



"Chucking Buns across the Fence?" Government-Sponsored Industry Development in the Scottish Highlands, 1945-1982

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In this paper, I address government economic planning and intervention during the period 1945-1982 in Scottish economic history. I focus specifically on four large-scale industrial projects commissioned and supported by the U.K. government at Dounreay, Corpach, Aviemore, and Invergordon in the Highlands of Scotland that were aimed at diversifying the country's industry and regenerating the area. Although these developments were promoted as the solution to longstanding economic and social problems in the Highlands, they failed to address them adequately. I argue that the industrial projects were not about Highland development *per se*, but were more concerned with contributing to a quick fix solution to national economic concerns, resulting in their eventual failure.

In general, Scottish economic history, since a burst of activity in the 1970s, has been neglected in the considerable literature on twentieth-century British economic history. Arguably, no aspect of Scotland's economic history has been more neglected than the case of the Highlands.¹ I intend

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this paper to help bridge the gap. The U.K. government spent billions of British pounds on several large-scale industrial developments in the Highlands in the post-World War II period in an attempt to industrialize the region through the creation of the nuclear power facility at Dounreay, a paper-pulp mill at Corpach near Fort William, the tourist development at Aviemore, and an aluminum smelter at Invergordon. Consequently, the Highlands became a kind of laboratory for government economic policy with respect to the Scottish economy as a whole.

My intention is to relate these projects to the issue of Highland development and to explore the reasoning behind the policy, both explicit and hidden. The paper's title comes from a comment made by Sir Douglas Haddow, Permanent Secretary to the Scottish Secretary of State (1965-1973), who saw the Highlands as a problem area that had to be kept quiet by "chucking buns across the fence," if necessary.² Willie Ross, Scotland's Secretary of State (a permanent Cabinet position) under Labour governments during 1964-1970 and 1974-1976, was an ardent public supporter of Highland industrial development. Ross famously introduced the Highlands and Islands Development Board bill in Parliament with the words "For two hundred years the Highlander has been the man on Scotland's conscience."³ Privately, Ross viewed development as a way of strengthening the Union and diluting support for the growing nationalist movement, finding support for this view in the Civil Service.⁴

I focus my work on the split between the public face of government and development (Ross) and the behind-the-scenes machinations of policy development (Haddow and the Civil Service). I seek to answer the questions: "Why did the government see fit to locate these enormous, hugely expensive industrial ventures in areas hitherto untouched by large-scale heavy industry, and why did they fail?" Further, I address whether or not these projects could have succeeded.

Each development was purported to be an attempt at remedying the longstanding problems in the Highlands of depopulation, high unemployment, and low wages. However, a combination of poor planning, unfavorable markets, and a preoccupation on the part of

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¹ George C. Peden, "The Managed Economy: Scotland, 1919-2000" in *The Transformation of Scotland: The Economy since 1700*, ed. Tom Devine, Clive Lee, and George Peden (Edinburgh, 2005), 1.

² Alistair Hetherington, *Highlands and Islands: A Generation of Progress* (Aberdeen, 1990), 3.

³ *Hansard*, House of Commons Debate, 16 March 1965, 1095.

⁴ Winnie Ewing had won the Hamilton 1967 by-election from Labour with 46% of the vote for the Scottish National Party. This set up the party's impressive showing at the following year's local elections, where it won 34% of all votes cast nationally, making 101 net gains for the party compared with 84 losses for Labour.

government with national U.K. concerns saw the developments fail to achieve their stated aims of acting as growth centers, attracting further industry to the area, and bringing long-term self-sufficiency and prosperity to the Highlands. This failure marked the end of government attempts at industrializing the Highlands, and, coupled with the failures of similarly created ventures farther south in the country, of the planning of the Scottish economy. The overall question addressed, then, is: “How appropriate was economic planning for the Highlands and could it have worked?”

Relative to the wider issue of industrial change and the development of the Scottish economy, the history and failure of these projects is instructive in understanding the government’s retreat from an active role in the planning and management of the Scottish economy and its subsequent move from a heavily industrialized, manufacturing-based economy to a service-sector based one. There was recognition of the Scottish economy’s structural dependence on the staple industries of steel, coal, and shipbuilding in the postwar period, all of which experienced long-term declines and “propping up” by government support.⁵

The intent of the new developments in the Highlands was, in part, to help diversify Scottish industry, as recommended by the 1940 report of the Royal Commission on the Distribution of the Industrial Population (also known as the Barlow Report after its chair).⁶ The authors of the Barlow Report argued that heavy industries (such as the staple industries) no longer provided a suitable basis for regional development. This idea, coupled with the later recommendations of the Toothill Report, led to the creation of these Highlands industrial ventures, intended to regenerate the area.⁷

I follow the work of recent authors who have focused on the role of government in the management of the Scottish economy, the Highlands, and industrial creation.⁸ I focus on the impact of the application of

⁵ See Peter Payne, “The Decline of the Scottish Heavy Industries, 1945-1983,” in *The Economic Development of Modern Scotland 1950-1980*, ed. Richard Saville (Edinburgh, 1985), and Payne, *Growth and Contraction: Scottish Industry c. 1860-1990*, (Dundee, 1992), for a more detailed discussion.

⁶ Hansard, *Royal Commission on the Distribution of the Industrial Population: Report* (Cmnd. 6153), Parliamentary Papers (PP), 1939-40, pp. iv, 263-592.

⁷ *Inquiry in to the Scottish economy, 1960-1961: report of a Committee appointed by the Scottish Council (Development and Industry) under the chairmanship of J.N. Toothill* (Edinburgh, 1962).

⁸ Peden, “The Managed Economy,” 233-36; Ian Levitt, “‘Taking a Gamble’: The Scottish Office, Whitehall and the Highlands and Islands Development Board, 1965-67,” *Northern Scotland* 20 (Aberdeen, 2000): 87-111, and “‘Too Deeply Committed’: Aviemore, the Scottish Office and George Pottinger, 1959-72,” *Scottish Affairs* 51 (Spring 2005): 25-58; Ewen Cameron, “Congested District to Objective One: The Scottish Highlands in the Twentieth Century,” in *Scotland in the Twentieth Century*, ed. Tom Devine and Richard Finlay (Edinburgh, 1996),

regional policy based within an institutional framework, with particular reference to four case studies. My work, then, represents an evolution of the current literature and development of its themes in contributing to a more considered understanding of the Scottish economy in the post-1945 period.

Background: Policy Development

The commissioning and publication of the Toothill Report by the Scottish Council (Development and Industry) in 1961 marked a significant event in the discussion of the development of policy for the Scottish economy. The Toothill Report encouraged the idea of the “region” and called for more government intervention into the economy to rectify the country’s economic problems. The report’s authors took the view that simply alleviating unemployment was insufficient as regional policy for Scotland. Toothill argued further that regional characteristics such as “geographical location, communication facilities, development potential or established industrial base, offered the best prospects for generating economic growth.”⁹

This approach found considerable favor within the Scottish Office, which adopted it as policy, moving government away from its previous regional policy focus on rectifying unemployment. The idea of growth centers characterized regional economic policy in subsequent years in Scotland and directly informed the creation of the pulp mill at Corpach, the tourist facility at Aviemore, the location of the second fast reactor at Dounreay, and the construction of the aluminum smelter at Invergordon.

The question is: “Why were the Highlands receiving these ventures?” During the twentieth century, the Highlands of Scotland experienced widespread population decline. Between 1921 and 1961, the population of the area declined from 371,372 to 304,161—a loss of 28.1 percent in only forty years (see Table 1).¹⁰

This decline gave many in both the Scottish and British governments considerable cause for concern, resulting in the development of policy aimed at halting the migration south. Any development in the Highlands was predicated on people being there, of course. Further, it was not politically desirable to have large-scale population movement from the Highlands, given its importance to the very vocal expatriate Highlanders in the Central Belt region between Glasgow and Edinburgh, where the

153-87; and “The Scottish Highlands as a Special Policy Area, 1886 to 1965,” *Rural History* 8, no. 2, (Cambridge, 1997): 195-216.

⁹ Thomas L. Johnston, N. K. Buxton, and Douglas Mair, *Structure and Growth of the Scottish Economy* (London, 1971), 321.

¹⁰ Industry Department for Scotland, *Review of the Highlands and Islands Development Board Economic and Social Change in the Highlands and Islands* (Edinburgh, 1987), appendix III.

TABLE 1
Population Change in the Highlands of Scotland

Year	Highland Population
1921	371,372
1931	323,277
1951	316,471
1961	304,161

Source: Highlands and Islands Development Board, *Annual Report* (1981), appendix 4.

majority of the Scottish population, and Scottish-based parliamentary seats, were located. As a result, the Labour government created the Highlands and Islands Development Board (HIDB) in 1965 as part of its commitment to the region's industrial development.

The HIDB's charge was to attract industry to the Highlands and to bring prosperity to the area. It was instrumental in attracting the second reactor to Dounreay, continued support for the Aviemore development, and the creation of the aluminum smelter at Invergordon. Although it had no input into the establishment of the Corpach integrated paper-pulp mill, which predated the HIDB's creation, it recognized the mill's importance to the area, was a supporter of its operations, and actively attempted to encourage other industries to locate in the area.

The HIDB's new chairman, Sir Robert Grieve, Scotland's former chief planning officer, was intent on taking a proactive approach to planning in the Highlands, in part in response to warnings that the board could be little more than an "exercise in theoretical socialism."¹¹ As a result, when the opportunity arose for the location of the second prototype fast reactor (PFR) in 1966, the board fought long and hard for Dounreay to receive it, rather than Winfrith on the Dorset coast. They argued persuasively that this was the first real test of the government's stated commitment to the Highlands and an opportunity for the board to establish itself as a real and present force for change in the area.¹²

The PFR was to be a shop window for fast reactor technology for exporting abroad, helping the government's balance of payments problems. On a regional level, it was to act as a "growth centre," attracting industries to the Caithness area. In reality, a combination of factors persuaded the government to locate the new reactor in Caithness: the Caithness parliamentary seat would be winnable at the next election (a point made clear by the Caithness Labour Party to the government, who

¹¹ Alistair Hetherington, *Highlands and Islands: A Generation of Progress*, (Aberdeen, 1990), 3.

¹² Letter from Robert Grieve to Willie Ross, 8 Nov. 1965, National Archives of Scotland, folder NAS SEP14/1619.

were sitting on a very slim majority at Westminster at that point); the government had campaigned in Scotland on the platform of commitment to the development of Scotland, but had yet to locate any industry in the country; and, put simply, it had no other plan for the area.¹³ It was, then, the government's first legitimacy test for its stated policy of development of the regions in Scotland.

The Developments: Creation and Closure

Balance of payments problems dogged the government during the planning phase for each industrial development.¹⁴ As a result, for any chance of success, each Scottish agency presentation made to the government in Westminster for development in the Highlands had to cater to providing an immediate, or almost immediate, benefit to the U.K. economy's balance of payments problem. The Corpach mill was to provide an element of protection against Scandinavian paper pulp price increases. Further, the application for government support for the Aviemore project was framed in the context of attracting more "dollar tourists." The intent was that the second "shop window" reactor at Dounreay would show off the commercial aspects of fast reactor technology for export abroad, and the aluminum smelter at Invergordon was constructed to boost domestic production of aluminum ingots to reduce reliance on foreign imports.

Although they were presented as the solution to the issue of Highland development, all four developments are linked by the desire to protect British domestic production from foreign competition. Economically speaking, the developments were constructed primarily to serve the immediate needs of the U.K. national economy rather than as the long-term answer to the longstanding problems in the Highlands, evidenced in part by the lack of development of an integrated infrastructural framework of transport and communication facilities in the wider Highland area. Instead, infrastructural development was focused on the immediate areas in which the developments were located and specifically on housing the influx of new workers and providing amenities for them.

While these measures were undoubtedly important for the developments to have any chance of succeeding as growth centers, a more considered approach to Highland-wide infrastructure was needed. That the developments were located in the Highlands was a combination of good fortune, considerable political skill on the part of the HIDB and the Scottish Office, and attractive terms offered to companies to locate there. Indeed, by the end of the 1960s, the Highlands were receiving 10 percent of all government expenditure in Scotland, in spite of having only 5 percent of the population.¹⁵

¹³ Cabinet discussion, 8 Feb. 1966, TNA PRO CAB128/41.

¹⁴ This applies only to the second reactor at Dounreay.

¹⁵ David Newlands, "The Regional Economies of Scotland," in *The Transformation of Scotland*, ed. Devine, Lee, and Peden, 159-84, 170.

All of the developments experienced problems that were particular to their locations: all were criticized for scarring the landscape; they all had difficulties with their relative remoteness and problems attracting high-quality workers, resulting in having to pay them a premium to relocate. Wiggins Teape closed its pulping operations in Corpach in 1981, followed closely by Invergordon's shut down at the end of the same year. In 1994, the decision to abort the fast reactor project resulted in the decommissioning of the Dounreay PFR, following a run-down of operations beginning in the early 1980s. Of the four developments, only Aviemore is still in full operation, albeit after a very checkered past.

The government's social experiment, predicated on economic performance, had failed to provide the long-term prosperity promised for the Highlands. The closure of these plants saw unemployment jump from 7.9 percent in 1971 to 14.1 percent in 1982 in the Highlands with some areas posting unemployment figures as high as 26.8 percent in 1982 (see Table 2).¹⁶

TABLE 2
Percentage Unemployed by Area and Year

Area	1971	1982
Thurso	6.6	13.4
Invergordon and Dingwall	10.0	19.7
Fort William (Corpach)	5.3	17.2
Total HIDB area	7.9	14.1

Source: HIDB Annual Report (1983), appendix 4.

It is quite clear that the closure (or run down) of these plants had a considerable effect on the areas where they were located. Far from acting as growth centers, the failure of the developments and their closure further exacerbated the area's existing problems. They were successful in the sense that they helped attract people back to the area, but the intention was also to provide them with jobs. Thus, when the developments closed or ran down, the areas had larger populations and, consequently, increased unemployment levels. The government had achieved its aim of reversing depopulation, but at the expense of creating more unemployment.

Conclusion

The 1979 election of the Conservatives saw the government's refusal to continue subsidizing the Invergordon and Corpach developments, resulting in their closure. The Conservative's 1987 reorganization of the

¹⁶ HIDB Annual Report, 1983, Appendix 4.

nuclear industry resulted in more private enterprise-based operations than did the decision that, beginning in 1994, Dounreay should be entirely self-funded.

Of the four developments, only Aviemore flourished after the Conservatives' policy reversal. However, that is as much, if not more, due to the Aviemore development's siting beside the two main transport links through the Highlands (the A9 main road and the Perth-Inverness railway line), which makes it easy for tourists to get there. Stark evidence of failure led the retreat from state intervention and economic planning in the Highlands.

The 1991 replacement of the HIDB by Highlands and Islands Enterprise, a neo-liberal government agency whose métier is facilitating small-scale industrial development, completed the government's withdrawal from economic planning and intervention in the Highlands. The closures in the Highlands accompanied the government's failure in its attempts to establish a Scottish motorcar industry and the large steel plant constructed further south to service it.

The failure of the planning process in the Highlands was a direct result of the desire for a "quick fix" for national economic and political problems, while ignoring the need for wider infrastructural development in the area. The government's prescription of industries for an area ill-equipped to handle them resulted in large-scale unemployment in an already depressed region, as well as the loss of belief in the government's ability to effectively plan and manage industrial and economic development.