

Session 3 :Selection Of Location & Site Of The Project

**Factors affecting location -
Policies of Central - State Government towards location - Legal aspects of project management.**

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Break –up of sessions

- 1. Introduction: - Concept and Overview of Project management. Scope & Coverage. Project Function in an organization Layout**
- 2. Project Identification:- Selection of product identification of market preparation of feasibility study/report Project formulation - Evaluation of risks preparation of Project report.**
- 3. Selection of location & site of the project - Factors affecting location - policies of Central - State Government towards location - Legal aspects of project management.**
- 4. Financial Analysis :- Profitability Analysis - Social cost Benefit Analysis Preparation**
- 5. Budget and Cash Flows**
- 6. Selection of Project Department team. Setting up Organisation, Goals and targets dates. Role of Consultants in Project Management.**
- 7. Materials Management and other resources (Project) Planning - Procurement - storage - disposal.**
- 8. Financing of the Project: Source of Finance - Cost implications there of Financial Institutions -Guidelines for funding projects, Risk Analysis - Sensitivity Analysis.**
- 9. Quantitative Aspects of projects :- PERT/CPM Network Analysis for monitoring of the project**
- 10. Other quantitative techniques for monitoring and Control of project**
- 11. Theory of Constraints and Critical Chain Analysis**
- 12. Computer Applications :- Selection of software packages for application to Project management**
- 13. Presentations by Students on Projects / Topic allotted**

Identification of Factors Determining Choice Of Location

- Stakeholders
 - Who are the key stakeholders?
 - What are their requirements
 - How would they be impacted
- What are the major inputs and their availability
 - Raw material
 - Components / spare
 - Power
 - Labour
- What are the means of communication
 - Roads
 - Sea
 - Airport
 - IT

Various Factors Determining Choice Of Location

- Land
- Labour
- Local Infrastructure
 - Power
 - Roads
 - Water
- Access to Market
- Material
- Local Entrepreneurship
- Financial Incentives
- IT Infrastructure and connectivity
- Access to port
- Access to Railway
- Access to Airport
- Political stability
- Local regulations / taxation
- Financial Institutions
- Industry cluster ancillary industry in the vicinity
- Quality of Life
- Suitability of climate for the type of Industry
- Availability of schools and other educational institutions

Factors Affecting Location Basic Requirements For Any Project

- Availability of Land:
 - For the envisaged activities
 - Adequate for future expansion
 - If it is for a Mega Project –
 - land must be available for the ancillary industry
 - Land for township, Hospital
 - Land for educational institutes and recreational activities
- Availability of adequate quantity of water

Human Resources

- A large cheap labour force is required for labour-intensive manufacturing industries.
- High-tech industries have to locate where suitable skilled workers are available.
- If it is a Mega Project, we require both quality and quantity

Human Resources Cost Factors

Market Oriented Industry

- Industries that are located close to the market because the product is expensive to transport. The resources are not bulky or expensive to transport. The Soft drink industry is a good example.

Market vs. Resource Oriented Industries:

- As we examine the influence of “weight gain” & “weight loss” on the location of industry we see that if the product weight is greater (weight gain) than the input resources, the industry is to be located near market to the extent possible. Conversely if product weight is less (weight loss) than the input resources it is located near resource.

Human Resources Cost Factors

Agglomerating Tendency

- Agglomerating tendency refers to the tendency for factories producing related products to locate close to each other for mutual benefit. Ex. Car factory & tire factory. Both industries are benefitted by being located close to each other?

Industrial Parks

- Industrial parks provide many advantages for a business. Existing infrastructure of roads, on ramps and off ramps to highways, large lots, sewer, ample electricity, and close location to related industries make industrial parks attractive for manufacturing businesses.

Industry clusters

Traditionally some centres become major hubs for certain industries.

Local Infrastructure

- There are a lot of hidden costs if the infrastructure is not adequate
- Many industries have suffered a set back due to lack of basic infrastructure such as:
 - Roads
 - Electricity
 - IT Connectivity
 - Power
 - Port

Factors To Be Considered

- **Raw materials**The factory needs to be close to these if they are heavy and bulky to transport.
- **Energy supply**This is needed to work the machines in a factory. Early industries were near to coalfields. Today, electricity allows more freedom.
- Reliability, assurance of uninterrupted Energy supply

Factors To Be Considered

- **Natural routes** River valleys and flat areas were essential in the days before railways and motorways made the movement of materials easier.
- **Site and land** Most industries require large accessible areas of cheap, flat land on which to build their factories.

Factors To Be Considered

- **Transport**A good transport network helps reduce costs and make the movement of materials easier.
- **Cost of land**Greenfield sites in rural areas are usually cheaper than brown field sites in the city.
- **Capital**This is the money that is invested to start the business. The amount of capital will determine the size and location of the factory.

Access to Market

- In case the products manufactured are perishable or of high volume, it is desirable to be closer to the market and the market must be easily accessible by Road / Port
- The communication facilities should also be adequate to keep in touch with the channel partners:
 - Telephone
 - Mobile Towers
 - Internet Connectivity
 - Reliable Courier Service

Material

- For some industries, Continuous Availability of critical raw material in foreseeable future becomes a single key factor in deciding a location.
- Transportation cost in some cases (e.g. ore for a metal extraction industry) may become the major factor
- Material movement feasibility may also needs consideration in case the input material (components / sub-assembly) or the finished product
- Availability of critical spares and service is another factor which may warrant consideration

Market

- An accessible place to sell the products is essential for many industries:
- those that produce bulky, heavy goods that are expensive to transport
- those that produce perishable or fragile goods
- those that provide services to people
- The market is not so important for other industries such as high-tech whose products are light in weight and cheap to transport. Such industries are said to be 'footloose'.

Government policies

- In order to bring about uniform development of various regions of the countries / states and to reduce congestion in the larger cities, the central and state governments formulate suitable policies to encourage Industrial House to set up new factories / ventures / expansion etc. in the backward regions. They also put some restrictions on the expansion in the cities. Industries that located in the backward areas are given financial incentives in the form of subsidies, tax holidays, concessional tax structure, land / sheds in the industrial estates.
- The government also provides incentive to boost export by setting SUZs / EUs etc.

Policies Of Central - State Government Towards Location

- Locational policies are being formulated, reviewed and changed from time to time by the central and state governments and it is always advisable to check with the latest amendments as applicable at a given location
- Important conceptual learning is to understand the general framework, broad thinking of the Central and State government, in terms of inclusive growth, balanced development between various regions, decongestion of cities, creating employment, compulsions of the politics and impact of the pressure groups in the society etc.
- There are several disadvantages in starting and running an industry in rural areas because of the relatively poor infra-structure. The government therefore offers incentives to entice entrepreneurs to start a Green Field Project

Policies Of Central - State Government Towards Location

The incentives are normally given in the one or more out of the following:

- IT holiday for specific period (Central Government)
- Concession in Excise or CST
- Sales Tax holiday
- Relief in Electricity duty
- Some state governments build Industrial Estates to offers factory sheds at a highly subsidized prices. These Industrial Estates have good infrastructure, electrical sub-station, Water availability, communication network and a well connected road links.
- EOUs – 100% Export oriented Units are given special concessions / facilities in respect of duty free import of capital goods and raw material for export against an export commitment in value equal to or more than the imports. Such export obligation is to be fulfilled in a certain period (5 years or sometimes even 8 years)

Legal Aspects Of Project Management.

- Legislations are reviewed and changed from time to time and it is always advisable to check with the latest amendments as applicable at a given location
- Important conceptual learning is to understand the general framework, broad thinking of the law makers, compulsions of the politics and impact of the pressure groups in the society, principle of natural justice and the laws enacted to protect rights of various sections of the society – which are also the stakeholders of the company
- It is thus necessary to identify which legislations impact the various stakeholders and the company as an entity and formulate policies to ensure compliance as well as harness the benefits available

Legal Aspects Of Project Management.

It is necessary to various Legal aspects in respect of each major stakeholder

Stakeholders for any organization are:

- Customers
- Shareholders
- Employees
- Suppliers
- Contractors
- Financial Institutions
- Local municipal bodies
- State Government
- Central government
- Society
- Overseas customers, suppliers, investors

Legal Aspects Of Project Management.

Legislations protecting interests of various Stakeholders are:

- Customers
 - Contracts act, Weights and Measures act, Consumer protection legislations
- Shareholders
 - Companies Act
 - Corporate Governance and disclosures etc.
- Employees
 - Factories act, Industrial relations and labour legislations, Payment of wages act, Bonus Act, PF and ESIC legislations etc.
- Suppliers
 - Contracts act, Weights and Measures act
- Contractors
 - Contracts act, Weights and Measures act, responsibilities of the company as the principal employers

Legal Aspects Of Project Management.

Legislations protecting interests of various Stakeholders are:

- Financial Institutions and Banks
 - Contracts act, Company law
- Local municipal bodies
 - Laws enacted by the Municipal Corporations, Octroi,
- State Government
 - Locational policies, Sales tax, Professional tax, Pollution and environment etc.
- Central government
 - Locational policies, Income tax, excise and Service tax, Customs / Import duties, Companies' Act, etc.
- Society
 - Environment protection act, child labour act, Legislations regarding protection of weaker sections of society etc.
- Overseas customers, suppliers, investors
 - International laws related to contracts, arbitration and laws of the land where the contract is being executed

Thank You