Government Intervention in the Welsh Economy: 1974 to 1997.

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Submitted in accordance with the requirements for a PhD.

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Summary

This thesis provides a description and analysis of government intervention in the Welsh economy between 1974 and 1997. During this period, Wales underwent rapid and far-reaching economic upheaval on such a massive scale that few avoided its impact. The scale of these changes was dramatic, as was the intensity of attempts to deal with their consequences. Wales acted as a laboratory for the development of approaches to government intervention in the economy.

This thesis defines government intervention in the Welsh economy, before identifying activity, expenditure and (where possible) outputs across categories including land reclamation, factory construction, attraction of foreign direct investment, urban renewal, business support and the provision of grants and subsidies. It also places such interventions in their political and economic contexts, highlighting the dynamics that evolved between policies developed in Cardiff and London. By doing this, it asks and answers three questions relating to the changing dynamics of government intervention; namely, what was done, why was it done and was it effective?

The thesis draws on primary sources including interviews with politicians and those formerly holding senior positions within governmental organisations, records held by the National Archives, personal and organisational archives held by the National Library of Wales, records held by other archives, newspapers and government publications. Secondary texts are discussed and drawn upon, with this study adding a history of government intervention in the Welsh economy to the literature for the first time.

DECLARATION

This work has not been submitted in substance for any other degree or award at this or any other university or place of learning, nor is being submitted concurrently in candidature for any degree or other award.

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This thesis is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged by explicit references. The views expressed are my own.

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List of abbreviations

BSC	British Steel Corporation
BTA	British Tourism Authority
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CEGB	Central Electricity Generating Board
DBRW	Development Board for Rural Wales
DRIVE	Development of Rural Initiative, Venture and Enterprise
DTI	Department of Trade and Industry
DVLA	Driver and Vehicle Licensing Agency
ECSC	European Coal and Steel Community
EEC	European Economic Community
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GVA	Gross Value Added
IMF	International Monetary Fund
LAW	Land Authority for Wales
LG	Lucky Goldstar
NCB	National Coal Board
NEB	National Enterprise Board
NUM	National Union of Mineworkers
PAC	Public Accounts Committee (of the House of Commons)
Quango	Quasi Autonomous Non-Governmental Organisation
RDG	Regional Development Grant
REG	Regional Enterprise Grant
REP	Regional Employment Premium
RSA	Regional Selective Assistance
SMEs	Small and Medium Enterprises
TEC	Training and Enterprise Council

TUC	Trades Union Congress
WDA	Welsh Development Agency
WIDAB	Welsh Industrial Development Advisory Board
WIEC	Welsh Industrial Estates Corporation
WINtech	Wales Investment and Technology
WINvest	Wales Investment Location
WTB	Wales Tourist Board
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1: Introduction

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1.1: Thesis overview

Between 1974 and 1997, Wales underwent rapid and far-reaching economic upheaval on such a massive scale that few avoided its impact. This turbulence included three recessions, high levels of unemployment, major industrial decline and equally dramatic restructuring. To offset the impact of these changes, an exceptionally broad range of government interventions took place. These included the creation of agencies such as the Welsh Development Agency (WDA) and the Development Board for Rural Wales (DBRW), the provision of financial support to companies creating or safeguarding jobs, the construction of factories and the clearance of derelict land. The period was also politically turbulent. It saw the end of the post-war consensus on economic policy, the decisive ‘no’ result of the devolution referendum in 1979, the rise of Prime Minister Margaret Thatcher and the subsequent struggles over the nationalised industries of coal and steel. These were then followed by discontent with Conservative administrations in Wales that peaked in the mid-1990s, prior to the Labour landslide at the 1997 general election.

This thesis seeks to explore and understand the history of intervention in Wales between 1974 and 1997 by asking what was done, why was it done and was it effective? It is the first study that outlines and analyses all aspects of intervention. It also calculates the total expenditure on such activities, evaluates their overall effectiveness where possible and explains the political and economic dynamics that caused them to take place. Detailed analysis of these important areas is largely absent from the historical literature.

The arguments of this thesis are that:

- The Welsh Office[1] and its agencies placed great political and financial emphasis on regional economic policies between 1974 and 1997, apart from a short period in the early 1990s. These policies aimed to grow the economy by encouraging job creation by foreign owned companies, UK owned companies and individual entrepreneurs. Intervention was successful in attracting high levels of job creating investment from overseas owned companies, but was less successful with home-grown companies. At the same time, replacing all of the jobs lost in rapidly declining industries such as coal, steel and manufacturing proved to be impossible. The poor economic positioning of Wales relative to other UK regions thus remained largely unchanged.

It also demonstrates that:

While the approach to regional economic policy taken in Wales was generally more interventionist than elsewhere in the UK during much of the period, this should not be overstated. Many key decisions were made in Whitehall, while ideological differences between ministers in Cardiff and London tended to be limited.

The scale of economic change, and the intensity of Welsh Office attempts to deal with its consequences, was dramatic. Wales acted as a laboratory for the development of regional economic

[1] The Welsh Office was a government department established in 1964. It was controlled by a cabinet minister known as the Secretary of State for Wales who was assisted by two junior ministers.

policies aimed at achieving rapid impact. The Welsh economy has continued to struggle since 1997, with many of the events of the 1970s, 1980s and 1990s continuing to resonate. This means that a study of these turbulent times has many lessons for the present day.

There is no clear definition of government intervention in the economy. However, in mixed public/private economies such as those throughout the UK, intervention can be broadly categorised as falling into one of two categories. The first contains expenditure specifically aimed at supporting regional economies, such as the provision of financial support to companies creating or safeguarding jobs. The second contains expenditure that in some way contributes to regional economic development. Most government expenditure fits into this second category, at least to some extent. For example, the construction of sections of the M4 across South Wales in the 1970s provided significant local employment opportunities, and also enabled the creation of business parks adjacent to motorway junctions.[2]

However, this thesis focuses on the first category as it examines government activity that was specifically aimed at economic development. During most of the post-war era, such activity was known as 'regional policy'. Traditionally, this focused on a narrow range of instruments, comprising financial support to businesses, the construction of factories and the use of controls to

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[2] Neil Harris, 'Planning and Spatial Development in Cardiff: a Review of Statutory Development Planning in the Capital', *Capital Cardiff 1975 – 2020 Regeneration, Competitiveness and the Urban Environment*, ed. by Alan Hooper and John Punter (Cardiff: University of Wales Press, 2006), pp. 71-96 (p. 91)

compel industry to locate in a particular area.[3] Within these, 'industrial subsidy' generally referred to the complex systems of grants, loans and tax allowances that were used to support some private sector companies.[4] However, the relatively narrow definitions of 'regional policy' and 'industrial subsidies' excluded a great deal of intervention that was specifically designed to support regional economies. Against this background, a range of public expenditure types have been identified that had the primary purpose of supporting or increasing economic activity, and are thus included in this thesis. These included the provision of financial support to businesses either owned privately or by the state (such as coal or steel), the promotion of products or services provided by businesses (such as tourism), the provision of business infrastructure (such as industrial estates), the granting of production subsidies (such as those given to agriculture) or carrying out promotional activities (such as those designed to attract foreign direct investment).[5] Other activities with the same aims included the establishment of government centres to create employment in priority areas, such as the establishment of the Driver and Vehicle Licencing Authority (DVLA) near Swansea.

Usage of the term 'regional policy' was supplanted during the 1980s by 'economic development' and 'regeneration' as the focus of governmental activity began to broaden beyond traditional regional policy instruments. These terms are often interchangeable. For the sake of clarity, the term 'regional economic policy' has been used to refer to collective interventions throughout the thesis.

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[3] C.J. McKenna and D.R. Thomas, 'Regional Policy', in *The Welsh Economy,* ed. by K.D. George and Lyn Mainwaring, (Cardiff: University of Wales Press, 1988), pp. 263-290 (p. 263)

[4] Colin Wren, *Industrial Subsidies* (Basingstoke: Macmillan, 1996), pp. 5-7.

[5] Peter Wood, *Cross Cutting Expenditure Review on Economic Development for the Finance Committee of the Scottish Parliament* (Edinburgh: Scottish Parliament, 2004), pp. 2-3.

However, the complex nature of administrative devolution means that interventions were controlled by central government, or the Welsh Office, or a gradually evolving combination of the two, often with further input from the European Commission. While the Welsh Office gradually accrued powers over some areas of intervention such as financial support to business, other areas such as the nationalised industries of steel and coal remained firmly in the hands of Whitehall. This thesis seeks to identify and analyse activity regardless of where power resided. However, it places a greater focus on activities wholly or partially controlled by the Welsh Office, especially those involving large and costly programmes of activity such as land reclamation.

1.2: Thesis structure

Chapter two contains a literature review, with the first section focusing on the treatment of regional economic policy within Welsh historiography. The second examines the development of regional economic theory, while the third and final section explores methodologies used to quantify the impacts of regional economic policy.

Chapter three provides historical context. The first section outlines how Wales' existence as a separate administrative unit is a recent development. The second then considers the extent to which a Welsh economy existed during the period under study. The final section of the chapter focuses on the Welsh economy before 1974. It outlines trends since the industrial revolution and provides a summary of how regional economic policy developed from its inception in the 1930s. By doing this, it provides broad historical context to the events after 1974 by highlighting the scale and importance of state intervention in the post-war Welsh economy, while it also details the origin of some of the regional economic policies that were later pursued.

Chapter four focuses on regional economic policy between 1974 and 1979. This choice of period is based on the existence of a Labour Government at a UK level prior to 1979, as well as the fact that one Secretary of State for Wales (John Morris) was in post throughout. It is split into five sections, with a similar approach being used for the subsequent chapters. The first deals with political economy at a UK level. It outlines economic trends, before detailing regional economic policies made by Westminster that impacted on Wales. It then charts developments affecting the Welsh operations of the nationalised industries of coal and steel, as responsibility for these was exercised at a UK level. The second focuses on political economy at a Wales level. It outlines economic trends, before detailing the interventionist policies pursued by the Welsh Office and its agencies. It also analyses the political rationale that lay behind such actions. The third section analyses each of the main thematic areas of intervention wholly or partially controlled by the Welsh Office. The first is land reclamation, with the second being factory construction. The third is financial support to investors, while the fourth is inward investment and business support. The final area examined is agriculture and tourism. The fourth identifies and analyses the levels of expenditure on regional economic policy actions. Expenditure figures are adjusted to take account of inflation. Such adjustments are based on HM Treasury's GDP deflators.[6] The final section concludes by identifying the broad thrusts of regional economic policy before placing these in their political and economic contexts. By doing so, it explains the motivations behind such interventions.

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[6] A number of inflation datasets can be used to calculate contemporary values of historic cash sums, including the Consumer Price Index (CPI) and the Retail Price Index (RPI). However, the GDP deflators are a much broader index than CPI and RPI as while these measure consumer prices, GDP deflators reflect the prices of **all** domestically produced goods and services. Hence, GDP deflators include the price of investment goods, government services and exports, and are used by HM Treasury to calculate public expenditure time series.

Chapters five, six and seven cover subsequent periods. Chapter five covers 1979 to 1987, based on the Conservative victory in 1979 and the fact that that one Secretary of State for Wales (Nicholas Edwards) held office throughout. Chapter six covers 1987 to 1993, reflecting the periods in office of two Secretaries of State, Peter Walker and David Hunt. Chapter seven covers 1993 to 1997, when John Redwood and William Hague were responsible for the Welsh Office. Each follows a structure broadly similar to that covering 1974 to 1979, although changing political and economic circumstances has necessitated some amendments. For example, the governance crises affecting the WDA in the late 1980s and early 1990s are the subject of a separate section.

Chapter eight is an overview of the performance of the Welsh economy and labour market between 1974 and 1997. Chapter nine brings together data on expenditure in Wales between 1974 and 1997 on each of the following categories; industrial subsidies, economic development bodies, nationalised industries, agriculture and European loans or grants. Trends over time are then analysed. Finally, the tenth chapter is the conclusion, and answers the questions posed earlier; namely what was done, why was it done and was it effective?

1.3: Methodology and data

The role of a historian is to try and find out what happened in the past, and then explain how and why it happened; 'we really can, if we are very scrupulous and careful and self-critical, find out how it happened and reach some tenable though always less than final conclusions about what it all meant.'[7] Such explanations need to be supported by evidence, while both the evidence selected and the conclusions drawn can then be challenged by other historians. This thesis focuses on the history of the relationship between economics and politics in modern Wales. It thus uses contemporary

[7] Richard Evans, *In Defence of History* (London: Granta, 1997), p. 253.

history techniques to examine economic history and historical political economy. However, there is no clear definition of contemporary history. Some definitions, such as that used by the *Journal of Contemporary History*, focus on twentieth-century history, covering a broad range of historical approaches including social, economic, political, diplomatic, intellectual and cultural. Others use the post-war era to define its scope,[8] while some focus on the period of history that is within living memory. Despite such differences, all are linked by an emphasis on relatively recent events which have close links to the present day. Relatively little time has passed since the end of the period under consideration in this thesis, meaning that many of the issues highlighted still resonate, such as the redevelopment of Cardiff Bay and the attraction of inward investment.

Economic history emerged in the late nineteenth century as a reaction to industrialisation, and was later used to explore the causes of inter-war depression. Through the 1960s and 1970s, it became increasingly dominated by the usage of econometric modelling techniques to test theoretical approaches, a technique that was known as 'cliometrics'.[9] At the same time, economic history began to be less prominent, and increasingly absorbed into mainstream history. For example, the last monograph focusing exclusively on twentieth century Welsh economic history was published in 1986.[10] However, the rise of 'new political economy' within economics during the 1990s led to a greater focus on using data to unpick how the structure of institutions shaped the character and

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[8] Brian Brivati, 'Introduction', in *The Contemporary History Handbook,* ed. by Brian Brivati, Julia Buston and Anthony Seldon, (Manchester: Manchester University Press, 1996), pp. xv-xxiv (p. xvi).

[9] Patricia Vlavin and Michel Margairaz, 'Has History Again Become a Branch of Literature?', in *Writing Contemporary History,* ed. by Robert Gildea and Anne Simonin, pp. 95-120 (p. 101).

[10] *Modern South Wales, Essays in Economic History,* ed. by Colin Baber and L.J. Williams (Cardiff: University of Wales Press, 1986)

impact of policy, as opposed to focusing on broader theoretical issues such as the relationships between states and markets.[11] By doing this, economists and historians began to move closer together in methodological terms. This gave impetus to historical political economy, which broadly studies the relationships between economics and politics. Within this context, this thesis places great emphasis on how the development of policy was impacted, not only by economic reality, but also by the shifting nature of institutional arrangements and political influences. For example, a key theme of this thesis is the gradual development of institutions focusing on the delivery of regional economic policy and the extent to which their existence led to a different approach when compared to the rest of the UK. Finally, while this thesis deals with issues covered by contemporary social sciences, it should be noted that; 'employing social science concepts in historical research and writing can be enlightening but problems often arise because most social science of the last century has been geared to contemporary issues.'[12] Such approaches thus have access to comprehensive and comparable data that are not available for a historical period such as that covered by this thesis. For example, lists of all projects in Wales receiving European funds prior to 1989 are not available, while data after this date can be fragmentary.

Secondary sources are discussed in the literature review, but include monographs and journal articles encompassing key general works, surveys and statistical data, autobiographies of Welsh Office politicians and advisors, works focusing on political economy, regional economic

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[11] Patricia Vlavin and Michel Margairaz, 'Is Economic History No Longer Fashionable?' in *Writing Contemporary History*, ed. by Robert Gildea and Anne Simonin (London: Hodder, 2008), pp. 23-46 (p. 31).

[12] Pat Hudson, 'Economic History', in *Writing History, Theory and Practice,* ed. by Stefan Berger, Heiko Feldner and Kevin Passmore (London: Bloomsbury, 2010), pp. 248-267 (p. 248).

development organisations and areas of intervention (such as land reclamation and factory construction). These were collated to bring together a combination of narrative and analysis, which began to answer the three questions posed in chapter one in relation to regional economic development; namely, what was done, why was it done and what was achieved? The approach taken was to begin with key general works covering the history of Wales as well as regional policy in the UK to provide a framework which could then be populated with data from more specialist works. Having done this, themes began to emerge as well as areas requiring further investigation.

However, the relatively short space of time between the latter part of the period covered by this thesis and the present day has a number of implications for the availability of historical data. Firstly, some personal archives have yet to be deposited as these politicians (such as William Hague, Secretary of State for Wales between 1995 and 1997 and currently the Foreign Secretary) remain politically active. For example, personal papers of the Secretaries of State for Wales are not available for those holding the posts after 1987. Secondly, some of the organisational archives are incomplete or currently inaccessible. For example, while the National Library for Wales (NLW) holds the DBRW archives, the board papers are incomplete, with much data largely relating to areas such as social grants, a relatively small part of its operations. Also, permission to access the WDA archives, currently held by the Welsh Government, was requested but not granted. The thesis thus draws on a wide range of sources, (with key secondary sources being set out in the literature review) with the balance between the primary and secondary shifting as the events discussed become more contemporary. Contemporary sources included:

- Documents produced by the WDA, DBRW, LAW, WTB and CBDC, including annual reports, newsletters, statistics, policy statements, press releases and marketing materials.

- Political documentation, such manifestos, electoral addresses and policy statements.
- Back editions of the *Western Mail* and other newspapers were consulted in their role as ‘a taker of snapshots, fixed in time [...] the observations stand, informed by a representative of the spirit of the moment'.[13]
- Parliamentary records were particularly useful (the National Assembly for Wales did not exist), in the context of parliament’s role as a ‘sounding board for contemporary society'.[14] These included answers provided by government ministers to questions asked in parliament, as well as debates and committee reports.
- A range of official documentation, such as annual reports on the operation of regional aid, evaluation reports, white papers (government policy proposals), legislation (such as those establishing the WDA and the DBRW) and statistical data. Documents produced by the Welsh Office, such as the annual Digest of Welsh Statistics and Welsh Economic Trends were also important. Historical data on FDI was obtained from the UK Government's Department for Business, Innovation and Skills, while the on-line services of the Office for National Statistics provided further data.

Archive material included the:

- Papers of two former Secretaries of State for Wales, John Morris and Nicholas Edwards, held by the NLW.

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[13] Anthony Seldon, ‘Sources and Methodology’ in *Contemporary History. Practice and Method*, ed. by Anthony Seldon (Oxford: Basil Blackwell, 1988), pp. 1-3 (p. 1).

[14] Dermot Englefield, ‘Parliamentary Sources’ in *Contemporary History. Practice and Method,* pp. 101-117 (p. 101).

- Archives of the DBRW, held by the NLW.
- Papers relating to the Welsh Office, the WDA, the Board of Trade and cabinet papers older than 30 years, held by the National Archives (NA) at Kew.
- Archives of the CBDC, held by Glamorgan Records Office (GRO).
- Archives of the Cwmbran Development Corporation, held by the Gwent Archives (GA).

Interviews were carried out with a purposive sample of individuals, identified by a judgement as to relevance or interest that can enable research goals to be met.[15] The sample comprised those who had held senior positions in politics or within economic development agencies, as well as local government and journalism. The aim was not to generate a statistically valid sample, but to use oral history to provide detail as to the meaning of particular events, as perceived by those who had participated in them.[16] The use of 'oral testimony alongside, not instead of, other material is not to propose anything truly radical [but is] merely to extend the range of history'.[17] Interviews were conducted with 22 people (see Annex 2), using the following approach:

1. Contact was made, via letter or e-mail, to explain the research and ask for an interview that would last no longer than an hour. If no response was received, a further message was sent naming some of those already interviewed and explaining that a contribution would be of 'great assistance' in ensuring that an accurate history of the period could be recorded.

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[15] Colin Robson, *Real World Research* (Oxford: Blackwell, 2002), p. 265.
[16] Alessandro Portelli, 'What Makes Oral History Different?' in *The Oral History Reader*, ed. by Robert Perks and Alistair Thomson (London: Routledge, 1998), pp. 63-74 (p. 67).
[17] Stephen Caunce, *Oral History and the Local Historian* (London: Longman, 1994), p. 15.

2. Each interviewee was sent a list of questions. These were individually tailored, reflecting diverse careers (see Annex 2 for an example). In some cases, open topic headings were used. This was useful with former cabinet ministers who had published their autobiographies, as they felt that these would answer any questions that could be asked, meaning that they were initially reluctant to be interviewed. Indeed, the initial email exchanges, as well as the first few minutes of such interviews consisted of convincing the subjects that their monographs (and archived papers) had been read and understood. Interviewees were also sent the consent form that allowed the interview to be recorded and quoted (see Annex 2). All but three interviewees signed, while compromises were negotiated (and permission obtained from the research ethics committee at Cardiff University's School of History, Archaeology and Religion) with non-signatories, where consent was given after seeing a transcript of the interview, a typed version of interview notes, or a list of quotations and attributions.

3. The interviews were conducted at the interviewees' chosen location and date. Locations included the subject's home, workplace, a restaurant and the lobby of the House of Lords. Allowing the subject to choose the date, time and location was important in securing the greatest number of interviews, as well as in helping to ensure that the interviewees were more relaxed. All but one of the interviews was recorded. In the one case where the subject was unwilling to be recorded, notes were taken. Interviews ranged in length from forty minutes to over two hours. The prepared questions were used, but supplementary questions were asked where particularly interesting aspects emerged. Overall, the aim was to ensure that the subject felt able to talk spontaneously and at length without the need for repeated questioning, although interventions were sometimes necessary to ensure that the discussion remained focused. The face to face nature meant that some rapport could be built with the subjects. This sometimes led

to the acquisition of further information including an unpublished autobiography, while some subjects were keen to suggest, and sometimes arrange, additional interviews.

4. After each interview, the subject was sent an e-mail (or letter) of thanks. As well as being courteous, this also sometimes prompted a further exchange that yielded useful data. Each interview was then transcribed and analysed.

However, care was taken with such data, as it can contain a mix of reliable and unreliable, verifiable and unverifiable information.[18] The approach used was to cross check information contained in interviews against other primary and secondary sources, after which data divides into either that which is not consistent with other sources, data that cross checks with other sources, opinions that highlight the attitude of respondents, or anecdotes that illustrate the environment in which events were taking place. Where the interviews produced data that did not cross-check with other sources, such data was not used. However, this is relatively rare and can be caused by interviewees finding it difficult to recollect events that happened many decades ago, or have political explanations. Having established some indication of reliability, oral data were then used to complement those derived from other sources, again with the aim of bringing together a narrative and analysis that explains the development, achievements and implications of regional economic policy during an exceptionally turbulent time in modern Welsh history.

[18] Richard Smith, 'Analytic Strategies for Oral History Interviews', in *Handbook of Interview Research-Context and Method*, ed. by Jaber Gubrium and James Holstein (London: Sage, 2002), pp. 711-723 (p. 712).

2: Literature review, theory and evaluation

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2.1: Introduction

This chapter has four sections. The first focuses on the treatment of regional economic policy within Welsh history, highlighting the relative lack of specialised work in this area. The second examines the development of regional economic theory, while the third explores how the impact of regional economic policy has been quantified. The final section concludes the chapter.

2.2: Literature review

This section is an overview of the literature of most relevance to this thesis. It does not aim to provide an exhaustive list, but rather to highlight those that are of most importance so that gaps in knowledge can be identified. However, research in either the history of regional economic policy or wider political economy issues in Wales has been limited. For example, between 1970 and 1995 over a thousand postgraduate Masters and PhD theses on Welsh history were produced, of which only 63 were industrial.[1] A search of the Theses Wales catalogue at the National Library of Wales, which contains 50,000 theses, was conducted in October 2012. It revealed one doctoral thesis with 'Welsh Development Agency' in its title,[2] one with 'Development Board for Rural Wales'[3] and none with 'Cardiff Bay Development Corporation'.

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[1] John Elliot, *The Industrial Development of the Ebbw Valleys, 1780–1914* (Cardiff: University of Wales Press, 2004), p. 5.

[2] Robert Lee, *Information Society and Regional Development in Wales: Case Studies of Strategy Development by the Welsh Development Agency, Powys County Council and BBC Wales.* (Cardiff University: Unpublished Doctoral Thesis, 2001)

[3] Joseph Howe, *Managerialism and the State: the Experience of the Development Board for Rural Wales* (Lampeter University: Unpublished Doctoral Thesis, 1993)

Publications on Welsh economic history, or Welsh historical political economy, are also noticeable by their absence. In 2012, the University of Wales Press had over fifty Welsh history books in print (or forthcoming) focusing on the nineteenth and twentieth centuries. Only four of these focus on economic history and all deal with events prior to the post-war era. The first focuses on the entrepreneurial society in the Rhondda Valleys prior to 1920,[4] the second contains essays on the economic history of South Wales and was published over twenty years ago,[5] the third focuses on Ebbw Vale prior to 1920,[6] while the final work studies the South Wales copper industry up to 1895.[7] Articles with a specific focus on post-war economic history are also absent from the *Welsh Historical Review*, the primary historical journal in its field. Against this background, a recent analysis of the historiography of Wales in the twentieth century notes that the strongest traditions have been labour and national, with economic history sitting outside both categories as:

> Most historians have been more interested in the social and political implications of economic change than in its causes […] economic history may be thought of as a challenge to Welsh national integrity since economic flows ran stronger from east to west than from north to south.[8]

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[4] Richard Griffiths, *The Entrepreneurial Society of the Rhondda Valleys, 184 0 –1920. Power and Influence in the Porth-Pontypridd Region* (Cardiff: University of Wales Press, 2010)

[5] *Modern South Wales, Essays in Economic History,* ed. by Colin Baber and L.J. Williams.

[6] John Elliot, *The Industrial Development of the Ebbw Valleys, 1780–1914.*

[7] Ronald Rees, *King Copper–South Wales and the Copper Trade 1584–1895* (Cardiff: University of Wales Press, 2000)

[8] Martin Johnes, 'For Class and Nation: Dominant Trends in the Historiography of Twentieth Century Wales', *History Compass*, Vol 8,11 (2010) pp. 1257–1274 (p. 1262).

Overall, this analysis references 170 publications, of which four comprise economic history. Of these, one references events after 1974.[9] However, this is not to say that the history of regional economic policy has been entirely ignored. One work has been produced examining the history of regional policy between 1934 and 1951.[10]

In terms of key general works, 'When Was Wales',[11] first published in 1985 at the height of concern as to the collapse of the coal, steel and manufacturing industries, famously ended with the apocalyptic statement that the Welsh people were 'nothing but a naked people under an acid rain'.[12] The passage of time and the impact of some measure of recovery in the later 1980s and beyond mean that both 'A History of Wales'[13] and 'Wales since 1939'[14] note the efforts made by the Conservative-run Welsh Office to foster economic growth, as well as the intensity of the recession. For example, 'Wales since 1939' discusses the 'Tory remaking of Wales' between 1979 and 1997, including the short burst of stronger economic growth in the later 1980s and the role of overseas investors. Also, the 2007 edition of 'A History of Wales' mentions overseas investors such as Ford and Bosch, and briefly notes that the positive effects of economic growth tended to be restricted to certain parts of Wales, such as the M4 corridor, during the 1990s.[15] However, while such works mention Welsh Office activities in areas such as FDI and provide summaries of economic change,

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[9] Dennis Thomas, 'Economi Cymru', 1945–1995, *Cof Cenedl*, 10 (1995)

[10] Ted Rowlands, *Something Must be Done – South Wales Versus Whitehall 1921–1951* (Merthyr Tydfil: TTC Books, 2000)

[11] Gwyn Williams, *When was Wales?* (Harmondsworth: Penguin Books, 1988), p. 305.

[12] Ibid, p. 305.

[13] John Davies, *A History of Wales* (London: Penguin, 1993)

[14] Martin Johnes, *Wales since 1939* (Manchester: Manchester University Press, 2012)

[15] John Davies, *A History of Wales* (London: Penguin, 2007), pp. 690-691.

their broad focus means that they inevitably have insufficient space in which to carry out detailed analysis on political economy issues. Detail and comment on the motivations, extent, nature and effectiveness of Welsh Office activities is limited, especially in areas such as land reclamation and support to indigenous businesses.

At the same time, while contemporary political economy publications such as 'Wales in the 21st Century'[16] contain historical chapters pointing out the drastic changes in the Welsh economy over time and there has been a steady flow of other publications, including those stating that the 'transformation' of the Welsh economy in the 1980s and 1990s was overstated and over-dependent on FDI,[17] stand-alone publications examining the political economy of modern Wales do not exist. This means that:

> If regeneration policy was invented to rehabilitate the coalfield communities of Wales, there would be no way of knowing it because there is little or nothing to commemorate it. Even more worrying is the fact that today [2008], when large sums of money are being committed to regenerating deprived areas, there is still no national centre of excellence, no collective memory bank as it were, to marshal the evidence base as to what works where and why.[18]

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[16] *Wales in the 21st Century-an Economic Future*, ed. by Jane Bryan and Calvin Jones (Cardiff: University of Wales Press, 2000)

[17] John Lovering, 'Celebrating Globalization and Misreading the Welsh Economy: the 'New Regionalism' in Wales'. *Contemporary Wales,* 11 (1998), pp. 12-60.

[18] Kevin Morgan, *'Where's Wales in the Regeneration Game?'*, *Western Mail*, 3 January 2008.

This may be due to a number of reasons. Firstly, a relatively small number of academics specialise in Welsh history. Secondly, as discussed, historiography in Wales has tended to be dominated by either the 'labour' or 'national' approaches.[19] Finally, as economics has become increasingly dominated by mathematical and theoretical concepts,[20] economic history and historical political economy have had a relatively low profile, at least until the current financial and economic crisis.

2.2.1: Surveys and statistical data

The survey type monographs that were occasionally produced between 1974 and 1997 are particularly important sources. While they were designed to provide an overview of contemporary economic, social and cultural issues, historical data was often used to place developments in context. However, these are few in number while only one has a focus on economic issues. This is 'The Welsh Economy', published in 1988, which billed itself as the 'first major survey of the Welsh economy for over a quarter of a century'.[21] It examined economic changes since the early 1960s, and while it focused on economic performance rather than political economy, it does comment on the decline of traditional regional economic policy in the 1980s.

Other publications include 'The New Wales'. Published in 1990, it covered a range of cultural, economic and educational issues, and provides a snapshot of a time when there was some optimism regarding the economy. For example, its introduction states that; 'Wales has found a dynamic which, ironically, seems to be more observable to foreign onlookers than the natives, even though

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[19] Martin Johnes, 'For Class and Nation: Dominant Trends in the Historiography of Twentieth Century Wales', pp. 1257–1274 (p. 1262).

[20] Roger Blackhouse, *The Penguin History of Economics* (London: Penguin, 2000), p. 309.

[21] *The Welsh Economy*, ed. by K.D. George and Lyn Mainwaring.

there is a general sense of revival.'[22] *Contemporary Wales*, an annual journal published by the University of Wales Press, has included a chapter providing an annual overview of economic developments since 1989, while data and commentary can also be found from the same year onwards in the *Welsh Economic Review*, published bi-annually by Cardiff Business School. Official publications are also available, covering topics such as employment, unemployment and gross domestic product. These include the 'Digest of Welsh Historical Statistics 1974 to 1996'[23] as well as annual publications such as 'Welsh Economic Trends' and 'Welsh Agricultural Trends'. These also contain information on expenditure on some aspects of regional economic policy.

2.2.2: Broad issues of political economy

The issue of whether or not Wales is an economic entity in its own right has been addressed in at least two publications.[24] Both point out the contradiction between the act of administratively treating Wales as an economic unit in its own right and the reality, which is that trade and transport links with England mean that there is little internal economic cohesion. Some issues of political economy have been addressed in a small number of publications. 'Thatcherism and Territorial politics'[25] analyses the concept of 'Welsh exceptionalism', which proposed that Welsh Office policies were often substantially different from those followed elsewhere in the UK. It concludes

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[22] David Cole, 'Introduction', in *The New Wales,* ed. by David Cole (Cardiff: University of Wales Press, 1990), pp. 1-10 (p. 10).

[23] *Digest of Welsh Historical Statistics 1974–1996,* ed. by L.J. Williams (Cardiff: Welsh Office, 1998)

[24] Trevor Boyns, 'The Welsh Economy', *Llafur,* 9,2 (2005), pp. 84-96; John Lovering, *Constructing the Welsh Economy: Changing Perspectives on Regional Economic Development–O'Donnell Lecture* (Cardiff: University of Wales Press, 1998)

[25] Dylan Griffiths, *Thatcherism and Territorial Politics* (Aldershot: Avebury, 1996)

that the degree to which Wales based regional economic policy differed from that of central government was often exaggerated. Much the same conclusions were reached by 'Change and Policy in Wales: Wales in the Era of Privatism'.[26] Finally, 'The Governance of Wales – the Welsh Office and the Policy Process 1964–1999',[27] written because 'there was very little material on the Welsh Office from which to examine its impact on government policy within Wales',[28] confirms the importance attached by Secretaries of State to economic regeneration.

2.2.3: Autobiographies of Welsh Office politicians and advisors

Between 1974 and 1997, there were six Secretaries of State for Wales. Of these, three have published autobiographies. The first was written by John Morris, Secretary of State for Wales between 1974 and 1979.[29] It contains commentary on the issues faced by the Welsh economy during the 1970s, including the difficulties faced by the nationalised steel industry. Overall, however, it highlights the strong importance attached by the Secretary of State to an active industrial policy. The second was Nicholas Edwards, Secretary of State between 1979 and 1987.[30] Virtually the entire book is focused on his time at the Welsh Office. It provides insight into the economic challenges and the methods used to address such problems. It also highlights the lack of powers held by the Secretary of State for Wales over areas of great importance to the economy such as the nationalised industries of coal and steel. The third was written by Peter Walker, who held

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[26] Richard Prentice, *Change and Policy in Wales: Wales in the Era of Privatism* (Llandysul: Gomer, 1993)

[27] Russell Martin Deacon, *The Governance of Wales–the Welsh Office and the Policy Process 1964–99* (Cardiff: Welsh Academic Press, 2002)

[28] Ibid, p. vi.

[29] Lord Morris, *Fifty Years of Politics and the Law* (Cardiff: University of Wales Press, 2010)

[30] Nicholas Edwards, *Wales, Westminster and Water* (Cardiff: University of Wales Press, 1999)

office between 1987 and 1990.[31] His varied career, which included cabinet positions in the governments of Prime Ministers Edward Heath and Margaret Thatcher, is reflected in the breadth of the book, only one chapter of which relates to Wales. However, this chapter does provide an insight into his strong belief in intervention as well as into his administrative style, described by supporters as committed and enthusiastic, and by critics as driven by the desire to attract good publicity. The theme of Welsh exceptionalism is common to the books written by Conservative Secretaries of State, with both stressing the level of freedom they were granted by Prime Minister Margaret Thatcher to pursue their own interventionist policies.

Each Secretary of State had a team of two junior ministers, known as Ministers of State, and a special adviser. One junior minister and one special adviser have also published autobiographies. That written by Sir Wyn Roberts,[32] Minister of State between 1987 and 1994, covers his role as deputy to three Secretaries of State for Wales, namely Peter Walker, David Hunt and John Redwood. It contains particular insights into the importance attached to foreign direct investment as a driving force behind economic regeneration. The only special adviser to publish an autobiography was Hywel Williams, who worked for John Redwood.[33] This caustic work provides insights into the administrative style of John Redwood and the uneasy relationship between the Secretary of State and Wales in general, which came to symbolise the extent to which the Conservative Party's electoral support had eroded by the mid to late 1990s. While John Redwood

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[31] Peter Walker, *Staying Power–An Autobiography* (London: Bloomsbury, 1991)

[32] Wyn Roberts, *Right From the Start* (Cardiff: University of Wales Press, 2005)

[33] Hywel Williams, *Guilty Men: Conservative Decline and Fall 1992–1997* (London: Aurum Press, 1998)

is a prolific author, he has yet to publish work covering his time at the Welsh Office, apart from a short collection of newspaper articles and speeches.[34]

2.2.4: Regional economic development organisations

The main organisations active in regional economic policy were the WDA, the DBRW, the CBDC and the LAW. No comprehensive account of the history and achievements of the WDA has been published, although the uncertainty surrounding the agency in the mid-1990s after a series of governance scandals has been identified and analysed.[35] However, the WDA commissioned a history from Cardiff Business School in 2005. While a document was produced in November 2006 by Professor Trevor Boyns, the agency was by then in the process of being merged with the Welsh Government and the history has yet to be published. However, the document's author has stated that it is not 'a full academic assessment based on econometric or other studies, but rather an attempt at casual empiricism, measuring the position in Wales in 2006 compared to 1976, and attempting to assess the role played by the WDA [...] it would seem impossible to argue that the WDA did not have some important positive effects on the economic and social life of Wales'.[36] Of the other major regional economic policy organisations, the DBRW and the LAW have not been the subjects of a published history, although the CBDC did publish a document in 2000,[37] aimed at

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[34] John Redwood, *Views From Wales* (London: Conservative Political Centre, 1994)

[35] Kevin Morgan and Dylan Henderson, 'The Fallible Servant: Evaluating the Welsh Development Agency', in *Nationality and Planning in Scotland and Wales,* ed. by Huw Thomas and Roderick Macdonald (Cardiff: University of Wales Press, 1997) pp. 77-98; Kevin Morgan. 'The Regional Animateur: Taking Stock of the Welsh Development Agency', *Regional and Federal Studies,* Vol. 7.2 (1997), pp. 70-94.

[36] Discussion with Trevor Boyns.

[37] *Renaissance–The Story of Cardiff Bay* (Cardiff: Cardiff Bay Development Corporation, 2000)

recording what the corporation viewed as its achievements prior to its abolition. Finally, an official history of the Cwmbran Development Corporation was published in 1988.[38] However, some analysis has been carried out as to how regional economic policy organisations worked together to deliver shared objectives. For example, contemporary work identified the sheer scale of administrative complexity that was becoming apparent by the early 1990s.[39]

2.2.5: Areas of intervention

Given the high profile of foreign direct investment during the 1980s and 1990s, a large amount has been published, covering reasons for investing as well as the characteristics and impact of such investment. One study found that relatively low wages was the most important factor in attracting such investment in the 1980s, although high levels of government financial support and infrastructure were also important,[40] while a separate study of Japanese investors found mixed motivations, with a track record in successfully hosting overseas investment, labour quality, productivity and road access to the South East of England being stressed.[41] Overall, however, it has been noted that it is difficult to provide overall reasons as to the success of Wales in attracting FDI,

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[38] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation* (Cwmbran: Cwmbran Development Corporation, 1988)

[39] Gillian Bristow and Max Munday, 'Economic Development Co-ordination in the Periphery: the Case of Local Enterprise Agency Activity in North West Wales', *Regional Studies,* 31,7 (1997) pp. 713-728 (p. 713); Phil Cooke, 'New Wave Regional and Urban Revitalisation Strategies in Wales', in *The Rise of the Rustbelt,* ed. by Phil Cooke (London: UCL Press, 1995)

[40] Stephen Hill and Max Munday, 'The Determinants of Inward Investment: A Welsh Analysis', *Applied Economics*. 23 (November 1991), pp. 1761-1769.

[41] Max Munday, *Japanese Manufacturing Investment in Wales* (Cardiff: University of Wales Press, 1990), pp. 41-44.

as; 'individual firm motivations differ from one another, and there are real problems in identifying the underlying location rationales from those who actually made the decision.'[42]

Opinions have differed as to the impact that such investment has had on the Welsh economy. Some publications have tended to stress the positive impacts of overseas investment in providing employment, raising skill levels and providing opportunities for suppliers while noting that ultimate management control lay outside of Wales.[43] However, others have claimed that overseas investors provided low paid, low skill jobs in an insecure environment and have diverted public funds that could have been used more productively elsewhere.[44] A study carried out in 2000 found that while overseas owned factories in Wales carried out less local purchasing than domestic firms in the same sectors, their labour productivity was greater.[45] Finally, the political sensitivities of FDI were illustrated in 1989, when a study of Japanese plants found that they were generally employing females as production line workers, meaning that those who had lost their jobs in the male

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[42] Max Munday, Annette Roberts and Neil Roche, *'A Review of the Economic Evidence on the Determinants and Effects of Foreign Direct Investment'* (Cardiff: Cardiff University Wales Economy Research Group, 2010), p. 49.

[43] Max Munday, John Morris and Barry Wilkinson, 'Factories or Warehouses? A Welsh Perspective on Japanese Transplant Manufacturing', *Regional Studies*, 29, 1 (1995), pp. 1-17 (p. 9); Phil Cooke, Kevin Morgan and Adam Price, *The Welsh Renaissance: Inward Investment and Industrial Innovation* (Cardiff: Cardiff University Regional Industrial Research Centre for Advanced Studies, 1994)

[44] Molly Scott Cato, *The Pit and the Pendulum: A Co-operative Future for Work in the Welsh Valleys* (Cardiff: University of Wales Press, 2004)

[45] Steven Brand, Stephen Hill and Max Munday, 'Assessing the Impacts of Foreign Manufacturing on Regional Economies: The Cases of Wales, Scotland and the West Midlands', *Regional Studies,* Vol. 34 Issue 4, (2000), pp. 343-355 (p. 348).

dominated coal and steel industries were not necessarily being re-employed.[46] Amidst threats of legal action and the rumoured involvement of the Secretary of State for Wales, Sony's Bridgend plant responded, opposing what it saw as 'carping self-criticism [and] academic nit-picking'.[47]

Rural development and financial support to agriculture has also been the subject of a number of published works. Of particular importance is a doctoral thesis that provides a full overview and evaluation of the impact of farm support policies in Wales between 1947 and 1993. It concluded that subsidies had become progressively less efficient at rising farm income over time. As farmers expanded production to obtain more subsidy, production costs tended to increase, often as a result of increased usage of poorer quality land. A cost-price squeeze then ensued, which led to greater absolute and relative dependence on subsidy.[48] Other publications include a study of socio-economic conditions in rural areas that noted high levels of deprivation.[49] In relation to land reclamation and urban redevelopment, an overview of activity was produced in 1988,[50] while articles have been produced pointing out the scale of economic problems in urban areas[51] as well as

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[46] John Morris, 'The Japanese are Here–for Better or Worse?', *Welsh Economic Review*, Vol. 1,1 (1989), pp. 45-47.

[47] Alun Jones, 'Japanese Investment–Welcome to Wales', *Welsh Economic Review*, Vol. 1,2 (1989), pp. 60-64 (p. 64).

[48] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993*. (Cardiff University: Unpublished Doctoral Thesis, 1995), p. i.

[49] Paul Cloke, Mark Goodwin and Paul Milbourne, *Rural Wales, Community and Marginalisation* (Cardiff: University of Wales Press, 1997)

[50] E.M. Bridges, *Healing the Scars: Derelict Land in Wales* (Swansea: University College of Swansea, 1988)

[51] Jeremy Alden, 'Economic Problems Facing Urban Areas in South Wales', *Regional Studies*, Vol. 11,5 (1977) pp. 285-296.

an evaluation of the Swansea enterprise zone (set up to provide tax and other incentives to investors in a designated area) that identified a relative lack of sustainable job creation.[52] The increasing prominence of urban regeneration programmes was also noted throughout the 1980s and early 1990s.[53] Academic evaluation of European funding was very limited. A short study of funding between 1989 and 1992 in parts of South Wales was published, but was heavily caveated due to methodological issues (see section 2.4.6).[54] In 2005, a PhD was produced focusing on contemporary issues, but did include lists of projects funded by some of the major programmes since 1989 and comment on such programmes, stating that 'evaluation [government or academic] was relatively non-existent prior to 2003'.[55]

Innovation and entrepreneurship were areas that emerged as policy foci towards the end of the study period. Publications focused on how Wales could move beyond attracting overseas investors to a more advanced approach, which sought to create collaborative networks focused on issues such as product development, supply chain opportunities and training. Such activity would seek to embed existing stock of overseas investors into the local economy while at the same time raising the

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[52] Rosemary D.F. Bromley and Joan C.M. Rest, ‘The First Five Years of the Swansea Enterprise Zone’, *Regional Studies,* 22, 4, (1988) pp. 263-275.

[53] Kevin Morgan, ‘Reviving the Valleys: the Urban Challenge in South Wales’, *Papers in Planning Research No.141* (Cardiff: Cardiff University, 1993)

[54] Robert Huggins, ‘An Evaluation of Objective 2 Regional Aid in South Wales, 1989-1993’, *European Urban and Regional Studies* 1998 (5), pp. 291-295.

[55] Roisin Willmott, *'The Implementation of European Regional Policy in Wales: An Examination of Multi-Level Governance'* (Cardiff University: Unpublished PhD Doctorate, 2005), p. 152.

innovative capacity of the existing base of small companies.[56] A particular gap is apparent in the treatment of nationalised industries in Wales. This, however, may not be as surprising as it first appears because these industries operated on a UK level and were controlled by Westminster. There are three books of relevance. The first deals with the impact of the redundancy and contracting out programme within the Port Talbot steel plant in the early 1980s,[57] the second provides an overview of the decline of the coal industry in South Wales[58] and the third deals with the politics of the miners' strike of 1984-85.[59] A history of the steel operations at Port Talbot between 1900 and 1988 was also produced in 2011, but this focuses on operational issues.[60] Finally, with the exception of the doctoral thesis on farm support, there are no systematic academic evaluations of the overall effectiveness of regional economic policies. There were, however, some official programme evaluations and these are identified in the subsequent section of this chapter.

Overall, the coverage of the history of regional economic policy in Wales is limited. Some subjects such as inward investment have been comprehensively covered; others such as entrepreneurship and innovation have had less attention while topics such as European funding have been left relatively

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[56] Kevin Morgan and Phil Cooke, *The Associational Economy-Firms, Regions and Innovation* (Oxford: Oxford University Press, 1998); *Regional Innovation Strategies–the Challenge for Less–Favoured Regions,* ed. by Kevin Morgan and Clare Nauwelaers (London: Routledge, 1999)

[57] Ralph Fevre, *Wales is Closed: the Quiet Privatisation of British Steel* (Nottingham: Spokesman, 1989)

[58] Michael Thomas, *Death of an Industry: South Wales Mining and its Decline–the Local Story in a Global Context* (Self-published, 2005)

[59] Hywel Francis, *History On Our Side-Wales and the 1984–1985 Miners' Strike* (Ferryside: Iconau, 2009)

[60] Stephen Parry, *History of the Steel Industry in the Port Talbot Area 1900-1988* (Leeds University, Unpublished PHD Thesis, 2011)

untouched. Crucially, neither the imperatives behind the overall regional economic strategy pursued by the Welsh Office and its agencies, nor its overall effectiveness, have been examined in a comprehensive fashion.

2.3: Regional economic theory

While economic growth at an international, national or regional level has long been the focus of research and debate, there remains no clear agreement about its causes.[61] This section provides an overview of economic growth theories most relevant to regions. These can be broadly divided into two groups. The first places a greater emphasis on demand factors, while the second stresses the importance of supply. The former implies that regions naturally move towards greater inter-regional inequality if left to market forces, while the latter propose that the growth prospects of different regions tend to balance out due to perfect mobility of labour and capital.[62]

With an emphasis on the importance of demand, theories in the first group can broadly be placed within Keynesian thought. In summary, John Maynard Keynes proposed in the 1930s that the level of economic output determines the level of employment, with the level of demand for goods and services determining the level of economic output. Such demand can and should be influenced by government policies covering measures that can be either fiscal (such as taxes and spending) or monetary (such as interest rates). This was the general approach that was most influential in post-

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[61] Stephen Hill and Brian Morgan, 'Introduction', in *Inward Investment, Business Growth and Regional Development,* ed. by Stephen Hill and Brian Morgan (London: McMillan, 1998), p. 1.
[62] Yuko Aoyama, James T. Murphy and Susan Hanson, *Key Concepts in Economic Geography* (London: Sage, 2011), p. 96.

war Britain until the 1970s. Theories that sit within this tradition include **export base** and **cumulative causation**.

The **export base** theory, dating from the mid-1950s, proposed that the development of any region, especially its urban centres, is attributable to the performance of its 'base industries'.[63] These are not attracted to any particular town or city due to the market potential of such locations. Instead, they choose locations that offer a favourable base from which to produce goods that can be exported to other regions. In the case of industries such as coal and steel, proximity to raw materials is vital, while service industries place a greater emphasis on the availability of labour skills. Once base industries are in place, they attract ancillary activities such as suppliers and retailers. Within this model, economic growth depends on the natural endowments of the region, the character of the export industry as well as changes in technology and transfer costs. In general, all economic activities are induced by the expansion or decline of export industries.[64] Within this theory, a successful regional economy is one where the export industry grows and diversifies. In an unsuccessful regional economy, increased demand for the export industry leads to an increase in supply of that commodity. The export base remains narrow and domestic sales do not grow substantially. While the export industry grows, this is not translated into broader development, and income accruing to the export industry flows out of the region. However, this model generally discounts the role that internal growth impulses (such as entrepreneurship and technological developments not linked to exporting industries) can play in stimulating growth as well as the role played by government such as an active regional economic policy.

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[63] Douglass North, 'Location Theory and Regional Economic Growth', *Journal of Political Economy*, 63,1 (1955), pp. 243–258.

[64] H.W. Richardson, *Regional Economics* (London: Weidenfeld and Nicholson, 1973), p. 336.

In the late 1950s, a more refined theory was proposed, which sought to emphasise the cumulative nature of the processes of economic growth.[65] Known as **cumulative causation**, this argued that regional economic growth is reliant on the extent to which regions can exploit economies of scale and the benefits that can flow from specialisation of output. Sectors such as manufacturing are more likely to achieve productivity gains than those which are land based, such as farming and mining. Regions with a stronger manufacturing base are thus expected to develop at a greater rate, thus gaining competitive advantages over their land based competitors. However, cumulative causation can also be a negative process. In the process of interaction between growth regions and other areas, stagnating regions can suffer 'backwash effects'. This is where local resources of labour and capital are attracted to growth regions, while goods and services originating from such growth regions flood into the stagnating regions, putting local firms out of business.[66] Growth areas also benefit from the spending and entrepreneurial power of migrants, who tend to be younger and energetic. The concept of cumulative causation was developed further with the proposition of **'Verdoon's Law'**, by which regions would not only benefit from increased exports in terms of an increase in short-term demand, but would also see long term benefits accruing from increasing returns to scale and productivity gains linked to greater output.[67] However, this model pays little attention to how a region acquired its initial export specialism and assumes that the export sector is the primary source of economic growth. Against this background, competing explanations have

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[65] Gunnar Myrdal, *Economic Regions and Under-Developed Regions* (London: Duckworth, 1957); Nicholas Kaldor, 'The Case for Regional Policies', *Scottish Journal of Political Economy*, 18, (1970), pp. 337–348.

[66] John Osmond, *Creative Conflict–the Politics of Welsh Devolution* (Llandysul: Gomer, 1976), p. 60.

[67] Harvey Armstrong and Jim Taylor, *Regional Economics and Policy* (Oxford: Blackwell, 2001), p. 96.

been put forward for cumulative causation.[68] These include **external economies of scale**, which seeks to explain cumulative causation though stressing the advantages to be gained by companies who cluster in the same location.[69] Firstly, geographical concentrations of companies, often in the same sector, allow greater specialisation of individual company activity. This also promotes the exchange of ideas and knowledge needed to foster innovation. Secondly, the importance of a concentration of factors that support economic activity, such as the availability of skilled labour, transportation facilities and cultural activities that attract skilled workers, are stressed. Such areas are likely to attract mobile capital and skilled labour, which then stimulate further economic growth.

The second group of theories sit within neo–classical economics, stressing the importance of supply side influences on growth and the natural tendency of the market to achieve equilibrium (where supply is equal to demand). It also proposes that actors within an economy such as companies and individuals always behave in a rational way. These models became prominent in the early 1970s, in response to perceived problems with the Keynesian demand management approach. The **neo–classical exogenous growth model**, originally developed in 1956, identifies three primary sources of output growth comprising capital stock, the labour force and technology.[70] The growth rate of any economy will depend on the rate of growth of these factors, especially that of technology. Regions with a stronger supply of labour and capital with access to more advanced technology are those that will grow fastest. Importantly, neo-classical economic theory assumes that the free

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[68] Ibid, pp. 94-95.

[69] Paul Krugman, 'Increasing Returns and Economic Geography', *Journal of Political Economy,* 99, 3 (1991), pp. 483–489.

[70] Robert M. Solow, 'A Contribution to the Theory of Economic Growth', *Quarterly Journal of Economics,* 70, 1 (1956), pp. 65–94.

market works towards 'equilibrium', meaning that prices quoted for the same product will converge.[71] When applied to regions, economic differences will be eliminated over time by a free movement of labour, capital and technology, with the model assuming that there are no barriers to such movement. For example, labour will flow from a region such as Wales where it has been underutilised, to a more prosperous region such as South East England, where there is more demand and the wages are higher. At the same time, capital will flow from high wage regions to those with lower labour costs. As a result of this balancing action, depressed regions will not remain in this state over the long term as they will converge towards a steady rate of growth. However, this theory does not incorporate the causes of technological change, which are either unexplained or are exogenous to the model.[72]

The question of how to include the causes and rate of technological progress within models of economic growth led to the development of **post neo-classical endogenous growth theory**. The key idea of endogenous growth theory is that long term economic growth depends on investment decisions, including those on the development of human capital as well as research and development. In political terms, these theories were used to provide a justification for two types of government intervention from the later 1970s aimed at increasing the level and effectiveness of investment. These were direct interventions through taxation and subsidy, and indirect actions such as institutional reform.[73] There have been a number of different methodologies within this school

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[71] Alan Townsend, *Uneven Regional Change in Britain* (Cambridge: Cambridge University Press, 1993), p. 9.

[72] Nicholas Crafts, 'Post–neoclassical Endogenous Growth Theory: What are its Policy Implications?', *Oxford Review of Economic Policy*, 12, 2 (1996), pp. 30-47 (p. 30).

[73] Ibid, p. 30.

of thought, which often differ in the importance that is attached to technology. For example, the **new growth theory** placed great importance on the broader role played by technical knowledge, often generated by research and development activities, in spreading and generating economic growth.[74] Endogenous growth models are not generally designed to explain disparities in regional economic performance. Instead, they provide explanations for the growth of the world economy as a whole, with regions able to benefit from a rapid spread of technological progress.

However, there are at least two weaknesses with such approaches. The first is that such theories assume that individuals and companies are fully mobile, are aware of differing rewards and that they will relocate to the area that offers the greatest financial benefit. This is not always the case as neither labour nor capital is always fully mobile. For example, people may not wish to move away from depressed areas as a result of a range of cultural and personal reasons. Also, investors may be reluctant to invest in areas of the country with which they are not fully familiar. Secondly, as demonstrated in the economic data outlined in chapter four, there is little evidence of Wales having benefited from any trends towards convergence.

There are overlaps between economic growth theories and those put forward by economic geographers. The most important of these economic geography models developed from **central place theory**, originally proposed in the 1930s, which suggests that geographic space is organised around urban centres that act as focal points for the distribution of goods and services to a

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[74] Brian Morgan, 'Regional Issues in Inward Investment', in *Inward Investment, Business Growth and Regional Development,* ed. by Stephen Hill and Brian Morgan (London: McMillan, 1988), pp. 13-29 (p. 18).

surrounding hinterland.[75] Centres are classified according to the types of goods and services offered and the distances that consumers are prepared to travel to access them. The lowest levels of centres are small urban settlements providing a relatively narrow range of goods and services, to which consumers will only travel a relatively short distance. The hierarchy of centres then progresses to higher order centres which provide a wider range of goods and services, before arriving at the national capital which provides specialised services for the country as a whole.[76] The level and type of goods and services that can be provided by different centres depends on the demand threshold (the minimum level of demand necessary to support a service) and the range (distance).[77] For example, London would act as a centre for activities such as financing and hosting major commercial headquarters for the whole of the UK, and is therefore described as a 'first order' centre. 'Second order' centres such as Birmingham and Cardiff act as regional commercial centres, each of which has their own hinterlands (see Map 3.1, page 59). By the 1950s, the concept of **growth poles** was proposed, defined as a set of expanding industries located in an urban area, which then induced further growth within its hinterland.[78] Expanding industries are known as 'propulsive industries', and while they are not necessarily the largest in employment terms, they tend to be technologically advanced industries that operate nationally. One attraction of the growth pole concept was that it enabled regional development to move away from its previous focus on targeting areas of high unemployment, and instead focus on the designation of selected locations as

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[75] Harry Richardson, *Regional Economics* (London: Weidenfeld and Nicholson, 1976), p. 157.

[76] Christopher Law, *British Regional Development since World War 1* (London: Methuen, 1981), p. 23.

[77] B.W. Hodder and Rodger Lee, *Economic Geography* (London: Methuen, 1970), p. 137.

[78] Harry Richardson, *Regional Economics*, p. 417.

growth points which were to become foci of intervention, as proposed by Plaid Cymru's 1970 economic plan.[79]

A parallel approach to understanding economic disparities evolved through the **core-periphery approach**, which proposed that as one city or region achieves economic prosperity, it begins to encompass neighbouring regions so as to ensure ongoing success. The original area of high growth is known as the core, while the engulfed or neighbouring area is the periphery. This approach is further developed into **dependency theory**, where raw materials are extracted from the periphery by the core regions. The core regions than process the raw materials, before selling them back to the periphery, thereby harvesting the added value element of the final price. While such theories are generally used to explain disparities at a global level such as the 'resource curse' that holds back resource rich nations through structural factors that discourage diversification stemming from an over-dependence on resource based activities,[80] the resource intensive nature of Wales' economic development, as well as the centralised nature of the UK, means that these interpretations have been periodically influential in public debate.[81]

Economic growth is thus a complex process, and a range of theories have been put forward to explain its causes. Some of these, such as the neo–classical approach, are rooted in mathematics. Others, such as cumulative causation, draw on other disciplines, as are those put forward by economic geographers. Although theories do provide an insight into the development of the Welsh

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[79] *An Economic Plan for Wales* (Cardiff: Plaid Cymru, 1970)

[80] Richard Auty, *Sustaining Development in Mineral Economies: The Resource Curse Thesis* (London: Routledge, 1993)

[81] John Osmond, *The Centralist Enemy* (Llandybie: Christopher Davies 1974)

economy and are considered in subsequent chapters, care should be taken in their application to the complex set of economic and political interrelations that characterised its political economy.

2.4: Evaluation

2.4.1: Introduction

Techniques to accurately identify, measure and evaluate the achievements of regional economic policy have long been debated. Methodologies that were used between 1974 and 1997 generally sat within the two broad approaches of macro and micro.[82]

2.4.2: Macro (shift-share technique)

Shift-share analysis compares a region's share of UK investment or employment in a particular sector during a period of active intervention compared to a more passive phase, when regional policy was given a lesser priority by central government.[83] Trends apparent during the passive period where intervention was less intensive (such as the 1950s) are simply projected forward to the dates under review, with the resulting figures being known as expected employment. Actual employment figures are then compared to the expected figures, and any positive difference is attributed to the impact of regional economic policy. This methodology was frequently used up to the 1980s, most notably in a 1974 analysis focusing on Wales[84] and a UK wide study produced in

[82] Tim Leunig and James Swaffield, *Cities Limited* (London: Policy Exchange, 2008), p. 35.

[83] R.D. Rees and R.H.C.Miall, 'The effect of Regional Policy on UK Manufacturing Investment and Capital Stock between 1959 and 1978', *Regional Studie*s, 15, 6 (1981), pp. 413-424 (p. 415).

[84] Barry Moore and John Rhodes, *Regional Policy and the Economy of Wales* (Cardiff: Welsh Office, 1974)

1983 by the Department of Industry.[85] The 1974 analysis stated that the total number of jobs created by regional policy in Wales was some 6,000 per year between 1960 and 1972.[86] However, it also pointed out accelerating job losses in declining industries meant that these were insufficient to correct the unemployment disparity between Wales and more prosperous UK regions. The 1983 study concluded that there was no further addition, between 1976 and 1981, to the cumulative effect of regional economic policy on manufacturing employment in the UK's assisted areas (areas where companies could obtain financial support).[87] The new results appeared to show that between 1971 and 1981, over 200,000 new manufacturing jobs had been created by regional economic policy in the assisted areas, but the impact of the policy had been reducing sharply throughout the 1970s.[88] Figures for each area (such as those in Wales) were not produced.

By the mid-1980s, the shift-share approach was falling out of favour as increasing doubt was placed on the accuracy of the results. Firstly, it assumed that if it were not for the impact of regional economic policy, then the employment trends apparent in the passive period (defined as one where the government downgraded the importance of such policy) would have simply continued. For the 1983 UK–wide study, the 1950s was taken as the passive period.[89] However, while the analysis took the discovery of North Sea oil and its creation of jobs in Scotland into account, it did not take

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[85] Barry Moore, John Rhodes and Peter Tyler, *The Effects of Government Regional Economic Policy*.

[86] Barry Moore and John Rhodes, *Regional Policy and the Economy of Wales*, p. 26.

[87] C.J. McKenna and D.R. Thomas, 'Regional Policy', in *The Welsh Economy,* ed. by K.D. George and Lyn Mainwaring, pp. 263-290 (p. 281).

[88] Barry Moore, John Rhodes and Peter Tyler, *The Effects of Government Regional Economic Policy*, p. 38.

[89] Ibid, p. 34.

into account any number of other external factors that impacted the economy between the 1960s and 1980s. Secondly, it was assumed that the difference between 'actual' and 'expected' employment was due to government interventions. The difference is therefore additional, defined by HM Treasury as 'an impact arising from an intervention is additional if it would not have occurred in the absence of the intervention'.[90] The problem with calculating additionality is that there is no reliable method to link expenditure to job creation. For example, the attraction of FDI was a key priority for the Welsh Office between 1974 and 1997. To do this, substantial sums of money were spent on preparing sites and building factories, providing grants to investors and overseas marketing. Wales was very successful in attracting FDI for much of the period. However, intervention clearly had an impact on attracting some investment but it is not generally possible to determine the exact relationship between intervention and overall levels of investment, even where case study data exists. Individual firm motivations differ, and it can be very difficult to identify the underlying location rationales for each company.[91] At the same time, it is also not possible to quantify accurately the impact of a counterfactual scenario where intervention did not take place. As a result of such issues, the shift share approach fell out of favour as a technique to identify the impact of regional economic policy. It was supplanted by generalised comparisons of economic performance and evaluations of individual programmes or projects.

[90] *Appraisal and Evaluation in Central Government* (London: HM Treasury, 2009), p. 101.

[91] Max Munday, Annette Roberts and Neil Roche, *'A Review of the Economic Evidence on the Determinants and Effects of Foreign Direct Investment'*, p. 49.

2.4.3: Macro (comparison technique)

The macro technique proposes that if interventions have been successful, then the Welsh economy would gradually converge with the rest of the UK.[92] This approach was common by the 1990s. Indicators of economic progress typically used included output, unemployment, employment, wages and personal disposable income. According to this approach, statistical convergence may demonstrate the success of intervention, while divergence indicates failure. However, the main drawback is again additionality. If regional performance is converging, this may be due to reasons aside from government intervention. These could include a favourable resource endowment or an existing concentration in growth sectors. Conversely, if a region is diverging, it can be argued that such trends would have been worse without such intervention.

However, the comparison approach was the main technique used in political discourse. This occurred as, firstly, it has the advantage of simplicity, while secondly, it is possible to 'cherry pick' individual statistics. This was noted by the WDA's chief executive, who stated in 1990 that 'almost anything can be proved with statistics, often by using the very simple device of changing the start date of a series'.[93] It is equally possible to use different measures across the same period to draw different conclusions. For example, the Labour and Conservative manifestos for the 1992 general election had very different perspectives, both factually correct. According to the Conservative Party, 'with only five per cent of the United Kingdom's population, Wales has consistently enjoyed twenty per cent of its inward investment [...] self-employment has risen by two thirds. Welsh

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[92] Tim Leunig and James Swaffield, *Cities Limited* (London: Policy Exchange, 2008), p. 35.

[93] David Waterstone, 'The Incomers View, in *The New Wales*, ed. by David Cole, pp. 233-241 (p. 238).

manufacturing now has the highest productivity of any part of the United Kingdom'.[94] However, the Labour Party stated that there were '53,000 fewer employees in work than in 1979 […] employment in manufacturing industry has fallen by nearly one–third […] unemployment has increased by more than 80 per cent'.[95] Against this background, chapter seven provides an overview of economic and labour market statistics between 1974 and 1997. In summary, the economy's performance was mixed. While indicators fluctuated, Wales' mid–1970s position at the foot of the league table of regional economic indicators was repeated in the mid-1990s. The exception was FDI, which saw great success throughout the 1980s and early 1990s.

2.4.4: Micro technique

The micro approach was common by the end of the 1990s. It focused on identifying the economic and employment impact of projects or programmes, and has since established itself as the standard method.[96] For example, an evaluation of the construction of an industrial estate would firstly establish the amount of support, the aims of such support, and any gaps between the project's aims and what actually happened. A survey would then need to be done to identify factors including whether each company on the estate would have created jobs had the public sector not funded the construction of the industrial estate, and whether success had been at the expense of other companies. This would then be collated to estimate the additional impact of intervention, split into

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[94] *The Best Future for Britain–The Conservative Manifesto.* (London: Conservative Party, 1992), p. 48.

[95] *It's Time to Get Wales Working Again–Labour's Election Manifesto April 1992*. (Cardiff: Labour Party, 1992), p. 3.

[96] *Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework* (London: Department of Business and Regulatory Reform, 2006)

direct, indirect and induced.[97] The relationship between direct and indirect impact is calculated through the use of a multiplier, calculated via economic models. Such evaluations therefore rely on access to extensive survey data. It is impossible to carry out surveys decades after the expenditure was incurred. Between 1974 and 1997, the overwhelming majority of regional economic development expenditure was not subject to such analysis. In some cases, consultancy studies on individual projects or programmes were commissioned, but these used varying methodologies,[98] were not made publicly available and are not normally present in archives.

However, full evaluations were carried out on the Regional Selective Assistance (RSA) scheme, used to provide financial assistance to companies investing in assisted areas. Surveys were published in 1990 (covering 1980 to 1984),[99] 1993 (covering 1985 to 1988),[100] and 2000 (covering 1991 to 1995).[101] Estimates of the number of new jobs created by the scheme were produced, but only on a UK basis. RSA could only be granted to companies who stated that their project would not take place in the absence of grant support. If companies later admitted that their project did not need support to have proceeded, then they would breach programme regulations and could be liable to repay the grant.

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[97] Direct impact comprises gross wages paid to those employed on the estate and purchases of goods and services, such as raw materials, maintenance and professional services. Indirect impact comprises additional spending generated by suppliers while induced impact comprises that generated by the spending of those employed by businesses and by their suppliers.
[98] *Creating and Safeguarding Jobs in Wales* (London: National Audit Office, 1991), p. 16.
[99] *Regional Selective Assistance 1980–1984* (London: HMSO, 1990)
[100] PA Cambridge Economic Consultants, *Regional Selective Assistance 1985–88* (London: HMSO, 1993)
[101] Arup Economics, *Evaluation of Regional Selective Assistance 1991–1995* (London: HMSO, 2000)

According to the 1993 report:

> The issue of the additionality of [...] jobs was addressed in the interview by a series of questions which were designed to provide a consistent picture of what was most likely to have happened if the award of RSA […] had not in fact been made. This is, of course, an entirely hypothetical question […] and often a rather sensitive one in retrospect, because a successful application for RSA generally required an unequivocal claim by the company that it would not go ahead with its project without the grant.[102]

The report also noted that companies often accessed other forms of government support apart from RSA, but that no records identifying overall support by company existed.[103] By 1997, it was noted that there was a 'need for an effective evaluation tool' in relation to RSA.[104]

2.4.5: Value for money studies

Value for money studies of a number of regional economic development activities were carried out by central government's National Audit Office. While these did not quantify their impact or effectiveness, judgements were made as to whether the activities represented good value for the taxpayer. Studies that focused on Wales comprised those on land reclamation in 1994[105] and the

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[102] PA Cambridge Economic Consultants, *Regional Selective Assistance 1985–88,* p. 36.

[103] *Regional Selective Assistance 1980–1984*, p. 35.

[104] Max Munday, David Pickernell and Annette Roberts, 'The Effectiveness of Regional Grant Aid- a Welsh Perspective', *39th European Congress of the Regional Science Association*, 23-27 August 1999, Dublin, p. 21.

[105] *Land Reclamation in Wales* (London: National Audit Office, 1994)

creation and safeguarding of jobs in 1991,[106] while a UK wide study on regional industrial incentives was carried out in 1988:[107]

- The 1991 study on the creation and safeguarding of jobs in Wales concluded that while substantial numbers of jobs had been created, agencies' evaluations of their activity were lacking and inconsistent, insufficient attention was paid to comparing forecast achievements with actual out-turns, and the 'Welsh Office cannot demonstrate which schemes provide the best return in terms of jobs created for the public expenditure involved'.[108]
- The 1994 study on the WDA's land reclamation programme concluded that it had achieved good value for money and was 'widely recognised as a notable achievement'.[109]
- The 1988 study on regional industrial incentives pointed out difficulties in terms of measuring the additional impact of regional aid schemes.[110]

2.4.6: Other studies

Evaluations of projects funded from European sources were still in embryonic form by the 1990s, while it was observed in 1995 that 'it does not appear that estimates [...] have so far been made for the impact of European Union regional policy in Wales'.[111] Full evaluations were not carried out for most of the 1974-1997 period, while those done towards 1997 tended to focus on outputs

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[106] *Creating and Safeguarding Jobs in Wales* (London, National Audit Office, 1991)

[107] *Department of Trade and Industry, Scottish Office and Welsh Office: Arrangements for Regional Industrial Incentives* (London: National Audit Office, 1988)

[108] *Creating and Safeguarding Jobs in Wales,* p. 3.

[109] *Land Reclamation in Wales,* p. 7.

[110] *Arrangements for Regional Industrial Incentives,* p. 17.

[111] David Blackaby and others, 'Wales: an Economic Survey', *Contemporary Wales,* 8 (1995), pp. 213-295 (p. 290).

claimed by project managers which may not be reliable. For example, an evaluation of the £320 million (in contemporary prices) 1994-1999 Rural Wales Objective 5b programme noted that:

> Job outputs are not measured in a consistent manner, often consisting of a mixture of full, part-time and seasonal jobs; the projected level of safeguarded jobs is implausible for many projects, with often all employment in a firm or even industry being regarded as safeguarded, regardless of the contribution made by the project to that firm. [There are] many instances of double counting, with the same firms receiving assistance under a variety of [...] projects.[112]

This evaluation noted that projects funded by the programme claimed to have created a total of 38,000 new firms in rural Wales, an 'overstated' figure.[113] This is more than all new VAT registrations throughout all of Wales (urban and rural) in the same years. Meanwhile, an evaluation of the £420 million (in contemporary prices) 1989-1992 Industrial South Wales programme noted that its business support element 'proved difficult to monitor [..] many of the projects failed to make clear […] their methods for monitoring and measuring their success […] figures for achievement were often based on idiosyncratic estimates'.[114] Overall, while the European Commission reformed the structural funds in 1988 to ensure that regional authorities followed principles such as grouping

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[112] *Ex-post Evaluation of the English, Scottish and Welsh Objective 5b Programmes* (London: Office of the Deputy Prime Minister, 2004), p. 186.

[113] Ibid, p. 50.

[114] Robert Huggins, 'An Evaluation of Objective 2 Regional Aid in South Wales, 1989-1993', *European Urban and Regional Studies* 1998 (5), pp. 291-295 (p. 296).

projects into activity programmes, a concept of effectiveness, ensuring that projects were properly managed, monitored and evaluated, was not introduced until 1999.[115]

While FDI was much studied during the period, evaluations of its overall impact were conspicuous by their absence; as such assessment has historically focused more on the effectiveness of grants and subsidies.[116] The difficulty of linking marketing campaigns to attract investment to actual investment obtained was noted as early as 1980, with the Welsh Office stating that 'it is virtually impossible to quantify the overall results of promotional activity'.[117] By 1997, there was no ‘systematic, publicly available audit of the economic impact of foreign owned firms as a group, nor of the cost effectiveness of FDI policies'.[118] Also, FDI data related to investments being announced, not those that were carried out. This was noted in 1993 by the Secretary of State for Wales, John Redwood who, when asked for data on jobs created by FDI, stated that:

> Comprehensive information is not available. However, the 1,120 inward investment projects [...] since April 1983 forecast almost 110,000 new and safeguarded jobs. The

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[115] Roisin Willmott, *The Implementation of European Regional Policy in Wales: An Examination of Multi-Level Governance*, p. 151.

[116] Max Munday, Annette Roberts and Neil Roche, *‘A Review of the Economic Evidence on the Determinants and Effects of Foreign Direct Investment’* (Cardiff: Cardiff University Wales Economy Research Group, 2010), p. 197.

[117] NA, BD 41/373. *Welsh Office Internal Briefing Note,* 27 October 1980.

[118] John Lovering, ‘Making Mountains Out of Molehills’, *Welsh Economic Review*, Vol.10,(1 (1997), pp. 14-20 (p. 14).

> figures are based on information provided by companies at the time of their decision to invest and take no account of subsequent developments.[119]

Finally, detailed, official, publicly available evaluations on the economic impact of agricultural, tourism and rural support activities are almost entirely lacking. For example, in relation to the WDA's drive to intervene through rural development partnerships, it was noted by 1997 that 'no systematic evaluation of the effectiveness of this approach has been published',[120] while the WTB noted in 1985 that its objectives of developing the tourist industry were 'difficult to quantify in volume or revenue terms'.[121]

2.5: Conclusion

This lack of evaluation was due to the difficulties of establishing clear causation between activities and economic outcome. At the same time, while identifying the physical results of activity such as land reclamation and factory construction was straightforward, the complexity of intervention by the 1990s meant that unpicking the process of regional economic development was difficult. In 1991, the National Audit Office noted that the Welsh Office, the WDA and the DBRW had:

> Spent substantial sums on initiatives which have job creation and safeguarding as a primary aim. These have resulted in substantial numbers of new jobs being created. However, the bodies have said they cannot assess the extent to which these initiatives have influenced the

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119 Hansard HC, 21 March 1994, vol. 240, col. 76 (answer to written question).

120 Christopher Minay, 'Contrasting Approaches to Rural Economic Development', in *Nationality and Planning in Scotland and Wales*, ed. by Huw Thomas and Roderick Macdonald, pp. 181-202 (p. 193).

121 *WTB Annual Report 1984-85*, p. 13.

overall trends in the labour market. Nor can they assess the economic position Wales would have reached without those initiatives. This is because the Welsh economy [...] has been subject to many influences outside their responsibility. It is therefore very difficult to evaluate the full success of these initiatives.[122]

As another example, David Hunt, the Secretary of State for Wales in 1991, was asked to provide the number of jobs created by the Welsh Office in the previous year. He stated that; 'the Welsh Office operates a range of programmes and activities which contribute to economic development, many of which cannot be quantified accurately in terms of direct jobs created.'[123] Finally, the WDA's Chief Economist in the early to mid-1990s, Brian Morgan, has stated that:

I don't think we did a great job of real evaluation, because real evaluation leads you to look at additionality, displacement and all the rest of it […] the monitoring of jobs was so haphazard, that there was no way of working out what were the real jobs, let alone what were the additional jobs. There was no attempt to look at displacement and things like that […] Property was counting jobs, inward investment was counting jobs, so jobs created and safeguarded, were just almost meaningless numbers by the mid-90s.[124]

Overall, it is not possible to accurately identify the additional impact of regional economic development in Wales between 1974 and 1997. However, much can be done in the context of political economy to understand the motivations, activity and general influence of such intervention.

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[122] *Creating and Safeguarding Jobs in Wales*, p. 4.

[123] Hansard HC, 13 November 1992, vol. 213, col. 988W (answer to written question)

[124] Interview with Brian Morgan.

3: Context

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3.1: Introduction

This chapter provides context for the central part of the thesis, which deals with events between 1974 and 1997. The first section sets out the political and economic creation of Wales prior to 1974. It describes how Wales' existence as a separate administrative unit of the United Kingdom is a relatively recent development, before exploring the extent to which a 'Welsh economy' was brought into being. The second section focuses on the Welsh economy before 1974. It outlines trends since the industrial revolution and provides a brief summary of how regional economic policy developed from its inception in the 1930s.

3.2: The creation of Wales as an administrative unit

Wales was incorporated into England in 1536 by means of what later became known as the Act of Union. While some administrative and legal differences persisted, any such contrasts were minor in comparison with the similarities.[1] By the eighteenth century, Wales possessed no institutions, such as a separate church or universities, commonly associated with national units.[2] However, the extension of voting franchises in the late nineteenth century assisted the gradual emergence of distinct political identities in Wales.[3] While Wales began gradually to accrue national institutions such as a university (from 1893), a museum and library (both from 1907), it was not until after the Second World War that a process of administrative devolution began to gain momentum.

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[1] John Davies, *A History of Wales*, pp. 233, 237.

[2] Geraint Jenkins, *A Concise History of Wales* (Cambridge: Cambridge University Press, 2007), p. 133.

[3] R. Merfyn Jones, 'Beyond Identity-the Reconstruction of the Welsh', Journal of British Studies, Vol. 31, No. 4 (October 1992), pp. 330-357 (p. 335).

Although Prime Minister Clement Atlee ruled out a Secretary of State for Wales in 1946 on the grounds that it would be too 'complicated', and that Wales' economic problems were best addressed at a UK level, an annual White Paper on Welsh Affairs was published from this year,[4] with a conference of Heads of Government Offices in Wales being formed to co-ordinate policies. In 1949, a nominated Council for Wales and Monmouthshire was created. This body was designed to advise the government, but had no executive powers. In 1951, the Conservative Government created a Minister for Welsh Affairs as part of the office of Home Secretary. In the 1950s, a ‘Parliament for Wales’ campaign was active, and presented a petition with some 250,000 signatures in 1956, although the movement petered out by the end of the decade.[5] In 1957, the Council for Wales and Monmouthshire put forward a plan for bringing together the various government departments present in Wales into a new ‘Welsh Office’. After their proposal was rejected by Prime Minister Harold Macmillan on the grounds that the constituent departments of any such Welsh Office would be too small for efficiency, the council resigned.[6]

However, the main impetus for administrative devolution came from within the Labour Party. It was securing up to 60 per cent of votes in Wales during the 1950s and 1960s, including seats in areas well away from its traditional industrial strongholds. It increasingly saw itself as representing all of Wales, while its new cohort of MPs from more Welsh speaking areas tended to be more likely to press for some degree of administrative devolution. During the 1950s, the Labour Party considered its position and after much internal debate, a commitment to a Welsh Office was

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[4], *Western Mail*, 'PM's Bombshell, Welsh Secretary Plan Rejected', 2 August 1946, p. 1.

[5] Kenneth O. Morgan, *Rebirth of a Nation–a History of Modern Wales* (Oxford: Oxford University Press, 1981), pp. 380-381.

[6] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, p. 102.

included in manifestos for the 1959 and 1964 general elections. In 1955, Cardiff was formally recognised as the capital of Wales, having beaten competing bids from Aberystwyth, Swansea and Caernarfon.[7] In 1963, the Conservative Government announced that a survey of Wales' economic prospects would be carried out, and that its findings would be used to plan government investment and land use polices.[8] However, this government was voted from office before any such plan was completed.

In 1964, the new Labour Government under Prime Minister Harold Wilson created the cabinet level post of Secretary of State for Wales. The department controlled by this minister was to be known as the Welsh Office. At the time of its creation, the Welsh Office's authority was restricted to housing, local government and roads. Interestingly, one of its first acts was to reject Cardiff City Council's development plan on the grounds that it was insufficiently ambitious to enable the city to fulfil its role as a capital.[9] A few months later, a new City Planning Officer, Ewart Parkinson, was appointed and informed that his task was to 'make Cardiff a truly worthy capital of [...] Wales'.[10] This foreshadowed four decades of development, including the construction of road links, shopping centres and the redevelopment of Cardiff Bay. While the cabinet status of the Secretary of State for Wales did mean that informal influence could often be brought on other ministers, the role of the Welsh Office was strictly limited. For example, residents of the isolated village of Glyncorrwg

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[7] Martin Johnes, 'Cardiff, the Making and Development of the Capital City of Wales', *Journal of Contemporary British History,* Vol 26, 2 (2012), pp. 509-528 (p. 6).

[8] Gethin Williams, *Economic Planning Machinery in Wales 1965–1968* (London: Regional Studies Association, 1971), p. 2.

[9] Ewart Parkinson, *Making Places–the Story of a Civil Engineer and Town Planner* (Unpublished autobiography, 2009), p. 5.

[10] Ibid, p. 4.

asked for assistance in preventing the closure of their pit in the late 1960s. However, the coal industry fell within the remit of the London based Ministry of Fuel and Power, although the Welsh Office did have the somewhat limited right to express views before a final decision on closure was taken. A Welsh Office Minister, George Thomas, visited the village, and unsuccessfully asked the NCB Chairman to reconsider.[11] At the same time as establishing the Welsh Office, the government created the Welsh Economic Council and Planning Board. As a consequence, the Council for Wales and Monmouthshire was redundant and was soon abolished. This new body was charged with assisting the Welsh Office to prepare an overall economic plan for Wales, as part of an overall UK emphasis on planning, as outlined in section 3.4.3. In 1968, the Welsh Economic Council was reconstituted as the Welsh Council, with a broader remit to report on social and cultural affairs as well as economic planning.

In 1966, Plaid Cymru secured its first parliamentary seat in Carmarthen and performed well in two subsequent by-elections. When coupled with the dramatic success of the Scottish National Party, which took Labour's safest seat in Scotland in 1967, nationalism gained a high political profile. One of the key political themes of the 1970s was set to be nationalism and how it could be contained by central government.[12] In the meantime, a gradual process of transferring powers to the Welsh Office continued. For example, some authority over tourism was transferred in 1969, when the Wales Tourist Board was established. It was a semi-independent body, with a Welsh Office appointed board largely drawn from the industry. Its roles were to attract greater numbers of

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[11] George Thomas, *George Thomas, Mr Speaker, the Memoirs of the Viscount Tonypandy* (London, Guild Publishing, 1985), pp. 96–97.

[12] Russell Martin Deacon, *The Governance of Wales–the Welsh Office and the Policy Process 1964–99*, p. 28.

tourists through marketing, and to provide grants for the improvement of visitor attractions and accommodation.[13] Between 1970 and 1974, the Conservative Government of Prime Minister Edward Heath continued this process to some extent, with actions including the announcement of the transfer of powers over the Welsh Industrial Estates Corporation (responsible for government owned factories in Wales since 1936).[14] Overall, Wales was well established as a separate administrative unit by the early 1970s, although the scope for further administrative devolution was highlighted by the Labour Secretary of State for Wales, John Morris, who told senior civil servants shortly after his appointment in 1974 that he did not wish the Welsh Office to be 'a post office for other departments […] there are many ways in which the umbilical cord needs to be severed'.[15]

3.3: The creation of Wales as an economic unit

The existence of regional economic development can be interpreted as implying that an economy is in place. However, there is a difference between an economy which is brought into being through the drawing of boundaries and the collection of data, and one which is characterised by some degree of internal cohesion. One definition of an economy is 'the state of a country or region in terms of the production and consumption of goods and services and the supply of money'.[16] On this basis, an economy can be simply delineated by a boundary. However, the original definition of economy derived from a French term relating to the management or organisation of a household, before being extended to cover geographic entities. This does imply the concept of an integrated entity where

[13] WTB Annual Report, 1975-76, p. 18.

[14] Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975* (Treforest: Welsh Development Agency, 1978), p. 118.

[15] NLW, John Morris Papers. A1/30. *Memorandum From Secretary of State for Wales* (1974).

[16] *Compact Oxford English Dictionary of Current English* (Cambridge: Cambridge University Press, 2005)

commercial links between different sub-regions are relatively strong.[17] Within this definition, there are at least two criteria that need to be met for an economy to be defined as existing in its own right. Firstly, a regional economy needs to be brought into being through the act of declaring it to exist, and then treating it in political terms as though it exists. Secondly, if an economy is to have meaning beyond a statistical and political concept, it should be able to demonstrate meaningful internal linkages. In relation to the first criteria, official data on the Welsh economy prior to the 1970s was limited. For example, Plaid Cymru quoted answers to parliamentary questions asked by their leader, Gwynfor Evans, as well as by Elystan Morgan, Labour MP for Cardiganshire, to state that:

> The Chancellor of the Exchequer does not know the total amount of public and private investment in Wales, the Secretary of State for Economic Affairs does not know the Gross National Product of Wales, and the Secretary of State for Wales has no knowledge of [the] rate of economic growth in Wales.[18]

The process of collating unofficial economic data was begun in the 1950s at the University of Wales, Aberystwyth, through the development of national income accounts.[19] From the early 1970s onwards, the provision of official economic information increased dramatically. This can be symbolised by the two volumes of Welsh historical statistics produced by the Welsh Office,

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[17] Trevor Boyns, 'The Welsh Economy', pp. 84-96 (p. 87).

[18] *An Economic Plan for Wales*, p. 255.

[19] 'The Social Accounts of the Welsh Economy: 1948 to 1956', ed. by Edward Nevin, *Welsh Economic Studies.* 2 (1957) .

covering 1700 to 1974,[20] and 1974 to 1997.[21] Coverage of economic issues in the first volume was limited due to the lack of data, but the second included a far greater range, including those such as economic output. It is thus clear that a Welsh economy had been defined by the mid to late 1970s, at least in statistical and political terms.

However, the status of this economy is far less clear in relation to the second criteria dealing with integration. Since the industrial revolution transformed Wales from a peripheral rural economy to one whose mineral resources placed it at the heart of the global Victorian system, its regions have tended to have greater links with England than they have had with each other. For example, attempts in the late 1960s to create an all Wales Trades Union Council (WTUC) foundered. This was in part due to the opposition of the North Wales Regional Advisory Committee of the TUC, stating that 'our main objection was that it was impractical to organise as Wales is just not an economic unit'.[22] According to an 1980 analysis (see Map 3.1) mapping the economic hinterlands of 'second order' cities, defined as those that hosted regional commercial and administrative functions, most of southern Wales fell within the hinterland of the second order city of Cardiff, north Wales fell within that of Liverpool, while Birmingham extended its influence across mid-Wales to Aberystwyth.

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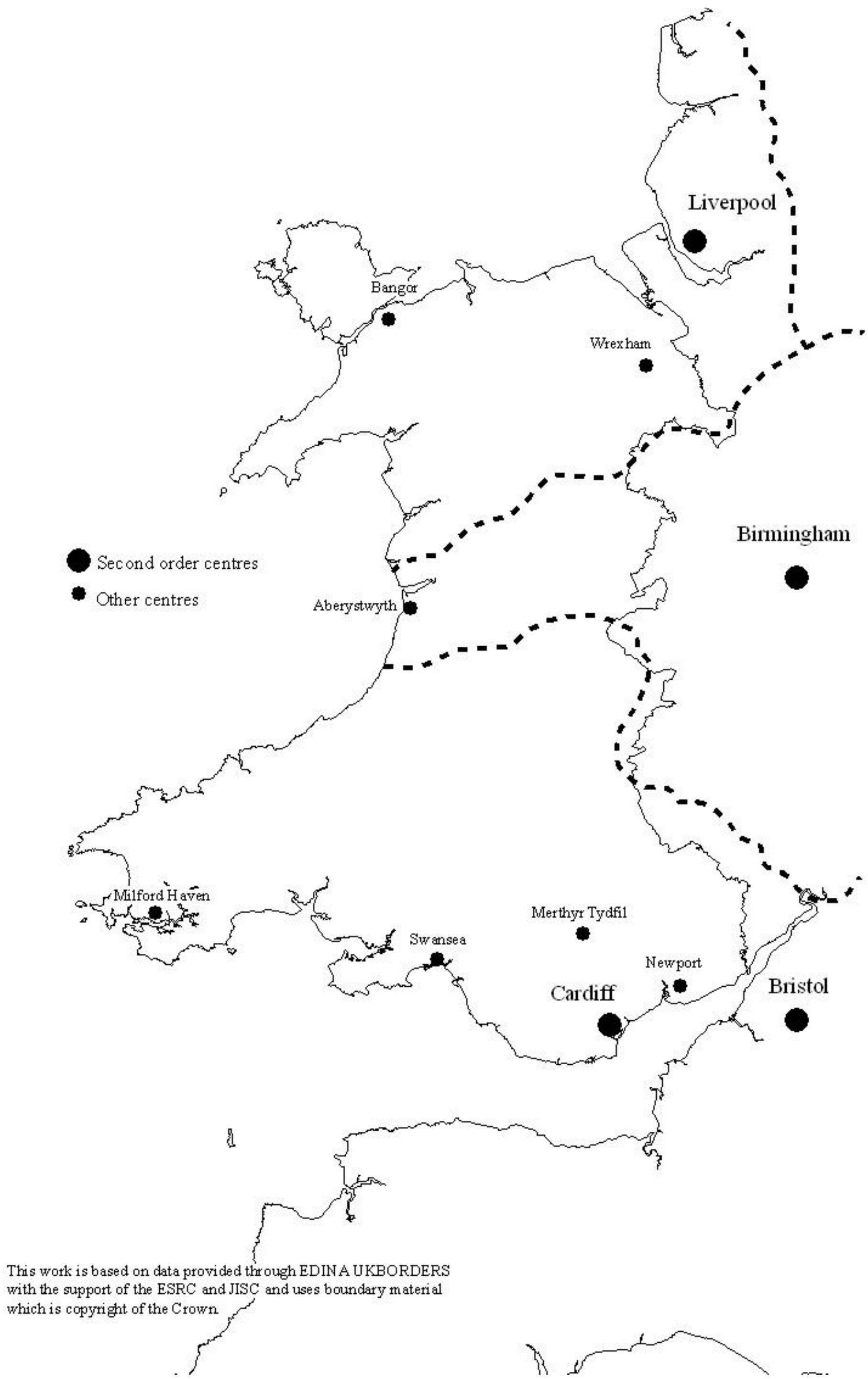
[20] *Digest of Welsh Historical Statistics 1974–1996.*

[21] *Digest of Welsh Historical Statistics 1700–1974*, ed. by L.J. Williams (Cardiff: Welsh Office, 1985)

[22] *Western Mail*, 'Unions Shelve Plans for Welsh TUC', 6 December 1966, p. 5.

Map 3.1: Economic regions, Wales, 1980.



Source: Christopher Law, British Regional Development Since World War 1, p.27.

These hinterlands, following the realities of the transport networks, stayed in place throughout the post-war era. For example, the road that is now Wales' main north–south route (the A470) was not designated as a trunk road in its own right until the 1970s. Before this, the route that is now the A470 was part of 12 separate roads, causing the *Western Mail* to campaign for a designated link. According to John Osmond, a journalist on the paper:

> The editor came down and said, "Right, we've got to be a campaign newspaper, we've got to think up campaigns which will not have to cost much, certainly don't have to cost us anything, but we want to think up campaigns that we can run on and catch the imagination of our readers [...] So I came up with a notion of a campaign to have a road that linked North and South Wales [...] obviously there were roads, but there wasn't a single road with one identity, a road with a number north to south. In essence, there wasn't the A470. So we ran a campaign for the best part of six months to a year. And the high point of that campaign was when I was called in to the Welsh Office Roads Division [...] there were all these maps around the wall and they said, "Well, which way do you think it should go?"[23]

During the twentieth century, the Welsh economy was a set of largely unconnected parts, existing only at an institutional level.[24] The development of an integrated economy was not a primary concern of policy makers, who implicitly recognised its impracticality by focussing instead on employment creation. The increasing profile of the Welsh economy reflected political concern as to the impact of economic decline and restructuring, coupled with the opportunities presented by development agencies, rather than trends towards integration.

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[23] Interview with John Osmond.

[24] John Lovering, *Constructing the Welsh Economy: Changing Perspectives on Regional Economic Development–O'Donnell Lecture* (Cardiff: University of Wales Press, 1998)

3.4: The Welsh economy before 1974

3.4.1: Rapid industrial expansion-until the 1920s

Wales was almost entirely pastoral prior to the industrial revolution, although there was a long history of small scale natural resource extraction. However, its stocks of natural resources (see Map 3.2) were to lead to a transformation in the scale of activity. By the late eighteenth century, parts of Wales were industrializing rapidly. The presence of iron ore, limestone and coal had led to the establishment of a thriving iron industry in the northern reaches of the South Wales Valleys, with eight large iron works being located in the 18 mile band between Hirwaun and Blaenavon by 1815.[25] Similar geology caused the industry to develop in North East Wales, while copper deposits in Anglesey were being mined on a large scale by 1801.[26] In South Wales, Swansea had combined its safe anchorage and proximity to coal resources to emerge as Britain's major producer of copper. Ore was imported by sea, and the three tons of coal required to process a ton of ore was sourced from adjacent areas.[27] The development of these industries led to large-scale coal mining in North and South Wales by the early nineteenth century, with increasing global demand leading to the development of a railway and docks infrastructure. By 1913, the coal industry employed 270,000 people in South Wales, and had an output of 57 million tons, 37 million of which were exported.[28]

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[25] Brian Howells, 'Modern History', in *Wales: a New Study,* ed. by David Thomas (London: David and Charles, 1977), pp. 94-120 (p. 108).

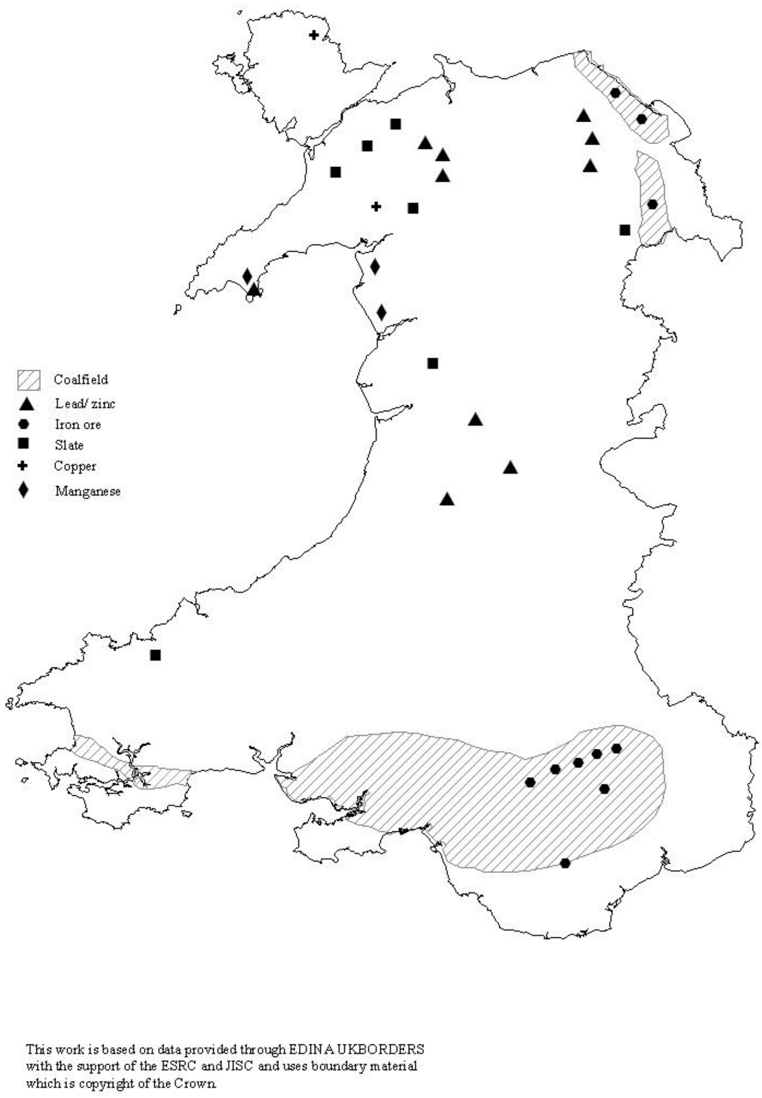
[26] John Davies, *A History of Wales,* p. 326.

[27] NA, BD 40/107. *Welsh Study Group. Derelict Land in South Wales.* (1964).

[28] K.D. George and others, 'Coal', in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 159-186, (p. 160).

Slate also emerged as a major industry, with quarries and mines in North West Wales employing 16,000 people by 1889,[29] while zinc, manganese and lead were mined in West Wales.

Map 3.2: Major areas of resource extraction during the eighteenth and nineteenth centuries.



Source: F.J. North, Mining for Metals in Wales (Cardiff: National Museum of Wales, 1962), p. 57–100; William Troughton, Industries of Wales (Stroud: Chalford, 1991), p. 18, 31.

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[29] Kenneth O. Morgan, *Rebirth of a Nation–a History of Modern Wales*, p. 65.

The 1851 census showed that agriculture no longer employed a majority of the workforce, although it remained the largest single sector. However, some 35 per cent of the Welsh labour force was employed by the coal industry by 1914, compared to 10 per cent in agriculture.[30] Such change had a great demographic impact with, for example, the population of the Rhondda Valleys growing from 951 people in 1851 to 152,000 in 1911.[31] Estimates of Welsh economic output per head suggested that it peaked at some 95 per cent of the UK average in 1891, a position it has yet to regain.[32] However, growth to this point had created a high level of dependence on a narrow industrial base. This was worsened by Wales' limited presence in the second industrial revolution of the late nineteenth century, as other parts of the UK developed specialities in sectors such as chemicals and lighter manufacturing. During this time, lighter manufacturing was largely noticeable by its absence, even in the industrialised south.[33] For example, in 1921, over half of occupied males in Wales were employed in mining, quarrying, metal manufacture or associated transport activities.[34]

3.4.2: Economic depression and the stirrings of regional economic policy-1930s

The high degree of dependence on a relatively narrow economic base became a liability during the great depression of the 1930s. The demand for coal was dropping rapidly, for reasons including the

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[30] John Davies, *A History of Wales*, p. 398.

[31] Graham Humphreys, *Industrial Britain–South Wales* (Newton Abbot: David and Charles, 1972), p. 21.

[32] Nicholas Crafts, 'Productivity at the Periphery–What can Wales do to Compete?', Julian Hodge Institute of Applied Macroeconomics Annual Lecture, p. 1.

[33] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation*, p. 1.

[34] John Williams, *Was Wales Industrialised?* (Llandysul: Gomer, 1995), p. 46.

switch in shipping propulsion to oil, as well as the collapse of global trade. The depression had a deep impact on much of Wales, with unemployment amongst the insured male population reaching 42.8 per cent in August 1932.[35] Unemployment on this scale led to significant demographic changes as people moved to seek work, with the population of the Rhondda dropping by some 16 per cent between 1931 and 1939.[36] Against this background, regional economic policy began to take shape from the mid-1930s onwards in a form that would remain recognisable for the next fifty years. In 1934, the Special Areas (Development and Improvement) Act designated four UK areas as 'special areas', including South Wales. Two commissioners were appointed to stimulate development. Their exact role was unclear, with the Minister for Labour, Oliver Stanley, stating that the commissioners could carry out clearances of industrial waste tips, improve local amenities, and give tools and sites to local volunteers.[37] However, any activities that they could carry out were limited by their combined UK budget of £2 million.[38]

However, more effective measures were soon to be put in place. In 1936 the Special Areas Reconstruction Association was established, with some government financial assistance, to provide loans to small businesses. In 1937, the Special Areas Amendment Act provided for the development of industrial estates and introduced tax incentives. At the same time, South Wales and Monmouthshire Trading Estates Ltd. was established to develop sites that could be used to attract more diverse industry. One of its first acts was to purchase land at Treforest, which was to be

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35 John Davies, *A History of Wales*, p. 576.

36 Stephanie Ward, 'Community, Protest and the Means Test', *Llafur* 9,2 (2005), pp. 27-44 (p. 41).

37 Ted Rowlands, *Something Must be Done–South Wales Versus Whitehall 1921–1951*, p. 58.

38 Wayne Parsons, *The Political Economy of British Regional Economic Policy* (London: Routledge, 1988), p. 13.

developed into one of the most important industrial estates in Wales.[39] Finally, a price control system began to be implemented in agriculture from the early 1930s. A series of UK wide boards, such as the Milk Marketing Board, were established and were given authority to directly purchase agricultural goods, with the aim of ensuring stable prices. However, it was preparations for war that were to have the strongest economic impact. As part of its rearmament programme, the government began to create jobs and disperse armaments production across the UK. Such dispersion included the development of a sizable munitions plant in Bridgend from 1936,[40] and the ICI ammonia facility in Dowlais that was to employ some 500 people.

3.4.3: A state directed economy-1939 to 1974

During the Second World War, the need to mobilise and harness the economy to the war effort was to nurture both the environment and the apparatus necessary for the government to take a far more interventionist role. Firstly, tens of thousands of people, including large numbers of women, were employed in government factories producing ammunition and other wartime goods, with six Royal Ordnance factories being located in South Wales. Locations included Hirwaun and Bridgend, where 35,000 people were employed in total.[41] Secondly, the government encouraged companies to relocate from English cities, both to minimise the risk from air raids and to tap available labour. Such factories included Northern Aluminium Company's plant near Newport, established in 1939 before becoming a major producer of airframe components. Thirdly, agriculture came under direct state control. Each farm was graded, mandatory cultivation orders were issued and the productivity

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[39] Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975*, p. 15.

[40] Ted Rowlands, *Something Must be Done–South Wales Versus Whitehall 1921–1951*, p. 148.

[41] Ibid, p. 165.

of every farm was monitored.[42] As a result of such measures, agricultural output across the UK increased by 91 per cent between 1938-39 and 1943-44.[43] Economic revival during the Second World War was driven by government intervention. After the war, there was a political consensus that unemployment of the scale experienced in the 1930s was unacceptable and could be prevented by intervention. At the same time, the post-war economy was characterised by a steady progression towards the service sector, which increased from some 44.4 per cent of the workforce in 1950 to 59.8 per cent in 1973.[44]

However, the overall decline in mining and manufacturing hid differing fortunes. Decline in the coal industry was partially offset by manufacturing, at least until the late 1960s. For example, the number of males employed in mining and quarrying reduced from 110,000 in 1951 to 36,500 in 1971, while those in metal manufacturing and engineering increased from 112,000 to 160,000.[45] At the same, time large numbers of women were entering the workforce. The numbers of working women increased from 259,000 in 1951 to 387,000 in 1971, with the strongest growth occurring in the expanding service sector.[46] While official estimates of economic performance are not available prior to the mid-1960s, it has been estimated that between 1958 and 1964, the scale of state driven economic modernization in Wales (including that incurred through regional economic policy)

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[42] Peter Midmore, Richard J. Moore–Colyer, *Cherished Heartland –Future of the Uplands in Wales* (Cardiff: Institute of Welsh Affairs, 2005), p. 11.

[43] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947-1993*, p. 77.

[44] Graham Humphreys, 'Industrial Wales', in *Wales–a New Study*, ed. by David Thomas (Newton Abbott: David and Charles, 1977), pp. 154-189 (p. 156)

[45] John Williams, *Was Wales Industrialised?*, p. 308.

[46] Ibid, p. 308.

meant that total investment in industry, infrastructure and other economic and social assets was running at about £100 per head (in contemporary prices) in each year, compared to about £80 in the UK as a whole.[47] While the scale of change was sufficient to absorb most of those who lost their jobs in the declining industries, Welsh economic performance was mixed. Unemployment was at a low level of between 2 and 5 per cent until the early 1970s. However, regional gross domestic product figures were officially produced for the first time in 1968, and showed that Wales had the second lowest output per head out of all twelve UK regions.

Regional economic policies were to remain largely unchanged until the later 1970s, although the enthusiasm with which they were pursued varied according to political and economic circumstances. They were vigorously pursued by the Labour Government between 1945 and 1951. However, the Conservative Governments of the 1950s and early 1960s were initially less enthusiastic, although policies were reactivated once regional economies began to suffer toward the end of the 1950s. The Labour Government elected in 1964 under Prime Minister Harold Wilson was a firm believer in an active regional economic policy, as part of its commitment to national planning. Finally, the Conservative Government under Prime Minister Edward Heath between 1970 and 1974 was initially uninterested, but executed a 'U-Turn' in 1972 and adopted a strongly interventionist approach. Between 1945 and 1974, government sought to intervene through a number of interlinked methods. Firstly, **negative controls on industrial location** were used; secondly, **factories were constructed** and **financial support was given to industrialists**; thirdly, industries such as **coal and steel were nationalised**; fourth, **derelict land was reclaimed**; fifth, **farms were subsidised** and finally, **central government offices were either created or dispersed**

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[47] Graham Humphreys, *Industrial Britain–South Wales*, p. 40.

from London to Wales. In addition, the establishment of the Welsh Office brought a new perspective to economic development, although some significant powers in this area were not devolved until after 1974.

Governments directly influenced the ability of industrialists to choose where they wished to locate new factories through **negative controls on industrial location.** By 1948, industrial development certificates were needed to build all but the smallest factories anywhere in the UK.[48] These were awarded by the government, with priority being given to those companies who were willing to locate in one of the development areas (later known as assisted areas). These areas were designated by the government as being economically underperforming and thus in especial need of job creating investment. In the immediate post-war years, government placed a great emphasis on encouraging or compelling companies to locate in such areas. For example, Hoover was directed to Merthyr Tydfil by government pressure, despite the fact that it had wanted to locate in the South West of England, where the company felt that it would have less difficulty with distribution.[49] Other examples of such activity included British Nylon Spinners at Pontypool. This was granted a certificate shortly after the war,[50] and was later to employ 8,000 people as ICI Pontypool. By 1950, a fifth of all applications for industrial development certificates were being refused, with these companies generally faced with either abandoning their investment or locating in a development area.[51] At the same time, the government also issued licenses for the use of raw materials necessary for factory construction and operation, with Ness Edwards, Parliamentary Secretary at the Ministry

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[48] Wayne Parsons, *The Political Economy of British Regional Economic Policy*, p. 78.

[49] Ted Rowlands, *Something Must be Done–South Wales Versus Whitehall 1921 – 1951*, p. 184.

[50] *Western Mail*, '£800,000 Factory Started', 5 November 1948, p. 2.

[51] Harvey Armstrong, Jim Taylor, *Regional Economics and Policy*, p. 217.

of Labour stating in 1948 that 'new firms in development areas will continue to have a preferential allocation of scarce raw materials'.[52]

However, attempts to compel private investors to locate in development areas were largely downgraded during the 1950s, as it became easier to obtain industrial development certificates in the more prosperous parts of the UK. By 1956, less than five per cent of applications were refused. However, the reactivation of regional economic policy in the late 1950s saw increased usage of refusals to steer investment to assisted areas. Between 1960 and 1969, this meant that despite having only 3.7 per cent of the UK's manufacturing employees, Wales received 9.4 per cent of all jobs associated with such certificates.[53] By late 1963, the Board of Trade was estimating that some 14,000 jobs were shortly to be created by industrialists expanding or relocating in Wales, including almost 1,300 at the Fisher and Ludlow car component plant in Llanelli.[54] By 1965, manufacturing companies that had established themselves in Wales under the industrial development certificate regime accounted for 31 per cent of all manufacturing employment, the highest proportion of any UK region.[55] Such companies were often somewhat reluctant to open factories in development areas, but were left with little choice by the government. For example, when announcing plans to locate its new factory in Cardiff, Rover stated that 'the amiable arm-twisting [of the Board of Trade] left us no alternative but to expand our industries in places which we certainly would not have

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[52] *Western Mail*, 'Sing More of Our Successes, Less of our Failures', 7 September 1948, p. 5.
[53] *Commission on the Constitution Research Paper 8, Survey of the Welsh Economy* (London: HMSO, 1975), p. 55.
[54] NA, BD 41/257, *Factory Jobs in Prospect in Wales From Major Industrial Projects*, September 1963.
[55] *Commission on the Constitution Research Paper 8, Survey of the Welsh Economy*, p. 56.

chosen and which at the time not infrequently appeared unattractive to us'.[56] By the mid-1960s, the percentage of refused applications reached a post-war high of over 25 per cent.[57]

However, the certificate regime depended upon a steady 'surplus' of projects that could be redirected away from the more prosperous parts of the UK. By the early 1970s, the emerging trend of deindustrialisation meant that this supply was no longer available in the same volume, with the annual number of larger factories being opened in the UK declining from some 1,000 in the 1960s to some 300 between 1976 and 1980.[58] The measures remained in place, but by the early 1970s, the percentage of applications for industrial development certificates being refused was at levels last seen in the 1950s, as was the number of companies moving into development areas.[59] In 1965, a system of office development permits was introduced. All such developments in the South East and the West Midlands of 3,000 sq. ft. and above were required to have a permit before construction. In 1970, the West Midlands were taken out of the system and the threshold for the South East rose to 10,000 sq. ft. However, it was possible for office developments to be turned down in central or inner London before obtaining permission elsewhere in the South East, meaning that moves were generally made over a short distance.[60] Overall, office permits never achieved the impact of their industrial counterparts, mainly because of concerns about harming London's economy.

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[56] *Times*, '2000 New Jobs in Car Factory', 23 November 1961, p. 5.

[57] Harvey Armstrong and Jim Taylor, *Regional Economics and Policy* , p. 217.

[58] Paul Balchin, *Regional Policy in Britain–the North South Divide* (London: Chapman, 1987), p. 67.

[59] Harvey Armstrong and Jim Taylor, *Regional Economics and Policy*, p. 216.

[60] Paul Balchin, *Regional Policy in Britain–the North South Divide*, p. 66.

If location controls were seen as the ‘stick’ with which to force industrialists to choose certain investment locations, then the ‘carrot’ was the availability of **government factories and financial support**. This was initially focused on the provision of factories and loans, but was later extended to a complex grant and subsidy programme. In 1945, the Distribution of Industry Act designated most of south Wales as well as parts of Pembrokeshire and Wrexham as development areas, where investors could potentially be granted incentives including government factories.[61] In the same year, the South Wales and Monmouthshire Trading Estates Ltd, established in 1936, was renamed the Wales and Monmouthshire Industrial Estates Ltd. and went on to develop estates including the former ordnance sites at Bridgend, Hirwaun and Wrexham.[62] Companies taking advantage of factories and loans in the immediate post-war period included A.B. Metal Products, later to establish itself as a successful producer of electrical components. The company’s relocation from its London site to Mountain Ash involved the creation of 450 jobs and was aided by the provision of a factory and a £75,000 loan (in contemporary prices).[63] By 1948, 129 factories were under construction in South Wales alone.[64] However, the reduced emphasis placed by the Conservative Governments of the 1950s on regional economic policy meant that little such construction took place between 1951 and 1959. In 1957, the Development Corporation for Wales was established by Welsh industrialists to attract foreign investment, but the organisation was poorly resourced and had only a handful of staff until the 1970s.

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[61] Philip Riden. *Rebuilding a Valley–A History of Cwmbran Development Corporation*, p. 11.

[62] Geoffrey Percival, *The Government’s Industrial Estates in Wales 1936–1975*, pp. 50-51.

[63] Ted Rowlands, *Something Must be Done–South Wales Versus Whitehall 1921 – 1951*, p. 179.

[64] *Western Mail*, '129 Factories Being Built in South Wales', 12 November 1948, p. 1.

The reactivation of regional economic policy in the late 1950s led to the rebranding of development areas as development districts, designed to allow a focus on smaller areas of high unemployment. In Wales, the existing development areas remained priority areas for government support, but were joined by parts of North West Wales. Companies in such areas were able to receive grants for factory construction, as well as tax concessions on plant and machinery.[65] However, the major forms of assistance in the early to mid-1960s remained factories and loans. The regime was expanded further by the Labour Government from 1964. For example, the Regional Employment Premium was introduced in 1967 as a subsidy payable for each employee of any manufacturing company in the development districts. The late 1960s were thus a period of intense government activity in attracting industry to areas with high unemployment. Factory construction continued with the Welsh Industrial Estate Corporation (the rebranded body responsible for government factories) constructing 79 between 1967 and 1972.[66] Investors included Borg–Warner Automotive (components) in Kenfig Hill, which was to employ over 2,000 people, with George Thomas, Secretary of State for Wales, stating that its choice of location was due to 'the tough control of industrial development certificates outside the development areas and the generous incentives available within the development area'.[67] In North Wales, government grants were provided to an aluminium smelter on Anglesey that was to employ some 800 people.

The new government of Prime Minister Edward Heath from 1970 was initially lukewarm on regional policy, with Heath stating that there was little point in 'exporting unemployment from one area to another' by preventing firms who were reluctant to move from expanding their existing

[65] Wayne Parsons, *The Political Economy of British Regional Economic Policy*, p. 117.

[66] Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975*, p. 108.

[67] *Western Mail*, 'Car Jobs for Miners?', 9 August 1968, p. 1.

operations in areas such as the West Midlands.[68] However, a desire to reduce unemployment once it had breached one million led to a controversial ‘U-Turn’ towards greater intervention, symbolised by the 1972 Industry Act.[69] Reactions within the Department of Trade and Industry (DTI) to this Act were remembered by Rhodri Morgan, a contemporary DTI civil servant:

> Total shock [...] Christopher Chataway [Minister for Industrial Development] apologised at meetings. He said “Well, we’ve decided we’re in favour of this, which we used to be against, and we’re against that which we used to be for. I think we’re still in favour of having more profitable industries” he said. So everybody laughed hysterically.[70]

All of Wales was now eligible for automatic grants, with industrialists able to automatically recoup up to 22 per cent of expenditure on investments such as plant, machinery and industrial buildings, with levels of grant being highest in the South Wales Valleys, now designated as Special Development Areas. A discretionary Regional Selective Assistance scheme was also created to target support on projects judged as being particularly worthwhile. The importance attached to grants by the Conservatives after the ‘U-Turn’ can be illustrated by Hoover in Merthyr Tydfil, which was planning to expand in the early 1970s, although this was later cancelled. According to the company’s financial controller, Dafydd Wigley, it planned to:

> Increase employment from 5,000 [...] to 8,000 [...] and because our timescale to do this was corresponding to the rundown of Ebbw Vale, where they were shedding 4,000 jobs, the

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[68] *Western Mail*, 'Heath Distorting Jobs Facts, Says Callaghan', 4 June 1970, p.3.
[69] Philip Ziegler, *Edward Heath* (London: Harper Press, 2010), p. 355.
[70] Interview with Rhodri Morgan.

> possibility of us picking up a reasonable proportion of those had a great appeal to the Conservative administration then, and the Welsh Office. [...] The project was a £15,000,000 project; of the £15,000,000 we squeezed £11,500,000 from public funds.[71]

Governments became increasingly involved in industry through the **nationalisation of the coal and steel industries**. The UK steel industry was nationalized in 1949, before being mostly returned to private ownership in the 1950s prior to renationalisation in 1967. Investment following the initial nationalisation caused the output of Welsh steelworks to rise from 2.65 million tonnes in 1946 to 4.6 million in 1955, an increase which in turn stimulated the demand for coking coal. However, while most of the industry throughout the UK was returned to private ownership in the 1950s, including the Steel Company of Wales and its massive Abbey Works plant at Port Talbot constructed from 1947,[72] the state remained heavily involved. The second largest producer in Wales, Richard Thomas and Baldwin, remained in the hands of the government. From 1956, this company constructed a plant in Llanwern, Newport, that employed over 15,000 people by the late 1960s.[73] By the early 1960s, the Welsh industry was producing a quarter of all UK output and was employing over 70,000 workers. In the Port Talbot steel plant alone, employment peaked at 18,000 in 1960[74] while its production exceeded the 1945 output of the entire South Wales steel industry.[75] In the mid-1960s, John Morris, then a junior Minister at the Ministry of Power and later to be Secretary of State for Wales, visited the Taranto steelworks in Italy and was struck by the relatively

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[71] Interview with Dafydd Wigley.

[72] Stephen Parry, *History of the Steel Industry in the Port Talbot Area 1900-1988*, p. 136.

[73] Graham Humphrys, *Industrial Britain–South Wales*, p. 76.

[74] Ralph Fevre, *Wales is Closed: The Quiet Privatisation of British Steel*, p. 23.

[75] Graham Humphrys, *Industrial Britain–South Wales*, p. 119.

low level of employment, as opposed to the 'immense human activity' in his constituency's Port Talbot works, noting that 'there might be unwelcome precedents for us at Port Talbot'.[76] The UK industry was largely renationalized in 1967 and after the return of the Conservatives to power in 1970, the larger plants appeared to have a bright future. In 1973, the British Steel Corporation published a ten year development strategy.[77] Against the backdrop of what was considered to be the 'much improved' prospects for national economic growth, a programme was proposed that was to include expansions at Llanwern and Port Talbot, with their annual production to increase from 5 million tonnes to 9.8 million tonnes. However, production at Shotton and Ebbw Vale was to cease, although processing activities (such as tinplating) were to continue. East Moors in Cardiff was to shut, which would involve the loss of approximately one out of every four male manufacturing jobs in the city.[78] Overall, the industry was a defining feature of the Welsh economy in the early 1970s, but its future was to be bleak after 1974.

Prior to nationalisation in 1947, coal had suffered from a relative lack of investment. The state's National Coal Board soon embarked on a substantial investment programme, with the government stating that coal reserves were sufficient to keep the Welsh coalfields in operation for the next hundred years.[79] However, modernisation meant that many less efficient pits closed. Between 1947 and 1960, the number of miners in South Wales reduced gradually from some 114,900 to 87,000 (see Graph 3.1), with those in North Wales dropping from some 8,800 to 6,700.[80]

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[76] Lord Morris. *Fifty Years in Politics and the Law*, p. 59.

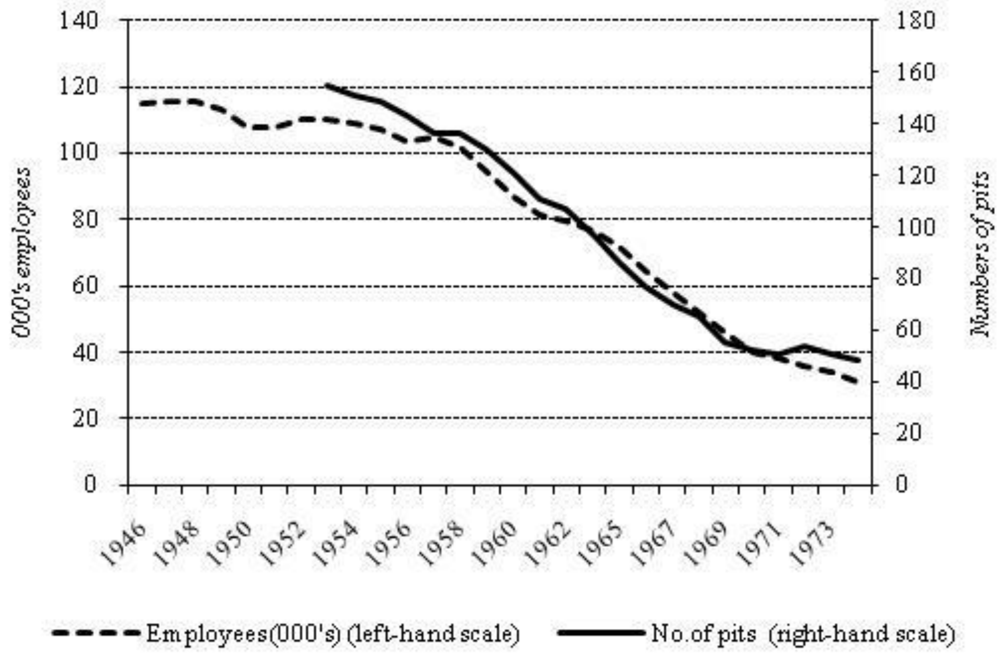
[77] *Ten Year Development Strategy (Cm 5226)* (London: HMSO, 1973)

[78] Interview with Roger Beaumont.

[79] *Western Mail*, 'Welsh Coal Reserves Enough for 100 Years', 4 July 1946, p. 3.

[80] *Digest of Welsh Historical Statistics 1700–1974*, ed. by L.J. Williams, p. 308.

Graph 3.1: Numbers of pits and employees, South Wales, 1946 to 1974.



Source: Digest of Welsh Historical Statistics 1700–1974, pp. 308-309.

Decline intensified in the 1960s, due to reduced demand from industry and increased overseas competition. For example, some 72 per cent of Welsh coal was sold to nationalised industries such as railways, electricity and steel in 1967, but such sales were rapidly declining.[81] As the industry contracted, the availability of factory jobs with better working conditions meant that it was often unable to fill what vacancies it had. For example, the *Western Mail* noted in 1963 that:

> Despite strenuous efforts by the NCB, including a massive recruitment campaign, as more men find jobs in the new industries, the process threatens some older pits, which may have to close to move men to newer and more prosperous units.[82]

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[81] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, p. 30.

[82] Clyde Barrow, 'NCB Fail to Curb Coalfield Drift', *Western Mail*, 5 May 1963, p. 7.

Closures were often relatively unopposed, with men from closed pits able to transfer to other collieries. For example, the National Union of Mineworkers decided not to oppose the closure of Llanbradach and Gelli pits in 1961.[83] Between 1960 and 1971, the number of pits in South Wales was cut from 121 to 51 and the workforce reduced from 87,000 to 38,000 men (see Graph 3.1).[84] Over the same period, output of saleable coal declined from 18.5 million tons in South Wales (1.92 million tons in North Wales) to 11.7 million tons in South Wales (0.8 million in North Wales).[85] By 1969, only one pit (Maerdy) remained in the Rhondda, compared to 25 in 1947[86] with two pits remaining in North Wales. However, the early 1970s saw a temporary respite, with the number remaining at broadly the same level. Despite this, coal was a relatively small, if hugely symbolic, part of the economy by 1974.

In relation to **agriculture**, the eponymous Act of 1947 laid the foundation for post-war support policy. It aimed to increase production from the levels already achieved through wartime intervention, as well as keeping prices stable. Target prices for agricultural products were now set by the government, which also made up the difference between the target price and the actual price achieved through deficiency payments (price supports). Levels of price supports were set by the government through its annual price review, and varied substantially. For example, between 1947 and 1972, some 47 per cent of the value of milk was receivable in the form of price support owing to its consumer importance and a tradition of protection dating from 1933. Sheep meat received

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[83] *Western Mail*, 'Miners' Leaders Will Not Oppose Colliery Closure', 23 November 1961, p. 3; *Western Mail*, 'Why Union Agreed with Pit Closure', 25 October 1961, p. 3.

[84] John Morris, 'The State and Industrial Restructuring: Government Policies in Industrial Wales', *Environment and Planning D: Society and Space*, 5 (1987), pp. 195-213 (p. 200)

[85] *Digest of Welsh Historical Statistics 1700–1974*, ed. by L.J. Williams, pp. 307-309.

[86] John Davies, *A History of Wales*, p. 627.

some 14.3 per cent. The figures for arable crops were 12.6 per cent for wheat and 24.1 per cent for barley.[87] Such discrepancies tended to favour Welsh agriculture, given its emphasis on livestock, leading in part to a description of the Welsh dairy industry as a 'land of milk and honey' by the early 1960s, although this refers to larger farms in more fertile areas.[88] The overall rate of farm support in Wales (as a percentage of the total value of production) was some 12.9 percentage points in excess of the UK average for the period between 1947 and 1972.[89] However, the smaller average size of Welsh farms meant that levels of support per farm were lower.

As well as price support, a complex web of other direct payments to farmers was also constructed. These were determined at a UK level and consisted of subsidies that were spatially targeted (such as hill areas) and generally available subsidies (calf subsidy and beef cow subsidy). Between 1947 and 1972, Wales received 17.4 per cent of total UK expenditure on such schemes. [90] From the late 1950s, government policy was focused on a belief that only farms above a certain size could be viable. Support was increasingly focused on enabling farms to achieve such sizes, contributing to the agricultural workforce (employees and self-employed) falling from some 90,000 in 1951 to some 53,000 in 1971,[91] leading to broader problems of rural depopulation. As early as 1948, the leader of the Liberal Party, speaking at a rally to commemorate 80 years of having held the seat of Merioneth, bemoaned the 'continuous export' of the young to 'English industrial areas', stating that

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[87] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947-1993*, pp. 86-87.

[88] Clyde Barrow, 'A Land of Milk and Honey', *Western Mail*, 19 October 1961, p. 6.

[89] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947-1993*, p. 84.

[90] Ibid, p. 92.

[91] *Digest of Welsh Historical Statistics 1700–1974*, ed. by L.J. Williams, p. 97.

they should be marked 'for export only'.[92] While the Welsh Council had called for increased rural expenditure in 1953,[93] little was done until the creation of the Welsh Office. For example, the Mid Wales Development Corporation was established by the Welsh Office in 1967, and was then instructed to double the population of Newtown.[94]

The problem of **land made derelict by industry** received little attention in the two decades after the war. This was due to three reasons. Firstly, the areas that suffered most from dereliction were characterised by an absence of pressure on land availability, as their populations and levels of economic activity were in relative decline.[95] Secondly, there may well have been a perception that dereliction was simply part of the industrial legacy.[96] Finally, there were disputes as to the amount of costs that could, or should, be paid by central and local government. Plate 3.1 shows a typical scene, while the scale can be gauged by the trains in the centre of the photograph.

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[92] *Western Mail*, 'Migration of Youth 'the Tragedy of Rural Wales', 4 October 1948, p.3.

[93] John Davies, *A History of Wales*, p. 632.

[94] Gethin Williams, *Economic Planning Machinery in Wales 1965–1968* (London: Regional Studies Association, 1971), p. 12.

[95] NA, BD 40/107. *Welsh Study Group: Derelict Land in South Wales* (September 1964).

[96] Interview with D. Gwyn Griffiths.

Plate 3.1: Big Pit and Coity tips, Blaenavon, 1973.

Source: Welsh Government, People's Collection Wales [online].

By 1964, less than 100 acres had been cleared in South Wales, compared to some 9,000 acres in the West Midlands. In 1964, 1,300 derelict sites of more than one acre in South Wales were identified, totalling 17,000 acres.[97] In Rhondda alone, 80 inactive coal tips more than an acre in size were identified. These ranged from 'elongated or flat' tips up to thousand yards long on valley floors, to 'black pyramids' up to 300 feet tall that resulted after overhead ropeways had dumped waste on mountain tops. Dereliction also existed around former iron and steel plants as well as other manufacturing and extractive activities. The lower Swansea Valley was described as having a

[97] NA, BD 40/107. *Welsh Study Group: Derelict Land in South Wales* (September 1964).

‘prospect that is rendered excessively dismal and desolate by decaying buildings, old workings, sterile tips, flooded areas and the general absence of any worthwhile vegetative cover’.[98]

An example of the inertia and confusion affecting land clearance can be found in Merthyr Tydfil. In 1956, Merthyr Borough Council decided to build a bus station on part of the former Cyfartha Ironworks. To do this, it needed to acquire and reclaim a 1.6 acre parcel of derelict land, and refurbish an existing bridge. The land was to be purchased from the Wales and Monmouthshire Industrial Estates Ltd (WMIE), while the Council also sought financial support from WMIE's sponsor, the Board of Trade. Negotiations proceeded slowly, and by February 1961, the Council and the Board of Trade had agreed to share the cost of the bridge repairs. However, an agreement was not concluded, and the council began to build regardless. In December, the Board of Trade objected and instructed the Council to cease work and vacate the site.[99] An agreement was reached, but work was held up by delays in processing a transport grant from the government, while a design change meant that the Council wanted to acquire a further 379 sq. yards of land. Negotiations then recommenced, but by March 1965, an exhausted WMIE (now renamed the Industrial Estates Management Corporation for Wales) was informing the Board of Trade that 'if we come unstuck this time, we will have to look for some unilateral decision, because there will be no point in trying to talk to the Merthyr people anymore'.[100] However, agreement was eventually reached, with the Council finally invoicing the Board of Trade in 1968, some 12 years after the project was initially proposed. Overall, no organisation had central responsibility for funding and managing

[98] Ibid.

[99] NA, BD 41/373, *Letter from Board of Trade to Merthyr Borough Council*, 14 November 1961.

[100] NA, BD 41/373, *Letter from Wales and Monmouthshire Industrial Estates to Board of Trade*, March 1965.

reclamation, with a manager of an adjacent toy factory noting that the debate was 'purely a question of central versus local government, or in other words, should the money be taken out of the left hand pocket, the right hand pocket, or both'.[101]

However, the impact of the Aberfan disaster of 1966, when a coal tip landslide killed 144 people, 116 of them children, had a profound impact on the appetite for land clearance and reclamation. Shortly after the disaster, the Welsh Office established a Derelict Land Unit to manage the funding, programming and technical oversight of land reclamation. In 1966, it reported that some 18,200 acres (28 square miles) of land in Wales was derelict. Some 11,400 acres were deemed to be worth reclaiming, although it was noted that the figures for dereliction might understate the extent of the problem.[102] By the early 1970s, grant support to local authorities was available to a level of 85 per cent of reclamation costs in development areas and 75 per cent in intermediate areas.[103] By 1974, it was estimated that some 455,605,000 tonnes of coal waste covering 2,157 hectares (8.3 square miles) had been dumped alongside mines throughout Wales.[104]

While central government offices had been established, such as the Inland Revenue's Cardiff offices during the 1940s,[105] there was **limited creation of government offices in Wales, or their dispersal from London** until the 1960s. However, in 1964 a regionally minded Labour Government was elected, and began to make a determined effort to disperse operations. Between

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[101] NA, BD 41/373, *Letter from Assistant Commercial Manager, Lines Brothers Ltd, to Board of Trade*, 22 April 1959.

[102] Derelict Land in Wales (Cardiff: Welsh Council, 1976), p. 5.

[103] Ibid, p. 9.

[104] E.M. Bridges, *Healing the Scars: Derelict Land in Wales*, p. 22.

[105] Rhodri Morgan, *Cardiff: Half and Half a Capital* (Llandysul: Gomer, 1994), p. 34.

1964 and 1970, nine offices were decentralized to Wales.[106] They located between Newport and Swansea, because of demographics and fast rail links to London. These included the Passport Office in Newport, the Royal Mint in Llantrisant and the Ministry of Transport Computer Licensing Centre (later the Driver and Vehicle Licensing Agency) in Swansea. Overall, the feasibility of regional dispersal had been demonstrated and it was increasingly recognised as a tool for quickly improving the employment situation in selected areas.

As well as the main elements of regional economic policy administered by central government, the creation of the Welsh Office in 1964 introduced a new impetus to the policy process, although it did not have powers over grants, industrial development certificates or the nationalised industries. For example, in 1965, the Welsh Office and the Welsh Economic Council were instructed to formulate an economic plan for Wales which could then be incorporated into an emerging economic plan for the UK. Wales' first economic plan, *'Wales: the Way Ahead'*, was published in 1967.[107] While it offered an assessment of economic problems, the document had two main weaknesses. Firstly, it had little to say regarding actions, instead providing narrative. Its birth was difficult, with its final pre-publication draft having been condemned by the Welsh Council during a bitter two day meeting as being 'in no sense a plan'.[108] It was perceived as lacking in detail as to what was to be done, apart from proposals to concentrate growth in locations such as the mouths of the valleys (the areas closer to the coast) and to construct the M4. Cledwyn Hughes, Secretary of State for Wales, was later to

[106] Hansard HC, 14 April 1970, Vol. 799, cc231 (answer to written question)

[107] *Wales: The Way Ahead* (London: HMSO, 1967)

[108] John Osmond, *The Centralist Enemy* (Llandybie: Christopher Davies 1974), p. 109.

state that he had 'never known a document to be so severely criticised'.[109] According to Rhodri Morgan, who joined the Welsh Office shortly before the document was published:

> It was a compendium document […] they failed to distinguish what is a strategy and what is a, 'make a heap of all I know', or each head of department will make a heap of all he or she knows and therefore you will put them together. Because it doesn't read as anything different from just keeping together all the different bits, there's even a bit on the Post Office in Wales. It got going in the first twelve months of Welsh Office's existence as a separate Department of State. And they were just coming to the end of its completion after nineteen drafts. And it read like it as well.[110]

Secondly, a row erupted over the forecasting of the number of male jobs that would exist in Wales by 1971, excluding the impact of interventions. The document forecast a decline of 15,000, while a member of the Welsh Economic Council, Professor Nevin, predicted a fall of 59,000, likely to be well in excess of that which could be offset by interventions, with the Council having previously estimated that the shortfall could be anywhere between 50,000 and 100,000.[111] The Welsh Office stood by their estimate, Nevin resigned from the Council while the actual figure was 57,000.[112] The document was quickly discredited and had little impact prior to Labour losing power in 1970.

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[109] Hansard HC, 30 November 1967, vol. 755, c. 674 (debate).

[110] Interview with Rhodri Morgan.

[111] NA, BD 47/1, *Welsh Economic Council Minutes*, 25 April 1966, p. 3.

[112] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, pp. 66-67.

The Conservative-run Welsh Office between 1970 and 1974 had little interest in economic planning. While Roy Thomas, the Secretary of State for Wales, stated that 'our strategy […] adopts many parts of *'Wales: the Way Ahead'*,[113] the plan was never to be refreshed or replaced and had little influence. One of its main proposals, the Llantrisant new town, was withdrawn in 1972 after a public inquiry. To the fury of the Welsh Office, the chief objectors were local authorities in Cardiff and the Valleys, who put aside their traditional rivalries out of concern that the new town would divert investment. According to Ewart Parkinson, Cardiff's chief planning officer:

> I went to see them [Valley authorities] and had a chat with them and said, "Why don't we share a barrister, share the cost and do it together?" They said, "Well, we've always hated Cardiff. Rich men lived there who made money out of our children." "I do understand," I said, "you have one barrister for you and we'll have our own barrister." And that's what we did. So I was a principal witness at the public enquiry [...] in due time, the minister decided not to go ahead with it.[114]

However, the disputes over *'Wales: the Way Ahead'*, labelled as an 'infamous' document by Plaid Cymru's National Chairman,[115] stimulated the development of its economic plan, published in 1970. This was far more robust than that produced by the Welsh Office, and was based on an identification of the numbers of jobs needed to remove 'excess' unemployment, halt out-migration and replace employment in declining industries. It identified interventions to attract investment in

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[113] Hansard HC, 1 May 1972, Vol. 836, cc. 13 (debate).

[114] Interview with Ewart Parkinson.

[115] Interview with Eurfyl ap Gwilym.

targeted sectors, proposed a concentration on designated growth points and the creation of a national development agency.[116] According to Dafydd Wigley, later to lead Plaid Cymru:

> We also put forward, and to be fair, other people had put the idea forward as well, that there needed to be some sort of a national development authority in charge of this in Wales. And that got a lot of attention and publicity. Labour picked up the idea, going into the 1974 election, and no doubt there were people within the Labour party who had been arguing the same thing themselves.[117]

The Welsh Office was also active in seeking to support rural areas. A new town in northern Powys was proposed in the mid-1960s by Jim Griffiths, Secretary of State for Wales between 1964 and 1966, but was abandoned in favour of expanding Newtown. In the late 1960s, Secretary of State Cledwyn Hughes proposed an economic development agency with a focus on mid-Wales, with compulsory purchase powers. This was opposed by farmers and landowners, and the proposal was abandoned after a public inquiry, with John Morris, later to be the Secretary of State for Wales, stating 'don't touch land. And that was the mistake. You can't have the whole community against you'.[118] However, the Welsh Office remained determined to address rural depopulation. In 1969, it began the process of reshaping settlement patterns by encouraging development to take place in seven towns. These were Bala, Welshpool, Newtown, Aberystwyth, Rhayader, Llandrindod Wells and Brecon, and were to receive priority when locations were being selected by the government for

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[116] *An Economic Plan for Wales,* p. 229.

[117] Interview with Dafydd Wigley.

[118] Interview with Lord Morris.

the construction of speculative factories.[119] Such policies were continued into the early 1970s. For example, the Brecon expansion plan of 1972 aimed to double its population over the following twenty one years.[120]

3.4.4: Conclusion

The extent to which intervention became embedded in post-war Wales is striking. As early as 1950, it was estimated that as much as 40 per cent of the labour force was working for state bodies and that up to 60 per cent was employed by industries and services directly controlled by government decisions.[121] The attraction of manufacturing by government efforts had helped much of Wales regain a measure of prosperity by the 1960s,[122] even if economic performance remained muted when compared to other regions. Unemployment remained at a low level of generally less than four per cent throughout the 1960s, while average weekly household income in Wales as a percentage of the UK average rose slightly throughout the post-war period, from 89 per cent in 1953-54 to 91.5 per cent in 1972-73.[123] As an example of relative prosperity, Port Talbot was popularly known as ‘Treasure Island’, due to its steel plant.[124] Although warnings were to be sounded regarding the relative lack of office based employment,[125] it was stated in 1965 that the Welsh economy 'had

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[119] *Brecon Town Expansion Plan* (Percy Thomas Partnership, 1972), p. 5.

[120] Ibid, p. 1.

[121] John Davies, *A History of Wales*, p. 619.

[122] Calvin Jones, ‘Comparative Disadvantage? The Industrial Structure of Wales’, in *Wales in the 21st Century,* ed. by Jane Bryan and Calvin Jones, pp. 11-24 (p. 12)

[123] *Digest of Welsh Historical Statistics 1700–1974,* ed. by L.J. Williams, pp. 151–153, p. 192

[124] *Western Mail*, 'Treasure Island is Back', 17 August 2010.

[125] E.M. Burrows, ‘Office Employment and the Regional Problem’, *Regional Studies,* 7,1 (1973), pp. 17-31 (p. 25)

forged ahead at a pace unequalled by any other area of comparable size in Britain',[126] while by 1970, it was claimed that there was a 'new kind of industrial vitality in Wales. [...] a new Wales [is] rising from the ashes of its wrecked industrial past.'[127]

The relationship between regional economic policy and regional economic performance is far from simple. However, the key issue is the extent to which industrial and commercial development was dependent on governmental support such as grants, factory construction and industrial development certificates. A report commissioned by the Welsh Office in 1974 to evaluate the impact of regional economic policy stated that the total number of jobs created by such activities was some 6,000 per year between 1960 and 1972.[128] It also pointed out that accelerating job losses in declining industries meant that these jobs were insufficient to correct the unemployment disparity between Wales and more prosperous UK regions. This point was also made by the Welsh Office when providing briefing materials to the Secretary of State in 1972:

> Even if the desire to expand (industrially) is rekindled in London and the Midlands, it may take much longer than in the past to get a substantial outflow of mobile industry into the assisted areas. The pushing out factors are weak [due in part to] vacant properties and unemployment [in London and the Midlands].[129]

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[126] Clyde Barrow, 'Famous Firms' Huge Stake', *Western Mail*, 5 May 1965, p. 15.
[127] Peter Jay, 'Welsh Awakening', *Times*, 7 August 1970, p. 19.
[128] Barry Moore and John Rhodes, *Regional Policy and the Economy of Wales*, p. 26.
[129] NA, BD 41/348. *Assessment of the Economic Situation in Wales Prepared for the Secretary of State.* 1972.

However, debates on the effectiveness of regional economic policy were intensifying by the early to mid-1970s. In 1976, Plaid Cymru pointed out that of the 153 projects granted Industrial Development Certificates in Wales between 1965 and 1970, 24 had never arrived while a further 22 had closed down by 1976. At the same time, many of the factories ended up employing far fewer people than had been originally promised when the certificates were granted.[130] Similar arguments were to be made in relation to the attraction of inward investment in the 1980s and 1990s. Despite such critiques, the strong application of regional economic policy during the post-war period did enable a partial transition away from a relatively high dependence on mining and agriculture, although the scale of the job losses meant that it was never possible to entirely eliminate regional imbalances. The jobs that were being lost in these sectors were mostly replaced by those created by the waves of investment that were facilitated by regional economic policy, thus helping to maintain relatively low levels of unemployment.

However, Wales was facing two major challenges by the 1970s. Firstly, the supply of manufacturing investment that could be diverted from the more prosperous areas of the UK was about to be sharply reduced by a general economic slowdown and the emerging UK wide trend of deindustrialisation. Secondly, efforts to raise productivity levels within the coal and steel industries were insufficient,[131] while such operations struggled to adapt to the changing economic circumstances of the time. By the 1970s, the new economic structure that had been so laboriously constructed by government since the war was about to become an Achilles heel.

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[130] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, p. 64.

[131] Garrod Whatley, 'Productivity Worries Facing Coal, Steel', *Western Mail Economic Review*, 26 July 1977, p. 18.

4: The end of traditional regional economic policy (1974 to 1979)

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4.1: Economy and policy – UK

4.1.1: Economic trends and political reaction

The period between 1974 and 1979 in the UK saw recession followed by short lived recovery, while the decade was characterised by economic and political volatility as the post-war 'golden era' of stability came under increasing pressure. Unemployment increased from 1.8 per cent of the workforce in March 1974 to a post-war high of 4.3 per cent in 1978, before decreasing marginally to 3.8 per cent by the time of the general election in 1979. At the same time, annual inflation rose to a post-war high of 25 per cent in 1975. This combination of high unemployment and inflation, known as stagflation, took place against the backdrop of volatile and worsening industrial relations. By 1979, the number of working days lost to industrial action had reached a post-war high of 29.5 million. Finally, the period also saw relatively low economic growth, averaging 1.3 per cent per annum compared to the 2.5 per cent achieved between 1950 and 1973.[1] In 1974, some 7.9 million people were employed in the UK's manufacturing sector, a figure that had declined to 7.2 million by 1979. However, the overall number of employees in employment remained static at some 22.8 million over the same period. This was facilitated by steady growth in service activities such as financial, business and professional services. Employment in these sectors increased from some 4.5 million people in 1974 to 4.9 million in 1979.[2]

On taking office in March 1974, Prime Minister Harold Wilson's Labour Government faced a difficult political and economic situation. In political terms, the government had only three seats

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[1] Nicholas Crafts, *Britain's Relative Economic Decline 1870–1995* (London: Social Market Foundation, 1997), p. 20; Office for National Statistics.

[2] *Annual Abstract of Statistics* (London: HMSO, 1981), p. 150.

more than the Conservatives and did not have an overall majority. In economic terms, it inherited a record trade deficit, an inflation rate of 15 per cent and reducing living standards.[3] During the government's first cabinet meeting, the Chancellor of the Exchequer, Denis Healey, stated that the economic situation in the UK 'might well be the worst ever faced in peacetime, and was deteriorating'.[4]

The government quickly settled with the striking miners, who had played a key role in the electoral defeat of Edward Heath, by offering twice what had been proposed by the previous administration. A small majority of three seats was then secured in the general election of October 1974. Against a backdrop of continuing inflation and pressure on sterling, Healey announced in April 1975 that he did not intend to use budgetary measures to reduce unemployment, as could have been expected under the post-war approach to economic management. Instead, public expenditure was reduced and taxes were increased. However, difficulties intensified in 1976. In September, the government, now headed by Prime Minister James Callaghan, was forced to seek financial assistance from the International Monetary Fund (IMF), and agree to further cuts in public expenditure. The largest reduction was from measures to stimulate employment, such as regional aid.[5] In October, the Chancellor implicitly confirmed that a return to economic growth needed more than additional

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[3] Philip Ziegler, *Wilson: The Authorised Life* (London: Weidenfeld and Nicholson, 1993), p. 416.
[4] NA, CAB/128/54/3. *Conclusions of a Meeting of the Cabinet Held at 10 Downing Street on 10 March 1974 to Discuss the Economic Situation*.
[5] Andy Beckett, *When the Lights Went Out–What Really Happened to Britain in the Seventies* (London: Faber and Faber, 2008), p. 355.

government expenditure by stating that 'we cannot hope to achieve full employment and to sustain it until we have mastered inflation'.[6]

According to the cabinet minutes of 25 November 1976, the government was subject to two contradictory constraints during this period. Firstly, it was necessary to 'satisfy the IMF, and perhaps more importantly, the markets, since unless this was done, an agreement with the IMF was of little value'.[7] Secondly, it was also vital to secure political support from the Labour Party and the unions. The first constraint was reflected when the Prime Minister told the 1976 Labour Party Conference that the UK could not 'just spend its way out of recession […] by cutting taxes and boosting government spending'.[8] Tighter fiscal policies were introduced which, when coupled with a resumption of growth from 1976, contributed to a reduction in level of public sector net debt from its 1975-76 peak of 53.8 per cent of GDP to 47.2 per cent in 1978-79.[9] However, bitter industrial disputes continued to characterise the period. These culminated in the 'winter of discontent' of 1978-79, when attempts to impose a below inflation pay settlement on public sector workers ignited a series of strikes.

Overall, the late 1970s saw the breakdown of the post-war consensus on economic and social policy between government, trades unions and employers, as their competing demands proved increasingly

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[6] NA, BD 40/182. *Speech by Denis Healey, Chancellor of the Exchequer, to Lord Mayor's Banquet* (21 October 1976)

[7] NA, CAB/128/60/12. *Conclusions of a Meeting of the Cabinet Held at 10 Downing Street on 25 November 1976.*

[8] Jim Tomlinson, *Public Policy and the Economy since 1900* (Oxford: Clarendon Press, 1990), pp. 310-311.

[9] HM Treasury, *Public Finances Databank, chart A5* [Online].

difficult to reconcile. In economic terms, consensus included a broad acceptance of the Keynesian role of the state in ensuring full employment through intervening to adjust the level of demand in the economy through fiscal and monetary policies. Although Healey was later to state that 'the world changes [...] Keynesianism had really had its day by the mid seventies', such approaches to policy were not entirely abandoned prior to 1979.[10] For example, the maintenance of high employment remained a primary target of government policy once financial circumstances began to improve in 1977.[11] The late 1970s was characterised by the Conservative Party in their 1979 general election manifesto as a time when 'society seemed on the brink of disintegration',[12] but it is important to place the turbulence of the period in perspective. The years immediately following 1979 were to witness crisis on a far greater scale, especially in those areas such as Wales that were more dependent on a 'traditional' industrial base, characterised by nationalised industries, large numbers of manufacturing operations and a relatively small base of indigenous companies.

4.1.2: Regional economic policy, and its impact on Wales

The period between 1974 and 1979 saw both the peak of regional economic policy and the beginning of its decline. The Labour Government that took office in 1974 was committed to a programme designed to support the growth of industry throughout the UK.[13] Its approach was set out in the *'Regeneration of British Industry'* White Paper of August 1974. It commented that

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[10] Andy Beckett, *When the Lights Went Out–What Really Happened to Britain in the Seventies*, p. 322.

[11] Nick Woodward, *The Management of the British Economy 1945–2001* (Manchester: Manchester University Press, 2004), p. 147.

[12] *Conservative General Election Manifesto* (London: Conservative Party, 1979)

[13] Scott Newton and Dilwyn Porter, *Modernization Frustrated: The Politics of Industrial Decline in Britain Since 1900* (London: Unwin Hyman, 1988), p. 168.

financial inducements alone were no longer sufficient to address Britain's relatively low levels of investment and proposed a deepening of government intervention. Such interventions were to include the nationalisation of the shipbuilding and aircraft industries as well as the development of planning agreements between major firms and the government, designed to ensure that companies acted 'in line with national needs and objectives'.[14] While plans were not to have statutory power, it was envisaged that they would act as a framework by which the government would provide financial assistance. The paper also proposed the creation of a National Enterprise Board (NEB), a principal aim of which was to 'create employment through commercially sound public enterprises and joint ventures with private enterprises in areas of high unemployment'.[15] It was established by the Industry Act of 1975 and went on to play an important part in efforts to rescue ailing manufacturers such as British Leyland and Rolls–Royce,[16] as well as the establishment of the INMOS semiconductor plant in Newport. However, planning agreements proved unworkable in practice with only one agreement being signed with a private sector company. This was a motor manufacturer, Chrysler UK, which had threatened to close its entire UK operations with the loss of 25,000 jobs prior to the receipt of subsidies.

The incoming government had inherited the framework used to direct financial assistance to companies put in place by the previous government in 1972. Under the Industry Act of that year, certain areas of the country were designated as being assisted areas. Companies investing in such areas were eligible for financial support. All companies carrying out capital investment in assisted areas could claim a portion of such investment through the Regional Development Scheme, while

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[14] *The Regeneration of British Industry* (Cmnd. 5710) (London: HMSO, 1974), p. 2.

[15] Ibid, p. 9.

[16] Colin Wren, *Industrial Subsidies*, p. 95.

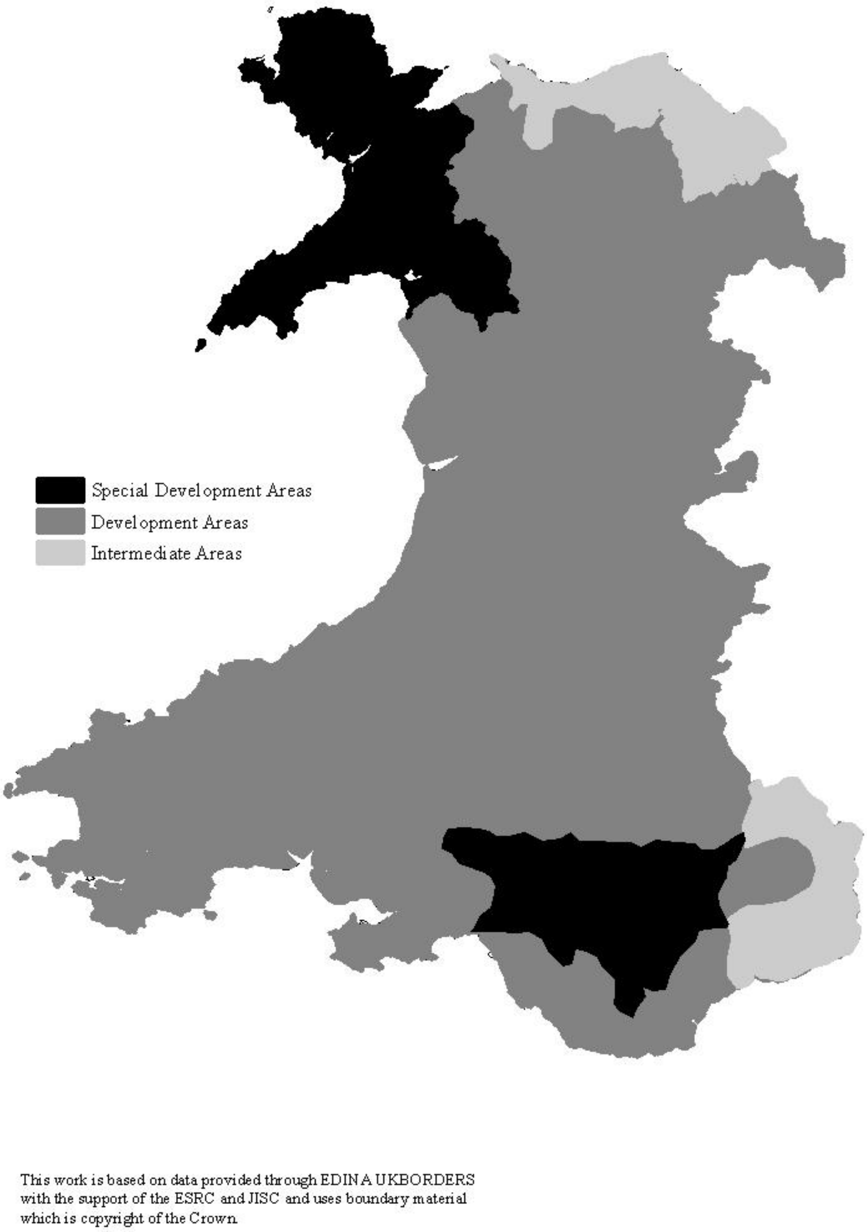
they could also apply for discretionary assistance via the Regional Selective Assistance scheme. In 1972, both of these schemes were controlled by the Department for Trade and Industry.

However, the previous Conservative Government had planned for the administration of Selective Financial Assistance to be transferred to the Welsh Office. This took place in July 1975, meaning that decisions over the companies to be supported were now made by the Welsh Office.[17] This process of administrative devolution continued throughout the decade. In 1977, the Welsh Office took over responsibility for the Manpower Services Commission, including its training responsibilities. In 1978, agricultural powers such as grant administration, previously shared with the Ministry of Agriculture, Fisheries and Food, were transferred.[18] However, central government retained control over important areas of regional economic policy. Firstly, it decided which localities were to be designated as assisted areas. For example, in 1976, the government extended the existing map of assisted areas by upgrading part of North West Wales from a Development Area to a Special Development Area (where the highest levels of grants were available), and Cardiff from an Intermediate Area to a Development Area (see Map 4.1).

[17] Hansard HC, 20 January 1975, Vol. 884, c. 258w (answer to written question)

[18] Lord Morris. *Fifty Years in Politics and the Law*, p. 139.

Map 4.1: Assisted areas, Wales, 1976.



Source: Colin McKenna and D.R. Thomas, 'Regional Policy', in The Welsh Economy, ed. by K.D. George and Lynn Mainwaring, pp. 263-290 (p. 267).

Secondly, it set the limits as to the amount of grant support (as a proportion of the applicant's investment costs) that could be provided under the scheme. Finally, it retained control over the schemes where grants were automatically provided to eligible companies. These were operated through the regional office network of the Department for Trade and Industry, and comprised:[19]

1. Regional Employment Premium (REP): provision of a direct wage subsidy to all manufacturing jobs in the assisted areas.
2. Regional Development Grants (RDG): automatic grant assistance to companies investing in assisted areas.
3. Depreciation allowances: tax allowances on capital expenditure.

Examples of projects supported included the German owned Alfred Teves Ltd, which received an RDG grant of £130,000 (some £660,000 in 2011-12 prices) towards an expansion at its Ebbw Vale automotive components plant in 1976-77.[20]

While the election of the Conservative Government in 1979 is often considered to have marked the start of a new approach to regional economic issues, there were important shifts in policy throughout the late 1970s. Towards the end of the decade, traditional policies aimed at regional economic restructuring were progressively downgraded. This was caused by three factors. Firstly, budgets across government were under pressure following the IMF loan. Secondly, economic turbulence and the evolving process of deindustrialisation meant that there was no longer a 'surplus' of factory jobs in some parts of the UK that could be directed elsewhere. Finally, the effectiveness of regional economic policy was increasingly being questioned, while the newer claims of inner

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[19] *Information Wales* (Cardiff: Development Corporation for Wales, 1975)

[20] *Industry Act 1972–Annual Report for the Secretary of State for Industry for the Year Ended 31 March 1975* (London: HMSO, 1977), p. 86.

cities were now competing against the more established requirements of the assisted areas. While central government's expenditure on regional industrial assistance remained high and peaked in 1975-76, its commitment to regional economic policy then began to decline. This was expressed in 1976 by Prime Minister James Callaghan, who stated that he was:

> Not wedded to all the expenditure in regional policy, and was prepared to concede that its value reduced over time […] nevertheless, it would be very difficult to simply abolish it, the need was to wean the public gradually away from it.[21]

The stage was now set for a reappraisal of regional economic policy. It was not to be abandoned, but key instruments of grants and location controls on industry were gradually downgraded. The most noticeable break with post-war policy was the virtual abandonment of Industrial Development Certificates. In 1976-77, 1,074 applications were made throughout the UK, only seven of which were refused.[22] This rejection rate of less than one per cent compared to 25 per cent in the mid-1960s. The process of reducing grant support began in 1976 with the abolishment of the Regional Employment Premium.[23] This was linked to the need to control public expenditure after the IMF loan was agreed, with John Morris (Secretary of State for Wales), stating in parliament that:

> Of course it would have been very welcome if we had been able to retain it [the premium], but the Chancellor [...] had to take account of the overriding aim of ensuring that sterling

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[21] NA, CAB/128/60/8. *Conclusions of a Cabinet Meeting* (10 November 1976)

[22] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)* (London: HMSO, 1980), p. xxiv.

[23] Wayne Parsons, *The Political Economy of British Regional Policy*, p. 180.

> was strengthened, and public expenditure had to take its share of the burden in the case we made for negotiating the IMF loan and funding the sterling balances. [24]

Reductions to the existing package of regional aid measures continued, while the programme of relocating civil servants from London to the regions was at a standstill by 1977,[25] symbolised by the cancellation of plans to locate the headquarters of British Rail's western region in Cardiff, in part due to staff opposition.[26] Automatic grants to mining and construction projects were withdrawn in 1977, while policies were introduced that aimed to combat unemployment, not only in the regions, but in urban areas such as inner London that were now experiencing difficulties. The first such measure was the Temporary Employment Subsidy, introduced in 1975, offering a fixed subsidy for each full time job retained by companies threatening redundancies. For the first two months, the subsidy was available for assisted areas only, before being made widely available. By November 1978, over 9,000 people in Wales were benefiting.[27] This subsidy was soon recognised as being a mechanism that could keep people in jobs, so was joined by a number of other schemes, such as the Small Firms' Employment Subsidy. By 1979, it was claimed that some 91,000 jobs in Wales had been saved or created by such schemes since 1974.[28] Annual expenditure (in 1996 prices) throughout the UK on such programmes ran at some £5 million in 1975-76 but then increased to reach £321 million in 1978-79.[29] By contrast, expenditure on regional economic policy throughout

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[24] Hansard HC, 28 February 1977, Vol. 927, c. 63 (debate).

[25] Colin Wren, *Industrial Subsidies*, p. 116.

[26] David Rosser, 'Clock Beats Plan to Protest at Rail HQ', *Western Mail*, 28 January 1977, p. 3.

[27] Hansard HC, 15 December 1978, Vol. 960, c. 389w (answer to written question)

[28] NLW, John Morris Papers, B2/2. *The Labour Way is the Better Way for Wales–Labour Party Manifesto 1979.*

[29] Colin Wren, *Industrial Subsidies*, p. 105.

the UK fell by some 50 per cent in real terms between 1975 and 1977, largely due to the abolition of the Regional Employment Premium.[30]

At the same time, the Conservative Party was increasingly questioning regional policy as part of its evolving focus on reducing the direct economic role taken by the state. For example, in a speech in Cardiff given in 1978, the Shadow Chancellor, Geoffrey Howe, proposed further reductions in regional aid expenditure, the ending of the Industrial Development Certificate regime as 'all that is happening is that these restrictions are impacting the growth of firms in places like the West Midlands', and attacked proposals to increase funding to the WDA.[31] However, the problem for Wales was that a great deal of dependence had been built up on regional aid and state intervention, and it was most unlikely that sufficient volumes of private enterprises would suddenly appear if and when such support was withdrawn.

4.2: Economy and policy – Wales

4.2.1: Economic trends and political reaction

The Welsh economy experienced mixed fortunes between 1974 and 1979. As was the case with the UK as a whole, the mid to late 1970s in Wales saw higher levels of unemployment combined with volatile labour relations. Unemployment increased from 33,400 (2.9 per cent of the workforce) in 1974 to a post-war high of 70,200 (5.7 per cent) in 1978, before decreasing marginally to 66,400 (5.3 per cent) by 1979.[32] At the same time, the number of working days lost to strike action peaked

[30] Ibid, p. 116.

[31] 'Regional Aid Cuts Growth Says Top Tory', *Western Mail*, 4 November 1978, p. 6.

[32] *Digest of Welsh Historical Statistics 1974-1996*, ed. by L.J. Williams, p. 141.

in 1979 at 1.64 million, equivalent to 5.6 per cent of the UK total. Despite the overall turbulence in the UK economy, the workforce increased by 44,000. As shown in Table 4.1, this was primarily driven by an increase of 53,000 (22 per cent) in public administration and other services, while manufacturing lost 21,000 employees (6 per cent) and agriculture declined by 3,000 employees (5 per cent). Employment in the coal industry (operated by the NCB) dropped by 4,000, to reach 29,000 in 1978-79, while the average deep-mined output per shift rose from 1.85 tonnes to 2.01 tonnes and 12 pits closed.[33] Steel production increased slightly from some 6.7 million tonnes in 1974 to some 7 million tonnes in 1979, while employment dropped from some 62,000 to 52,000.

Table 4.1: Employment change by sector, Wales, 1974 to 1979.

Sector	**Employees in employment**	**Per cent**
Agriculture and fishing	-4,000	-15
Energy and water	-3,000	-5
Manufacturing	-21,000	-6
Construction	0	0
Distribution, hotels and restaurants	17,000	11
Transport and communication	-2,000	-3
Banking, finance and insurance	4,000	10
Public administration, education, health and other services	53,000	22
Total	**44,000**	**4**

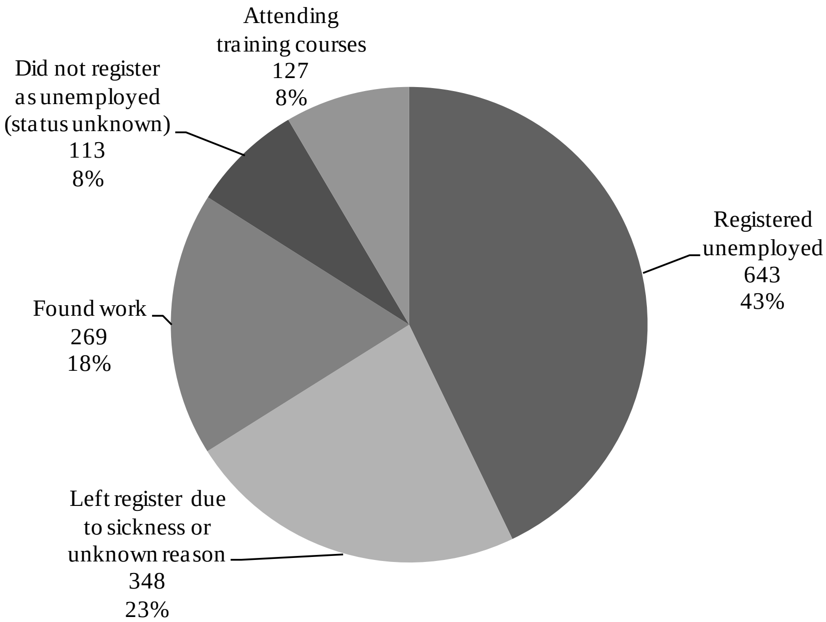
Source: Digest of Welsh Historical Statistics 1974-1996, ed. by L.J. Williams, pp.138-139; own calculations.

The difficulties faced by industrial areas were illustrated after the closure of the steel producing facilities at the Ebbw Vale steelworks (tinplating continued). While the Welsh Office and the agencies worked hard to bring alternative employment to the area, this was far from easy given the scale of the challenge, with a DTI Minister (Eric Heffer) writing to Blaenau Gwent Borough

[33] Ibid, p. 91.

Council in early 1975, stating that 'we are making good progress in providing alternative jobs, although much more needs to be done'.[34] Only 18 per cent of the 1,500 people affected by the first phase of the closure had found work within some six months (see Graph 4.1), while of the 643 people still unemployed, only 50 were 'skilled'. Of those in work, union officials told the local MP, Michael Foot, that many were working for 40 per cent less than their previous wages.[35]

Graph 4.1: Destinations of redundant Ebbw Vale steelworkers.



Source: NLW, John Morris Papers. C2/10. Manpower Services Commission Report on Ebbw Vale and East Moors (1978).

At the same time, trends within the UK towards a smaller number of larger firms, often headquartered in the South East of England, had left Wales without a base of locally owned and

[34] NA, BD 41/370. *Letter from Eric Heffer to Blaenau Gwent Borough Council,* 9 January 1980.

[35] 'Ex-Steelmen Used on the Cheap', *Western Mail*, 2 January 1976, p. 2.

controlled companies. In 1973, of 49 private sector companies employing more than 1,000 people in Wales, only seven had their head office in the country. Of the 94 companies employing between 500 and 1,000 people, the figure was 16.[36] This had two main impacts. Firstly, the economy was vulnerable to 'branch plant syndrome', where such plants tended to be more at risk if the company faced difficulties. Secondly, this reduced the number of 'headquarter' type jobs, which tended to be characterised by relatively high wages.

Against this background, the sense of political uncertainty that gripped the UK during the mid-1970s also extended to Wales. According to the March 1974 general election pamphlet of the Labour Party candidate for Pembrokeshire, Gordon Parry, 'there is a frightening balance of payments deficit, mounting debt and a sunken pound [...] I can hardly even remember things being worse and Britain is now a dangerously divided nation'.[37] In October of the same year, the Conservative candidate (Nicholas Edwards, Opposition Spokesman for Welsh Affairs) was equally pessimistic, stating that 'we are threatened with the twin dangers of mass unemployment and inflation running out of control to levels that would destroy democracy [...] there is a need for the nation to unite as it does in times of war'.[38] While this sense of doom was often overstated, even the somewhat staid Cwmbran Development Corporation felt moved to propose an amendment to its painting schemes, in that 'splashes of bright colour should be incorporated into the town centre scene to create a feeling of gaiety and cheerfulness'.[39]

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[36] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, p. 27.

[37] NLW, Crickhowell Papers. 2/3 *March 1974 election pamphlet (Gordon Parry)*

[38] NLW, Crickhowell Papers. 2/3 *March 1974 election pamphlet (Nicholas Edwards)*

[39] GA/ CDC, D2603/A/M/25. *Appendix to Minutes of Estate Management Committee*, 7 March 1975.

However, the major battleground in Welsh politics in the 1970s was devolution, not the economy. In 1974, it was generally expected that Harold Wilson would appoint George Thomas, the Shadow Secretary of State who saw devolution as 'noisy nationalist propaganda', to the cabinet.[40] Despite this expectation, John Morris was appointed instead. A Welsh speaking QC from Ceredigion, he had been MP for the steel constituency of Aberavon (Port Talbot) since 1959 and had served as a junior minister within the Ministries of Power and Defence during the 1960s. The new Secretary of State was fully committed to delivering devolution, and was tasked to do this by Harold Wilson.[41] The stage was now set for a bitter and protracted dispute within the Labour Party and Wales over the creation of an elected Assembly. Such an Assembly was to have executive powers over aspects of government policy in Wales currently exercised by Welsh Office Ministers,[42] including the powerful economic development agencies that were being created (see section 4.2.2).

The lobbies in favour or against devolution were a complex collection of interests.[43] While both sides made some reference to economic issues during the long dispute, these did not play a prominent part in the debate. Those generally in favour of devolution, such as the Wales TUC, the Liberal Party, Plaid Cymru and substantial elements of the Labour Party, did point to the perceived advantages that an elected Assembly could bring to the management of the economy through

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[40] George Thomas, *George Thomas, Mr Speaker: the Memoirs of Viscount Tonypandy*, p. 129.

[41] Lord Morris, *Fifty Years in Politics and the Law*, p. 100.

[42] David Foulkes, 'An Analysis of the Wales Act 1978', in *The Welsh Veto – The Wales Act 1978 and the Referendum* ed. by David Foulkes, J. Barry Jones and R.A.Wilford. (Cardiff, University of Wales Press, 1983) pp. 62-108, p. 69.

[43] R.A. Wilford, 'The Character of the Lobbies: Some Theoretical Considerations', in *The Welsh Veto–the Wales 1978 Act and the Referendum* ed. by David Foulkes, J. Barry Jones, and R.A. Wilford, pp. 109-110.

greater decentralisation. However, the key issues raised by the pro–devolution lobby tended to focus on broader issues of democratic accountability, while those against focused on the potential threat to the integrity of the UK. By 1977, the groundswell of opposition had led the government to concede a referendum on the proposed Wales Act that would have created an Assembly. This was eventually held on St David's Day 1979. By this time, devolution had failed to capture the imagination of the Welsh electorate, and problems such as the winter of discontent seemed more pressing. According to Morris, 'the industrial problems in the winter of discontent were against us, and in the end we came to the stickiest end that anybody could ever come to as a nation, rejection by four to one,' [44] while Plaid Cymru's National Chairman, Eurfyl ap Gwilym, noted that:[45]

> People are more likely to be prepared to try new things when the times are good. Times weren't good in the late 1970s; times were bad and people weren't feeling good, weren't confident about the future and therefore were probably very afraid to experiment.

Overall, the Welsh economy was not in immediate crisis during the late 1970s, with, for example, wages as a percentage of the UK average decreasing less than was the case in later years (see Graphs 8.4 and 8.5). At the same time, Wales' GDP as a percentage of the UK remained relatively static. In general, post-war economic fundamentals were still in place, as were weaknesses. Those who sought to explain such weaknesses often made reference to Gunnar Myrdal's theories of cumulative causation (see Chapter 2). While such theories do provide a fit for the post-war trajectory of the Welsh economy to some extent, with its relatively high levels of dependence on coal, steel and agriculture characterising a peripheral region of the UK where centralising influences

[44] Interview with Lord Morris.

[45] Interview with Eurfyl ap Gwilym.

tended to benefit London and the South East, it provided little in the way of remedies apart from traditional regional policy, which was losing effectiveness as the previously successful regions began to struggle. At the same time, Wales' economic geography remained largely unchanged, with the hinterlands of Liverpool and Birmingham taking in North and Mid-Wales, while only the south looked towards a Welsh city (Cardiff) for its regional services. All of Wales looked towards London for 'first order' services such major commercial headquarters and large scale financing. The controversy surrounding *'Wales; the Way Ahead'* and the collapse of the Llantrisant new town proposals meant that any attempt to draw on 'growth pole' theory, and develop individual centres as growth points was not to be a feature of Welsh Office policies during the 1970s, although the DBRW did designate towns within its area as either 'special towns' or 'key towns' when allocating new factories. Welsh Office policies were instead to focus on the establishment of powerful development agencies as well as the construction of east-west transport links such as the M4.

Overall, Wales was still in many senses defined by the iconic industries of steel and coal, while agriculture remained important in rural areas. Massive steel plants dominated the skylines of Newport, Port Talbot and Shotton while colliery winding gears provided a reminder of the continued existence of the coal industry. For example, travellers on the main road between Cardiff and the Valleys in 1979 could hardly fail to notice the buildings of the Nantgarw/ Windsor colliery, located a few miles north of the city and employing some 650 men. Despite this, there was a feeling of foreboding. According to John Osmond, a journalist on the *Western Mail*:

> I wrote quite a few leaders on the paper in those years [late 1970's] I had many conversations with editorial management, the editor downwards, on issues of the day. I

> remember a growing concern and worry about what was thought to be the spine of the Welsh economy.[46]

4.2.2: Welsh Office regional economic policies

Within weeks of assuming office in March 1974, the new Secretary of State for Wales, John Morris, laid out the overall aim of his economic policy:

> Nothing is more important than the fundamental human right to work, and governments must intervene where necessary to ensure that that right can be exercised in Wales itself […] It is obvious, therefore, that we must concentrate on our coal and steel resources, which […] provide over 100,000 jobs for men in Wales—one man in six in Wales is employed by the British Steel Corporation or the National Coal Board. [47]

He later stated that 'we were above all an interventionist government [...] there was a new industrial problem on my desk every week [...] industry took the greatest proportion [of his time]'.[48] However, Morris had little interest in developing economic planning for Wales, stating that 'my preference in the field of economic planning is not the imposition of a grandiose all–Wales plan from on high, but rather to approach the needs of Wales area by area and to collate the proposals drawn from the experience of those nearest to the problem'.[49] He believed that it made little sense to attempt economic planning for Wales, which was characterised by limited internal economic

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[46] Interview with John Osmond.

[47] Hansard HC, 21 March 1974, Vol. 870, c.1354 (debate).

[48] Lord Morris, *Fifty Years in Politics and the Law*, p. 108.

[49] Mark Tewdwr–Jones, 'Land-Use Planning in Wales', in *Nationality and Planning in Scotland and Wales*, ed. by Huw Thomas and Roderick Macdonald, pp. 54-77 (p. 59)

cohesion, causing the *Western Mail* to 'bemoan the lack of any form of [...] strategy'.[50] At the same time, it is likely that he was wary of repeating the damaging debate surrounding *'Wales: the Way Ahead'*, while it was argued by the Welsh Office that the structural plans for the eight new counties put in place after 1974 fulfilled much the same function.[51] His focus was instead on practical interventions. These included the creation of economic development agencies, the authorisation of industrial estates such as Rassau in Ebbw Vale, and the completion of the M4, envisaged as an east to west link to 'bring work to my people'.[52]

The most significant interventions in the later 1970s were the establishment of three powerful agencies. These were the Welsh Development Agency (WDA), the Development Board for Rural Wales (DBRW) and the Land Authority for Wales (LAW). They were relatively small in size, with the WDA employing some 400 people, the LAW employing 50 and the DBRW employing 150. These were established as statutory bodies with their own remits and boards, generally including representatives from the private sector, because they would be required to work closely with industry, a task which often required a different skillset from those typically found in the civil service. According to the Secretary of State, 'you had to go outside and bring in industry on both sides, set up bodies which were arm's length from the government and the civil service, which is what these were'.[53] Established after John Morris had inserted a commitment into Labour's October 1974 manifesto as an amendment to the proposed establishment of the Scottish Development Agency, the WDA took over the responsibilities of the Welsh Industrial Estates Corporation and the

[50] 'All Out of Step but the Welsh Office', *Western Mail*, 26 January 1976, p. 8.

[51] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation*, p. 209.

[52] Interview with Lord Morris.

[53] Ibid.

Welsh Office's Derelict Land Unit. The importance of the WDA led to it being described by John Morris as his 'pride and joy' in May 1976.[54] Such an agency had been called for by Plaid Cymru in its 1970 economic plan,[55] while the embryonic Wales TUC had heard calls for a 'public finance corporation' in 1973.[56] However, the WDA was established against Conservative opposition, who were concerned that it would act as an agent of centralisation and state planning, as was feared would be the case for the National Enterprise Board.[57]

The agency's remit was set out by the Welsh Development Agency Act 1975 as (a) promoting Wales as a location for industrial development (b) providing finance to 'industrial undertakings' (c) carrying out 'industrial undertakings' (d) promoting or assisting 'the establishment, growth, modernisation or development of an industry or any undertaking in an industry' (e) promoting industrial democracy in operations controlled by the agency (f) provision of industrial sites and premises (g) management of such sites and premises (h) reclaiming derelict land, and (i) carrying out environmental developments.[58] Its centralised organisational structure was reflected by the titles of its three executive directors, namely 'industry and investment, 'organisation and operations' and 'construction and development'.

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[54] NLW, John Morris papers. C1/8. *Report of the 39th Annual Conference of the Labour Party in Wales 14-15 May 1976*, p. 8.

[55] *An Economic Plan for Wales*, p. 231.

[56] Joe England, *The Wales TUC 1974-2004: Devolution and Industrial Politics* (Cardiff: University of Wales Press, 2004) p. 67.

[57] Interview with Lord Crickhowell.

[58] Office for Public Sector Information. *Welsh Development Agency Act 1975. Section 1 (3).*

Against this background, the *Western Mail* stated that:

> High hopes are pinned on the newly formed Welsh Development Agency. This kind of agency has long been demanded in Wales from very many quarters for a very long time. People want it to be a forceful aggressive body playing an active and positive role in the Welsh economy, rather than some kind of passive safety net to be hoisted only when disaster has occurred.[59]

However, the creation of the WDA exposed a number of fault lines, both at a UK and Wales level. Firstly, HM Treasury attempted to ensure that there was no overlap between the board members of the WDA and WIDAB (the Welsh Office appointed board responsible for assessing applications for regional selective assistance, which were then processed by the Welsh Office's Industry Division), as it was concerned that WIDAB should be fully independent. The Welsh Office negotiated a compromise agreement where limited cross membership was permissible. The background to this was that the Secretary of State for Industry, Tony Benn, was keen to see a much greater role for the government throughout the economy. Known pejoratively as ‘Bennery’, this vision was not always shared by his colleagues and led to much rancour. Activities typically identified with ‘Bennery’ included workers’ co-operatives and subsidies to struggling industries such as shipbuilding. The nervousness of the Treasury was attributed by the Welsh Office to its concern that the NEB ‘was so closely identified with Bennery that [it] must be ultra-cautious about membership’,[60] presumably to ensure that public funds were not diverted into ‘Bennite’ projects.

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[59] ‘Guarded Guidelines’, *Western Mail*, 28 January 1976, p. 10.

[60] NA, BD 40/193. *Internal Welsh Office Memo* (1975).

Secondly, the role of the agency was to be outlined in operating guidelines developed by the Welsh Office after consultation with the Confederation of British Industry (CBI) and the Wales TUC. These consultations exposed the traditional fault lines between labour and industry. In its response, the CBI was clear that the WDA should always strive to act in a commercial manner with tight financial control,[61] while the Wales TUC stated that 'the extent of economic stagnation and dereliction is so great in much of the principality that to restrict the new role [of the agency] in a monetarist straight jacket will be to render it impotent'.[62] For example, dispute flared over the extent to which the Welsh Office was to be informed as to the names of the companies the WDA was negotiating with to fill factories. The Welsh Office's Industry Division was concerned that the agency would fill its factories in prime locations, such as along the M4 corridor, first, leaving more peripheral locations without investment. It wanted to gain oversight over the agency's letting process. This led to the WDA's Chief Executive, Ian Gray, labelling Welsh Office proposals as 'vexatious and mischievous'.[63] The result was that the WDA was permitted to agree smaller lettings without informing the Welsh Office, but was required to do so with larger lets. Finally, while local authorities were generally keen to work with the WDA, as the need for joint working to address economic issues was well recognised,[64] the agency's more commercial culture led to clashes between the agency and the Welsh Office. The agency wanted to operate on what it saw as a more flexible basis, while the Welsh Office was keen to ensure that government procedures were

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[61] NA, BD 40/119. *CBI Comments on WDA Draft Industrial Investment Guidelines* (January 1976).

[62] NA, BD 40/119. *Wales TUC Comments on WDA Draft Industrial Investment Guidelines* (January 1976).

[63] NA, BD 40/232. *Note on WDA Response to Proposed Agency Guidelines* (April 1979).

[64] Interview with Ian Rooks.

followed. By late 1977, the Industry Department was sufficiently frustrated to state, in a briefing provided to the Permanent Secretary, Hywel Evans, before meeting the WDA, that the agency:

> Really do need to get it into their heads that as so far as officials are concerned, we shall not be deflected from our primary task of protecting the interests of the Secretary of State and that of the Permanent Secretary as Accounting Officer. We want to do this amicably, but amicably or not, and that depends greatly on agency officials, it is going to be done.[65]

Such disputes were a fixture of the WDA's early years, but were generally resolved as the Secretary of State was keen to see the agency establish itself as an effective force. The Welsh Office now began to consider setting up a separate body for mid-Wales, where there were 'half a dozen organisations, fishing in a very small pond with very limited resources'.[66] In 1976, John Morris stated that rural economic problems, such as depopulation, were different in nature and magnitude to those of industrial areas and that a 'fine brush' was needed to address them.[67] However, an additional reason for the establishment of a separate body was a farming lobby that was determined to ensure that any agency would not be able to compulsory acquire land or to intervene in agriculture. The 1976 Development of Rural Wales Act established the Development Board for Rural Wales (DBRW). Wales was now divided between two agencies (see Map 4.2), with the DBRW encompassing mid-Wales, with other areas allocated to the WDA.

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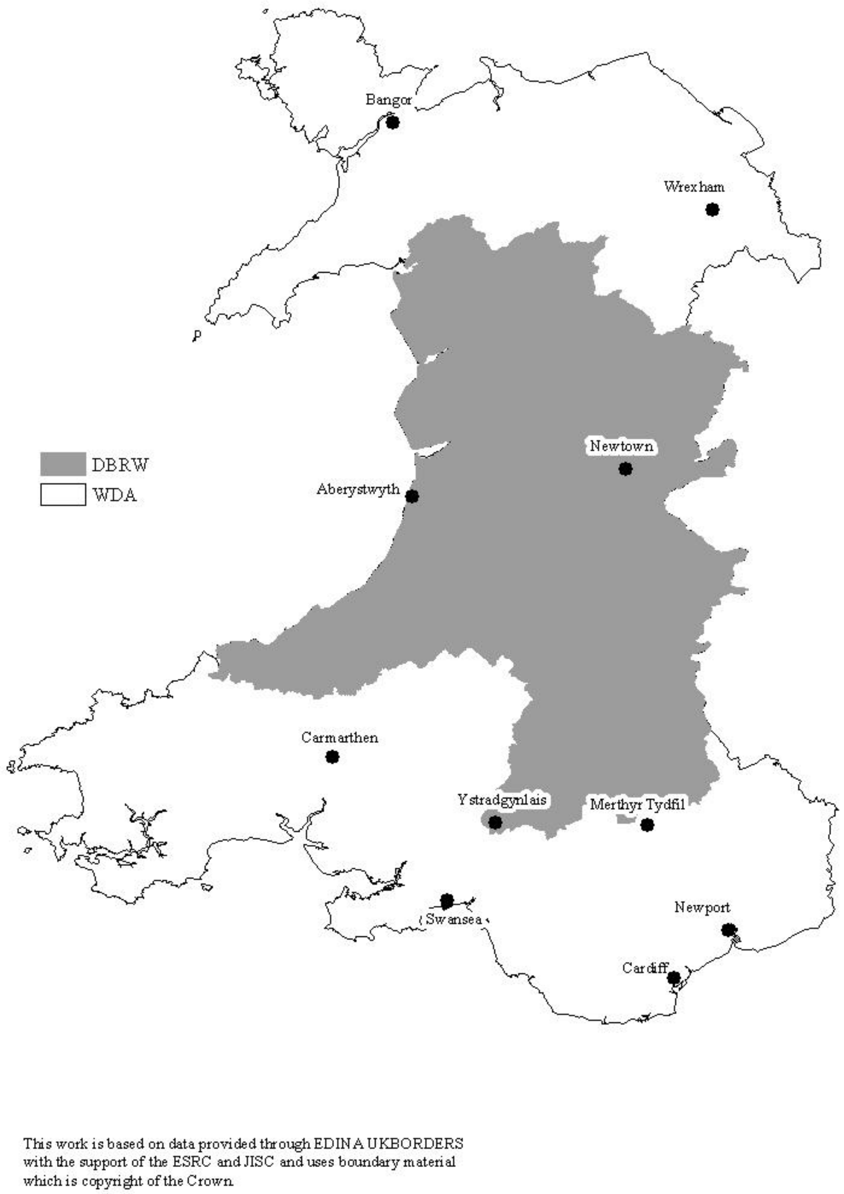
[65] NA, BD 40/232. *Brief for Permanent Secretary* (December 1977).

[66] Interview with Lord Morris.

[67] NLW, John Morris papers. C1/8. *Report of the 39th Annual Conference of the Labour Party in Wales, 14-15 May 1976*, p. 8.

Map 4.2: WDA and DBRW boundaries.



Source: DBRW Annual Report, 1986-87, p. 6

The DBRW's functions were similar to those of the WDA but also included development powers for Newtown, which was to be expanded so as to act as a focal point. However, it was not allowed to engage in farming or forestry while compulsory purchase powers were limited to Newtown.[68] Its aim was to combat depopulation through economic diversification.[69] It aimed to do this through developing existing settlements, in part through the attraction of manufacturing.[70]

The WDA was initially concerned that the establishment of the DBRW could lead to unnecessary duplication and the prospect of conflict. These concerns were put to the Secretary of State during 1976. As part of this, the WDA unsuccessfully attempted to retain influence over the industrial pocket of south western Powys located around Ystradgynlais at the far northern end of the Swansea Valley. However, by late 1978, the chairman of the DBRW was able to report on the establishment of good relations with the WDA, which now 'fully accepted the place of the agency in the Welsh economy'.[71] The third agency created was the Land Authority for Wales. By this time, there was increasing concern that there was insufficient availability of land for commercial development in Wales, especially in the South Wales Valleys, where topography meant that flat land suitable for development was relatively scarce,[72] while land ownership patterns tended to be complex.[73] It was tasked with assembling and developing packages of land for industrial and commercial use. Although it was a relatively small agency compared to the WDA and the DBRW, its powers to compulsory purchase land, and cleanse it of legal constraints on development in some circumstances, gave it considerable influence in regional economic affairs.

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[68] *DBRW Annual Report, 1977–78* (Newtown, Development Board for Rural Wales, 1978), p. 7.

[69] Graham Day and Merylyn Hedger, 'Mid Wales: Missing the Point' *Urban Studies,* 27 (1990), pp. 283-290 (p. 283)

[70] Interview with Glyn Davies.

[71] NLW, GB 0210 DBRW. *Minutes of Board Meeting 19 December 1978.*

[72] Lord Morris, *Fifty Years in Politics and the Law,* p. 135.

[73] Interview with Sir Geoffrey Inkin.

The Welsh Council continued to operate throughout the 1970s, producing occasional reports, but it was overshadowed by the new agencies and was increasingly regarded as outdated. For example, a short document it drafted in 1978 calling for initiatives including a shorter working week, lower taxes and increased subsidies was dismissed by Welsh Office's Permanent Secretary as 'a series of jottings', which could cause difficulties during a potential election year. According to this civil servant, the document was not even worth seeking to suppress as such action would draw attention to the report, which would otherwise merit little notice 'apart from the usual centre page article in the *Western Mail'*.[74]

The government's views of its regional economic policy achievements in Wales were summed up in a party political broadcast in 1978. It focused on the establishment of the three agencies, the authorisation of 400 advance factories, the WDA having invested in 80 companies and increased support for land reclamation. As well as these, the transfer of additional powers to the Welsh Office in training and employment was emphasised, as were the special employment measures developed by central government.[75] Finally, the role of the Welsh Office in constructing roads, such as the M4 that connected the Severn Bridge to Carmarthenshire via the outskirts of Newport, Cardiff and Swansea, and the A55 along parts of the North Wales coast, was also often quoted as an important element in terms of economic development. John Morris' opinions on Wales' economic problems were summed up in a confidential memorandum to the Prime Minister, dated February 1979.[76] According to this analysis, the economy had four main problems. Firstly, only the northern

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[74] NA, BD 56/11, *Note From Permanent Secretary*, 27 June 1978.

[75] NLW, John Morris Papers. B1/22. *Labour Party Wales TV Broadcast Script* (13 September 1978).

[76] NLW, John Morris Papers. C2/10. *Note to PM on Industrial Prospects in Wales* (February 1979).

region of England had a higher unemployment rate. Secondly, Wales had a higher dependence on coal and steel than any other region. Thirdly, the working age population was expected to rise rapidly as a result of changing population trends. Finally, manufacturing was expected to continue its decline while the service sector would grow, and this was forecast to change faster than in any other region. Jobs lost in manufacturing were expected to be mostly full-time male posts, which would be partially supplanted by part time female posts in the service sector.

4.2.3: Nationalised industries

Despite the post-war diversification that had attracted manufacturing, the nationalised industries of coal and steel remained important employment sources. However, decisions on such industries were taken by their boards, which were then responsible to Whitehall departments. There was no formal role for the Welsh Office.[77] Despite this, the cabinet status of the Secretary of State for Wales meant that influence could be applied. For example, in an internal Welsh Office document dating from the late 1970s, John Morris stated that ‘influencing decisions on steel and coal have taken a good part of my time’.[78] The degree to which he was able to influence decisions provides a case study of both the reach and limitations of his status as a cabinet minister. In the case of coal, his influence was limited, although he did have knowledge of the industry, having acted for miners' personal injury cases when training as a barrister in Swansea.[79] Although he was careful to build good relations with the National Union of Mineworkers, including monthly meetings, relationships with the NCB were not as close and were somewhat limited in practical terms.[80] However, steel

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[77] Hansard HC, 27 January 1975, Vol. 885, c. 21w (answer to written question).

[78] NLW, John Morris Papers, B1/2. *The Role of the Secretary of State after Devolution*.

[79] Lord Morris. *Fifty Years in Politics and the Law*, p. 21.

[80] Interview with Lord Morris.

was a more fruitful area. Having had responsibility for the industry in the late 1960s as a junior minister at the Ministry of Power and with the huge Port Talbot works in his constituency, the Secretary of State knew the industry well. He would meet the BSC Chairman, Charles Villiers, on a monthly basis, was close to both the management and the trades unions and was 'involved on a day to day basis [...] I didn't say anything [publicly], but I was on the telephone, 8.30 in the morning I had a report [...] or ensuring that somebody else pushed the case'.[81]

However, problems with the totemic coal and steel industries intensified throughout the 1970s. Any difficulties with the steel industry were bound to have significant effects as in 1975, metal manufacture accounted for almost twenty per cent of all manufacturing output in Wales, compared to some six per cent in the UK.[82] At the same time, steel production in Wales and the UK was relatively inefficient (see page 140), meaning that it was increasingly difficult to compete with other steel producers in the common market and beyond. The government felt unable to take the political risk of closing steel plants in areas where their support was strongest. The ten year steel plan of 1973, which proposed the expansion of Llanwern and Port Talbot but significant closures elsewhere in Wales, was immediately placed under review once Labour took office in 1974.[83] The Welsh Council summed up the political problems linked to the industry when it stated that, while it accepted 'the need for modernisation of the industry, inevitably involving job losses', it was opposed to any closures.[84]

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[81] Ibid.

[82] *Welsh Economic Trends, No. 6, 1979* (Cardiff: Welsh Office, 1980), p. 49.

[83] *Wales TUC First Annual Report* (Cardiff, Wales TUC, 1974), p. 23.

[84] *The Steel Industry in Wales* (Cardiff: Welsh Council, 1974), p.2.

The new government appointed a commission under Lord Beswick to review the industry. This led to a furious period of lobbying and debate, highlighting the importance of steel in economic and employment terms. For example, in late 1974, James Callaghan, who was East Moors' constituency MP as well as the Secretary of State for Foreign and Commonwealth Affairs, wrote to Tony Benn, Secretary of State for Industry, asking for a longer stay of execution for East Moors in Cardiff, stating that it was 'necessary to give at least five years life to the works [...] because men feel that they do not have any future in the works and are living from day to day'.[85] In 1975, this commission reported, delaying the closure of East Moors until the late 1970s, providing a temporary reprieve for its 4,500 workers, while Shotton was subjected to a further study.[86] While the commission proposed a continuation of the expansion plans at Port Talbot and Llanwern, the ending of steel making at Ebbw Vale, as programmed in the ten year plan, was to proceed at a delayed pace with the loss of some 3,700 jobs by 1979. This was particularly painful for the Labour Government, given the fact that the steel plant was within the constituency of Michael Foot, then Secretary of State for Employment and a future party leader. The rundown itself was a bitter episode punctuated by demonstrations, especially on the day that Michael Foot and John Morris faced a furious crowd in Ebbw Vale, later remembered by Morris as ‘the worst in [his] life’.[87]

However, competitive pressures faced by the industry intensified as the decade continued. By 1977, average labour productivity in terms of hours per tonne in the UK was 11.75, compared to

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[85] NA, BD 41/370. *Letter from James Callaghan to Tony Benn,* 30 December 1974.

[86] NLW, John Morris Papers. B1/22 *Welsh Labour Party Executive Committee Minutes–10 March 1975*.

[87] Interview with Lord Morris.

6.46 in West Germany, and 5.42 in Italy,[88] while in 1976-77, BSC lost £96 million (some £490 million in 2011-12 prices), £56.6 million (some £289 million in 2011-12 prices) of which was in Wales.[89] By early 1978, the BSC Chairman was admitting loses of some £10 million a week (some £45 million in 2011-12 prices) throughout the UK.[90] At the same time, over-capacity meant that the European steel industry was operating at 60 per cent of capacity.[91] Finally, the impact of poor production quality was also apparent. According to Ford:

> Prior to 1975, we placed between 80 and 85 per cent of our business with BSC [...] in 1975 and 1976 purchases from BSC fell to 55 per cent of our requirements. This was due to their inability to meet our schedules for the lower quality steels and an inability to meet our inspection standards for the higher quality materials.[92]

Against this background, BSC's *'The Road to Viability'* White Paper of 1978 followed on from the Beswick report. Modernising investments were made, mainly at Port Talbot and Llanwern, but there were also heavy job losses. East Moors closed in 1978, followed by reductions at Ebbw Vale, where 3,700 jobs were lost between 1975 and 1979. The remaining tinplating operations at Ebbw

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88 Colin Baber and Lyn Mainwaring, 'Steel', in *The Welsh Economy,* ed. by K.D. George and Lyn Mainwaring (Cardiff: University of Wales Press, 1988), pp. 207-232 (p. 222).

89 Garrod Whatley, 'Productivity Worries Facing Coal, Steel', *Western Mail Economic Review,* 26 July 1977, p. 18.

90 David Rosser, 'Varley Reveals Steel Losses of £10 Million a Week', *Western Mail*, 17 January 1987, p. 1.

91 'Steel, A Cause for Joy, Not Euphoria', *Western Mail,* 11 March 1977.

92 Colin Baber and Lynn Mainwaring,'Steel' in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 201-232 (p. 223).

Vale were due to receive two modernising investments, but worsening economic conditions meant that the second was indefinitely postponed in late 1978.[93]

In relation to the coal industry, it appeared in the mid-1970s that its long decline, which had seen South Wales' output reduced to mid-19th century levels by 1974,[94] was to be slowed or even reversed. As a result of the oil embargo following the Arab-Israeli war of October 1973, the price of coal relative to oil was more than halved. The government responded to this by announcing a 'Plan for Coal'. This was to involve large-scale investment, including the development of new mines and the mechanisation of existing pits, a small number of which were still using pit ponies in the early 1970s.[95] In 1974-75, the industry recorded a net intake of employees for the first time since 1957.[96] In July 1976, James Callaghan opened a new mine at Bettws, predicted 'a great future for coal mining in South Wales' and was made an honorary member of the NUM,[97] while in 1977, the *Times* noted that the industry 'no longer had the dog-eared and depressed look it had between 1955 and the early 1970s [...] the 1974 energy crisis led to a revision of ideas [...] that oil was the panacea'.[98] However, such optimism was not to last, with problems being outlined in stark detail by the tripartite group on the coal industry, chaired by Tony Benn, the Secretary of State for Industry,

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[93] Roger Dobson, 'BSC Accused of Bad Faith as Vital Project is Put Off', *Western Mail*, 3 January 1978, p. 1.

[94] Gerwyn Thomas, *Welsh Coal Mines* (Cardiff: National Museum of Wales, 1977), p. 3.

[95] Ibid, p. 21.

[96] *Digest of Welsh Statistics, No. 25, 1979*, p. 96.

[97] *Great Future for Coal, Says Callaghan*. Swansea, South Wales Evening Post, 10 June 1976.

[98] Trevor Fishlock, 'Echo-Sounder Discloses a Vast New Bed of Prime Coal Under the Welsh Valleys', *Times*, 11 July 1977, p. 2.

including representatives from government, the NCB and the NUM.[99] Its South Wales subcommittee reported in March 1979 that operating losses had increased from £15.2 million (some £88.3 million in 2011-12 prices) in 1975-76 to £41.7 million (some £169 million in 2011-12 prices) in 1978-79. It also pointed out that the 'easy seams' of coal had been worked out, one third of the pits were more than a century old, half were more than 75 years old and that levels of capital investment had been relatively low in the 1960s and early 1970s.

Additional problems related to the weak states of the three main coal markets. Firstly, forty per cent of the coal produced in South Wales was destined for power stations, but was more expensive than that produced elsewhere in the UK. The second was the steel industry, which required coking coal, with up to half of the pits in South Wales specialising in this product. However, by the late 1970s, it was cheaper to source opencast coal from Australia or the United States than from South Wales' deep mines, while global demand for coking coal was depressed. The third was domestic fuel, with South Wales supplying some forty per cent of the UK's smokeless supply in 1978. This was in decline as coal fires in houses became increasingly unfashionable. Declining demand began to impact on the industry by the mid-1970s, even as new capacity from the Plan for Coal was beginning to be put in place. Output fluctuated throughout the period, while the number employed reduced slightly from 33,000 in 1974-75 to 29,000 in 1978-79. While the 1970s would later be seen as years of relative stability, the overall trend was one of an industry where economic pressures were building. This was masked to some extent by the miners' political influence, demonstrated most graphically in 1974 during the fall of the Heath Government, as well as by

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[99] NLW, John Morris Papers. B1/30. *Coal Industry Tripartite Group–Report of the Sub-committee on the South Wales Coalfield* (March 1979).

securing enhanced wage levels. For example, mining wages stood at 97 per cent of the UK manufacturing average in 1973, but reached 123 per cent by 1978.[100]

Against this background, it was increasingly realised by both by the government and the management of the NCB by the later 1970s that a gradual, managed, decline was likely to continue for the foreseeable future. For example, Phil Weekes, the NCB's Area Director, was briefing the Welsh Office in July 1976 that manpower in South Wales was likely to decline to some 23,000 in 1981-82 (the actual figure was to be some 20,000).[101] At the same time, the Secretary of State for Wales was keen to see that any run-down was managed so as to allow for the introduction of new industries to offset job losses. He later stated that 'what we wanted was a run-down, an agreed run-down, so that we could bring in industry. And in any intervention period you could bring industry in, so it was not fanciful'.[102]

4.2.4: European funding

The European Economic Community (EEC) established the European Regional Development Fund (ERDF) in late 1974 as a key instrument of its regional economic policy. The declared objective of the ERDF was 'the correction of the main regional imbalances in the community and particularly those arising from the preponderance of agriculture and from industrial changes and structural under employment'.[103] During the fund's initial three year period, the UK obtained some £150

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[100] K.D. George and others, 'Coal' in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 159-186 (p. 163).

[101] NA, BD 40/273. *Briefing for Welsh Office* (30 July 1976).

[102] Interview with Lord Morris.

[103] *The Operation of the European Regional Development Fund in Wales* (Cardiff: Welsh Council, 1977), p. 3.

million (in contemporary prices), of which some 15 per cent was allocated to Wales, including Ford's engine plant in Bridgend. Other support was given to infrastructure projects being undertaken by government agencies, such as sewage plants in Swansea. After the trial period for ERDF expired in 1977, it was extended and continued to be a source of funding throughout the later 1970s and beyond. ERDF funding was often targeted on areas suffering from the decline of the steel industry. For example, the construction of road links between the M4 and South Cardiff was part financed by ERDF grants.[104] However, a continuing source of controversy was the fact that the UK Government often deducted European receipts from regional aid budgets, meaning that additional impact was limited.[105]

The agricultural sector also received significant European support through the Common Agricultural Policy (see section 4.3.5 for more details). Infrastructure projects such as the Dinorwic hydro-electric plant in Gwynedd (involving the construction of a generating plant within a tunnel complex) also received loans from the EEC's European Investment Bank (EIB). However, such loans were negotiated between the EIB and the applicants and the Welsh Office was not involved in their allocation. Funds were also available from the European Coal and Steel Community (ECSC). These were targeted on areas suffering from decline within these sectors and were used for retraining, supporting new businesses and modernising existing coal and steel operations. For example, Harold Wilson stated in Cardiff in 1975 that loans totalling some £38 million (in contemporary prices) had been approved for modernisation at the steel plants in Ebbw Vale, Port

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[104] Interview with Ken Poole.

[105] *Committee on Welsh Affairs–The Impact of the European Community on Wales. Appendices to the Minutes of Evidence* (London: HMSO, 1983), p. 347.

Talbot and Llanwern, while the coal industry had received loans of almost £10 million (in contemporary prices).[106]

4.3: Welsh Office intervention

4.3.1: Land reclamation

In 1975, the Welsh Office released derelict land figures. It identified 2,685 sites (see Table 4.2) throughout Wales, covering over 20,000 hectares (78 square miles). This included some 7,000 hectares (27 square miles) where activities such as tipping, quarrying and opencast mining were still taking place.

Table 4.2: Categories of derelict land, Wales, 1975.

Area type	No. of sites	Area (hectares)
Total active areas	**609**	**7,024**
Disused areas		
Spoil heaps	1,224	8,227
Spoil heaps being reworked	88	1,095
Mineral excavations	717	3,090
Buildings and installations	822	7,567
Disused areas total	**2,166**	**14,478**
Total disused and active	**2,685**	**20,580**

Note: Land could be included in more than one category, meaning that totals may not sum.

Source: E.M. Bridges, Healing the Scars: Derelict Land in Wales, p. 51.

These figures had grown since previous estimates for two reasons. Firstly, local authorities were now undertaking more detailed surveys, and were also aware that a higher level of reported

[106] NLW, John Morris Papers. C2/17. *Prime Ministerial Speech Notes–Cardiff* (4 June 1975).

dereliction could lead to greater funding. Secondly, it was likely that what was acceptable in 1966 was no longer the case, especially as the completion of reclamation schemes meant that their potential was now apparent.[107] Over seventy per cent of sites were found in industrial South Wales, mainly related to metal smelting and coal extraction. For example, waste from the Cyfartha iron works in Merthyr Tydfil had been dumped north of the town on the 'great white tip', dominating views from the town. Other sites included disused docks at Cardiff and Barry as well as former railways and military installations. However, dereliction was widespread throughout much of Wales. For example, there were 149 slate related sites in North West Wales, including those in Gwynedd's Nantlle Valley such as Dorothea, closed in 1970.[108] Finally, lead, copper and zinc mining had left a toxic legacy throughout much of rural Wales, such as in Cwmystwyth to the east of Aberystwyth. The problem was acute in the congested South Wales Valleys. Coal waste was generally dumped adjacent to the pit head, usually located in the foot of a valley. Once there was no more space in the valley floor, waste was generally taken by an overhead ropeway or conveyor to sites high above the valley and dumped on the mountainside. This had two main impacts. Firstly, the inhabitants lived in close proximity to extensive dereliction. As well as environmental threats, with the *Western Mail* stating that 'it is hardly surprising that an industry [coal] that has dumped more than 300 million tonnes of waste in the Valleys should prove a threat to communities',[109] such sites had a depressing impact on the communities they surrounded:

> I can remember in the late 70s, playing rugby in the Rhondda, Pen-y-Graig, and towering tips above Pen-y-Graig village, with slurry coming down into the streets [...] and everyone

[107] Welsh Council, *Derelict Land in Wales*, p. 16.

[108] E.M. Bridges, *Healing the Scars: Derelict Land in Wales,* p. 23.

[109] 'In the Shadow of a Moving Mountain', *Western Mail*, 30 January 1975, p. 8.

> lived with it. I remember playing rugby at Aberdare Grammar School [...] and over the rugby pitch the colliery spoil buckets would be moving back and forth.[110]

> When I first worked at Treforest in 1977, we used to sit on a riverbank at lunchtime, and you couldn't see through six inches of water.[111]

Secondly, there was often limited space within these valleys to construct new factories. For example, after the partial closure of the Ebbw Vale steel works was announced, it was realised that there were no vacant sites in the valley.[112] Plate 4.1 illustrates this, with the part of the works to shut being the steel producing 'heavy end', located at the top of the photograph.

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[110] Interview with Ken Poole.

[111] Interview with D. Gwyn Griffiths.

[112] Ibid.

Plate 4.1: The Ebbw Vale steel works, 1972.

Source: Welsh Government, People's Collection Wales [online].

In 1976, the WDA inherited the functions of the Derelict Land Unit of the Welsh Office as well as its existing programme of land reclamation. From the same year, reclamation projects were identified, generally by local authorities, and then submitted as grant applications to the WDA. Such grants could cover the costs of acquiring the site, carrying out surveys and the restoration work, but were net of the value of the site after restoration.[113] As an example of the progress being

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[113] E.M. Bridges, *Healing the Scars: Derelict Land in Wales*, p. 38.

made by the later 1970s, the agency reclaimed some 168 hectares (0.6 sq. miles) during 1978-79.[114] Examples of sites reclaimed in this period included; the Tal-y-Sarn slate tip in Gwynedd (16 hectares), the Dyffryn Rhondda colliery tips (25.6 hectares), the disused Royal Ordnance Facility at Pembrey in Carmarthenshire (18 hectares)[115] and the Parc Mine lead and zinc waste tips in Gwynedd (see Plates 4.2 and 4.3).

Plate 4.2: Parc Mine, Llanwrst, before reclamation.

[114] *WDA Annual Reports*, 1978-79, p. 3.

[115] E.M. Bridges, *Healing the Scars: Derelict Land in Wales*, p. 55.

Plate 4.3: Parc Mine, Llanwrst, after reclamation, 1978.

4.3.2: Factory construction

Factory construction was seen as a crucial tool to address economic decline, and was thus given a high priority. Under the terms of the 1975 Act establishing the WDA, the agency took possession of all freehold land held by the government for employment purposes as well as all factories owned by the Welsh Industrial Estates Corporation (WIEC). This estate was the largest in Wales and comprised 15.3 million sq. ft. of space across 168 sites occupied by 365 companies, while 85,000 people were employed in factories constructed by the corporation since 1936.[116] The largest estates were those at Treforest, Hirwaun, Waterton, Swansea and Wrexham.[117] WDA factory building activity had four major components. Firstly, the WDA soon completed most of the existing

[116] Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975*, pp. 1-2.

[117] *WDA Annual Report 1976–77* (Pontypridd: Welsh Development Agency, 1977), p. 13.

programme inherited from WIEC, comprising some 20 new factories and a similar number of extensions.[118] Secondly, a series of greatly enlarged programmes were announced (see Table 4.3).

Table 4.3: WDA factory construction programme, Wales, 1977 to 1979.

Programme	Date of announcement	No. of factories	Sq. ft.
WDA 1	April 1977	61	305,000
WDA 2	October 1977	90	290,000
WDA 3	December 1977	18	159,000
WDA 4	May 1978	57	365,000
WDA 5	March 1979	205	806,000
Steel Programme 1 (Ebbw Vale)	April 1978	48	464,000
Steel Programme 2 (Cardiff)	May 1978	20	250,000
Total		**499**	**2,639,000**

Source: WDA–the First Five Years (Pontypridd: Welsh Development Agency, 1982), p. 6.

Thirdly, the agency responded to specific events, such as the closure of the East Moors steel plant in Cardiff and the end of steelmaking in Ebbw Vale, through 'crash' programmes of factory construction. For example, in Cardiff, public sector intervention 'swept away the remnants of the steel industry, and out of that the WDA came up and developed, 50 units, advanced factories, all the same colour, ranging from 7,500 square feet up to 50,000'.[119] Finally, the agency also began to provide bespoke premises for individual companies. For example, the Ford engine plant at Bridgend was constructed from 1978 onwards with large scale financial support from the Welsh Office. By 1980, some 1,750 employees were working at the factory.[120] While the bulk of funding

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[118] Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975,* p. 108.

[119] Interview with Ken Poole.

[120] NLW, John Morris Papers. C2/10. *Labour Market Effects of the Ford Company's New Bridgend Plant* (Cardiff: Manpower Services Commission, 1980).

for the WDA's sites and property activity was sourced from the Welsh Office, the European Regional Development Fund also provided significant resources, with some £9 million (in contemporary prices) provided to local authority infrastructure schemes and government factory projects between 1974 and the end of 1976.[121]

On commencing operations in 1977, the DBRW took responsibility for 44 factories in Newtown from the Mid-Wales Development Corporation and some 60 in the rest of mid-Wales from the WDA.[122] It quickly identified priority areas for factory construction, as outlined in Table 4.4.

Table 4.4: DBRW factory construction spatial priorities.

Growth Areas	**Special Towns**	**Key Towns**
Aberystwyth	Dyfed (Cardigan, Lampeter)	Dyfed (Aberaeron, Llandysul, Tregaron)
Ffestiniog (Bleanau Ffestiniog, Penrhyndaudraeth)	Gwynedd (Bala, Dolgellau, Tywyn)	Gwynedd (Barmouth)
Brecon	Powys (Llanidloes, Machynlleth, Knighton, Ystradgynlais)	Powys (Hay on Wye, Llanfair Caereinion, Llanfyllin, Prestigne)
Welshpool		
Radnor (Builth Wells, Rhayader, Llandrindod Wells)		

Source: NLW, John Morris Papers, B1/30, DBRW Board Policy Statement (1979).

'Growth areas' were to receive a total of 250,000 sq. ft. of factory space over five years. The DBRW also sought to attract larger investors to these locations by only constructing factories of more than 10,000 sq. ft. in such towns. 'Special towns' were to receive a total of 150,000 sq. ft. of

[121] *The Operation of the European Regional Development Fund in Wales,* p. 5.

[122] *First Annual Report* (Newtown: Development Board for Rural Wales, 1978), p. 8.

factories of less than 5,000 sq. ft. each, while ‘key towns’ were to receive a total of 50,000 sq. ft. of small units. A factory building programme was announced, totalling some 39 factories comprising some 166,000 sq. ft. of space. However, even at this early stage, the DBRW was aware that ‘the standard advance factory will not always be suitable for the new businesses that the board will stimulate from within the region’.[123] This was to be addressed through the provision of small factories aimed at start–ups. Further supplies of industrial premises were provided by the Cwmbran (New Town) Development Corporation, which by 1974 had constructed 88 factory units of between 1,000 and 20,000 sq. ft. These housed 72 companies ranging from alloy car components to frozen food wholesalers, providing employment for 1,690 people in total.

The impact of the rapid increase in factory construction was apparent by 1978. In that year, over a hundred government factories were allocated, compared to 24 in 1976 and 26 in 1977. Table 4.5 contains examples of larger allocations.

Table 4.5: Allocations of factories constructed by Welsh Office agencies, Wales, 1978.

Company name	**No. of jobs**	**Factory size (sq. ft.)**	**Location**
National Panasonic	200	50,000	Cardiff
Thorn Electrical	200	80,000	Dowlais
British Leyland	173	25,000	Llanelli
Craftdene Furniture	160	43,000	Pontardawe
G-Plan	450	25,000	Wrexham
Rehau Plastics	112	50,000	Blaenau Gwent

Source: NLW, John Morris Papers. C2/10. Note to PM on Industrial Prospects in Wales (February 1979).

[123] *First Annual Report* (Newtown: Development Board for Rural Wales, 1978), p. 9.

4.3.3: Financial support to investing companies

The later 1970s saw the culmination of a complex system of grants and loans, divided into at least six major schemes.[124] The automatic schemes (see section 4.1.2) remained under the control of central government, but authority over the discretionary schemes was transferred to the Welsh Office in 1975. These were:

1. Regional Selective Assistance (RSA): discretionary grant and loan assistance to companies creating jobs in assisted areas. Companies had to submit applications to the Welsh Industry and Development Advisory Board (WIDAB), whose members were appointed by the Welsh Office. This was often available as a top up to the automatic Regional Development Grants administered by central government.
2. Service Industry Grants: grants per employee for up to half of the total employees in an operation that had been transferred to Wales.
3. Rent support: up to two years rent free in government factories.

In 1976-77, the Welsh Office received applications relating to 120 investment projects. Most of these were expansions at existing industrial facilities, while 30 related to new investments, six for rescue assistance and nine for service sector projects.[125] 82 offers of support were made. However, attention was also being paid to the supply of loan and equity finance. In 1977, the WDA announced that its intention was ‘to complement existing public and private sources of finance for

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[124] *Information Wales* (Cardiff, Development Corporation for Wales, 1975)

[125] *Industry Act 1972–Annual Report for the Secretary of State for Industry for the Year Ended 31 March 1977* (London: HMSO, 1977), p. 25.

industrial investment and the agency's role is seen as particularly important in providing equity, loan and loan guarantee assistance […] to smaller and medium sized enterprises and particularly in high risk situations'.[126] An example of the type of company receiving support was Pak a Ladder, a small building services company based on Anglesey. It employed some 15 people in a WDA factory, and received £100,000 of loan support (in contemporary prices), with the agency taking shares in the company.[127] The WDA did not publish detailed breakdowns of the outcomes of individual investments, although the last recorded accounts for this company were lodged at Companies House in 1984, with the company being listed as having been then dissolved.

During 1978-79, the financing activities of the agency began to widen to include service sector companies, but as activity expanded, the difficulties of identifying profitable investment opportunities became apparent. By mid-1979, the agency had invested some £13.7 million (£47.6 million in 2011-12 prices) in Welsh companies, with 24 receiving more than £100,000 (£347,000 in 2011-12 prices).[128] It had written off six investments, involving some £329,000 of losses (£1.1 million in 2011-12 prices), although an internal Welsh Office note prepared in August 1980, shortly after the defeat of the Labour Government, claimed that the bulk of its investments were unsalable.[129] Its investments were generally in traditional manufacturing operations, with its largest being an over £1 million investment in P. Leiner and Sons (a gelatine manufacturer in Treforest) and its second largest being £800,000 in John Williams Foundries, a metalworking company based

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126 *WDA Annual Report 1976-77*, p. 9.

127 *Wales Ahead–the Newspaper of the WDA No. 9* (Pontypridd, Welsh Development Agency, July 1979), p. 3.

128 *WDA Annual Report 1978-79*, pp. 15-16.

129 NA, BD 40/232. *Welsh Office–Notes on Points of Interest for Permanent Secretary's Meeting with the WDA* (August 1979), p. 7.

in Cardiff.[130] However, both of these businesses were to reflect the difficulties faced by the WDA in identifying suitable investment opportunities that would provide long term employment in Wales. In 1979, P. Leiner and Sons, then employing 500 people, received an investment in exchange for a 20 per cent stake. However, a collapse in demand for the company's products caused it to be placed in the hands of receivers in mid-1980, amidst considerable controversy surrounding the role of the WDA (see section 5.3.4). John Williams Foundries was one of Cardiff's most established iron and steel foundries, having originally been established in the mid-nineteenth century. However, the company began to struggle in the later 1980s as it became squeezed by larger, more efficient competitors and it finally ceased trading in 1990.

In 1978, the Welsh Office informed the agency that it was expected to achieve a rate of return on its commercial investment capital of between 15 and 20 per cent by 1981–82. However, in its 1980–1981 annual report, the agency reported negative rates of return for 1979–80 (-15.25 per cent) and 1980–81 (-4.65 per cent).[131] Although the agency was keen to support Welsh business, making any returns on such investment was always difficult. This highlighted what was to emerge over the rest of the 1980s and beyond as one of the key challenges facing regional economic development in Wales; the existence of a 'funding gap' for businesses. Ever since the 1930s when the Bank of England had established the Special Area Reconstruction Association to lend in underperforming regions such as the South Wales Valleys,[132] it had been commonly assumed that commercial providers were reluctant to lend to viable businesses in such regions, perhaps due to a lack of local knowledge. To counter this perceived weakness, the WDA was given powers to lend. According

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[130] *WDA Annual Report 1977-78*, p. 18.

[131] *WDA Annual Report 1980-81*, p. 39.

[132] Ted Rowlands, *Something Must be Done–South Wales Versus Whitehall 1921–1951*, p. 91.

to the Secretary of State, 'the WDA made one or two blunders, one or two bad investments, including a seriously bad case in Glamorgan, but I took the view: this is what they were in business for [...] if they operated as a sort of a trustee savings bank, we wouldn't need the WDA'.[133] However, the failure to meet rate of return targets meant that the WDA was finding it difficult to identify a stream of viable projects in which to invest its funds, despite making extensive efforts to identify such projects. If neither commercial loan providers such as banks nor the WDA could find a stream of viable projects ready to receive funding and generate profit on an investment, it is likely that they did not exist in any significant volume, although even loss making investments did help to stimulate some commercial activity.

With its focus on reversing rural depopulation, the DBRW also sought to channel funds to business, stating that 'growth and new enterprise from within the board's region may be even more important in the future than industry from outside. The board is determined to nurture existing businesses in the region and to encourage new ones to develop and grasp the opportunities which exist'. Resources were also made available, though this was at a relatively low level, with some £567,000 of loans (in contemporary prices) allocated to 29 applicants with job creating projects by March 1979.[134] Both agencies thus attached great importance to addressing the funding gap, but achieving success in this area was already proving elusive in the first few years of their operation.

[133] Interview with Lord Morris.

[134] NLW, John Morris Papers, B1/30. *DBRW–The First Two Years* (1979).

4.3.4: Inward investment and business support

The balance between attracting inward investment and supporting indigenous companies was considered throughout the later 1970s, as Wales' dependence on a narrow economic base became an increasing concern. In 1978, John Morris told the CBI that the government would:

> Do everything we can to encourage more firms to move to Wales [...] but it would be wrong to expect that we will be able to build up our economy in the way that we want solely by relying on the influx of firms from the rest of Britain and from overseas.[135]

One of the most notable inward investment successes was the attraction of the 2,500 job Ford engine plant to Bridgend in 1976-77, through a combination of financial support, good communications via the newly constructed M4 and an available workforce.[136] James Callaghan, MP for Cardiff South, whose son was a senior executive within Ford,[137] was also involved. Ford also provides an example of the direct influence of the Secretary of State. The company wished to purchase the site's freehold, against the traditional government policy of only offering leasehold sites. The Secretary of State simply overruled the policy and instructed that Ford be offered the freehold, stating that 'what I did was give them the freehold. That's what devolution is about. The more [investing companies] buy [freehold], the greater the chance of them staying'.[138]

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135 NLW, John Morris Papers, B2/1. *Speech to Confederation of British Industry* (April 1978)
136 'Tempo Increases for Town With Giant Being Built on Doorstep', *Western Mail Economic Review*, 20 January 1978, p. 3.
137 Kenneth O. Morgan, *Callaghan: a Life* (Oxford: Oxford University Press, 1992), p. 655.
138 Interview with Lord Morris.

Buoyed by the success of attracting Ford, efforts to persuade investors to locate plants in Wales became increasingly high profile. A particular focus was placed on Japan and North America, whose corporations were looking for manufacturing locations which they could use to access Europe, avoiding import tariffs. The significance of securing such investments as Ford meant that the Welsh Office suddenly understood what these types of companies were looking for when choosing a location to invest; low cost labour, land and factories, good road and rail communications as well as grants.[139] As part of this drive, the Development Corporation of Wales was active throughout the 1970s, although the Wales TUC was also involved in persuading foreign industrialists to invest.[140] For example, activities in 1975 included a week long trade and investment mission to New York, involving some 200 Welsh delegates, as well as trade missions to South Africa and Australia.[141] By the late 1970s, the corporation was largely funded by the Welsh Office via the WDA, but its directors were drawn from across the public and private sectors, including representatives from sizable firms such as Hoover and GKN Rolled Steel. Links between the Development Corporation for Wales and the WDA were strengthened by the appointment of three of its board members to the board of the WDA.[142] However, it was a small organisation with a full time staff of nine with some additional part–time overseas representatives by 1979-80.[143]

In early 1975, the corporation announced that it had attracted some 380 jobs to Ebbw Vale. These jobs were in, firstly, a new manufacturing facility for the Engineering Products of London

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[139] Interview with Ken Poole.

[140] Joe England, *The Wales TUC 1974-2004: Devolution and Industrial Politics*, p. 71.

[141] NLW, John Morris Papers. B2/11. *Development Corporation of Wales. Annual Report 1974.*

[142] NLW, John Morris Papers. C2/8. *Speech to Development Corporation of Wales* (17 May 1976).

[143] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. viii.

company, secondly, an expansion at Control Data Ltd where computer components were produced and, finally, an expansion at Steel Cage Ltd where agricultural machinery was engineered.[144] By February 1979, Wales was on the shortlist for a number of investment projects, including International Harvester (600 jobs), AA Insurance Services (450 jobs), British Airways accounting (1,600 jobs), Motorola (1,000 jobs) and American Microsystems (600 jobs).[145] While most of these projects either did not go ahead or located elsewhere for undisclosed reasons, the AA did choose Cardiff when relocating from Bracknell, in part possibly because the executive in charge of the relocation was from Wales.[146] It still had a presence in the city in 2012. By the late 1970s, Wales' ability to attract investment was taking on three clear trends. Firstly, the existence of labour, factories and government incentives meant that it was able to compete for more traditional manufacturing investment, which had a focus on assembly line operations. Secondly, it was increasingly struggling to attract high-tech manufacturing, in part due to concerns as to skills availability. Finally, it was also struggling to attract office based employment, often due to similar concerns as to skills as well as to negative perceptions of Wales (see following paragraphs).

An example of a successful investment within the first category of traditional manufacturing was Sekisui UK Ltd. This Japanese manufacturer of plastics located in Merthyr Tydfil in 1978. It employed 56 people by 1987, and is still in existence today. In the mid-1970s, its UK customers were generally located in the South East of England, Midlands and North West, meaning that its initial locational search was in these areas. However, it was searching at a time when the Industrial

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[144] NLW, John Morris Papers. B2/11. *Development Corporation of Wales. Progress Wales* (Spring 1975).

[145] NLW, John Morris Papers. C2/10. *Note to PM on industrial prospects in Wales* (February 1979).

[146] Rhodri Morgan, 'AA's Going, So is my Membership', *Western Mail*, 6 October 2012, p. 15.

Development Certificate regime was still in place. The company did not want to wait up to nine months for an application to construct a factory in a non-assisted area to be processed, so instead began to look at sites in assisted areas. Sites in Wales, the North West and North East were considered, but Merthyr Tydfil was chosen as there was a suitable site that could be quickly developed, good labour availability, acceptable road links, access to suppliers, while Welsh Office grants were available.[147]

Difficulties faced by Wales in competing for inward investment projects that were focused towards the second category of high-tech manufacturing were illustrated by the INMOS technological facility. Backed by the NEB, INMOS was a semi-conductor manufacturing company that had commissioned consultants to assist with their choice of location.[148] The company wanted to identify a location that would enable the attraction of highly skilled staff. A range of criteria were identified, comprising a good image, an attractive living environment, a wide range of housing, good educational facilities for children, cultural and sporting amenities and access to London. A number of cities were then scored against these criteria, with the winner being Bristol. A somewhat annoyed Welsh Office then intervened and obtained a reworking of the study, to ensure that 'the case for locating the centre in Wales is made explicitly'.[149] The consultants did this, but as the criteria remained unchanged, so too did the conclusion, although pressure from central government eventually forced the company to locate in Newport as a condition of receiving financial support.

[147] Max Munday, *Japanese Manufacturing Investment in Wales*, pp. 141-50.

[148] NLW, John Morris Papers. C2/10. *Location of the INMOS Technology Centre*.

[149] Ibid.

Problems faced when attempting to attract investment from the final category of service sector operations can be symbolised by the experience of the Location of Offices Bureau, established by the government to advise London office businesses on relocations. According to the bureau, only Northern Ireland had received fewer jobs than Wales from companies receiving their advice in the 12 years to 1976. Detailed reasons were not provided, but the Bureau noted that negative staff perceptions of Wales were an important factor in dissuading companies from relocating.[150] The problem of negative perceptions was one that was to constantly recur when government agencies were attempting to attract more high-tech, or service based, operations to Wales. Such investors wanted to be certain that they could attract enough skilled staff. This meant choosing locations with a positive image, which was not always the case for much of Wales throughout the 1970s and beyond. For example, the Japanese electronics manufacture, Hitachi, was later to claim that it had experienced difficulties in recruiting sufficient staff at its Hirwaun plant in the Heads of the Valleys, in part due to problems in creating an image that attracted certain types of skilled staff,[151] while it had also refused to enter into a joint venture with a British firm, in part due to concerns about work practices within existing companies.[152] Ironically, many attempted relocations of government employees (such as British Rail's western headquarters), also faced perception issues over proposed locations in Wales and often foundered when staff were consulted.

It was increasingly recognised by the Secretary of State that the economic situation throughout the developed world in the mid-1970s made the encouragement of home–grown companies particularly

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[150] Garrod Whatley, 'Firms Have Shunned Wales', *Western Mail*, 26 January 1977, p. 9.

[151] Max Munday, *Japanese Manufacturing Investment in Wales,* p. 73.

[152] Interview with Garel Rhys.

important,[153] even if it was to prove a difficult area in which to intervene effectively. John Morris pointed out in the 1978 speech to the Confederation of British Industry quoted earlier that the grants available for inward investors, such as regional selective assistance, were also available to indigenous firms.[154] However, he also stated that this was not sufficiently understood by locally owned firms, and asked those present to carry out 'missionary' work to help publicise the availability of financial support. The need to diversify the economic base and attract new types of industry was also apparent to those involved in local government with Ron Davies, leader of Machen Council, stating that:

> The local authority was very, very concerned at diversifying, that was a word that we used even back then, diversifying the local economy by developing industrial estates, and trying to change the pattern of employment by getting new industries in.[155]

Shortly after the DBRW commenced operations in 1977, a programme of visits to firms began, with the aim of providing advice on a range of subjects such as costing and financial control, design, packaging and sales. By March 1979, some 1,300 visits had been made.[156] The WDA was also active in providing similar advice, through its Small Business Advisory Unit. By March 1979, 3,000 small businesses were being visited and advised per year. Such visits involved the provision of a broad range of advice on subjects including advertising, exporting and financial support.[157]

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[153] Hansard HC. 28 February 1977, Vol. 927, c. 69 (debate).

[154] NLW, John Morris Papers, B2/1. *Speech to Confederation of British Industry.* April 1978.

[155] Interview with Ron Davies.

[156] NLW, John Morris Papers, B1/30. *DBRW–the First Two Years (1979).*

[157] *Wales Ahead–the Newspaper of the WDA* No. 10. *(1979),* p. 5.

4.3.5: Agriculture and tourism

Intervention was a defining element of the European Economic Community (EEC) through its Common Agricultural Policy (CAP), a price support system that sought to raise consumer prices via import restrictions. This then led to price increases that stimulated additional production, which could not be sold openly as it would depress prices. Such produce was therefore purchased by the CAP, and either stored, destroyed or exported. Exports were often subsidized so that they could be sold at world prices.[158] These measures aimed to meet the requirements of Article 39.1 of the Treaty of Rome (that established the European Economic Community in 1957) to ensure that agricultural output was maintained, enable a fair standard of living for farmers and to ensure that sufficient supplies reached the consumer at reasonable prices.[159] Decisions relating to the operation of the CAP were made jointly by EEC member states, with no input from administrations operating at a level below that of a member state, such as the Welsh Office. Direct payments made to Welsh farmers fell into one of two categories. Firstly, the CAP was expanded to allow the UK to continue with its tradition of hill farming subsidies through the introduction of the Less Favoured Area Scheme. Introduced in 1975 and administered by the Welsh Office, this compensated hill farmers for their higher cost of production and sought to maintain rural populations. Fifty seven per cent of Wales' land area was covered by the scheme throughout the later 1970s.[160] Secondly, a range of schemes, such as the Non-marketing of Milk Conversion Scheme and the Farm Capital Grants

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[158] John Marsh and Pamela Swanney. *Agriculture and the European Community* (London: George, Allen and Unwin, 1980), p. 21.

[159] Rosemary Fennell, *The Common Agricultural Policy of the European Community* (London: Blackwell, 1987), p. 8.

[160] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 159.

Scheme, were created to address structural problems such as an over reliance on milk production and the continued need for capital investment. By 1979, the Welsh Office was allocating over £100 million (in 2011-12 prices) to farms. The complexity of dealing with thousands of payments meant that its agriculture division was one of its largest,[161] with the transfer of administrative powers in 1976 seeing 680 civil servants added to its complement of 1,500.[162]

The importance of tourism had long been recognised by local authorities, while the steady decline of manufacturing employment throughout the 1970s led to increasing interest in its job creating potential. According to a 1974 study, hotels and accommodation employed the equivalent of over 27,000 full time people, with the broad tourism sector providing direct or indirect employment for 83,000 full time equivalents,[163] although such estimates included a very broad range of activities. By 1974, the WTB had been established for five years as a non-departmental, semi-independent, public body with its own board. It had two main areas of activity. Firstly, it carried out promotional campaigns within the UK. For example, in 1975-76, the WTB produced some 650,000 copies of a promotional brochure, and escorted 300 travel representatives on tours of Wales.[164] However, under the terms of the 1969 Act that established the board, it was barred from independently undertaking overseas promotional activity. This was reserved for the British Tourist Authority (BTA), although the WTB could take part in BTA programmes. Secondly, it was able to award financial assistance in the development areas. From 1978, it was also able to assist projects

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[161] Russell Deacon, *The Governance of Wales–the Welsh Office and the Policy Process 1964–99,* p. 155.

[162] John Osmond, *Creative Conflict–the Politics of Welsh Devolution*, p. 39.

[163] K.D. George and D.G.Rhys. ‘The Service Sector’, in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 233-262 (p. 255)

[164] *WTB Annual Report*, *1975-76*, pp. 10-12.

in the intermediate areas, which brought all of Wales into an eligible area (see Map 4.1).[165] This was known as Section 4 assistance after the relevant portion of the 1969 Act, and supported the capital cost of projects that increased the quality of tourist facilities, such as hotels with en–suite facilities. In 1975-76, the WTB awarded a total of £660,000 (some £3.4 million in 2011-12 prices) to 58 projects, creating some 420 jobs.[166] However, it was a small organisation, with operating expenditure of less than £750,000 (some £4.4 million in 2011-12 prices) in 1975-76, set against an industry worth some £250 million a year (£1.45 billion in 2011-12 prices).[167] Its potential for intervention was thus limited.

Despite this, it was seeking to develop and promote tourism wherever it could, and the emerging field of heritage was one such area. For example, the NCB's offer of the geologically stable colliery of Big Pit in Blaenafon for use as a museum gained the WTB's interest. In 1979, it participated in a joint study to assess the pit's tourism potential, which stated that 'coal mining occupies a special place in the industrial, social and cultural history of Wales. It is fitting that this most Welsh of industries should have a specialist museum.[168] The WTB had a 'particular interest' in Big Pit, which it felt had 'real potential for bringing economic advantages of income and employment',[169] although the development would create a small number of jobs, especially when compared to those provided by the colliery as late as 1970, when 500 men were employed. Overall, the tourism industry was struggling to compete against the lure of packaged overseas destinations. As a result, the number of

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[165] Harris, Derek, 'More Government Aid Planned for Tourism in England and Wales', *Times*, 23 November 1978, p. 24.
[166] *WTB Annual Report, 1975-76*, p. 8.
[167] Ibid, pp. 3,18.
[168] NA, BD 96/3. *The Tourism Potential of Big Pit, Report by Joint Steering Group*, 5.2.
[169] Ibid, 2.6.

trips and bed nights taken by British tourists to Wales decreased by some ten per cent between 1972 and 1978.[170]

4.4: Government expenditure

Table 4.6 outlines expenditure between 1974-75 and 1978-79, ranging between £1.37 billion and £1.95 billion per year (in 2011-12 prices). Total expenditure was some £8.2 billion (in 2011-12 prices), an annual average of some £1.6 billion (in 2011-12 prices).

Table 4.6: Regional economic development expenditure, Wales, 1974-75 to 1978-79.

	£ Million (2011-12 prices)					Change (1974-75 to 1978-79)	
Type of expenditure	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**£m**	**Per cent**
Industrial subsidies (a)	476	560	543	351	351	-125	-26
Funding for development agencies (b)	35	54	104	150	208	173	489
Grants and loans to nationalised industries	886	610	494	620	235	-651	-73
Agriculture	166	163	123	112	102	-64	-39
European loans (c)	60	497	378	62	540	480	804
European grants (c)	26	70	66	71	102	76	298
Total	**1,649**	**1,953**	**1,709**	**1,366**	**1,538**	**-111**	**-7**

Notes

(a) These data include allocations made to investment projects that may not have been fully drawn down by the applicant companies.

(b) These data are government grant in aid. Total budgets were often boosted from other sources such as asset disposal and factory rentals. The exception is the Land Authority for Wales; these data are increases in government loan support.

(c) Data for European loans and grants, and some agricultural schemes, not available on a financial year basis. Data included on the basis of 1974 calendar year data recorded as 1974-75 financial year etc.

Source: See chapter nine for data sources.

[170] *Digest of Welsh Statistics, No. 30, 1984*, p. 162.

Chapter nine contains analysis of the overall trends between 1974 and 1997. However, when examining trends within the relatively short period between 1974 and 1979, it is worth noting that the complexities of administrative devolution meant that the Welsh Office had differing levels of control over the level and use of each type of expenditure. For **industrial subsidies**, central government's Department for Trade and Industry administered the automatic Regional Employment Premium (abolished in 1976) and Regional Development Grant schemes that jointly accounted for over 80 per cent of industrial subsidies. However, the discretionary Regional Selective Assistance scheme was controlled by the Welsh Office after 1975, with budget allocations generally decided after negotiations between the Welsh Office and central government. Expenditure on industrial subsidies increased till 1975-76, but then dropped rapidly as traditional policy approaches based on industrial certificates and direct grants were increasingly questioned across the UK.

For **economic development agencies** such as the WDA and the DBRW, the Welsh Office was able to prioritise expenditure. At the same time as industrial subsidies were in retreat, the creation of such agencies led to a rapid increase in expenditure, while Cwmbran Development Corporation and the Wales Tourist Board continued their activities. While the DBRW and the WDA did not exist in 1974-75, Welsh Office support had reached some £208 million (in 2011-12 prices) by 1978-79 as large-scale site reclamation and factory construction programmes were launched. During this year, some 80 per cent of the total expenditure on economic development agencies was attributable to the WDA and DBRW.

For the **nationalised industries** such as coal and steel, the Secretary of State for Wales had no direct influence over government support. The difficulties faced by the nationalised steel and coal industries were reflected in the gigantic scale of state support, most of which was in the form of loans. Between 1974-75 and 1978-79, the coal and steel industries in Wales absorbed a total of £2.8 billion (in 2011-12 prices) of loans or subsidies. An as indication of the scale of support, contemporary figures released by the Welsh Office stated that such support accounted for some seven per cent of all identifiable public expenditure[171] in Wales in 1978-79.

For **agriculture**, the Welsh Office had no control over the workings or budgets of the CAP, with decisions being taken collectively by member state governments at a European level. The main elements of the CAP were administered by the European Commission but the Welsh Office was responsible for a number of direct payment schemes. The introduction of CAP in the UK led to a sharp decline in direct payments to farmers, who were now receiving increasing levels of indirect support from Europe. Although official data for indirect support at a Wales level are not available, it has been estimated that total support across all forms of intervention doubled during the period in constant terms.[172]

For **European grants and loans**, the Welsh Office had very little influence over the overall budgets or the uses to which they were put. During the 1970s, such programmes were generally administered directly by European level institutions. The figures for European grants increased from £26 million in 1974-75 to £102 million in 1978-79 (in 2011-12 prices) as regional policy

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[171] This includes all Welsh Office activities and most of those controlled by central government, such as social security and justice, but not others such as defence. However, the Welsh Office stated that 'the extent to which expenditure can be identified varies both between countries and from year to year. The coverage of the figures, therefore, may vary even when similar services are being provided' *(Welsh Economic Trends No. 6, p. 107); Welsh Economic Trends No.6 1979* , pp. 85-86.
[172] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 151.

became established as one of the key instruments of the European Economic Community. The fluctuations in loan support were mainly caused by loans to large infrastructure projects and modernising investments in the coal and steel industries (such as coke handling facilities at Port Talbot).[173]

The overall picture is one of high levels of support to nationalised industries as well as rapidly increasing expenditure on economic development bodies and European projects. However, these were offset by a dramatic fall in industrial subsidy. Such changes were consistent with the refocusing of policy that was taking place across the UK by the late 1970s, which placed less emphasis on direct industrial subsidy (and location controls) to attract investment to development areas. Instead, a greater focus was to be placed on a broader approach that was to be led in Wales by powerful development agencies.

4.5: Conclusions

During the mid to late 1970s, the overall employment base in Wales remained fairly static, as did relative wage and GDP levels. Even though unemployment rose to new highs, it remained below the levels that would be reached in all subsequent years prior to 1997. However, this is not to say that all was well with the economy. As outlined in chapter three, the economy was in some respects a product of government intervention that had sought to balance decline in the main sectors of agriculture, coal and steel with an active regional economic policy that had attracted many manufacturing operations. In the mid-1970s, the economy was thus characterised by a relatively

[173] European Investment Bank, *Finance Contracts Signed* [online].

high dependence on activities either in decline (such as nationalised industries) or those that were entering decline (such as manufacturing), when compared to the UK as a whole. Against this background, economic pressures were building on three fronts. Firstly, the nationalised steel industry saw plant closures and rationalisations being carried out or considered as competitive pressures mounted. Such closures began the process of retrenchment which was to be continued after 1979. Secondly, economic turbulence elsewhere in the UK meant that more prosperous regions which had supplied a 'surplus' of investment projects to development areas could no longer do so. The flow of factories to Wales began to reduce, and manufacturing employment declined as the process of deindustrialisation began to pick up speed. By 1979, the Secretary of State for Wales was noting that the manufacturing position 'changes day in day out, but the overall trend being downwards'.[174] Finally, the agricultural workforce continued to decline, and while coal appeared to have something of a renaissance for much of the early to mid-1970s, this was not to last.

The period between 1974 and 1979 saw the virtual end of the post-war consensus approach to regional economic policy. For example, many of the most important instruments such as the Regional Employment Premium and Industrial Development Certificates were discontinued or downgraded. Instead, polices were introduced that provided direct wage subsidies (such as the Regional Employment Premium) in an effort to maintain employment throughout the UK. At the same time, the effectiveness of regional economic policy was increasingly being questioned. For example, the inspector in charge of the 1976 planning inquiry into the proposed expansion of

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[174] NLW, John Morris Papers. C2/10. *Note to PM on Industrial Prospects in Wales* (February 1979).

Cwmbran new town responded to objections from local authorities in the Valleys by pointing out that no-one in forty years had found a solution to their economic problems.[175]

This virtual end of the post-war consensus approach to regional economic policy occurred for three reasons. Firstly, deindustrialisation and relative economic decline throughout the UK meant that there was no longer a surplus of factories that could be diverted to areas of greater need such as Wales. Secondly, the need to control public expenditure meant that central government was looking for savings. Finally, the cost–effectiveness of regional polices was being questioned, as previously dominant thinking regarding the extent to which governments could manage the economy fell out of favour. Part of this process included the discrediting of the state as a manager of large industrial enterprises, as losses mounted. For the Labour Party, such rethinking has come to be symbolised by James Callaghan's 1976 speech to the Labour Conference about the impossibility of 'spend[ing] our way out of recession'. Changing views within the Conservative Party can be illustrated by the visit made by Keith Joseph, a pivotal figure in the rise of Margaret Thatcher, to South Wales in 1976. This visit was part of a somewhat quixotic attempt to convince the electorate that they would have 'a brighter life with Margaret', during which he stated that 'the priority must be job creation and this depends on less taxation, less public expenditure, less strikes and more encouragement for the small businessman'.[176] The overall focus was to be on less intervention on the basis that this would enable a greater level of business activity. While this was to prove effective in areas with a more robust private sector, the risk was that activity in regions that depended on state intervention could simply collapse.

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[175] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation*, p. 209.

[176] 'A Brighter Life with Margaret, Says Sir Keith', *Western Mail*, 17 January, 1976, p. 5.

Against this background, a range of economic and political factors were driving the Welsh Office's policies between 1974 and 1979. In economic terms, there was a sense that the foundations of the economy were not as solid as they appeared, with a relatively small number of successful Welsh firms and high dependence on branch factories and nationalised industries. Secondly, it was aware that central government's commitment to regional economic policy was in decline. These factors combined to create an economic rationale for interventions led by the Welsh Office. As well as this, powerful political factors were also at work. While John Morris was a strong believer in the active role of governments, he was also a staunch supporter of devolution. This was true both in administrative terms, where he was constantly pushing for more powers to be transferred to the Welsh Office that could form the basis for a governmental machine that could be taken over by an elected Welsh Assembly, and in political terms, where he led the unsuccessful drive for such an Assembly.

Politics and economics came together in the later 1970s to create a dynamic that saw the establishment of three powerful economic development agencies, even as central government was downgrading its commitment to regional policy and the nationalised industries were coming under pressure. This pattern of decreasing central government intervention, partially compensated by increasing Welsh Office intervention, was observed by the *Western Mail* in 1976, noting that:

> The government announced the death of 30 years of British regional policy. The traditional 'stick and carrot' method of attracting industry to development areas is being put away and regional and industrial policy will now go on the offensive. Instead of waiting for firms to

> come to the government [...] the new agencies will spot the industrial opportunities and will go out to exploit them.[177]

The WDA soon established itself as a flagship organisation, and immediately began to embark on its core mission to promote the physical and industrial regeneration of areas scarred by the prolonged industrial decline. In mid-Wales, the DBRW initially focused on factory construction. The new organisations were acutely aware of the need to diversify the economy away from its traditional dependence, as was local government.[178] However, the fundamental issue was that the gradual economic changes were so far–reaching that intervention could not realistically hope to solve all the problems. Despite this, the Welsh Office and its agencies did have a positive impact on the economy at the time, especially in terms of land reclamation and factory construction. The financing activities of the WDA were less effective, when measured by financial rates of return, but the problem here was caused by a lack of commercially viable investment opportunities, although its investments did at least support a greater level of economic activity. At the same time, John Morris was consistently criticised for his reluctance to publish an all Wales economic plan. In reality, the establishment of development agencies was in itself a powerful statement of intent, and while the existence of a plan may have made for easier and more effective co-ordination between local government, economic development agencies and the Welsh Office, it would have been unlikely to have significantly enhanced the effectiveness of their actions.

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[177] Rhodri Morgan, 'Ballet Lessons for a Developing Front Row', *Western Mail*, 3 February 1975, p. 8.

[178] Interview with Ron Davies.

The economics and politics of the 1970s have become symbols of decline, decay and strife. The decade is viewed through the prism of the three day week, the IMF loan and the winter of discontent. At a UK level, it was a difficult decade and one which saw the collapse of the post-war consensus, followed by the winter of discontent in 1978-79 and a Conservative Government that was determined to take a very different approach to economic management. However, the Welsh experience was somewhat different to those of the UK as a whole although there were, of course, some similarities. In general, while the UK experienced a crisis of confidence in the 1970s, this was less intense in Wales as energies were diverted into devolution and cultural debates rather than the intense and often doom laden state of the nation discourses that predominated at a UK level. While the 1979 general election saw a swing to the Conservatives in Wales, they obtained less than a third (32.2 per cent) of the votes, substantially less than that achieved at a UK level.[179]

Writing to James Callaghan in February 1979 with an update on Wales' industrial prospects, the Secretary of State said that 'despite all our efforts, we have to run very hard to stand still in terms of jobs'.[180] This was a prophetic statement, given what was to happen in the years to come. However, it is worth noting that the approach to tackling Wales' economic problems through arm's length economic development agencies with their own boards was to be adopted almost wholesale by the Conservatives after 1979, with the WDA itself remaining in place until 2006.

[179] D. Balsom, 'Public Opinion and Welsh Devolution', in *The Welsh Veto–The Wales Act 1978 and the Referendum,* ed. by D. Foulkes, J. Jones and R Wilford, pp. 197-215 (p. 198).
[180] NLW, John Morris Papers. C2/10. *Note to PM on Industrial Prospects in Wales* (February 1979).

5: Change and continuity (1979 to 1987)

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5.1: Economy and policy - UK

5.1.1: Economic trends and political reaction

The period immediately after 1979 saw a deep recession characterised by industrial turbulence and very heavy job losses in manufacturing. Between the third quarter of 1979 and the first quarter of 1982, the UK economy contracted by some 6 per cent. This was the deepest recession since the 1930s, and output did not recover to its pre-recession level until the third quarter of 1983.[1] However, the economy then began to expand rapidly, growing by 3.4 per cent in 1985, 4.9 per cent in 1986 and 4.7 per cent in 1987. These rates were significantly in excess of that achieved during the post-war 'golden age' between 1949 and 1973. However, this recovery was strongest in those regions with a greater concentration of service sector employment.

One of the great economic enemies of the 1970s, inflation, was gradually reduced from its 1979 and 1980 levels of 13.4 and 18.0 per cent. By the mid-1980s (1983 to 1986), annual inflation was reduced to some 6.0 per cent. In relation to industrial action, disputes such as those in the coal industry meant that the number of working days lost to industrial action increased from some 12 million in 1980 to some 27 million in 1984. However, this then began to drop, declining to some 3.5 million in 1987. However, unemployment surged from just over one million (3.8 per cent) in May 1979 to reach a post-war high of over 3 million (10.6 per cent) in January 1986. By the time of the general election in June 1987, it had dropped slightly to 2.8 million (9.5 per cent). At the same time, the depth of the recession meant that employee jobs fell by some 9.3 per cent between 1979 and 1983. Growth up till 1987 was not sufficient to allow the levels of employment to reach

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[1] *The Long-Term Impact of Recessions* (Cardiff: National Assembly for Wales, 2010), p. 3.

pre-recession levels. Manufacturing employment reduced by some 30 per cent, dropping from some 7.3 million people to 5.2 million.[2]

By 1979, the relative economic decline of Britain was a dominant political and cultural issue, with the combination of inefficiency and unrest being dubbed the 'British disease'.[3] Margaret Thatcher's new government was determined to rid Britain of this label through a programme of strengthening private enterprise, reducing regulatory burdens and restricting the role of the state, especially through the rationalization and privatisation of nationalised industries. This was a clear break with the post-war consensual acceptance of the desirability of state intervention in the economy.[4] Demand management and full employment were now formally abandoned as central aims of government policy. Inflation was to be reduced, not by a wages policy, but instead through controlling the supply of money in circulation (monetarism). This was to be achieved through measures including reductions in government expenditure and increases in interest rates. The government's first budget in 1979 cut public spending and reduced income tax, with the remaining shortfall in revenue being met through the near doubling of VAT to 15 per cent.[5] Exchange controls, previously used to restrict capital flight that could impact on sterling, were abolished, while interest rates were increased. This did not meet with immediate success. By the end of the year, inflation was forecast to reach 18 per cent, public borrowing was expected to increase and

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[2] *Annual Abstract of Statistics* (London: HMSO, 1981), p. 151; *Annual Abstract of Statistics* (London: HMSO, 1993), p. 108.

[3] Allan Chatterton and Ray Leonard, *How to Avoid the British Disease–Industry in the Eighties* (London: Northgate, 1979), p. 1.

[4] Nicholas Crafts, *The Conservative Government's Economic Record: An End of Term Report* (London, Institute of Economic Affairs, 1997), p. 9.

[5] Hugo Young, *One of Us* (London: Pan, 1993), p. 148.

business confidence had collapsed. The economy was now in a severe downturn due to fiscal tightening, a restrictive monetary policy, depressed world trade and the impact of high sterling exchange rate on exporters.[6] Against this background, Lord Kaldor, the architect of Harold Wilson's regional economic policy in the 1960s, described monetarism while visiting Cardiff in 1980 as 'a terrible curse–a visitation of evil spirits that has devastated our country'.[7]

The economy finally began to grow in 1982, due to reasons including increased levels of consumer confidence and expenditure caused by the abolition of hire purchase controls, an increase in real incomes reflecting reduced inflation, higher levels of bank lending and a reduction in the rate of household savings.[8] However, growth was mainly concentrated in service sectors which tended to have less of a presence in areas traditionally dependent on agriculture, industry or mining. By the mid-1980s, there was a growing 'north–south' divide, with the 'south' comprising London, the South East, South West and the East of England, in an echo of the 'inner' and 'outer' Britain of the 1930s that had continued to some extent in the post-war era. 'Southern' areas generally had lower unemployment, higher employment and higher levels of prosperity than were to be found in the rest of the UK.[9] Overall, the economic experiments of the early 1980s may have enabled the overall UK economy to eventually renew itself, but the sudden collapse of traditional manufacturing had devastating and long-lasting consequences for areas with a high dependence on such activity.

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[6] Tom Clark and Andrew Dilnot, 'British Fiscal Policy Since 1939', in *Cambridge Economic History of Modern Britain (Vol 3)*, ed. by Roderick Floud and Paul Johnson. (Cambridge: Cambridge University Press, 2004), pp. 368-398 (p.391).

[7] 'Kaldor Warns of 3.5 Million Jobless in Two Years', *Western Mail*, 4 December 1980, p. 11.

[8] William Keegan, *Mrs Thatcher's Economic Experiment* (London: Penguin, 1984), p. 177.

[9] Paul Balchin, *Regional Policy in Britain–the North South Divide*, p. 59.

5.1.2: Regional economic policy, and its impact on Wales

The new administration in 1979 had little appetite for traditional regional economic policy where companies were encouraged or compelled to locate in areas of high unemployment. Regions were instead to be made more attractive to investment through factors such as lower wages, deregulation and trade union reform.[10] In 1984, Norman Lamont, a DTI Minister, rhetorically asked what regional policy had achieved in the previous two decades, answering 'nothing […] we cannot solve the unemployment problem by regional policy. We can only solve it through general economic policy, by getting interest rates and inflation down'.[11] However, areas that had struggled for decades to attract investment or develop indigenous momentum, instead relying on state intervention, were unlikely to see a sudden flowering of business activity. In such areas, the cultural infrastructure necessary to facilitate new investment, such as an established group of entrepreneurs that could take the lead in developing new businesses, was not generally in place. The system of Office Development Permits and Industrial Development Certificates was soon scrapped, while a new assisted area map (see Map 5.1) was introduced in 1982. Mid-Wales lost its assisted area status, while the percentage of economically active people in Wales living in such areas reduced from 100 per cent to 93 per cent.[12] However, this percentage remained the highest of any part of the UK.[13]

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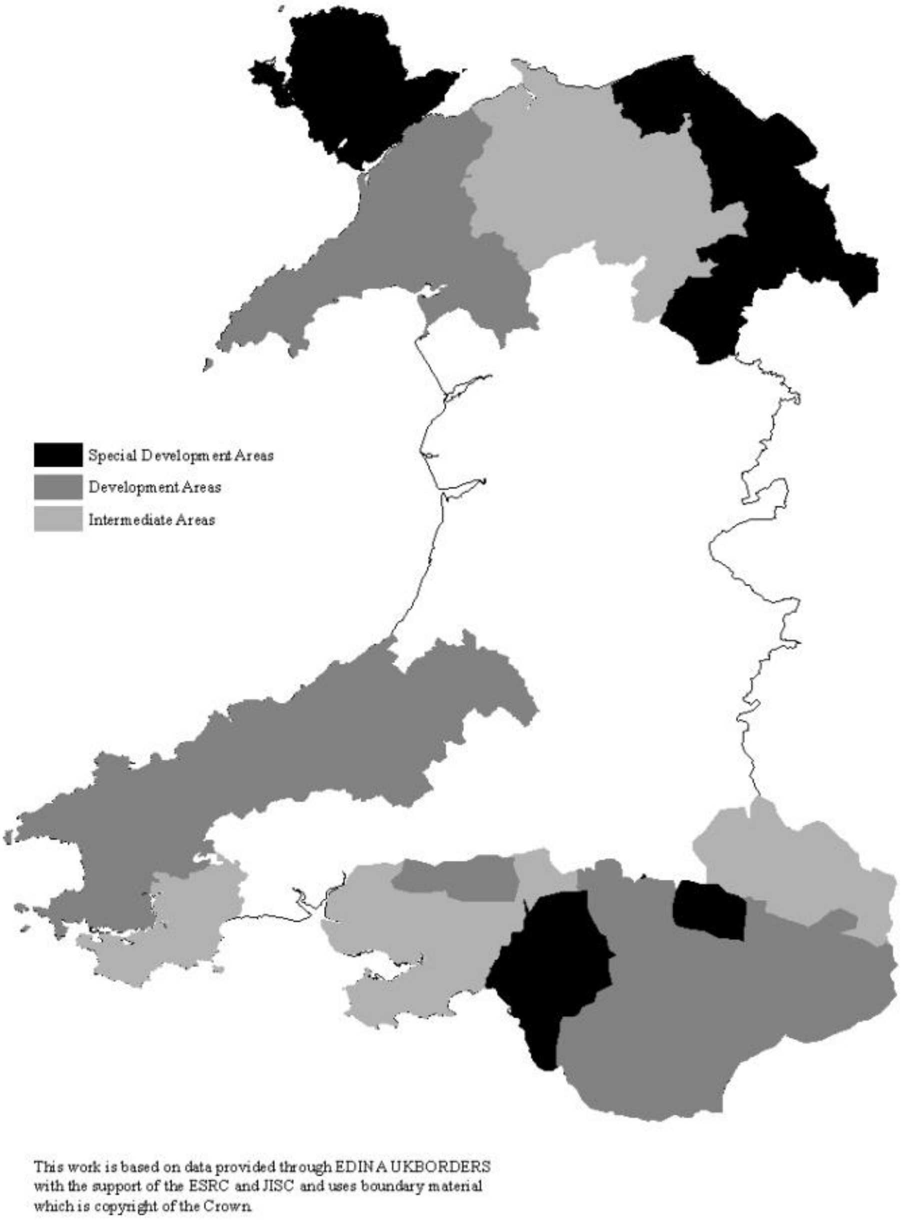
[10] Kevin Morgan, 'Reviving the Valleys: the Urban Challenge in South Wales', in *Papers in Planning Research No. 141* (Cardiff: Cardiff University, 1993), p. 2.

[11] Hansard HC, 28 November 1984, col. 946 (debate).

[12] Hansard HC, 4 November 1986, Vol. 103, c.415 w (answer to written question).

[13] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. xviii.

Map 5.1: Assisted areas, Wales, 1982.



Source: Industrial Development Act 1982. Annual Report 1984-85. (London: HMSO, 1985), p. i.

During its first term, the Conservative Government continued the trends that had been established in the latter years of the previous administration in relation to regional economic policies. In 1980, the

Labour chaired House of Commons Committee on Welsh Affairs (established in 1979) noted that a diminution of the mechanism and effectiveness of regional policy had been taking place since 1976.[14] Despite this, the depth of the recession did see a temporary increase in industrial subsidy until 1981-82. However, such expenditure then dropped by almost a third in real terms between 1982-83 and 1986-87. At the same time, the previous trend of increased expenditure on employment subsidies continued. Expenditure on such measures across the UK was some £321 million by 1978-79 but increased rapidly to some £1.45 billion by 1982-83 (in 1996 prices).[15]

The government's approach to regional economic policy was symbolised by its creation of enterprise zones, which enabled companies to benefit from less onerous planning regulations. The first zone in the UK was in the lower Swansea Valley on a large area of brown field land previously occupied by smelting works,[16] which was followed in Wales by Delyn and Milford Haven.[17] The reducing commitment of central government to an active regional economic policy, as well as the difficulties caused by Wales' negative image, can be further illustrated by a dispute involving the Welsh Office, the Bank of England, the Department for Employment and the Treasury. In 1980, the Welsh Office unofficially discovered that the Bank of England was considering relocating some of its staff from London (although its headquarters would have remained there), and had shortlisted Norwich and Bristol. The new Secretary of State for Wales, Nicholas Edwards, wrote to the Bank of England suggesting South Wales as a location. He received a reply from the Deputy Governor of

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[14] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. xvii-xviii.

[15] Colin Wren, *Industrial Subsidies*, p. 105.

[16] E.M. Bridges, *Healing the Scars: Derelict Land in Wales*, p. 45.

[17] John May, *Reference Wales* (Cardiff: University of Wales Press, 1994), p. 165.

the Bank of England stating that South Wales was unable to satisfy the chosen criteria of being 'acceptable' to his staff, as well as being able to provide suitable employment for their spouses.[18] An irate correspondence then ensued, including a complaint from the Secretary of State for Employment, Jim Prior, to the Chancellor of the Exchequer, Geoffrey Howe, that 'the credibility of regional policy was at stake' if such moves did not take into account economic need when choosing potential locations.[19] A comment from the Bank of England that Cardiff was viewed as a place of potential social unrest did little to calm the dispute. However, the Chancellor was unwilling to intervene, the Bank of England quietly shelved the proposed move, and its staff remained in London. Despite this, regional policy was not entirely abandoned. For example, the Shotton area of North East Wales was designated as a Special Development Area after the partial closure of its steelworks in 1980, while significant resources were released to construct factories in areas hit by the run-down of the steel industry. However, the re-election of the Conservatives in 1983 was to herald further change. The view of the Secretary of State for Trade and Industry, Norman Tebbit, was that regional policy had given 'huge subsidies to rich companies to make investments [that] they would have made anyway and attracting some scarcely viable businesses prone to collapse in any recession'.[20] At the same time, regional economic policy was now to be seen as a social policy, as opposed to an approach that sought to restructure and support regional economies.

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[18] NA, BD 40/232. *Letter From Deputy Governor of the Bank of England to the Secretary of State for Wales* (27 August 1980).

[19] NA, BD 40/232. *Letter From Secretary of State for Employment to Chancellor of the Exchequer* (11 September 1980).

[20] Norman Tebbit, *Upwardly Mobile: an Autobiography* (London, Weidenfeld and Nicholson, 1988), p. 214.

Speaking in the House of Commons in 1983, Norman Tebbit stated that:

> Although the economic case for regional industrial policy today is not clear cut, and the economic costs of such policies must be set against the benefits, there remains a social case for regional industrial policy to reduce regional imbalances in employment opportunities.[21]

Against this background, the Special Development Tier was abolished, leaving a two tier approach centred on a new map of Development and Intermediate Areas that had the highest unemployment (see Map 5.2). Overall, the percentage of the economically active (those in work or seeking work) population of Wales living in an area where automatic grants applied dropped from 93 per cent in 1982 to 38 per cent in 1984.[22] At the same time, Regional Development Grants (RDG) were reformed. While payments continued under the previous scheme to projects that had been approved, it now focused on supporting labour intensive projects, as opposed to, for example, oil refineries, and was extended to the service sector.[23] The revised scheme was known as RDG II and was administered by the Welsh Office from 1984, meaning that virtually the entire regional grant regime was now administratively devolved.[24]

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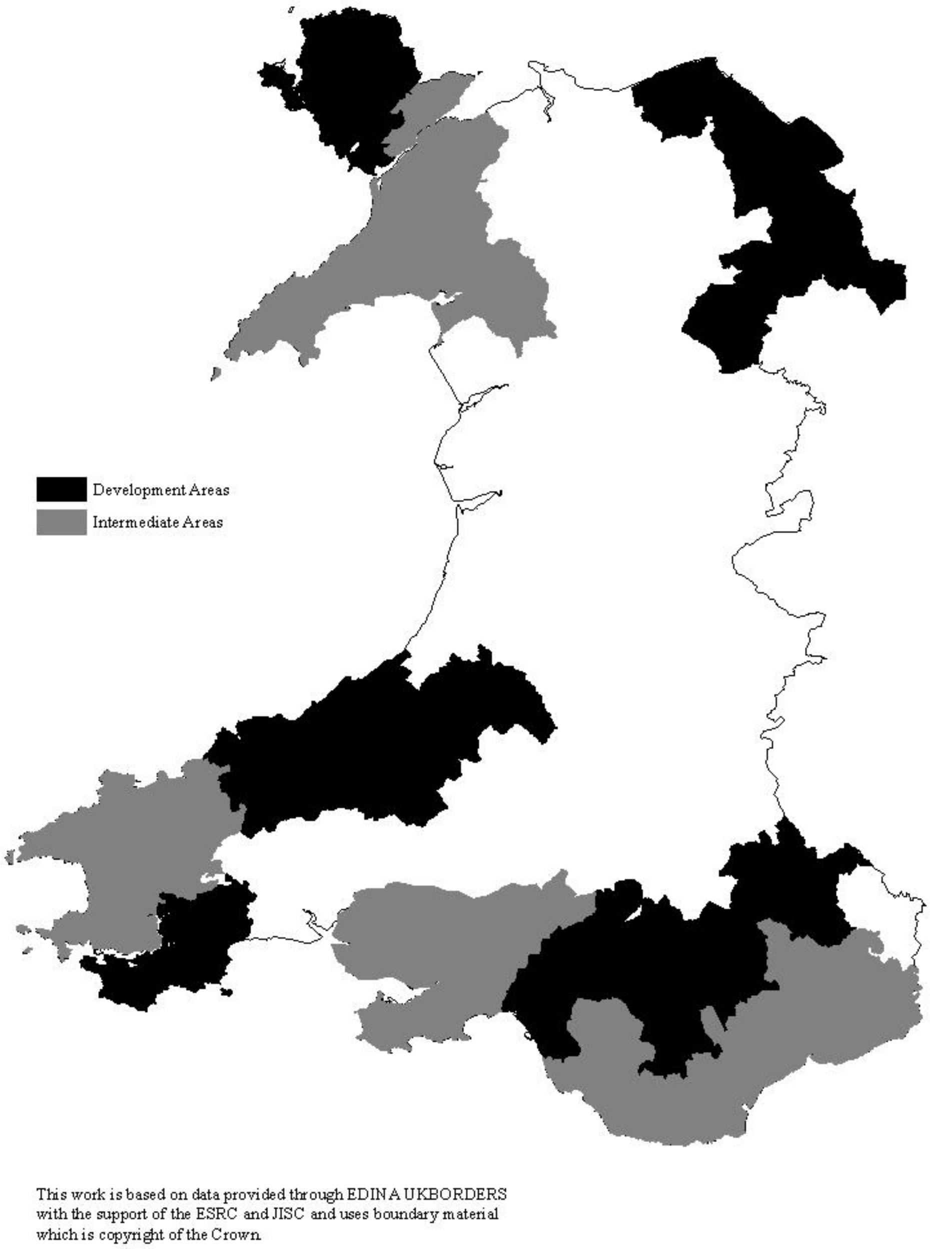
[21] Hansard HC. 13 December 1983, c. 839 (debate).

[22] Hansard HC. 4 November 1986, Vol. 103, c.415w (answer to written question).

[23] *Department of Trade and Industry, Scottish Office and Welsh Office: Arrangements for Regional Industrial Incentives,* p. 5.

[24] Hansard HC Deb 27 March 1987, Vol 94 c.586w (answer to written question).

Map 5.2: Assisted areas, Wales, 1984.



Source: Industrial Development Act 1982. Annual Report 1984-85 (London: HMSO, 1985), p. ii.

The downgrading of regional policy and its rebranding as a social policy led to further reductions in grant budgets after 1982-83. However, central government was prepared to directly intervene in some cases to offset the impact of industrial decline, even while its commitment to regional policy was sharply reducing. For example, Courtaulds announced the closure of its synthetic textile plants in North East Wales in 1986. However, it had neglected to inform the Welsh Office prior to making the announcement, while the Prime Minister was due to visit the area. The company's Chief Executive was summoned to a 'rather interesting' meeting in Downing Street, during which he received a 'grilling' and was 'persuaded' to clear up the sites, one of which was heavily polluted, and help with job creation schemes.[25] Table 5.1 shows how UK expenditure on regional economic policy fell substantially, offset by an increasing focus on urban and employment measures.

Table 5.1: Expenditure on UK regional economic policy, 1982-83 to 1986-87.

	Government expenditure (£m) (c)		
Year	**Regional policy (a)**	**Urban policy (b)**	**Employment**
1982-83	792	391	1,499
1983-84	526	391	1,220
1984-85	503	478	1,759
1985-86	505	478	1,889
1986-87	480	478	2,262

Notes

(a) Non-recoverable grants.

(b) Averages of total expenditure between 1981-82 and 1983-4, and 1984-85 to 1986-87.

(c) All figures in 1996 prices.

Source: Colin Wren, Industrial Subsidies, p. 159, 137, 132.

[25] Interview with Lord Crickhowell.

5.2: Economy and policy - Wales

5.2.1: Economic trends and political reaction

The recession of the early 1980s led to rapidly rising unemployment in Wales and a profound sense of shock. By March 1981, there were 146,800 people registered as unemployed in Wales, compared to 5,100 vacancies as notified to the employment service.[26] Later in the same year, John Morris, the former Secretary of State for Wales and Labour MP for the steel area of Aberavon, was talking of a 'crisis situation, getting more catastrophic every day'.[27] According to contemporary observers in the South Wales Valleys:

> I was working at Kayser Bondor [a Merthyr Tydfil clothing factory] they were flat out. But I went to university in '79, and within a year the factory which employed 330 people, plus they had satellite operations, was closed [...] a lot of the factories that were employing people then, had come in during the war and post-war [...] there was a lot of employment opportunities. And that just switched very dramatically.[28]

> The impact was absolutely devastating in a valley [an area including Ystrad Mynach] like this; 10,000 jobs were lost.[29]

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[26] S.P. Chakravarty, D. R. Jones and R.R. Mackay. 'UK Manpower Policy against a Background of Economic Decline', *Regional Studies*, 17, 2 (1983), pp. 91-104 (p. 98).

[27] NLW, John Morris Papers. B2/1. *Labour Party Wales Press Release* (September 1981).

[28] Interview with John Sweet.

[29] Interview with Ron Davies.

> There was certainly a feeling of distress almost [in the Valleys], and a feeling of what's going to happen from here?[30]

Unemployment in Wales increased from 68,400 people (5.2 per cent of the workforce) in May 1979 to a post-war high of 170,500 people (13.3 per cent) in March 1986. It then began a gradual decrease but still stood at 147,300 people (11.6 per cent) in June 1987, compared to 2.9 million people (9.5 per cent) in the UK as a whole. Disputes such as the 1980 steel strike and the 1984-85 miners' strike (see section 6.2.3) meant that the number of working days lost in Wales to industrial action remained relatively high in the early 1980s. For example, the strike of 1984-85 contributed towards a loss of 3 million working days in 1984, and 940,000 in 1985. These were equivalent to 13.0 per cent and 14.7 per cent of all working days lost throughout the UK. However, this figure began to drop rapidly thereafter, reaching 203,000 in 1987.[31]

The recession caused the number of employee jobs in Wales to drop by 14.1 per cent between 1979 and 1983. By 1987, employee jobs had begun to recover, but were still over 100,000 fewer than 1979. As shown in Table 5.2, the greatest employment declines within any individual sectors were in energy and water, which lost 47 per cent (29,000 employees), and manufacturing, which lost 36 per cent (112,000 employees). The two iconic nationalised industries of coal and steel lost well over 50,000 jobs between 1979 and 1987. In Gwent alone, the number of vacant factory units increased from 72 in 1979 to over 300 by October 1981.[32]

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[30] Interview with Alan Jones.

[31] *Digest of Welsh Historical Statistics 1974-1996*, ed. by L.J. Williams, p. 149.

[32] GA, CDC. D2603/A/C 000122. *Llantarnam Public Inquiry, Finding Of Fact*, 1981

Table 5.2: Employment change by sector, Wales, 1979 to 1987.

Sector	**Employees in employment**	**Per cent**
Agriculture and fishing	-1,000	-4
Energy and water	-29,000	-47
Manufacturing	-112,000	-36
Construction	-17,000	-27
Distribution, hotels and restaurants	2,000	1
Transport and communication	-13,000	-22
Banking, finance and insurance	47,000	107
Public administration, education, health and other services	-3,000	-1
Total	**-126,000**	**-12**

Source: Digest of Welsh Historical Statistics 1974-1996, ed. by L.J. Williams, pp.138 – 139; own calculations.

An indication of the impact of the recession and the job losses in the nationalised industries was given a decade later by Ray Powell, the Labour MP for Ogmore:

> In 1979, my constituency of Ogmore had a working population of 100,000 [...] there was 3.7 per cent unemployment; [most] were unemployable, as they were ex-miners suffering from silicosis or pneumoconiosis. In 1979, there were seven pits in the Ogmore constituency, employing 7,800 miners. There were many others employed in the industry, in transport and so on and in the many other industries connected with mining. From 1979 to 1982–83, every pit in that constituency was closed. In addition, the de-manning of the steelworks at Margam [...] led to 12,000 redundant steelworkers, most of whom were constituents of Ogmore. Within three years, 20,000 of my constituents were put out of work.[33]

[33] Hansard HC. 27 February 1992, Vol. 204, c.1191 (debate).

The impact of the turmoil of the early 1980s was profound. Many of the industries, such as coal, steel and manufacturing, on which the economy had been built were starting to fail, or had closed completely. The pace of decline led to a loss of confidence, with the Secretary of State informing the Prime Minister about 'a sense of crisis and genuine fears of a return to the 1930s [...] there is a compelling need to create hope' when discussing the steel industry.[34] The *Western Mail* warned of 'an economic and social disaster of a scale not witnessed since the depression',[35] while the House of Commons Committee on Welsh Affairs reported on a 'jobs chasm into which the economic and social structure of large parts of Wales are in danger of falling'.[36] Against such a depressing background, it is hardly surprising that the Chief Executive of the WDA from 1982, David Waterstone, stated that one of his goals was to restore confidence to Wales through a process of 're-commercialisation' and 'empowerment'.[37] After the immediate impact of the economic shocks of the early 1980s had subsided, the economy stagnated. For example, the 1985 index of industrial production in Wales was still nearly 3 per cent below its 1980 level and some 15 per cent below its 1979 level. This was reflected in real personal disposable income, whose 1985 level was little changed from that reached in 1980.[38]

The ideological transformation of sections of the Conservative Party towards monetarism, reducing the size of the state and neo-classical economics impacted heavily on Wales. Such theory assumes that the free market works towards 'equilibrium', meaning that prices quoted for the same product

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[34] NLW, Crickhowell Papers, 3/13. *Untitled Memorandum to the Prime Minister* (1980).

[35] 'Desperate Price to Pay for Steel', *Western Mail*, 10 December 1980, p. 8.

[36] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 2)*, p. 573.

[37] Interview with David Waterstone.

[38] Martin Johnes, *Wales Since 1939*, p. 366.

will converge.[39] Regional economic differences will thus be eliminated over time by a free movement of labour, capital and technology, with the model assuming that there are no barriers to such movement. However, the model bore little resemblance to reality. Wales was largely dependent on nationalised industries and manufacturing attracted through regional policy, while levels of indigenous business were low. The loss of so many jobs created a vacuum that led to partial economic collapse, rather than a vacuum that was filled with an inrush of new economic activity. Despite this, the impact of the Conservatives on Wales (and the UK) was more complex than a straight-forward application of neo-classical theory. Some flexibility was built into the political system through administrative devolution. For example, the Secretary of State for Wales between 1979 and 1987, Nicholas Edwards, announced in 1980 that he had 'never been a great observer and follower of any specific, extreme economic theory',[40] while Rhodri Morgan has stated that:

> The idea that you just simply left [the economy] to the private market alone and Wales would be okay because somewhere the cost of labour would reach a market clearing level; then you'd have a re-birth of industry and services; I don't think Nicholas Edwards was that convinced.[41]

Such differences were to play a pivotal role in regional economic development in Wales throughout the 1980s. At the same time, Wales' economic geography remained largely unchanged, with the hinterlands of Liverpool and Birmingham incorporating North and Mid-Wales, while only the south

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[39] Alan Townsend, *Uneven Regional Change in Britain* (Cambridge: Cambridge University Press, 1993), p. 9.

[40] Hansard HC, 10 November 1980,Vol 992, col 17 (debate).

[41] Interview with Rhodri Morgan.

looked towards a Welsh city (Cardiff) for its regional services, with all of Wales looking to London for 'first order' services such as major commercial headquarters and large scale financing. Limited expenditure was incurred on north-south transport links, with the priority being to enhance linkages between Welsh centres and their major markets in England and beyond. As had been the case throughout the 1970s, the designation of centres as growth poles that would act as a fulcrum for intervention was to remain largely absent, although the DBRW did seek to focus investment on designated towns.

However, by the mid-1980s, the Welsh economy showed signs of emerging from its stagnant state. As was the case in the rest of the UK, the service sector was increasingly establishing itself as a key economic driver. Despite remaining broadly static in terms of absolute employment between 1980 and 1986, its proportionate importance grew from 57 per cent to 65 per cent of all employment over the same period as manufacturing collapsed. From 1986, service sector employment finally began to show robust absolute growth.[42] However, job losses continued, mostly in the manufacturing and extractive industries. For example, some 880 job losses were announced during May 1986 alone. These included the NCB (pits at Tredegar and Ammanford, 477 jobs), British Alcan (aluminium in Gwent, 200 jobs), AP Filters (Abergavenny, 67 jobs), Austin Rover (car components in Llanelli, 78 jobs) and Tesco (Mold and Bangor, 70 jobs).[43] While the economy was recovering by the mid-1980s, the damage inflicted during the early 1980s was such that, in its 1987 general election manifesto, the Labour Party stated that the 'number of jobs in Wales has fallen by 175,000, from 1,033,000 in June 1979 (the highest ever recorded) to 858,000 in June 1986 (the lowest since

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[42] *Welsh Economic Trends, No. 14, 1993* , p. 10.

[43] Mike Smith, 'Wales Loses 888 Jobs', *Western Mail*, 20 May 1986, p. 1.

present records began in 1948).[44] However, while the economy still faced severe problems, confidence began to return to ministers. According to the Welsh Office junior minister, Wyn Roberts, 'there was a great deal happening in Wales. The old economy, excessively dependent on coal and steel, was being transformed by manufacturing companies, attracted by government grants and willing workers'.[45] However, the economic and social damage done by the recession and loss of so many manufacturing jobs was such that its impact was to be felt for many years to come.

5.2.2: Welsh Office regional economic policies

As Secretary of State for Wales from 1979 to 1987, Nicolas Edwards had to face up to the 'devastating results' of steep industrial decline.[46] The new government's commitment to change at a UK level was tempered by recognition that, in Wales at least, an active regional economic policy was required in the short term given the level of dependence on state support. According to the 1979 Conservative manifesto for Wales, it was:

> Not the party of laissez faire. We shall continue the modernisation of coal and steel [...] we shall continue the policy of successive governments which have used financial assistance to prepare sites, remove derelict land and encourage the arrival of new industry. An effective regional policy will be needed for the foreseeable future.[47]

[44] *Wales Will Win-Labour Manifesto June 1987* (Cardiff: Labour Party, 1987), p. 2.

[45] Wyn Roberts, *Right From the Start*, p. 186.

[46] Nicholas Edwards, *Wales, Westminster and Water*, p. 23.

[47] NLW, Crickhowell Papers 2/8. *Conservative Manifesto for Wales 1979.*

Although Nicolas Edwards abolished the advisory Welsh Council in 1979, he was keen to use other institutions established (such as the WDA)[48] or inherited (such as Cwmbran Development Corporation) by the previous Labour administration to address Wales' economic problems.[49] It is important to note that politicians and agencies based in Wales had little or no influence over the major decisions taken at a UK level that were to affect the Welsh economy so severely in the early to mid-1980s. Such decisions not made by Welsh Office ministers included those relating to taxation, interest rates, overall levels of government spending, regulations surrounding eligibility for regional aid and the fate of the nationalised industries. However, the Welsh Office did have significant leverage. Firstly, it had direct control over areas such as economic development (via the WDA, DBRW and the Land Authority for Wales and discretionary regional aid schemes), transport and education. Secondly, the role of Secretary of State for Wales was one which granted its holder a great deal of freedom to act as he saw fit within the existing frameworks of administrative devolution.

Between 1979 and 1987, a three stage approach to dealing with economic problems was adopted by the Welsh Office. The first was an emergency response to the job losses in the nationalised industries through an extensive programme of land reclamation and factory construction by the WDA and the DBRW. This is discussed in section 6.3.1 and was to prove an important element in the inward investment success story that was to emerge later in the decade. The second sought to diversify the economic base away from its previous dependence on traditional manufacturing through initiatives that sought to develop more high technology industries as well as the service sector. The third and final phase sought to bring forward the regeneration of urban areas such as

[48] Interview with Lord Crickhowell.

[49] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation,* p. 215.

South Cardiff and those in the Valleys. For example, by the mid-1980s, the Welsh Office was starting to think of how the decline of the coal industry in South Wales could be managed through the traditional use of land reclamation schemes as well as a wider approach to the causes and consequences of economic decline that could form the basis for a broad based 'Valleys Initiative'.[50]

As a result of this relatively pragmatic approach, significant resources and effort were to be invested in economic development. However, Welsh Office policy in the 1980s was often characterised by an implicit tension between acceptance of the core Conservative focus on the promotion of private sector activity, and a desire to use state intervention to support such activity. This can be illustrated by a controversial speech given by Nicholas Edwards to the Cardiff Business Club in March 1985. Described as 'astonishingly bitter' by the *Financial Times*,[51] it began with an approving reference to Martin Wiener's book, *English Culture and the Decline of the Industrial Spirit 1850–1980*.[52] This featured a variation of the declinist school of modern British history, an approach which broadly held that perceived failures of British industries to match other countries' performance were symptoms of economic, political, social and cultural malaise.[53] Wiener proposed that Victorian industrial prowess gradually became undermined by a cultural change where industrialists, as well as the middle classes, became increasingly distrustful of industrial wealth creation, instead preferring more 'gentlemanly' activity. At the same time, the international focus of the City of

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[50] NA, BD 40/288. *Welsh Office Internal Memorandum* (11 October 1985).

[51] Robin Reeves, 'Minister Attacks City. Welsh Secretary Urges Investment by London Institutions', *Financial Times*, 9 March 1985.

[52] Martin Wiener, *English Culture and the Decline of the Industrial Spirit 1850–1980* (Cambridge, Cambridge University Press, 1980)

[53] Jim Tomlinson, 'Thrice Denied: 'Declinism' as a Recurrent Theme in British History of the Long Twentieth Century, *Twentieth Century British History*, 20, 2 (2009), pp. 227-251 (p. 227).

London meant that it could flourish as a financial centre, even while British industry languished.[54] While this thesis oversimplifies exceptionally complex trends of relative decline and has been largely discredited as a sole explanation,[55] it fitted in with Conservative thought in the 1980s, which was determined to sweep away what it saw as elitist and defeatist attitudes to wealth creation. According to Nicholas Edwards:

> Within this tiny island, we have this extraordinary gulf of perception and even barriers of hostility, so that otherwise sane and sensible men can be heard collectively dismissing any venture in Wales, on the general assumption that Wales is a bad place, that there are no capable businessmen there and that in any case there is nothing to be seen but decaying coal mines, run-down steelworks and slagheaps. I cannot help but make the contrast with what I find in places such as Japan and the United States, where the financial men have a deep familiarity with what is going on around them [...] and who go and look for, seek out and compete for business.[56]

The speech pointed out that while centres such as Cardiff and Swansea had their own financial institutions and infrastructure during previous phases of growth, these had largely disappeared by the 1980s, at least on the 'scale and comprehensiveness that are required'. Nicholas Edwards went on to attack the 'prejudice, ignorance, and striking lack of awareness' displayed by those working in

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[54] Martin Wiener, *English Culture and the Decline of the Industrial Spirit 1850–1980,* p. 129.
[55] Jim Tomlinson, 'Thrice Denied: 'Declinism' as a Recurrent Theme in British History in the Long Twentieth Century', *Twentieth Century British History*, 20, 2, 2009, pp. 227-251 (p. 240)
[56] NLW, Crickhowell Papers 2/9. *Speech by Nicholas Edwards to Cardiff Business Club* (March 1985).

the City of London towards any area 'outside their own experience', before stating that; 'it is our central aim to use the machinery we have and the funds at our disposal to act as a lead and catalyst for the growing investment and participation of the private sector.'

However, despite extensive efforts, the WDA was to have great difficulties in building a profitable investment portfolio (see section 5.3.4), placing in doubt the idea that viable businesses were held back by financing issues. The relative lack of indigenous momentum has been a defining element in the post-war Welsh economy. Between 1981 and 1985, new VAT registrations per 10,000 people in Wales declined from some 97 per cent of the UK average to some 81 per cent. Different reasons have been put forward for the relative lack of indigenous business creation, but the most likely, at least in industrial Wales, is that the on-going lack of large volumes of successful indigenous businesses had left Wales with a 'headless' occupational structure, offering little scope for upwards mobility with the result that the academically gifted in Wales automatically gravitated towards the professions or public service.[57]

5.2.3: Nationalised industries

The early 1980s saw an exceptionally rapid run-down of the coal and steel industries in South Wales. This was conducted against a backdrop of a thirteen week steel strike in 1980 and a threatened coal strike in 1981. The steel strike was settled with increased pay, as was the coal dispute. The government was particularly keen to avoid industrial action with the miners at that time as it could not guarantee that power stations could access sufficient coal to keep them operational.[58] The previous government had already introduced a closure and rationalisation

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[57] *Wales in the 21st Century-an Economic Future*, ed. by Jane Bryan and Calvin Jones, p. 18.

[58] Richard Vinen, *Thatcher's Britain* (London: Simon and Schuster, 2010), p. 158.

programme within the steel industry, having closed East Moors in Cardiff and part of the Ebbw Vale plant. The government was determined to extract a viable commercial business from what Norman Tebbit, saw as the loss making, over-manned 'shambles' of BSC.[59] To achieve this, BSC was told in July 1979 that the government did not intend to finance its losses beyond the end of the 1979-80 financial year.[60] The requirement to improve its financial performance led to the December 1979 announcement of the 'slim–line' plan to a shocked and horrified workforce. This quickly led to some 11,000 redundancies at Port Talbot and Llanwern.[61] In Port Talbot alone, where BSC accounted for 39 per cent of the town's jobs,[62] employment fell from 12,584 in September 1979 to 6,636 by December 1980. By 1985, employment levels had declined to some 4,800.[63] The production of iron and steel (known as 'heavy end') at Shotton had been under review since 1972, with its 'heavy end' finally closing in 1980 with the loss of some 6,400 jobs. The sense of crisis during the steel closure programme was summed up by the BSC Chief Executive in 1980 who stated that the 'the scale and rapidity of the necessary manpower reductions in South Wales is of a magnitude never encountered before in a relatively small geographical area'.[64]

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[59] Norman Tebbit, *Upwardly Mobile: an Autobiography*, p. 178.

[60] Peter Hill, 'Break-even Target Fades as British Steel Revises Forecasts', *Times*, 14 November 1979, p. 15.

[61] Colin Baber and Lynn Mainwaring, 'Steel', in *The Welsh Economy*, ed. by K.D. George and Lynn Mainwaring, pp. 201-232 (p. 218).

[62] Ralph Fevre, *Wales is Closed: The Quiet Privatisation of British Steel*, p. 23.

[63] Ralph Fevre, 'Redundancy and the Labour Market: The Role of Readaptation Benefits', in *Redundancy, Layoffs and Plant Closures–Their Character, Causes and Consequences,* ed. by Raymond M. Lee (London: Routledge,1986), pp. 62-83 (p. 62).

[64] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. viii.

Although Nicholas Edwards was excluded from decisions relating to steel, the scale of the job losses caused him to write a confidential appeal to Margaret Thatcher in April 1980.[65] In summary, the document outlined a rationale and a framework for intervention. This would have involved the creation of regional steel companies supported by the government, at least in the short term. It stated that although the Secretary of State for Wales had 'no responsibilities for BSC, it may be presumptuous or out of order [for Nicholas Edwards] to express a view about the future of the steel industry', intervention could be justified on three main grounds. Firstly, BSC was 'too bloated and bureaucratic to adequately reform itself [...] governments have created this Frankenstein's monster– only government can destroy it'. Secondly, there was a need to restore customer confidence in the ability of BSC to supply goods. Finally, the:

> Most important reason [is] political and psychological. It is the need to give those in the industry hope. It would be hard to overstate the sense of despondency and desolation that is present at all levels within the industry at present. It is not only important for the future of the steel industry, itself important, but immensely important for our industrial recovery and for our political future to get the spirit back, to restore hope where hopelessness exists and to emerge from a damaging industrial dispute with a new sense of direction and purpose.[66]

The proposed interventions would have divided BSC into six or seven regional companies, including a 'Steel Company of Wales', with potentially a separate company created for Shotton. These were to be supported via a capital reconstruction, the nature of which was not defined in the

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[65] NLW, Crickhowell Papers, 3/13. *Untitled Memorandum to the Prime Minister* (1980).
[66] Ibid.

proposal. While these were not acted upon,[67] they do indicate both the concern caused by the scale of the job losses and the degree to which Nicholas Edwards was prepared, at least in private, to put forward some type of alternative. However, it is highly likely that even if the proposal to create regional 'mini BSCs' had been acted upon, significant job losses would still have occurred. Nicholas Edwards' limited influence over the partial closure of Shotton steel works can also be seen from the contents of prime ministerial documents recently released by the National Archive. Firstly, in a document outlining his request that the announcement of partial closure be delayed while a further study was carried out on the impact of such a decision, Margaret Thatcher's response was to write 'not another' in the margins. Secondly, further handwritten notes state that she was 'somewhat astonished at the lack of consultation with the Secretary of State for Wales [from other Cabinet Ministers] on remedial measures'.[68]

By 1983, some 21,000 employees remained in the steel industry in Wales, reduced from some 52,000 in 1979.[69] However, while staffing levels had declined by two thirds at great social cost, efficiency increases had led to the production of steelmaking iron reducing by only one third from some 4.7 thousand tonnes in 1979 to 3.3 thousand tonnes in 1983.[70] According to the Economist:

> The Welsh mills of British Steel have performed a small miracle in productivity. At Port Talbot and Llanwern, the man hours needed to make a tonne of crude steel are now only 5.7

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[67] Interview with Lord Crickhowell.

[68] NA, PREM 19/97 *Letter From Prime Minister's Office to Permanent Secretary at the Department for Trade and Industry* (11 June 1979).

[69] Welsh Government, *Stats Wales* [online].

[70] *Digest of Welsh Historical Statistics 1974-1996*, ed. by L.J.Williams, p. 92.

> and 4.6 respectively. Just 18 months ago each works still took nearer 10 man hours to make a tonne of steel. Today's performance compares with the best in Europe.[71]

After the relative stability of much of the 1970s, the fortunes of the Welsh coal industry took a sharp turn for the worse after 1979. This was due to four reasons. Firstly, recession reduced the demand for coal. Secondly, the world price of oil fell, reducing the cost attractiveness of coal. Thirdly, the falling world price for coal combined with sterling appreciation to make overseas coal more affordable.[72] Finally, the National Union of Mineworkers and the new government were implacable opponents. The Conservatives, or at least those who supported Margaret Thatcher, were particularly keen to ensure that the miners could not repeat their role in the defeat of Heath in 1974, seeing the issue as one of parliamentary sovereignty.[73] While Nicholas Edwards was keen to support the steel industry, he did not seek involvement in the coal industry, recognising that the political and economic pressures were increasing. For example, Derek Ezra, the NCB Chairman, secretly proposed to the NCB Area Director for South Wales, Philip Weekes, in 1980 that the South Wales Coalfield be placed under the control of the Welsh Office 'to solve the area's problems in a Welsh context'.[74] The motivations for this are unclear, but the NCB may have felt that it would have an easier negotiating relationship with the Welsh Office, than with central government. This proposal was never worked up, with only fragmentary data being held by the National Archives, but could have involved the Welsh Office taking over responsibility for the financial management of

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[71] *The Economist,* 'Slimline Miracle in South Wales', 11 April 1981, p. 24.

[72] K.D. George and others, 'Coal' in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 159-186, (p. 163).

[73] Norman Tebbit, *Upwardly Mobile: an Autobiography,* p. 238.

[74] NA, Coal 76/3201, *Letter from Derek Ezra to Philip Weekes*, 27 May 1981.

the South Wales coalfield, thereby addressing the situation where 'the Secretary of State for Wales has no responsibility for either the policy [on coal] or its administration, and yet he comes under severe pressure from all quarters over decisions in which he has had very little part'.[75] Philip Weekes then spoke to a Deputy Secretary at the Welsh Office to informally gauge their views, a meeting which he recorded as being 'a surprisingly negative, disappointing session', with the Welsh Office listing six reasons as to why the proposal should not proceed.[76] This long list included the implications for Scotland, and the linked risk that unions could see the proposals as 'hiving off regions for closure', potential opposition from Conservative MPs, who 'thought that the Welsh Office already had too much power', the potential of 'right-wingers moving in to encourage privatisation', the likely reluctance of central government and the TUC, and finally, the lack of coal-related management skills within the Welsh Office. In reality, the main stumbling blocks for this unrealistic proposal would have been financial and political. If accepted, then the Conservative Secretary of State would have been trapped between a powerful and well organised labour force in Wales on the one side, and Margaret Thatcher on the other. He may have been granted operational control over the coalfield (the status of the North Wales coalfield and the profitable opencast operations were unclear), but the crucial decisions over the level of subsidy would have remained in London, meaning that he would have been in the very uncomfortable position of having accountability without full authority.

Against this background, a powerful example of the competitive pressures facing the industry was provided at BSC’s Port Talbot works. By 1980, this plant was supplied by coking coal shipped primarily from opencast operations in Australia, which could be delivered at a price substantially

[75] NA, Coal 76/3201, *NCB Memo to Members of the Area Executive Committee*, May 1981.

[76] NA, Coal 76/3201, *NCB Memo-Discussions with the Welsh Office*, 12 June 1981.

below that of coal mined a few miles from the plant.[77] Even more striking was the fact that a large and untapped reserve of coking coal was located almost directly below the plant. This conundrum was acknowledged by John Morris, MP for the area surrounding Port Talbot, who said in 1981 that he hoped that it would be possible to 'square the economics' of opening a new mine at the steelworks, but added that it would be 'foolhardy' to develop the mine at the expense of saddling the steelworks with coal that was 'totally uneconomic'.[78] Despite heavy investment in mines such as Oakdale and Bettws, productivity in the South Wales coal industry remained some forty per cent below the UK average by 1984. In 1981-1982, forty percent of the NCB's UK losses came from the South Wales coalfield.[79] Initial attempts to push through a number of pit closures in 1981 were withdrawn after a threatened strike, although five pits were closed in 1983-84.[80] One of these was Ty Mawr/ Lewis Merthyr, where some seven hundred men were employed in the last mine in south Wales where, remarkably, coal was still dug by hand on some faces since geological problems had defeated attempts at mechanisation.[81]

Plans for further closures led in part to the bitter and protracted strike of 1984-85, which developed into a political struggle that came to define the 1980s, ending with the defeat of the National Union of Mineworkers. While responsibility for the coal industry lay with the Whitehall based

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[77] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. ix.

[78] NLW, John Morris Papers B2/1 Labour Party Wales. *Speech given by John Morris MP to the Port Talbot Chamber of Commerce* (1981).

[79] Hansard HC 20 December 1982, Vol. 34, c. 657 (debate).

[80] Allen Williams, 'From Cradle to Reincarnation', in *The New Wales,* ed. by David Cole, pp. 11-27 (p. 19).

[81] *Welsh Economic Bulletin-April to June 1980* (Cardiff, Welsh Office, 1980), p. 9.

Department of Energy, Nicolas Edwards' attitude to the coal strike was little different to that of central government. For example, in January 1985, Nicholas Edwards and Peter Walker (then Secretary of State for Energy but soon to be Secretary of State for Wales) were asked by church representatives to postpone NCB decisions to close pits judged to be uneconomic. In response, Edwards stated that to postpone such decisions relating to industrial change would simply worsen the difficulties faced in the long term.[82] However, John Stradling Thomas, one of the Welsh Office's junior ministers, did write to Peter Walker pointing out his concern that the strike could cause schools and hospitals to close due to a lack of coal to run their heating systems. However, he received an unsympathetic response; 'I am very anxious that the people of Wales know that there is no need for any suffering in schools or hospitals, because there is plenty of coal that the miners could produce if they were anxious to avoid suffering.'[83]

The fortunes of the coal and steel industry diverged once the strike was over. While BSC was being prepared for a successful privatisation and continued as a major producer, the coal industry was now in rapid decline as central government had little interest in ensuring the continuation of large scale mining. Pits were quickly shut, including those that had recently been in receipt of significant investment under the 1974 'Plan for Coal'. By 1985-86, deep coal mining was finally disappearing from large parts of the Valleys, including the entire southern rim of the coalfield.[84] By early 1987, half of the 28 pits in South Wales operating in 1984 had closed, with the workforce almost halving to 10,200. Although Nicholas Edwards stated in 1986 that 'there are good grounds for thinking that

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[82] NLW, Crickhowell Papers 3/16. *Speech by Nicholas Edwards* (25 January 1985).

[83] NA, BD 40/287/2 *Letter From Secretary of State for Energy to John Stradling Thomas, Minister of State at the Welsh Office* (17 October 1984).

[84] Hywel Francis, *History on Our Side: Wales and the 1984 – 1985 Miners' Strike*, p. 77.

we have now reached the end of a period of [coal industry] decline that has lasted for many decades',[85] deep mining was soon to enter its final years. The very different fates of the steel and coal industries are reflected in the relationships between the Secretary of State and their respective unions. The steel unions did not fully support the miners' strike of 1984–85 as it could put their own jobs in jeopardy if supplies of imported coking coal were disrupted. After the NUM attempted to halt all supplies of coal to the steel plants in June 1984, in breach of an agreement where coal was to be shipped from Port Talbot in return for a 25 per cent reduction in output, the 'triple alliance' between the coal, rail and steel unions fractured, with the NUM's Kim Howells recalling an 'awesome and depressing sight, massive convoys of scab haulage firms roaring between Llanwern and Port Talbot on the M4'.[86] According to the Secretary of State, this led to a 'rather extraordinary alliance between people shipping in the coal by lorry, the steelworkers and the Tory Secretary of State. And at the end of the strike we had a celebration lunch, I think it was, at Llanwern, [...] where we all gathered together and thanked each other'.[87] This alliance was symbolised on Nicholas Edwards' retirement in 1987, when he received a letter of thanks from the Llanwern Trade Union Committee, representing seven unions.[88]

Relations between the Secretary of State and the National Union of Mineworkers were somewhat different. This was driven by two main factors. Firstly, the dispute between the miners' union and the government was exceptionally bitter, with the Labour MP for Ogmore, Ray Powell, labelling

[85] Hansard HC, 3 March 1986, Vol. 93 c. 28 (debate).

[86] Joe England, *The Wales TUC 1974-2004: Devolution and Industrial Politics*, p. 62.

[87] Interview with Lord Crickhowell.

[88] NLW, Crickhowell Papers 1/5. *Letter From D. Francis–Llanwern Trade Union Committee* (July 1987).

Nichoals Edwards as the 'coalfield rapist of Wales' in the House of Commons.[89] Secondly, the Secretary of State believed that the industry was predestined to further decline as a result of geological problems and the age of the coalfield workings. This meant that the Welsh Office saw its role as, firstly, protecting the steel industry and, secondly, alleviating the impact of the closure programme through policies such inward investment and factory construction.[90]

5.2.4: European funding

By November 1982, Wales had received some £1 billion of payments (in contemporary prices) from the European Commission since the UK's accession in 1973, according to estimates prepared by the Confederation of British Industry.[91] Two thirds of these were in the form of loans from the European Investment Bank and the European Coal and Steel Community. These were often channelled directly to the nationalised coal and steel industries as contributions towards existing capital investment programmes. However, such loans were no longer required in the same volume due to industrial decline. European Investment Bank activity in Wales was thus at a relatively low level after 1979, with loans focusing on infrastructure such as roads and telecoms.[92] Despite this, loans remained important and became increasingly high profile throughout the 1980s. According to Rhodri Morgan, Head of the European Commission in Wales in the mid-1980s:

> I was heavily involved in trying to bring Coal and Steel Community funds and European Investment Bank funds into play and helped to ensure that MITEL [software], when they

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[89] Hansard HC, 18 November 1985, Vol. 87, c. 7 (debate).

[90] Interview with Lord Crickhowell.

[91] *Committee on Welsh Affairs–The Impact of the European Community on Wales. Appendices to the minutes of evidence* (London: HMSO, 1983), p. 334.

[92] European Investment Bank, *Finance Contracts Signed* [online].

> went to Caldicot, and INMOS when they went to just the Cardiff side of Newport [...] got very large cheap loans from the European Coal and Steel Community and the European Investment Bank. Peoples' perceptions were that it was very important because they almost didn't know where to turn; and they felt that the British Government was [...] unsympathetic; there was a sink or swim, devil take the hindmost approach to society.[93]

The remaining European funds were in the form of grants, such as those from the European Regional Development Fund (ERDF), established by the European Commission in the mid-1970s to rectify regional disparities, as well as the European Social Fund (ESF), created to provide support in areas such as skills development. By 1983, the Welsh Office stated that Wales had secured over £117 million (in contemporary prices) in aid from the ERDF since its establishment. Within this total, some £74 million was allocated to infrastructure projects such as the river Taff flood protection scheme in Cardiff. The balance was allocated to industrial projects such as Ford's engine plant in Bridgend, which received some £20 million.[94] The county councils were particularly active in seeking to secure European support throughout this period. For example, South Glamorgan County Council secured funding throughout the 1980s for a number of regeneration and infrastructure projects such as road links in South Cardiff.[95] The ESF also provided support to training programmes via the UK wide Manpower Services Commission, but the European Commission stated in 1983 that 'it is not […] possible to make even a rough approximation of the value of ESF support to training activities in Wales'. However, £49 million of payments to

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[93] Interview with Rhodri Morgan.

[94] *Committee on Welsh Affairs–The Impact of the European Community on Wales. Appendices to the Minutes of Evidence,* p. 335.

[95] Interview with Roger Beaumont.

redundant steel workers in Wales were made under the readaptation scheme, which aimed to support such workers to re-enter the labour force via retraining, retirement and the enhanced provision of social security benefits.[96]

5.3: Welsh Office intervention

5.3.1: Land reclamation

By the early 1980s, the reclamation of derelict land was well established as a cornerstone of regional economic development activity, with the WDA working closely with local authorities. A Derelict Land Act came into force in 1982 that increased the availability of grant support for reclamation schemes, allowing applicants to claim up to 80 per cent of eligible costs and making 100 per cent grants the norm for local authorities,[97] while a database of all derelict land in Wales was held by the Welsh Office. In a publication to mark its fifth anniversary in 1981, the WDA stated that it had reclaimed 2,900 acres (4.5 square miles) of derelict land across 108 schemes.[98] In 1982, a survey commissioned jointly by the Welsh Office and the WDA identified 703 contaminated sites throughout Wales; 66 of these were defined as containing significant hazards, such as toxic chemicals.[99] A rolling programme of reclamation projects was now in place. This allowed five years of projects to be planned, allowing sufficient time to develop new schemes as well as taking into account any unexpected delays to projects. The WDA did not generally carry out reclamation projects itself. Instead, it provided grants to local authorities while the work was

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[96] *Committee on Welsh Affairs–The Impact of the European Community on Wales. Appendices to the Minutes of Evidence*, p. 340.

[97] E.M. Bridges, *Healing the Scars: Derelict Land in Wales*, p. 39.

[98] *WDA-The First Five Years* (Pontypridd, Welsh Development Agency, 1981), p. 17.

[99] *Land Reclamation in Wales*, p. 28.

designed and carried out by commercial sub-contractors. However, as the lead funder, it monitored projects and worked closely with the designers to ensure that schemes met expectations. When assessing sites for reclamation, the highest priority was accorded to those with safety, flooding or contamination issues, the second was for sites with potential to be reused as locations for factories or housing, and the third was those with potential for leisure usage or general environmental enhancement. These priorities remained in place up to 1997, with a scoring system used by the WDA to bring forward reclamation sites that reflected such priorities.[100] For example, a visually unobtrusive site with no potential for factory development but with major environmental hazards would always take precedent over an unsightly but safe site with a strong development potential.[101] Within this approach, the WDA divisions responsible for land reclamation and factory construction worked closely to identify reclamation sites suitable for development. However, the constrained nature of the Valleys topography meant that sites were often being developed in close proximity to remaining industry. For example, the WDA's Director of Land Reclamation recalls a visit made by an industrialist to a site adjacent to a phurnacite (smokeless coal) plant:

> The plant was still operating, and it was punching out terrible fumes and soot and rubbish. And there was grit and grime everywhere. And I remember [a WDA representative] had taken a French potential inward investor there, who was [...] in his monogram shirt [...] immaculately turned out. It was raining, and it was murder, [the WDA representative] had a big WDA umbrella over him, and just as he did that, a lorry load of phurnacite briquettes ran past and it squirted the black slush off the road all over the French bloke.[102]

[100] Interview with D. Gwyn Griffiths.

[101] *Land Reclamation in Wales*, p. 13.

[102] Interview with D.Gwyn Griffiths.

The reclamation programme continued apace during the 1980s, while industrial decline ensured that the supply of derelict land remained high, such as that vacated at Shotton by BSC. Large quantities of land were released by the NCB at low prices, until the arrival of Ian McGregor as chairman led to an increase in cost as McGregor was keen to maximise income. Sites were then difficult to obtain until a deal was agreed for the agency to purchase much of the board's residual portfolio.[103] Overall, annual reclamation totals varied, generally as a result of one or two large sites being reclaimed in a particular year. However, between 1979–80 and 1986-87, some 6,000 acres (9.4 sq. miles) were reclaimed. Plates 5.1 and 5.2 show the dramatic results of a typical scheme.

Plate 5.1: Cambrian colliery site, Clydach Vale, Rhondda, before reclamation, 1974.

[103] Ibid.

Plate 5.2: Cambrian colliery site, Clydach Vale, Rhondda, after reclamation, 1987.

As well as the physical impact of land reclamation, it is likely that removal of dereliction would have had a psychological impact on their surrounding communities, although this would have been offset by the difficult economic circumstances of the time. There was also an implicit tension between the need to reclaim derelict land for economic, environmental and social purposes, and a growing realisation that some aspects of Wales' industrial heritage should be retained (see section 6.3.6). Although the then WDA's Chief Executive didn't want people to 'feel like they were living in a museum,'[104] the agency's Land Reclamation Division did assist in the preservation of a number of historical sites. However, large scale tips were generally removed, especially those that were close to rivers and thus presented environmental hazards. Sites preserved included the Henllys Vale colliery in Cwmllynfell in the early 1980s, the Greenfield Valley Copper works in Holywell, while

[104] Interview with David Waterstone.

after the reclamation of a number of slate tips around Blaenau Ffestiniog, the WDA's Director of Land Reclamation has stated that he:

> Had to explain to a WDA Chairman that to spend many tens of millions of pounds to deal with the remaining 100 million tonnes of slate waste would actually damage the industrial ambience so essential for tourism in the area. He wanted to 'sanitise' the lot.[105]

As well as the WDA, the Land Authority for Wales also had a role to play in land development, through its role in assembling packages of land for commercial and industrial development. However, a significant change from the early 1980s was that the authority was no longer to receive any public funds. It would instead be required to fund its activities through selling on the assets it already possessed, and using the proceeds to continue its land acquisition programmes.[106]

5.3.2: Factory construction

The construction and management of industrial space had been a primary focus of the WDA and the DBRW since their establishment. By 1979, more than 58,000 people were employed on industrial estates owned by the WDA.[107] It had been carrying out a significant construction programme prior to 1979, but job losses within the steel industry led to an expanded programme. As well as this, it was realised that depressed economic conditions meant that private sector developers were unwilling to construct factories throughout much of Wales.[108] This meant that the Welsh Office

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[105] Interview with D.Gwyn Griffiths.

[106] Interview with Lord Crickhowell.

[107] *WDA Annual Report 1981–82*, p. 48.

[108] Interview with Lord Crickhowell.

under the Conservatives was prepared to continue, and extend, the activity of the previous administration in constructing factories, marketing them to potential occupiers and providing grants to investors.

After the decision had been taken to partially close Shotton steelworks, £15 million (£52 million in 2011-12 prices) was allocated to assist restructuring in Deeside, with the WDA announcing the construction of 720,000 sq. ft. of factories in December 1979. During the first quarter of 1980, 29 factories throughout Wales were allocated to new tenants. It was claimed at the time that these were to provide more than 1,000 new jobs.[109] Similar intervention followed the loss of thousands of jobs in Llanwern and Port Talbot in 1980. The government announced funding of £48 million (£167 million in 2011-12 prices) over two years, £41 million of which would be allocated to the WDA. However, prime development land was in relatively short supply, which led to the agency purchasing many sites that might not normally have been considered for factory construction, such as poorly drained sites in Sandfields, Port Talbot.[110] The remaining funds were allocated to the Cwmbran Development Corporation and were also to be used for factory construction.[111] Between December 1979 and March 1980, the WDA announced a building programme of 356 factories, comprising some 2.4 million sq. ft. of space, following on from the extensive programmes announced prior to mid-1979. The scale and speed of these programmes was recognised as being unparalleled. For example, the Secretary of State for Industry, Keith Joseph, noted in a letter to

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[109] *Welsh Economic Bulletin, April–June 1980,* p. 11.

[110] Interview with D.Gwyn Griffiths.

[111] *First Report From the Committee on Welsh Affairs–the Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 1)*, p. xxv.

Nicholas Edwards in 1980 that the funding for factory construction in the Shotton area could not be matched elsewhere in the UK after steel closures.[112]

While rural Wales was not directly affected by the steel run-down, the DBRW was also developing factory sites as part of a drive to develop a product that could be marketed to potential investors.[113] The Cwmbran Development Corporation was also active, with the Welsh Office intervening in 1980 to ensure that a sizable industrial site at Llantarnam could be brought forward, including the provision of £6 million (in contemporary prices) of additional funding.[114] This 50 acre site was, according to the findings of the planning inquiry, aiming to provide the type 'that all [...] areas are seeking to provide-a large greenfield site in an attractive environment with good links to the motorway network, capable of development as a parkland or campus setting'.[115] Despite such activity, it was recognised that the sheer scale of the steel run-down was so great that it could not be fully mitigated by the construction and letting of factories. In 1980, Nicholas Edwards stated that:

> I accept, as any realistic person must, that even this massive programme will not provide new factory space for every single job to be lost. But no government could, or has ever attempted, to replace more than a proportion of the jobs lost in a steel closure area by provision of advance factories.[116]

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[112] NA, PREM 19/97. *Letter From Keith Joseph to Nicholas Edwards* (9th November 1979)

[113] Interview with Glyn Davies.

[114] GA, CDC. D2603/A/C 000124. *Letter from Welsh Office to Cwmbran Development Corporation outlining Funding Provisions*, 7 August 1981.

[115] GA, CDC. D2603/A/C 000122. *Llantarnam Public Inquiry, Finding Of Fact*, 1981.

[116] NLW, Crickhowell Papers 3/13. *Speech by Nicholas Edwards to the Welsh Grand Committee* (May 1980)

The new government was keen to see the agency make greater use of private finance, partly for ideological reasons but also to reduce the pressure on the public purse. This drive had two impacts on WDA activity.[117] Firstly, it entered into agreements with the Norwich Union Insurance Group and the Coal Industry Pension Fund where both groups invested in factories to be constructed by the agency. Secondly, commercial property advisors were appointed to assist in selling off some of its extensive portfolio, and also to provide financial advisory services in relation to negotiations with private sector funders. In mid-Wales, Nicholas Edwards confirmed in a meeting with the DBRW Chairman as early as January 1980 that he attached great importance to the involvement of private capital in agency activities.[118] The DBRW was also made aware in the same year that the Welsh Office expected greater value for money from its activities, including the disposal of surplus assets. The same was true for the Cwmbran Development Corporation, with the Welsh Office informing the corporation in late 1981 that it expected greater progress in the identification of surplus assets that could be sold.[119]

Following the crash building programmes of the early 1980s, factory completions rapidly fell back, although a further programme was announced in 1981. Factory completions peaked in 1981–82 at some 2.4 million sq. ft, but reduced to some 0.3 million sq. ft. by 1984-85. The dramatic increase in industrial space soon exceeded demand, leading the WDA to state in 1983 that as a result of 383 unoccupied factories, it was to ‘restrict further buildings of advance factories to specific locations

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[117] *WDA Annual Report 1980-81*, pp. 7, 17.

[118] NLW, GB 0210 DBRW. *Minutes of Board Meeting, 2 January 1980.*

[119] GA, CDC. D2603/A/M/30. *Letter From Welsh Office to Cwmbran Development Corporation*, 9 November 1981.

where there is a shortage of particular sizes of buildings'.[120] There was now an increasing realisation that the provision of factories should be more responsive to demand, both in terms of the type of building being constructed as well as their locations. Simply placing large numbers of factories adjacent to locations hardest hit by industrial closure would not deliver the greatest number of jobs. Instead, there was a desire to concentrate on locations with most potential, so as to provide the greatest potential for job creation. There was significant resistance to this concept amongst local authorities in the Valleys, who were naturally keen to see the greatest possible degree of activity in their areas.[121] In mid-Wales, factory construction was also scaled back to some extent, with the DBRW being advised by the Welsh Office in mid-1984 that additional factory building depended to a large extent upon the sale of existing assets.[122] Despite this, the numbers of factories in its portfolio increased from 263 in 1982 providing jobs for some 6,700 people to over 450 in 1986-87.[123] As well as building speculative factories, the board also provided bespoke premises, such as the 125,000 sq. ft. premises built for Laura Ashley in Newtown in 1986-87.[124]

The Welsh Office and its agencies developed the factory programme in four main ways. Firstly, the guidelines were changed in 1983 to permit applications for privately funded premises from service or distributive industries to be considered. These had been disallowed unless applicants could demonstrate that their activities could benefit local firms.[125] Secondly, WDA property was now to be let on a commercial basis, instead of the previous practice of using cheaper lets to provide

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[120] NLW, GB 0210 DBRW. *Minutes of Board Meeting, 2 January 1980*, p. 11.

[121] Interview with Ian Rooks.

[122] NLW, GB 0210 DBRW. *Minutes of Board Meeting 12 June 1984.*

[123] *DBRW Annual Report, 1981–82*, p. 11; *DRW Annual Report 1986-87*.

[124] *DBRW Annual Report, 1986–87*, p. 10.

[125] *DBRW Annual Report, 1982–83*, p. 14.

additional support for business. The aim was to raise rent levels, thus stimulating private sector activity.[126] Thirdly, the agency began to construct properties more suited to high technology companies. These buildings, known as Technology and Innovation centres, were finished to a higher standard and a more flexible layout than standard factories. Four centres were under construction by 1985-86, totalling some 200,000 sq. ft. of space. An example was located on the Deeside Industrial Park in North East Wales. Occupiers included the North West Wales Institute of Technology which operated a support centre for technology companies.[127] Finally, the agency also continued to provide bespoke premises, such as a 35,000 sq. ft. factory at Cardiff Airport for the Norman Aeroplane Co.[128] Overall, the construction of factories where the private sector would not invest was entrenched by the mid-1980s, with the Welsh Office stating that; 'there will be a need, for the foreseeable future, for the public sector to provide industrial sites and premises.'[129]

5.3.3: Inward and indigenous investment

The attraction of investment from inward or indigenous sources was seen as the greatest priority, with the Secretary of State stating in 1981 that he was 'desperately anxious to achieve a broadening of the industrial base in Wales'.[130] In 1983, the Development Corporation for Wales merged with the WDA to create a division within the agency called WINvest (Wales Investment Location). In the later 1970s and early 1980s, Scotland was seen as particularly effective in attracting FDI. The

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[126] Interview with David Waterstone.

[127] *WDA Annual Report 1985–86*, p. 15.

[128] Ibid, p. 14.

[129] *Review of WDA's Operations* (Cardiff: Welsh Office, 1987)

[130] NLW, Crickhowell Papers. 3/14 *Speech by Nicholas Edwards to Institute of Directors (Wales)* (20 November 1981).

WDA deliberately set out to overtake the Scottish performance.[131] It aimed to do this through a overseas activities such as a marketing campaign in six cities in the United States in 1984, operated jointly with the DBRW.[132] Favourable conditions and a sustained approach saw Wales capture between 11.9 per cent and 18.0 per cent of all FDI projects in the UK after 1984-85 (see Table 5.3). This placed Wales second behind the West Midlands in terms of regional performance.[133]

Table 5.3: FDI projects and jobs, Wales, 1984-85 to 1986-87.

	FDI projects		Jobs created or safeguarded by FDI projects	
Year	**Number**	**Percentage of UK total**	**Number**	**Percentage of UK total**
1984-85	42	11.9	9,412	20.9
1985-86	47	11.2	4,139	7.9
1986-87	64	18.0	6,559	19.9

Note: Consistent data not available prior to 1984-85.

Source: Department for Trade and Industry FDI project announcements database.

According to Jim Driscoll, Nicholas Edward's industrial advisor:

> We were able to promote this very dynamic package "We can give you premises, we can give you grants, we can give you a good labour force, we can give you a cheap labour force, we can give you loans, cheap loans from the European Community, BSC Industry assistance." It was a fantastic package.[134]

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[131] Interview with David Waterstone.

[132] *DBRW Annual Report, 1983–84,* p. 16.

[133] Department for Trade and Industry, *FDI Project Announcements Database.*

[134] Interview with Jim Driscoll.

The WDA's Chief Executive has stated that success with the Japanese was often attributed to cultural affinities with the Welsh, with workforces in both countries preferring a 'management by consensus' approach.[135] While this would seem surprising given the backdrop of industrial strife, by 1987, all but one of the 12 Japanese plants in Wales (see Table 5.4) had agreements in place where one union had sole bargaining rights, often coupled with no strike or binding arbitration.[136] While such agreements did exclude some unions, they did indicate a willingness to recognise, and work with, the union movement and were made with the full support and active co-operation of the Wales TUC.

Table 5.4: Japanese plants in Wales, 1986.

Company name	**Activity**	**No. of employees**	**Start date in Wales**
Takiron	PVC sheeting	58	1972
Sony	Consumer Electronics	1,100	1973
Matsushita Electric	Consumer Electronics	663	1976
Sekisui	Polyethelene Foam	56	1978
Hitachi	Consumer Electronics	776	1979
Aiwa	Consumer Electronics	170	1980
Hoya Lens	Opthalmic lenses	63	1980
Yuasa Battery	Batteries	187	1982
Sharp	Consumer/ Office Electronics	428	1984
Brother Industries	Office Electronics	180	1985
Orion Electric	Consumer Electronics	n/a	1986
Kyushu Matsushita	Office Electronics	n/a	1987

Source: John Morris, 'The Japanese are Here – for Better or Worse', Welsh Economic Review, Vol. 1,1 (1988), pp. 45-47 (p. 47).

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[135] Interview with David Waterstone.

[136] Nick Oliver and Barry Wilkinson, 'Japanese Inward Investment in Wales–Trade Union Response', *Welsh Economic Review*, Vol. 1, 1 (1988), pp. 48-53 (p. 48).

In political terms, the attraction of FDI had at least two major components. Firstly, the WTUC approached the Welsh Office in 1980 seeking funding to train redundant workers in setting up co-operative businesses, and for an industrial relations unit to promote Wales and its trades unions abroad.[137] To the surprise of the WTUC, the Secretary of State agreed to fund a co–operative centre and, while unwilling to support an industrial relations unit, also agreed to work closely on the attraction of foreign investment. The desirability of involving the WTUC in such efforts had already been noted by the Secretary of State when discussing inward investment with the Development Corporation of Wales.[138] A WTUC representative soon began to accompany the Welsh delegations on all major overseas missions.[139] A close working relationship soon developed, although this was not without its ironies given the exceptionally tense industrial relations landscape of the time. David Jenkins, General Secretary of the WTUC, recounts his experience while flying back from an overseas visit:

> When I woke that morning and turned to find the Secretary of State for Wales, Nicholas Edwards, still asleep next to me, I wondered for a moment whether I had done the right thing. The flight back from Tokyo at the end of our two week inward investment mission to Japan and South Korea was soon to land and we were about to be re-immersed into the bitterness of the 1984 miners' strike.[140]

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[137] David Jenkins, *Sleeping with the Enemy: Trades Union in Wales during the Thatcher Years Welsh Political Archive Lecture* (Aberystwyth: National Library of Wales, 2007), p. 9.

[138] NA, BD 41/373. *Note of a Meeting Between the Secretary of State for Wales and Sir Idwal Pugh of the DCW*, 3 November 1980.

[139] Joe England, *The Wales TUC 1974-2004: Devolution and Industrial Politics*, p. 72.

[140] David Jenkins, *Sleeping with the Enemy, Trades Unions in Wales during the Thatcher Years*, p.1.

The relationship between the WTUC and the Welsh Office implied that foreign investors were expected to work closely with trades unions. For the unions, this meant that employees working in overseas owned plants were able to join, with most investors recognising at least one union. At the same time, close working relationships evolved between local government and the agency in respect of inward investment, with examples of activity in this area including the attraction of the American owned Chemical Bank to Cardiff[141] (eventually to close in the mid-1990s due to its parent company being taken over), although full lists of companies investing were not collated.

Secondly, the economic difficulties of the time meant that overseas investments were seen as prestige projects and were highly sought after, leading to friction within central government. For example, in 1981, Nissan, the Japanese car manufacturer, was seeking a location for a manufacturing facility and was in contact with the government about possible locations and financial support, with options in Wales including Deeside and the Cardiff-Newport area. Nicholas Edwards met with Nissan's Managing Director in Toyko, an event which prompted Keith Joseph, Secretary of State for Industry, to write a rebuke on the grounds that an undertaking had been given to Norman Tebbit (Under Secretary of State at the Department for Industry) that Nissan would not be contacted. According to the letter:

> Both Norman and I are anxious to maintain a consistent position towards Nissan and its proposed investment [...] Tokyo Telegram [ambassadorial dispatch] suggests that you have asked the ambassador to arrange a small, private, informal dinner [with Nissan], this raises the possibility that a clearly established policy and your undertaking have been broken.

[141] Interview with Ken Poole.

> Instances like this strengthen my view that we need to take a much stronger line to improve the co-ordination of the approaches taken by departments and ministers to inward investment proposals. There is a danger of speaking with diverse voices.[142]

In a handwritten response, Nicholas Edwards insisted that the meeting took place at the suggestion of the ambassador and that:

> At times, I get the impression that the IBB [Invest in Britain Bureau–the arm of the Department for Industry that was responsible for attracting FDI to the UK as a whole] regards the Welsh Office with deep hostility, but I had hoped that a cabinet colleague would have sufficient confidence in my judgement and discretion not to engage in a personal attack on my sense of responsibility and integrity.[143]

While, according to Nicholas Edwards, a cabinet level dispute such as this was very unusual,[144] potentially reflecting departmental tensions within the civil service, it highlighted the importance of FDI during the 1980s. Such investments were not only seen as a quick way to generate jobs and positive headlines, but they were also interpreted as votes of confidence in Britain's economic prospects. The dispute also foreshadowed a growing sense of resentment towards Wales with its

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[142] NLW, Crickhowell Papers 1/ 4 *Letter From Keith Joseph to Nicholas Edwards* (13 February 1981).

[143] NLW, Crickhowell Papers 3/15 *Letter From Nicholas Edwards to Keith Joseph* (14 February 1981).

[144] Interview with Lord Crickhowell.

active policies, symbolised by the attraction of much prized FDI projects. However, in the case of Nissan, Wales was eventually to lose out to Sunderland.

The Welsh Office also placed emphasis on the encouragement of indigenous enterprise through the development of training and support services. In 1985, it engaged consultants to review the provision of advice to small businesses. Following this, the Small Firms Centre of the Welsh Office was merged with the Counselling Service of the WDA.[145] By 1985-86, the WDA stated that professional advice had been offered to 7,000 companies, with the Small Firms Centre, now administered by the agency in association with the Department for Employment, responding to enquiries from 22,000 individuals or companies.[146] Internal changes in the WDA also reflected changing priorities, including the establishment of Wales Investment and Technology (WINtech) in 1984. WINtech sought to encourage businesses to profit from new technology and stimulate links between industry and academia.[147] It supported academic centres such as a telecommunications centre at Bangor University and a Micro-Electronics centre at UWIST in Cardiff. In the case of the UWIST centre, WINtech and other government sources met half the costs with the balance being found from industry.[148] Finally, the DBRW was equally active in a broader business support role. By 1981, it had provided 40 workshop units at nine towns, and was running enterprise promotion courses in partnership with the University of Manchester that had helped some two dozen

[145] Hansard HC, 19 December 1985, Vol. 89, c.286w (answer to written question).
[146] *WDA Annual Report 1985–86*, p. 16.
[147] Philip Cooke and Kevin Morgan, ‘Wales and Baden-Württemberg’, in *Networking Europe–Essays on Regionalism and Social Democracy,* ed. by Eberhard Bort and Neil Evans (Liverpool: Liverpool University Press, 2000), pp. 53-67 (p. 59).
[148] Hansard HL, 03 March 1988, Vol. 494, c.356 (debate).

businesses to start or expand.[149] By 1987, the DBRW had set up a series of centres to offer advice and support to entrepreneurs.

5.3.4: Financial support to investing companies

In 1985, the Welsh Industrial Development Advisory Board (responsible for advising the Welsh Office on applications from companies for financial support since the Industry Act of 1972) noted that the proportion of the Welsh workforce engaged in manufacturing had dropped from just under a third to less than a quarter since 1975. It also stated that opportunities for 'stimulating new growth amongst the older industries are limited and increased attention must be given to stimulating development amongst indigenous companies operating in the new technologies and in attracting new projects in such fields'.[150]

Types of investment project being supported by WIDAB were increasingly those with a more technologically advanced profile. For example, Renishaw PLC was supported in 1985-86 to create up to 500 new jobs manufacturing advanced measurement devices, while Nimbus Records was supported to develop a compact disc manufacturing facility in Cwmbran that was to create up to 275 jobs.[151] For 1986-87, regional selective assistance grants were offered to British companies such as Plessey Naval Systems at Newport and AB Electronic Products Group in the Rhondda. Significantly, the impact of overseas investment was now increasingly reflected in the type of companies being provided with support. For example, the Japanese owned Hitachi (Hirwaun), Sony (Bridgend) and KME (Newport) received grant in 1986-87, expected to support the creation

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[149] *DBRW Annual Report, 1979–80*, p. 12.

[150] *Industrial Development Act 1982–Annual Report 1985-86* (London: HMSO, 1986), p. 9.

[151] Ibid, p. 9.

of 800 jobs.[152] Between 1979-80 and 1986-87, some £2.6 billion (in 2011-12 prices) was allocated to companies under the main regional aid schemes (see Table 5.5).

Table 5.5: Regional grant expenditure and allocations, Wales, 1979–80 to 1986-87.

	£ Million (2011-12 prices)								Change (1979-80 to 1986-87)	
Type of support	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**£m**	**Per cent**
Regional Development Grant I (a)	176.1	304.0	327.6	305.0	173.6	212.2	174.5	143.8	-32.3	-18.3
Regional Development Grant II	...	...	..	...	...	...	8.9	44.0	44.0	...
Regional Selective Assistance (b)	80.7	72.0	63.1	70.9	142.0	87.7	104.0	77.1	-3.6	-4.5
Total	**256.8**	**375.9**	**390.6**	**375.9**	**315.6**	**299.9**	**287.5**	**264.9**	**-35.9**	**-14.0**

Notes

(a) Grant automatically awarded to companies that submitted details to the DTI.

(b) Grant offers accepted by companies after a successful application.

Source: See chapter nine.

In 1984–85, 306 applications for regional selective assistance were received by the Welsh Office. 209 applications from companies seeking financial support towards their investment projects were approved. If each of these projects proceeded as planned by the applicant companies, it was expected that 10,538 new jobs were to be created, with 3,632 existing jobs safeguarded.[153] Details on actual out-turns were not collected. Against this background, Welsh owned companies accounted for less than four per cent of the total aid awarded between 1979 and 1983 (comparable information is not available for other regions).[154] This lack of support to indigenous companies was

[152] Ibid, p. 9.

[153] *Industrial Development Act 1982–Annual Report 1984-85*, p. 11.

[154] D.H. Simpson, *Manufacturing Industry in Wales: Prospects for Employment Growth* (Cardiff: Wales TUC, 1987), p. 33.

to spark a heated debate as to the perceived bias of regional aid against such companies that was to characterise the rest of the period under study. While it is important to note that all grant schemes were open to applicants regardless of their origin, there are two reasons why such a bias existed. Firstly, the manufacturing sector, which was the main focus of such schemes, was dominated by companies headquartered outside Wales, with Welsh firms tending to be small in size. For example, the Welsh Office stated in 1983 that it was aware of only two Welsh companies (Laura Ashley and AB Electronics) that were sufficiently successful to have opened overseas manufacturing branches.[155] This meant that the demand for large grants was inevitably dominated by companies with headquarters elsewhere. Secondly, companies had to complete forms and pass stringent checks prior to being awarded funding. While the Industry Division of the Welsh Office made great efforts to provide a streamlined service, and made extensive use of private sector secondees to do this, larger companies inevitably had access to greater resources which they could deploy to navigate the grant application process.

Despite the administration's wish to support indigenous companies, the period immediately after the change of government in 1979 saw a reduced emphasis on the provision of loans. This was due to two reasons. Firstly, the need to ensure adequate resources for the factory building programme following the 'slim lining' of the steel industry caused the Welsh Office to direct the WDA to reduce temporarily the priority it had previously given to investment.[156] Secondly, the failure of the agency's largest investment to date was to cause particular problems. In 1978-79, it invested some £2 million (in contemporary prices) in P.Leiner Ltd, a Treforest based producer of gelatine

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[155] *Committee on Welsh Affairs–The Impact of the European Community on Wales. Appendices to the Minutes of Evidence,* p. 333.

[156] Hansard HC, 18 February 1980, Vol. 979, c. 17 (debate).

employing some 500 people, taking a twenty per cent stake. However, factors including the impact of a sudden downturn in demand meant that the firm began to struggle. In early 1980, receivers were appointed, with the WDA being forced to write off some £1.2 million (in contemporary prices) of debt. This episode was very damaging for the agency in terms of its reputation, not least because its Director of Industry and Investment at the time of the decision to invest resigned shortly afterwards to join Leiner as their Chief Executive. As a result of this case, the Welsh Office was to insist on approving all investments larger than £1 million (in contemporary prices), as well as issuing guidelines that downgraded the priority that the agency gave to its investment functions. The episode also soured relationships with the Welsh Office, with a WDA board member later stating that 'they just didn't trust the WDA after Leiner'.[157] This highlighted the difficulty faced by the agency when investing. The point of such support was to add to, and not duplicate, existing sources such as banks. It was acting as a lender of last resort, as it was seeking to secure economic activity through supporting projects that had difficulty in obtaining finance from traditional sources. This meant that there was inevitably going to be a high failure rate, but it was politically unacceptable to make such losses. Overall, the WDA was perhaps over-enthusiastic in supporting Leiner to such a large degree, and although no impropriety was proved, it was never to make such a large investment again.

Leiner caused an upsurge in the tensions between the Welsh Office and the agency that had been simmering throughout the 1970s, mainly due to what was seen as the WDA’s desire for a more commercial approach, as opposed to the Welsh Office’s more cautious attitude. In 1980, the fixed term employment contract held by the WDA’s Chief Executive, Ian Gray, was being considered for

[157] Interview with Garel Rhys.

renewal. Civil servants within the Welsh Office used the controversy surrounding Leiner to refer the decision directly to Margaret Thatcher for her approval. This was very unusual and was indicative of the extent to which relationships had soured, as it was implicitly inviting the Prime Minister to veto the appointment. Thatcher's advisor expressed concern at the involvement of the Chief Executive in the Leiner affair, while Thatcher herself was minded to refuse as it could have been difficult to have defended a decision to re-appoint due to the 'faulty commercial judgement' of the agency. However, the chairman of the WDA's board, Sir David Davies, was by now threatening to resign if his Chief Executive was not reappointed. After further discussion and an appeal from the WDA board, the Prime Minster was persuaded to delegate the issue to Nicholas Edwards, who decided to reappoint the Chief Executive.[158] In correspondence with Downing Street, the Welsh Office stated that; 'the agency is bound to make mistakes and sometimes things will go wrong–though this is much less likely under the tighter guidelines now operating.'[159]

Tensions persisted and it was at this time that the Welsh Office privately expressed a somewhat acid view that the agency had always attached excessive importance to the investment function as; 'they seemed to fancy themselves as merchant bankers [...] the truth is that there is no great funding gap, except of course for difficult projects, which the agency should not be involved in.'[160] However, this view was shared by neither Nicholas Edwards nor the WDA Chief Executive from 1982, David Waterstone. He felt that there was insufficient private sector capital in Wales to support business,

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[158] NA, BD 40/232. *Letter From Prime Minister's Office to Permanent Secretary (PS) of Secretary of State for Wales* (13 July 1981).

[159] NA, BD 40/232. *Letter From Permanent Secretary (PS) of Secretary of State for Wales to Prime Minister's Office.*

[160] NA, BD 40/232. *Welsh Office–Notes on Points of Interest for Permanent Secretary's Meeting with the WDA* (10 June 1980).

partly due to City of London perceiving Wales as a relatively backward place.[161] Once the immediate pressure on the WDA caused by the need to respond to the steel closures had passed, it began to place more emphasis on the encouragement of growth through business funding. In 1982, the agency launched a new venture capital subsidiary, Hafren Investment Finance Ltd, the aim of which was to specialise in investing in new technology projects and higher risk enterprises with growth potential. In 1984, it was decided that a separate fund was needed to meet demand for risk capital in larger amounts, leading to the launch of the Welsh Venture Capital Fund, jointly funded from government and City sources. In the same year, Nicholas Edwards stated that he had 'been using the WDA and other instruments available to me, not simply as factory builders, but also as instruments to stimulate participation by the private sector'.[162] By mid-1985, the agency was portraying itself as a ‘leading source of venture capital’, had doubled its investment portfolio since the previous year, and was striving to attract further investment into Wales from venture capital funds, most of which were based in London. Two reasons were put forward by the agency as to why it needed to be active in this area. Firstly, the historic lack of indigenous financial institutions in Wales meant that there was little finance available regionally. Secondly, the London based financial institutions found it ‘difficult [...] to perceive all the nuances of investment opportunities in parts of the UK with which they are not familiar'.[163] At the same time, the agency’s desire to increase the flow of capital in Wales was reflected by its investigation into the establishment of a Welsh stock market, although this was abandoned as it could have had insufficient trading volumes,

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[161] Interview with David Waterstone.

[162] NLW, Crickhowell Papers 31/6 *Speech by Nicholas Edwards to the Cambridge University Conservative Association* (4 May 1984).

[163] *Land of Opportunity* (Micro News: Summer 1985).

potentially causing illiquidity.[164] Against such a background, the Welsh Office noted that there was 'a continuing need for the WDA's investment function in providing funds (particularly for investments under £100,000), [it] should pay particular attention to ensuring that it is not competing with private sector funders'.[165]

Between 1978-79 and 1980-81, the WDA invested some £10 million (in contemporary prices) in companies. However, between 1981-82 and 1984-85, investments were made in 300 companies, totalling some £24 million (in contemporary prices).[166] The focus remained on industrial investment, with the service sector accounting for only 5.5 per cent of investments by mid-1982,[167] although this grew steadily to reach 16.6 per cent by 1987.[168] In 1981, the Welsh Office set new targets for the agency's investment function. It was now to achieve over a rolling five year period a return at least equivalent to the cost of government borrowing over the same period. While there may have been a strong desire on the part of the WDA and the Welsh Office to increase the supply of funds to industry, its combined investments were loss-making (see Table 5.6). Between 1981-82 and 1986-87, the agency failed to meet its targets every year with the exception of 1981-82, while rates of returns were negative for four of the six financial years up to 1986-87, by which date its five-year cumulative return was minus 4.5 per cent.

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[164] Interview with David Waterstone.

[165] *Review of WDA Operations* (Cardiff: Welsh Office, 1987), p. 83.

[166] Hansard HC, 17 June 1985, Vol. 81, c. 11 (answer to written question).

[167] *Welsh Economic Trends No. 8 (1982-83)*, p. 59.

[168] *Welsh Economic Trends No. 11 (1987)*, p. 92.

Table 5.6: WDA return on investments, 1981–82 to 1986-87.

Year	WDA's financial return (annual)	WDA's financial target (annual)	Government borrowing cost (annual)	Government borrowing cost (five year - cumulative)	WDA's cumulative return
1981-82	2.2	5.6	11.4	…	…
1982-83	9.1	6.0	12.0	…	6.0 (2 years to 31/3/83)
1983-84	-13.4	9.0	11.6	…	- 1.9 (3 years to 31/3/84)
1984-85	-4.1	3.3	11.6	…	- 2.5 (4 years to 31/3/85)
1985-86	-12.0	2.0	11.6	12.0	- 5.7 (5 years to 31/3/86)
1986-87	-3.0	0.0	11.3	10.7	- 4.5 (5 years to 31/3/87)

...data not available

Note: all figures as percentages.

Source: WDA Annual Reports, 1981-82 to 1989-90.

As was the case prior to 1979, the agency was generally unable to assemble a profitable portfolio of investments, let alone meet its rate of return targets, even though these had dropped to zero by 1986-87. While the Secretary of State for Wales was castigating the City of London for short sightedness and a lack of local knowledge, one of his junior ministers, Wyn Roberts, was to point out later that 'there were never enough local entrepreneurs'.[169] Overall, if there was a funding gap where entrepreneurs with commercially viable ideas were held back by lack of finance, then the agency would have used its local knowledge to identify and support such ideas. By doing this, it would have been able to assemble a portfolio which at least broke even. This was not the case, meaning that there was a shortage of commercially viable projects. However, the agency saw its investments as not only supporting businesses, but also building confidence, so was thus prepared to absorb some losses as part of its overall drive to increase 'levels of commercial spirit'.[170]

[169] Wyn Roberts, *Right From the Start*, p. 186.

[170] Interview with David Waterstone.

5.3.5: Urban renewal and Cardiff Bay

As Wales began to slowly emerge from the depths of the recession, the Welsh Office was able to start the process of shifting its priorities from emergency actions such as the large factory construction programmes put in place after the steel run-down. An example of this was the 1983 launch of the Urban Development Programme, designed to fund public-private schemes to restore the fabric of Wales' towns and cities. Perhaps the most controversial of these was the grant given to finance a Holiday Inn development in central Cardiff, justified on the grounds that it created a major upturn in tourist visits, and would attract investment into the area.[171] In 1986, the WDA sought to build on this type of activity through the creation of an urban renewal unit to 'provide a focus for the renewal of towns and cities in Wales with a remit to encourage development of all types by the private sector'.[172] A further example was the decision to choose Ebbw Vale as the site of a 1992 garden festival. This was the Welsh equivalent of a number of festivals that were being developed throughout the UK under the overall leadership of Michael Heseltine, the interventionist Secretary of State for the Environment. These were located in areas in need of regeneration, such as Stoke on Trent and Liverpool, and were designed to attract visitors and investment. After receiving submissions from a number of areas including South Cardiff,[173] the Welsh Office decided in 1987 to locate the festival in an area hit hard by steel closures.

The Welsh Office now began to turn to Cardiff Bay. Previously known as South Cardiff or Cardiff Docks, Cardiff Bay included the large area once taken up by coal exporting. In the late nineteenth

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[171] Nicholas Edwards, *Wales, Westminster and Water*, pp. 41-42.

[172] *WDA Annual Report 1986–87.*

[173] Interview with Ken Poole.

century, Cardiff had used its proximity to the South Wales coalfield to become the dominant coal exporting port in Britain. [174] However, the decline of this trade after the First World War coupled with the failure of the area to diversify into other activities such as manufacturing,[175] with the exception of steel, meant that the docks became largely redundant. By the 1970s, a large part of the land located between the city centre and the sea was a worn out, derelict environment that had seen a massive decline in employment.[176] This had left 'vast areas of wasteland within a half a mile of plush offices in Newport Road in Cardiff',[177] while 'Tiger Bay, as it had been, was very decayed, run-down. The whole thing was ghastly [...] Cardiff itself had somehow got lost'.[178] South Glamorgan Council had been conscious of the need to redevelop the area for a number of years. For example, James Callaghan, the then Prime Minister (and MP for Cardiff South) was visiting the city in early 1977. South Glamorgan's Chief Planning Officer, Ewart Parkinson, gave a short speech at a lunch attended by James Callaghan, stating that:

> All cities had [social, economic and environmental] gaps but our gap was getting wider, the great steel works was making people redundant [...] the existing social, environmental and economic conditions in South Cardiff were already poor and they would become worse.

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[174] Alan Hooper, 'Introduction', in *Capital Cardiff 1975–2020 Regeneration, Competitiveness and the Urban Environment* ed. by Alan Hooper and John Punter, pp. 1-16 (p. 9).

[175] M.J. Daunton, *Coal Metropolis–Cardiff 1870–1914* (Leicester: Leicester University Press, 1977), p. 46.

[176] M. Bailey, S. Batty and P. Longley, *Socio–economic Profile of Cardiff Bay* (Bath: Wales and Regional South West Research Lab, 1988), p. 80.

[177] Interview with Ken Poole.

[178] Interview with Lord Crickhowell.

> Public policy must be directed at closing that [social, environmental and economic] gap. Gaps that were getting wider were dangerous.[179]

To begin development, the council invested heavily in road infrastructure to link South Cardiff with the M4. By 1983, the construction of a barrage across the mouth of the Taff on which this road could sit was being discussed.[180] As such a barrage would have involved alterations to a navigable waterway, parliamentary approval was required, so a private bill was thus introduced by James Callaghan in 1985.[181] The council also entered into a joint venture with Tarmac Construction to develop part of the docklands with the support of urban development grants from the Welsh Office. This was done after the Conservative Secretary of State had intervened to ensure that the Conservative-run Cardiff City Council co-operated with the Labour-run South Glamorgan Council. According to Ewart Parkinson, Cardiff's Chief Planning Officer:

> Nick Edwards got to hear that there was fighting between Labour and Conservative councils about the redevelopment of Bute East Dock [...] so he called us to a meeting one day in the Welsh Office headquarters. [After the meeting] we were sitting round thinking about it, and the phone rang and Ron Watt [Conservative councillor on Cardiff City Council] said "Hello Jack [Jack Brooks, Labour councillor on South Glamorgan Council], we'll work with you

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[179] Ewart Parkinson, *Making Places-the Story of a Civil Engineer and Town Planner*, p. 37.

[180] Interview with Paddy Kitson.

[181] Sian Best, *A Whim Set in Concrete–the Campaign to Stop the Cardiff Bay Barrage*. (Bridgend: Seren, 2004), pp. 18-19.

> on this one." And there was a Conservative Secretary of State telling a Conservative councillor, "Don't be so stupid, work with the county, don't fight them."[182]

This development was known as Atlantic Wharf and focused on the construction of housing around Bute East Dock. South Glamorgan County Council then decided to construct its headquarters in this area. Opened in 1988, County Hall was the first major office investment in the derelict docklands. According to the Council's Economic Development Director, Roger Beaumont:

> The new county hall was the catalyst for the development. Everybody was saying, "You first." [...] And Nicholas Edwards was going to open it. And they sent Special Branch down there to suss it out the day before, and they were mugged.[183]

The options for South Cardiff were now being discussed within South Glamorgan County Council, Cardiff City Council, the Welsh Office and Associated British Ports, the major landowner in South Cardiff. The concept of a large-scale programme with a barrage as its core now began to germinate. Following on from these discussions, the Welsh Office then proposed the construction of a large barrage at Penarth Head. While the barrage being discussed by 1983 would have impounded the Taff through Cardiff but left the tidal mudflats as they were, the new proposal would enable the creation of a large freshwater lake. In late 1986, Nicolas Edwards announced the establishment of the Cardiff Bay Development Corporation (CBDC). CBDC was tasked with an ambitious programme of regeneration, with its Chairman, Sir Geoffrey Inkin, stating that; 'if you don't have ambition you don't meet a reasonable standard of performance, particularly if you're in the very

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[182] Interview with Ewart Parkinson.

[183] Interview with Roger Beaumont.

uncertain world of politics and economics.'[184] South Glamorgan County Council was heavily involved in the development of the plans for the area, had board representatives (as did the district councils for Cardiff and the Vale of Glamorgan) and was allowed to keep planning powers over all areas such as housing, transport and commercial developments.[185] This was different from elsewhere, where corporations such as London Docklands were imposed on often unwilling local authorities.

There are four reasons why the development of South Cardiff was put forward with such vigour, despite considerable scepticism and opposition (see section 7.3.3). Firstly, the existence of Urban Development Corporations in England meant that some additional funding would be available for the Welsh Office (as was the case with garden festivals). Secondly, South Cardiff was clearly in need of regeneration. Thirdly, Cardiff Bay offered an opportunity to further align elements of the economy towards the increasingly important service sector. Finally, the development was a 'grand projet', and was attractive for politicians seeking to leave their mark on Wales. According to Nicholas Edwards, 'if I'm feeling depressed and I want to be cheered up, I go and look at it and think, "Gosh yes, look what we've done."'[186]

5.3.6: Agriculture and tourism

In 1984, farming was defined by Nicholas Edwards as one of the three 'great industries' (along with steel and coal) that were traditionally the backbone of the economy but had illustrated the 'danger of putting off unnecessary change or on relying on subsidy from the taxpayer rather than on support

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[184] Interview with Sir Geoffrey Inkin.

[185] Interview with Paddy Kitson.

[186] Interview with Lord Crickhowell.

from the customer, [farming's] vulnerability derives from the fact that the burden falling on the taxpayers of Europe is too great to bear'.[187] By the mid-1980s, support for the agricultural industries came from a number of sources, namely the Common Agricultural Policy (CAP), subsidies for structural change, tax concessions and economic development grants. Although the escalating costs of the CAP at a European level caused increasing concern, it was to remain the cornerstone of the European Economic Community's approach throughout the 1980s. Support for Welsh farmers from the CAP came in two forms. Firstly, indirect support continued at a European level, such as import levies, storage, disposal and subsidised exports. Secondly, the Welsh Office administered a number of direct farm payments. These included the Less Favoured Areas scheme, which provided support to farms throughout most Wales by 1984. Farmers in such areas were able to claim a portion of their costs from CAP. In Wales, this took the form of the Hill Livestock Compensation Award, which subsidized each animal on individual farms at fixed annual rates. As well as the support via CAP, the Welsh Office was channelling additional funding to the agricultural sector via the WDA and the DBRW by the mid-1980s. This support included the provision of building conversion grants and subsidised rural loans and grants designed to encourage expansion and job creation. At the same time, tax concessions were available on machinery, fuel oil, land transfers and rates. As part of the evolving CAP system, a quota system was introduced to deal with the over–production of certain commodities such as milk. As had always been the case with the CAP, such decisions were made on the basis of agreement between EEC member state governments. There was no direct role for entities such as the Welsh Office, although Welsh agriculture had a

[187] NLW, Crickhowell Papers 3/16. *Speech by Nicholas Edwards to the Conservative Party Conference in Wales* (23 June 1984).

heavier dependence on dairying than the UK as a whole.[188] The decision of the UK Government to apply the quota reductions as a uniform cut for all farmers, as opposed to Germany where concessions were made to smaller farmers, meant that a disproportionate number of smaller dairy farms closed in Wales, leading for calls for the type of redundancy packages available for coal and steel to be applied in an agricultural context.[189]

By 1985, the WTB estimated that tourism accounted for some 90,000 jobs (direct and indirect) in Wales.[190] Despite this, commentators pointed out that earnings in many parts of the tourism industry were well below the overall average for the economy as a whole and the decrease in British tourists holidaying in the UK meant that the number of such visitors to Wales had been in almost constant decline between the mid-1970s and mid-1980s.[191] In 1987, the WTB noted that 'the dominant picture that emerges is one of structural erosion of the traditional main domestic summer holiday [...] by Mediterranean sunshine'.[192] Overall, the 1980s saw a number of changes to tourism within the UK apart from the reducing numbers of domestic holidaymakers, a trend which was especially detrimental to Wales with its more ‘traditional’ offer. Short breaks grew from some 28 million in 1978 to some 35 million in 1987, but the number choosing Wales remained static. Also, the number of visitors to traditional seaside resorts such as Rhyl and Llandudno continued to

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[188] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993*, p. 165.

[189] Hansard HC, 24 March 1987, Vol. 113, cc. 407 (debate).

[190] *Tourism in Wales* (London: House of Commons Committee on Welsh Affairs, 1987), p. i.

[191] *WTB Annual Report*, *1984-85*, p.46.

[192] *WTB Annual Report*, *1986-87*, p. 9.

decline, although countryside destinations showed a small increase in popularity.[193] Given these changes, the board saw its role as seeking to defend Wales' existing share of its traditional tourist activities, and promoting growth areas such as short breaks.[194] However, the WTB's limited resources combined with the difficulty of competing against overseas destinations meant that its task was difficult, with the Welsh Office's Permanent Secretary informing Nicholas Edwards in 1982 that the WTB's resources gave 'pretty small leverage' within the industry.[195] Interestingly, its role was barely considered by the House of Commons Welsh Affairs Committee in 1980 when it carried out an inquiry into the role of the Welsh Office and associated bodies in developing employment in Wales.[196] Overall, government grant-in-aid to the board amounted to £7.9 million in 1986-87 (£16.7 million in 2011-12 prices).[197] These sums compare to the £265 million (in 2011-12 prices) available for industrial subsidies in the same year.

The WTB's activities divided into three categories. Firstly, it carried out marketing activities to promote Wales, mostly within the UK as it was barred from independently promoting Wales abroad where it was required to work with the British Tourist Authority. The board’s marketing campaigns were relatively low key, with some £330,000 (£755,000 in 2011-12 prices) spent in 1984-85 and £200,000 (£435,000 in 2011-12 prices) in 1985-86.[198] Examples of such campaigns included the

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[193] Stephen Wanhill, ‘Tourism in Wales – an Overview’, *Welsh Economic Review*, Vol. 3,1 (1990), pp. 47-63 (p. 50).

[194] *WTB Annual Report, 1986-87*, p. 10.

[195] NA, BD 96/3, *Note from Permanent Secretary to Secretary of State*, 19 July 1982.

[196] *The Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales (Vol 2)*, p.6.

[197] *Tourism in Wales*, p. x, xix.

[198] Ibid, p. xv.

printing and distribution of 600,000 copies of a 16 page brochure and attendance at a four week exhibition tour in the United States.[199] Secondly, the WTB granted financial support to projects that created jobs and improved the standard of the industry's offer to tourists. In 1985-86, £2.5 million (£5.4 million in 2011-12 prices) was granted to a total of 145 projects. Examples of the type of projects supported in this year included hotel upgrades in Llandudno and Harlech, as well as attractions such as Barry Island's illuminations. The largest project was the £200,000 granted to Butlin's holiday centre at Pwllheli to upgrade its accommodation.[200] In 1982, the board was granted authority to provide financial assistance to tourism businesses outside of the assisted areas. However, tourism activities were excluded from the main regional aid programmes from 1984, on the basis that support could lead to the displacement of activities from existing operators in the same locality, instead of increasing the total number of jobs. This meant that overall levels of government support to the industry reduced. Finally, the board was involved in a number of joint initiatives and programmes with 'theme parks, marinas, use of our inland waters and our heritage all offer[ing] scope for development'.[201] While heritage tourism was to have a relatively high profile in the 1980s, it was noted in a report commissioned by the board from Birmingham University that 'conservation of the industrial heritage in the South Wales Valleys has been generally neglected' [202] while a report from a former WTB Chief Executive noted that it was 'extremely doubtful that genuine tourism could be developed to any significant extent around coal mines or mills'.[203] The economic impact of such tourism was always going to be minor in comparison to the industries it

[199] *WTB Annual Report, 1986-87*, pp. 13,17.

[200] Ibid, p. 9.

[201] *WTB Annual Report, 1983-84*, p. 8.

[202] NA,BD 96/3, *Development of Tourism in the South Wales Valleys, Appendix A, University of Birmingham Report on the development of Tourism in Wales*, 1983.

[203] Ibid, *Appendix B, Report by Harold Naylor*, 1983.

commemorated, although the highest profile development, the Big Pit mining museum in Blaenafon, opened in 1983 after having received financial support from a range of organisations including the WTB. In 1986, detailed planning began for a heritage park in the Rhondda, with the majority of funding coming directly from the Welsh Office via an urban grant.[204] At the same time, the board's activities were complemented by those of other agencies with, for example, the DBRW providing grants towards the development of visitor attractions in mid-Wales such as the Vale of Rheidol and Ffestiniog railways.[205] Overall, the development of tourism mirrored the position of the economy as a whole in that it was buffeted by external forces, in this case the rise of cheaper overseas destinations.

5.4: Government expenditure

Table 5.7 outlines changes in regional economic development expenditure in Wales between 1979-80 and 1986-87. Overall expenditure shows a rapid decline from a peak of some £3.4 billion (in 2011-12 prices) in 1980-81 to some £977 million (in 2011-12 prices) in 1986-87. All categories apart from agriculture and European grants saw decline, but by far the largest drop is attributable to grants and loans for nationalised industries. Total expenditure over the period was some £16.1 billion (in 2011-12 prices), an annual average of some £2 billion (in 2011-12 prices).

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[204] *WTB Annual Report*, *1985-86*, p. 25.

[205] *DBRW Annual Report*, *1986-87*, p. 19.

Table 5.7: Regional economic development expenditure, Wales, 1979-80 to 1986-87.

	£ Million (2011-12 prices)								Change (1979-80 to 1986-87)	
Type of expenditure	**1979-80**	**1980-81**	**1981-82**	**1982-3**	**1983-4**	**1984-85**	**1985-86**	**1986-87**	**£m**	**Per cent**
Industrial subsidies (a)	257	376	391	376	316	300	287	265	8	3
Funding for development agencies (b)	235	257	263	187	138	136	123	104	-131	-56
Grants and loans to nationalised industries (c)	952	2,358	721	779	1,018	1,480	635	254	-698	-73
Agriculture	105	138	132	159	187	197	191	148	43	41
European loans (d)	763	128	139	73	158	76	181	92	-671	-88
European grants (d)	105	147	118	158	172	145	126	114	10	9
Total	**2,416**	**3,405**	**1,763**	**1,731**	**1,988**	**2,334**	**1,544**	**977**	**-1,439**	**-60**

Notes

(a) *These data include allocations made to investment projects that may not have been fully drawn down by the applicant companies.*

(b) *These data are government grant in aid. Total budgets were often boosted from other sources such as asset disposal and factory rentals.*

(c) *Wales data not available after 1981-82, but large scale subsidies continued to the coal and steel industries. Data for coal has been derived by dividing the UK deep-mine totals*[206] *by the proportion of Welsh pits (compared to the UK) active in each year. Data for the steel industry has been derived on a per employee basis. See section 9.3.5 for further details.*

(d) *Data for European loans and grants, and some agricultural schemes, not available on a financial year basis. Data included on the basis of 1974 calendar year data recorded as 1974-75 financial year etc.*

Source: See chapter nine.

The complexities of administrative devolution meant that the Welsh Office had differing levels of control over the level and use of each type of expenditure. For **industrial subsidies**, central government's Department for Trade and Industry administered the automatic Regional Development Grant (some 80 per cent of industrial subsidies during 1982-83). However, this responsibility was transferred to the Welsh Office in 1984, joining the discretionary Regional

[206] Hansard HC, 11 February 1988, Vol. 127, c344w (answer to written question).

Selective Assistance scheme. As was the case between 1974 and 1979, the reducing emphasis on industrial subsidies continued, although the depth of the recession did see a temporary increase until 1981-82. By 1980, the Barnett Formula was in place (named after Joel Barnett, the Chief Secretary to the Treasury in the previous Labour Government). This linked changes to Welsh Office budget allocations on certain devolved activities to changes in comparable central government allocations for England as well as relative population levels. However, the formula was not applied to all budgets. In practice, the approach tended to be opaque, with some budgets (such as industrial subsidies/grants) being negotiated individually. As allocations were reduced by central government, so too were those in Wales, which dropped by almost a third in real terms between 1982-83 and 1986-87. The priority at both a Wales and UK level was now on a broader approach to regional economic development with a greater focus on urban regeneration, the attraction of foreign direct investment and the support of indigenous enterprise

For **economic development bodies** such as the WDA and the DBRW, the overall level of expenditure was set by the Welsh Office. Annual expenditure on regional economic development bodies peaked at some £263 million (in 2011-12 prices) in 1981-82, before more than halving to £104 million in 1986-87 (in 2011-12 prices). Initially high levels of expenditure were caused by factors including the massive factory construction programmes put in place to address the impact of the steel closures. As these programmes were completed, budgets were reduced. At the same time, support to the Land Authority for Wales ceased as it was now expected to be self-financing (see Table 5.8).

Table 5.8: Welsh Office support to economic development bodies, 1979-80 to 1986-87.

	£ Million (2011-12 prices)								Change (1979-80 to 1986-87)	
Organisation	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**£m**	**Per cent**
Cwmbran Development Corporation	26.1	32.7	28.3	10.5	7.3	7.3	9.3	3.1	-22.9	-88
Development Board for Rural Wales	33.2	17.0	21.4	23.8	21.9	20.5	24.0	17.5	-15.6	-47
Land Authority for Wales	3.5	2.3	0.8	...	...	...	...	...	-3.5	-100
Wales Tourist Board	12.7	12.6	13.7	14.1	12.0	14.6	16.7	16.7	4.0	32
Welsh Development Agency	159.9	192.7	198.4	138.6	96.4	93.6	72.8	67.0	-92.9	-58
Total	**235.3**	**257.4**	**262.6**	**187.0**	**137.6**	**136.1**	**122.9**	**104.3**	**-131.0**	**-56**

Source: See chapter nine.

For the **nationalised industries**, the Secretary of State had no direct influence over the size of the subsidy or the uses to which it was being put. In 1979-80, nationalised industries in Wales received support of some £952 million in 2011-12 prices, (£274 million in contemporary prices), which increased to over £2.3 billion in 2011-12 prices (£803 million in contemporary prices) during the following year, caused by the turmoil in the steel industry. This was an exceptionally high figure, and was some 17 per cent of all identifiable public expenditure in Wales for this year,[207] more than was spent on either education (£684 million in contemporary prices) or health (£692 million).[208] This was reduced by some two thirds in the following year, after which data for Wales were not released. Subsidies to the coal industry declined in the early 1980s, but rose rapidly during the miners' strike, before reducing as the industry was quickly run-down although the continued size of this support may reflect factors such as redundancy payments (see section 9.3.5). In the steel industry, subsidies to BSC's operations throughout the UK ended once profitability was regained in

[207] This includes all Welsh Office activities and most of those controlled by central government, such as social security and justice, but not others such as defence and debt interest. In 1984, the Welsh Office stated that this accounted for some 75 per cent of total public expenditure. (*Digest of Welsh Statistics, No.29, 1983-84*, p. 133).

[208] *Digest of Welsh Statistics, No.29, 1983-84*, p. 133.

1986, and EC member states had agreed to phase out such subsidies by 1985.[209] Although some support was still possible via regional grants and support for redundancy costs, these were small in scale when compared to the sums available in the late 1970s and early 1980s.

For **agriculture**, the Welsh Office had no control over the Common Agricultural Policy. Such decisions were collectively taken by member state governments at a European level. Welsh Office expenditure steadily increased from its 1979-80 level of £105 million (in 2011-12 prices), peaking at £197 million (in 2011-12 prices) in 1984-85. However, these figures do not include indirect CAP support, such as import levies, storage, disposal and subsidised exports. Official data at a Wales level are not available, but it has been estimated that total support (including indirect support and Welsh Office programmes) increased by over 60 per cent over the period.[210]

For **European grants and loans**, the Welsh Office had very little influence over the overall budgets or the uses to which they were put. Such programmes tended to be administered in the early to mid-1980s directly by European level institutions. The figures for grants and loans fluctuated during the period, generally caused by the timing of individual programmes, such as the development of a hydro-electric station at Dinorwic, which was approved for a number of large loans in 1979.[211] Also, support to those made redundant by the steel industry was a feature of the early 1980s, with Wales inevitably taking a large share of the Readaptation scheme, on which expenditure throughout the UK peaked at £112 million (in contemporary prices) in 1981-82.

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[209] Colin Wren, *Industrial Subsidies*, p. 148.

[210] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 151.

[211] European Investment Bank, *Finance Contracts Signed* [online].

Overall, the continuing decline of industrial subsidies and the ending of support to nationalised industries are clear trends. Expenditure generally rose during the traumatic early 1980s as manufacturing collapsed, the steel industry was radically restructured and massive factory building programmes were launched, but was scaled back once the economy began to recover. However, exceptions included the impact of the miner's strike on coal subsidies, while funding for agriculture and European programmes grew. These were generally decided upon in Brussels, so often reflected a range of different political and economic circumstances.

5.5: Conclusions

The early 1980s were economically violent times. Problems had been building throughout the 1970s but the radical approach of the new government had devastating effects. Firstly, its determination to control inflation through monetary means led to high interest rates and a highly valued pound. This impacted on the cost of credit as well as on exporters, exposing weaker businesses and leading to a spectacular slump in manufacturing employment. At the same time, Wales' dependence on branch plant manufacturing meant that these were often the first to be closed when companies with headquarters elsewhere were struggling. Secondly, the government was determined to put the nationalised industries on a sound commercial footing as soon as possible, and eliminate lending and other subsidies. This was in contrast to the 1970s, when concern as to the social impact of closures had tended to slow down attempts to reduce the losses incurred by coal and steel, with the *Western Mail* noting the lack of purely commercial decision making over that decade.[212] While the run-down of the mining industry and the turbulence surrounding the strike of 1984-85 has tended to have a higher profile in historical discourse, the loss of manufacturing and

[212] 'Desperate Price to Pay for Steel', *Western Mail*, 10 December 1980, p. 8.

steel jobs crippled the economy and society of much of Wales for many years. According to Ron Davies, the recession:

> Left a legacy of worklessness, which is still with us today. Second and third generations of people, without work, many families without the tradition of anybody in the family ever having worked. That has a hugely debilitating impact on families and young people.[213]

Prime Minister Margaret Thatcher famously declared that 'there is no alternative' to her policies if Britain's relative economic decline was to be stopped,[214] but it is worthwhile to consider the potential impact of alternative policies. In 1979, there were at least two such approaches being put forward. The first was a siege economy that would have included import controls and greater state investment, with for example, Plaid Cymru calling for controls to protect the steel industry.[215] While this would have protected jobs in the short-term, long-term prospects would have been bleak for three reasons. Firstly, state intervention would have been unlikely to have addressed efficiency issues and financial losses, while secondly; the erection of tariff walls could have led to retaliatory action by trading partners. Finally, there would also have been the issue of whether sufficient funding could have been obtained, either through tax revenue or borrowing, to fund intervention for more than a short period.

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[213] Interview with Ron Davies.

[214] Hugo Young, *'One of Us'*, p. 205.

[215] Garrod Whatley, 'Plaid Call for Import Controls Help Ailing Steel Industry', *Western Mail*, 3 January 1978, p. 7.

The second approach would have been a more moderate one based on the continuation of existing policies, combining a gradual run-down of nationalised industries with extensive support to inject alternative sources of employment. Assuming that industrial relations could have been maintained, a Labour victory in 1979 could have had a number of economic implications for Wales. In the short-term, the recession of 1979-80 would have been shallower without monetarist policies, while the run-down of steel would have been a protracted affair, rather than a sudden shock. While some rationalisation of the coal industry was likely, as forecast by the NCB in 1976, the wholesale closures of the mid-1980s would almost certainly have been avoided due to concern as to social and political impact. However, it is difficult to see how the long-term trends of deindustrialisation could have been avoided, although the process would have been far more gradual and less painful. This would have given extra time for adjustment to have taken place, although the success of this would have depended on the economic state of the UK.

In some ways, there were two separate Conservative administrations governing Wales between 1979 and 1987. The first was the central government based in London with the second being the Cardiff based Welsh Office. The shock of the early 1980s soon gave way to a determination within the Welsh Office and its agencies to rebuild confidence in Wales and create an economy with a greater commercial focus.[216] In 1980, the *Financial Times* went as far as to call Nicholas Edwards 'an arch exponent of regional policy'.[217] The range of actively interventionist policies carried out by the Welsh Office included an extensive programme of factory construction, land reclamation, urban development initiatives and efforts to attract inward investment. Nicolas Edwards has stated

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[216] Interview with David Waterstone.

[217] 'Business-like Approach to Problem',. *Financial Times,* 4 August 1980.

that 'I had the almost unqualified support from the prime minister […] she backed me absolutely to the hilt', and:

> The only real set to argument that I ever had with her was almost on my final two weeks in cabinet, when she'd obviously been briefed by the Treasury to ask a lot of slightly hostile questions about Cardiff Bay. And […] she marked her brief with a sort of yellow pen, as she did on these occasions, and she gave me quite a serious grilling.[218]

Such freedom of action (with the exception of Margaret Thatcher's initial opposition to Cardiff Bay) was known as 'Welsh exceptionalism'. According to the *Western Mail*:

> It has become clear [...] that there is a paradox at the heart of the administration in Wales. We have a Minister who boasts about spending public money, stresses the efforts of his department [...] critiques the financial institutions of the City of London with impunity and demands that the major industrial concerns demonstrate a moral obligation to the communities they serve. Yet he remains part of a government committed to cutting public expenditure, rolling back the frontier of state intervention, selling national assets on the stock exchange and letting private enterprise stand on its own feet.[219]

However, the degree of power devolved to the Welsh Office was limited, meaning that 'exceptionalism' had its boundaries. While the Welsh Office may have had a free hand to construct factories, carry out urban redevelopment schemes, sell Wales internationally and seek to improve

[218] Interview with Lord Crickhowell.

[219] John Hibbs, 'A Secretary Set to Stay', *Western Mail*, 24 May 1985, p. 12.

the flow of capital to companies, it had no authority over taxation, interest rates and welfare policies. Neither did it have any formal influence over the nationalised industries of coal and steel, while negotiations over the Common Agricultural Policy were generally carried out by the relevant Whitehall department. Finally, regional aid regulations were controlled by Whitehall, partly to ensure that regions did not gain unfair advantages over each other.

Welsh exceptionalism had three drivers. Firstly, the Secretary of State for Wales was a ‘king’,[220] with full authority over Welsh Office functions. He could thus marshal the various public bodies such as the Welsh Office, development agencies and local government behind an integrated programme of economic development. His philosophy and personality thus had an important bearing on policy development. Nicholas Edwards sat for a Welsh seat (Pembrokeshire), and being based in Cardiff, was aware of the impact of the recession. He saw no contradiction between the policies being carried out at a UK level and those being carried out in Wales, stating that ‘all the paraphernalia of grants, agencies and advance factories are useless if the economic climate is such that the government makes profit impossible’.[221] However, he was not a full believer in a laissez faire approach, with Rhodri Morgan stating that ‘people would never have said he was particularly a one nation Conservative, but he wasn’t an out and out Thatcherite'.[222] Overall, Welsh Office interventions aimed to bandage the wounds caused by restructuring, before facilitating self-sustaining private sector growth over the longer term. They were not aimed at developing a corporatist model that extended the role of the state into the private sector.

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[220] Kevin Morgan and Geoff Mungham, *Redesigning Democracy, the Making of the Welsh Assembly* (Bridgend: Seren, 2009), p. 61.

[221] NLW, Crickhowell Papers. 3/11. *Speech at Cardigan* (17th November 1978)

[222] Interview with Rhodri Morgan.

Secondly, the existence of the Welsh Office and development agencies created what has been called the ‘dynamic of institutions’, where the very existence of interventionist agencies made some form of intervention more likely.[223] According to Rhodri Morgan, the culture of the Welsh Office throughout the 1970s and beyond was ‘very much a pro intervention, very pro job creation and a belief that in order to get the private market to work you did have to have quite a lot of state involvement in it and stimulation of it'.[224] It would have taken a committed ideologue to have refused to use its powers given the desperate state of the economy. In any case, it is a rare politician who would not want to be associated with a large inward investment announcement. In relation to the Conservative attitude towards the WDA, John Morris has stated correctly that 'what they were opposed to was the financial part. I don’t think they were opposed to the advance factory part, because [it] brings glory to be able to have what John Clement [Director of Industry at the Welsh Office] would say, “Announcements” [of investment projects]'.[225] Instead, the pragmatic Secretary of State allowed these organisations to continue along lines similar to those established by his predecessor, although any hint of extending state control into the private sector was firmly rejected.

Finally, there is the question of why Prime Minister Margaret Thatcher allowed the Secretary of State a free hand. The Welsh Office’s powers were sufficiently limited so that their usage by a politician so clearly supportive of the Prime Minister could be tolerated. According to the CBDC Chairman, Nicholas Edwards ‘was such a supporter of the prime minister of the day that he had a lot of leverage there'.[226]

[223] Interview with John Osmond.

[224] Interview with Rhodri Morgan.

[225] Interview with Lord Morris.

[226] Interview with Sir Geoffrey Inkin.

Against this background, the *Western Mail* stated that:

> The only answer to the conundrum must be that he profits from Wales being treated as a sideshow in Cabinet. Mr Edwards is allowed his limited freedom of action in the Principality, to subvert Thatcherite policy if necessary, as the reward for unswerving loyalty on the great national issues of the day. As long as nobody outside Wales notices, or cares that this disjunction exists, this peculiar partnership will continue uninterrupted for the foreseeable future.[227]

It has been argued that the Secretary of State may have been largely left to his own devices because Margaret Thatcher had little interest in Wales.[228] A lack of interest was apparent. This was caused by a combination of pragmatism, in that Wales is small in population when compared to the UK and that the Secretary of State was unlikely to cause her any difficulties, and lack of personal interest, in that Wales was 'alien territory, far from the England that she knew and understood'.[229] At the same time, the government was always prepared to exercise a small degree of flexibility while it stuck to its key principles. For example, after central government had effectively instructed BSC to lay off tens of thousands of staff, it provided the Welsh Office with extra funding for a crash factory building programme, while it directed INMOS to Newport against the wishes of its management and also increased regional aid allocations during the recession.

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[227] John Hibbs, 'A Secretary Set to Stay', *Western Mail*, 24 May 1985, p. 12.

[228] Martin Johnes, *Wales Since 1939*, p. 317.

[229] Nicolas Edwards, *Wales, Westminster and Water*, p.51.

However, the recession was so deep that the Welsh Office's relatively limited powers and budgets could do little to alleviate the situation. For example, when the Secretary of State declared in April 1980 that he expected intervention to create some 18,000 jobs over the next four years, it was immediately pointed out by Labour MPs such as Ted Rowlands of Merthyr Tydfil and Rhymney that there had been at least 44,000 redundancies in the previous ten months alone.[230] However, once the general economic situation had improved by the mid-1980s, intervention began to make a more tangible difference. Impact was most visible in land reclamation and factory construction. At the same time, Wales' performance in attracting FDI began to grow in significance, with the building blocks being laid for the success story of the late 1980s and early 1990s. However, Wales' indigenous sector remained relatively weak, with the mounting losses incurred by the WDA symbolising the longstanding difficulties encountered by those seeking to stimulate this area of activity. Farming continued to decline in importance despite the level of subsidy, although the DBRW's more localised, approach to economic regeneration also began to bear fruit. By the later 1980s, Newtown was rapidly expanding and rural depopulation was partially checked, although such trends cannot be solely attributed to DBRW activity. By 1987, improving economic circumstances at a UK level combined with the positive impact of interventions to facilitate the emergence of a cautious air of optimism throughout much of Wales.

[230] Hansard HC, 21 April 1980, Vol. 983, c. 12 (debate).

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6.1: Economy and policy – UK

6.1.1: Economic trends and political reaction

By the late 1980s, the UK economy was growing strongly and appeared to be catching up with some of the major economies that had surpassed it during the post–war era.[1] In 1987 and 1988, the economy grew by 4.7 and 4.3 per cent, rates that were well in excess of the 3.0 per cent average achieved between 1949 and 1973. However, this was partially underpinned by unsustainably high levels of consumer expenditure. By the end of the decade, the economy was overheating as inflation began to re-emerge. The government responded by raising interest rates from 9.7 per cent in 1987 to 13.9 per cent in 1990. This led to a decline in consumer spending that impacted on housing, with prices stagnating or falling. With exports suffering under the impact of a high pound, the economy slid into recession in late 1990.

The growth of the later 1980s led UK unemployment to quickly drop. However, this was not enough to return unemployment to 1979 levels. In June 1990, unemployment stood at 1.58 million (5.3 per cent), significantly in excess of the May 1979 level of 1.08 million (3.8 per cent). Unemployment then gradually increased as the economy re-entered recession, peaking at 9.9 per cent in December 1992. Employee jobs followed a similar pattern. In 1990, a peak of 24.4 million jobs was reached, although this was still below the 24.7 million jobs reached in 1979. However, the onset of the recession caused the number of employee jobs to drop, and by the first quarter of 1992 the total had reduced by 3.9 per cent since its previous high point in 1990. Manufacturing

[1] Nicholas Crafts, *Britain's Relative Economic Decline 1870–1995*, p. 49.

employment continued its decline, falling from 4.8 million in 1987 to 3.9 million in 1993.[2] While the mid-1980s saw relatively low rates of inflation, this began to climb towards the end of the decade. By 1990, it had reached 9.5 per cent, the highest rate since 1981. However, industrial relations had significantly improved since the late 1970s and early 1980s. Between 1987 and 1992, an annual average of 2.25 million working days was lost to industrial action, compared to 10.49 million between 1979 and 1987, and 12.28 million between 1974 and 1979.

The recession of the early 1990s was relatively mild compared to that of the early 1980s, with output falling by less than half of the earlier downturn.[3] At the same time, while the earlier recession had a disproportionate impact on the manufacturing sector, the 1990s recession impacted heavily on service sector employment and saw a wave of housing repossessions. The significance of the North-South divide, such a feature of the 1980s, began to temporarily reduce in importance as southern regions bore the brunt of job losses. However, regional imbalances caused in part by deindustrialisation remained significant. While the economy had begun to recover by early 1992, growth remained subdued, in part due to high interest rates and an over-valued pound. However, the devaluation of sterling after its ejection from the European exchange rate mechanism on 'Black Wednesday' in September 1992 enabled the government to implement an economic policy with a broader range of goals than the maintenance of low inflation.[4] It was now able to address issues including output and employment, aims which were helped by the ability to gradually reduce the

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[2] *Annual Abstract of Statistics* (London: HMSO, 1997), p. 125.

[3] *The Long-Term Impact of Recessions*, p. 3.

[4] David Blackaby, Philip Murphy and Eirian Thomas, 'Wales: An Economic Survey' in *Contemporary Wales*, 7 (1994), pp. 173-248 (p. 178).

cripplingly high level of interest rates. This was to lay the foundations for a sustained period of economic and employment growth that was to continue until 2008.

6.1.2: Regional economic policy, and its impact on Wales

In the late 1980s, policies continued their gradual shift away from attempting to carry out industrial restructurings of entire regions. There were at least four main trends. Firstly, regional aid budgets were reduced in real terms. Secondly, there was a greater emphasis on supporting individual enterprise. Thirdly, expenditure on localised urban regeneration was increased dramatically, mainly through the creation of urban development corporations. Finally, an increasing number of public sector organisations became involved in economic development.[5]

Since 1972, regional aid had been dominated by Regional Development Grant (RDG) which gave automatic assistance to companies carrying out capital investment in assisted areas, and Regional Selective Assistance (RSA) which allowed government to choose which investments to support. Having won a third term in 1987, the Conservative Government produced a White Paper *'DTI–the Department for Enterprise'* that aimed to facilitate the 'promotion of enterprise at all levels of British commerce and industry; its two foundations are open markets and individual initiative'.[6] The government then abolished RDG on the grounds that many of the supported projects would have taken place without grant support. From 1987, the regional grant package had three main

[5] Ron Martin and Peter Townroe, 'Changing Trends and Pressures in Regional Development', in *Regional Development in the 1990s-The British Isles in Transition,* ed. by Ron Martin and Peter Townroe (London: Regional Studies Association, 1992), pp. 13-24 (pp. 20-21).

[6] *Industrial Development Act 1982–Annual Report 1987-88*, p. 1.

components, all of which were subject to regulations set at a UK level but were to be administered (in Wales) by the Welsh Office:

1. Regional Selective Assistance: This was by far the largest scheme, accounting for the vast majority of regional aid once automatic subsidies via the Regional Development Grant were abolished. Grant was awarded to companies creating or safeguarding jobs in assisted areas after a competitive application process.
2. Regional Enterprise Grants: to support capital investment and innovation by smaller firms with less than 25 employees.[7]
3. Consultancy Grants: to subsidise companies commissioning consultancy advice on 'key functions' such as business planning, design and manufacturing systems.

Regional economic policy across the UK now took three forms. Firstly, the core of established policy remained intact in the shape of the designation of underperforming locations as assisted areas. Secondly, despite this continuity, the resources allocated by central government for regional grants were cut by a quarter in real terms between 1987-88 and 1990-91. This was bound to impact on Wales, with its heavy dependence on such activity. Finally, expenditure on urban policy initiatives was maintained or increased with expenditure on Urban Development Corporations alone exceeding that on regional policy by 1989-90.[8] Within urban policy, the enterprise zone approach where companies locating in designated areas could benefit from tax and planning concessions was largely discontinued amidst concerns that jobs created were simply displaced from adjacent areas. Instead, urban development corporations were established, which sought to regenerate depressed

[7] *Industrial Development Act 1982–Annual Report 1991-92*, p. 1.

[8] Colin Wren, *Industrial Subsidies*, pp. 159, 180.

areas without such concessions. This national shift in approach was to have significant impact in Wales, as it was to facilitate the Cardiff Bay development.

6.2: Economy and policy - Wales

6.2.1: Economic trends and political reaction

Over the years immediately prior to 1993, it was often stated that the Welsh economy had been transformed and that a 'new Wales' had been created. In 1990, a book of this title (complete with a sunrise design on its cover) was published by the University of Wales Press with the involvement of the WDA, stating that 'what has been achieved in the 1970s and 1980s [in terms of economic development] has broadened the horizons of confidence and expectations and presages an exciting future'.[9] In this overly optimistic view, the coal, steel and heavy manufacturing industries had been largely replaced by lighter and more buoyant industries and service sector employers. For example, it was claimed in 1996 that 'Wales has become one of the most lively and fastest expanding economies in Western Europe',[10] while according to Brian Morgan, Chief Economist of the WDA from 1991 to 1997, 'there was a long boom in the second half of the 80s; well it was hardly a boom, but it was certainly an expansion'.[11] Overall employee numbers in Wales grew by some 6 per cent between 1987 and 1993, (see Table 6.1), with growth sectors including public administration and other services as well as distribution, hotels and restaurants. Decline was most apparent in energy and water as well as construction. The number working in deep coal mining declined to just 1,000, while the steel industry also saw further job losses (see section 6.2.4).

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[9] David Cole, 'Introduction', in *The New Wales,* ed. by David Cole, pp. 1-10 (p. 10).

[10] Peter Walker, *Staying Power–An Autobiography*, p. 223.

[11] Interview with Brian Morgan.

Table 6.1: Employment change by sector, Wales, 1987 to 1993.

Sector	People	Per cent
Agriculture and fishing	-3,000	-14
Energy and water	-18,000	-55
Manufacturing	-1,000	0
Construction	-5,000	-11
Distribution, hotels and restaurants	29,000	17
Transport and communication	1,000	1
Banking, finance and insurance	6,000	6
Public administration, education, health and other services	44,000	15
Total	**53,000**	**6**

Source: Digest of Welsh Historical Statistics 1974-1996, ed. by L.J. Williams, pp. 138–139; own calculations.

Against this background, manufacturing outperformed the UK average in terms of employment and output growth between 1983 and 1994 (albeit from a low base). Much of this success was due to overseas investors, which accounted for 33,700 of the 104,000 employees working in factories that opened after 1966 (the date at which the Welsh Office began to collect such data, although disaggregated data from 1987 are not available) and were still in operation in the early 1990s.[12]

Despite optimism, it was often noted that Wales still tended to be either near the foot, or at the foot, of regional economic rankings. In 1992, the Labour Party stated that 'after 13 years of Tory government, there are still 53,000 fewer employees in work than in 1979.'[13] At the same time, gross domestic product per head was 83.7 per cent of the UK average in 1992, the second lowest of any UK region. The decline of the coal and steel industries and their partial replacement by

[12] David Blackaby and others, 'Wales: An Economic Survey' in *Contemporary Wales,* 8 (1996), pp. 213-295 (p. 222).

[13] *It's Time to Get Wales Working Again–Labour's Election Manifesto,* (Cardiff: Labour Party, 1992), p. 3.

manufacturing and service industries tended to see well paid, full time posts replaced with those that were often part time and paid less. Average wage levels in Wales continued their relative decline and by 1991, male earnings were 87 per cent of the British average.[14] To some extent, economic issues led to a reawakening of the devolution project within the Labour Party. According to Ron Davies, the period saw the:

> Strengthening of the idea that we in Wales had to take more and more responsibility for ourselves. That we couldn't just rely on the command economists of London to provide jobs in terms of coal and steel and transport and so on, the big nationalised industries in the public sector.[15]

As well as this economic dynamic, the resuscitation of devolution was also driven by political frustration that Wales had borne the brunt of Conservative policies despite their poor electoral performance. While Neil Kinnock, Labour leader till 1992, had always been lukewarm at best towards devolution since playing a leading role in derailing the idea in the 1970s,[16] the new Labour Leader, John Smith, tasked Ron Davies to deliver devolution when appointing him as Shadow Secretary of State for Wales in 1992.[17]

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[14] Neil Jones, 'Workers in Wales Lowest Paid in UK'. *Western Mail*, 11 February 1992, p. 5.

[15] Interview with Ron Davies.

[16] Robert Harris, *The Making of Neil Kinnock* (London: Faber and Faber, 1984), p. 106.

[17] Kevin Morgan and Geoff Mungham, 'Labour's Devolution Policy', in *The Road to the National Assembly for Wales*, ed. by J. Barry Jones and Dennis Balsom, pp. 28-49 (p. 35).

While Wales' seeming economic recovery after 1987 was much remarked upon, the case that it was a by-product of neo-classical economics, as the labour and capital resources released from declining industries discovered more profitable uses, was not generally made as such approaches had been discredited by the intensity and duration of the most recent recession. Instead, explanations were sought in the intensification of Welsh Office intervention, although the resumption of growth at a UK level was clearly a fundamental influence. However, the period of relative recovery was so short that that it was to have little impact in terms of addressing Wales' peripherality within the UK. Its economic geography remained largely unchanged, with little move towards integration between different parts of Wales, where east-west linkages remained dominant. In 1992, Wales was described as a 'developed country with internal links that have been compared to a third world country',[18] a reference to the lack of any north-south rail links while the main road route (the A470) included at least two single track bridges where cars on opposite sides of the road could not pass each other. As had been the case throughout the 1970s and 1980s, the designation of centres as growth poles that would act as a fulcrum for intervention was to remain largely absent. For example, while the DBRW did designate growth towns, such a designation was applied to nearly every town in mid-Wales, as the overall aim was to develop the region as a whole.[19]

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[18] R. Ross Mackay, 'Wales' in *Regional Development in the 1990s, The British Isles in Transition*, ed. By Peter Townroe and Ron Martin (London: Regional Studies Association, pp. 96-106 (p. 97).

[19] Interview with Glyn Davies.

Overall, while FDI was instrumental in stimulating growth, deep structural problems remained. In addition, the more peripheral areas of West Wales and the Valleys were now beginning to lag behind the increasingly prosperous eastern areas.[20] In 1991, the *Western Mail* pointed out that:

> The ability of businesses [...] to withstand competitive pressures in an enlarged European market and to benefit from opportunities will depend on their market orientation, the efficiency of their operations and on any comparative advantages provided by their location relative to other parts of the UK and EU. The problem is that many other places can offer as many, and in some cases, more advantages than a Welsh location. Coupled with doubts as to the real strength of the economic base […] large parts of Wales may well struggle as the twentieth century draws to a close.[21]

By 1993, this prediction was starting to come into effect. Inward investment flows had begun to decline, while unemployment had once again risen above the UK average.

6.2.2: Welsh Office regional economic policies

The appointment of Peter Walker, MP for Worcester, as Secretary of State for Wales in 1987 brought about an intensification of intervention. He was a prominent 'wet' as well as a self-declared 'One Nation' Conservative.[22] He welcomed government intervention, stating that the UK had 'failed to create the right relationship between government and industry [...] Britain, with its

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[20] Barry Wilkinson and John Morris, 'Wales–the Growing Divides', *Welsh Economic Review*, 2,1 (1989), pp. 69-73 (p. 71).

[21] Dennis Thomas, 'Reborn Economy in the Jaws of Recession', *Western Mail*, 20 February 1991, p. 16.

[22] Mary Evans, 'Working for the People of Wales', *Western Mail*, 23 June 1987, p. 10.

free trade attitude belonging to another century, adopted under Thatcher an arms-length relationship between government and industry',[23] with John Major, then Chief Secretary to the Treasury, likening his approach to squeezing extra funds out of the Treasury to that of the eighteenth century highwayman, Dick Turpin.[24]

Peter Walker had held ministerial positions, including Trade and Industry, under Edward Heath between 1970 and 1974, and was perceived as the one great survivor of Heathite Conservatism.[25] He returned to government in 1979 and was Secretary of State for Energy throughout the miner's strike. His continuation in government was assured as he was seen as being too politically dangerous to return to the backbenches where could act as a fulcrum for discontent.[26] This led to the somewhat surprising offer of the Welsh Office in 1987, traditionally seen as one of the lesser ministerial posts. According to Peter Walker, 'the big attraction of the Welsh Secretary's job was that I was told [by Margaret Thatcher] that I could do it my way'.[27] As was the case with Nicholas Edwards, Peter Walker was allowed freedom to use the powers devolved to the Welsh Office. According to the Labour MP for Cardiff West, Rhodri Morgan, 'when Walker got the job, it was quite plain that it was given to him as the Siberian Power Station equivalent, where he could do what he liked in Wales so long as he didn't stand against Thatcher'.[28]

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[23] Peter Walker, *Staying Power–An Autobiography*, p. 212.

[24] John Major, *The Autobiography* (London, Harper Collins, 1999), p. 103.

[25] Hugo Young, *One of Us*, p. 369.

[26] Mary Evans, 'Experienced Wet Walker May Shake up Welsh Office', *Western Mail*, 15 June 1987, p. 11.

[27] Peter Walker, *Staying Power–An Autobiography* , p. 202.

[28] Interview with Rhodri Morgan.

There is a great deal of truth in this, with the *Sunday Times* stating:

> If the Prime Minister thought she was sending Mr Walker to a Welsh retirement home, she made a terrible mistake. Left largely to himself, he has turned Wales into a sort of giant laboratory to test his interventionist theories of government. Even more unfortunately for Mrs Thatcher, the experiment seems to have worked […] His boast that the spirit of Keynes once more walks the valleys has infuriated the Prime Minister.[29]

Intervention under Peter Walker closely followed the template laid down by Nicholas Edwards, where powerful development agencies pursued programmes that aimed to eradicate the physical vestiges of Wales' industrial past, attract investment, as well as seeking to regenerate some of its most deprived areas. However, it is equally true that his interventionism was also the product of his desire to promote himself, and his brand of Conservatism, on the UK stage where he was seen as a potential challenger to the Prime Minister. The stream of announcements stressing the importance of indigenous companies continued, but converting such sentiments into achievements had always been difficult, as illustrated by the losses consistently made by the WDA's business funding activities. However, the increasing national emphasis on entrepreneurship and the interventionist drive of the Secretary of State led to a gradual expansion of the type of activities carried out, as illustrated by a randomly chosen period of six days in mid-1989 (Table 6.2).

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[29] Robert Harris, 'Springing Out of Exile – Peter Walker', *Sunday Times*, 16 April 1989.

Table 6.2: WDA press releases, 2 to 8 May, 1989.

Date	Activity
2 May	Awards £200,000 to support a start up company in Baglan producing fibre optic equipment.
2 May	Announces additional funding of £28 million to bring forward land reclamation schemes.
5 May	Funds action plan for Barry High Street with an urban grant of £10,000.
8 May	Organises conference in Llandudno to help the food and drink industry prepare for the 1992 single European market.
8 May	Announces the creation of 200 jobs at Phoenix Flexible Tubes in Merthyr Tydfil, to be based in a £1.75 million factory constructed by the agency.

Source: NA, BD 40/230. WDA Press Releases (1989).

In mid-Wales, the sparse population meant that a focus on the creation of jobs via small and medium sized companies had always been a priority for the DBRW.[30] This approach to regional economic development was also apparent in the Welsh Office's Valleys Initiative (see section 6.3.3). One of Peter Walker's early acts was to tour the Valleys, and then present a list of ten regeneration ideas to his somewhat awed staff at the Welsh Office, ranging from a subsidised house painting scheme to developing a hotel and golf course on the Rassau plateau above Ebbw Vale.[31] This enthusiastic approach to intervention was continued under David Hunt, the MP for Wirral and Secretary of State for Wales between 1991 and 1993. Born in North Wales, David Hunt was a lawyer by training and had held posts as a government whip and a junior minister at the Department for Energy before entering the cabinet as Secretary of State for Wales. Describing himself as a 'pragmatic progressive',[32] the politics of the Welsh Office was later highlighted when Michael

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[30] Interview with Glyn Davies.

[31] NA, BD 96/3, *Internal Welsh Office Note*, 2 February 1988.

[32] Stephen Goodwin, 'The Cabinet Reshuffle: Pragmatic and Calm Commons Performer: David Hunt', *Independent*, 28 May 1993.

Heseltine claimed that all three ministers voted against Margaret Thatcher in the leadership election of 1990.[33] In 1992, David Hunt proposed the creation of a Welsh Economic Council, an advisory body which was to include organisations such as the Wales TUC, Wales CBI and the WDA.[34] Interestingly, this body was to be set up at the same time as Chancellor Norman Lamont finally abolished the National Economic Development Corporation, which had a similar advisory remit at a UK level. David Hunt was very supportive of the efforts to attract inward investment[35] and reclaim derelict land.[36] However, while there was certainly some degree of Welsh 'exceptionalism', Wales remained very much a part of the UK in both economic and political terms, meaning that the Welsh Office's freedom of manoeuvre was curtailed, although the period saw a rush of activity and announcements, while the economy did see significant improvement.

6.2.3: The WDA under scrutiny

Since its establishment in the mid-1970s, the WDA had enjoyed increasing profile and prestige. It was buoyed by success in turning Wales into a leading European location for FDI and increasingly came to see itself as the flagship of a 'new Wales'. In the same year, a new chairman, Dr Gwyn Jones, was appointed by the Secretary of State. He was from a commercial background in computing, and had secured the post following a chance meeting at a fund raising event for the Conservative Party. He was an unknown quantity who had 'risen without trace' in the small world of the Welsh public sphere, with his appointment provoking the Welsh Office's Permanent

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[33] Michael Heseltine, *Life in the Jungle* (London: Hodder & Stoughton Ltd, 2000), p. 365.

[34] Russell Martin Deacon, *The Governance of Wales–the Welsh Office and the Policy Process 1964–99*, p. 174.

[35] Interview with Brian Morgan.

[36] Interview with D.Gwyn Griffiths.

Secretary, Richard Lloyd Jones, to make last minute calls asking 'who is Dr Gwyn Jones?'[37] By the late 1980s, the size of the WDA's land and property portfolio was leading to speculation that the agency could be privatised. Indeed, there was a plan ('Operation Wizard') to privatise the agency and operate it as a form of Wales focused merchant bank. The investigation of privatization options was carried out with Peter Walker's agreement and the knowledge of the agency's board.[38] Its major land and property assets could have been ring fenced, with profits from these being recycled into business finance. The plan was progressed within the agency by a number of senior executives including the Chief Executive, David Waterstone, before being stopped by Peter Walker for reasons unknown.[39] There are three possible reasons as to why the plan was stopped. Firstly, the financial modelling carried out by the consultants may have demonstrated that the plan was not commercially viable. The agency had spent some £300,000 (in contemporary prices) in procuring advice as to the structure and feasibility of a privatised body, and its failure to specifically identify these sums in its accounts was to prove highly controversial. Secondly, Peter Walker may have decided that any proposed privatisation of the agency would have been too controversial in the highly charged political atmosphere of the time, especially given that senior executives would have been well placed to benefit financially. Thirdly, he may have felt that to lose control over the agency was not consistent with his belief in the desirability of state intervention. Overall, it appears likely that all three reasons featured in the decision not to proceed with Operation Wizard, but the exact sequence of events remains unclear.

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[37] Kevin Morgan, and Geoff Mungham, *Redesigning Democracy, the Making of the Welsh Assembly*, p. 61.

[38] *House of Commons Public Accounts Committee-Welsh Development Agency Accounts 1991-92* (London: HMSO, 1993), p. xv.

[39] Interview with David Waterstone.

The agency had been established outside of the civil service in the 1970s because of the need to act in a responsive and timely manner if it was to successfully engage with the private sector. In essence, the agency acted as a bridge between the very different cultures of the Welsh Office and the commercial world. It (and the DBRW) was given a relatively free hand to do this, as noted by the DBRW chair from 1989, Glyn Davies; 'I cannot believe the freedom to act, the influence that I had as Chairman. I can't imagine, there isn't a job in Britain now with that degree of freedom.'[40] Bridging the cultural gap was a delicate balancing act, as demonstrated by the conflicts between the WDA Chief Executive, Ian Gray, and the Welsh Office in the late 1970s and early 1980s, but the agency had been able to count on cross party support. However, despite its strong performance in attracting investment, this support was to evaporate. There were a number of reasons for this. The first, and most prominent, was related to management failures later revealed in an investigation carried out by the House of Commons Public Accounts Committee (PAC). These comprised:[41]

- Use of a redundancy payments scheme that was not approved by the Welsh Office, incurring expenditure of £1.4 million (in contemporary prices) in excess of what a more appropriate scheme could have involved.
- Irregular expenditure of £33,000 (in contemporary prices) over six years on a car scheme for senior executives that also subsidised private usage.
- Excessive early retirement and gagging package of some £228,000 (in contemporary prices) for a senior executive (Mike Price).

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[40] Interview with Glyn Davies.

[41] *House of Commons Public Accounts Committee-Welsh Development Agency Accounts 1991-92*, p. v-vi.

- Appointment of a convicted fraudster as Director of Marketing, without verifying his references. This individual was dismissed within three months and was later convicted.
- The Chairman, Dr Jones, receiving a WDA grant of some £13,000 (in contemporary prices) to renovate a property in Porthmadog prior to taking up his position. Any material change of building use had to be reported to the agency, but the use changed from a craft workshop to a job club and was not reported.
- Inadequate supervision of a marketing representative in the United States, which led to this individual selling office furniture bought by the agency at a low price.
- Failure to publicly reveal the existence of Operation Wizard.

Secondly, the agency was moving with the prevailing political ethos towards an increasingly commercial perspective. By 1992-93, some 53 per cent of the agency's annual budget was self-funded by property transactions and rental income.[42] While opposition parties were willing to support the WDA, they were generally distrustful of any move towards a more commercial approach on ideological grounds. This was especially the case in relation to any potential privatization. Thirdly, by the early 1990s, the WDA became unintentionally embroiled in party politics. By this time, the proliferation of quangos (Quasi Autonomous Non-Governmental Organisations) had become a major political issue. The Welsh Office controlled the appointment of board members to 80 quangos by 1991, which jointly covered a third of all of its expenditure.[43] The appointment process was opaque, controversial and often favoured those with close links to the Conservative Party. As the highest profile quango, the agency was bound to come under greater

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[42] *WDA Annual Report, 1992–93*, p. 15.

[43] Kevin Morgan, and Geoff Mungham, *Redesigning Democracy, the Making of the Welsh Assembly*, p. 56.

scrutiny. Also, while the agency needed close relationships with those who set its overall budgets and objectives, there was a perception that it was too close to its political masters. For example, the strength of the relationship between Peter Walker and Dr Jones led to the pair apparently being nicknamed 'Gwalker' within the Welsh Office,[44] while the Chairman was praised as a 'marvellous chap' by Margaret Thatcher in 1989 during a visit to the Rhondda. This did not endear him to the Welsh political establishment outside of the Conservative Party, while he was a controversial figure who attracted a remarkably high level of personal criticism. For example, his office was said to be a 'narcissistic shrine',[45] while a newspaper stated that he 'seemed absorbed by his own importance'.[46] Against this background, leaks and allegations found their way into the public domain, most notably via Rhodri Morgan, MP for Cardiff West. As noted above, the House of Commons PAC carried out an investigation into the internal affairs of the WDA in 1992.[47] It produced a scathing assessment, describing events as 'a catalogue of serious and inexcusable breaches of expected standards of control and accountability'.[48] These findings had a profound impact as the reputation and confidence of the WDA was heavily damaged. Dr Jones and the chief executive, Philip Head, left the agency, while almost all of the senior management team were dismissed, demoted or disciplined.

This episode remains very controversial, with two views being generally held. The first is that the allegations were of such a serious nature that decapitation was the only realistic option. The second

[44] Andy Beckett, 'How Clean Was My Valley?', *Independent*, 28 August 1994.

[45] Kevin Morgan, and Geoff Mungham, *Redesigning Democracy, the Making of the Welsh Assembly*, p. 62.

[46] Andy Beckett, 'How Clean Was My Valley?', *Independent*, 28 August 1994.

[47] *House of Commons Public Accounts Committee-Welsh Development Agency Accounts 1991-92*.

[48] *Ibid*, p. viii.

is that the allegations were insufficient to explain the intensity of the criticism of an agency that was successfully doing its job. The most accurate picture can be had by combining the two views. The running of the agency as a lean and responsive organisation led to a lack of the procedural checks and balances that characterise large public sector bodies. This then caused a number of managerial mistakes, as outlined by the PAC, while the frequency of leaks and the existence of a gagging order linked to a large settlement indicate a high level of staff discontent. However, while the accusations related to serious matters, they are insufficient to fully explain the level of criticism. For example, the problems relating to redundancy payments are serious, but not fraudulent. The agency mistakenly chose to use a civil service approach when a local government framework would have been fitting.[49] Other allegations, such as that relating to the disposal of a small amount of office furniture, relate to minor issues. Finally, the notorious Operation Wizard was carried out with the permission of the Secretary of State and the agency board. While the agency was criticised for not being more open, its reluctance to announce that it was considering alternative structures was somewhat understandable given the controversy this would have caused, even if this led to greater problems at a later stage.

In reality, much of the criticism had its roots in political and cultural issues. Firstly, political debate as to the accountability of quangos was coming to a head, and the WDA was bound to be caught up in this given its status as the most high-profile such organisation. Secondly, while the agency was carrying out its remit effectively and was generally meeting its targets in terms of attracting investment and reclaiming land, it was sometimes doing so in a self-aggrandising and 'commercial' manner that was alienating sections of the Welsh political establishment, which has traditionally

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[49] Ibid, p. 6.

taken a dim view of what it perceives as private sector excess. Thirdly, the management culture within the agency was similar to that of a small business, where procedures and protocol tend to be downplayed in favour of an all-encompassing focus on outputs. This may work well in the private sector, but the public sector is different and has a far greater need for procedural accuracy and probity. Finally, the agency, especially its Chairman, was seen as being too close to the Conservatives in spirit. A combination of these factors led to an evaporation of cross party support, the agency became embroiled in party politics, its managerial weaknesses were exposed, and its fate was sealed.

6.2.4: Nationalised industries

The nationalised steel and coal industries had been central to the post-war economy, but state ownership was shortly to come to an end. Having been radically slimmed down since the mid-1970s, the steel industry was privatised in 1988, with all remaining operations throughout the UK incorporated into British Steel PLC. While steel production in Wales increased from some 5,400 tonnes in 1987 to 6,400 tonnes in 1993, employment reduced from 20,000 to just under 16,000.[50] For example, both the Brymbo steel plant in North East Wales and the Velindre tinplate works to the north of Swansea were closed, with the loss of over 2,000 jobs. By the early 1990s, the once sprawling industry had been reduced to two large steel producing plants at Port Talbot and Llanwern, and a number of smaller operations such as those at Ebbw Vale, Shotton and Trostre (near Llanelli). However, despite the great social cost of the long run-down, the government had achieved its aim of creating a privately owned industry that was able to survive without subsidy.

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[50] L.J. Williams, *Digest of Welsh Historical Statistics, 1974-1996*, p. 93; Welsh Government: *Stats Wales* [online].

The Welsh Office had no involvement in the privatisation process, although David Hunt did join the unsuccessful efforts to sell the Brymbo plant as a going concern.

However, the deep mined coal industry was to become virtually extinct. The remaining pits were heavily dependent on contacts from the state's Central Electricity Generating Board, which was privatised in 1990, while the existing coal supply contracts were coming to an end. At the same time, the privatised electricity generators were investing in gas power stations (the ‘dash for gas’). The proportion of electricity generated by gas was forecast to increase from one per cent in 1991 to 25 per cent by 1996, thus impacting on the share of coal fired generation, which stood at 63 per cent in 1991.[51] The government was unwilling to intervene to ensure that the generators continued to purchase British coal, instead taking the view that market forces should prevail. Having already lost the bulk of its two other markets (steel furnaces and house coal), the industry was now faced with the rapid run-down of its one remaining market. Against this background, privatisation was planned for 1994, while all but three of the 12 pits remaining in 1987-88 were quickly shut down, some during the period of the traditionally interventionist Michael Heseltine, President of the Board of Trade from 1992. This was done regardless of the fact that the economic prospects of many mines was not as bleak as was portrayed, as the example of Tower Colliery was to reveal after 1994. The virtual end of the once totemic coal industry in Wales was not unexpected, and the ‘experience of defeat seemed to be unending’.[52] However, while the physical remnants of the industry were quickly being cleared, the economic and social consequences of the closures, which often affected the most deprived areas, were to prove a far more formidable challenge.

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[51] Michael Thomas, *Death of an Industry: South Wales Mining and its Decline–the Local Story in a Global Context,* p. 272.

[52] Hywel Francis, *History On Our Side. Wales and the 1984–1985 Miners' Strike*, p. 83.

6.2.5: European funding

From 1988, European funding changed from a focus on individual projects funded in isolation from each other, towards an approach where projects had to fit into a strategy developed by the Welsh Office. In 1988, the bulk of South Wales including the Valleys and the coastal belt was defined as the 'Industrial South Wales' region. As a result of the legacy of industrial decline, this area along with east Clywd was made eligible for enhanced funding support from the European Commission under the 'Objective 2' programme. Between 1989 and 1993, two such programmes were in operation in South Wales, involving some £152 million (in contemporary prices) of grant support across over 400 individual projects.[53] These were grouped under six sub programmes:

1. Industrial infrastructure (e.g. development of premises for small businesses).
2. Communications (e.g. access road to the Big Pit mining museum in Blaenavon).
3. Business development (e.g. business advisory services targeted at ethnic minorities).
4. Environment (e.g. town centre pedestrianisation).
5. Tourism (e.g. foreign language training).
6. Research and development (e.g. training centres in sectors including aerospace).

At the same time, funds from a range of smaller European programmes were also applied in industrial Wales, involving in some £25 million (in contemporary prices).[54] East Clwyd also received some £46 million in European aid during the period (in contemporary prices).[55] Rural

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[53] *Industrial South Wales Single Programming Document*, (Cardiff: Welsh Office, 1989), pp. 21-24.
[54] *Ibid*, p. 25.
[55] *The Wales–Europe Report 1998* (Cardiff: The European Commission in Wales, 1998), p. 7.

Wales also gained funding after 1988, when most of Gwynedd, Dyfed and Powys were designated by the European Commission as an 'Objective 5b' area. An exceptionally wide variety of projects was funded, with the aim of addressing 'many of the fundamental problems that exist such as high unemployment, low business start-up rates and the continuing fragility of the economic base'.[56] Other programmes were also accessed by organisations active in rural Wales. These included 'Leader', which aimed to 'encourage local community organisations and individuals to acquire the expertise to run their own affairs without needing to draw on outside advice'.[57] This led to the establishment of four local economic development organisations ('enterprise agencies').

The highest level of funding in the European Union was reserved for the poorest regions under Objective 1. However, David Hunt announced in early 1993 that the poorest parts of Wales were not to qualify for such funding. Opposition parties claimed that the failure to secure this was due to a lack of influence in Brussels. The European Commission was responsible for drawing the map that divided EU member states into further geographic regions, at a level below that of areas such as Wales. The economic performance of each region was then assessed, with poorer areas receiving greater funding. However, the lack of influence had in part ensured that the boundaries were not drawn so as to divide Wales into two regions, one covering the poorer areas of the Valleys and West Wales, with the other covering the more prosperous areas of East Wales. Instead, they were drawn so as to combine the more prosperous coastal areas of South Wales with the depressed Valleys, and the stronger areas of Clwyd and Powys with the poorer areas of West Wales. This resulted in neither area being able to qualify for Objective 1. In 1994, Plaid Cymru estimated the

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[56] *Rural Wales: Objective 5(b) Single Programming Document 1994–1999* (Cardiff: Welsh Office, 1994), p. 37.

[57] *The Wales–Europe Report*, p. 20.

loss of funds between 1994 and 2000 as £1 billion (in contemporary prices).[58] Given that the total allocation in the subsequent 2000–2006 round was £1.4 billion (in contemporary prices), this is reasonable.

6.3: Welsh Office intervention

6.3.1: Land reclamation and factory construction

The scale of industrial decline meant that there was still a substantial amount of land in need of reclamation. By 1990, some 9,000 acres had been reclaimed since the establishment of the WDA in 1976.[59] In the same year, the Welsh Office announced that it aimed to reclaim all derelict land in Wales by 2000. This was defined as an area of some 30,000 acres (46 sq. miles), 'equivalent in size to the combined built up areas of Cardiff, Newport and Swansea'.[60] The programme had a high profile, with the WDA's Director of Land Reclamation stating that:

> I helped take around [...] the head of Maggie's Policy Unit. We took him round the valleys for about two days [...] and we took him into this show house, Barrett's show house [on a reclaimed site]. He was ferreting around, grabbing all the leaflets. He was saying, you know, "She likes to see this sort of stuff," and gathering documents for Maggie. And in fact she visited the site subsequently.[61]

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[58] Clive Betts. 'Wales Losing £250 Million EU Cash a Year', *Western Mail*, 15 December 1994, p. 7.

[59] *Land Reclamation in Wales*, p. 15.

[60] *WDA Annual Report, 1991–92*, p. 25.

[61] Interview with D. Gwyn Griffiths.

While land reclamation was important in enabling the development of factories and housing, its often sloping nature meant that less than 20 per cent of that reclaimed up to 1993 was suitable for development. However, the scale of the programme meant that significant amounts of land were released. By 1994, 679 acres of reclaimed land had been developed for industrial use, with a further 458 available for such use.[62] For example, a factory for Valeo Climate Control was built on land reclaimed in Gorseinion.[63] The relationship between land clearance and attracting investment was summed up by Peter Walker; 'if market forces have available to them sites full of coal slag heaps and dereliction, they tend not to go there. But if they [the WDA and its partners] clear up the slag heaps and dereliction, it is an inducement to go there.'[64] By 1991-92, the WDA was stating that 'no land reclamation of comparable scale and organisation exists in Europe'.[65] For example, the largest reclamation project funded by the agency, on a mile long site vacated by BSC, was completed as part of the preparations for the 1992 garden festival in Ebbw Vale (see Plates 6.1 and 6.2). Subsequent land uses were planned to comprise housing, business and parkland.[66] While the programmes were gradually erasing much of the physical legacy of Wales' industrial past, the growing profile of industrial heritage meant that elements of some sites were being preserved. For example, work began in 1988 on reclaiming the Minera lead mining site near Wrexham, where toxic waste tips were removed but some of the structures, such as an engine house, were conserved and retained.

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[62] *Land Reclamation in Wales*, pp. 15-16.

[63] *WDA Annual Report, 1991–92*, p. 28.

[64] *House of Commons Committee on Welsh Affairs–Inward Investment into Wales and its Interaction with Regional and EEC policies. Vol.II*, p. 323.

[65] *WDA Annual Report, 1991–92*, p. 28.

[66] *Land Reclamation in Wales*, p. 40.

Plate 6.1: Ebbw Vale steelworks site, before reclamation, late 1980s.

Plate 6.2: Ebbw Vale steelworks site, after reclamation, post 1992.

However, the rationale for large scale generic factory building programmes of the type carried out in the 1980s was no longer in place as by 1991, there were over a thousand vacant factories in Wales, 400 of which were part of the WDA estate.[67] At the same time, the WDA began to gradually move further away from the provision of standard advance factories towards a focus on more specialised development projects. These were often bespoke factories or mixed use projects incorporating commercial and residential uses. An example of such developments was the acquisition and development of a 160 acre site in Bridgend for Sony.[68] Factors influencing this shift included the gradual recovery and diversification of the Welsh economy. However, factory development remained a key element for two reasons. Firstly, the WDA's Chief Executive from 1991, according to the WDA's Chief Economist, Brian Morgan, was 'grounded in local property development', meaning that a strong focus on this was inevitable.[69] Secondly, this area was raising revenue that was offsetting dependence on government support.

The DBRW also remained active, with plans to construct some 400,000 sq. ft. of factory space contained in its 'Strategy for the 1990s' document, although it was also increasingly committed to taking a broader approach to economic development.[70] It continued its focus on spatial strategy based on a classification of towns into development categories and the identification of the particular types of property intervention that were required for each (see Table 6.3). The entire region covered by the board was to be within some 15 miles of a town designated for development.

[67] Neil Jones and Simon Parry, 'More Than 1,000 Factories Lying Idle in Wales', *Western Mail*, 4 November 1991, p. 7.

[68] *WDA Annual Report, 1991–92*, p. 31.

[69] Interview with Brian Morgan. Operation Wizard was developed under the previous Chief Executive.

[70] *DBRW Strategy for the 1990s* (Newtown: Development Board for Rural Wales, 1989), pp.18–19.

Table 6.3: DBRW spatial priorities, 1989.

Category	**No.**	**Type of property to be constructed**
Growth areas/ towns	6	250 – 325,000 sq, ft.
Special towns	12	98 – 150,000 sq. ft.
Smaller towns in west of region	…	Small workshops

Source: Christopher Minay, 'Contrasting Approaches to Rural Economic Development', in Nationality and Planning in Scotland and Wales, ed. by Huw Thomas and Roderick Macdonald , pp. 181-202 (p. 192).

At the same time, western areas were to receive special attention, as an east west divide in terms of investment, employment and prosperity was now apparent, while relationships with bodies such as local authorities were said to be weaker in western areas due to political and geographical issues.[71] According to the DBRW Chairman:

> The east of mid-Wales was clearly nearer to the market, [it] had developed, and the real challenge was the west. And there was very much a change in focus towards the west […] we were a rural development agency and we wanted to concentrate on large areas that were probably the most deprived and most in need of development. And that was a very conscious decision taken by the board.[72]

[71] Joe Howe, 'A Case of Inter-agency Relations: Regional Development in Mid Wales', *Planning Practice and Research,* Vol. 11 Issue 1 (1996), pp. 61-72 (p. 68).

[72] Interview with Glyn Davies.

For example, the growth town of Aberystwyth was allocated some 60,000 sq. ft. of factory space and assistance with its harbour regeneration scheme. The ‘special towns’ of Bala, Dolgellau and Tywyn, all of which were in the west, were jointly allocated a number of new factories.[73] Also, the corporation that had focused on the new town of Cwmbran since the late 1960s was disbanded in 1988, having constructed some 2.2 million sq. ft. of manufacturing space, along with 203,000 sq. ft. of office space and 179,000 sq. ft. of warehousing.[74] Finally, the LAW continued its low profile but important role in assembling packages of land for development. One of its larger projects at this time was a development on the outskirts of Cardiff, including the construction of a dual carriageway linking the M4 with the A48. According to the LAW Chairman:

> Now that was a very complex exercise [...] I would say it took over ten years to actually buy all the bits of land, funded by earlier projects which had created the money, which we then reinvested, to produce, I’m going to say 2,000 houses, maybe 3,000, and a very important shopping centre [...] and the link road, which was again funded out of the profits of the redevelopment of that area.[75]

6.3.2: Attraction of FDI

While the attraction of FDI had long been a priority, it was about to enter its peak years. This was due to three reasons. Firstly, FDI offered the prospect of creating a large number of jobs in a short space of time. Such jobs could potentially absorb some of the labour that had been shed from manufacturing and nationalised industries. According to a civil servant responsible for evaluating

[73] *DBRW Strategy for the 1990s*, pp. 17–18.

[74] Philip Riden, *Rebuilding a Valley–A History of Cwmbran Development Corporation*, p. 256.

[75] Interview with Sir Geoffrey Inkin.

applications for grants, a general view within the Welsh Office was 'jobs are important, there's nothing that we're going to turn away from, we'll just get everything we can'.[76] Secondly, Peter Walker was looking for high profile successes to demonstrate the effectiveness of his more interventionist style of government. Finally, there was an overlap between what Wales had to offer as an investment location and investor requirements. At the time, many overseas companies wanted to establish a manufacturing base with access to Europe, and were looking for a location with a relatively low cost base, good communications links and the possibility of government support such as grants and factories. Wales had these attributes and was thus well placed to gain significant foreign investment.[77] For example, Table 6.4 outlines Toyota's stated reasons for its decision to locate its engine plant in, firstly, the UK, and secondly, Deeside.

Table 6.4: Toyota's stated location reasons, 1989.

UK	Deeside
Solid industrial infrastructure and good communications with Europe.	Site is three miles from national motorway network, 30 minutes from Manchester airport and adjacent to rail links.
Strong traditions of vehicle manufacture and reasonably sized domestic market.	Availability of skilled labour in the region.
Excellent workforce and favourable working practices.	Availability of suitably priced site with services (water etc.) in situ, or with a short lead time.
Positive and co-operative attitudes from national and local government.	Availability of training facilities at the North East Wales Institute.
English taught in Japanese schools as a second language, thus minimising potential language barriers.	Quality of life, existing presence of Japanese investors and access to a Japanese school in Manchester.
	Support from the WDA and local authorities.

Source: Nobuhito Sahara, 'Japanese Manufacturing Investment: Toyota at Deeside', Welsh Economic Review: Special Issue–Investment in Wales, (1993), pp. 23-25 (p. 23-24).

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[76] Interview with Alan Jones.

[77] Stephen Hill and Max Munday, 'The UK Regional Distribution of Foreign Direct Investment', *Regional Studies*, Vol. 26,6 (1992), pp.535-544 (p.543).

However, competitive labour costs would have been important, but this may have been downplayed as the Welsh Office was sensitive to any perception that Wales was a 'low cost' location. Against this background, Wales' FDI performance was impressive as it captured up to 20 per cent of all UK projects (see Table 6.5), far higher than its five per cent share of the UK's population.

Table 6.5: FDI in Wales, 1988-89 to 1992-93.

	FDI projects		Jobs created or safeguarded by FDI projects	
Year	**Number**	**Percentage of UK total**	**Number**	**Percentage of UK total**
1988-89	45	12.9	6,259	14.3
1989-90	66	17.6	9,277	11.9
1990-91	62	17.0	8,421	9.9
1991-92	71	20.1	10,829	20.2

Source: Department for Trade and Industry FDI project announcements database.

For example, 33 Japanese companies had operations in Wales by 1990, representing an investment of £400 million (in contemporary prices) and employing more than 10,000 people.[78] These included globally significant companies such as Sony, Aiwa, Toyota, Brother, Sharp and Hitachi. Table 6.6 contains examples of overseas companies that either invested or reinvested (such as expanding production at an existing factory) during 1991-92.

[78] Wyn Roberts, *Right From the Start*, p. 243.

Table 6.6: FDI in Wales, 1991-92.

Company name	Location	Activity	No. of expected jobs
Sony	Bridgend	TV	1,400
Dow Corning	Barry	Chemicals	100
Trico	Pontypool	Automotive components	500
Convatec	Deeside	Healthcare	90
Rehau	Blaenau Ffestiniog	Plastics	100

Source: WDA Annual Report, 1991–92, pp. 18-19.

While the FDI drive was led by the WDA and its network of overseas offices, the importance of the 'Team Wales' approach was stressed, which involved co-operation between government, trades unions and employee organisations such as the Confederation of British Industry. This aimed to convince investors that all parties were dedicated to ensuring that they would receive support and co-operation in all areas. For example, the trade union movement ensured that overseas investors were usually able to conclude 'good, orderly, structured industrial relations through proper union recognition agreements', although unions maintained strong opposition to government policies.[79] Team Wales can be illustrated by the establishment of a Bosch automotive components factory in Miskin (near Cardiff). The Secretary of State used his position to lead the drive to attract Bosch, and according to an officer at South Glamorgan Council:

> I attended a meeting with him [Peter Walker] where he sat in front of the Bosch entourage, who were looking to pull out of Wales, when he said, "I will deliver the planning. I will

[79] David Jenkins, 'Working for Wales', *Welsh Economic Review*, Vol. 2,1, (1989), pp. 5-12 (p. 5).

> deliver the site within a timescale to meet your requirements," when everyone else thought it wasn't deliverable. [80]

Following on from this, the council took a lease on the land, granted planning permission in an exceptionally short period of four weeks and then sold it to Bosch, an approach which was unusual at the time and later made illegal to prevent potential conflicts of interest.[81] The role of 'Team Wales' in quickly bringing together a package of property, financial and training support for Toyota was highlighted by the WDA's Executive Director, Marketing as follows:

> Timely intervention was actually a magical form of intervention that many other authorities couldn't offer, i.e. you could almost guarantee to these organisations that you could actually meet their critical timetables. And nowhere was that more true than with Toyota. Otherwise you'd have had the laughable situation of cars coming off the production line at Derby with no engines in them.[82]

From the point of view of an advisor with one of the major accountancy practices, who advised companies on grant and location options:

> If you were a potential FDI […] somebody [from the WDA] would grab you […] bring you in, they would run you through the system, they'd take you round Wales, they'd show you the best places to go, and they'd bring in everyone to speak to you. They'd bring in

[80] Interview with Ken Poole.

[81] Interview with Roger Beaumont.

[82] Interview with Ian Rooks.

> accountants […] They'd bring in HR people. They'd bring in everything to tell you what was available. And then the […] grant system, whilst it was a very rigorous system to go through […] there were a lot of checks before they'd pay out any money, but it felt as if it was a very smooth system. You'd come in one end, you went through the sausage machine and you came out the other end.[83]

While manufacturing remained as the main priority, services were also targeted. For example, the Financial Services Initiative was set up in 1988 to entice such operations to Cardiff, funded by the WDA and other agencies such as the Cardiff Bay Development Corporation.[84] By 1992, the WDA was claiming that some 40 companies had established themselves in Wales as a result of the initiative,[85] although the main FDI focus remained manufacturing. Efforts were also made to ensure that companies were able to take advantage of the opportunities offered by inward investment. The Welsh Office developed 'Source Wales' to increase the level of local sourcing by foreign owned manufacturers, before transferring responsibility to the WDA in 1992. In 1992-93, the WDA identified £132 million (£200 million in 2011-12 prices) of contracts, all of which were publicised to firms with Welsh operations.[86] According to the WDA's Chief Economist:

> The sort of evidence for that [the success of Source Wales] is, of course, that some of those big investors, in the early 90s, were actually reinvesting […] as we came out of that slump,

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[83] Interview with John Sweet.

[84] GRO, D/D CBDC Box 91/92. *Board Meeting, 6 May 1988.*

[85] Brian Morgan, 'The Changing Relationship Between the Manufacturing and Service Sectors in the Welsh Economy?', *Welsh Economic Review*. Vol. 5,2 (1992), pp. 45-52 (p. 50).

[86] *WDA Annual Report, 1992–93*, p. 14.

> that bit of a recession in the early 90s, there was a lot of reinvestment from Sony, from Mitsubishi, etc.[87]

However, while there was broad political support for the attraction of FDI at the beginnings of the 1990s, a number of concerns existed. Firstly, there was a realisation that the scale of the jobs gap meant that it was unlikely to be filled by FDI. For example, the Shadow Secretary of State for Wales, Alan Williams, stated in parliament in 1988 that 'we need one a day for a year of the biggest factories that the Secretary of State announced simply to replace the manufacturing jobs that we have lost'.[88] Secondly, it was felt that many of the jobs on offer were part time posts often geared towards female employment. For example, a study of twelve Japanese plants carried out in 1987 and 1988 found the type of electronic assembly work on offer was generally employing females, meaning that those who had lost their jobs in the male dominated coal and steel industries were not necessarily being re-employed by these factories.[89] Thirdly, it was noted that the specialisation of many factories in assembly type activities meant that the higher skilled and better paid jobs, such as research and development, were often absent. The relative pay received by workers at foreign owned plants was much discussed at the time, but 'wage rates, in foreign owned plants at least, [were] certainly well above those paid in parts of the service sector but considerably less than in traditional industries such as coal and steel'.[90] Fourth, it was pointed out that the statistics quoted as evidence of success (compiled following guidelines set down by central government) referred to

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[87] Interview with Brian Morgan.

[88] Hansard HC, 28 January 1988, Vol. 126, c. 557 (debate).

[89] John Morris, 'The Japanese are Here–for Better or Worse?', *Welsh Economic Review*, Vol. 1,1 (1989), pp. 45-47 (p. 45).

[90] *House of Commons Committee on Welsh Affairs–Inward Investment into Wales and its Interaction with Regional and EEC policies (Vol II)* (London: HMSO, 1988), p. 347A.

companies making announcements of their estimated future employment. No official figures existed as to the number of people actually employed, while some projects related to the merger of foreign companies with other foreign companies, which often had no immediate impact on employment in Wales. Finally, the publicity surrounding FDI began to come under increasing criticism as being little more than a marketing device designed to draw attention away from the serious difficulties still facing the Welsh economy.

Overall, while the accuracy of the figures can be queried to some extent and the size of the challenge meant that overseas investment was never going to solve Wales' economic problems by itself, its success in attracting significant foreign investment against fierce competition was an undeniable success story. However, the success of FDI led to its assumption of a totemic status that was later to lead to great disappointment and bitterness when the tide of investment began to recede.

6.3.3: Urban Renewal, Cardiff Bay and the Valleys Initiative

The Welsh Office's Urban Programme continued into the late 1980s, with resources being focused on projects that would create or protect jobs in deprived areas.[91] In 1989-90, urban joint ventures were launched by the WDA as delivery vehicles, covering areas including the Cynon Valley, Merthyr Tydfil, Rhyl and Holyhead. For example, in Holyhead, it worked with local authorities to develop 'an action programme of industrial and retail development, tourism, road and drainage infrastructure'.[92] By 1991-92, 30 joint ventures were in existence, while the WDA's annual grant

[91] Richard Prentice, *Change and Policy in Wales: Wales in the Era of Privatism*, p. 162.

[92] *WDA Annual Report, 1990–91*, p. 26.

expenditure in this area almost doubled from some £11 million (contemporary prices) in 1991-92 to over £20 million in 1992-93.[93]

However, Wales' three enterprise zones (lower Swansea Valley, Milford Haven and Delyn) were phased out by the early 1990s, meaning that they lost the tax concessions that had been used to attract investment. The most successful of these zones was in a 735 acre site in the lower Swansea Valley, where 384 companies and over 6,000 jobs had been attracted to what had previously been a heavily polluted, derelict, area.[94] However, most of the jobs were in retailing and distribution, sectors which were more likely to reduce the overall impact of the zone due to their tendency (unlike manufacturing and some types of services) to compete with existing operations in the same area.[95] This over-reliance on jobs displaced from neighbouring locations was characteristic of enterprise zones. As a result of this, the focus of the Welsh Office (and the UK Government) shifted to urban development corporations, such as that covering Cardiff Bay, which aimed to regenerate large areas without the benefit of tax or planning concessions.

Cardiff Bay was a large mixed use project that was to be facilitated by government investment. It aimed 'to put Cardiff on the international map as a superlative maritime city, which will stand comparison with any such city in the world, thereby enhancing the image and economic wellbeing of Cardiff and of Wales as a whole'.[96] This was to be done through a broad approach including

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[93] *WDA Annual Report, 1992–93*, p. 55.

[94] Neil Jones, 'Enterprise Honeymoon', *Western Mail Business Week*, 6 June 1991, p. 3.

[95] Rosemary D.F. Bromley and Joan C.M. Rees, 'The First Five Years of the Swansea Enterprise Zone', *Regional Studies.* 22,4, (1988), pp. 263-275 (p. 274).

[96] *Renaissance–The Story of Cardiff Bay*, p. 8.

leisure, retail and residential developments that would provide a 'superb environment in which people will want to live, work and play'.[97] The centrepiece was the £200 million (in contemporary prices) barrage, designed to improve the physical appearance of the area through the creation of a large impounded freshwater reservoir in place of tidal mudflats. By doing this, it was expected that the area would become a more attractive place in which to live, work and invest. According to the Cardiff Bay Development Corporation (CBDC) in 1988; 'it is the firm conviction of the Corporation that the creation of a lake in the Bay will create conditions which will heighten investment opportunities.'[98] An illustration of the environmental issues faced by CBDC was given by its Chairman, Sir Geoffrey Inkin, who recounted that:

> One of my main responsibilities, I suppose, in the earlier years of the Corporation, was in stimulating interest in London at the right level, for potential investment in the future. And because, to the merchant banks and others in London, opportunity ended somewhere near Bristol, and where was Cardiff?
>
> I went [to London], an elegant kind of banking room, very well-known merchant bank, with an elegant mahogany fireplace, a nice 18th century mirror above it, and this very elegant person standing drooped off the mantelpiece [...] He said to me, "How do you get to Cardiff? Do you have to change at Bristol?" I said, "Well, the first thing I'm going to do is send you a ticket to Cardiff Railway Station to come and have lunch with me, and you'll be better educated as a result." "Delighted," he said. [...] And I thought the first thing to do would be to have an hour's drive/walk round, so he could see the scope of it. And so I took

[97] GRO, D/D CBDC Box 91/92. *CBDC Corporate Plan No. 1 1989-92,* p. 1.

[98] *CBDC Annual Report 1987-88* (Cardiff: Cardiff Bay Development Corporation, 1988), p. 3.

> him to [part of the foreshore adjacent to] a very large sewer [...] We were standing just by when that critical point of the tide occurred going down, and 'woof', out came 12 hours of sewage, an appalling smell which pervaded the area all day. And he said, "Well, I can entirely understand why you're doing this piece of infrastructure."[99]

The area to be regenerated covered some 2,700 acres, the largest of any of the urban development corporations after London Docklands. However, a combination of factors was to delay the regeneration. While local authorities in Cardiff were broadly supportive, there was large-scale opposition. Concerns were raised in at least five areas. Firstly, the governance of the development was seen as being undemocratic. While the board did include councillors from local authorities from councils partially covered by the development area, board members were appointed directly by the Conservative Secretary of State. Secondly, the barrage would destroy an important wildlife habitat for wading birds, only some of which would find an alternative home at a nature reserve being developed near Newport. Thirdly, existing businesses would be relocated to make way for developments such as road links, leading to CBDC's public relations advisors warning that 'relocation will be a major PR problem, many of the firms are very small and will not find it easy to accept relocation and survive'.[100] Fourth, there were concerns that the barrage would lead to an increase in the water table, thus threatening the structural integrity of South Cardiff's housing stock. Finally, CBDC's claims that the barrage would lead to economic benefits, including enhanced property values, job creation and private investment, were strongly disputed. There was particular concern that the inhabitants of the development area, often some of the most deprived wards in

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[99] Interview with Sir Geoffrey Inkin.

[100] GRO, D/D CBDC Box 91/92. *A Strategy for Public Relations-Papers to Board Meeting, 6 May 1988.*

Cardiff, were not seeing any benefit. As a result of opposition, the barrage became the subject of seven separate bills and over a thousand hours of parliamentary debate, meaning that construction did not commence until 1993.[101]

Delay was also caused by the Corporation spending the first few years of its existence developing its plans as well as acquiring land earmarked for commercial development and 'the north-south continental boulevard' linking the bay to the city centre. By mid-1993, some 138 companies had been relocated, most from the area (Collingdon Road) to be occupied by the road link.[102] However, by the time that the CBDC was ready to enter the commercial property market in the early 1990s, it was facing the 'worst investment conditions for 30 years'.[103] The first two major office occupiers were thus either government-run (the Welsh Health Common Services Authority) or recently privatised (NCM Insurance, incorporating staff transferred from the export credit guarantee department). However, political support remained in place, with the CBDC Chairman, Geoffrey Inkin, stating in relation to Peter Walker that 'I don't recall [...] ever having a disagreement with him or a disappointment',[104] with David Hunt stating that; 'I remain wholly convinced that the project is central to the maximising of a remarkable opportunity.'[105] One successful initiative was the upgrading of the industrial estate (Ocean Park) that had been placed on the site of the East Moors steelworks by the WDA in the early 1980s. By the end of the decade, the estate had high vacancy levels due to lack of demand. CBDC landscaped and developed the estate, thus attracting a

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[101] Sian Best, *A Whim Set in Concrete–the Campaign to Stop the Cardiff Bay Barrage,* p. 7.

[102] GRO, D/D CBDC Box 91/92. *CBDC Corporate Plan No.4 1993-94 to 1995-96.* p. 6.

[103] *CBDC Annual Report 1990-1991*, p. 1.

[104] Interview with Sir Geoffrey Inkin.

[105] *CBDC Annual Report 1989-1990*, p. 1.

broader range of occupiers.[106] Overall, Cardiff Bay soon emerged as a flagship for an economic development approach which aimed to move beyond the attraction of manufacturing towards the creation of a more diversified economy. The corporation was very aware of the need to improve perceptions of Cardiff if it was to attract greater levels of investment, so tended to place a strong emphasis on marketing. This did not always meet with approval, as demonstrated by Rhodri Morgan, an implacable opponent of the barrage:

> The stretch of new road [connecting the Bay with the eastern M4] past the mountains of scrap waiting to be melted in the steelworks, on past the furnace slag dump as far as the eastern sewer outfall was to be called the Corniche. I suppose the French Rivera has a sewer outfall or two, but Corniche was going it a bit.[107]

The plans to redevelop Cardiff Bay benefited from the full backing of the Secretaries of State and the leadership of Cardiff's local authorities. This arose because while much intervention focused on FDI and manufacturing, the Bay sought to place Cardiff at the heart of the modern economy with its emphasis on quality of life, leisure and service sector activities. It was also the Welsh equivalent of a French 'grand projet', and was thus irresistible to politicians seeking to leave their mark. While intervention was on-going in South Cardiff, in 1989 the Welsh Office launched what was intended to act as a framework for regional economic development; the Valleys Programme, in part following on from a report outlining socio-economic problems produced by the Institute of Welsh Affairs. It covered a wide variety of activities, as outlined in Table 6.7.

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[106] Interview with Ken Poole.

[107] Rhodri Morgan, *Cardiff: Half and Half a Capital*, p. 63.

Table 6.7: The Valleys Programme.

Valleys Programme: activities	
Schemes to assist small business.	A campaign to improve the standard of retailing.
Programmes to promote new opportunities for Welsh firms (i.e. joint purchasing and marketing).	New links between business and schools in each valley.
Export advice.	A training commission to carry out a skills audit.
A new centre for quality enterprise and design.	A marketing scheme to attract more visitors to the Valleys.
A Welsh technology development fund to help firms translate new ideas into sales.	Projects to improve the environment, provide training and create jobs.
Additional venture capital funding for firms operating in the Valleys.	Health and housing funding.
An enhanced road improvement programme.	

Source: Peter Walker, Staying Power–An Autobiography, p. 208.

In total, a sum of £800 million (in contemporary prices) was committed, but this involved little new investment. The main criticism was thus that the programme was a marketing exercise that simply combined and rebranded existing schemes.[108] For example, in February 1989, Peter Walker claimed that a business and retail park development in Caerphilly, creating 2,000 jobs, was to proceed as a result of the programme. However, it emerged that the company behind the project had neither applied for, nor received, any government support.[109] The *Sunday Times* commented that the valleys were:

> An ideal laboratory for the Walker-Heseltine ideal of industrial regeneration […] what distinguishes it from Thatcherism is that Mr Walker glories in his intervention and boasts

108 Kevin Morgan, 'Reviving the Valleys–the Urban Challenge in South Wales', in *Papers in Planning Research 141* (1993), p. 11.

109 Hansard HC, 1 March 1989, Vol. 148, c.351 (debate).

> about his public spending. Thatcherism bleakly wishes the whole place would decamp to a green-field site near Woking. Mr Walker's 50 ``new and enhanced measures'' for the Valleys future are mostly a repackaging of old money. They include such nonsense as […] ‘a major new high-quality craft retail facility'' (i.e., a gift shop). There is no planning, and no vision of what role these extraordinary vales might actually play in Wales' economy.[110]

This argument was also made by the Labour MP for Caerphilly, Ron Davies, whose ‘main criticism [...] was that it was just a repackaging, no evidence at all of additional resources, no evidence at all really of any new strategy’.[111] Overall, the programme was effective in raising the profile of the Valleys, but did little that was not already being done.

6.3.4: Business support

By the late 1980s, the Welsh Office and its agencies were continuing their progress away from a reliance on automatic, large scale grant schemes towards a more flexible approach based on discretionary grant schemes and advisory services. While the primary grant scheme remained Regional Selective Assistance, the number and type of other schemes steadily increased, with the period seeing a further decrease in the budgets allocated for regional aid by central government (see Table 6.8). This was caused by the ending of the automatic Regional Development Grant scheme, a mainstay of regional economic development since the early 1970s that had allowed all companies in assisted areas to claim a portion of capital expenditure as grant.[112] The remaining regional aid scheme (Regional Selective Assistance) was designed to allow implementing authorities (such as

[110] Simon Jenkins, ‘Walker Invokes Glendower’s Spirit’, *Sunday Times*, 19 June 1988.

[111] Interview with Ron Davies.

[112] Interview with John Sweet.

the Welsh Office) discretion over which projects were supported. In 1988-89, the Welsh Office made 173 grant offers totalling £81 million (£152 million in 2011-12 prices) through Regional Selective Assistance. In total, these were expected to create 11,800 new jobs and safeguard a further 3,000. Examples of projects included a £600 million expansion at Ford Bridgend and the creation of 400 jobs in Merthyr Tydfil by Bluebird Toys.[113]

Table 6.8: Regional grant expenditure and allocations, Wales, 1987–88 to 1992-93.

	£ Million (2011-12 prices)						Change (1987-88 to 1992-93)	
Type of support	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**£m**	**Per cent**
Regional Development Grant I (a)	45.7	25.6	4.9	3.3	1.2	1.7	-44.0	-96.4
Regional Development Grant II	61.3	84.7	47.4	33.0	21.6	7.0	-54.3	-88.5
Regional Enterprise Grant	…	…	3.8	2.5	2.2	1.7	...	…
Regional Selective Assistance (b)	74.0	152.5	108.9	131.0	120.2	110.4	36.4	49.3
Total	**180.9**	**262.8**	**165.1**	**169.8**	**145.2**	**120.8**	**60.2**	**33.3**

Note

(a) Grant automatically awarded to companies that submitted details to the DTI.

(b) Grant offers accepted by companies after a successful application.

Source: Welsh Economic Trends (various editions), own calculations.

A new Regional Enterprise Grant (REG) programme was launched in April 1988 as part of the overhaul of regional economic policy, as was a consultancy programme to enable companies to access advisory services, although both schemes were dwarfed by Regional Selective Assistance. REG awards were divided into investment or innovation grants. Companies supported with investment grants could receive up to 15 per cent of their investment costs relating to fixed assets. Companies supported with innovation grants could receive up to 50 per cent of eligible costs to develop new products or processes. Projects supported included AAC Waterproofing of Anglesey,

[113] *Industrial Development Act 1982–Annual Report 1988-89*, p. 10.

which received £25,000 to develop a machine to bond rubber sheets.[114] 877 projects were approved for support under the consultancy initiative in 1988-89, with expenditure of some £800,000 (contemporary prices) in that year.[115] At the same time, the WDA continued with its commercial investments, with between £8.4 million and £7.7 million (in contemporary prices) being invested each year from 1987-88 to 1990-91.[116] These included a £460,000 equity investment into Newbridge Networks, specialising in telecoms manufacture, and a £225,000 loan to Western Corrugated Ltd for the manufacture of cardboard.[117] While the proportion of agency investment in the service sector was growing, this accounted for only 20.5 per cent of the total by 1990-91.[118] At the same time, the agency admitted that its strategy to plug the 'equity gap' by investing in smaller companies, which often had insufficient track record to attract private venture capital, was 'high risk'.[119] By 1989-90, the WDA's cumulative return on investment over a five year period was minus 8.7 per cent (see Table 6.9). This was far behind its target of 11 per cent for the same period, as based on the borrowing costs faced by central government.

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[114] *Regional Enterprise Grant News* (Cardiff: Welsh Office, 1992), p. 3.

[115] *Industrial Development Act 1982–Annual Report 1988-89*, p. 61.

[116] *WDA Annual Reports 1987-88, 1988-89, 1989-90*.

[117] *WDA Annual Report 1987–88*, p. 9.

[118] *Welsh Economic Trends No. 13 (1992)*, p. 90.

[119] *WDA Annual Report 1987–88*, p. 8.

Table 6.9: WDA return on investments, 1988–89 to 1989-90.

Year	WDA's financial return (annual)	WDA's financial target (annual)	Government borrowing cost (annual)	Government borrowing cost (five year - cumulative)	WDA's cumulative return
1988-89	-21.9	0.0	11.3	10.7	- 10.9 (5 years to 31/3/89)
1989-90	6.4	0.0	10.1	11.0	- 8.7 (5 years to 31/3/90)

Note: Consistent data not available for subsequent years.

Source: WDA Annual Reports 1988-89, 1989-90.

In 1989-90, the agency stated that it was taking a 'new, more commercially orientated approach to investing, rather than operating as the lender of last resort, which has been the agency's traditional role'.[120] Investment activity reduced, largely caused by difficulties in identifying suitable companies. Its investments reduced from £9.9 million (in contemporary prices) in 310 companies in 1989-90 to £7.7 million in 200 companies in 1990-91. Previously, the agency focused on start-ups, but by 1991, it was prioritising companies already in receipt of agency support, which thus had a track record that could be assessed. However, difficulties in identifying profitable opportunities continued. According to Brian Morgan, the agency's Chief Economist, the WDA was keen to:

> Invest more in winners […] picking winners, putting a lot of money in new areas. Software development was one, "Let's put loads of money into Welsh software developers," All of which […] were completely hopeless and couldn't actually make it in the market. And the agency lost lots of money.[121]

[120] *WDA Annual Report 1988–89*, p. 12.

[121] Interview with Brian Morgan.

While the WDA was seeing a return on investments made after 1989-90 (see Table 6.10), annual investment dropped from £9.9 million in 1989-90 to £3.3 million in 1992-93 (contemporary prices).

Table 6.10: WDA return on investments made after 1989-90.

	1989-90	1990-91	1991-92	1992-93
Total invested (£m)	9.9	7.7	3.7	3.3
No. of projects	n/a	200	150	102
Profit (£000's)	-302	90	117	11

Note: Contemporary prices.

Source: WDA Annual Reports 1990-91, 1992-93, 1992-93.

The early 1990s thus saw the beginning of the end of WDA investment activity. While the DBRW did not have the power to take equity investments in companies,[122] it did manage a number of small grant schemes, including the Mid-Wales Development Grant, DRIVE (Development of Rural Initiative, Venture and Enterprise) and Small Business Loans.[123] As well as providing grant and financial support to companies, the Welsh Office was increasingly keen to support indigenous firms through a provision of an expanding range of advisory services. In mid-Wales, the DBRW noted in 1989 that 'already there has been a shift in effort to encourage and develop local enterprise. This will continue'.[124] According to the DBRW Chair, Glyn Davies:

> The strategy was attracting very small businesses and helping them to grow […] occasionally people would come in and set up a factory [and] would employ, well, 50

[122] Hansard HC, 1987, Vol. 119, c.50w (debate).

[123] *DBRW Annual Report 1989-90*, p. 8.

[124] *DBRW Strategy for the 1990s*, p. 21.

> people would be a big deal from the mid-Wales point of view. But we weren't going to attract the companies with 200 people [...] we didn't have the labour pool for that.[125]

By 1990, the board was making 100 advisory calls a month to local businesses to help with issues such as premises, finance, grants and marketing. At the same time, seven business centres were in operation which handled some 5,000 enquiries per annum.[126] By this time, the DBRW was carrying out a broad range of activities aimed at economic diversification ranging from seeking to link existing businesses to schools so as to make children more aware of local opportunities, to operating monthly 'mid-Wales rural enterprise awards'.[127] The WDA chief executive explained the need for similar services in 1990, when he stated that while inward investment was 'welcome and often politically eye-catching [...] the effect must be kept in perspective [...] the engine of recovery in Wales in fact lies in the resurgence and diversification of the small and medium business sector'.[128] The Business Development Unit of the WDA received 39,000 inquiries in 1987 from 22,000 individuals or companies.[129] It was rebranded as the Business Support Division in 1989, with a remit to provide advice and support services across areas such as marketing and exporting and advised some 13,000 companies or individuals in 1989-90.[130] In 1989, the agency's West Wales office stated that 'over the past five years, the region has successfully developed a local strategy based on encouraging companies to develop business plans'. Between April 1988 and February

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[125] Interview with Glyn Davies.

[126] *DBRW Annual Report 1989-90*, p. 9.

[127] *DBRW Annual Report 1989-90*, pp.10-11.

[128] David Waterstone, 'The Incomer's View', *The New Wales*, ed. by David Cole, pp. 233-240 (p. 238).

[129] Hansard HC, 28 January 1988, Vol. 126, c. 558 (debate).

[130] *WDA Annual Report 1989–90*, p. 17.

1989, the office dealt with 57 cases. For example, £100,000 (£188,000 in 2011-12 prices) was provided to Albion Concrete Products of Llangadog to support expansion plans.[131] At the same time, a complex web of organisations aimed at providing support services to local businesses, especially start-ups, was being put in place. These included 22 local enterprise agencies and five Training and Enterprise Councils (TECs), established to co-ordinate the provision of training. In 1991, the TECs took over the WDA's 'small business counselling' scheme. The scale of activities necessary to deal with start-up companies meant that the WDA was 'happy' to see this work contracted out.[132] A two tier system of business support was thus established, with start-ups and very small businesses being handled by TECs, enterprise agencies and local government, while the WDA and DBRW focused on larger enterprises.

6.3.5: Rural development, agriculture and tourism

In 1991, the Welsh Office launched the Rural Initiative, a package of support provided to local government with the aim of encouraging greater economic diversification. The initiative's overall aim was no less than to 'create a self-supporting market economy in rural Wales',[133] with a range of objectives covering all aspects of rural development ranging from farm business support to supporting the Welsh language. In keeping with the focus on 'partnership' structures common throughout the early to mid-1990s,[134] delivery of the initiative was to be divided between a number of public sector organisations, including the WDA, DBRW and housing associations. However, as

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[131] *Rural Investment Boom Press Release* (Cardiff: Welsh Development Agency, 1989).

[132] Interview with Brian Morgan.

[133] Nicholas Edwards, *Welsh Political Archive Lecture-The Conservative Party and Wales* (Aberystwyth: National Library of Wales, 2006), p. 36.

[134] Christopher Minay, 'Contrasting Approaches to Rural Economic Development', in *Nationality and Planning in Scotland and Wales*, ed. by Huw Thomas and Roderick, pp. 181-202 (p. 191).

was the case with the Valleys Programme, the Rural Initiative was a compilation of existing activities, with the Secretary of State admitting in 1991 that the initiative would involve a very limited increase in funding.[135]

In relation to agriculture, the costs involved with excess produce were becoming unsustainable by the mid-1980s throughout Europe, and were accounting for almost half of all European Community expenditure by 1986.[136] By 1992, the prices that indirect support (such as import levies, subsided exports and purchase of surplus produce) aimed to maintain were cut for some produce, meaning that indirect support costs would be correspondingly reduced. Set-aside payments, where arable farmers were paid not to produce, were also introduced although this had a relatively limited impact on Wales. However, these changes were accompanied by substantial increases in direct subsidies to satisfy the farm lobby, meaning that the sector continued to benefit from a 'thick rug' of subsidy.[137] By 1991-92, main schemes included the Sheep Annual Premium Scheme (some £102 million in 2011-12 prices) and the Suckler Cow Premium Scheme (some £17 million in 2011-12 prices).[138] However, in the same way that regional economic policy was broadening from its previous focus, so too was agricultural support policy. In 1991, David Hunt asked the Countryside Council for Wales to develop a pilot agri–environmental scheme[139] that would allow support for farmers to be paid on the basis of environmental considerations, as opposed to the CAP's emphasis on

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[135] Richard Prentice, *Change and Policy in Wales: Wales in the Era of Privatism*, p. 185.

[136] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993*, p. 166.

[137] Wyn Roberts, *Right From the Start*, p. 246.

[138] *Welsh Agricultural Statistics, No. 15, 1993,* pp. 63-64.

[139] Gareth Jones. *Funding, Fairness, Farming and the Future–How Wales Could Gain From the Operation of EU Agricultural Support* (Cardiff: Institute of Welsh Affairs, 1999), p. 2.

production. Launched in 1992, Tir Cymen ('ordered landscape') provided financial support for farms on the condition that farmers followed a code of environmental practice for ten years. By the mid-1990s, some 930 farmers were participating in the scheme.[140] Tir Cymen was part funded by European funds and laid the basis for a revised approach to agricultural support. This was to be achieved through changing the method of support from one which sustained the prices of agricultural produce at high levels via protectionist measures, to one which support was provided by direct payment to farmers including grants based on environmental criteria.[141]

In relation to tourism, the impact of overseas package holidays began to subside by the late 1980s and early 1990s. By 1990, earnings from domestic tourism were increasing by some 9 per cent per year, although those from overseas tourists were in decline.[142] In June 1988, the Wales Tourist Board launched its five year development strategy, by which it aimed to adapt and improve the tourism industry to meet modern requirements and develop new activities while seeking to conserve Wales' environment and culture.[143] Its financial support activities continued at a relatively low level of some £3 million a year (in contemporary prices) between 1987 and 1993. As well as its traditional support for projects aiming to increase standards at individual hotels and attractions, the broadening of WDA and DBRW activity towards regeneration programmes was mirrored by the WTB's Local Enterprise and Development Initiative. This provided some £8.7 million (in

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[140] *The Living Land-Agriculture, Food and Community Regeneration in Rural Europe* (London: Earthscan, 1999), p. 298.

[141] Garth Hughes, Anne-Marie Sherwood, Peter Midmore, *Welsh Agriculture into the New Millennium: CAP Prospects and Farming Trends in Rural Wales* (Aberystwyth: University of Wales Aberystwyth, 1996), p. xii.

[142] *WTB Annual Report, 1989-90*, p. 8.

[143] *WTB Annual Report, 1988-89*, p. 9.

contemporary prices) over a five year period from 1989 to local authorities to carry out programmes, with projects supported ranging from a bowls centre in Llandrindod Wells to landscaping in Barry.[144] However, an evaluation of the board's financial support carried out in 1993 found that two-thirds of such schemes would have proceeded without the grant, although at a reduced level.[145] The WTB also contributed to the Valleys Initiative by supporting various projects, including providing a grant of £0.5 million (in contemporary prices) towards the marketing costs of the 1992 Ebbw Vale garden festival.[146] Marketing continued to be a major focus of the board's activity with, for example, 200,000 brochures being sent in 1991 to those who had enquired about visiting Wales.[147] However, the relative lack of success in attracting overseas visitors caused the Welsh Office to press for the board to be granted authority over international marketing, as was the case for the English regional tourism bodies,[148] and the Scottish Tourist Board from 1984. This further act of administrative devolution took place in 1992. Finally, the political emphasis on partnership and privatisation also had an impact. Throughout the 1980s, the board had encouraged private sector operators to increase standards by enabling voluntary grading schemes, and assisting with staff training.[149] This was in line with the approach taken to regional economic policy, where centralised planning had fallen out of use. For example, the board's accommodation grading and reservation services were transferred to a separate company in the late 1980s.[150]

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[144] *WTB Annual Report, 1989-90*, pp. 32-33.

[145] *WTB Annual Report, 1992-93*, p.30.

[146] Ibid, p.36.

[147] *WTB Annual Report, 1991-92*, p. 24.

[148] *WTB Annual Report, 1989-90*, p. 27.

[149] Richard Prentice, *Change and Policy in Wales: Wales in the Era of Privatism*, p. 149.

[150] *WTB Annual Report, 1991-92*, pp. 10-11.

By the early 1990s, the WTB was stressing that tourism was sustaining 95,000 jobs (although this includes those working in industries linked to tourism) while stating that its overall aim was to raise the quality and professionalism of the industry so as to generate greater economic benefits.[151] However, its resources remained limited when compared to the size of the industry, with for example, a total marketing staff of 33 people in 1990.[152] This meant that its role remained one of providing limited funding to individual projects, marketing Wales as a tourist destination, and working with other agencies such as the WDA and DBRW to identify development opportunities.

6.4: Government expenditure

Table 6.11 outlines the changes in regional economic development expenditure between 1987-88 and 1992-93. Overall expenditure peaked in 1992-93, but had recovered from a significant decrease between 1988-89 and 1989-90, primarily caused by the phasing out of automatic regional development grants. Total expenditure over the period was some £4.9 billion, an average of some £0.8 billion per year (in 2011-12 prices). In relation to the nationalised industries, the steel industry was profitable by 1987-88, ceased to receive subsidy and was privatised in 1989, while large scale financial support to the remnants of the coal industry ceased in the early 1990s.

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[151] Ifan Prys Edwards, Welcome to Wales. *Welsh Economic Review*, Vol. 3, 1, (1990) pp. 5-10 (pp. 5-7).

[152] *WTB Annual Report*, *1990-91*, p. 7.

Table 6.11: Regional economic development expenditure, Wales, 1987-88 to 1992-93.

	£ Million (2011-12 prices)						Change (1987-88 to 1992-93)	
Type of expenditure	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**£m**	**Per cent**
Industrial subsidies (a)	181	263	165	170	145	121	-60	-33
Funding for development agencies (b)	171	187	214	212	225	229	58	34
Grants and loans to nationalised industries (c)	173	65	35	18	...	....	-173	-100
Agriculture	137	140	148	163	218	295	159	116
European loans (d)	83	40	101	63	115	240	157	188
European grants (d)	119	128	35	63	156	48	-71	-60
Total	**865**	**823**	**697**	**689**	**859**	**933**	**68**	**8**

Notes

(a) These data include allocations made to investment projects that may not have been fully drawn down by the applicant companies.

(b) These data are government grant in aid. Total budgets were often boosted from other sources such as asset disposals and factory rent.

(c) Wales data not available. Data for coal has been derived by dividing the UK deep-mine subsidy totals by the proportion of Welsh pits (compared to the UK) active in each year. See section 9.2.5 for further details. Some subsidy was paid in 1991-1992 and 1992-93 but consistent data are not available.

(d) Data for European loans and grants, and some agricultural schemes, not available on a financial year basis. Data included on the basis of 1974 calendar year data recorded as 1974-75 financial year etc.

Source: See chapter nine.

For **industrial subsidies**, the reducing emphasis on such subsidies is a noticeable trend within these data, with the abolition of automatic grants accounting for much of the decrease. Expenditure dropped by a third between 1987-88 and 1992-93, equivalent to a reduction of £60 million (in 2011-12 prices). The priority at both a Wales and UK level was now on a broader approach to regional economic development characterised by a steady proliferation of business support activities.

For **economic development bodies**, the overall level of expenditure was set by the Welsh Office. The strongly interventionist Peter Walker and David Hunt kept expenditure levels high, peaking at some £229.5 million (in 2011-12 prices) in 1992-93, with the major change being CBDC. By 1992-93, CBDC was receiving annual funding of £71.6 million (in 2011-12 prices) (see Table 6.12).

Table 6.12: Welsh Office support to economic development bodies, 1987-88 to 1992-93.

	£ Million (2011-2012 prices)						Change (1987-88 to 1992-93)	
Organisation	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**£m**	**Per cent**
Cardiff Bay Development Corporation	23.1	34.3	51.2	38.8	53.2	71.6	48.6	210.6
Development Board for Rural Wales	13.8	15.4	16.9	16.5	17.6	18.9	5.1	36.7
Wales Tourist Board	17.6	17.5	17.6	17.3	17.3	20.4	2.8	15.7
Welsh Development Agency	116.9	119.9	127.9	139.7	136.5	118.5	1.6	1.4
Total	**171.4**	**187.1**	**213.6**	**212.3**	**224.5**	**229.5**	**58.0**	**33.9**

Note: These data are government grant in aid. Total budgets were often boosted from other sources such as asset disposals and factory rent.

Source: See chapter nine.

For **agriculture**, the Welsh Office had no control over the workings or budgets of the Common Agricultural Policy. Such decisions were collectively taken by member state governments at a European level. By 1992, the massive cost of the policy at a European level led to the prices that indirect support aimed to maintain being cut for some produce, meaning that indirect support costs would be correspondingly reduced. However, this was offset by substantial increases in direct subsidy. This meant that Welsh Office support to agriculture rose rapidly from some £137 million (in 2011-12 prices) in 1987-88 to some £295 million (in 2011-12 prices) in 1992-93. In 1974-75, total allocations for industrial subsidies were some three times larger than their agricultural equivalent. However, by 1991-92, the Welsh Office was spending more on agriculture than it was on industrial subsidy. However, these figures do not include indirect CAP price support, such as import levies, storage, disposal and subsidised exports. Official data at a Wales level are not available, but it has been estimated that total support (including indirect support and Welsh Office administered programmes) dropped by almost a third between 1991 and 1993.[153]

For **European loans**, the Welsh Office had very little influence over the overall budgets or the uses to which they were put. In the early to mid-1980s, such programmes tended to be administered directly by European level institutions. Expenditure figures for loans fluctuated during the period, generally caused by the timing of individual projects, often major infrastructure investments such as the second Severn crossing.[154] However, the introduction of a new approach to European grants in 1989, where grants were awarded as part of a regional strategy, saw the Welsh Office gain substantial influence. Firstly, it was now responsible for writing the regional strategies which projects were expected to support. Secondly, the Welsh Office was responsible for selecting the projects that were to be funded as well as disbursing funds.

Overall, regional grant schemes continued their long decline in real terms, as their effectiveness became increasingly questioned at a UK level. However, the interventionist Welsh Office under Peter Walker and David Hunt did control the level of support to economic development agencies, and funding to the CBDC and DBRW increased rapidly. Expenditure on European loans, grants and agricultural support fluctuated, but by the end of the period annual spend on these three areas was some £600 million (in 2011-12 prices).

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[153] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 151.

[154] European Investment Bank, *Finance Contracts Signed* [online].

6.5: Conclusion

This period marks a high point in terms of economic optimism in Wales. The growing strength of the economy in the later 1980s led to claims that the Welsh economy had recovered and was poised for long-term success. A number of factors contributed to this optimism, the highest profile of which was FDI. While it is always important to put FDI in perspective, in that even the largest projects can only account for a small proportion of overall employment, success was undeniable. Also, it appeared for a short time that some of the difficulties that Wales had traditionally faced in generating indigenous economic momentum were being overcome. VAT registrations per 10,000 people as a percentage of the UK average grew from 80 per cent in 1985 to 88 per cent in 1989, giving Wales a mid-ranking position in the UK's regional league table of such activity. While the recession of the early 1980s had had the greatest impact on manufacturing and nationalised industries, the recession of the late 1980s and early 1990s had its greatest impact on service sector activities. For the only time in recent history, Wales' economic structure, with its relatively high dependence on manufacturers, many of whom were using it as a base to access Europe, acted in its favour. By 1992, increasing unemployment in other UK regions meant that Welsh unemployment in percentage terms was below the UK average, while it was forecast to be one of the UK's fastest growing regions. However, by 1993, signs were beginning to emerge that Wales was once again dropping behind the rest of the UK. VAT registrations per 10,000 people in Wales slipped back to 76 per cent of the UK average in 1993, overseas investment declined in both absolute and relative terms, while the rate of unemployment was once again above the UK average.

Against this background, a range of economic and political factors were driving the regional economic development activities of the Welsh Office between 1987 and 1993. The concerns about Wales' industrial base being insufficiently diverse coupled with the relatively low levels of indigenous business activity led to an intensification of the efforts to attract FDI and stimulate indigenous business. While Wales remained at the peak of the UK's FDI league table, the difficulties faced by the WDA in identifying sufficient volumes of viable businesses in which to invest symbolised the problems faced by the Welsh Office when seeking to support indigenous activity. However, driven by FDI and the publicity surrounding the controversial Cardiff Bay development, the profile of regional economic policy reached a high point amid heady talk of a Welsh economic renaissance. Despite this, central government's commitment to traditional regional economic policy tools such as regional aid continued its decline, with the abolition of automatic regional development grants in 1988 driving a downwards trend in expenditure. In political terms, Peter Walker's energetic style following his unexpected arrival in the Welsh Office in 1987 saw him raise the concept of 'Welsh exceptionalism', already established under his predecessor, to new heights. However, the degree of power devolved to the Welsh Office was limited. While it may have had a free hand to construct factories, carry out urban redevelopment schemes, market Wales internationally and seek to improve the flow of capital to companies, it had no authority over policy levers such as taxation, interest rates and welfare policies. Finally, the regional aid regulations were controlled by Whitehall, partly to ensure that regions did not seek to gain unfair advantages over each other.

Prior to 1987, 'exceptionalism' had been driven by the political personality of the Secretary of State, the dynamic of existing institutions and the relatively 'hands-off' approach of central government towards the Welsh Office. This approach was maintained largely since the 'different' activities carried out by the Welsh Office were of little interest to central government.[155] All these factors remained in place, but the impact of Peter Walker was accentuated by his unique role on the UK's political stage. He was a significant political figure, and had long been talked about as a potential challenger to Margaret Thatcher. He realised that the freedom of manoeuvre accorded to the Secretary of State gave him an ideal opportunity to use Wales as a test bed for his style of interventionist politics, and thus mount an implicit challenge to prevailing Conservative policy. The reasons why Margaret Thatcher allowed this were much discussed at the time, but it was commonly assumed that he was offered the position on the expectation that he would turn down what was a relatively low-ranking cabinet position, before receiving a free hand in return for an implicit understanding that he would not challenge for the leadership of the Conservative Party. According to Dafydd Wigley, the leader of Plaid Cymru, exceptionalism 'was self-serving, but that didn't necessarily mean that it wasn't happening, [Peter Walker was] taking great joy from doing things differently wherever he could'.[156] However, he was often accused of hyperbole, most commonly in relation to the Valleys Initiative. At the same time, his 'can-do' approach was enthusiastically taken up by the WDA, although such enthusiasm was to play a part in its implosion. When Peter Walker stood down in 1990, he was replaced with David Hunt. While David Hunt had a quieter political personality than Peter Walker, both shared a similar political philosophy based on an acceptance that the state has a broad role to play in economic and social regeneration,[157] meaning

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[155] Dylan Griffiths, 'The Welsh Office and Welsh Autonomy', *Public Administration*, Vol. 77, Issue 4, (1999) pp. 793-807 (p. 807).

[156] Interview with Dafydd Wigley.

[157] Kevin Morgan and Geoff Mungham, *Redesigning Democracy: The Making of the Welsh Assembly*, p. 65.

that overall thrusts of intervention remained unchanged. According to Ron Davies, Shadow Secretary of State between 1992 and 1997:

> Peter Walker was Energy Minister during the time of the miners' strike, before he became Secretary of State, and so we had lots of conversations with him, and we knew that he was deeply concerned about the consequences of what was happening in the miners' strike […] So we knew where he was politically. The same with David Hunt, it was perhaps no more than a raised eyebrow or, you know, the off guard comment that he would make, but you knew that there was a real political gulf between what they wanted and their aspirations, and the dry Thatcherite agenda.[158]

It is likely that the effectiveness of intervention reached its high point in the late 1980s and early 1990s, although the foundations for this success had been largely laid by Nicholas Edwards. While the Cardiff Bay development was slow to pick up speed and the enormous amounts of agricultural subsidy appeared to have little economic impact, beyond slowing the gradually declining importance of the sector, FDI reached its peak. A large number of high-profile investments from globally significant companies took place, meaning that Wales became well established as a location for inward investment, leading to the WDA stating that; 'we have for some time now, enjoyed lead position in the UK, an appropriate target for the years ahead is a leading position in the European Community.'[159] The attraction of large volumes of FDI was not solely due to government intervention. However, intervention in terms of marketing, factory construction, grants and

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[158] Interview with Ron Davies.

[159] Ian Rooks, 'Prospects and Policies', *Welsh Economic Review: Special Issue–Investment in Wales*, (1993), pp. 46-47 (p. 47).

infrastructure, enabled overseas companies seeking a location with a relatively low cost base from which they could access Europe to choose Wales.

However, attempts to stimulate indigenous entrepreneurship and the service sector proved less successful. This relative lack of success should not be solely blamed on the agencies involved, as while a large volume of manufacturing projects were coming forward, the same cannot be said of indigenous businesses. At the same time, Wales' attractiveness as a location for manufacturing FDI projects was not duplicated for those in the service sector, meaning that attracting such projects was generally harder given their skills requirements. However, the success achieved by manufacturing FDI led to a steady flow of announcements and press releases, and such investment gradually assumed a very high political profile, meaning that the importance of stimulating indigenous businesses and the service sector began to run the risk of being overshadowed. Overall, the short burst of growth relative to the rest of the UK in the late 1980s was insufficient to address Wales' structural issues, and the optimism of the period was to prove short-lived. A new, less assertive phase of intervention was shortly to commence as leadership in the Welsh Office passed to John Redwood, whose views on the role of government were quite different from those of his predecessors.

7: The end of the age of factories (1993 to 1997)

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7.1: Economy and policy – UK

7.1.1: Economic trends and political reaction

The years following 1992 saw the beginnings of what was to be the UK's longest continuous economic expansion in the post-war era, ending only with the financial crisis of 2008. Sterling's dramatic ejection from the European Exchange Rate Mechanism (ERM) in September 1992 ('Black Wednesday') had two beneficial impacts on the UK's economy. Firstly, the pound quickly dropped by some 20 per cent against major currencies, benefiting exporters, although a recovery in global trade also had a positive impact.[1] Secondly, interest rates were reduced from their peak of 15 per cent to some 6.5 per cent by mid-1997, thus reducing borrowing costs for householders, individuals and businesses. While in economic terms, Black Wednesday turned out to be almost wholly beneficial for the UK, the political humiliation of being expelled from the ERM largely destroyed the Conservative Government's reputation for economic competence, and was a major contributing factor to Labour's landslide victory at the general election of 1997.[2]

While growth had resumed in the fourth quarter of 1991, it did not accelerate until after Black Wednesday. By 1994, the annual growth rate was 4.7 per cent, while the economy had surpassed its pre-recession output by the third quarter of 1993.[3] Such rapid growth meant that unemployment quickly reduced, and had reached pre-recession levels by 1997, falling from its December 1992 peak of 9.9 per cent to some 6.5 per cent by mid-1997. Employee jobs followed a similar pattern

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[1] David Blackaby and others, 'Wales: an Economic Survey', *Contemporary Wales,* 8 (1995), pp. 213-295 (p. 213).

[2] *Guilty Men: Conservative Decline and Fall 1992–1997*, p. 27.

[3] *The Long-Term Impact of Recessions*, p. 3.

with their recessionary trough reached during the final quarter of 1992. However, numbers then recovered, with pre-recessionary levels reached less than five years later during the second quarter of 1997. This compares favourably with the equivalent situation after the recession of the 1980s, with employment not regaining its pre-recessionary peak before the next downturn of 1990-91.[4]

Manufacturing employment temporarily stabilised, while inflation also declined after the recession, remaining at less than four per cent between 1993 and 1997, while the number of days lost to strikes remained subdued. Indeed, economic progress was so positive over this period that 'Black Wednesday' was soon renamed 'White Wednesday' by some euro-sceptic commentators who noted that that expulsion from the ERM had been followed by a rapid economic recovery.[5] However, while the recession and its immediate aftermath had caused some narrowing in existing regional imbalances, as regions with a bias towards manufacturing tended to do better than those with a focus on private sector services, the opposite was becoming apparent by the mid-1990s. Manufacturing employment in the UK grew by some 5 per cent between 1993 and 1997, but growth began to reduce throughout the latter years of this period. By 1997, manufacturing accounted for only 16 per cent of the employed workforce in the UK, compared to over a third in 1974, and less than that employed in retail and motor trade activities. However, service sectors were rapidly expanding with, for example, information and communication growing by some 14 per cent.[6] At the same time, the desire of the government to reduce the rate of growth in its expenditure after it

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[4] Ibid, p. 11.

[5] John Major, *The Autobiography*, p. 341.

[6] Office for National Statistics, *Employee Jobs by Industry* [online via NOMIS].

had increased rapidly during the recession led to a sharp decline in public employment, with the numbers employed in public administration dropping by some 7 per cent between 1993 and 1997.[7]

These trends were symbolised by the changing fortunes of the UK in inward investment. While service sector investment projects, such as ICT, administration and financial services had always been attracted to the UK, they had always been a relatively small part of the overall number of projects. However, this began to change in the mid-1990s. In 1992-93, service sector projects accounted for only 17 per cent of all projects, but this figure was growing rapidly, reaching almost 30 per cent by 1996-97.[8] At the same time, the manufacturing projects that were attracted were increasingly likely to be expansions of existing operations, rather than new factories. This meant that the stock of overseas manufacturers was likely to decline over time. While manufacturing remained an important part of the UK economy, the renewed trend away from this sector by overseas investors was driven by a number of factors, including competition from overseas locations that could offer lower costs, whether in terms of tax (Ireland) or labour (Eastern Europe). While overseas investors were increasingly choosing different locations than the UK for cost reasons, the same dynamics were impacting on UK manufacturers in that they were finding it increasingly difficult to compete with overseas competition.

Overall, these trends benefited regions of the UK with a greater dependence on the rapidly growing service sectors. Such regions were more likely to have an existing labour force with suitable skills, and a network of supplier companies, meaning that existing investors could have the confidence to expand, while new investors would have equal confidence in choosing these locations for their

[7] Ibid.

[8] Department for Trade and Industry, *FDI Project Announcements Database*.

business. By contrast, those regions with a greater dependence on the slower growing, or contracting, manufacturing and public services were likely to be negatively impacted by the gradual trends emerging within the UK economy. Once again, the South of England was well placed to take advantage, and began to pull further away from the rest of the UK.

7.1.2: Regional economic policy and its impact on Wales

While the 1980s had seen a steady downgrading to regional economic policy throughout the UK as a whole, the mid-1990s did see a partial restating of its importance. This was largely due to the influence of Michael Heseltine, President of the Board of Trade from 1992, and Deputy Prime Minister from 1995. He had promised to 'intervene before breakfast, before lunch and before dinner' for industry during a party conference speech in 1992,[9] and had previously shown interest in the approach taken in Wales. According to the CBDC Chairman, Geoffrey Inkin; 'Peter [Walker] had him down once or twice, and I looked after him then, sort of taking him round meeting people and so on, and [he was] a great enthusiast',[10] while the Chief Executive of the WDA, David Waterstone, noted that he 'came down for a few days to learn from the WDA.'[11]

For example, the Department of Trade and Industry's 1995 White Paper, *'Regional Industrial Policy'*, stated that 'the government recognises the importance of enhancing the competitiveness of the regional assisted areas. There has been a refocusing of regional industrial policy to reflect its role in achieving both economic and social objectives'.[12] At the same time, overall expenditure on

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[9] Colin Brown, 'Government in Crisis', *Independent*, 20 October 1992.

[10] Interview with Sir Geoffrey Inkin.

[11] Interview with David Waterstone.

[12] Regional Industrial Policy (London: Department of Trade and Industry, 1995), p. 6.

regional economic policy stayed static in real terms between 1992-93 and 1995-96. This was the first period of stability since the recession of the early 1980s caused a temporary reversal of the overall trend of decline that commenced in the mid-1970s.[13] However, while this restating of the importance of regional economic policy would have been expected to have led to greater such activity in Wales, given its long history of dependence on declining sectors, this was not to be the case for two reasons, reflecting changes in the dynamics of UK wide regional economic policy, as well as that portion of the policy decided in Wales.

Firstly, the relatively strong performance of Wales during the most recent recession meant that it was bound to lose some of its eligibility for regional support when the regional aid map was being redrawn in 1993. These maps were drawn on the basis of relative need within small geographical areas, known as travel-to-work-areas. Eligibility for regional aid was calculated by examining the performance of these areas across a number of indicators such as personal income and unemployment. While large parts of Wales continued to underperform the UK in terms of personal income, the traditional gap between the Welsh and UK unemployment rates had been closing since 1990s. By 1993, unemployment in Wales was at almost the same level as the UK average, caused in part by an increase in unemployment in some parts of the South of England. These areas, such as the Isle of Wight as well as coastal towns in Kent and East Anglia, were now designated as assisted areas, while large parts of Wales lost their status (see Map 7.1). The percentage of the working population in Wales covered by the highest level of support ('Development Areas') fell from 35 per cent to 15 per cent.

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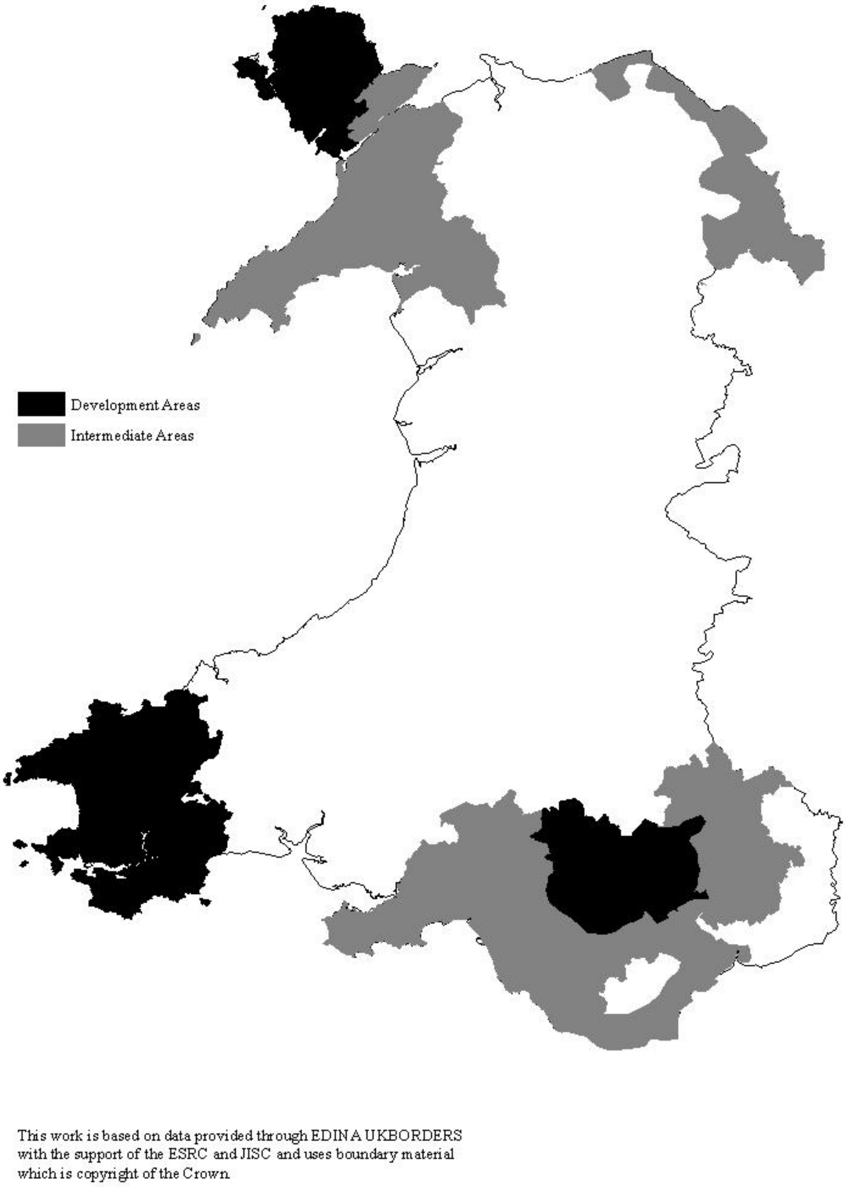
[13] Taylor, Jim and Wren, Colin, *UK Regional Policy-an Evaluation*. Regional Studies, 31,9 (1997), pp. 835-848 (p. 841).

Map 7.1: Assisted areas, Wales, 1993.



Source: Advantage Wales-an Introduction to the Best Business Climate in Europe (Treforest: Welsh Development Agency, 1996).

Secondly, while Wales' positioning within the UK regional aid framework was being downgraded, the arrival of a new Secretary of State, John Redwood, in 1993 was to see a similar process take place within the Welsh Office itself, as outlined in the next section. For example, the new Secretary of State soon demonstrated his relatively ambivalent approach to traditional regional economic policy instruments by stating that; 'in the latest review of assisted area status, 15 per cent of Wales was removed from the map. I regard the return of more of Wales to unsubsidised success not as a defeat but as a victory.'[14]

7.2: Economy and policy – Wales

7.2.1: Economic trends and political reaction

While the Welsh economy may have coped with the recession and its aftermath relatively well, in part due to its manufacturing sector performing strongly during a period of export led growth in 1994 and 1995,[15] it soon began to lag behind as a strong economic recovery took hold throughout the UK. The exceptionally rapid decline in FDI (see section 8.3.2) symbolised an economy which was being pressurised on two fronts. Firstly, Wales was unable to compete as a manufacturing investment location against Eastern Europe (with low labour costs) and Ireland (with low rates of corporation tax). Secondly, the fastest growing sectors of the UK economy were in services and technology, areas where the Welsh presence was relatively limited. For example, services (excluding government activities) accounted for 35.6 per cent of Welsh GDP against 47.4 per cent in the UK as a whole. Conversely, manufacturing accounted for 27.8 per cent in Wales, compared to 20.8 in the UK.[16] At the same time, economic inactivity rates remained high, while non-manufacturing productivity was relatively low. After the relative success of the late 1980s and

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[14] John Redwood, *Views From Wales*, p. 23.

[15] *'1996-Economic Commentary'*, in *Welsh Economic Review*, Vol. 9,1 (1996), pp. 9-11 (p. 11).

[16] Stephen Hill, 'Wales in Transition', in *Wales in the 21st Century–an Economic Future*, ed. by Jane Bryan and Calvin Jones, pp. 1-10 (p. 4).

early 1990s, the annual reports of Welsh Industrial Development Advisory Board (the Welsh Office appointed board responsible for allocating aid) provide commentary on the relative worsening of manufacturing. In 1994, it stated that; 'manufacturing […] is expected to lead Wales out of the recession [Wales] is forecast to outperform the rest of the UK.'[17] However, by 1997, 'performance in the manufacturing sector was less than anticipated during 1996',[18] and by the following year, the sector was having a 'difficult' time.[19]

Levels of VAT registration per head throughout Wales continued to decline relative to the UK average, dropping from 76 per cent in 1993 to 70 per cent in 1997, with for example, the planning document for the 1995-1996 European Objective 2 programme noting that 'there is little indigenous enterprise tradition in industrial South Wales [...] most pertinently, the nature of the coal and steel industry did not encourage small dynamic firms'.[20] Against this background, overall employee numbers remained relatively static between 1993 and 1997, growing by just one per cent (see Table 7.1). While manufacturing showed the largest absolute growth, employment in this sector peaked in 1994, before renewed decline set in. At the same time, the number of large factories was in rapid decline. For example, there were 105 factories in Wales employing more than 500 people in 1976,[21] a number that had reduced to 55 in 1996,[22] with those employing more than 1,000 people declining from 50 to 15 over the same period. For example, the former British Nylon Spinners/ICI

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[17] *Industrial Development Act 1982. Annual Report 1993-94,* p. 9.

[18] *Industrial Development Act 1982. Annual Report 1996-97,* p. 12.

[19] *Industrial Development Act 1982. Annual Report 1997-98,* p. 13.

[20] *Industrial South Wales Objective 2 Single Programming Document* 1994 – 1996 (Brussels: European Commission, 1994), p. 9.

[21] *Digest of Welsh Statistics, No. 25, 1979*, p. 87.

[22] *Digest of Welsh Statistics, 1996*, p. 139.

plant at Pontypool employed some 8,000 people at its peak in the early 1960s, but had almost entirely closed by 1997, due in large part to the import of cheaper textiles from the Far East.

Table 7.1: Employment change by sector, Wales, 1993 to 1997.

Sector	**Employees in employment**	**Per cent**
Agriculture and fishing	-2,000	-15
Energy and water	-6,000	-13
Manufacturing	7,000	2
Construction	1,000	3
Distribution, hotels and restaurants	3,000	2
Transport and communication	-1,000	-11
Banking, finance and insurance	5,000	3
Public administration, education, health and other services	5,000	3
Total	**12,000**	**1**

Source: Digest of Welsh Historical Statistics, ed. by L.J. Williams, p.138–139; Digest of Welsh Statistics 1997, pp. 126-127; own calculations.

These trends soon began to impact on unemployment. While it had dropped below the UK average in 1994, this was to be short-lived. The structure of the economy, with its bias towards what was now the low growth sector of manufacturing, meant that although unemployment was dropping, the gap between Wales and the rest of the UK gradually reappeared. By 1997, claimant count unemployment in Wales was some 15 per cent higher than the UK (5.7 per cent compared to 4.7 per cent). At the same time, concern about an east-west growth divide remained, although this would gradually dissipate due to the emergence of more general concerns. For example, the western counties of Gwynedd and Dyfed accounted for less than ten per cent of the employment created in new factories opened since 1971 that remained active in 1993,[23] despite containing some twenty per cent of the total Welsh population. The reasons for this were much discussed, but their good communications links and the ready availability of sites, premises and financial incentives all helped eastern areas to attract a larger share of investment than the more peripheral rural areas.

In political terms, the years up to 1997 were to witness the virtual disappearance of the elected Conservative Party in Wales. While all Secretaries of State prior to 1993 had sought, at least to some extent, to emphasise their policy distinctiveness from the UK government, this did little to stem the decline in electoral support. The 1992 general election saw the Conservatives win only six out of 38 seats in Wales. By 1994, it secured only 14.6 per cent of votes cast in the European election while the party lost all of its parliamentary seats in Wales in 1997. Against this backdrop, devolution continued its somewhat unsteady progress through the Labour Party, torn between its traditional desire to address economic problems through central government, and the reality of the 1980s when, in the words of a piece of graffiti on a railway bridge in the Valleys; ‘we voted Labour, but got Thatcher.'[24] By 1997, concern about declining inward investment was combining with an increasing sense that Wales was slipping further behind, with a commentator noting that:

> Wales has the lowest level of average household income per head, the lowest level of GDP per head, the lowest level of male weekly earnings, the lowest percentage of managerial and

[23] David Blackaby, Philip Murphy and Eirian Thomas, ’Wales: An Economic Survey’, in *Contemporary Wales*, 7 (1994), pp. 173-248 (p. 185).
[24] Interview with John Osmond.

professional employees, the lowest male activity rate, the second lowest female activity rate and the seventh highest level of unemployment.[25]

Problems with manufacturing ushered in the end of what had been a short-lived period of relative growth, but theoretical explanations such as Verdoon's Law (see chapter 2, section 3) tend to oversimplify the growth process, and pay limited attention to the influence of supply factors such as innovation, central to approaches such as the new growth theory with its focus on the importance of technology. A key issue was that it had proved difficult to develop and retain human and capital resources in sufficient volume to facilitate self-sustaining growth. VAT registrations relative to the UK were in decline, while other problems remained. For example, it was noted in the early 1990s that 14 per cent of pupils in Wales left school without qualifications, compared to some nine per cent in England. In the former industrial area of Mid-Glamorgan, 24 per cent of pupils were in this category.[26] The Welsh Office and its agencies were well aware of such issues, as reflected by the broadening of activities into a range of business support type projects (see section 7.3.4).[27] Despite this, the then Chief Economist of the WDA, Brian Morgan, remained sceptical as to the extent to which the agency was influenced by ideas such as the new growth theory, given their focus on FDI:

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[25] Peter Griapos, 'The Welsh Economy: An Outside Perspective', *Contemporary Wales*, 10 (1997), pp. 32-49 (p. 34).

[26] Rachel Clarke, 'Black Mark for Schools', *Western Mail*, 4 February 1992.

[27] Bob Morgan, 'An Endogenous Approach to Regional Economic Development: An Emergence of Wales', *European Planning Studies*, Vol. 4 Issue 6 (1996), pp. 705-716 (p. 715).

> I tried to link [the theory] into what we were doing, and indicated the great opportunities to take onboard these ideas of endogenous growth. I put papers to the board, sent stuff up [...] And then I thought, "Oh, this is just a waste of time."[28]

Wales' peripherality was reflected in its economic geography, which remained dominated by east-west trade and transport links. Overall, while the economy had changed beyond recognition since 1974, its ranking as one of the weakest performers in the UK was unchanged. While its GDP was one of the fastest growing of any UK region in the late 1980s, it was one of the slowest by the mid-1990s with this date marking the beginnings of a further period of relative decline that has continued to this day. According to Garel Rhys, a WDA board member, there weren't 'the number of investments around, businesses weren't really expanding, but at the time in the 1990s, it didn't really seem like a turning point, it's only when you look at it later that it becomes apparent'.[29]

7.2.2: Welsh Office regional economic policies

Intervention had been a defining feature of the Welsh Office since the 1970s, with all Secretaries of State accepting that the Welsh Office could and should play a role in assisting the economy to deal with the consequences of economic change. However, this consensus was challenged by John Redwood, Secretary of State from 1993. He was a right-wing Conservative who had been a privatisation advisor for Rothschild's merchant bank before being elected MP for Wokingham in 1987.[30] While Peter Walker and David Hunt were active in the One Nation 'Tory Reform Group' of MPs, John Redwood was active in the strongly Thatcherite 'No Turning Back Group'. The

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[28] Interview with Brian Morgan.

[29] Interview with Garel Rhys.

[30] Richard Vinen, *Thatcher's Britain*, p. 198.

appointment of a right wing Secretary of State was roundly condemned in Wales, with a tongue-in-cheek leader in the *Times* noting that:

> Your land [Wales] has suffered many strange invasions, from the Roman legions [...] to Edward I's rabble army of conquest to this week's appointment of John Redwood. All would-be masters speak strange languages, Latin, English and in the case of Mr Redwood, an international jargon of econo-technology.[31]

John Redwood's thoughts on 'what he was trying to do' were set out in 'Views from Wales', a booklet of articles and speeches.[32] His policies had two main drivers, the first being ideological, and the second to do with positioning himself on the UK's political stage. In ideological terms, John Redwood had little time for existing interventionist policies which he felt had run their course; 'the wounds created in Wales by the collapse of traditional industries are healing. Development agencies have been necessary bandages […] they assist recovery but the healing comes from within from the talents, energies and ideas of people and the businesses they set up or attract.'[33] This was due to the relative recovery of the economy, as 'whilst other economies have been consumed by the fire of recession, Wales has been a defiant phoenix'.[34] There was also a belief that the state's economic role had been too great, and had turned Wales, in the words of John Redwood's advisor Hywel Williams, into a 'fantasy land of Keynes-by-Sea'.[35] Instead of active intervention of the

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[31] 'Capturing the Captor-a Modest Proposal to the People of Wales', *Times*, 1 June 1993.

[32] E-mail correspondence with John Redwood.

[33] John Redwood, *Views From Wales*, p. 21.

[34] Ibid, p. 8.

[35] Hywel Williams, *Guilty Men: Conservative Decline and Fall 1992–1997*, p. 52.

type that had been prevalent, economic growth was facilitated by greater competition, privatisation, tax reductions and market flexibility.[36] In practical terms, John Redwood immediately reduced the funding allocated to the WDA and ordered them to sell off much of their land and property portfolio. The Welsh Office contribution to the total WDA budget was planned to reduce from 46 per cent in 1993-94 to less than 20 per cent in 1995-96.[37] The DBRW was also to be affected, with some of its grant giving powers transferred to local authorities, while it was only saved from a merger with the WDA because parliamentary time could not be found for the necessary legislation to be passed.[38] Despite his reputation as an ideologue, John Redwood did convene the advisory Welsh Economic Council, while the Wales TUC found him to be 'open to argument'.[39] He also supported the workforce of the last deep mine in Wales, Tower, in their successful bid to buy the pit. This was after the NCB had announced its closure on the spurious grounds that the mine was unable to produce coal on a commercially viable basis, when in fact the mine remained in profitable production for a further decade.

John Redwood used the Welsh Office to launch his own variant of 'Welsh exceptionalism', where a version of Conservatism at variance with the UK Government is promoted by the Secretary of State, in part to further his career on the national stage. While Peter Walker had promoted a vision of Conservatism to the left of the then Prime Minister (Margaret Thatcher), John Redwood did the opposite. He used his cabinet position, and the ability of the Secretary of State for Wales to speak

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[36] John Redwood, *Views From Wales*, p. 5.

[37] Hansard HC, 18 April 1995, Vol. 258. Cc. 64-5w (answer to written question).

[38] Russell Martin Deacon, *The Governance of Wales – the Welsh Office and the Policy Process 1964–99*, p. 171.

[39] Joe England, *The Wales TUC 1974-2004: Devolution and Industrial Politics*, p. 66.

on a wide range of issues given the breadth of his powers, to promote a strongly Thatcherite 'small state' view that was seen as an alternative to Prime Minister John Major's more centrist approach. Part of this was a Eurosceptic viewpoint, which included stopping the Welsh Office seconding staff to the UK's representation in Brussels,[40] where they were in a position to potentially influence policy towards Wales. According to his special advisor, Hwyel Williams, the Secretary of State was 'emboldened to see in Wales fertile ground for a distinctive set of policies that would be an implicit commentary on the wider fortunes of Conservatism'.[41] As an example, he claimed that he had been able to return part of the Welsh Office's budget allocation to HM Treasury as it was not needed. However, while the institutional dynamics created by the existence of the Welsh Office and its agencies had helped previous Secretaries of State to intervene, the difficulties of pursing policies not in keeping with established norms were highlighted by Ron Davies:

> I can recall talking to one of the senior civil servants when I was Secretary of State, [who said], "Oh well of course, he [John Redwood] was very happy to think that he'd done it [sent money back] but we wouldn't have done that, we wouldn't have sent the money back, would we?"[42]

However, while John Redwood was correct in pointing out that economic prospects depended to a large extent on indigenous growth and general government policies on taxation and regulation, two issues meant that his message was unlikely to be enthusiastically received. Firstly, Wales' economic problems were far from solved, while the searing memories of the 1980s meant that any

[40] Interview with Dafydd Wigley.

[41] Hywel Williams, *Guilty Men: Conservative Decline and Fall 1992–1997,* p. 51.

[42] Interview with Ron Davies.

claims that the economy was on a self-sustaining growth path were inevitably treated with scepticism. Secondly, he seemed destined for personal unpopularity in Wales. He was felt by opposition parties and commentators to have little empathy for Wales, and was perceived as an aloof 'viceroy on the make',[43] whose 'only link with Wales is the M4'.[44] However, after two years as Secretary of State, he resigned in mid-1995 to challenge unsuccessfully for the Conservative leadership. William Hague was then appointed as Secretary of State after a very short period during which David Hunt acted in a caretaker role. William Hague had been MP for Richmond in Yorkshire since 1989 and this was his first cabinet post. He soon demonstrated that his political and administrative instincts were a good deal less radical than his predecessor. For example, one of his first actions was to restore the WDA's budget allocation.[45] Despite this, the key conservative themes of deregulation and enterprise were heavily emphasised, with his 1996 White Paper on rural development aiming to 'lift the burden of red tape on farmers and rural businesses, to recreate that vital spirit of enterprise […] that makes rural life possible'.[46] However, William Hague was to spend less than two years in office, with his role in Wales ending when the Conservatives lost power in 1997.

Against this political backdrop, there were two main trends within regional economic development. Both were organisational, reflecting economic and political uncertainties as the economy began to fall back into relative decline and the eighteen year long reign of the Conservative Party was coming to its end. Firstly, the WDA was struggling to recover from the criticisms it had received,

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[43] John Osmond, *Welsh Europeans* (Bridgend: Seren, 1995), p. 67.

[44] 'New Man's Only Link with Wales is the M4', *Western Mail*, 28 May 1993, p. 10.

[45] Hywel Williams, *Guilty Men: Conservative Decline and Fall 1992–1997,* p. 188.

[46] *A Working Countryside for Rural Wales* (Cardiff: Welsh Office, 1996), p. 1.

while its internal control mechanisms were overhauled and most of the senior management team were replaced. The new Chairman, David Rowe-Beddoe, was determined to avoid a repeat of the problems, with the board meeting every month to ensure that there were no more 'surprises' of the type that had proved so damaging.[47] In 1994 and 1995, the agency was subject to nine compliance reviews which produced 350 action points.[48] Since its formation in 1976, the WDA had always had a relatively centralised structure based around a chairman, a chief executive and six executive directors, although regional offices were maintained. The WDA now became increasingly decentralised, with its functionally based management structure replaced by three regional divisions. While activities needed to be brought under tighter control, the agency which emerged from this turbulent period was less flexible, more concerned with internal control mechanisms and internally divided into three regions, each pursuing their own agendas.

At the same time, the DBRW was not immune from the controversies surrounding the quangos. Following allegations and leaks, the Public Affairs Committee carried out an investigation, and uncovered two issues. The first related to how the board allocated its 1,200 houses, most of which were in Newtown and had been constructed under its new town powers. It emerged that the board's housing officer had subverted the rules used to allocate housing to provide accommodation to both himself and his estranged wife, with the National Audit Office stating that it was 'unacceptable that persons charged with conducting public business should be in a position to influence decisions benefiting them or their close relatives'.[49] At the same time, it was also established that the board did not always follow its own criteria when allocating houses. These were supposed to be reserved

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[47] Interview with Garel Rhys.

[48] Discussion with Trevor Boyns.

[49] *DBRW Annual Report 1992-93*, p. 52.

for those who had secured permanent employment in the town in which they were seeking to be housed, and who had moved from at least ten miles away. However, there was an alternative set of criteria which did not have these qualifying factors, which was instead used over a ten year period for approximately ten per cent of all allocations. Such allocations were used to house what the board considered to be key workers, with no financial impropriety being involved. The second issue was that staff provided with cars to carry out their duties were only paying one seventh of their cost, as opposed to the two sevenths that they should have been paying under Welsh Office guidelines. These issues became magnified within public debate, leading to the resignation of the Chair, Glyn Davies, in 1994.[50] While the controversies surrounding the DBRW were not as intense as for the WDA, the dynamics were similar in that the debate over the quango state engulfed another high profile organisation, whose operational mistakes would not have caused such turbulence in a different political environment. According to the DBRW Chair, Glyn Davies:

> Politicians then see you as a target, a political target, and you became a political target. And in the end it brings you down. [It's] impossible for them [DBRW, WDA] to operate, because of the publicity surrounding what seemed to me to be very small misdemeanours.[51]

Secondly, there was a realisation that Wales would find it increasingly difficult to compete for inward investment as effectively as it had been able to do so in the 1980s. It became difficult to compete against southern and eastern European states which could offer lower costs, many of which had realistic hopes of joining the EU themselves. As a result, Wales' FDI performance began to

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[50] Chris Blackhurst, 'Chief of Welsh Quango Resigns in Wake of Report: MPs Deliver Damning Verdict on Board', *Independent*, 13 May 1994.

[51] Interview with Glyn Davies.

drop sharply. Regional economic policy continued its shift towards a broader business support model with a focus on providing advisory and support services to companies either starting up or expanding. Services were to be delivered through a complex system of agencies, programmes and projects. The level of organisational complexity created was illustrated by a study carried out in Gwynedd.[52] It identified up to ten providers, a complex system of partnerships (see Table 7.2 and Chart 7.1), stating that 'linking individual or partnership enterprise activity to local economic trends remains difficult'. The local agencies tended to focus on small business development, while the national agencies focused on larger companies and FDI. At the same time, the North Wales economic forum acted as a discussion forum, although the Welsh Office had ultimate responsibility.

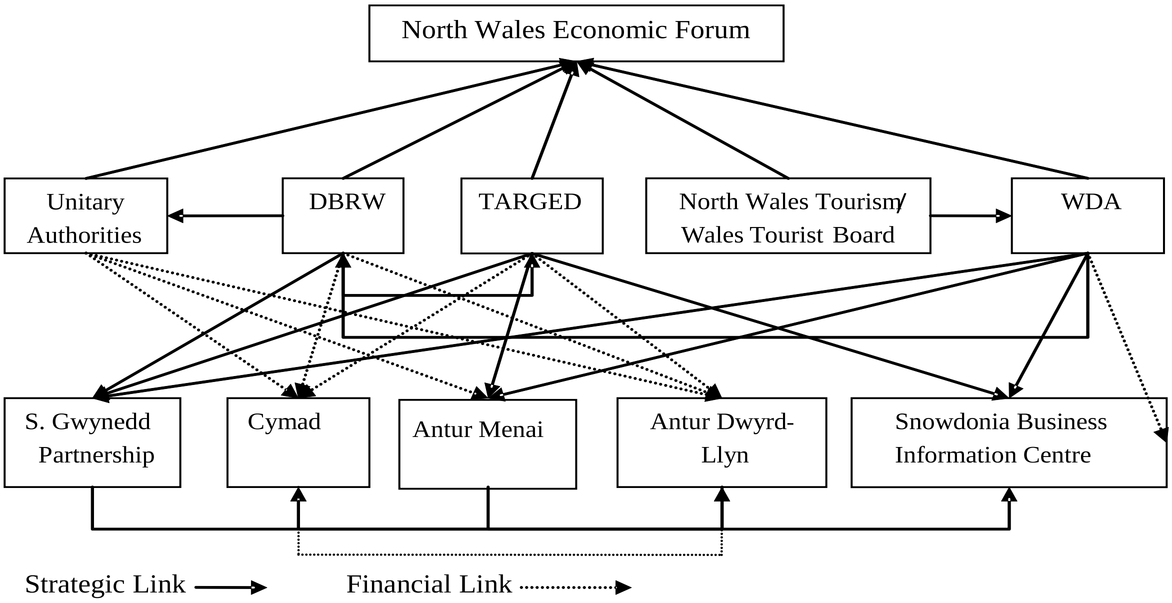
Table 7.2: Regional economic development bodies in Gwynedd, 1996.

Regional/ development agency/division	Area focus	Strategic focus	Total income (£m contemporary prices)	Main sources of income
Welsh Development Agency (North Wales)	North Wales	Overseas inward investment	160.0	Government, EU, capital receipts
Development Board for Rural Wales	Rural Wales	Domestic inward investment	20.0	Government, EU, sale of assets
North Wales Tourism	North Wales	Attracting domestic tourism	1.1	Members, Wales Tourist Board, EU, marketing
TARGED (Training and Enterprise Council)	North West Wales	Training: channel for SME support	13.4	Government
Local Enterprise Agencies				
Antur Dwyryd-Llyn	Dwyfor and Meirionnydd	Business advice and support	0.3	Government, EU, DBRW, TARGED, local authority
Antur Menai	Anglesey and Arfon	Business advice and support	0.1	Government, EU, TARGED, local authority, DBRW
Cymad	Arfon, Dwyfor and Meirionnydd	Sustainable rural development	0.6	EU, local authority, DBRW
Snowdonia BIC	North West Wales	Technological and product development	n/a	EU, WDA, TARGED, local authority

Source: See Chart 7.1.

[52] Gillian Bristow and Max Munday, 'Economic Development Co-ordination in the Periphery: the Case of Local Enterprise Agency Activity in North West Wales', *Regional Studies*, 31,7 (1997), pp. 713-728.

Chart 7.1: Relationships between bodies in Table 7.2.



Sources: Gillian Bristow and Max Munday, 'Economic Development Co-ordination in the Periphery: the Case of Local Enterprise Agency Activity in North West Wales', Regional Studies, 31,7 (1997), pp. 713-728.

While William Hague's more centrist approach restored a sense of relative calm to the economic development apparatus after the drama of John Redwood, a combination of political turbulence, changing economic circumstances and internal problems within the WDA and DBRW all combined to create an on-going sense of uncertainty throughout the mid-1990s.

7.2.3: European funding

Moves towards a more 'integrated' approach to the management of European funding continued in 1994 when structural funds in Wales were organised into two Single Programming Documents, covering industrial South Wales and rural Wales. Between 1994 and 1999, Wales was in annual receipt of in excess of £80 million of funding (in contemporary prices) from the European

Community.[53] Total funding for the two areas was £300 million (in contemporary prices), used to part fund 784 projects. As was the case prior to 1994, the funding was primarily allocated to the Valleys and coastal belt of South Wales via the Objective 2 scheme and to rural Wales under Objective 5b. Objective 2 aimed to 'maximise robust economic growth through the creation of a diversified industrial base, particularly within the SME sector, leading to a self-sustaining economy which takes full account of environmental considerations'. Applicant organisations, most of which were from the public sector, submitted project bids against one of four priorities covering; the Valleys and other disadvantaged urban communities, industry and business, development of knowledge based industries and tourism. South Wales received £156 million (in contemporary prices) between 1994 and 1996. Projects included improvements to Merthyr Tydfil town centre (£250,000 in contemporary prices) and the Tredegar by-pass (£3.1 million in contemporary prices). At the same time, the WDA received support for land reclamation projects such as the tinplate site at Velindre (£3.2 million in contemporary prices). The largest ERDF project was for the marketing of 1999 Rugby World Cup, which obtained £2.4 million (in contemporary prices).

From 1994, rural Wales received some £153 million (in contemporary prices) of support under the Objective 5b programme, that aimed to 'achieve growth in employment and incomes through an economic development strategy focusing on the development of an SME sector that promotes business efficiency and productivity'.[54] Between 1994 and 1999, over 800 projects were funded by Objective 5b, ranging from a tourist information centre in Haverfordwest (£15,000 in contemporary

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[53] *European Council Summit Information Pack,* (Cardiff, Welsh Development Agency, 1998), p. 11.

[54] *Rural Wales: Objective 5(b) Single Programming Document 1994–1999* (Cardiff: Welsh Office, 1994), Section 1.

prices) to a mobile IT training unit in Carmarthenshire (£115,000 in contemporary prices).[55] Finally, the European Investment Bank continued to support projects. For example, it announced loans of some £75 million (£109 million in 2011-12 prices) to roads in Cardiff and water treatment plants across Wales in 1994.[56] However, European projects and programmes were still not subject to full evaluations, which were 'relatively non-existent', while no detailed work was carried out to check if the various programmes were used to target the original reasons for the funding allocation.[57] For example, an evaluation of Objective 5b stated that the programme claimed to have created over 7,000 new jobs and safeguarded over 21,000.[58] However, figures were based on data supplied by project promoters, with the report stating that it had 'identified serious weaknesses in the reporting of performance by projects'.[59]

7.3: Welsh Office intervention

7.3.1: Land reclamation and factory construction

The mid-1990s marked the end of an era for intervention as the massive programmes of land reclamation and factory construction entered their final phases. The WDA was rapidly fulfilling its ambitious plan to remove the physical effects of industrial dereliction, while reduced demand for factory space meant the rationale for factory construction was decreasing. However, land reclamation remained an important priority with John Redwood stating that ‘every new home or

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[55] Roisin Willmott, *'The Implementation of European Regional Policy in Wales: An Examination of Multi-Level Governance'*, Appendix 1.

[56] European Investment Bank, *Finance Contracts Signed* [online].

[57] *'The Implementation of European Regional Policy in Wales: An Examination of Multi-Level Governance'*, p.10, p. 157.

[58] *Ex-post Evaluation of the English, Scottish and Welsh Objective 5b Programmes*, p.180.

[59] Ibid, p. 181.

factory built on a plot of reclaimed land is one less on a green field site'.[60] By 1994-95, 25,000 people were working in factories built on reclaimed sites.[61] However, activity was reducing and was shortly to go into an almost ‘terminal decline’, mostly since the major sites had generally been reclaimed, while relationships with local authorities had become soured.[62] While the official causes of the controversies surrounding the WDA were relatively minor, they had a major political impact. The level of disputes surrounding the agency caused it to assume an almost toxic status, meaning that working relationships inevitably suffered as other organisations became wary of any involvement. At the same time, the virtual end of heavy or extractive industry meant that the task was finite. As attention began to turn to what formerly industrial regions would look like with much of the physical impact of industry removed (although some, such as the Tylorstown coal tip above the Rhondda, were retained), a WDA board member, Garel Rhys, later noted that:

> In a way, the land clearance was too successful, they got rid of the coal tips before they had a chance to conserve them. It would have been nice to have had a conical coal tip to show what it would have been like.[63]

WDA land reclamation budgets thus reduced from £39.7 million in 1994-95 (some £58 million in 2011-12 prices) to £18.8 million in 1996-97 (some £26 million in 2011-12 prices).[64] Despite such changes, major projects underway included the removal of the UK’s largest colliery spoil tip at

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[60] John Redwood, *Views From Wales*, p. 41.

[61] *WDA Annual Report,1994–95*, p. 4.

[62] Interview with D. Gwyn Griffiths.

[63] Interview with Garel Rhys.

[64] *WDA Annual Reports, 1994-95, 1997-98.*

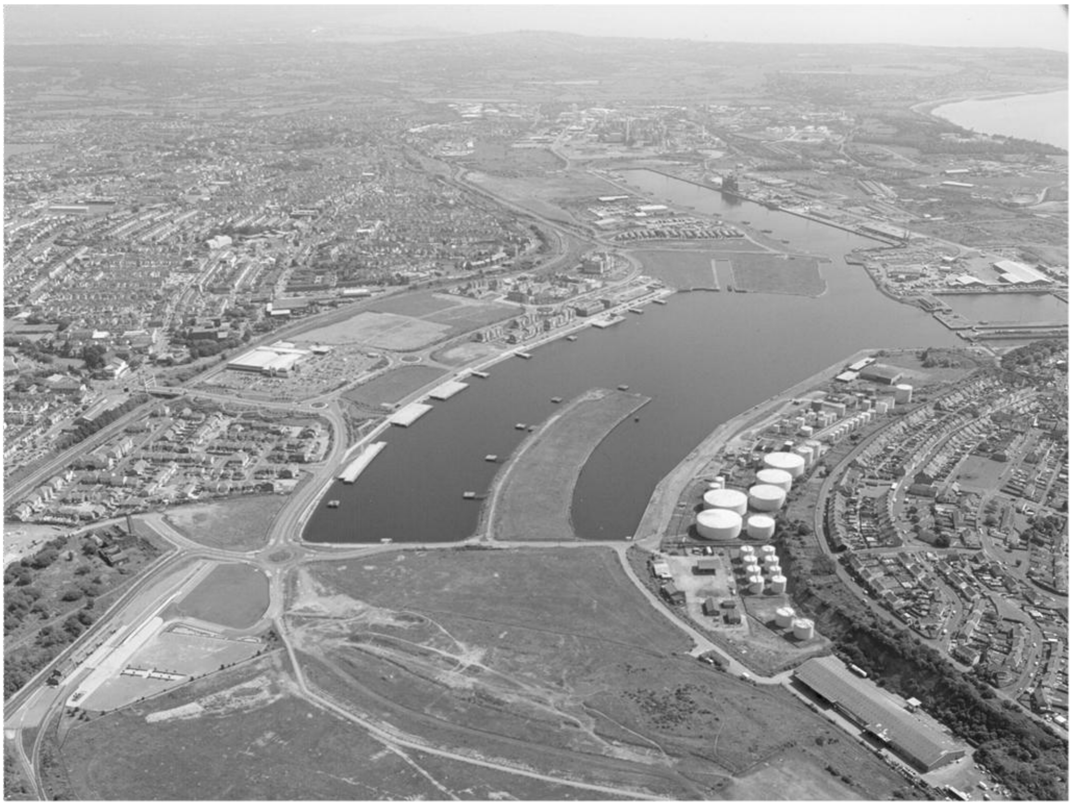
Bargoed,[65] while the former Velindre tinplate works were acquired for reclamation. This was to involve the removal of 1 million sq. ft. of buildings and the infilling of 800,000 sq. ft. of basement.[66] Finally, work on Barry Docks was completed, (see Plates 7.1 and 7.2).

Plate 7.1: Barry Docks, prior to reclamation, 1980s.

[65] *WDA Annual Report,1994–95*, p. 18.

[66] *WDA Annual Report,1994–95*, p. 23.

Plate 7.2: Barry Docks, after reclamation, 1996-1997.



Overall, there can be no doubt that the land reclamation programmes changed the face of much of Wales for the better. In mid-1994, the National Audit Office issued the findings of its value for money investigation into the agency's land reclamation programme. This found that it had achieved good value for money and was 'widely recognised as a notable achievement'.[67] By 1996-97, some 25 square miles of land had been cleared since 1976-77 across over 900 sites, environmental quality had been radically improved in areas once scarred by heavy industry and land had been released for leisure, commercial or residential usage. While large-scale land reclamation was beginning to enter its final phase, the factory building and letting activities that had long characterised regional economic development were also in decline. There were two main reasons

[67] *Land Reclamation in Wales*, p. 7.

for this. Firstly, John Redwood, the Secretary of State between 1993 and 1995, had no wish to see an agency that 'owns too much land'.[68] The agency was thus instructed to sell the majority of its land and property portfolio to the private sector. According to the WDA's Chief Economist, Brian Morgan:

> He looked at the agency and he said, "Well, you're interfering with the property market, you're undermining a vibrant private sector property market by all your interventions and developing factories here, factories there […] using public money to intervene. I want you to sell the lot.[69]

For example, most of the Treforest Industrial Estate was sold in 1994-95 to Morgan Grenfell Property Estate Management.[70] As receipts were realised, the Welsh Office then correspondingly reduced grant to the WDA. The wisdom of selling property shortly after a recession when prices remained depressed was queried by the WDA, but the Welsh Office remained resolute that such a policy fitted with its aim of stimulating private sector investment.[71] Between 1993-94 and 1997-98, the agency's tangible assets reduced from some £274 million to £89 million (in contemporary prices).[72] While the policy did generate significant income, it had two negative consequences. Firstly, while asset disposal reduced the short term dependence of the WDA on Welsh Office funding, the opposite happened over the long term as rental income was removed, meaning that the

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[68] John Redwood, *Views From Wales*, p. 22.

[69] Interview with Brian Morgan.

[70] *WDA Annual Report, 1994–95*, p. 18.

[71] Dylan Griffiths, *Thatcherism and Territorial Politics*, pp. 101-2.

[72] *WDA Annual Report, 1997-98,* p.46.

arms-length principle was being undermined. Secondly, the disposal programme was predicated on the basis that the private sector would fill the gaps vacated by the WDA. However, while the private sector was content to purchase industrial estates with established income streams, it remained unwilling to construct new premises throughout much of Wales. An alternative approach would have been to keep the government grant in aid at a steady level, and recycle income from asset disposals into the types of flexible office based property increasingly required by investors. Ironically, this may have been part of the undisclosed model proposed, at least in theory, by Operation Wizard.

The second reason was that there was by now insufficient demand for factories. By the mid-1990s, manufacturing investment was in rapid decline (see section 7.3.2). While ordinarily the WDA might have been expected to adapt its activities in line with changing economic trends, it was constrained by the influence of John Redwood and an internal reluctance to move on from the glory days of large inward investors requiring sizable factories. In addition, recent turbulence had made the agency less willing to develop new approaches, with the WDA's chief economist stating that the agency 'battened down the hatches, to some extent. And perhaps that was why it wasn't prepared to look at new ideas'.[73] Interventions did take place that were aimed at the service sector, but according to the WDA's Executive Director Marketing (formerly Property Director), they were 'too modest and too slow'.[74] However, this is not to say that the agency withdrew from property. For example, a bespoke factory was built at Swansea for Calsonic's automotive research and development facility,[75] while a number of rural workshop units were constructed at Llanrwst.[76]

[73] Interview with Brian Morgan.

[74] Interview with Ian Rooks.

[75] *WDA Annual Report, 1994–95*, p. 22.

Despite this, the reducing emphasis given to property activities is symbolised by the absence of overall data from WDA annual reports from 1991-92. Similar trends were apparent within the DBRW, with the Welsh Office announcing in 1996 that it was considering the transfer of the board's small factory workshops to local authorities or the private sector.[77] However, the WDA's property budgets did increase rapidly, doubling between 1994-95 and 1995-96.[78] This can be accounted for by LG's investment in Newport (see section 7.3.2), which saw the Welsh Office assembling a grant package that included property grants of £118 million (£168 million in 2011-12 prices) to be paid as construction progressed.[79]

Overall, the mid-1990s saw the beginning of the end for both land reclamation and factory construction, two of the defining activities of regional economic development since 1974. This period could have seen a revaluation and refocusing of property activities in keeping with the changing economic trends, but a combination of circumstances meant that this did not take place.

7.3.2: Attraction of FDI

By the mid-1990s, Wales' success in attracting FDI meant that a significant stock of overseas owned employers were in existence. By 1995, some 90,000 people worked in overseas owned manufacturing, which tended to be more productive and higher paying than domestic firms.[80]

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[76] *WDA Annual Report, 1996–97*, p. 25.

[77] Paul Cloke, Mark Goodwin and Paul Milbourne, *Rural Wales, Community and Marginalisation* (Cardiff: University of Wales Press, 1997), p. 175.

[78] *WDA Annual Report, 1994-95, 1995–96.*

[79] *Protecting Public Money in the LG Projects, Newport* (Cardiff: Wales Audit Office, 2007), p. 9.

[80] Max Munday, 'Foreign Direct Investment in Wales: Lifeline or Leash?', in *Wales in the 21st Century,* ed. by Jane Bryan and Calvin Jones, pp. 37-54 (p. 13).

Plants included Sony and Ford at Bridgend, L'Oreal in Pontyclun, Bosch at Miskin, Toyota at Deeside and Calsonic in Llanelli. The Ford and Toyota plants produced 700,000 car engines a year, while Wales accounted for 51 per cent of colour televisions produced in the UK, 61 per cent of video recorders and 80 per cent of microwaves.[81] This success meant that, by 1994, the WDA was considering rethinking its approach to supporting investment projects. According to Garel Rhys, a board member at the time:

> We were beginning to talk about; could we refuse to assist a project because the quality of jobs wasn't good enough, and I said the day we're able to do that, we're off the dialysis machine [...] the day we say to the politicians that we've turned down jobs for Merthyr because they're not good enough [...] that's the day the Welsh economy has recovered, we never quite got to that point, but it was beginning to look like we were going to be able to do that.[82]

However, this perception of relative success was to prove short-lived. Wales dropped from attracting 14.8 per cent of UK projects to 9.1 per cent (see Table 7.3) between 1993-94 and 1996-97. In terms of regional ranking of the number of projects attracted, it slipped from first in 1990-91, to third in 1992-93 and to sixth in 1996-97. At the same time, 79 per cent of all UK FDI projects were in manufacturing in 1992-93, but this had dropped to 65 per cent by 1996-97.[83]

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[81] Welsh Development Agency, *Advantage Wales-an Introduction to the Best Business Climate in Europe.*

[82] Interview with Garel Rhys.

[83] Department for Trade and Industry, *FDI Project Announcements Database.*

Table 7.3: FDI in Wales, 1992-93 to 1996-97.

Year	FDI projects		Jobs created or safeguarded by FDI projects	
	Number	Percentage of UK total	Number	Percentage of UK total
1992-93	66	19.8	7,321	11.9
1993-94	64	14.8	6,564	6.5
1994-95	51	11.2	5,235	5.7
1995-96	53	10.6	9,031	9.0
1996-97 (a)	45	9.1	12,653	12.9

Note

(a) Jobs figures include 6,100 for LG (see pages 347 and 348).

Source: Department for Trade and Industry FDI project announcements database.

Wales had thrived as a manufacturing location as it offered low cost labour, land and factories, good road and rail communications as well as grants and government support. When combined with highly effective marketing, it was an attractive location for investors seeking access to UK and Europe. However, in the mid-1990s, the European Union began the process of negotiating the accession of ex-communist states such as Poland, the Czech Republic and Hungary. This led WIDAB, responsible for allocating regional aid, to note in 1994 that:

> Wales' comparative wage level advantage is being eroded by the emergence of competition for mobile investments from central and eastern Europe […] there is very fierce competition for a reducing number of mobile projects.[84]

[84] *Industrial Development Act 1982–Annual Report 1993-94*, p. 9.

At the same time, Ireland was using its low corporation tax, youthful demographics and highly regarded education system to attract higher value added manufacturing operations, such as pharmaceuticals. Wales was thus being pressurised on two fronts, as outlined by Rhodri Morgan, then opposition spokesman on Welsh Affairs:

> Wales didn't have a USP [unique selling point] any longer because we couldn't say we were the cheapest place in Europe to manufacture your television set. That was Eastern Europe by a huge margin. And we couldn't compete with the Corporation Tax [on profits] for life sciences and software and so on, because Ireland was scooping the pool on that front, so we were squeezed in the middle.[85]

While the number of UK FDI projects grew from 433 in 1992-93 to 497 in 1996-97, these were increasingly likely to be service sector investments such as software or financial services. These tended to place a higher emphasis on skilled labour availability of a volume and type often not available in areas previously dominated by heavy industry or in sparsely populated rural districts. While certain areas of Wales, notably parts of the South Wales M4 corridor, were able to attract financial services investment (such as AXA insurance in Cardiff), other areas found it increasingly difficult. These changes are illustrated in Table 7.4, showing that while Wales continued to attract a share of UK manufacturing projects of at least 12 per cent between 1993-94 and 1996-97, the numbers of service sector projects attracted to Wales was in rapid decline, as was its share of the rapidly growing UK total.

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[85] Interview with Rhodri Morgan.

Table 7.4: Wales' share of the UK FDI market, 1993-94 to 1996-97.

	Manufacturing			Services		
	No. of projects (UK)	**No. of projects (Wales)**	**Percentage of UK**	**No. of projects (UK)**	**No. of projects (Wales)**	**Percentage of UK**
1993-94	335	53	16	98	11	11
1994-95	338	42	12	118	9	8
1995-96	364	48	13	134	4	3
1996-97	323	43	13	173	2	1

Source: Department for Trade and Industry FDI Project Announcements Database.

Ironically, at the same time as manufacturing FDI was in decline, it reached its symbolic peak in 1996 with the announcement of the Lucky Goldstar (LG) project in Newport. LG was a South Korean electronics conglomerate that planned to construct a semiconductor plant and a consumer electronics factory, both forecast to jointly create more than 6,000 direct and 8,000 indirect jobs.[86] It was hailed as a crowning achievement, but had followed a bidding war for the project that illustrates the importance that was attached to such investments. In early 1996, LG had informally agreed to locate their investment in Newport but the Koreans refused to confirm after news leaked prematurely. The Secretary of State for Scotland, Michael Forsyth, then visited the company to see if they could be tempted to reconsider. LG then announced that the location of their investment would be somewhere in the 'UK, or Ireland', meaning that Irish, Scottish and Welsh authorities would be competing for the project.[87] Amidst fierce competition, the Welsh Office offered

[86] Stephen Hill and Annette Roberts, 'Understanding the Welsh Economy- Input-Output Tables for Wales', *Welsh Economic Review*. Vol. 9,1 (1996), pp. 3-7 (p. 6).

[87] Stephen Castle, *'Ministers Play Tug-of-War over Korean factory'*, *Independent*, 2 June 1996.

subsidies of some £247 million (£351 million in 2011-12 prices) and secured the project, which potentially involved some £1.7 billion (£2.4 billion in 2011-12 prices) of investment.[88]

The project was never carried out in full. The semiconductor element was halted in 1998 after restrictions were placed on South Korean outward investment following a domestic financial crisis, meaning that the factory was constructed but never equipped.[89] The electronics plant did operate and employed 2,000 people but its main product, cathode ray tubes, were becoming outmoded. Production was transferred to a joint venture with Phillips Electronics, but this closed in 2003. By then, the only remaining operations at the site were LG's production of flat screen televisions employing some 750 people, but this closed in 2006 when production was transferred to China and Poland.[90] Of the total aid package, some £131 million (in contemporary prices) was paid out, with the Welsh Government eventually recovering some £71 million (in contemporary prices) in cash and assets from LG. However, while LG did obtain a large grant package, it would have been difficult for any Secretary of State to have refused such support, given that the investment (especially the semiconductor plant) promised to deliver benefits as significant as those provided by Sony or Ford. Interestingly, John Redwood's advisor, Hywel Williams, was later (shortly after the Secretary of State's resignation in 1995) to condemn such bidding wars as a 'sordid scramble' and stated that the Welsh Office had 'resisted taking part' in such wars for other investment projects during John Redwood's period (which did not include the LG project) as 'it was a deeply demeaning process […] saying, here is a terrible bit of the country, we will bribe you to come to

[88] *Protecting Public Money in the LG Projects, Newport*, p. 6.
[89] Ibid, p. 28.
[90] 'Change of Owner for LG Plant in Newport', *Western Mail*, 16 November 2006.

it'.[91] If this had been widely known when John Redwood was in office, then it is certain that he would have been very heavily criticised for failing to take all measures to win investment.

By 1997, FDI was under increasing scrutiny. Criticisms generally focused on the relatively small size of inward investment compared to the size of the economy and labour market in general, as well as what was perceived to be an over-reliance on manufacturing FDI. According to the WDA's Chief Economist, the agency's senior management:

> Seemed to think that they were having a dominant effect, or quite a significant effect, on the Welsh economy […] I said, "You do realise, don't you, that inward investment affects less than 6 per cent of the working population in Wales?" And they were shocked to hear that figure [and said], "Well according to the evidence given to the board, we're actually having a huge impact on manufacturing […] 30-40 per cent of manufacturing is actually being influenced by our inward investment strategy." And I said, "Well that's fair enough, but manufacturing only employs less than 20 per cent of the people. And even if you have 30 per cent of manufacturing, 30 per cent x 20 per cent is still 6 per cent. […] so you've got to have a broader strategy'.[92]

While the importance of FDI was overstated and a broader strategy was needed, there is little doubt that it did bring benefits. Companies of the calibre of Toyota and Bosch brought credibility and significant economic and employment impacts. For example, the Toyota investment in North Wales provided some 700 direct jobs and, according to the WDA's Executive Director, Marketing,

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[91] Stephen Castle, 'Ministers Play Tug-of-War Over Korean Factory', *Independent*, 2 June 1996.
[92] Interview with Brian Morgan.

‘when you follow through the supplier chain and the multiplier impact […] the impact was strategic by any meaningful sense of the word’.[93] The debate was not over whether FDI was beneficial for Wales; it clearly was; but instead over whether it had been allocated disproportionate resources and attention. There are three parts to answering this question. Firstly, FDI had achieved a high political profile, largely caused by the headline grabbing nature of large investments. According to Garel Rhys, a WDA board member, 'if you got a big FDI [project], you sang it to the rooftops. The press loved it-if we had set up a firm in Abertridwr that employed six people, would it be mentioned on BBC Wales?'[94] As a result of this, its importance tended to be overstated by politicians and agencies, given that it was never in a position to be able to transform the economy by itself. Secondly, this profile often obscured the fact that attention had been given to embedding FDI through programmes such as Source Wales, designed to link Welsh companies with supplier opportunities from overseas owned operations (see section 7.3.4), while indigenous businesses were supported through programmes operated by an ever increasing range of organisations (also see section 7.3.4). Finally, the Welsh Office and its agencies were too slow to recognise that economic circumstances were changing towards a greater bias on service sector investment. However, even if they had been quicker in responding to the rapidly changing investment trends, the relative disadvantages of Wales as a service sector location mean that some decline in its FDI ranking was inevitable.

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[93] Interview with Ian Rooks.

[94] Interview with Garel Rhys.

7.3.3: Urban renewal, Cardiff Bay and the Valleys Initiative

The existing pattern of intervention in urban renewal continued throughout the early and mid-1990s. Part funded with European support, urban development programmes brought together the Welsh Office, the WDA, local authorities and private sector investors. By 1993, six ventures with local authorities were in place throughout Wales, with local government tending to take a greater degree of control over such ventures as a result of John Redwood's belief that the WDA need not lead every aspect of regeneration.[95] For example, a venture with Cynon Valley aimed to spend some £18 million (in contemporary prices) on the creation of a number of business sites, redevelop the borough's primary towns (Aberdare and Mountain Ash), enhance the infrastructure and environment of the area and to support local training schemes.[96] Other examples included support granted to the Welsh Highland Railway to expand its line to Caernarfon in 1995-96.[97] These demonstrated how the focus of economic development had shifted away from land and factories towards a far more diverse approach based around broader concepts of regeneration.

Broad regeneration was very much the aim of the CBDC. Since its establishment, it had had two main aims; firstly to create a freshwater lake and improve road infrastructure, and secondly to attract investment across residential, leisure, industrial and commercial uses. Progress on the first aim was a prerequisite for delivery of the second. However, delays caused by anti-barrage campaigning and parliamentary wrangling meant that preparatory construction for the barrage did not commence until late 1993, a few weeks after the necessary parliamentary act received royal

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[95] Clive Betts, 'WDA and Councils Settle Dispute', *Western Mail,* 7 December 1994, p. 7.

[96] Kevin Morgan, 'Reviving the Valleys-the Urban Challenge in South Wales', *Papers in Planning Research* No. 141 (1993), p. 17.

[97] WDA *Annual Report*, *1996–97*, p. 25.

assent.[98] The rush was mainly due to concern that if the unstable Conservative Government fell, then an incoming Labour Government might cancel the project. For example, in the 1996–1999 CBDC corporate plan, a SWOT analysis contained 'Welsh Office/ Secretary of State support' as the first item in the list of strengths, while a weakness was 'national election'.[99] However, by the time a Labour Government took power in 1997, construction was well advanced and the incoming Secretary of State, Ron Davies, decided not to cancel the contract. At the same time, businesses continued to be relocated from sites required for road and other infrastructure development, with some 180 out of 224 businesses relocated by 1995.[100] However, while economic recovery meant that investment conditions were improving, the slow rate of infrastructure construction meant that few investors were attracted prior to 1997. This lack of investment meant that the arrival of a fish and chip shop was much publicised in 1994, with CBDC's chief executive labelling it a 'major visitor attraction', and 'where Harry Ramsden's leads, others will follow'.[101] However, it did capture the NEG Schott television glass factory. Creating some 750 jobs, it was welcomed by the CBDC as 'nothing else is as significant',[102] although somewhat ironically given the barrage, one of its location criteria was proximity to a seaport.

Criticism remained intense; with commentators pointing out that little was being done to directly benefit the inhabitants of the areas covered by Cardiff Bay, such as Butetown, historically the heart of what had been Cardiff's docklands. At the same time, the Corporation tended to see the area as

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[98] Sian Best, *A Whim Set in Concrete–the Campaign to Stop the Cardiff Bay Barrage*, p. 201.

[99] GRO, D/D CBDC Box 91/92. *CBDC Corporate Plan No.7 1996-99*. p. 12.

[100] GRO, D/D CBDC Box 91/92. *CBDC Corporate Plan No.5 1955 to 1998*. p. 120.

[101] 'Chips on a Silver Platter', *Western Mail*, 13 December 1994, p. 17.

[102] *CBDC Annual Report, 1994-1995*, p. 5.

an empty area in need of complete reconstruction. The decision by the National Museums and Galleries of Wales to close and demolish the purpose-built Welsh Industrial and Maritime Museum, carried out after the period covered by this thesis, to make way for a shopping centre was particularly controversial, especially as no replacement site was provided by the Corporation despite protracted negotiations. This meant that the exhibits were placed in storage until the opening of a new museum in Swansea some years later. Overall, the delays meant that CBDC was behind its redevelopment schedule by 1997. For example, some 2,025 housing units had been constructed by developers by 1996-97, as opposed to the 2,829 that had been planned.[103] However, this is not to say that the Bay was failing. Indeed, given the £615 million pounds (in 2011-12 prices) that had been allocated since 1986-87, a formidable momentum was in place that would continue to produce results well after 1997.

Finally, the flagship Valleys Programme was extended for a further five years in 1993. David Hunt claimed five main achievements since its establishment in 1988, although most of these would have happened in the absence of the initiative. Some 7,000 homes had been renovated, the WDA had reclaimed over 2,000 acres of derelict land, over 300 new factory units had been constructed while a garden festival had been held on reclaimed land in Ebbw Vale. The extended five year programme announced in 1993 contained a range of similar activities, but was again best viewed as a compendium of pre-existing initiatives.

7.3.4: Business support

There were three main trends within business support. Firstly, expenditure on regional grant continued its long decline. Secondly, the WDA admitted defeat in business finance, and withdrew

[103] *CBDC Annual Report, 1995-1996*, p. 7.

entirely from this area of activity in 1995. Finally, the proliferation of advisory schemes continued. The use of grants such as Regional Selective Assistance (RSA) continued to be a cornerstone of economic development. For example, between 1994 and 1996, RSA expenditure per head of working population was some £155 in Wales, second only to Scotland out of any GB region. The GB average was just £89.[104] Expenditure fluctuated at the time, with a rapid decline in 1994-95 linked to John Redwood's ambivalence towards such support, as; 'one company's grant is another company's subsidised competition. It can become a kind of reverse Darwinism, taking money from successful companies to give to less successful ones.'[105] While there was an element of truth in this, the fact was that most of Wales would struggle to attract investment without support, meaning that allocations were quickly increased by his successor, William Hague (see Table 7.5).

Table 7.5: Regional grant expenditure and allocations, Wales, 1993-94 to 1996-97.

	£ Million (2011-12 prices)				**Change (1993-94 to 1996-97)**	
Type of support	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**£m**	**Per cent**
Regional Development Grant II	6.9	...	...	...	-6.9	-100.0
Regional Enterprise Grant	2.3	1.8	1.4	1.2	-1.1	-45.9
Regional Selective Assistance (a)	141.0	55.8	83.9	145.9	4.9	3.5
Total	**150.1**	**57.5**	**85.3**	**147.2**	**-3.0**	**-2.0**

Note

(a) Grant offers accepted by companies after a successful application. The payment profile for individual grants depended on the progress of the investment being supported.

Source: See chapter nine.

[104] Peter Griapos, 'The Welsh Economy: An Outside Perspective', *Contemporary Wales 10* (1997), pp. 32-49 (p. 45).

[105] Andrew Sparrow, 'Thoughts of a Would-Be Prime Minister', *Western Mail*, 27 June 1995, p. 5.

In 1993-94, 192 RSA offers were made to companies in Wales. These were forecast to create 8,354 new jobs in companies receiving grant, and safeguard a further 4,894. Companies receiving support included TAP Manufacturing in Gwent and Europressings PLC in Cardiff.[106] By far the most controversial grant offer was that made to the Korean LG company (see section 8.3.2 for more details). This was for some £69.5 million (some £99 million in 2011-12 prices),[107] and accounted for almost a third of the RSA allocations for 1995-96 and 1996-97. The other scheme was Regional Enterprise Grant, designed to support firms carrying out either general investments, or developing new products and processes. Overall expenditure was relatively low, with some 157 companies receiving £2.3 million (in 2011-12 prices) in 1993-94.[108] By 1996-97, the number of supported projects had declined to 79 and overall expenditure to some £1.2 million (in 2011-12 prices). In this year, the Welsh Office decided to discontinue the element of the scheme linked to innovation as such support was available through RSA.[109]

Since its foundation, the WDA had been the conduit for the Welsh Office's provision of loan and equity finance. However, annual investment reduced to some £3.5 million by 1992-93 (some £5.3 million in 2011-12 prices). While little detail is available in the agency's annual reports as to activity after this date, its investment activities recorded a total deficit of some £600,000 (£888,000 in 2011-12 prices) in 1994 and £933,000 in 1995 (some £1.36 million in 2011-12 prices).[110] In 1994-95, the WDA carried out a complete disinvestment, marking the end of over twenty years of

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[106] *Industrial Development Act 1982–Annual Report 1993-94*, p. 10.

[107] *Protecting Public Money in the LG Projects, Newport*, p. 16.

[108] *Industrial Development Act 1982–Annual Report 1993-94*, p. 10.

[109] *Industrial Development Act 1982-Annual Report 1996-97*, p. 15.

[110] *WDA Financial Report and Accounts 1994–95*, p. 35.

investment activity,[111] with a board member stating that 'they [the WDA] just didn't have the funds to do it [...] Taking equity in companies, it just wasn't on the agenda by the mid-1990s'.[112] The reasons for this divestment were a combination of the difficulties faced by the agency in identifying successful investments and the desire of the Secretary of State to scale back what he saw as activity that could be carried out instead by the private sector. In the same year, responsibility over a number of grant schemes previously administered by the WDA and the DBRW was transferred to local authorities. This was carried out after concerns were raised as to the statutory right of the WDA to operate such schemes, which were suspended for ten months while the legal position was clarified. The WDA established a network to link investors with businesses (the Xenos business angel network) in 1997,[113] but no longer provided loan support itself. Business advisory services for smaller firms tended to be handled by the Training and Enterprise Councils and Local Enterprise Agencies, which jointly operated a huge range of seminars, helplines and training programmes designed to help business operate more efficiently. The WDA tended to focus on larger firms, with a board member, Garel Rhys, noting the sheer difficulty of using business advisory techniques to achieve economic impact:

> It's very difficult, we knew of the problem, we'd send out flyers and the people who'd turn up [to seminars, advisory sessions] in Merthyr, Treherbert and Swansea were the usual suspects; we never found the silver bullet, we never even found a bronze bullet to engage the SMEs in what was happening or to really increase the numbers.[114]

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[111] Ibid, p. 24.

[112] Interview with Garel Rhys.

[113] Interview with Brian Morgan.

[114] Interview with Garel Rhys.

Despite this, the agency was providing advisory services across sourcing and supplier development, technology support and skills development by the early 1990s.[115] In sourcing and supplier development, the Source Wales programme sought to overcome the criticism that overseas companies had had limited impacts on the Welsh economy through a failure to locally source goods and supplies. It aimed to develop longer term partnerships between overseas companies and their existing suppliers, as well as helping Welsh companies become aware of sourcing opportunities. For example, Acco-Rexel, an office produce manufacturer with a factory near Bridgend, set up a supplier association with WDA assistance in 1993. The association aimed to ensure that potential suppliers were incorporated into the company's approach to quality management, thus acting to potentially reduce uncertainties and transaction costs in the supply chain.[116]

In technology support, the agency aimed to strengthen process and product technology particularly within SMEs, with activities including technology audits which assessed the level of ICT expertise within companies. Other examples of this type of activity include the creation of technology clubs aimed at promoting collaborative working between industry, academia and public sector support organisations, originally in the medical sector. In skills development, the TECs, the WDA and the Further Education Colleges worked together to organise groupings of SMEs, who then jointly specified the training that they required before sharing the cost of such training between themselves and the public sector. As part of this approach, there were many projects and initiatives in this field

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115 Kevin Morgan and Dylan Henderson, 'The Fallible Servant: Evaluating the Welsh Development Agency', in *Nationality and Planning in Scotland and Wales,* ed. by Huw Thomas and Roderick Macdonald, pp. 77-98 (p. 85).

116 Mike Wagstaff, 'Setting Up a Supplier Association', *Welsh Economic Review Special Issue– Inward Investment in Wales* (1993), p. 39.

in the mid-1990s, such as audits of SMEs to assess and advise on their computer usage. For example, a ‘Regional Technology Plan’ was developed by the WDA in 1996, aiming to ‘develop a consensus on the innovation issues facing Wales and put forward a framework for the development of an innovation strategy for the region’. A series of projects, often funded by Europe, followed on from this strategy. [117]

7.3.5: Agriculture, rural development and tourism

Between 1993 and 1997, there were two main trends in relation to agriculture and rural development. Firstly, the mid-1990s saw a continuation of existing trends towards the establishment of an agricultural policy focused on supporting rural communities and on the promotion of environmentally sustainable farming activities. By 1993, hill farmers were receiving some £40 million (£60 million in 2011-12 prices) a year[118] from the Less Favoured Area or Hill Livestock Compensatory Allowance schemes, both of which were based on land management criteria. However, the 1996 BSE crisis, when beef sales collapsed overnight due to the outbreak of what became commonly known as ‘mad cow disease’, did cause a temporary reversion to traditional policies involving the purchase and stockpiling of beef.[119] Secondly, central government’s focus on deregulation had led to the abolition of the Milk Marketing Board in 1993. Established in 1933, it acted as a cartel by purchasing milk from dairy farmers, who contributed

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[117] *Advantage Wales-An Introduction to the Best Business Climate in Europe* (Treforest: Welsh Development Agency, 1996)

[118] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993*, p. 159.

[119] Garth Hughes, Anne-Marie Sherwood, Peter Midmore, *Welsh Agriculture into the New Millennium: CAP Prospects and Farming Trends in Rural Wales* (Aberystwyth: University of Wales Aberystwyth, 1996), p. 20.

some 31 per cent of Welsh agricultural GDP by 1997.[120] Farmers were obliged to sell their milk to the board, but received stable incomes in return. However, by the 1990s, the system was seen by the government as being anti-competitive, while some farmers felt that they would be able to increase prices if released. However, the smaller size of holdings in Wales when compared to the rest of the UK, as well as higher transport costs, meant that commercial survival was difficult. By 1997, the dairy industry was shrinking due to falling milk prices, with some 11 per cent of all producers ceasing activity between 1997 and 1999, compared to 8 per cent in the UK.[121]

In 1996, the Welsh Office produced a White Paper entitled *'A Working Countryside for Wales'* that noted a divide in rural Wales, with some western areas having lower rates of employment and pay, and suffering from 'severe problems'.[122] However, the paper stressed deregulation and enterprise as key to rural regeneration, although intervention through European schemes such as Objective 5b was by now having an increasing profile. Overall, agriculture continued its long process of farm amalgamation and decline, with some 13 per cent fewer holdings in 1996 than was the case in 1977. In part, this reflected the continuing dependence of the typical family farm on a relatively narrow range of livestock products, some of which were subject to falling demand and prices.[123] At the same time, the economic problems of rural Wales still remained, while as was the case in industrial areas, it was proving very difficult to intervene to offset the slow decline of a once dominant industry.

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[120] *Examination of the Farmers' Union of Wales by the Agricultural Select Committee , 20 October 1999.* (London: House of Commons, 1999)

[121] Ibid.

[122] *A Working Countryside for Rural Wales*, p. 40.

[123] Gillian Bristow, 'Renewing Rural Wales', *Wales in the 21st Century-an Economic Future*, ed. by Jane Bryan and Calvin Jones, pp 71-86 (p. 72).

As the move towards a service sector dominated economy continued, the importance of the tourism sector was noted. In 1997, the WTB claimed that the sector (and its supply chain) accounted for some nine per cent of the workforce in Wales, compared to some six per cent across the UK as a whole,[124] although concerns remained about the seasonal and low paid nature of much of this employment. The UK's recovery meant that tourism was benefiting from increased levels of disposable income, with hotels recording a record average occupancy rate of 46 per cent in 1996-97.[125] In March 1994, the WTB launched a five year strategy, entitled *'Towards 2000'*.[126] Six programmes were set out, including coastal resort regeneration, historic towns, country holidays, urban holidays, customer care and product development.[127] It also supported programmes targeted on coastal resorts, or historic and urban regeneration areas. These included Caernarfon, which received some £1 million in 1996-97 (in contemporary prices) for projects including hotel upgrading.[128]

The board's programme of providing grant aid to businesses continued, with examples including a hotel in Beaumaris (£106,000 in contemporary prices), the botanical gardens in Middleton, Carmarthenshire, (£300,000 in contemporary prices) and a Mumbles townscape scheme (£20,000 in contemporary prices).[129] However, total funding remained at a low level of some £3 million per year (in contemporary prices). Despite this, European funding emerged as an equally significant source of funding for tourism with, for example, the 1994-1999 Objective 5b Rural Wales

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[124] *WTB Annual Report, 1996-97*, p. 5.

[125] Ibid, p. 6.

[126] Wales Tourist Board, *Towards 2000* (Cardiff: Wales Tourist Board, 1994)

[127] *WTB Annual Report, 1993-94*, p. 8.

[128] *WTB Annual Report, 1996-97*, p. 9.

[129] *WTB Annual Report, 1996-97*, pp. 22-23.

programme providing some £30 million (in contemporary prices) of support to projects including the provision of advice to farmers seeking to diversify into tourism.[130] Finally, the board continued to promote Wales to UK holidaymakers and was also active overseas from 1993. Activity included marketing campaigns in Canada and the United States, part-funded by contributions from tourism operators.[131] Finally, while tourism in the Valleys, including that linked to industrial heritage, had gained a relatively high profile since the 1980s, commentators noted in 1995 that; 'it is important that its role in regenerating the economy is kept in perspective [...] industrial South Wales will do well if it can sustain in the years ahead the annual increase of 100 or so tourism jobs which it managed to attract in the 1980s.'[132] Overall, by the mid-1990s, the WTB was spending a growing proportion of its time navigating the complex partnership structures that were becoming increasingly important within regional economic development.

7.4: Government expenditure

Table 7.6 outlines the changes in regional economic development expenditure between 1993-94 and 1996-97. A total of £3 billion (in 2011-12 prices) was spent, an annual average of £745 million. A trend is decline in 1994-95 and 1995-96, broadly equating to the term in office of John Redwood.

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[130] *Ex-post Evaluation of the English, Scottish and Welsh Objective 5b Programmes*, p. 183.

[131] *WTB Annual Report, 1993-94*, p. 38.

[132] David Blackaby and others, ‘Wales: an Economic Survey’, Contemporary Wales, 8 (1995), pp. 213-295 (p. 284).

Table 7.6: Regional economic development expenditure, Wales, 1993-94 to 1996-97.

Type of expenditure	£ Million (2011-12 prices) 1993-94	1994-95	1995-96	1996-97	Change (1993-94 to 1996-97) £m	Per cent
Industrial subsidies (a)	150	58	85	147	-3	-2
Funding for development agencies (b)	211	204	163	201	-10	-5
Agriculture	281	269	318	262	-20	-7
European loans (c)	111	118	280	88	-23	-21
European grants (c)	217	92	92	135	-82	-38
Total	**970**	**741**	**939**	**833**	**-137**	**-14**

Notes:

(a) These data include allocations made to investment projects that may not have been fully drawn down by the applicant companies.

(b) These data are generally government grant in aid. Total budgets were often boosted from other sources such as asset disposals and factory rent.

(c) Data for European loans and grants, and some agricultural schemes, not available on a financial year basis. Data included on the basis of 1974 calendar year data recorded as 1974-75 financial year etc.

Source: See chapter nine

However, the complexities of administrative devolution meant that the Welsh Office had differing degrees of control over the level and use of each type of expenditure. For **industrial subsidies**, changes to the overall level of expenditure reflected the outcome of negotiations between the Welsh Office and Westminster. In practice, this meant that reductions to expenditure in England were reflected within Welsh budget allocations. Arrangements were formalised in 1994-95, when regional grants were included in the budget allocations subject to the Barnett formula.[133] This meant that changes to such allocations in Wales were now to be proportionate to changes in comparable allocations made in England, as well as to relative population levels, although the

[133] Dylan Griffiths, *Thatcherism and Territorial Politics,* p.99.

Welsh Office could transfer funding from different budgets (such as health) if it chose to do so. Allocations were reduced by almost two-thirds under John Redwood between 1993-94 and 1995-96, but these were later increased for the first time since the mid-1970s under William Hague, although this was mostly linked to LG.

The decline in expenditure on **regional economic development bodies** (see Table 7.7) between 1993-94 and 1995-96 was caused by the desire of John Redwood to reduce such spending. Reductions were particularly marked for the WDA and the DBRW, where revenues from significant programmes of land and factory disposal were used to offset reductions in government support. However, declines were quickly reversed by William Hague, meaning that overall spending was broadly level throughout the period. However, grant support to the Cardiff Bay Development Corporation was increased, as barrage construction was advanced. Finally, the relatively small amounts granted to the Wales Tourist Board were left untouched.

Table 7.7: Government support to Welsh economic development bodies, 1993-94 to 1996-97.

	£ Million (2011-12 prices)				Change (1993-94 to 1996-97)	
Organisation	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**£m**	**Per cent**
Cardiff Bay Development Corporation	66.9	91.4	89.7	81.6	14.8	22.1
Development Board for Rural Wales	20.6	18.8	11.4	13.8	-6.8	-33.2
Wales Tourist Board	20.2	20.7	20.9	20.1	-0.2	-0.8
Welsh Development Agency	103.0	73.3	41.4	85.1	-17.9	-17.4
Total	**210.7**	**204.3**	**163.3**	**200.5**	**-10.1**	**-4.8**

Source: See chapter nine.

For **agriculture**, the Welsh Office had no control over the workings or budgets of the Common Agricultural Policy, meaning that large reductions in these allocations did not take place. Between

1993-94 and 1996-97, annual expenditure ranged between £281 and £318 million (in 2011-12 prices). Two factors influenced changes in Welsh Office expenditure. The first was the BSE crisis of 1996, whilst the fall at the end of the period was caused by reductions to the subsidies given to sheep farmers, caused by a strengthening of European sheep prices.[134]

The Welsh Office had very little influence over **European loans**. Loans expenditure fluctuated, generally caused by the timing of individual projects. For example, the EIB stated in 1997 that it had agreed loans of some £255 million to projects in Wales during 1996.[135] These related to projects such as the second Severn Crossing and the NEG Schott glass factory in Cardiff Bay. The Welsh Office had far more influence over grants, and these were used to support a wide range of industrial and rural regeneration activities under the Objective 2 and 5b programmes.

Overall, this period did see a rise in industrial subsidies for the first time since the mid-1970s due to LG, but the impact of John Redwood is noticeable, both in terms of a short-term decline in funds allocated to industrial subsidies as well as development agencies. The important role of European funding continued, while agricultural support remained at a high level.

7.5: Conclusions

If the 1970s saw Wales treading water in economic terms and the 1980s and early 1990s saw sharp decline and partial reconstruction, the mid-1990s saw relative economic decline begin to reassert itself. However, this was barely noticed at the time as attention was still focused on Wales'

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[134] Hansard HC, 10 December 1998, Vol. 332. C. 248w (answer to written question).

[135] European Investment Bank, '*EIB Lends £55 million for Welsh Glass Components Industry*', Press Release, 21 January 1997.

relatively strong performance during the recession of the early 1990s. Despite this performance, creeping decline was evident across a number of indicators. Firstly, FDI was in sharp decline with Wales' share of UK projects declining from 15 per cent in 1993-94 to 9 per cent in 1996-97. Secondly, the levels of VAT registrations as a percentage of the UK average declined from 76 per cent in 1993-94 to 70 per cent in 1996-97. Finally, economic output relative to the UK declined by two percentage points over the same period. Economic pressures were gradually building on three fronts. Firstly, UK growth was increasingly driven by the service sector. Wales had a weak presence in such sectors, and was unable to generate sufficient growth from either internal or external investment. Secondly, manufacturers seeking low-cost locations from which to access Europe were now flocking to Eastern Europe, while thirdly, those who were looking to establish higher skill activities such as pharmaceuticals were attracted to Ireland with its attractive tax incentives. Against this background, the early to mid-1990s saw a combination of economic and political circumstances cause a profound shift in regional economic development. In economic terms, the period marked the beginning of the end for Wales' status as a leading FDI location. By 1997, FDI was beginning to be rejected as a developmental solution for the Welsh economy. For example, the first economic paper prepared by the 1997 Labour administration stated that the Welsh Office's policy since 1979 had 'played heavily to Wales' image as a low cost nation [...] especially to inward investors looking to use Britain as a platform into Europe'.[136]

The decline in FDI had two main impacts. Firstly, there was less need to construct factories. Secondly, the agencies involved needed to find a new focus. The 1990s were thus characterised by an increasing focus on a broader range of issues, especially business support. While it is relatively

[136] *An Economic Strategy for Wales*: *A Welsh Office Consultation Document* (Cardiff: Welsh Office, 1997), p. 1.

straightforward to track and analyse activity in relation to FDI, factory construction and land reclamation, the same cannot be said for business support, Such activity tends to focus on the delivery of a very wide range of 'services' to business such as export advice, entrepreneurship support, bespoke training courses, technology transfer and innovation. The WDA's dominant role began to be challenged, and it increasingly acted more as an 'animateur', broking and organising complex partnership activities, than the direct provider of services that had previously been the case.[137] New organisations with links to economic development such as the Training and Enterprise Councils and the Countryside Council were established, while sub-regional enterprise agencies such as South Pembrokeshire Action for Rural Communities became increasingly skilful in accessing funding, with complex partnership projects became common. For example, the European Unit of the Welsh Joint Education Committee (responsible for exam administration) managed up to 20 European funded projects focusing on vocational training and business support, each of which had up to 15 national and international partners. Economic development became increasingly divided and diluted, while monitoring such activity became exceptionally challenging, with officials and politicians admitting that they had little idea of its overall economic impact.

Secondly, the partial run–down of the steel industry and the almost total run–down of deep mining were completed. A focus of activity had long been the reclamation of sites previously occupied by these and other industries, but this had been virtually completed by the mid-1990s. While economic change meant that the Welsh Office and its agencies were having increasing difficulties in

[137] Kevin Morgan and Dylan Henderson, 'The Fallible Servant: Evaluating the Welsh Development Agency', in *Nationality and Planning in Scotland and Wales,* ed. by Huw Thomas and Roderick Macdonald , pp. 77-98 (p. 88).

intervening effectively, political circumstances from 1993 meant that the political will for such activity was at its lowest ebb since the 1950s. The appointment of John Redwood as Secretary of State for Wales brought a version of Welsh exceptionalism into being that was different to the approach taken by Peter Walker. Peter Walker's version fused his own political beliefs and ambition through using his freedom of action at the Welsh Office to promote his interventionist vision on the national stage. However, while John Redwood's approach was similar in terms of method, its ideological underpinning was somewhat different. While he was not opposed to all forms of intervention, noting that development agencies had been 'necessary bandages' following the industrial collapse of the early 1980s,[138] he felt that such intervention had largely run its course and was not necessary in the same volume. At the same time, he was keen to outflank John Major on the right and manoeuvre himself into a position whereby he could challenge for the leadership of the Conservative Party. He thus used his position as Secretary of State as a platform from which to demonstrate his political credentials across a range of economic and social issues.

John Redwood had a profound, if short-lived, impact on economic development. Resources for intervention were quickly reduced, the WDA was instructed to dispose of its land and property, while the Welsh Office became temporarily reluctant to assemble large packages of grant to attract investment. At the same time, little effort was made to support the tarnished leaderships of the WDA and DBRW, most of whom were forced to step down. Also, the lack of ideological support for intervention meant that there was little active consideration of the difficult question of how such activity could be made more relevant and effective in rapidly changing circumstances. However, it should be pointed out that such a reappraisal did not occur under either John Redwood's

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[138] John Redwood, *Views From Wales*, p. 21.

predecessor, David Hunt, or successor, William Hague. At the same time, devolution continued to be a fulcrum of debate throughout the 1990s, as Ron Davies slowly advanced the idea within a somewhat reluctant Labour Party. In economic terms, one of the key justifications for the policy tended to be that the experience of the 1980s proved that Wales could not expect central government in London to actively intervene to create jobs. Such intervention would have to come from administrative apparatus within Wales, so its expansion was thus seen as a priority. Interestingly, the way in which Welsh Office intervention may have unwittingly assisted the devolutionist cause was highlighted when David Waterstone, former Chief Executive of the WDA, joined the 'Yes for Wales' steering committee, established to lead the 'yes' campaign once a referendum was announced as Labour Party policy in 1996.[139]

Rapidly changing economic circumstances meant that the effectiveness of regional economic development was in decline throughout the mid-1990s. Wales' role in FDI was rapidly disappearing, and came to be symbolised by LG, although the Welsh Office can hardly be blamed for either trying to obtain such an important investment, or not knowing that circumstances outside their control would ensure that it was never to be fully delivered. Factory building and land reclamation were winding down, and the bewildering array of initiatives appeared to be gaining little traction in terms of economic impact, as relative levels of new business formation were in decline. By 1997, the transition from a centralised economic development model focused on manufacturing investment and land/property development to a complex and decentralised approach

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[139] Leighton Andrews, 'The 'Yes' for Wales Story', in *The Road to the National Assembly for Wales*, ed. by J. Barry Jones and Dennis Balsom (Cardiff: University of Wales Press, 2000), pp. 50-69 (p. 53).

largely based on business support activities was almost complete. However, translating such activities into relative economic growth was proving to be very difficult.

8: Wales' economic performance (1974 to 1997)

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8.1: Introduction

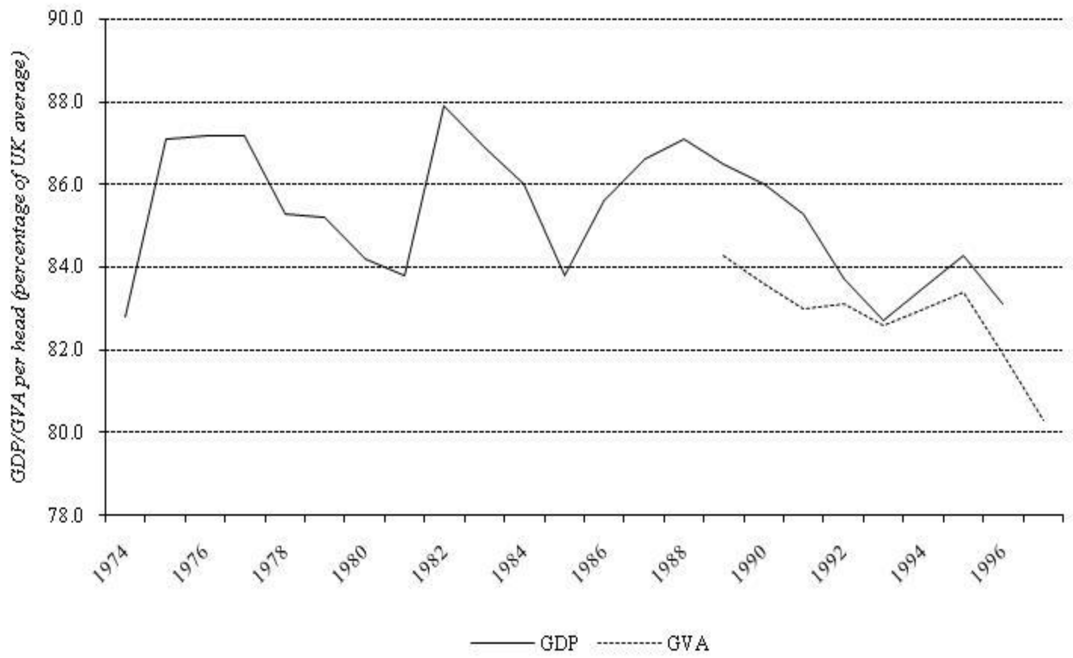
This chapter provides an overview of the Welsh economy's performance between 1974 and 1997. In general terms, this comprised a mild recession and short-lived recovery (1974 to 1979), deep recession and stagnation (1979 to 1986), relative growth (1986 to 1990), followed by recession, muted recovery and renewed relative decline (1990 to 1997). Three sets of indicators are used in this chapter; comprising economic (output, VAT registrations and foreign direct investment), income (wages and disposable income) and labour (unemployment and employment change). Subsequent chapters contain detail on the causes and consequences of trends outlined here, while Annex 3 contains tables outlining and ranking the performance of Wales when compared to other UK regions.

8.2: Economic indicators

8.2.1: Output

Gross Domestic Product (GDP) was the primary indicator used to measure changes in national and regional economic output. However, GDP is not available after 1996, having been replaced by Gross Value Added (GVA). GVA measures the value of the goods or services to the producer so it does not include taxes. In contrast, GDP measures the total value so includes taxes. Both allow for the comparison of regional output per head against the UK average. In 1974**,** GDP per head was some 82.8 per cent of the UK average (see Graph 8.1). It then grew rapidly to reach some 87 per cent in 1975. This reflects recovery from the impact of the three day week of 1974 and industrial unrest surrounding the defeat of the Conservative Government in March of that year. These had a greater impact in Wales with its dependence on mining and manufacturing, when compared to other parts of the UK. However, decline then set in during the late 1970s and early 1980s, while the troughs of 1980 and 1984-1985 are linked to the 13 week steel strike of 1980 and the year-long coal strike of 1984-85. Crucially, economic output per head remained relatively stable at some 84 to 88 per cent of the UK average between 1975 and the early 1990s. Periods of relative decline did occur, but they were followed by growth. This relative stability is reflected in the similarity between the compounded average growth rate for Welsh GDP per capita between the early 1970s and 1990 (1.96 per cent) and the equivalent UK rate of 1.99 per cent.[1] However, relative decline then took place. Reasons for this are discussed in subsequent chapters, but the relative slowdown was caused to a large degree by bias towards lower growth sectors such as manufacturing and public services, a lack of indigenous commercial momentum (see section 8.2.2) and declining FDI (see section 8.2.3).

Graph 8.1: Wales' GDP/GVA relative to the UK (UK = 100), 1974 to 1997.



Source: Office for National Statistics.

[1] Adam Price, *Offa's Gap: Roots and Remedies of the Welsh Growth Collapse* (Cardiff: Plaid Cymru, 2012), p. 9.

When compared against other UK regions (see Table A3.1 in Annex 3), Wales' output per head as a percentage of the UK average was consistently placed 11th out of 12 regions throughout the period, with the exception of 1997, when Wales was joint tenth with the North of England. Northern Ireland was the only region consistently ranked below Wales between 1974 and 1997.

8.2.2: VAT registrations

All companies with an annual turnover above a certain threshold were required to register with HM Revenue and Customs for the payment of Value Added Tax (VAT). The threshold was set at a level that generally excluded the smallest companies. For example, in 1986-87, it was set at £20,500[2] (some £43,000 in 2011-12 prices). Graph 8.2 outlines differences between levels of VAT registrations in Wales and the UK. Three main phases are identifiable. In 1981, registrations in Wales per 10,000 people were 97 per cent of the UK equivalent, but dropped rapidly to some 80 per cent in 1984 as the recession and its aftermath impacted on the level of activity in the economy. The level then began to climb in line with economic recovery, reaching some 88 per cent in 1988. However, relative decline set in once again, with the level declining to 70 per cent of the UK average by 1997.

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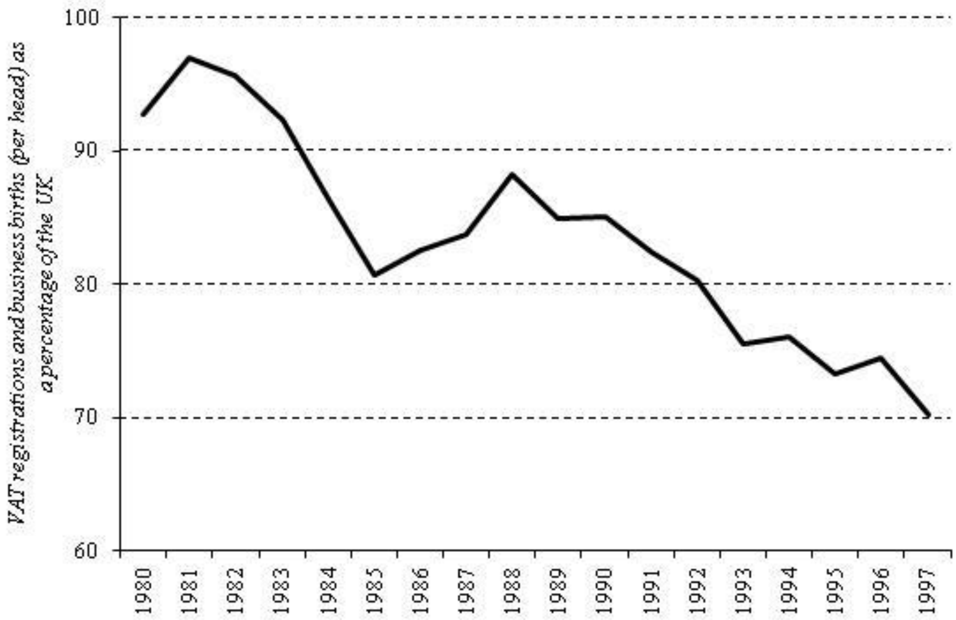
[2] Institute for Fiscal Studies, *Rates of VAT Since Introduction* [online at http://www.ifs.org.uk/ff/vat.xls].

Graph 8.2: VAT registrations per 10,000 people as a percentage of the UK, Wales, 1980 to 1997.



Source: Office for National Statistics via NOMIS [Online].

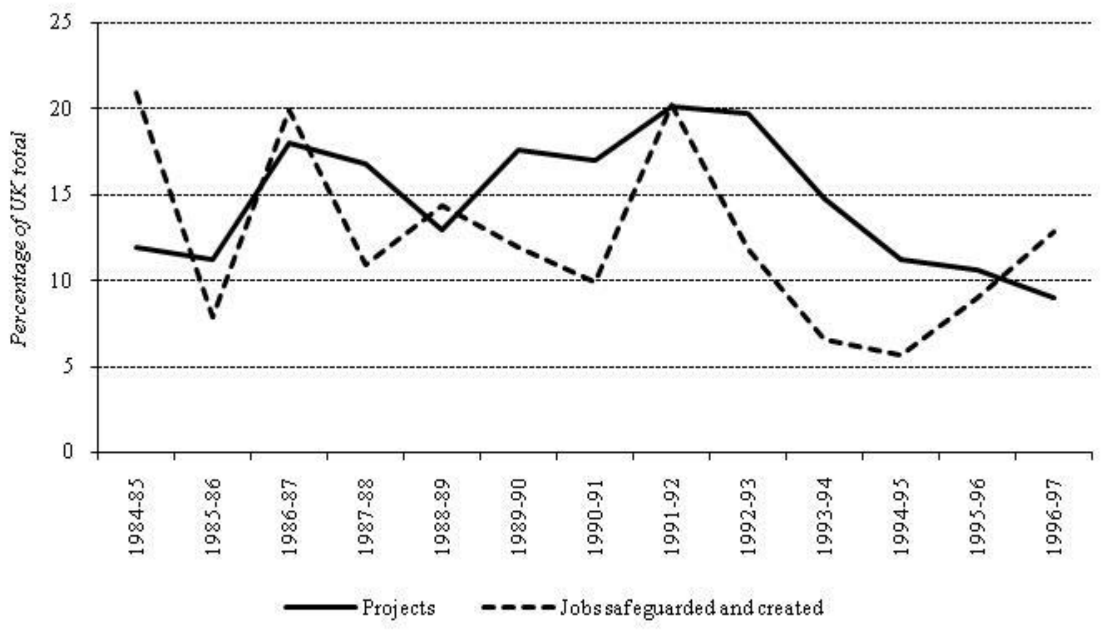
When comparing the number of VAT registrations per 10,000 people by region between 1980 and 1997 (see Table A3.2 in Annex 3), Wales was ranked in the lower half throughout. Its positioning improved in the late 1980s, reaching sixth between 1988 and 1992. However, its ranking then declined and had dropped to eleventh by 1997, behind only Northern Ireland.

8.2.3: Foreign Direct Investment

To be classed as an inward investor, a company registered overseas had to have either established a new operation, invested in an existing employment site, or to have merged with (or purchased operations from) a company registered in the UK. As a result, some Foreign Direct Investment (FDI) projects did not create new jobs, meaning that jobs were recorded by agencies such as the WDA as having been safeguarded. Data for Wales are available from 1979-80, and for other regions from 1984-85. Individual companies were not named within these data, which only show investments that agencies such as the WDA were aware of, or had supported. Overseas owned companies were not required to inform government agencies of their activities. Also, these data related to investments announced, and not the investments that were actually carried out. No out-turn data exists, and it is not possible to retrospectively compile these given the number of projects.

Wales was attracting over ten per cent of FDI projects for all but one year from 1984-85 to 1991-92 (see Graph 8.3), peaking at twenty per cent. However, decline then set in, caused in part by the rise of alternative locations (see section 7.3.2). Graph 8.3 also contains data on Wales' share of jobs created or safeguarded by FDI. This grew from some 11 per cent in 1984-85 to peak at some 20 per cent in 1991-92 and 1992-93. Differences between the two datasets relate to some years being characterised by a larger number of projects creating fewer jobs, and vice versa.

Graph 8.3: Wales' share of the UK FDI market, 1984-5 to 1996-97.



Source: Department for Trade and Industry FDI project announcements database

Between 1979-80 and 1985-86, Wales was never ranked below joint fifth highest in terms of investment project numbers within the 12 UK regions (see Table A3.3 in Annex 3). It was the second strongest performer in the UK in all but one year between 1981-82 and 1991-92. However, its relative performance then began to decline, and by 1996-97, Wales was ranked sixth. In terms of jobs expected to be created or safeguarded by these projects (see Table A3.4 in Annex 3), it was ranked as at least the second strongest performer between 1987-88 and 1992-93, within which period it was first in 1991-92.

8.3: Income indicators

8.3.1: Wages

The primary dataset was the New Earnings Survey, which provided data by gender, place of work and sector across Great Britain (Northern Ireland was not covered). Graphs 8.4 and 8.5 show how gross weekly earnings for both men and women dropped steadily throughout most of the period, although there was a slight recovery in the early to mid-1990s. Reasons included the decline of traditional activities often dominated by men, such as coal, steel and the factories that had been attracted to Wales through the implementation of regional economic policies, the relative failure of inward investment to force up overall wage levels,[3] the shift in employment towards the service sector which often offered lower average rates of pay and the relatively low skill nature of employment in Wales, whether in services or manufacturing.[4]

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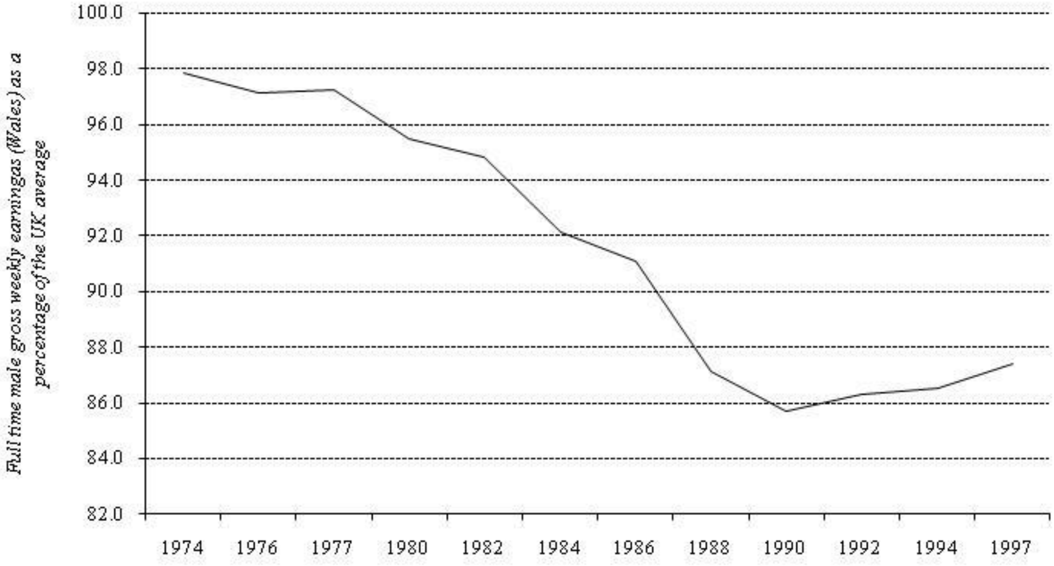
[3] Stephen Hill and Max Munday, ‘Why are Welsh Wages so Low?’ *Welsh Economic Review,* Vol. 4,1 (1991), pp. 53-59 (p. 58)

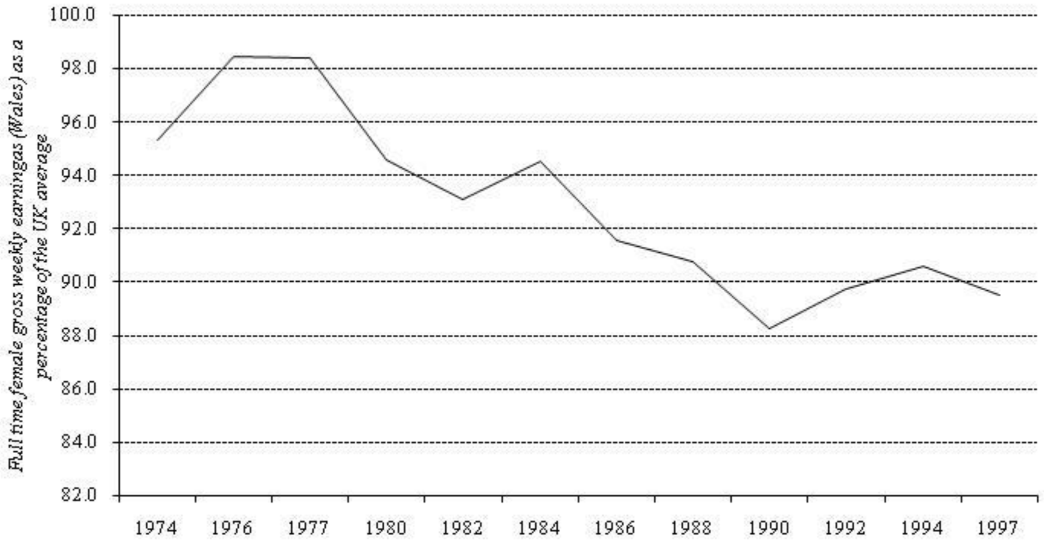
[4] David Simpson, 'Why are Welsh Wages so Low II?’, *Welsh Economic Review,* Vol. 5, 1 (1992), pp. 54-63 (p. 60)

Graph 8.4: Gross weekly wages-full time men as a percentage of the UK average, Wales, 1974 to 1997.



Source: New Earnings Survey (London: Office for National Statistics, various editions)

Graph 8.5: Gross weekly wages-full time women as a percentage of the UK average, Wales, 1974 to 1997.



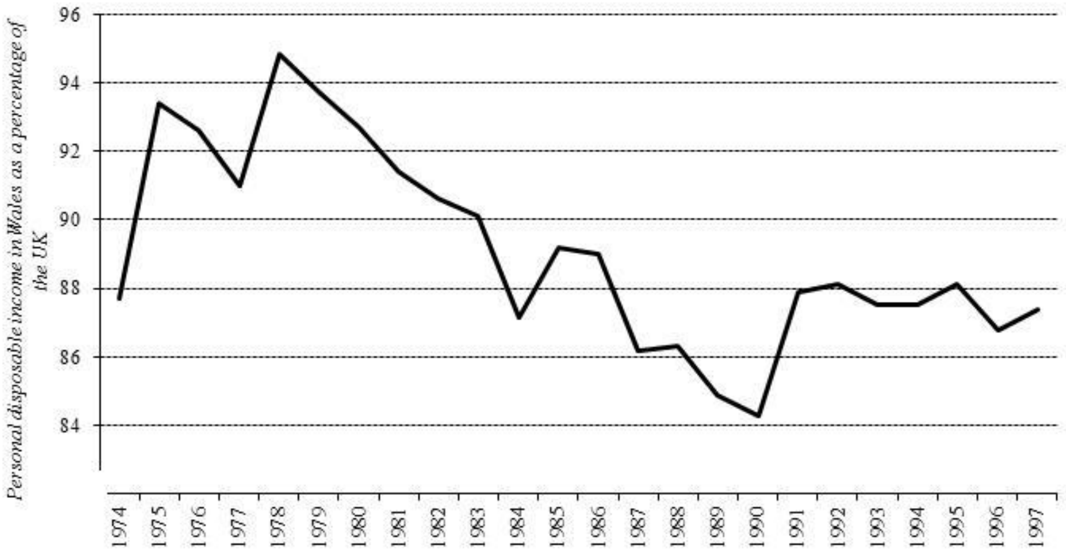
Source: New Earnings Survey, various editions.

The dynamics that impacted on gross weekly wages also affected Wales' regional ranking. When ranked regionally, full time male earnings declined rapidly from the late 1970s to the late 1980s (see Tables A3.5 and A3.6 in Annex 3). In 1977, men in Wales were, on average, earning salaries that placed them sixth out of Great Britain's eleven regions. However, this had slipped to last by 1986, and remained at this level until 1994, before a slight improvement to tenth took place by 1997. Full time earnings for women in Wales also declined in rank. In 1976, these were third by region, below only the South East and London. By 1990, this had dropped to tenth, ahead of only the North East, but then recovered to eighth by 1997.

8.3.2: Disposable income

Personal disposable income per head as a percentage of the UK average showed an overall downwards trend between 1974 and 1997 (see Graph 8.6). Disposable income increased rapidly in relative terms between 1974 and 1975, reflecting recovery from the impact of the three day week of 1974 and associated industrial unrest. Disposable income grew rapidly from 1974 to peak at 95.8 per cent of the UK average in 1978. It then declined until the late-1980s due to the impact of the recession and decline in manufacturing, with a sharp dip in 1984, most likely due to the year-long miners' strike which impacted on the incomes of some 20,000 miners and their families. Disposable income as a percentage of the UK average then grew for a short period in the early 1990s due to Wales' relatively strong performance during recession, before stabilising at some 87-88 per cent in the mid-1990s.

Graph 8.6: Household/ personal disposable income in Wales as a percentage of the UK average, 1974 to 1997.



Source: Regional Trends, various editions.

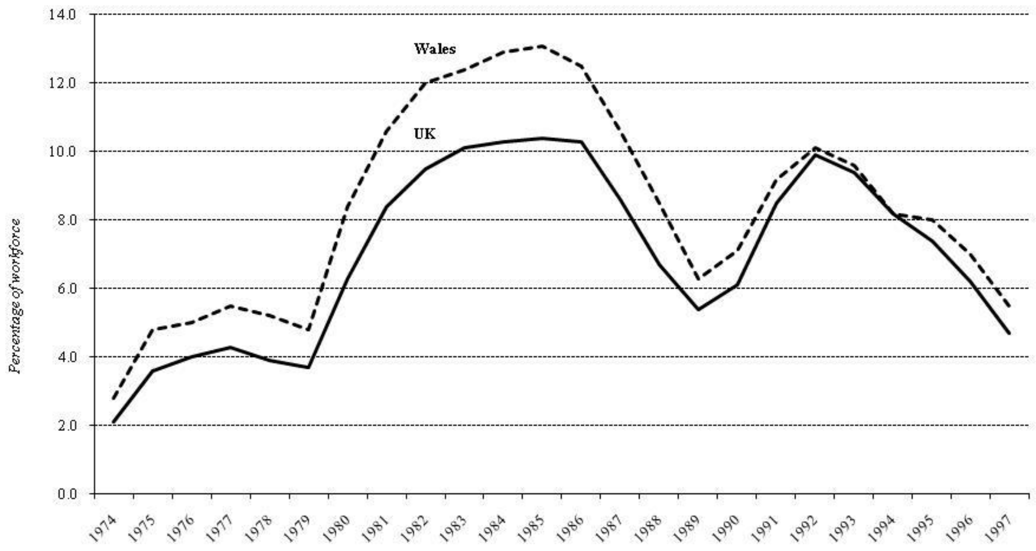
When compared against other UK regions (see Table A3.7 in Annex 3), disposable income in Wales was consistently ranked at the foot of the table. In almost every year, it was eleventh out of the twelve UK regions, ahead of only Northern Ireland. The exceptions were 1990 and 1992, when there was a marginal improvement to tenth, ahead of the North East as well as Northern Ireland.

8.4: Labour market indicators

8.4.1: Unemployment

The primary measure during the period was the claimant count, comprising those aged 18 and over claiming unemployment benefits expressed as a proportion of the workforce. However, it was often the case that many people seeking work were unable to claim this benefit, so were not recorded as being claimant count unemployed. During the recession of the mid-1970s, the claimant count rate in Wales climbed from some 2.7 per cent in 1974 to 5.5 per cent in 1977, before declining slightly to 4.8 per cent by 1979. However, the onset of deep recession in 1979 caused the rate to climb rapidly (see Graph 8.7). It was over 10 per cent between 1981 and 1987, peaking at 13.1 per cent in 1983. These rates hid significant variations, with levels of unemployment being higher in more industrial areas. For example, 19.5 per cent of Clwyd East's workforce was unemployed in January 1983, compared to 14.2 per cent in South Glamorgan.[5] However, unemployment dropped rapidly during the later 1980s, before rising once again in the subsequent recession.

Graph 8.7: Claimant count rate of unemployment in Wales and the UK, 1974 to 1997.



Source: Office for National Statistics

The claimant count in Wales was some 20 to 25 per cent higher than the UK during the 1970 and 1980s. This gap narrowed slightly in the late-1980s, before being eliminated during the early 1990s recession, due in part to Wales' strengths in manufacturing FDI. However, the gap then quickly reappeared from 1994, reaching some 15 per cent by 1997. Wales' claimant count unemployment

[5] *Digest of Welsh Statistics No. 30, 1984* (Cardiff: Welsh Office, 1985), p. 84.

meant that it was ranked as the ninth or tenth worst-performing region for each year between 1974 and 1986, generally only behind regions such as the North East, Northern Ireland or the North West (see Table A3.9 in Annex 3). However, this had improved by the late 1980s. By 1990, Wales' ranking had improved to fifth. However, relative economic decline again impacted on its ranking, which had declined to ninth by 1997.

8.4.2: Employment change

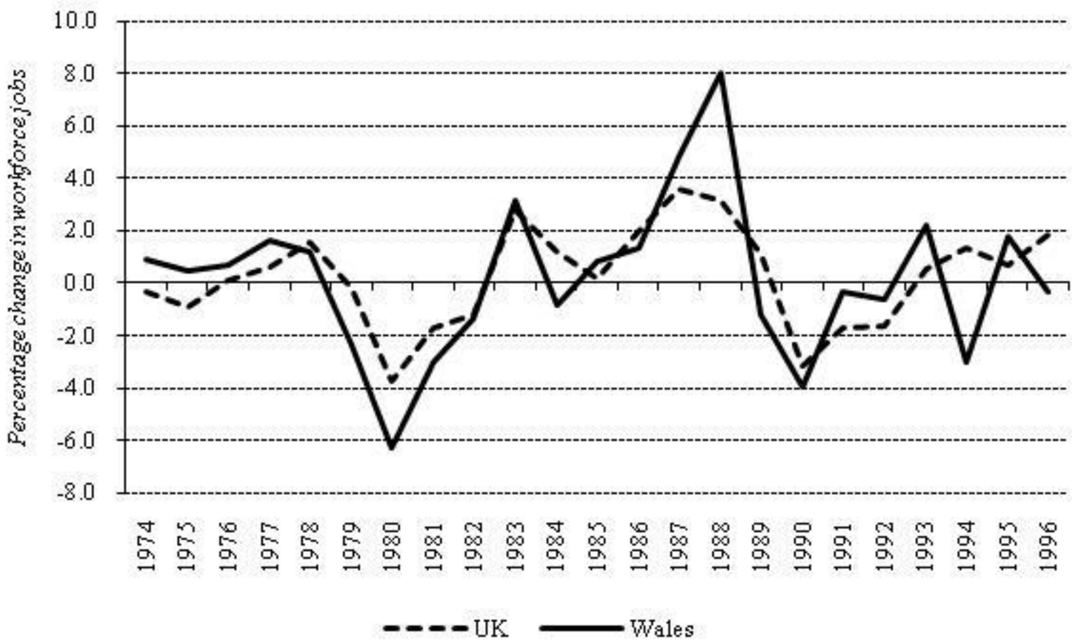
Employment is calculated by combining data for employees (those employed by companies or other organisations such as charities or government bodies) with those for self-employed. However, many redundant workers are forced into self-employment during recessions, meaning that such figures can mask economic weakness. Employees and self-employed peaked at just over 1.15 million in 1979, reached a trough of 1 million in 1983 (see Graph 8.8) and stayed static till 1986. These then grew rapidly from the mid-1980s, before the impact of recession became apparent.

Graph 8.8: Employees and self-employed in Wales, 1974 to 1997.

Source: Digest of Welsh Historical Statistics 1974-1996, pp. 135-136; Digest of Welsh Statistics 1997, pp. 126-127.

Graph 8.9 compares the changes workforce jobs in Wales and UK.[6] Wales outperformed the UK by a small margin in the mid-1970s and by a greater amount in the late 1980s and early 1990s. However, it underperformed in the early 1980s, while data fluctuates during the mid-1990s.

Graph 8.9: Annual change in workforce jobs in Wales and the UK, 1974-75 to 1996-97.



Source: Office for National Statistics (Series DYDC); Digest of Welsh Historical Statistics 1974-1996, pp. 135-136; Digest of Welsh Statistics 1997, pp. 126-127; own calculations.

The greatest reductions over the period occurred in manufacturing (120,000 jobs) as well as energy and water (56,000), while the largest gains were in public administration (99,000) and financial services (62,000). In regional terms (see Table A3.10 in Annex 3), the annual percentage change in

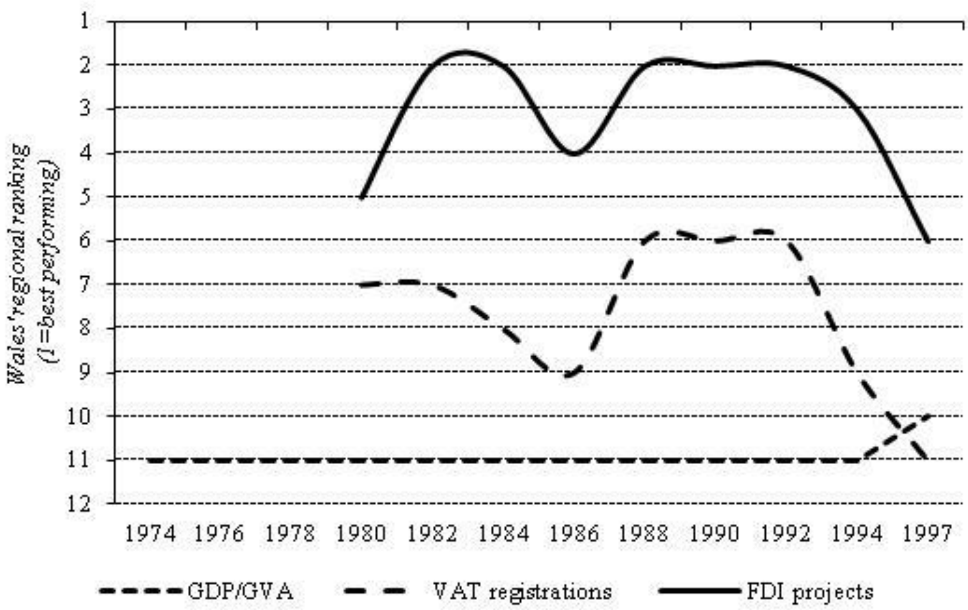
[6] Workforce jobs are defined by the Office for National Statistics as the sum of employee jobs, self-employment jobs, HM Forces and government supported-trainees.

workforce jobs in Wales declined from being the joint sixth strongest out of the 12 UK regions in 1974-75, to 11th in 1979-80. However, stronger levels of employment growth then saw this rapidly improve, peaking in 1986 as the strongest performer, before relative decline recommenced.

8.5: Conclusions

The following graphs track Wales' regional ranking across indicators grouped into economy (Graph 8.10), income (Graph 8.11) and labour market (Graph 8.12). Graph 8.10 shows the strong performance of FDI, with Wales ranked between fourth and second from 1982 to 1994, before decline set in. The ranking of VAT registrations peaked at sixth in the early 1990s, before declining. However, economic output (GDP/GVA) was 11th for the entire period apart from 1997.

Graph 8.10: Regional ranking of economic indicators (1 = strongest region).



Notes

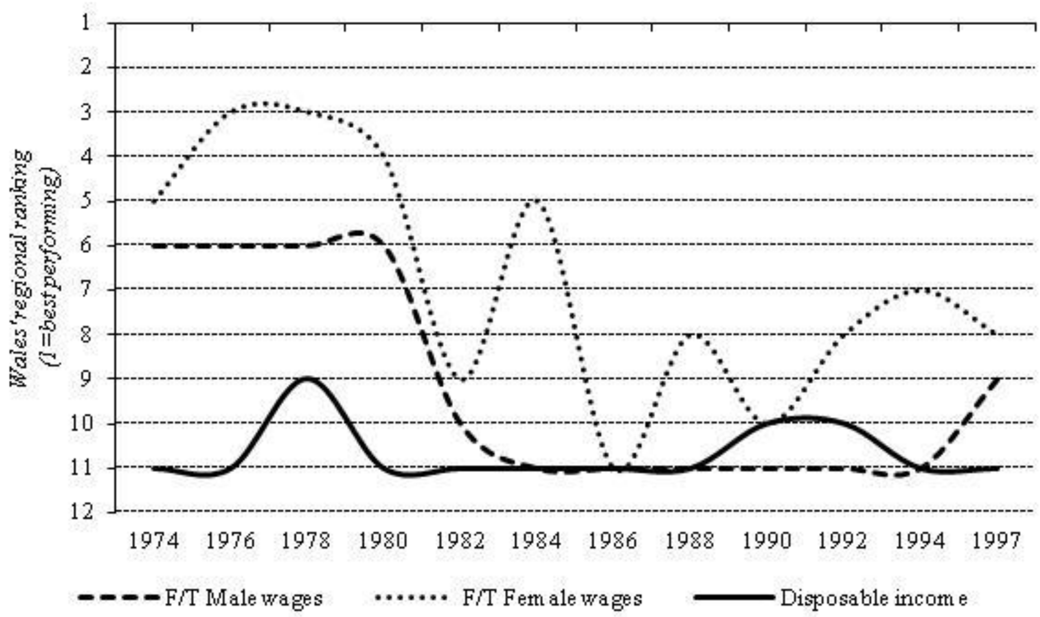
(a) Rankings for FDI and VAT unavailable before 1980.

(b) FDI Data for 1979-80 shown as 1980 etc. to enable consistent presentation.

Source: own calculations

Graph 8.11 shows that male wages remained relatively static at a mid-ranking position throughout the mid to late 1970s. However, the volume of job losses in the early 1980s then caused a rapid decline. Female wages displayed volatility, especially in 1984. Such volatility was potentially caused by a combination of small sample sizes leading to varying results for individual regions in some years, while the small differences between regions meant that this would have dramatic impacts on regional ranking. However, the overall trend is one of relative decline, although the relative economic growth of the later 1990s did feed through into an improvement in ranking. However, disposable income remained close to the foot of the table for the entire period.

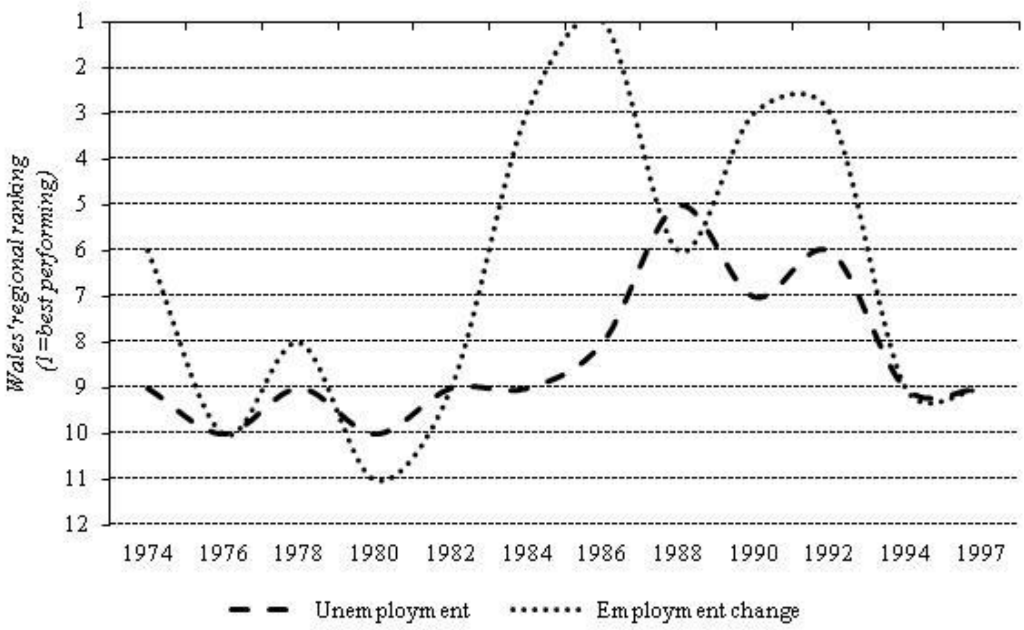
Graph 8.11: Regional ranking of income indicators (1 = strongest region).



Source: own calculations

Graph 8.12 shows the dramatic relative changes in employment and unemployment. Unemployment was between the ninth and tenth worst out of the UK regions in the late 1970s, and mid-1980s, with Wales ahead of only Northern Ireland and the North East. However, relatively rapid employment growth in the mid to late 1980s eventually caused a sharp decrease in unemployment, enabling Wales to attain a mid-ranking position by the late 1980s, although relative decline was to be reasserted in the early 1990s. Employment change followed a similar pattern, with strong growth in the mid to late 1980s causing a rapid rise in rankings, with employment changing peaking in 1986-87, before slumping by the mid-1990s.

Graph 8.12: Regional ranking of labour market indicators (1 = strongest region).



Note: Employment change from 1974 to 1975 shown above as 1974 etc. data to enable consistent presentation.

Source: own calculations

Against this background, four economic phases can be identified between 1974 and 1997:

1. **Mild recession and short-lived recovery (1974 to 1979):** In general terms, the Welsh economy's position relative to the UK remained fairly static. However, Wales had at least the fourth highest unemployment rate, although average wages were mid-ranking in regional terms.

2. **Deep recession and stagnation (1979 to 1986):** Wales was heavily impacted by the early 1980s recession. Unemployment surged to a post-war high, peaking at 13.1 per cent in 1983, some 20 per cent above the UK average, while employee job numbers and relative salary levels declined rapidly. The only strong indicator during this period was FDI. Once the recession subsided, stagnation ensued, characterised by declining salary levels relative to the UK and high unemployment.

3. **Relative growth (1986 to 1990):** The economy underwent a sudden growth spurt in the later 1980s. Unemployment began to decrease rapidly towards the UK average. Employment levels began to recover, having been growing rapidly since the mid-1980s, aided by high levels of FDI and business creation. However, this short burst was insufficient to address deep rooted structural problems, or enable Wales' GDP ranking to improve.

4. **Recession, muted recovery and renewed relative decline (1990 to 1997):** The impact of the 1990s recession was relatively limited. FDI hit its high point in 1991-92 when 71 projects were attracted, some 20 per cent of the UK total. Unemployment briefly fell to a level below the UK average in 1994, but relatively low levels of business activity meant that the recovery was muted, meaning that Wales once again entered a period of relative decline.

The Welsh economy changed beyond recognition between 1974 and 1997. The post-war economy had been dominated by manufacturing and extractive activities, often characterised by a relatively highly paid, predominantly male workforce. Many of these activities were swept away in the early 1980s. The growth of the later 1980s proved to be short-lived, while FDI had insufficient volume to offset the impact of the loss of so much of the industrial base. By the mid-1990s, Wales began to lose ground again to other regions. By 1997, it was firmly rooted towards the bottom of the UK's regional economic rankings.

9: Expenditure

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9.1: Introduction

This chapter provides overview and commentary on regional economic development expenditure. Section 9.2 provides data on overall trends, while subsequent sections provide information on each category. However, there are considerable methodological difficulties in identifying fully consistent data sets in some categories. These difficulties are detailed in the notes below the tables in section 9.3.

9.2: Overall trends

Total expenditure in Wales of some £32.7 billion (in 2011-12 prices) on regional economic development activities between 1974 and 1997 has been identified (see Table 9.1). While this is a sizable sum, it should be kept in perspective. For example, even during the peak expenditure year (1980-81), which was distorted by a spike in subsidies to the nationalised industries, expenditure on regional economic development accounted for less than a quarter of all identifiable public expenditure in Wales. This proportion then rapidly dropped once subsidies to the nationalised industries ceased by the later 1980s, and was less than four per cent by 1995-96.

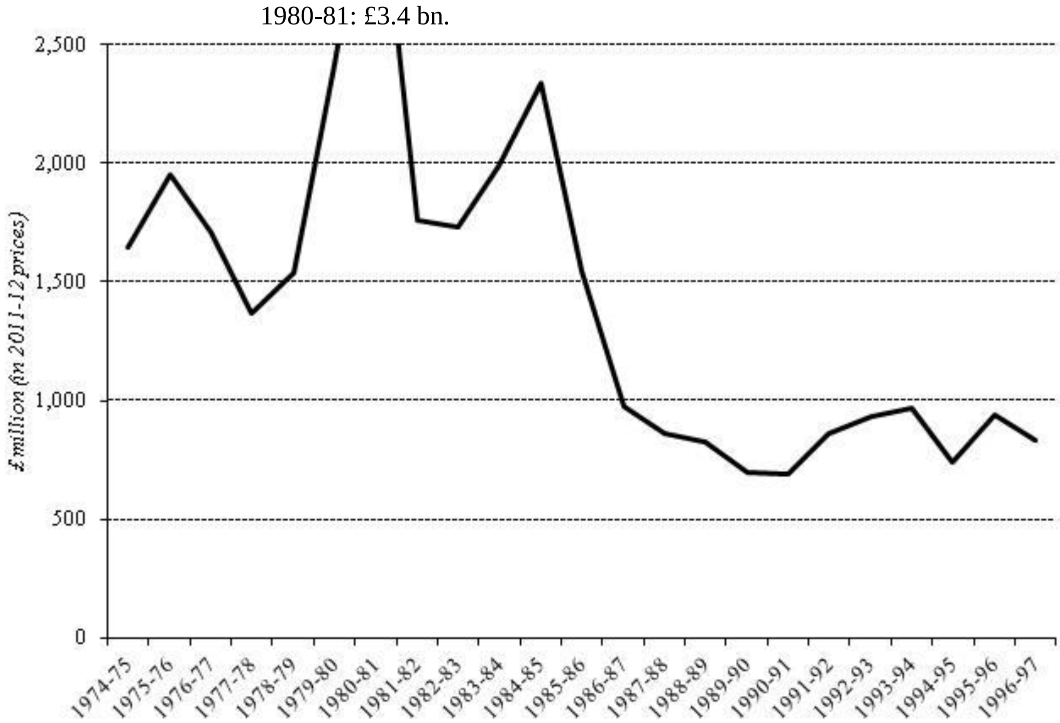
Table 9.1: Regional economic development expenditure, Wales, 1974-75 to 1996-1997.

Type of expenditure	£bn (2011-12 prices)
Industrial subsidies	6,334
Funding for development agencies	4,012
Grants and loans to nationalised industries	11,332
Agriculture	4,153
European loans	4,386
European grants	2,505
Total	**32,722**

Source: See section 9.3.

When overall trends are considered (see Graph 9.1), peaks occur in the late 1970s and early 1980s, followed by a downward trend until the late 1980s. There was then some increase until 1993-94, before figures again trended downward, prior to an increase between 1994-95 and 1995-96.

Graph 9.1: Expenditure on regional economic development, Wales, 1974-75 to 1996-97.



Source: See section 9.3.

The trends outlined in Graph 9.1 are given more clarity by Graph 9.2 (and Table 9.2). The main peaks can be summarised as:

- **Late 1970s:** Support to nationalised industries reached a peak, due to the crisis in steel and the on-going difficulties faced by coal.
- **Mid-1980s:** While support to the steel industry was in rapid decline, the coal industry received significant support during the coal strike of 1984-85.

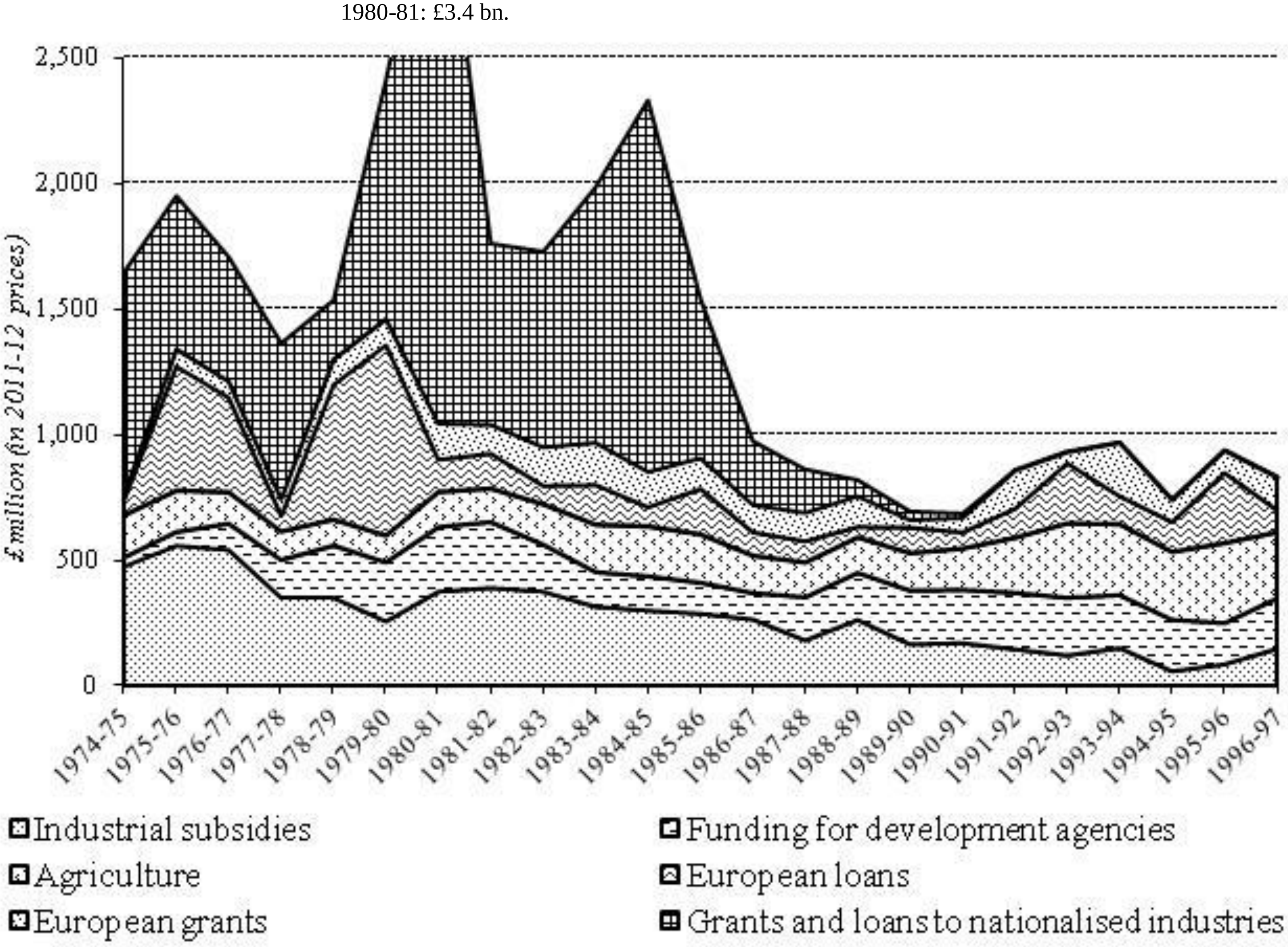
- **Late 1980s-early 1990s:** Welsh Office intervention reached a high level under Peter Walker, as did expenditure on agricultural support.

The troughs can be explained as follows:

- **Early 1980s:** Support to the nationalised industries was reduced, especially in the case of steel following the slim-line plan; although industrial subsidies were increased between 1980-81 and 1981-82.

- **Mid-1990s:** The Secretary of State for Wales between 1993 and 1995, John Redwood, wished to see less intervention, so support to development agencies and industrial subsidies was reduced to some extent.

Graph 9.2: Expenditure by category, Wales, 1974-75 to 1996-97.



Source: See section 9.3.

Table 9.2: Expenditure by category, Wales, 1974-75 to 1996-97.

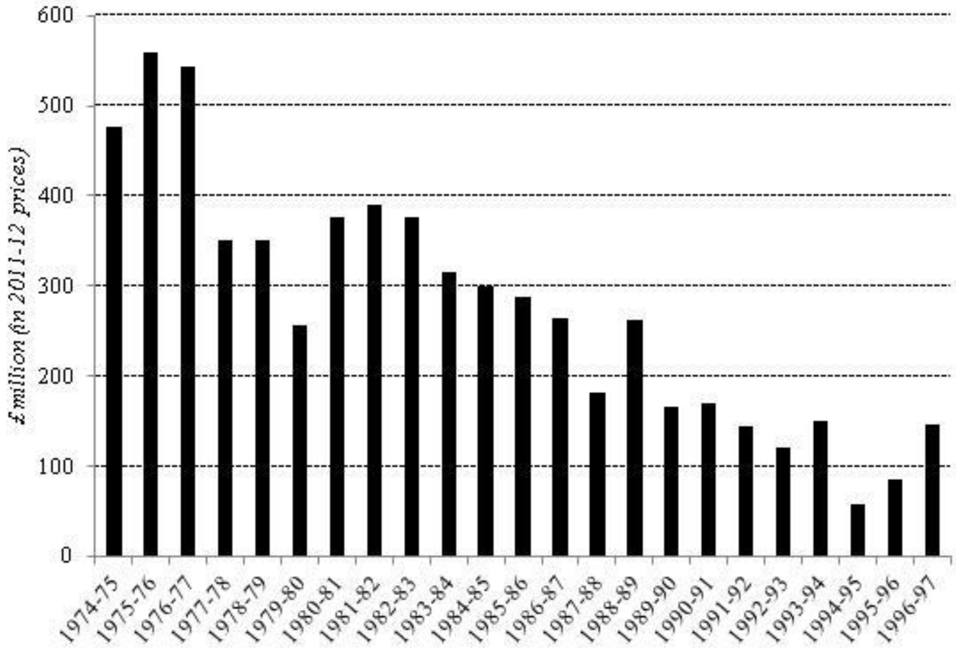
	£m (in 2011-12 prices)																						
Category	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Industrial subsidies	476.5	559.9	542.6	351.4	351.4	256.8	375.9	390.6	375.9	315.6	300.0	287.5	264.9	180.9	262.8	165.1	169.8	145.2	120.8	150.1	57.5	85.3	147.2
Funding for development agencies	35.3	53.7	104.3	150.1	207.9	235.3	257.4	262.6	187.0	137.6	136.1	122.9	104.3	171.4	187.1	213.6	212.3	224.5	229.5	210.7	204.3	163.3	200.5
Grants and loans to nationalised industries	885.6	609.7	494.4	620.3	235.0	951.7	2,358.4	721.0	778.5	1,017.9	1,479.8	634.6	254.0	173.3	65.0	35.2	17.9	...	...	...	...	...	...
Agriculture	166.0	163.2	123.0	111.6	101.6	104.6	138.0	131.8	159.2	187.2	197.5	191.5	147.5	136.7	139.6	147.7	162.8	218.0	295.3	281.4	269.4	318.3	261.8
European loans	59.7	497.1	378.5	62.0	539.8	762.8	128.3	139.1	73.0	158.0	75.5	181.1	91.9	83.2	40.3	100.7	63.2	114.8	239.7	111.0	118.1	279.8	88.2
European grants	25.6	69.7	66.4	71.0	102.1	104.6	147.1	117.9	157.6	172.1	145.4	126.1	114.3	119.1	127.8	35.1	63.0	156.2	47.6	216.9	91.9	92.3	135.1
Total	**1,648.7**	**1,953.2**	**1,709.3**	**1,366.4**	**1,537.9**	**2,415.7**	**3,405.2**	**1,763.1**	**1,731.3**	**1,988.3**	**2,334.3**	**1,543.6**	**976.9**	**864.6**	**822.6**	**697.4**	**689.0**	**858.8**	**932.9**	**970.1**	**741.3**	**939.1**	**832.8**

Sources: See section 9.3.

9.3: Trends by category

9.3.1: Industrial subsidies

Graph 9.3: Industrial subsidies, Wales, 1974–75 to 1996-97.



Sources: See Table 9.3

Graph 9.3 (and Table 9.3) demonstrates a clear picture of initial growth until 1975-76, followed by sharp decline in the later part of the decade after the IMF crisis. However, growth renewed during the deep recession of the early 1980s, before a long decline set in. Expenditure reduced from its peak of over £559 million (in 2011-12 prices) in 1975-76 to £147 million in 1996-97 (in 2011-12 prices), a drop of over 70 per cent.

Table 9.3 provides a breakdown of this expenditure, and the scale of the automatic subsidies in the mid-1970s are immediately apparent. For example, in 1976-77, the combined total for Regional

Development Grant (RDG) and the Regional Employment Premium (REP) was over £481 million (in 2011-12 prices), far in excess of the £60 million (in 2011-12 prices) allocated to the discretionary Regional Selective Assistance (RSA) scheme. However, overall expenditure then dropped by over a third between 1975-76 and 1978-79. This was due to the expenditure reductions (including the abolition of REP) carried out after the IMF crisis of 1976, coupled with concerns as to the effectiveness of traditional regional policy.

After a partial recovery in 1980-81 at the height of the recession, the downwards trend recommenced until temporarily interrupted in 1988-89. This was caused by the overlap between the phasing out of automatic assistance under RDG and the introduction of a more targeted approach under RSA. A period of relative stability then followed. Decline then re-commenced between 1993-94 and 1994-95, caused by the less interventionist attitude of John Redwood. However, the more centrist approach of his successor, William Hague, and the impact of the grants given to the LG FDI project, saw an upturn in 1995-96 and 1996-97.

Table 9.3: Industrial subsidies, Wales, 1974–75 to 1996-97.

	£ Million (2011-12 prices)																						
Type of support	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Regional Development Grant I	234.6	273.2	318.5	316.4	289.3	176.1	304.0	327.6	305.0	173.6	212.2	174.5	143.8	45.7	25.6	4.9	3.3	1.2	1.7	…	…	…	…
Regional Development Grant II	...	...	...	...	...	...	...	...	...	...	...	8.9	44.0	61.3	84.7	47.4	33.0	21.6	7.0	6.9	...	...	...
Regional Employment Premium	160.2	180.0	163.4	…	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Regional Enterprise Grant	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	3.8	2.5	2.2	1.7	2.3	1.8	1.4	1.2
Regional Selective Assistance (a)	81.6	106.6	60.6	34.9	62.1	80.7	72.0	63.1	70.9	142.0	87.7	104.0	77.1	74.0	152.5	108.9	131.0	120.2	110.4	141.0	55.8	83.9	145.9
Total	**476.5**	**559.9**	**542.6**	**351.4**	**351.4**	**256.8**	**375.9**	**390.6**	**375.9**	**315.6**	**299.9**	**287.5**	**264.9**	**180.9**	**262.8**	**165.1**	**169.8**	**145.2**	**120.8**	**150.1**	**57.5**	**85.3**	**147.2**

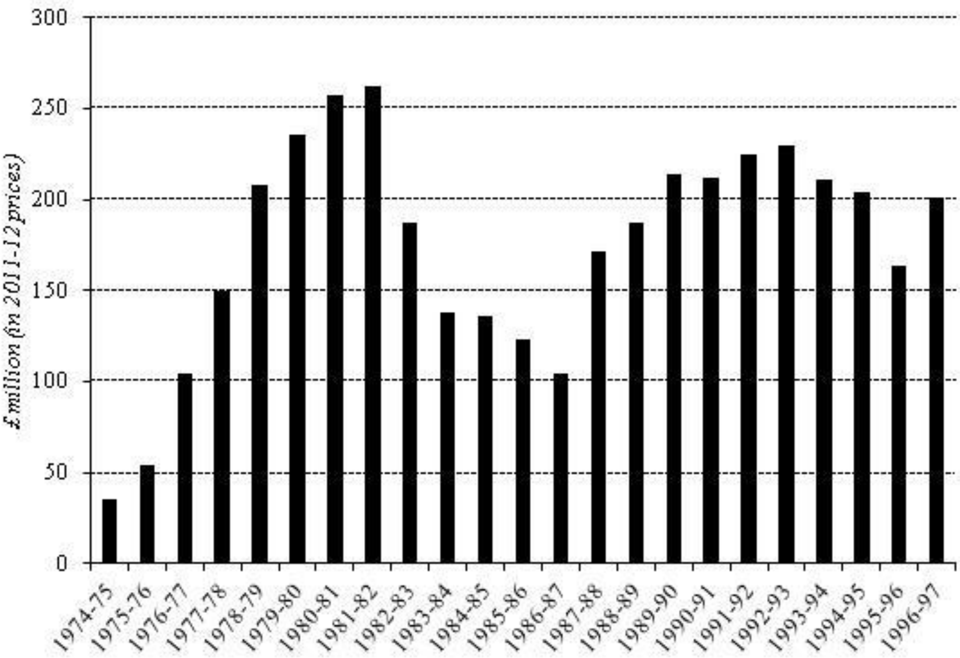
Note

(a) These data are allocations made to investment projects that may not have been fully drawn down by the applicant companies.

Sources: Welsh Economic Trends (various editions); HMSO Industrial Development Act 1982. Annual Report. (London: HMSO, various editions); own calculations.

9.3.2: Funding for development agencies

Graph 9.4: Government support for development agencies, Wales, 1974–75 to 1996-97.



Sources: See Table 9.4

Graph 9.4 demonstrates how the 1976 creation of the WDA, DBRW and LAW led to a rapid increase in expenditure with the largest share being allocated to the WDA (see Table 9.4). By the end of the 1970s, over £200 million (in 2011-12 prices) was being spent on these agencies. Expenditure peaked in 1981-82, caused by the decision of the Welsh Office and central government to respond to the deep recession and 'slim-lining' of the steel industry with a crash programme of advance factory construction.

While the factory building programme continued throughout the 1980s and beyond, the crash phase was largely complete by the mid-1980s, causing a corresponding decline in expenditure. However, expenditure increased again between 1987-88 and 1992-93. This was caused by a combination of two factors. Firstly, the level of funding allocated to the Cardiff Bay Development Corporation grew from its establishment in 1987-88 to reach over £71 million (in 2011-12 figures) by 1992-93. Secondly, this period saw the peak of interventionist philosophy in the Welsh Office under Peter Walker and David Hunt. However, as is the case for industrial subsidies, the less interventionist ideology of John Redwood led to a short lived reduction in expenditure for the WDA, prior to a restoration under his more centrist successor, William Hague.

Overall expenditure was dominated by the WDA, which was given some £2.3 billion (in 2011-12 prices) over the period. However, the scale and ambition of the Cardiff Bay development led to the Cardiff Bay Development Corporation being granted some £614 million (in 2011-12 prices) prior to 1997.

Table 9.4: Funding for development agencies, Wales, 1974–75 to 1996-97.

	£ Million (2011-12 prices)																						
Organisation	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Cardiff Bay Development Corporation	...	...	...	...	...	...	...	...	...	...	...	...	...	23.1	34.3	51.2	38.8	53.2	71.6	66.9	91.4	89.7	81.6
Cwmbran Development Corporation	30.2	49.2	25.0	22.5	26.3	26.1	32.7	28.3	10.5	7.3	7.3	9.3	3.1	...	...	...	...	...	...	...	...	...	...
Development Board for Rural Wales	...	...	...	20.2	29.5	33.2	17.0	21.4	23.8	21.9	20.5	24.0	17.5	13.8	15.4	16.9	16.5	17.6	18.9	20.6	18.8	11.4	13.8
Land Authority for Wales	...	...	10.7	12.1	2.8	3.5	2.3	0.8	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Wales Tourist Board	5.0	4.5	8.8	11.6	13.9	12.7	12.6	13.7	14.1	12.0	14.6	16.7	16.7	17.6	17.5	17.6	17.3	17.3	20.4	20.2	20.7	20.9	20.1
Welsh Development Agency	...	...	59.8	83.6	135.4	159.9	192.7	198.4	138.6	96.4	93.6	72.8	67.0	116.9	119.9	127.9	139.7	136.5	118.5	103.0	73.3	41.4	85.1
Total	**35.3**	**53.7**	**104.3**	**150.1**	**207.9**	**235.3**	**257.4**	**262.6**	**187.0**	**137.6**	**136.1**	**122.9**	**104.3**	**171.4**	**187.1**	**213.6**	**212.3**	**224.5**	**229.5**	**210.7**	**204.3**	**163.3**	**200.5**

Notes:

(a) These data are generally government grant in aid. Total organisational budgets were often boosted from other sources such as asset disposal and factory rentals.

(b) Land Authority for Wales and Cwmbran Development Corporation data are year on year increases in loan support from the government.

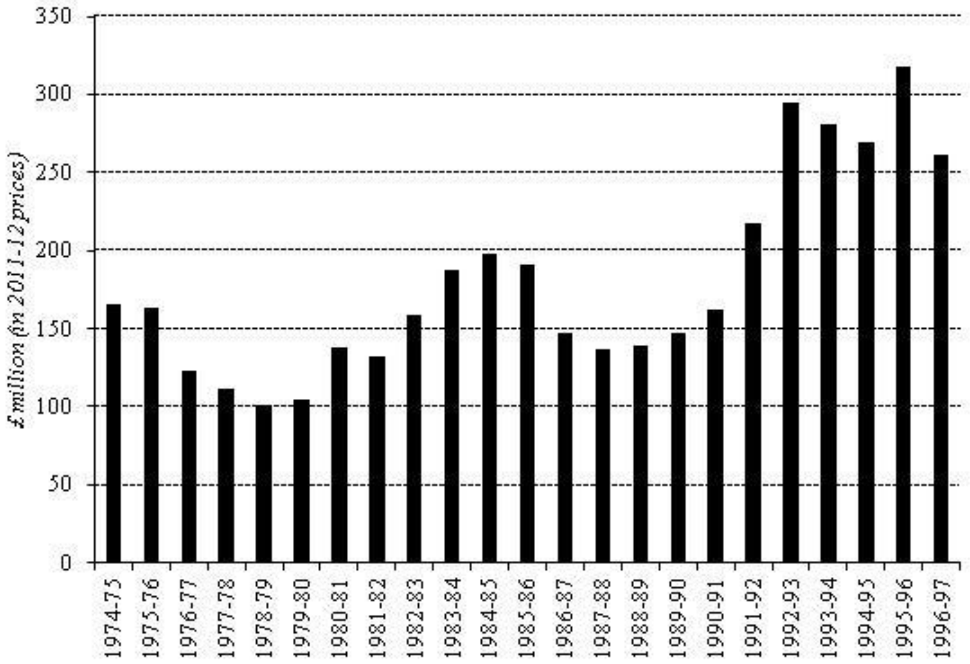
(c) DBRW data includes National Loan Fund advances used for housing and factory construction in Newtown.

(d) WTB data not available for 1976-77 to 1978-79. Assumptions made for these years on the basis of a straight line increase from 1975-76 to 1979-80.

Source: Assembly Sponsored Public Bodies (National Assembly for Wales: Cardiff, 2004), p. 24; WDA/WTB/DBRW/CBDC/ LAW/Cwmbran Development Corporation Annual Reports (various editions); own calculations.

9.3.3: Agriculture

Graph 9.5: Support for agriculture, Wales, 1974-75 to 1996-97.



Sources: See Table 9.5

For **agriculture**, the overall size of the support schemes administered by the Welsh Office reflected the priorities and concerns of the European Commission, with decisions being taken collectively by member state governments at a European level. Prior to the UK joining the European Economic Community (EEC) in 1975, agricultural support took the form of direct subsidy to farmers. After joining, direct payments continued but indirect interventions at a European level through import levies, storage, disposal and subsidised export were the primary means of support. This led to a decline in Welsh Office expenditure between 1974-75 and 1978-79 (see Graph 9.5).

Expenditure then rose until the mid-1980s in line with European trends, before attempts were made by the European Commission to control expenditure, leading to a reduction between 1983-84 and

1987-88. However, Welsh Office expenditure then rose, largely to offset the impacts of attempts being made at a European level to limit production through the introduction of quotas, including on milk. These reforms were spurred by the fact that some twenty years of high support prices had created significant overproduction.[1] Further reforms took place in 1988, which again aimed to limit expenditure, but this failed to secure reductions in the level of agricultural support as the main pillars of the policy remained in place.[2] However, high costs led to cuts in target prices for some products in 1992. This meant that indirect intervention costs would be correspondingly reduced, but this was offset by substantial increases in direct subsidy to satisfy the farm lobby. Welsh Office support to agriculture thus rose from some £163 million (in 2011-12 prices) in 1990-91 to some £218 million (in 2011-12 prices) in 1991-92. Expenditure continued to rapidly increase, caused by factors such as low sheep meat prices and the impact of the 1995 BSE crisis, and peaked at some £318 million in 1995-96. However, a strengthening of European sheep prices then enabled reductions to take place.

Within the complex area of agricultural support schemes administered by the Welsh Office, the largest items of expenditure were schemes aimed at providing direct production support to cattle, sheep and hill farmers (see Table 9.5). These included the Hill Livestock Compensatory Allowance which involved some £37 million of expenditure (in 2011-12 prices) by 1996-97, the Sheep Annual Premium Scheme (£97 million by 1996-97 in 2011-12 prices), and the Beef Special Premium Scheme (£41 million by 1996-97 in 2011-12 prices).

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[1] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 164.

[2] Tom Burden, ‘Agriculture’, *Industrial Policy in Britain,* ed. by David Coates (Basingstoke: Macmillan, 1996), pp. 112-134 (p. 130).

Table 9.5: Agricultural support, Wales, 1974–75 to 1996-97.

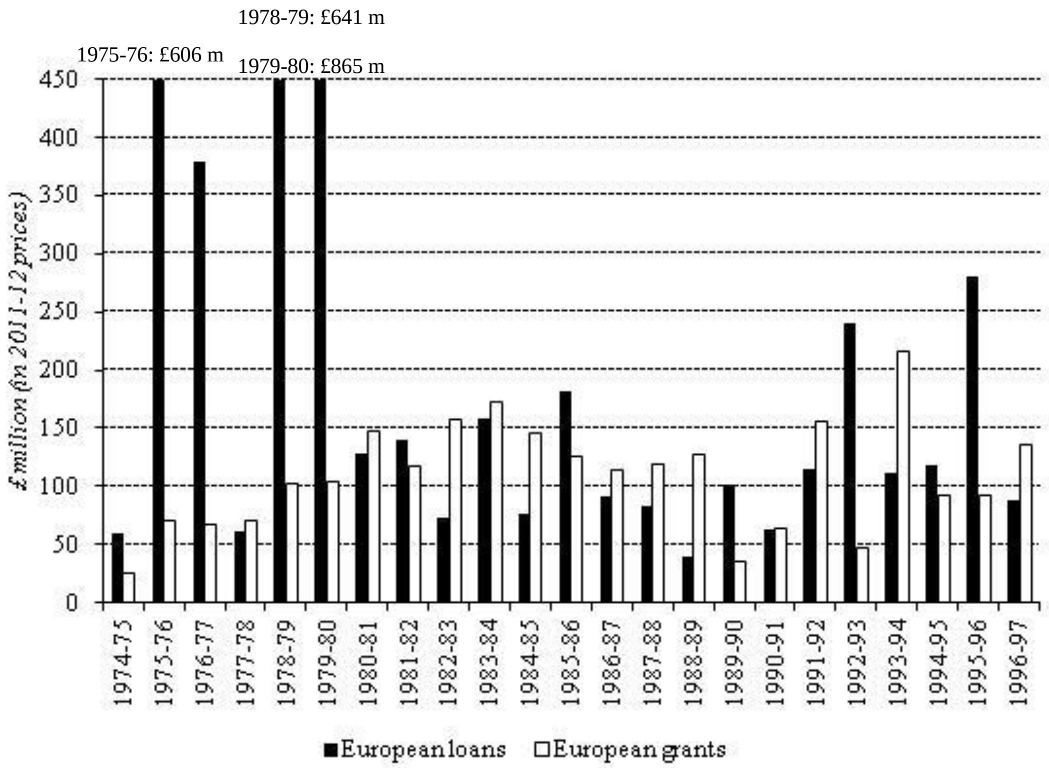
	£ Million (2011-12 prices)																						
Scheme	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Agricultural Improvement Scheme/ Farm Conservation Scheme	…	…	…	…	…	…	…	…	…	…	…	…	…	…	12.2	12.2	1.9	12.6	11.1	8.2	12.0	5.5	3.4
Agriculture and Horticulture Development Scheme	…	…	…	…	…	…	…	1.1	6.1	9.9	10.8	8.8	10.5	6.4	4.3	3.7	3.8	2.2	1.2	0.7	0.3	…	…
Agriculture and Horticulture Grant Scheme	…	…	…	…	…	…	…	17.2	29.7	40.6	37.0	39.6	15.8	0.5	…	…	…	…	…	…	…	…	…
Arable Area Payments	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	12.0	12.1
Beef Cow Subsidy	5.1	9.3	3.6	3.1	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Beef Special Premium Scheme	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	24.4	23.9	29.6	35.4	41.0
Calf Subsidy	33.5	32.5	11.7	9.0	5.6	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Dairy Herd Conversion Scheme/ Non-Marketing of Milk Scheme	…	…	…	2.5	3.6	5.0	7.4	5.5	3.7	3.0	1.9	0.4	…	…	…	…	…	…	…	…	…	…	…
Environmentally Sensitive Areas	…	…	…	…	…	…	…	…	…	…	…	…	…	0.4	0.7	1.2	1.5	2.3	2.3	2.3	2.2	3.4	4.6
Farm and Horticulture Development Scheme	…	0.6	1.5	11.5	13.4	22.1	27.6	23.1	27.3	24.1	17.0	10.1	4.8	3.0	1.1	0.1	…	…	…	…	…	…	…
Farm Capital Grant Scheme	52.4	55.2	32.2	26.1	24.7	26.7	27.9	8.6	3.0	2.9	0.3	…	…	…	…	…	…	…	…	…	…	…	…
Farm Diversification scheme	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	0.3	0.7	0.6	0.4	0.1	…	…	…
Hill Sheep and Cow Subsidy (till 1975)/ Hill Livestock Compensatory Allowances	66.9	57.4	64.8	59.4	54.3	50.7	58.0	61.1	58.7	57.1	54.8	55.1	60.7	57.4	55.0	53.5	54.8	59.0	59.0	47.8	39.6	38.2	36.9
Rural World Initiative	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	22.1	45.4	35.3	35.4	37.9	34.8
Set Aside Scheme	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	0.2	0.4	0.5	0.6	0.5	0.8	…	…
Sheep Annual Premium Scheme	…	…	…	…	…	…	11.3	10.3	25.9	45.0	67.7	69.9	48.2	59.0	56.4	62.0	84.5	102.0	134.1	144.5	126.1	155.8	97.1
Small Farms Business Diversification	8.0	8.1	9.2	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Suckler Cow Premium Scheme	…	…	…	…	…	…	5.8	5.1	4.7	4.5	8.2	7.6	7.6	9.9	9.8	14.4	15.1	16.7	16.8	18.1	23.4	30.1	31.8
Total	**166.0**	**163.2**	**123.0**	**111.6**	**101.6**	**104.6**	**138.0**	**131.8**	**159.2**	**187.2**	**197.5**	**191.5**	**147.5**	**136.7**	**139.6**	**147.7**	**162.8**	**218.0**	**295.3**	**281.4**	**269.4**	**318.3**	**261.8**

Note: Data for some individual schemes not available on a financial year basis. Data included on the basis of 1974 calendar year data recorded as 1974-75 financial year etc.

Sources: Digest of Welsh Statistics (various editions), Welsh Agricultural Statistics (various editions); own calculations.

9.3.4: European grants and loans

Graph 9.6: European loans and grants, Wales, 1974-75 to 1996-97.



Sources: See Table 9.6

The overall level of European loans to projects in Wales was decided upon by European institutions. The level of such loans fluctuated over the period, depending on the timing of large infrastructure projects. Peaks were caused by projects such as the Dinorwic hydro-electric power station in the mid to late 1970s and the second Severn crossing of the mid-1990s. As well as these, loans from the European Coal and Steel Community played an important part in attempts to upgrade these industries throughout the 1970s, a role which naturally lessened as these activities reduced throughout the 1980s. However, European loans remained important and were sometimes accessed by industrial investors such as INMOS, as well as for infrastructure projects such as roads and sewage plants.

The overall totals for European grants were also decided upon at a European level. Such grants were divided into the European Social Fund, used primarily for training and other support activities, while European Regional Development Fund support tended to focus on capital expenditure such as transport infrastructure and the construction of factory space. Grants allocation tended to be directly controlled by the European Commission prior to 1989, but after this date the Welsh Office was able to set a strategic direction and allocate funding to projects that supported their aims.

By the early 1990s, up to £216 million a year (in 2011-12 prices) of European funds were being spent by the Welsh Office via mechanisms such as the Objective 2 programmes for industrial South and North East Wales. The result was that European funding was used to support an enormous range of activities, with an exceptionally complex web of interlinking projects being established. As a result of this, there is overlap between these data and other categories. This is especially the case for agricultural support, which was part funded by Europe.

Table 9.6: European grants and loans, Wales, 1974–75 to 1996-97.

Type of support	£ Million (2011-12 prices)																						
	1974-75	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**	**1991-92**	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
Loans																							
EIB	59.7	203.2	225.3	55.7	138.2	686.3	42.3	1.9	32.9	55.5	30.2	102.4	61.0	83.2	1.7	68.2	19.6	81.9	223.8	96.2	108.0	279.8	88.2
ECSC	0.0	293.8	153.2	6.3	401.6	76.4	86.1	137.2	40.2	102.4	45.3	78.7	30.8	0.0	38.6	32.4	43.6	32.9	15.9	14.8	10.1	n/a	n/a
Total loans	**59.7**	**497.1**	**378.5**	**62.0**	**539.8**	**762.8**	**128.3**	**139.1**	**73.0**	**158.0**	**75.5**	**181.1**	**91.9**	**83.2**	**40.3**	**100.7**	**63.2**	**114.8**	**239.7**	**111.0**	**118.1**	**279.8**	**88.2**
Grants																							
ECSC	0.1	4.6	2.0	6.3	14.2	5.6	22.9	46.6	31.4	4.8	..	..	..	..	..	..	..	..	..	…	...	...	...
ESF	25.5	29.0	23.0	35.5	18.6	23.6	28.8	4.8	7.3	58.9	1.1	6.7	9.5	11.2	8.7	0.0	17.8	18.5	18.6	26.6	14.6	17.0	135.1
ERDF	0.0	36.0	41.4	29.2	69.3	75.4	95.5	66.5	119.0	108.4	144.2	119.3	104.8	107.9	119.2	35.1	45.3	137.7	29.0	190.2	77.4	75.3	
Total grants	**25.6**	**69.7**	**66.4**	**71.0**	**102.1**	**104.6**	**147.1**	**117.9**	**157.6**	**172.1**	**145.4**	**126.1**	**114.3**	**119.1**	**127.8**	**35.1**	**63.0**	**156.2**	**47.6**	**216.9**	**91.9**	**92.3**	**135.1**
Total	**85.4**	**566.7**	**444.9**	**133.0**	**641.9**	**867.3**	**275.5**	**257.1**	**230.7**	**330.1**	**220.9**	**307.1**	**206.2**	**202.3**	**168.1**	**135.8**	**126.2**	**271.1**	**287.4**	**327.9**	**210.1**	**372.2**	**223.3**

Notes

(a) Data relates to grants and loans which could be readily identified by the Welsh Office as having been allocated to projects in Wales.

(b) Data for European loans and grants not available on a financial year basis. Data included on the basis of 1974 calendar year as 1974-75 financial year etc.

(c) Data for funding sourced via European loans sourced from Digest of Welsh Historical Statistics but not available in the same format after 1993-94. Data on loans signed are available from the EIB, but this is not consistent with Welsh Office data as (1) some projects were cross border in nature, and (2) Welsh Office data may relate to loans drawn down. Data for 1994-95 to 1996-97 sourced from the EIB and is based on loan totals agreed. [1]

(d) Data on grants after 1994-95 based on parliamentary answer (HC Deb 10 March 1997 vol 292 c21W) and Regional Trends 32 (1997).

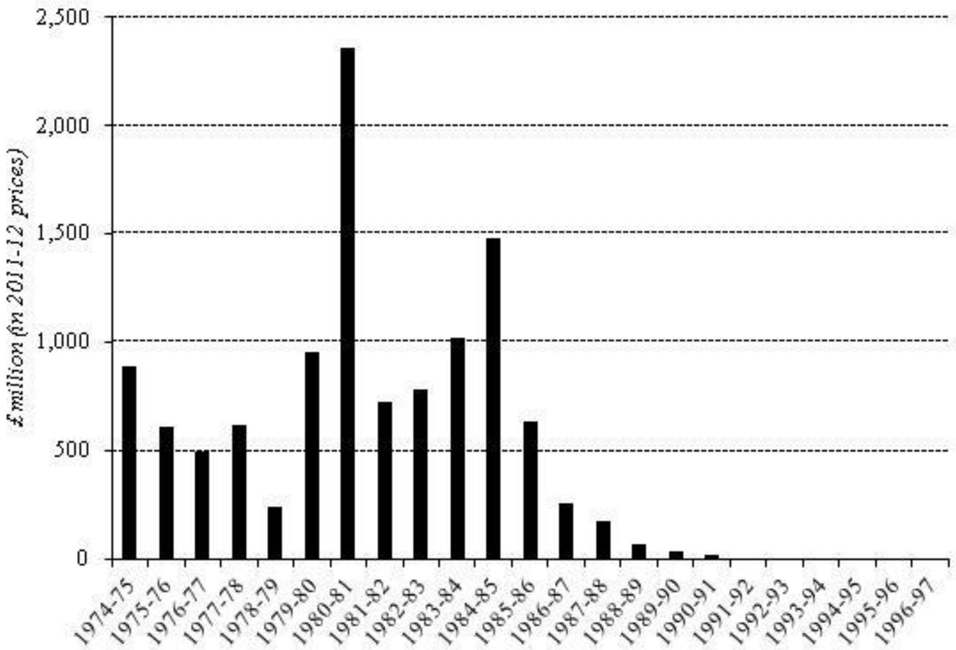
(e) Figures for European Agriculture Guidance and Guarantee Fund not included as this was generally used for agricultural support schemes (see section 9.2.3).

Sources: Digest of Welsh Historical Statistics; European Investment Bank, Finance Contracts Signed, 2012 [online].HC Deb 10 March 1997 vol 292 c21W (answer to written question); own calculations.

[1] European Investment Bank, '*EIB Lends £55 million for Welsh Glass Components Industry'*, Press Release 21 January 1997.

9.3.5: Nationalised industries

Graph 9.7: Support to nationalised industries, Wales, 1974-75 to 1996-97.



Source: See Table 9.7.

Government intervention in the economy during the late 1970s and early 1980s was dominated by the support given by central government to the nationalised industries of steel and coal (see Graph 9.7). Support of over £800 million (in 2011-12 prices) was allocated in 1974-75, as the steel industry in particular struggled to cope with the impact of the oil crisis and the three day week. Support then began to reduce in the mid-1970s but then rapidly increased as both industries became engulfed in crisis. Low levels of productivity in the South Wales coalfield, caused in part by low levels of investment and geological difficulties, led to one third of the NCB's financial losses between 1979-80 and 1983-84 being incurred in South Wales.[1] This led to the use of heavy operating subsidies, while the partial shut-down of the industry during the 1984-85 miners' strike led to further subsidies, as did the costs associated with closures (such as redundancy payments). Subsidies were quickly reduced after the strike, and were eliminated by the early 1990s as the state-owned coal industry was closed. Data for subsidies were not released at a Wales level after 1980-81, meaning that these figures have been estimated. The methodology used to do this is outlined in the notes below Table 9.7.

Meanwhile, the steel industry had been unable to cope with foreign competition following the UK's accession to the European Economic Community in 1974, its labour productivity (expressed in hours per tonne) was approximately half that of its competitors in West Germany and Belgium in 1977,[2] while demand for its products was impacted by the recession of the early 1980s and the loss of much of Britain's manufacturing capacity. Between 1974-75 and 1978-79, the steel industry throughout the UK received £3.7 billion in state support (contemporary prices).[3] However, following the brutal restructuring of the early 1980s, productivity rapidly improved amidst massive job losses and plant closures. Large scale state support ceased in 1985, the industry became profitable by 1986, and was privatised in 1989.

[1] K.D. George and others, 'Coal' in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp. 159-186, (p. 164).

[2] Colin Baber and Lynn Mainwaring, 'Steel' in *The Welsh Economy,* ed. by K.D. George and Lynn Mainwaring, pp 201-232, (p. 222).

[3] Hansard HC, 17 January 1980, vol 976 cc845-6w.

Table 9.7: Support to nationalised industries, Wales, 1974–75 to 1990-91.

	£ Million (2011-12 prices)																
Type of support	**1974-75**	**1975-76**	**1976-77**	**1977-78**	**1978-79**	**1979-80**	**1980-81**	**1981-82**	**1982-83**	**1983-84**	**1984-85**	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**	**1990-91**
Assistance to Coal	160.9	31.9	59.3	...	...	...	...	...	239.2	485.8	981.0	174.8	254.0	173.3	65.0	35.2	17.9
Government lending to nationalised industries	724.6	577.8	435.2	620.3	235.0	951.7	2,358.4	721.0	...	...	...	...	...	...	...	...	...
Assistance to steel	...	...	...	...	...	...	...	...	539.4	532.1	498.8	459.8	...	...	...	...	...
Total	**885.6**	**609.7**	**494.4**	**620.3**	**235.0**	**951.7**	**2,358.4**	**721.0**	**778.5**	**1,017.9**	**1,479.8**	**634.6**	**254.0**	**173.3**	**65.0**	**35.2**	**17.9**

Note: Data between 1974-75 and 1981-82 are sourced from Welsh Economic Trends.[1] *It is reasonable to assume that 'assistance to coal' between 1978-79 and 1981-82 is within 'Government lending to nationalised industries'. Data after this date are not available at a Wales level and estimates have been based on two assumptions;*

1. *Data for coal were derived by applying the proportion of UK pits in Wales to the total UK figures for assistance. The impact of the strike saw UK subsidy increase from £520 million in 1982-83 (£1.3 billion in 2011-12 prices), to £2.4 billion in 1984-85 (£5.5 billion in 2011 prices).*[2] *This approach may overstate the assistance (as relatively little capital investment was made, while South Wales' opencast operations were generally profitable) or understate the assistance (as it was making heavy losses compared to other coalfields). However, the subsidy of £981 million in 1984-85 (2011-12 prices) during the miners' strike can be compared with the operating losses of £95 million (£228 million in 2011-12 prices) in South Wales in 1983-84,*[3] *made when the coal field was mostly operating.*
2. *The same approach has been used for the steel industry, but with numbers employed used, while UK subsidy data was sourced from Wren and Hansard.*[4]

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[1] *Welsh Economic Trends (various editions),* own calculations.

[2] HC Deb 11 February 1988 vol 127 c344W, HC Deb 02 June 1992 vol 208 c499W, HC Deb 18 November 1992 vol 214 cc230-1W (answers to written questions), own calculations.

[3] K.D. George and others, 'Coal' in *The Welsh Economy*, ed. by K.D. George and Lynn Mainwaring, pp. 159-186 (p. 165); own calculations.

[4] Colin Wren, *Industrial Subsidies*, p. 148; HC Deb 10 July 1984 vol 63 cc461-3w, HC Deb 25 March 1991 vol 188 cc308w.

9.4: Conclusion

There were two main forces behind changes to the pattern of expenditure over the period. Firstly, as the economy moved from an emphasis on heavy industry and UK owned manufacturing towards the service sector and public administration, the opportunities for intervention also changed. Secondly, the complex nature of administrative arrangements meant that foci and levels of expenditure often depended on which organisation exercised control, and mirrored the variety of approaches to intervention as followed in Cardiff, London and Brussels. In Cardiff, all but one (John Redwood) of the six Secretaries of State for Wales between 1974 and 1997, prioritised government intervention. This meant that the main funding category entirely under their control, funding for development agencies, ramped up quickly during the late-1970s and stayed at a generally high level throughout the period. Categories where London had greater influence, such as industrial subsidies or grants and loans to nationalised industries, either fell sharply or disappeared entirely. Finally, those controlled by Brussels either generally grew (agriculture and European Grants), or fluctuated according to industrial and economic conditions (European loans). Against this background, the dynamics for each category were:

Industrial subsidies: These reduced by almost 70 per cent over the period. Control was shared by the Welsh Office and central government, but the political will of central government to use subsides was in decline from 1975-76, in part caused by doubts as to their effectiveness. However, although the Welsh Office remained strongly in favour of their usage (except under John Redwood), but changes to its budget allocations reflected the outcome of negotiations between the Welsh Office and Westminster. In practice, this meant that reductions made by central government were reflected within Welsh budget allocations. This arrangement was formalised in 1994-95, when regional grants were included in the allocations subject to the Barnett formula. This meant that changes to such allocations in Wales were now to be proportionate to changes in similar allocations made for England, as well as to relative population levels. However, the Welsh Office could choose to transfer funds from other budget headings (such as health).

- **Support to nationalised industries**: Controlled by central government, such subsidies peaked in the late 1970s as the Labour Government struggled to control ballooning losses without large-scale run-downs and their consequent social impact, although closures did take place. After 1979, the elimination of state control and subsidies to the nationalised industries was a central element of Conservative party ideology and practice, meaning that such support had all but ceased by the late 1980s. The Welsh Office had no powers in this area.

- **Funding for development agencies**: Funded and ultimately controlled by the Welsh Office, expenditure grew quickly from their establishment in the mid-1970s. It peaked during the recession of the early 1980s mainly as a result of factory construction programmes, before declining in the later 1980s. Expenditure then grew again and reached a second peak during the construction of the Cardiff Bay Barrage. Although established by the Labour Government, the existence of these agencies offered Conservative Secretaries of State, who could not avoid witnessing the reality of industrial decline, an opportunity to mitigate the impact of economic change without undermining the broad thrusts of Conservative ideology at a UK level.

- **Agricultural support** and **European loans and grants**: Decisions on the level of funding available to Wales were taken by the European Commission (after input from member states).

Welsh Office expenditure on agriculture tended to grow when attempts were made to reform indirect assistance under the Common Agricultural Policy, and European authorities sought to cushion such reforms with increased levels of direct grant. Levels of European funding also tended to reflect priorities decided at a European level.

Overall, government intervention remained important throughout the period, but the era of massive state subsidies to industry ended and was gradually replaced by a much more diverse and opaque structure. As part of this, agriculture remained heavily supported, thousands of individual projects were supported by European funds and development agencies struggled to intervene effectively in an economy increasingly dominated by service sector activities.

10: Conclusion

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10.1: Introduction

This chapter aims to provide the answers to the three questions posed in chapter one in relation to government intervention in the Welsh economy between 1974 and 1997, namely:

1. What was done?
2. Why was it done? and
3. Was it effective?

By doing this, it will confirm the thesis:

- The Welsh Office and its agencies placed great political and financial emphasis on regional economic policies between 1974 and 1997, apart from a short period in the early 1990s. These policies aimed to grow the economy by encouraging job creation by foreign owned companies, UK owned companies and individual entrepreneurs. Intervention was successful in attracting high levels of job creating investment from overseas owned companies, but was less successful with home-grown companies. At the same time, replacing all the jobs lost in rapidly declining industries such as coal, steel and manufacturing proved to be impossible. The poor economic positioning of Wales relative to other UK regions thus remained largely unchanged.

10.2: What was done?

Expenditure on regional economic development in Wales and the UK peaked in the mid-1970s, but the later 1970s were a time of transition. Funding controlled by central government, such as regional aid, was in steady decline. However, the Welsh Office was taking an increasingly assertive stance, symbolised by the creation of powerful development agencies. However, two major changes took place after the Conservatives took power in 1979. First, expenditure on nationalised industries was eliminated by the later 1980s, while grant support to industry continued its decline. Secondly, funding to the WDA and DBRW was increased during the recession of the early 1980s and the steel closure programmes, and enormous programmes of factory construction and land reclamation were carried out. This was allied to a determined push to improve infrastructure, and an equally determined drive to attract foreign investment. While support to the agricultural sector was continued as a result of decisions taken at a European level, the focus of overall activity was very much geared to manufacturing.

While the need to support indigenous businesses had always been recognised, activities in this area began to receive a greater priority in the later 1980s. At the same time, the importance of the service sector was increasingly recognised. The Welsh Office and its agencies thus began to seek to develop Wales as a location for such investment through actions such as the development of Cardiff Bay, aimed at establishing an environment that would prove attractive for both manufacturing and service investment. However, by the early to mid-1990s, Wales' attractiveness as a location for manufacturing investment was in rapid decline. This meant that there was little point in constructing factories, while the supply of derelict land was fast diminishing. Such factors led to a greater emphasis on a business support model, where an increasing number of organisations provided advisory and support services to the private sector.

Against this background, activity and outputs in each of the main categories can be summarised as follows (with further data available in Annex 4):

- *Land reclamation:* The landscape of much of Wales was transformed as large-scale land reclamation programmes sought to eradicate the physical legacy of its industrial past. Over 17,000 acres (26.5 square miles) were reclaimed under the leadership of the WDA, including the removal of physical and chemical threats, and the creation of sites for housing, industry and leisure uses. Some of the most dramatic transformations took place in the South Wales Valleys in areas such as Ebbw Vale.

- *Factory construction:* Over the period, the WDA built over 12 million sq. ft. of space, the overwhelming majority of which was factories. Much of this activity was concentrated between 1977 and 1980, when over 800 factories involving floor space of some 5 million sq. ft. were constructed. Some 50,000 people were working in factories on WDA estates by the late 1980s. The DBRW was also active, having constructed some 500 factories by the late 1980s. Between 1974 and 1997, the LAW acquired some 5,700 acres for development purposes, and disposed of 5,300 acres.

- *Financial support to investing companies*: £6.3 billion (in 2011-12 prices) of regional aid was awarded to companies investing in Wales over the period. While job figures do not exist for grants automatically given to companies to support employment (Regional Employment Premium until 1978, and Regional Development Grant until 1990), companies that were granted discretionary Regional Selective Assistance planned to use the funds received to assist with the creation or safeguarding of 277,000 jobs between 1974 and 1997. Actual out-turn figures were not collated, meaning that retrospective data for changes in employment within each firm that obtained support cannot be collated.

- *Cardiff Bay and urban renewal*: Comprehensive output data does not exist for the urban renewal activities carried out by the WDA and partners during the period, but by 1991-92, 30 joint ventures were active. In relation to Cardiff Bay, by 1995-96, the corporation was claiming to have levered some £900 million (in 2011-2012 prices) of investment into the Bay, and to have assisted with the creation of 4,000 jobs. In reality, these figures are difficult to verify, but the physical progress of the Bay was becoming apparent by 1997.

- *Inward investment*: The attraction of FDI was a priority throughout the period. 773 investment projects were announced in Wales between 1984-85 and 1996-97 (some 14 per cent of the UK FDI project total). These involved the expected creation or safeguarding of some 102,000 jobs (some 11 per cent of the UK FDI employment total).

- *Indigenous investment:* This was the target of an exceptionally wide range of initiatives, for which consistent activity and output data does not exist. However, the WDA had built up a commercial investment portfolio of over 300 companies by the mid-1980s. Steady investment then continued between 1984-85 and 1989-90, prior to a full disinvestment in 1994-95. Fragmentary data exists for some aspects of business advisory services, with for example, the DBRW visiting some 530 'high-growth' companies between 1988-89 and 1994-95, and the Business Support Division of the WDA advising some 13,000 companies or individuals in 1989-90. Between 1986-87 and 1996-97, the WTB supported some 2,750 tourism schemes, involving the expected creation of some 6,000 jobs, while the WDA was claiming in 1995-96 that its various activities created or safeguarded some 30,000 inward or indigenous jobs in that year.

- *Agriculture and European funding:* Output data are not generally available for the main agricultural support programmes, while similar data were not available for European projects prior to 1989. Some data are available after this date, but this is fragmentary and beset with methodological difficulties. For example, the total number of new businesses supposedly created by the Objective 5b programme in Rural Wales between 1994 and 1999 was a remarkable 38,000, more than the entire number of new VAT registrations throughout all of Wales in the same period.

10.3: Why was it done?

In seeking to answer this question, it is sensible to differentiate between theoretical and practical considerations. The level of turbulence in the Welsh economy between 1974 and 1997 has a habit of making theory quickly redundant. This means that while such explanations cannot be entirely discounted, it is more productive to take a broader view of the practical and political implications of what happened at the time, if a full understanding of the dynamics of government intervention is to be reached.

In the early 1970s, theories within the broad tradition of Keynesian thought appeared to provide an explanation for Wales' relatively poor performance. Firstly, export base theory appeared to explain how the dominance of export orientated industries such as steel and coal led to a failure to achieve economic diversification. Secondly, cumulative causation with its concept of economic activity concentrating in areas of existing growth (such as the South East of England) to the detriment of peripheral regions (such as Wales) was plausible in terms of explaining Wales' relative economic underperformance. Such theories gave rise to the established regional policy of the post-war era, with its focus on location controls, financial incentives and factory construction. However, cumulative causation had at its core a concept of successful regions holding back unsuccessful regions. By the mid-1970s, no regions of the UK were successful. As the theoretical underpinnings began to crumble, so too did the practical aspects of regional policy as since there were now no successful regions, there was no surplus of factories that could be diverted to peripheral, or struggling, regions.

Against this background, alternative neo-classical theories were followed at a UK level, at least to some extent, after the victory of Margaret Thatcher in 1979. It is also the case that policies were beginning to change before 1979, with for example, the abolition of Regional Employment Premium in 1976. In regional terms, these theories focused on the supposed automatic balancing actions of market forces where capital will automatically flow to regions with lower labour costs. In theoretical terms, the elimination of relatively unproductive industrial capacity during the recession of the early 1980s should have led to an upsurge in inward and indigenous investment, as capital took advantage of lower costs caused by unemployment, while unemployment would be reduced by labour mobility. However, the loss of so many jobs created a vacuum that led to partial economic collapse, rather than a vacuum that was filled with an inrush of new economic activity. Firstly, labour and capital did not prove to be fully mobile, meaning that people were not always willing to move to seek work, while capital proved reluctant to invest in depressed areas. Secondly, there was no sudden flowering of indigenous entrepreneurship to fill the vacuum left by retreating economic activity. The result was a shocked and stagnating region with growing social problems.

Neo-classical economic theory thus provides little insight into the overall trajectory of the Welsh economy in the 1980s, especially those areas previously dominated by heavy industry.

While the Welsh economy began to recover in the later 1980s, this was generally attributable to a combination of greater economic activity at a UK level, and the strongly interventionist approaches of the Secretaries of State. This meant that theoretical explanations are torn between the more interventionist approach taken by the Welsh Office and the more orthodox approach of central government. In reality, while the activities of the Welsh Office were important especially in terms of attracting inward investment, the short-lived economic recovery was primarily caused by growth at a UK level, and the fact that Wales, with its cost advantages and ready access to Europe, proved attractive to overseas investors seeking locations for new factories.

The recommencement of relative economic decline in the mid-1990s has been interpreted as an example of cumulative causation's Verdoon's Law, where a collapse of productivity and profitability occurred within the Welsh private sector, caused by a reduction in demand and output. However, Verdoon’s Law oversimplifies an exceptionally complicated growth process, and pays limited attention to the influence of supply factors such as commercial innovation which appeared to be increasingly concentrated in the South East of England, while other key influences were the rise of Ireland and Eastern Europe as locations for mobile investment. Finally, a prominent theory at the time was the 'new growth theory', that placed great importance on the role played by technical knowledge, often generated by research and development activities, in economic growth. While it could be argued that the growing diversity of economic development activities reflected this approach, the reality was that the agencies (especially the WDA) were realising that their traditional activities of FDI, land reclamation and factory construction were in danger of being left behind (and by implication, so too were the agencies) by the growing importance of the service sector and high technology activities. As pointed out by the WDA's Chief Economist, theoretical considerations had little or no impact on the management of the agency.

Overall, mainstream regional economic theories provide relatively limited insights into the development of the Welsh economy and regional economic policy during the 1970s, 1980s and 1990s. Such theories and their associated models cannot provide a full picture of the operations of any economy. A regional or national economy is comprised of a vast number of interlocking individuals and organisations, subject to an ever changing variety of influences. These range from individual perceptions of wellbeing to international changes in the price of commodities such as oil. This complexity means that the causes of economic growth, as well as the impact of government policies on such growth, cannot be quantified accurately. While the period saw the idea of freer markets and de-regulation largely vindicated at a UK level (especially in the south of England), the impact of such ideology on Wales was far less successful. However, this is not to say that an alternative approach, based on greater government control of the economy, would have been more successful. If state or commercially owned operations in an area such as Wales are producing commodities or goods that people and organisations are unwilling to buy at a price that enables producers to survive, then the cumulative pressure on that economy may be too great for any government to withstand. This is especially the case given that the ability of any government to raise additional revenue through greater taxation or borrowing to support any economy is not infinite. The scale of the turbulence and change that characterized the period make any attempt to fit events into a single theoretical framework difficult, if not impossible. However, while any application of cumulative causation theory runs into difficulties in the late 1970s and the late 1980s, its description of a peripheral Wales struggling to attract and retain investment and economic activity when compared to more prosperous parts of the UK is a theme that recurs throughout some of the period, especially in the mid-1990s.

Wales' peripheral status within the UK can be confirmed by an application of economic geography theory, which has the advantage of remaining consistent throughout the period. When central place theory is applied to Wales in both 1974 and 1997, the position is unchanged. The hinterlands of Liverpool and Birmingham incorporated North and Mid-Wales on both dates, while only South Wales looked towards a Welsh city (Cardiff) for its regional services. All of Wales looked towards London for 'first order' services such major commercial headquarters and large scale financing. The Welsh Office recognised this geographic reality by incurring only limited expenditure on north-south transport links, with the priority being to enhance linkages between Welsh centres and their major markets in England and beyond.

Moving away from theory towards practical considerations, a number of economic and political factors caused the Welsh Office and its agencies to carry out such an extensive programme of intervention. The first, and most obvious, relates to the scale of the challenge. By 1974, Wales had benefitted from decades of intervention to diversify the economy away from its dependence on primary industries and agriculture. However, it remained one of the poorest areas of the United Kingdom with a high dependence on declining sectors such as coal, steel and agriculture. At the same time, indigenous momentum was limited while the focus of regional policy had been on attracting manufacturing branch plants, which were soon to prove vulnerable to economic headwinds. The recession of the early 1980s was a devastating experience for much of Wales. Its manufacturing base, so painstakingly built up by regional policy since the 1940s, was greatly reduced in scale largely as a result of central government policies. Such policies may have been effective for southern parts of the UK with a more adaptable and flexible economic structure that were able to develop strengths in newer sectors. However, in a largely state-managed region such as Wales, the neo-classical idea foundered amidst scenes of economic devastation, caused in large part by high interest rates, a high pound and the rationalisation of state-owned enterprises.

The second relates to the changing priorities of central government. While an active regional policy had been a cornerstone of the post-war settlement in relation to economic management, this consensus was beginning to unravel by the mid-1970s as the economy lurched from crisis to crisis against a backdrop of political instability. Central government's commitment to the post-war regional policy package of grants and locational controls began to quickly reduce. Expenditure on regional aid began to drop sharply from 1976-77, while controls on industrial location were abolished by the early 1980s. The Welsh Office would now have to develop its own capacities in the field of economic development, which it began to do through the creation of the WDA, DBRW and the LAW by the strongly interventionist John Morris.

By the early 1980s, economic reality and the changing priorities of central government combined with the dynamic of gradual administrative devolution to create the third factor, Welsh exceptionalism. This meant that the Conservative Secretaries of State were willing to use their powers to actively intervene in the economy, despite central government seeking to 'unburden' the economy from state influence. There can be no doubt that the Conservative-run Welsh Office presided over intervention of a volume and type that would have been most unlikely to have occurred in the absence of administrative devolution. This was accompanied by a willingness to work closely with local government and trades unions that was not always matched by central government. This was symbolised by the close working relationship between the Wales TUC and the Welsh Office when seeking inward investment. At the same time, the language used by Conservative Secretaries of State was often different to that used by their cabinet colleagues. For example, Nicholas Edwards harshly criticised the City of London's reluctance to invest in Wales, while Peter Walker gleefully boasted about the extensiveness of his interventions.

However, the extent of Welsh exceptionalism should not be overstated. There were no significant differences between Conservative Secretaries of State and central government on the great economic issues of the time, such as the nationalised industries, curbing union power and the need for a stronger private sector. For example, the arch-interventionist Peter Walker had been Secretary of State for Energy during the miners' strike, so had been closely involved with the comprehensive defeat of the National Union of Mineworkers. Moreover, the long roll-call of factories constructed, investment attracted, farms subsidised and businesses advised can often hide the fact that the Welsh Office's economic powers were in reality quite limited. It had no fiscal or monetary powers, depending instead on a block grant from central government. It also had no control over welfare issues, agricultural support policy or regional aid regulations, while its expenditure on regional economic policy was always a relatively small proportion of its overall spend, which tended to be dominated by health.

The exceptionalism of the Welsh Office was motivated by the reality of decline and dislocation in the 1980s. This was not something that could be easily ignored by most politicians working in Wales. As well as this, agencies such as the WDA and DBRW were in place that offered the opportunity to intervene. Given the scale of the economic problems and the broad discretionary powers allocated to the Secretaries of State, it would be a brave politician who refused to use such tools to at least seek to alleviate the problems. A WDA board member, Garel Rhys, noted that

Secretaries of State tended to 'go native [...] the question here is jobs, let's leave the place better than when I found it'.[1] For example, this was the approach taken by Nicholas Edwards, who strongly supported the WDA and DBRW, although he did seek to ensure that ‘lame duck’ companies did not receive support. The only Secretary of State between 1974 and 1997 reluctant to intervene was John Redwood, and one of his mistaken justifications was that the economy had recovered sufficiently by the mid-1990s to be able to thrive without such intervention.

As well as this, the individual personalities of the Secretaries of State and their ambitions on the UK political stage were vital. Nicholas Edwards was on the right of the Conservative Party and fiercely loyal to Margaret Thatcher, but while he saw the central government’s general economic approach as being a necessary response to relative economic decline, he was willing to use his powers to alleviate the side-effects of such policies. It appears that he was trusted by Margaret Thatcher and so was simply left to his own devices, in exchange for loyalty. Peter Walker and David Hunt were prominent ‘wets’ within the Conservative Party and were thus firm believers in government intervention. While William Hague was content to continue this tradition, the exception was John Redwood who was ideologically committed to reducing intervention. However, both Peter Walker and John Redwood had ambitions to lead the Conservative Party, and used exceptionalism to promote this aim, the difference being that while Peter Walker used his relative autonomy to showcase an interventionist approach to governance, John Redwood did the opposite.

Finally, Wales is a small part of the UK with some five per cent of its total population. While its natural resources had placed it at the heart of the industrial revolution, a position which organised

[1] Interview with Garel Rhys.

labour later translated into a strong political presence at Westminster, these economic and political dynamics had decayed by the 1980s. Its economy was a poor relation within the UK, while Wales' influential presence at the heart of government did not survive the defeat of James Callaghan in 1979. In many respects, the Welsh Office was treated as a backwater and was generally left to its own devices. Within this dynamic, central government had little reason to object to the interventionist activities carried out by the Welsh Office as they had little impact, or visibility, at a UK level.

10.4: Was it effective?

As outlined in earlier chapters, detailed evidence to allow for a full identification of the additional impact of interventionist activities between 1974 and 1997 is not available. For example, the National Audit Office stated in 1991 that the Welsh Office and its agencies had:

> Spent substantial sums on initiatives which have job creation and safeguarding as a primary aim. These have resulted in substantial numbers of new jobs being created. However, the bodies have said they cannot assess the extent to which these initiatives have influenced the overall trends in the labour market. Nor can they assess the economic position Wales would have reached without those initiatives. This is because the Welsh economy [...] has been subject to many influences outside their responsibility. It is therefore very difficult to evaluate the full success of these initiatives.[2]

There is thus a need to use an alternative approach in assessing the effectiveness of intervention, based instead on a consideration of the progress of the Welsh economy over the period as well as

[2] *Creating and Safeguarding Jobs in Wales,* p. 4.

the established outputs of intervention. Before doing this, it is worthwhile to consider the opinions of three of the most prominent opposition politicians after 1979 as to the overall impact of intervention:[3]

> **Rhodri Morgan:** I thought it was very effective in a short term sense. You want branch factories to act as a patch to staunch the rise in unemployment, and potential unrest from large queues of unemployed people turning up at the jobcentre […] but a vision of where Wales would be in fifteen or twenty or twenty five years, in which it would cease to be dependent on state intervention, it wasn't there.

> **Ron Davies:** I suspect the answer to that is: yes we would be in a worse state had we not had these [interventions]. For me, however, the big question is not whether we would have been better or worse off, but why are we so badly off now? […] But at the same time [as attracting FDI] we should have been saying either, "how can we grow our own industry, our own indigenous industry?" or, "how can we maximise the benefits of the FDI that we are getting in a more sustainable way?"

> **Dafydd Wigley:** I suppose the successes must be in terms of the bringing in overseas investment. Albeit it was going to be a transient thing and that it couldn't be the long-term solution unless it was rooted in Wales – and some did [but] perhaps not enough was done to attack the needs of industry and commerce, and […] the element of entrepreneurship.

[3] Interviews with Rhodri Morgan, Ron Davies and Dafydd Wigley.

From an academic perspective, the activities of the WDA were evaluated by 1997 as 'it seems reasonable to argue that the economic situation in Wales would have been that much worse were it not for the endeavours of the WDA over the past 20 years',[4] while the official historian of the WDA has stated that 'it would seem impossible to argue that the WDA did not have some important positive effects on the economic and social life of Wales'.[5] Evaluations of other agencies are not available.

While the economy exhibited mixed fortunes over the period, two main trends stand out. Firstly, Wales remained close to the foot of most regional indicators (with the notable exception of FDI), although there was a short-lived economic upsurge in the later 1980s. Most importantly, GDP per head remained the second worst out of any UK region throughout the period. However, while this may demonstrate that intervention had little impact in terms of narrowing the gap between Wales and other regions, it may still be the case that such intervention prevented these gaps from getting wider. The effectiveness of intervention by category can be summarised as:

- *Land reclamation:* This was hugely successful, not just in terms of improving the environment and releasing land for development, but also in changing the public face of much of Wales. The overwhelming bulk of this activity would not have taken place without government funding, as the commercial value of reclaimed land rarely justified the cost of remediation. The transformation of the landscape provided a graphic demonstration of the determination of the

[4] Kevin Morgan, 'The Regional Animateur: Taking Stock of the Welsh Development Agency', *Regional and Federal Studies*, Vol. 7.2 (1997), pp. 70-94, p. 90.

[5] Discussion with Trevor Boyns.

Welsh Office and the WDA to address the legacy of Wales' industrial past, and dramatically improved the living conditions of people living close to areas that were previously derelict.

- *Factory construction:* This was highly effective in terms of attracting large volumes of mainly manufacturing investment to areas hit by the run-down of the existing manufacturing and extractive industries. The private sector was unwilling to carry out significant investment throughout much of Wales, meaning that intervention had a critical role. However, demand for manufacturing facilities was decreasing by the early 1990s, and insufficient attention was paid to the potential role of property development in the increasingly service sector led economy.

- *Inward investment:* This was the great success story of the period. The Welsh Office and its agencies were often accused of favouring inward investment, but the reality is that Wales needed large numbers of jobs quickly and that overseas investors presented an obvious opportunity to obtain these. The success of attracting globally significant companies such as Sony, Toyota and Bosch against fierce competition from other locations should not be underestimated. Such success would inevitably have significant economic impact, across a range of areas including direct employment and the creation of supply chains. However, it is also true that FDI was over-promoted as an antidote to Wales' economic problems. In reality, it was never going to be attracted in sufficient volume to offset all the jobs lost in declining industries. At the same time, much of Wales' success was due to a short-lived combination of circumstances, although these were expertly exploited by the Welsh Office and its agencies. Wales' ability to attract FDI was in rapid decline by the early 1990s, but this was not sufficiently considered at the time as agencies and politicians were too willing to rest on past glories.

- *Indigenous investment:* Generating substantial volumes of indigenous investment is the 'holy grail' of economic development, as it offers the potential of self-sustaining economic growth and job creation. The Welsh Office and its agencies consistently recognised the importance of such investment, but translating intentions and activity into outcomes was very difficult. This is symbolised by the constant difficulties encountered by the WDA when seeking commercially viable, mostly indigenous, businesses in which to invest. In overall terms, the WDA lost money on its commercial activities for most of the period. At the same time, VAT registrations declined relative to the UK for much of the period, the exception being in the late 1980s. In absolute terms, the number of registrations deceased by some 30 per cent in Wales between 1980 and 1997, compared to an increase of 3 per cent for the UK as a whole. While more could and should have been done, especially in the early 1990s, it is unrealistic to expect that greater effort would have automatically unlocked a steady flow of indigenous businesses.

- *Financial support to investing companies*: Assessing the effectiveness of such support is fraught with methodological difficulties (see section 2.5.4). However, the availability of large-scale grants and incentives almost certainly helped Wales when competing for inward investment, both in terms of new projects and expansions of those already in place. However, the relative weakness of indigenous business development during the period suggests that they were less effective in this area, although this is probably due to a relative lack of viable businesses.

- *Cardiff Bay and urban renewal*: Cardiff Bay was, and remains, a controversial development. On the one hand, it is correct to argue that the benefits of the development have had little positive impact on some of the communities in the area covered by CBDC, such as Butetown.

It was also expensive, and inevitably diverted funding that could have been put to alternative uses. However, while the Bay developed as a retail, government and leisure destination, as opposed to a commercial centre, there seems little doubt that it evolved into a location that has attracted significant investment. It is recognised as an attractive place in which to live and work, as confirmed to some extent by Ron Davies' decision to locate the National Assembly in the area. The Bay would not have developed into its current position without government intervention, while it is noticeable that Cardiff is one of the few parts of Wales that has maintained, at least to some extent, overall levels of prosperity relative to the UK average over the past 15 years.

- *Agriculture:* It is difficult to identify positive economic outputs from the gigantic subsidies granted to the agricultural sector. For example, subsidies did not prevent a relatively poor performance in terms of farm income (especially hill farms) over the period. Real income per full-time farmer in Wales fell faster between 1977 and 1993 than was the case in Scotland or England.[6] While some of the schemes aimed at diversification will have assisted with employment creation, the emphasis at a European level on production subsidies, when combined with increasing competition from farms outside the UK and mechanization, led to a steady increase in farm size and decreasing employment. However, it may be the case that such support slowed down the employment decline of the sector, although at great cost.

- *European funding:* With thousands of individual projects across a broad range of activities, European funding supported much of the interventionist activities carried out. However,

[6] Gillian Bristow, *Agricultural Support and Policies and the Farm Problem in Wales 1947–1993,* p. 214.

evaluations were not generally carried out during the period, while those that did take place were dependent on unreliable and often inaccurate data collated by project promoters. Despite this, loans from the European Investment Bank did enable infrastructure developments such as the Dinorwic hydro-electric powers station in Llanberis and the second Severn crossing, while other support enabled the development of business premises and the provision of training programmes, such as those funded by the Objective 5b programme in rural Wales. At the same time, it is undoubtedly true that once the UK Government was prevented from reclaiming the value of European receipts from other regional aid programmes, then the provision of European funds did enable some developments to take place that would not otherwise have occurred.

While data are incomplete, it is reasonable to suggest that the counterfactual scenario where little or no intervention was carried out would have resulted in a significantly worse economic situation. This means that much of the activity was worthwhile. This is especially the case during the period up to the mid to late 1980s under John Morris and Nicholas Edwards, where policy was heavily focused on activities with tangible outputs. For example, the private sector would not have been prepared to carry out the environmental reclamation and site development work in more peripheral areas such as the Heads of the Valleys. Commercial investment would then have clustered in more accessible areas such as the eastern reaches of the M4 and A55, which had traditionally found it easier to attract such investment due to infrastructural and demographic advantages. The same is true for FDI. While Wales' ability to offer a low-cost location for overseas manufacturers from which to access the European market was the main reason for its success, the ability of the Welsh Office and its agencies to put in place factories, grants and infrastructure which was then aggressively marketed to potential investors was also critically important.

A large proportion of the interventions were thus additional, although it is not possible to provide an exact figure. At the same time, while the expenditure on agricultural support may have had a limited additional economic impact, it almost certainly slowed down the decline in its workforce. Similarly, the support given to nationalised industries in the later 1970s did allow employment to be maintained for longer than would have been possible if such subsidies had been withdrawn earlier. However, it should be pointed out that support to industries in long term decline may carry a significant opportunity cost (as did Cardiff Bay) as such funding might have been used more productively elsewhere. At the same time, once activities began to shift in the early 1990s to generalised business support, it is far more difficult to be sure as to the actual achievements of interventions. As the number and complexity of agencies, projects and funding streams increased, it became increasingly difficult to track what was being achieved.

In the same way that economic theories do not provide a full answer to the causes of growth, it is also true that sustained economic growth is not automatically in the gift of any government, especially of a department such as the Welsh Office which had no fiscal or monetary powers. This means that while more intervention may have been beneficial in some respects, it would not have led automatically to better outcomes. For example, there would have been little point in building more advance factories without tenants to fill them. At the same time, while the provision of more capital by the WDA to investing companies would have increased the level of commercial activity, the lack of viable companies would have led to greater losses of such capital. However, an area where more could and should have been done was the service sector. In many ways, the interventionist apparatus and methods developed and used in Wales were heavily geared towards providing sites and support for manufacturing operations, with relatively little attention being paid to the service sector until the 1990s. The prevailing culture throughout interventionist organisations was also heavily geared towards manufacturing industry, with a focus on the attraction of large factory projects. The main exception to this was the Cardiff Bay development, with the success of this (albeit expensive) project providing a powerful indicator of the potential for service sector led intervention.

However, while it is easy to state that more should have been done to stimulate the service sector, it is far more difficult to identify additional actions that would have benefited this sector. It is highly dependent on human capital, an area which was largely outside the remit of the economic development bodies, although the Welsh Office had a large degree of control over education. At the same time, while a government agency may be able to construct factories, give grants and provide other forms of support to businesses, stimulating entrepreneurship is far more difficult. Overall, an over-reliance on FDI and manufacturing meant that the Welsh Office and its agencies did not pay sufficient attention to human capital and the service sector during the latter part of the period. By way of contrast and example, the authorities in Ireland founded a technologically-based higher education institution close to the depressed city of Limerick as early as 1972, in part to act as a focus for regeneration. This institution (later known as the University of Limerick), lies adjacent to a large business technology park developed from 1984 and has been largely successful in this aim. While such an institution is no panacea for deprived regions, a similar establishment may have had a great impact in the South Wales Valleys, or in North East Wales.

If it can be accepted that intervention was necessary and worthwhile, then the obvious question is: why did Wales remain relatively poor in 1997 after so much effort? There are at least three answers to this question. Firstly, the loss of so many relatively highly paid manufacturing jobs was so great a shock that an administration with no fiscal powers would find it exceptionally difficult to redevelop the economy. In some ways, the size of this shock meant that Wales was running up the down escalator for much of the period. This led to a range of social, educational and health related problems, which by themselves led to further economic dislocation. Secondly, Wales was unfortunate in that its period of attractiveness as an FDI location was short lived. It was similarly dependent on external investment (from the rest of the UK) prior to the 1970s, but at least the period when such factory projects were available in volume lasted some 30 years. By contrast, the peak period for FDI lasted some ten years from the early 1980s to the early 1990s, with Wales eventually losing out, mostly to lower cost locations in Eastern Europe or to the more tax-attractive Ireland. Finally, Wales proved unable to develop enough successful home-grown businesses to replace the jobs lost in the early 1980s.

Explanations for this lack of home-grown businesses generally fall into one of two categories, with either excessive government activity crowding out entrepreneurship, or the historic lack of large volumes of successful indigenous businesses leaving Wales with a 'headless' occupational structure, offering little scope for upwards mobility with the result that the academically gifted automatically gravitate towards the professions or public service. There is a great deal of truth in both viewpoints. The lack of a large volume of indigenous businesses, following on from a historic dependence on primary production, has meant that commerce has tended to have a relatively low profile, with ambitious young people often having little exposure to, or awareness of, opportunities outside the professions or the public sector. At the same time, the crowding out thesis is partially true given that the presence of large volumes of government employment will divert energies from commerce. However, a sudden withdrawal of such activity will not automatically cause an upsurge in private sector activity from such a low base, as it is more likely to lead to economic collapse, as witnessed in the early 1980s.

In relation to devolution, there is little doubt that the economic dislocation of the 1980s and its social impact was a powerful driving force behind the growing demand for a National Assembly. This was in direct contrast to the experience of the 1970s, when the existence of large-scale nationalised industries and the legacy of regional policy meant that Wales potentially had more to lose in economic terms through the loosening of central political control. A common justification for the creation of an assembly prior to 1997 was that it would be able to act as an bulwark against the imposition of decisions taken in London that were not necessarily beneficial to, or chosen by, the people of Wales. However, while the ability of the National Assembly for Wales to prevent decisions taken by Westminster being automatically implemented in Wales has been amply demonstrated in areas such as education and health, the economic case has yet to be fully demonstrated. For example, the Chair of the 1997 Yes Campaign, Kevin Morgan, stated in 2009 that the lack of any 'devolution dividend' in economic terms was 'devolution's dirty little secret'.[7] In part, this has been caused by the structure of the current devolution settlement. In most settlements, devolved governments have some fiscal power, meaning that stronger growth boosts their revenues through increased tax revenues, thus incentivising a focus on growth. This is not the case in Wales. At the same time, the traditional focus of the Secretary of State on economic development was not automatically transferred to Welsh Governments. This was caused in part by the difficulty in achieving greater growth within a service-sector dominated economy, a process that led to gradual disillusionment and an increasing focus on other areas within the Assembly's remit.

Overall, there were no easy answers to relative economic decline prior to 1997. While government intervention was necessary and worthwhile given the sheer scale of economic turbulence, sustainable economic prosperity requires a combination of effective state intervention and a

[7]'Yes' Leader Reveals Devolution's Dirty Little Secret', *Western Mail*, 5 May 2009.

successful private sector, characterised by a mix of inward and indigenous investment and business creation. Interventions were often effective, but given the scale of the challenge, they were unable to chart a long-term self-sustaining growth path. Relative economic problems have worsened since the mid-1990s, with output per head in Wales declining to some 75 per cent of the UK average by 2011. As Wales gradually disconnects from the commercial economy, its tax base is weakening and it is increasingly dependent on fiscal transfers from Westminster. These serve to cushion the impact of relative decline through the creation of public sector jobs, associated supply chains and the provision of welfare benefits.

A number of lessons can be learned from the efforts of the Welsh Office and its agencies in the 1970s, 1980s and 1990s. Most importantly, if intervention is to be fully effective, it must be an over-riding priority of government, in the same way that it was viewed as such by virtually all Secretaries of State prior to devolution. The severity of the problem, when coupled with the complexity of growth processes, means that all resources need to be mobilised if the long-term trends of relative underperformance are to be reversed, or even stabilised. While the public sector has a crucial role to play in any economy, sustained growth cannot be wholly sourced from such activity. Greater growth can only be achieved with a more successful private sector. The creation of a more successful private sector is not necessarily in the gift of any government, but a focus on creating a more attractive business environment in terms of factors such as education, taxation, regulation and infrastructure is likely to bring positive results. Successful intervention is generally linked to areas of market demand, although the relatively low level of business creation in Wales presents a particularly difficult challenge. Within intervention, there is a clear role for agencies such as the WDA, merged into the Welsh Government's civil service in 2006, since their governance structure means that they are able to bridge the cultural gap between the public and private sectors. This helps to ensure intervention that is both timelier and more effective. However, it is important not to place unrealistic expectations on such organisations, as they can only be a relatively small part of a much broader government-led drive for growth. In addition, the debate regarding the merits of inward versus indigenous investment is unhelpful. A number of high profile closures such as LG have harmed the image of FDI. However, indigenous businesses are often just as likely to close, the difference being that their generally smaller size means that headlines are not generated. Whilst the importance of FDI may have been overstated in the 1980s and 1990s, an economy needs both types of investment to be successful. Finally, there is also a need to ensure that all interventions are subject to rigorous and, where possible, comparable evaluations to identify and quantify their effectiveness and impact. These encourage effective interventions as well as discouraging those most likely to have a limited impact.

Overall, while the economic problems faced today may not be as physically obvious as in the past, relative decline and its social consequences remain the most important issues facing contemporary Wales. There are no quick fixes to these issues, as successful remedies would need to see the reversing of processes that have become deeply embedded in the Welsh economy. However, Wales has acted as a laboratory for intervention in the past. This means that much can be learned from the successes and failures of such interventions, while there is no reason why Wales must remain permanently blighted by economic problems.

Annex 1: Secretaries of State for Wales

Secretary of State	**Party**	**Period in office**
John Morris	Labour	5 March 1974–5 May 1979
Nicolas Edwards	Conservative	5 May 1979–13 June 1987
Peter Walker	Conservative	13 June 1987–4 May 1990
David Hunt	Conservative	4 May 1990–28 May 1993
John Redwood	Conservative	28 May 1993–26 June 1995
David Hunt	Conservative	26 June 1995–5 July 1995
William Hague	Conservative	5 July 1995–3 May 1997

Annex 2: Interview subjects, consent form and example of questions

2.1: Subjects

2.2: Consent form

2.3: Example of interview questions

2.1: Subjects (and selected career positions)

Secretaries of State for Wales

1. Lord Morris (1974-1979)
2. Lord Crickhowell (1979-1987)
3. Ron Davies (1997-1999)

Politicians

4. Rhodri Morgan: Industrial Development Officer at South Glamorgan County Council (1974–1980), Head of the European Community's office in Wales (1980-1987), then MP for Cardiff West (1987-2001), Front Bench Spokesman on Welsh Affairs (1992-1997), subsequently First Minister of Wales (2001-2009).

5. Dafydd Wigley: MP for Caernarfon (1974-2001), Plaid Cymru President (1980-1984, 1991-2000)
6. Dr Eurfyl ap Gwilym: Plaid Cymru Director of Research (1973-1977), National Chairman (1977-1981)

Welsh Development Agency

7. David Waterstone: Chief Executive (1983-1990)
8. Ian Rooks: Property Development Director, Director of Property, Executive Director, Marketing (1983–1994) (following Planning Officer positions at Gwent County Council)
9. Gwyn Griffiths OBE: Executive Director, Land Reclamation (1980s-1990s)
10. Ian Courtney: Business Planning Officer (late 1980s-early 1990s)
11. Professor Brian Morgan: Chief Economist (1991-1997)
12. Professor Garel Rhys: Board Member (1994-1998)

Cardiff Bay Development Corporation, Land Authority for Wales

13. Sir Geoffrey Inkin: CBDC Chairman (1987-2000), LAW Chairman (1987-1998), Cwmbran Development Corporation Chairman (1983-1987), WDA Board Member (1984-1987)

Development Board for Rural Wales, Wales Tourist Board

14. Glyn Davies: DBRW Chairman (1989-1994), WDA Board Member (1989-1994), Wales Tourist Board Member, (previously Chairman of Montgomeryshire District Council 1985-89)

South Glamorgan County Council

15. Paddy Kitson: Chair of the Economic Development Committee, Cardiff Bay Development Corporation Board M ember (late 1980s)
16. Roger Beaumont: Director of Economic Development (untill 1993)
17. Ewart Parkinson: Director of Environment and Planning (1974-1985), President of the Royal Town Planning Institute (1975-76) (Cardiff City Planning Officer from 1964)

Welsh Office

18. Dr Jim Driscoll: Regional Director at British Steel (Industry) (1980-1982), Advisor to Nicholas Edwards, Under Secretary at Welsh Office Industry Department (1982-1985), Coopers and Lybrand (Partner from 1990)
19. Alan Jones: Industry Department Case Officer (c. early 1990s)
20. John Sweet: Industry Department Case Officer (c. early 1990s)

Coopers and Lybrand

21. Ken Poole: Director, Economic Development and Inward Investment (1989-2010) (following roles in planning and economic development at South Glamorgan County Council)

Journalism

22. John Osmond (*Western Mail* Welsh Affairs Editor, 1970s, Deputy Editor, Wales on Sunday, (1988-1990), Director of the Institute of Welsh Affairs (1996-2013)

2.2: Consent form

Consent form

Interview–in relation to a PhD thesis on 'Government intervention in the Welsh economy between 1974 and 1997'.

Carried out by Leon Gooberman of Cardiff University (GoobermanLM@cardiff.ac.uk)

I understand that this interview will be recorded and is intended to be published in whole or in part in a PhD thesis and in any future books or articles.

Name of interviewee: ....

Date of interview: ....

Signature of interviewee: ....

If you have concerns about how this research has been conducted, the Cardiff University School of History, Archaeology and Religion Research Ethics Officer is Dr Paul Nicholson (NicholsonPT@cardiff.ac.uk).

2.3: Example of interview questions

Introduction

1: CV positions prior to 1997.

2: What were the main challenges facing the Welsh economy in the 1980s and 1990s?

The Welsh Office

3: How did Welsh Office economic policies and activities develop under different Secretaries of State?

4: How different were Welsh Office economic policies and activities to those being carried out elsewhere in the UK?

The WDA

5: What were the overall aims of the WDA throughout the period prior to 1997?

6: How did the property and site development activities of the WDA change and develop over time?

7: What accounts for the success of the WDA in attracting FDI in the late 1980s and early 1990s?

8: What was 'Team Wales' and how did it work?

9: The WDA (and the Welsh Office) has been accused of having *'placed too much of a focus'* on FDI in the 1980s and beyond, and not enough on indigenous companies. Is there any substance to this criticism?

10: What accounts for the criticism directed at the agency in the late 1980s and 1990s?

Overall

11: In general terms, how effective were all these interventions?

12: What could the Welsh economy have looked like in the absence of such interventions?

Annex 3: Regional data tables

Table A3.1: Regional GDP and GVA per capita as a percentage of the UK average, 1974 to 1997 (ranking).

Region	1974	1976	1978	1980	1982	1984	1986	1988	1990	1992	1994	1997
East Anglia	94.3 (8)	96.0 (7)	95.4 (5)	96.6 (4)	97.7 (4)	102.9 (3)	101.5 (3)	100.3 (3)	101.5 (3)	101.8 (3)	101.1 (3)	94.7 (4)
East Midlands	96.9 (=4)	96.7 (5)	95.3 (6)	97.0 (3)	100.1 (3)	98.5 (4)	98.3 (4)	97.0 (4)	97.0 (4)	97.1 (5)	96.6 (5)	92.7 (5)
London	123.5 (1)	124.8 (1)	125.9 (1)	127.9 (1)	121.9 (1)	120.9 (1)	123.1 (1)	124.5 (1)	124.1 (1)	124.4 (1)	124.3 (1)	156.5 (1)
N. Ireland	79.1 (12)	80.8 (12)	78.3 (12)	78.3 (12)	79.4 (12)	80.7 (12)	79.4 (12)	76.8 (12)	78 (12)	81.7 (12)	81.6 (12)	79.0 (12)
North	92.4 (10)	95.7 (8)	91.9 (9)	92.4 (10)	95.1 (8)	92.2 (9)	90.1 (10)	89.1 (10)	88 (10)	89.7 (9)	88.1 (10)	80.3 (=10)
Northwest	96.9 (=4)	96.3 (6)	97.9 (4)	96.2 (5)	95.6 (7)	94.8 (7)	94.1 (8)	93.2 (7)	90.6 (9)	89.7 (10)	90.6 (8)	88.7 (9)
Scotland	95.9 (6)	98.4 (4)	94.9 (7)	94.4 (6)	96.1 (=5)	96.3 (5)	94.6 (6)	93.8 (6)	96.1 (5)	98.9 (4)	99.1 (4)	97.3 (3)
South East	104.6 (2)	103.0 (2)	106.5 (2)	108.1 (2)	107.5 (2)	110.5 (2)	110.6 (2)	112.7 (2)	112.9 (2)	111.2 (2)	112.5 (2)	103.8 (2)
Southwest	93.5 (9)	91.2 (10)	90.5 (10)	92.8 (9)	94.7 (9)	95.1 (6)	94.4 (7)	94.3 (5)	94.6 (6)	95.9 (6)	94.7 (6)	92.3 (6)
Wales	**82.8 (11)**	**87.2 (11)**	**85.3 (11)**	**84.2 (11)**	**87.9 (11)**	**86 (11)**	**85.6 (11)**	**87.1 (11)**	**86.0 (11)**	**83.7 (11)**	**83.5 (11)**	**80.3 (=10)**
West Midlands	100.9 (3)	98.5 (3)	98.2 (3)	93.2 (7)	90.6 (10)	90.9 (10)	91.4 (9)	92.1 (8)	93.5 (7)	93.4 (7)	93.2 (7)	92.1 (7)
Yorkshire and Humberside	94.9 (7)	94.1 (9)	94.1 (8)	93.1 (8)	96.1 (=5)	92.6 (8)	94.8 (5)	91.8 (9)	91.3 (8)	90.7 (8)	89.6 (9)	88.9 (8)

Note: GDP data for 1974 to 1994. GVA data for 1997.

Source: Office for National Statistics.

Table A3.2: VAT registrations, 1980 to 1997.

	VAT registrations per 10,000 people (ranked)								
Date	**1980**	**1982**	**1984**	**1986**	**1988**	**1990**	**1992**	**1994**	**1997**
East Anglia	31.8 (3)	32.4 (3)	34.4 (4)	36.9 (4)	47.6 (4)	41.2 (4)	30.9 (4)	28.3 (4)	30.8 (4)
East Midlands	28.0 (5)	29.3 (6)	30.5 (5)	31.5 (5)	40.9 (5)	38.5 (5)	30 (5)	26.3 (11)	27.7 (5)
London	39.2 (1)	41.9 (1)	49.3 (1)	51.9 (1)	62.2 (1)	60.9 (1)	47.4 (1)	44.9 (1)	50.2 (1)
North West	25.5 (9)	28.0 (8)	29.6 (7)	28.7 (7)	35.2 (9)	38.1 (9)	30.2 (9)	24 (12)	26.1 (7)
Northern	19.5 (12)	20.6 (12)	21.9 (12)	22.5 (11)	28.3 (11)	27.0 (11)	20.1 (11)	18.1 (10)	17.3 (12)
Northern Ireland	24.6 (10)	23.8 (10)	22.5 (11)	20.9 (12)	24.2 (12)	26.6 (12)	22.8 (12)	20.9 (8)	23.4 (10)
Scotland	20.4 (11)	20.8 (11)	23.4 (10)	25.5 (10)	29.5 (10)	31.9 (10)	24.9 (10)	22.2 (7)	24.2 (8)
South East	30.8 (4)	31.6 (4)	37.0 (2)	39.9 (2)	52.9 (2)	50.9 (2)	39.0 (2)	34.3 (2)	38.1 (2)
South West	32.5 (2)	33.0 (2)	36.0 (3)	39.0 (3)	51.3 (3)	43.5 (3)	33.1 (3)	30.6 (3)	33.0 (3)
Wales	**26.5 (7)**	**28.6 (7)**	**28.3 (8)**	**28.2 (9)**	**38.1 (6)**	**35.5 (6)**	**26.1 (6)**	**19.3 (9)**	**18.2 (11)**
West Midlands	27.7 (6)	29.7(5)	30.4 (6)	30.6 (6)	38.1 (7)	36.6 (7)	30.2 (7)	25.9 (5)	27.2 (6)
Yorkshire and Humberside	25.6 (8)	27.0 (9)	27.6 (9)	28.7 (8)	36.5 (8)	35.0 (8)	27.5 (8)	23.6 (6)	24.0 (9)

Source: Office for National Statistics [Online via NOMIS].

Table A3.3 FDI projects by UK region, 1979-90 to 1996-97.

	Number of FDI projects (regional ranking)									
Region	**1979-80**	**1981-82**	**1983-84**	**1985-86**	**1987-88**	**1989-90**	**1991-92**	**1993-94**	**1995-96**	**1996-97**
East	...	...	...	...	2 (11)	3 (7)	11 (8)	14 (10)	16 (11)	9 (12)
East Midlands	15 (6)	8 (=5)	12 (5)	23 (6)	12 (9)	13 (9)	5 (9)	22 (7)	21 (10)	23 (11)
Greater London	...	...	...	...	...	...	...	...	22 (9)	40 (7)
Northeast	21 (4)	14 (4)	20 (3)	26 (5)	22 (7)	39 (4)	39 (4)	38 (5)	62 (3)	46 (3)
Northern Ireland	18 (=5)	15 (=3)	11 (6)	22 (7)	16 (8)	23 (6)	11 (8)	18 (9)	23 (8)	24 (10)
Northwest	...	...	...	...	33 (5)	60 (3)	75 (1)	34 (6)	37 (7)	46 (4)
South East	23 (3)	15 (=3)	9 (8)	94 (1)	59 (3)	15 (8)	29 (6)	20 (8)	49 (5)	46 (5)
Scotland	28 (1)	28 (1)	49 (1)	52 (3)	56 (4)	35 (5)	38 (5)	87 (2)	71 (2)	76 (1)
Southwest	13 (7)	8 (=5)	9 (8)	19 (8)	11 (10)	6 (6)	9 (8)	12 (11)	12 (12)	30 (9)
Wales	**18 (=5)**	**20 (2)**	**31 (2)**	**47 (4)**	**61 (2)**	**66 (2)**	**71 (2)**	**64 (3)**	**53 (4)**	**45 (6)**
West Midlands	11 (8)	7 (6)	13 (4)	83 (2)	64 (1)	95 (1)	47 (3)	84 (1)	76 (1)	76 (2)
Yorkshire and Humberside	27 (2)	6 (7)	10 (7)	15 (9)	27 (6)	19 (7)	17 (7)	40 (4)	46 (6)	36 (8)

Note: ... data not available.

Source: Department for Trade and Industry FDI project announcements database.

Table A3.4: Jobs created or safeguarded by FDI projects by UK region, 1979-80 to 1996-97.

	Number of new and safeguarded jobs (regional ranking)									
Region	**1979-80**	**1981-82**	**1983-84**	**1985-86**	**1987-88**	**1989-90**	**1991-92**	**1993-94**	**1995-96**	**1996-97**
East	...	...	...	...	51 (11)	320 (11)	4,801 (6)	1,713 (10)	2,253 (11)	1,395 (12)
East Midlands	1,174 (=5)	290 (8)	1,019 (7)	1,134 (8)	902 (10)	8,080 (6)	424 (11)	3,428 (8)	2,364 (10)	6,133 (8)
London	...	...	...	...	...	...	...	...	3.327 (9)	3,916 (11)
Northeast	1,466 (4)	1,021 (5)	1,786 (5)	4,486 (4)	4,005 (6)	5,407 (7)	6,166 (3)	6,237 (6)	13,508 (2)	7,618 (5)
Northern Ireland	2,794 (1)	2,429 (2)	1,740 (6)	2,078 (6)	2,712 (8)	11,395 (3)	1,096 (10)	3,631 (8)	4,451 (8)	7,205 (6)
Northwest	...	...	...	...	8,190 (4)	13,092 (2)	9,982 (2)	4,739 (7)	5,695 (7)	4,588 (10)
South East	908 (6)	967 (6)	5,703 (2)	9,945 (2)	16,559 (1)	1,330 (10)	3,393 (8)	6,866 (3)	18,475 (1)	6,531 (7)
Scotland	2,157 (2)	5,756 (1)	8,567 (1)	10,422 (1)	9,892 (3)	8,397 (5)	4,775 (5)	12,274 (2)	11,605 (3)	11,997 (3)
Southwest	1,938 (3)	2,199 (3)	909 (8)	2,077 (7)	1,158 (9)	1,538 (9)	2,980 (9)	2,177 (9)	2,210 (12)	11,232 (4)
Wales	**854 (7)**	**1,986 (4)**	**4,029 (4)**	**4,139 (5)**	**6,974 (5)**	**9,277 (4)**	**10,829 (1)**	**6,564 (4)**	**9,031 (6)**	**12,635 (2)**
West Midlands	864 (6)	425 (7)	4,380 (3)	8,271 (3)	10,699 (2)	15,778 (1)	5,648 (4)	46,439 (1)	11,501 (4)	19,701 (1)
Yorkshire and Humberside	1,176 (=5)	167 (9)	847 (9)	5,265 (4)	2,913 (7)	3,358 (8)	3,462 (7)	6,327 (5)	9,531 (5)	5,390 (9)

Note:... data not available.

Source: Department for Trade and Industry FDI Project Announcements Database.

Table A3.5: Full time male gross weekly earnings by UK region, 1974 to 1997.

	(£) (ranking)											
Region	**1974**	**1976**	**1977**	**1980**	**1982**	**1984**	**1986**	**1988**	**1990**	**1992**	**1994**	**1997**
East Midlands	44.7 (10)	67.3 (9)	74.5 (9)	117.8 (9)	144.3 (9)	164.6 (11)	190.9 (10)	222.5 (10)	269.7 (7)	306.1 (10)	325.0 (10)	369.2 (8)
East	44.6 (11)	66.4 (11)	72.6 (11)	116.0 (10)	145.0 (8)	166.9 (8)	195.1 (5)	229.6 (5)	281.1 (3)	321.4 (4)	334.8 (7)	399.3 (3)
London	54.9 (1)	82.2 (1)	89.4 (1)	143.8 (1)	183.0 (1)	214.7 (1)	255.0 (1)	312.8 (1)	383.1 (1)	434.4 (1)	467.3 (1)	541.3 (1)
North East	46.2 (5)	71.4 (4)	77.5 (4)	120.2 (5)	148.8 (4)	167.5 (5)	192.7 (9)	223.8 (9)	265.2 (10)	314.3 (7)	327.8 (9)	360.1 (11)
North West	46.4 (4)	70.3 (5)	76.8 (5)	120.8 (4)	148.2 (5)	171.9 (4)	198.4 (4)	231.1 (4)	274.7 (6)	320.1 (5)	343.9 (=3)	387.4 (4)
Scotland	46.0 (7)	71.6 (3)	78.3 (3)	123.1 (3)	154.5 (3)	178.7 (3)	201.3 (3)	233.3 (3)	276.4 (5)	324.6 (3)	335.6 (6)	378.0 (6)
South East	47.9 (2)	71.7 (2)	78.8 (2)	125.7 (2)	156.0 (2)	182.3 (2)	212.8 (2)	255.8 (2)	310.6 (2)	355.0 (2)	380.0 (2)	428.3 (2)
South West	44.9 (9)	67.2 (10)	73.4 (10)	115.9 (11)	143.2 (11)	166.1 (9)	193.1 (8)	227.6 (6)	277.3 (4)	315.2 (6)	343.9 (=3)	382.4 (5)
Wales	**46.2 (6)**	**69.8 (6)**	**76.5 (6)**	**119.1 (6)**	**146.9 (6)**	**165.8 (10)**	**190.5 (11)**	**217.8 (11)**	**258.6 (11)**	**299.2 (11)**	**320.9 (11)**	**363.5 (10)**
West Midlands	47.5 (3)	68.9 (=7)	76.3 (7)	118.2 (8)	143.7 (10)	167.0 (7)	193.9 (6)	225.8 (7)	269.3 (8)	312.1 (8)	336.2 (5)	375.4 (7)
Yorks & Humber	45.1 (8)	68.9 (=7)	75.4 (8)	118.6 (7)	146.8 (7)	167.4 (6)	193.2 (7)	224.1 (8)	266.9 (9)	307.5 (9)	329.5 (8)	363.9 (9)

Source: New Earnings Survey, various editions.

Table A3.6: Full time female gross weekly earnings by UK region, 1974 to 1997.

	(£) (ranking)											
Region	**1974**	**1976**	**1977**	**1980**	**1982**	**1984**	**1986**	**1988**	**1990**	**1992**	**1994**	**1997**
East Midlands	25.6 (7)	42.9 (9)	47.2 (11)	72.3 (11)	90.8 (11)	106.9 (11)	136.3 (5)	145.3 (11)	181.6 (7)	215.9 (11)	230.5 (11)	260.3 (11)
East	25.0 (10)	43.4 (9)	48.4 (9)	74.5 (9)	93.9 (5)	110.3 (6)	135.7 (7)	150.3 (7)	185.6 (6)	221.8 (6)	241.6 (6)	295.0 (3)
London	27.0 (2)	53.5 (1)	58.5 (1)	93.6 (1)	118.9 (1)	142.8 (1)	175.8 (1)	208.2 (1)	258.9 (1)	367.8 (1)	336.5 (1)	386.3 (1)
North East	25.5 (9)	45.0 (4)	49.6 (4)	76.5 (3)	93.0 (8)	110.3 (7)	136.1 (6)	148.8 (10)	180.2 (11)	220.6 (7)	237.0 (9)	269.0 (7)
North West	25.6 (8)	44.4 (7)	49.4 (6)	75.3 (6)	94.8 (4)	112.1 (3)	138.0 (4)	153.2 (3)	186.9 (5)	224.0 (4)	243.6 (5)	275.8 (4)
Scotland	25.7 (4)	44.6 (6)	48.9 (8)	74.7 (8)	95.0 (3)	111.1 (4)	139.1 (3)	152.2 (4)	187.2 (4)	221.9 (5)	244.1 (4)	272.4 (6)
South East	31.9 (1)	45.9 (2)	50.7 (2)	79.0 (2)	99.4 (2)	117.5 (2)	145.0 (2)	167.3 (2)	207.0 (2)	246.9 (2)	268.0 (2)	306.5 (2)
South West	25.7 (6)	44.4 (8)	49.6 (5)	75.2 (7)	93.5 (6)	110.2 (9)	135.6 (8)	152.2 (5)	188.2 (3)	225.0 (3)	245.4 (3)	274.0 (5)
Wales	**25.7 (5)**	**45.5 (3)**	**50.2 (3)**	**75.4 (4)**	**92.6 (9)**	**111.1 (5)**	**134.1 (11)**	**150.3 (8)**	**180.3 (10)**	**218.7 (8)**	**239.0 (7)**	**269.0 (8)**
West Midlands	26.0 (3)	44.8 (5)	49.2 (7)	75.4 (5)	93.4 (7)	110.3 (8)	134.8 (10)	148.9 (9)	181.1 (9)	216.8 (10)	236.5 (10)	268.5 (10)
Yorks & Humber	24.8 (11)	43.3 (10)	47.9 (10)	73.4 (10)	92.3 (10)	107.7 (10)	135.3 (9)	150.6 (6)	181.2 (8)	218.1 (9)	238.4 (8)	268.9 (9)

Source: New Earnings Survey, various editions.

Table A3.7: Regional disposable income as a percentage of the UK average, 1974 to 1997.

	Personal disposable income per head 1974-1988 (rank), Disposable household income per head 1990-1997 (rank)											
Region	**1974**	**1976**	**1978**	**1980**	**1982**	**1984**	**1986**	**1988**	**1990**	**1992**	**1994**	**1997**
East	94.4 (8)	94.5 (9)	97.3 (6)	96.8 (5)	95.3 (8)	97.0 (5)	100.0 (3)	96.1 (5)	108.8 (3)	106.9 (3)	106.5 (3)	110.3 (3)
East Midlands	96.7 (6)	94.6 (8)	98.1 (4)	100.3 (5)	97.7 (4)	97.7 (4)	96.4 (5)	93.9 (6)	93.9 (6)	93.7 (7)	94.0 (6)	94.9 (5)
London	118.6 (1)	122.8 (1)	116.8 (1)	120.6 (1)	121.2 (1)	124.8 (1)	120.0 (1)	114.8 (=1)	125.7 (1)	119.4 (1)	120.5 (1)	117.9 (1)
North East	90.5 (10)	94.3 (10)	94.9 (10)	94.5 (8)	96.2 (6)	90.0 (9)	93.7 (9)	91.0 (9)	83.1 (11)	88.1 (=10)	86.5 (12)	85.9 (12)
North West	97.6 (5)	97.5 (5)	97.4 (5)	94.9 (7)	96.2 (7)	96.4 (6)	94.1 (8)	93.0 (8)	92.4 (7)	93.5 (8)	92.8 (8)	92.5 (6)
Northern Ireland	79.0 (12)	81.5 (12)	81.1 (12)	78.5 (12)	86.3 (12)	86.3 (12)	76.3 (12)	84.3 (12)	82.9 (12)	85.5 (12)	88.5 (10)	90.0 (10)
Scotland	94.0 (9)	98.4 (4)	95.9 (8)	95.0 (6)	97.2 (5)	96.3 (7)	94.6 (7)	97.3 (4)	95.9 (5)	98.4 (5)	96.5 (5)	92.1 (8)
South East	106.7 (2)	100.3 (2)	104.2 (2)	106.0 (2)	104.2 (2)	107.1 (2)	108.2 (2)	114.8 (=1)	111.5 (2)	108.6 (2)	111 (2)	112.3 (2)
South West	98.6 (4)	96.7 (6)	98.7 (3)	99.1 (4)	99.7 (3)	99.1 (3)	99.6 (4)	102.9 (3)	100.2 (4)	100.9 (4)	98.8 (4)	101.5 (4)
Wales	**87.7 (11)**	**92.6 (11)**	**94.8 (11)**	**92.7 (11)**	**90.6 (11)**	**87.2 (11)**	**89 (11)**	**86.3 (11)**	**84.3 (10)**	**88.1 (=10)**	**87.5 (11)**	**87.4 (11)**
West Midlands	99.7 (3)	99.2 (3)	96.6 (7)	93.7 (9)	92.1 (10)	92.7 (8)	93.1 (10)	89.9 (10)	91.3 (8)	94.1 (6)	93.5 (7)	91.9 (9)
Yorkshire and the Humber	94.7 (7)	95.1 (7)	95.0 (9)	93.6 (10)	94.4 (9)	88.8 (10)	95.1 (6)	93.0 (7)	89.9 (9)	91.7 (9)	92.1 (9)	92.2 (7)

Note: London and the South East 1988 data available on a combined basis.

Source: Regional Trends, various editions.

Table A3.8: Regional claimant count unemployment, 1974 to 1997 (ranking).

Region	1974	1976	1978	1980	1982	1984	1986	1988	1990	1992	1994	1997
East	1.3 (3)	3.1 (2)	3.0 (3)	3.2 (3)	6.7 (3)	7.3 (2)	7.8 (2)	4.6 (2)	3.3 (11)	8.1 (2)	7.6 (2)	4.0 (1)
East Midlands	1.7 (4)	3.2 (4)	3.4 (4)	4.2 (4)	8.0 (5)	9.3 (5)	9.4 (5)	6.7 (5)	4.8 (8)	8.5 (3)	8.3 (4)	4.6 (4)
London	1.1 (1)	3.1 (3)	2.9 (2)	3.1 (2)	6.4 (2)	7.8 (3)	8.6 (3)	6.2 (4)	4.7 (9)	9.9 (10)	10.1 (10)	6.3 (10)
North East	3.6 (11)	5.4 (11)	6.5 (11)	8.0 (11)	13.5 (11)	15.4 (11)	15.6 (11)	12.3 (11)	9.1 (2)	11.3 (11)	11.7 (11)	7.9 (11)
Northern Ireland	4.2 (12)	7.0 (12)	8.0 (12)	9.3 (12)	14.2 (12)	15.4 (12)	16.8 (12)	15.0 (12)	12.7 (1)	13.7 (12)	12.6 (12)	8.0 (12)
North West	2.5 (8)	4.7 (8)	4.8 (8)	6.0 (8)	11.2 (8)	12.6 (10)	12.7 (8)	9.5 (9)	7.0 (4)	9.8 (8)	9.3 (8)	5.7 (6)
South East	1.2 (2)	2.8 (1)	2.7 (1)	2.8 (1)	6.0 (1)	6.6 (1)	6.7 (1)	3.8 (1)	2.8 (12)	7.4 (1)	6.9 (3)	4.1 (2)
Scotland	3.1 (10)	4.8 (9)	5.6 (10)	6.6 (10)	10.7 (7)	11.9 (7)	12.7 (9)	10.6 (10)	7.7 (3)	8.9 (5)	8.7 (5)	6.0 (7)
South West	2.0 (6)	4.3 (7)	4.2 (7)	4.2 (5)	7.2 (4)	8.3 (4)	8.7 (4)	5.7 (3)	4.0 (10)	8.7 (4)	7.7 (3)	4.1 (3)
Wales	**2.9 (9)**	**4.9 (10)**	**5.3 (9)**	**6.4 (9)**	**11.4 (10)**	**12.5 (9)**	**13 (9)**	**9.4 (8)**	**6.4 (5)**	**9.5 (7)**	**8.9 (6)**	**6.1 (9)**
West Midlands	1.7 (5)	4.0 (6)	3.8 (5)	5.2 (7)	11.2 (9)	11.9 (8)	12.1 (7)	8.3 (6)	5.5 (7)	9.8 (9)	9.4 (9)	5.2 (5)
Yorkshire and Humberside	2.1 (7)	3.7 (5)	4.0 (6)	5.0 (6)	9.8 (6)	11.0 (6)	11.8 (6)	8.8 (7)	6.3 (6)	9.4 (6)	9.1 (7)	6.0 (8)

Note: 12 represents the highest unemployment rate.

Source: Office for National Statistics.

Table A3.9: Regional percentage change in employee jobs from previous year, 1975 to 1997 (ranking).

Region	1974-75	1976-77	1978-78	1979-80	1982-83	1984-85	1986-87	1988-89	1990-91	1992-93	1994-95	1996-97
East	0.9 (2)	1.3 (=2)	0.9 (=3)	-0.7 (1)	-0.6 (1)	1.0 (=3)	2.3 (3)	2.2 (4)	-3.9 (9)	-3.9 (9)	1.6 (=4)	4.9 (1)
East Midlands	0.1 (5)	1.3 (=2)	0.9 (=3)	-1.5 (4)	-1.4 (3)	2.1 (1)	1.7 (5)	2.1 (5)	-2.8 (=6)	-2.8 (=6)	0.2 (6)	2.8 (6)
North/ North East	1.7 (1)	0.1 (7)	0.8 (=5)	-3.0 (7)	-3.7 (10)	0.3 (9)	1.4 (=6)	0.6 (10)	-2.5 (5)	-2.5 (5)	-0.4 (7)	0.2 (10)
Northern Ireland	0.8 (3)	-3.0 (11)	2.2 (1)	-2.1 (=5)	-1.6 (5)	1 (=3)	1.2 (=9)	1.5 (7)	-0.2 (2)	-0.2 (2)	2.5 (1)	3.4 (=4)
North West	-1.0 (10)	0.3 (6)	0.5 (10)	-2.3 (6)	-3.6 (=9)	0.4 (8)	1.4 (=6)	1.2 (9)	-2.3 (4)	-2.3 (4)	-0.4 (7)	2.3 (7)
South East	-0.7 (9)	-0.3 (9)	0.8 (=5)	-1.1 (3)	-1.5 (4)	0.6 (6)	2.0 (4)	-0.1 (11)	-4.7 (11)	-4.7 (11)	2.3 (2)	3.5 (3)
Scotland	-0.4 (8)	0.0 (8)	0.6 (=8)	-2.1 (=5)	-2.6 (7)	0.2 (10)	0.2 (11)	1.4 (8)	0.5 (1)	0.5 (1)	-0.9 (=10)	-0.1 (11)
South West	0.3 (4)	1.9 (1)	1.7 (2)	-0.8 (1)	-1.0 (2)	1.2 (2)	2.4 (2)	2.8 (6)	-2.8 (=6)	-2.8 (=6)	2.0 (3)	3.6 (2)
Wales	**-0.3 (=6)**	**-0.8 (10)**	**0.6 (=8)**	**-3.5 (11)**	**-3.6 (=9)**	**1.0 (=3)**	**3.5 (1)**	**2.0 (6)**	**-1.6 (3)**	**-1.6 (3)**	**-0.8 (9)**	**0.9 (9)**
West Midlands	-1.6 (11)	0.7 (5)	-0.3 (11)	-2.3 (8)	-3.3 (8)	0.1 (11)	0.8 (10)	3.0 (2)	-4.1 (10)	-4.1 (10)	1.6 (=4)	1.1 (8)
Yorks and Humberside	-0.3 (=6)	1.2 (4)	0.7 (7)	-2.4 (9)	-2.3 (5)	0.5 (7)	1.2 (8)	3.8 (1)	-2.9 (8)	-2.9 (8)	-0.9 (=10)	3.4 (=4)

Note: Data discontinuities mean that 1982-83 used instead of 1981-82.

Source: Regional Trends, various editions; ONS [online via NOMIS].

Annex 4: Activity tables

Table A4.1: Regional aid, Wales, 1974-75 to 1996-97.

Year	Regional Employment Premium (a) (£m 2011-12 prices)	Regional Development Grant 1 (payments) (£m 2011-12 prices)			Regional Development Grant 2 (payments) (£m 2011-12 prices)	Regional Selective Assistance (section 7)				Regional Selective Assistance (section 8)			Regional Enterprise Grants	
		Plant and machinery	Building and works	Total		Number of grant offers	Value of grant offers (£m 2011-12 prices)	Estimated total project costs (£m 2011-12 prices)	Forecast jobs associated with offers	Number of offers	Value of offers (£m 2011-12 prices)	Total project costs (£m 2011-12 prices)	Number of grant offers accepted	Payments (£m 2011-12 prices)
1974-75	160.2	186.6	48.0	234.6	…	133	81.6	805.5	12,745	…	…	…	…	…
1975-76	180.0	209.9	63.3	273.2	…	111	93.5	731.7	9,632	3	13.1	90.6	…	…
1976-77	163.4	253.5	65.0	318.5	…	90	58.3	622.6	8,033	14	2.3	11.7	…	…
1977-78	…	255.8	60.7	316.4	…	149	29.0	348.8	8,445	23	5.9	60.2	…	…
1978-79	…	234.6	54.7	289.3	…	191	58.3	941.4	10,756	26	3.8	23.5	…	…
1979-80	…	140.0	36.1	176.1	…	164	72.3	641.5	13,046	11	8.4	26.4	…	…
1980-81	…	261.1	42.9	304.0	…	97	69.8	763.9	11,110	55	2.2	14.7	…	…
1981-82	…	268.6	59.0	327.6	…	146	59.1	583.8	12,696	15	4.0	23.6	…	…
1982-83	…	233.9	71.0	305.0	…	177	64.5	823.8	11,558	66	6.4	25.9	…	…
1983-84	…	163.2	10.3	173.6	…	265	124.5	1,090.1	20,433	588	17.4	62.0	…	…
1984-85	…	177.2	35.0	212.2	…	175	87.7	788.0	14,170	…	…	…	…	…
1985-86	…	148.5	26.1	174.5	8.9	138	104.0	820.5	12,683	…	…	…	…	…
1986-87	…	119.6	24.3	143.8	44.0	136	77.1	716.1	9,685	…	…	…	…	…
1987-88	…	37.9	7.8	45.7	61.3	137	74.0	664.8	10,852	…	…	…	…	…
1988-89	…	21.3	4.3	25.6	84.7	178	152.5	1,953.1	14,845	…	…	…	166	0.4
1989-90	…	4.1	0.9	4.9	47.4	190	108.9	788.4	11,661	…	…	…	…	…
1990-91	…	2.8	0.5	3.3	33.0	201	131.0	709.4	12,371	…	…	…	225	2.5
1991-92	…	1.1	0.2	1.2	21.6	201	120.2	974.2	13,340	…	…	…	143	2.2
1992-93	…	1.4	0.3	1.7	7.0	193	110.4	707.1	12,518	…	…	…	163	1.7
1993-94	…	…	…	…	6.9	192	141.0	797.4	13,248	…	…	…	144	2.3
1994-95	…	…	…	…	…	173	55.8	381.7	6,517	…	…	…	…	…
1995-96	…	…	…	…	…	177	83.9	799.7	10,038	…	…	…	…	…
1996-97	…	…	…	…	…	180	147.3	1,522.4	16,874	…	…	…	76	1.2

Sources: Welsh Economic Trends (various editions); own calculations.

Table A4.2: WDA activity indicators, 1976-77 to 1989-90.

Year	Number of employees	Factory completions (000's sq. ft.)	Total WDA factory space (000's sq. ft.)	Employment in WDA factories (people)	Total WDA funds committed as investment (£m 2011-12 prices)	New investment approved (£m 2011-12 prices)	Land reclaimed (acres)
1976-77	391	732	17,367	…	…	…	…
1977-78	434	512	15,064	…	51.1	…	415
1978-79	473	535	15,602	…	79.6	…	1,433
1979-80	472	925	…	…	76.1	…	934
1980-81	497	664	…	…	46.7	…	852
1981-82	502	2,475	19,691	…	42.6	…	331
1982-83	506	1,151	19,906	…	54.5	…	487
1983-84	499	779	20,121	…	58.4	…	195
1984-85	441	306	19,368	43,402	…	32.5	650
1985-86	436	413	18,722	43,803	…	16.1	679
1986-87	470	425	18,093	46,853	…	11.0	212
1987-88	493	829	18,830	47,432	…	16.8	1,028
1988-89	511	1,015	19,207	50,652	…	18.1	1,751
1989-90	526	1,545	20,207	47,426	…	13.6	990

Sources: WDA Annual Reports (various editions); own calculations.

Table A4.3: WDA activity indicators, 1990-91 to 1996-97.

Year	Number of employees	Jobs created/ safeguarded (all WDA activity)	Jobs created/ safeguarded (FDI)	Private capital investment (2011-12 prices) (£ million)	Business secured for Welsh customers (£m 2011-12 prices)	Land reclaimed (acres)
1990-91	472	…	15,000	…	…	990
1991-92	478	…	17,000	…	…	1,857
1992-93	458	…	13,800	…	…	1,116
1993-94	442	…	13,900	…	…	…
1994-95	364	…	7,316	…	…	1,344
1995-96	341	15,230	12,273	732	…	988
1996-97	365	32,858	15,118	3,071	60	991

Sources: WDA Annual Reports (various editions); own calculations.

Table A4.4: DBRW activity indicators, 1976-77 to 1996-97.

Year	Jobs created or safeguarded	Factory vacancy rate	Factory construction (000's sq. ft.)	No of factories provided (a)	Asset disposals (£m 2011-12 prices)	No. of companies/ growth firms visited	No. of companies receiving in depth advice	People completing business start-up course (b)	Business development grant and loans approved (£m 2011-12 prices)	Mid-Wales development grants approved (£m 2011-12 prices)
1976-77	…	…	…	…	…	…	…	…	…	…
1977-78	…	…	…	110	…	…	…	…	…	…
1978-79	…	…	…	150	…	…	…	…	…	…
1979-80	…	…	…	200	…	…	…	…	…	…
1980-81	…	…	…	225	…	…	…	…	…	…
1981-82	…	…	…	280	…	…	…	…	…	…
1982-83	…	…	…	310	…	…	…	…	…	…
1983-84	…	…	…	345	…	…	…	…	…	…
1984-85	…	…		390	…	…	…	…	…	1.1
1985-86	…	…	133	475	…	…	…	…	…	1.1
1986-87	…	…	250	495	…	…	…	336	…	1.5
1987-88	…	15.6	119	…	4.2	…	…	689	…	2.2
1988-89	…	6.1	97	…	3.6	100	54	550	…	2.2
1989-90	…	12.9	112	…	1.9	200	98	410	3.5	1.7
1990-91	…	17.3	104	…	1.4	100	90	600	2.9	1.2
1991-92	1,400	17.0	100	…	1.2	120	82	400	2.3	…
1992-93	1,500	17.0	52	…	1.4	793	91	763	4.2	…
1993-94	1,840	14.5	126	…	3.0	950	120	690	2.2	…
1994-95	1,490	9.7	188	…	7.3	…	…	…	…	…
1995-96	1,577	8.7	170	…	9.7	…	…	…	…	…
1996-97	1,484	6.9	204	...	6.0	...	...	...	...	...

Notes

(a) Approx. figures (cumulative), including factories sold to tenants.

(b) Approx. figures.

Sources: DBRW Annual Reports (various editions); own calculations.

Table A4.5: LAW activity indicators, 1976-77 to 1996-97.

Year	Staffing	Debt (£m 2011-12 prices) (a)	Net profit (£m 2011-12 prices)	Land acquired (acres)	Land disposed of (acres)	Estimated value of LAW land bank (£m 2011-12 prices)	Compulsory purchase orders (no.) (b)
1976-77	42	10.7	...	400	0	15.3	0
1977-78	56	21.6	...	501	227	29.9	9
1978-79	76	22.3	...	526	368	36.1	18
1979-80	69	22.4	...	630	294	50.1	2
1980-81	63	21.1	...	314	279	48.8	2
1981-82	56	20.0	...	64	115	42.6	5
1982-83	49	18.7	1.3	58	312	38.2	1
1983-84	46	...	1.7	161	181	...	0
1984-85	...	...	...	...	...	...	...
1985-86	...	...	...	...	...	...	...
1986-87	50	13.6	3.1	56	123	36.8	1
1987-88	54	14.8	1.7	175	124	70.2	1
1988-89	55	11.5	10.0	817	175	96.4	3
1989-90	45	6.7	6.2	179	83	103.2	3
1990-91	47	6.3	3.4	169	220	95.0	0
1991-92	47	5.9	3.2	512	130	89.6	0
1992-93	47	4.9	1.1	243	88	...	0
1993-94	46	4.8	1.0	591	240	...	...
1994-95	48	4.7	2.4	314	663	...	...
1995-96	48	4.6	1.9	...	889	...	...
1996-97	...	2.0	2.0	...	808	...	...

Notes

(a) Generally from government sources.

(b) Orders either made by the LAW and confirmed by the Secretary of State (SoS), or made by the LAW and not submitted to the SoS for technical reasons (1977-78 and 1978-79).

Sources: LAW Annual Reports (various editions); own calculations.

Table A4.6: CBDC activity indicators, 1992-93 to 1996-97

Year (a)	Private sector investment committed (£m 2011-12 prices)	Land reclaimed (acres)	Land disposal (acres)	Land disposal (income) (£m 2011-12 prices)	Roads built or upgraded (miles)	Housing new build (units)	Non-residential floorspace completed/ refurbished ('000s sq.ft.)	Jobs created/ in new developments	Temporary jobs	Total Jobs
1992-93	85.2	4	…	…	…	491	307	961	…	…
1993-94	89.6	12	…	…	1.7	251	144	665	…	…
1994-95	164.2	35	…	…	4.7	203	365	800	…	…
1995-96	310.8	36	20	6.5	2.2	202	640	1,620	1,310	2,930
1996-97	268.9	119	...	...	4.7	206	943	...	...	2,730

Note: Earlier data not available as CBDC was focusing on land acquisition, promoting the barrage scheme and preparing plans.

Sources: CBDC Annual Reports (various editions); own calculations.

Table A4.7: Cwmbran Development Corporation activity indicators, 1974-75 to 1986-87.

	Construction ('000s sq. ft.)		
Year	**Factories**	**Warehouses**	**Office buildings**
1974-75	169	2	0
1976-77	54	0	0
1976-77	281	60	4
1977-78	63	0	0
1978-79	57	0	11
1979-80	189	52	0
1980-81	159	0	31
1981-82	65	0	0
1982-83	433	0	0
1983-84	13	0	0
1984-85	73	0	0
1985-86	35	0	0
1986-87	103	0	0

Note: Development Corporation abolished in 1987.

Source: Philip Riden, Rebuilding a Valley, p.256.

Table A4.8: WTB activity indicators, 1985-86 to 1996-97.

Year	Grant amount (2011-2012 prices)	Full-time eqivalent jobs created/ safeguarded	No. of projects supported	Visitors to Tourist Information Centres (million)
1985-86	5.4	...	...	...
1986-87	5.1	646	145	...
1987-88	5.1	425	119	...
1988-89	7.5	584	240	...
1989-90	7.2	1,142	183	2.6
1990-91	5.6	480	170	2.7
1991-92	5.6	496	258	...
1992-93	5.7	490	489	3.3
1993-94	5.5	525	426	3.9
1994-95	4.6	402	287	4.1
1995-96	4.7	356	278	...
1996-97	4.9	566	164	...

Notes

(a) As an example of numbers employed, the Board had a complement of 125 staff in 1988-89, with a further 137 being employed on a seasonal basis.

(b) 1989-1990 jobs data include 440 recorded as having been saved at Butlin's Pwllheli through a £300,000 (£529,000 in 2011-12 prices) grant.

(c) 'Grant amount' - total amount allocated under section 4 of the 1969 Tourism Act.

5: Bibliography

5.1: Archive collections

5.2: Monographs and articles

5.3: Government publications

5.4: Newspaper articles

5.1: Archive collections

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Lord Crickhowell Papers, National Library of Wales.

Development Board for Rural Wales archives, National Library of Wales.

Welsh Office archives, National Archives.

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