Economic Impact

Of

Local Job Losses

On the Scalloway Community

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1. INTRODUCTION

1.1 Remit

This report has been prepared in response to a brief issued by Douglas Irvine of the Economic Development Unit of the Shetland Islands Council for an economic impact assessment of local job losses on the Scalloway communities.

The main objectives of this report are:-

1. To establish the number of jobs lost in Scalloway since the beginning of 2004 as a consequence of business closures, staff reductions or relocation, and any associated reduction in turnover;
2. To gauge the impact of these losses on the remaining commercial sectors in Scalloway in terms of both lost turnover and employment losses.
3. To identify any projects that have resulted in an increase in employment and turnover over the same period
4. To identify possible opportunities to strengthen the economy in Scalloway, which can be followed up in more detail and any weaknesses that the public sector can help resolve.

The report will investigate:-

- The number of jobs lost and credited in the area by sector;
- The impact on the remaining businesses in terms of lost income; constrained development opportunities, possible future job losses;
- Outline opportunities for future business and community developments;
- Ways in which the public sector could assist the community.

The study will quantify the direct, indirect and induced economic effects.

1.2 Background to the Report

Scalloway has a fishing heritage stretching back for generations. Until recent times it had remained a busy fishing port with many boats calling to land their catch at the harbour to be sold at the fish market. The community had also became heavily involved in aquaculture with the harbour providing a base for farms established within Shetland and for a salmon processing facility. In addition the North Atlantic Fisheries College was constructed in the Port Arthur area of the village in the early 90's. Recent cuts in fisheries effort and quotas coupled with the downturn in the aquaculture industry, and the subsequent knock on impact for the College, have had a negative impact on the community.

These factors have combined and resulted in a dramatic impact on fisheries dependent businesses in the area. A large local salmon processing firm closed at the end of 2004, with a smaller salmon and shellfish processing firm having closed earlier in the year. The local fishing agents amalgamated with a company in Lerwick. A marine engineering company closed the Scalloway branch of its operations and relocated employees to Lerwick. In addition the College has closed its marine hatchery, and reduced its workforce.

Outwith the fisheries sector the local school faced threatened closure (which was averted), a local construction company folded, and a local IT company has been forced to move to Lerwick due to a lack of suitable business premises in the Scalloway area.

The impact of such losses has potential implications for the local community, including out migration, loss of community confidence, reduced community services such as shops, post office as well as a negative impact on quality of life. It is important for the community to be able to recognise the potential opportunities that can be developed locally to lessen the impact as well as strengthen the remaining sectors of the economy and to maintain a viable community.

2. METHODOLOGY and APPROACH

2.1 General Approach

This report addresses a number of key issues and makes a number of assumptions in order to fully quantify impacts. The main questions addressed include:-

- What have been gross and net total job losses in Scalloway and what was their value to the community?
- What impact has this had on the remaining businesses in the area?
- What are the opportunities for Scalloway's future?

The report has been divided into four main parts that will address the 4 objectives in the remit;

1. Establish the number of jobs lost and created since January 2004 (objectives 1 and 3)
2. Gauge the impact of the above job losses on the remaining commercial sectors. (objective 2)
3. Identify possible opportunities to strengthen the economy in Scalloway (objective 4)
4. Identify weaknesses the public sector can help resolve (objective 4)

The specific methodologies adopted to address the objectives are outlined within the following sections.

2.2 Desk Research

- Existing reports and studies consulted included…
  - Scalloway Community Profile 2005
  - Scalloway Business Profile 2005
  - Assessment Of Existing Activity & Potential Future Development At Small Ports In Shetland Annex A – Scalloway 2005
  - Audit Of Existing, Developing & Potential New Shetland Tourism Products 2005
- Extraction of data from different sources such as:-
  - 2001 population census
  - SIC Economic Development Unit employment surveys
  - Input/Output data collected in 2005
  - Unemployment Data Collected Monthly/Quarterly by A B Associates

2.3 Primary Data Collection

- The following businesses were interviewed in relation to this report.
  - SAGA
  - West Side Fishermen
  - D Watt
  - Malakoff & Moore
  - Scalloway Meat Company
  - Scalloway Post Office
  - Scalloway Hotel
  - The Checkout
  - NAFC
  - The British Legion
  - Net Services
  - H Williamson
  - L. Williamson

- Gibbie Hunter
- Sharp Image
- Scottish Seafarms
- Shearing Shed
- Johnsons Seafarms
- Jim Sutherland Architect
- ITS
- BSS
- A B Associates

- Interviews were also carried out with individuals in the following public agencies;
    - SIC Economic Development Unit
    - Shetland Enterprise
    - SIC Community Work Office
    - SIC Ports & Harbours

- Key individuals in the communities were also consulted:
    - The local Councillor
    - Scalloway Community Council
    - Area Community Worker
    - Scalloway Museum

A total of 7 other businesses either could not be contacted or did not wish to participate in this study.

2.4 Analysis

Analysis of the desk research and interview data has been undertaken with economic impact analysis techniques applied to employment, income and output. SWOT's analysis has been compiled from Scalloway Profiles, and survey work carried out for this report, and outline options for new opportunities for the area have been detailed.

2.5 Economic Impact

An important first step was to establish the actual number of jobs lost and created in the community, therefore team members contacted a number of the local businesses, and key industry representatives to get local views and knowledge. The total value of these jobs has been estimated and provides the direct impacts. Employment/Unemployment figures have also been calculated based on available data.

The wider economic impacts have been calculated from information gained during interviews with businesses and industry representatives, and used to calculate the indirect and induced 'knock on' effects. Job losses and creation in local businesses have a knock-on effect on local services that rely on local incomes. The effects at this level, often called induced effects, can be very widespread through the community and can impact on a whole range of retail, business and leisure services, and this report contains calculations and assumptions to gauge these impacts on the Scalloway community.

2.6 Generation of Development Opportunities

All those interviewed were asked for their ideas and views on the development opportunities and barriers to development in Scalloway. The results of these consultations as well as desk research of existing reports, has been used to produce a list of ideas and potential opportunities for the area as well as constraints and barriers that need to be overcome.

2.7 Conclusions and Key Findings

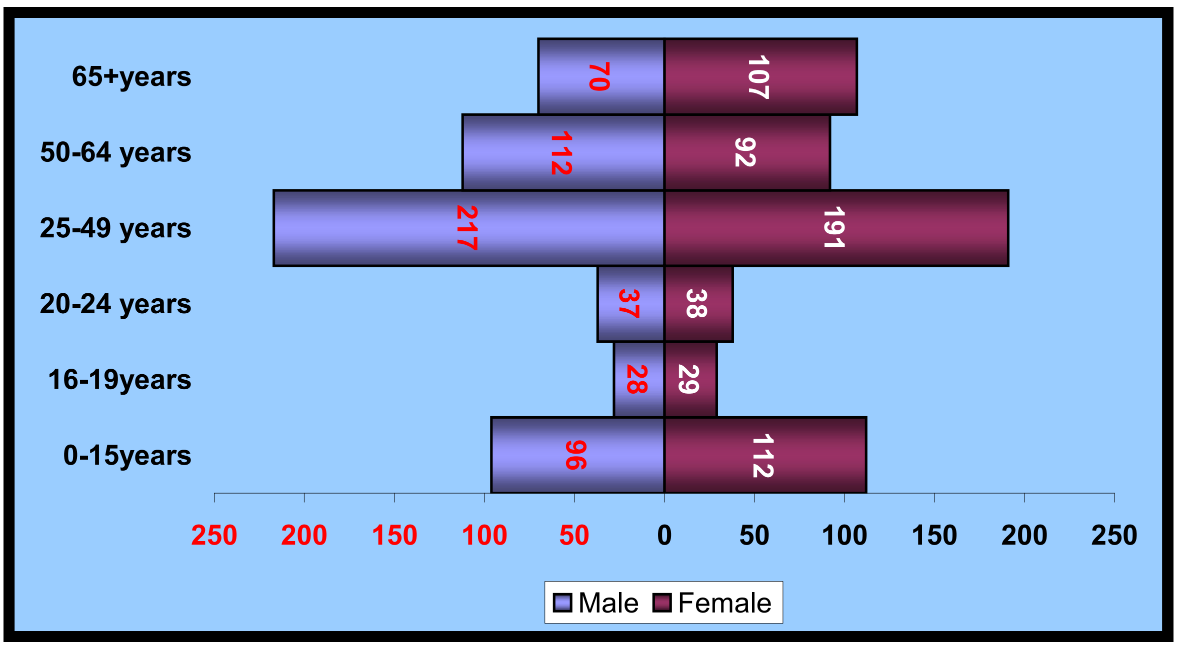
The methods used and assumptions made in undertaking this study have been clearly stated. Any aspects of the project that have not been included in the formal quantitative appraisal have been emphasised and analysed separately. A report has been prepared which details the action undertaken from the initial desk research, through to findings that are summarised in the conclusions and suggestions for action.

3. Scalloway – Current Position and Recent Trends

3.1 Population

Scalloway and the surrounding area had a population of 1129 at the time of the 2001 census, with an age breakdown as shown in the following population pyramid.

Chart 3.1: Population Distribution from 2001 Census by Statistic Ward Area



From the chart above it can be seen that 208 or 18% of the population were under working age, 744 or 66% of working age and 177 or 16% over retirement age. 560 were male and 569 female, giving an even gender split. These figures also show a relatively stable population compared to 1991.

The Scalloway Community Profile conducted in 2004 found that 52% of respondents had lived in Scalloway for over 20 years, and 22% had lived in the village for less than 5 years. Of those who had moved to the village within the last 5 years the greatest number had moved from Lerwick, and the most common reason for moving was work (35%) followed by accommodation (28%) and then friends and family (26%).

The most frequent reason given for why people lived in Scalloway was family which suggests that there are strong family ties within the community.

3.2 Housing

The largest proportion of housing in Scalloway is privately owned followed by Council rented housing. The other main types of housing accommodation are privately rented and Housing Association rented as shown in the table below.

Table 3.1: 2001 Census Data on Housing Tenure

Housing Type	%
Privately owned	61
Council Rented	24
Housing Association	7
Privately rented	5
Tied to employment	0
Other	3

3.3 Employment

The following table details summary employment figures for Scalloway from the SIC Development Department Employment Survey in 2000.

Table 3.2 - Employment in Scalloway 2000

	Employment				Self-Employment					
	Male FT	Male PT	Female FT	Female PT	Male FT	Male PT	Female FT	Female PT	Seasonal Workers	Total Workers
Primary	11	0	0	0	45	4	0	0	2	**62**
Manufacturing	40	33	16	15	1	1	0	0	0	**106**
Construction	19	0	0	0	6	0	0	0	0	**25**
Service	104	26	90	99	18	14	8	5	11	**375**
Overall Jobs	**174**	**59**	**106**	**114**	**70**	**19**	**8**	**5**	**13**	**568**
FTE	**174.00**	**29.50**	**106.00**	**57.00**	**70.00**	**9.50**	**8.00**	**2.50**	**2.75**	**459.25**

Source: Employment Survey Development Department, SIC (June 2000)

Note 2PT and 4 FT seasonal employed assumed to equal 1 FTE.

From the table above it can be seen that at the time of survey there were 568 jobs in Scalloway (459.25 FTE). However it should be remembered that some people hold more than one job, and not all jobs located in the village are held by Scalloway residents. Males held 322 jobs, and females 233, however 51% of female employment was part time, as compared to 13% of males. In terms of FTE's, women held 173.5 FTE jobs and men 283.0. There were 13 seasonal jobs identified (2.75 FTE). 43% of all jobs (45% of all FTE's) were fisheries related.

The following table details summary employment figures for Scalloway from the SIC Development Department Employment Survey in 2003.

Table 3.3 - Employment in Scalloway 2003

Sector	Male FT	Male PT	Female FT	Female PT	Total Workers
Primary	17	8	6	12	**43**
Manufacturing	81	0	55	2	**138**
Construction	3	0	0	0	**3**
Services	114	19	96	121	**350**
Overall Jobs	**215**	**27**	**157**	**135**	**534**
FTE	**215.00**	**13.50**	**157.00**	**67.50**	**453.00**

Source: Employment Survey Development Department, SIC 2003

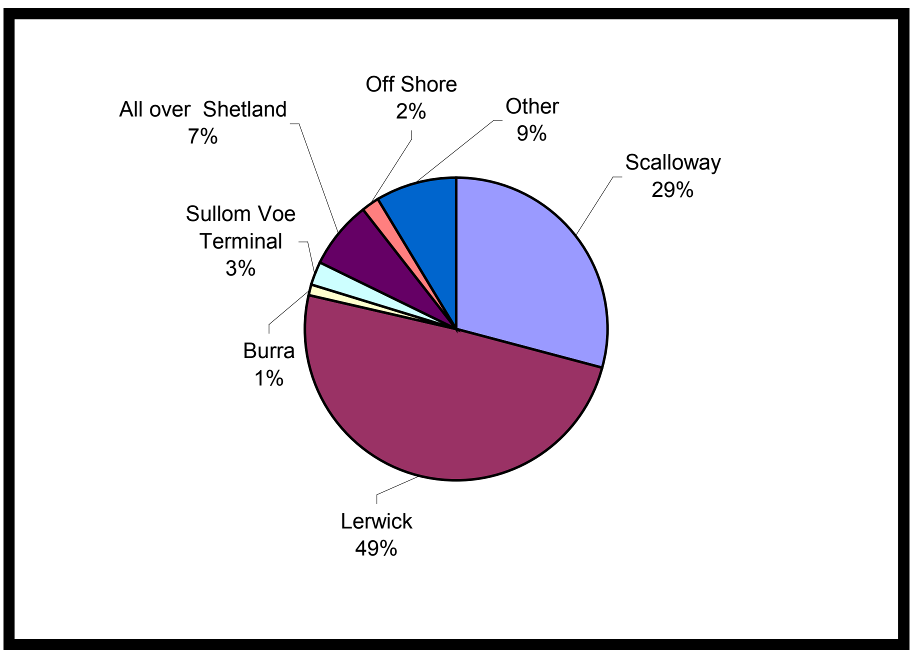
Note 2PT assumed to equal 1 FTE.

From the table above it can be seen that at the time of survey there were 534 jobs in Scalloway (453 FTE). However again it should be remembered that some people hold more than one job, and not all jobs located in the village are held by Scalloway residents. Males held 242 jobs, and females 292, however 46% of female employment was part time, as compared to 11% of males. In terms of FTE's, women held 224.5 FTE jobs and men 228.5. It was not possible to get figures for seasonal or fisheries related employment.

The Community Profile showed that in 2004 a full time employee was the most common employment status in the village. In total 65% of respondents were in employment, 25% of these were employed on a part-time basis.

Another feature of employment in relation to Scalloway residents is that not all work in the village. The Chart below is taken from the Community Profile and details where respondents to the survey indicated their employment was based.

Chart 3.2: Location of Scalloway Residents Employment



From the chart above it can be seen that the vast majority of people who responded to the survey worked outwith Scalloway (71%) with 49% working in Lerwick and only 29% in Scalloway itself. Other places of work included Tingwall, Sumburgh, South Mainland, Trondra, Sandwick, Brae, Walls, Wadbister, Glasgow and as far away as Zurich. This would tend to indicate that the village has a high level of commuters. This also implies that the impact of jobs lost in the village may not be as great as it might have been had a greater proportion of residents been dependent on employment within the village.

Within the Community profile respondents were also asked how far they travelled to work, with 46% stating that they travelled 6-10 miles. This would suggest they work in the Central Mainland, and again would tend to suggest a high level of commuting from the village. 21% travelled less than a mile indicating they worked in Scalloway

In addition respondents were also asked if they worked for the SIC, 31% stated that they did, which would tend to show a high level of dependence on local authority employment. Again it should be stressed that not all this employment was located in Scalloway

Respondents were also asked to indicate where in SIC they worked. The following table is adapted from the Community profile and shows percentage employment by SIC department.

Table 3.4: Employment Within SIC Departments

Departments	%
Infrastructure Services	17.7%
Community Services	55.6%
Executive Services	6.3%
Ports & Harbours	2.5%
Economic Development Unit	1.5%
Unspecified	16.4%
Total	**100%**

From the table above it can be seen that the majority of those responding to the survey who worked for the SIC did so within the Community Services Department.

3.4 Unemployment

The following charts detail unemployment data for both Scalloway and Shetland in 2002. This is the last period where parish level unemployment data for Shetland was available.

Chart 3.3 Percentage Unemployment in Scalloway and Shetland 2002

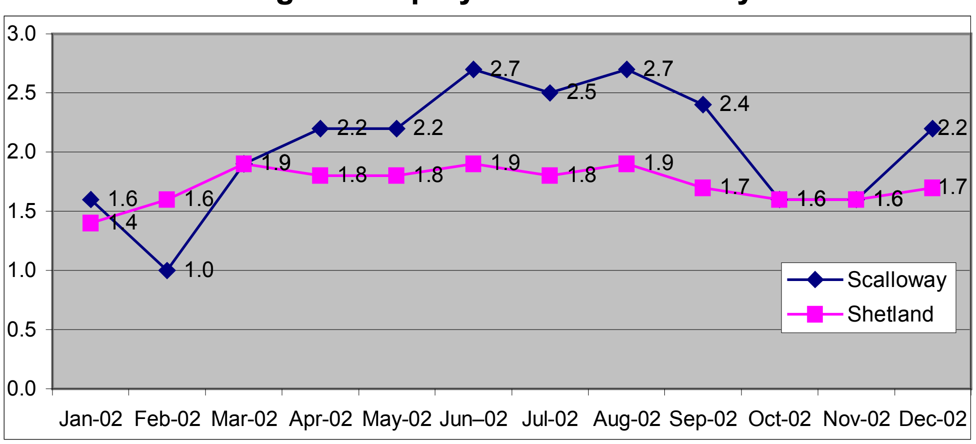
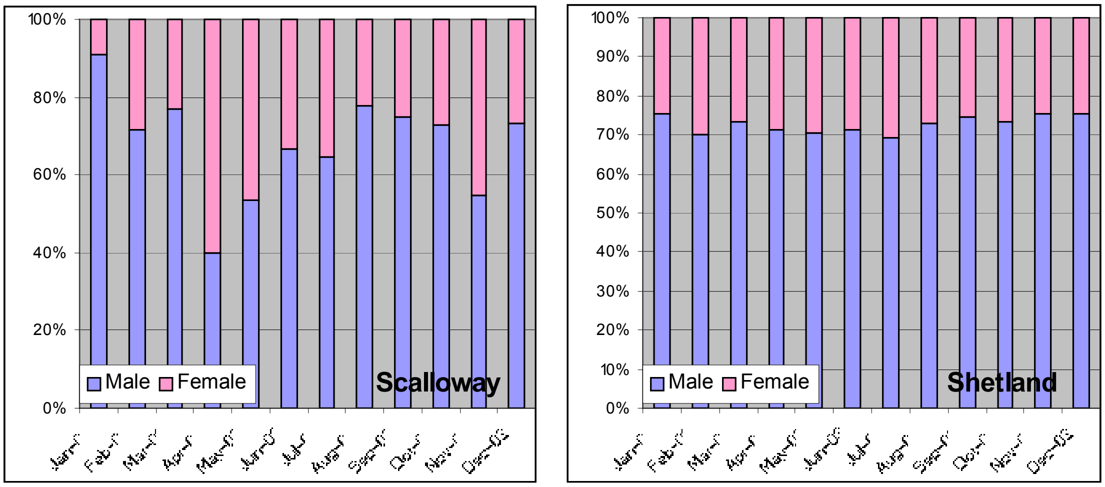


Chart 3.4 Unemployment by Gender in Scalloway and Shetland 2002



From the charts above it can be seen that unemployment in Scalloway in 2002 was above the Shetland average from March to October and was at its highest in June and August. In terms of gender other than in April there were more males unemployed in Scalloway than females. However proportionately there would appear to have been more female unemployment in Scalloway than in Shetland as a whole.

Since 2002 data on unemployment has only been available at a Shetland wide level, therefore no detailed assessment of unemployment at a Scalloway level can be made after this time, however it would not appear that there were any extraordinary rises in overall Shetland employment as a result of the job losses in Scalloway in 2004.

3.5 Key Industrial Sectors

The table below is adapted from the community profile. It illustrates employment in Scalloway in terms of industry sector as at the time of the survey, and compares results to the figures for Shetland as a whole.

Table 3.5 Employment by Industry Sector

Industry Sector	% Scalloway	% Shetland	Difference
Primary	13%	7%	+6%
Manufacturing	15%	9%	+6%
Construction	8%	8%	0%
Services	65%	77%	-12%

From this table it can be seen that at the time of the survey, the largest percentage of employees in Scalloway were employed in the service sector, although this was proportionately less than for Shetland as a whole. The primary and manufacturing sectors employed higher proportions of employees in Scalloway compared to Shetland as a whole, with construction employment equal to the Shetland average.

The table below gives a comparison between percentage employment by sector in Scalloway in 2000, 2003 and 2004 and is based on Community Profile data and SIC Employment Surveys. All these studies were conducted prior to the major job losses in the area.

Table 3.6 Employment by Sector 2000, 2003, 2004

Industry Sector	2000	2003	2004	Change 00 - 04
Primary	11%	9%	13%	+2%
Manufacturing	19%	25%	15%	-4%
Construction	4%	1%	8%	+4%
Services	66%	65%	65%	-1%

From this table, it can be seen that there has been some fluctuation in the proportion of employment in each sector from 2000 to 2004 ranging from a drop of 4% in manufacturing employment to a rise of 4% in construction employment. Figures for 2003 conversely showed a rise in manufacturing employment and a fall in construction employment, with primary and service employment remaining proportionately relatively constant in all years**.**

The following gives a brief overview of the key local industrial sectors.

Primary. Primary employment in Scalloway exists mainly in relation to fish catching and aquaculture, with a very low level of agricultural employment, and quarrying activity in the Scord. Fisheries are discussed in greater detail below.

Manufacturing. Manufacturing employment has also tended to centre around fisheries, and more specifically fish processing. There has also been some textile manufacturing within the village. Again fisheries are discussed in greater detail below.

Construction. Construction employment would appear to have varied somewhat within the village, with a major closure in 2004.

Services. There are a variety of services in operation in the village including 2 general merchants, 2 hairdressers, 3 pubs, a post office, fish shop, garage, chip shop/café/takeaway, hotel, swimming pool, school, fisheries college, doctor's surgery, vet surgery, police station, architects, haulage, economic consultancy, various tourist accommodation, and businesses servicing the fisheries sector. Service employment accounts for around two thirds of all employment in the village and appears to have remained proportionately stable up to 2004, although figures for 2000 and 2003 did show a numerical drop in service jobs, and overall levels of service employment in the village as at 2004 were below the Shetland average. Two IT related companies have recently relocated from the village citing lack of suitable premises, and a reluctance and/or unnecessary delays in releasing potential businesses premises by the SIC as major factors in their decision to relocate. There have also been job losses both at the NAFC and within a local consultancy company, and both relocation and job losses within services ancillary to fisheries. On a more positive note there have also been job gains within a service company ancillary to fisheries as well as within architectural services, hotel and hairdressers. However as will be seen in the next section of this report the numbers of jobs identified as created in service businesses within the village have been less than those identified as lost.

Fisheries Due to the significance of the fisheries sector to the village this has been singled out for more detailed examination. Fishing and fish processing have traditionally been the mainstay of both the Scalloway harbour and economy. The harbour has developed along with the fisheries sector, and ancillary services and processing have developed around the industry. Land has been reclaimed around the voe and several pier extensions and improvements have been undertaken, including a new fish market built in 1983. The port is designated for whitefish landings, and is currently the only designated port in the islands outwith Lerwick.

The port has also been used for ancillary services and processing of aquaculture produce, mainly salmon and latterly mussels. A major salmon processing factory opened in 1994, following on from a whitefish processing facility, and the collapse of a pelagic processing facility in the 80's.

Ship repair has also been undertaken at the port for many years in a boatyard, with the capacity to take vessels up for maintenance on its slipways, located on the Westside of the voe. Also on the Westshore is the North Atlantic Fisheries College, built in 1992 as a centre for marine engineering, and fisheries.

In recent years however both the fisheries sector and the port have suffered from a number of setbacks and business closures, including the closure of the major salmon processing facility at the pier, as well as another salmon and shellfish processing facility located in the East Voe, the closure of a local fishing agency and the local boatyard. These closures have been brought about due to difficulties in both the whitefish and aquaculture sectors. Within the whitefish sector there has been both greater quota restrictions and decommissioning leading to decreased activity at the port and difficulties for ancillary services including the boatyard and agents. Reduced landings at the port have also negatively affecting the fish market. Reduced returns to primary producers of salmon have led to a number of business failures within the islands, most notably the failure of SSG, which was a major factor in the closure of the salmon processing facility at the port.

The port is currently suffering from downturns in its traditional activities and income streams, and therefore there is a need to identify ways to retain and/or strengthen these traditional activities and/or stimulate new activity.

It was stated within the recent report on Scalloway Harbour that there were currently no Scalloway whitefish boats, but there was some local shellfish catching and some Scalloway men work on non-local boats. There are also non-local boats that are based in and/or use the facilities at Scalloway. There is also a degree of aquaculture activity at the port although again a proportion of this activity is by non-local companies, although they may employ local workers. The two fish processing unit closures mentioned above have occurred since January 2004, however on a more positive note 2 other fish processing units have expanded and/or opening up. There has also been expansion in ancillary services with the net repair and washing facility recruiting additional staff, although it should be stated that this was partly due to the closure of a competitor in Lerwick. However as will be seen in the next section of this report the numbers of jobs created in both ancillary services, and the processing units expanding and/or opening, have been significantly less than those lost in the units that have closed.

It should also be noted that a tenant is expected to move into the salmon processing unit at the pier shortly which will lead to job creation in the area**,** although it is likely this will involve a high level of displacement from elsewhere in Shetland. In addition it is expected that the other processing facility that closed, which had previously been used for salmon and shellfish processing is to be reopened to process farmed cod and trout leading to further job creation. Plans have also been put forward to construct a pelagic factory at the pier, although it is believed that this project may be on hold currently.

4. Job Losses and Gains Since January 2004

Since January 2004 there have been a number of high profile job losses in Scalloway including the closure of Saga Seafoods, D. Watt Ltd, Trac Construction and Westside Fishermen. There have also been job reductions and relocation at the North Atlantic Fisheries College, Malakoff, A B Associates, ITS and BSS. On a more positive note there has also been some job creation and business start-ups at Sharp Image, G Hunter, L Williamson, the Scalloway Hotel, Net Services and Redman and Sutherland. The following table details job losses and creation identified within the interviews and desk research undertaken for this report.

Table 4.1 Job Losses and Creation by Company Jan 2004 – Oct 2005

Company	Jobs Losses	Job Relocation	Job Creation
Saga Seafoods	77		
D. Watt Ltd	22		
Trac Construction	25		
Westside Fishermen	1	5	
NAFC	6		
A B Associates	2		
Malakoff		3	
ITS		4	
BSS		1	
Sharp Image			4
G Hunter			6
L Williamson			12
Net Services			4
Scalloway Hotel			2
Redman & Sutherland			1
Total	**133**	**13**	**29**

From the table above it can be seen that 146 jobs were identified as having been lost to Scalloway since January 2004, and 29 new jobs were identified as having been created, giving a net loss of 117 jobs. 13 of the jobs lost to Scalloway were due to relocation of staff within Shetland therefore the net loss to Shetland has been 104 jobs.

The following table details job losses and gains by sector.

Table 4.2 Job Losses and Creation by Sector Jan 2004 – Oct 2005

Sector	Jobs Losses	Job Relocation	Job Creation	Net Change	% Total
Primary				**0**	**0%**
Manufacturing	99		18	**-81**	**69%**
Construction	25			**-25**	**21%**
Services	9	13	11	**-11**	**10%**
Total	**133**	**13**	**29**	**-117**	**100%**

From the table above it can be seen that the change in manufacturing jobs since January 2004 has been –81 or 69% of net job losses, the change in construction jobs –25 or 21% of net job losses and the change in service jobs –11 or 10% of net job losses. There was no change recorded in primary employment for Scalloway based businesses. In addition it should be noted that 111 jobs have been lost in companies operating within or dependent on the fisheries sector, with 22 fisheries dependent jobs being created, giving a net loss of 89 jobs. This represents 76% of net job losses.

In addition the job losses and creation detailed above have resulted in direct gains and losses in turnover for the companies involved. Details of these gains and losses for individual businesses have been withheld for reasons of commercial sensitivity, however the net effect of these is estimated to be –£6.7m.

It is anticipated that if as expected the two fish processing facilities that have closed reopen a further 60 jobs will be created initially, and that this total is likely to rise if these projects are a success. In addition the combined turnover of these two facilities when reopened is anticipated to be well in excess of the net lost turnover quoted above. It should be noted however that a proportion of these jobs and turnover will be displaced from elsewhere in Shetland.

5. Impact of Job and Turnover Change on Commercial Sector in Scalloway

As previously stated job losses and creation within any area inevitably have indirect and induced ‘knock on’ effects, on local businesses and services that rely on those companies for income. The effects at this level can be very widespread through the community impacting on a whole range of retail, business and leisure services. Therefore a number of businesses likely to suffer from these effects were surveyed for their views as to the impact on their business.

In total 21 businesses were consulted in connection with this report, with an additional 7 where either no contact could be made, or the business indicated they did not wish to participate.

Of the businesses who participated 2 were yet to begin operations in the village, 4 had closed, 6 had either started up or expanded since January 2004, 2 had relocated and 2 had downsized (unrelated to other job losses in the area). The 5 other businesses surveyed therefore form the base data for the indirect and induced impact figures within this report. Again the figures supplied by individual businesses have been withheld for reasons of commercial sensitivity, and they have also been grossed up to take account of other businesses in the village that did not participate. Therefore the overall indirect effect on the commercial sector in Scalloway as a result of the changes in jobs and turnover detailed in section 4 of this report is estimated to be:-

- 0 Jobs
- £220,000 of turnover per annum

It is felt that some clarification of these figures is required.

In terms of jobs none of the companies surveyed indicated any job losses within their business since January 2004, although one did indicate that there may have been reduced hours for some workers.

In terms of turnover the figures obtained at interview were applied proportionately to other similar businesses within the area in order to arrive at a gross figure. Given the level of direct turnover lost the figure of £220,000 quoted above may seem relatively small and is only 3.3% of that figure, however it should be interpreted in light of the following.

There are a number points which should be noted in relation to both the employment and turnover figures quoted above:-

- This report looks only at the impact of these losses on Scalloway, and there will have been more wide spread effects throughout Shetland and further afield, as a number of the companies where closure or job reduction has occurred had linkages and trading patterns outside both the village and indeed the islands.
- The businesses surveyed were in the main dependent on trade from the workforce of the companies where job losses had occurred. As shown previously in this report however a number of these workers did not live in the village, and the vast majority of village residents in employment do not work in the village. Therefore the indirect impact on these businesses may well have been mitigated.
- There have been some external factors and new opportunities unrelated to the job losses that have occurred which have had a positive effect on a number of businesses in the village. These businesses have adapted to take advantage of these opportunities and/or used them to mitigate against losses which they might otherwise have suffered due to job losses in the area. These new opportunities have included taking advantage of the closure of competitors

both within and outwith the village, securing long-term contract work that is not reliant on village trade and diversifying into new areas.

- It should also be noted that the net impact of new opportunities secured by these businesses may have been greater if they had not also been negatively impacted by a downturn in business due to the job losses in the area.

Given that no indirect job losses were found, it has also been assumed that there were no induced job losses. In terms of turnover given the level of indirect turnover loss it has been assumed that induced losses will be negligible. Therefore no induced losses have been identified.

Another point to note is that if as anticipated the two fish processing units reopen, there will be a positive indirect impact on businesses within the village, and given that it is expected 60 jobs will be created this may go some way to further mitigating any indirect losses which have occurred within businesses in the village.

6. SWOT and Development Opportunities

The following is a SWOT's assessment for Scalloway based on information gained at interview, and from desk research of the Community Profile, Scalloway Port Report and Tourism Audit.

Table 6.1 SWOT - Scalloway

Strengths	**Weaknesses**
– Proximity To Lerwick – Stable Population – Safe Well Equipped All Weather Harbour – Strong Fisheries Heritage – NAFC – USP Ancient Capital Of Shetland – Several Tourist Attractions – Good Community Services & Facilities	– Proximity To Lerwick – High Level Of Out Commuting – Dependence On SIC Employment – High Dependence Fisheries Related Employment – Bus Service Designed For Scalloway To Lerwick Movement Not The Other Way – Lack Of Office Type Business Accommodation /Start-Up Premises
Opportunities	**Threats**
– Development Of Harbour – Development Of Tourism – Development Of NAFC – SIC Decentralisation – Creation Of Additional Business Premises – Development Of Community Learning – Promotion & Marketing Of Scalloway	– Business Closures Led To Less Spend Within Economy & Knock-On Losses – Danger of Becoming a Commuter Village – Cost, Age And Time Greatest Barriers To Retraining And Business Start-Up – Over Regulation And Interference From National And EU Bodies – Reduced Fisheries Activity

Perceived development opportunities for the village stated at interview were very similar to those quoted within the reports examined in the desk research, and in the main centred around harbour development and tourism. Perceived strengths weaknesses and threats were also very similar.

The following is a SWOT's analysis for Scalloway Harbour adapted from the recent Harbour report. This SWOT has been included due to the relative importance of the Harbour to the economy of the village.

Table 6.2 SWOT – Scalloway Harbour

Strengths	**Weaknesses**
– Strategic Location On Westside of Shetland – Safe All Weather Harbour – Open 24 Hours A Day If Required – One Stop Fishing Shop – Designated Whitefish Port – Well Equipped And Serviced Pier – Good Facilities For Visiting Yachts – Well Positioned For Westside Oil – Number Of Trading Routes Close By	– Currently Restricted By Draft – Insufficient Fuel Supply – Development Restricted By Castle – Not Much Scope For Further Reclamation – Lack Of Confidence In Electronic Fish Auction – Narrow And Sometimes Congested Road Into The Pier – Too Near Lerwick
Opportunities	**Threats**
– Dredging For Greater Depth – Improved Fuel Supply – Development Of Electronic Fish Auction – More Small-Scale Fisheries Units – Pelagic Factory – Central Shellfish Facility – Reopen Salmon Processing Facility – Value Adding Of Fisheries Produce – Yachting Development – Cruise Ship Development – Oil Supply Vessel Development – Freight Development	– Highly Fisheries Dependent – Competition From Other Areas Such As Lerwick, Scrabster, Peterhead And Other Northeast Ports For Both Traditional And Potential New Business – Lack Of Targeted Marketing

From the table above it can be seen that there were a variety of development opportunities identified for the Harbour, including development within the fisheries sectors, oil supply, freight and tourism development.

Community Views

Within the community profile respondents were asked if anyone within their household was interested in starting a business in the village. 17% of those who answered the question said yes. A variety of business ventures were suggested with the top suggestions being catering, tourism and bed & breakfast. Almost all suggestions were in the service sector.

Also within the profile respondents were asked which business or service they felt most likely to ensure long-term employment in Scalloway. The following table is from the Profile and details the top 5 answers to this question.

Table 6.3 Business/Service Most Likely to Ensure Long-Term Employment

Business/ Service	Ranking
Tourism	1
Fisheries college	2
Fishery related	3
Freight	4
Fish processing	5

From the table above it can be seen that the top suggestion was tourism, with the NAFC, fisheries, fish processing and freight also featuring.

When asked what opportunities it was felt Scalloway had not yet realised, tourism again ranked top, with other suggestions including diversification out of fisheries and SIC decentralisation.

37% of respondents stated that they would consider re-training to take advantage of new opportunities, with IT, business/admin services, catering, childcare, teaching and tourism ranking among the top types of training which would be considered. The most significant issues that affected whether or not a person would take up training were felt to be cost, age and time.

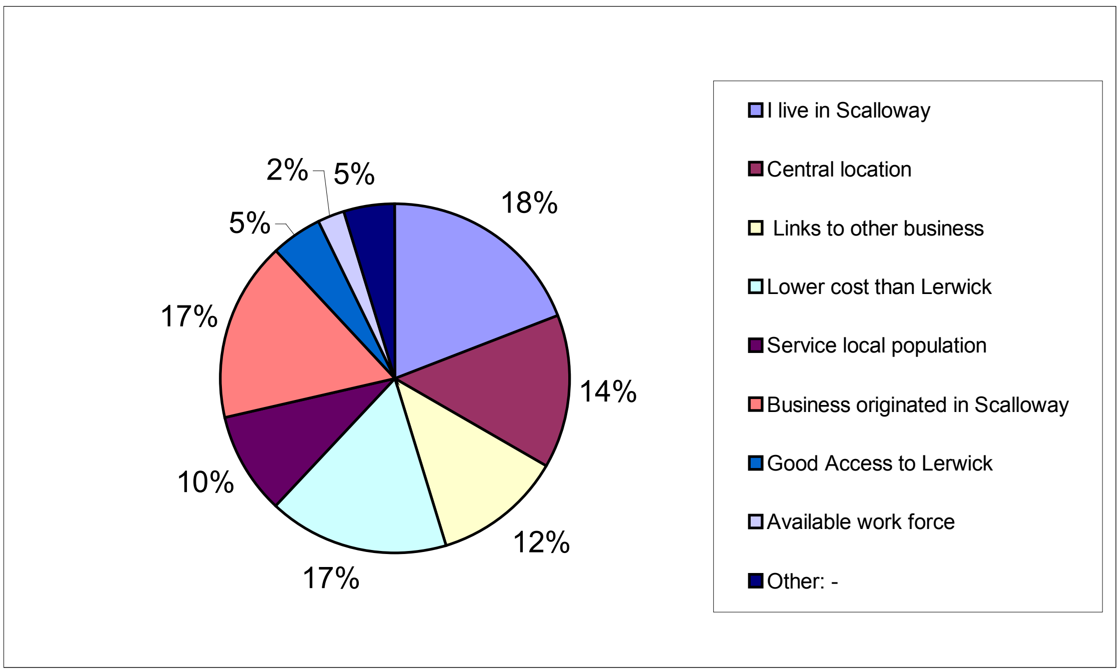
From the above it can be seen that a variety of potential development ideas for Scalloway have been proposed. However it should be stressed that none of these suggestions or comments have been tested or assessed.

7. Business Profile Summary

The following is a summary of the business profile conducted in Scalloway at the same time as the community profile. Again it should be noted that this profile was conducted prior to the major job losses in the area.

The following chart is taken from the business profile and details reasons given by businesses for why they are located in the village.

Chart 7.1 Scalloway as a Business Location



From the chart above it can be seen that the proprietor living in Scalloway was the most common reason for the business location. Central location, links with other businesses, low costs compared to Lerwick, and better standards of accommodation available for the price, are all significant factors in why current businesses remain in Scalloway.

When asked if they were likely to continue operating in Scalloway sixteen agreed that they would, with one saying no and three being unsure.

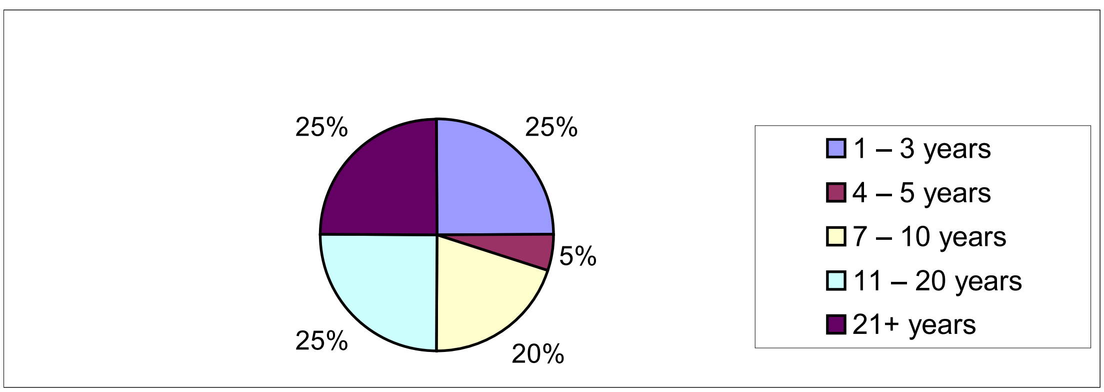
When asked what the benefits of operating a business in Scalloway were the most common answer was suitable premises, followed by local market, easy access to Lewick, reasonable overheads and a skilled and adaptable workforce.

The drawbacks of being based in Scalloway were given as not enough local business, not enough space, lack of passing trade and poor premises. It was also stated that Scalloway was further away from most clients who live in Lerwick, especially public agencies.

Possible actions to overcome drawbacks included building new premises in Scalloway and moving to Lerwick. It was also stated that some drawbacks were not entirely within the control of the business such as downturn in fishing and aquaculture affecting sales

The following chart is taken from the business profile and details the length of time businesses have been located in the village.

Table 7.2 Length of time in Village



In the previous profile in 1994 the highest proportion of businesses, 65% had been in existence from 6 to 20 years with the next highest being 21 years plus. In 2004, 1 to 10 years accounted for 50% of those businesses surveyed, with the other 50% being businesses that have been trading for 11 to 21 years or longer. Both samples were random and from 20 Scalloway businesses. This may indicate that there is a decline in older businesses and an increase in new businesses. However the 1994 profile also stated that 17 new businesses had been set up in the last five years and that 8 new businesses had started in 1994. In marked contrast in 2004, Moores Yard and slipway, operated by Malakoff Ltd, was mothballed, and Saga Seafoods ceased trading resulting in a significant loss of jobs in the village. Other losses have included Shetland Woollen Company, Westside Fishermen Ltd., D. Watt (Shetland) Ltd. and Trac Construction Ltd. New business starts have been smaller and fewer, for example Blydoit Fish Ltd, L Williamson, Sharp Image and some small inshore fishing ventures.

Business Premises

Business premises in Scalloway varied considerably in size from those with storage facilities of 240 sqm, to just 10 sqm. Office space ranged from 34 to 220 sqm and production space from 7 to 500 sqm. Two businesses required 600 and 30 additional m² of storage and one needed 220 m² of additional office space.

Parking was an issue for 7 out of 15 businesses with a total of 30 new spaces required plus 1 disabled parking space.

Workforce

The largest number of people employed within the businesses surveyed were women working part-time at 37%. It was estimated that employment would fall over the next year within the businesses surveys with overall numbers of male workers remaining static, but a predicted fall of 14% in female employees overall, and 28% for part-time female workers.

The majority of the workforce lived within a 6 to 10 mile radius of Scalloway with 47% living within a one-mile radius. In addition the majority of employees travelling to work by car, which impacts on car parking facilities at the workplace.

The most frequently stated training needs for the businesses surveyed were health and safety, first aid and computing.

Five out of 14 employers stated that they experienced difficulty in recruiting staff. Reasons stated included suitably skilled and trained staff bring difficult to find, lack of aptitude and flexibility, a small pool of workers, high turnover of staff and graduates having no relevant experience and training.

Future Business Improvements and Opportunities

Suggested Actions to improve the viability of businesses in Scalloway included, restoration of buildings to provide business premises, better telecommunications, more housing in the village, lower rates, lower rents, lower harbour dues and low cost finance.

Business opportunities or services mentioned which it was felt could be developed in Scalloway were:-

- Tourism: 12
- Freight *(Harbour/marine related):* 8
- Oil: *(Harbour/marine related)* 8
- Yachts: *(Harbour/marine related)* 8
- Banking facilities: 8
- Business Services: 7
- Aquaculture: 6
- Fish processing: 5
- Renewable Energy: 5
- Fisheries College: 4
- Fishery related: 4
- Quarry: 3
- IT/Computer based: 3
- Knitwear: 1

Again as in the community profile tourism was viewed as the best new business opportunity. Expensive travel to Shetland and the short season were mentioned. However given these limitations Scalloway was felt to be well placed to expand into new tourism businesses.

Freight, oil and yachts at the harbour, along with banking and business services were also high on the list of possible developments. However development of the harbour was also felt to depend on the success of fishing and aquaculture businesses in the future.

Other Comments

- It was felt Scalloway could support a good restaurant and upmarket townhouses, with close access to a pier or marina.
- It was thought NAFC could diversify into renewable energy and oil decommissioning, and/or merge with Shetland College to create North Atlantic College Shetland (based in Scalloway).
- It was felt tourism could be developed further through the enlargement of the museum and more imaginative use of the castle.
- It was felt the waterfront could be greatly improved with high quality housing and marina facilities from the Burn beach to mid shore. The Burn beach could become an excellent parking/marina area, sheltered by new harbour arm with roll on roll off capacity.
- It was stated that more people in the village, would mean more trade for the shops and restaurants
- It was felt there were a number of gap sites, hidden away in the village, which could be developed: e.g. Royal Bank of Scotland.
- It was felt more homes to rent out and premises for industrial and commercial use were required.

Conclusion

The main threat to Scalloway was seen to be its heavy dependence on the fishing and aquaculture and the downturn in these industries. Associated with this was the possibility that Scalloway would become a dormitory village. It was felt that this may not be that problematic in employment terms, if jobs are available within central Shetland, but that it would impact on the unique nature of Scalloway as a working village and harbour. There were however felt to be new business opportunities, and a real strength was felt to be that the village was considered an attractive place to work and live, with good services and infrastructure. The main opinion appeared to be however that either there had to be an upturn in fishing, aquaculture and related industries, or the village and the harbour would have to diversify into tourism, attractive housing and small business services. Tourism is currently viewed as one of the main business opportunities.

8. Potential Public Sector Intervention

The following details possible opportunities to strengthen the economy in Scalloway that could be investigated by public agencies, and perceived weaknesses the public sector can help attempt to resolve.

Firstly within the Community Profile when respondents were asked if they were aware of agencies that provided business advice, although Shetland Enterprise (SEC) and the SIC Economic Development Unit (EDU) ranked 1 and 2, twice as many respondents were aware of SEC than of the EDU. This may reflect the differing functions of the two agencies with SEC being the main agency for business advice and the EDU concentrating more on economic strategy, infrastructure projects and more specialist advice, however there may be a need to raise the profile of the services provided by the EDU within Scalloway.

Perceived Weaknesses with Potential to be Addressed by Public Agencies

Economic/Business

- Lack of office type accommodation/business start-up premises
- Lengthy time delays in releasing publicly owned business properties for rental
- Lack of parking at some business premises

Harbour

- Restricted draft in Scalloway Harbour
- Insufficient fuel supply at Scalloway Harbour
- Not Enough Pro-Active Marketing of Scalloway Harbour
- Anomalies In Landing Charges
- Lack Of Confidence In Electronic Fish Auction

General

- Lack of affordable housing
- Roads not designed for modern traffic/lack of parking
- Bus service designed for Scalloway to Lerwick movement
- Training needs within the workforce

Possible Opportunities with Potential to be Investigated by Public Agencies

Main Potential Development Areas

- Development of Harbour
- Development of tourism
- Development of NAFC
- Development of the Castle

Business Support

- Creation of additional business premises
- Reduced business rents and rates
- Low cost business finance

Support Facilities

- Provision of out of school care
- Refurbish Anderson Buildings
- Development of community learning
- Promotion and marketing of Scalloway and the Harbour

Specific Development Ideas

- SIC Decentralisation
- Develop vacuum packed meats business
- Restaurant
- Quarrying
- Dry dock
- Renewable energy
- Oil decommissioning

Again it should be stressed that none of these possible opportunities have been tested or assessed.

9. Conclusions and Key Findings

This report has been prepared in response to a brief issued by Douglas Irvine of the Economic Development Unit of the Shetland Islands Council for an economic impact assessment of local job losses on the Scalloway communities. The methodology has involved desk research of various reports relating to Scalloway, primary data collection from 29 businesses and organisations, data and economic impact analysis, generation of development opportunities and the formulation of conclusions and key findings.

The main objectives of this report were:-

1. ***To establish the number of jobs lost in Scalloway since the beginning of 2004 as a consequence of business closures, staff reductions or relocation and any associated reduction in turnover; and***

3. ***To identify any projects that have resulted in an increase in employment and turnover over the same period***

   This report concludes that 146 jobs were identified as having been lost to Scalloway since January 2004, and 29 new jobs were identified as having been created, giving a net loss of 117 jobs. 13 of the jobs lost to Scalloway were due to relocation of staff within Shetland therefore the net loss to Shetland has been 104 jobs.

   Job losses and gains by sector within Scalloway are detailed in the table below

Table 9.1 Job Losses and Gains by Sector Jan 2004 – Oct 2005

Sector	Jobs Losses	Job Relocation	Job Creation	Net Change	% Total
Primary				**0**	**0%**
Manufacturing	99		18	**-81**	**69%**
Construction	25			**-25**	**21%**
Services	9	13	11	**-11**	**10%**
Total	**133**	**13**	**29**	**-117**	**100%**

- The net change in manufacturing jobs has been 69% of net job losses.
- The net change in construction jobs had been 21% of net job losses.
- The net change in service jobs has been 10% of net job losses.
- The net change in fisheries dependent jobs had been 76% of net job losses.

Details of gains and losses in turnover for individual businesses have been withheld for reasons of commercial sensitivity, however it is estimated that the net effect of these gains and losses is around –£6.7m.

2. To gauge the impact of these losses on the remaining commercial sectors in Scalloway in terms of both lost turnover and employment losses.

This report concludes that the overall indirect effect on the commercial sector in Scalloway as a result of the changes in jobs and turnover detailed in this report is estimated to be:-

- 0 Jobs
- £220,000 of turnover per annum

In terms of jobs none of the companies surveyed indicated any job losses within their business since January 2004, although one did indicate that there may have been reduced hours for some workers.

In terms of turnover the figures obtained at interview were applied proportionately to other similar businesses within the area in order to arrive at a gross figure.

The figure of £220,000 indirect turnover lost quoted above may seem relatively small and is only 3.3% of the direct turnover lost figure. In addition no indirect employment loss may also seem surprising however these figures should be interpreted in line with the following.

- This report looks only at the impact of these losses on Scalloway, and there will have been more wide spread effects throughout Shetland and further afield, as a number of the companies where closure or job reduction has occurred had linkages and trading patterns outside both the village and indeed the islands.
- The businesses surveyed were in the main dependent on trade from the workforce of the companies where job losses had occurred. As shown within this report however a number of these workers did not live in the village, and the vast majority of village residents in employment do not work in the village. Therefore the indirect impact on these businesses may well have been mitigated.
- There have been some external factors and new opportunities unrelated to the job losses that have occurred which have had a positive effect on a number of businesses in the village. These businesses have adapted to take advantage of these opportunities and/or used them to mitigate against losses which they might otherwise have suffered due to job losses in the area. These new opportunities have included taking advantage of the closure of competitors both within and outwith the village, securing long-term contract work that is not reliant on village trade and diversifying into new areas.

- It should also be noted that the net impact of new opportunities secured by these businesses may have greater if they had not also been negatively impacted by a downturn in business due to the job losses in the area.

No induced effects were identified.

4. ***To identify possible opportunities to strengthen the economy in Scalloway, which can be followed up in more detail and any weaknesses that the public sector can help resolve.***

Possible opportunities identified to strengthen the economy in Scalloway that could be followed up in more detail were:-

Main Potential Development Areas

- Development of Harbour
- Development of tourism
- Development of NAFC
- Development of the Castle

Business Support

- Creation of additional business premises
- Reduced business rents and rates
- Low cost business finance

Support Facilities

- Provision of out of school care
- Refurbish Anderson Buildings
- Development of community learning
- Promotion and marketing of Scalloway and the Harbour

Specific Development Ideas

- SIC Decentralisation
- Develop vacuum packed meats business

- Restaurant
- Quarrying
- Dry dock
- Renewable energy
- Oil decommissioning

Perceived *weaknesses identified that the public sector may be able to help resolve* were:-

Economic/Business

- Lack of office type accommodation/business start-up premises
- Lengthy time delays in releasing publicly owned business properties for rental
- Lack of parking at some business premises

Harbour

- Restricted draft in Scalloway Harbour
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- Anomalies In Landing Charges
- Lack Of Confidence In Electronic Fish Auction

General

- Lack of affordable housing
- Roads not designed for modern traffic/lack of parking
- Bus service designed for Scalloway to Lerwick movement
- Training needs within the workforce

It should be noted that none of these perceived weaknesses or possible opportunities have been tested or assessed.

Other key findings drawn from this report in relation to future development are:-

- That a tenant is expected to move into the salmon processing unit at the pier shortly which will lead to job creation in the area, although it is likely this will involve a high level of displacement from elsewhere in Shetland.
- That in addition it is expected that the other processing facility that closed, is to be reopened to process farmed cod and trout leading to further job and turnover creation.
- That plans have also been put forward to construct a pelagic factory at the pier, although it is believed that this project may be on hold currently.
- That it is anticipated that if as expected the two fish processing facilities that have closed reopen a further 60 jobs will be created initially, and that this total is likely to rise if these projects are a success.
- That in addition the combined turnover of these two facilities when reopened is anticipated to be, well in excess of the net direct turnover losses quoted within this report.
- Again it should be noted however that a proportion of this job and turnover creation will be displaced from elsewhere in Shetland.
- That if as anticipated the two fish processing units reopen, this may go some way to further mitigating any indirect losses which have occurred within businesses in the village.

Other general key findings drawn from within this report are:-

- That the population of Scalloway has remained relatively stable.
- That a number of people employed in Scalloway do not live in the village.
- That there is a high level of commuting from the village to work in other areas, with 71% of those who responded to the community profile stating that they worked outwith Scalloway
- That therefore the impact of jobs lost in the village may not be as great as it might have been had a greater proportion of residents been dependent on employment within the village.
- That proportionately there would appear to have been more female unemployment in Scalloway than in Shetland as a whole.
- That it would not appear that there was any extraordinary rise in overall Shetland unemployment as a result of the job losses in Scalloway in 2004.
- That traditionally Scalloway has been a highly fisheries dependent community.
- That the port is currently suffering from downturns in its traditional activities and income streams, and therefore there is a need to identify ways to retain and/or strengthen these traditional activities and/or stimulate new activity.

The main conclusion drawn from the recent business profile for the village was that:-

The main threat to Scalloway was seen to be its heavy dependence on the fishing and aquaculture and the downturn in these industries. Associated with this was the possibility that Scalloway would become a dormitory village. It was felt that this may not be that problematic in employment terms, if jobs are available within central Shetland, but that it would impact on the unique nature of Scalloway as a working village and harbour. There were however felt to be new business opportunities, and a real strength was felt to be that the village was considered an attractive place to work and live, with good services and infrastructure. The main opinion appeared to be however that either there had to be an upturn in fishing, aquaculture and related industries, or the village and the harbour would have to diversify into tourism, attractive housing and small business services.

This would also appear to summarise a number of the main points raised within this report particularly that the main opportunities for the village were seen to lie in the areas of harbour development, fisheries and tourism