

The Welsh Development Agency: activities and impact, 1976 to 2006

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INTRODUCTION

In the 1970s and 1980s, echoing events elsewhere but to a much larger extent, unemployment in Wales surged to levels not previously seen in the post-war era as the traditional industries of coal and metal manufacture declined rapidly. The post-war decline of the coal industry had previously been offset by central governments'¹ deployment of regional policies to boost manufacturing by constructing factories, awarding grants to companies investing in priority areas, and using regulatory instruments to direct industry to these areas.² However, economic turbulence throughout the UK meant that resources for regional policy were increasingly absent by the mid-1970s. From 1979 the government of Margaret Thatcher further downgraded regional policy given her ideological emphasis on reducing the level of state intervention. The lessening application of regional policy coincided with worsening economic conditions in Wales, where employment in the steel, coal and manufacturing industries fell by 124,000 people between 1979 and 1983.³

Despite central government's changing priorities, the existence of an administratively devolved Welsh Office⁴ allowed some regional assistance to continue. The primary vehicle for Welsh Office intervention from 1976 was the Welsh Development Agency (WDA). The agency's role was set out by the eponymous Act of 1975 as including: promoting Wales as a location for industrial development; providing finance to industry; promoting or assisting 'the establishment, growth, modernisation or development of an industry'; providing and

managing industrial sites and premises; and, reclaiming derelict land.⁵ A Development Board for Rural Wales was also established to exercise similar functions in mid-Wales.

The WDA was established as a statutory body with its own board because it was required to work closely with industry, a task that required different skills from those typically found in the civil service. According to John Morris, Secretary of State for Wales in the 1974-79 Labour Government, there was a need to 'go outside and bring in industry [...] set up bodies which were arm's length from the government and the civil service'.⁶ The WDA was a relatively small organisation, employing between 400 and 500 people at any one time between 1976 and 1999. However, it subsequently doubled in size to 996 people by 2003-04,⁷ due to changing priorities and the increased resources available after political devolution. The agency was funded by the Welsh Office (and the Welsh Government⁸ after 1999), supplemented by rental and sales income from its property portfolio. Annual expenditure generally rose above inflation, reaching £61.3 million in 1979-80, £93.8 million in 1987-88 and £140 million in 1998-1999 before more than doubling in the early years of devolution to £312.3 million by 2004-05.⁹

Crucially, the agency retained political support from most Secretaries of State for Wales until 1999, as they favoured the WDA's activities given the economic difficulties facing Wales.¹⁰ The exception was the mid-1990s when the less interventionist John Redwood was in post and the agency was suffering from reputational damage caused by criticism of its management culture.¹¹ After 1999 the Welsh Government was determined to address economic issues, setting ambitious growth targets and vastly increasing the WDA's resources. Despite such ambitions economic performance remained mixed, contributing to

disappointment with the agency and its merger with the Welsh Government's civil service in April 2006.

The WDA deserves study for two reasons. One is that despite the agency's scale and profile, an assessment of its activities and impact over the entirety of its 30-year lifespan is not present in the literature.¹² The other is that the decision by the Welsh Government to merge the WDA remains controversial. Calls are occasionally made by politicians and commentators for its reinstatement, meaning that a review of the agency's achievements is timely.

This chapter asks: what impact did the agency's activities have on economic and social development in Wales during its thirty year existence, and what legacy did it leave for the future? It draws on: the WDA's board papers as available from the UK's National Archives; contemporary documentation including newspapers and official publications; and interviews with former agency staff and politicians, to argue that the picture is somewhat mixed. The WDA's initial interventions did generate some success and create employment through encouraging foreign inward investment, establishing industrial premises and trading estates, and encouraging business start-ups and fostering their longer-term development. In particular, the WDA managed a comprehensive programme of land reclamation and the regeneration of many cities, towns and villages, transforming the environment for much of the population. However, the agency was less successful in encouraging a shift away from reliance on manufacturing towards the service sector, and its overall effectiveness declined from the mid-1990s.

1: INDUSTRIAL PROPERTY

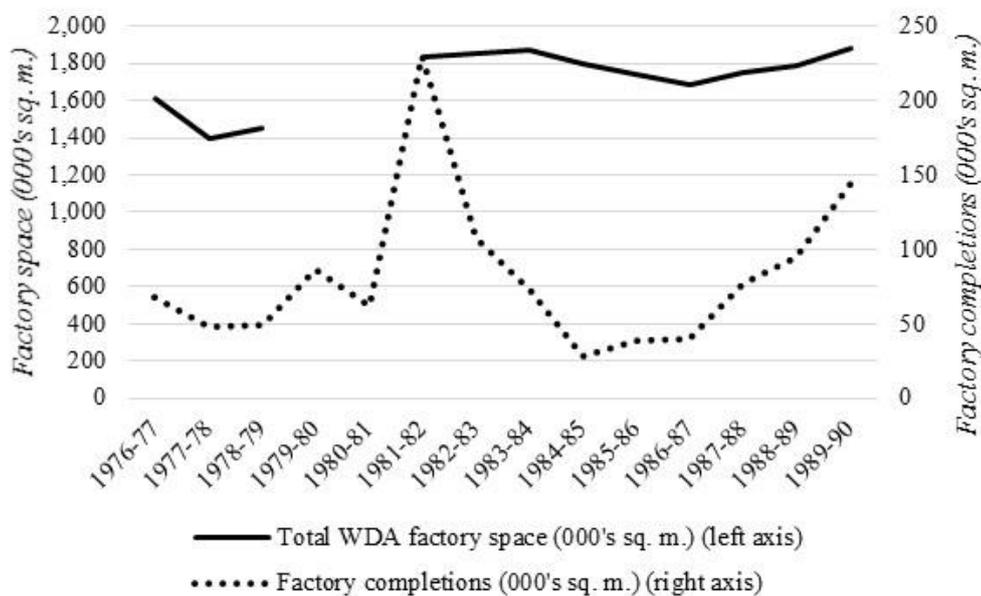
Economic regeneration policies of central government throughout the post-war era prioritised the construction of factories on new industrial estates. By 1976 the state-owned Welsh Industrial Estates Corporation and its predecessors had constructed some 1.4 million sq. m. of floor space across seven industrial estates and 168 other sites.¹³ The largest estates were at Treforest, Hirwaun, Waterton (Bridgend), Swansea and Wrexham. All were transferred to the WDA in 1976 and the agency initiated a large-scale construction effort. Between the start of 1977 and March 1979 seven construction programmes were announced involving 499 factories covering some 0.2 million sq. m. These buildings were known as ‘advance factories’ as they were constructed without confirmed tenants before being marketed to potential occupiers. Factories were developed throughout Wales although 68 were located in Ebbw Vale and south Cardiff, both affected by the closure or part-closure of steel plants.¹⁴ Due to the lack of space in the congested valleys, large estates were constructed in the unlikely locations of Rassau and Tafarnaubach, bleak and windswept sites high above Ebbw Vale.¹⁵ By 1979, 58,900 people were employed on industrial estates or factories owned by the agency across 1.47 million sq. m. of floor space.¹⁶

Activity increased again after the election of Margaret Thatcher in 1979 as the WDA desperately sought to create jobs against the backdrop of deep industrial recession and the brutal rationalisation of the steel industry in Wales and elsewhere. While the construction of advance factories was common throughout many parts of the UK, the influence of the Welsh Office enabled more factories to be built in Wales than was the case in English regions.¹⁷ Between December 1979 and March 1980 the WDA announced the construction of 356 factories, comprising some 0.2 million sq. m. of floor space. The scale of construction meant

that 64 factories were completed over one two-month period in mid-1982,¹⁸ but many were impossible to let given that manufacturing throughout the UK was struggling to an unexpected extent. High vacancy levels spurred a change in emphasis and the agency's first corporate plan in 1984 marked 'the end of the period when the majority of the agency's resources were devoted to providing factories in advance of need'.¹⁹

The volume of factories built then dropped drastically, from c.230,000 sq. m. in 1981-82 to c.28,000 sq. m. by 1984-85 (see Graph 1), although increasing levels of overseas investment led to subsequent increases as factories were built to attract and house those investors. Also, factories tended to be built in locations more attractive to investors, which meant a shift in focus from the south Wales valleys in favour of sites closer to good transport links such as the M4 in south Wales, and the A55 in north Wales. By 1989-90 total floor space in WDA factories stood at over 1.8 million sq. m.

Graph 1: WDA property activity, 1976-7 to 1989-90 (a).



Note:

(a) Factory space data not available for 1979-80 and 1980-81.

Source: WDA Annual Reports, various editions.

Economic trends apparent throughout the UK in the mid-1980s and beyond impacted on the factory programme in Wales. Manufacturing became increasingly focused on technology as opposed to traditional assembly type operations, spurring the construction of high-specification Technology and Innovation centres. Four were constructed by 1985–86, totalling 19,000 sq. m. of floor space including one on the Deeside Industrial Estate. Other efforts to foster high technology included a science park at Newport and a medical technology centre in Cardiff.²⁰ Crucially, the UK's economy was shifting from manufacturing towards services, with correspondingly fewer investors willing to locate factories in Wales. However, limited effort was made to increase the supply of offices and other types of property more suitable for service sector occupiers. As a result, the agency's portfolio was overwhelmingly comprised of standard factories, later labelled by Jim Driscoll, the Secretary of State's Industrial Advisor, as 'diarrhoea coloured boxes'.²¹

By the 1990s the agency was moving away from direct intervention in the property market with this change symbolised by the absence of such data in its annual reports from 1991-92. At the same time, political developments within the Welsh Office caused the agency's estate to be broken up. While all previous Secretaries of State had been strong supporters of the WDA, this changed after the appointment of John Redwood in 1993. His free market ideology meant that he was opposed to large-scale interventions and the agency was instructed to sell its portfolio. As a result, the agency's tangible assets reduced from £274 million in 1993-94 to £89 million in 1997-98.²² The disposal programme was predicated on the basis that private sector developers would construct premises but they were often reluctant to do so. By the end of the 1990s the WDA's former estate was largely in private

hands. The agency's large scale construction programmes ceased although it still constructed bespoke premises for inward investors. The years following devolution in 1999 saw the agency construct 'Technium' facilities such as those at Swansea and Bangor. These were designed to support high technology activities but created few jobs and the programme was eventually cancelled.²³

Four periods can be identified in assessing the WDA's construction programmes, with the agency's effectiveness gradually decreasing over time. First, the late 1970s saw the agency continue with an approach rooted in post-war regional policy, effective given the continuing importance of manufacturing. Second, during the early 1980s recession the construction of advance factories and their subsequent occupation by manufacturing investors enabled jobs to be created quickly. Crucially, interventions during both periods delivered additional outputs as factories were constructed in locations where the private sector was reluctant to invest. However, during the third period of the late 1980s and 1990s the agency did not shift its approach from manufacturing towards services and its impact dissipated. This was due to: a reluctance to move away from its 'glory days' of constructing advance factories and bespoke units for overseas investors; the difficulty of intervening in the service sector where investors, influenced by poor perceptions as to skills and infrastructure, were often reluctant to locate in Wales even when suitable properties were available; and, the temporary refocusing of Welsh Office policies in the mid-1990s away from intervention. During the final period after political devolution, some property activity continued but at a relatively low level and met with mixed success.

2: LAND RECLAMATION AND URBAN REGENERATION

While the economic impacts of structural change spurred the agency to intervene through factory construction, such change also left a physical legacy of land made derelict by resource based industry such as mineral extraction and metal manufacturing. Central and local government paid little attention to dereliction until the Aberfan disaster of 1966, when a coal tip avalanched into a primary school and surrounding area, killing 116 children and twenty-eight adults. Large-scale land clearance programmes funded by the Welsh Office soon followed, with the scale of the problem illustrated by a 1975 survey that identified 2,685 derelict sites throughout Wales.²⁴ Forty-six per cent of these were disused spoil heaps linked to the mining of minerals such as slate, copper and coal, with the balance made up of disused mineral excavations, derelict buildings or partially derelict sites where commercial activity was continuing.

In 1976 the WDA inherited land clearance responsibility from the Welsh Office's Derelict Land Unit. The new agency planned for reclamation to be its second most resourced activity (after factory construction) between 1976–77 and 1981–82 and such activity accounted for some 20 per cent of its total allocations by 1983-84.²⁵ Although the WDA did not generally carry out reclamation projects itself and instead provided grants to local authorities, it was responsible for the management, control and funding of the entire programme. When assessing sites proposed for clearance, the legacy of Aberfan meant that the WDA prioritised those with safety, flooding or contamination issues, followed by sites with potential to be reused as locations for factories or housing and, finally, those with potential for leisure usage or environmental enhancement.²⁶ Annual clearance totals varied

(see Table 1), as a result of one or two large sites being completed in a particular year, but between 1978–79 and 2005-06, over 8,300 hectares were reclaimed across hundreds of sites.

Table 1: Derelict land clearance funded by the WDA, 1978-9 to 2005-06 (a).

Year	Land reclaimed (hectares)	Year	Land reclaimed (hectares)
1978-9	168	1992-93	452
1979-80	580	1993-94	...
1980-81	378	1994-95	544
1981-82	345	1995-96	400
1982-83	134	1996-97	401
1983-84	197	1997-98	202
1984-85	79	1998-99	391
1985-86	263	1999-00	189
1986-87	275	2000-01	81
1987-88	86	2001-02	248
1988-89	416	2002-03	88
1989-90	709	2003-04	132
1990-91	401	2004-05	121
1991-92	752	2005-06	281

Note:

(a) ... data not available

Source: WDA Annual Reports (various editions)

The varied nature and scale of derelict land was reflected in the types of projects carried out. In north Wales, large areas of slate tips were cleared, while mine workings related to lead, silver and copper were also reclaimed. Plates 1 and 2 show the results of a typical clearance scheme at a site leaching lead waste into rivers.²⁷

Plate 1: Parc Mine, Llanwrst, before reclamation.



Source: WDA

Plate 2: Parc Mine, Llanwrst, after reclamation, 1978.



Source: WDA

In south-west Wales, former military installations such as ammunition depots and airfields were cleared while some of the most dramatic transformations took place in the south Wales valleys. Projects included the removal of a 120 metre high spoil tip at Bargoed,²⁸ as well as the clearance of a 73-hectare site at Blaina incorporating a former colliery, brickworks and tinworks. Much of the waste removed from sites was used for construction or road-building with, for example, coal waste spoil used to stabilise an extension to the Treforest Industrial Estate in 1982.²⁹

The scale of reclamation was such that the WDA declared in 1992 that it could ‘see the beginning of the end of dereliction in Wales and particularly in the Valleys’.³⁰ As a result the reclamation of large sites gave way to urban regeneration where reclamation was combined with the provision of housing, retail, infrastructure and leisure facilities. According to the agency urban regeneration went ‘beyond environment and urban face-lifts to the very heart of the Welsh economy. It is about modernisation of towns, once the blight of dereliction has been removed’.³¹ Urban joint ventures launched in the 1990s included those in the Cynon Valley, Merthyr Tydfil, Rhyl and Holyhead. In Holyhead, the agency worked with local authorities to develop ‘an action programme of industrial and retail development, tourism, road and drainage infrastructure’.³² By 1991-92, 30 joint ventures existed and the agency’s expenditure on urban regeneration more than doubled from £11.2 million in 1991-92 to £25.8 million in 1993-94.³³ By 1996 the agency claimed that its £120 million of urban schemes had levered in private sector investment of £200 million, creating or safeguarding 5,000 jobs.³⁴ Urban regeneration, such as initiatives in the Gwynedd Slate Valleys and an Urban Village at Llandarcy continued as an important element of agency activity until 2006.

Overall, the WDA's land reclamation activities changed the face of much of Wales for the better with few sites being recognisable as former industrial locations. Improvements were dramatic, especially once sites had been transformed into parkland or afforested areas and many schemes had a positive impact on the quality of life experienced by local residents. However, economic impact was more nuanced. Many reclaimed sites were in isolated areas with limited economic activity. Also, many sloped steeply and were unsuitable for development, meaning that less than 20 per cent of land reclaimed up to 1993 was developed. The WDA's urban programmes improved many townscapes left shabby by relative economic decline, although regeneration by itself was never a panacea for deep seated economic issues.

Importantly, the agency's activities across both land reclamation and urban regeneration led to a gradual, if unquantifiable, attitudinal change in the views of those outside the country of Wales' qualities as an investment location and tourist destination. While Nicolas Edwards, Secretary of State for Wales, could in 1985 rail against an 'extraordinary gulf of perception' leading investors to 'dismiss any venture in Wales, on the general assumption that [it] is a bad place [...] there is nothing to be seen but decaying coal mines, run-down steelworks and slagheaps',³⁵ by 2006 dramatic examples of dereliction barely existed.

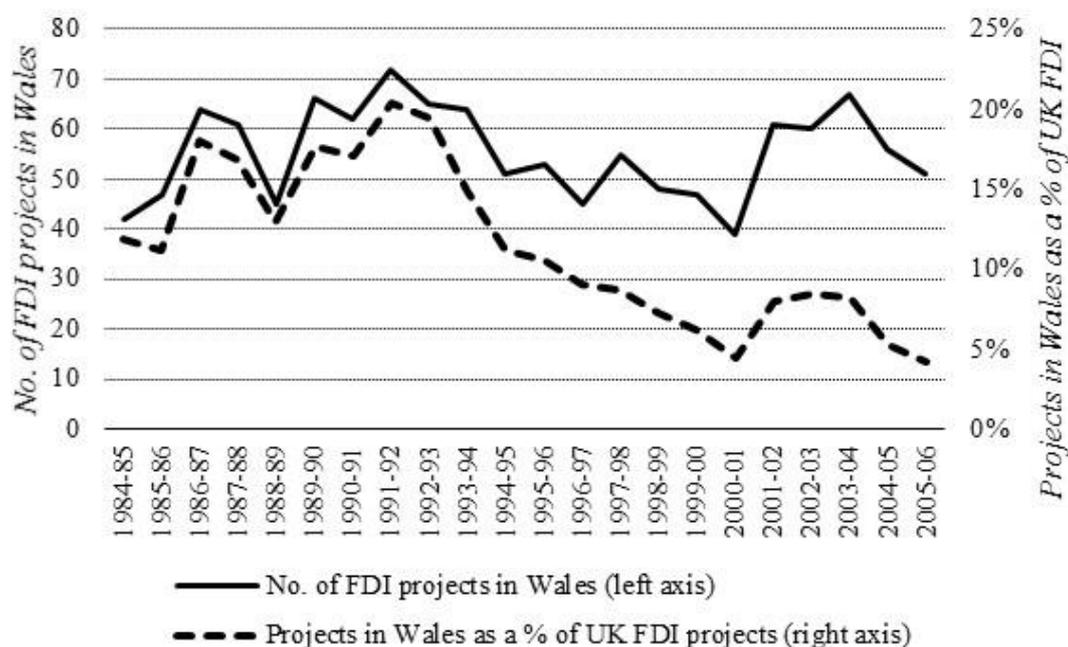
3: FOREIGN DIRECT INVESTMENT

As well as constructing property to be occupied by commercial investors, the WDA marketed Wales to such investors, the attraction of which had long been a priority in Wales.³⁶ In the late 1970s the agency worked with and part-funded the Development Corporation for Wales, a small semi-state marketing organisation active since 1957. In 1983 the corporation

merged with the WDA to form the agency's WINvest (Wales Investment Location) division. It ran overseas offices in North America, continental Europe and the Far East from which agency representatives marketed Wales to potential investors. Two trends were apparent within the agency's Foreign Direct Investment (FDI) activity. The first was its focus on manufacturing which the WDA was well placed to attract given that companies were looking for locations with the attributes offered by Wales: access to European markets; low cost labour; ready availability of sites and factories; good road and rail communications; and, grants. The other trend was that while service sector activities such as software or financial services were important in terms of job creation, attracting these was difficult in part due to poor perceptions of the skills base in Wales, subsumed in investors' broader impressions of economic backwardness.

The volume of investors seeking access to European markets combined with the effectiveness of agency operations to enable the capture of between 12 and 18 per cent of all UK FDI projects in the mid to late 1980s.³⁷ Secretaries of State for Wales intervened enthusiastically to ensure that local authorities and trade unions worked with the WDA to offer a united service to potential investors, an approach known as 'Team Wales'. By the start of the 1990s Wales was capturing up to 20 per cent of all UK FDI projects (see Graph 2) including globally significant companies such as Sony, Aiwa, Toyota, Brother and Sharp. Confidence was such that by 1993 the agency was discussing how an 'appropriate target for the years ahead' could be that Wales would become 'the leading region within the European Community for inward investment'.³⁸

Graph 2: FDI in Wales, 1984-85 to 2005-06 (a).



Note:

(a) Data prior to 1984-1985 not available.

Source: UK Trade and Investment.

However, success was short-lived. Wales dropped from attracting 14.8 per cent of UK projects in 1993–94 to 7 per cent in 1998–99, while its regional ranking dropped from first in 1990–91 to sixth in 1996–97. Manufacturing investors were increasingly likely to choose low-tax locations in Ireland or low-wage locations in Eastern Europe, both of which also offered tariff free access to European markets. As well as this, FDI projects attracted to the UK were becoming increasingly concentrated within service sector activity, but Wales was struggling to attract such investment. When choosing locations, service sector investors emphasised skilled labour of a volume and type often not available in areas previously dominated by heavy industry or in sparsely populated rural districts. While locations such as Cardiff were able to attract this type of investment, other areas struggled. As a result, 73 per

cent of FDI projects in Wales were in manufacturing in 1998, compared to 49 per cent throughout the UK.

Ironically, at the same time as manufacturing FDI was declining, it reached its symbolic peak with the 1996 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, forecast to create over 6,000 jobs.³⁹ It was hailed as a crowning achievement and was awarded a large package of financial support, but the semiconductor plant failed to open and the consumer electronics plant had closed by 2006 when remaining production was transferred to Poland.⁴⁰ The high-profile failure of LG acted to discredit FDI as a solution for problems facing the Welsh economy with, for example, First Minister Rhodri Morgan describing the failure as a ‘classic example of [the WDA] putting too many eggs in one basket’.⁴¹

Contemporary political criticism of FDI’s impact focused on four issues. First, the degree to which such investment was sufficient to fill the jobs gap created by deindustrialisation was queried, given the small totals of jobs created when compared to the number of unemployed. While FDI created or safeguarded an annual average of 7,363 jobs between 1984-85 and 1994-95, average annual unemployment stood at 127,918 people.⁴² Second, the specialisation of many factories in assembly type activities meant that higher skilled and better-paid jobs, such as research and development, were often absent. Third, many of the new jobs were part time posts geared towards females, meaning that those who had lost their jobs in the male dominated coal and steel industries were not necessarily being re-employed. Finally, data quoted as evidence of success referred to announcements of

estimated future employment, as per central government guidelines. No data exists as to the numbers of people actually employed by announced projects.

Despite such criticism, the investment attracted by the WDA was highly beneficial to Wales and factories operated by well-established multinationals did bring large scale benefits, both in terms of local employment and supply chain impact. Crucially, foreign firms in Wales tended to be larger, more productive and higher paying than domestic firms.⁴³ The position of Wales as a leading FDI location was a significant achievement, something which was in no small part due to the effectiveness of the WDA, though the agency did over-prioritise manufacturing FDI and was too slow to respond to its decline. This in part reflected difficulty in attracting service sector investment with workforce skills often biased towards resource-based or manufacturing activity.

4: INDUSTRIAL INVESTMENT

The provision of loan and equity finance to companies was a priority throughout the UK in the 1970s, as evidenced by central government's establishment of a National Enterprise Board in 1975. The WDA was tasked with providing such support in Wales and it aimed to fill what had long been considered to be a gap; the perceived reluctance of banks and other finance providers to lend to viable businesses. The agency was granted powers to invest in companies, including those within areas covered by the Development Board for Rural Wales, and saw its role as supporting 'smaller and medium sized enterprises, particularly in high risk situations'.⁴⁴ By 1978-79 the WDA's investment portfolio comprised £7.6 million across 80 companies.⁴⁵ Investments were almost always in traditional

manufacturing operations, with the largest being a £2 million transaction with P. Leiner and Sons, a gelatine manufacturer in Treforest.⁴⁶

However, while identifying investment opportunities overlooked by the private sector was simple in theory, it was far more difficult in practice. The WDA expected its overall portfolio to be profitable and in 1978 the Welsh Office instructed that the agency should achieve a specified rate of return on its investment capital.⁴⁷ Aspirations soon collided with reality and overall losses were recorded instead. Leiner's collapse in 1980 caused further difficulties, especially given that the agency's commercial director at the time of the decision to invest subsequently joined the company as a director.⁴⁸ The agency's reputation was tarnished, with the Welsh Office subsequently insisting on signing off all investments over £1 million and resources were redirected to factory construction. As a result, WDA investments dropped from £8.6 million in 1978-79 to £0.9 million in 1980-81.⁴⁹

The mid-1980s did see an upturn in investment levels in part due to the agency's Chief Executive, David Waterstone. He felt that there was insufficient private sector capital to support business often due to the City of London perceiving Wales as backward.⁵⁰ By mid-1985 the agency was portraying itself as a 'leading source of venture capital' and was striving to attract investment from London-based venture capital funds. It supported 300 companies between 1981-82 and 1984-85, providing finance totalling some £24 million.⁵¹ Other companies were also assisted to pitch ideas to commercial funders, with 67 being helped to obtain funding in 1981-82.⁵² High levels of investment were maintained and, by 1991, the agency had an investment portfolio of £31.5 million across 1,021 companies.⁵³ The focus remained manufacturing, although investment in the service sector did grow from just

5.1 per cent of investments in 1980-81, to 16.2 per cent in 1986-1987 and 23.9 per cent in 1992-93.⁵⁴

Despite optimism, difficulties continued. In 1981 the Welsh Office set targets of achieving a return at least equivalent to the cost of central government borrowing over a rolling five-year period. However, the WDA failed to meet this target between 1983-84 and 1989-90. Rates of return were negative between 1983-84 and 1988-89 while 19 businesses in receipt of investment failed in 1984-85, incurring losses to the agency of £1.76 million.⁵⁵ By 1986-87 the target was downgraded to breaking even but even this proved impossible. The difficulty of identifying viable projects was symbolised by the agency's Cardiff Consortium project, which aimed to market funds from a variety of commercial providers. After its 1986 launch, 844 enquiries for information were received and 144 proposals were submitted. Of these, only 10 per cent were judged as having potential but none obtained funding and the agency noted that their quality was 'too low'.⁵⁶

At the end of the 1980s the agency took a 'new, more commercially orientated approach to investing' rather than 'operating as the lender of last resort',⁵⁷ accepting that it was 'difficult, if not impossible' to invest in start-up or early stage businesses and 'make a positive return'. Its investments reduced in scale and the agency made an overall profit 'for the first time ever' in 1989-90.⁵⁸ Despite this partial change in fortunes, difficulties continued and activity began to decrease in the early 1990s. The agency finally withdrew from investment activity in 1994-95, spurred by the difficulties of identifying successful investments as well as John Redwood's ideologically driven desire to scale back all forms of state intervention.

However, devolution led to a policy reversal and a new body, Finance Wales, was established in 2001 as an agency subsidiary. Finance Wales' Chief Executive described its role as bridging the 'sometimes narrow' gap between what new and small firms need to start or to expand and what was currently available from conventional funding sources.⁵⁹ It also provided management support, particularly that which enabled business to grow, while managing a Wales Spinout Fund designed to support companies emerging from academia.⁶⁰ By 2005–06 Finance Wales had invested some £26 million in over 90 companies and although it was recording successes with individual investments, limited data availability meant that the extent to which it was succeeding in its overall mission was unclear.

While the WDA's investments did increase commercial activity, they were financially unsuccessful in overall terms. If neither commercial providers nor the WDA could find enough viable projects, it is likely that they did not exist in any volume. Also, the failure of investments such as Leiner highlighted the difficulties faced by the agency. It acted as a lender of last resort, making losses to the public purse inevitable but these were politically unacceptable by the 1980s during an era of downward pressure on public expenditure. Despite this, the volume of activity meant that some investments did effectively support successful businesses although the extent of this cannot be quantified. Crucially, the WDA saw its investments as not only supporting businesses but also building confidence, and so it was prepared to absorb losses to increase 'levels of commercial spirit' and employment.⁶¹

5: BUSINESS SUPPORT

The provision of advisory services to businesses, eventually to become the WDA's primary focus, had modest beginnings. In the late 1970s advisors from its Small Business

Advisory Unit visited companies and provided advice across advertising, exporting and financial support. In 1978-79 the unit expanded, taking over central government's Counselling Service and annually providing 2,000 business counselling sessions and visiting over 5,000 small business by 1981-82 (see Table 2). Activities included the identification of contracting opportunities offered by public sector bodies.⁶²

Table 2: Business support, 1977-78 to 1987-88.

	Advisory visits	Business counselling sessions (a)
1977-78	2,750	...
1978-79	2,981	...
1979-80	3,910	485
1980-81	4,605	736
1981-82	5,250	2,006
1982-83	5,142	3,170
1983-84	4,890	3,661
1984-85	6,024	5,395
1985-86	7,091	6,689
1986-87	7,746	7,698
1987-88	9,765	8,365
1988-89	11,994	8,831
1989-90	13,327	10,042

Note:

(a) Activity did not commence until 1979-80.

Source: WDA Annual Reports, 1977-78 to 1987-88.

The WDA's business support activities grew throughout the 1980s as the dangers of over-dependence on manufacturing and extractive industries became apparent. Encouraging indigenous businesses was seen as way of offsetting this over-dependence, and the agency encouraged unemployed people to start their own businesses. The agency also educated those about to enter the workforce as to the benefits of running their own business, with activities including a Young Initiative Programme presented to 315 groups in 1988-89. Finally, the WDA

wanted to create greater numbers of high technology businesses, launching its Wales Investment and Technology (WINtech) division in 1984. WINtech encouraged businesses to profit from new technology, stimulated links between industry and academia and promoted the growth of high-technology companies.⁶³ Activities included a product development service to connect investors with companies in need of funding and the creation of higher education research centres. However, WINtech struggled to achieve measurable impact and a 1986 review noted its inability to ‘stamp its presence firmly on the Welsh scene’.⁶⁴

Business support intensified further in the 1990s, with the agency’s Chief Executive arguing in 1990 that while inward investment was ‘welcome [...] the engine of recovery in Wales in fact lies in the resurgence and diversification of the small and medium business sector’.⁶⁵ By 1991-92 the Business Development Unit had merged with WINtech to form the Business Support Division, the agency’s largest division. Increased resources led to expansion in the volume and nature of activities, now characterised by a complex, project driven approach. By the early 1990s support was provided across: European issues; technology; supplier development; and, skills development. Within European issues, projects included centres providing information on tendering opportunities, grant programmes and European legislation. Technology activities included the ‘Competitive Strategy Review’ project, which aimed to assist companies to access advanced production technologies. Supplier Development programmes included ‘Source Wales’, which identified supply opportunities within overseas-owned plants that could be serviced by Welsh-based companies. By 1993-94 some £80 million of supply opportunities had been identified, while ten supply company associations had been formed to spread best practice.⁶⁶ Skills development programmes included management training and a range of other conferences and courses.

While the WDA had previously tended to concentrate on industrial areas, a ‘Rural Prosperity Programme’ was launched in 1991-92 to broaden the agency’s foci of activity. Projects included the creation of local development agencies in areas such as south Pembrokeshire while a Welsh Food Promotions company was established as an agency subsidiary in 1992. The remainder of the 1990s saw growth across the scale and complexity of business support. Much of this was attributable to the increasing volume of European funding with, for example, Wales receiving £146.5 million in 1993.⁶⁷ This encouraged complexity given that such funding was delivered through hundreds of projects loosely grouped into thematic programmes used by the European Commission to prioritise business support. Attempts were made to knit these strands together, most notably in 1996 by a Regional Technology Plan that drew on responses from 600 organisations to ‘develop a consensus [...] on a strategy to improve the innovation and technology performance of the Welsh economy’.⁶⁸ The WDA incorporated the plan’s contents into its programmes, although the mechanisms by which this took place and their effectiveness are unclear.

The early years of the twenty-first century saw further increases in business support. Attempts to move towards a more knowledge based economy were common, including ‘Know-How’ Wales, an initiative that sought to commercialise research by introducing businesses to academic partners. By 2003–04 the agency was claiming to have facilitated some 770 collaborations between industry and academia.⁶⁹ Advisory services were also overhauled, with the WDA being tasked in 2003 to introduce and manage the ‘Business Eye’ service, which was responding to some 25,000 enquiries per year by 2005–06.⁷⁰ A greater focus on entrepreneurship was also apparent, most notably through the delivery of activities under the Entrepreneurship Action Plan.

Between 1976 and 2006 business support moved from being a relatively marginal priority to the agency's central activity. Despite this, Garel Rhys, a WDA board member in the 1990s stated that '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'.⁷¹ Overall, the intangible nature of some agency activities such as providing advice and information to companies means that measuring their impact is difficult, problems mirrored across the UK.

6: ASSESSING IMPACT

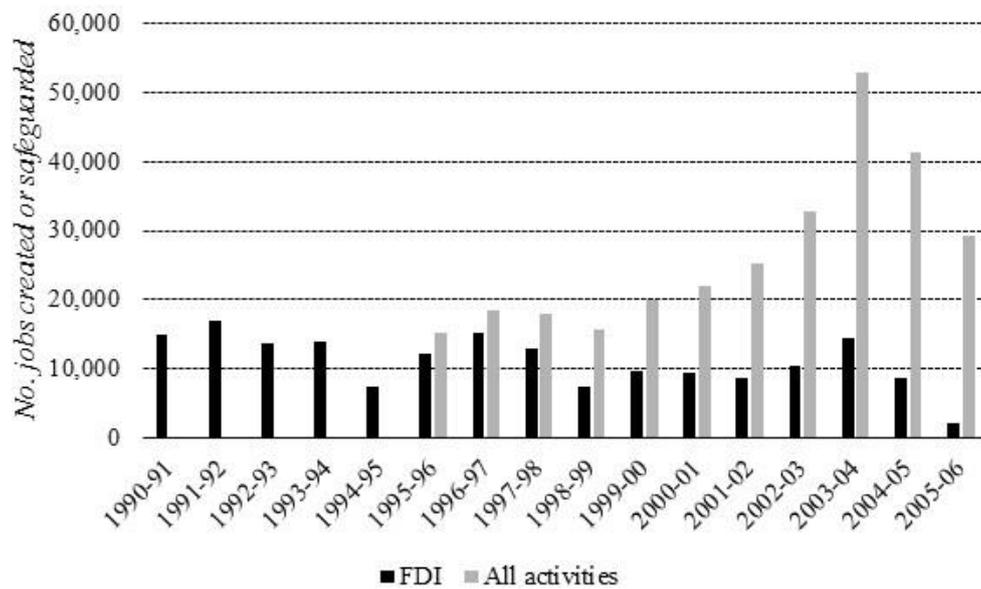
Assessing the impact of historic activities within economic development is challenging. While it is often assumed that official data enables such activities and their impacts to be quantified and evaluated, this is often not the case. Problems arise due to the lack of comparable and reliable data-sets necessary for such assessments, and the difficulty of retrospectively reassembling such data sets. In theory, four methodologies are available to measure impact. These are: contemporary evaluations; agency output data; economic convergence or divergence; and, informal assessment based in part on contemporary opinion. This section examines the availability and reliability of data on the agency's performance and outlines how the lack of such data largely precludes the use of the first three methodologies. It then uses the fourth method, informal assessment based in part on contemporary opinion, to provide an assessment of the WDA's impact.

The first methodology (contemporary evaluations) would summarise agency studies that fully assessed the economic and employment impact of its activities.⁷² However, the bulk of agency activity was not subjected to such analysis, which was not adopted widely by the UK's public sector until after 2000. Some evaluations were commissioned in the mid-1990s

of activities such as urban regeneration but used varying methodologies and are not generally present in the archives. All suffered from what the WDA referred to as a ‘paucity of monitoring and output information’,⁷³ reflecting poor management. The lack of evaluations was noted in 1991 by central government’s National Audit Office, which reported that the programmes carried out by agencies including the WDA ‘had resulted in substantial numbers of new jobs being created’ but that the agencies stated that they ‘cannot assess the extent to which these initiatives have influenced [...] the labour market’. This inability to evaluate impact was caused by the Welsh economy being ‘subject to many influences outside their responsibility’. The National Audit Office concluded that it was ‘therefore very difficult to evaluate the full success of these initiatives’.⁷⁴

The second approach focuses on data published by the WDA. From 1990-91 it published figures for the number of jobs claimed as being created or safeguarded by its activities, while data on inward investment, private capital investment and business secured for Welsh companies are available from the mid-1990s. At first glance, data on jobs created or safeguarded are impressive, especially during the early years of the twenty-first century with a remarkable 52,900 jobs being recorded in 2003-04 (see Graph 3).

Graph 3: Jobs claimed as created or safeguarded by agency activities, 1990-91 to 2005-2006 (a).



Source: WDA Annual Reports, 1990-91 to 2005-2006.

Despite these data, there is no guarantee that these outcomes either took place or if they did, that they were a direct result of WDA activity. At the same time, the passage of time and the complexity and scale of the agency’s activities precludes any realistic retrospective allocation. Also, some jobs were double counted by different agency departments. For example, the WDA may have reclaimed a site and built a factory, before attracting an overseas investor. Different departments undertook these activities, each of which could count jobs created. These management problems were later summarised by Brian Morgan, the agency’s Chief Economist in the 1990s, in the following words: ‘the monitoring of jobs was so haphazard [...] property was counting jobs, inward investment was counting jobs, so jobs created and safeguarded, were just almost meaningless numbers by the mid-90s.’⁷⁵

The third approach, that of convergence or divergence, proposes that if interventions were successful, then the economic indicators for Wales would gradually converge with those

of the UK. This approach was often used by politicians as it offered simplicity and the ability to choose data to suit different agendas, with the WDA's Chief Executive stating 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'.⁷⁶ As a result, different measures can be used to draw contrasting conclusions. A positive argument for some years could be based on measures such as FDI and manufacturing productivity, while a negative case could focus on how unemployment was usually higher than the UK average, while economic output per head remained relatively low. A second disadvantage is additionality. If performance is converging, this may be due to reasons aside from intervention such as 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 intervention.

The difficulties of applying the first three methodologies imply that the complexities of evaluation are such that an accurate quantification of the WDA's economic impact is impossible. As a result, this chapter uses the final methodology, of informal assessment based in part on contemporary opinion.

A starting point is the retrospective views of senior opposition politicians on the WDA's performance before political devolution in 1999. Importantly, the opposition status of these politicians meant that they had no vested interests in praising the WDA. As an example, Rhodri Morgan, Labour MP for Cardiff West from 1987, frontbench spokesman for Wales in the early 1990s and the Welsh Government's First Minister between 2000 and 2009, strongly criticised the WDA's management throughout the 1990s and in 2004 took the decision to disband the agency.

Despite their opposition status, three senior politicians were able to point to some successes although their assessments were balanced by criticism. Ron Davies, Labour MP for Caerphilly from 1983 and Shadow Secretary of State in the 1990s, surmised that ‘we would be in a worse state had we not had these [interventions]. 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?’ Rhodri Morgan argued that ‘I thought it [the WDA in the 1980s] was very effective in a short term sense. You want branch factories to act as a patch to staunch the rise in unemployment [...] but a vision of where Wales would be in fifteen or twenty or twenty five years [...] it wasn’t there’. Finally, Dafydd Wigley, Plaid Cymru MP for Caernarfon from 1974 and party president (1980-1984, 1991-2000), suggested that ‘the successes must be in terms of the bringing in overseas investment [but] perhaps not enough was done to attack the needs of industry and commerce, and [...] the element of entrepreneurship’.⁷⁷

As for informally assessing activity by type, factory construction helped to attract large volumes of manufacturing, with much activity being additional given that the private sector was often unwilling to construct factories. However, manufacturing investment was decreasing by the 1990s and insufficient attention was paid to the role of property in stimulating service sector investment. Land reclamation was hugely successful, not just in terms of improving the environment, but also in changing the public face of much of Wales as an investment location and tourist destination while urban regeneration had a positive impact on many townscapes. Such activity would not have taken place without the WDA’s financial support although direct economic impact was limited. Inward investment was also successful as Wales needed large numbers of jobs quickly and FDI presented an obvious opportunity. Despite successes, FDI was never going to be attracted in sufficient volume to

entirely offset deindustrialisation. At the same time, much of Wales' success as an investment location was due to a short-lived combination of circumstances, although the WDA expertly exploited these.

However, other interventions were less successful. Industrial investment met with mixed results. The agency struggled to identify profitable opportunities, although this reflects a relative lack of such opportunities rather than failings on the agency's part. Finally, assessing the impact of the business support activities is virtually impossible, given the lack of contemporary evaluations and the difficulty of measuring the impact of intangible activities such as advisory services given to thousands of individual companies. It is likely that such services assisted some companies to grow but these impacts cannot be quantified.

In conclusion, the WDA successfully created some positive economic impacts. It was effective within manufacturing but struggled to achieve impact within the service sector. Overall, it is probable that if the agency had not intervened, the Welsh economy would have been in a significantly worse state. The agency was effective over its first two decades,⁷⁸ as it could respond to market demand and focus on tangible outputs. As a result, the WDA often played an important role in securing some economic modernisation.⁷⁹ However, once the focus of intervention shifted to services by necessity, the agency found it difficult to achieve measurable impact. While some of this difficulty was attributable to how Wales had always struggled to develop a more services-based economy, the agency could have made greater efforts to adapt its activities earlier and develop a stronger approach to long-term planning. As well as this, governance problems in the early 1990s also impacted on the agency's reputation and subsequent effectiveness.

Despite these difficulties, it is important not to be overly critical. Many service sector activities were more responsive to interventions in areas such as skills and technological infrastructure than was the case for manufacturing, but the agency had little influence in such areas. At the same time, public sector organisations throughout the UK and elsewhere struggled with how greater levels of indigenous business could be created. The agency's effectiveness dissipated as economic change continued throughout the 1990s and beyond, while the dramatic increases in funding after 1999 created a bloated organisation lacking in focus. This ultimately contributed to political disappointment and the dissolution of the agency in April 2006 as the over-ambitious economic ambitions of the Welsh Government proved difficult to deliver.

Notes

¹ 'Central Government' in this chapter refers to the UK-wide government based in London.

² Leon Goberman and Ben Curtis, 'The age of factories: the rise and fall of manufacturing in south Wales, 1945–1985', in Louise Miskell and Steven Gray (eds) *New Perspectives on Welsh Industrial History* (Cardiff: University of Wales Press, 2018).

³ *Digest of Welsh Historical Statistics 1974–1996*, ed. by L. J. Williams (Cardiff: Welsh Office, 1998), p. 138.

⁴ The Welsh Office was an administratively devolved department of central government responsible for some aspects of government activity in Wales between 1964 and 1999. Based in Cardiff and headed by a cabinet level Secretary of State for Wales, its initial responsibilities were modest but gradually expanded over time.

⁵ *Welsh Development Agency Act 1975. Section 1 (3)*.

http://www.legislation.gov.uk/ukpga/1975/70/pdfs/ukpga_19750070_en.pdf [accessed on 12 May 2016]

⁶ Interview with Lord Morris, Labour MP for Aberavon (1951–2001), Secretary of State for Wales (1974–1979), 21 March 2012.

⁷ *WDA Financial Report and Accounts 2003-04*, p. 27.

⁸ The Welsh Government is the politically devolved government of Wales, formed from members of the democratically elected National Assembly for Wales. It was established in 1999 and inherited the Welsh Office's responsibilities. During the early years of devolution, there was no separation between the executive, the legislature and the civil service, all of whom were known as the National Assembly for Wales. The term 'Welsh Assembly Government' was introduced in 2002 to cover the executive and the civil service, before being subsequently shortened to 'Welsh Government' from 2007.

⁹ *WDA Annual Report, 1979–80*, p. 1; *WDA Annual Report, 1987–88*, p. 4; *WDA Accounts, 1998–99*, p. 8.

¹⁰ For analysis of the political economy of economic development, see Leon Gooberman, 'Welsh Office Exceptionalism, Economic Development and Devolution, 1979 to 1997' *Contemporary British History* 30:4 (2016), 563-583.

¹¹ House of Commons Public Accounts Committee, *Welsh Development Agency Accounts 1991–92* (London, HMSO, 1993).

¹² For contemporary assessments of the agency, see Kevin Morgan and Dylan Henderson, 'The Fallible Servant: Evaluating the Welsh Development Agency', in Huw Thomas and Roderick Macdonald (eds), *Nationality and Planning in Scotland and Wales* (Cardiff: University of Wales Press, 1997), pp. 77–98; Kevin Morgan, 'The Regional Animateur: Taking Stock of the Welsh Development Agency', *Regional & Federal Studies*, 7:2 (1997), 70-94. Studies of individual activities over time include: Max Munday, 'Foreign Direct Investment in Wales: Lifeline or Leash?', in Jane Bryan and Calvin Jones (eds.), *Wales in the 21st Century*, (Basingstoke: Macmillan, 2000), pp. 37–54; Max Munday, *Japanese Manufacturing Investment in Wales* (Cardiff: University of Wales Press, 1990); Leon Gooberman, 'Moving Mountains: Derelict Land Reclamation in Post-war Wales', *Welsh History Review*, 27 (2015), 521–58. For economic development in general; see Leon Gooberman, *From Depression to Devolution: Economy and Government in Wales, 1936-2006* (Cardiff: University of Wales Press, 2017).

¹³ Geoffrey Percival, *The Government's Industrial Estates in Wales 1936–1975* (Treforest: WDA, 1978), pp. 1–2.

¹⁴ *WDA—The First Five Years*, p. 6.

¹⁵ Interview with Gwyn Griffiths: WDA Executive Director, Land Reclamation (1980s–1990s), 10 November 2011.

¹⁶ *Digest of Welsh Historical Statistics 1974–1996*, ed. by Williams, p. 99.

¹⁷ Gooberman, 'Welsh Office Exceptionalism', 569.

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- ¹⁸ The National Archives (Hereafter TNA), WA 8/79, *WDA Board Papers*, 21 September 1982.
- ¹⁹ WDA, *Wales Ahead—the Newspaper of the WDA, No. 30, October 1984*, p. 2.
- ²⁰ TNA, WA 8/166, *WDA Board Papers*, May 1990.
- ²¹ Interview with Dr Jim Driscoll: Advisor to Nicholas Edwards, Under Secretary at Welsh Office Industry Department (1982–1985), 1 March 2012.
- ²² *WDA Annual Report, 1997–98*, p. 46.
- ²³ DTZ, *Evaluation of the Technium Programme* (Cardiff: DTZ, 2008).
- ²⁴ Welsh Office, *The Derelict Land Survey of Wales 1971–72* (Cardiff: Welsh Office, 1975), p. 5.
- ²⁵ WDA Annual Report, 1984-85, p. 7; TNA, WA 8/13, *WDA Board Papers*, December 1976.
- ²⁶ TNA, WA 8/101, *WDA Board Papers*, 16 July 1984.
- ²⁷ Gwyn Griffiths and Steve Smith, 'Risk Assessment and Management Strategies', in *Contaminated Land and its Reclamation*, ed. by R.E. Hester and R.M. Harrison, pp. 103–120 (p. 107).
- ²⁸ *WDA Annual Report, 1994–95*, p. 18.
- ²⁹ *WDA Annual Report, 1981–82*, p. 26.
- ³⁰ *WDA Annual Report, 1991-92*, p. 22.
- ³¹ *WDA Annual Report, 1991-92*, p. 22.
- ³² *WDA Annual Report, 1990–91*, p. 26.
- ³³ *WDA Accounts, 1992–93*, p. 4; *WDA Accounts 1994–95*, p. 6.
- ³⁴ WDA, *20: 1976–1996 – 20 years of working for Wales* (Treforest: WDA, 1996), inside front cover.
- ³⁵ National Library of Wales, Crickhowell Papers 2/9. *Speech by Nicholas Edwards to Cardiff Business Club* (March 1985).
- ³⁶ Leon Goberman and Ben Curtis, 'The age of factories'.
- ³⁷ UK Trade and Investment, *FDI Project Announcements Database*.
- ³⁸ 'Prospects and Policies', *Welsh Economic Review*, 6/2 (1993), 46–47 (47).
- ³⁹ Wales Audit Office, *Protecting Public Money in the LG Projects* (Cardiff: WAO, 2007).
- ⁴⁰ Leon Goberman, 'Business Failure During an Age of Globalisation: Interpreting the Rise and Fall of the LG project in South Wales, 1995-2006', *Business History*. Published online before print.
- ⁴¹ *BBC News*, 'Doomed LG Plant-Inquiry Call', 23 May 2003.
- <http://news.bbc.co.uk/1/hi/wales/2930852.stm> [accessed on 9 August 2017]

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- ⁴² Office for National Statistics (claimant count); UK Trade and Investment.
- ⁴³ Munday, ‘Foreign Direct Investment in Wales: Lifeline or Leash?’, in Bryan and Jones (eds.), *Wales in the 21st Century, An Economic Future*, pp. 37–54 (p. 40).
- ⁴⁴ *WDA Annual Report, 1976–77*, p. 9.
- ⁴⁵ Welsh Office, *Welsh Economic Trends* (hereafter *WET*), No. 6, 1979, p. 57.
- ⁴⁶ TNA, WA 8/50, *WDA Board Papers*, February 1980.
- ⁴⁷ TNA, WA 8/33, *WDA Board Papers*, September 1978.
- ⁴⁸ TNA, WA 8/40, *WDA Board Papers*, 23 April 1979.
- ⁴⁹ *WDA—The First Five Years*, p. 14.
- ⁵⁰ Interview with David Waterstone: Chief Executive (1983–1990), 6 January 2012.
- ⁵¹ Hansard, *HC 17 June 1985, Vol. 81, c. 11*.
- ⁵² *WDA Annual Report, 1981–82*, p. 18.
- ⁵³ *WET, 13*, 1992, p. 89.
- ⁵⁴ *WET, 8, 1982–83*; p. 59, *WET, 11, 1987*, p. 82; *WET, 14, 1993*, p. 85.
- ⁵⁵ *WDA Annual Report, 1984–85*, p. 15.
- ⁵⁶ TNA, WA 8/126, *WDA Board Papers*, 17 November 1986.
- ⁵⁷ *WDA Annual Report, 1988–89*, p. 12.
- ⁵⁸ TNA, WA 8/166, *WDA Board Papers*, May 1990; WA 8/189. *WDA Board Papers*, 27 May 1991.
- ⁵⁹ *WDA Annual Report, 1999–2000*, p. 12.
- ⁶⁰ Gareth Jones, *The Third Mission* (Cardiff: IWA, 2002), p. 25.
- ⁶¹ Interview with David Waterstone, 6 January 2012.
- ⁶² *Wales Ahead, No. 14, October 1980*, p. 1.
- ⁶³ TNA, WA 8/126, *WDA Board Papers*, 17 November 1986.
- ⁶⁴ *1986 Review* (Cardiff: Welsh Office, 1987), p. 76.
- ⁶⁵ David Waterstone, ‘The Incomer’s View’, in David Cole (ed.), *The New Wales* (Cardiff: University of Wales Press, 1990), pp. 233–240 (p. 239).
- ⁶⁶ *WDA Annual Report, 1993–94*, p. 9.
- ⁶⁷ *WET No. 16, 1995*, p. 83.
- ⁶⁸ *Wales Regional Technology Plan* (Treforest: WDA, 1996)
- ⁶⁹ *WDA Annual Report, 2003–04*, p. 6.
- ⁷⁰ *WDA Annual Report, 2005–06*, p. 14.
- ⁷¹ Interview with Garel Rhys: WDA Board Member (1994–1998), 5 November 2012.

⁷² For example, an evaluation of an industrial estate's construction would establish the amount of financial support granted towards construction, the aims in terms of floor space and jobs creation, and any gaps between aims and outputs. A survey would identify whether each company occupying space on the finished estate would have created jobs had the agency not intervened (additionality) and whether employment had been at the expense of locations elsewhere (displacement). Data would then be collated to estimate the additional direct impact of intervention, with indirect impacts calculated through multipliers derived from economic modelling.

⁷³ TNA, WA 96/239, *WDA Board Papers*, 2 October 1996.

⁷⁴ National Audit Office, *Creating and Safeguarding Jobs in Wales* (London: National Audit Office, 1991), p. 4.

⁷⁵ Interview with Brian Morgan, WDA Chief Economist (1991–1997), 1 December 2011.

⁷⁶ David Waterstone, 'The Incomers View', p. 238.

⁷⁷ Interviews with: Rhodri Morgan: Industrial Development Officer, 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 (2001–2009), 13 December 2011; Ron Davies: Labour MP for Caerphilly (1983–2001), Secretary of State for Wales (1997–1999), Labour AM for Caerphilly (1999–2003), 7 March 2011; Dafydd Wigley: Plaid Cymru MP for Caernarfon (1974–2001), Plaid Cymru President (1980–1984, 1991–2000), 11 August 2012.

⁷⁸ As argued in 1997: Kevin Morgan, 'The Regional Animateur: Taking stock of the Welsh Development Agency', *Regional & Federal Studies*, 7:2 (1997), 70-94 (90).

⁷⁹ Morgan and Henderson, 'The Fallible Servant', pp. 77–98.