Case study: The north east of England

So far we have looked at industry in ELDCs and NICs. This case study from the north east of England looks at industrial change in an EMDC, and provides a number of contrasts with industrial development in ELDCs and NICs. There are also, however, a number of similarities.

The north east of England is associated with heavy industries, such as coal mining, shipbuilding, iron and steel manufacture and engineering. It has suffered huge job losses as a result of deindustrialisation, the decline of heavy industry. There has been some regeneration, largely due to inward investment by Japanese and German investors.

The region’s heavy industries have all declined, and unemployment in the North East is above the national average. Some heavy industry still remains: British Steel and ICI are major employers on Teeside, and there are still numerous engineering companies such as Vickers and Rolls-Royce.

Here we look at the changes to one company, Swan Hunter, and at some of the new inward investment to the North East.

The decline of Swan Hunter

Since the middle of the nineteenth century, Swan Hunter has played a leading role in British maritime history. For many decades, more than a third of the world’s ships were built in its shipyards. Altogether, it built over 2700 ships – including more than 400 warships and fleet auxiliaries.

Swan Hunter comprised several Tyneside shipyards. In the 1880s, Swan Hunter expanded rapidly as the North East entered its golden era of shipbuilding (Figure 5.23). Among the company's greatest triumphs was the Mauretania, which held the Blue Riband for 22 years, as the world’s fastest liner across the Atlantic. Tyneside was a centre of technical innovation, its main triumph being the steam turbine.

By 1930, Swan Hunter had an unbroken river frontage of some 1.2 km, and works covering nearly 80 hectares. The company dealt with all aspects of shipbuilding, including design and construction, repairs, overhauls and renewals. During the two world wars, it constructed, repaired and converted all types of ships. After the war there was massive replacement of shipping lost during the war. It was clear that the layout and structure of the shipyard had to be changed if the company was to be competitive in the modern shipbuilding industry. The main reason was the change in production techniques with the steel structure of the ship being welded instead of riveted; the ship was constructed from large prefabricated units instead of single plates, and bars were welded on site. The main advantages of carrying out a large percentage of the welding under cover, were continuous employment and freedom from weather conditions. Ship sizes were also increasing, therefore shipyards had to reorganise to accommodate these changes as existing berths were too narrow.

There were problems with reorganising and redesigning the shipyards:
- the awkward shape of the sites, which were long but lacked depth (to give access to railway lines and roads)
- yards needed to be complementary to each other rather than duplicating facilities
- yards needed to be rebuilt without disrupting the building of ships to make larger berths
- the design had to improve handling of goods and raw materials at the yards.
In recent decades, increasingly strong competition from Far Eastern shipbuilders has made shipbuilding much less profitable. Following the Geddes Report on shipbuilding (1966), discussions were opened with the owners of other shipbuilders on the Tyne about the possibility of merging all the shipyards on the Tyne into one company. The resulting company, Swan Hunter Shipbuilders Limited, was nationalised in 1977. Approximately 11,500 people were employed and the yards built cargo vessels, bulk carriers, tankers and container ships of all sizes. In the five years prior to nationalisation almost £16 million was spent on modernising the yards.

Swan Hunter was privatised in 1986. Thereafter, the company decided to concentrate on warships and auxiliaries for the Royal Navy. Shipbuilding was concentrated at Wallsend on the Tyne and employed some 3500 people.

In the face of increasing competition, a decrease in orders from the UK Ministry of Defence (MOD) and a failure to win significant export orders, Swan Hunter was forced to close. The key factor was the decision of the MOD not to use the Swan Hunter shipyard. The company was bought by THC Fabricators, who reopened the yard and have managed to keep it operating at 60% capacity. Recent work has included converting the bulk carrier *Sali* to the world's largest pipeline-laying vessel. A much smaller Swan Hunter has managed to survive, unlike many firms in the North East.

**Inward investment in the North East**

There has been a considerable amount of aid to the North East since the 1960s (Figures 5.24 and 5.25). Communications were improved and industrial estates developed. The big breakthrough came when Nissan decided to invest in the North East. It has ploughed nearly £1 billion into the area and employs some 4500 people. Since then, other investors have followed, the latest and largest being the German electronics group, Siemens.

In 1995, Siemens announced a £1 billion investment in Tyneside (Figure 5.26). It chose the Hadrian Business Park to develop its semi-conductor manufacturing and research centre. The investment will create about 2000 jobs, which balances the 2000 jobs lost at Swan Hunter. There was strong competition from a number of European countries to attract the investment, but Tyneside won it with an attractive package of incentives, labour and site characteristics.

The attractions included:
- research facilities – the Hadrian Business Park is within thirty minutes drive of four universities
- existing skills – the region has a tradition of engineering works
- government incentives – the area receives special assistance from the government and has received as much as £50 million
- labour – the region offers a supply of skilled but relatively cheap labour
- the site – there is plenty of high quality water (required for the cleaning and rinsing processes), good building land, and room for expansion
- behavioural factors – the Chairman of the Northern Development Corporation spoke fluent German.

**Inset 5.3**

**Decline in shipbuilding**

Since the Second World War, shipbuilding and ship-repair industries in Europe have declined for a variety of reasons:
- a decrease in orders due to overseas, mainly Far Eastern, competition
- world recession and rationalisation of shipyards
- overcapacity of shipping in relation to demand
- competition from other forms of transport
- more widespread political stability leading to reduced demand for naval warships
- lack of investment in the industry.

The decline is not confined to the UK or Europe: world orders fell from 74 million tonnes in 1973 to 25 million tonnes in 1985 and this downward trend has continued into the 1990s.

![Figure 5.24 Location of foreign investments in the North East](Source: Geofile, Jan 1997, The North East region)
**Figure 5.25** Major companies investing in the North East

Source: Geofile, Jan 1997, The North East region

**Figure 5.26** Siemens decision to locate in the North East

Source: Nagle G. and Spencer K., 1996, The geography of the European Union, OUP

**The Siemens search in Europe**

**UK: North Tyneside**
Hadrian development park. Enterprise Zone status offered business rate exemption, simplified planning, and capital write-offs.

**Ireland: Kingsakiddy near Cork**
Offered a range of grants to cover capital costs, but the key attraction was a 10% tax regime for manufacturing companies.

**Germany: Dresden**
Reportedly ruled out due to high production and labour costs. Regensburg, existing plant producing 6-inch silicon wafers.

**Portugal: Villach**
Existing semiconductor plant and possible site for new factory. Good infrastructure and skilled workforce although limited capital grants.

**Scotland:**
Late in the running. Widely accepted that selection chances were slim.

**Austria:**

**QUESTIONS**

1. State two similarities between inward investment in the North East of England and industrial developments in India and Mexico.

2. Describe two contrasts between the type of industrial development that is taking place in the North East with that taking place in Mexico.

3. Briefly explain two contrasting reasons why the Japanese, South Koreans and Germans want to locate in the UK.