* FG Furniture Limited wants to expand. Presently it is located in a small factory in the old part of the city. New markets are opening up abroad and FG has experienced a steady increase in its sales in the last 5 years. There is no room to build onto the existing factory and none of the adjacent factories are for sale. The business has been forced to look for another site if it wants to grow.
* Because more and more of its sales are exported, it is considering whether to build a factory abroad or whether to build a larger factory in its home country. The following information has been gathered about the two sites, one near FG’s existing factory and one abroad in the country where most of FG’s products are exported.

|  |  |  |
| --- | --- | --- |
|  | **Site A – on the outskirts of the city near to the existing factory in home country** | **Site B – In the main export market overseas.** |
| **Market** | Large local market | Large export market and growing |
| Communications | Good communications – main roads connect to all parts of the country and the main port, several miles away | Good communications – main roads connect to all parts of the country and ports are very close to the site. |
| **Raw materials / components** | Raw materials and components are close to the site – easily available. | Raw materials and components are not close to the site, not easily available, some will need importing. |
| **Wage Rates** | High | Low – labour is very cheap |
| **Skilled Labour** | Skilled workers at the present site and close to the new site. Also additional skilled workers are available in the area. | Very few skilled workers are available. |
| **Unemployment** | Low | High |
| **Rents / land taxes** | High | Low |
| **Government grants** | No grants available | Grants paid towards capital investment when a new company is setting up in their country. |

* **Activity 20.4 –**
* Study the information provided and then write a report to the Board of Directors of FG Furniture Limited advising them of the advantages and disadvantages of each of the sites. Include a recommendation of which is the best site to choose. Remember to give reasons for your choice.