/2946.

²⁵⁰ Memo on Pulp Mill, written by TD Hadow, Scottish Development Department to Rennie, Scottish Development Department, 31/12/1962, NAS DD12/2946.

they were not convinced that any financial support could be made for the project under the Local Employment Act and intimated that special legislation would be required, in respect of the precedent that would be created if support through conventional means were to be provided. In response to this, Sir William Murcie of the Scottish Office replied that the

Scottish Office did indeed regard the project as essential to the Highlands and urged that it was such a special case that if previous rules (which were conventional not legal) were ignored no inconvenient precedent would be created: there was a sentimental feeling for the Highlands that meant that public opinion was prepared to see that area of Scotland treated specially. If the project fell through it would have serious repercussions on the Forestry Commission. The decline in demand for pit props was such that unless this extra use for the trees was forthcoming the Forestry Commission would have to employ tractors to cut down extensive tracts of forest because they could no longer afford to maintain them, and put the rest of their forest on a care and maintenance basis. This would involve a drop in employment in the Fort William area of about 600.²⁵¹

The idea of sentimentality for the Highlands was later to become a bargaining tool on the part of Scottish representations to the Board of Trade and Treasury for funding for future industrial projects. As it was, the Treasury voiced its concern over encouraging over-reliance on one factory in the Highlands, especially in light of the fact it would be initially reliant on imports. This was a pertinent point as one of the main concerns over Fort William's economic position was that it was over reliant on the aluminium industry, therefore encouraging a larger area's reliance on one factory was contrary to one of the justifications in siting the mill at Fort William in the first place. The main concerns the Board of Trade and Treasury had however were the costs. Neither could see the project as value for money and moreover, if support was to be offered under

²⁵¹ Note of a meeting between Hadow Scottish Development Department, Scottish Office, Ministry of Labour, Treasury, Forestry Commission and Board of Trade, 22/11/1962, NAS DD12/2946.

the Local Employment Act there would be a strong, and in their eyes justified, pressure on the Board to do something for areas that were suffering from higher unemployment than the Highlands using the example of West Hartlepool where unemployment at the time was just under 13% and rising. A further concern was that even if the Board of Trade was to accept the application, the Board of Trade Advisory Committee could well turn it down anyway, wasting everyone's time. The Scots were opposed to special legislation on the basis that it 'would take too long, and would be too public and open to criticism.'²⁵² The fact that the Scots were aware that special legislation would provide such problems indicates that they were not convinced of the economics of the project, but such was the concern over Scottish sentiment and the need to be seen to be doing something about the growing problems in the Highlands, the social impact the project could have outweighed any concerns over due democratic process.

At a meeting later the same day with the Secretary of State, Scottish officials informed him that the Board of Trade had considered that assistance on the level sought would be open to criticism as 'extravagant and imprudent, though not illegal'.²⁵³ The Scottish officials also informed Noble that the Board of Trade had agreed to formulate a paper for discussion amongst Ministers, but the Secretary of State decided that the best course of action would be to first submit a paper to the Population and Employment Committee (PEC), arguing that direct reference to the Cabinet may well see Ministers ask that the PEC consider the matter first anyway.²⁵⁴ The paper submitted was a joint effort between Board of Trade and Scottish Office officials, with Scottish officials determined to ensure that their support for the project and its importance to the Highlands was clear. The paper stressed the Scottish Office's concerns over public opinion becoming

²⁵² Note of a meeting between Haddow Scottish Development Department, Scottish Office, Ministry of Labour, Treasury, Forestry Commission and Board of Trade, 22/11/1962, NAS DD12/2946.

²⁵³ Note of meeting re: Proposed Pulp Mill at Fort William, between Michael Noble, Secretary of State for Scotland, William Gilmour Leburn, Under Secretary of State, TD Haddow and Rennie, Scottish Development Department, 22/11/1962, DD12/2946.

²⁵⁴ Note of meeting re: Proposed Pulp Mill at Fort William, between Michael Noble, Secretary of State for Scotland, William Gilmour Leburn, Under Secretary of State, TD Haddow and Rennie, Scottish Development Department, 22/11/1962, DD12/2946.

...more and more critical of a Government policy which is alleged to consist of grants and loans so dispersed as to be calculated to allow the economy to drift even though the aggregate sum is substantial. Failure to back this first single injection of capital into a massive project for the Highlands would be taken as confirmation that Government policy is to allow, at least cost, a continued run down of the Scottish economy and Highland economy in particular. Any delay might well prejudice the project and again would be regarded as Government dilatoriness or at least unreadiness, when opportunity knocks, to step in immediately with much needed employment in a depressed area, which requires just such long-term, large scale assistance.²⁵⁵

The worry over the criticisms of the dispersed nature of the loans and grants made in Scotland and their effect stung the Scottish Office into fighting harder in the future for Scottish interests, especially in industrial development terms - going some way towards contributing to support for the establishment of a planning board for the Highlands. The future developments in the Highlands and further south in Scotland were a product of a concerted effort on the part of Scottish departments at encouraging governmental planning and intervention in the Scottish economy, with the Fort William mill as the first such example in the Highlands. The mill had become a symbol of the need and potential of Highland regeneration before it had even been built.

The sticking point of the London departments' intransigence was problematic for the project and Scottish officials. For the mill to have any chance of being built, agreement from London was necessary. Macmillan had already made clear that the mill was not to fall down on inter-departmental issues and so there was a commonality of purpose - the mill was almost certainly to be built, but a way of agreement on financing needed to be found. The President of the Board of Trade,

²⁵⁵ Amendment to Paper for the President of the Board of Trade to put to the Population and Employment Committee: The Fort William Pulp Mill Project, originally written by J Leckie, Board of Trade, 06/12/1962, amended by AC Sheldrake, Scottish Development Department, NAS DD12/2946.

Freddie Errol, presented his paper to the Population and Employment Committee and agreed that the mill project was ‘crucial to the Highland economy’ and would be ‘taken to be the acid test of the Government’s concern for the Highlands’, following the lead of the Scottish Office.²⁵⁶ In a note on the memorandum for the mill’s official file, Scottish officials again emphasised the importance of the mill in relation to the depopulation issue in the Highlands, stating that

...in this kind of scheme it is the indirect effects, including those which cannot be precisely measured, which are of vital importance - the stabilising factor of the scheme on depopulation, the additional employment which will be provided over a wide area by the spending power of the workers to be employed both in the plant itself and throughout the forest areas, the effect on educational and further employment opportunities over a long term in the higher classes of technical skill which a major industrial plant of this kind can provide.²⁵⁷

The mill’s importance to the wider issues in the Highlands was beginning to become accepted by the London departments, but there was still the concern that awarding any support under existing legislation would set an unhealthy precedent due to the costs involved. By 17th December Scottish officials were coming round to the idea of special legislation being utilised as a way of ensuring the project’s go ahead, with Douglas Haddow, the new head of the Scottish Development Department, remarking in a note to one of his officials that he still doubted the usefulness of special legislation but that there might be a ‘real gain’ in going down that route as there was no guarantee of a favourable decision if they took the path of referring to the Board of Trade’s Advisory Committee for support.²⁵⁸

Perhaps more revealingly in the above note was the strategy Haddow recommended the Secretary of State adopt if questioned on the policy of relying on

²⁵⁶ Note on Memorandum by President of Board of Trade; PE (62)21 - Fort William Pulp Mill. Scottish Development Department, 14/12/1962, NAS DD12/2946.

²⁵⁷ Note on Memorandum by President of Board of Trade; PE (62)21 - Fort William Pulp Mill. Scottish Development Department, 14/12/1962, NAS DD12/2946.

²⁵⁸ Note by Haddow to Rennie, Scottish Development Department, 17/12/1962, NAS DD12/2946.

major centres of growth, as per the suggestion and adoption of Toothill's recommendations. Haddow remarked that any argument stating that if government policy was going to rely on major centres of growth, then 'subsidiary' projects like the pulp mill at Fort William were no longer needed should be 'stamped on hard.' Haddow's reasoning for this was that the Central Belt was inevitably going to get the major growth point centres (this was already the case with the Ravenscraig and Bathgate ventures already under way) but there would be a need for smaller 'holding points' in other areas of the country to minimise the drain on the population of these areas. Haddow believed the Fort William project satisfied this requirement 'ideally'.²⁵⁹ Haddow was clearly aware of the importance of ensuring that the Highlands received some sort of industrial support from the government that would stem growing public clamour in light of the 1961 census' findings on depopulation and unemployment in the area, as well as 'Scottish sentiment' for the area.

In early January the following year, Noble met with Macmillan and the Chancellor, Selwyn Lloyd, where he agreed with Macmillan's point that it would not be appropriate that the government support required for the project, now set officially at £10m, to go ahead under the provisions of the Local Employment Act. Macmillan preferred instead that special legislation be introduced authorising the provision of the funding required.²⁶⁰ It was thus agreed to proceed on the principle of getting an act through Parliament that would allow for financial support in the form of a loan to Scottish Pulp by the government to be made for constructing the mill with other necessary improvements to the area in housing and so forth to be taken on by local government. Wiggins, Teape during this period were developing a new paper product in America with National Cash Registers (NCR) that required considerable research input, distracting the company from keeping an eye on the developments in Scotland.²⁶¹ Frankel, having spent the time drawing up further plans for the development, was thus effectively in charge of solving the logistics of the project and

²⁵⁹ Note by Haddow to Rennie, Scottish Development Department, 17/12/1962, NAS DD12/2946.

²⁶⁰ Note of meeting between Secretary of State, Prime Minister and Chancellor of the Exchequer, 07/01/1963, NAS DD12/2946.

²⁶¹ Correspondence with Ian Hendry - former manager of the mill. 09/07/06.

met with Beeching in January also where he secured agreement that the Glasgow-Fort William-Mallaig line on which the mill was to sit would remain open, prompting press coverage on the matter. *The Times* reported that the mill had been ‘designed specially to be served by rail transport’ and quoted Scottish Pulp as stating that ‘It has been in the air many times that this line was in danger, but the advent of Scottish Pulp has removed that danger.’²⁶² In a Scottish Development Department note on the mill, officials commented that the favourable reportage on the line being kept open was a ‘vivid example that the mill will convert an uneconomic line, particularly the Fort William/Mallaig section, into a worthwhile one. This in turn will have an enormous effect on the morale of the area giving confidence in the future.’²⁶³ Timber from the south of Fort William would be put on to trains at Crianlarich making keeping the line from there to Fort William open also.²⁶⁴ With the press onside the officials believed that the guarantee of traffic on the line for the next twenty years with the agreement between Scottish Pulp and British Railway²⁶⁵ could be a boon to tourism in the area as well as a factor in encouraging other industries to locate there.²⁶⁶

However, there was a note of concern from one official that the mill could have a negative effect on tourism in the area in relation to Frankel’s suggestion of the company buying a hotel to put up its workers. The official, AC Sheldrake (formerly a planning official with the Department of Health Scotland), stated:

What concerns us is that the tourist industry is increasing and is an important foreign exchange earner. We know that hotel accommodation in general in the tourist season, which everyone is trying to extend by the way, is limited and a reduction in the Fort William area is not one which we would be pleased to see,

²⁶² *The Times*, 12/01/1963, pg. 6.

²⁶³ Scottish Development Department Note on Pulp Mill, 18/01/1963, NAS DD12/2946.

²⁶⁴ File note by LR Hinson, Board of Trade, on Fort William Mill, 11/06/1969, NAS SEP4/448.

²⁶⁵ *The Times*, 04/04/1963, pg. 12.

²⁶⁶ Scottish Development Department Note on Pulp Mill, 18/01/1963, NAS DD12/2946.

appreciative as we are of the more continuing and substantial benefit to the area which the Pulp Mill will provide.²⁶⁷

Sheldrake also went on record a week later disputing a sum of £0.7m that was to be paid out to expedite housing expenditure for the mill from the Scottish Office on the basis that those housed would leave the Highlands and have to be housed elsewhere if no mill was built. This brought a sharp response from another official in an internal communiqué that stated

Frankly I should be inclined to let the Treasury 'have' the £0.7m rather than get involved in arguing whether a Highlander paying an economic rent and making cars in Coventry would contribute more to the GNP than if he stayed at home to make pulp and paper.²⁶⁸

The plans for constructing the mill were more or less set but the special legislation, which the Board of Trade and Scottish Office departments had been working on jointly, had yet to be presented to Parliament for its approval. This was Sheldrake's point essentially - he was concerned the Scottish Office was 'wasting' money by giving it back to London, lending credence to the idea of the Scottish Office being focused on 'winning' things from Whitehall. Indeed, in a later note on a telex between the Edinburgh and London offices of the Scottish Office after the mill was built, Sheldrake commented that 'If it had been left to the Board of Trade then there would have been no pulp mill!'²⁶⁹

With the possibility of building the mill becoming closer and the social possibilities well documented, the SDD focused its attentions on the economic impact the mill would likely have. The department produced a detailed estimate of the minimum wages expected at the mill which were slightly below the wages being paid

²⁶⁷ Letter from AC Sheldrake, Scottish Office to TH Frankel, Scottish Pulp, 24/01/1963, NAS DD12/2946.

²⁶⁸ Teleprint from Hutchison to Russell, SDD Edinburgh, 31/01/1963, NAS DD12/2946.

²⁶⁹ Telex from Haddow Scottish Office London to Glendinging Scottish Office Edinburgh, 27/03/1963, NAS DD12/2947.

at the British Aluminium smelters, as part of an agreement Frankel made with the company so as not to upset the company or workforce there. The following figures were produced:

Table 2.4 Detailed estimate of wages in Pulp Mill

1.) 1170 directly employed in Mill

No. of employees.	Job Position	Weekly wage per employee. £	Total Weekly wage. £
Males:			
40	Executive	25	1000
56	Foreman	16	900
150	Skilled	14	2100
390	Unskilled and semi-skilled	10	3900
9	Office staff	10	90
17	Labouring Staff	5	85
35	Drivers	10	350
Total Male employment:	697		Total weekly male wages: £9425
Females:			
152		8	1216
45	Office Staff	7	315
5	Labouring Staff	4	20
Total Female employment:	202		Total weekly female wages: £1551
Total number employed:	899		Total wages estimate: £10,976
For 1170 workers, in proportion, weekly wages estimate:			£14,286
For 1170 workers, in proportion, yearly wages estimate:			£742,972

- | | |
|---|---|
| 2) 1600 indirect: | approx: £950,000 per year (of which £350,000 would be new income) |
| 3) Up to 1000 consumer services and distributive trades | approx: £500,000 per year |

Source: Scottish Development Department Note on Pulp Mill, 18/01/1963, NAS DD12/2946.

There was a disclaimer in the note stating that although Frankel had agreed not to match or top the wages being paid to British Aluminium employees, there was no such guarantee once the mill was an established employer in the area, although no exact timescale was put on this. Table 2.4 indicates the level of impact the mill was projected to have on the area quite clearly. The population of Fort William and surrounding area in 1961 was 6150²⁷⁰, thus the combined projected extra employment of 3770 would see an increase of more than 50% in employment and population numbers. Fort William at this point however did not have a particularly difficult employment problem, or indeed a large economy. Moreover, its dependence on the aluminium smelters meant the introduction of a new large-scale development bringing people into the area as well as a massive injection of money into the economy would likely see a considerable improvement in the area overall.

It was expected by Ministry of Labour officials that 90% of the labour force required for the mill would come from development districts, of which they hoped 75% of that sum would come from the Highlands and North East Scotland (this was the preference of Scottish Pulp also), with the remaining labour coming from the Central Clydeside area. They also believed that the fact many Glaswegians during this period were from the West Highlands could prove to be an inducement to workers to locate in the area and work at the mill. The Ministry of Labour were also apparently convinced of the 'breeder potential' of the mill stating in a note to the Scottish Office:

²⁷⁰ Hood, N & Young, S, *Industry Policy and the Scottish Economy*, pg. 284.

...the location of the mill at Fort William and the consequent employment in forestry would have a generating effect of employment in the Highlands and North East of Scotland. If the Dounreay project at Thurso is any guide, we might expect the services (excluding construction) in Fort William to expand by 400 and 500. If the viability of the pulp mill can be assured we could scarcely look for a better shot in the arm for the Highlands.²⁷¹

The Scottish Development Department were already convinced of this of course and had argued strongly for it on this basis as well as the basis that it would become a magnet for other industries to locate in the Highlands, removing the area away from being a 'drain on the Exchequer' into one of self-sufficiency. This was to be the main line of argument for government financing of each of the future large-scale industrial developments in the Highlands, including the second reactor at Dounreay.

Bringing new opportunities to the Highlands: the Bill and the Mills

On 3rd April 1963, Reginald Maudling announced in his Budget that the government had 'agreed to make a loan to Wiggins Teape to finance the construction of an integrated pulp and paper mill at Fort William. The mill will provide a most valuable complement to the work of the Forestry Commission in the area and I am confident that it will help with the establishment of a thriving community there.'²⁷² A week later the Fort William Pulp and Paper Mills Bill was presented for its second reading in Parliament.²⁷³ During the three hour debate on the merits of the bill, various questions were inevitably raised over the government's decision to support the project. Willie Ross, as shadow Secretary of State for Scotland, questioned the wisdom of supporting the establishment of the mill from the point of view that establishing the mill in Fort William would lead to the denudation not of trees in the Highlands but people. Ross' point was that creating an industrial venture that required

²⁷¹ AM Morgan, Ministry of Labour to JA Diack, Scottish Office, 22/01/1963, NAS DD12.2946.

²⁷² *Gateway Magazine*, No. 18, (Wiggins Teape & Co Ltd., London, 1963), pg. 37.

²⁷³ *Hansard*, vol. 675, House of Commons Debate, 10/04/1963, col. 1377 - 1437.

thousands of workers would inevitably lead to people leaving their indigenous areas to head for work in Fort William, creating a larger problem for the authorities to deal with in relation to depopulation than there was before.²⁷⁴ This was a fairly facetious point however. If industry was to be located in the Highlands on a large scale on the premise of giving jobs to the Highlanders and attracting people back to the area, then inevitably there would have to be some kind of population movement as there were very few places in the Highlands with the levels of population and unemployment that could sustain a venture such as the mill. Moreover, this line of argument certainly didn't stop Ross from pursuing the very same policy with such vigour only a few years later. The argument concerning 'centralisation' of population in the Highlands into certain areas and the negative effects of it was one that was made by the SC(DI) in its survey of the Lochaber area 10 years previously. In that survey, discussed earlier, the SC(DI) stated

The best information available is that while the population of Invernessshire as a whole has risen, the increase is more than accounted for by the growth of the town of Inverness alone. In other words, the rest of the County shows a fall. Yet we know that Fort William and its environs have also grown. Thus, it is clear that depopulation in the rural parts continues unchecked. There is ample reason to believe that throughout the Highlands this centralizing tendency prevails, that the towns and larger villages are filling and the peninsulas of settlement emptying. That this process in extreme form is bad few Scotsmen doubt. It leads to a loss of that independent viewpoint and adaptability which are such prized characteristics of all hill peoples, and it makes the depopulated parts more uneconomic than ever. This process is at work in the Survey area and its surroundings; in this the district is characteristic of the Highlands.²⁷⁵

There was some concern amongst politicians and officials that creating growth points such as the Fort William mill would not stem the depopulation from rural areas to the

²⁷⁴ *Hansard* vol. 675, House of Commons Debate, 10/04/1963, col.1392.

²⁷⁵ SC(DI), *Development Committee Survey and Report of Fort William to Ballachulish*, February 1950, NAS SEP4/2622.

south, but would create a similar problem of depopulation of rural areas into the newly created growth centres in the Highlands. This informed the desire to locate several ‘holding points’ of industrial concentration around the Highlands (latterly in the Spey Valley, Invergordon and building on the existing population in Sutherland courtesy of the atomic station), a point also alluded to several years after the SC(DI)’s survey by Haddow in a departmental note.²⁷⁶ What this demonstrates is that there was a tension between the issues of development and concern over centralisation of industry that were eventually discarded in favour of the belief that they could be married successfully if the developments were big enough.

The discussion of the Bill in the House also centred on the effect the mill could have on the UK national balance of trade. Simon Wingfield Digby, MP for Dorset West, remarked on the need for an outlet for the timber being produced by the country and the trade deficit Britain had with Canada (£154m), Finland (£33m) and Russia (£26m) - all from whom Britain imported timber and finished timber products (as well as Sweden). Digby’s point was that the four countries mentioned provided Britain with £141m worth of timber and timber products, a figure he described as ‘a considerable sum at a time when we are always considering our balance of payments.’²⁷⁷ Digby also believed that the situation in respect of timber and timber products imports would become worse with the coming of the EFTA agreement. Digby’s final point was that the Bill did not take wide enough powers for the establishment of further mills all over the country and that the Fort William mill should be the first of many to go some way to relieving the imbalance, a point supported by other MPs in their speeches on the matter.²⁷⁸ The bill provided for no further inducements for business to establish further mills anywhere else in the country. Indeed, the other paper operations that were interested in the project initially had looked into the possibility of siting pulp mills in the UK but decided to stick with their established operations elsewhere. Bowaters during this period found itself with a surplus of American made pulp from its operations there that it had no use for,

²⁷⁶ Note by Haddow to Rennie, Scottish Development Department, 17/12/1962, NAS DD12/2946.

²⁷⁷ *Hansard*, vol. 675, House of Commons Debate, 10/04/1963, col.1396.

²⁷⁸ See *Hansard*, vol. 675, House of Commons Debate, 10/04/1966, col. 1377 - 1437 for more on this.

meaning it had to sell it on. Meanwhile Scandinavian prices of pulp were falling, meaning a surplus of pulp was entering the market as well as falling prices.²⁷⁹ The Fort William mill was entering a buyer's market suffering from excess capacity and falling prices aware that it would have to operate at maximum capacity itself just to survive let alone become profitable. This then leads to the question of whether or not the pulp mill was about economic considerations or about relieving social problems in the Highlands whilst giving the UK government a bargaining tool for timber and timber products imports should the major producers or the market raise prices. Scottish Pulp was convinced of the merits of the project as long as sufficient financing was available from government.

The House passed the Bill without any real objections being lodged or amendments being suggested. Scottish MPs were in the majority in favour of the project and MPs from other areas agreed it was a desirable project in the main. In his closing remarks on the Bill, Noble addressed the concerns Ross had made about the denudation of people from other parts of the Highlands through the pulling power of the mill at Fort William, agreeing that it must 'always be a worry' but stressing that MPs should not become 'over-obsessed' by it by stating that the nature of the industry was such that any dangers of over-concentration would be avoided by the need for the growing areas for the timber and the people there to extract it.²⁸⁰ Noble argued that the project would be

...an encouragement to other industries to come to Fort William and round about and will encourage other industrialists to think that the Highlands are not an impossible place in which to develop... I think it will play a most significant part in the psychological effect it will have in the Highlands where people will think something really important has come which will provide lasting employment there.²⁸¹

²⁷⁹ Reader, WJ, *Bowater: A History*, pg. 302.

²⁸⁰ *Hansard*, vol. 675, House of Commons Debate, 10/04/1963, col. 1431-1432.

²⁸¹ *Hansard*, vol. 675, House of Commons Debate, 10/04/1963, col. 1436.

Noble and the Scottish Office's endeavours had finally reached fruition. The Bill had been passed with the government committing itself to providing a loan of up to £10m, as well as grants of not more than £1.3m under the Board Of Trade's auspices in relief on interest on the loan, to Wiggins, Teape & Co. (the parent company of Scottish Pulp and Paper Mills). The interest on the loan was set at 5.5% (compared a rate of up to 6.25% had the money been raised in the city) with the company due to commence repayments three years after the initial instalment of £8m was made for the first phase of construction.²⁸² Repayments would be made in ten equal instalments and last for a period of ten years.²⁸³

The construction of the mill was the biggest industrial project to be introduced into the Highlands at that point since the Second World War - bigger in terms of employment than the Dounreay Fast Reactor (DFR) in Sutherland which employed around 2000 people in the construction period, but fewer in the actual operation of the plant and far fewer in terms of indirect employment. Lord Polwarth cut the first sod in July 1963 with the building contract for the mills (paper and pulp), employing about 700 people, going to Duncan Logan (Contractors) Ltd. - a Highland firm and expected to be finished by 1965.²⁸⁴ The same day Lord Polwarth was quoted as saying that it was 'a great day for the Highlands. For the first time in 250 years we shall have repopulation, not depopulation.'²⁸⁵ The firm also secured the contract to build the pipeline from British Aluminium's factory outside Fort William as well as contracts to build houses for mill workers from the company and contracts from the local authorities to build 450 houses and new schools for the incoming workers, totalling £9.5m.²⁸⁶ Two dolphins, the technical term for the man made islands used for docking in Loch Linnhe, were constructed to allow ships of up to 16000 tonnes to berth and unload cargoes of hardwood chips from Canada were also built. On these dolphins

²⁸² *The Times*, 05/04/1963, pg.7.

²⁸³ Board of Trade Note on Fort William Pulp and Paper Mills Bill, 07/05/1963, TNA PRO BT258/853.

²⁸⁴ *Gateway Magazine*, No. 18, (Wiggins Teape & Co Ltd., London, 1963), pg. 37.


²⁸⁵ *Gatefold Magazine: Wiggins Teape Pensioners' Newsletter*, Issue no. 30, September 1998, (Wiggins Teape, Bucks, 1998), pg. 6.

²⁸⁶ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pg. 2.

were two cranes with electro-hydraulic grabs that could lift two tonnes of woodchips at a time before dropping them into a 22 inch diameter, 1500ft long pipeline and then blown by a 1000 horsepower fan to the mill. This was apparently the largest system of its kind in the world.²⁸⁷ The mill and islands (with the railway line running from the middle left to bottom middle of the picture), not quite finished, can be seen in the image below:

Figure 2.2 Construction phase of the Corpach mill development



 (C) Resource from Scran. For licensed use only. www.scran.ac.uk
000-000-073-330-R | 05028030.jpg | 28-Jun-2006

Source: <http://www.scran.ac.uk> accessed 26/06/2006.

²⁸⁷ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pg. 3.

British Aluminium also played a further role in the construction of the mill, supplying aluminium sheets for the cladding for the mill itself as well as roofing for the houses for staff members constructed overlooking the loch on the hill above Fort William.²⁸⁸ When finished, the pulp mill measured 400ft long, the paper mill 540 ft long, the finishing end 530 ft long and the power house for the mills stood 170 ft high²⁸⁹, providing a distinctive landmark in the area and, along with the development at Dounreay, a visual marker of the government's intent to industrialise the Highlands. For a company such as Wiggins, Teape it was a measure of its aspiration for its own growth. By early 1965 the company had increased its exports by 70% over the previous four years with its 1964 exports totalling £8m, more than a quarter of the industry's total exports.²⁹⁰ The new mill project was to help it improve further on this and strengthen both itself and the mill as international operators.

Wiggins Teape's Honorary President LW Farrow officially opened the mills on the 15th September 1966. The ceremony for the opening of the mill was an austere affair because the company, in light of the 'stringent economic situation confronting the country' had decided a glitzy affair would be open to criticism in the press.²⁹¹ The July crisis and subsequent wage freeze obviously contributed to this state of affairs. In attendance at the opening were Professor Robert Grieve, Chairman of the newly created Highlands and Islands Development Board and Willie Ross, the Labour Secretary of State for Scotland (clearly having lost his previous misgivings about the project). Both men were impressed with the new mill and would later be heavily involved in the creation of the further large-scale industrial projects in the Highlands. Grieve said that he viewed the opening of the mill as a great occasion for not only the Highlands but also for the United Kingdom, a view espoused in response to all Highland development during the period by several others, most notably Willie Ross.

²⁸⁸ *The Scotsman*, 15/09/1965, pg. 14.

²⁸⁹ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pg. 3.

²⁹⁰ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, No. 23, (Wiggins Teape & Co Ltd., London, 1965), pg. 15.

²⁹¹ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pg. 5.

Ross remarked that the mill's opening was a historic development and a point of return to the Highlands where for too long the roads had been ways out.²⁹² In a six page special in *The Scotsman* on the opening of the mill, Frankel is quoted as saying 'When we built Scottish Pulp [the mill] we were thinking in terms of an industrial project and suddenly we found a social revolution on our hands.' *The Scotsman* itself described the new development as having 'a profound impact on the Highland economy'²⁹³ The Highland economy wasn't the only economy it was to benefit though - GBC Johnson the managing director of Wiggins, Teape wrote in the *Financial Times Annual Review* that the mills 'will help the balance of payments position by millions of pounds annually [and] have come about as a direct result of the foresight of foresters who planted before the war'.²⁹⁴ The synthesis between national, industrial and local benefit was clear. Frankel and Wiggins Teape approached the project from a commercial point of view, but were drawn into the government's idea of the social purposes of the mill in order to secure government support for it, without which of course the mill would not have gone ahead. Ross and Grieve would later use the same formula to some effect with the other developments in the Highlands. Indeed, large-scale industrial manufacturing development would later become a central feature of the HIDB's strategy in attempting to develop the Highlands industrially, in particular at Dounreay for the second reactor and Invergordon for the smelter.

Once the mill was opened, the government stepped back and left the company to its own devices. However, immediately from the beginning the mill experienced major problems. During the first year of operation it lost £1.6m. During the second year of operation it lost around the same figure again. In a warning given by Mark Norman, the chairman of Wiggins Teape, he stated

²⁹² *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, Autumn 1966 (Wiggins Teape & Co Ltd., London, 1966), pp 6-7.

²⁹³ *The Scotsman*, 15/09/1966, pp. 10 & 12.

²⁹⁴ 'The Prospect For Papermaking' by GBC Johnston, *Financial Times Annual Review*, July 1966, page unknown. Quoted in *Gateway Magazine*, No.28, (Wiggins Teape, London, 1966), back page.

We are making good progress with the technical problems at Fort William, which is moving steadily towards its planned output. But the economics of pulp production in the Highlands, with intense international competition and high wood costs, are not yet clear.²⁹⁵

The mill was experiencing higher operating costs than projected due to higher wood costs and lower paper prices in light of fierce domestic and international competition from the low cost integrated mills in Canada and Scandinavia. Further, government had made it clear to industry that it was unwilling (and unable) to protect any industry by quotas.²⁹⁶ By late 1968 the pulp mill was producing only 60,000 tonnes annually. Part of this problem of higher operating costs was attributed to the removal of EFTA tariffs at the end of 1966 and the economic situation in the country generally. Further, the company were also paying more to the Forestry Commission for raw timber than its Scandinavian competitors were able to get from their suppliers.²⁹⁷ The mill also suffered from technical problems with the process chosen for the pulping operations. The two-stage sulphite process (the Stora process) proved temperamental with corrosion problems in the chemicals recovery plant and secondary boilers. Further the pulp produced was not of sufficient strength meaning the company had to import stronger pulps as admixture to the paper finish, resulting in increased costs. Moreover, and crucially to the future of the plant, there were changes in the structure of the international paper market which saw demand move towards lighter weight and higher specification papers for which the sulphite process the Fort William mill used was not particularly suitable, exacerbating the existing problems at the plant. The intention to invest in the second paper machine to make the mill take full advantage of the projected economies of scale was therefore unable to be justified on this basis.

²⁹⁵ *The Times*, 14/07/1967, pg. 18.

²⁹⁶ 'The Prospect For Papermaking' by GBC Johnston, *Financial Times Annual Review*, July 1966, page unknown. Quoted in *Gateway Magazine*, No.28, (Wiggins Teape, London, 1966), back page.

²⁹⁷ Note on Wiggins Teape Pulp & Paper Mill, Corpach, Miss McLaren, Scottish Development Department, date unknown, probably late September 1968, NAS SEP4/448.

Accordingly, the company applied to the government to delay the repayment process on the loan for three years, starting at the end of 1971.²⁹⁸

The company was also experiencing further problems operationally. Disposing of the bark was proving difficult, as there was no known use for it. As a result the company took to burning the leftover bark causing complaints from locals. Training of apprentices was also proving difficult. For the day release courses necessary in training,, apprentices had to travel to Inverness. This put many off the idea of training resulting in requests for transfer into the productive side of the plant where, initially at least, they could earn more money, leaving a shortfall in trainee apprentices at the factory. Recruitment of female labour for incoming industry was also problematic. This was due to the seasonal tourist industry in the area where many females preferred to provide bed and breakfast facilities in their own houses, where possible, as a more ‘profitable and congenial’ form of employment than regular employment.²⁹⁹ Further, in 1969 the Wiggins, Teape in-house newspaper for workers at the Scottish mill, *The Digest*, described it as ‘a relatively high cost producer of pulp and cannot therefore be regarded as an ideal Market Pulp Mill. We must therefore, scrape every possible advantage from integration to use maximum pulp output at Fort William for our own papers.’³⁰⁰ Hardly reassuring stuff. The experience of the mill wasn’t all bad however - the population and economy of Fort William had boomed with an increase in population of 60% from 6150 in 1961 to 10250 in 1971 serving one of the aims of the project. The problem with this was that the social infrastructure in the area was under severe strain for a number of years until the gradual improvements were undertaken.³⁰¹

The 1960s was a period of growth for the paper industry when Wiggins, Teape, Thames Board Mills, Bowater and Mardon Packaging International all bought or constructed new mills. The development of home resources such as waste paper

²⁹⁸ Briefing for Parliamentary Secretary’s visit to ‘Highland Fling’ Exhibition January 1969, NAS SEP4/448.

²⁹⁹ File note by LR Hinson, Board of Trade, on Fort William Mill, 11/06/1969, NAS SEP4/448.

³⁰⁰ *The Digest*, Wiggins, Teape in-house newspaper, August 1969, pg. 1.

³⁰¹ Hood, N & Young, S, *Industry Policy and the Scottish Economy*, pg. 284.

and the maturation of forests contributed markedly to this.³⁰² The intention of the industry's expansion was to strengthen domestic production in light of the increasing demand at home. In order to achieve this the companies had to build pulp mills to supply their paper mills and protect themselves against foreign price increases from the Scandinavian mills. Scandinavian mills were responsible for 75% of wood pulp imported into the UK in 1960.³⁰³ Thus, with increasing demand at home for paper and the reliance on wood pulp from abroad the industry felt it was exposed to potential fluctuations and increases in pulp prices if it didn't address the issue. The increase in demand for paper at home and the paper companies' response through production increases can be seen more clearly in Table 2.5:

Table 2.5 British domestic paper consumption, production and imports, 1955-70

Year	Apparent Consumption '000 tonnes	Production '000 tonnes	Imports '000 tonnes
1955	4140	3297	1105
1960	5312	4064	1426
1965	6112	4537	1723
1970	7179	4903	2506

Source: Hills, RC, *Papermaking in Great Britain, 1488-1988*, (Athlone Press, London, 1988), pg. 186.

As the table shows, the fifteen years between 1955 and 1970 saw a 48% increase in domestic production compared to a 73% increase in apparent consumption. Imports also increased 127% during the same period. It is clear that the industry was reliant on foreign paper coming into the country but the widespread fears in the British paper industry about British entry into the European Free Trade Agreement (EFTA), and the subsequent opening of the British market to the established Scandinavian operators, relaxed somewhat with the increasing domestic demand for paper during

³⁰² Muir, A, *The British Paper & Board Makers Association*, pg. 67.

³⁰³ Brief for the Minister of State's meeting with the British Paper and Board Makers' Association on 29/11/61, written on 29/11/61, TNA PRO BT11/5569.

the 1960s.³⁰⁴ This is a point GBC Scott related to an upturn in British economic fortunes towards the end of the 1960s.³⁰⁵ The increase in domestic demand for paper is attributed by Hills to increased competition as a result of cheaper production methods being introduced from the Scandinavians³⁰⁶ through the use of the kind of integrated mills that Fort William was intended to emulate. However, the greater economies of scale in timber supplies utilised by the Scandinavian producers meant that their ability to produce pulp was considerably cheaper than the UK producers. As a result this inured them against the economic downturn that followed in the 1970s.

The 1970s was a very different experience for the UK-wide industry from the previous decade. In 1971-72 the industry experienced a sharp decline in production due to a fall in newsprint production. Jensen-Eriksen attributes this to the industry's incompetitiveness through delayed modernisation and late adjustment to the open international environment.³⁰⁷ The Fort William mill did not escape these problems and its operational difficulties were exacerbated by the further contraction the industry encountered as a result of the oil shocks of 1974. The subsequent increase in inflation, decline in consumer confidence and deceleration of industrial production led the paper industry to experience an economic downturn that was to continue until the late 1980s.³⁰⁸ Although consumption grew, it was only a modest increase whereas production decreased from the highs of the 1960s and British papermakers' international competitors increased their imports to the UK. This is seen more clearly in Table 2.6:

³⁰⁴ For a more detailed analysis of the British paper industry's concerns over EFTA see Niklas Jensen-Eriksen's 'A Stab in the Back?' and 'Industrial diplomacy and the European integration: The case of the paper industry, 1956-1972', EBHA Conference paper 2006.

³⁰⁵ 'The Prospect For Papermaking' by GBC Johnston, *Financial Times Annual Review*, July 1966, page unknown. Quoted in *Gateway Magazine*, No.28, (Wiggins Teape, London, 1966), back page.

³⁰⁶ Hills, RC, *Papermaking in Great Britain, 1488-1988*, (Athlone Press, London, 1988), pg. 188.

³⁰⁷ Jensen-Eriksen, Niklas, 'A Stab in the Back?' pg. 14.

³⁰⁸ Hills, RC, *Papermaking in Great Britain, 1488-1988*, pg. 188.

Table 2.6 British domestic paper consumption, production and imports, 1975-86

Year	Apparent Consumption '000 tonnes	Production '000 tonnes	Imports '000 tonnes
1975	6017	3616	2645
1980	6837	3793.4	3509.7
1981	6986	3379.7	3908.9
1982	6750	3197.6	3951.4
1983	7159	3297.7	4284.8
1984	7595	3591	4527.9
1985	7711	3681.2	4604.1
1986	8068	3941.2	4757.1

Source: Hills, RC, *Papermaking in Great Britain, 1488-1988*, (Athlone Press, London, 1988), pg. 186.

The effect this had on the British paper industry's labour, mill and machine numbers is clearer when Table 2.7 is considered:

Table 2.7 British paper industry annual numbers

Year	Mills	Machines	Manpower
1972	146	410	63038
1973	144	396	62415
1974	143	398	64741
1975	140	402	62116
1976	138	358	57418
1977	139	335	58812
1978	135	342	59293
1979	132	325	56074
1980	123	293	49290

Source: Hills, RC, *Papermaking in Great Britain*, pg. 185.

The depressed demand had the obvious effect of decreasing labour numbers over the period. This combined with higher production costs meant the Fort William project experienced severe difficulties and operating at a reduced capacity. Given that it was

made clear at the outset of the venture that the mills needed to be working at full or nearly full capacity in order to be viable this led to considerable problems for the development and the growing realisation that the pulp mill was uneconomic to run.

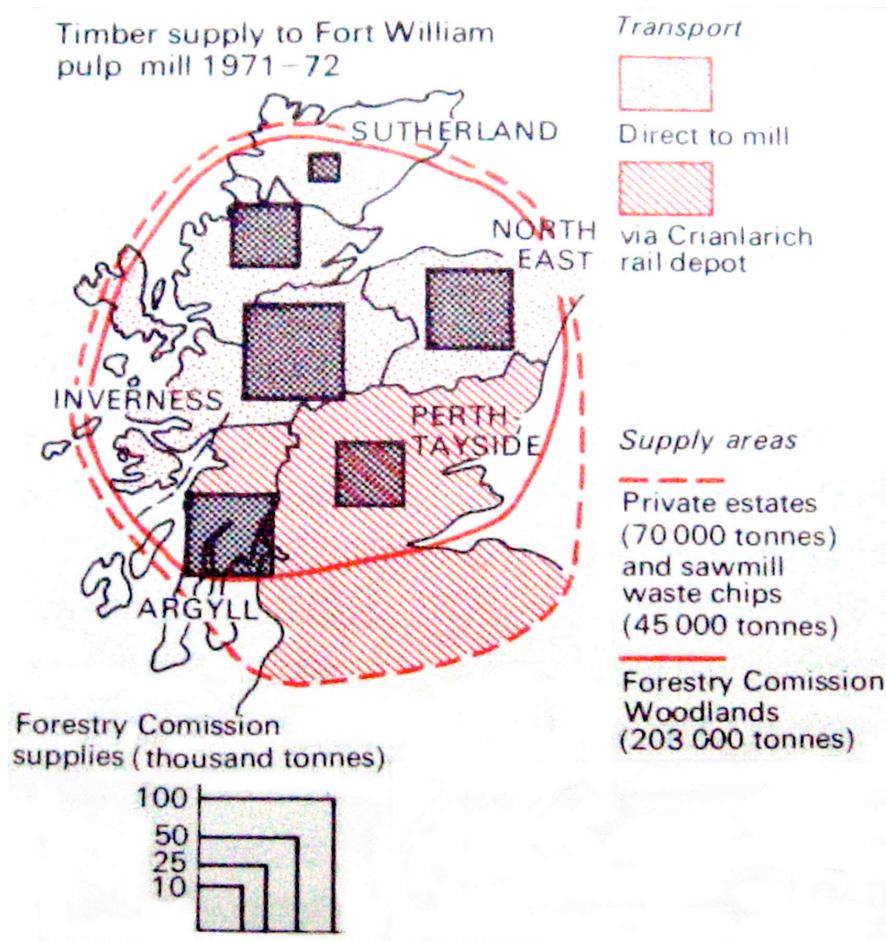
By 1980, with the company employing about 950 people at the plant, only 40% of the paper mill's requirements were being satisfied from the pulp mill and 75% of the pulp was being sent to other UK mills. Hood & Young assert that the pulp mill had essentially become a market operation and had lost most of the advantages of integration with paper-making.³⁰⁹ The need for the mills to operate at full capacity in order to be competitive was not being met and put their future into serious jeopardy. The pulp mill's process for producing pulp and costliness meant it couldn't compete with the other mills in production around the world.³¹⁰ One of the major problems faced by the mill was the cost of timber haulage, often of distances of up to 300km, although the average distance for Forestry Commission woodlands was 150km and for private estates 200km.³¹¹ This can be seen more clearly from Figure 2.3 below:

³⁰⁹ Hood, N & Young, S, *Industry Policy and the Scottish Economy*, pg. 284.

³¹⁰ Hetherington, A, *Highlands and Islands*, pg. 8.

³¹¹ Turnock, D, *Scotland's Highlands and Islands*, pg. 14

Figure 2.3 Timber supply to Fort William pulp mill 1971-72



Source: Turnock, D, *Scotland's Highlands and Islands*, (OUP, London, 1974), pg. 14

As the illustration shows, timber brought to the mill from north of Fort William came direct via truck and timber from the south by train via Crianlarich (a factor in Beeching's decision not to close the Glasgow-Fort William-Mallaig line). Both methods were and still are time consuming and expensive to move large stocks of wood through. The increased price of oil in light of the 1974 shocks meant that the mill was faced with a much higher transport cost for the necessary timber than anticipated. This, coupled with the disappointing performance of the mill, meant that the plant faced higher timber costs per tonne of pulp produced than was viable. Higher costs before the timber reached the mill compared to higher costs after the pulp had been processed and sent on to other mills meant the company experienced

problems on a dual front. The mill had annual losses in excess of £2m per year by the late 1970s and was faced with the prospect of having to invest a further £10m in replacing damaged parts of the chemical recovery system.³¹² The world recession and the oil-fired strength of sterling meant imports were becoming cheaper and the slump in world paper sales meant the company was faced with an operation that was losing money, needed considerable investment in outmoded technology and had little chance of succeeding in a declining market, as well as having to deal with higher than expected timber and pulp production and haulage costs. The choice then was to continue operations in the hope the market picked up sufficiently for the mill finally to move into profit, in the knowledge there would be no government support, or to close it down. It was not much of a choice at all - the company announced it was pulling out of the pulp operations of the plant in April 1979 and that the pulp mill was closing in November 1980. The area went from having a shortage of labour in the 1950s before the mill was built to an unemployment rate of 18.3% in 1983 after the pulp mill closed and the paper mill reduced employment numbers.³¹³ Wiggins, Teape repaid the government loan in full to the Board of Trade upon the closure of the pulp mill.³¹⁴ The paper mill continued, running at a much-reduced capacity, until it was announced in September 2005 that it was closing at the end of the month with the loss of 126 jobs.³¹⁵ The site has now been cleared for a new sawmill development by BSW Timber costing £25m and intended to create 45 direct jobs and a further 100 indirect jobs.³¹⁶

Conclusion

The Fort William pulp mill was borne of social considerations, economic necessity and political pragmatism, as were the other major industrial developments in the Highlands. Successive governments had committed substantial public funds to

³¹² Hood, N & Young, S, *Industry Policy and the Scottish Economy*, pg. 284.

³¹³ Highlands and Islands Development Board Annual Report 1983, (HIDB, Inverness, 1984), Appendix 4, Table 3.

³¹⁴ Letter from Lovell White Durrant Solicitors on behalf of Wiggins, Teape to Department of Trade and Industry, 25/06/90, TNA PRO FV71/12.

³¹⁵ <http://news.bbc.co.uk/1/hi/scotland/4204962.stm> accessed 18/03/06.

³¹⁶ <http://news.bbc.co.uk/1/hi/scotland/4843480.stm> accessed 24/03/06.

afforestation programmes in Scotland for so long that when it became apparent private industry was interested in utilising the substantial resources accumulated, it was difficult and indeed counter productive to argue otherwise. British dependency on timber and timber product imports was such that a venture such as the pulp and paper mills in Fort William presented a desirable project that would go some way to saving on the balance of payments problem that was becoming increasingly concerning to politicians - Wiggins Teape stated that it would save Britain £8m per year.³¹⁷ Further, the growing clamour for Highland development and the fact that no other site was suitable to take advantage of the forests planted for use in a pulp mill meant Fort William was the only logical choice available. The need for a tidal location with ample water supply as well as the possibility of government support led the company to conclude Fort William was its best option for constructing a mill without exposing itself too much to substantial capital outlay.

The fact that there were concerns over the economic viability of locating and constructing a mill in the area in the first place had little bearing on the Scottish Office's unwavering support for the project. The fact that it was known the mill would have to operate at full or near full capacity from the outset just to survive, as well as the known transport costs, were indicators that the margin for error was so remote as to make the project, from a purely economic point of view, hazardous. The desire to demonstrate that the mill project could be a 'test case for industry in the Highlands' overrode these concerns however. As a result this exposed the project to the unforgiving nature of the international economy - the oil shocks had a direct impact on transport costs as well as operational costs for the mill, not least to say the established and effective production techniques used Scandinavian operators. The Scottish Office's concern with developing the Highlands and currying favour with the Scottish populace meant that the economic concerns over the plant's viability and ability to operate at full capacity were discarded in favour of a grand gesture of

³¹⁷ *Gateway Magazine*, Scottish Pulp and Paper Mills Special Number, No. 23, (Wiggins Teape & Co Ltd., London, 1965), pg. 4.

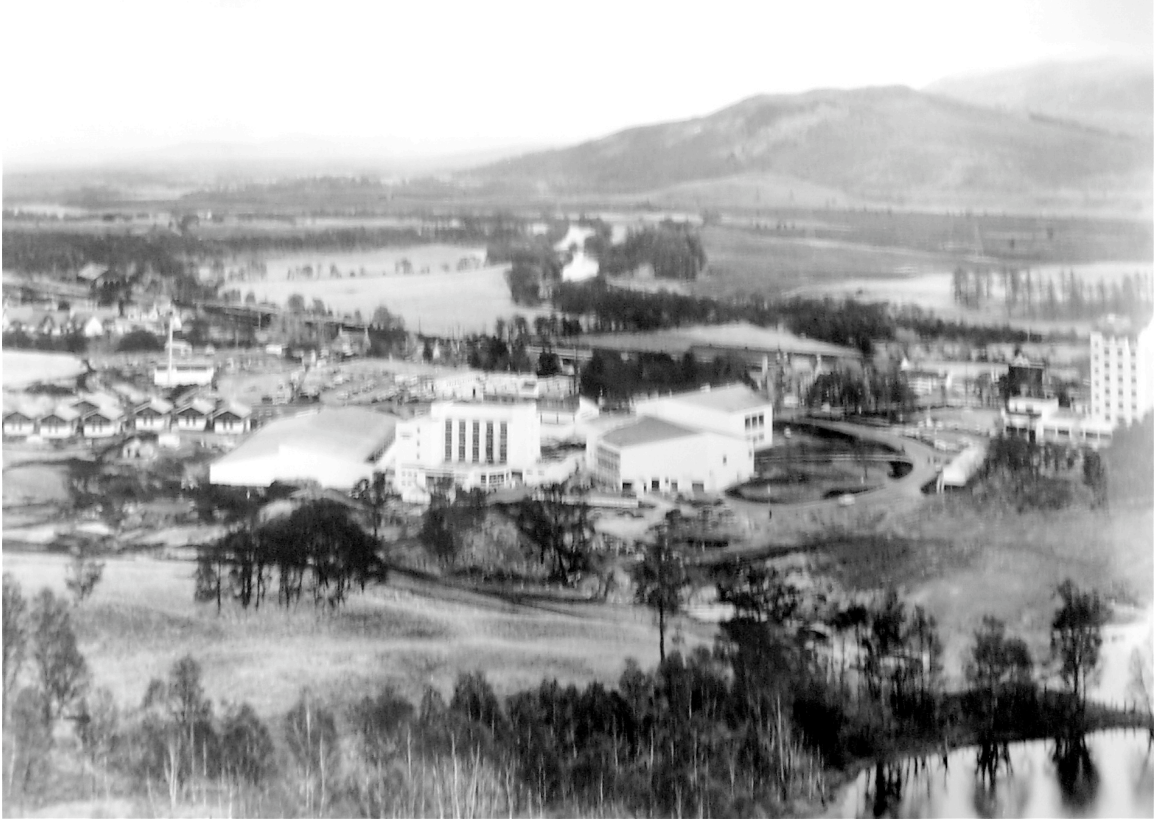
demonstrating to the public and business that the government was committed to developing the economic capabilities of the Highlands.

Of course, the Scottish Office wasn't operating on a purely economic basis and the political and social conditions at the time took precedence. Fort William couldn't support the labour numbers needed for the mills and it was an anomaly in relation to the wider Highland situation in that it did not suffer from high unemployment. Its claimed over-reliance on the aluminium industry was viewed as a reasonable justification for looking for other industries to locate there, but special treatment of the project in the form of passing the bill was required to achieve this. This was a short-term strategy for getting the project financed by government and in many respects presaged the lengths which the Scottish Office would later go to get support for other large-scale industrial developments in the Highlands in pursuit of a long-term strategy for growth. The idea of creating a 'growth centre' in the area by building on the existing aluminium industry and creating a new industry was a direct result of the Scottish Office's adoption of the thrust of Toothill's recommendations. If the Fort William area could be shown to house a major industrial venture successfully, so went the argument, then others would see the area as somewhere they could locate. This of course was a driving factor in the decisions to locate the further developments the Highlands received. The fact that the Fort William satisfied the requirements necessary for the mill's location there was fortuitous in that respect, but the problems the area experienced when the mill closed made the initial fortune seem like a poisoned chalice - from having a shortage of labour before the mill to the jump to almost one in five people being unemployed was a difficult burden and continued throughout the 1980s.

Wiggins Teape approached the project from a commercial point of view - it was interested in making money out of the mill and believed it could do so, albeit with the help of government support at the outset. The government's view however was more encompassing. The Fort William project represented the opportunity for the government to realise several aims at once - regional development in the Highlands to

stem social concerns, import reduction and forestry policy. The afforestation policies had finally come to fruition, the Highlands could be developed industrially to no longer be a strain on the Treasury and the country's reliance on imports of timber and timber products could be reduced. The idea of locating industry in the Highlands so that it would no longer be a strain on the Treasury through continued economic underperformance would permeate into future Scottish Office policy with respect to later developments in the area with similar consequences for all but one.

Chapter Three. Aviemore and the Cairngorms: Government Planning and Intervention



Source: University of Glasgow Business Archives, UGD HF101/3/1.

Development of Aviemore and The Cairngorms

The small town of Aviemore, located on the two main arterial transport links to the Highlands, the Perth-Inverness rail link and the A9 road North, found itself the subject of considerable attention from government in the late 1950s and early 1960s. It was seen as a potential growth centre for the establishment of a hotel and winter sports leisure complex aimed at attracting tourists to the area in what was to be ‘a pleasant place of all festivity’ - Hugh Fraser’s description of a purpose built facility for conferences, tourists and winter sports enthusiasts alike to visit and spend their money at.³¹⁸ The town’s proximity to the Cairngorms mountain range meant it was well placed for the development of a resort aimed at catering towards this end. The Aviemore and Cairngorm development was on the face of it intended to extend the tourist season from its traditional summer 2 months to a more profitable 10 months, bringing increased tourist revenue and more permanent employment to the area through the development of winter sports facilities. More generally, the project fitted with the ongoing approach towards Highland development conditioning thinking at Scottish Office level towards establishing a tourist centre in the Highlands to showcase the potential of the industry to help the area.

The government approached Hugh Fraser, then chairman of Harrods and House of Fraser, to direct the project. As a result, the construction of several new hotels, tourist and sports facilities and infrastructural development all took place, giving rise to the idea that Aviemore could compete as the Scottish St Moritz.³¹⁹ This idea was one that caught the imagination of the Scottish press during the construction phase with the *Glasgow Herald* describing it as a ‘landmark’.³²⁰ However, the reality of the project was a concrete morass that soon became dated and subsequently has been subject to considerable criticism since its creation for scarring the landscape,

³¹⁸ Pottinger, G, *The Winning Counter: Hugh Fraser and Harrods*, (Hutchison & Co., 2nd ed., London, 1971), pg. 125.

³¹⁹ Pottinger, G, *The Winning Counter*, pg. 130.

³²⁰ *Glasgow Herald*, 26/11/1965, page unknown, from UGD HF101/2/2.

with one commentator suggesting the development should be ‘nuked’.³²¹ Further, the political scandal that developed in the early 1970s surrounding the development involving George Pottinger, the lead civil servant on the project, and John Poulson, the lead architect, both of whom were jailed for corruption, tainted the project. However, Aviemore was very much a forerunner to the realisation on the part of government and others that tourism could become a major industry, not just in the Highlands but also in Scotland as a whole later in the century. Tourism during the 1960s was still regarded by some as the ‘soft option’³²² in consideration of the potential industries for solving Highland problems - the belief being that it was a seasonal pursuit incapable of providing stable, all year round, full time employment on a large scale. Aviemore was then an attempt at redressing this attitude and demonstrating that tourism could be an all-year round industry in the region.

This case study differs somewhat from the other three in my work in that it is not about government locating heavy industry in the Highlands, but was more of an attempt by government at facilitating the growth of an existing, albeit arguably more appropriate, industry for the area. Tourism in the area was and is based largely on selling the idea of the natural, unspoilt assets of the area, of which there are plenty. However, in order for this to be achieved, facilities needed to be put in place or developed further, including accommodation, road development and recreational amenities. In a sense then, the government was facilitating the growth of the industry in the Highlands in attempting to develop Aviemore, rather than prescribing industries for the area.³²³ The Aviemore development further differs from the other case studies in the sense that whilst it was a governmental proposition and backed by governmental money and expertise, it was portrayed as a private venture from the outset so as not to be seen as an imposition on the area from London or Edinburgh. In

³²¹ *Sunday Herald*, 13/05/2001, page unknown, from http://findarticles.com/p/articles/mi_qn4156/is_20010520/ai_n13958550 accessed 13/04/05.

³²² Grassie, J, *Highland Experiment*, pg. 27.

³²³ Levitt, I, ‘Too deeply committed’: Aviemore, The Scottish Office and George Pottinger, 1959-72’, *Scottish Affairs*, no. 51, 2005, pg. 32. It should be noted by the reader that there are several typographical errors relating to documents used in the National Archives of Scotland in Edinburgh in the referencing in this article.

doing this the logic was that if a high-profile private development was taking place in the area then others would be more inclined to follow. The government was keen to give the impression that the Highlands could be an attractive area for certain industries to locate in of their own accord; specifically industries such as paper, forestry, aluminium (to take advantage of the Hydro power available) and leisure facilities. If necessary, and it more often than not was, government was prepared to offer incentives to industries looking to locate in the Highlands, as well as to put pressure on certain industries to locate there (the Invergordon smelter and Dounreay reactor are both examples of this). Aviemore is another such example. Building grants were offered for hotel and other leisure facility construction and discussions took place at Cabinet level on how best to help the area and project move forward. Various government agencies, Hugh Fraser, Scottish & Newcastle Brewers, Tennents Caledonian Brewers, the Scottish Tourist Board, the Scottish Council (Development and Industry) and a great many other organisations all worked together on making the project a success. The ultimate aim of these relationships was to make Aviemore a viable and attractive alternative to the continental European ski resorts for winter tourists, thus improving the tourist revenue in the area and providing both employment (albeit not in less numbers as the other developments) and self-sufficient growth. It would now be useful, by way of providing some context for discussion of the Aviemore development, to detail briefly the development of post-war tourism in Scotland and the Highlands.

Background to post-war tourism in Scotland and the Highlands

Between 1938 and 1958 the tourist industry's earnings in Scotland roughly doubled in size to about £50m.³²⁴ Between 1950 and 1959 the numbers of visitors to the country increased from 2.7m to over 5m. Of note in these figures is that of the 5m visitors to the country, over 3.5m of them came from other parts of Great Britain and fewer than 1m were from abroad, meaning the tourist industry was very much home-

³²⁴ Harvie, C, *No Gods and Precious Few Heroes*, (EUP, Edinburgh, 1998), pg. 60.

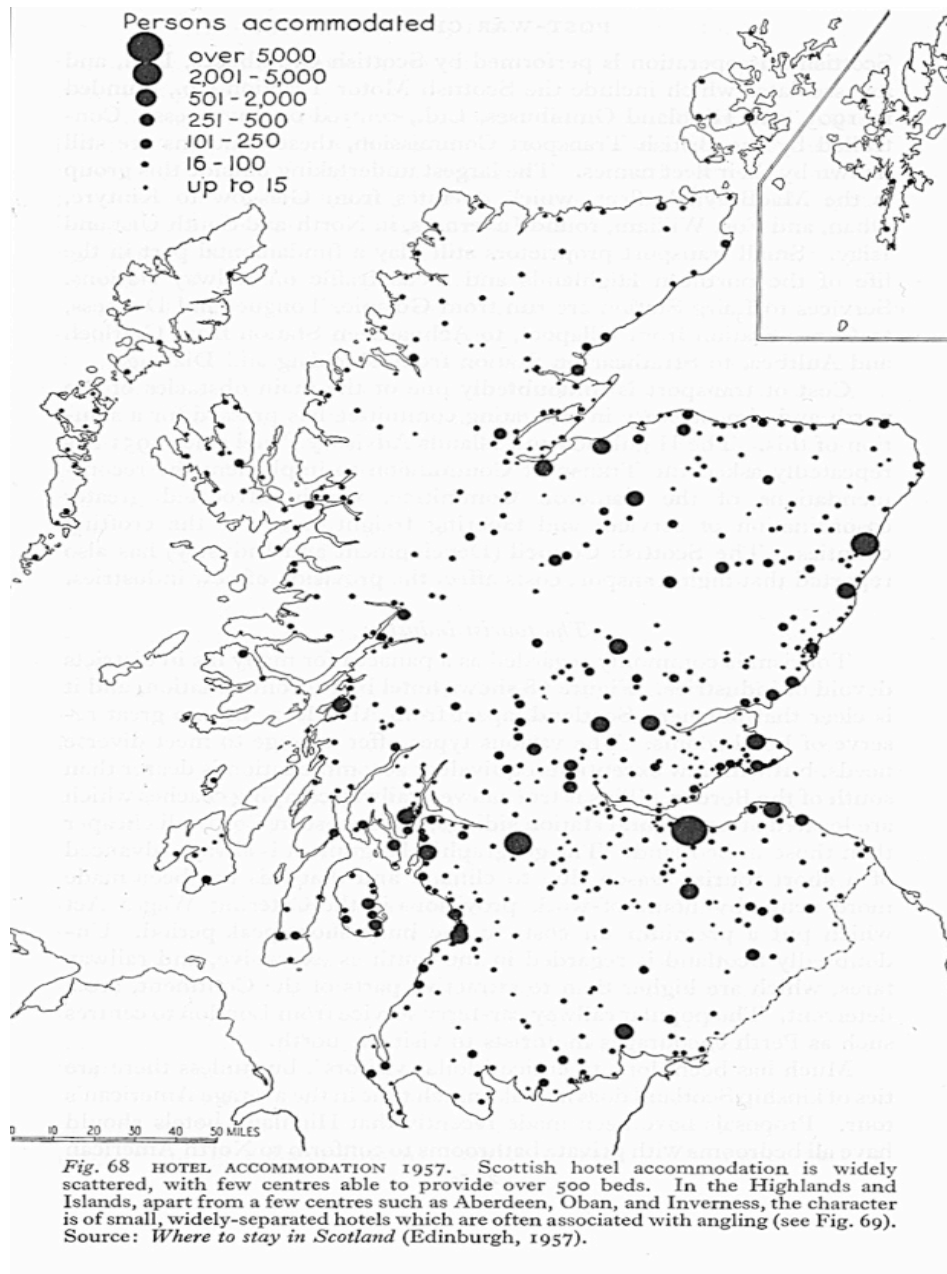
based as opposed to cosmopolitan.³²⁵ The tourist industry's growth was directly linked with increasing prosperity and leisure in the UK more generally.³²⁶ The intention of the Aviemore development was thus to take advantage of this and build on it. The problem in the Highlands was that most hotels were limited in size and were fully booked in the season with visitors from the UK. As a result, hoteliers had no reason to look abroad for further custom. Further, they had no interest in paying the commission necessary to travel agents who would not do business if they were unable to reserve space in these hotels in advance and were not receiving their commission. The result of this was that the overseas tourist trade in Scotland during this period was largely confined to Turnberry, Gleneagles and Edinburgh meaning it was not making as much of a contribution to the national economy as the government would have liked.³²⁷ As can be seen from Figure 3.1 below, the Highlands was not best served with hotel accommodation:

³²⁵ Scottish Tourist Board Memorandum by J Roger Orr: Financing the Tourist Industry in Scotland 04/05/1961, NAS DD12/429.

³²⁶ Peden, GC, 'The Managed Economy: Scotland, 1919-2000', in Devine, TM, Lee, CH & Peden, GC, (eds.), *The Transformation of Scotland: The Economy Since 1700*, (EUP, Edinburgh, 2005), pg. 255.

³²⁷ Scottish Tourist Board Memorandum by J Roger Orr: Financing the Tourist Industry in Scotland 04/05/1961, NAS DD12/429. St Andrews was omitted from the places mentioned.

Figure 3.1 Hotel accommodation in Scotland, 1957



Source: O'Dell, AC & Walton, K, *The Highlands and Islands of Scotland*, (Thomas Nelson & Sons, Edinburgh, 1963), pg. 236.

As Figure 3.1 illustrates, the majority of hotel accommodation in Scotland was situated south of the Highlands. For tourism to play any real part in the revival of the Highlands would necessitate an increase in hotel accommodation in the area.

Moreover, it would also involve an improvement in existing facilities. Aviemore was intended to go some way to achieving both of these aims in order to take advantage of the increasing tourist spending in the country, in particular from ‘dollar tourists’, based on providing hotel and conference facilities and easy access to winter sports in one integrated development. In 1959 alone, the overseas expenditure in Scotland was £14.4m (with £7.29m from the dollar area). It was believed in the Scottish Office that this number could be increased with a higher rate of capital investment in the industry on the part of government.³²⁸ The development of improved facilities at Aviemore, coming only a few years after the installation of a permanent ski lift at Glencoe and ski tows at Ben Lawers, Glen Clunie and Glenshee in the 1950s³²⁹, was further demonstration of the realisation of the potential for tourism as an industry of substance in the Highlands that could also contribute to the UK national economy, as well as diversifying the tourist centres in Scotland away from the central belt. The intention was to go some way towards helping establish Scotland, and in particular the Highlands, as a destination for both foreign and domestic tourists. The explosion in visitors to Britain after the Second World War helped the industry highlight the potential for tourism to create employment and wealth.³³⁰ The theory was that if mass tourism could be harnessed and brought to the Highlands then economic development could be achieved with very little outlay other than on facilities.

The creation of the Scottish Tourist Board in 1946 as an independent commercial enterprise operating outwith governmental control was a clear indication that tourism was beginning to achieve recognition in Scotland as an industry in itself, although perhaps not necessarily in the eyes of the government. The new Scottish Tourist Board was a voluntary body, financed by subscriptions from commercial tourist concerns and donations from local authorities, who’s remit was to promote Scotland as a desirable tourist centre home and abroad using information pamphlets,

³²⁸ Telex from McCabe, Scottish Office, London to McCallum, Scottish Office, Edinburgh, regarding Fraser’s draft paper on tourism 26/01/1961, NAS DD12/429.

³²⁹ Gold, JR, & Gold, MM, *Imagining Scotland*, (Scolar Press, Aldershot, 1995), pg. 138.

³³⁰ McCrone et al, *Scotland The Brand*, (EUP, Edinburgh, 1995), pg. 76.

books and advertising.³³¹ It was not until 1959 that government recognised the potential of tourism and the new body's work, bringing it under its own auspices and funding it to the tune of £15,000 per annum for the period 1959-61, which was spent on administering development schemes in the Highlands.³³² This was not without problems however. In a move that was to characterise subsequent relations between the service industry and the governmental agencies charged with planning and administering tourism in Scotland in the post-war period, the Exchequer suggested in the draft Countryside (Scotland) Bill of 1961 that it would be prepared to offer financial assistance to projects that were intended to conserve or enhance rural facilities in Scotland, but with the introduction of an advisory council (another tier of management) to administer such funding. The local authorities did not agree and vetoed the idea, preferring instead to deal with the Secretary of State directly and were afraid of the power that the new advisory council might be given. As a result the bill never saw the light of day.³³³

Following local authorities' refusal to accept this funding from the government, the Secretary of State for Scotland, Michael Noble, again tried in 1963 to introduce a new bill, entitled the Countryside and Tourist Amenities (Scotland) Bill that contained provisions for the creation of a Scottish Tourist Fund (STF) and Scottish Tourist Amenities Council (STAC) that would administer the new fund. Again the new proposals were met with opposition, but this time from the British Hotels and Restaurants Association (BHRA). The problem with the proposed new bill for the BHRA was that the new bill contained a clause that provided for a levy to be imposed on the nation's hotel industry in order to fully subsidise the new fund. When it became clear that the BHRA was in no way prepared to pay for the new fund, the options for creating these new structures became severely limited. The government was not prepared to pay for the new fund as it saw tourism simply as a means to help solve its balance of payments problem and was not prepared to contribute money

³³¹ Feggans, NGH, *Tourism In Scotland: The Imperative of Planning* (University of Glasgow Unpublished Masters Thesis, Glasgow 1982), Pg.47.

³³² Tourist (Scotland) Fund: Memorandum prepared for Mr Hugh Fraser by Scottish Office 27/01/1961, to be presented to STB, NAS DD12/429

³³³ Feggans, NGH, *Tourism In Scotland*, pg.47

towards it that could be used for other purposes.³³⁴ This was an unfortunate set of circumstances as the new bill contained a number of proposals that would have provided local authorities in Scotland with the ability to preserve and enhance the natural beauty of their areas and to advertise the facilities within these areas. This would have been achieved through the awarding of loans and grants from the new fund through the new council for the repair, improvement or provision of tourist facilities in Scotland. However, the hotel industry disagreed and the government was not prepared to contribute further funds. Further, the local authorities were against the creation of a new intermediate tier (the STF and STAC) with responsibility for amenities as, again, they felt it would interpose between themselves and the Secretary of State. As Feggans writes, ‘Thus, in spite of the emerging appreciation of the need to plan for tourism, no comprehensive machinery had yet been produced to this end.’³³⁵ It was against this backdrop that the hotel developments in Aviemore and the Cairngorms were to take shape.

Planning Aviemore and the Cairngorms

Jack Maclay, the Secretary of State for Scotland, agreed in July 1958 that Scottish officials should review Highland policy in view of a forthcoming ministerial discussion concerning a White Paper on its future intentions. The original plan was to push for improvements to the area’s physical infrastructure in the form of roads, ferries, harbours and piers to improve communications³³⁶, but also, crucially to this story, to attract more tourists. In light of this suggestion, the under-secretary responsible for regional policy in the Scottish Office, Ronald Johnson, wrote:

I think we must continually keep in view that the object must be not simply to attract more holiday-makers to the Highlands but to secure that more persons are employed in the Highlands in entertaining visitors and preparing for their reception. That is why I am cautious, or even sceptical, about road

³³⁴ This is discussed in further detail in relation to Aviemore later in the study.

³³⁵ Feggans, NGH, *Tourism In Scotland*, pg. 49.

³³⁶ Levitt, I, ‘Too deeply committed’, pg. 32.

improvements in the tourist interest alone. It would be possible for hundreds of parties to travel thousands of miles in the Highlands, carrying their own tents and tinned food, buying only a few Cairngorm brooches made in Birmingham and providing employment for county roadmen and garbage collectors. To create more employment in the tourist industry no doubt requires capital, and in this it may be necessary for the Government to help; I think it also needs ingenuity in finding means of involving the Highlander in the entertainment of visitors, and this seems to call for increased activities by local associations.³³⁷

Johnson's view demonstrates the difficulties facing Scottish officials in their attempts at developing the Highlands. Limited by statute, any funding provided for the improvement of infrastructure in the Highlands by the Treasury was to be linked to direct job creation (a point which would concern further attempts at getting the Treasury to release more money to the project later in the period). Infrastructural development would provide only impermanent job creation in most cases, specifically in the construction of the improvements. Johnson's concern was to ensure employment in the Highlands in the longer term. In this sense, his point about involving Highlanders in the entertainment of visitors was a precursor to the creation of the Aviemore development. Building roads for people to get to the Highlands, he argued, was all fair and well, but the key was to keep people there and have them use services provided that created jobs for the local population. The Aviemore development, if successful, would ensure this was the case. Johnson continued:

If it is agreed after further discussions that, over and above the improvement of roads, water and so on, more must be done to make the Highlands a more hospitable place, or, if you prefer, a place where the tourist has more opportunities for buying services and local produce, it may be decided that the Secretary of State will have to put funds into this too.³³⁸

³³⁷ Minute by R Johnson, Under Secretary responsible for regional policy, 18/08/1958, NAS SEP12/128.

³³⁸ Minute by R Johnson, Under Secretary responsible for regional policy, 18/08/1958, NAS SEP12/128.

Johnson's ideas were met with some favour amongst Scottish ministers and the Prime Minister. Maclay wrote to the Chancellor of the Exchequer about the matter, stating 'The Highlands could have a great attraction for dollar visitors and the improvement of facilities for the reception of tourists in the North and West of Scotland is closely connected with the general enquiry that David Eccles has in hand into the development of the tourist trade, especially with America.'³³⁹ The kind of approach to the Treasury shown in Maclay's letter characterises how much of the development in the Highlands and in particular the other case studies proceeded - any attempt at procuring funds for development in the area was couched in the UK national context and would be claimed to be of immediate, or near immediate, effect. Thus, infrastructural improvements were of secondary concern as the belief was that the likelihood of securing financial support for them was slim - job creation took precedence. This would contribute in no small way to the problems the other three developments with which this thesis is concerned had in attempting to become growth centres. Johnson's argument predated the Toothill report, but is crucial in understanding the attitude of the Scottish Office to Highland infrastructural development and the failure of growth centre focused policy in the region.

During a Cabinet meeting on Employment on 22nd December 1958, there was a discussion on the best course of action for alleviating unemployment. It was argued that investment in reducing unemployment could not be increased, lest it provoke a 'revival of inflationary pressure' by committing the government to an investment programme that could possibly exceed the savings available to finance it. As a result, the argument was made that if Scotland was to receive any additional investment then it would need to be offset by 'corresponding reductions in England and Wales'. This idea was met with disagreement however with the argument being made that a 'relatively modest acceleration in the pace of development in the remoter areas of Scotland (and Wales) would not of itself provoke a recurrence of inflationary

³³⁹ Letter from John McLay, Secretary of State Scotland to D Heathcoat Amory, Chancellor, 12/12/1958, NAS DD12/443

pressures in the country at large.’³⁴⁰ This was a strong argument that was met with some agreement in the meeting. As a result, the Cabinet decided on an acceleration of the programme of developing the basic infrastructure in the Highlands (principally roads and water supplies) and agreed to explore the possibility of appointing a ‘prominent figure in Scottish public life’ to promote Highland development through the development of tourist possibilities in the area. The Scottish Secretary was then asked to circulate a memorandum on measures to popularise tourism in Scotland around the various departments of the Scottish Office. The outcome of the meeting was then the first real example of top-down direction of the development of the tourist industry in the Highlands in the post-war period.

After the meeting, Maclay discussed with Macmillan what kind of person would be suitable for the project. The proposal by the Scottish Development Department that Maclay presented to the Prime Minister suggested a committee to oversee the development of the area, but Macmillan met this with some reluctance primarily on the basis that he believed that ‘committees take the punch out of life.’ Macmillan prompted Maclay to ‘go for a man’³⁴¹, based on the success of a similar policy he had pursued as Minister for Housing when he appointed Sir Percy Mills to be a special advisor in accelerating the housing programme.³⁴² Macmillan’s belief was that if the Highlands were to have a prosperous future then tourism not limited to just upper class grouse shooters must play a role. In order for that to occur there was a need to popularise sport all the while making the area more hospitable to more visitors. As a grouse shooting landholder in the Highlands, Macmillan was amenable to the idea that the Cairngorms could be developed whilst still retaining much of their natural splendour, stemming from his doubts ‘that the great forests and grouse moors can last much longer.’ Further, he made the point to Maclay that tourism should play a wider role in the development of the Highlands and that building ‘simple but

³⁴⁰ Minutes of a Cabinet meeting on employment, 22/12/1958, NAS DD12/443.

³⁴¹ Letter from Harold Macmillan, PM to John Maclay, Secretary of State for Scotland, 30/01/1959, TNA PRO PREM11/2795.

³⁴² Pottinger, G, *The Winning Counter*, pg. 107.

comfortable hotels for this class of people' would help achieve this aim.³⁴³ The class of people - primarily the working and middle classes - was growing and experiencing greater prosperity and could thus be harnessed for UK national gain and Highland economic benefit; Aviemore was about encouragement of mass tourism. Maclay had already settled on the idea of a man and had been in discussion with Hugh Fraser, suggesting his name to the Prime Minister as a possible candidate. Macmillan was receptive to Maclay's idea and the decision was taken to approach him. The idea was to move the appeal of the Highlands from the grouse moors and shooting parties to a wider, more sustainable and profitable audience. Not just individual day-trippers, but tourists willing to stay longer and spend their money over a longer period. The theory was that if this could be achieved then tourism could have a substantial role to play in the regeneration of the area. There was little quantification of what this role would be, but suffice to say tourism wasn't viewed as a soft option although it was still criticised. In early 1959, Sir David Eccles provided a parliamentary answer to a question posed by Sir David Robertson MP for Dounreay stating that the best hope for the North Highlands was tourism. He was met with Robertson's response that it was 'the most pitiful [answer] I have ever heard from a Minister in this House'.³⁴⁴ Robertson's opinion of tourism demonstrates the low esteem in which the industry was held as means to solving Highland problems. Having played a role in securing Dounreay as the location for the first fast reactor, Robertson believed industrial development should focus on heavy industry. Aviemore was not heavy industry, but a relatively new approach to Highland development. First of all however, a figurehead was needed to drum up interest in the area.

Hugh Fraser was a high-profile choice with impeccable Scottish Tory credentials. Fraser was Chairman of the House of Fraser, owner of Harrods in London, former Chairman and Honorary Treasurer of the Automobile Association³⁴⁵, member of the Scottish Tourist Board, Treasurer of the Conservative party in

³⁴³ Letter from Harold Macmillan, PM to John Maclay, Secretary of State for Scotland, 30/01/1959, TNA PRO PREM11/2795.

³⁴⁴ *The Times*, 06/02/1959, pg. 8.

³⁴⁵ Pottinger, G, *The Winning Counter*, pg. 106.

Scotland and a high-profile businessman. In short, he was exactly the kind of man Macmillan and Maclay had in mind. Only, according to George Pottinger, he didn't have any experience of the tourist industry or developing it, save for his membership of the Scottish Tourist Board and the fact he had owned hotels at various times.³⁴⁶ Quite what experience Pottinger believed was necessary he didn't make clear. Fraser had previously rebuffed the Scottish Tourist Board's approach to head a scheme aimed at developing tourism in the Highlands. He believed it to be inappropriate for him to be head the scheme and was unprepared to serve in a committee under the management of the Scottish Tourist Board's then manager, WA Nicholson (a condition he later made as part of his acceptance of the government's second approach).³⁴⁷ Moreover, Fraser was 'appalled at [the thought of] being made responsible for a series of Highland flings.'³⁴⁸ However, during a meeting with an official from the Scottish Home Department, after a request from Maclay, Fraser was presented with a more detailed and ambitious set of plans for the tourism industry in the Highlands that he met with more favour, promising to give them his 'earnest consideration' on holiday.³⁴⁹ Upon further pressure exerted by the Earl of Roseberry, the then chairman of the Scottish Tourist Board, Fraser eventually agreed to the proposition of heading a committee that was to promote the tourist industry in the Highland area. Fraser's position was referred to as a 'gauleiter'³⁵⁰ - a reference to the expectation that he would be the keystone of the project and would oversee the many different facets of the developments.

The plans presented to Fraser were based on Scottish Office conclusions that the problems faced by the tourist industry in the Highlands could be separated into three headings: communications, accommodation and organisation. The plans stated that the issue of organisation had two problems; the need to encourage people to

³⁴⁶ Ibid.

³⁴⁷ Letter from W Ballantine to R Johnson, both of Scottish Home Department, 02/04/1958, NAS DD12/443.

³⁴⁸ Pottinger, G, *The Winning Counter*, pg. 107.

³⁴⁹ Letter from W Ballantine to R Johnson, both of Scottish Home Department, 02/04/1958, NAS DD12/443.

³⁵⁰ Letter from Earl of Roseberry, Chairman of the STB, to John Maclay, SoS Scotland, 24/03/1959, NAS DD12/443.

provide and improve accommodation - through for example private houses - and the need to ensure that those arriving in the Highlands would have their 'recreation readily available', calling for 'the education of the local people in what tourists have a right to expect and the organisation to provide it.'³⁵¹ Officials also identified the common difficulty of a lack of risk capital for both issues of communications and accommodation. This was based on the evidence that neither offered a sufficient return on the outlay necessary for them to be attractive to potential investors. The problem then was how to attract these investors. One avenue proposed by Scottish officials was through the Board of Trade. However, Scottish officials believed that the Board of Trade was likely to limit its interest to dollar earning tourists, thus excluding the Highlands³⁵² (based on the earlier point about the majority of overseas tourists coming to Scotland going to the Central Belt region). As a result, they found themselves in a Catch-22 situation - Board of Trade help probably wouldn't be forthcoming until the Highlands was attracting dollar area tourists, but there was no provision for it to do so without further help unless an alternative could be found. If the Scottish Office could convince the Board of Trade of the merits of the scheme and its benefit to the UK national economic situation then it would have a chance of securing funding - if the scheme had a high-profile businessman heading it up and extolling its virtues, then all the better. Thus, Fraser became the obvious way forward, as well as the cheapest given that he was not paid for his endeavours. Further, utilising Fraser's expertise satisfied the desire on the part of government not to be seen as imposing anything on the area, a point stressed time and again in discussions between officials and ministers.³⁵³ The plan then was for Fraser to present the plans as his 'own' and to lead development of the industry as a result, with some Scottish Office backing.

³⁵¹ Note on Tourist Industry, Scottish Home Department, 22/09/1958, NAS SEP12/128.

³⁵² Note on Tourist Industry, Scottish Home Department, 22/09/1958, NAS SEP12/128.

³⁵³ Minute of meeting (02/02/1962) Proposed Tourist (Scotland) Fund by NK McCallum, Scottish Home Department for Minister of State (Lord Craigton), 05/02/1962, NAS DD12/429.

Fraser's first reading of the plans led him to conclude that they promised 'too much too soon'³⁵⁴, prompting him to revise them slightly, making them promise less, before their presentation to the media. Concurrently, Fraser created the Highland Tourist Development Company Ltd. in October 1959 to enact the plans with the company's remit as following:

Clause III.

1. To promote the well-being and develop the resources of, and in particular to assist and encourage the tourist industry in, the Highlands of Scotland.
2. To assist and encourage in the Highlands of Scotland or elsewhere throughout the establishment, carrying on and development of trades and businesses of all kinds which in the opinion of the Directors are calculated directly or indirectly to further the object set out in Clause III 1 hereof and to assist and encourage all persons, firms, companies and others engaged or proposing to engage therein.
3. To carry on any business or businesses (whether manufacturing or otherwise) in the Highlands of Scotland or elsewhere throughout the world which may seem to the Company capable of being conveniently carried on in the object set out in Clause III 1 hereof or in the opinion of the Directors calculated directly or indirectly to benefit the Company or enhance the value of or render profitable any of the property or rights of the Company.³⁵⁵

Five Scottish banks - The Royal Bank of Scotland, Bank of Scotland, The British Linen Bank, National Commercial Bank of Scotland Limited and Clydesdale & North of Scotland Bank Limited - backed Fraser's new company with plans for a modest hotel expansion in the Highlands. Fraser was chairman of the new company, with the other directors being Sir William McEwen-Younger (who was Chairman of the Scottish Conservative Party), Mr WRC Elliot, Managing Director of United

³⁵⁴ Letter from Hugh Fraser to John Maclay, Secretary of State Scotland, 08/06/1959, NAS DD12/443.

³⁵⁵ Highland Tourist Development Company Ltd. Share Issue notice, 06/05/1960, University of Glasgow Archives UGD/HF101/1/1.

Caledonian Breweries and Mr AW Hardie of Shell and BP Scotland Ltd.³⁵⁶ Further, £100,000 worth of shares were issued³⁵⁷, of which Fraser's own company, House of Fraser, took up a third.³⁵⁸ The creation of the company was part of Fraser's plan for developing tourism in the Highlands as well as demonstration of his own commitment to the project. Fraser's rationale behind this was twofold - he believed there was potential for growth in the area that as a businessman he could benefit from, as well as believing that if he was seen to be committed to the area then others would see the potential as well, helping the area develop further. Fraser's company was able to administer loans up to twice the company's share value, backed by the banks, in two areas - Badenoch and Bonar Bridge. In making these facilities available Fraser was effectively investing in the creation of confidence in the area amongst the business community. There was no discussion of what Fraser stood to gain from the venture, nor was there any discussion of a possible conflict of interest between his government-sponsored position and the setting up of the company. By and large, the Scottish Office was just grateful to have him on board for its project. Turning this kind of blind eye would later lead to one of the biggest Scottish political scandals in the twentieth century.

Several months before Fraser set up his company, the Scottish Office seconded to his service an up and coming civil servant to help him with his project to improve the tourist industry in the Highlands. The civil servant appointed, George Pottinger, would later go on to become Fraser's official biographer. Perhaps more famously however, he would also go on to be jailed for a corruption scandal with the lead architect in the Aviemore project.³⁵⁹ Pottinger was the assistant secretary for the

³⁵⁶ Aviemore Note for Minister's meeting with Dr Beeching, 27/07/1964. Composed 24/07/1964, NAS SEP12/237.

³⁵⁷ Highland Tourist Development Company Ltd. Share Issue notice, 06/05/1960, University of Glasgow Archives UGD/HF101/1/1.

³⁵⁸ T. M. Knox, 'Fraser, Hugh, first Baron Fraser of Allander (1903–1966)', rev. Iain F. Russell, *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004), from website <http://www.oxforddnb.com/view/article/33252> accessed 1 March 2006.

³⁵⁹ For a more detailed analysis of the corruption scandal surrounding the Aviemore development and Pottinger's specific role in the creation of the development, Ian Levitt's 'Too deeply committed': Aviemore, The Scottish Office and George Pottinger, 1959-72', *Scottish Affairs*, pp. 25-58 and Michael Gillard & Martin Tompkinson's *Nothing To Declare: The Political Corruptions of John*

local government division. However, he was considered to be of insufficient seniority for the task by Fraser (as well as Pottinger who was not keen on the placement lest it affect his future chances of progress in the civil service) so was eventually promoted to under-secretary as part of his secondment.³⁶⁰ Once promoted, Pottinger was tasked with helping Fraser come up with a plan of action for the area. As a result, activity in relation to the development of the area began to increase and intensify.

Pottinger and Fraser worked together on plans for developing tourist facilities in the Highlands, with Fraser visiting St Moritz in Switzerland to familiarise himself with a successful ski resort and its operation.³⁶¹ As a result of his visit, Fraser identified the *kurtax* or *taxe de séjour* in operation in St Moritz as a potential policy for the development of facilities in the Highlands for tourism (ice rinks, cafes, après ski restaurants, entertainment programmes etc). The *kurtax* or *taxe de séjour* was a levy imposed in many Continental countries, but the Swiss model in particular caught Fraser's eye. In Switzerland, the levy was charged on each bed that was occupied in hotels in the region depending on the class of the hotel each night. The local Kurverein fixed the rates and all monies collected were spent within the region. Fraser's study of St Moritz saw him come to the conclusion that a similar system could work in the Highlands. The *kurtax* in St Moritz was charged at a level varying from 1s. 9d. to around 2s. 9d per bed per night; raising around £60,000 and £80,000 per annum.³⁶² Fraser felt a self-raised sum such as this would prove useful in supporting the tourist industry in the Highlands, especially given that at this point the government was contributing substantially less than this each year to the tourist industry as a whole in Scotland. Further, the kind of facilities envisioned by Fraser were not immediately attractive to entrepreneurs as they would not be commercially viable until people started to come to the area, thus it would be necessary to find a

Poulson (John Calder, London, 1980) should be consulted. Pottinger wrote a biography of Fraser titled *The Winning Counter: Hugh Fraser and Harrods* (Hutchinson, London, 1971) upon his release from prison that was vetted by the Civil Service before publication. He also wrote another book that touched on Aviemore briefly, titled *The Secretaries of State for Scotland, 1926 - 76* (Scottish Academic Press, Edinburgh, 1979). The Civil Service also vetted this.

³⁶⁰ Levitt, I, 'Too deeply committed', pg. 34.

³⁶¹ Pottinger, G, *The Winning Counter*, pg. 122.

³⁶² *Ibid.*

way of financing their creation in another fashion. The idea of taxing tourists was one such way. At no juncture did it appear to occur to him that tourists perhaps wouldn't be so keen to pay such a tax.

Fraser's sojourn to St Moritz yielded more than a simple 'tourist-tax' idea, it also played some role in his eventual production of the 'Fraser Plan' covered by the Scottish media and viewed positively within government. Fraser's plan was put forward in a very general sense - he believed that general facilities should be improved, more specifically sports facilities, accommodation and service standards; that two pilot schemes enacting these ideas should begin in the Badenoch area and south-east Caithness and finally that the government should provide the finance and some of the personnel needed to administer the plan for the first three years in the form of administrative staff and loans.³⁶³ With his business contacts and expertise he was able to drum up some backing for the idea (including the important aforementioned pledges of financial support of the banks). Fraser's plan was discussed extensively and received further support from the Minister of State for Scotland, Lord Craigton, as well as Maclay. At a Cabinet Committee on Tourism meeting, Craigton presented Fraser's proposals for the establishment of a Tourist (Scotland) Fund. Fraser proposed that government present a Bill to be passed calling for the registration and inspection of Scottish hotels and boarding houses; and for contributions by hoteliers in Scotland to a fund from which developments in the tourist industry would be financed³⁶⁴ (based on the *taxe de séjour/kurtax* in Switzerland). By this point the government had already committed to spending £15,000 per year in grant form to the STB, to be spent in administering the Scottish Tourist Board's campaign under Fraser. The Cabinet committee concerned was uneasy in particular with tourism in the context of dollar saving. As a result, Fraser made it clear that his proposals were to the benefit of the tourist industry as a whole in the UK and Scotland and not just the Highlands, concluding that 'the more we can attract tourists generally the more foreign tourists we will get; furthermore, with the

³⁶³ *Glasgow Herald*, 14/10/1959, pg unknown, taken from TNA PRO PREM11/2795.

³⁶⁴ Cabinet Committee on Tourism: Proposals by Sir High Fraser for a Tourist (Scotland) Fund. Memorandum by Minister of State, Scottish Office, 27/01/1961, NAS DD12/429.

funds made available, a direct effort could be made to bring accommodation to Scottish hotels, and local amenities generally, up to the standards expected by tourists from abroad, especially Americans.’³⁶⁵ Dollar-tourists were very much at the forefront of government thinking in developing the tourist industry. The ability to earn dollars was a boon to the tourist industry and to its chances of receiving governmental financial support. Indeed, the need and desire for increased dollar revenues played a definitive role in the construction of the Aviemore project with Fraser’s proposals to the Cabinet, backed up by Scottish Office statistics, stating ‘the need for capital investment in the tourist industry in Scotland if it is to maintain its place against competition from elsewhere and to make an increased contribution to our balance of payments.’³⁶⁶

In light of the recommendations made by Fraser to the government, the Scottish Tourist Board drew up a memorandum stating the case for further governmental support for the tourist industry that focused in part on the Highlands. Specifically, it stated the case for government assistance as follows:

- a) The tourist industry in nearly all other countries receives some form of Government help; apart from Continental precedents, the Government of Eire has spent approximately £3m in developing their tourist industry with good results;
- b) The foreign currency which tourism can earn makes it of national importance;
- c) Government expenditure on communications, which is essential for tourist purpose, also serves the national interest;
- d) Tourism represents a combination of many industries, e.g. road and bridge construction, building, the furniture and furnishing trade, and consumable and licensed goods and services of all kinds. The benefits of a prosperous tourist

³⁶⁵ Cabinet Committee on Tourism: Proposals by Sir High Fraser for a Tourist (Scotland) Fund. Memorandum by Minister of State, Scottish Office, 27/01/1961, NAS DD12/429.

³⁶⁶ Telex from McCabe, Scottish Office London to McCallum, Scottish Office Edinburgh regarding Fraser’s draft paper on tourism 26/01/1961, NAS DD12/429.

industry would not be confined to one channel, but would permeate the whole national economy.

- e) The Government has already agreed publicly that tourism can be one of the main elements in bringing new prosperity to areas like the Highlands, Galloway, etc.³⁶⁷

The STB's memorandum was designed to build on Fraser's proposals and impart further pressure on government to agree to contribute more to the industry's development. Maclay supported the motivations behind the STB's proposals, but felt that a new scheme was needed. Moreover, the STB's recommendations were very similar to the discussions ongoing in the Scottish Home Department about how to develop the industry anyway. Fraser's plans on the other hand were welcomed, but it was also recognised that in order for them to be implemented in any real form a single location for the new development was needed. Lord Craigton, Minister of State, and John Maclay as Secretary of State, met the following February after Fraser and the STB's proposals were made and agreed to move forward with the respective proposals. However, both were very keen that the government was not to be seen as instigators in making the proposals happen, to the extent that they even minuted about the notepaper, form of words and venue that should be used so as to avoid any criticism over their role.³⁶⁸

At this point the Scottish Council (Development and Industry) published the Toothill Report, promoting a new regional policy in Scotland focused on growth centres. The Aviemore plans were already well on the way however, but the ideas were similar. In the Highlands, it was apparent that the Spey area and the Cairngorms surrounding it was the most obvious choice for Fraser's plans if any kind of financial viability was to be maintained. The intention was to construct hotels and other tourist facilities in one area. The Aviemore area was an obvious choice as a result of its

³⁶⁷ STB Memorandum by J Roger Orr: Financing the Tourist Industry in Scotland 04/05/1961, NAS DD12/429.

³⁶⁸ Minute of meeting (02/02/1962) Proposed Tourist (Scotland) Fund by NK McCallum, Scottish Home Department for Minister of State (Lord Craigton), 05/02/1962, NAS DD12/429.

winter sports potential (skiing for example) as well as its summer activities (rafting, pony-trekking, walking and so on). The Cairngorm Winter Sports Development Board had been in operation since 1957, focusing on attracting visitors to the area for skiing activities. Indeed, the board had implemented the use of a chair lift on Cairngorm from the end of December 1961 that had proved popular. The chair lift transported skiers a distance of 1000 yards up 1000ft of elevation from 2500ft up to 3500ft up³⁶⁹, taking them to the previously inaccessible snowfields on the mountain range and extending the ski season as a result. With the summer and its warmer climates approaching, snow would lie further up the mountains meaning a chair lift would help with access to it. The inclement weather was unpredictable so guaranteeing access to available snowfields for skiers was an important part in ensuring the attraction of the area to visitors. Further, the chair lift would not be operable in high winds due to dangers present to skiers taking the lift, whereas a ski tow would be.³⁷⁰ The board's formation as a non-profit distributing company was with the intention of establishing and developing 'as a National Winter Sports Area the Cairngorms and the adjoining districts of Strathspey and Badenoch.' It was comprised of 51 members, predominantly local, and was financed by subscriptions, loans guaranteed by local hoteliers and grants totalling £9000 (around 9% of total funds) from the Scottish Education Department under the Physical Training and Recreation Acts 1938-47.³⁷¹ The board's activities in building these tourist facilities had laid the foundations for the further development of the areas as well as demonstrating an impressive local attitude towards bringing prosperity to the area through its own means. Moreover, it was a clear indication to the government that something could be done in the area with regard to tourist development and bringing growth to the Highlands. The area was already attracting visitors and this could provide a platform for government and the Fraser consortium to build upon; it had helped the existing

³⁶⁹ Memorandum: General Background Concerning the Cairngorm Winter Sports Development Board Ltd and its application to the BoT for Loan Facilities to Further Development in the Cairngorm Area. Date unknown, but circa summer 1962, NAS SEP12/280.

³⁷⁰ Memorandum: General Background Concerning the Cairngorm Winter Sports Development Board Ltd and its application to the BoT for Loan Facilities to Further Development in the Cairngorm Area. Date unknown, but circa summer 1962, NAS SEP12/280.

³⁷¹ SDD Circular on CWSDB, 13/02/1968, NAS SEP12/266.

hotels and accommodation situation by providing extra incentives for visitors to come to the area over a longer timeframe and ensured a greater degree of permanence in terms of employment in what was still considered by and large as a seasonal industry. In short, the Aviemore and Cairngorms area was a growth centre of sorts already, but in need of further development, in accommodation and facilities, or as the government termed it, amenity, to cement its position.

Developing the area was at first a question of local authority support, as in the other case studies, as planning responsibilities were under the auspices of the local councils. However, it was also about improving existing facilities. The county council, Inverness, was very much in favour of developing the tourist potential of the area, having already contributed towards the construction of the first chair lift in the Cairngorms as well as constructing a three mile road to give access to the project and a car park, paid for in part by donations of £500 from local businessmen³⁷² and supported the government's plans for the area. An application from the Cairngorm Winter Sports Development Board to the Board of Trade to develop further its ski lift provision through the Local Employment Act (a result of Treasury advice³⁷³ and with Lord Craigton's support³⁷⁴) was rejected on the basis that the money applied for, £147,000³⁷⁵, was to be spent on constructing further lifts and improving provisions, resulting in very little direct job creation (fewer than a dozen).³⁷⁶ As a result, the Board of Trade felt the cost per job was too high to justify awarding a grant on this premise. The Cairngorm board's non-profit status and the fact its assets were built irretrievably into the mountains meant it held little or no appeal for private backing also. Without an increase in the existing number of chair lifts and tow bars, as well as usable snowfields, the area would be in danger of losing its appeal to skiers. Queues

³⁷² Letter from IR Duncan, SDD, to BE Lincoln, Development Commission, 10/04/1963, NAS SEP12/281.

³⁷³ Letter from IR Duncan, SDD, to FSO Broughton, Development Commission, 26/04/1963, NAS SEP12/281.

³⁷⁴ Letter from Sir Alick Buchanan-Smith, Deputy Chairman of the Unionist Party in Scotland, to Michael Noble, 01/02/1963, NAS SEP12/280.

³⁷⁵ Memorandum: General Background Concerning the Cairngorm Winter Sports Development Board Ltd and its application to the BoT for Loan Facilities to Further Development in the Cairngorm Area. Date unknown, but circa summer 1962, NAS SEP12/280.

³⁷⁶ *Glasgow Herald* article, 19/03/1963, page unknown, NAS SEP12/281.

were becoming more commonplace and the lack of facilities becoming more problematic as the number visiting increased. Craigton in particular was concerned with this, as it would jeopardise Fraser's project if people lost interest in the area and the idea of a 'winter playground.'

Iain Duncan of the Scottish Development Department wrote to the Development Commission after the Board of Trade's decision stating:

There has been a very considerable multiplier effect on employment in the service trades within the area extending 20 miles or so west, north and east of the actual skiing slopes. More than this, I think the whole project has awakened many people to the very large tourist potential in the Highlands which properly developed, could go a long way towards arresting depopulation and creating 'anchorage points'... Our immediate problem is to maintain the impetus which the Board's initial success has given to tourism in the Aviemore area and the Highlands generally. We feel that this project stands in the same relation to Highland tourism as the [Fort William] pulp mill does to Highland industry. It has the full support of the Secretary of State's Advisory Panel on the Highland and Islands. We are very conscious that an application such as is proposed is quite out of the ordinary run, but we do feel that the future of this rural area - the largest 'town' is Grantown-on-Spey with a population of 1541! - is likely to depend more on the creation of an all-round the year tourist trade by developing its winter sports potential to supplement its well-known attractions for summer visitors than on pipe dreams of factory chimneys.³⁷⁷

Duncan's view was very much ensconced in the Scottish Office's then attitude towards Highland development - developing 'anchorage points' was crucial if depopulation was to be halted and employment issues addressed within a framework of wider Highland development. Whitehall's input into this was marginal - the Scots

³⁷⁷ Letter from IR Duncan, SDD, to FSO Broughton, Development Commission, 26/04/1963, NAS SEP12/281.

would approach London with plans in place and seek to secure financial support for them, as was the case for the other developments discussed, although Whitehall's response to the Aviemore project was sceptical in terms of the cost per job figures quoted. Duncan's assertion of 'the very large tourist potential in the Highlands' has been borne out. Thus, whilst he may have been indulging in rhetoric, it would seem that it was more a case of genuine belief in the merits of the project. This wasn't a public pronouncement but a letter between departments - any hyperbolic rhetoric would have been dealt with in the immediate response to the letter or tempered in further discussions. As it was, it wasn't. The case Duncan put forward was built on and pursued with some vigour.

Aviemore was considered as a potential growth centre but not in the conventional sense of the phrase in that it did not have a large pool of population and therefore potential labour force, but it did have potential as a growth centre, or as Duncan calls it an 'anchorage point', in developing its tourist potential. The Secretary of State's Highlands and Islands Advisory Panel had identified the area on the back of its chairlift and ancillary projects as 'one of the selected growing points for tourist development' in Scotland.³⁷⁸ Lochaber, Caithness and Moray Firth however were the main centres of population in the Highlands during this period and were later identified by the Highlands and Islands Development Board as being ripe for (heavy) industrial development. The Scottish Office was very much focused on developing industry in the Highlands specific to the needs and potentialities of certain areas. Aviemore wasn't suitable for heavy industrial development, but was certainly suitable for tourist development. Thus, whilst it wasn't on par with Corpach for example, in terms of providing large-scale employment, its predicted effect on industrial expansion in the area makes it a worthwhile comparison for the purposes of this thesis. Both projects were believed to have the potential for acting as a boon to their respective industries at local and national levels as well as attracting other industries to the area in which they were located.

³⁷⁸ *Glasgow Herald*, 19/03/1963, page unknown, NAS SEP12/281.

The failure of the board's application brought with it dismay not just within government, but also in other circles. The Earl of Roseberry wrote to the Secretary of State, Michael Noble, expressing the disappointment of the Scottish Tourist Board at the Cairngorm board's failure to win support from the Board of Trade, pointing out that 'We feel that the proposals for an extension of the chairlift and for the provision of a major town in Coire Cas are immediate essentials in the development of this area and the refusal of support by the Board of Trade Advisory Committee could be a major setback to one of the outstanding developments in Highland tourism.'³⁷⁹ *The Glasgow Herald* accused the government of a 'lack of vision' and argued that the 'vision of a proper winter sports centre in Scotland is in danger of vanishing as rapidly as the snow on the hills for the sake of no more than £150,000.'³⁸⁰ The subsequent press attention on the failure of the Cairngorm Winter Sports Development Board's application did little to dissuade Hugh Fraser of the area's potential however. Undaunted by the negative reporting by *The Glasgow Herald* and apparent lack of support from London, Fraser had continued to pursue his belief in the development potential of the area. His original plan for the Highlands had been accepted by government, secured by the approval of the House of Commons as a result of a motion by Ian McArthur MP for Perth and East Perthshire.³⁸¹ Fraser's plan had also gained cross-party support from Labour and Conservative MPs who formed a voluntary committee that visited the Highlands and came out in favour of his plan for a levy. However, as welcome as Fraser's plan was made to be in Cabinet, the idea of a levy was met with some resistance in other quarters. The new Conservative Secretary of State, Michael Noble, had managed to persuade the Treasury to back the proposal for the levy in spite of its opposition to hypothecating taxation for a specified purpose (the proceeds of the tax were to be spent on providing facilities or amenities that were not *likely* to be provided commercially), by pointing out the precedent set by the betting levy. When the plans were made public he faced opposition, perhaps unsurprisingly, from hoteliers but more surprisingly from The

³⁷⁹ Letter from Earl of Roseberry, Chairman of the STB, to Michael Noble, Secretary of State, 01/04/1963, NAS SEP12/280.

³⁸⁰ *Glasgow Herald*, 25/03/1963, page unknown, NAS SEP12/281.

³⁸¹ Hansard, vol. 619, House of Commons Debate, 11/03/1960, col. 855-884.

National Trust who were irked at their proposal for a countryside commission to be set up not being included in the new bill, the aforementioned Countryside and Tourist Amenities (Scotland) Bill.³⁸² The Scottish Tourist Board were concerned at their own position being arrogated by the council that would be implemented to administer the levy and the British Hotels and Restaurants Association were resentful at the possibility of a similar Bill being enacted in England and Wales. As a result of the public criticism of the Bill and the possibility of an early election Noble was prompted to announce on February 19th 1964 that the bill would not proceed in its present form, effectively abandoning the scheme.³⁸³ According to Pottinger, descriptions of the levy as a ‘tax on sunshine’ ‘milching the tourists’ and ‘a tax to keep people away from Scotland’ did little to help Noble’s cause.³⁸⁴ One important part of Fraser’s plan however remained intact - the desire to initiate his plans into ‘bricks and mortar’ where ‘the best guarantee of continuing success is a rapid and if possible spectacular development in one or two areas which other parts of the Highlands will be eager to emulate.’³⁸⁵

The Scottish St Moritz

Between July 1959 and October 1962, Fraser and Pottinger had scoured the Highlands for a suitable location for their tourist development plan before submitting their intentions to the Scottish Tourist Board and the Secretary of State at the end of 1962. The acceptance of Fraser’s plan to construct somewhere where all the needs of a holidaymaker would be met at one place led to the Aviemore site with its requisite characteristics - proximity to transport routes, mountainous areas and other countryside access. Fraser’s plan had noted the lack of hotel accommodation as well as the dearth of evening entertainment for visitors in the Highlands and his Highland Tourist Company was intended to facilitate the growth of such facilities. However, Fraser and others in government believed the area needed a shot in the arm in the

³⁸² Pottinger, G, *The Secretaries of State for Scotland*, pp 164-165.

³⁸³ Ibid.

³⁸⁴ Pottinger, G, *The Winning Counter*, pg. 123.

³⁸⁵ Ibid, pp 112-113.

form of a bespoke development that could crystallise the ambitions held for developing the tourist industry in the Highlands and act as a showcase to others. Aviemore, with its transport links through the A9 trunk road and the railway line north, satisfied one important component of the requirements for the new development and the tourist traffic enjoyed by the Badenoch and Strathspey region led Fraser to conclude it was the most suitable area for such a project. Having decided on a site he then began to pursue other potential investors in the development. In order to achieve this Fraser formed another company Highland Tourist (Cairngorm Development) Ltd. to administer the project in 1964. The new company retained the same directors as the old company, but changed its focus from Highland-wide development to the Cairngorm area only.³⁸⁶ The new company was to build and operate the entertainment facilities around which the new hotels were to be built. Also, it would be responsible for buying and then leasing the ground to the companies that were to operate the hotels. By the time Pottinger left secondment Fraser had not secured any other support but remained undaunted by the task ahead. Fraser was rebuffed in his approach to Grand Metro Hotels, owners of the Washington Hotel in London, to operate in his planned development. They wrote to Pottinger (who although no longer on secondment to Fraser was still very much involved in the project and whose advice was sought by officials in the Scottish Office on many matters pertaining to Aviemore and its development³⁸⁷) in response to his enquiry about their interest in operating a hotel in the development stating:

This has been given very careful consideration and although the scheme itself appears reasonable with no obvious disadvantages, my co-directors and I are unable to envisage a great skiing resort ever being successful in Scotland which can never have the lure of an established continental resort.³⁸⁸

³⁸⁶ Press release from Highland Tourist (Cairngorm Development) Ltd. Date unknown. UGD/HF101/2/1.

³⁸⁷ Levitt, I, 'Too deeply committed', pg. 55.

³⁸⁸ Letter from M Joseph, Washington Hotel, London to G Pottinger, 23/07/1963, NAS SEP12/238.

The most obvious established continental resort was of course St Moritz; as it was, establishing the ‘Scottish St Moritz’ was proving more difficult than had been imagined with businessmen in the tourist trade such as Joseph of the Washington Hotel making it clear that he did not hold much hope for the project.

Fraser’s plan, announced in the Savoy Hotel in London to the press on the 9th June 1964, was for the Aviemore centre to comprise of up to ten hotels, an ‘amenity complex’ that would house a heated swimming pool, skating and curling rinks, an all-purpose hall for use as a cinema or conference centre, shopping facilities and a golf driving range.³⁸⁹ It was to look like the following:

Figure 3.2 Model of the Aviemore development



³⁸⁹ Aviemore. Note for Minister’s meeting with Dr Beeching, 27/07/1964. Composed 24/07/1964, NAS SEP12/237.

Source: UGD/HF101/2/2, JGL Poulson (architect) photograph of model for Aviemore Centre, 05/06/1964.

John Poulson was to be the architect of the new development, chosen on the recommendation of the managing director of the Bovis construction firm - their managing director insisted that Poulson was the only architect with the 'vision' and technical ability to work on the project.³⁹⁰ The building at the top of the picture was to be the Strathspey Hotel - one of the so-called landmark developments (for landmark read high-rise) intended to showcase the new development, to be operated by Scottish & Newcastle Breweries. The centre of the image shows the all-purpose conference hall/cinema and the leisure and shopping facilities envisaged by Fraser with the surrounding buildings making up the remaining hotel chalet space planned. The building at the bottom right of the image was to be the Badenoch Hotel, to be operated by Tennents Caledonian, and the road and railway links can be located at the very top of the picture. At this point the development was estimated to cost £3.5m and was to be built in phases. The first phase of the development was to include three hotels and most of the amenity complex. By the time of Fraser's announcement, Scottish & Newcastle Breweries and United Caledonian Breweries had firmly committed to the project, whilst talks were ongoing with British Transport Hotels for operating the third hotel. Pottinger believed that the best way to pursue Highland tourist development in relation to the project was 'to attract one of the largest organisations such as the Hilton'³⁹¹ to site their operations in the Highlands. British Transport Hotels was certainly one such organisation, but by no means the only company Fraser pursued as he was also actively holding talks with both the Sheraton and Hilton hotel groups at the same time.³⁹²

The interest in having British Transport Hotels on board came from its dominant position in the Scottish tourist industry and the role it could play in 'leading' Scottish hoteliers to Aviemore and the project. It owned the largest hotels in

³⁹⁰ Levitt, I, 'Too deeply committed', pg. 41.

³⁹¹ Letter from Pottinger to Law, Department Agriculture and Fisheries Scotland, 14/01/1963, NAS SEP12/519.

³⁹² Letter from Pottinger to Law, DAFS, 14/01/1963, NAS SEP 12/238.

Scotland at the time³⁹³, including the North British and Caledonian in Edinburgh and Gleneagles and its obvious linkages with the railways (its parent was the Railways Board) meant it was a very attractive prospective partner for attracting tourists from the south. Further, as the nationalised element in the tourist industry it was felt important in Scottish circles that the group should be involved in the venture as a show of faith. In more cynical terms, the potential threat of rail closures in the Highlands under Beeching's recommendations was seen as something which could be turned to British Rail's advantage if it recommended that its hotels arm take part in the Aviemore project, helping to improve its public image in Scotland.³⁹⁴ Thus, British Transport Hotels was seen as a key component in the development.

Fraser's announcement to the press was met with a very positive reaction on most sides. In Scotland the *Glasgow Herald* described it as a 'bold plan'³⁹⁵, at the UK level *The Guardian* said it was 'ambitious'³⁹⁶ and *The Daily Telegraph* described the project as 'winter sports on a scale not previously known in Britain'.³⁹⁷ The *Glasgow Herald's* article 'Highland Fling' was particularly supportive of the venture, describing it as the 'greatest tourist advance since Victoria and Albert fell in love with Balmoral.' It went further, arguing that:

...there can be no disputing the contribution which investment on this scale makes to the general welfare of the Highlands. There are now two great growth points - and prosperity points - far beyond the Highland line. In the West the Fort William pulp mill provides one of Scotland's biggest industrial developments. Now Speyside is surging ahead... the repopulation of the Highlands is no longer an idle dream...³⁹⁸

³⁹³ Letter from Michael Noble, Secretary of State for Scotland, to Richard Beeching, British Railways Board, 07/07/1964, NAS SEP12/237.

³⁹⁴ Aviemore. Note for Minister's meeting with Dr Beeching, 27/07/1964. Composed 24/07/1964, NAS SEP12/237.

³⁹⁵ *Glasgow Herald*, 10/06/1964, page unknown, from NAS SEP12/237.

³⁹⁶ *The Guardian*, 10/06/1964, page unknown, from NAS SEP12/237.

³⁹⁷ *The Daily Telegraph*, 10/06/1964, page unknown, from NAS SEP12/237.

³⁹⁸ *Glasgow Herald*, 10/06/1964, page unknown, from NAS SEP12/237.

The *Glasgow Herald* article was correct in its assertion that the Aviemore project was an important step for the Highlands, but it could also have mentioned the Dounreay reactor project in Caithness given that it was employing more than the Aviemore project and the Fort William project combined at this point in time. Also of note in the press attention is the insistence that it was a private venture, supported by government. Nowhere was it mentioned that the Scottish Office had had a guiding hand in the creation of the idea or would play an active role in the realisation of, or paying for, it. Fraser and his consortium were portrayed as the instigators and main administrators of the project also. Each article on the new project made comparisons with the continental resorts, making the point that the Aviemore project was to better the facilities on offer abroad as well as acting as a means of attracting other similar developments all over the Highlands. One such development was the Rank Organisation's project at Coylumbridge, approximately two miles east of Aviemore and at the foot of the Cairngorms, which was being developed around the same time as Fraser's plan for Aviemore.

Colonel Iain Grant, a member of the Scottish Tourist Board as well as Nature Conservancy, had owned the Coylumbridge-Rothiemurchus estate that was viewed as a possible site for Fraser's group. Grant had intended on selling part of his land for tourist development to help the area. However, he was concerned at a loss of his amenity (the view from his house in other words) in doing this and wanted sufficient compensation for doing so. Fraser had been in negotiations with Grant for some time until late 1963 when it transpired that Grant had also been in negotiations with the Rank Organisation who were interested in locating a separate development from the Aviemore project. Grant had been dragging his heels in his dealings with Fraser's consortium for purchase of his land for development, demanding a 'really substantial sum to compensate him for the loss of amenity, particularly if the development was at the gate of his residence' as well as limits on the size and scale of development. Fraser's consortium offered Grant £10,000 for between 40 and 60 acres of his land (actual surveys hadn't been carried out on the amount of land needed and indeed suitable at this point), whereas Grant wanted £1000 per acre, or around £40,000 in all.

The upshot of this was that Grant was effectively trying to hold the consortium to ransom, threatening that ‘unless a really attractive offer was received he might prefer not to allow the development proceed and thereby retain the amenity of his estate. Alternatively, he had had some approaches from other possible developers.’³⁹⁹ The ‘other possible developers’ were of course the Rank Organisation. Grant was playing the two against each other in order to achieve the highest possible price. The end result of this carry on was that Grant got the price he wanted from the Rank Organisation after Fraser refused to match their bid, fearing that paying such a sum would cripple the whole development.⁴⁰⁰

Grant’s role and refusal to cooperate was to some degree foretold by an article in the *New Statesman* entitled ‘The Highlands: The Devil Was A Tourist’ on 29th March 1963 that highlighted the difficulties the project and tourism in the Highlands in general faced stating, ‘Attack by the landlords is more subtle. Found mainly in the north-west and ‘Royal’ Deeside, it is obvious that lairds are anxious to frustrate the work of the STB and the government’s SDD.’ The article also detailed the role of the Free Church of Scotland (the Wee Frees) in its opposition to the project on religious grounds, quoting one minister as saying:

Parties of young people go to the Cairngorms on Sundays, and I was disappointed to hear that the Prince of Wales is one of them. When I mention His Royal Highness I do not want to be misunderstood. I am a true lover of the British throne and monarchy, but this is something higher which concerns a Higher King and a Higher Authority and it is under peril that we interfere.⁴⁰¹

His father Prince Philip obviously wasn’t concerned about offending a Higher King either when he came to open the new Coylumbridge Hotel on the 25th November

³⁹⁹ Memorandum of meeting between GKV Clarke on behalf of HTDC and JCR Inglis on behalf of Col JP Grant, 29/08/1963, NAS SEP12/238.

⁴⁰⁰ Memorandum of meeting between GKV Clarke on behalf of HTDC and JCR Inglis on behalf of Col JP Grant, 29/08/1963, NAS SEP12/238.

⁴⁰¹ *New Statesman*, 29/03/1963, page unknown, from NAS SEP12/238.

1965⁴⁰² and having a tour of the surrounding area, predating the Aviemore development by a month. The point being here that development in the Highlands wasn't always just a case of satisfying legal requirements and persuading government, there were other factors such as the embedded religious establishments in the area (Invergordon had similar problems with Aviemore when it came to Sundays, only its problem was working on a Sunday and not enjoying themselves) and the idiosyncrasies and natural desire of landowners to get the best possible deal for themselves when it came to selling their land (again, Dounreay had problems when it came to purchasing land for its construction, paying way over the odds for land so as not to sour relations with the locals). Thus, acquiring and developing land in the Highlands was a multi-layered task that needed some degree of patience.

Fraser was unperturbed by the failure to secure Grant's land and instead acquired 60 acres of the old Aviemore hotel's ground and adjoining land on the Aviemore golf course through his Highland Tourist (Cairngorm) Development Ltd company. Fraser and Lord Craigton did not view the Rank Organisation's project as of any real concern to the likelihood of the new Aviemore Centre succeeding, with this being made clear in a meeting between Craigton and Mr Davis, chairman of the Rank Organisation.⁴⁰³ Of more immediate concern to the Aviemore project was getting the British Transport Hotels or some such large hotel group involved in the project. However, this wasn't without problems as well, as an objection had been received from the existing hoteliers in the area, concerned that their businesses could be adversely affected by the new developments at Aviemore and Coylumbridge meaning that Rank did matter. An organisation of hoteliers calling themselves the Grantown-On-Spey Hotels Association wrote to the Secretary of State with their concerns arguing:

It is not only unfair but most alarming, that a concern such as this should step in to reap a crop that was planted by local sweat and money. Hoteliers are not the

⁴⁰² *Hotel & Catering Times*, 02/12/1965, page unknown, from NAS SEP12/238..

⁴⁰³ Aviemore. Note for Minister's meeting with Dr Beeching, 27/07/1964. Composed 24/07/1964, NAS SEP12/237.

only people who would suffer, but the very livelihood of entire villages is at stake... The Cairngorm Winter Sports Development Board applied to the Government for aid, without success, and Sir Hugh Fraser, during his three years in office with the Scottish Tourist Board did absolutely nothing to help tourism and skiing facilities in the area.⁴⁰⁴

Fraser was aggrieved at these attacks and felt their severity was both unfair and contradictory given the general belief in the growth centre strategy that the Aviemore Centre would attract more people to the area generally, resulting in increased custom for all hotels in the area.⁴⁰⁵ What this indicates then is the differing views on tourism held by Fraser et al on one side and existing hoteliers on the other. The hoteliers were happy as they were filling beds but viewed the Aviemore project as a threat to their existence. Fraser et al on the other hand felt that the industry could be further enhanced by a new development. The Secretary of State responded to the criticisms of the projects in a letter to Gordon Campbell the MP for Moray and Nairn (and latterly a Secretary of State for Scotland himself) stating, 'I hope that the growing prosperity of the hotel industry in Speyside will continue and I see no reason why it should be in any way impaired by the proposed development at Aviemore.'⁴⁰⁶ Given that one of the strategies for convincing the British Transport Hotels group to come on board was the lure of a positive press in the Highlands any opposition would make that approach less and less convincing. The Railways Board was under some pressure from Scottish newspapers amidst talk of imminent closures of numerous Highland lines in the forthcoming Beeching Report. In the end, Beeching and the Railways Board were unconvinced of the proposal to site one of its operations at the Aviemore project and decided against joining the venture. Beeching, in respect of the various line closures he suggested in the Highlands, was proving to be no friend of the region, although he had earlier been convinced by Frankel of Scottish Pulp to at least keep

⁴⁰⁴ Grantown-on-Spey Hotels Association. OBJECTIONS TO THE PROPOSED RANK DEVELOPMENT & COYLUMBRIDGE PROJECT, AVIEMORE. Enclosed in letter to Secretary of State for Scotland, 19/12/1963 from Grantown-on-Spey Hotels Association, NAS SEP12/281.

⁴⁰⁵ Pottinger, G, *The Winning Counter*, pg. 135.

⁴⁰⁶ Letter from Michael Noble, Secretary of State for Scotland, to GTC Campbell MP, 26/09/1963, NAS SEP12/238.

the Glasgow-Fort William-Mallaig line open for timber shipments to the mill at Corpach.

The companies that were on board for the project, Scottish & Newcastle Breweries and United Caledonian Breweries, were able to apply to the Board of Trade for a 25% building grant under the new Local Employment Act, introduced under the 1963 budget to replace the old Board of Trade loans. The new arrangements allowed for applications for grants of up to 25% compared to the previous maximum of 17% of building costs in development areas, of which almost the entirety of Scotland was considered, but were liable to rapid change if employment fell.⁴⁰⁷ This then made the Aviemore project all the more appealing to potential investors and the then President of the Board of Trade, Freddie Errol, made it clear that the department would consider individual applications relating to Aviemore in view of the project as a whole, meaning that expenditure on basic services like roads would be eligible for Board of Trade assistance, removing one of the major obstacles that faced the Cairngorm board's previous applications for support.⁴⁰⁸ As a result, Scottish & Newcastle applied for a grant to cover 25% of its building costs, which they pitched at £425,000, and employing 90 full time and 17 part time workers. The company was informed in November 1965 that it had been successful in its application.⁴⁰⁹ United Caledonian Breweries applied for a similar grant to the Board of Trade for 25% of its costs in early 1965 that it estimated at £235,000 employing 45 people, including 10 part time jobs. When referred to the Treasury, it was rejected on the basis that the cost per job of £1306 in relation to the grant was too high and it was made clear that the application would only be given approval if it could be shown that the project would not go ahead without the grant. The Board of Trade then wrote to the Treasury asking it to reconsider its decision in light of the fact that the development was taking place in the centre of the Highlands and Islands Development District where the only 'practical solution to the employment problem was the development of the tourist

⁴⁰⁷ Levitt, I, 'Too deeply committed', pg. 42.

⁴⁰⁸ Aviemore. Note for Minister's meeting with Dr Beeching, 27/07/1964. Composed 24/07/1964, NAS SEP12/237.

⁴⁰⁹ Letter from M Wells, Board of Trade to VO Caine, Treasury 10/06/1970, TNA PRO B T177/2652.

industry.⁴¹⁰ However, the Board of Trade also noted that there had been an increase in the costing for the project and the cost per job had subsequently increased to £1492. The Treasury gave approval in late 1965, but the costing changed again when Tennent Caledonian Breweries (the new company formed as a result of the merger between Tennents and United Caledonian in 1966⁴¹¹) took over the management of the project and a new figure of £1376 per job and the creation of 54.5 jobs was estimated, before being revised up to 62 jobs, reducing the cost per job to £1359. The new estimates were approved and a grant awarded on this basis.⁴¹²

Whilst the haggling over grants was going on, construction started on the development with Bovis Ltd. as the main contractors implementing Poulson's plans. The new development was built mainly in concrete and on time within the projected 22-month period. The decision to build the development in concrete was one that would later come back to haunt the centre. The steel frameworks for the buildings were constructed in Bristol by Advanced Engineering (Bristol) Ltd. and were shipped the 600 miles up to Aviemore for erection on the prepared foundation. The buildings were clad externally with pre-cast concrete panels or a special decorative treatment where blockwork has been used.⁴¹³ This can be seen more clearly from figures 3.3 and 3.4.

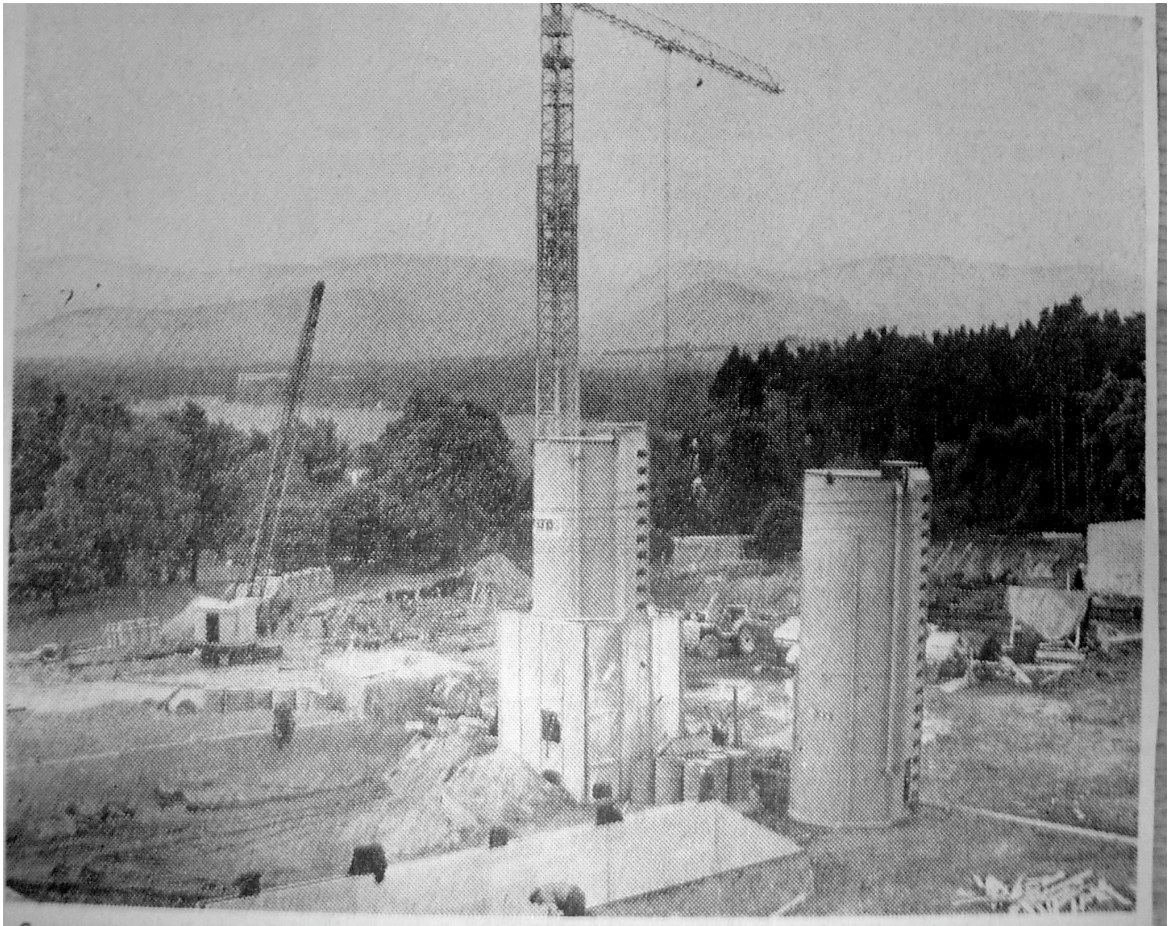
⁴¹⁰ Letter from Y Last, Board of Trade to R Hay, Treasury, 23/09/1965, TNA PRO BT177/2655.

⁴¹¹ <http://www.archives.gla.ac.uk/sba/sbacolls/gy.html> accessed 11/03/2006.

⁴¹² Letter from M Wells, Board of Trade to VO Caine, Treasury, 04/08/1970, TNA PRO BT177/2655.

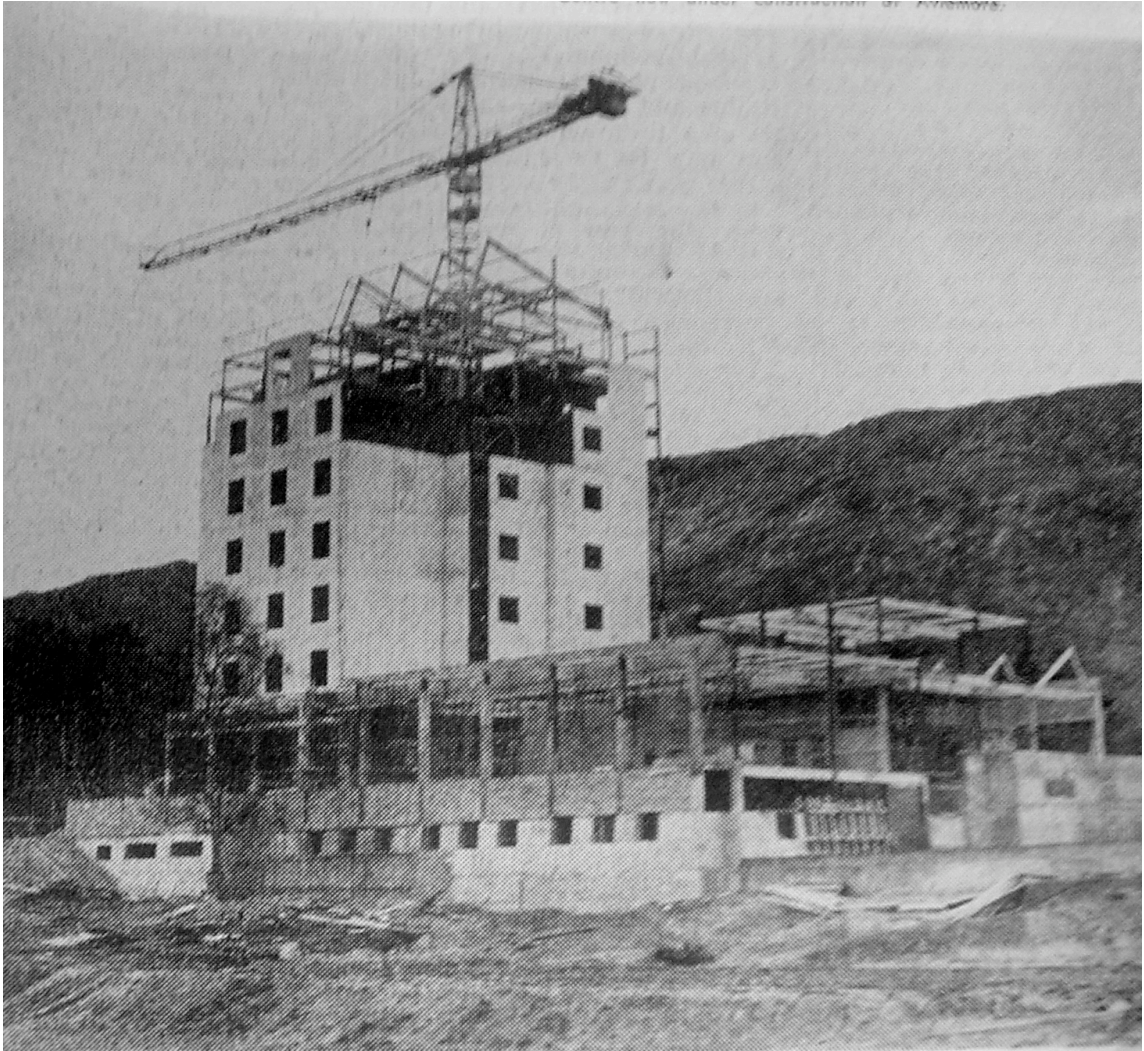
⁴¹³ *The Scotsman*, 30/12/1965, pg. unknown, from NAS SEP12/280.

Figure 3.3 Aviemore construction



The beginning stages of construction of the Strathspey Hotel.
Source: *Glasgow Herald*, 18/06/1965.

Figure 3.4 Aviemore Strathspey Hotel construction



Middle stages of completion of the Strathspey Hotel - the *Glasgow Herald* described it as a 'landmark' in the caption alongside this picture.

Source: *Glasgow Herald*, 26/11/1965, page unknown, from UGD/HF101/2/2.

Construction of the centre did not go entirely without hitch though. The sewage plant for the project was too small for the needs of the centre when constructed, leading to Inverness County Council refusing to contribute their agreed sum of £10,000; Poulson got into dispute with Sir William McEwen Younger over the swimming pool design resulting in the withholding of part of Poulson's fee. Poulson's plan for a central building housing all the heating for the new centre came under severe attack

resulting in Shell refusing to pay Poulson any more than their proposal of £102,000 compared to Poulson's bill of £169,000 citing overcharging.⁴¹⁴ As a result, relations between Poulson and the board soured considerably. On a more successful note, the construction phase employed an average of 200 men⁴¹⁵ rising to 400 men at its peak, with almost the entirety sourced in Scotland, although not Aviemore itself due to a lack of population, and all housed within the old Aviemore Hotel and an adjacent caravan park.⁴¹⁶ Prospective workers from the Spey Valley area were given preference over outside workers where possible on the Aviemore development.⁴¹⁷ The lack of population in the immediate Aviemore area was in contrast to the other developments with which this thesis is concerned. Each of the other projects attracted considerable labour from other areas, but had reasonable local untapped labour pools and employed from within these pools. The developments were intended as growth centres and were successful in bringing people back to the areas they were located in for construction and operation in the initial stages. Aviemore lacked a local labour pool from which to draw workers, but in attracting people to the area acted as a growth centre as planned.

The creation of the Highlands and Islands Development Board in 1965 brought with it a renewed interest in the further development of skiing facilities in the area to serve the new hotel and chalet accommodation being built. The HIDB took up 25% of the Cairngorm Winter Sports Development Board's new commercial venture, the Cairngorm Winter Sports Development Ltd. (formed in March 1966), with its chairman Professor Robert Grieve representing the HIDB on the board of the company. The new company issued share capital of £100,000 in ordinary shares (all of which were held by the parent board) and raised £100,000 by the issue of 7.5% debentures. Sir William McEwen Younger took up £50,000 and a further £17,000 was converted from existing debts of CWSDB. The loan was used to finance and extend existing operations in developing sports facilities in the Cairngorms, including

⁴¹⁴ Gillard, M. & Tompkinson, M., *Nothing To Declare*, pg. 37.

⁴¹⁵ *The Scotsman*, 30/12/1965, pg. unknown, from NAS SEP12/280.

⁴¹⁶ Press release from Highland Tourist (Cairngorm Development) Ltd. Date unknown, UGD/HF101/2/1.

⁴¹⁷ *The Scotsman*, 30/12/1965, pg. unknown, from NAS SEP12/280.

the chairlift and a further two T-Bar tows for skiers. The HIDB gave further assistance to the new company in its efforts to develop the facilities that were needed to retain interest in the project for tourists with a building grant of £11,600 and a Plant and Equipment Loan of £13,400 in mid-1967. This was used to extend the White Lady Shieling snowfield and to build three more T-bar tows increasing the number on the Cairngorms to five tows and a two-stage chairlift. In November 1967 the HIDB then reduced from 7.5% to 5% the interest charged on the loan of £38,400 (i.e. the £25,000 debentures and the Plant and Equipment Loan of £13,400). These moves illustrate the support the HIDB gave to the project at a time when the Scottish Office was retreating from the project in general, having provided its share of support.⁴¹⁸ The new facilities helped the Cairngorm Board attract a substantial increase in skiers visiting the area due to good weather conditions (i.e. lots of snow), with a tenfold increase in skiers during the first three seasons of its operation between 1962/3 to 1964/5, although this increase brought with it increased frequency of queuing for the slopes. However, it should be noted that Ministers were aware when making the decision to support the project, as a result of MET office statistics, that there was no way of guaranteeing good snow conditions for more than 2 months of the year.⁴¹⁹ The construction of the Aviemore Centre and the Coylumbridge Hotel and the subsequent increased accommodation available led to calls for more development of piste facilities lest the queuing situation become intolerable.⁴²⁰

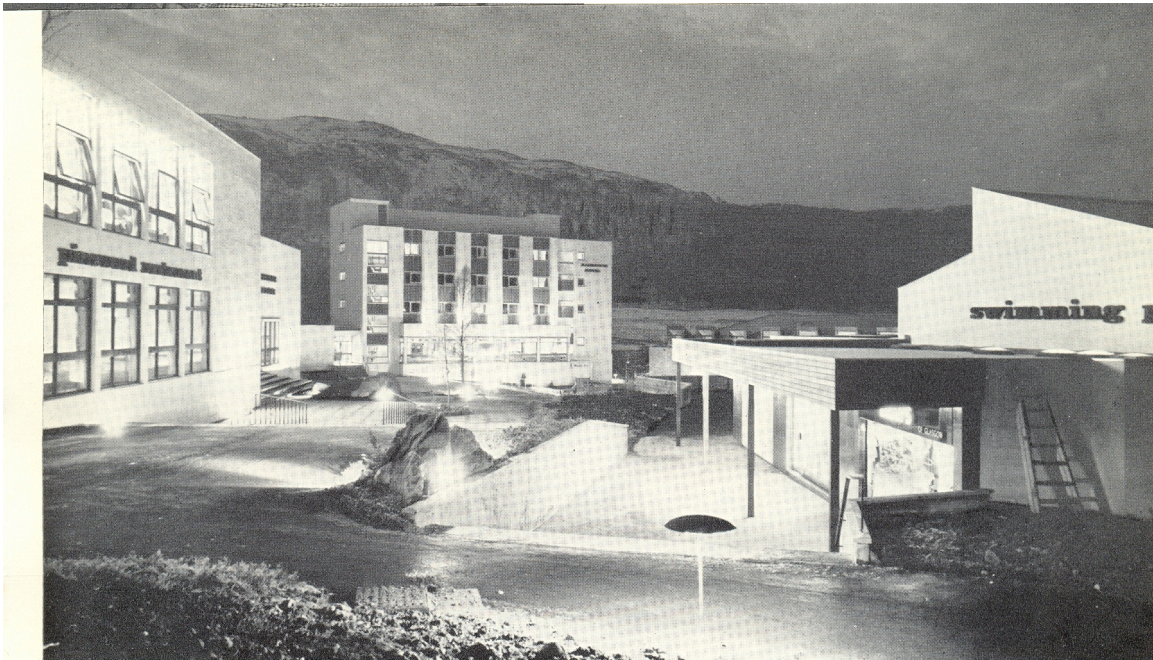
The new Aviemore Centre opened in late 1966, although its most ardent supporter, Sir Hugh Fraser, died before seeing the completion of the project. The new centre on the eve of opening can be seen in figure 3.5:

⁴¹⁸ Circular on Cairngorm Winter Sports Development Board, 13/02/1968, NAS SEP12/266.

⁴¹⁹ Levitt, I, 'Too deeply committed', pg. 57.

⁴²⁰ HMSO, Scottish Development Department, *Cairngorm Area: Report of the Technical Group of the Cairngorm Area of the Eastern Highlands of Scotland*, (HMSO, Edinburgh, 1967), pg. 52.

Figure 3.5 Completed Aviemore centre



Aviemore Centre on the eve of opening 1966

Source: Pottinger, G, *The Winning Counter*, pg. 96.

The new centre's opening was warmly welcomed in the press, probably as a result of the hospitality lavished upon the reporters sent to cover the opening. However, the centre's warm welcome from the press was short-lived as questions began to be asked about its appropriateness to the area and the government's role in it. Pottinger states,

A lot of nonsense has been talked about Aviemore. It was carried out as a private, commercial undertaking, not as a government enterprise. The State's contribution was a grant under the Local Employment Act, which would have been available to anyone who satisfied the statutory conditions, and some expenditure on basic services which again would have provided for any large scale development. The Government naturally hoped that Aviemore would succeed, both for the facilities it offered and as an example to existing hoteliers

modernise their own establishments, but that was the extent of the official involvement.⁴²¹

Of course, the official involvement in Aviemore was far more pronounced than Pottinger argues, but Fraser's role in the creation of the centre would be difficult to overplay, although Pottinger certainly gave it a bash in his biography of Fraser (not perhaps all that surprising when it is learned that Fraser paid Pottinger £2500 plus royalties to do so⁴²²). Fraser's company and plans for the area did much to bring the project to fruition. His idea of placing his ideas into something in 'bricks and mortar' was manifested in the new centre and the facilities it offered. When completed, the Aviemore Centre offered accommodation for 400 people, a 700 seat cinema theatre, exhibition hall, conference-cum-dance hall, restaurants for 250, snack bars, municipal sized swimming pool, Britain's second largest indoor skating and curling rink, a nine-pin bowling alley, a dry ski slope and numerous shops. A staff of more than 100 serviced the central amenities complex to look after guests.⁴²³ The plan for an all-year, all-weather centre for all types of holidaymakers of different sporting interests was realised in the opening of the centre. The conference facility was a particularly important part of the complex with six major conferences held in the first year of the centre's operation. Also in the first year, 650,000 people visited, it won the British Travel Association annual award, it increased the total number of chalet beds to 290, visitors from abroad accounted for 4% of total in 1967, plans were afoot to expand to 1000 residential beds⁴²⁴ and a tenfold increase in tourist jobs from 50 to 500 occurred.⁴²⁵ Aviemore was proving to be a success, much the way it was envisioned by its main supporter.

The initial success of the development prompted a governmental report in the form of the *Cairngorm Area: Report of the Technical Group on the Cairngorm Area*

⁴²¹ Pottinger, G, *The Secretaries of State for Scotland*, pg. 151.

⁴²² Gillard, M. & Tompkinson, M., *Nothing To Declare*, pg. 31.

⁴²³ The Aviemore Story, Press release from Highland Tourist (Cairngorm Development) Ltd. Date unknown. UGD/HF101/2/1.

⁴²⁴ Notes for Sir Hugh Fraser (Jr) - Junior Chamber Commerce Speech, UGD/HF101/2/2.

⁴²⁵ Minute 20/12/68, NAS SEP4/4278.

of the *Eastern Highlands of Scotland* in 1968, published under the auspices of the Scottish Development Department, but put together as a joint group comprising the Scottish Development Department and the planning and/or development officers of the county councils of Aberdeen, Banff, Inverness, Moray & Nairn and Perth & Kinross. The report detailed the economic and social position of the Cairngorm area and made a series of recommendations, although crucially it did not commit the government to implementation of these recommendations. The report found its origins in a Scottish Development Department circular in June 1962 that covered the ‘definition of areas of great landscape value and the provisions which should be made to meet tourist demand over the years ahead.’⁴²⁶ The circular invited local planning authorities in all districts where there were areas considered as being of outstanding natural beauty including the Highlands. The report was recognition of the issue of development in consideration of the need to ensure the natural beauty of the area remained intact, an issue of some contention in Aviemore’s development that still exists today. Increased numbers of skiers and visitors have led to an inevitable erosion of the landscape through enlarged volumes of human traffic and the problems this brings. The report was basically a survey of the Cairngorm area designed to showcase the potential of the area as an attractive region for further tourist development. It called for further development in the area stating that the report ‘demonstrates the need for the various interests operating in the Area to join together with mutual benefit to achieve fulfilment in the many aspects of future development and to preserve the more intangible assets such as remoteness which are so easily destroyed.’⁴²⁷ A noble idea certainly, but given that the report was particularly clear about it not committing government to any of its recommendations, it lacked any real substance as a result. It made clear that its conception of the tourist industry was that it was something that should be developed by private industry and not by government. Given the government’s heavy involvement in establishing Aviemore and its initial success at the time of writing, it was an odd position to take.

⁴²⁶ Scottish Development Department, *Cairngorm Area: Report of the Technical Group on the Cairngorm Area of the Eastern Highlands of Scotland*, (HMSO, Edinburgh, 1968), pg. 1.

⁴²⁷ Scottish Development Department, *Cairngorm Area*, pg. 78.

Conclusion

If the first few years of Aviemore's operations were a success, the furore surrounding two of the main figures involved that engulfed the project in the early 1970s, after government involvement had effectively ceased, was to temper the joy somewhat. During the planning and construction phase, Pottinger and Poulson had become close friends to the extent that Poulson was paying to take Pottinger on holidays, building him a house, buying him a car, suits, overcoats and gifting him money - a sum totalling £30,000 in all between the period 1963-69.⁴²⁸ In many ways it would be superfluous to discuss this episode in this case study in any great detail given its recent treatment by Ian Levitt, the book released by Gillard & Tompkinson on the matter and the considerable press attention the episode received at the time. However, the episode is important to the Aviemore story for the reason that the relationship between Pottinger and Poulson cast serious aspersions on not just each individual's character, but on the efficacy of the project as a whole and the wider issue of the government's role in the Highlands. Mistrust of the Scottish Office in the Highlands⁴²⁹ was already an issue to such an extent that Ministers and other civil servants were keen not to be seen as instigators in the Aviemore developments so as not to be seen as imposing it upon the area. Local landowners and hoteliers were unhappy at the actions of the government and Hugh Fraser in siting their operations in Aviemore and the construction of the site in concrete, a hitherto foreign material in Highland accommodation buildings, and on such a grand scale was further grist to their mill. Further, the environmental concerns felt were outweighed by the economic benefit and prosperity the development brought, but have remained latent throughout the centre's history, coming to the fore on several occasions.⁴³⁰

The Scottish Office was effectively immune to all these concerns however, operating in what Levitt calls the Dundas mould - 'massaging if not manipulating

⁴²⁸ Gillard, M. & Tompkinson, M., *Nothing To Declare*, pg. 34.

⁴²⁹ Hunter, J, *Last of the Free*, (Mainstream, Edinburgh, 2003), pg. 11.

⁴³⁰ <http://www.nemt.org.uk/future2.htm> gives an environmental history of the Cairngorms and the damage done to the area as a result of the ski developments created there in the last 40 years. Accessed 14/03/2006.

Scottish opinion in favour of Unionism' through its wielding of administrative power and the various planning agencies it controlled hidden from public view.⁴³¹ Pottinger felt immune to the usual conventions of senior civil servants in accepting the gifts from Poulson in spite of the obvious risks in doing so, probably as a result of his own vanity. However, the processes by which Pottinger and the Scottish Office were able to set up the Aviemore project without any real difficulty and without any great degree of public scrutiny to the extent that it was able to hide its own input from the public until Pottinger and Poulson's trial are of more concern. Levitt continues:

The principal purpose of the Scottish Development Department, created in June 1962, was to attract a greater level of inward investment and manage the planning process accordingly. The fact that Scottish institutions acquiesced in the strategy, despite reservations on the siting of such projects as the Fort William pulp mill and the Invergordon aluminium smelter, as well as the usefulness of the new towns, serves to highlight the Scottish Office's predominant position in steering the domestic agenda.⁴³²

The Scottish Office's administrative leadership in driving Scottish economic development is clear to see in relation to not just Aviemore, but the other three developments discussed in this thesis also. Highland development was approached with the mindset of what it could immediately contribute to the UK national economic context and in this sense Aviemore was no different. It relates directly to the other case studies in that it was a concerted effort on the part of the Scottish Office at Highland development that was approached from the perspective of what it could contribute to the UK national economic problems of the time i.e. the balance of payments. However, it differs from the others in that it is still in full operation today and has actually enjoyed a degree of success in attracting visitors to the area. Tourism is now one of the most important industries in the Scottish economy. Aviemore is a fairly successful holiday destination for winter sports enthusiasts from within and

⁴³¹ Levitt, I, 'Too deeply committed', pg. 58.

⁴³² Ibid.

outwith Scotland as well as an international conference venue and has undergone an £80m regeneration in the last five years.⁴³³ In that respect then, Aviemore is an example of successful governmental intervention in the Highland economy. It is the only fully operational concern of the four developments this thesis discusses and is part of a thriving industry. The same simply cannot be said for the other three developments.

⁴³³ <http://www.aviemorehighlandresort.com/media/media291104.htm> accessed 03/07/2005

Chapter Four. Dounreay: Bringing High-technology To The Highlands



Source: <http://www.scran.ac.uk> The Prototype Fast Reactor is the building on the left. The Dounreay Fast Reactor is the spherical building on the right.

Introduction

The attempts of the Duke of Sutherland in 1873 to make his land profitable utilising the newfound technology of the Industrial Revolution, in particular the advent of the steam-powered tractor, heralded the beginning stages of a policy in the Highlands that reached its apogee in the post-war period. The Duke's desire to turn his estate into a profit-making venture came about as a result of his frustration at his land being unfit for crofting. As a result, he spent a great deal of money on acquiring several expensive steam powered tractors to solve his problem, only to end in failure by losing more money than he made.⁴³⁴ Successive governments since the Second World War have embarked upon similar ventures with the same consequences. One such venture was the Dounreay nuclear power facility, situated 8 miles west of Thurso. Dounreay was a 'high-technology' venture on the part of government intended to demonstrate nuclear power's potential for electricity production with the added attraction of going some way to solving the problems afflicting the area and the Highlands at large. The Dounreay nuclear power facility was initially an experimental establishment charged with the task of utilising the new technology of Fast Breeder Reactors to explore the possibilities of harnessing the new technology for commercial electricity production. As a result of the success of the initial experimental reactor, the decision was taken to build a further reactor at Dounreay with the intention that it would provide electricity to the National Grid in time, whilst still carrying out experimental work with the intention of exporting the technology abroad. The second development was heralded as a new start for the Highlands, capable of producing cheap electricity to be utilised in the area, act as a growth centre and attract new industries to the most northerly part of the UK mainland. After only fourteen years of fitful operation the announcement was made that the plant was to close.

This case study discusses the creation, operation and eventual decommissioning of the Dounreay nuclear power facility and seeks to understand the

⁴³⁴ Tindley, A. Reclamation of Agricultural Land on the Highland estates of the 3rd Duke of Sutherland, 1869-1893, (University of Edinburgh Unpublished PhD Thesis, Edinburgh, 2005), pg. 1.

reasons for its failure to resolve properly the problems for which it was designed. The intention of the case study is to explore the nature of the relationships between the national government in Westminster and the other agencies charged with the various tasks of creating, administering and operating the Dounreay nuclear power station within the context of the development of the nuclear power industry in the UK and the administration of national and regional economic policy in respect of the issue of Highland development. In doing this, the study seeks to understand the reasons behind the failure of the Dounreay nuclear power facility to address the problems in the area and the development of the project as a whole. It proposes that the project was initially a success in achieving its stated aims in relation to the first reactor, but subsequently failed to address fully during its operational lifetime the problems that the second reactor was proposed to solve as a result of political decisions made by government that were taken on the basis of short-term concerns rather than long-term appropriateness, contravening the stated aims, both publicly and privately, of the second stage of the facility.⁴³⁵

Creation

The announcement of the Minister of Works, Sir David Eccles, on 1st March 1954 that there was to be a new experimental nuclear power station situated at Dounreay was the culmination of a series of events that find their beginnings as early as the end of the nineteenth century. The discovery of the electron in 1897 by JJ Thompson at the Cavendish Laboratory in Cambridge⁴³⁶ was the first stage of a long process that eventually led to the creation of the Dounreay Fast Reactor (DFR) and then the Dounreay Prototype Fast Reactor (PFR), the second stage of the facility. The production of the Maud Report in 1941 argued that there was the potential for nuclear energy to be used in an explosive capacity as well as for the production of electricity for domestic usage, putting Britain in the lead in the nuclear technology race for a

⁴³⁵ The terms ‘atomic’ and ‘nuclear’ are used interchangeably in this study. They should be taken to mean the same thing.

⁴³⁶ HMSO, *Nuclear Energy in Britain*, (HMSO, 1976 sixth edition, London), pg. 2.

brief time.⁴³⁷ This idea directly informed, through the conveying of the report to the United States Government, the subsequent experiments at the University of Chicago under the supervision of Enrico Fermi.⁴³⁸ These experiments led to the first controlled nuclear chain reaction under the university's athletics stadium, as part of the wider American military nuclear technology project codenamed the Manhattan Project. During the period up until the end of the Second World War, there was an exchange of ideas between the US and the UK in an attempt to develop the military and civilian aspects of the new technology, including bomb research as well as building reactors for domestic power research and around 40 of the top British scientists went to work on the bomb project in North America.⁴³⁹ The experience of working in the USA on these projects gave British scientists the knowledge and technological expertise needed for the construction of reactors at home.⁴⁴⁰ The introduction of the US Atomic Energy Act in 1946, also known as the McMahon Act, put a stop to the exchange of information between both sides of the Atlantic, but crucially gave the UK government the impetus to create and control its own nuclear technology. This much is clear from the following communication between EH Peck of the Foreign Office and a British representative in the USA, EH Tompkins on 25/02/1954:

The whole operation will clearly have an important bearing on our prestige in the atomic world and on our uranium supply position. As you know, from our point of view there was one thing at least to be said for the McMahon act - it gave us an advantage over the Americans in that we could use our technical knowledge abroad to obtain a special relationship with countries hoping to develop power programmes. If the McMahon Act is to be amended and our knowledge to be no longer such a valuable asset abroad, it seems all the more important for us to keep as far ahead of the Americans as we can in the quality

⁴³⁷ Gowing, M., *Britain and Atomic Energy 1939-45*, (Palgrave, Basingstoke, 2001), pp 78 & 84.

⁴³⁸ <http://www.lib.uchicago.edu/e/spcl/chain.html> accessed 21/02/2005.

⁴³⁹ Historian's Office, *The development of atomic energy: a chronology of events 1939-1978*, (UKAEA, Harwell, 1979), pg. 3.

⁴⁴⁰ HMSO, *Nuclear Energy in Britain*, (HMSO, London, 1976 sixth edition,), pg. 2.

of our research. We cannot hope to compete with the quantity of their potential atomic production.⁴⁴¹

As a result, the Atomic Energy Act of 1946 was passed giving the government powers to control the development and use of atomic energy.⁴⁴²

The passing of the 1946 Atomic Energy Act in the UK resulted in the construction of the Atomic Energy Research Establishment (AERE) at Harwell and the facility at Risley for the production of fissile material.⁴⁴³ Until the passing of the McMahon Act in the US, the British atomic energy programme had stalled due to the flow of expertise across the Atlantic. As a result, almost no progress had been made by the time of the passing of the 1946 Atomic Energy Act in Britain.⁴⁴⁴ The Atomic Energy Act placed the responsibilities of nuclear development and its uses in the hands of the Ministry of Supply (Atomic Division), whereas it had formerly been in the control of Department of Scientific and Industrial Research. The Act provided the Minister of Supply with the:

‘general duty... to promote and control the development of atomic energy’ and gave him wide powers to ‘produce, use and dispose of atomic energy and carry out research into any matters connected therewith’. The Act also provided for the enforcement of strict secrecy.⁴⁴⁵

The reasons for these were twofold; the Ministry had considerable experience of wartime ‘quasi-industrial’ problems and also as a result of the war being over, had

⁴⁴¹ Communication between EH Peck of the Foreign Office and a British representative in the USA, EH Tompkins 25/02/1954, TNA PRO FO 371/110700.

⁴⁴² HMSO, *Nuclear Energy in Britain*, pg. 2.

⁴⁴³ For a more in depth look at the development of atomic energy for war use, see Margaret Gowing’s *Britain and Atomic Energy 1939-45*.

⁴⁴⁴ Williams, R., *The Nuclear Power Decisions*, (Croom Helm, 1980, London), pg. 23.

⁴⁴⁵ Historian’s Office, *The development of atomic energy: a chronology of events 1939-1978*, (UKAEA, Harwell, 1979), pg. 4.

spare capacity.⁴⁴⁶ As a result, the Attlee government felt that the development of the industry would be best served within a governmental framework as it was of importance militarily as well as in a civil capacity. It was at Harwell that the idea of a fast reactor began to gain ground. Scientists at Harwell were interested in the idea of fast reactor technology due to the possibilities presented by it and the shortage of uranium. As a result they approached the problem with two main objectives in mind: to utilise nuclear fuel (uranium 235) most efficiently and to produce a high outlet temperature from the fission in order to convert it into electric power. It was thought that, if successful, fast reactor technology could be the answer to Britain's energy needs. Margaret Gowing writes,

The prospect of a reactor that would utilise fuel efficiently and also produced additional plutonium was extremely attractive at a time when proved uranium resources were small. The whole of the United Kingdom's electric power consumption might be supplied from 80 tons a year. Indeed, without fast breeder reactors an industrial programme might be impossible.⁴⁴⁷

Thus, the production of a fast reactor was a primarily economic pursuit for the British government, based on the scarcity of uranium. There was however no promise of *cheap* power arising from the development of the new technology at Harwell that was to characterise the later pronouncements about developments in the nuclear energy sector. Although of course the Maud Committee had ventured the idea of the possibilities of domestic use as had Sir Christopher Hinton, Chief Engineer of Atomic Power at the Ministry of Supply.⁴⁴⁸ There was the idea though that Britain would be able to satisfy its energy needs from nuclear power based on fast breeder technology and that it would be of considerable importance to its future industrial plans as a

⁴⁴⁶Williams, R., *The Nuclear Power Decisions*, pg. 23. For more on the activities of the Ministry of Supply during the period 1945-51 see Edgerton, D, 'Whatever happened to the British warfare state? The Ministry of Supply, 1945-51' in Rollings et al, *Labour Governments and Private Industry*, (EUP, Edinburgh, 1992), pp 91 - 116.

⁴⁴⁷ Gowing, M., *Independence and Deterrence: Britain and Atomic Energy, 1945-52*, (Macmillan, London, 1974), pg. 267.

⁴⁴⁸ *The Times*, 16/02/1955, pg. 9.

result. However, Tomlinson argues, 'In the nuclear industry, the British programme, launched under Attlee, was dominated by military and political concerns, rather than economic'⁴⁴⁹ stating further that 'economic considerations seemed to have been little in evidence'.⁴⁵⁰ This is true in the sense that there was a desire to see Britain emerge as an atomic power on the world stage through the design and construction of an atomic bomb, but the civil aspects of the programme should not be understated. The genesis of the nuclear programme was certainly militaristic and political, but the civil applications of the new industry became apparent very quickly to the government after the Harwell scientists expounded the idea that a fast reactor could produce more fuel (plutonium from uranium 235), and by definition potential energy, than it used. This had undoubted economic benefits that did not escape the notice of the government. During the period 1946-51 the government spent £100m on the development of the industry⁴⁵¹, a not inconsiderable sum given the economic situation of the country at the time. Margaret Gowing states, 'Indeed one of the outstanding features of the enterprise in this period is that so much was achieved with so little resources.'⁴⁵² By contrast the Americans spent \$7500m during the same period.⁴⁵³ The economic implications of the new industry were not lost on the government, 'There was a race against the progress of other countries, and its stakes were thought to be national security and industrial development. Undelayed success in the latter field, said the Minister of Supply, might well prove to be a necessity for Britain's economic survival.'⁴⁵⁴ In a secret memo from the Foreign Office to a representative in the British Embassy in Washington in the USA, EH Peck stated, 'In view of the present difficulties over obtaining the uranium we need for industrial purposes, the breeder if successful will go a long way towards solving our supply problem.'⁴⁵⁵ If the new

⁴⁴⁹ Tomlinson, J, *Democratic Socialism and economic policy: The Attlee Years 1945-51*, (CUP, Cambridge, 1997), pp. 288-289.

⁴⁵⁰ Tomlinson, J, *Democratic Socialism and economic policy*, pg. 289.

⁴⁵¹ Sir David Eccles, Minister of Works, House of Commons Debate, Atomic Energy Authority Bill, 01/03/1954.

⁴⁵² Gowing, M, *Independence and Deterrence*, pg. 38.

⁴⁵³ Sir David Eccles, Minister of Works, House of Commons Debate, Atomic Energy Authority Bill, 01/03/1954.

⁴⁵⁴ Gowing, M, *Independence and Deterrence*, pg. 39.

⁴⁵⁵ Letter from EH Peck to EE Tomkins, British Embassy, Washington, USA 25/02/1954, TNA PRO FO 371/110700.

technology could be harnessed for both militaristic and industrial purposes, Britain would find itself in a strong position politically as well as economically.

The two research centres at Harwell and Risley were at the centre of Britain's atomic development. There was also a discussion in the House of Lords in 1945 concerning the development of Hydro-power in the Highlands that was given 'a new slant'⁴⁵⁶ by the advocacy of atomic power by some speakers. The Earl of Roseberry in particular was sceptical of the usefulness of the Hydro-development in the Highlands due to the development of the atomic industry, a view that was shared by many in the House of Lords at the time, but one that was tempered by Lord Westwood, the leader of the House, pointing out that the development of atomic energy as a source of power was still some way off.⁴⁵⁷ However, the economic potential of the atomic energy for industrial use was the catalyst for the growing support of the House of Lords for the development of atomic energy.

Due to the growing potential of the importance of nuclear technology to industry, it was decided in principle that the government would transfer the responsibility for the new industry to a non-departmental organisation under Governmental control. This was to serve the purpose of satisfying the need for closer contact and co-operation with industry. The idea stemmed from Winston Churchill's personal friend and scientific adviser, Lord Cherwell (Professor Lindemann) who put down a motion in the House of Lords regretting the 'slow progress... in developing atomic energy for peaceful and warlike purposes' and demanding the creation of a new body outside of government that was passed in July 1951.⁴⁵⁸ The election of the Conservatives later in 1951 saw Lord Cherwell become Paymaster General and put his ideas about the creation of a new agency designed specifically to deal with the development of the new industry into action. Cherwell advised Churchill that the creation of an independent body would encourage the development of the new technology for industrial use by involving industry and would free it from Treasury

⁴⁵⁶ Payne, PL, *The Hydro*, pg. 75.

⁴⁵⁷ *Ibid.*, pp 75-76.

⁴⁵⁸ Historian's Office, *The development of atomic energy*, pg. 7.

control.⁴⁵⁹ As a result, the United Kingdom Atomic Energy Authority (UKAEA) was formed in 1954 under the provisions laid out by the Atomic Energy Authority Act of 1954, assuming responsibility for the industry in August of the same year.⁴⁶⁰ Although the new organisation was ‘non-departmental’, it did not have any input from private industry. Indeed, unlike the American model, the early British development of the nuclear industry was completely detached from private industry and entirely funded at the public expense.⁴⁶¹ A civil nuclear programme geared towards energy production was announced in *A Programme of Nuclear Power* in 1955, closely followed the creation of UKAEA.⁴⁶²

The Minister of Supply took the decision to undertake a programme of nuclear power development in August 1952 and a proposal was put to the Official Committee on Atomic Energy in June 1953 for the construction of a fast reactor to operate a gross output of 200MW (thermal) with a useful power output of 50MW (electrical) on the basis that the knowledge of fast reactors could only be advanced by the building of a large scale reactor.⁴⁶³ Ministerial approval to the suggestion was given on the 17th February 1954 after it was agreed that the reactor should be scaled down in its gross output to 60MW (thermal)⁴⁶⁴ with a useful output of 14MW (electrical).⁴⁶⁵

Having gained ministerial approval, the search for a suitable site began. Due to the unpredictable nature of fast breeder reactor research (this was to be the first large scale plant dedicated to fast breeder research in the world), it was decided that the facility should be sited far away from major centres of population in case of an accident. There was considerable concern amongst scientists and politicians over the stability of the reactor. As a result, the phrase ‘China Syndrome’ was coined to

⁴⁵⁹ Ringe, A, Rollings, N, & Middleton, R, *Economic Policy Under the Conservatives, 1951-64*, (IHR & National Archives, London, 2004), pg. 218.

⁴⁶⁰ HMSO, *Nuclear Energy in Britain*, pg. 3.

⁴⁶¹ Burn, D, *The Political Economy of Nuclear Energy*, (Institute of Economic Affairs, 1967, London), pg. 113.

⁴⁶² HMSO, *A Programme of Nuclear Power (Cmnd. 9389)*, (HMSO, London, 1955).

⁴⁶³ Letter from TB Le Cren, UKAE to JDK Beighton, Treasury, 14/04/1954, TNA PRO T225/716.

⁴⁶⁴ Letter from RA Thompson, UKAEA, to I de L Radice, Treasury, 05/02/1957, TNA PRO T225/716.

⁴⁶⁵ UKAEA, *History and Achievements of UKAEA Dounreay (pamphlet)*, (UKAEA, Dounreay, 2004).

describe the consequences if the chain reaction inside the reactor became uncontrollable. The argument was that if the reactor burned up and became out of control the core would reach such a high temperature that it would melt through its protective casing and ‘probably end up in China’.⁴⁶⁶ This uncertainty characterised the early development of the fast reactor technology. In almost every way, Fast Reactor research was very much a step into the unknown on the part of the government. As a result, the site of the new reactor was to satisfy a number of different conditions. The site needed to be on flat land, away from centres of population but close enough to a small town for amenities for those working at the facility, as well as labour supplies, it needed to be on the coastline for a plentiful supply of water (used in the cooling process) and for discharged effluent into the sea⁴⁶⁷, it was to be sited no more than 50 feet above sea level (for pumping purposes), on 400 acres on a rock foundation and needed plentiful supplies of fresh water of high purity (for the ancillary chemical plant planned, necessary for generating steam for heating the liquid sodium and sodium/potassium coolant and was also to be used for normal factory requirements).⁴⁶⁸

Originally only a fast reactor was envisaged for the site, but upon further discussion it was decided later on that fuel manufacturing and fuel reprocessing would also be required for the site.⁴⁶⁹ Dounreay satisfied these requirements almost perfectly. Concurrent with this was the lobbying of the local MP for Caithness, Sir David Robertson. Robertson lobbied very strongly making a series of personal calls and writing several telegrams and letters to various members of the Ministry of Supply, including Christopher Hinton who was charged with deciding upon the most suitable site, to promote Dounreay as the best choice.⁴⁷⁰ The other two options, Golspie in Easter Ross and Harlech in North Wales, were ruled out due to the

⁴⁶⁶ Benn, AW, *The Benn Diaries*, (Arrow, London, 1996), pg. 364.

⁴⁶⁷ *The Times*, 02/03/1954, pg. 4.

⁴⁶⁸ Letter from RE France, Ministry of Supply, Atomic Division, to G Tucker, Air Ministry, 24/11/1953, TNA PRO AB16/1638.

⁴⁶⁹ UKAEA, *History and Achievements of UKAEA Dounreay*.

⁴⁷⁰ Letter to Duncan Sandys MP, Ministry of Supply, from Sir David Robertson MP, 17/12/1953, TNA PRO SUPP16/33.

dispersed rural population and very heavy influx of holidaying population respectively.⁴⁷¹ As a result Dounreay was the most suitable site for the new reactor. However, it did not satisfy the conditions set out perfectly and it took some tinkering to ‘make’ it suitable. Sir Christopher Hinton of the UKAEA (Britain’s chief nuclear engineer) headed the engineering team that constructed models to forecast potential radiation leakage from the new facility. If the results of a model, based on the design of the intended development, produced unacceptably high risks to the surrounding populous (in this case radiation poisoning of the local population), then it is standard to amend the design of the development in order to satisfy the model’s forecasts, erring on the side of caution, to ensure the safety of the surrounding area. However, this was not the case for the Dounreay facility. In a lecture given at Strathclyde University, Hinton describes the process:

We assumed, generously, that there would be one per cent leakage from the sphere, and dividing the country around the site into sectors, we counted the number of inhabitants. To our dismay, this showed that the site did not comply with the safety distances specified by the health physicists. That was easily put right; with the assumption of a 99 per cent containment the site was unsatisfactory, so we assumed, more realistically, a 99.9 per cent containment, and by doing this we established the fact that the site was perfect... we knew we had found the right site for the reactor and were quite prepared to adjust what were only guessed figures to support a choice that we knew from experienced judgement was right.⁴⁷²

Thus, the estimates that didn’t fit with the plan were adjusted with new estimates that did, allowing the go-ahead for the new plant. There is no evidence to support why this was the case, but it is safe to say that modifying the model was a far cheaper option in comparison to modifying the design of the reactor.

⁴⁷¹ Letter to G Tucker, Air Ministry from unknown author, Ministry of Supply, 24/11/53, TNA PRO AB16/1638.

⁴⁷² Quoted in Caulfield, C, *Multiple Exposures*, (Martin Secker & Warburg Limited, London, 1989), pg. 218.

Hinton's amendments meant Dounreay was now a suitable site for the new reactor. Indeed, Sir David Robertson, the MP for the area, was one of the first to write to the Ministry of Supply to express his pleasure, stating,

The siting of the plant in my constituency is the greatest event that has occurred in the Far North of Scotland and it will transform the economy of the whole region and stop our greatest affliction, depopulation. Any credit that can be given to me will please my constituents, particularly those who voted for me in two elections, and it may well convince them that the right man was returned!⁴⁷³

Robertson's joy at seeing Dounreay selected to be the site and eagerness to be credited with its selection was understandable given his political position. Robertson held a majority of just 269 from the 1950 election⁴⁷⁴ (an improvement of the majority of just six votes that the previous holder (EL Gandar-Dower)⁴⁷⁵ had won the seat by for the Conservatives in 1945)⁴⁷⁶ and he was understandably keen to retain his seat. Relative to the industrial aspects of nuclear power, the fast reactor development was viewed as crucial to the country's industrial and domestic needs in the long-term, but the technology needed to be developed before it could reach that stage, meaning Dounreay was to be experimental in nature and nowhere was it mentioned that it would be of immediate economic, industrial or domestic benefit. However, Robertson grasped the potential benefits to the economy of the facility's locating in Dounreay, as did the Marquess of Salisbury in his representations to the House of Lords on 2nd March 1954 stating 'it [the new development] has the further merit that development on this site should make a big contribution to the economic welfare of this part of the Highlands'⁴⁷⁷, although the government was keen to play down the economic benefits to the area through further industrial development emanating from the establishment,

⁴⁷³ Letter to Duncan Sandys MP, Ministry of Supply, from Sir David Robertson MP. 17/12/1953, TNA PRO SUPP16/33.

⁴⁷⁴ <http://www.alba.org.uk/westminster/smallest.html> accessed 25/02/2005.

⁴⁷⁵ *The Times*, 06/02/1959, pg. 8.

⁴⁷⁶ <http://www.alba.org.uk/westminster/smallest.html> accessed 25/02/2005.

⁴⁷⁷ *Hansard*, vol. 186, House of Lords debate, 02/03/1954. col. 6-7.

stating that it was 'primarily a research and development establishment' during the first phase of the plant's operation.⁴⁷⁸

The pronouncements of Robertson and the Marquess were the first in what were to become a series of claims about the benefits of the reactor's location in the far North. That the government sought to play down the potential industrial and economic benefits of the new reactor is interesting in itself - the second reactor's location at Dounreay would see the Scots' opinion on the industrial worth come to the fore and effectively 'win' the second reactor for Dounreay. Governmental policy in respect of the Highlands was determined during this period by the Board of Agriculture at the Scottish Office, which unsurprisingly given its name, was mainly concerned with agricultural matters as part of the Home Department. Thus, Scottish problems were dealt with at the regional level and not UK level. The location of the reactor at Dounreay paved the way for the view, held initially by Robertson and the Marquess of Salisbury, that large-scale technologically advanced industrial ventures could be used to solve the problems in the Highlands. Dounreay was thus experimental in more ways than one.

Eccles announced to the public on the 1st March 1954 that the new reactor was to be sited at Dounreay. Dounreay was a part of the first wave of nuclear power facilities commissioned by the government in the 1950s. The first of these was Calder Hall in Cumbria (the world's first nuclear power station); followed by four more, including Dounreay, Chapelcross in Dumfriesshire, Windscale in Cumbria and Winfrith in Dorset, all operating different reactor types.⁴⁷⁹ The decision to build the Dounreay experimental fast reactor was explained in a letter from the Department of Atomic Energy (on headed note paper formerly belonging to the Ministry of Supply Division of Atomic Energy, but scored out such was the recentness of the changeover) to the Treasury dated 14/04/1954 that stated 'there are psychological and political reasons why ability to generate power will be an advantage and an electrical

⁴⁷⁸ *Hansard*, vol. 613, House of Commons Debate, 10/11/1959, col. 30.

⁴⁷⁹ HMSO, *Nuclear Energy in Britain*, pg. 5.

generating plant of 10MW capacity will therefore be coupled to the reactor after initial reactor operating experience has been gained.⁴⁸⁰ The letter went on stating that the objectives of the new development were to be classified as follows:

- a) To construct a prototype fast fission reactor with economical power generation as a primary product and de-natured plutonium as a by-product; and to solve the technological problems of heat exchange from small fuel elements with very large amounts of heat.
- b) Determination of safe and effective reactor control conditions.
- c) Development and production techniques for fuel elements which will run at high temperatures for long periods in the reactor.
- d) Establishment of design factors for high powered fast reactors which will follow and which will generate large amounts of power relative to the Nation's future energy needs.
- e) To train and familiarise design and operating staff in the needs of this type of reactor.⁴⁸¹

Thus, the new development was to be experimental and research-based in nature and was not designed to be of any explicit short term economic benefit to the area in which it was to be situated, other than of course residual benefit from the increased numbers of people coming to work at the plant. It was however to be of considerable perceived advantage to Britain on the world stage. This perceived political advantage of being seen to be the world leader in the development of nuclear technology is made clear in Peck's letter to Tompkins where he states 'The whole operation will clearly have an important bearing on our prestige in the atomic world and on our uranium supply position... If the McMahon Act is to be amended and our knowledge

⁴⁸⁰ Letter from unknown author, Department of Atomic Energy to JDK Beighton, Treasury, 14/04/1954, TNA PRO T225/716.

⁴⁸¹ Letter from unknown author, Department of Atomic Energy to JDK Beighton, Treasury, 14/04/1954, TNA PRO T225/716.

to be no longer such a valuable asset abroad, it seems all the more important for us to keep as far ahead of the Americans as we can in the quality of our research.’⁴⁸²

Even at this early stage there was the realisation on the part of government that generating electricity from nuclear energy could be a valuable psychological tool in gaining the confidence of the people by claiming to be the party or government of modernity, a tactic used to considerable effect in the following decade by Harold Wilson’s Labour government, most famously in his ‘white heat of technology’ speech that paved the way for the creation of the Invergordon aluminium smelter and the further investment by the government in industrialising the Highlands. Indeed, Wilson’s speech committing the government to utilising technology to improve industrial and economic performance is central to the story of Highland development in the post-war period. Modernity was at the heart of the industrial projects in the Highlands this thesis details - they were intended to bring the Highlands up to speed with the rest of the country in terms of being a viable economic community and contributing to the national economy. The issue of modernity is thus central to understanding why the developments took place - Wilson’s government were committed to rejuvenating the British industrial structure through new the use of new technology. Without the Wilson government’s commitment to this it is arguable that the developments in the Highlands wouldn’t have taken place. For example, the stated intention to build new aluminium smelters powered by nuclear power stations gave rise to the possibility that Invergordon could be the recipient of one of the new smelters. Similarly, the commitment to the high-technology venture of fast reactor research meant that Dounreay, as a result of the DFR, was well placed for future fast reactors being located there.

Whilst the government was keen to emphasise that Dounreay was not intended to be of explicit economic benefit to the area, it was aware of the need to diversify the wider Scottish industry in order to offset the decline of the Staple Industries and

⁴⁸² Communication between EH Peck of the Foreign Office and a British representative in the USA, EH Tompkins 25/02/1954, TNA PRO FO 371/110700.

reacted accordingly to localised regional problems through its regional and industrial policy. Dounreay was one such example of this in the sense that it would, by virtue of bringing new workers to the area that could not be found locally (scientists and engineers mainly) and the residual economic and social effects on the local area of such a large industrial undertaking, go some way to addressing the depopulation issues of the area. Although the government made no claims towards the industrial and economic significance to the area of siting the fast reactor at Dounreay, due to its lack of knowledge about the practicalities of fast reactor use in an industrial capacity, Robertson and the Marquess of Salisbury obviously had no such qualms. Dounreay was the recipient of the fast reactor because of its geographical and geological suitability, but the economic and social concerns had not escaped the attention of Robertson, which is why he brought Dounreay to the attention of Hinton, believing that it could help remedy the ills of the area. Indeed, after Eccles' announcement, Robertson made the claim that the siting of the fast reactor at Dounreay that 'They [the people of Caithness and Sutherland] will realise that perhaps a new era is beginning, and that an old one, which depopulated the Highlands, is ending. I believe it heralds the second industrial revolution.'⁴⁸³ Such sentiment was to find increasing favour with many in the future. Given the first industrial revolution effectively passed the Highlands by, it is no surprise.

In order for the project to move forward, the purchase of several farms and an agreement with the Admiralty for part of its disused air base, constructed in 1944 and never fully operational, was required.⁴⁸⁴ Reaching an agreement with the Admiralty proved to be much easier than the purchase of the farmland from the local tenants. The Admiralty's air base at Dounreay was of a more strategic concern than actual regular use. However, the Admiralty were keen to keep the part of the base that would not be used by UKAEA (the reactor was built further over from the actual runway) in case of war but eventually relented when it became clear that due to the nature of the development planned and the height of the new buildings, any such suggestions were

⁴⁸³ *Hansard*, vol. 524, House of Commons Debate, 01/03/1954, col. 870.

⁴⁸⁴ UKAEA, *History and Achievements of UKAEA Dounreay*.

out of the question.⁴⁸⁵ Hinton had worked out a sum of £37,000 for the purchase of the farms necessary for the development. However, the locals proved very adept at wringing more out of the government for their troubles. This is shown more clearly in a letter from CJ Highton of UKAEA to AHK Slater, the Private Secretary to the Lord President of the Council, Privy Council Office on 28/05/1954,

I told you last week that Sir Christopher Hinton's guess at the cost of settlement at Islaud and Lower Dounreay was as follows:

1. New House for Mrs. McDonald	£3000
2. Extra farm buildings and roads etc to be worked as one unit:	£5000
3. Purchase of Islaud Farm	£12000
4. Purchase of Lower Dounreay	£17000

Total: £37000

When it comes to actual negotiations Mrs McDonald showed herself to be remarkably astute and caused so many difficulties that eventually Mr Robertson agreed to recommend compensation amounting in all to £13000. Even on these terms Mrs McDonald was not prepared to agree to vacate earlier than November 1955. Her Solicitor, however, has promised to do his best to persuade her to give up at an earlier date...⁴⁸⁶

Hinton's calculations clearly did not factor in the difficulties that the landowners of the farmland needed for the Dounreay facility would present. These difficulties could have perhaps been avoided had the valuer, the aforementioned Mr Robertson, been a little less heavy handed in his dealings with the owners. Through various correspondences between Sir David Robertson MP for the area, the AEA, the Chief

⁴⁸⁵ Letter from RE France, Ministry of Supply, Atomic Division, to G Tucker, Air Ministry, 24/11/1953, TNA PRO AB16/1638 and Secret Letter from Air Ministry, Lord De L'Isle and Dudley VC to Duncan Sandys MP Ministry of Supply. 23/12/1953, TNA PRO SUPP16/33.

⁴⁸⁶ Letter from CJ Highton, UKAEA to AHK Slater, the Private Secretary to the Lord President of the Council, Privy Council Office, 28/05/1954, TNA PRO EG1/55.

Valuer for Scotland and the District Valuer of the Inverness area (Mr Robertson), and of course the owners of the farmland itself (amidst their threats of forming a Landowners Association to fight the proposed compulsory purchase order threatened by the district valuer), an agreement between all was finally settled upon.⁴⁸⁷ The initial estimates for the cost of the new facility, before construction had commenced were as follows:

Table 4.1 Pre-construction estimates for Dounreay

	Initial Construction £m	Follow-on Construction £m
Reactor Group (without generating plant)	5.74	
Power generating plant		0.70
Chemical Group (minimum labs and batch process)	1.22	
Chemical Group plant for final processing)		2.10
General Services and Administration Group	2.24	
Sub Total	9.20	2.80
Contingencies (25%)	2.30	0.70
Total £m	11.50	3.50

Source: Letter from TB Le Cren, Department of Atomic Energy to JDK Beighton, Treasury, 14/04/1954. TNA PRO T225/716.

The above estimates were calculated in 1954 before construction started and before the designers, engineers, builders and the authorities knew fully what was required for the site. The total estimate of £15m was provisional. The government, as detailed earlier, was very keen to get the project up and running in order to ensure its position as the world leader in the development of nuclear technology was secure. As a result, its planning for the development during the initial stages was very much geared towards this with little attention paid to further cost increases.

⁴⁸⁷ Letter from CJ Highton, UKAEA to AHK Slater, the Private Secretary to the Lord President of the Council, Privy Council Office, 28/05/1954, TNA PRO EG1/55.

RS Brocklesby, the Chief Architect to the Industrial Group of UKAEA, designed the facility, including Dounreay's famous distinctive dome described by *The Times*, and Sir David Eccles in his speech announcing its construction, as being the 'dome of discovery'⁴⁸⁸ and Whatlines Ltd, a Glasgow firm, commenced construction on the site in February 1955.⁴⁸⁹ In all there were three main companies involved in the construction of the facility: Whatlines Ltd - charged with building and civil work, TW Ward Ltd - charged with plant and pipework erection and James Scott and Co. Ltd - charged with electrical installation. The estimates for the contracts and expenditure relating to these companies can be seen in Table 4.2:

Table 4.2 Estimated Contractors' costs for construction of Dounreay Nuclear power facility

Contractor	Oct. 1957 Estimate	July 1958 Amount on term. of contract	Estimates of value of work remaining to be done [July 1958]	Total
Whatlines Ltd. Building and Civil Work	£5,860,000	£6,006,000	£267,000	£6,273,000
TW Ward Ltd. Plant and Pipework Erection	£972,000	£1,107,000	£200,000	£1,307,000
James Scott and Co. Ltd. Electrical Installation.	£1,322,000	£1,542,000	£24,000	£1,566,000
Total	£8,154,000	£8,655,000	£491,000	£9,146,000

Source: Treasury Report on Dounreay Works (July, 1958). TNA PRO AB16/1638.

Excavations for the DFR began in March, followed by excavations for the Dounreay Materials Testing Reactor (DMTR) the following June.⁴⁹⁰

⁴⁸⁸ Glendinning, M, (ed.), *Rebuilding Scotland*, (Tuckwell, East Linton, 1997), pg. 159, *The Times*, 02/03/1954, pg. 4 and Sir David Eccles, Minister of Works, House of Commons Debate, Atomic Energy Authority Bill, 01/03/1954.

⁴⁸⁹ Personal correspondence with Alistair Fraser, UKAEA Dounreay Communications Department. 14/05/2004.

⁴⁹⁰ UKAEA, *History and Achievements of UKAEA Dounreay*.

Concurrent with the construction of the famous dome was the construction of the less aesthetically pleasing, but equally important, infrastructure required for the new complex. New houses were constructed, two new primary schools, a secondary school, hospital, electricity supply improvements, roads, improved amenities including the construction of a new canteen and sports club and field, drains and water supply, and other types of accommodation (mostly hostels, of which the Authority spent £300,000 in total) were all commissioned.⁴⁹¹ As well as this, a new college called Thurso Technical College was to be constructed after an agreement was made between UKAEA, Caithness County Council and the Scottish Education Department in 1958.⁴⁹² UKAEA agreed to meet half of the capital cost of £33,000 for its construction whilst also agreeing to allow many of its professional workers (scientists, engineers, etc) to work on secondment at the new college, as well as loaning laboratory equipment free of charge. Accommodation was a particularly important concern for the new development due to the nature of the workforce employed on the construction of the facility. Of the 2000 men employed to build Dounreay, only a minority were from the local labour force.⁴⁹³ This illustrates how the government was successful in attracting people to the area, realising its aim of reversing depopulation (at least in the short term) and encouraging the area as a growth point. However, accommodation had to be found for the influx of new workers. UKAEA had already constructed 501 houses in Thurso for the influx of workers to the area, but there was a waiting list of nine months for a house, such was the demand. Obviously this was of some concern to all involved in the construction since accommodating the extra workers in temporary accommodation was not desirable.

⁴⁹¹ Briefing for Minister of Technology prepared by BR Thomas, Secretariat UKAEA London Office, 29/11/1965, TNA *PRO* AB44/18, Letter from Atomic Energy Office to Treasury, 01/02/1958, TNA *PRO* T225/716 and personal correspondence with Alistair Fraser, UKAEA Dounreay Communications Department. 14/05/2004.

⁴⁹² TNA *PRO* AB16/1638.

⁴⁹³ Letter from RA Thomson, Atomic Energy Office, London to I de L Radice, Treasury, 01/02/1958, TNA *PRO* T225/716.

UKAEA worked with Thurso Town Council, the Scottish Department of Health and the Scottish Special Housing Association to solve the accommodation issue by presenting a jointly prepared memorandum to the Treasury asking for finances to pay for the construction of 200 houses necessary for the locally recruited workers who were not entitled to Authority housing under the Authority's policy of only housing key workers imported into the area where the Local Authority (in this instance Thurso Town Council) could not.⁴⁹⁴ A total of 1400 houses were built, with 1007 being provided by UKAEA itself.⁴⁹⁵ As a result approximately £6m was spent on infrastructural improvements to the Thurso area for the needs of the new site.⁴⁹⁶ The breakdown of this can be seen in Table 4.3:

Table 4.3 Estimated expenditure on infrastructure pertaining to the Dounreay nuclear power facility

	Cost £
Housing	£4,500,000
Drains and Sewers	£64,000
Water Supply	£82,000
Electricity	£460,000
Schools	£992,000
Hospitals	£32,000
Total Expenditure	£6,130,000

Source: Briefing for Minister of Technology prepared by BR Thomas, Secretariat UKAEA London Office, 29/11/1965. TNA PRO AB44/18.

The infrastructural expenditure was approximately a quarter of the overall expenditure concerned with the entire development. The infrastructure was not designed to foster greater industrial growth, but was developed and constructed specifically to meet the needs of the new facility. There was no attempt at attracting other industry to the area during this period. Government viewed the construction and

⁴⁹⁴ Treasury Report, author unknown, 24/11/1953. TNA PRO AB16/1638.

⁴⁹⁵ Telex from RR Matthews, Director of Dounreay, to BR Thomas Secretariat UKAEA London Office, 29/11/1965, TNA PRO AB16/1638.

⁴⁹⁶ This is a rough estimate given in a briefing for Minister of Technology prepared by BR Thomas, Secretariat UKAEA London Office, 29/11/1965, TNA PRO AB44/18. It is not clear if this includes UKAEA's contributions to the construction of various hostels the construction of transmission lines to Dounreay or its contribution to the construction of Thurso Technical College.

operation of Dounreay, at least in the first instance, as an experimental research based development that had no explicit role to play in solving the economic and social problems of the area it was located in. Of course, this wasn't the case for the national economic interest. Thus the distinction between national economic benefit and local economic benefit is clear. Dounreay was about helping remedy the national economic situation through technological advancement with any local economic benefit a purely residual factor. The fast reactor was a national project, created and operated with the intention of harnessing the potential of atomic energy for national needs. Of course, Sir David Robertson and several members of the Lords were happy to point out the economic potential of the development for the area, but nowhere was this mentioned in the intra-departmental government correspondence or public announcements. The government was very clear that the development was not to be considered an economic solution to the problems in the Caithness area - it was a research and development project charged with the task of improving the knowledge of the scientists working on it of fast breeder technology so that it could be harnessed for industrial and civil use. Hector Hughes, Labour MP for Aberdeen North enquired in the House of Commons about the possibility of Dounreay providing electricity for the development of industry in Scotland and was met with the response by then Secretary of State for Scotland, John Maclay (Conservative MP for Renfrewshire West), who responded, 'Dounreay is primarily a research and development establishment. I understand that the amount of electricity produced is likely to be small and any surplus will be available to the North of Scotland Hydro Electric Board.'⁴⁹⁷ The government was principally concerned with the development of the fast reactor before committing itself to placing the DFR at the centre of any economic development in the Highlands.

Before construction started the Treasury asked for estimates from UKAEA for the expected construction costs of Dounreay. Since a fast reactor on this scale had never been built before they were effectively grasping in the dark - the original estimates, seen in the first column of the following table under the heading '1955

⁴⁹⁷ Hansard, vol. 613, House of Commons Debate, 10/11/1959, col. 30.

estimates', were thus quite different from the final costs. The differing estimates reflect the urgency with which work was carried out constructing the plant - there was little cost-breakdown of expected construction and development costs at the outset such was the haste to get the project underway. We can see from the table below that costs began to rise from the moment construction started - this was a result of changes to the design in the reactor and its outlying buildings, the decision to build the Dounreay Materials Testing Reactor (DMTR) and difficulties involved in constructing the plant itself. One example of this was the construction of the effluent tunnel that had to be lengthened as a result of hydrographic surveys on the dispersal of discharged liquids into the sea.⁴⁹⁸ These surveys did not report their findings back until after construction had started, necessitating lengthening of the tunnel and more money being required as a result. The Treasury met the rising costs during the construction period with some concern; although at no point did it deny any requests for extra finance. The breakdown of the original estimate of the construction of the facility and its subsequent amendments can be seen as follows:

Table 4.4 UKAEA Estimates for construction of Dounreay nuclear power facility

Group	1955	Oct. 1956	Oct. 1957	July 1958
Fast Reactor	£6,400,000	£7,076,000	£8,147,000	£8,841,000
Chemical Plants	£3,537,000	£5,531,000	£6,418,000	£6,862,000
R.E. 775 and Rigs	£1,655,000	£1,788,000	£2,191,000	£2,555,000
General Facilities and Services including NPTR connections	£2,270,000	£3,480,000	£4,072,000	£4,186,000
Temporary Facilities	£600,000	£1,112,000	£1,246,000	£1,251,000
R&D Branch schemes in Support of fast Reactor	N/A	£200,000	£200,000	£200,000
District Safety	N/A	N/A	£100,000	£286,000
Sub Total	£14,462,000	£19,187,000	£22,374,000	£24,181,000
Contingencies	£3,318,000	£1,313,000	£376,000	£319,000
Total	£17,780,000	£20,500,000	£22,750,000	£24,500,000

Source: Letter from VHE Cole to RA Thomson, Atomic Energy Office (UKAEA), 21/08/1958. TNA PRO T225/716.

⁴⁹⁸ Letter from RA Thompson, Atomic Energy Office, London, to I de L Radice, Treasury, 01/02/1957, TNA PRO T225/716.

The 'highly experimental' nature of the reactor led to several revisions and amendments to the estimates to the cost throughout the construction of the facility.⁴⁹⁹ The design of the reactor was amended, as was the design of various parts of the plant including the effluent tunnel into the sea and the discovery that the airfield was in a worse state of repair than hoped, resulting in more cost revisions.⁵⁰⁰ Given that a reactor of this type had never been constructed before it is no surprise that there were several amendments to the cost. The Treasury was given a full explanation for each revision and amendment to the cost, ranging from 'inadequate assessment' through 'frank underestimate' to 'changes arising from Fleck safety and organisational recommendations', stemming from the Fleck Report of December 1957 set up in response to a major nuclear accident at the Windscale nuclear power plant earlier that year.⁵⁰¹ The Treasury accepted these reasons and continued to agree to the revisions and amendments. Towards the end of the construction period UKAEA, mindful of the escalating costs and nearing completion of construction, put a programme in place starting in 1958 of running down the constructional labour force from 1400 at the beginning of 1958 to 300 by November that year to around 100 after March 1959.⁵⁰² As a result of the amendments and revisions of both cost and design the reactor's start-up was delayed several times. As we can see from Table 4.4, the pre-construction estimate of £15m followed by the estimate of £17.78m in 1955 were some way off the 1958 final estimate of £24.5m. UKAEA took the decision to finalise the cost of the construction of Dounreay in 1958 stating, 'Finally, we have drawn a line to the projects now proceeding on the Dounreay site and any capital improvements or extensions will be treated as separate additional projects.'⁵⁰³ Construction of the DMTR was completed in February 1958, by September the

⁴⁹⁹ Letter from VHE Cole to RA Thomson, Atomic Energy Office (UKAEA), 21/08/1958, TNA PRO T225/716.

⁵⁰⁰ Letter from RA Thompson, Atomic Energy Office, London, to I de L Radice, Treasury, 01/02/1957, TNA PRO T225/716.

⁵⁰¹ Letter from RA Thompson, Atomic Energy Office, London, to I de L Radice, Treasury, 01/02/1957, TNA PRO T225/716. Letter from VHE Cole to RA Thomson, Atomic Energy Office (UKAEA), 21/08/1958, TNA PRO T225/716. Energy Authority (Fleck Committee) Cmnd. 338, (HMSO, London, 1957).

⁵⁰² Letter from VHE Cole to RA Thomson, Atomic Energy Office (UKAEA), 21/08/1958, TNA PRO T225/716.

⁵⁰³ Letter from VHE Cole to RA Thomson, Atomic Energy Office (UKAEA), 21/08/1958, TNA PRO T225/716.

famous sphere was completed and construction of the experimental fast reactor was completed in December of the same year, followed by completion of the fast reactor chemical plant (for reprocessing) the following July.⁵⁰⁴

Operation

Dounreay's experimental fast reactor achieved criticality (full reacting operation) in November 1959 having been delayed several times after construction had finished, most notably by the four day fire at Windscale (until Chernobyl, the world's worst nuclear accident) and UKAEA's subsequent preoccupation with remedying it.⁵⁰⁵ The new reactor was fuelled by a mix of fertile material (uranium 238) and fissile material (uranium 235 or plutonium) that would 'breed'⁵⁰⁶ more fissile material, meaning a net gain of more fissile material than it had started with⁵⁰⁷, hence the government's interest in starting the project as quickly as possible. The 60MW thermal output, with 14MW of actual electrical output (often described as 'useful output' by various reporters) was not reached until July 1963.⁵⁰⁸ Prior to this, problems with using the liquid molten metal coolant (sodium or a potassium/sodium mix, both of which are very flammable and very dangerous when they come into contact with water) had prevented the reactor operating at full capacity. The Queen Mother visited the site on the 14th August 1961 to launch the resumption of experimental work on the fast reactor after a number of extensive modifications had been undertaken.⁵⁰⁹ Once the reactor reached full operational capacity it performed well enough that UKAEA undertook a project for a reference design for a full-scale operational fast reactor station with a 500MW capacity, with the intention that the Dounreay reactor would carry out the concepts in the new design on an intermediate scale.

⁵⁰⁴ UKAEA, *History and Achievements of UKAEA Dounreay*.

⁵⁰⁵ UKAEA, *History and Achievements of UKAEA Dounreay* and Patterson, WC, *Going Critical*, (Paladin Books, London, 1985), pg. 98.

⁵⁰⁶ Fast reactors are also called 'breeder reactors' for this reason. The name breeder reactor and fast reactor are interchangeable.

⁵⁰⁷ Williams, R, *The Nuclear Power Decisions*, pg. 43.

⁵⁰⁸ Patterson, WC, *Going Critical*, pg. 99.

⁵⁰⁹ *Ibid.*, pg. 98.

The new design was supplemented with other designs that were intended to achieve 'higher output and higher 'burn-up' per fuel element' in the new reactor and improve upon the existing technology⁵¹⁰. The first electrical output produced by the new reactor was on the 14th October 1962, achieved on a by-product basis.⁵¹¹ That is, the electrical output was a by-product of the experiments being run in the reactor and not an end in itself. The success of the experimental reactor at Dounreay in achieving an electrical output prompted calls for a larger-scale fast reactor to be built from many in UKAEA and was met with a positive response in government. Indeed, the experimental reactor at Dounreay was performing almost as expected, with the exception of the problems with the liquid metal coolant, and informed much of this positive view. The government was happy with it and the people in the Caithness and Sutherland area were happy with it. Dounreay had brought employment and people to the area whilst increasing wages at the same time. For an establishment that was primarily experimental and research-based, Dounreay had had some success in alleviating the social and economic problems of the area. The belief was that a full-scale reactor built to supply electricity to the national grid could benefit industry in any area, not least in the minds of the locals in the Caithness and Sutherland area.

UKAEA and the government's desire to see a larger, more productive fast reactor built was such that less than six years after reaching criticality and with intermittent supply to the National Grid, the decision was taken to build a new prototype commercial fast reactor (PFR). Between 1964 and 1965 UKAEA were working on two different proposals for the design of the new reactor, settling on a proposal for a 600MW thermal output station with a useful output of 250MW using components suitable for a full-scale commercial fast reactor power station.⁵¹² The use of components suitable for full-scale fast reactor operation was vital if fast reactor technology was to become a viable commercial enterprise for the government - that is, if the government was going to be able to sell commercial fast reactor stations

⁵¹⁰ Ibid., pg. 99.

⁵¹¹ UKAEA, *History and Achievements of UKAEA Dounreay* and Patterson, WC, *Going Critical*, pg. 99.

⁵¹² Revised note of a meeting held at the Treasury 16/011/1965 TNA PRO POWE 14/1765 and Patterson, WC, *Going Critical*, pg. 99.

capable of producing electricity to other countries. The government's intentions for the fast reactor were not simply the production of extra fissile material (plutonium or uranium 235) or potentially cheaper energy supplies, but also to export the technology for financial gain and retain its position as the world leader in fast reactor research.⁵¹³ Of the three, only one was to be achieved. The experimental reactor at Dounreay had shown the way towards the production of extra fissile material, but it was believed that without the construction of a larger scale prototype fast reactor, the potential cheaper energy source and expensive export for the government may never appear, at least in the minds of government and UKAEA during the early 1960s. As a result, the decision was made to build a new, larger fast reactor capable of producing electricity. The new large-scale fast reactor was viewed by UKAEA as 'an 'essential intermediate step' towards a 1000MW commercial station by 1978.'⁵¹⁴, this before the construction had even started on the station. The development of fast reactor technology during this period was very much a case of trying to run before learning to walk such was the desire on the part of government in the UK to have it operational as soon as possible and making money for the nation. However, the question again of where to site the reactor rose to prominence.

Dounreay's success in operating the experimental fast reactor made it in the minds of many, mostly in Scotland it should be said, the natural choice for the location of the new reactor. After all, the actual physical experimentation of the fast reactor technology had taken place there, it held the largest concentration of scientists and engineers working on fast reactor technology, it was capable of reprocessing the spent fuel (crucial to the project as it was this process that allowed the extraction of the extra fissile material) and the people of Caithness and Sutherland had been willing enough in the first place to take the risk of siting a potentially very dangerous operation on their doorstep. It was thus felt by many in Scotland, and a few in England, that Dounreay was a 'natural' choice. However, the new reactor project was

⁵¹³ BBC interview with Frank Cousins 09/02/1966 from web address: http://news.bbc.co.uk/onthisday/hi/dates/stories/february/9/newsid_2730000/2730083.stm accessed 02/06/2005.

⁵¹⁴ Williams, R, *The Nuclear Power Decisions*, pg. 44.

not borne of the same desires and wants as the original. The original reactor, as stated earlier, was a primarily experimental reactor designed to further the knowledge of fast reactor technology amidst a culture of increasing knowledge of nuclear technology in general in the UK. The new reactor was to be the culmination of this research as well as capable of producing electricity to feed into the National Grid and be an attractive proposition to potential customers looking to purchase the technology, although importantly *it was still a prototype*. The aim of the new reactor was to show fast reactor technology could work on a large scale and was to act as a shop window to the world of Britain's ability to build commercial fast reactors. It was to reflect the ambitions of government - regionally, nationally and internationally. As a result however, Dounreay's location, the very thing that brought the experimental reactor to the area in the first place, went from being its major plus point to its potential Achilles heel. An alternative site, Winfrith in Dorset, was Dounreay's major competitor for the new reactor. The Ministry of Technology prepared a draft Cabinet paper that outlined the considerations at which it was to make its choice. These were:

- i) long-term planning of the Authority's research and development programme;
- ii) costs;
- iii) technical considerations affecting the fast reactor development programme;
- iv) social and related questions.⁵¹⁵

The creation of the Ministry of Technology in 1964 by the newly elected Labour government brought UKAEA under the responsibility of the Minister of Technology, Frank Cousins. Cousins' announcement that Dounreay had won the race to become the site of the new reactor on 16th February 1966 was the culmination of considerable wrangling between UKAEA, the Ministry of Technology, the newly created Highlands and Islands Development Board (HIDB), councils in the Highlands and Dorset, the North of Scotland Hydro Electricity Board (NSHEB) (who were to be

⁵¹⁵ Cabinet discussion, CC 66, Minute No. 2, 08/02/1966, TNA PRO CAB128/41.

the potential recipient of the electricity generated if Dounreay won the race), the Scottish Office, Westminster, the Crofter's Commission and the media. Unsurprisingly, given the number of different organisations involved, the decision making process was complicated and fraught with self-interest, not least on the part of the HIDB who were eager to show their worth to the people of the Highlands at the first opportunity. UKAEA preferred Winfrith, the Ministry of Technology agreed with them; Dounreay's supporters included Caithness County Council, the Scottish Office (in particular Willie Ross, the Secretary of State for Scotland), North of Scotland Hydro Electricity Board, the Crofter's Commission and the Scottish media. The Cabinet did not make its preference known until the decision was announced, however. The question then to be asked is, what changed the government's mind to believe that the new reactor, the Prototype Fast Reactor, could become the economic and social saviour of the Caithness and Sutherland area when the previous reactor, also developmental, was not?

The Second Coming of Dounreay

The wrangling on the part of the different factions for and against Dounreay illustrates the importance with which the new fast reactor was held. There was a firm belief on the Scottish side that the fast reactor would benefit Scottish industry and help deal with the Highland problem. The Crofters' Commission, acting as it put it 'in exercise of their statutory duty under section 2(1) of the (Crofters Scotland) Act, 1955 to keep under general review all matters relating to crofting and in particular the 'need for industries to provide supplementary occupations for crofters or work for their families''⁵¹⁶ wrote to Willie Ross as Secretary of State for Scotland to convince him (not that he needed much convincing, it should be noted) of the importance of the new reactor to the Highlands. The Crofters' Commission was specifically concerned with the welfare of its own members, but framed its point in the wider context of

⁵¹⁶ Letter from DJ McCuish, Secretary of Crofters Commission to Willie Ross, Secretary of State for Scotland, 16/12/1965, NAS SEP/14/1619.

Highland development. It made 4 specific points regarding its concerns over Dounreay. These points were:

1. Some 1400 people travel from all parts of Sutherland and Caithness to work at Dounreay and this employment has brought a much needed prosperity to the area. A conservative estimate of the number of crofters' families included in this figure is 500.
2. The crofting population in the North of Scotland, and particularly in Sutherland, requires steady employment of this kind if viable communities are to be maintained. The Commission take the view that it is of prime importance that every possible opportunity should be taken to extend employment.
3. The Commission would particularly emphasise the disastrous effect on population structure when young people are unable to find employment within their own area, and only the aged and infirm are left to look after the crofts, with the result that many crofts eventually fall derelict.
4. The need for industrial employment in the crofting areas will be greatly increased if the Commission seek to implement current Government policy in regard to the amalgamation of holdings. The Commission are seriously concerned at the possible effect on crofting opinion throughout the whole area if other employment is not available to make good the very considerable reduction in the numbers engaged in agriculture which seems inevitable.⁵¹⁷

The points made by the Crofters' Commission were very similar to many of those made by the others in favour of Dounreay, albeit more focused on the welfare of crofters specifically. The Scottish case for Dounreay was focused on the industrial benefits that the new fast reactor would purportedly bring helping to alleviate the social and economic problems of the area. To this end, there was correspondence between the Scottish Development Department, the Highlands and Islands Development Board, the North of Scotland Hydro Electricity Board, the Department

⁵¹⁷ Letter from DJ McCuish, Secretary of Crofters Commission to Willie Ross, Secretary of State for Scotland, 16/12/1965, NAS SEP/14/1619.

of Agriculture, Caithness County Council and the Scottish Office in the formulation of the Scottish Office's proposal to be put to the Cabinet before the decision was taken on where to locate the new reactor. Willie Ross, as Secretary of State for Scotland, was to present his proposal for Dounreay to the Cabinet. The SDD, Department of Agriculture and HIDB were instrumental in the formulation of the proposal, detailing the arguments for Dounreay and statistical data for Ross, whereas the NSHEB provided technical details relating to line voltage, transmission costs and work required to build the new lines.

In respect of regional policy at the time, Tom Lister at the Department of Agriculture in a letter to Sir Matthew Campbell at the Scottish Development Department made the point that:

This over-concentration problem is facing France, Germany, Italy, indeed almost all the modern industrial countries. If the constriction can be removed the whole of the country's resources can be used more efficiently. The problem in resolving them is not primarily money but techniques. Regional development is still a young science. The trouble is that governments outside have to proceed by persuasion... There are however a few areas where government can act at its own hand and Dounreay is one... The idea of concentrating scientific effort in one area is a current European anachronism. The Americans recognise that with the air transport revolution the benefits of propinquity can be realised together with the benefits of deconcentration.⁵¹⁸

Lister's point about the dispersal of industry from areas of industrial concentration to other regions was an important one. The Toothill Report had recommended that unemployment was not a sufficient criterion for the application of regional policy recommending instead that government encourage the idea of the region and establish 'growth centres' in areas based on 'geographical location, communication facilities,

⁵¹⁸ Correspondence between Tom Lister (Dept of Agriculture Scotland) to Sir Matthew Campbell (Scottish Development Department), 20/12/65, NAS SEP14/1619.

development potential or established industrial base.⁵¹⁹ Dounreay of course was well placed in relation to all four of these conditions, a point not lost on the supporters of the Scottish case and indeed emphasised at every opportunity by them. Certainly, the DFR had ingrained itself into the local economy, increasing the population in the area from 3200 in 1951 to around 9000 by 1966⁵²⁰ with £53m being spent up until the 31st March 1964 on the facility.⁵²¹ However, Winfrith was still the preferred choice of UKAEA and the Ministry of Technology on its technical and economic merits. This was due to its research expertise in all aspects of atomic research, the fact it would be cheaper to locate the PFR there to the tune of about £8m at 1970 prices in light of its proximity to existing grid lines and staffing professional grade workers would be easier in comparison to Dounreay and its remoteness (this had been a problem with manning the DFR).⁵²²

The creation of the Highlands and Islands Development Board under the provisions set out by the Highlands and Islands Development (Scotland) Act in 1965 is crucial to the story here. Professor Sir Robert Grieve was appointed to the Board as chairman in the autumn of 1965 and warned the Secretary of State for Scotland, Willie Ross, that ‘an entirely new approach was needed, one ‘completely foreign’ to the previous practice of the Scottish Office’.⁵²³ This would be the first time in Highland history that policy in respect of the area would be developed and executed by a Highland-specific board. The new board was facilitated with powers to award grants, loans, equity participation and new factory building for a wide range of economic activities within the area it was to operate in – Shetland (then called Zetland), Argyll, Caithness, Ross and Cromarty, Inverness, Orkney, and Sutherland, the 7 crofting counties.⁵²⁴ It was also to advise the Scottish Office on economic

⁵¹⁹ Johnston et al, *Structure and Growth of the Scottish Economy*, (Collins, London & Glasgow, 1971), pg. 321.

⁵²⁰ Turnock, D, *Patterns of Highland Development*, (Macmillan, London, 1970), pg. 169.

⁵²¹ Telex from Bell, Scottish Office to Pottinger, London entitled Notes on Dounreay, 13/12/65, NAS SEP14/1619.

⁵²² Cabinet discussion, CC 66, Minute No. 2, 08/02/1966, TNA PRO CAB128/41.

⁵²³ Hetherington, A, *Highlands and Islands*, pg. 4.

⁵²⁴ Lythe, C & Majmudar, M, *The Renaissance of the Scottish Economy?* (George Allen & Unwin, London, 1982), pg. 200.

matters relating to these counties as responsibility for the provision of its economic powers still lay with the Secretary of State for Scotland. The ultimate responsibility for the counties lay not with the Secretary of State for Scotland however, but with Westminster and Whitehall - the determinants and holders of the purse strings. The HIDB viewed Dounreay as an ideal site for the new prototype fast reactor and embarked on a campaign of persuasion to have it sited there, utilising its powers to gain access to the Minister of Technology and arranging a meeting with him to press its case as well as working with the Secretary of State for Scotland on a proposal backing Dounreay as the choice.

The HIDB's campaign to have Dounreay as the location for the new reactor was as much to do with its remit of improving the economic performance of the Highlands as it was to do with establishing itself as a branch of regional government with meaning in Scotland. Indeed, Grieve made this clear in a letter to Willie Ross where he stated that if Dounreay was not awarded the PFR it 'would be a disastrous start for the Board and [would] call into question the validity of the Government's declared policy of Highlands Development.'⁵²⁵ Grieve then restated this view to the media in an interview with the *Aberdeen Press & Journal* printed on the 20th December 1965, the day of his meeting with Cousins to press the case for Dounreay, stating,

If Dounreay is selected it will be in the best interests of the United Kingdom as a whole. At least, it will be relative to the whole theme of decentralisation in Britain, rather than concentrating major industries and Government establishments in the more thickly populated areas... It will be a tremendous boost to the Highlands, if we succeed, and especially to the new development board... This Dounreay project is terribly important to us especially when we are in such an infant stage in life as a board.⁵²⁶

⁵²⁵ Letter from Robert Grieve to Willie Ross, 08/11/1965, NAS SEP14/1619.

⁵²⁶ Press cutting, page unknown, *Aberdeen Press & Journal* 20/12/1965, from NAS SEP14/1619

Other newspapers in Scotland carried similar warnings to the government of the ‘importance’ of siting the new prototype reactor at Dounreay. Jo Grimond, Leader of the Liberals and MP for Orkney and Shetland, at an Inverness press conference marking the end of a tour by the four Liberal MPs for the Highlands of the area, was quoted by *The Scotsman*, as saying that ‘it was imperative that the Government site the reactor at Dounreay because of their regional planning policies and their desire, expressed so often, that business interests should go to the North.’⁵²⁷ As a long-time supporter of the idea of a Highland development authority and MP for Orkney and Shetland it is no surprise that Grimond was of this opinion of course.⁵²⁸ Grimond’s comments echoed the sentiments expressed by the MPs themselves who argued ‘If the new reactor is not sited at Dounreay in Caithness it will be a terrible blow to the Highlands and to the new Government-sponsored Highland Development Board on which the people of the Highlands are pinning so much faith.’⁵²⁹ These articles were designed to put pressure on the Minister to agree to site the new reactor at Dounreay as soon as possible. UKAEA and the Ministry of Technology were pretty much alone in thinking that Winfrith, for all its technical and financial suitability, should be the recipient of the new reactor, in no small part due to the area’s chronic labour shortage⁵³⁰ and Labour’s election promises of regional development. Winfrith was overstocked with nuclear reactors and the labour shortage meant there was little or no lobbying for it to be the new site from the area.

Concurrent with the pressure from the Scots was the fact that the government had also reneged on its promise to build a new hydro-electric scheme at Fada-Fionn in Wester Ross by shelving its plans to do so, contravening the manifesto that Labour had campaigned on that the hydro-electric schemes of this type were examples of public enterprise that it believed should be extended.⁵³¹ This created widespread anger in the Highlands and led many to question the commitment of the government to solving the problems in the Highlands. This did not escape the notice of the Scottish

⁵²⁷ Press cutting, page unknown, *Scotsman* 20/12/1965, from NAS SEP14/1619.

⁵²⁸ Grimond, J, *Memoirs*, (Heinemann, London, 1979), pg. 208.

⁵²⁹ Press cutting, page unknown, *The Scotsman* 20/12/1965, from NAS SEP14/1619.

⁵³⁰ Cabinet discussion, CC 66, Minute No. 2, 08/02/1966, TNA PRO CAB128/41.

⁵³¹ Payne, PL, *The Hydro*, pg. 228.

Office where correspondence between the Department of Agriculture and the Scottish Development Department over the tack Grieve and the Secretary of State should take when promoting Dounreay's case to the government in Westminster stated, 'I am clear he should keep off the technological arguments which have been fully canvassed by SDD, including the possible loss of Social Capital development at Dounreay. The 'political' case - the need for government to demonstrate its sincerity in regional development in the Highlands following Fada-Fionn have also been well purveyed and was reinforced, if indeed it needed it, by Grimond yesterday.'⁵³² The focus on the social and economic aspects of the issue was a deliberate ploy by HIDB and the Scottish Office to put pressure on the government and make it clear to the public what was at stake, thus helping gain public support for Dounreay's case. Dounreay's technical suitability as the site for the new prototype was not as strong as Winfrith's and as a result it was decided to focus on other aspects to help Dounreay's case. The Liberals were taking advantage of the growing public feeling over the siting of the new reactor and were strengthening the political argument for the reactor's location in the North. Thus, focusing on the social and economic justifications for Dounreay meant the likelihood of success would bring with it, if all went well, a degree of political benefit.

The approach by those in favour of Dounreay was very much a case of ends justifying the means, such was the desire to win the race. This is illustrated by a communication between the Scottish Office and the NSHEB in relation to the development of the memorandum for Dounreay to be read by the Cabinet at its final meeting to decide on the site for the new prototype reactor that stated 'I doubt whether the argument about transmission costs would stand up to much informed examination but I hope it will serve the purpose' in relation to the 'need' for the prototype reactor to be sited at Dounreay.⁵³³ The full text of the communication reads as follows:

⁵³² Correspondence between Tom Lister (Dept of Agriculture Scotland) to Sir Matthew Campbell (Scottish Development Department), 20/12/65, NAS SEP14/1619.

⁵³³ Letter from RDM Bell of the Scottish Office to Vernon of NSHEB, 20/12/1965, NAS SEP14/1619.

The power from the PFR at Dounreay will be most valuable in meeting the needs of the Aberdeen area. By 1975 the total demand will be of the order of 700MW and by this year there will be little surplus of hydro-power in the north. Thus, if the PFR is not located at Dounreay, Aberdeen's needs must therefore be met by new generation in the North or by planned import from the Central Belt under the assumption that ample capacity will be provided there. There are difficult problems involved in transmitting from the South such a large block of power over the distances involved and a much better balance would be struck if 250MW were available in the north from the PFR. It is, however, impossible at this stage to speculate on the solution which will be chosen although it is clear that a conventional steam station of the size required for economic operation could not be accommodated in the northern grid. A figure for the additional cost to the Board of meeting Aberdeen's needs if the PFR is not built at Dounreay can be taken hypothetically as the cost of providing transmission lines giving full security of supply for 250MW from the Central Belt; this would be about £3m. This assessment assumes that the basic cost of putting 250MW into the Scottish grid if the PFR does not go to Dounreay is the same as the cost of similar provision in the South of England if it does not go to Winfrith Heath.⁵³⁴

The above is interesting for a number of reasons. The Scottish Office was clearly prepared to put into a memorandum to the Cabinet information that was not necessarily true but served the purpose of making Dounreay seem like a more attractive proposition than it necessarily was. The assertion over transmission costs was tenuous at best; the Scottish Office knew that transmitting power from the Central Belt would be no more difficult or necessarily expensive than transmitting power from Dounreay. In fact, since the distance involved is less from the Central Belt, it is not unreasonable to assume that it would indeed be more expensive from Dounreay, given the extra distance, more rugged terrain for the large part and subsequent transportation costs. It was also based on the assumption that the PFR

⁵³⁴ Letter from RDM Bell of the Scottish Office to Vernon of NSHEB, 20/12/1965, NAS SEP14/1619.

would be on full operational capacity of 250MW by 1975, which at that time was not unreasonable, but was proved otherwise.

Grieve's meeting with Cousins went as well as could have reasonably been expected, although it did not finish with any promises that the PFR would be sited at Dounreay. Indeed, if anything it was the opposite impression with which Grieve came away from the meeting. Grieve later described him as 'tough, forthright and discouraging.'⁵³⁵ During the course of the meeting Cousins made it clear that he did not favour Dounreay and was in actual fact unenthusiastic about the idea that Dounreay could be a trigger for future development. The minutes of the meeting state: 'As for Dounreay as a trigger to other development, he had been deeply disappointed during his visit to see how little effect it had had. The changes were superficial changes. If the stimulation of local employment was the aim they would have been better to give £100,000 or so to each of the locals and let them get on with it.'⁵³⁶ This is in contrast to the impression given by Cousins' biographer Geoffrey Goodman who states that:

The majority of his advisors, and quite a few of his fellow Ministers, argued that to site it [the PFR] at Dounreay was absurdly uneconomic and physically unrealistic. Cousins however fought for the 'social factors' to be considered; there was high unemployment in the area and little hope. Building a nuclear power plant would help to generate new hope as well as jobs in the north of Scotland...⁵³⁷

Cousins was concerned with the 'social factors' of the siting of the reactor, but was firmly on the side of Winfrith as a result of the briefings he received from UKAEA and his underlings at the Ministry of Technology, recommending that the PFR be sited at Winfrith, with the condition that the government announce the steps it would

⁵³⁵ Minutes of Meeting between Prof Robert Grieve and Frank Cousins, Minister of Technology 20/12/65, NAS SEP14/1619.

⁵³⁶ Minutes of Meeting between Prof Robert Grieve and Frank Cousins, Minister of Technology 20/12/65, NAS SEP14/1619.

⁵³⁷ Goodman, G, *The Awkward Warrior, Frank Cousins: His Life and Times*, (Spokesman, Nottingham, 1984), pg. 442.

take to help the Caithness area as the work from the original reactor came to an end.⁵³⁸ He was emphatically not a supporter of Dounreay as the choice of site, stating during the meeting with Grieve ‘The Scots tended to think they were losing if they did not win three times out of three where perhaps once out of three would be a good record.’⁵³⁹ Typically, Ross’ response to this was ‘Nonsense. What have we won from Mr Cousins?’⁵⁴⁰

Cousins further cited a number of different reasons at the meeting with Grieve as to why he was not in favour of Dounreay. Personal experience played a large part in this; Cousins had visited Dounreay prior to his meeting with Grieve and was unimpressed with what he saw, preferring Winfrith instead. Cousins did not accept the argument that Dounreay could be an economic trigger and was ‘disillusioned’ about the ‘creation of a new atmosphere of confidence and hope. Far from the children growing up to form a new reservoir of skilled men and women for the Highlands, he had found parents growing increasingly anxious because they knew there were no opportunities for them. The flow of ideas and men with ideas was still an outward one.’⁵⁴¹ It was not Cousins’ remit to solve the problems in the Highlands as the Minister of Technology. His remit was to recommend where to site the PFR at the location best suited to its needs. Further to this, the commercial considerations of the PFR needed to be taken into account. If the PFR was to be a commercial success then, so the argument went, it would need to be sited closer to centres of population and not far away on the periphery in order to allay any fears over its safety that potential customers may have had. The PFR was intended as a ‘showroom to the world’, but Dounreay lacked the communication facilities and crucially, the social facilities to satisfy this particular criteria.⁵⁴²

⁵³⁸ Cabinet discussion, 08/02/1966, TNA PRO CAB128/41.

⁵³⁹ Minutes of Meeting between Prof Robert Grieve and Frank Cousins, Minister of Technology 20/12/65, NAS SEP14/1619.

⁵⁴⁰ Letter from NC Telfer Scottish Office to Pottinger, Daley (SDD), Ross (DAFS) 23/12/1965. NAS SEP14/1619.

⁵⁴¹ Minutes of Meeting between Prof Robert Grieve and Frank Cousins, Minister of Technology 20/12/65, NAS SEP14/1619.

⁵⁴² Minutes of Meeting between Prof Robert Grieve and Frank Cousins, Minister of Technology 20/12/65, NAS SEP14/1619.

Winfrith on the other hand was ideally suited to this, already hosting all four of the reactor types that the UKAEA was developing (the Advanced Gas-Cooled Reactor (AGR), the Steam Generating Heavy Water Reactor, the High Temperature Gas Cooled reactor (this was an international project named the Dragon reactor) and the fast reactor albeit on a far smaller scale), as well as five other experimental reactors and the communication and social facilities that Dounreay lacked.⁵⁴³ Winfrith was the choice of UKAEA and the Ministry of Technology for a multitude of reasons. It was estimated at approximately £3m cheaper in capital costs than Dounreay which was estimated at £30m capital cost, although £2.7m of this could be written off as the North of Scotland Hydro Electricity Board would need to construct several transmission lines to meet expected demand in future years if Dounreay was not selected; there was also concern over the losses in transmission of electricity to other areas that building the PFR at Dounreay would incur, estimated to be 2% greater at Dounreay than at Winfrith which would be at a capital cost of £0.6m. If Dounreay was selected as the site for the new reactor then it would also involve the UKAEA effectively operating two fast reactor sites which, it was argued, would result in a loss of efficiency as well as much of the background physics work required for the operation of the PFR was to be carried out at Winfrith where the facilities already existed. Further, staffing professional grades at Dounreay had already proved problematic and, it was argued, would continue to do so.⁵⁴⁴ Thus Cousins recommended that Winfrith be chosen for the site of the new PFR over Dounreay.

Cousins' case for Winfrith over Dounreay was certainly persuasive, but it was by no means the only proposal on the table. Willie Ross argued very strongly for Dounreay, emphasising the potential importance of siting PFR there to the local economy and population. Ross accentuated the social and economic aspects of the needs of the Highlands and the 'necessity' of choosing Dounreay over Winfrith in order to meet them. If Dounreay was not chosen then the work at the experimental reactor would wind down around seven or eight years from 1966, with the numbers

⁵⁴³ Cabinet discussion, 08/02/1966, TNA PRO CAB128/41.

⁵⁴⁴ Cabinet discussion, 08/02/1966, TNA PRO CAB128/41.

employed reduced to about 1200 by 1971 and closure in 1973.⁵⁴⁵ Thus, there was considerable concern over what would happen to the area should Dounreay not win the race. This did not escape the attention of members of the Scottish Labour Party who made it clear to Frank Cousins in meeting with him that siting the PFR at Dounreay would be of political benefit to the party, citing the previous Conservative government's initiatives including the Wiggins Teape paper pulp mill in Corpach and the BMC and Rootes factories near Glasgow. Thus, the Scottish Labour Party were very keen on Dounreay being chosen for the site of the new PFR, pointing out to Cousins that the government had yet to site any new industrial projects in Scotland in spite of its stated commitment to helping the Scottish economy and if it were to site the first one suitable for Scotland elsewhere then it would not create a favourable impression politically.⁵⁴⁶ Cousins accepted their advice but refused to change his stance and pointed out that the PFR's 'effect on employment in the Highlands, or wherever it went, would be negligible', and that 'it was very important this was understood.'⁵⁴⁷ Responding to this the members argued that the PFR 'had become some sort of symbol in the campaign for Highlands development. If it were sited at Dounreay, they felt sure that it would have the effect of stimulating industry in the Highlands.'⁵⁴⁸

Dounreay had become a political hot potato. The government did not want to make a decision until it had the respective submissions from the Scottish Office and the Ministry of Technology, meanwhile the media begun to question Dounreay's chances, increasing the pressure on the government to make a favourable decision for the area, with *The Scotsman* running an article entitled 'Reactor Hopes Fade' on 11th January 1966. With the idea that Dounreay might not be the choice for the PFR in mind the government had commissioned Sir Maurice Dean, the permanent secretary

⁵⁴⁵ Telex from Bell, Scottish Office to Pottinger, London entitled Notes on Dounreay, 13/12/65, NAS SEP14/1619.

⁵⁴⁶ Meeting between Minister of Technology and members of the Scottish Labour Group of the Parliamentary Labour Party 31/01/1966, TNA PRO EG7/86.

⁵⁴⁷ Meeting between Minister of Technology and members of the Scottish Labour Group of the Parliamentary Labour Party 31/01/1966, TNA PRO EG7/86.

⁵⁴⁸ Meeting between Minister of Technology and members of the Scottish Labour Group of the Parliamentary Labour Party 31/01/1966, TNA PRO EG7/86.

of the Ministry of Technology and a meticulous analyst⁵⁴⁹, to provide an analysis of the potential consequences for Dounreay in the event of the PFR going to Winfrith. Dean produced the following table to show potential scenarios for the area:

Table 4.5 Numbers employed at Dounreay with and without PFR

Numbers employed at Dounreay 1966.					
	Professional	Ancillary	Industrial	Apprentices	Total
1966	330	580	1280	180	2320

Numbers employed at Dounreay with PFR					
	Professional	Ancillary	Industrial	Apprentices	Total
1971	300	560	1250	100	2210

Numbers employed at Dounreay without PFR					
	Professional	Ancillary	Industrial	Apprentices	Total
1971	240	500	1040	100	1880

Source: Siting of the Prototype Fast Reactor, note by Sir Maurice Dean, 17/01/1966. National Archives Scotland folder NAS SEP14/1619.

As Table 4.5 shows, if Dounreay was chosen as the new site, the PFR would employ a total of 2210 workers in 1971, reducing to 1190 by 1976. Should Dounreay not be chosen however, the numbers employed in 1971 would be 1880, followed by only a nominal number in 1976. Since atomic energy was not a ‘growth industry’ *per se* (it was more capital intensive than it was labour intensive), it is not surprising that the Ministry of Technology and UKAEA did not see the benefit in siting the reactor at Dounreay, given the technical and economic arguments in favour of Winfrith. It should be noted however that Dean’s figures did not account for those employed outwith UKAEA that were dependent on the facility and the business its employees brought to the area. It also did not account for any further employment that may be gained from the PFR being sited at Dounreay from other industries.

⁵⁴⁹ Cooper, F, ‘Dean, Sir Maurice Joseph (1906–1978)’, *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

The existing reactor at Dounreay, the DFR, had hitherto been unfavourable to the attraction of other industries to the area, however. The idea that it would be a growth point in the mould suggested by the Toothill report had not rung true to date and according to some (namely Cousins and the Ministry of Technology) would not do so either.⁵⁵⁰ Given that Dean had produced figures for 1976, ten years after his study was produced, it does not seem unreasonable to argue that the government could have provided the conditions necessary for the area to thrive without the PFR being sited there. A greater focus on infrastructural developments for the Highlands as a whole would have helped the Caithness and Sutherland area by diluting its remoteness, reducing the difficulties in getting there and siting industry there - better road, air and rail links, more advanced factories, tax breaks for businesses siting their operations in the area and improved communications with the rest of the UK could have facilitated the area with conditions better suited to attracting industry to the area than a large scale developmental nuclear power plant with limited scope for attracting further industrial development, as made clear by experts.

As it was, the Caithness and Sutherland area remained a peripheral economy sited away from major centres of population and markets, without modernised transport or communications links and increased freight expenses because of the distance, making it wholly unattractive to industry locating there. The government had no immediately available alternate plan for Dounreay without the PFR however and was under pressure from the Scots to make a decision favourable to Dounreay. The government, if it was indeed committed to developing industry in the Highlands, would have had to make up approximately 1190 jobs in ten years, according to Dean's projected figures. Since the argument was made that the nuclear power industry was not a growth industry in labour terms by UKAEA itself and the Ministry of Technology in their submissions to the government⁵⁵¹, this hardly seems a prohibitively difficult task given that it had until 1973 before the original reactor was

⁵⁵⁰ Siting of the Prototype Fast Reactor, Cabinet Memorandum by the Minister of Technology Frank Cousins, 03/02/1966, TNA PRO EG7/86.

⁵⁵¹ Siting of the Prototype Fast Reactor, Cabinet Memorandum by the Minister of Technology Frank Cousins, 03/02/1966, TNA PRO EG7/86.

due to be closed down. This point was made by George Willis, Minister of State for the Scottish Office, in the *Glasgow Herald* on the 14th January 1966 when he stated ‘the development of the Highlands requires a whole lot of measures in a number of different fields, all of which are important and without which development cannot take place.’⁵⁵² Dounreay was of course but one of these measures, with the pulp mill at Corpach, the development of Aviemore and (latterly) the smelter at Invergordon being three of the other main government sponsored developments of the period. The government had been elected on a commitment to regional development and economic planning, the HIDB had been created to help achieve this in the Highlands and Dounreay was the first major test of this commitment.

Decision Time

The Cabinet minutes detailing the discussion of the siting of the reactor show a degree how Willie Ross framed his arguments for Dounreay. The arguments against Dounreay from a technical and economic (in terms of fast reactor developments and for the industry as a whole) viewpoint were considerable. However, Ross realised this and focused his case on the economic situation of the Highlands as a whole, and in particular the Caithness and Sutherland area. By framing his argument in this way Ross circumvented the weakest part of Dounreay’s case and focused the argument on the wider governmental policy towards the Highlands of economic and industrial development. Ross argued that whilst the technological arguments were in favour of Winfrith, the social and economic implications of denying Dounreay would far outweigh Winfrith’s benefits. The siting of the original reactor at Dounreay had created a community that had begun to thrive and in any event a further 1100 jobs would be required by 1976 to maintain employment in the area at its 1966 level.⁵⁵³ He also pointed out the money spent on developing the housing and educational facilities as well as other infrastructural improvements that would be wasted should Winfrith win.

⁵⁵² *Glasgow Herald*, 14/01/1966, pg unknown, from TNA PRO AB63/93..

⁵⁵³ Cabinet discussion, CC 66, Minute No. 2, 08/02/1966, TNA PRO CAB128/41.

The Cabinet agreed that maintaining the community that had been built up at Dounreay was of the utmost importance. It accepted Ross' argument that the unemployment situation in Thurso would worsen without the PFR, whereas there was an 'extreme shortage of labour' in Winfrith, although it was reported that locating at the latter would be £8m cheaper than at Dounreay in 1970 prices.⁵⁵⁴ Crucially, Ross argued that if the government were to site the PFR at Winfrith it would contravene its policy of regional development of industry. The Cabinet then came to the conclusion that:

The additional cost of establishing the PFR at Dounreay was comparable with that of the different investment grants to private industry in the development regions. Such investment grants were not available for the nationalised industries, partly because their siting could be controlled by the Government as a matter of policy. On these considerations it would therefore be contrary to the Government's policy for the regional development of industry and would cause serious damage to confidence in the Government's determination pursue this policy in relation to Scotland if the PFR were sited at Winfrith.⁵⁵⁵

Dounreay had won the battle on the basis of its social and economic position. The new prototype reactor was to be located in Dounreay with the explicit promise being made by Cousins that it would provide a 'restoration of confidence in the economy of the Northern Scottish area' and that it would 'provide cheaper electricity' when in full operation.⁵⁵⁶ The technical and economic considerations of siting the PFR at Winfrith had lost out to economic and social concerns of Dounreay. The government had no other plan for Dounreay in the event of Winfrith being chosen, which Ross and the Scottish Office knew. After all, if it had then the Scottish Office would have been involved in the formulation of it. Thus, Ross and the Scottish Office were able to frame their argument in the economic and social implications for

⁵⁵⁴ Cabinet discussion, 08/02/1966, TNA PRO CAB128/41.

⁵⁵⁵ Cabinet discussion, 08/02/1966, TNA PRO CAB128/41.

⁵⁵⁶ BBC interview with Frank Cousins 09/02/1966 from web address:
http://news.bbc.co.uk/onthisday/hi/dates/stories/february/9/newsid_2730000/2730083.stm

Dounreay, and by extension the Highlands as a whole, making up for Dounreay's shortfall in the technical and cost aspects. The government had no alternate plan for Dounreay, and in spite of the Ministry of Technology's warning that atomic energy was not a growth area for employment, it went with Ross' proposal as a result of the mistaken belief that Dounreay would act as a growth centre, leading to other developments, in spite of its failure to do so for the duration of the lifetime of the original reactor. Therefore ignoring the advice of the experts and the lessons of recent history.

The isolation of the Caithness region was not an attractive feature to other industries that preferred instead to locate further south, closer to centres of populations and by extension, markets. Cousins and his staff had claimed, rightly as it transpired, that the PFR would not lead to other industrial developments. The clamour for the PFR to be sited at Dounreay had reached a crescendo however - the national press in Scotland were making it clear that they expected Dounreay to be the recipient; the HIDB was pushing Dounreay's case, and by extension its own, as hard as possible and crucially, Willie Ross was an ardent supporter of Dounreay's case as well as the case for Highland development. Concurrent with this however was the wider national political situation that the Labour government found itself in. As it turned out, Labour won the Caithness and Sutherland seat for the first time, from the Liberals, at the following election in 1966, due in no small part to its decision to site the PFR at Dounreay. It held the seat from 1966 until 1981; the only time it has ever held the Caithness and Sutherland seat.⁵⁵⁷ The members of the Scottish Labour Party who made it clear to Frank Cousins that locating the reactor in Dounreay would help the party in the area clearly knew what they were talking about.

⁵⁵⁷ <http://www.alba.org.uk/scot03constit/h02.html> accessed 04/05/2005

The Struggle for Power

The PFR at Dounreay was to take five years to construct and supply electric power to the National Grid, and by 1978 was expected to have operated long enough to facilitate the construction of a commercial fast reactor.⁵⁵⁸ However, it did not become operational until 1974⁵⁵⁹, some three years later than the anticipated start-date. The Select Committee on Nationalised Industries had stated in its May 1963 report that the 'Authority [UKAEA] hope that a prototype will be operating by 1969 or 1970.'⁵⁶⁰ These delays eventually began to increase in frequency during the PFR's construction due to the difficulties involved in harnessing the new technology. The PFR officially reached criticality on 3rd March 1974, just under a week before the British Nuclear Energy Society held a major international conference on 'Fast Reactor Stations' with delegates from all over the world, including the USA, France, Europe, Third World countries and the Soviet Union. At the end of the conference the French announced that their fast reactor project, the Phenix reactor, had also achieved criticality.⁵⁶¹ Clearly the nuclear race was still on.

The PFR's siting at Dounreay resulted in little extra infrastructural improvement as a result of the previous investment in the area for the DFR and the fact that there was not a great deal more permanent staff required for the PFR. Thus, the PFR was viewed as more of an affirmation of the Government's commitment to the area rather than an attempt at a whole new development. As a result, the government's attention was turned to attempting to attract new industries to the area. However, Caithness and Sutherland's remoteness did little to make this an easy task. Transportation and haulage were still difficult problems to overcome for conventional industry. Caithness and Sutherland are 70 miles away from the nearest city, Inverness which in itself was not a major centre of population. The announcement in 1968 that the Dounreay Materials Testing Reactor (DMTR) was to be shut down by mid 1969

⁵⁵⁸ Note on PFR at Dounreay, Ministry of Technology, author unknown, 09/02/1966, TNA PRO EG7/86.

⁵⁵⁹ UKAEA, *History and Achievements of UKAEA Dounreay*.

⁵⁶⁰ Patterson, WC, *Going Critical*, pg. 99.

⁵⁶¹ *Ibid*.

caused some concern amongst the local population over employment prospects.⁵⁶² As a result, the Minister of Technology, the Secretary of State for Scotland and the Prime Minister visited the area to assure the local population of the stability the DFR and PFR would continue to provide, employing around 2100 people, as well as inspecting the new PFR and the surrounding facilities.⁵⁶³

The DFR provided income for the facility for the irradiation of foreign fuel sources of £160,000 in 1967, £210,000 in 1968, and £860,000 in 1969, as well as a further £40,000 for post irradiation examination in 1969. Thus, the DFR was providing a measure of stability regarding work in the area, although the intention was that it would cease to operate approximately two to three years after the PFR was started up and employment numbers would be reduced by approximately 3% per year.⁵⁶⁴ As it was the DFR closed in 1977.⁵⁶⁵ The Prime Minister's visit did not imbue a sense of optimism in the future for the Highlands however. When questioned on the future prospects of Dounreay the Prime Minister, Harold Wilson, could only promise stability into the mid-1970s. As a result, uncertainty over Dounreay, and by extension Caithness and Sutherland's, future began to develop. *The Scotsman* ran an article entitled 'Dounreay: Frontier without a future' that played up the uncertainty over the future of the establishment whilst detailing its success as a 'social experiment'.⁵⁶⁶ The previous week it had run an article entitled 'Dounreay's post-1974 future uncertain, indicates Prime Minister' that observantly pointed out that Dounreay's future was inextricably tied to the decisions made by UKAEA and the developments of the industry as a whole.⁵⁶⁷

The Conservatives reorganisation of the nuclear industry (concurrent with the privatisation of the electricity industry) along more private lines in 1989 followed the announcement in 1988 that the PFR was to be decommissioned starting in 1994 along

⁵⁶² UKAEA briefing for George Thompson MP, 29/04/1970, TNA PRO AB63/93.

⁵⁶³ UKAEA briefing for George Thompson MP, 29/04/1970, TNA PRO AB63/93.

⁵⁶⁴ UKAEA briefing for George Thompson MP, 29/04/1970, TNA PRO AB63/93.

⁵⁶⁵ UKAEA, *History and Achievements of UKAEA Dounreay*.

⁵⁶⁶ *The Scotsman*, pg unknown, 17/07/1969 from TNA PRO AB63/93.

⁵⁶⁷ *The Scotsman*, pg unknown, 12/07/1969 from TNA PRO AB63/93.

with the DMTR, leaving only two small reprocessing plants operational at the development.⁵⁶⁸ Fast reactor technology had proved to be very problematic, as well as a very expensive undertaking - at no stage did the reactors ever work at full capacity at Dounreay, in spite of the substantial sums spent on the technology. The major problem was the instability of the liquid sodium used to cool the reactor core to prevent overheating - several leaks in the steam generator in which the sodium was passed caused numerous issues with the PFR, as well as one occasion when a storm in the North Atlantic caused the off-shore cooling-water intake to suck up hundreds of tonnes of seaweed, clogging the system and closing the generators altogether for several weeks in October 1974.⁵⁶⁹

Dounreay's problems were not just limited to operational concerns however. In May 1977 there was an explosion in the waste shaft containing plutonium and uranium, the severity of which was not revealed to the public until 1995. Officials at the plant released a small statement at the time describing the explosion as a 'minor incident' - in fact the shaft's seven tonne concrete plug had been blown around 4m into the air and thrown against a security fence and a steel plate of about 1.5m in diameter, was blasted 12m into the air. Further, debris was hurtled over the security fence including two 6m long scaffolding poles, one of which was found 40m away on the beach. The windows of the control room and asbestos weather shields surrounding the shaft were destroyed and about 50 spots of ground contamination were found north of the shaft and pieces of asbestos discovered up to 75m away. Not so much a minor incident as serious industrial accident. Furthermore no comprehensive log was taken of what had been dumped in the waste shaft making the clean up operation very costly and time consuming.⁵⁷⁰ An inventory in 1998 showed that 16,348 items had been disposed of in the shaft including rubber gloves, paper tissues, fire doors and vacuum cleaners, as well as fissile material estimated to be 4kg of plutonium and 98.6kg of uranium-235 in a total of 1,165kg of uranium, totaling

⁵⁶⁸ http://news.bbc.co.uk/1/hi/special_report/1998/04/98/nuclear_waste/81798.stm and <http://www.caithness.org/fpb/dounreay/history/partingoftheways.htm> accessed 12/05/2005.

⁵⁶⁹ Patterson, WC, *Going Critical*, pg. 106.

⁵⁷⁰ <http://news.scotsman.com/topics.cfm?tid=566&id=1071022005> accessed 23/06/2006.

750 cubic metres of material.⁵⁷¹ The accident at Dounreay was followed by the catastrophes at Three Mile Island in 1979 and Chernobyl in 1986, contributing in no small part to the loss of public confidence in the safety of the industry.

The waste shaft explosion at Dounreay is not the only example of the dangers the plant posed to the public during its lifetime. Thurso was identified by the British Medical Association as having six times the national average of leukaemia and non-Hodgkins lymphoma cases between 1979 and 1984 with six cases identified. Twelve similar cases were identified within 25km of the site between 1968 and 1991 (more than twice the expected figure) and between 1985 and 1995 four incidences were found (almost three times the anticipated figure.)⁵⁷² Tests are ongoing on the effect of the plant's activities on the local population. The elevated incidences of cancers in and around the area may or may not be linked to the work carried out at the plant, but the litany of safety breaches has done little to reassure the public that they are not linked. Between 1972 and 1998 the plant had 82 accidents during a period when UKAEA was not required to report every accident to regulators; between 1999 and 2005, when all accidents were required to be reported, there were 255 accidents at the plant, including one case when the plant loaned radioactive waste containers to the local community to make a Santa's Grotto in Thurso in December 1999.⁵⁷³ As recently as August 2005 the plant was fined £2m for a spillage of more than 250 litres of radioactive liquid and 300 kilos of cement.⁵⁷⁴ As large a figure as this sum is, it pales into near insignificance when the over all expenditure on the plant are considered.

Until 1990, the government had spent approximately £3500m on Dounreay.⁵⁷⁵ At 2006's prices the figure is approximately £5.5bn.⁵⁷⁶ The decommissioning of

⁵⁷¹ <http://news.scotsman.com/topics.cfm?tid=566&id=447642006> accessed 23/06/2006.

⁵⁷² <http://business.scotsman.com/topics.cfm?tid=566&id=1621272006> accessed 03/11/2002.

⁵⁷³ 'Revealed: The safety 'failures' at Dounreay', *Sunday Herald*, pg unknown, 15/05/2005, retrieved from http://findarticles.com/p/articles/mi_qn4156/is_20050515/ai_n14632101 accessed 23/06/2006.

⁵⁷⁴ http://news.bbc.co.uk/1/hi/scotland/highlands_and_islands/4778139.stm accessed 23/06/2006.

⁵⁷⁵ Hetherington, A, *Highlands and Islands*, pg. 112;

⁵⁷⁶ Calculated using Lawrence H. Officer's, 'Purchasing Power of British Pounds from 1264 to 2006.' <http://www.MeasuringWorth.com>, 2007.


Dounreay is expected to take up until the mid-2030s and cost £3bn⁵⁷⁷, bringing the total spend on the plant to around £8.5bn. For this sum the people of Caithness have benefited from a source of near consistent long-term employment, employing up to 5000 workers at its peak⁵⁷⁸, albeit with fears over the safety of the plant; the Labour Party won the Caithness seat and held it for fifteen years; Willie Ross and the Scottish Office were able to demonstrate their beneficence to the furthestmost northern part of the UK mainland and stave off criticism, and the UK government got to believe it was at the forefront of the nuclear fast reactor race and was investing in a technology which would go a long way towards helping remedy its balance of payments problems. In reality, locating the PFR at Dounreay was a politically motivated decision that may have been successful in providing the area with a degree of sustainability but was a miserable failure for the duration of its operational lifetime in its stated aims of acting as a growth centre in attracting other industries to the area. That it will continue to employ many thousands cleaning up the mess that has been left behind for decades to come means it can be considered to be a success, albeit more by accident than design. Had the PFR been successful in achieving full criticality and operating successfully then it would not have required the same numbers to be employed at the site that have been and will continue to be employed in its decommissioning. Non-local specialist engineering firms, geologists, environmental consultancies, political consultancies and contractors for example are required for the decommissioning of the plant, arguably none of which would have been required had the technology worked. Ironically, some forty years after the PFR's location in the area and thirteen years after the announcement to close it was made, Dounreay has become an inadvertent growth centre as a result of its decommissioning.

⁵⁷⁷ <http://news.scotsman.com/topics.cfm?tid=566&id=128482007> accessed 25/01/07.

⁵⁷⁸ Bryden, JM, *Dynamics of Rural Areas: National Report- Scotland*, (Arkleton Research Centre, Aberdeen, 2001), pg. 68.

Chapter Five. The Invergordon Smelter: White Heat And The Highlands



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Introduction

Attempts at modernising industry in the Highlands are many and varied throughout Scottish history; the pulp mill at Corpach, the nuclear power facility at Dounreay and the small-scale aluminium smelters at Foyers and Kinlochleven, powered by their own hydro-electric power sources, are several such examples of this. Perhaps the most ambitious attempt at modernising industry in the Highlands however was the Invergordon aluminium smelter, the final attempt by government at regenerating the Highlands through large-scale industrial transplants. Created in 1967 with a projected output of 100,000 tonnes of primary aluminium per year, the Invergordon smelter was heralded as a new dawn for the Highlands of prosperity and symbolic of the Westminster government's commitment to regenerating and modernising the Highland economy. The new smelter was unique in that it wasn't to draw its energy source from hydropower or coal, unlike major smelters in Canada, the United States and Norway. It would instead draw its energy from a newly constructed Advanced Gas Cooled Reactor (AGR) nuclear power station on the Ayrshire coast at Hunterston (to be known as Hunterston B), whilst utilising one of the deepest harbours in Europe, Nigg Bay, for its bulk supplies of alumina, to be transported in from the Caribbean (mostly Jamaica)⁵⁷⁹, Latin America and Australia by ship.⁵⁸⁰ The labour force was to come from the surrounding areas, with the intention that the smelter project would go some way to remedying the long-standing problems of high outward migration from the Highlands, low wages and high unemployment, bringing to the area long-term growth, sustainability and prosperity. The Invergordon smelter was part of a government plan for the construction of two smelters, capable of producing up to 200,000 tonnes of aluminium ingots per year combined, with the intention of reducing British reliance on imports of aluminium. The attraction for the companies invited to tender bids for the new smelters was that they were to be supplied with cheap electricity from the newly built nuclear power stations situated around the country, a first for aluminium smelting anywhere in the world and they

⁵⁷⁹ GG Drummond, *The Invergordon Smelter: A Case Study in Management*, (London, Hutchison Benham, 1977), pg 136.

⁵⁸⁰ Young, A, 'Industry' in Hetherington, A (ed.), *Highlands and Islands*, pg. 103.

were eligible for investment grants from the government. However, severe delays to the construction of the Hunterston nuclear power station, poor planning and a depression in world aluminium prices provided for catastrophic consequences for the Invergordon smelter, resulting in its eventual closure in 1981.

This case study discusses the factors involved in the creation, operation and eventual closure of the smelter and the resultant effect on all concerned. Within this framework, it explores the nature of governmental-business relationships by analysing the dealings between the various governments in power during the smelter's lifetime and British Aluminium⁵⁸¹, the company responsible for the operation of the plant, and how the character of the different parties in power affected these dealings. The study also details the impact of the smelter on the surrounding area in labour, environmental, economic and social terms. It proposes that the smelter project was primarily a national interest project, motivated by neo-protectionist concerns, that failed to address the issue of appropriate Highland development sufficiently; that it was uneconomic from the beginning and based upon the presumption of cheap power supplied by nuclear energy rather than on an actual proven energy source. Therefore, the study is one of failure that seeks to understand why the smelter project failed to address the long-term problems of the area and how.

White Heat and the smelters

The Britain that is going to be forged in the white heat of this revolution will be no place for restrictive practices or for outdated methods on either side of industry.⁵⁸²

- Harold Wilson, Labour Party Conference, October 1963.

Wilson's quote above stated clearly and concisely the Labour Party's commitment to the modernisation of British industry. The aluminium smelters project was part of this

⁵⁸¹ The company is referred to throughout the case study as BA, BACo or British Aluminium in various excerpts from the literature.

⁵⁸² Quoted in Knowles, E. (ed.), *The Oxford Dictionary of Modern Quotations*, (OUP, Oxford, 2002), pg. 227.

modernisation, although it was not implemented as a policy until 4 years later. In 1965 Rio Tinto Zinc (RTZ), an international mining company, made an application to government, in partnership with the United Kingdom Atomic Energy Authority (UKAEA), to build the Capenhurst Project (also known as the UNCLE Project); a combined aluminium smelter and nuclear diffusion plant. The proposal however required 40% of the cost of the project to be supported by development grants from government, while retaining the right to sell surplus power to the National Grid. The government rejected this proposal, not stating publicly at any point why. Had the development gone ahead, it would have certainly constituted a potential threat to the Central Electricity Generating Board's (CEGB) monopoly on power production. The CEGB was not eligible for development grants however, meaning that had RTZ and UKAEA's proposal been accepted, the possibility of large industrial users grouping together and becoming the lowest cost producers of power, made viable by government development grants, could have become reality - an unappealing prospect for government.⁵⁸³ Nevertheless, the idea of an aluminium smelter powered by nuclear energy was not one without merit and discussions did take place detailing the benefits and difficulties of the project resulting in the production of the Final Report of the Official Group on Capenhurst, published in November 1966. This report detailed the possibility of aluminium smelting to the country's economy in protectionist terminology, stating,

The object of the exercise is to give domestic production of aluminium a degree of protection, which it does not now enjoy, and so to make possible a reduction of 25% (15m a year)⁵⁸⁴ or more in the expected United Kingdom imports of aluminium.⁵⁸⁵

⁵⁸³ Utiger, RE, *Never Trust An Expert: Nuclear Power, Government and the Tragedy of the Invergordon Aluminium Smelter*, (London School of Economics Business History Unit, London, 1995), pg. 1.

⁵⁸⁴ It is not made clear in the report what this figure is in reference to, although it is most likely pounds.

⁵⁸⁵ Final Report of the Official Group on Capenhurst November 1966, TNA PRO CAB 164/157, pg. 18.

Although the government rejected the proposal, it presaged the announcement of the plan to build the new smelters by only a year and certainly directly informed the idea that Britain could produce more of its own aluminium, alleviating its balance of payments problem and affording the country some protection against the possibility of aluminium price escalation.

During the same period, the Highlands and Islands Development Board was set up with the remit of improving the economic performance of the area.⁵⁸⁶ The HIDB had identified the Invergordon area as being of economic potential and ripe for major development.⁵⁸⁷ However, the HIDB at this point had not identified aluminium smelting as a potential industry for locating at Invergordon, preferring instead a suggestion by a part-time board member, Frank Thompson, of a petro-chemical plant. Thompson, as well as being a board member, was also owner of Invergordon Distillery, located at Nigg Bay. Two American companies, Roxalls and Occidental Petroleum were said to be interested in the project. In order for the project to move forward however, a plan had been set out requiring £30m capital, of which the investors expected an investment grant under the Industrial Development Act of £12m, with private capital of £9m (50% American, 50% British) and the remaining £9m provided by government loan.⁵⁸⁸ This formula bears a remarkable resemblance to the eventual composition of the funding for the aluminium smelter at Invergordon. However, difficulties with the petro-chemical project resulted in plans for it being shelved, as well as a political fall-out with two members of the HIDB (John Robertson, responsible for the development of the Moray Firth and the aforementioned Frank Thompson) quitting in protest at the government's opposition to the project (although the government maintained there had been no approach from

⁵⁸⁶ For more in-depth analysis of the origins of the HIDB and its first years of operation, Iain Levitt's articles 'The Creation of the Highlands and Islands Development Board, 1935-65', Northern Scotland, Vol.19, (Aberdeen, 1999) and 'Taking a Gamble': the Scottish Office, Whitehall and the Highlands and Islands Development Board, 1965-67', Northern Scotland, Vol.20, (Aberdeen, 2000), should be consulted.

⁵⁸⁷ Letter from W Russell, Treasury, to JRD Gilden, Board of Trade, 16/09/1966, TNA PRO T224/2238.

⁵⁸⁸ Letter from W Russell, Treasury, to JRD Gilden, Board of Trade, 16/09/1966, TNA PRO T224/2238.

the American companies mooted) and considerable press-attention, nationally and locally, to the whole saga.⁵⁸⁹ In spite of the petro-chemical project's failure to get started, the HIDB and government were not dissuaded of Invergordon's development potential and directed their collective energies towards other avenues. RTZ's proposal, although rejected by the government, prompted two other companies, Alcan and British Aluminium Co, to make their own representations to the government, arguing for the same opportunities to be given to them as RTZ (Alcan and BACo were the two largest producers of aluminium in the UK at the time and were eager to protect their market share).⁵⁹⁰ In October 1967, Harold Wilson announced the government's intention at the Labour Party conference in Scarborough to build two aluminium smelters, putting the sites for these new smelters out to tender. Invergordon, with its deep bay harbour and location within a government-designated development area, satisfied the requirements set by government for the location of the new smelter.

The government's announcement concerning the construction of these new smelters was a result of a combination of different factors. The first of these was the country's balance of payments problem. There was a desire on the part of government to reduce its reliance on imports of aluminium; it was believed that the new smelters could help the balance of payments problem by £50m or £60m per year.⁵⁹¹ Second, the advent of new generating techniques based on industrial applications of nuclear power gave the government belief that it could build these smelters and provide them with a cheap supply of the required enormous amounts of electricity for smelting aluminium. This goes some way to explaining the its decision to build the smelters since the country was bereft of any natural advantage in aluminium smelting. Electricity accounted for 15% of the final cost of producing primary aluminium⁵⁹²

⁵⁸⁹ Phil Durham's book *Highland Whistleblower* details the story of the aborted petro-chemical project at Invergordon. Durham was a former part-time worker at HIDB and uncovered what he believed was corruption at higher levels within the HIDB in relation to the project.

⁵⁹⁰ Utiger, RE, *Never Trust An Expert*, pg. 2.

⁵⁹¹ Cailluet, L., 'The British aluminium industry, 1945-80s: chronicles of a death foretold?' in *Accounting, Business & Financial History 11:1* March 2001 (Taylor & Francis Ltd., 2001), pg. 89.

⁵⁹² *The Times*, 25/07/1968, pg. 23.

meaning it was of the utmost importance that a cheap source was found. Third was the government's commitment to pursuing the policy of regional development of deprived areas, of which Invergordon was certainly one. In order for the smelters to be built however, a number of criteria had to be satisfied. The smelters had to be situated in a development area, within close proximity to the National Grid (to reduce transmission costs) and with at least 100 acres of flat building land adjacent to a deep bay harbour.

The balance of payments problem very much influenced the government's decision to increase the production capacity of the aluminium industry in Britain. Until its announcement of its intention to build the smelters, Britain produced around one tenth of what the new smelters were to produce in primary metal. British consumption of aluminium at this time was 360,500 tonnes, but production (at Kinlochleven and Foyers) was only 38,200 tonnes per year, although capacity was only 39,000 tonnes per year, meaning the two smelters were running at 97.95%, leaving very little room for improved efficiency.⁵⁹³ The new smelters were to reduce the reliance on imports of aluminium by up to two thirds, helping the balance of payments problem. However, there were two problems with this. Britain's membership of the European Free Trade Association (EFTA) meant that any element of subsidy on the part of government for the new smelters would see it breach the rules of EFTA.⁵⁹⁴ Also, with the coming of the Common Market, it was clear that Britain would be obliged to join a customs union, meaning that it would then have to impose an import duty of 9% on North American ingots, its largest supplier of aluminium at the time, further exacerbating its balance of payments problem.⁵⁹⁵ Thus, the government was faced with a choice - increase its domestic aluminium production, possibly breaching EFTA rules, or not and risk worsening their balance of payments problem with increased tariffs on aluminium imports from North America. In order for the former to happen a way of providing cheap power for the new

⁵⁹³ OECD, *Problems and Prospects of the Primary Aluminium Industry*, (OECD, Paris, 1973), pg. 7.

⁵⁹⁴ Final Report of the Official Group on Capenhurst November 1966, TNA PRO CAB 164/157, pg. 16.

⁵⁹⁵ Cailluet, L., 'The British aluminium industry, 1945-80s', pg. 89.

smelters had to be found that did not breach EFTA rules. Nuclear power was identified as the source of cheap electricity and companies were invited to tender bids for the operation of the smelters, with the intention that a solution to the problems posed by Britain's membership of EFTA would be found.

The government's commitment to regional development as part of its election manifesto meant that it sought to site the new smelters in designated development areas. Resultantly, the companies invited to tender bids had to propose to locate in an area that was not only designated as a development area, but also satisfied the aforementioned logistical requirements for operating a smelter. Invergordon, as well as Holyhead in the island of Anglesey off the Welsh coast, satisfied all of these requirements and were the choices for the three companies that tendered bids - RTZ, Alcan and British Aluminium. Invergordon had been identified within government as:

...the major industrial centre in the Highlands, providing in time the range of job opportunities which could sustain a balanced and expanding population and act as a holding point to offset the decline of population in the rural hinterland which must be expected to continue. As well as holding population which otherwise would be likely to drift south such a centre would be likely to stimulate growth over a much wider part of the Highland area.⁵⁹⁶

Invergordon's position as a potential growth point for the region as a whole was of particular interest to the government through its acceptance of the recommendations of the Toothill Report that areas be identified for growth and regional policy be tailored to this effect in Scotland. Previously government had been more inclined to shape regional policy in Scotland towards solving unemployment in areas rather than focusing on areas with potential for growth. Toothill recommended that a different approach be taken and Invergordon was to be the manifestation of this new policy.

⁵⁹⁶ Memorandum, author unknown, Regional Development Division, Scottish Development Department, 18/12/1967, NAS SEP4/177.

The aluminium smelter project was attractive to the government not only for the reason that it could reduce reliance on import of aluminium and help the balance of payments, but for more straightforward political reasons also. Sir Edmund Dell, a member of the same government, wrote 'Politically it had the further advantage of corresponding to the bright technological image which the Labour Government wished to create.'⁵⁹⁷ The Wilson government's industrial policy during this period is described by Coopey as a 'directly interventionist, technologically oriented strategy'.⁵⁹⁸ Dell described the government rather more simply as having 'interventionist inclinations'.⁵⁹⁹ Labour and the Conservatives at this point were tussling over images of modernity - each wanted to show to the nation that it was the party that would bring about the modernisation of British industry and technological change. Investing in high-technology projects such as aluminium smelting powered by nuclear energy would prove to the nation that the party was committed to modernising industry and was capable of delivering on its promises. Moreover, helping the balance of payments problem and avoiding a further devaluation of the pound would certainly curry favour. The aluminium smelters project was to help the Labour government satisfy all of these aims. Further, the aluminium industry at this point in time was 'a highly integrated producer-to-consumer field.'⁶⁰⁰ Thus, having a producer on your doorstep would have been an attractive proposition to any national consumer of aluminium, especially if you were providing them with development grants and a cheap source of power for production. However, before any of this could be achieved, companies needed to be chosen to operate the smelters and contracts agreed for the provision of power for the developments.⁶⁰¹

⁵⁹⁷ Dell, E, *Political Responsibility and Industry*, (Edinburgh, Allen & Unwin, 1973), pg 106.

⁵⁹⁸ Coopey, R, 'Industrial policy in the white heat of the technological revolution' in, Coopey, R et al, *The Wilson Governments 1964-1970*, (London, Pinter, 1995), pg 109.

⁵⁹⁹ Dell, E, *Political Responsibility and Industry*, pg 103

⁶⁰⁰ Gibson-Jarvie, R., *The London Metal Exchange: a commodity market*, (Woodhead-Faulkner Ltd, Cambridge, 1976), pg. 154.

⁶⁰¹ The government rejected the opportunity to supply the new smelters with electricity supplied by gas-powered stations sited on the East coast and taking advantage of North Sea gas. For more on this see PR Odell's article 'The British Gas Industry: Review in *The Geographical Journal*, Vol. 134, No. 1, March, 1968.

Alcan, British Aluminium and a consortium led by RTZ all tendered bids to operate the two new smelters at the request of the Board of Trade in October 1967, before submitting revised bids in mid-December that year after the devaluation of Sterling.⁶⁰² All 3 companies identified Invergordon as a potential site, although only Alcan and British Aluminium identified it as their preferred site. The RTZ consortium identified Holyhead in Anglesey as its preferred site. British Aluminium put forward a proposal to build a smelter capable of producing 120,000 tonnes of aluminium per year as well as an associated alumina plant, providing an estimated balance of payments saving to the government of £22.75m per annum.⁶⁰³ Government identified this proposal as the most attractive tendered on the basis that it provided the greatest benefit to the balance of payments problem, resulted in the lowest cost of production and also that the company's terms for the contract arrangement were the most favourable; it also identified RTZ's proposal as the other one with which it planned to move forward.⁶⁰⁴ However, before this decision was made British Aluminium and Alcan had already set about purchasing options on land in the Invergordon area, Inverbreakie Farm and Ord Farm respectively, that was suitable for development in early November 1967, in anticipation of being selected to operate the new smelter.⁶⁰⁵ In the event, British Aluminium was chosen to operate the smelter, due in no small part to its bid, but also other influencing factors. One such factor was the fact that British Aluminium was effectively British-controlled - its parent company Reynolds Metal Company/Tube Investments had won a takeover battle the previous decade, but under the Treasury's insistence Reynolds Metal Company had to retain a minority shareholding, with Tube Investments holding a 51% stake, to ensure the nationality of BA stayed British.⁶⁰⁶ Tube Investments also held some influence in government - its former employer Fred Catherwood was the former Director General of the National

⁶⁰² Aluminium Smelting in the UK - summary report of the Industrial Reorganisation Corporation, submitted to the Board of Trade 4th January 1968, TNA PRO BT258/2659.

⁶⁰³ Aluminium Smelting in the UK - summary report of the Industrial Reorganisation Corporation, submitted to the Board of Trade 4th January 1968, TNA PRO BT258/2659.

⁶⁰⁴ Aluminium Smelting in the UK - summary report of the Industrial Reorganisation Corporation, submitted to the Board of Trade 4th January 1968, TNA PRO BT258/2659.

⁶⁰⁵ Utiger, RE, *Never Trust An Expert*, pg. 7.

⁶⁰⁶ For more on the takeover of British Aluminium Company, Ludovic Cailluet's article 'The British aluminium industry, 1945-80s: chronicles of a death foretold?' in *Accounting, Business & Financial History 11:1* March 2001 (Taylor & Francis Ltd., 2001) should be consulted.

Economic Development Council (NEDC) before becoming Chief Industrial Advisor to the Labour government in the NEDC's replacement, the Department of Economic Affairs.⁶⁰⁷ Another factor was the company's history of Highland production of aluminium with its smelters in Kinlochleven and Foyers, operated since 1896 and 1924 respectively⁶⁰⁸, constituting the UK's only domestic aluminium production, and the number of Scottish employees employed in these smelters meant the company had previous experience of dealing with Scottish workers as well as cultural experience of operating in the Highlands. The latter is interesting as it was something that the company was keen to stress in its dealings with the public during the planning and construction process, believing that stressing this point would curry favour with the locals. Further, operating in the Highlands, with its embedded religious establishments (The Free Church of Scotland in particular), could prove problematic, especially working on the Sabbath.

British Aluminium was keen to operate the new smelter at Invergordon for a number of reasons. The company wanted to escape from its 54% holding in Canadian British Aluminium (CBA), which obligated it to take all the output from the company's only smelter in Baie Comeau, Quebec (hydro-powered), a 90,000 tonne output that between the period 1961-68 provided over half of British Aluminium's profits. However, there was a considerable drawback to this agreement that directly influenced the company's decision to tender a bid to operate at Invergordon. As a result of Canadian withholding tax, all dividends paid to the UK were liable for a 59% tax-rate, which in turn prevented the company from making use of the capital generated by the smelter. This arrangement was scheduled to remain in place until 1977.⁶⁰⁹ The company reached agreement with Reynolds that if it acquired a British smelter then Reynolds would purchase British Aluminium's share in CBA. Ronnie Utiger, British Aluminium's chairman described the arrangement as the company

⁶⁰⁷ O'Hara, G, 'Dynamic, Exciting, Thrilling Change: The Wilson Government's Economic Policies, 1964-70', *Contemporary British History*, Vol. 20, No. 3, pg. 395

⁶⁰⁸ BACo, *Aluminium in the Highlands*: promotional brochure (London, Raithby, Lawrence & Co. 1978), pg. 4.

⁶⁰⁹ Analysis of BA Company Smelter by SD Wilks, Board of Trade, 06/12/1967, TNA PRO BT258/2659.

taking ‘all the commercial risk for only 54% of the profits (which were then excessively taxed) and had no access to the cash-flow.’⁶¹⁰ Utiger does not explain how the company got into such a peculiar arrangement, but the answer would most likely be found in its management. Alcan, examining the possibility of a merger with British Aluminium in 1969 stated in a confidential report that ‘BACo has an uninspiring record of management... management and market attitudes are generally considered archaic... it is thought that their approach to labour relations is considerably behind ours.’⁶¹¹ (The same management took the company into an agreement with the government that eventually led to the closure of the Invergordon smelter and the merger of Alcan and British Aluminium anyway.) Operating a smelter in Britain was an attractive proposition for British Aluminium for other reasons also. The soft loans on offer by the British government, as well as the development grant for building the smelter, were attractive to the company, at least initially, as was the prospect of locating in a politically stable country close to main markets and using a power source supplying cheap power. Further, the company had become increasingly uncompetitive in the aluminium semi-manufactures field in the three years previous to the government’s announcement (losing £2m per year), making the idea of operating a smelter in the UK attractive to the company in helping it improve its position relative to the other main producers - Alcan and RTZ, both of whom were planning smelters themselves.⁶¹² Most important however was the advice proffered by UKAEA (who were charged with providing consultancy on the construction of Hunterston B, having operated and built several other stations around the country) and the Scottish electricity boards. Both told the company that any escalation of energy costs was unlikely to affect adversely any arrangements made between the company and the boards for provision of electricity supply for the smelter, persuading the company to agree to the contract.⁶¹³

⁶¹⁰ Utiger, RE, *Never Trust An Expert*, pp 4-5.

⁶¹¹ Letter from DA Pin to PJ Elton, January 1969, British Aluminium Company Records (British Alcan), University of Glasgow Business Records Archives, UGD 347/10/3/1.

⁶¹² Note by the Board of Trade for Chancellor’s visit to Invergordon 27/06/1969, TNA PRO BT321/40.

⁶¹³ Note from RE Utiger, Managing Director of British Aluminium to Department of Trade and Industry, 25/06/1973, TNA PRO FV54/56.

As mentioned, during the initial planning stages of the smelter project, it was agreed that the smelter in Invergordon would produce an output of 120,000 tonnes per year. However, after considerable opposition from Canada and Norway it was agreed to reduce the output to 100,000 tonnes per year. British Aluminium was upset by this reduction as it raised the cost of production by £4 per tonne, approximately 2.5% of the total cost per tonne.⁶¹⁴ Norway, fearing for its aluminium exports to Britain, opposed the initial output capacity, believing that the British government was contravening the EFTA rules by effectively subsidising the creation of the new smelters through its loans to the companies involved. Canada too was concerned that Britain, as one of its main export markets, would considerably reduce its imports of aluminium if it was producing its own. This is evidenced by a telegram sent by the Canadian High Commissioner to Sir Anthony Part regarding the new smelters and aluminium production: ‘British regional incentives in this case will adversely affect one of the most important items of Canadian exports to Britain’. Canada, only 6 years previously, was responsible for 55% of Britain’s imports at this point.⁶¹⁵ Sir Anthony Part’s terse response was to point out that Britain’s projected output of 360,000 metric tons was insufficient to cause disruption to the projected world output of 12.2m tons for the year (1969), effectively ignoring the Canadians’ concerns.⁶¹⁶ The increase in production to 360,000 tonnes per year output was a result of Alcan’s decision to build and operate its own, coal-powered, aluminium smelter capable of producing 120,000 tonnes of aluminium per year at Lynemouth.⁶¹⁷ Although the government strenuously denied the accusations of subsidy from the Norwegians⁶¹⁸, the risk of being seen to contravene EFTA rules was enough to persuade the government to seek and ensure a reduction in projected output capacity from the companies involved. British Aluminium issued a briefing in 1968 detailing the history of the smelter which briefly touched upon this issue, and which attempted to defuse the situation by stating that ‘The BA scheme will not reduce imports of metal from

⁶¹⁴ Utiger, RE, *Never Trust An Expert*, pg. 8.

⁶¹⁵ From Addendum to the Brief for the British Delegation to the EEC, from NWP Wallace, Board of Trade, 19/04/62, NAS SEP4/2.

⁶¹⁶ Telegram from Canadian High Commissioner to Sir Anthony Part, 27/11/69, NAS DD12/3180.

⁶¹⁷ *Hansard*, vol. 765, House of Commons Debate, 29/05/1968, col. 1798.

⁶¹⁸ BACo Aluminium Briefing, UK Press Gazette, 12/08/68, NAS DD12/3180.

Norway [the reason for Norway's complaint] and other EFTA countries. In fact, the company's present limited imports from Norway will be increased.'⁶¹⁹ However, Sir Anthony Crossland, speaking in the House of Commons, stated 19 days before the publication of the BACo briefing that 'in agreement with the companies, we reduced the capacity in stage one to reassure our EFTA partners that we would examine any possible adverse effect on Norwegian exports to us.'⁶²⁰ Of course, examining adverse effects is different to rectifying them, but not as different as making it clear that they wouldn't exist at all. Irrespective of this, the government was not about to halt its plan to produce its own aluminium on the basis of Norwegian complaints. It was already clear in its belief that the projects were safe from claims of subsidy and therefore not in contravention of EFTA rules, if not perhaps in the spirit of the agreement itself. Thus, a reduction in production was considered as a means of keeping the Norwegians happy, whilst still allowing the project to go ahead.

In the Event...

Before the decision to locate the smelter at Invergordon could be announced by either government or British Aluminium a power contract had to be agreed. British Aluminium had to agree a contract with the North of Scotland Hydro Electricity Board (NSHEB) for the provision of electricity for Invergordon, although it was actually the South Scotland Electricity Board (SSEB) that was to be providing the power eventually from Hunterston B. (The RTZ consortium on the other hand had only to agree to a power contract with the CEGB, as it was the sole supplier of electricity down south.) This convoluted process hindered the negotiations on several occasions and caused considerable friction between British Aluminium and the generating boards concerned, as well as government. The negotiations were complex by virtue of necessity. The power contract had to be framed in such a way that it did not contain any element of subsidy on the part of government *per se*, so as not to breach EFTA rules, and involved not two parties, but three as a result of the location

⁶¹⁹ BACo Aluminium Briefing, UK Press Gazette, 12/08/68, NAS DD12/3180.

⁶²⁰ *Hansard*, vol. 769, House of Commons Debate, 24/07/68, col. 586.

of the smelter in Invergordon and the location of the power station intended to supply it with power on the Ayrshire coast. As a result, negotiations took place between the company and the boards with regular recourse to the government in London as well as the Scottish Office to solve disputes and impasses during their course.

British Aluminium wanted guarantees on the price of power before agreeing to build the smelter, arguing, rightly, that it was absolutely crucial to the viability of the whole project. Aluminium smelting uses enormous amounts of electricity and therefore it was expedient on both the company and the government to ensure that a competitive price for supply to the smelter was agreed. The price of the power supply in aluminium smelting at this time accounted for 40% of total conversion cost from alumina to aluminium ingot.⁶²¹ Therefore, any increase in the cost of power would automatically affect the conversion cost for the company. A substantial increase could have potentially disastrous consequences for the company should it occur over a prolonged period resulting in a deficit build up, affecting profit margins and potentially jeopardising the entire operation. Obviously the company wished to safeguard itself against any such occurrence, and sought assurances in order to avoid as much uncertainty as possible. In the initial stages of the smelter's operation, its power was to be supplied by coal-powered stations with the supply being switched to nuclear power after the construction of Hunterston B nuclear power plant was completed, planned for 1974. The effect of this agreement was that British Aluminium agreed to pay a higher sum for the power provided in the initial stages than in the latter stages, as the power generated by coal was to be more expensive than that generated by nuclear power. British Aluminium agreed to this under the proviso, gained after extensive negotiations and a personal intervention by the President of the Board of Trade, Sir Edmund Dell, that in the event of any aspect of change in the design of the new nuclear power station that may affect the price British Aluminium had agreed to pay, the government would agree to alter the agreement accordingly so that the company would not be wholly responsible for the extra costs

⁶²¹ From a Memorandum left by BA for the Minister of State for the Board of Trade Edmund Dell (no date) attached to a letter from JB Beaumont of SDD to KR Vernon NSHEB, 31/01/73, NAS SEP14/1473.

as a result. However, this was not written into the contract itself but took the form of a letter written by Dell to Sir William Strath, the then chairman of British Aluminium. This was to be known as the ‘fair clause’. This was to be a crucial element, not just in the telling of the story of the smelter, but also to the economic future of the Highlands as a whole.

The price agreed by the government and British Aluminium for the supply of power to the smelter was a result of extensive negotiations between the company and the government’s electricity boards. After much discussion and consideration of other smelter operations in foreign countries and the prices paid there, the two parties came to an agreement. The breakdown of the price agreement was as follows:

Table 5.1 Price agreement for electricity supply to Invergordon smelter

	p/KWH	mils
Capital charge on annuity basis	0.141	3.38
Operating costs and fuel	0.117	2.81
Rates and royalty, net of plutonium credit	0.005	0.12
Total	0.263	6.31

Source: Utiger, pg. 13.

British Aluminium had mooted a price of 0.25p/KWH as the required level for competitiveness, which would have provided a total cost of 6 mils per unit⁶²², 1.5 mils above its target level of 4.5 mils, but offset by the 40% investment grant on the smelter. Other companies operating in foreign fields experienced prices ranging from 2.5 mils (Canada, Norway and the West Coast of the USA) to 4/4.5 mils (Tennessee in the USA and France). The final agreed price was set at 0.263 p/KWH that gave a total of 6.31 mils, 5% over the company’s target power cost. The smelter at Invergordon would therefore be operating on a more expensive power price at nearly 2 mils per unit more expensive than its nearest rivals in Tennessee and France. BA

⁶²² Power prices for aluminium are measured in mils: 1 mil = 0.1 US cents.

agreed this figure as over half was from the capital charge incurred for the construction of Hunterston B, which would not vary after construction and therefore began to proceed with the deal.⁶²³ Herein lies the crux of the power contract, and by extension the entire project. From the beginning the smelter was uneconomic without governmental subsidy. The price agreed was above the required level for competitiveness. It is clear from the numbers presented that smelting on such a scale in the UK was uneconomic. Dell says: 'No nuclear reactor could supply electricity at prices comparable with hydro-electricity in Norway. The electricity therefore would not have been cheap enough to make had it not been for the subsidy on the plant represented by the 40% investment grant.'⁶²⁴ Smelter operations can operate profitably as long as their power prices remain competitive and the price of aluminium remains at a profitable level. So, even though the power price agreed was above the required level for competitiveness, the investment grant was designed to offset this. As a result, the company accepted the proposed price.

The siting of the smelter in the Cromarty Firth area under NSHEB auspices gave rise to frustrations during the negotiations for British Aluminium as when figures changed the company sought explanations only to find that they had to go to both boards for them. The company also found that there was apparent collusion between the Scottish boards and the CEGB, and that they were unlikely to get any special concessions in the negotiations.⁶²⁵ That the company was not to get any special concessions should not have come as any great surprise however as the NSHEB could not provide industry with more favourable pricing arrangements for electricity supply than domestic customers by virtue of its statute.⁶²⁶ Thus, even though NSHEB was negotiating on a short-term basis for supply to Invergordon, there was almost certainly the mindset that the NSHEB could not provide any concessions to BA that would see the company receive a better rate for electricity provision than domestic consumers. The board were very keen to safeguard the price

⁶²³ Utiger, RE, *Never Trust An Expert*, pg 13.

⁶²⁴ Dell, E, *Political Responsibility and Industry*, pg 106.

⁶²⁵ Utiger, RE, *Never Trust An Expert*, pg 9.

⁶²⁶ McCrone, G, 'The Role of Government' in Saville, R. (ed), *The Economic Development of Modern Scotland 1950-80*, (John Donald Publishers Ltd, Edinburgh, 1985), pg. 200.

their domestic customers were paying and unprepared to give any concessions to British Aluminium that would result in their other customers subsidising the company's price. A further irritation to the company was the fact that the NSHEB insisted on negotiating the contract by itself, even though many key aspects of the contract necessitated the SSEB's consent for later provision of electricity from the as yet unconstructed Hunterston plant:

There was an animated exchange on the subject of electricity supply, on which BACo said that they were nearing the end of their discussions with NSHEB but felt that they were being required to deal with a blinkered small middle man who was not the real supplier (which was SSEB), with the result that they were getting an unimaginative response *not in the best interests of the UK economy* [my emphasis]; in particular their broad assessment was that electricity costs of their competitors in Canada and the US was 20% less than here and this was an unfair handicap.⁶²⁷

It is clear from the above that BA were negotiating on the basis of the whole smelter development was a national interest project with Highland concerns secondary to the arrangements. The NSHEB's statute preventing it from providing industry with favourable pricing for electricity provision was viewed as a hindrance to BA rather than an integral part of the whole function of the board. Highland concerns were subordinate to the national interest of getting an aluminium industry up and running as soon as possible and contributing to the UK economy. In spite of the difficulties that transpired in these negotiations however, they were completed on time and mostly to the satisfaction of all parties. The main points of the contract were as follows:

⁶²⁷ Letter from TRH Godden to AG Manzie, Scottish Economic Planning Dept. detailing a meeting between BA and representatives of Industrial Development Board concerning possible expansion to Invergordon, 12/01/77 NAS SEP4/4053.

- 1) BA was to make a capital contribution to the construction of the Hunterston B AGR nuclear power station to the sum of £30m, advanced to them by the government in the form of a loan.
- 2) BA was to make a proportionate contribution to the estimated operating costs of the coal-fired⁶²⁸ power stations run by NSHEB and SSEB up until March 31st 1974. After this date, the company would then make a similar contribution in place of the earlier agreement to the estimated operating costs of Hunterston B. (Under this agreement, the cost of power from the coal-fired power stations would be appreciably higher than from the nuclear power station.)
- 3) An annuity calculation was made to convert the loan interest charges and capital repayments from point 1) and the annual contributions to operating costs from point 2) above, to an equal total payment payable annually over the whole 28 years of the contract.
- 4) In addition to the above, the company was to pay the addition to power cost arising from the escalation of operating costs determined by the following: i) Scaling up the underlying coal cost in proportion to the actual NSHEB and SSEB cost in relation to the base of 4.7d/therm (the agreed price). This would be in effect until 31st March 1974 and prior to the equalisation process mentioned in the previous point (3), ii) Within the same timescale, scaling up the underlying operating cost for coal-fired stations in proportion to the actual average operating cost for coal-fired stations in proportion to the actual average operating cost of the Scottish generating boards, iii) From 1st April 1974 onwards, scaling up the underlying nuclear fuel cost in proportion to the actual Hunterston B nuclear fuel cost in relation to a base of £83000 per tonne as agreed, iv)

⁶²⁸ Use of the term 'coal' here should be read as coal, natural gas or oil-fuelled, as stated in the Memorandum left by BA for the Minister of State for the Board of Trade Edmund Dell 12/01/73 attached to a letter from JB Beaumont of SDD to KR Vernon NSHEB, 31/01/73, NAS SEP14/1473.

scaling up the underlying operating cost estimate for Hunterston B in proportion to the actual operating costs of Hunterston B.⁶²⁹

The contract provided that the company would determine the amount of power Invergordon would use in respect of its actual operating experience. This would be in the range of 189 MW +/-10% which represents the figure against which all prices were agreed. The company and the electricity boards agreed that the figures dependent on the actual operating experience of the smelter would be determined by the 31st March 1973.⁶³⁰ There needed to be agreement on both sides over pricing, but there also needed to be transparency in the arrangements so as to avoid any criticisms of subsidy and denial of cheaper energy for ordinary consumers.

From the view of the government, the contract was a well-designed solution to the claims of subsidy and the subsequent claims of ordinary consumers being deprived of cheap energy. By having British Aluminium contribute towards the capital cost of starting up the new nuclear power plant through the loan provided by the government, it was effectively giving the company part-ownership of the plant, tying the company and operation of the smelter to the plant for twenty eight years:

The capital contribution from BA was not to create a physical asset within their control. If BACo were to fail and default on the loan, the Government would be left in no worse position than if it had paid the whole cost of the power station directly. It would lose a customer if the smelter were not sold as a going concern, but then demand for electricity has tended to outstrip supply.⁶³¹

⁶²⁹ Details of power contract taken from a Memorandum left by BA for the Minister of State for the Board of Trade Edmund Dell 12/01/73 attached to a letter from JB Beaumont of SDD to KR Vernon NSHEB, 31/01/73, NAS SEP14/1473.

⁶³⁰ Details of power contract taken from a Memorandum left by BA for the Minister of State for the Board of Trade Edmund Dell 12/01/73 attached to a letter from JB Beaumont of SDD to KR Vernon NSHEB, 31/01/73, NAS SEP14/1473.

⁶³¹ From Financial Appraisal of BA in a Governmental Discussion paper used as a briefing for Industrial Development Board, 24/01/74. Circulated by CB Benjamin, Secretary of IDB. NAS SEP4/4053.

Thus, the government was able to avoid the potential pitfall of contravening the EFTA agreement and the criticisms of denying ordinary consumers cheaper energy by having British Aluminium pay for 40% of the Hunterston B power station. The only potential complaint was that the government was still paying for the start up of the new smelter at the outset through the loans it was making to the company. These complaints were minor however as they were loans and not grants, at least ostensibly. The government, and the electricity boards, felt pleased at the final draft of the contract. From the company's point of view however the agreement did not invoke the same sense of satisfaction. The company had tried and failed to obtain guarantees over escalations in power costs written into the contract. However, the generating boards were statutorily bound to 'protect both their own interests and those of their customers'⁶³² and as a result were not prepared to give any guarantees that would jeopardise the prices their other consumers were paying. As a result, the Board insisted that an account, imaginatively titled the 'Smelter Account' be created so as to make clear the distinction between this agreement and its domestic provision of electricity.⁶³³ Further, the contract contained no provisions for a revision of the agreement in the event of price escalation. The company was very unhappy at having to assume risks on matters that it felt it had no control or knowledge on, but eventually assented only after Sir Edmund Dell had personally intervened with a letter reassuring the company of the government's willingness to review the agreement in the event of an escalation in the power price. The contract was agreed and signed on the 24th July 1968.

The details of the contract were deemed confidential and were unavailable for scrutiny by anyone other than those involved in their formulation and agreement, much to the chagrin of the Expenditure Committee in Parliament who noted in their report 'Public Money in the Private Sector' that 'the inability of Parliament to discover either the very large amount paid out in investment grants or the unit cost of electricity supplied to the smelters must greatly weaken any serious attempt to judge

⁶³² Dell, E, *Political Responsibility and Industry*, pg 117.

⁶³³ Letter from NSHEB (author unknown) to Gordon Campbell MP, Secretary of State for Scotland, 19/04/1973, TNA PRO T319/2090.

whether the public expenditure was justified.’ The committee noted further that the basic motive was export saving although they did acknowledge that there were elements of regional development policy in the siting of the smelters also.⁶³⁴ This led to calls in the House of Commons for disclosure over the details to ensure that the consumers of the nation’s energy at large, the general populace, did not incur any of the financial burden created by the construction of the new smelters.⁶³⁵ Representatives in the House of Commons asked numerous questions, of which many were to be somewhat prophetic. Teddy Taylor, the MP for Glasgow Cathcart, asked:

What will the position be in the event... of the price of the power coming out being in excess of the estimates which are considered now?⁶³⁶

Edmund Dell, speaking as Minister for the Board of Trade, responded that ‘the company has negotiated the contract and takes the risk of escalation’⁶³⁷, contrasting with his earlier letter to British Aluminium stating:

We agree that the Board of Trade and BACo will consult together if circumstances arise which, in the opinion of either party, substantially modify the assessments which at present underlie the project.⁶³⁸

This apparent contradiction illustrates the government’s desire at the time to appease both those critical of the project, in terms of alleged subsidy, and British Aluminium; without actually committing itself wholly to either argument, such was the desire to get the smelter up and running as soon as possible without further delay. Of course, in the terms of the actual power contract itself, the company had little recourse to the

⁶³⁴ Background Note ‘Aluminium Smelters’ by Miss MM Deyers, Treasury, 27/06/1973, TNA PRO T319/2431.

⁶³⁵ Lack of transparency in smelter power contracts, according to an OECD study in 1983, was a feature of many aluminium smelters in Europe during the period. For more information on this consult *Aluminium Industry: Energy Aspects of Structural Change*, (OECD, Paris, 1983), pp 88-91.

⁶³⁶ *Hansard*, vol. 773, House of Commons Debate, 20/11/68, col. 1453.

⁶³⁷ *Hansard*, vol. 773, House of Commons Debate, 20/11/68, col. 1453.

⁶³⁸ From letter from Edmund Dell Minister of State, Board of Trade, to Sir William Strath, KCB, BACo, 23/07/68, NAS SEP14/1473.

government for help with any potential escalation in the power price for whatever reason, save for the letter from Sir Edmund Dell stating that there would be a review of the agreement in any such event. This was termed the 'Fair Clause' as a result of the 'novel form of the arrangements and the inability to foresee and provide for every contingency that might arise over the duration of the Contract'.⁶³⁹ It was however to be a misnomer. Unfortunately for the company, the clause was to hold little sway with future administrations that did not feel duty bound to honour a promise made by an erstwhile Cabinet member in a letter that was not part of the official agreement. This omission of the agreement between the Board of Trade and British Aluminium was to be a fatal blow to the future of the company in light of subsequent events. All of the fears the company had going into the agreement would ring true and all of their good faith in the government would be rewarded with failure on a massive scale.

Construction, Operation and Deficit

After the successful conclusion of the negotiations for the contract to operate the smelter, plans for the construction and operation phases were implemented. Sir Edmund Dell presented a draft of the Aluminium Industry (Invergordon Project) Scheme, 1968 to the House of Commons on the 6th November 1968 preceding its approval by Parliament on the 20th November. During the debate for its approval, Nicholas Ridley, Conservative MP for Cirencester⁶⁴⁰, said of the plan:

The motive is said to be import saving... This is a policy of protectionism designed to slow down world trade. If it does not pay us - as I believe it does not - to make aluminium here, we are distorting the whole mechanism of trade to save a few paltry pounds.⁶⁴¹

⁶³⁹ Taken from 'The History of the Invergordon Aluminium Smelter's Electricity Supply Contract 1967 to 1976' A Departmental Report (unspecified), written by JA Cowell, March 1977, NAS SEP4/4053.

⁶⁴⁰ Ridley later served in Thatcher's government and was a staunch advocate of monetarist policies and the insistence on pursuing a market economy - one of the reasons given for Invergordon's eventual closure.

⁶⁴¹ *Hansard*, vol. 773, House of Commons Debate, 20/11/1968, col. 1455.

Ridley's analysis of the project as a means towards protecting British interests further illustrates the true intentions of the smelters. He was correct in asserting that it did not 'pay' the UK to make its own aluminium - the smelter project was uneconomic without subsidised electricity provision and even more so in the Highlands due to the inflexibility of the electricity board's statute of limitations concerning electricity supply, not to mention the increased transport costs of the finished products to markets. However, the promise of cheap electricity from nuclear power stemmed from the technological strides being made by the Fast Reactor facility at Dounreay and the UK's position at the forefront of the nuclear race. The government then was looking to exercise what it believed would be its comparative advantage in aluminium smelting stemming from its belief in the ability of nuclear power to produce electricity 'to cheap to meter'. That it was trying to distort the mechanism of trade is not in argument. Tariffs, the traditional form of protection, were not an option under EFTA rules meaning an alternative way of safeguarding British interests through increased production of necessary goods was sought. If nuclear power could provide cheap electricity and alumina could be bought in relatively cheaply, what was to stop Britain exercising its ability to produce Aluminium cheaply as a result? In spite of Ridley's protestations, as well as several other concerns over the power contract, loan arrangements, grant provision and potential escalation of costs and the effects on domestic consumers voiced by other MPs, the House passed the bill.⁶⁴²

Ridley wasn't the only sceptic concerning the new smelter, the Scottish Tourist Board was of a similar volition, stating in *The Scotsman*,

From the tourist point of view we cannot look on the Invergordon project as an outstandingly good idea. We still think tourism is the solution for the problems in that part of the country, but we cannot dictate.⁶⁴³

⁶⁴² Many of the concerns raised are dealt with throughout this case study, albeit not necessarily in the same form as the Parliamentary discussion took. For the full text of the Parliamentary discussions with each concern raised by individual MP's, *Hansard*, vol. 773, House of Commons Debate 'Aluminium Smelters', 20/11/1968, should be consulted.

⁶⁴³ Press cutting from *The Scotsman* newspaper, 24/01/68, pg unknown, NAS SEP4/177.

However, Marjorie Linklater, chairman of the county council sub-committee on tourism and chairman of the Easter Ross Tourist Association, responded

If the board had shown more imagination and initiative to tourism in the North of Scotland I may have believed them that tourism was the only solution to the problems of the Highlands. Their view is totally out of touch.⁶⁴⁴

Linklater stated further that she believed the two industries would be complementary to one another. The Scottish Tourist Board was the only governmental agency to express any kind of reservations about the smelter. The HIDB welcomed the smelter's construction at Invergordon warmly, viewing it as 'an important source of employment which will aid their 'Operation Counterdrift', aimed at preventing further depopulation and attracting labour back to the Highland counties.'⁶⁴⁵ Indeed, dissent over the smelter is only conspicuous by its absence concerning the introduction of a significant industrial complex into what was a previously predominantly agricultural area. Before construction could commence the rights to Ord Farm (a piece of farmland on which the part of the smelter was to be sited) needed to be purchased by the company. British Aluminium initially experienced some difficulty in obtaining these rights as Alcan had secured them some time previously in anticipation of winning the smelter contract and siting their operations at Invergordon. Alcan were being obstinate in British Aluminium's attempts to buy them outright, possibly a result of sour grapes as a result of its failure to secure the rights to the Invergordon project or more likely in an attempt to get the best price for the rights to the land from BA. This matter was eventually resolved with British Aluminium purchasing the rights to the land, which it needed for access to its development, from Alcan after some negotiations⁶⁴⁶, although a figure was not divulged. This purchase allowed British Aluminium the chance to allow for a possible

⁶⁴⁴ Press cutting from *The Scotsman* newspaper, 24/01/68, pg unknown, NAS SEP4/177.

⁶⁴⁵ SDA Brief for Parliamentary Secretary's visit to 'Highland Fling' exhibition January 1969 NAS SEP4/502.

⁶⁴⁶ Letter from AA Hughes of the Scottish Development Dept. to RF Butler concerning Invergordon Smelter Development, 12/09/68, NAS DD12/3180.

extension to the plant should the need occur. Once the rights to the farm had been secured, the smelter's construction began to accelerate.

Government started planning and implementing new infrastructure for the surrounding area to support the new development immediately. Included in this was the provision for 500 new council houses to support the expected inward migration of new workers for the 600 strong workforce at the plant, increased connectivity to the National Grid, new provisions for transport linkage to the area, new water supplies, sewage improvements and other changes to the existing infrastructure of the area.⁶⁴⁷ The Invergordon Steering Group was created to assist the implementation of the plans, comprising of members from the Scottish Development Department, Ross and Cromarty Firth County Council, Invergordon Town Council, the HIDB, British Aluminium and Grampian Chemicals (the company involved in the discussions for the proposed petro-chemical plant).⁶⁴⁸ This new group was described by the Invergordon Newsletter as 'a clearing house to augment and integrate activities in a pioneering way that has not been matched in any regional industrial development elsewhere in Britain.'⁶⁴⁹ British Aluminium put the contract for building the smelter out to tender and Taywood Wrightson, a newly formed amalgamation of Taylor Woodrow Construction and Head Wrightson, eventually won the contract.⁶⁵⁰

BA sited an information caravan on the construction site where members of the public could quiz employees of the company about the smelter. The willingness of the company to attend public meetings concerning the construction of the smelter and its potential impact on the area helped public relations between the company and locals. The company's long standing association with the Highlands through its

⁶⁴⁷ It is not clear from the sources how far the infrastructural improvements were designed with expansion of industry in the area in mind, although the later advent of new developments designed to meet the needs of the newly created North Sea oil did not appear to put an undue strain on the infrastructure. This can also be explained by the cannibalising of the Invergordon workforce by these industries however, more of which is discussed later.

⁶⁴⁸ Invergordon Newsletter No. 2, September 1969, NAS DD12/3180.

⁶⁴⁹ Invergordon Newsletter No. 2, September 1969, NAS DD12/3180.

⁶⁵⁰ SDA brief for Parliamentary Secretary's visit to 'Highland Fling' exhibition January 1969, NAS SEP4/502.

operations in Kinlochleven and Foyers and its good reputation in the communities it operated in also helped smooth the passage to the smelter's completion. The people of the Invergordon area came to look upon the new development with some degree of pride, viewing it as a symbol of renewed hope and optimism for the future of the Highlands.⁶⁵¹ The production of newsletters detailing the developments during the construction phase of the smelter and various company-sponsored activities in the area did much to smooth the relations and allay the fears held by locals over the new smelter and its impact on the area. It was important for the company to maintain good relations with the locals, as there was some consternation at the fact the plant was being built on prime farmland, as was the case for many developments in the Highlands.⁶⁵² The land had to be re-zoned from agricultural use to industrial use in order for the smelter to get the go-ahead. In doing this, concerns were raised by locals about the possible effects on surrounding farmland that the new smelter may have. The company pursued an active role in the community during this time in order to facilitate good relations between the people of the area and the company so that a sense of common purpose could be developed. The company, along with Grampian Chemicals (the other proposed developer in the area), also sponsored an economic and sociological impact survey carried out by Professor Maxwell Gaskin of the University of Aberdeen, contributing £5000 each to the three-year study.⁶⁵³ This policy of inclusion benefited both sides as it meant that the people of the area experienced the 'feel-good factor' associated with the large-scale development and subsequent money being spent on the area and the company experienced harmonious operating conditions. British Aluminium and the government could ill afford a build up of local resentment if the smelter was to be constructed on time and fully operational.

The need for an improvement to the existing infrastructure of the area in order to cope with the new development was all too apparent to the government. The

⁶⁵¹ Ash, M, *This Noble Harbour*, (Invergordon, Cromarty Firth Port Authority, 1991), pg 257.

⁶⁵² Cameron, EA, 'The Scottish Highlands: From Congested District to Objective One' in Devine, TM & Findlay, RJ, *Scotland in the 20th Century*, (Edinburgh, EUP, 2000), pg 161.

⁶⁵³ Invergordon Newsletter No. 3, December 1969, NAS DD12/3180. The study is unpublished.

contract between British Aluminium and the government for the operation of the smelter included an agreement that the government and its local agencies would be responsible for the creation of the new infrastructure required for the new development, both social and industrial. The multiplier effect of a development this size meant that concurrent with the creation of the obvious housing needed; sewage supplies, educational provisions, recreational and social services, service sector employment, transport linkages, water supplies and port facilities would all have to be satisfied for the development to have a chance of being successful. The government estimated that the proposed infrastructure improvements would cost around £42m in order for them to be implemented fully, as a result of the remoteness of the area from materials and labour supplies.⁶⁵⁴ It was noted on more than one occasion in the various correspondences between governmental departments that the building of the infrastructure would put considerable strain on the local area and that up to 2000 men would be required to fully implement its plans⁶⁵⁵, of which 50% would be incomers from outwith the local area.⁶⁵⁶ The government was tasked with co-ordinating, organising and implementing these developments so that they would be finished on time simultaneously with the smelter and able to accommodate extra industrial expansion (relating to the idea of Toothill's growth points recommendation). All of this was at the behest of the government itself; such was its desire to stimulate the economy of the area and the Highlands as a whole. As a result, a concerted effort on the part of central, regional and local governments as well as the generating boards and the company itself was undertaken in order to complete the process on time and within budget. The successful completion of the smelter on time and within budget was in stark contrast to the delays faced in later years by the nuclear power station Hunterston B, that Invergordon was to be dependent on from 1974 onwards, and the Dungeness B nuclear power station that the Anglesey smelter was to be dependent on also. It should be noted here that Dungeness B was still not completed by the time

⁶⁵⁴ Letter from RM Alexander to E Reoch concerning contribution to Quarterly Report on the Invergordon Smelter, 11/09/68 NAS DD12/3180.

⁶⁵⁵ SDA brief for Parliamentary Secretary's visit to 'Highland Fling' exhibition January 1969 NAS SEP4/502.

⁶⁵⁶ Scott, A & Cuthbert, M, *Reviewing Industrial Aid Programmes: (I) The Invergordon Smelter Case*, (Edinburgh, David Hume Institute, 1985), pg 11.

Invergordon was closed in 1982.⁶⁵⁷ The planning process of the smelter benefited from the National Plan for Scotland's detailed linkages between employment growth and social expenditure, as well as its espousing of the need for new industries, through the application of the plan by regional and local agencies (e.g. the HIDB and Highland councils). Both HIDB and the Highland councils were keen for the smelter's construction to go without hitch and contributed to the Invergordon Steering Group as well as liaising with the company to ensure construction was completed smoothly.

During the construction phase, British Aluminium set up a staff of thirty people in London tasked with the job of evaluating the need for manpower⁶⁵⁸ on the basis of the smelter design and the technique of production. The team was originally set up in London at BA's head office before moving the recruitment process to Invergordon after the personnel requirements were decided. The team separated the composition of the smelter's workforce into seven distinct groups:

- i) Management
- ii) Accounting
- iii) Engineering
- iv) Industrial engineering
- v) Personnel
- vi) Production: - a) carbon, b) casting and c) reduction
- vii) Technical⁶⁵⁹

Once this structure was agreed on, the company began to recruit in the area itself. The initial estimate of the creation of 550 jobs was usurped by the eventual creation of 700 positions at the smelter. Potential workers came from all over Scotland with the

⁶⁵⁷ From a press release by the HIDB, 27/04/82, NAS SEP12/653

⁶⁵⁸ British Aluminium specified that an essential characteristic of a worker at the smelter on the shop floor was that they would be male. For more on this see GG Drummond, *The Invergordon Smelter*, pg 83.

⁶⁵⁹ Mackay, GA, *A study of the economic impact of the Invergordon Aluminium Smelter*, Special Report 15, (Highlands and Islands Development Board, Edinburgh, 1978), pg 61.

local office of the Department of Employment in the Invergordon area recommending a third of the jobs and acting as a filter for those selected. Once selected the applicants were interviewed and sat aptitude tests to determine their suitability as well as having a medical.⁶⁶⁰ The composition of workers' origins can be seen from Table 5.2 and Chart 5.1 below:

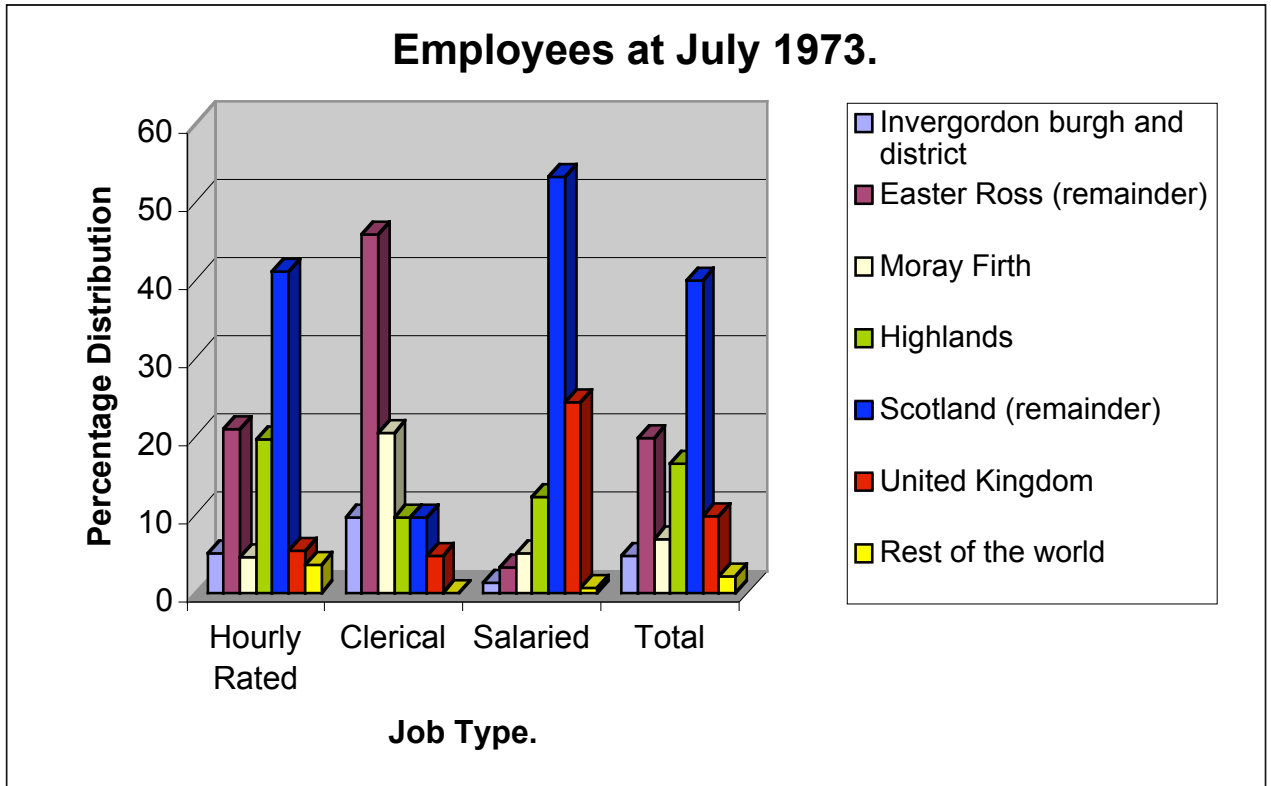
Table 5.2 All Employees at July 1973. Place of Birth by Percentage Distribution

Area	Hourly Rated	Clerical	Salaried	Total
Invergordon burgh and district	5.1	9.6	1.3	4.8
Easter Ross (remainder)	20.9	45.8	3.2	19.8
Moray Firth	4.6	20.5	5.1	6.8
Highlands	19.7	9.6	12.2	16.6
Scotland (remainder)	41.1	9.6	53.2	40.0
United Kingdom	5.4	4.8	24.4	9.8
Rest of the world	3.6	N/A	0.6	2.2
Totals:	100.0	100.0	100.0	100.0

Source: Mackay, pg. 69.

⁶⁶⁰ Ibid., pg 63.

Chart 5.1 Invergordon Employees at July 1973



Source: Mackay, pg. 61.

Table 5.2 and Chart 5.1 indicate that there was an approximately even split between workers coming from the Highlands as a whole (Invergordon burgh and district plus Easter Ross plus Moray Firth plus the Highlands) and from the rest of Scotland. This indicates that there was some success in achieving the initial aim of attracting inward migration to the area as well as providing work for the unemployed there too. However, the fact that the figures are from 1973 is important here. The newly created Highland Fabricators Company was responsible for many of the initial compliment of BA's employees leaving for more gainful employment at the new company. As a result, the company had to look for new employees from outside of the Highlands. In terms of the salaried workers, 77.6% of salaried workers at the smelter were from outside the Highlands. an overall majority of them came from the rest of Scotland at 53.2% and a further 24.4% from the rest of the UK. This indicates that the best-paid jobs went to workers from outside the Highlands.

The construction of the smelter was completed on time and within budget, having employed a total of 2567 people at its peak.⁶⁶¹ Before the construction was completed, British Aluminium sought to recognise only one union in the plant in order to avoid any inter-union rivalry in the smelter, as well as making it easier for the company to deal with any potential disputes. However, the company soon realised that this policy was not going to be a viable one when the union it was planning on recognising in the smelter, the proposed amalgamated union of the General & Municipal Workers and the Electrical Trade Union, did not materialise. Further, the company's intention to recognise only one union provoked threats by the principal Scottish officer of the AEU, John Boyd, to call out every member of the AEU from the smelter unless it too received recognition by the company. Given the climate of worker management relations across the nation Boyd's was no idle threat and resulted in the company abandoning any hope of recognising only one union in the smelter.⁶⁶² In January and the early part of February there was an unofficial labour dispute concerning an argument, apparently long-standing, between members of the Construction and Engineering Union (CEU) and Redpath Dorman Long (RDL), the contractors responsible for steel erection, over lodging allowances. This resulted in CEU members working for other sub-contractors and Transport and General Workers Union members working for Taylor Woodrow. As a result there was an almost complete stoppage in work between the 9th and 26th January 1970.⁶⁶³ In the early part of February another dispute ended in some RDL employees quitting their positions with the company and there was another unofficial stoppage by TGWU workers again in early March.⁶⁶⁴ The seeds of future discontent were sewn in the construction phase and the cooperation shown by all parties from the outset was beginning to fade. These unofficial stoppages, whilst doing little harm to the time taken to construct the smelter marked the beginning of poor worker-management relations, a symbol of a wider

⁶⁶¹ Mackay, GA, *A study of the economic impact of the Invergordon Aluminium Smelter*, pg 47.

⁶⁶² Utiger, RE, *Never Trust An Expert*, pg 19.

⁶⁶³ Invergordon Newsletter, No. 4, March 1970, NAS DD12/3180.

⁶⁶⁴ Invergordon Newsletter, No. 4, March 1970, NAS DD12/3180.

pattern in the UK as a whole throughout the 1970s⁶⁶⁵, that were to characterise much of the smelter's lifetime.⁶⁶⁶

By the time the smelter's construction was completed, the government's balance of payments problem had improved, in 1969, when it moved into the positive posting results of £180m to the good, an improvement on the previous year's result of negative £380m. In 1971, it posted results of £770m to the good, a considerable improvement.⁶⁶⁷ As meticulous as the planning and development of the smelter and the associated infrastructure was, its success depended not on these factors, but instead upon the issues of power price and the world price of aluminium, both of which it was assumed would pose no threat to the smelter. The company on the other hand made no such presumption and worked on the premise that prices were always subject to change. As a result, the company made a concerted effort to ensure that the price it was to pay for power was one that gave it enough room for manoeuvre should prices in the world market for aluminium or alumina change. Any price change in supplies of alumina for example would directly affect the company's profit deriving from its Invergordon arrangement as the agreement with the government was set up on the basis of a total cost approach, covering as many variable and capital costs as possible as well as allowing for profit. If any of the variable or capital costs increased, predicted or not, it would be the company's profit that would be squeezed. This was a feature of the aluminium industry worldwide under the producer pricing system until the introduction of new producers into the market (mostly additional non-OECD producers) and the introduction of aluminium onto the London Metal Exchange, significantly enlarging the previously small 'free market' in aluminium in the 1970s.⁶⁶⁸

⁶⁶⁵ Pope, R, *The British Economy Since 1914: A Study in Decline?* (Harlow, Longman, 1998), pg 53.

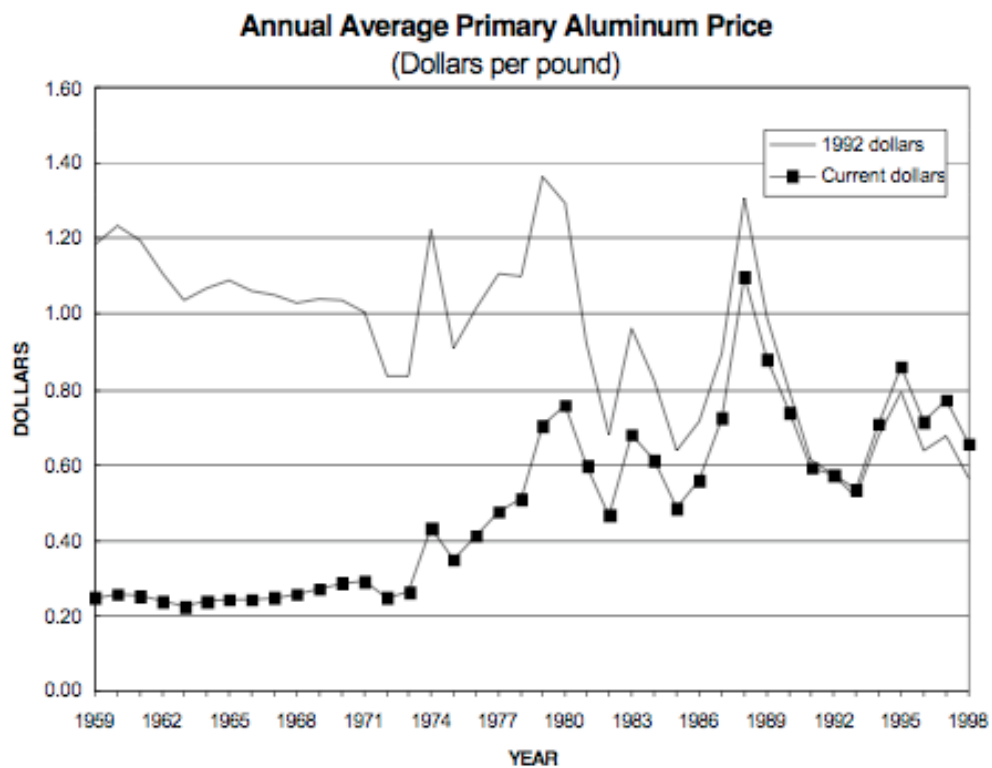
⁶⁶⁶ For a detailed analysis of labour relations in the smelter, GG Drummond's book *The Invergordon Smelter: A Case Study in Management*, (Hutchison Benham Ltd, London, 1977) should be consulted. Drummond was part of British Aluminium's management responsible for the recruitment of workers for the smelter before going on to join the HIDB as a board member. Drummond also served on the Invergordon Steering Group as a representative of the company.

⁶⁶⁷ Scott, A & Cuthbert, M, *Reviewing Industrial Aid Programmes: (I) The Invergordon Smelter Case*, pg 21.

⁶⁶⁸ OECD, *Aluminium Industry: Energy Aspects of Structural Change*, pp 84.

Having completed the building of the smelter on time and within budget, British Aluminium struck up the first pots in 1971. However, the start-up also coincided with a world slump in aluminium prices that began in 1970 and lasted until the oil shocks in 1974 resulting in high prices for aluminium on the basis of higher energy costs.⁶⁶⁹ This can be more clearly seen in Chart 5.2:

Chart 5.2 Annual Average Aluminium Price, 1959-1998 (1992 prices)



Source: <http://minerals.usgs.gov/minerals/pubs/commodity/aluminum/050798.pdf>

As a result of the slump, the smelter was only able to operate at 50% of its intended capacity. This was an expensive and frustrating episode for the company, but one it accepted due to its belief that the cyclical nature of the industry meant that the hitch was temporary. This belief coupled with the growth rate of 8% per annum in demand

⁶⁶⁹ Scott, A & Cuthbert, M, *Reviewing Industrial Aid Programmes: (I) The Invergordon Smelter Case*, pg 23.

over the previous twenty years in the industry led the company to take the decision to operate at less capacity without any great concern.⁶⁷⁰ The success of the planning and construction phase had buoyed the company and they were confident about their new operation. Morale was high, the start-up had gone well and capital costs were low. This was against the backdrop of the discovery of oil in the North Sea and a subsequent influx of labour and interest into the Highlands. Suddenly the Highlands looked like it was within touching distance of the promised prosperity and there was a palpable sense of excitement as a result. It looked as though British Aluminium had managed to inadvertently set up home in an up and coming area just before the rents went up.

The positivity of timely completion was short-lived however. The world price slump in aluminium during the period 1970-72 placed the smelter project on the back foot from the outset. The inability of the smelter to operate at full capacity effectively meant that the company was playing at catch-up from the beginning. This was further exacerbated by the labour shortages caused by the discovery of oil in the North Sea and the subsequent rush to create the new industry in order to take full advantage of the newfound source of wealth. This employment shortage adversely affected the smelter in a number of ways. With the advent of the oil industry came demand for enormous steel platforms needed for the rigs to drill for oil. As a result, a new company, Highland Fabricators formed by Brown & Root and Wimpey, was created and situated just a few miles from the Invergordon smelter at Nigg Bay. This new company had won orders for the platforms but was working on a very tight schedule. As a result, it needed welders, machinists and fitters to create these platforms in this short time and was willing to pay very well for them. These workers were readily available at the Invergordon smelter and as a result many changed jobs to go and work for the new company with the attraction of increased overtime, higher wages and bonuses available. Within two years from 1971, the workforce at Highland Fabricators rose from zero to 2000.⁶⁷¹ The effect on British Aluminium's operation

⁶⁷⁰ Utiger, RE, *Never Trust An Expert*, pg 20.

⁶⁷¹ Ash, M, *This Noble Harbour*, pg 261.

was threefold. The company lost many of its best men to the newly formed rig company, resulting in an increasingly unhappy workforce resentful at earning less than those who had left and becoming increasingly restive. The company obviously had to replace those who had left and sought to do so immediately, but was unable to hire workers of a similar standard. Resultantly, this led to an influx of workers from the industrial belt, which the company had sought to avoid initially but now had little choice but to continue doing as a result of the desertion of many of its workers. With this influx of new workers came the problem of housing. The creation of the new housing infrastructure was designed purely for the workers needed for the smelter. Thus, when the extra workers were required they had no accommodation to move into and as a result BA had to purchase 100 caravans in which to house the incoming labour force. Domestic life in a caravan after a hard day's, or indeed night's, shift was not the most harmonious. This led to even further unrest meaning the virtuous circle of good relations between the employers and employees became increasingly more strained the longer the situation continued. The goodwill shown on both sides had almost disappeared completely within two years of the smelter starting operations: 'the development of any identity with the company or even what might be called the external fortunes of the smelter... was largely absent, as was the presence of any positive wish to be consulted on any non-wage related or non-disciplinary matter'.⁶⁷²

As problematic as the world price of aluminium and the labour shortages were to the smelter, they paled in comparison to the major problem that was beginning to arise in the delay in construction of Hunterston B. As noted, aluminium smelting involves the usage of enormous amounts of electricity and any kind of change in the price of electricity supplied could have potentially disastrous effects on the viability of the whole project. Any delay in the construction of Hunterston B meant that the smelter would have to continue to use the more expensive coal-fuelled electricity, which the company had planned on using only until 1974 and believed it would be able to offset the cost of which against its capital outlay on Hunterston B and subsequent supply of cheap energy, as per the power contract. The obvious downside

⁶⁷² Drummond, GG, *The Invergordon Smelter*, pg 143.

of this was that using more expensive energy meant that the company was making less of a profit on the aluminium it was producing and would have to continue with the more expensive coal-fuelled electricity. Concurrent with this was the fact that operating costs were rising as a result and if the profits weren't there to cover this rise then a deficit would occur. Further compounding this rise in costs was the increase in the price of coal in 1972 to 5.5 d/therm; whereas the agreed price for British Aluminium was 4.7 d/therm.⁶⁷³ The effect of this were yet further increases in the costs of energy for the smelter. As a result, the company found itself on the receiving end of price escalations that it had no control over. Details of the power contract become central to the story here. The conditions of the contract, ostensibly agreed to safeguard British Aluminium against any such escalations, were inadequate when the company sought recourse to them during this time. Indeed, the letter from Sir Edmund Dell was the only real safeguard that the company had. However, the reassurances written in letter were never inserted into the contract and as a result were useless in the company's representations to the new Conservative government and the electricity boards who stuck rigidly to the legal interpretation of the contract:

It is clear... that there are likely to be very substantial extra costs in supplying the smelter because of the forecast delays of Hunterston 'B'. These extra costs, and in particular the interest charges on them, are such that the Smelter Account is unlikely to recover when Hunterston 'B' comes into full operation. The Board considered this review at their January Meeting and I was asked to raise the whole matter with the Department in the context of understandings previously given to the Board that the interests of their ordinary consumers be safeguarded.⁶⁷⁴

The delay in completion of Hunterston B meant that the capital cost escalation would exceed the original estimate provided by the SSEB (who were in charge of the construction of Hunterston B), and was double what the company had provided for.

⁶⁷³ Utiger, RE, *Never Trust An Expert*, pg 24.

⁶⁷⁴ Letter from KR Vernon of NSHEB to JB Beaumont, SDD, 02/02/73, NAS SEP 14/1868.

SSEB tabled revised estimates that put the company's contribution at £29m for 189 MW, compared to £27.3m in 1968. By October 1972, it became clear that the capital cost escalation was going to exceed £30m; the limit of the loan agreed by British Aluminium and the Government, without taking into account that Hunterston B would be operating potentially at only 80% of the design rating due to corrosion caused by seawater getting into the reactor.⁶⁷⁵ As a result, the company invoked the Sir Edmund Dell letter in January 1973, believing that this protected it from any such escalations. The company argued that the possible reduction in operating capacity and coal and nuclear fuel price escalation were reason enough that they would, in the terms of the letter, 'substantially modify the assessments which at present underlie the project.'⁶⁷⁶ This was a perfectly reasonable request on the part of the company, given that it entered the contract in good faith and on the understanding that it would not be left to bear the full cost of any such escalations. However, there was no response from the Government concerning the escalation in costs until October later that year, when the Department of Trade and Industry (DTI) (previously the Board of Trade) indicated that it was prepared to enter discussions regarding the situation. It should be noted however that there was correspondence between the two sides, at the behest of government, concerning the value of the aluminium smelters' production to the balance of payments with the company providing an analysis of projected savings on imports provided by the new smelters. This can be seen in Table 5.3:

⁶⁷⁵ Utiger, RE, *Never Trust An Expert*, pg 25.

⁶⁷⁶ Letter from Edmund Dell Minister of State, Board of Trade, to Sir William Strath, KCB, BACo, 23/07/68, NAS SEP14/1473.

Table 5.3 Projected import savings from new aluminium smelters

Year	1972	1973	1974
1. UK Primary Production (000m.T)	171.0	252.0	355.0
2. Less Lochaber & Kinlochleven (000m.T)	(32)	(36)	(36)
3. New smelters production (000m.T)	139.0	216.0	319.0
4. Price per tonne of imports (£)(a)	221.0	233.0	256.0
5. Equivalent import value (£m)	30.7	50.0	81.7
6. Alumina required (b)(000m.T)	271.0	533.0	622.0
7. Price per tonne (c)(£)	34.0	34.0	40.0
8. Cost of alumina (£m)	9.2	17.8	24.9
9. Other material costs (d)	2.0	3.2	4.0
Import savings £m = (5-(8+9))	19.5	30.0	52.8

(000m.T)= 1000 metric tonnes.

- a) Actual average price for imports of pure primary aluminium in 1972 adjusted in proportion to actual or expected change in Alcan world price.
- b) Assumed 1.95 tonnes of alumina per tonne of aluminium.
- c) Actual for 1972, adjusted in proportion to rise in aluminium price.
- d) Petroleum coke, cryolite and fluoride.

Source: Letter from John Wall, Chief Economist British Aluminium, to FC Carter, Department of Trade and Industry, 29/06/1973. TNA PRO FV54/56.⁶⁷⁷

It is clear from the table above that the benefit of the smelters project to the balance of payments problem, if the above figures were realised, was to be quite substantial. More to the point, the timing of the correspondence reveals that the government was perhaps more interested in what benefits the smelters were bringing to the country's economic situation than rectifying the concerns expressed by British Aluminium over the escalation of the energy deficit, unsurprising given that the country had lapsed back into deficit in its balance of payments again by this stage.

⁶⁷⁷ There is a counting mistake in the table. The figures for 1973 do not add up. The import savings should read as being £29.0m and not £30m. It is not clear from the archival sources how this mistake arose.

In March 1973, a letter from AM Cochran, writing on behalf of the Chief Engineer for the NSHEB to HFG Kelly of the Scottish Development Department stated:

There is really very little that can be said about fuel or capital escalation assumptions made in 1968. At that time escalation was not uppermost in people's minds, as it is today, and the provisions in the agreement were the normal ones to be expected in a long-term agreement. The BACo [British Aluminium Company] are well aware that the price of fuel is outwith the control of the Electricity Boards and that any forecast of trends could be no more than speculative. Similarly, the effect of inflation and design changes on Hunterston 'B' could hardly have been anticipated. No doubt the BACo took the best possible advice from all sources before opting for a 100% nuclear supply tranche from 1974/75 onwards.⁶⁷⁸

This illustrates the electricity boards' attitude towards understanding the predicament the company found itself in and their role in it. The company *had* predicted the possibility of inflation and design changes in Hunterston B and had sought guarantees covering it against any such occurrences. The company also entered the agreement on the basis of estimates and suggestions concerning the unlikelihood of escalation costs posing a threat to the viability of the smelter and the power arrangements made by the electricity boards (and UKAEA). When these estimates and suggestions turned out to be inaccurate, as was the case now, the electricity boards, as apparent in the letter quoted, neglected to acknowledge their own input into negotiations. The Government during the course of negotiations was unprepared to give any guarantees and the electricity boards similarly so. Instead of dealing with one centralised agency charged with negotiating on the Government and electricity boards' behalf, the company had to deal with the NSHEB who were inexperienced in such matters and who had no real knowledge of what would be required of them, as well as being the middle man

⁶⁷⁸ From a letter from AM Cochran for Chief Engineer of NSHEB to HFG Kelly of the Scottish Development Dept re Supplies to BACo, Invergordon, 19/03/73 NAS Ref. SEP14/1868.

between the SSEB and the company. Moreover, NSHEB's statute concerning the primacy of domestic consumers in its provision of electricity in the region meant it was unlikely to provide for an amenable partner in these arrangements. The problems inherent in such an arrangement are obvious, which is why the fact that negotiations and construction were completed within the timeframe set can be considered a success. Of course, as successful as the completion of the negotiations on time was, had more time been taken and a more understanding approach to British Aluminium's concerns been undertaken, then the problem of nuclear power cost escalation needn't have been as significant problem as it was turning out to be.

The change of the government as a result of Labour's narrow win in the February 1974 election signalled a change in policy towards discussions over the power escalation. Sir Edmund Dell became the Paymaster General in the new government and as any agreement to cover the costs of the price escalation would have to go through the Treasury, this was deemed to be good sign for the smelter. However, it wasn't until August that the company was able to obtain a meeting with the new Paymaster General where he agreed that his letter was significant and January the following year before any decision was taken. During this period discussions were ongoing between the Treasury, Department of Energy, the Scottish Economic Planning Department, the Department of Industry, the Scottish Office and NSHEB about how best to deal with the situation. This resulted in a Treasury recommendation to the Secretary of State for Industry that the company be offered assistance on the basis that NSHEB shouldn't pass on to British Aluminium the cost of the company's contracted share of any derating of Hunterston B and the NSHEB be given guarantees by Government to make good on the deficit run up by the smelter. Further, the Treasury recommended that the company be offered a Government loan of the amount necessary to cover the company's share of the increased capital cost of Hunterston B, also stating that those involved in negotiations should be prepared to concede to an extension of the current loan arrangements at

7%.⁶⁷⁹ Willie Ross, reinstated as Secretary of State for Scotland under the new government, gave an undertaking to NSHEB that:

In present circumstances it is not possible to reach a firm view on the eventual outturn of the BACO smelter account. But to the extent that the eventual payments from the Smelter Company fall short of the costs of the NSHEB, the Government accept that the deficit should not fall on the Board's other consumers, and will take an appropriate opportunity to seek statutory powers to make payments to the Board meeting the deficit.⁶⁸⁰

This was only after the company had detailed the consequences of the price escalation without governmental help however.

The consequences of price escalation were that in order for BA to continue its operations without governmental help, it would need to borrow £16m on top of the already existing borrowings of £35m. This would mean that the company would have to pay an additional £3m interest per annum on these further loans which would add nearly 0.2p/KWH to the power price. The company could not justify borrowing such an amount as it would be prejudicial to its other operations and the board of the parent company (Reynolds and Tube Investments) would not agree to it. As a result, the only option for the company would be to reduce the operating capacity of Invergordon to between half and two thirds, which is what could be supported by the original £30m capital contribution. This in itself would be uneconomic and as a result BA would be forced to close the plant.⁶⁸¹ Further, reducing its operations to this level would mean its contribution to the import/export balance would also be affected. The DTI then made a decision in March to offer the company a loan of £7m at an interest rate of 14.5%, more than double the rate of interest for the original loan and 4.5% more than

⁶⁷⁹ Treasury Recommendation regarding Invergordon Smelter to the Secretary of State for Industry by DJ Gerhard, 12/12/1974, TNA PRO FV54/60.

⁶⁸⁰ Note by Department of Energy Officials (Electricity Division) concerning Aluminium Smelter Contracts, 27/01/1975, TNA PRO TS49/220.

⁶⁸¹ Utiger, RE, *Never Trust An Expert*, pg 26.

the Bank of England minimum lending rate of 10% at the time.⁶⁸² However, the company would be protected against further derating on the operating capacity of the delayed Hunterston B power station, but not further costs. The consequences of the new agreement were that the annual capital charge for Hunterston B rose from £2.1m (in 1968) to £3.6m per annum; resulting in an increase of 71% of an element of the power price, which it was claimed in 1968 would be stable.⁶⁸³ Had it not been for the personal intervention of Sir Edmund Dell, it is not entirely inconceivable that the company would have been left to deal with the problems it was facing alone, given that there had been little or no progress made prior to the new Paymaster General's actions. As a result of Dell's intervention, a payment of £113m in 1976, approved by Parliament, was made to the NSHEB to cover the energy deficit in the Smelter Account, now subsequently known as the Smelter Deficit Account. In order for this to happen the government passed the Electricity (Financial provisions) (Scotland) Act of 1976.⁶⁸⁴ This was followed by a further payment of £57m in March 1977.⁶⁸⁵ Sir Edmund was proving to be a good friend to the project, but the smelter was becoming an increasingly expensive venture for all concerned, not least the government. In formulating these agreements there were questions raised at the Department of Energy over whether or not the CEGB should receive parity of treatment with the Scottish boards. It was decided however that the CEGB should not receive the same treatment as the highest figure for exposure to losses caused by the Anglesey smelter was 1.4% of its total sales (£25.8m) for the period 1973/74, compared to NSHEB's exposure of 26.5% of total sales (£14.6m) for the same year.⁶⁸⁶

Hunterston B eventually became operational in 1976, two years after its projected start date. However, the much-heralded cheaper power it was meant to bring failed to materialise. This can be seen more clearly in Table 5.4:

⁶⁸² Bank Of England Quarterly Bulletin 16, (London, HMSO, 1976), Table 26.

⁶⁸³ Utiger, RE, *Never Trust An Expert*, pg 26.

⁶⁸⁴ Internal Audit Report - June 1979. Audit of Payments to Aluminium Smelter Companies by PA Merker, Chief Internal Auditor, TNA PRO TS49/220.

⁶⁸⁵ Scott, A & Cuthbert, M, *Reviewing Industrial Aid Programmes: (I) The Invergordon Smelter Case*, pg 26.

⁶⁸⁶ Note by Department of Energy Officials (Electricity Division) concerning Aluminium Smelter Contracts, 27/01/1975, TNA PRO TS49/220.

Table 5.4 Increases in annual running costs for power

Year	£m	p/KWH	% (a)	% (b)
1976/7	4.2	0.241	198	40
1977/8	8.2	0.472	387	64
1978/9	10.9	0.627	514	26
1979/80	14.8	0.850	697	30
1980/1	16.4	0.936	767	9
1981/2	23.6	1.354	1110	40

(a) Increase over contract figure from 1968.

(b) Increase over previous year.

Source: Utiger, pg 33.

As the table shows, the increases in power cost were considerable. Any substantial increase in the cost of power in aluminium smelting can result in disastrous consequences for the operation involved. As the case of the Invergordon smelter unfolded, so the point was proven. From the agreed price of 0.263 p/KWH to a price of 0.503 p/KWH at the beginning of Hunterston B's lifetime, and subsequent increases from then on, the price of nuclear power was nowhere near as competitive as it was meant to be. The agreed sum of £83,000 per tonne for nuclear fuel elements rose to £214,000 in 1976/7 and then to £287,000 in 1977/8, excluding reprocessing, as a result of the extended delays in completing the AGR nuclear power stations and the subsequent failure of demand to meet the supply. British Nuclear Fuels operated a two-part tariff system in order to ensure that its profit margins were not affected by a lowering of demand. As a result of the delay in completion of the AGR power stations, the cost of the fuel rose accordingly. SSEB had failed to build Hunterston B on time⁶⁸⁷ and NSHEB who insisted on negotiating the discussions itself on behalf of SSEB. Thus, as a result of the delay, the company refused to pay £24.5m in running costs and a further £3.9m in ongoing capital charges, but made provisions for them in

⁶⁸⁷ For more on this and the problems with the construction of the AGR stations in the 1960s, as well as a general history of nuclear power in Britain, Walt Patterson's *Going Critical* (Paladin Books, London, 1985) should be consulted.

the accounting balance sheets as a matter of financial prudence. The company believed that the increases were not solely attributable to inflation, but were in fact a result of massive under-estimation of costs in the 1968 agreement on the part of the generating boards.⁶⁸⁸ Whilst this may be true, it should also be noted that the company should never have agreed to enter into an agreement with open-ended escalation clauses and non-specific clauses relating to design changes. That, put simply, was writing the government a blank cheque. The contract relied, at least on British Aluminium's part, too much on good faith in the projections of UKAEA and SSEB, neither of who had any experience of constructing an AGR nuclear power station *on time*.⁶⁸⁹ Perhaps the most damning part of the story here is the price British Aluminium were paying for its nuclear based power in its last year of operation in 1981 - 29mils/KWH - almost five times the agreed price of 6.31mils/KWH in 1968.⁶⁹⁰

Closure

Excluding the problems with the energy deficit it was running, the smelter was profitably run for most of the late 1970s. According to a briefing for the Industrial Development Board, it was in fact the most efficiently run smelter in the country, with the brief stating that

The smelter has given no major technical problems, and the delays in commissioning have been from causes largely outside the company's control. The company is, in fact, regarded as the most efficient producer of aluminium in the UK. In 1973 average earnings per employee were £2050 per employee per annum and output per employee was almost £9000.⁶⁹¹

⁶⁸⁸ Utiger, RE, *Never Trust An Expert*, pg 57.

⁶⁸⁹ Hunterston A was delayed in its construction by 2 years, just as Hunterston B was delayed by 2 years.

⁶⁹⁰ *Aluminium Industry: Energy Aspects of Structural Change*, pg 37.

⁶⁹¹ Financial Appraisal of BA in a Governmental Discussion paper used as a briefing for Industrial Development Board, 24/01/74. Circulated by CB Benjamin, Secretary of the Industrial Development Board. NAS SEP4/4053.

Regarding Invergordon as the most well run smelter in the country was faint praise however. By 1973 the smelter projects commissioned by government the previous decade were all running at a loss. The smelters at Anglesey and Lynemouth operated by the RTZ consortium and Alcan respectively, were operating at losses of more than £4m, with each companies being accountable for approximately £0.5m and the CEGB and National Coal Board (NCB) exposed to the remaining £3.5m.⁶⁹² The total gross trading profit from 1971 to 1975 for Invergordon (when the smelter finally reached its intended capacity of 100,000 tonnes), excluding the disputed power charges was £4.65m. From 1975 to 1981 when the plant closed its doors, the total trading profit was £14.482m, a considerable improvement in operating performance from the previous year. This was helped by a recovery of the price of aluminium when it rose from £371 per tonne in 1975 to £780 per tonne in 1980.⁶⁹³ Admittedly, this profit disappears when the power supply escalation cost is taken into account, since the company had been in dispute with the NSHEB over the power escalation costs since 1976, but it is an operating profit nonetheless showing that, given a competitive rate for power price, the company was capable of performing to expectation. The effect of the power costs on the profitability of the smelter can be seen in Table 5.5:

Table 5.5 Trading Profit and Disputed Power Costs at Invergordon

Year Ending March	Trading Profit (£m)	Disputed Power Charges (£m)
1976/77	4.224	1.8
1977/78	8.815	4.7
1978/79	7.724	6.1
1979/80	4.578	8.0
1980/81	0.577	8.7
1981/82	-19.131	9.4

Source: Utiger, Appendix: Table 1 & Table 2B. Figures are before tax and interest.

The table shows that the smelter ran at a net profit until 1979 including the disputed power prices. It also shows that 1981 was the disaster period for the smelter, coming

⁶⁹² Letter from CJ Carey, Treasury, to Mr Mountfield, Treasury, 02/08/1973, TNA PRO T319/2090.

⁶⁹³ Utiger, RE, *Never Trust An Expert*, Table 1, pg 38. Figures are before tax and interest.

on the back of poor trading profit for the previous 2 years. Whilst the disputed power charges (which the company refused to pay) on first appearance don't look to be of any great concern to the company, when tax and interest is included in the figures they become more damaging. This combined with a falling price in aluminium conspired to push the smelter's operations into the red. From operating at trading profit from 1976 to 1981, the company posted losses of £19.131m in 1981/82. These losses, the burgeoning energy deficit and fall in world prices began the viability of British Aluminium, its parent company Tube Investments (the majority shareholder), and was making the position of the Invergordon plant increasingly untenable and indeed undesirable. Consumption in the aluminium market fell by 5%, the exchange rate of \$2.80/£ and a general depression in world aluminium meant that the company's good operating performance in the previous 5 years counted for nothing. The actual price received for Invergordon products between January and May 1981 fell by £60/tonne below the 1980 average of £780 and the price for new sales fell by a further £70/tonne. This was compounded by NSHEB posting escalated power prices for the smelter of 40% more than in the previous year, which also included retrospective charges for the same year. The result of these factors was losses of almost £2m per month for the smelter.⁶⁹⁴ This led to the company to conclude that continuation of the situation as it was would result in one of three things; default on its loan repayments to the government, attempt to negotiate a further subsidy from the government or close the smelter. After the company made this clear to the government, the Scottish Economic Planning Department (SEPD) was tasked by the new Conservative government with calculating the cost of further subsidy of the smelter compared to closure. They produced the following calculations:

⁶⁹⁴ Ibid.

Table 5.6 Smelter Figures: Closure Costs

Closure	£m (1981/82 prices)			
	1981/82 (Jan/March)	1982/83	1983/84	1984/85
Net Cash to BACo.	30*	N/A	N/A	N/A
Loss of Revenue to NCB by coal displaced by Hunterston B	2**	8	5	2
Loss of Capital Repayments on loan by BACo.	0	2	2	2
Extra Expenditure by HIDB*	1	5	5	5
Unemployment Pay	1	3	2	1
Loss of Tax Revenue		2	1	1
Total:	34* or 4	20	15	11
Grand Total:			£80m* or £50m	

* Opposed by Treasury.

** Assuming that NCB cannot find alternative markets or rundown production in late years.

*** Provisional figures subject to examination by officials of remedial measures for which expenditure may be required.

Table 5.7 Smelter Figures : Continuation Costs

Continuation	£m (1981/82 prices)			
	1981/82	1982/83	1983/84	1984/85
NSHEB loss on supply to BACo	4 (iv) & (v)	14	14	13
Grand Total for 3 years:				45

- (i) In addition to other costs it will be necessary to place an Order before Parliament in 1982 to reimburse the disputed charges to NSHEB. These would amount to a total of approximately £59m. In exchange for this write-off the Government will take a charge on the tranche of Hunterston B previously held by BACo.
- (ii) Financial support for the deficit payments would be necessary until the end of the contract.

Source: Letter from George Younger, Secretary of State for Scotland to the PM Margaret Thatcher, 14/12/81, NAS SEP4/4055.

The calculations apparently show that it would have been cheaper for the government to continue the operations of the smelter than to close it down. However, the figures for continuing the smelter only account for the first 3 years following 1981/82. McCrone writing in a letter to George Younger advised:

We have shown... the cost of continuation over the next three years is less than closure... but the essential point is that continuation is likely to involve an obligation beyond three years... I remain of the view therefore that on economic grounds alone this scale of support cannot be justified.⁶⁹⁵

McCrone felt that the Government would be taking an unacceptable risk of potentially having to subsidise the smelter for a period much longer than the three years envisaged if it decided on continuing it. McCrone also indicated that he felt the cost of subsidising the smelter for the three years alone to the tune of £14m per year plus writing off the disputed charges was ‘an excessive amount to pay for 900 jobs (or even 1500 if the indirect effects are included).’⁶⁹⁶ The government was thus to close down a plant that was indirectly responsible for 1500 jobs in an area historically beset by problems of high unemployment, low wages and high outward migration, resulting in an increase in unemployment in the area up to 25%⁶⁹⁷, undoing all that had been done to remedy these very problems. Faced with an underperforming money-pit and elected on the platform of no longer supporting ‘lame ducks’, the new Conservative government was unlikely to prove as friendly to the smelter as Sir Edmund Dell had been in the past.

George Younger, acting as Secretary of State for Scotland understood full well the implications of closing the smelter and sought to ensure its continuing operation, at least initially. Writing in a letter to the Prime Minister the day before

⁶⁹⁵ Letter from Dr RGL McCrone, Scottish Economic Planning Dept., 15/12/81 to Secretary of State, NAS SEP4/4055.

⁶⁹⁶ Letter from Dr RGL McCrone, Scottish Economic Planning Dept., 15/12/81 to Secretary of State, NAS SEP4/4055.

⁶⁹⁷ Letter from George Younger, Secretary of State for Scotland to the PM Margaret Thatcher, 14/12/81, NAS SEP4/4055.

receiving McCrone's advice, Younger states: 'As... seen from the table the costs of closure exceed those of continuation over the first three years. I therefore recommend strongly that we offer arrangements to the company which will enable the plant to continue.'⁶⁹⁸ Younger's advice appears to be founded on an optimistic reading of the calculations made and on the assumption that the government would not have to continue subsidising the smelter after the period. McCrone of course was not so optimistic. Younger was also looking at the situation from a political as well as economic perspective - closure would mean high unemployment and potential outcry. The Anglesey smelter was one factor that was foremost in Younger's mind when considering the closure of Invergordon. The Anglesey smelter was to operate on the same premise as the Invergordon smelter, taking its power from the new Dungeness B AGR nuclear power plant. However, Dungeness B, like Hunterston B, was not completed on time. Moreover, Dungeness B was still not completed by the time Hunterston B had been and as a result the Anglesey smelter continued to draw its power from the state-owned CEGB at a rate much lower than Invergordon had drawn its power from the NSHEB and Hunterston B, allowing it to operate profitably. This is indicated in the same letter with Younger pointing out:

If closure is decided on, an aspect which is particularly difficult for me is the continuation of much larger subsidies from CEGB to the Anglesey smelter. Because Dungeness B is still not in operation this smelter gets its electricity at about a third of the cost at Invergordon with CEGB meeting the deficit. Invergordon would of course be viable at this price also.⁶⁹⁹

The agreement between the Anglesey smelter and the CEGB was not made public however, just as the agreement between Invergordon and the Scottish boards wasn't. The government then took the decision to close Invergordon on purely economic grounds, advised at length by the Scottish Economic Planning Department

⁶⁹⁸ Letter from George Younger, Secretary of State for Scotland to the PM Margaret Thatcher, 14/12/81, NAS SEP4/4055.

⁶⁹⁹ Letter from George Younger, Secretary of State for Scotland to the PM Margaret Thatcher, 14/12/81, NAS SEP4/4055.

and British Aluminium itself: ‘The company’s attitude provides further information that there is no good economic case for keeping the smelter open.’⁷⁰⁰ However, the company was not aware of the Anglesey arrangement at this point. Indeed Utiger, upon scrutiny of the Anglesey plant’s accounts, was particularly dismayed at discovering the Anglesey smelter had apparently enjoyed a cheaper power source than Invergordon, writing in his 1995 book on the subject:

What was outrageous from BA’s standpoint was that another state-owned organisation was supporting the Anglesey smelter by a comparable, if not larger amount... If this was so, then it clearly amounted to blatant discrimination between competing companies, despite the verbal assurances given in 1968.⁷⁰¹

Utiger was of course correct in his assertion, as evidenced by Younger’s letter to the Prime Minister - Anglesey did have a more favourable pricing arrangement than Invergordon for power supply from the CEGB. Clearly the government did not wholly reciprocate the good faith shown by the company in agreeing to two different power contracts in 1968 for the new smelters. It would seem that there was an element of duplicity about the government’s part in the negotiations throughout the smelter’s lifetime, given that it was the purse holder for the generating boards and would surely have had full knowledge of, and indeed influence over, the negotiations that took place between the aluminium companies and generating boards. As Utiger argues

When it suited them, government exercised considerable pressure on the generating boards, particularly in 1967/8 [the year of the negotiations for the power contract]... When it did not suit them... government maintained that the

⁷⁰⁰ Letter from JR Ibbs to Mr Scholar (departments not specified), 17/12/81, NAS SEP4/4055.

⁷⁰¹ Utiger, RE, *Never Trust An Expert*, pg 59.

power arrangement was entirely a commercial matter between NSHEB and BA.⁷⁰²

The government, British Aluminium and the generating boards had all exhausted each other's patience by the end of the project. The Conservatives were not interested in paying for what they viewed as a Labour error and British Aluminium and NSHEB were threatening each other with legal action in an attempt to settle the Smelter Deficit Account. The idea of closing the smelter became the only real option left when it was made clear that there would be no further intervention on the government's part to keep it running. The final cost however would amount to considerably more than the £37m originally envisaged by the Labour government in 1967. The overall cost of the project can be seen from the table below. The estimated figures for the closure of the Invergordon smelter (in 1981 prices) are as follows:

Table 5.8 Final Cost of Closure of the Invergordon Aluminium Smelter

Category	1981 Prices in £m
Grant 1969	55.6
Loans 1971-81 (net of interests and repayments)	76.3
Electricity Deficit Repayments:	
1977	122.5
1979	23.8
1980	18.2
1981	9.2
Electricity Capital Addition 1976	20.9
Regional Employment Premium	1.0
Recycling Costs 1981	47.0
Payment to BACo 1981	20.0
Value of NSHEB Surplus Supply	-13.4
Grand Total:	381.1

Source: Scott, A & Cuthbert, M, *Reviewing Industrial Aid Programmes: (I) The Invergordon Smelter Case*, (Edinburgh, David Hume Institute, 1985), pg 10.⁷⁰³

⁷⁰² Ibid.

⁷⁰³ The figures are estimates as they are compiled from BA's accounts and NSHEB's accounts, as well as governmental accounts. There has been no official release of the actual financial cost of the smelter project.

As Table 5.8 shows, the government's initial estimate of a £37m outlay proved to be somewhat short of the actual final cost of the smelter. Indeed, Dr McCrone's estimate of £80m as the cost of closure was not inclusive of the money already spent on keeping the smelter in operation. The final cost of the smelter project at £381.1m was the result of various governments throwing good money after bad, paying large chunks of the deficit off instead of amending the contract to give the smelter the chance of survival.

The Invergordon aluminium smelter closed its doors for the final time on the 31st December, 1981. By the time of its closure the smelter had been taking almost a quarter of all electricity sold in NSHEB's region. George Younger argued that for the smelter to remain open it would have required 60% of the board's full hydro capacity to meet its power needs on a continuous basis.⁷⁰⁴ (It's not clear what he thought Hunterston B's contribution to Invergordon's supply would be in this case.) Central to the story are the mistakes made in the planning stage. First of all, the promise of nuclear power supplying cheap electricity was an empty one. Had a bespoke power station (non-nuclear) supplying electricity specifically for the smelter been constructed, as the Alcan smelter at Lynemouth (which is still in operation today) operates on, then there is every possibility that the Invergordon smelter would still be in operation today. Of course that wouldn't have fitted in with Labour's modernity drive of the 1960s. Alternatively, had an arrangement been found to supply Invergordon with electricity at a competitive price, as Anglesey received, then there would have been a greater likelihood of success. As successful as the planning and implementation stage was in constructing and running the smelter on time and within budget, it was a false success. The hurried nature of the negotiations of the power contract meant that the company effectively signed a blank cheque to the generating boards for its power supply. The government was eager to begin production to offset its balance of payments problem and prove its status as the party of modernity; the company was eager to start operations at Invergordon to start making money. However, the increases in the power price coupled with the drop in the world price

⁷⁰⁴ Young, A, 'Industry' in Hetherington, A, *Highlands and Islands*, pg. 103.

for aluminium led to the company incurring unsustainable losses of up to £2m per month on the smelter. This inevitably led to its closure.

Aluminium smelting on a large-scale in Britain was simply uneconomic from the beginning. It could not be done without some form of subsidy from the government or favourable pricing arrangement for power supply. The smelter was capable of operating with some degree of efficiency, but was profitable only when the power price was competitive. The belief in nuclear power as a source for cheap electricity turned out to be a false hope. The real problem however lay in the agreement of the power contract. The contract contained no provisions for protecting the smelter from power price escalations, delay in the construction of the power station it was designed to rely on - Hunterston B - and was wholly insufficient in the price set from the outset. The unit price agreed was too expensive to begin with and was not guaranteed. This meant that the smelter was starting off at a disadvantage from other operations in the same field so when escalations in the price of power occurred the smelter fell further behind and eventually got to the stage where it became too expensive to run as a viable operation. Fault lies on all sides for this. The company was at fault for entering such an agreement in the first place, the generating boards for their inflexibility, but most of all the government for not taking a more active role in the negotiations for the power contract. As the purse holder for the generating boards the government was the only body that could ensure that the smelter could have a competitive power price, free from escalation that would have allowed it to continue operations. Instead, the government took the line that the agreement was a commercial one solely between the company and the generating boards. The fact that it was based on a government-sponsored idea seemed to be of little consequence. Of course there was a concern over EFTA, but this was not insurmountable. After all, the Anglesey smelter was effectively being subsidised by the CEGB, another government owned organisation.

The story of the smelter then is a valuable illustration of the problems in the Scottish economy and governmental attempts at remedying them. It is indicative of a

wider trend in governmental policy towards the Scottish economy as a whole. From the interventionist policies of the 1960s and 70s to the more hands-off philosophy of the Conservative government from the 1980s, the smelter is the embodiment of the change in governmental approaches to the Scottish economy and the problems inherent in it. It is also a stark warning to future governments of the problems of trying to stimulate the economy through interventionist policies and transplanting unsuitable industries into unsuitable areas. As Sir Edmund Dell writes: ‘The aluminium smelters are the most original product of the Labour Government's industrial policies. But originality has not in this case tempted imitation.’⁷⁰⁵ It's perhaps no wonder.

⁷⁰⁵ Dell, E, *Political Responsibility and Industry*, pg 121.

Chapter Six. Conclusion

The preceding four case studies have raised a number of issues that are best dealt with thematically. Consequently, this chapter assesses the themes present in the following sub-sections: 'Regional Policy, The Scottish Office and the Highlands' deals with the regional policy aspect of Scottish Office policy towards the Scottish national and economic structural problems, set within the UK national economic context but viewed as a distinct entity; the section 'Statistical analysis' assesses the impact on population and unemployment and the final totals for Governmental expenditure on the four developments between 1960-1990; the section 'Political economy of Highland development' discusses the themes of neo-protectionism, modernity and the UK national interest inherent in the four case study discussions; the section 'The politics of Highland development' details the importance of the political climate at both Scottish and UK national levels and its relationship to Highland development, followed by some concluding remarks.

The four industrial developments in the Highlands were not complete failures in achieving the purposes for which they were intended. Their contribution to the population increase in the Highlands is as clear to see as their failure to act as 'growth centres' and attract further industries to the area. Equally, the developments had the effect of stabilising population levels while they were operational and focusing attention at central governmental level on the region. The eventual closure and run down of the three main labour-intensive developments of the four discussed resulted in significant unemployment hikes in the areas in which they were situated, however, and in many respects should be seen as having failed. The election of the Conservatives in 1979 brought with it the government's refusal to continue subsidising the underperforming Invergordon and Corpach developments, resulting in their closure. The reorganisation of the nuclear industry in 1987 by the Conservatives saw a move towards operating on more private enterprise based lines before the decision was taken that Dounreay should be entirely self-funded from 1994. The plant is now in the process of being decommissioned. Of the developments mentioned, only

Aviemore has flourished from the Conservatives' reversal of the government's policy of industrial intervention in the Highlands, based in no small part on the fact that it is located on the two main arterial transport routes that run north through the region - the A9 road and the Perth-Inverness rail route - which are the two crucial transport routes in the tourist industry in the area. The retreat from state intervention and economic planning in the Highlands was based on evidence that it had failed. The HIDB, although relatively successful in helping the region, was replaced by Highlands and Islands Enterprise in 1991, a government agency whose metier is to facilitate small-scale industrial development, completing the government's withdrawal from economic planning and intervention in the Highlands.

The failures in the Highlands sit together with the failure of governmental attempts at establishing a motor vehicle industry in Scotland at Linwood and Bathgate as well as the large steel plant constructed to service it at Ravenscraig. Payne has accurately described the failure of these developments as 'transplanted organs rejected, despite repeated surgery, by the economic body.'⁷⁰⁶ The failure of the planning process in the Highlands was a result of the desire for a quick fix to national economic and political problems as well as regional economic and social problems - put simply the area was unsuited to large-scale industrial developments. However, regional policy in the Highlands was shaped in no small part by public opinion and the belief that the area 'deserved' large-scale industrial developments to bring it to parity with the policy direction in other parts of the country, particularly the Central Belt.⁷⁰⁷ The developments in the Central Belt failed in part due to their peripherality. The Highland developments suffered similarly, but with added problems. The failure to pay more attention to the need for wider infrastructural development in the area - particularly transport - in order to help the four developments exacerbated their operating problems, condemning them to failure in their stated aims of acting as growth centres. The operation of each development, except Aviemore, was problematic in respect of transport costs and remoteness from markets. Political and

⁷⁰⁶ Payne, P, *Growth & Contraction: Scottish Industry c.1860-1990*, (Economic & History Society of Scotland, 1992), pg. 45.

⁷⁰⁷ Cameron, E, 'The Scottish Highlands as a Special Policy Area', pg.195.

economic concerns at the Scottish and UK national levels usurped social concerns at the regional level in economic planning in the region. In Scotland the view was that the Highlands is a specific region with specific problems that needed bespoke answers. This is evidenced in part by the establishment of the Hydro Board as well as the creation of the HIDB, the first regional development agency ever in the UK and a precursor to the SDA, both by the prompting of the Scottish Office. Whitehall's view was that Scotland was one whole region- UK national accounts contained no breakdown of Scottish regional performance, focusing on Scotland as a whole instead. That Scotland was viewed as one whole region from London is perhaps more clearly seen in figure 6.1 below:

Figure 6.1: Economic Planning Regions of Great Britain



Source: HMSO, *A Strategy for the South East*, (HMSO, London, 1967), pg. x.

The figure demonstrates quite clearly that Scotland was considered to be one whole planning region. The Highlands was and still is a demonstrably distinctive region from the rest of Scotland however. Its highly dispersed population, peripherality, geographical make-up, culture, size, lack of transport infrastructure and lack of labour-intensive industry clearly set it apart from the other areas of Scotland as well as the UK. Many of these distinct characteristics were largely ignored in locating the large-scale developments discussed, however. The work of the HIDB from the 1960s through to the early 90s means that there is now a detailed record, albeit patchy, of economic activity in the Highlands which has undoubtedly helped towards the greater understanding of the economic capabilities of the region at present and the area's growing economic performance. This was not the case when the four developments discussed were conceived and created. Consequently, the belief that large-scale industrial developments could be successfully transplanted into the region was pursued.

The lack of a detailed knowledge or understanding of the economic activities in and potential of the area impacted on the regional policy decisions taken at the time. The peripheral nature of the Highlands from the centre - physically and psychologically – in economic and social terms gave rise to a lack of understanding in the Scottish Office of its potentialities for economic growth. The Highlands and Islands Advisory Panel - the body set up to advise the Secretary of State for Scotland on Highland development - offered little actual advice on the developments other than agreeing with them. That the area had been effectively ignored for the previous century didn't help matters much either. The Scottish Office focused on the area only when it was politically advantageous to do so. Thus, the deliberate policy in the post-war period of grand gestures of large industrial plants that caught the public eye and offset the threat of Nationalism⁷⁰⁸, was pursued as a means towards economic regeneration. They were hopelessly unsuited to the Highlands however. The discovery and exploitation of North Sea Oil in the 1970s shifted attention in the Scottish Office away from directing industrial diversification and regeneration in the

⁷⁰⁸ Levitt, I, 'Too deeply committed', pg. 58.

area in favour of encouraging the construction of the rigs necessary in order to take immediate advantage of the oil boom⁷⁰⁹, although Nigg Bay and Kishorn offered the opportunity to do both.⁷¹⁰ The election of the Conservatives later the same decade put paid to any hopes of revitalising the Highland economy through government-directed industrialisation - the troubles experienced by the developments meant that they were high on the list of 'lame duck' operations with a limited shelf-life. It has only been very recently with the growth and dominance of the tourist industry in Scotland, the expansion of communications technology, the more detailed economic records of the area and the continued encouragement of small-scale enterprise by HIE (building on the work of the HIDB) that the Highland area has begun to play a vital and contributing role in the Scottish economy.

The outcome of the lack of understanding of the area was a group of projects that were essentially grand economic gestures based on short-term social remedies, intended to offset political problems rather than acting as harbingers of long-term economic growth and sustainability. An HIDB note on government policy in the area described regional policy decisions aimed at solving the problems as 'fire brigade action'⁷¹¹, demonstrating in succinct terms the reactionary nature of policy undertaken that was purported to prescribe growth in the area. Haddow's suggestion of 'chucking buns across the fence' in order to keep the area quiet is pertinent to understanding post-war Highland development in the context of the four developments discussed in this thesis. The political advantage of being seen to be pursuing a policy of Highland development was an important tool in ensuring the Union was protected and the Scottish Office kept public opinion onside.⁷¹² Buns the developments were, albeit very large and indigestible ones with a UK flavour.

⁷⁰⁹ Cameron, E, 'Unfinished Business': The Land Question and the Scottish Parliament', pg. 94.

⁷¹⁰ For more on North Sea Oil and its effect see Chris Harvie, *Fool's Gold: The Story of North Sea Oil*, (Hamish Hamilton, London, 1994).

⁷¹¹ HIDB Secretariat Paper 860, 'Development and Progress in the Fort William Area', undated but probably mid to late 1960s, NAS SEP12/427.

⁷¹² This is dealt with more fully in the section 'The politics of Highland development'.

Regional Policy, The Scottish Office and the Highlands

Regional policy in Scotland in the Highlands post-1945 should be understood within the context of the governmental response to the wider Scottish national industrial and economic structural problems, set firmly within the UK national economic context but directed primarily by the Scottish Office. Inherent in the Scottish Office's policy formulation and action was the tacit admission that the Scottish economy, and by extension the Highlands, was unable to provide its own solutions to the problems present. Consequently, economic intervention by government was identified and pursued as the answer to the problem to the extent that Marr describes Scotland in the post-war period as an 'interventionists' economy'.⁷¹³ The Scottish Office acted as the overseer of development on behalf of Westminster with the Scottish Secretary's role being determined primarily by what he could 'win' for Scotland. The long drawn out decline of the staple industries in Scotland meant that the Scottish Office felt compelled to act in order to diversify the industrial structure - a recommendation made clear in both Cairncross and Toothill's reports. The developments in the Highlands were all examples of this and utilised new technologies such as nuclear power, integrated paper-pulp making and large-scale aluminium smelting, as well as the new focus on tourism development. However, crucial to explaining the failure of three of the Highland projects is that these attempts at diversification were not sophisticated enough to move away from the focus on manufacturing that required a large labour pool, existing developed transport infrastructure and a closeness to markets. Moreover, it was the only approach to solving the problems that was considered. Heavy industry was brought to the Highlands through top-down regional policy direction in an attempt at bringing prosperity and sustainability to the area. However, the peripherality of the Highlands meant that the developments were too far away from markets and centres of population, a problem concentrated by the lack of ease of getting to and from the area as a result of its poor infrastructural state. Similar developments further south in Scotland failed in part due to their distance from the growing markets and populations

⁷¹³ Marr, A, *The Battle For Scotland*, (Penguin, London, 1992), pg. 107.

of the South East and the Midlands of England. That the Highlands was even further away and with poorer transport infrastructure meant its problems in these respects were consequently magnified.

Policy decisions regarding Highland development are therefore best understood as the product of peripherality and its constituent problems framed within the then political climate. The growth of Scottish Nationalism in the 1960s was of concern to the Scottish Office at all levels. Further, ex-pat Highlanders made clear their unhappiness at the area's continued decline. Thus, when it was no longer politically acceptable to allow the area's population to drift, the government was left with no option but to pursue a policy of grand gestures of industrial development in the region that failed due to the peripherality of the area and its poor infrastructure - as Payne said, 'transplanted organs'. The Highlands was (and still is) unsuited to large-scale heavy industry - the population was too dispersed, the road and rail networks underdeveloped and it was simply too far away and too difficult to get to and from. Focusing policy on developing the infrastructure was not considered as an option however as it would have created far fewer jobs than the four developments this thesis has detailed did, but had it been a part of the overall focus on Highland development then the developments would have stood a better chance of succeeding as growth poles. Since one of the main publicly and privately stated reasons for developing industry in the Highlands was the reversal of population decline caused by a lack of jobs, the option of developing an integrated infrastructure was untenable due to the insistence that all investment in the Highlands and elsewhere was linked to job creation - infrastructural improvements would have cost a substantial amount of money but involved little job creation and thus have been very difficult to sell to Whitehall, let alone the other departments of the Scottish Office. The under-secretary responsible for regional development Ronald Johnson made this clear in his opposition to road improvements in the 'tourist interest' in the discussions surrounding the Aviemore development.⁷¹⁴ Further any jobs created by infrastructural

⁷¹⁴ Minute by R Johnson, Under Secretary responsible for regional policy, 18/08/1958, NAS SEP12/128.

development would have been naturally impermanent. Thus, the attempts at establishing large-scale heavy industry in the Highlands were constrained by the regional policy statutes in place - in particular the link between industrial creation and establishment and cost per job. Prescribing labour-intensive industries was politically and socially desirable, though a primarily short-term measure. The only way of attracting other businesses North however was by governmental financial inducement.

The role of the Scottish Office in the establishment of the industries discussed in this thesis is of great importance. The activities of its head, the Secretary of State for Scotland, and its civil servants meant that the Scottish Office was integral both to the notion and the reality of Highland development. The role of the Scottish Secretary of State was particularly important. Willie Ross described the post of Scottish Secretary as ‘approaching the archangelic’ for its far-reaching responsibilities over the length and breadth of Scottish political, social and economic life.⁷¹⁵ These responsibilities covered several areas that in England were the responsibility of ministers for the Home department, education, health, agriculture, electricity, and local government.⁷¹⁶ As a result, the Scottish Secretary held a general political responsibility for the economic well being of the country.⁷¹⁷ Thus, when the Scottish Secretary was convinced of the merits of a particular development being located in the Highlands, he was in a position of considerable strength to help the area succeed in winning the crucial support from other areas of government, not least his position as a permanent member in the Cabinet. The influence of the Secretary during the period in relation to industrial location and development was such that as President of the Board of Trade, Reginald Maudling was moved to say to John Maclay before entering a Cabinet meeting ‘I do wish you’d tell me when you are going to take over my office in Scotland!’ This was in light of Maclay’s role in securing support for the establishment of the Forth Road Bridge, the mill at Corpach and his success in

⁷¹⁵ Ross, W, ‘Approaching the archangelic?’ in Drucker & Clarke, *The Scottish Government Yearbook*, (Paul Harris, Edinburgh, 1978), pp. 1-20.

⁷¹⁶ Hughes, W, ‘Ross, William, Baron Ross of Marnock (1911–1988)’, *Oxford Dictionary of National Biography*, (OUP, Oxford, 2004).

⁷¹⁷ Halkier, H, *Institutions, Discourse and Regional Development*, pg. 175.

securing governmental support in the form of grants for companies wishing to locate in Scotland, in spite of it being the responsibility of the Board of Trade's office in Glasgow.⁷¹⁸ This demonstrates in part how marginalised the Board of Trade were in respect of the administration of regional policy in Scotland. They may have had a great deal of influence whether or not a project, such as those in the Highlands, went ahead on the basis of cost per job (under the Local Development Act guidelines) at the latter stages, but the political manoeuvrings of the Scottish Office at the highest levels of the UK government ensured that the Board of Trade did not always have the final say. If and when support was secured from the Prime Minister, such as in the cases of Corpach and Aviemore, the Board of Trade found it very difficult to argue against the Scottish Office and its head's position, particularly with the bogeyman of Scottish Nationalism ready to be used by the Scottish Secretary at any point and the issue of Scottish sentiment for the area.

Regional policy in Scotland was subject only to a very loose control by Whitehall during the period, primarily on the granting of funds. St Andrew's House utilised all the political tools at its disposal during the period to ensure that Highland development especially was given 'special status' in considerations for locating new industries around the country, irrespective of its actual suitability, and particularly when it was politically advantageous to do so. The special legislation required for the Invergordon and Corpach projects for funding and high cost-per-job characteristics of all four developments go some way towards demonstrating this. The high cost-per-job rate was justified by Scottish officials on the basis that the developments would act as the 'growth centres' or breeders for industry that Toothill recommended. For example, the Board of Trade made it clear in relation to the Corpach development that the maximum cost-per-job limit it would go to was £2500 and to go higher would require 'very special justification'.⁷¹⁹ However, Scottish officials knew of at least three cases where the Board had gone higher - one of which was the Rootes car factory at Linwood where the cost-per-job was £3000 - and so used this as leverage in

⁷¹⁸ Torrance, D, *The Scottish Secretaries*, (Birlinn, Edinburgh, 2006), pg. 232.

⁷¹⁹ Pulp Mill State of Play- Memorandum for Secretary of State for Scotland by SDD, 08/11/1962, NAS DD12/2946.

their representations to Whitehall for Corpach. In the end the £10m committed by government on the project was equivalent to £3500 per job created at the development⁷²⁰, almost 50% over what the Board of Trade had originally said it was prepared to go to.

Whilst Tomlinson's argument that 'unemployment remained the key issue for regional policy'⁷²¹ may be true of the rest of the UK, it doesn't quite hold entirely true in relation to the Highlands, with the Scottish Office providing an alternative focus point in regional development.⁷²² Unemployment was certainly a key issue in the Highlands, but not *the* key issue. Quelling depopulation (particularly the HIDB's 'Project Counterdrift' population policy), encouraging repopulation and establishing the Highlands as a place where industry could successfully locate were of more immediate concern to the Scottish Office, not least in light of the political advantage to be accrued from this approach. Harvie argues that the more developed nature of Scottish regional policies versus the English regional bodies contributed to their relative success.⁷²³ The creation of the SDD predated Labour's election in 1964 and the National Plan and allowed the department time to gain experience and develop a perspective distinct from other UK regional planning bodies based on acceptance of Toothill's growth pole recommendations. Highland Development was consequently firmly focused on the 'growth centre' aspect of regional development whereas elsewhere in the UK, particularly in England, the alleviation of unemployment and the relief of congestion in the Midlands and South East were the main focuses of policy, as detailed in the National Plan.⁷²⁴ The Rootes car factory being located in Linwood is an example of the attempts at alleviating congestion in the Midlands and focusing on unemployment in Scotland - Rootes had originally wanted to expand operations at its site in the Midlands, but were coerced into locating in a depressed

⁷²⁰ Pulp Mill State of Play- Memorandum for Secretary of State for Scotland by SDD, 08/11/1962, NAS DD12/2946.

⁷²¹ Tomlinson, J, *The Labour Governments, 1964-70, vol. 3: Economic Policy*, (MUP, Manchester, 2004), pg. 86

⁷²² Halkier, H, *Institutions, Discourse and Regional Development*, pg. 174.

⁷²³ Harvie, C, *No Gods and Precious Few Heroes*, pg. 143.

⁷²⁴ HMSO, *The National Plan*, Cmnd 2764, (HMSO, London, 1965), pp 11-12.

area in Scotland through the use of the Industrial Development Certificate scheme. Another example of a depressed area receiving special attention was the North East of England. The North East Development Council was created in 1961 as a reaction to the growing unemployment in the region, but also to the findings of the Toothill Report, closely followed by the appointment of Lord Hailsham as Minister with special responsibility for unemployment in the North East in 1963.⁷²⁵ The area had been suffering from severe unemployment and the Council's predecessor The North East Industrial and Development Association was a vocal critic of economic policies in the area until the Council's creation. However, the two regions differed on the focus of regional policy in each: the focus in the North East was on unemployment alleviation whereas in the Highlands it was primarily on repopulation. Tomlinson's point about unemployment alleviation as the focus of regional policy certainly applies in relation to the North East, but less so in the Highlands.

The unsuitability of the Highlands for housing large-scale, labour intensive industries is vital in understanding the failure of the four developments to act as growth centres for industry. The Highlands has suffered and continues to suffer from a lack of transport infrastructure. The 2005 HIE document *A Smart and Successful Highlands and Islands* called for an improvement to transport links in the region arguing that 'continued improvements in the transport infrastructure are essential to the long-term development of the Highlands and Islands.'⁷²⁶ The same calls were being made by the SC(DI) in its report on Highland transport costs in 1951, but have gone mostly unheeded - with the exception of the improvements made to the A9, which still remains a trunk road to this day, but is the main arterial road route through the Highlands. There is a stramash currently regarding upgrading of the A9 to dual carriageway status for its entire length with the road being responsible for 83 deaths in the past five years alone.⁷²⁷ The Highlands has suffered from a severe lack of investment with many of the roads remaining single lane with passing points. The

⁷²⁵ Bowden, P, 'Regional Problems and Policies in the North East of England', *The Journal of Industrial Economics*, vol. 13, 1965, pg. 29.

⁷²⁶ HIE, *A Smart and Successful Highlands and Islands*, (HIE, Inverness, 2005), pg. 7.

⁷²⁷ See http://news.bbc.co.uk/1/hi/scotland/highlands_and_islands/6248588.stm and <http://thescotsman.scotsman.com/index.cfm?id=1975712005> for more details on this.

lack of roads suitable for freight as well as even simple two-way lanes in the area was compounded by the scarcity of rail lines to take the pressure off the road network. The rail network in the Highlands is primarily based on the old lines built to serve the great hunting lodges of the Highland Lairds, not heavy industry. The transport infrastructure in the area was dealt a blow by the Beeching Report's insistence on a shift in the focus of funding to rail lines that ran profitably and the loss of several Highland lines. The Glasgow to Mallaig line was kept open in spite of its lack of profitability as a result of a meeting between Dr Frankel of Scottish Pulp and Dr Beeching and the agreement that the line would be used to transport wood to the Corpach development. It is now used primarily to transport tourists to Fort William and the surrounding areas, contributing in no small measure to the growth of tourism in the area.

The growth of tourism in the Highlands has seen it become the biggest industry in the region, but has taken some time. During the 1960s tourism was considered by some as the 'soft option'⁷²⁸ for solving Highland problems - a seasonally fluctuating industry that could be relied on only to assist with 'consolidation in some of the main centres [of population] and give a supplementary income to the dispersed population engaged in primary and service industry'.⁷²⁹ Regional policy was thus focused primarily on other more traditional industries such as agriculture and fishing, but primarily on manufacturing. Robert Grieve, in his first report as Chairman of the HIDB, acknowledged the negative view of tourism held by some stating 'There is a tendency in some quarters to rate employment in the tourism industry as second-rate or menial.'⁷³⁰ Grieve was aware of the tension between the encouragement of tourism and the desire for the Highlands to be industrialised claiming that the latter contained,

⁷²⁸ Grassie, J, *Highland Experiment*, pg. 27.

⁷²⁹ HMSO, *The Scottish Economy, 1965 to 1970*, Cmnd 2864, (HMSO, Edinburgh, 1966).

⁷³⁰ HIDB Annual Report 1966, pg. 24.

...the implicit assumption that any manufacturing industry, no matter how useless or dubious its product in terms of sense, is somehow more honourable than an industry which is designed to give a visitor a warm welcome, a comfortable bed and good food.⁷³¹

It wasn't the case that establishing manufacturing in the Highlands was considered more honourable in the confines of St Andrews House (although it may well have been in wider Scotland), rather that it brought people to the area and provided more full-time, non-seasonal, jobs, thus silencing the critics and quelling nationalist fervour. That it served these purposes was certainly deliberate - the protection of the Union was important to the Scottish Office as Westminster's overseer of Scottish development. Levitt's description of the Scottish Office as being in the Dundas mould - massaging if not manipulating Scottish opinion⁷³² - is pertinent here. The establishment of new manufacturing plants elsewhere in both Scotland and the UK meant that any exclusion of the Highlands from the same policy would have inevitably been met with dismay and accusations of leaving the area behind in industrial development - witness the responses to the government's announcement that the Fada-Fionn hydro-dam was not going ahead; as a result the Scottish Office was clear that it needed to demonstrate its 'sincerity in regional development in the Highlands' in its attempts at securing Dounreay as the location for the PFR. Scottish sentiment in many respects dictated regional policy decisions in the Highlands resulting in the belief in the Scottish Office that only grand gestures of large, technologically advanced manufacturing plants could demonstrate and deliver its sincerity to Highland development in a way that investment in tourism and infrastructural development never could. Furthermore, it was symptomatic of the Scottish Office's unerring commitment to top-down planning.

The problem of the lack of infrastructure in the Highlands meant that Toothill's idea of establishing 'growth centres' as a means towards achieving greater economic

⁷³¹ HIDB Annual Report 1966, pg. 2.

⁷³² Levitt, I, 'Too deeply committed', pg. 58.

growth in Scotland would never be fully realised in the area. More pertinently, Toothill at no point made it clear in the seven mentions of the area in his report that he was even suggesting the Highlands as a place in which such a policy could be pursued successfully. The Scottish Office ventured and acted upon the idea that the four developments could act as growth centres of its own accord. Toothill made the suggestion that ‘geographical location, communication facilities, development potential or established industrial base’ offered the best potential for growth. The Highlands offered none of these, explaining in part why the idea of growth centres was never realised. That there are still calls in the present day for improvements to transport infrastructure in the region demonstrate how little has been achieved in this respect. The lack of infrastructure combined with the small labour pool and lack of easy access to and from the developments to markets meant that there was little or no incentive for companies to move to the area other than the considerable financial inducements provided by government and the fact that Industrial Development Certificates were difficult to come by without acceptance of government direction in where to locate. Without the inducements and certificates, it is unlikely many companies would have chosen to locate in the area at all.

Statistical analysis: impact on population and unemployment and final cost of the four developments

Population

The reversal of depopulation and addressing unemployment were two of the main aims of the four developments. The population decline the Highlands had experienced over previous hundred years or so from the period 1851 onwards was identified as being a major obstacle in the way of the area’s regeneration. Willie Ross made this clear in his introduction to the bill⁷³³ to establish the HIDB as well as it being an issue discussed within the Scottish Office at length in various correspondences. The concern over the declining population in the area and its consequent strain on the

⁷³³ *Hansard*, House of Commons Debate, 16/03/1965, vol. 708, column 1080.

Exchequer was one that really came to prominence as a result of the 1961 Census. The Census confirmed the suspicions many held in government and elsewhere that the Highlands was suffering from serious depopulation that, if left unchecked, could leave the area behind in the pursuit of economic growth. The widespread loss in numbers resident in the area as a whole during the period can be seen more clearly in Table 6.1:

Table 6.1 Long run Highland population change compared to Scotland and UK, 1851-1961

Area	1851	1921	1931	1951	1961	% Change +/-
Highlands	423880	371372	323277	316471	304161	-28.2
Scotland	2888742	4882500	4803000	5096400	5179300	+79.3
UK	22259000	44072000	44074000	50290000	52807000	+137.2

Source: HIDB, *Annual Report*, 1970 to 1981, HIDB, *Review of the HIDB Economic & Social Change in the Highlands*, (HIDB, Inverness, 1987), pg. 4,
www.parliament.uk/commons/lib/research/rp99/rp99-111.pdf
www.geo.ed.ac.uk/home/scotland/pop.html &
<http://www.statistics.gov.uk/StatBase/Expodata/Spreadsheets/D3400.xls>

The Census revealed that between 1921 and 1961 the population of the area declined from 371,372 to 304,161 – a percentage loss of 28.1% in only 40 years. The long run of population loss in the area was marginally higher at 28.2%, but the recent loss was serious enough to prompt action. Compared to Scotland’s population, the Highlands’ loss was considerable against what was a fairly small increase nationally at the Scottish level of 6.1% for the period 1921-61, despite the ongoing loss nationally represented by emigration during the period - between 1951 and 1981 753,000 Scots left the country.⁷³⁴ The long run comparison however is even starker. The Highlands’ population had declined by just over a quarter in the same period that Scotland’s population increased by nearly 80% and the UK’s population had increased by 137.2%. This is understandable in terms of the effects of industrialisation - the Highlands missing out on the large-scale urbanisation and mechanisation of labour other parts of the country experienced meant there was a natural drift towards

⁷³⁴ Finlay, R, *Modern Scotland*, pg. 302.

industrial areas for people in search of jobs, greater economic reward and increased social interaction.

Table 6.2 shows the longer term population changes between 1921 and 1989:

Table 6.2 Population by Highland areas related to developments by year

	1921	1931	1951	1961	1971	1981	1989
Caithness	28285	25656	22710	27370	27915	27636	26560
Ross & Cromarty	31753	28995	28713	28199	30480	46924	48310
Lochaber	11426	11090	13783	14236	15597	19491	19110
Badenoch & Strathspey	10944	6794*	9497	9093	9099	9860	10880
HIDB Area	371372	323277	316471	304161	307532	342098	345489

* Badenoch figures only.

Source: HIDB Annual Reports, 1975-90. (1989 last publication of population stats by HIDB)

Table 6.2 demonstrates the impact of the developments on the population of the Highlands and the areas in which they were located was marked, except in the case of Aviemore with the Badenoch & Strathspey area staying relatively constant. Of the four developments, the Invergordon smelter's impact is perhaps most obvious with the population increasing by 66% between 1961 (prior to any construction starting on the smelter) and 1981 just prior to it closing. North Sea oil linked work (primarily Highland Fabricators' operations at Nigg Bay) and the operations at Invergordon Distillers meant that the population levels in the area were at least sustained throughout the 1980s. The Corpach mill also had a considerable impact on the local area with the population increasing by 37% between 1961 and 1981. The impact of Dounreay needs to be considered over a longer period as the first reactor predates the 1961 figures, but its effect is still clear - between 1951 and 1981 the population increased by 22%. It should be kept in mind when assessing the impact of these four developments discussed that there were other industries in operation in the areas of course, but crucially to any evaluation of the 'growth centre' aspect, none of them were attracted to the area by the developments or offered any kind of synthesis with

them. The developments nonetheless had an overall positive effect on the population of the areas in which they were located. With this in mind, the question of unemployment levels must then be addressed in any assessment of the developments' impact on the areas.

Unemployment

The closure of the Corpach and Invergordon developments had a massive impact on unemployment levels in these areas. Table 6.3 demonstrates the change in unemployment levels from 1971 to the levels experienced by the areas after the closure and run down of the three main labour-intensive developments.⁷³⁵

Table 6.3 Average percentage unemployment by Highland areas related to developments (excluding Aviemore) compared to Scotland by year

	1971	1981	1982	1983	1984	1989	1990
Caithness	8.8	12.4	14.2	13.9	14.0	10.1	10.0
Ross & Cromarty	10.0	12.3	19.7	17.6	19.0	11.3	12.5
Lochaber	5.3	14.2	17.2	19.4	18.4	11.9	9.1
HIDB Area	7.9	11.7	14.1	13.7	14.2	9.9	8.9
Scotland	7.4	10.7	11.8	12.4	12.7	9.3	8.2

Sources: HIDB Annual Reports 1977 – 1990, Scottish Economic Bulletin, 1984-1994.

Table 6.3 shows that, with the exception of Lochaber in 1971, Highland unemployment was consistently higher than the Scottish national figure for the period 1971-1990. The Lochaber area went from having full employment prior to the opening of the Corpach development, to suffering from 5.3% unemployment in 1971 - in part a result of second generation unemployment through the failure to attract further industries to the area. Unemployment grew because children of those who had

⁷³⁵ The area in which Aviemore is situated, Badenoch & Strathspey, is not included in the table as consistent data is not available due to boundary changes throughout the period. No suitable data for pre-1970 unemployment rates in specific Highland areas is available.

been attracted to the area to work in the mill couldn't find work whilst the underperformance of the mill meant that there were few spare jobs available there either. Worse was to follow however. As a result of the pulp mill's closure the area suffered a substantial increase in unemployment figures to 19.4% in 1983. From being an area of full employment only twenty years previously, Lochaber found itself with almost 1 in 5 of its residents unemployed in 1983, but back in the situation of being hugely dependent on the aluminium smelter again for non-seasonal employment. The closure of the Invergordon smelter the same year saw a similar trend. Unemployment levels in the vicinity jumped from 10% in 1971 to 19.7% - almost double the 1971 figures. From being intended as acting as growth centres, the closure of the developments instead resulted in burdening the areas in which they were located with unemployment on a large scale.

The success of the HIDB's focus on small-scale business start-ups and the effect of the oil industry's maintenance requirements for the rigs meant that the Highlands, having been the recipient of enormous levels of funding for large-scale industrial development that increased unemployment levels when the developments failed, eventually found itself redressing the problems caused by previous governmental actions through its own efforts and responses to market requirements. North Sea Oil developments in the form of Highland Fabricators and the maintenance of oilrigs in the Cromarty Firth saw unemployment levels lessen in the Ross and Cromarty area somewhat from the mid-1980s onwards, as shown in Table 6.3. The Caithness area also fared better from the same period, in part because of the efforts of the HIDB in encouraging business start-ups such as Norfrost and Caithness Glass, but also due to the large numbers employed at Dounreay. The plant's decommissioning, a decision taken in the 1990s, is expected to take until 2036 and cost almost £3bn, employing several thousands in the process.⁷³⁶ When the region was left to fend for itself it performed much better, a point made by Hunter recently.⁷³⁷ The facilitation of growth through supporting small-scale enterprise, coupled with the North Sea Oil

⁷³⁶ <http://news.scotsman.com/topics.cfm?tid=566&id=128482007> accessed 25/01/07.

⁷³⁷ <http://news.scotsman.com/scotland.cfm?id=1398942007> accessed 03/09/2007.

effect, was and has been a more successful policy. However, North Sea Oil wasn't discovered until the 1970s and the policy of encouraging small-scale start-ups was not a realistic option for the government in the Highlands in the 1960s when the rest of the country was receiving large technological ventures. Consequently, the government was faced with very little choice but to embark on the projects discussed. Consideration had to be given to developing the Highlands industrially and technologically due to the political capital that could be realised by ensuring that the area wasn't left out of the 'dynamic, exciting, thrilling change' promised by the Wilson government.⁷³⁸ However, the approach was flawed in that it didn't go far enough by including infrastructural development as well. In spite of this, the result was expenditure on a significant scale.

Government expenditure on the four Highland developments, 1960-1990

Modernising and industrialising the Highlands had become of such concern to the government that by the end of the 1960s the area was receiving 10% of all government expenditure in Scotland, in spite of having only around 5% of the population.⁷³⁹ Public expenditure per head in Scotland was over 20% higher than the British average at the same point.⁷⁴⁰ By 1970, according to the estimates given for each development at their time of construction, government had either spent or committed approximately £151.34m on the four industrial ventures in the Highlands. Table 6.4 shows the agreed cost of each development to government at the outset for the four developments by 1970:

⁷³⁸ Wilson, H, *Purpose in Politics: Selected Speeches by Rt. Hon. Harold Wilson*, (Houghton Mifflin, London, 1964), pg. 249.

⁷³⁹ Newlands, D, 'The Regional Economies of Scotland', pg. 170.

⁷⁴⁰ Harvie, *No Gods and Precious Few Heroes*, (EUP, Edinburgh, 1998), pg. 144.

Table 6.4 Composition of government expenditure on four developments in the Highlands (at 1970 prices)

Area	Amount (£m) *
Corpach	13.50
Aviemore	4.74
Dounreay	99.45
Invergordon	33.65
Total	151.34

* Figures given are calculated using the values agreed by government from the year of the agreement for each development using Lawrence H. Officer's, 'Purchasing Power of British Pounds from 1264 to 2006.' <http://www.MeasuringWorth.com>, 2007. Years of agreement for government expenditure for each development: Corpach - 1963, Aviemore - 1966, Dounreay - 1964 & 1966, Invergordon - 1968.

Source: Figures taken from discussion of each development's agreed cost at planning stage in *Hansard*, vol. 675, House of Commons Debate, 10/04/1966, col. 1377 - 1437 (Corpach), Letter from Pottinger to Law, Department Agriculture and Fisheries Scotland, 14/01/1963, NAS SEP12/519 (Aviemore), Cabinet discussion, 08/02/1966, TNA PRO CAB128/41 & Telex from Bell, Scottish Office to Pottinger, London entitled Notes on Dounreay, 13/12/65, National Archives Scotland folder NAS SEP14/1619 (Dounreay) & *Hansard*, vol. 773, House of Commons, col. 1455, 20/11/1968 (Invergordon).

The total spent on the developments of approximately £151.4m by 1970 works out at £1.62bn at 2006 prices.⁷⁴¹ Highland development was then an expensive undertaking by the government, with little left to show for it save for the Aviemore development, ironically enough the cheapest of the four developments the government invested in. If the figures are taken to be even semi-accurate, there can be no conclusion other than the money was wasted on a colossal scale. The money spent may have achieved short-term aims of satisfying political ends, but the long-term economic objectives set out for the developments were not met and resulted in the exacerbation of the social problems they were intended to ameliorate. There is the counter argument that the developments at the Corpach, Dounreay and Invergordon would have happened elsewhere if not the Highlands which is certainly true but, crucially, this in itself

⁷⁴¹ Calculated using LH Officer's, 'Purchasing Power of British Pounds from 1264 to 2006.' <http://www.MeasuringWorth.com>, 2007.

illustrates one of the central arguments in the thesis; the developments in the region were not about primarily about the Highlands. They were about satisfying Scottish and UK national needs, both economic and political, and only happened as a consequence of convergence of policy aims at the Scottish and UK national levels. An example of this is the neo-protectionism and contribution to the balance of payments aspect present in each of the developments.

Political economy of Highland development – neo protectionism, modernity and the UK national interest

Neo-protectionism and the balance of payments

Each of the four developments in the Highlands possessed an aspect of neo-protectionism relative to the British balance of payments problem. Proposals by Scottish officials regarding each of them made clear the potential benefits they would have to the UK national economic situation and in particular the balance of payments problem. Consequently, boosting domestic production of certain vital products provided the country with a degree of protection against potential price increases from foreign imports. During the planning phases the Scottish Office presented all four developments to Whitehall as potential considerable contributors to the balance of payments problem and a means of ensuring a degree of domestic protection against external price fluctuations that could hinder progress on that front. Britain's balance of payments situation during the planning and discussion period for all four developments can be seen in Table 6.5:

Table 6.5 British balance of payments in the 1960s (£m)

Year	Visible Balance	Invisible Balance	Official Balance	Private Invisible Balance	Long-term capital net outflow
1960	-406	+151	-282	+433	-175
1961	-152	+158	-332	+490	-134
1962	-102	+224	-360	+584	-130
1963	-80	+204	-382	+586	-145
1964	-519	+143	-432	+575	-159
1965	-237	+185	-447	+632	-170
1966	-73	+156	-470	+626	-139
1967	-552	+254	-463	+717	-197
1968	-643	+355	-466	+821	-327

Source: Tomlinson, J, *The Labour Governments, 1964-70, vol. 3: Economic Policy*, (MUP, Manchester, 2004), pg. 13.

The Visible account and Official balances in the first three columns are of most interest relative to the discussion here. The visible account balance represents trade in goods - for the entirety of the 1960s Britain was in deficit on this count, just as it was for the Official balance.⁷⁴² Thus, pitching the developments in the Highlands as being important to the UK national interest through immediate or near immediate contributions was vital. The Invergordon aluminium smelter and Corpach paper-pulp mill are direct examples of this. It was made absolutely clear that the smelter project that Invergordon was a part of was aimed directly at contributing to the balance of payments to the tune of a mooted £15m per year. The Corpach project was expected to save Britain £8m per year on paper and pulp imports. Aviemore was about encouraging domestic and dollar-based tourism through the development of the site as the 'Scottish St Moritz' and contributing to the balance of payments concern through the encouragement of domestic spending and dollar-tourism in Scotland, which accounted for £7.29m by the end of the 1950s - over half of all tourist spending at the time. The PFR at Dounreay was primarily about sourcing a cheap form of energy production and selling the technology abroad, protecting British energy supplies whilst helping offset the balance of payments imbalance, at least in theory if

⁷⁴² For a more in depth discussion of the table, see Tomlinson, J, *The Labour Governments, 1964-70, vol. 3: Economic Policy*, (MUP, Manchester, 2004), pp 12-17.

not practice. Had fast reactor technology been successful it would almost certainly have raised tens if not hundreds of millions in export value. The Scottish Office's political nous allowed it to steer the discussion towards the political and social argument of helping the Highlands with the national UK economic benefit firmly embedded in the proposals.

Technology and Modernity

The technological aspects of three of the four developments and their explicit connection to the idea of modernity were a deliberate move on the part of government at showing its commitment to the modernisation of the Highland economy and diversification of Scottish industries through economic planning and intervention. Wilson's 'white heat' speech characterised Labour's commitment to modernity - technology was to be used to improve Britain's economic fortunes and the Highlands were no different. The Conservatives were similarly committed to modernising industry in Scotland, having been in charge of the decision for the first reactor at Dounreay, much of the planning for the Aviemore development and the planning for the Fort William mill. This was as much a case of leaving the Scottish Office to its own devices as anything else however - the Scottish Office was though very keen to utilise new technologies to help solve the economic problems of the country, evidenced by its eagerness to take Toothill's suggestions onboard. The paper pulp mill at Fort William was the first fully integrated paper pulp mill in the country using the new Swedish Stora process in its operations. The second reactor at Dounreay was at the cutting edge of technology and intended to demonstrate Britain's lead in the Fast Reactor technology race and the aluminium smelter at Invergordon was to make use of the newly constructed Hunterston AGR nuclear power station for its ostensibly cheaper electrical supply. Crucial then to explaining the failures in the Highlands of three of the developments is the issue of technology and its failure. The Corpach mill's adoption of the Stora process was a major flaw from the beginning - it was adopted on the basis of producing a less obnoxious smell than the cheaper Kraft process used by Scandinavian producers, but caused operational problems from an

early stage, was expensive meaning the mill had to run at full operational capacity to remain profitable and was then made obsolete by its lack of adaptability to change in the international paper market. The Invergordon smelter suffered a spectacular failure in technology being based as it was on the promise of cheap nuclear-powered electricity from the Hunterston AGR station that never materialised, resulting in massive deficits in its accounts with NSHEB. Dounreay's technological woes were also considerable with fast reactor technology never proving workable on a large scale without severe safety issues and with it environmental damage. The technological problems from poor choices to outright failure thus contributed in no small measure to the difficulties leading to the closure of three of the four developments.

Aviemore managed to avoid the major technological problems that beset the other developments. The Aviemore development was as much about commitment to modernity as the others, but with a subtle twist. Developing the new industry of tourism, in the face of no small criticism, through support for the establishment of facilities to encourage winter sports and conferences in the area was arguably the most successful policy pursued by government during the period. It didn't rely on high-technology manufacturing, but was arguably the most post-modern approach to Highland development and the most successful example of diversification of industry in the area. There is now a thriving tourist industry in Scotland with Aviemore playing no small role in it - over the last five years around £80m has been spent redeveloping the site of the original development to modernise it further⁷⁴³ with about £8m of this coming from the public purse.⁷⁴⁴ Where Aviemore was a modern approach to the region in terms of its focus on developing tourism and the service sector, the other three developments were ensconced firmly within the paradigm of manufacturing-focused development. Manufacturing was what the Scottish economy had been primarily focused on and it was clearly the case that many believed new, more modern manufacturing industries were the future. The archaic structure of the

⁷⁴³ <http://news.bbc.co.uk/1/hi/scotland/4284788.stm> accessed 15/04/2006.

⁷⁴⁴ <http://news.bbc.co.uk/1/hi/scotland/725437.stm> accessed 15/04/2006.

Highland economy prior to the establishment of these new developments and its focus on crofting and fishing meant that realistically any new manufacturing-focused industries located there represented a massive step forward in the technological status of the area. That the industries were located there however was a result not necessarily of a genuine desire to improve the status of the Highland region through technology and modernisation of industry, but of what the potential political consequences of ignoring the area would be.

The Scottish Office was fully aware of the pitfalls of ignoring the region and consequently fought hard for continued investment for it. Haddow's assertion that the Highlands was a problem area that had to be kept quiet is a clear indication of this. With the rest of the UK being gripped by the dash for technologically focused industrial development it was only natural that the Scottish Office would seek to capitalise on this for Scotland. However, in taking such an active and direct role in the economy of the region, and more generally Scotland, the Scottish Office can be assessed to have achieved less economically and industrially in the period 1945-82 than could reasonably have been expected given the vast sums of money spent. Of the developments pursued across the country Dounreay has been decommissioned and the developments at Invergordon, Corpach, Ravenscraig, Bathgate, and Linwood have all closed. The dream of a technologically modern, manufacturing-based Scottish economy severely dented as a result. The Highlands had suffered the closure of its large manufacturing plants ten years previously however, leaving it with North Sea oil activities as its main heavy industry, effectively devoid of government interference. The area may have experienced an economic boom in the 1960s and early 70s with the attention and money from government, but when the inward investment was withdrawn disaster struck. This proved to be a blessing in disguise as the Highlands now has a modern economy based on the natural resources of the area through tourism and a strong communications infrastructure that has only grown since government attention switched to a market driven approach of facilitating rather than prescribing growth with the HIE. Governmental investment of millions of pounds in the development of the communications infrastructure in the area over the

past decade and into the future has helped establish an ‘integrated digital services network’⁷⁴⁵ in the Highlands and has been described as a ‘communications revolution’.⁷⁴⁶ Modernity came to the Highlands, not through governmental economic planning and intervention, but perhaps ironically by taking the route Frank Cousins mentioned in relation to Dounreay and leaving the people to it, albeit without the beneficence he suggested.

The politics of Highland development

Politically, the relative decline of the Highlands gave considerable cause for concern amongst many in government, at both Scottish and British levels, and directly informed the development of policy aimed at halting the migration flow south. Haddow’s suggestion of keeping the area quiet by chucking buns across the fence was one that characterised post-Second World War development in the Highlands. It was not desirable to have large-scale population movement from the Highlands given its importance to the vocal Highlanders who’d moved to the Central Belt region between Glasgow and Edinburgh where the majority of the Scottish population, and Scottish based parliamentary seats, were located. Unemployment in the area was rife and continued to be so until the developments took root and began to operate. Further, the area accounted for around two thirds of the entire Scottish landmass and it was considered a potential security concern to have effectively nobody living there. In addition, any development in the Highlands was of course predicated on people actually being there. Privately, Willie Ross viewed Highland development as a way of strengthening the Union and diluting support for the growing nationalist movement, finding support for this view in the corridors of St Andrew’s House, not least his head civil servant Haddow. Support for the SNP in the early 1960s grew markedly. The nationalists saw their position and influence in Scottish political life develop - putting up 15 candidates in 1964, winning 64,000

⁷⁴⁵ *Hansard*, House of Commons Debate on Communications Bill, vol. 395, 03/12/2002, col. 828 and <http://www.btbroadbandinformation.com/news/document-142-346.php> accessed 15/07/2007.

⁷⁴⁶ Munro, G & Hart, K, ‘The Highland Problem’: State and Community in Local Development’, *Arkleton Research Papers No. 1*, (Arkleton Centre for Rural Development Research, Aberdeen, 2000), pg. 37.

votes followed by putting up 23 candidates in 1966, before then going on to win 69 burgh and county seats in 1967, gaining 200,000 votes. Both Halkier and Marr pinpoint Winnie Ewing's by-election win in Hamilton in 1967 in a staunchly Labour seat and on paper the safest one the party had in Scotland as the real sign that the Nationalists were a growing force in Scotland.⁷⁴⁷ This was proof that Nationalism was a growing threat to the Union and the assessment of the UK Cabinet was focused on two explanations and answers to it: 1) that it was confirmation that the relationship between local and central government needed to be addressed (especially in light of the large variations in British local elections at the time) or 2) that it was a protest vote that either had to be tolerated or slapped down.⁷⁴⁸ Willie Ross firmly believed that it was a protest vote that needed to be slapped down and acted accordingly, winning more developments for the country and demonstrating how the Union benefited Scotland.

The growing support for the Nationalists was of great concern to the Labour party in Scotland at this point and Ross increased his attacks on them, famously labelling them 'Tartan Tories' at one stage.⁷⁴⁹ As Harvie makes clear, Ross viewed his role as part of the Labour Party to preserve the Union and combat the growing Nationalist sentiment through 'socialist policies'⁷⁵⁰, i.e. gaining as much as he could 'win' for Scotland; following happily enough in the footsteps of his Labour predecessor Tom Johnston who had perfected the art of using the Nationalist bogeyman as a means of securing investment and increased powers for use in Scotland. The second reactor at Dounreay is a perfect example of Ross' attitude towards Scotland and Westminster and the primacy of politics in regional policy as conducted in the Highlands. It was a grand gesture to locate the new reactor in Dounreay, in diametric opposition to the advice of experts in the Ministry of Technology and UKAEA in favour of Harwell, and designed to show the beneficence of the UK government and its commitment to arresting industrial decline in both the

⁷⁴⁷ Marr, A, *The Battle For Scotland*, pg. 118 & Halkier, H, *Institutions, Discourse and Regional Development*, pg. 153.

⁷⁴⁸ Harvie, C, *No Gods and Precious Few Heroes*, pg. 148.

⁷⁴⁹ Marr, A, *The Battle For Scotland*, pg. 118.

⁷⁵⁰ Harvie, C, *No Gods and Precious Few Heroes*, pg. 148.

Highlands and Scotland. Ross and his team pushed heavily for it, aided and abetted quite ably by the HIDB and Robert Grieve. The new reactor was intended primarily, at least in the minds of those in London, to help the UK national economic and political situation in respect of the balance of payments however. That it would also help Labour gain a crucial extra seat at Westminster was kept unsurprisingly quiet. Cousins, previously a firm opponent of Dounreay's claims to the new reactor and its likelihood of bringing more industry to the area, announced that its location there represented a 'restoration of confidence in the economy of the Northern Scottish area' to the BBC, demonstrating a swift about turn any military drill commander would have been pleased with. The reactor wasn't representative of a restoration of confidence in the area at all. It was a result of effective politicking on the part of the Scottish Office and Secretary of State. Ross cajoled his way into 'winning' the PFR for Dounreay, in spite of it being made clear by officials at UKAEA and the Ministry of Technology that it simply wouldn't act as a growth point. Thus, the question of whether the PFR should have been sited at Dounreay at all is pertinent.

Dounreay is very remote and difficult to get to - it has very little transport infrastructure and very distant from markets and centres of population. Bringing potential buyers of the technology to the UK then flying them up to Dounreay to demonstrate the safety of the reactor, up on the most northerly part of the UK mainland and several hundred miles from the most populated area in the country, would hardly have been a selling point even if the technology had worked successfully. Even today it takes about 6 hours driving or 8 hours by train from Glasgow and Edinburgh - London is more easily reachable than Dounreay as well as being further away from Scotland's two main cities. The peripherality of the Highlands, and in particular Dounreay, from centres of populations and markets is emphasised, albeit inadvertently, by O'Hara's assertion that:

Britain's distressed areas were seen as another and central part of Britain's economic problems. These regions - particularly South Wales, Central Scotland, North East England and Merseyside - had long suffered from a

number of economic handicaps. They were hundreds of miles from the new industrial heartlands and markets of the Midlands and South East England.⁷⁵¹

Dounreay of course is even further away and suffered from poor transport links, declining population and a lack of industry. The decision to locate the PFR there then should only be understood as a political decision taken in light of the political climate the government was operating in at both Scottish and UK levels. Dounreay helped Labour win the Caithness seat at a time when it was hanging on by its fingertips in London and consequently helped maintain the strength of the Union. In short, politics won out over effective regional planning.

That the PFR was located in the most northerly part of the UK mainland over seventy miles away from the nearest centre of population was hardly a demonstration of the safety aspect of it or a decision that took transmission issues (in the event of electricity production to the grid) into account. Patterson asks whether it makes sense to locate it there ‘even to win a seat for Parliament?’⁷⁵² The answer was clearly yes to Ross et al. Further, relative to the role of the Scottish Office, the PFR was essentially an experimental venture, albeit one that was expected to reap dividends in terms of workable and sellable technology and when fully working, produce electricity for the National Grid. It was made clear, quite correctly, by Cousins, the Ministry of Technology and UKAEA that it would not act as a growth centre in attracting industries to the area. The only notable industries in the Caithness area other than the reactor have been Caithness Glass, an ornamental glass manufacturer, and Norfrost, a refrigeration company - both of whom have experienced considerable difficulties in remaining afloat since their creation in the 1960s and 70s respectively but are still operating nonetheless.⁷⁵³ Locals set up both companies and neither is on record as having been influenced by the reactor being there. Cousin’s assertion that the government would have been better giving each local £100,000 and letting them ‘get

⁷⁵¹ O’Hara, G, *From Dreams to Disillusionment: Economic & Social Planning in 1960s Britain*, (Palgrave, Basingstoke, 2007), pg. 101.

⁷⁵² Patterson, W, *Going Critical*, pg. 105.

⁷⁵³ <http://thescotsman.scotsman.com/business.cfm?id=1929772005> & <http://business.scotsman.com/industry.cfm?id=1134782006> accessed 12/03/07.

on with it' has more credence as a result. For Dounreay to have a chance of coming anywhere near to being a growth centre then extensive infrastructural investment was required to reduce its peripherality and make it more attractive to business and people to move there.

Cousin's suggestion, irrespective of how unrealistic it was at the time, has resonance given the current successful strategy of Highlands and Islands Enterprise (HIE) and its market driven approach to economic development. HIE has presided over considerable growth in the area since its inception in 1991 - the area's population is now more than 435,000 and it has 19,000 businesses in operation.⁷⁵⁴⁷⁵⁵ Its focus on small-scale industrial development finds its roots in the approach of the HIDB and its limited resources for encouraging development. The HIDB played a public role in the location of three of the developments the thesis details - Corpach, Dounreay and Invergordon - but did not contribute financially in any way towards them. Instead, the HIDB focused on the promotion of the Highland cause in regional policy terms, emphasising the need for development and encouraging central Scottish and UK departments to consider the area as being suitable for larger industrial projects whilst encouraging smaller businesses, including the likes of Norfrost and Caithness Glass, to start up with loans and grants being made available where necessary.⁷⁵⁶ The Scottish Office's approach was conditioned as much by political necessity as a genuine desire to see the Highlands be able to support itself. Ross was a staunch supporter of the area but was fully aware of the political desirability of being cast as the public face of Highland development and how well it would play with the Scottish public at large. Ross' sentimental and emotive introduction of the Highlands and Islands Development Board bill to the House of Commons in 1965 tapped into an ongoing argument that found its roots in the 1930s that the treatment of the Highlands constituted a 'special case' due to its unique characteristics. Coupled with his passionate defence of the proposed new board in the ensuing debate, Ross showed he was well prepared to argue the case of the area at national level and use whatever

⁷⁵⁴ HIE, *A Smart & Successful Highlands and Islands*, (HIE, Inverness, 2005), pg. 1.

⁷⁵⁵ <http://www.hie.co.uk>

⁷⁵⁶ HIDB Annual Report 1983, pg. 5.

emotional pull he could. The intransigence Ross displayed in relation to locating the PFR at Dounreay and his willingness to argue the case in the face of considerable opposition at Cabinet level demonstrated his clear belief that Scottish economic and industrial development was central to Labour's parliamentary ambitions. Given that the party was proportionally more politically successful in Scotland than south of the border, it made sense to continue to support Scottish causes, as was the case with the party in other Labour heartlands.⁷⁵⁷ These were two very powerful arguments; the political case for keeping the Highlands and Highlanders quiet and being seen to be sympathetic to its needs converged perfectly with the politically advantageous policy of catering to Scottish sentiment for the area.

The idea of Scottish sentiment for the Highlands is therefore an important one. It was recognised in the Scottish Office from the outset of Highland post-war development in discussions regarding the Corpach mill that the Scottish public was prepared to see the area 'treated specially'. Cameron's assessment that sentimental feeling for the region unduly constrained Highland policy is consequently difficult to counter.⁷⁵⁸ The idea that the area deserved special treatment in light of the depopulation and unemployment problems sparked off by the Highland Clearances of the crofters from their lands was powerful enough to characterise much of the discussion regarding Highland policy in the 1960s, helped in no small measure by the commercial success of John Prebble's *The Highland Clearances* depicting the vicious widespread evictions throughout the area in the name of modernisation and capitalism.⁷⁵⁹ Hunter contends that this was due to the Highlands and Islands being 'treated harshly and exploitatively by the Scottish state... and the United Kingdom' and that the area was owed help.⁷⁶⁰ Hunter has also claimed recently that the development in the Highlands in the post-war period was 'blood money' and a

⁷⁵⁷ O'Hara, G, 'A Journey Without Maps: The Regional Policies of the 1964-70 British Labour Government', *Regional Studies*, vol. 39.9, pg. 1190.

⁷⁵⁸ Cameron, E, 'The Scottish Highlands as a Special Policy Area, 1886 to 1965', *Rural History*, No. 8, 1997, pp 210-211.

⁷⁵⁹ Finlay, R, *Modern Scotland*, pg. 308.

⁷⁶⁰ Hunter, J, *The Last of the Free*, pg. 355.

consequence of the guilt felt on the part of government at the area's decline.⁷⁶¹ Ross' assertion that the Highlander was 'the man on Scotland's conscience' crystallises the belief that the area was somehow owed special consideration. The implication of Ross and Hunter's positions was that there was culpability on the part of the state at Scottish and UK levels for the Highlands' situation and it should be rectified. The feeling that the Highlands deserved these developments would later turn to anger after the closure of the Corpach and Invergordon developments. Levitt makes the issue of sentiment a central feature of his work on the Corpach mill, arguing that it played a defining role in the location of the mill in the West Highlands and persuading the Treasury to accept the Scottish proposal on the basis of social grounds.⁷⁶² Sentiment for the area as a result of the ills of the past was a strong influence on opinions within the Scottish Office and the desire to utilise economic planning through regional development was acted on to help achieve this. This, coupled with the fact it was a clear populist measure and vote winner only served to strengthen the public commitment of the Scottish Office to be seen to be attempting to arrest the decline in the Highlands. Large-scale industrial ventures were the perfect vehicle for demonstrating that commitment.

Final remarks

The developments discussed reveal a number of differing constraints on economic policy as applied to the Highlands and Scotland as a whole during the post-war period. The difference between the political timeframe for action and the need for time for effective economic development to take place is one constraint that is obvious from the story of the developments in the region. Economic development takes time to occur and is not immediate, whereas the political necessity of being seen to act quickly to solve the economic problems that a politician or party has been given a mandate for means that economic development can often be interrupted and impaired by political circumstances that demand action. Savoie makes a similar point

⁷⁶¹ <http://news.scotsman.com/scotland.cfm?id=1398942007> accessed 03/09/2007.

⁷⁶² Levitt, I, 'Regenerating the Scottish Highlands: pp 34-39.

in relation to economic development in the Maritime region in Canada stating: 'There is a disconnect between political and economic development time.'⁷⁶³ This is particularly true of the Highlands. For an area like the Highlands in the immediate post-war period to have lasting success in industrial or economic development a comprehensive plan emphasising the importance of transport and communications development as well as an integrated approach to repopulating the area would have been necessary. However, political circumstances - in particular the rise of Scottish Nationalism and growing discontent over the plight of the Highland area - dictated that action had to be taken and fast, meaning short-term decision making impacted on the long-term economic performance of the area significantly. Large-scale labour-intensive, technologically advanced manufacturing plants answered the calls for Highland development that had been ongoing since the 1930s and satisfied the Scottish level policy aims of industrial diversification and decentralisation from the Central Belt, repopulating and developing the Highlands, making an immediate contribution to the UK national economic and political concern and demonstrating the munificence of the government and strengthening the Union in a way that infrastructural economic development would have taken far longer to achieve, if at all.

The Highland developments took place only when Scottish Office policy aims, Highland needs and UK national economic and political interests converged, be it contributing to the balance of payments or helping win a seat in the Westminster parliament. Although the Scottish Secretary wielded such power over Scottish interests to the extent he was able to influence UK national decisions to directly benefit the Highlands and Scotland, it was only an effective tool when convergence allowed it to be. When this was the case, economic intervention in the Highlands was used as a political tool to demonstrate the UK's commitment to its most peripheral area. However, with each new development located in the region as a consequence of the Scottish Office's direction, the area became increasingly dependent on government to the extent that when government's involvement stopped, the area and

⁷⁶³ Savoie, D, *Visiting Grandchildren: Economic Development In The Maritimes*, (University of Toronto Press, Toronto, 2006), pg. 5.

industries found themselves facing considerable economic difficulties and increased unemployment. This demonstrates the importance of pursuing regional economic development in areas like the Highlands as part of a long-term comprehensive strategy that, whilst taking on board political considerations, looks beyond the short-term political mandate afforded by parliamentary election and includes development of the framework which allows industry to settle and flourish. In this instance then the role of government is perhaps better as a facilitator rather than a prescriber of economic growth. Transplanting industries to locations leads to difficulties if the areas chosen are underdeveloped and far from markets, not to say under-populated as the Highlands was, particularly if the industries and locations are inappropriate for each other. If the industries and locations are appropriate for each other, as in the case of Aviemore, then the likelihood of success is increased.

The importance of infrastructural development in establishing the projects in the Highlands was overlooked as a result of policy constraints and political short term needs, leading to implementation failure - the developments were not implemented properly to act as growth centres to pull other industries in. The tension between the short-term requirements of being seen to be running the country effectively and the long-term needs of the region are clear. Whilst an improvement in the infrastructural characteristics of the region may not have saved the developments from closure, it would have markedly improved the chances of the developments achieving their stated aims of acting as growth centres by making the area a more attractive proposition for more industries to locate in by reducing its peripherality and providing the area with a workable environment in which to operate. The only other real alternative would have been to leave the area to continue its depopulation unchecked - a politically impossible course of action at the time. The developments in the Highlands were all subject to considerable political influence which explains, in part, their difficulties in achieving the publicly and privately set out goals. The developments at Corpach, Dounreay and Invergordon were expensive and inappropriate industrial ventures that were a product of the firmly interventionist, manufacturing-focused Scottish Office mindset at the time. The Aviemore

development, although considered the soft option and by far the smallest of the four developments, is the only one that has provided any hard evidence to suggest that not all government expenditure on the four developments detailed in this thesis was inappropriately spent. As it turned out, the smallest bun happened to be the most digestible.

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