

Small wonder

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A Mini Cooper arrives at the UK premiere of 'The Italian Job' in London in 2003. The film is a remake of the original 1960's classic which starred British actor Sir Michael Caine and featured three Mini Cooper's painted in red, white and blue. Since then, the car has been seen internationally as an iconic UK brand. © Reuters

As further job losses are announced for the struggling UK steel industry, Oxford car producers at Mini currently have an unexpected success on their hands and are set to increase production. Why are the fortunes of these two UK manufacturing operations so divergent? And why hasn't the Mini factory 'run away' overseas to Asia or South America yet?

13,000 jobs have been lost in the UK steel industry during the last five years. Last week, a further 250 redundancies were announced ([The Guardian, 18 February 2005](#)). They are part of an on-going process of **rationalisation** that began when British Steel merged with the Netherlands-based firm Hoogovens in 1999 to form a new **Transnational Corporation** (TNC) called Corus. To compete with low-priced steel producers elsewhere in the world, Corus has been forced to shed labour and to close down its least efficient plants. 4,500 jobs were cut in 1999 and a further 6,000 in 2001, mainly in South Wales at the Llanwern and Bryngwyn plants, along with the Ebbw Vale tin-plating factory. A further **1,000 jobs were cut from Teesside's Redcar-Lackenby plant in 2003.**

The steel industry in the UK has suffered in recent decades from (1) overcapacity following the end of the post-war reconstruction period, (2) fierce overseas competition from low-wage producer nations (e.g. China) and (3) the current strength of the pound, making UK exports expensive for other countries to buy. In 1951, the steel industry employed 450,000 people. Today, numbers are less than 20,000, representing a reduction of around 95%. However, actual levels of steel production have not fallen by the same amount. Fifty years ago, the UK produced 16 million tonnes of steel, equivalent to 35 tonnes per worker annually. Productivity per worker is now 623 tonnes – a considerable increase! UK steel employees are four times more productive than 20 years ago. As a result, the UK is one of the most cost effective steel industries in the world and over 40% of new steel produced in the UK is made from recycled sources.

However, to maintain its relatively competitive edge, Corus currently needs to rationalise further. The latest redundancies will be at the steel plant in Workington, Cumbria, which is to be closed by 2007. The company will then use the money saved to invest an additional £130 million in its Scunthorpe factory, where new extra-long railway tracks are to be produced. At 120 metres long, they will be three times longer than those currently produced in Workington. National railway operators such as Virgin are keen to replace their old railway lines with longer sections of track, as faster train speeds become possible. The considerable difficulty involved in importing such long lengths of track from overseas to the UK is one important reason why some of the steel used in the UK is still actually



Corus Lackenby steel making site saw heavy job losses in 2001 © FreeFoto

produced here rather than imported from cheaper steel producing nations!

Types of manufacturing in the UK

Manufacturing industries are involved in the refining and processing of raw materials or in the assembly of previously manufactured component parts to form consumer goods. Known collectively as the secondary sector of industry, there are several important 'sub-sets' of manufacturing that are widely recognised:

(1) Basic (or heavy) industries refine raw materials. The steel industry processes iron ore, for instance, to form sheets of metal.

(2) Consumer industries are involved in crafting household items from the products of heavy industry. Decades ago, workers in Sheffield mass-produced cutlery, for instance, transforming the products of the city's steel industries into everyday household items. Today, more complex consumer industries include the manufacture of 'white goods' (cookers and fridges), cars, TVs and PCs. Many (but not all) consumer industries are also known as assembly industries.

(3) Assembly industries are manufacturing industries that take the products of many different industries and fit them together to make finished goods. The Mini car is made up of 2,500 previously manufactured parts, for instance.

Why is Mini doing so well?

In contrast with the disclosure of major labour losses at the Corus steel plant, the Mini factory in Oxford has just announced the creation of 200 new jobs (*The Daily Telegraph*, 17 February 2005). Its owners, the German firm BMW, are making a new investment of £100 million in response to rising global demand for the famous small car. Now sold in 73 countries, 70% of the 200,000 cars manufactured each year in Oxford are exported overseas. After the UK, America is Mini's second biggest market with 36,000 sales last year. Germany is the next largest market (27,000), followed by Italy (22,000) and Japan (13,000). The car's popularity is attributable to several factors:

(1) An iconic UK brand The first version of the Mini sold over 5.5 million cars between 1959 and 2000. During that time, it became strongly identified with British culture, notably through its product placement in the films *The Italian Job* (1967) and the more recent *Austin Powers* series. This has given the Mini a strong appeal in overseas markets, such as the US and Japan (the design with a Union Jack on the roof is the number-one-seller in the US).

(2) High quality parts BMW uses 2,500 different suppliers when gathering parts to assemble the Mini – from the engine right down to the windscreen-wipers! As a Transnational Corporation, BMW can pick and choose high quality (yet competitively-priced) parts from its extensive network of global suppliers, ensuring that the Mini has superior specifications when compared with many other small cars. Most parts are sourced within the EU to avoid import tariffs, although the engines are brought all the way from Japan or from a Brazilian factory co-owned by Chrysler and BMW.

(3) Size and efficiency The small size and manoeuvrability of the Mini makes it ideal for city driving. In the US, it is regarded as a "green" vehicle, because it is so much more fuel-efficient than most large American cars.

Wouldn't it be cheaper to produce the Mini in an LEDC?

In recent decades, manufacturing firms have often left the UK and relocated overseas where wages, land and health and safety costs are often much lower: even James Dyson recently relocated the manufacturing wing of his 'vacuum cleaner' firm to Malaysia (in 2001). Yet, occasionally, tales of the

general decline of UK manufacturing are offset by a "success story" – in this instance, production of the Mini in Oxford, under the ownership of BMW.

BMW took over Mini as part of a series of mergers and acquisitions that occurred within the beleaguered UK car industry during the 1980s and 1990s. Although the German giant has manufacturing operations spread all over the world, it made the brave decision to build the latest edition of the famous car in the UK, where wages are much higher than in most other countries. So why didn't BMW instead establish a lower-cost branch plant in Eastern Europe, Asia or Mexico, further contributing to the [New International Division of Labour](#) (NIDL)?

There are several answers to this question. Firstly, the Mini's strong association with British culture makes it important that the car is actually seen to be built in the UK. Secondly, the long history of car manufacturing in Oxford and the Midlands has left a great deal of expertise within the local labour market. Thirdly, production costs can be kept down through alternative means, notably by adopting a just-in-time (Toyotist) buying strategy with the network of suppliers. Mini insists that suppliers only ever deliver enough parts to the Oxford plant to build the 600 cars that pass along the assembly line each day (*National Geographic*, February 2005). This reduces the need for warehousing parts and keeps land costs down.

As a result of all of this, the Mini is not prohibitively expensive to buy in the UK, or the rest of the EU. It currently retails for between £10,500 and £17,500, well within the reach of many families and individuals. 'Just-in-time' manufacturing also allows for rapid responses to changing market demand for particular colours, add-ons or designs (such as the Union Jack roof design that the *Austin Powers* films suddenly made so popular). This is an approach to modern manufacturing that is sometimes called *flexible accumulation* or *post-Fordism*.

Finally, UK production is also made possible due to BMW's decision to promote the Mini as a decidedly up-market premium product. Only 36,000 were sold in the US last year, with a population of nearly 300 million people that's a about one Mini per 10,000 Americans (quite a squeeze when you consider the world record for the greatest number of people to fit in a Mini was achieved on July 3, 2000, when a total of 18 women crammed into a Mini Cooper in Birmingham). Were the car ever to be mass-produced for sale in the US, then it would certainly make more sense for BMW to establish a manufacturing plant within the NAFTA (North American) trade region, perhaps locating alongside other TNC branch plants as part of the Mexican Maquiladoras. However, as long as affluent Americans view the Mini as a luxury imported item - and are prepared to pay for the additional transport costs and import taxes that this brings - then BMW are happy to keep producing solely within the UK.

In an interview, Michael McHale, communications manager at the Mini USA headquarters explained that BMW officials do not want to risk saturating the US market with Minis: "There is always a temptation to sell everything you make and keep making more, but we would rather continue to sell consistently for the next several years. We don't follow a mass-market approach," McHale said. "Both the Mini and BMW are premium brands, which means they're somewhat rare in their market area, and we take advantage of that."

Further reading

See last year's [article on coal](#) for further examination of *sectoral decline* within UK industry.

See last year's [article on Guinness](#) for more on rationalisation and UK plant closures by a TNC.

See this month's *National Geographic* (February 2005) for a very useful illustration of how a Mini is assembled.

AS/A2 exam tips

A2 economic geography calls for critical understanding of the **Clark-Fischer model**. While secondary employment is shown to have declined *in general* in the UK, it is important to remember that:

(1) Output has not always declined in direct proportion to employment losses due to rationalisation and automation.

(2) The overall decline of the sector masks considerable variations within different sub-sets of manufacturing, as this article has emphasised. *Heavy* manufacturing jobs have generally declined in the UK, as part of a general global shift of this kind of employment towards Newly Industrialised Countries such as South Korea. However, *consumer* manufacturing industries have had a more varied experience. While many consumer items such as hi-fis and DVDs are mass produced in Asia, other items, such as the Mini, are still assembled within the EU for the reasons outlined in this article.

These sorts of ideas are likely to lift an A-level candidate's essay into a higher mark band when attempting the following questions:

*Describe the Clark-Fischer model and show how it relates to the development of economic activities in **one** country.*

10 marks (Edexcel B, June 2004)

Outline the main characteristics of assembly industries

5 marks (Edexcel A, June 2003)

Account for the general decline in secondary employment in the UK

20 marks (Edexcel A, June 2004)