

THE HISTORIC ENVIRONMENT AS A CONTRIBUTOR TO REGIONAL COMPETITIVENESS: EVIDENCE FROM WALES¹

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ABSTRACT: Regional competitiveness may be poorly defined and lack an underpinning theoretical framework but it is undeniably a goal pursued in regions around the world. In Wales, as in other countries, the historic environment is regularly cited in contemporary government literature as a contributor to economic growth. This paper argues that whilst the historic environment in Wales may have capacity for contribution to regional competitiveness, any contribution thus far would seem to be incidental rather than strategic. Changes in approaches to evaluating economic contribution, changes in structures of governance and changes in key personnel in Wales are considered here in relation to regional competitiveness and the historic environment. The paper concludes that there is, at the strategic level, evidence of a growing support for the view that cultural assets have an important role to play across diverse objectives, not least, that of regional competitiveness.

1. INTRODUCTION

The historic environment has been identified by policy makers as having a key role to play in future prosperity, not least in Wales (WAG 2005) though the means by which this will be achieved are less than obvious. Indeed, the role of the historic environment in regional economic development is, like contemporary regional development itself, only just beginning to be understood (Kitson et al 2004). Efforts to ascribe an economic value to the historic built environment (Hill and O'Sullivan 2002), to assess the value of marine heritage (Hill and O'Sullivan 2006) and to raise levels of enterprise in the heritage sector in Wales (Thomas and Thomas, 2004) are indicative of how the potential of the sector is being identified. Such initiatives suggest growing recognition that the contribution of the historic environment should be maximised if Wales is to be a player in the race to competitive advantage that engages nations, regions, and cities. However, the effectiveness of this strategy is by no means assured. It would be inappropriate to overburden the historic environment with too much responsibility for regional competitiveness and consequent prosperity. The historic environment is important in its own right as well as contributing to

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various dimensions of well-being, including culture, external perceptions, self-image and confidence, nationhood, cohesion and economic development. The task is to find policy complementarity that effectively joins-up differing objectives within an integrated strategy.

This paper analyses the literature to consider the ways in which the historic environment of Wales is being identified as a tool for regional economic development, examines the policy context as a background to this activity and begins to explore the question of whether the historic environment is, or could be, an effective contributor to regional competitiveness.

2. REGIONAL COMPETITIVENESS: COMPLEX AND CONTESTABLE

It has been claimed that regional competitiveness has been elevated to the '*status of a natural law by economists and experts everywhere*' (Kitson et al 2004:991), and that policy-makers have been forced to find ways to respond to the pressure to be competitive at the regional and urban level (Begg 2002). Interest in the competitive performance of nations is evidenced by the annual rankings of national economies such as the World Economic Forum's Global Competitiveness Programme, publishing annual reports since 1979 and now covering over 80 countries. Appropriately the Forum has a competitor in the World Competitiveness Yearbook. Produced since 1989 by the International Institute for Management Development, this guide has offered selected regional analyses separate from the national economies since 2003, and has featured Scotland (UK), Ile-de-France (France) and Catalonia (Spain). Both the notion of competitiveness and the ways regions seek to enhance competitiveness have changed over time. 'Low road, race to the bottom' policies, characterised by subsidies offered to attract mobile investment (often termed 'smokestack chasing') were common in the 1970s in the USA and during the 1980s in the UK (Malecki 2004), while more recently, policies designed to retain and grow existing businesses have, arguably, supplanted the low road approach. However, it has also been claimed that the supply side focus to competitiveness has not entirely been replaced by an entrepreneurial (Raines 2000) or demand-side view (Wong 1998).

In their work on the conceptual elusiveness of regional competitiveness, Kitson et al (2004), argue that despite an expanding literature, 'there is still no generally agreed theoretical or empirical framework' to answer the problems of definition, to explain how regions compete, how regional competitiveness can be measured effectively, or how connections between regional competitiveness and economic prosperity can be properly understood. They argue that the older notion of comparative advantage reflecting national differences, despite its own limitations, (for example its assumption of diminishing returns to scale and equivalent technologies across nations), still has a contribution to make which should not be ignored by the focus on competitiveness. Camagni (2002) argues that regions do compete but on *absolute* advantage that is obtained when resources outside of individual local firms can be drawn upon, either directly or indirectly, thereby influencing their efficiency, innovation, flexibility and

dynamism. Kitson et al (2004:994) trace the increasing tendency to explain regional growth and development in terms of 'soft' externalities (something in the air, the cluster concept, untraded interdependencies, agglomeration, local knowledge, learning and creativity), as a clear move away from concerns over straightforward productivity towards notions of socio-economy – human capital, social/institutional capital, cultural capital and knowledge/creative capital. Despite recognition of the value of these concepts, problems remain in understanding how they operate, for example, in terms of scale and interaction.

Despite the lack of agreement on definition and theory, the UK government has actively sought the route to regional competitiveness in order to inform policy (Kitson et al 2004). Five key 'drivers' have been identified at the regional level: skills, enterprise, innovation, competition and investment (H. M. Treasury 2001, 2004). By addressing each the UK Government aims to strengthen regional economic performance, raising regional productivity as well as generating beneficial synergies across the five drivers. Kitson et al (2004) explain their concerns with this approach as a lack of justification for the choice of drivers; the supply side focus (ignoring demand); the universality of policies, that is, assuming the same drivers are equally important everywhere; and the identification of the appropriate spatial scale for intervention. In addition, the authors express concern over how localities within regions should be bounded and how inter-regional inequalities could be avoided and social cohesion protected.

Though the conceptual background to regional competitiveness remains contested, (Boschma 2004; Budd and Hirmis 2004; Turok 2004; Polenske 2004) policy makers can not wait for the debate to conclude. For them inaction is not an option. Within this context this paper begins to explore the ways in which the historic environment sector in Wales is being used as a tool for improving regional competitiveness.

3. THE POLICY CONTEXT IN WALES

Devolution of political power for Wales and Scotland was under review in the UK as long ago as 1969. Though Welsh devolution was rejected by referendum in 1979, a further referendum in 1997 narrowly approved the proposal and the Welsh Assembly Government (WAG) was formed, commencing in July 1999. The Assembly has power to make secondary legislation and this will be strengthened in 2007 by an increase in legislative powers and amendments to its structure. Currently WAG receives its funding from the UK Government Treasury, making its own decisions on priorities for allocation. The Assembly is headed by a First Minister who oversees a cabinet comprising seven ministers with individual portfolios including: education, lifelong learning and skills; enterprise, innovation and networks; environment, planning and countryside; health and social services; finance, local government and public services; social justice and regeneration; and culture, Welsh language and sport.

Five years after its creation the Welsh Assembly Government turned its attention to what it perceived as a 'deficit of democracy' in Wales, whereby

many of the most powerful jobs were being carried out by a handful of non-elected people (BBC 2004). A 'bonfire of the quangos' (quasi non-governmental organisations), mirroring earlier similar activity following devolution in Scotland, has meant significant public sector changes. The three largest quangos in Wales: Welsh Development Agency (WDA), Wales Tourist Board (WTB) and Education and Learning Wales (ELWa), saw powers and staff transferred to the Welsh Assembly Government in April 2005. At the same time the organisation originally created in 1984 to protect, conserve and to promote an appreciation of the built heritage of Wales 'Cadw'² also became a part of the Welsh Assembly Government within an expanded Ministry for Culture, Welsh Language and Sport.

The Welsh Assembly's *Creative Future: A Culture Strategy for Wales*, recognises that global, European and UK interactions are significant for Welsh culture and that cultural policy is affected by other departmental activity 'not least economic development and education' (Creative Future 2002:13). The strategy states that 'the creative industries have been identified as a cluster that merits further development' and goes on to note that historic human heritage, monumental heritage and heritage townscapes are essential elements of regeneration initiatives in Wales. After the 'drawing in' of WDA, WTB and ELWA, the Welsh Assembly Government produced an economic development consultation document *Wales: A Vibrant Economy* (2005). This notes a number of sectors that are 'widely agreed to be important for the future of the Welsh economy' including high technology, automotive, aerospace, agri-food, tourism, financial services and the creative industries. In addition it identifies five key drivers that can support business productivity and value creation across sectors. Firstly, innovation is to be supported in firms, together with encouraging stronger links with higher education, including providing incubator space for high technology firms. Secondly, entrepreneurship is to be encouraged, through business support. Thirdly, skills are to be enhanced - both for new labour market entrants and those already in work. Fourthly, new investment is to be made available to indigenous firms and to attract inward investment through a range of advice services, grants and other finance schemes. Finally, there is to be a new focus on trading opportunities - to bring about benefits directly through increased sales and indirectly through exposure to new technologies, healthy competition and best practices from outside the country.

These drivers for business growth mirror, almost exactly, the drivers for regional competitiveness (outlined earlier) as identified by H M Treasury, and suggest a policy consensus on economic development across the UK. Though this may be a concern given the different contexts of UK regions, there is little agreement on what, or how, to promote regional competitiveness despite its widening use as a strategy for development.

² Cadw, Welsh for 'to keep', was originally created in 1984 to protect, conserve and to promote an appreciation of the built heritage of Wales.

4. VALUING AND UNDERSTANDING THE ENVIRONMENT IN WALES 2000-2006

In 2002 the Welsh Assembly Government’s Minister for Environment hosted a conference on the historic environment of Wales entitled ‘*An Asset for the Future*’. This conference appears to mark the starting point for a significant debate about historic environment policy and the roles of organisations within and outside government in Wales. However, interest in valuing the historic environment itself grew out of work undertaken to value the wider environment.

In 2000 work was commissioned by a steering group of organisations³ to investigate the economic significance of the environment in Wales and to identify the economic role of environmental enhancement and protection activity (see Bilsborough and Hill, 2003). Another objective of the Valuing Our Environment (VoE) project, as it became known, was to ‘*assess the growth potential and significance of the environment to the Welsh economy, including opportunities for activities and initiatives that add value to one without damaging the other*’ (Valuing Our Environment 2001). The approach taken in this work was that the economy and environment interacted in three key areas – activities concerned with the protection and enhancement of the environment; activities which make intensive use of one or more elements of the environment as a primary resource; and activities which are dependent on the quality of the environment. Adding in multiplier impacts using input-output tables developed by the Welsh Economy Research Unit, the report concluded that 17 percent of all Welsh jobs can be associated with the defined environment. The report also claimed that total output from environment related activities amounted to 15 percent of Welsh goods and services and contributed 9 percent of GDP in Wales.

Further work followed to refine and disaggregate these results, including, a project undertaken for the National Trust to extend the original findings by defining and assessing the economic contribution of the historic built heritage. Whilst the project recognised that ‘*history and its influences transcend currency valuations*’, the study estimated that the historic environment, directly and indirectly, adds £780m of output and more than 22,500 full time equivalent jobs to the Welsh economy (Hill and O’Sullivan, 2002). See Table 1.

Table 1. Direct and Indirect Effects of Historic Environment in Wales

	Output (£m)	Employment (ftes)
Direct Historic Environment	462.5	15,676
Indirect and induced activity supported	317.2	6,890
Total activity supported	779.7	22,566
Multiplier	1.69	1.44

Source: Hill and O’Sullivan (2002).

³ The commissioning group included Royal Society for Protection of Birds (Wales), Wales Tourist Board, National Trust, and Countryside Council for Wales.

In 2004 the Countryside Council for Wales commissioned a study to extend the approach to valuing the marine and coastal environment of Wales, and a separate but linked study on Wales' National Parks (National Trust Wales, 2006a). The Coast and Marine study estimates that coast and marine output supports around 6 percent of jobs in Wales; total output (including multiplier effects) is around £6.7bn; and, that gross value added is around £1.5bn or 5 percent of the Welsh total (National Trust Wales, 2006b).

In March 2003 the Minister for Environment in Wales initiated a national review of the historic environment via a consultation document that attracted responses from over 90 organisations across Wales. This review considers the idea of the historic environment, the main implications of current and alternative policies and organisational arrangements (which it calls 'realising the potential'). It defines the historic environment (or the historic dimension of the environment) as the '*sum of the surviving physical changes that people have imposed on the natural landscape*' though the document, more than once, uses the term 'heritage' interchangeably with historic environment (Review of Historic Environment in Wales 2003:1).

This review notes that the historic environment should be sustained '*primarily for its cultural value*' (paragraph17) but also claims that it can deliver '*an important range of social and economic benefits*', and goes on to identify a potential for regeneration in disadvantaged areas, stimulating wider investment in depressed economies, and the ability to instil confidence and generate ripple effects of investment. The document states '*the value of investing in historic quality to underpin long-term economic development is well attested by the range of Assembly and Lottery-funded initiatives for enhancing the quality and character of historic areas*' (paragraph18). The report highlights how countryside based conservation management programmes can deliver '*real economic as well as social benefits*', such as new sources of income as traditional livelihoods decline; new conservation-based and tourism-based jobs; and can help sustain fragile rural communities (paragraph 19). This document sets out the ways in which the government views the historic environment as a significant contributor to tourism development, regeneration, education, skills development and social inclusion. It is clear that the historic environment is seen to hold much potential and the report offers case studies illustrating heritage town improvement initiatives in Wales, the UK and in Europe; voluntary sector involvement in conservation projects across Wales; and examples of community action groups seeking to develop local heritage for enterprise and development. In summary, the document makes clear that the government views the historic environment as a vital asset to Wales' future development.

In March 2004 the UK Government Department for Culture, Media and Sport, working with the Scottish Executive, the Welsh Assembly Government and the Department of the Environment Northern Ireland, published a public consultation on the future of the historic marine environment. This sought to provide a positive approach to managing the historic marine environment, stated as being '*central to social, environmental and economic agendas at a local as well as national level*' and sought '*a legislative framework that protects the*

marine historic environment but enables appropriate management approaches to be applied and to evolve' (DCMS 2005). Academics are also concerning themselves with the potential for improved levels of enterprise in the heritage sector in Wales, with recent work undertaken on business formats and use of technology in small museums in Wales (Thomas and Thomas 2004) indicating growing attention.

Hence evidence exists of attempts to provide a realistic and balanced understanding of the contribution of the historic environment to social, environmental and economic development of the UK in general and of Wales in particular.

5. CADW AND ECONOMIC DEVELOPMENT IN WALES

The Welsh Assembly Government's strategic objectives for the economy claim to be 'built around Wales' core strengths, including an increasingly skilled, innovative and enterprising workforce' and suggest their strategies will 'help in building an ever stronger competitive advantage for Wales' (Wales: A Vibrant Economy). Cadw's website explains that it is the Welsh Assembly Government's historic environment division, and that its aim is to promote the conservation and appreciation of Wales' historic environment. In 2004 the Minister for the expanded Department of Culture, Welsh Language and Sport set up a group, chaired by Cadw, which was 'designed to ensure proper linkages between key organisations' (Pugh 2005). In February 2005 the group outlined its terms of reference as 'to advise the Welsh Assembly Government on action to benefit and promote the historic environment of Wales' (Cadw website 2006). These set out priorities for action and state that it will 'consider ways in which the historic environment contributes to other key policy areas' (HEG 2005).

At this stage it is difficult to assess the implications of this approach. To provide some depth of understanding the authors conducted an interview with the newly appointed (less than one year) Director of Cadw and current chair of the Historic Environment Group, raising a series of issues about the relationship between the historic environment and economic development in Wales (See the Appendix for the questions asked during these interviews).

Whilst the historic environment may be seen by policy makers at WAG as holding considerable potential to contribute to strategic economic objectives, its ability to do so is by no means guaranteed. Cadw's previous non-governmental status may have given it some independence from government structures in Wales but this may have been overstated. The Director of Cadw holds that while the historic environment has much to offer, government needs to be convinced that the organisation will contribute to the range of strategic objectives, rather than narrowly conserving, protecting and sustaining the historic environment. The Director argues that Cadw needs to be more '*fleet of foot*' to ensure it is a key player in the changing environment where contributions can be made in regeneration, health and education. One key advantage of being drawn closer to WAG is improved links to other departments, such as Museums Arts and Libraries. The Director agreed that whilst economic development is an objective to which the historic environment contributes, well-being, learning and health

were other areas for consideration.

Despite what has been described as a '*rush*' to value the environment for economic development, the Director argued that whilst this may now be a commonly identified strategic interest, it is one which was not traditionally mirrored within historic environment organisations such as Cadw. A traditional reluctance to collect data on economic and visitor activities, for example, has resulted in Cadw being unable to contribute effectively to the economic debate in the past and leaving it in a position where considerable counting and measuring work needs to be done to '*catch up*'. The debate around the compatibility of historic environment conservation and economic development has long raged in Wales, as in many other countries, but the Director forcefully expressed the opinion that '*conservation can not operate in a vacuum*'.

Of the five identified key drivers for business growth across sectors, the Director suggested that '**skills**' was a key area of contribution by the historic environment, with conservation practice supporting and creating skilled jobs and employment in craft-based industries at professional, technical, skilled manual and vocational levels. Cadw employs around forty in-house craftspeople, plus many others on a contract basis, and provides advice to the private and voluntary sectors on conservation skills. The Director argued that high quality craft jobs were being supported by its activities and that these, in addition to the sixty custodian posts, were especially important in rural areas. '**Investment**' in the historic environment is an area where public sector spending is relatively easily measured, with Cadw accounts detailing historic environment grants of almost £4.6 million in the year 2004-5. In addition, the value of a high quality environment in attracting inward investment to Wales is recognised, as well as the historic public sector providing support, financial and advice, to local authority and private sector owners so improving competitiveness via sense of place. In a similar vein the importance of the contribution of the historic environment to the creation of the attractive and distinctive commercial and industrial floor space is critical to the development of small businesses and creative industries, and fostering a culture of '**enterprise**' is a recognisable contribution. Whilst Cadw already contributes to regeneration through its partnership historic townscape initiative, the Director seeks to work much more closely with the regional regeneration bodies in Wales to help modernise, adapt and transform failing areas into thriving communities. A high quality historic environment can ensure distinctiveness, help avoid identikit destinations and create places where people positively choose to live, work, invest and spend recreation time. Places with vibrant historic cultures attract visitors, can improve opportunities for theatres and art installations, restaurants and bar in cities, countryside and small settlements. The increased '**trade**' associated with high quality historic environments include higher yields and rental values, tourism and a general increase in the business activity associated with thriving communities.

The Director has positively resisted the temptation to spend time creating a '*raft of strategies which no-one reads*'. Her approach is to integrate the historic environment into existing WAG strategies (the spatial plan, the environment

strategy and the economic development strategy), to ensure that the historic environment is not *'ghettoised'*, and is seeking to alter the perception of Cadw by changing, as she put it, *'hearts and minds'*. The Director sees public funding for conservation without clear purpose as *'morally wrong'* and argues that sometimes buildings should be allowed to disappear, or be *'recycled'* where appropriate.

When asked whether a more market-orientated perspective of the historic environment was appropriate, the Director agreed that places should not be preserved in aspic but should be *'vibrant and exciting, real and relevant'*, that they should have a real reason to survive and should *'lift the heart'*. In conclusion, the Director intends that Cadw would be *'stepping up to the plate'* by playing a leading role in partnerships for wider strategies in Wales. She argued that there was a *'charm offensive'* underway to ensure that a *'dynamic and confident Cadw'* works with key partners to embed the historic environment in Wales as key contributor to its future success.

6. CONCLUSION

Regional competitiveness may be poorly defined and lack an underpinning theoretical framework, but it is undeniably a goal pursued by those responsible for regions around the world. In the UK and in Wales the concept centres around five generic key drivers to economic development, including innovation, entrepreneurship or enterprise, skills, investment and trade or competitiveness. These drivers are intended to support business productivity and value creation across a range of sectors, and this paper has begun to explore whether they can, or indeed should, be applied to the historic environment.

Throughout the UK the historic environment is frequently cited in contemporary government literature as a contributor to economic growth in addition to the intrinsic value of conserving cultural assets (WAG 2002, 2003; DCMS 2005). An exploration of the five key drivers for growth in relation to the historic environment suggests a capacity to make positive contributions. However, in Wales contributions from the historic environment have traditionally been incidental rather than a result of strategic planning. One reason for this may have been the structure of governance, particularly with the *'arms length'* principle in the case of Cadw, resulting in a narrowly conceived view of the role of government in the historic environment. Governments across the UK are beginning to recognise the value of sectors previously viewed as little more than a constraint on economic development, or a drain on resources. Efforts to value environmental sectors in a coherent and replicable way, the attitude and appointment of the new Director of Cadw and attempts at joined-up government via the re-centralisation of traditional *'quangos'* collectively suggest that the value of the historic environment is beginning to be recognised at the strategic level in Wales. However, much more needs to be done to investigate the ways in which the contribution of the sector to regional competitiveness might be maximised.

Whether the traditional view of the historic environment can accommodate a more *'competitive'* or *'economy orientated'* relationship remains to be seen.

There will be those who view such moves as evidence of a seemingly unstoppable shift toward cultural commodification. Some would argue that a competition or economy orientation was no more than a euphemism for identikit destinations and inauthentic culture. Of course, an alternative view would be that Wales' rich historic environment offers an opportunity to build a future which is inherently unique and distinctive.

While it is relatively easy to identify individual case studies that demonstrate how historic environment projects contribute to local job creation, investment, regeneration, community involvement, social inclusion, and local vibrancy, it is much more difficult to explain the processes by which the historic environment can be coordinated and supported at the strategic level in order to contribute effectively to the policy objectives of government, including regional competitiveness. The evidence highlighted above suggests that this message may be beginning to be heard in Wales, and that government departments are starting to view cultural assets, such as the historic environment, as having an important role to play across diverse objectives. Fulfilling this role is a practical policy challenge with long-term implications.

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APPENDIX: QUESTIONS PUT TO DIRECTOR OF CADW - PERSONAL INTERVIEW: TUESDAY 5TH SEPTEMBER 2006

1. In your opinion would it be fair to say that the historic environment is viewed by WAG as a source of potential for economic development in Wales?
2. Do you agree with the pursuance of this strategy?
3. Would you agree with the claim that the many recent attempts to 'value' complex and diverse 'sectors' such as environment, built heritage, Wales' marine and coast, and even marine cultural heritage are indicative of the rush to exploit the nation's cultural assets as part of its economic development strategy?
4. Do you think that this strategy is compatible with the conservation role of bodies like Cadw?
5. Do you think that this balance will change with the 'drawing in' of Cadw to the Welsh Assembly?
6. The *Wales A Vibrant Economy* document highlights five key drivers to business growth across sectors – innovation, entrepreneurship, skills, investment and trade. Do you think they apply to the historic environment and if so, how?
 - Innovation (support innovation within firms, greater links with HE...e.g. incubator space for high technology firms)
 - Entrepreneurship (culture of enterprise affecting business creation and growth, business support activities)
 - Skills (improve skills of new entrants and those already in work)
 - Investment (advice, grant, finance schemes for indigenous firms and to attract inward investment)
 - Trade (increased sales and exposure to competition and best practice)
7. Do you think that it would be a realistic aim to try to implement strategies which view the historic environment as a cohesive entity and can strategies designed for very different sectors (e.g. technology, automotive etc..) be applied to the historic environment?

8. In a recent copy of *About Wales* the National Trust called for a halt to the erosion and destruction of historic assets and the discovery of new and innovative ways to utilise them 'as a force for the future renewal and development of our communities' (Hopkins and Howell 2005). In your view, is this move towards exploitation of assets for social and economic benefit (rather than just conservation) indicative of a 'change of heart' in the historic sector or simply a trade-off in order to gain more funding for essential conservation works?
9. If Wales is to improve its competitive advantage in the race to higher levels of economic growth and quality of life for its citizens, do we need to let some of the traditional, altruistic views on the role of the historic environment and cultural heritage be replaced by a more market orientated perspective of its value?
10. Anything further you would like to add?