

## LECTURE NO. 4

### TERRITORY SELECTION AND SITE/ COMMUNITY SELECTION

#### Territory Selection

For the general territory / region / area, the following are some of the important factors that influence the selection decision.

1. Markets: There has to be some customer / market for the product. The market growth potential and the location of competitors are important factors that could influence the location. Locating a plant or facility nearer to the market is preferred if promptness of service is required particularly if the product is susceptible to spoilage. Also if the product is relatively inexpensive and transportation costs add substantially to the cost, a location close to the market is desirable.

2. Raw materials and supplies: Sometimes accessibility to vendors/suppliers of raw materials, equipment etc. may be very important. The issue here is promptness and regularity of delivery and inward freight cost minimization. If the raw material is bulky or low in cost, or if it is greatly reduced in bulk viz. transformed into various products and by-products or if it is perishable and processing makes it less so, then location near raw material source is important. If raw materials come from a variety of locations, the plant / facility may be situated so as to minimize total transportation costs. The costs vary depending upon specific routes, mode of transportation and specific product classifications

3. Transportation facilities: Adequate transportation facilities are essential for the economic operation of production system. For companies that produce or buy heavy bulky and low value per ton commodities, water transportation could be an important factor in location plants.

4. Manpower supply: The availability of skilled manpower, the prevailing wage pattern, living costs and the industrial relations situation influence the location.

5. Infrastructure: This factor refers to the availability and reliability of power, water, fuel and communication facilities in addition to transportation facilities.

6. Legislation and taxation: Factors such as financial and other incentives for new industries in backward areas or no-industry-district centers, exemption from certain state and local taxes, octroi etc. are important.

Site / Community Selection Having selected the general territory / region, one would have to go in for site / community selection. Some factors relevant for this are:

1. Community facilities: These involve factors such as quality of life which in turn depends on availability of facilities like education, places of worship, medical services, police and fire stations, cultural, social and recreation opportunities, housing, good streets and good communication and transportation facilities.

2. Community attitudes: These can be difficult to evaluate. Most communities usually welcome setting up of a new industry especially since it would provide employment opportunities to the local people directly or indirectly. However, in case of polluting industries, they would try their utmost to locate them as far away as possible. Sometimes because of prevailing law and order situation, companies have been forced to relocate their units. The attitude of people as well as the state government has an impact on location of polluting and hazardous industries.

3. Waste disposal: The facilities required for the disposal of process waste including solid, liquid and gaseous effluent need to be considered. The plant should be positioned so that prevailing winds carry any fumes

away from populated areas and that the waste may be disposed off properly and at reasonable costs.

4. Ecology and pollution: These days, there is a great deal of awareness towards maintenance of natural ecological balance. There are quite a few agencies propagating the concepts to make the society at large more conscious of the dangers of certain available actions.

5. Site size: The plot of land must be large enough to hold the proposed plant and parking and access facilities and provide room for future expansion.

6. Topography: -The topography, soil structure and drainage must be suitable. If considerable land improvement is required, low priced land might turn out to be expensive.

7. Transportation facilities: The site should be accessible preferably by road and rail. The dependability and character of the available transport carriers, frequency of service and freight and terminal facilities is also worth considering.

8. Supporting industries and services: The availability of supporting services such as tool rooms, plant services etc. need to be considered.

9. Land costs: These are generally of lesser importance, as they are nonrecurring and possibly make up a relatively small proportion of the total cost of locating a new plant. Generally, the site will be in a city, suburb or country location. In general, the location for large scale industries should be in rural areas, which helps in regional development also. It is seen that once a large industry is set up (or even if a decision to this effect has been taken), a lot of infrastructure develops around it as a result of the location decision.

As for the location of medium scale industries is concerned, these could be preferably in the suburban / semi-urban areas where the advantages of urban and rural areas are available. For the small scale industries, the

location could be urban areas where the infrastructural facilities are already available. However, in real life, the situation is somewhat paradoxical as people, with money and means, are usually in the cities and would like to locate the units in the city itself. Some of the industrial needs and characteristics that tend to favor each of this location are.

Requirements governing choice of a city location are:

- Availability of adequate supply of labor force • High proportion of skilled employees • Rapid public transportation and contact with suppliers and customers
- Small plant site or multi floor operation
- Processes heavily dependent on city facilities and utilities
- Good communication facilities like telephone, telex, post offices
- Good banking and health care delivery systems

Requirements governing the choice of a suburban location are:

- Large plant site close to transportation or population center
- Free from some common city building zoning (industrial areas) and other restrictions
- Freedom from higher parking and other city taxes etc.
- Labor force required to reside close to the plant
- Community close to, but not in large population center
- Plant expansion easier than in the city

Requirements governing the choice of a rural location are:

- Large plant site required for either present demands or expansion
- Dangerous production processes
- Lesser effort required for anti-pollution measures

- Large volume of relatively clean water
- Lower property taxes, away from Urban Land Ceiling Act restrictions
- Protection against possible sabotage or for a secret process
- Balanced growth and development of a developing or underdeveloped area
- Unskilled labor force required
- Low wages required to meet competition