

Industry Essay

(a) What is meant by the term optimal location? (5)

(b) Assess the value of classical location theory in explaining the location of manufacturing industry today. (20)

(a)

Optimal location is the location of a factory where it's at least cost therefore making maximum profit. This is determined by three main factors which are transport costs, labour costs and agglomeration economies. This was based on Weber's theories of 1909, but did not always fit the pattern due to outside influences. One example being that of prestige in certain economies such as pottery. Other theories were then introduced such as the profit maximisation theory that said factories located within a zone of profit and if they were making profit they were in an optimal location. The company Dyson moved to Malaysia, an LEDC to gain cheaper labour even though transport costs are high but as transport costs are so cheap in the 21st century, they are making a bigger profit than being situated in an MEDC.

(b)

Classical location theory is based around Weber's ideas of the 1900s of where industry located to gain maximum profit by having least costs as far as transport, labour and agglomeration were concerned. He made a number of assumptions so there were fewer variables when it came to defining where industry located. He assumed that everywhere was of flat relief and that transport costs were uniform in all directions. Other aspects of life including physical and human influences of politics and so forth were also uniform. Size and location of markets were fixed and transport costs depended on the mass of the object. Other theories include that of Smith, Palander and even more basically of Burges and Hoyt. Smith's theory was based around Weber's. He said that a factory would locate within the spatial margins of profitability or the zone of profit as it was also known where the selling price outweighed the total cost. It would locate anywhere within the two margins depending on other physical and human factors. While Palander suggested that factories each serve their own area and do not move themselves, they locate near their LCL and people buy from them as it's the cheapest in the area. On a more local scale the models of Burges and Hoyt can be used to explain where industry locates within a city.

Location of the manufacturing industry today in the United Kingdom is placed depending on the products they provide so there is no actually set trend for location of industries. For example Iron and Steel industries locate on the coast, i.e. Redcar, as they import and export most of their goods by sea as it's the cheapest way to transport and most accessible. Therefore Weber's theory can be applied to this industry in particular. Other industries such as pottery locate for prestige reasons inland and therefore do not fit Weber's theory. Hi-Tech industries were non-existent in the days of Weber due to lack of development and because of this his theories can't apply to this type of industry, but on the other hand this type of industry does locate close to markets as the components imported in are very light therefore meaning his theories are a rough guide line to where most industries locate.

In some ways, Weber's theory was correct in explaining the location of industry today in that practically all industries locate at a least cost location to maximize their profits. Footloose industries locate near markets as their material is

pure and ubiquitous where as when the raw material is fixed and gross they locate at the raw material, thus giving cheaper transport costs. Footloose industries also locate near cheap labour since they are not raw materials orientated and then it depends on which is more important, the market or the labour. They also locate in the most accessible areas, i.e. for the Hi-Tech industry, along the m4 corridor so as to transport their goods across the country quickly.

On a local scale, classical location theory can be applied in the form of Burgess' concentric model and Hoyt's sector model, for instance Southends industrial estates locate on the periphery which would fit the Hoyt sector model.

On the other hand Weber's theories were not always correct in explaining industry today. For instance that of Sheffield Cutlery follows the profit maximisation theory where the prestige of basing the factory in Sheffield means higher selling price but not at a least cost location, but they still locate there as it maximizes their profit. Weber tried excluding this in an assumption but this does not apply in today's society.

In France at the site of Quezac, the government has a policy that the bottled mineral water factory has to locate next to the spring if it wants the Quezac name on the bottle, this means that it isn't at a least cost location transport wise but it gains more profit with that name on the bottle. They have to abide by the local laws of producing bottled mineral water to get the name, which again goes against Weber's theory of least cost location.

There were many criticisms of Weber's theory in that two of the three major locational factors are of negligible relevance to the location of flexible industry, although agglomeration economies still play an important role. In the 1900s transport costs were obviously a lot more expensive than today and as this has changed, Weber's theory does not apply here as much. The same is true for labour costs and depending where you locate within the country determines what kind of labour you will get and what price. For example Dyson have moved there production line to Malaysia, a less developed country therefore giving cheap labour costs but as transport costs are not so influential in modern society, they would prefer the cheap labour than the cheap transport costs, this means they gain more profit by locating the production line in an LEDC than an MEDC. This leaves that of agglomeration economies, therefore showing that Weber's theory is not so solid. Also the fact that we are not applying it to a single type of industry but to all types, which means it's a generalisation.

Industries evolve over time and we need to add a historical perspective to our theories as Weber's was relevant at the time but not to ours. An example of this is in government policies, as new industries are not allowed to locate on Greenfield sites for environmental reasons. Weber said that political and economic systems were uniform and as laws have been bought in, this does not apply any more. The evolving of time can also apply to countries, as well as obvious less economically developed countries will evolve slower than highly developed ones.

Therefore in conclusion I think that Weber's theory of location of industry is still true in the modern day but only as a rough guide as time and the level of development have changed meaning that factors he based his theory on are different. Also his assumptions are no longer true in most aspects of modern day and can only be applied to certain types of industry. Other location theories such as Burgess' and Hoyt's can be applied but on a more local scale and as far as the profit maximisation theory is concerned, that is also true as companies will always want to make a maximum profit from their goods.

