

FOREWORD BY THE CHAIRMAN OF THE BORDERS WORKING PARTY

In our Interim Report, presented in December, the Working Party set out our immediate and short-term response to the accumulating problems of the Borders economy. We also set out some ideas for establishing a new vision for the area and for a longer-term strategy to provide a secure and more modern and diversified economic future.

Such a strategy is now set out in the document “New Ways” which is being published in parallel with this report. “New Ways” offers a vision on a new economic future for the area, and a process for getting there. This report by the Working Party describes many initiatives which are now being carried forward, and which offer practical ways to start implementing the new economic strategy.

There are no easy answers to the Borders’ problems. We are really still only at the start of a long process of renewal. But I believe that the prospects are good, if we all maintain the focus and commitment which have brought us thus far. I am very grateful to all my colleagues in the Borders Working Party for the co-operation and commitment they have shown to the task. We have managed to galvanise the activities and thinking of our different organisations. Through co-operation and a bit of lateral thinking we have managed to move forward some significant projects which would not otherwise have happened. Through our commitment and the vision we have begun to establish, we have attracted new funds to implement our proposals and we have established the Government’s commitment to play its part in the future development of the area. And we have enhanced the level of co-operation and working together among local agencies that bodes well for the future.

With the completion of the Working Party’s remit, The Scottish Office will not, of course, be walking away from the problems. The implementation of the new strategy will require continuing commitment from us as much as from the other parties. We will keep closely in touch with progress, and will be on hand to help in whatever way we can.

GODFREY ROBSON

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EXECUTIVE SUMMARY

- **This is the Final Report of the Borders Working Party. It details the work undertaken by the Working Party and in particular the progress made since the Interim Report of the Working Party was issued in December 1998.**
- **The Borders Working Party was set up by Lord Macdonald, the Scottish Business and Industry Minister, on 31 August 1998. The Working Party comprised officials from The Scottish Office, Scottish Borders Enterprise, Scottish Borders Council and the Scottish Borders Tourist Board. The remit of the Working Party was to:**
 - **secure the best available outcome from the rundown of jobs at Viasystems;**
 - **identify feasible early action to create new jobs in the area; and**
 - **establish a vision for the longer-term economic development of the area.**
- **This Final Report is being issued simultaneously with the economic development strategy, “New Ways”, which sets out the framework for the next 10 years. This Final Report is in effect the initial action programme of the economic development strategy and therefore represents not the end but the beginning of the rebuilding of the Borders economy.**
- **The Working Party has fulfilled its remit. A broad range of activities have either been completed, are underway or are planned. These are detailed below. In addition to the specific actions, the Working Party has also managed to bring a national perspective and resources to a local issue whilst also broadening and deepening partnership working in the Borders.**
- **The Working Party has completed its work with the production of this Final Report. However, there is clearly still much to do. It has therefore been agreed to establish a Scottish Borders Economic Development Forum, comprising the main players in the Scottish Borders, which will take forward the work started by the Borders Working**

Party within the framework of “New Ways”. It is expected that The Scottish Office, and in turn the new Scottish Executive, will wish to maintain contact in some way with the Forum.

- **The following initiatives, studies and projects have been completed or are substantially completed:**
 - **an inter-agency response has been implemented for large-scale redundancies which provides a wide range of support to those facing redundancy, including those from Viasystems. So far this has assisted over 1,250 people facing redundancy;**
 - **the Borders Training and Employment Project has been introduced which has so far helped nearly 200 redundant workers from a variety of companies re-enter employment and there are another 30 job opportunities currently available. In addition, 244 redundant workers are now on training courses through the Training Initiative for Redundancy Support scheme;**
 - **nearly 250 new start-up businesses are currently receiving financial support from Scottish Borders Enterprise;**
 - **over £350,000 has been made available through Scottish Borders Enterprise’s Regeneration and Diversification Initiative to provide grants towards capital expenditure costs to new and existing businesses in growth sectors;**
 - **£53,000 has been spent supporting 16 local businesses develop new products and processes, and £96,000 is being made available for future support;**
 - **a major Borders training needs study, undertaken by PIEDA, has been completed;**

- **an audit of skills required for call centre developments has been completed. A wide range of courses to assist the call centre market is now being made available by Borders College;**
- **an environmental audit and evaluation of the Viasystems premises has been completed. Future re-use is dependent on the owners' intentions for these sites;**
- **a worker mobility study has been completed which will aid efforts by Locate in Scotland's Inward Investment Unit to attract new companies into the area and inform the development of public transport strategy in the Borders;**
- **the Scottish Borders Tourism Strategy (1999-2004) is complete. The Strategy is anticipated to increase tourism income to the area by 20% and create up to 500 jobs;**
- **£1.65 million of Scottish Office and European Objective 5b funds are being provided to help farmers in the Borders to diversify into other income-generating activities. Two Tourism Business Advisers have been appointed to advise businesses on diversification into tourism activities, and extra assistance is being provided to the Rural Diversification Programme;**
- **the Borders Forestry Action Group has been established to promote the development of wood energy, support forestry businesses and forestry tourism and explore the potential for inward investment. It is estimated that 700 new jobs could be created in the forestry sector;**
- **an exhibition support programme has been introduced to help local food producers improve their national marketing and sales effort;**
- **targets have been set to increase export sales from local companies.**

- **The following studies, initiatives and projects are currently in progress:**
 - **a major two-part feasibility study led by The Scottish Office is underway into the possible re-opening of the Waverley rail line. The study is being co-funded by The Scottish Office, Scottish Borders Council, Scottish Borders Enterprise, Midlothian Council, Virgin Trains and Railtrack. The study is due to be completed in December 1999;**
 - **10,000 sq ft of small units are being constructed at Galalaw, Hawick and feasibility work is underway on the re-use of Ettrick Mill to provide much needed additional commercial and industrial floorspace in the Borders;**
 - **additional substantial support from The Scottish Office and Scottish Borders Council will provide new state of the art premises for Keltek Electronics Ltd in Kelso, and lead to the creation of 200 new jobs;**
 - **Heriot-Watt University and Scottish Borders Enterprise, with support from the European Objective 5b programme, are investing £1.1 million in a new ICT link to the University's Campus at Galashiels and Tweed Horizons. This will be operational by early May 1999;**
 - **a study is to be completed by late Summer which will identify the best prospects for research park development in the Borders;**
 - **the potential for commercial opportunities linked to the Scottish Institute of Sustainable Technology, the Centre for Biomedical Materials and the planned Research and Innovation Park is being pursued;**
 - **the establishment of a Business Creation Centre is being explored, to provide low cost premises, business advice, training and counselling services to start-up businesses;**
 - **Project Ossian is being progressively rolled out to tourism businesses in the Borders;**

- new training programmes for an Information and Communications Technology (ICT) Platform are being introduced;
 - a programme to apply CAD/CAM technology to advanced product development and innovation in knitwear is being developed;
 - a study is underway looking at how best to deliver the information needs of the Borders communities.
- The following actions, initiatives and priorities have been identified for the future:
 - The Scottish Office is committed to re-allocating any unused European Structural Funds for use in the Borders. A mini-programme of projects has been drawn-up against this possibility;
 - a major marketing campaign to promote the Borders will begin on 22 March 1999;
 - a call centre facility is to be built to provide in the first instance at least 50 seats. Other call centre opportunities are being pursued;
 - the former Claridge Mills in Selkirk is to be refurbished for use by inward investors or local company growth;
 - the need to address the difficulties facing the agriculture sector is acknowledged. The Working Party believes there are opportunities for diversification and added value operations to be pursued. In particular, wildlife tourism and countryside activities are two opportunities that appear to offer considerable potential for development;
 - the Working Party recommends an audit of the capabilities of existing Borders companies and the skills base and the provision of additional support, if

required, to ensure that local companies and the workforce benefit from the expected substantial housing investment over the next 5 years;

- the Working Party has identified the priority actions required to deal with social inclusion;
 - a Borders Learning Platform is to be established to address skills deficiencies and build on current IT infrastructure investment;
 - there is potential for a non-profit making company to be established which would be responsible for developing and monitoring a Borders education and training strategy and assisting partners with the development of major collaborative ventures;
 - an All-Age Information and Guidance Service is to be introduced;
 - the Working Party has identified the priority actions required to enhance the townscapes and landscapes of the Borders.
- Substantial additional funding has been secured for the Borders:
 - additional baseline funding has been made available by The Scottish Office and its agencies. This includes £1 million extra for Scottish Borders Enterprise in 1998/1999 and £2.2 million in 1999/2000 to take forward initiatives outlined in this Report. Scottish Borders Council received a substantial supplementary allocation in 1998/1999 of £2.6 million specifically for economic development purposes. Borders College is to receive an increase of 15.5% in funding in 1999/2000. An additional £100,000 has been available to the Scottish Borders Tourist Board to assist with a major marketing campaign;
 - The Scottish Office has provisionally awarded £2.4 million of New Housing Partnership Funds to progress the transfer of council housing to a new housing

partnership and to undertake some development work. This will provide major opportunities for local Borders companies;

- **The Scottish Office has approved funding for the £3.1 million inner relief road for Hawick;**

- **£593,000 of Urban Programme funding will be made available by The Scottish Office to the Scottish Borders Social Inclusion Partnership over the next 3 years;**

- **The Scottish Office has made a grant of £158,000 towards introducing 14 new bus services in the Borders and £16,500 to fund a Rural Community Transport Field Worker.**

INTRODUCTION

1. On average some 200 jobs have been lost each month in the Scottish Borders over the past year. In turn skilled people have begun to move out and disposable income to decline, particularly in the agricultural sector. This impacts on the rest of the economy and starts creating a downward spiral. We need to stop and reverse this spiral. The Working Party has tried to do this and to start a process of renewal and growth.

2. To solve any problem we need to be able to define it properly so that the measures put forward address the problem clearly and play, in particular, on the opportunities and assets available. This has been the starting point for the Working Party and, although it may appear to be time consuming and frustrating to those looking for immediate solutions, this is vital if a long-term strategy rather than a short-term fix to deal with the problems is to emerge. We have no doubt that what the Borders desperately requires now is a long-term strategy to deal with its inherent economic structural weaknesses. An Economic Development Strategy for the Scottish Borders, “New Ways”, has therefore been drawn up and this will be published simultaneously with this Final Report. This Final Report of the Borders Working Party is effectively the first action plan for that economic development strategy.

An Overview of the Scottish Borders

3. The Scottish Borders has 106,000 people and is the second most sparsely populated area in the UK. There is no main centre of population or commerce. The area is a mix of small towns and villages with one-third of the population living outside settlements of 1,500 people. The small towns are attractive, with a built environment on a human scale, and together with its countryside and landscape the Borders offers a high quality natural and living environment.

4. However, the area suffers from many of the “hidden” characteristics of rural deprivation. In 1997 the Borders was one of the 10 Council areas in Great Britain with the lowest average gross weekly earnings. The area has the highest proportion of elderly people of any local authority area in Scotland and also the highest rate of out-migration of young people of any area in Scotland after the Highlands and Islands. These young people often move away for educational or employment reasons and then stay away. Although this

out-migration tends to result in a relatively low unemployment rate – 4.7% in January 1999 in the Borders compared to a Scottish rate of 6.0% - it represents a serious degradation of the skills base in the Scottish Borders which then reduces its attraction as a business location. The relatively low unemployment rate also tends to distract attention from the severity of the underlying problems.

5. The Borders economy suffers from both its structure and vulnerability. Most of the main towns have only a handful of employers on whose success or failure they depend. When a company such as Viasystems closes it has a major devastating impact on the economy of the town and surrounding area. Nearly one-third of the workforce in the Borders is employed in production and construction industries – the second highest level of all the Scottish local authority areas and over 50% above the Scottish average. The reliance on textiles is particularly marked. It is of course the manufacturing sector, particularly textiles, which has been most adversely affected by the global economic recession. On top of that there is also the current threat to the cashmere industry arising from the so-called “banana war”. No economy is immune to these events but their impact is being particularly hard felt in the Scottish Borders.

6. The Scottish Borders also has a relatively high proportion of employment in agriculture. Farm profits have fallen dramatically in the past year and a recent report by the Scottish Agricultural College estimated that this resulted in about £83 million being taken out of the Borders economy in 1998, a drop of 8.7% on the gross domestic product, and which could result in 350 more jobs being lost in the farming sector. The tourism sector, which employs around 7% of the workforce, has managed to maintain its share of the market but is facing increasingly competitive times.

7. Finally, the Borders economy has suffered from a lack of investment. It has the lowest levels of industrial investment per employee in Scotland, a lack of major sites for business development and is the only major area in Scotland without rail links.

Tackling the Problems

8. Addressing these problems is not straightforward. There is no easy fix or short-term solution. It will take years of effort and investment to reverse the decline in the Borders

economy. Much has been and can be done as a result of the projects, initiatives and ongoing commitments of Scottish Borders Council, Scottish Borders Enterprise, Scottish Borders Tourist Board and other public sector bodies such as Borders College, Heriot-Watt University and Scottish Homes, along with European support through the Objective 5b programme and other European funding schemes. However, it was recognised by all parties last year that their efforts alone would not be sufficient to tackle the difficulties facing the Borders economy. It became clear that direct Government intervention, through The Scottish Office, would be necessary. The initial response, in July 1998, was to make available an immediate additional allocation of £1 million to Scottish Borders Enterprise. At the same time the Rural Inward Investment Unit in Lochee in Scotland was established, with a remit to develop proposals for attracting inward investment specifically to rural areas. This Unit has been very active in the Borders and it will continue to work to bring inward investment into the area.

9. However, circumstances deteriorated further with the announcement of further job losses, including the planned closure of the Viasystems factories. In response to the increasing difficulties in the Borders the new Business and Industry Minister, Lord Macdonald, announced on 31 August 1998 the setting up of the Borders Working Party. It would be chaired by a senior official from The Scottish Office and include representatives of Scottish Borders Enterprise, Scottish Borders Council and the Scottish Borders Tourist Board. The Working Party would also draw on the experience and expertise of other local bodies as necessary.

10. The remit of the Borders Working Party was to:

- secure the best available outcome from the run-down of jobs at Viasystems;
- identify feasible early action to create new jobs in the area; and
- establish a vision for the longer-term economic development of the area.

11. The Working Party has met formally on 7 occasions. A list of its members is attached at Annex A. In addition, the Chairman and other members of the Working Party had meetings with and took advice from a wide range of other people with an interest in the area.

12. In determining the general approach to its work, the Working Party has sought to be realistic in its assumptions about what can be achieved and about the constraints within which it is operating. For example, the mechanisms for the distribution of local government resources do not lend themselves to rapid change in response to local difficulties. There are also considerable problems for Government in reviewing the country's assisted area designations, against an overall requirement for a substantial reduction in national coverage.

13. The Working Party produced an Interim Report in December 1998 setting out progress. Much has been achieved since then as will become clear from this Final Report.

WHERE THIS REPORT FITS IN

1. There are of course many public sector organisations operating in the Borders which produce key strategic plans that have a bearing on the vitality and vibrancy of the Borders economy. Scottish Borders Council produces a Structure Plan which provides the foundation for important decisions affecting the future development of the Scottish Borders and its economy. A replacement Structure Plan is currently going through an extensive consultation stage prior to being submitted for approval by the new Scottish Executive this year. The plan will draw out the land use implications of the broad social and economic issues facing the Borders. The Council, with its partners, is also currently drawing up the Borders Community Plan which will provide for and promote the well-being of people and communities in the Borders. This plan will draw together the economic, social, health and environmental strategies for the area. Scottish Borders Enterprise produces an annual Business Plan setting out its priorities for expenditure, which are determined by a combination of strategic priorities identified by Scottish Enterprise and local circumstances. The Scottish Borders Tourist Board is the lead body responsible for the development and implementation of the Borders Tourism Strategy. This guides expenditure on tourism in the area and has recently been reviewed and revised for the period 1999-2004; the revised strategy is being formally launched on the same date as this Report. All the other key public sector organisations in the area (for example Scottish Natural Heritage, Scottish Homes, Borders Health Board, Historic Scotland) produce similar plans.

2. It was clear that there was a need for these various strategies to be able to relate to a broader economic strategic framework for the area. Frontline Consultants were therefore appointed to assist with the preparation of an Economic Development Strategy for the next 10 years for the Scottish Borders.

3. This strategy, “New Ways”, is being published in parallel with this Final Report. It recommends actions under 5 key themes:

- *Getting People to their Full Potential* – real success will be driven by the energy and talents of people in the Borders;
- *Thriving Organisations* – prosperity in the global economy depends on successful businesses and effective public agencies working together;

- *A Connected Place* – the Borders must be outward looking and seen as being an active player;
- *Vibrant Communities* – the character of the Borders towns and communities is a part of what makes the Borders distinctive - we must invigorate them;
- *Leadership in Partnership* – success needs much more inter-agency working.

4. The same themes are used in this Final Report so that the 2 reports can be easily cross-referenced. In effect, this Final Report is the initial action programme of the strategy and therefore represents not the end but the beginning of the rebuilding of the Borders economy.

GETTING PEOPLE TO THEIR FULL POTENTIAL

1. The Interim Report noted that the future success of the Scottish Borders depends on its people, their determination to compete and their ability to reach their full potential. Reaching their full potential requires individuals to be adaptable and willing to invest continually in new and updated skills; it also requires public sector institutions to provide the required training, taking into account emerging employment needs. “New Ways” seeks to raise people’s ambitions and to have ‘Lifelong Learning’ adopted as the way to new opportunities.

2. Both the Interim Report and “New Ways” emphasise the importance of labour market intelligence and the need to better understand existing skills available and future employment needs. Two studies which address these issues are now complete:

- **The Borders Training Needs Study**, undertaken by PIEDA with the assistance of European Objective 5b funding, has assessed the skills, training and further education needs of the area and has proposed an outline framework for a Lifelong Learning strategy. The main findings of the study are:
 - the Borders has a rich and comparatively strong education and training infrastructure;
 - the presence of Heriot-Watt University is an important regional development which can help diversify the economy and develop a range of new learning activities;
 - partnerships involving Heriot-Watt University, Borders College and others such as Napier University and the Open University could present a particular opportunity to develop new information and communication technology (ICT) based learning;
 - there is a substantial level of unmet demand for learning;
 - employers report both generic and specific skill deficiencies;

- there is an overall weakness in the capacity of the area to plan for, develop and implement Lifelong Learning; and
 - there is a significantly lower than average participation rate for mature students entering further and higher education.
- **The Labour Market Survey: Implications for Call Centres Study** which concludes that:
- there is a firm foundation for the development and growth of a call centre industry in the Borders;
 - the Borders has a range of skills, capabilities and experiences that are relevant and appropriate for the successful operation of call centres; and
 - the development of the full range of skills needed for call centre type activity would be extremely beneficial to both existing businesses and potential new investors.

3. As a result of these two reports the following are being pursued:

- the **potential for establishing a non-profit making company** that would be responsible for developing and monitoring a Borders education and training strategy and assisting partners with the development of major collaborative ventures;
- the establishment of a **Borders Learning Platform**. This will involve investment in a network of learning centres in workplaces, community centres, libraries, careers advice centres and schools and will complement and form part of the Scottish University for Industry initiative;

- the career services will be reviewed with the aim of introducing an “**All Age Information and Guidance Service**” to ensure that all ages have access to quality information and advice on training and education;
- the development of **call centre skills** to complement the call centre inward investment activity being undertaken by the Rural Inward Investment Unit of Locate in Scotland and Scottish Borders Enterprise. Borders College now offers a wide range of courses to assist the call centre market and the College was among the first training providers in Scotland to gain approval to deliver the Professional Development Award “Certificate in Call Centre Operations”. Borders College continues to invest in the equipment needed to improve and expand call centre training. To assist existing or new businesses training employees in call centre skills and techniques, Scottish Borders Enterprise is providing financial support through its new ICT Training Programme. Scottish Borders Enterprise is also working with the further education sector and private training providers to support the training needs of existing and potential employers;
- the **Scottish Borders ICT Skills project**, which was approved by the Borders Objective 5b Programme Monitoring Committee in February 1999, will provide incentives to Borders based companies to develop the skills of existing employees in the area of Information and Communication Technology. Scottish Borders Enterprise is arranging for a number of local companies to participate in company based skills audits and a number of textile companies are participating in technology based training linked to their production processes;
- the Scottish Borders Tourist Board and Scottish Borders Enterprise are implementing an European funded study of the needs for **ICT training for tourism businesses**. This will be followed by a programme of training to be implemented in Summer 1999.

4. These new activities, taken together with existing provision, will play an early crucial role in enabling the Borders to begin to change the skills of its people and thereby assist economic diversification.

5. The Interim Report also stressed the importance of early action in assisting those made redundant to find work as soon as possible. The retention in the Scottish Borders of those affected by redundancy and their retraining is a critical factor in developing the skill base of the workforce. Scottish Borders Enterprise has therefore introduced the “**Borders Training and Employment Project**” aimed at encouraging Borders companies to create new stable and long term jobs. This project provides a training grant of up to £100 per job for 26 weeks to employers who pay a wage of at least £150 per week and who wish to employ and train new staff. The project is funded by Scottish Borders Enterprise and European Objective 5b funds. This project has so far helped nearly 200 people affected by redundancies get new jobs with 83 local companies. A further 30 job opportunities are currently available through this project. In addition, 244 redundant workers are currently on training courses as a result of Scottish Borders Enterprise’s “**Training Initiative for Redundancy Support**” scheme, supported by European Objective 4 funding.

6. Large-scale redundancies, such as those at Viasystems, need an **inter-agency response**. This has been developed in the Scottish Borders with the effective co-ordination of a number of agencies (Employment Service, Scottish Borders Council, Scottish Borders Enterprise, further education colleges, careers services, Citizens Advice Bureaux, Benefits Agency, churches). The objectives are to enable people to cope with redundancy by:

- finding alternative employment;
- developing skills to enhance their employability; and
- assisting people to cope with financial and emotional impacts of unemployment.

A range of activities have been undertaken:

- job fairs;

- rapid response teams based in both Viasystems factories until Christmas 1998;
- seminars providing information for people affected by large scale redundancies;
- written information, eg handbook, benefits fact sheets;
- one stop shops established in Galashiels, Selkirk and Hawick;
- a Borders-wide freephone helpline;
- the establishment of a database to track progress of people made redundant;
- commissioning of additional services from the Adult Career Service and Citizens Advice Bureau, Selkirk; and
- the exploration of the viability of credit unions.

7. The inter-agency team has now established links with 36 companies in the Scottish Borders with significant problems of redundancies. Advice has been provided to the majority of people who have been made redundant from these companies through written information, seminars and individual interviews. In addition, over 700 people have been assisted by the rapid response teams set up within the Viasystems factories and some 550 people have been seen in the newly established one-stop shops. The effectiveness of this approach is now evident. 154 ex-Viasystems workers from the now closed Galashiels factory have been successfully placed in alternative employment. Additionally, 57 ex-Viasystems employees have embarked upon full-time education courses with Borders College.

Summary of Key Actions

- A major Borders Training Needs Study completed.
- Audit of skills required for call centre developments completed. Wide range of courses to assist the call centre market now being made available by Borders College.

- Potential identified for non-profit making company responsible for developing and monitoring a Borders education and training strategy and assisting partners with the development of major collaborative ventures.
- Borders Learning Platform to be established to address skills deficiencies and build on IT infrastructure investment.
- All Age Information and Guidance Service to be introduced.
- New training programmes for Information and Communications Technology (ICT) being introduced.
- Study underway looking at how best to deliver the information needs of the Borders communities.
- Borders Training and Employment Project introduced which has so far helped nearly 200 redundant workers from a variety of companies re-enter employment. A further 30 job opportunities are currently available. In addition, 244 are on training courses as a result of the “Training Initiative for Redundancy Support” scheme.
- Inter-agency response developed to large-scale redundancies which provides wide range of support to those facing redundancy, including those from Viasystems. So far assisted over 1,250 people facing redundancy, and found employment for over 150 ex-Viasystems workers.

THRIVING ORGANISATIONS

1. The Interim Report noted that we should be looking for and encouraging businesses whose products or services appear to have a positive future, who use modern technology, are forward looking and likely to pay above average wages. To achieve this we need to develop and grow organisations in the Borders that are innovative and responsive to opportunities. Our organisations must be imaginative, focused on their customers and skilled at exploiting new technologies; they must be willing to learn, to collaborate and to anticipate change.

2. “New Ways” identifies a broad business base as a key objective for the Borders economy in order to maximise the range of opportunities and minimise the risks of dependence on individual industries. Objectives to achieve this include:

- adding value in business;
- engaging new people; and
- developing new opportunities.

Adding Value in Business

3. We need to work with companies to improve their success in creating wealth and employment in the Borders. One way of doing this is by adding value to Borders products, processes and people by focusing on niche markets, quality, innovation and performance. Work has already begun on a number of initiatives designed to increase value added businesses:

- **Textiles:** Scottish Borders Enterprise, Borders College and Heriot-Watt University together with the textile industry are developing and implementing a programme to apply CAD/CAM technology to advanced product development and innovation in knitwear;
- **Food:** with support from the European LEADER II programme, Scottish Borders Enterprise has recently initiated an exhibition support programme to help local food producers improve their national marketing and sales efforts;

- **Tourism:** a major new development for the sector will be the introduction of Project Ossian – a world class, globally accessible tourism information system;
- **Forestry:** a strategic study of the forestry industry in the Borders indicates that there may be the potential for up to 700 new jobs to be created if value added opportunities relating to wood processing and wood energy are taken forward. A Borders Forestry Action Group has recently been formed. The group is representative of all the key public/private sector players in the forestry industry. The Group is focusing on a number of key actions including the development of wood energy, support for forestry business, forest tourism and leisure and potential for inward investment;
- support for **Innovation:** Scottish Borders Enterprise is actively encouraging local proposals which have a genuine technical risk and which need support to take the product from the conception stage through to market launch. As at the end of January 1999, some £53,000 has been spent supporting 16 local businesses develop new products and processes. A further £96,000 has been committed to assist future development opportunities;
- **Export Promotion:** the region's export sales figures are lower than the national average on a population basis, but the number of SMEs already exporting indicates that the region has a base which is strong in terms of its potential to grow exports. The challenge for the public sector agencies is to contribute to the growth of overseas sales and diversification of the local economy. The long-term objectives of the Borders' export development strategy are to increase annual export earnings to 2% of the total value of Scottish exports within 10 years; to diversify the range of sectors achieving export earnings and to increase the number of active exporters. In the short term, Scottish Borders International Trade Partnership, the local export partnership for the Borders, has set the targets of an additional 30 new exporters and 14 additional active exporters to be achieved by the end of March 2001.

Engaging New People

4. The Scottish Borders is an attractive place to live and work; not enough people know that. We recognise an opportunity to attract individuals who would see the Borders as an outstanding place to live and grow a business. We need more people to establish businesses in the Borders and need to encourage both local entrepreneurs and investors from outside the area. Elsewhere in this Report we deal with what is being done to attract new businesses to the Borders, particularly call centres. In addition, considerable effort is being put into the development of business start-ups.

5. The Interim Report noted that redundancies would potentially lead to an increase in the demand for start-up support. As of the end of January 1999, Scottish Borders Enterprise and those organisations supporting start-up enquiries have reported a substantial increase in demand for their services. Scottish Borders Enterprise is currently financially supporting 246 new businesses, which is 20% above expected levels. Courses on business ideas and business start-up have been over-subscribed and additional courses financed. To support these and encourage future new businesses, Scottish Borders Enterprise is currently undertaking detailed research into a **Business Creation Centre** to provide low cost premises, business advice, training and counselling services.

Developing New Opportunities

6. An important lesson from the recent past is the risk in over-dependence on a small number of industries. Diversity must be a key objective for the Borders: to achieve that we must identify and develop new opportunities. Both the Interim Report and the Borders Training Needs Study identify the potential to build on the research and academic strengths of Heriot-Watt University. In particular the Scottish Borders has the opportunity to build on the presence of Heriot-Watt University and develop commercial opportunities around three main centres of excellence:

- **The Scottish Institute of Sustainable Technology** based at St Boswells is potentially a significant niche development which fits well with the environmental strengths of the area. Heriot-Watt University, Scottish Enterprise and Scottish Borders Enterprise have recently committed staffing

and funding to deliver academic and business development activities relating to the research and development of sustainable technologies;

- Heriot-Watt University has an established expertise in technical textiles and is now establishing a **Centre for Biomedical Materials**. Scottish Borders Enterprise and the University will be identifying collaborative actions to secure wider economic benefits associated with the commercialisation of research;

- Heriot-Watt University, Scottish Borders Enterprise and Scottish Borders Council, with support from the European Objective 5b programme, are progressing the development of a **Research and Innovation Park** to capitalise on the presence and work of the University. This is covered in more detail in the next section of the Report (“A Connected Place”).

7. The Interim Report identified that short-term action was being taken to help create jobs and support existing businesses to bring forward planned investment. In October 1998 Scottish Borders Enterprise introduced a new grant scheme, the “**Regeneration and Diversification Initiative**”. The scheme provides grants towards capital expenditure costs to new and existing businesses in growth sectors. By the end of January 1999, 53 businesses had requested applications forms for the programme and 13 applications had been approved by Scottish Borders Enterprise. The total approved spend under the programme is £356,463, potentially creating 81 new jobs.

Other Important Sectors

8. The Working Party did not have time to consider properly the housing and agricultural sectors before the publication of its Interim Report. However, both these sectors are very important to the Borders economy and the Working Party has now been able to give them more of the attention they deserve.

9. The Working Party recognises that other sectors, such as health care, are also important employers in the Borders and that initiatives in these sectors could provide new jobs. The private and voluntary health care sector, for example, already employs over 1,500.

However, the Working Party has unfortunately only had time to consider housing and agriculture. The potential for job creation initiatives in other sectors might therefore be an early issue for the new Scottish Borders Economic Development Forum to consider.

Housing

10. The Interim Report raised many issues which have been a concern for housing providers for some time – urban decay, the increasing elderly population, failures in the property market, the use of redundant mill buildings, improving town centres and making the Borders an attractive place to live. However, housing investment as a source of employment and generator of income will also be important for the Borders economy and the Working Party has therefore considered the possible impact that this may have.

11. The construction industry in the Borders benefits from significant investment in the provision of new and improved homes. The main housing partners - Scottish Borders Council, Scottish Homes, Eildon Housing Association and Berwickshire Housing Association - have agreed an annual investment programme of between £5.5 and £6 million, (£3 million grant aid from Scottish Homes, complemented by £3 million private lending) and £3.5 to £4 million annually in improvement works to Council housing. Planned and cyclical maintenance and day-to-day repairs involve a further £2 million.

12. There are also significant opportunities for the Borders economy to benefit from the Government's **New Housing Partnership initiative**. Scottish Borders Council received £135,000 in New Housing Partnership funding in May 1998 to undertake a feasibility study in stock transfer options. A bid was submitted to The Scottish Office in December 1998, under the 1999-2002 round of the initiative, proposing that the Council transfer all of its housing stock (7,016 properties) to a newly created partnership organisation incorporating Scottish Borders Council, Eildon Housing Association and Berwickshire Housing Association. The bid requires an estimated £40.6 million of outstanding debt on the properties to be written off as part of the transfer process, and a grant award from Scottish Homes of £1-1.5 million per annum for a 3 year period, to kick-start a development programme. Other public sector funding from Scottish Borders Council (£1.2 million) and Scottish Borders Enterprise (£0.3 million) would also contribute to the funding package.

13. In February 1999 The Scottish Office provisionally awarded £2.4 million to progress the stock transfer and to undertake some development work. This will permit the partnership to start upon a 5 year improvement programme, installing double glazing, replacing and installing central heating systems, upgrading kitchens and bathrooms. The improvement programme would cost nearly £41 million, all of which will be privately funded.

14. The prospect of this scale of housing investment is one that Borders companies and the Borders workforce must capitalise on. The Working Party therefore recommends that the housing providers and Scottish Borders Enterprise should take action to ensure that the Borders achieves the maximum benefit from this potential investment. This should include an audit of the capabilities of relevant existing Borders companies and the skills base and the provision of whatever support is required, such as training assistance, to ensure that these companies and the workforce are well placed to benefit from the investment being made by the housing providers.

Agriculture

15. In January 1999 the Scottish Agricultural College produced a report on the state of agriculture in the Scottish Borders. The study, carried out for Scottish Borders Council, Scottish Borders Enterprise, National Farmers Union of Scotland and the Scottish Landowners Federation, estimated that the difficulties in the farming sector took £83.4 million revenue out of the Borders economy in 1998 and could result in the loss of 350 jobs in agriculture with a further 700 lost in sectors dependent on agriculture. This could have a major impact on both local communities and the landscape which is of key importance to the tourism industry. The report suggests that adding value to agricultural output and diversification must be priorities for the farming sector in the Borders.

16. The Government fully recognises the importance of farming to rural economies throughout Scotland, and that many farmers are facing particularly difficult times. Factors causing these difficulties are not exclusive to the Scottish Borders, and farming across the whole of the UK is experiencing difficulties due, for example, to oversupply of agricultural products, low commodity prices, the continuing impact of the BSE crisis, and the recent strength of sterling. Direct support to Scottish farming in 1998 totalled around £470 million, not including aid packages worth £46 million and £35 million respectively aimed primarily at

the livestock sector. Recent cuts in interest rates, and the weakening of sterling will also help farmers with their cashflow problems.

17. The Government does not believe that the difficulties facing Scottish agriculture can be solved at local level. A more strategic approach is needed, and the Government is already working closely with the industry to look at ways to guide Scottish agriculture towards a more viable and sustainable future. The Scottish Office is also establishing a forum to improve communication and dissemination of policy and financial information on agriculture to local authorities and enterprise agencies.

18. The Working Party believes that a healthy agricultural and forestry sector is crucial to the well-being of the Borders economy given the relatively high dependence of the area on this sector. Whether the action is taken at a national or local level, the Working Party believes there are possible opportunities in the Borders to support projects which add value to the agricultural and forestry production and these possibilities should be pursued. At present there is little natural resource processing in the area. The Working Party also believes that there is significant further potential for farmers to diversify. For example, there is enormous potential for the space and the environment of the Scottish Borders to be more fully exploited. Wildlife tourism and countryside activities are two possibilities. To assist farmers and other businesses considering diversifying into tourism, the Scottish Borders Tourist Board and Scottish Borders Enterprise, with the assistance of European Objective 5b funding, have appointed two Business Advisers.

19. As part of the Scottish Borders European Objective 5b Programme, Scottish Office and European funds worth around £1.65 million are being provided to help farmers in the Borders to diversify into other income-generating activities. Subject to Parliamentary approval, new measures covering “alternative” agriculture, and conversions of redundant buildings for residential letting will be added to this Programme. The Scottish Office has also agreed to support extra administrative assistance towards the costs of an additional member of staff to assist the local administration of the Rural Diversification Programme.

20. There might be opportunities to attract new field centres, university and private industry research institutions, film production centres, art and photographic studios, as well as building business around other jobs teaching traditional skills ranging from dry-stone dyking to footpath repair. There is also a growing movement towards sustainable activities,

and the work of the Borders Forest Trust and the Borders Wood School are excellent examples of how the local environment and its products can create jobs.

Summary of Key Actions

- The development of a programme to apply CAD/CAM technology to advanced product development and innovation in knitwear.
- Introduction of an exhibition support programme to help local food producers improve their national marketing and sales effort.
- Project Ossian introduced to tourism businesses.
- The establishment of a Borders Forestry Action Group to promote the development of wood energy, support forestry businesses and forestry tourism and explore the potential for inward investment. It is estimated that 700 new jobs could be created in the forestry sector.
- £53,000 spent supporting 16 local businesses develop new products and processes, and £96,000 made available for future support.
- Targets set to increase export sales from local companies.
- Establishment of a Business Creation Centre being explored, to provide low cost premises, business advice, training and counselling services to start up businesses.
- Nearly 250 new start-up businesses currently receiving financial support from Scottish Borders Enterprise.
- Potential for commercial opportunities linked to the Scottish Institute of Sustainable Technology, the Centre for Biomedical Materials and the planned Research and Innovation Park, being pursued.

- Over £350,000 available through Scottish Borders Enterprise's Regeneration and Diversification Initiative to provide grants towards capital expenditure costs to new and existing businesses in growth sectors.
- The importance of housing investment as a source of employment and generator of income is recognised. There is the prospect of substantial housing investment over the next 5 years. The Working Party recommends an audit of the capabilities of relevant existing Borders companies and the skills base and the provision of additional support, if required, to ensure this is capitalised on by local companies and the workforce.
- In February 1999 The Scottish Office provisionally awarded £2.4 million of New Housing Partnership funds to progress the transfer of council housing to a new housing partnership and to undertake some development work.
- The difficulties facing the agricultural sector need to be addressed. The Working Party believes there are opportunities for diversification and added-value operations to be pursued. In particular, wildlife tourism and countryside activities are two opportunities that appear to offer considerable potential for development.
- £1.6 million of Scottish Office and European Objective 5b funds are being provided to help farmers in the Borders to diversify into other income-generating activities. Two Tourism Business Advisers have been appointed to advise businesses on diversification into tourism activities, and extra assistance is being provided to the Rural Diversification Programme.

A CONNECTED PLACE

1. “New Ways” recognises that the Borders must connect effectively with the outside world. The forces of global change are dissolving boundaries and integrating markets. The Borders cannot afford to be perceived as remote and unconnected to the opportunities these changes create. The Borders economy also requires a competitive physical infrastructure, with a quality stock of land and buildings.

2. The Working Party has already made progress on four fronts: increasing the availability of land and premises; improving the transport network; improving ICT links; and the marketing of the area to improve its image.

Availability of Land and Premises

3. In general, the Government takes the view that the provision of industrial and commercial property is best left to the market, and that commercial providers are best able to assess market demand, and respond to it most effectively. There is much evidence that, in other parts of the country, public sector involvement in property provision has inhibited private providers and inhibited a properly and effectively functioning property market. Following from this view, the Government has asked the Scottish Enterprise Network to reduce its involvement in commercial property provision.

4. However, it is clear that these considerations do not apply in the Scottish Borders. There is a demonstrable shortage of development land and suitable industrial business space in the area which will hinder local business expansion and the attraction of new employers. Resources are required to remove dereliction, allow site assembly and servicing, together with the provision of business space in a variety of size ranges. But it is unlikely, at least in the foreseeable future, that the private sector will provide. This arises from a combination of perceived high risk heightened by the recent job loss announcements and their effect on the local economy, weak tenant covenants, uncertain long-term returns, poor economies of scale and development, and difficulty in achieving investment sales and funding. The Working Party has therefore concluded that there is a severe property market failure in the area, which can only be addressed by public sector interventions in the short and medium term. In the

longer term, once the market failure has been addressed, it will be for the private sector to provide property.

5. The provision of appropriate property needs to underpin the efforts to create thriving organisations. Several projects are under consideration or being implemented to assist particular companies with their accommodation requirements throughout the area, with a concentration of current activity in Kelso. The most notable development to date has been Keltek Electronics Ltd announcing on 4 February a £3 million expansion to its operation in Kelso. This will safeguard 235 existing jobs and lead to the creation of up to 200 new jobs. This investment is going ahead with substantial additional support from Scottish Borders Council and The Scottish Office.

6. It is the intention to produce an adequate supply of commercial and industrial property and development sites to accommodate a range of activities from the establishment of start up firms, the housing of small firm expansion, development of bespoke solutions for particular company needs and the provision of sites for owner or leaseholder occupation. This would include small start up terraced units and incubation and managed workspace allowing for the benefits of business support to be concentrated in order to increase the growth and survival rates of small firms.

7. Development is already underway with the construction of some 10,000 sq ft of small units as a second phase of provision at Galalaw, Hawick and feasibility work is underway for the appraisal of the reuse of Ettrick Mill in the Selkirk Riverside Industrial Area. The mill is an "A" listed historic building and is an important townscape feature. It is capable of providing some 60,000 sq ft of lettable space, on a phased basis, and its layout has sufficient flexibility to house a variety of uses and size ranges of units. It is anticipated that incubation units, managed workspace and office space (including possible call centre activity) could be accommodated. The mill, with the surrounding vacant land (once assembled, cleared of dereliction from previous industrial use and serviced) could provide the opportunity to create a small business park to carry on the redevelopment work already achieved in the area. The former 21,000 sq ft Claridge Mills in Selkirk is being acquired for refurbishment and this will be available for inward investors or local company growth.

8. The future use and opportunities that may be offered by the vacating of the Viasystems properties in Galashiels and Selkirk will also be investigated. An environmental audit and valuation have been undertaken so that options can be assessed once the intentions of the existing owners are clear.

9. The Working Party has specifically identified **call centre developments** as a major opportunity for diversifying the economy. However, the attraction of this kind of business can depend significantly on being able to demonstrate the relevant capabilities of the area to potential companies by demonstrating existing call centres in action. No such facility currently exists in the Borders, and this is the rationale for the initial provision of a small call centre facility by Scottish Borders Enterprise. The intention is to provide at least 50 seats in the first instance. Assistance is being sought from the European Objective 5b programme to allow this project to proceed. Scottish Borders Tourist Board's leading role in the implementation of Project Ossian, a comprehensive and accessible national database of tourist information, might also open up tourism call centre opportunities.

10. As the Scottish Borders economy is restructured, the **Research Park concept** offers significant potential to spawn new businesses, particularly in association with the expansion of Heriot-Watt University's presence on an expanded Scottish Borders Campus. In North America, and elsewhere in the United Kingdom, proximity to the academic resources of teaching, technical expertise, research laboratories and equipment, and postgraduate students has helped the formation of highly skilled enterprises. Within the UK, the Cambridge University Research Park is perhaps the most extensive but, in Scotland, the Riccarton Campus of Heriot-Watt University has possibly been the most successful Science Park. Already, over 100 companies are on site and tap into the University's expertise in engineering, technology and scientific research, as well as exploiting specialist topic areas and accessing information.

11. Translating this concept into the Scottish Borders offers potential, and demands a vigorous review of land and buildings that might be developed for such a use. Scope exists immediately adjacent to the former Scottish College of Textiles Campus at Netherdale. Land and buildings which are currently under-utilised, or near derelict, could be cleared or rehabilitated and redeveloped for research uses. An alternative solution might be for Scottish Borders Enterprise, or the University, to rent premises close to the Scottish Borders Campus

at Selkirk Riverside and other vacant premises within Galashiels itself. Discussions have taken place between Scottish Borders Enterprise, Scottish Borders Council and the University to commission an intensive study into the best prospects for research park development, and consultants are to be appointed with a view to reporting to the three commissioning bodies in late Summer 1999. European funding for this initiative is being sought through the mini-programme.

Improving the Transport Network

12. There are 3 aspects to perceived transport problems in the Borders – the lack of or poor quality of main arterial links in and out of the area; the lack of a rail link; and the need to improve public transport to increase worker mobility.

Roads

13. Some improvements have been made to the road network in recent years. In 1996 a £6.5 million capital allocation was made available to the Council for a new Kelso bridge and bypass and in response to current difficulties the Government announced in November 1998 that it had brought forward approval for a £3.1 million inner relief road for Hawick. The Hawick scheme will transfer traffic which passes through the town when travelling along the A7 onto a new inner relief road, benefiting both road users and local residents in the process.

14. The Working Party considers that further improvements to the road network could benefit the attractiveness of the area to business and improve commuting opportunities for residents. Scottish Borders Council considers that priorities for action should be:

- a continuing route action programme to upgrade the A7/A68 through the Borders, and for the projects proposed for the A7 Langholm Bypass and A68 Dalkeith Bypass to be implemented. The A7 is also one of twelve national tourist routes in Scotland and has a major role to play in bringing visitors to the Borders. Funding is required to implement the £100,000 programme of improved signage and interpretation between the M6 and Edinburgh;

- continuing the improvements to the east/west route from Peebles to the East coast;
- the continuing upgrade of key strategic roads and public transportation links between the main Borders towns, and the need further to promote connections from these towns to the more rural parts of the Borders; and
- a review of the proposal to detrunk the A7 and A696/A68 south of the border.

Rail

15. Local interests in the Borders attach considerable significance to the lack of rail transport, including in particular the lack of a rail commuter service to Edinburgh. There is much support in the area for the re-opening of the Waverley line either in its entirety or particular stretches.

16. The 98 mile line from Carlisle to Edinburgh was the last Anglo-Scottish main line to be built, being completed in July 1862. The Waverley main line was the spine of a once extensive network of Border lines, with branches to Lauder, Reston, Selkirk, Gretna, Hexham, Peebles, Kelso and Langholm. By 1964 all these branch lines had been closed. Almost inevitably the closure followed of the Waverley main line, amidst false hopes of reprieves and a chorus of protest, on the first weekend in January 1969.

17. At the launch of the Interim Report, Lord Macdonald announced that The Scottish Office would commission a feasibility study which would then allow an informed debate on whether or not to proceed with plans to reinstate the Waverley rail line. In January 1999, in advance of letting a contract for a substantive study on the feasibility of re-opening this line, The Scottish Office commissioned a project team from the Carl Bro Group, the Spaven McCrossan Partnership and ERM to undertake a pre-feasibility study. This study was to evaluate investigations carried out since the closure of the Waverley line in 1969, highlight areas worthy of further appraisal, and thereby contribute to the preparation of the brief for the substantive study. Twenty-one different organisations in the public and private sectors were contacted, and a total of 30 relevant reports identified. These reports have been assessed for their current validity and limitations in relation to key topics:

- transport economics, policy and funding framework;
- economic and wider socio-economic impacts;
- engineering, technical and operation issues; and
- environmental impact and land use planning.

18. The pre-feasibility study found that four of the more recent reports were particularly helpful, three of which were produced for Borders Transport Futures, who have been promoting the re-opening of the Waverley line for a number of years, and one for the Scottish Borders Tourist Board. However, in general terms, the remits of these reports were not as broad as desirable, due to limited funding availability; and inevitably the passage of time since they were completed has also dated a number of their specific assumptions and conclusions, not least due to new market trends following rail privatisation and to the emerging new policy on funding and regulation.

19. The pre-feasibility study recommends that a substantive feasibility study is justified to look in particular at a wider range of costs and benefits, rail service and other transport scenarios. In particular, there is a need to investigate further:

- the volume and revenue potential of all sectors of the passenger rail market (beyond baseload commuting and shopping traffic);
- the market potential (and associated costs) for freight traffic on the Edinburgh to Galashiels/Tweedbank route;
- the market potential for a variety of through services – such as freight and passenger trains – between Edinburgh and Carlisle via the Borders;
- the prospects (within the prevailing regulatory framework) for either local bus-rail integration in the Borders or alternatively a competitive response from the bus industry on the trunk corridor to Edinburgh;

- the emerging range of potential ownership and management options for a re-opened railway;
- the capital and operating costs for reinstating the central section (linking Galashiels, Hawick and Riccarton Junction) of the former Waverley line;
- the potential for reinstating former branches of the Waverley line;
- the wider economic impacts of a rail link (including social inclusion and the impact on the economic performance of the Scottish Borders relative to surrounding areas);
- current land uses and land ownership along the former railway alignment, and potential environmental disbenefits (such as noise impact on adjoining properties); and
- alternative “non heavy rail” solutions (such as guided busway and light rail).

20. The Scottish Office and its partners for this work have considered the pre-feasibility report and have agreed to commission a substantive feasibility study. The specification for this study has been agreed and an invitation to tender has been issued. The study will be co-funded by The Scottish Office, Scottish Borders Council, Scottish Borders Enterprise, Midlothian Council, Virgin Trains and Railtrack. The contract is expected to be let by the end of March and the final report of the study should be completed by December 1999. It will then be a matter for the Scottish Parliament to consider the report and decide whether the re-instatement of the Waverley line should be pursued and how this might be funded.

Public Transport/Worker Mobility

21. Studies carried out on behalf of the Working Party by Scottish Borders Council illustrate the current potential for commuting by bus to work. This will be helpful information for potential investors in the area. The studies also illustrate the relatively high costs of transport in the region for work journeys. This is particularly relevant when workers need to seek jobs outwith their home town. Transport costs can form a significant proportion of household expenditure in rural areas, whether it be by public transport or by private car. Other key findings are:

- the Galashiels to St Boswells corridor is the most accessible in the Scottish Borders, with the widest range of jobs at the lowest journey costs for workers approaching from a number of directions;
- Peebles already illustrates its dependency on the wider Edinburgh job market, and residents are more likely to look north towards the city rather than east towards the central Borders in search of further job opportunities;
- Kelso, Jedburgh, Selkirk and Hawick are at a comparative disadvantage because of location, and residents of these burghs would need to spend at least £10 a day, and travel some distance to reach a reasonable range of alternative jobs if they had to depend on public transport. It is these communities that have shed the most jobs from textiles, agriculture and electronics.

22. The Working Party believes that more could be done to improve the attraction of travelling by bus for locals and visitors, such as wider access to information, improvements to bus stations and transport interchanges in town centres, notably Galashiels and Hawick. Proposals such as these are required to change the public perception of, and attitude towards, public transport. The Working Party supports all initiatives aimed at promoting the greater use of public transport in the Borders and the development of a more integrated transport network. Its members are committed to pursuing funding support for this, for example through The Scottish Office's Public Transport Fund. Additional resources have already been secured as a result of The Scottish Office making a grant of £158,000 aimed at introducing 14

new bus services in the Borders and £16,500 to fund a rural community transport field worker (which also benefits from European LEADER II funds).

Improving ICT Links

23. Both the Interim Report and “New Ways” identify the importance of the Borders having excellent information and communication technology (ICT) links to attract and retain businesses. ICT enables better connections world-wide and is a way of creating new types of employment and companies in the Borders. Call centres are an example of this but there are others.

24. Heriot-Watt University and Scottish Borders Enterprise, with support from the European Objective 5b programme, are jointly investing £1.1 million in a new ICT link to the University’s campus at Galashiels and Tweed Horizons. The university requires the IT link to enable its Scottish Borders Campus activities to be fully integrated with the higher education and research networks and as part of its plans to develop research parks in the Borders. Part of the additional £1 million which was made available to supplement Scottish Borders Enterprise’s budget in 1998/99 is being used to support the University in this venture. The contract to develop the link was awarded to Scottish Telecom in December 1998 and the project is expected to be fully operational by early May 1999. As well as assisting the University in its plans, the link will also extend to Borders College.

25. The new high bandwidth link will play an important role in improving the competitiveness of Borders SMEs (Scottish Borders Enterprise, Heriot-Watt University and Borders College are currently collaborating on initiatives aimed at helping SMEs to capitalise on the area’s ICT investments); providing the IT infrastructure to support the development of proposed research parks as a means of diversifying the Borders business base; and providing the IT infrastructure to enable the Borders to compete for new investment particularly in the field of call centres and other telework opportunities.

26. More generally, The **Scottish Borders ICT Study** has been initiated, with support from the European Objective 5b programme and The Scottish Office’s Rural Challenge Fund, by a sub-group of the Scottish Borders Rural Partnership set up to look at the information needs of the community and how the partner organisations could best meet these needs. The

study has found that there is a need for more co-ordination between the partner organisations to ensure that available resources are better used. A more coherent vision for future information provision in the Borders will now be drawn up.

Marketing/Image

27. Considerable opportunity exists to co-ordinate the marketing effort of the main public sector agencies responsible for promoting the image and identity of the Scottish Borders outwith the region. Whilst the target markets (potential visitors, inward investors, employers, residents) of the agencies may differ the brand on offer, namely the Scottish Borders, is the same. Using the key values or images flowing from this brand (whether it be accessibility, scenery and tranquillity, friendly people, a gateway to Scotland, a unique culture or heritage or a good range of activities) it should be possible to present a common and consistent message. Partners will use all or some of these messages depending on the target market, the promotional medium being used and the resources available.

28. A programme to develop this image and identity through branding and development of appropriate marketing initiatives will commence on 22 March with a campaign run by Scottish Borders Council. The resources of the three lead agencies (Scottish Borders Tourist Board, Scottish Borders Council and Scottish Borders Enterprise) will be deployed throughout 1999 in support of this programme. An additional £100,000 has been made available by The Scottish Office to the Scottish Borders Tourist Board to assist with their campaign.

Summary of Key Actions

- Additional support from Scottish Borders Council and The Scottish Office will result in the creation of up to 200 new jobs at the Keltek Electronics Ltd operation in Kelso.
- 10,000 sq ft of small units are being constructed at Galalaw, Hawick and feasibility work is underway on the reuse of Ettrick Mill to provide much needed additional commercial and industrial floorspace in the Borders. The former Claridge Mills in Selkirk is also to be refurbished for use by inward investors or local company growth.

- An environmental audit and valuation of the Viasystems premises have been completed. Future re-use is dependent on owner's intentions for these sites.
- A call centre facility is to be built to provide in the first instance at least 50 seats. Other call centre opportunities, including those linked to the tourism Project Ossian, are being pursued.
- A study, to be completed by the late Summer, will identify the best prospects for research park development in the Borders.
- The Scottish Office has approved the £3.1 million inner relief road for Hawick.
- A major two-part feasibility study led by The Scottish Office is underway into the re-opening of the Waverley rail line. The study is being co-funded by The Scottish Office, Scottish Borders Council, Scottish Borders Enterprise, Midlothian Council, Virgin Trains and Railtrack. The study is due to be completed in December 1999.
- A worker mobility study has been completed which will aid efforts by Locate in Scotland's Inward Investment Unit to attract new companies into the area and inform the development of public transport strategy in the Borders.
- The Scottish Office has made a grant of £158,000 towards introducing 14 new bus services in the Borders and £16,500 to fund a rural community transport field worker.
- Heriot-Watt University and Scottish Borders Enterprise, with support from the European Objective 5b programme, are investing £1.1 million in a new ICT link to the University's Campus at Galashiels and Tweed Horizons. This will be operational by early May 1999.
- A major marketing campaign to promote the Borders will begin in March 1999. An additional £100,000 has been made available by The Scottish Office to the Scottish Borders Tourist Board to supplement this.

VIBRANT COMMUNITIES

1. A traditional strong sense of community is one of the Borders' strengths. "New Ways" makes it clear that public agencies need to work with the local communities through the current period of economic and employment change. We need to ensure that communities and their quality of life are sustained during a period of transition.

2. The Working Party has been primarily concerned with identifying ways of invigorating and rebuilding the local economy. However, it has considered a number of issues that have a bearing on the vibrant communities theme. These are the need to tackle social inclusion issues and the need to enhance townscapes and landscapes.

Social Inclusion Agenda

3. The Scottish Borders faces a range of social challenges as a result of:

- the rural nature of the area and the relative isolation of many communities;
- the obsolescence of many people's skills; and
- limited employment opportunities, especially for young people.

4. The Working Party believes that there is a need to focus on alleviating the symptoms and tackling the causes. This will entail getting information on:

- the scale of social disadvantage in the Borders by producing an economic and social profile to identify vulnerable groups and areas; and
- the scope of the social economy including the services available to the unemployed and other socially disadvantaged groups.

To take forward work on alleviating the symptoms of social exclusion it will be necessary to investigate opportunities to:

- maximise income through benefit take-up;
- minimise expenditure for example by providing more energy efficiency savings measures for householders; and
- develop advice services.

To tackle the causes of social exclusion it will be necessary to:

- build up the capacity of community and voluntary groups to take responsibility for progressing their own solutions to problems;
- develop the intermediate labour market as a bridge to employment, using the Government's New Deal initiative and other instruments such as the European Social Fund. The New Deal is particularly important, as about 25% of those unemployed in the Scottish Borders are in the New Deal 18-24 age group; and
- investigate opportunities for community banking and credit facilities.

5. As part of the programme to address social inclusion, The Scottish Office announced on 2 March that £593,000 of Urban Programme funding will be made available to the Scottish Borders Social Inclusion Partnership. This partnership focuses on young people between the ages of 15-25 years and concentrates mainly on their transition from school into adulthood. Many of the children targeted have spent most of their lives in care and are about to progress into independent living. The partnership aims to address the issues currently excluding young people from obtaining employment or participating in vocational training or further education.

Enhancing Townscapes and Landscapes

6. The towns and villages of the Scottish Borders, set in the attractive countryside of the area, are valuable assets to the Border residents and visitors. The quality of this built heritage is reflected in the Borders currently having 40 Conservation Areas (the second highest number of any local authority area in Scotland), of these 13 have been adjudged outstanding

for grant purpose by Historic Scotland. In addition over 2,600 buildings in the Scottish Borders have been listed by the Secretary of State for Scotland as being of “special architectural or historic interest” and with a comprehensive re-survey underway this number is set to rise significantly. A further 775 Ancient Monuments have been Scheduled. The quality of the towns and villages is acknowledged as being an important factor in the attractiveness of the Scottish Borders to tourism.

7. A number of these historic buildings are “at risk” and Conservation Areas are in need of properly resourced enhancement schemes. Experience in regeneration projects demonstrates the need for partnership funding with considerable levels of grant support in order to achieve the objectives. European Objective 5b funding has provided vital support for Town and Village Enhancement Schemes.

8. Scottish Borders Council in partnership with Historic Scotland operate 9 Town Schemes in outstanding Conservation Areas throughout the Borders. These schemes not only assist in conserving and enhancing attractive settlements, but provide an important source of work for local tradesmen and help retain traditional skills and expertise in the local construction industry. This kind of initiative needs to be extended and developed over the next few years and linked to wider enhancement projects with community involvement.

9. The Working Party has identified the following needs:

- to review and prioritise “buildings at risk” and provide assistance in partnership with other agencies for their restoration and re-use;
- to implement area regeneration where appropriate;
- to accelerate the current programme of review of Conservation Areas and implementation of enhancement schemes (building on the review already underway and the current Town and Village Enhancement Scheme); and
- to assist community initiatives to improve village and local urban areas and develop the interpretation of the historic built environment for local people and visitors.

Summary of Key Actions

- The Working Party has identified the priority actions required to deal with social inclusion. The Scottish Office has awarded £593,000 of Urban Programme funding to the Scottish Borders Social Inclusion Partnership which will tackle issues in the 15-25 years age group.
- The Working Party has identified the priority actions required to enhance the townscapes and landscapes of the Borders.

LEADERSHIP IN PARTNERSHIP

1. The fifth theme is very much an overarching one. “New Ways” calls for new approaches, new actions, different partners and partnerships. We must develop a community of commitment that has a shared belief in the purpose and objectives of “New Ways”, and the staying power to make it happen.

2. The drawing up of “New Ways” and the Borders Working Party are prime examples of the new type of partnership and working that we want to see in the Borders. The fruits of their labour are contained in this document and the “New Ways” document. But there are other examples of the sort of action that is required and in this report the Working Party would like to highlight three of these: the multi-agency approach that led to the drawing up of the new Scottish Borders Tourism Strategy (to be launched on the same day as the publication of this Report and “New Ways”), the formation of the Tweed Forum and the establishment of the Eyemouth Port Association.

Scottish Borders Tourism Strategy

3. A multi-agency approach, led by the Scottish Borders Tourist Board, has created a development strategy for tourism that matches the strategic framework set out in “New Ways”. The key aim of the Strategy is to create more wealth and jobs throughout the year by maximising social and economic benefits to the area through the development of tourism. Action is proposed on four main fronts:

- *Marketing* – developing and promoting the Scottish Borders to visitors as an area of outstanding environmental quality with infrastructure, interpretation, activities and facilities which enhance and sustain its communities throughout the year;
- *Facilities* – strengthening the existing tourism facilities, accommodation, services, arts, culture, heritage and activities in line with national quality assurance schemes and sustainable guidelines, concentrating on addressing weaknesses, gaps in provision, accessibility, quality deficiencies and under-performance;

- *People* – improving the skills of people working in the industry, especially at managerial level, enabling them to compete effectively in the market place, interface with visitors and deliver a world class service; and
- *Information* – providing the highest quality of information for visitors and making full use of advances in information technology and implementing Signposting policy.

4. No one agency has overall responsibility for delivery of the complete package but through a shared approach involving working parties, lead and supporting bodies will ensure practical action is taken to meet the identified needs of the industry at local level. Targets set include the creation of 500 jobs over the next 5 years and increased visitor spend of £16 million (20% higher). It is estimated that the strategy will require an additional investment of £3 million to ensure its effective implementation.

Tweed Forum

5. Tweed Forum is a newly consolidated organisation whose remit is to promote the wise and sustainable use of the River Tweed and its tributaries through holistic and integrated planning and management. The Forum is made up of 30 public and private sector organisations from both sides of the border with an interest in the river system and includes the member organisations of the Borders Working Party.

6. On 1 February 1999 the Tweed Forum announced the Stage 1 approval by the Heritage Lottery Fund of a major new initiative in the Borders – The Tweed Rivers Heritage Project. The Heritage Lottery Fund has allocated £1.8 million to the project, subject to the successful completion of Stage 2 of the assessment process. The Tweed Rivers Heritage Project, which has been developed over the last year by the members of the Forum, aims to conserve, enhance and raise awareness of the natural, cultural and built heritage of the rivers and valleys of the Tweed catchment and to develop the recreational opportunities and quality of life in the region. The project, which involves a total spend of around £4 million over the next three years, is made up of around 25 schemes spread across the whole catchment and across the whole spectrum of the Borders heritage. It includes nature conservation, access

and recreation, built and archaeological heritage, and also major educational and interpretation elements. It will see the creation of many direct jobs as well as raising the profile of the area and will help realise the enormous potential that this area holds.

Eyemouth Port Association

7. Local businesses, the Harbour Trust and public sector agencies recently formed the Eyemouth Port Association. The objective is not only to sustain the important fishing related activity in Eyemouth, but also to diversify the range of employment opportunities in the area with tourism as a key activity. A Port Development Officer has recently been appointed with funding from the European PESCA programme, Scottish Borders Council and Scottish Borders Enterprise.

Summary of Key Actions

- “New Ways” and the Borders Working Party provide prime examples of the new type of partnership and working that are needed in the Borders. Other examples are the Scottish Borders Tourism Strategy, the Tweed Forum and the Eyemouth Port Association.

FUTURE ISSUES

1. There are four developments over the coming year which the Working Party believes will be crucial to the future of the Borders economy. These will be funding decisions on the main public sector bodies who will drive forward the “New Ways” agenda; the outcome of the reviews of European Structural Funds and regional policy; the establishment of the Scottish Parliament; and the establishment of a successor body to the Working Party. These are considered in turn below.

Funding

2. The Interim Report made the point that there is no escaping the fact that the long-term solution to the problems of the Borders economy will require a considerable amount of public and private sector investment over the years. The Working Party had hoped to be in a position to produce a fully costed programme for this Final Report. However, although the funding requirements of some of the initiatives detailed in this report are known, many are at a very early stage and it is not possible at this stage to predict accurately the cost involved in progressing them.

3. The Working Party recognises that the speed of the implementation of all the various initiatives will inevitably be constrained by the limited overall availability of public resources. However, it is clear that the Government and its agencies recognise the particular needs of the Borders and have been willing to allocate additional resources to ensure that the necessary resources are available to take forward key projects. In 1998/99 this has resulted in an additional £1 million being made available to Scottish Borders Enterprise which has funded, amongst other things, the ICT link; and making available substantial extra capital provision to Scottish Borders Council to enable new factory provision in Kelso, in turn helping the creation of a significant number of new jobs. £100,000 extra has been made available to the Scottish Borders Tourist Board to support its marketing programme – this in turn should attract match funding of £100,000 from the European mini-programme.

4. The Working Party believes that the best way forward on funding is for there to be the maximum co-ordination between the key bodies, such as Scottish Borders Enterprise, Scottish Borders Council and the Scottish Borders Tourist Board, in the preparation of the

business plans that they submit annually and on which their resource allocations are based. The key will be to ensure that where funding is required from more than one body, the resourcing is available at the right time and that over the whole picture, public investment is co-ordinated to maximise economic advantage. It will also be for the various bodies to agree which are the priorities for early investment to take forward the wider strategy in “New Ways”.

5. For 1999/2000, this recommended approach is already paying dividends. Scottish Borders Enterprise has been allocated £9.3 million which represents an increase of 15% on its programme expenditure for 1998/99 (one of only 3 local enterprise companies to receive an increase). This sum includes £2.2 million that has been specifically allocated to drive forward initiatives resulting from the work of the Borders Working Party. Scottish Borders Council capital spending consent for 1998/99 was £7.476 million, to which was added the substantial supplementary allocation of £2.6 million later in the year. The Council’s gross allocation in 1999/2000, including resources for New Deal for schools and CCTV challenge funding, will be £10.188 million. The Scottish Office has announced a 15.5% increase in funding for Borders College in 1999/2000 (£5.54 million compared to £4.8 million in 1998/99).

6. The Scottish Office is also making available significant additional resources under the New Housing Partnership and Social Inclusion Partnership initiatives. This shows a clear commitment by the Government and its agencies to make available additional resources to the Borders.

European Structural Funds/Regional Policy

7. The availability of European money has been extremely important to the Borders which currently benefits from specific funding schemes (LEADER II, PESCA, RETEX) and from being designated as an Objective 5b area for European Structural Funds. In the 6 year programme from 1994/1999 this has attracted some £22 million to the Borders. The Government is also committed to re-allocating unused European structural funds for use in the Borders. This formed part of the Government’s initial support package announced in July 1998. A mini-programme based on this expectation has been drawn up. The overall strategy of the mini-programme has been approved by the Borders Objective 5b Programme

Monitoring Committee as a basis for the use of additional Objective 5b resources and those from other European initiatives such as the RETEX programme. The programme has five main strands: research and strategic planning; technology and innovation; business advice and support; tourism development; and training and re-skilling. The value of projects identified in the mini-programme is some £6.2 million with a need for European support of just over £3 million. Many of the projects in the mini-programme are vital to ensure the early implementation of initiatives identified in this Report, including the development of a research park, support for investment by small businesses, tourism development, and training initiatives to develop generic skills required by new businesses, such as call centres and those involved in research and development.

8. The Borders Objective 5b Programme Monitoring Committee has completed a review of existing Programme commitments to allow time critical mini-programme projects to proceed immediately. A review of Objective 5b Programme commitments throughout Scotland by The Scottish Office is nearing completion. A decision is expected in April on additional funding for the Borders Objective 5b Programme to allow the remainder of the mini-programme to be implemented.

9. Turning to the period from 2000, the European Commission has published draft regulations which are currently the subject of discussion between Member States. These envisage the simplification of the structural funds scheme and constraints on the overall cost of the structural funds. The Scottish Office is working towards the best possible settlement for Scotland in terms of coverage and the application of a safety net for those areas which might lose their current Objective 2 and 5b eligibility. The Working Party believes that the availability of European new Objective 2 funding will be crucial to the rebuilding of the Borders economy and any reduction or removal of European funding could have a serious adverse affect on the timetable for carrying forward initiatives and achieving the objectives of “New Ways”.

10. It is difficult for the Working Party to comment usefully on the issue of assisted area status at this stage, when decisions by the Government on its proposals to the European Commission are so imminent. These decisions will be highly constrained by the parameters imposed by the Commission and by the overall requirement for a substantial reduction in UK assisted area coverage. Obviously, keeping within our remit, assisted area status would help

the Borders enormously, and both Scottish Borders Council and Scottish Borders Enterprise have made strong representations to the Government in support of this. On the other hand, if assisted area status is not achieved, the overall reductions both in geographical coverage and in maximum bid intensity, will at least create a more level playing field for the Borders.

The Scottish Parliament

11. The new devolved Scottish Executive will take up its responsibilities on 1 July 1999. Economic development, housing and agriculture will be among the devolved areas of responsibility. The views it therefore takes on these matters and the funding allocations that follow will be crucial to how the “New Ways” strategy will be implemented.

12. It will not be clear until after the elections to the Scottish Parliament how issues such as economic development or area regeneration will be dealt with, but the expectation is that there will be committees of the Scottish Parliament to oversee such matters. The case for the Borders will need to be made loud and clear to the Scottish Parliament, the relevant committees and to the new Scottish Executive.

Successor to the Working Party

13. The Borders Working Party has completed its remit with the production of this Final Report. The Borders Working Party, having been established by the Government, has tried to do its bit in bringing a national perspective and resources to a local issue whilst also broadening and deepening partnership working in the Borders. It is this partnership working which is the key to taking matters forward and it has therefore been agreed to establish a Scottish Borders Economic Development Forum. Details of how the Forum will operate are still being developed, but it would be expected to play a crucial role in taking forward “New Ways” and the actions set in train by the Working Party. It is expected that The Scottish Office, and in turn the new Scottish Executive, will wish to keep in close contact with the Forum.

Summary of Key Actions

- Additional baseline funding has been available directly or indirectly by The Scottish Office. This includes £1 million extra for Scottish Borders Enterprise in 1999/2000 and £2.2 million in 1999/2000 to take forward initiatives outlined in this Report. Scottish Borders Council received a significant supplementary allocation in 1998/99 of £2.6 million specifically for economic development purposes. £100,000 extra has been made available to the Scottish Borders Tourist Board. Borders College is to receive £0.75 million extra in 1999/2000. In addition nearly £3 million extra is to be made available as a result of successful New Housing Partnership and Social Inclusion Partnership bids.
- European funding has been very important in implementing projects in the Borders. The Scottish Office is committed to re-allocating any unused European structural funds for use in the Borders. A mini-programme of projects has been drawn up against this possibility.
- The Working Party recognises the importance of future European Objective 2 funding and assisted area status to how problems can be addressed in the Borders.
- A new Scottish Borders Economic Development Forum will be established to drive forward the work of the Working Party under the framework of “New Ways”.

NEXT STEPS

1. As we said at the start of this Report we are only at the beginning of a long-term effort to rebuild the Scottish Borders economy. But the first bricks in the wall are now in place and the mortar is mixed for the next few layers.
2. Despite all the recent job losses and continuing uncertainty about further job losses, there are encouraging signs of increasing investment by the private sector in new facilities and new jobs in the area. For example, during the eight month period of the Working Party, Mainetti has completed the first stage of a major redevelopment in Hawick, and Farne Salmon and Trout has been developing in Duns one of the most advanced sliced salmon processing factories in Europe. Work continues in Eyemouth to develop the port – its expanded harbour is now complete and work on the new fish market started in February 1999. Whilst the general trend in the textile trade has been to shed labour, there are signs of green shoots, even in the textile trade. For example, one of Scotland's premier producers of tartans, Lochcarron, intends to relocate to Selkirk Riverside, where both the former Gardiner's mill property and the Ettrick Mill complexes await new occupants.
3. The retail sector continues to show an encouraging interest in the Scottish Borders. Several supermarket groups are about to compete for a site to commence trading in Kelso. Galashiels continues to attract the interest of non-food operators, and both Trinity Investments and Bridgemanors have recently confirmed plans to redevelop at the eastern end of the town centre for retail purposes.
4. Private sector activity in Tweeddale is stimulating growth in the western Borders. For example, Bryant Homes, Miller Homes and Taywood Homes are well on with housing expansion schemes in Peebles, and it is to be hoped that the growth of the town will stimulate further occupancy of the Calvary Park Business Park which has been completed in the past year by Scottish Borders Enterprise. A major private sector investment at Cardrona, involving the construction of an 18-hole golf course and a new bridge across the River Tweed, has completed its initial development phase, and planning applications have recently been received for several private sector housing developments. MacDonald Hotels has also submitted an application for the first major new hotel development to be seen in the Scottish Borders for many years.

5. Kelso is an example of a community finding a new role as its traditional agricultural economy has weakened. At Pinnaclehill, where Scottish Borders Council has recently completed improvements to the infrastructure of the remaining part of the Industrial Estate with the assistance of European Objective 5b funding, both Abbey Tool and Gauge and Forbes Plastic have been examining expansion prospects. The completion of the Kelso bridge and bypass has opened up opportunities to improve Kelso town centre, and already Ballantyne Builders is nearing completion of a major town centre housing redevelopment scheme. The expansion of Pinnaclehill Industrial Estate with continued industrial investments, and the interest of food retailing groups, suggest that the former burgh is actively re-positioning itself.

6. Elsewhere in this Report, we have noted that communities that are mainly beyond the influence of Edinburgh's alternative employment opportunities have been the beneficiaries of both private and public sector led initiatives. Eyemouth, Duns, Kelso, Selkirk and Hawick are central to the main areas of job losses, but like Kelso these other Border towns are also showing signs of evolving new roles as they face up to economic circumstances.

7. These are very encouraging signs. The efforts of the Working Party should help to build on this emerging confidence. But there remain serious problems to be overcome and there is still a long way to go. The Working Party has never underestimated these, nor has it ever believed it could solve them all in a matter of months. The foundation has been laid though and the need is now for the initial work of the Working Party to be taken forward decisively within the framework set out in "New Ways".

8. The Working Party has completed its remit. But that does not mean the process will now come to a stop. The new Scottish Borders Economic Development Forum will take forward the work put in train by the Working Party and develop further initiatives under the "New Ways" agenda. The Forum will involve the key players in the Scottish Borders and it is expected that The Scottish Office, and in turn the new Scottish Executive, will continue to be involved.

MEMBERS OF THE BORDERS WORKING PARTY

Godfrey Robson, The Scottish Office (Chair)

John Mason, The Scottish Office

Aileen McFadden, The Scottish Office

Damian Sharp, The Scottish Office

David Douglas, Scottish Borders Enterprise

Nigel Watson, Scottish Borders Enterprise

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