

Lochaber Economic Development – A programme update

Introduction

1. This paper sets out the progress made by Liberty British Aluminium since their purchase of the Fort William smelter in November 2016, and also provides a summary of the wider regional infrastructure developments either planned or underway in the Lochaber area, associated with the smelter project.

Background

2. Liberty British Aluminium operates the only remaining aluminium smelter in the UK at Fort William having acquired the assets from Rio Tinto Alcan in November 2016 (with the support of the Scottish Government in the form of a power purchase agreement).
3. The smelting facilities are powered by two neighbouring hydro-electric stations and a complex of on-site bio-diesel units, owned and managed by Liberty's sister company SIMEC.
4. This combination of renewable energy sources makes the site one of the greenest metal production plants in the country. Liberty British Aluminium and SIMEC are part of the Gupta Family Group, (GFG)
5. In addition to serving the international market with semi-finished aluminium, Liberty is investing c£120m to upgrade the smelter and add value through the development of downstream manufacturing based on the liquid aluminium produced on site.
6. Of primary interest is the proposed creation of an adjacent plant to manufacture alloy wheels and a range of other components for the UK and European automotive industry.

Current Project Update

7. Immediately post the acquisition of the RTA business in late 2016, GFG were clear in their aspirations to develop an added value operation at Fort William with initial plans to develop an alloy wheels factory with the capacity to deliver up to two million wheels p.a., 20-25% of the UK capacity.
8. GFG formally lodged a planning applications for the new facility in late 2017, and the Highland Council planning committee granted approval at their meeting on 30th January 2018. GFG anticipate this will create up to 400 jobs.
9. Engagement with GFG is being maintained at multiple levels looking at key areas of planning, skills and talent attraction, support services etc. More detail is provided later in this paper.

Governance

10. Community Planning partners, including Highland Council, HIE and Skills Development Scotland have been heavily engaged with the Liberty Group, and its parent business GFG, for the past 18 months.
11. There is strong Scottish Government support for (and involvement in) this development which can be transformational for the economy of Lochaber. In order to ensure appropriate and joined up public sector support for this development, two project monitoring programmes have been developed.

12. At a strategic level, the Lochaber Delivery Group meets quarterly, and is chaired by Fergus Ewing MSP, Cabinet Secretary for the Rural Economy and Connectivity. Representatives from Scottish Government, Highland Council, HIE, SDS, Transport Scotland, SNH, UHI and Liberty meet to discuss progress on the development.
13. At an operational level, the Lochaber Project Board meets on a monthly basis to take a more hands on approach to progressing the development. This Group is co-chaired by Stuart Black, Highland Council, and Charlotte Wright, HIE.
14. Within HIE, a two-year Programme Manager post has been created to co-ordinate input to this process, to maximise the benefits that can be realised, and to draw in expertise from across HIE and from national agencies where required.
15. The Project Board oversees five core workstreams which encompass all the main activities the public sector is undertaking to ensure this development is a success. Updates on the each of workstreams are set out below:

Planning/Master Planning

16. Following a site visit by the planning committee on 26th January the Planning Committee of Highland Council subsequently met on 30th January to consider the application for the alloy wheel manufacturing facility. While a number of conditions were attached to their decision, the project has been granted permission to proceed.
17. The scale of this development is highly significant for the Lochaber / West Highlands and will necessitate the provision of additional infrastructure to ensure the region can accommodate the needs of a new large-scale employer. Highland Council is leading a master planning exercise which is setting out how Fort William might look in 2040.
18. Potential for new sites to be serviced and developed to expand the local industrial base and establish new, local supply chain businesses is being explored by both public agencies and the private sector.

Skills and Talent Attraction

19. The development of an additional 400 jobs in Fort William will have implications for the local labour market.
20. HIE is working with Skills Development Scotland and the Lochaber Chamber of Commerce to develop and implement a talent attraction plan which is aligned with regional aspirations as articulated at the Convention of the Highlands and Islands in October 2017.
21. While highlighting the extensive career development opportunities available in and around Fort William will be important, the talent attraction plan will also draw heavily on the benefits of choosing Lochaber as a place to live, work and study – showcasing the Outdoor Capital of the UK at its best.
22. In addition to the short-run requirement to attract skilled labour to the area it is recognised that a wider, longer term strategy is needed to raise skill levels across the economy and align local FE/HE provision with the needs of local businesses.
23. West Highland College is leading on the development of ambitious plans to build a new Centre for Science and Technology in Fort William which will greatly expand its capacity and offer new opportunities for learning, including the academic element of Modern Apprenticeship activity which is currently undertaken in Inverness.

Housing

24. The growth of Fort William has long been constrained by a chronic lack of supply of housing. The size of the Liberty development will act as a catalyst to encourage new-build on a scale sufficient to overcome many of the prohibitive costs associated with site servicing in the area (peat and rock extraction).
25. Highland Council, in partnership with Lochaber Housing Association and the Highland Small Communities Housing Trust is working on a range of projects which will result in the construction of up to 600 new social / affordable homes.
26. In addition to the public sector-led developments there is a need for a step-change in the provision of private housing in the town. Public sector partners are engaging with the construction sector to understand the triggers that would unlock larger scale investment in new housing developments in early course.
27. Liberty, in their capacity as a major landowner in Lochaber, are also investigating opportunities to develop new housing on their own land.

Energy

28. The focus of this workstream is predominantly on two key areas both related to energy supply for Liberty and the wider area. Firstly, there is the opportunity provided by further renewable energy, and the potential for community involvement. However, the main requirement for Liberty is the supply of gas for the operation of their proposed alloy wheels factory.
29. Liberty will, in the short term, rely on a private supplier of Liquid Natural Gas (LNG), delivering their requirements directly to the site.
30. In the medium term, it is proposed that a large-scale LNG storage facility be developed at Corpach to supply Liberty and the wider Fort William commercial and domestic market.
31. The scale of the facility could be sufficient for it to act as a terminal from which other LNG energy systems in Scotland (such as 'town gas' in Oban, Campbeltown, Wick and Thurso, and other industrial users across the region) could be supplied at lower cost than current arrangements.
32. A feasibility study is being commissioned which would explore the best way to develop Corpach as a deep-water port to handle in-bound raw materials and gas. This work should take approximately 16-weeks and will inform the development of a masterplan for the surrounding industrial area.
33. Scotia Gas Networks (SGN) has commissioned a demand assessment exercise which will inform the scale of the development and influence the shape of the investment package required to pull it together.
34. The development of a local gas network for domestic customers could go some way to alleviating fuel poverty in many less affluent households. Proposals to build 600 social / affordable houses provides some considerable strategic impetus to this project.
35. It is recognised that this development could have environmental and visual impact on the town, and that health and safety concerns will need to be addressed. However, the scale of the benefits that could be derived make full investigation a worthwhile proposition.

Transport

36. It is widely recognised that the transport infrastructure within Fort William operates beyond its capacity during peak times. The arrival of a new large-scale factory with the associated

increase in population and economic activity will lead to an increase in all forms of commercial and domestic transport, by rail, road and sea.

37. Road transport is already an issue during the tourism season in and around Fort William with a particular pinch point being the Glen Nevis roundabout. Transport Scotland are seeking to undertake short-term remedial work there in spring 2018.
38. In order to inform medium-term decision-making, HIE and Highland Council are joint funding a study led by HITRANS (a pre-STAG appraisal) to inform the development of a range of options which would significantly increase the capacity and utilisation of transport infrastructure and introduce a new level of resilience into the local network. This work will involve extensive community and stakeholder consultation and should be complete by the start of the summer 2018.

Conclusions

- Pro-active partnership working at both national and local level will be essential if Fort William is to attract the scale of infrastructure development necessary to maximise the benefits of the Liberty investment in the local and regional economy.
- In addition to addressing short-term needs such as attracting the required labour force and ensuring raw materials can be supplied on a competitive basis, it will be important to use this opportunity to make investments that will benefit the region in the long term and ensure the growth generated is intrinsically inclusive in nature.
- Long term improvements to the transport infrastructure and the expansion of West Highland College are two significant developments that will require input from a range of partners from across Scotland.

**Highlands and Islands Enterprise
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