

A short formal report  
looking into setting up  
a chemical plant  
essay



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I have been told to write a short formal report explaining to the managing director of a chemical manufacturing company, the social costs, social benefits, private costs and private benefits of setting up a chemical plant on the outskirts of a small market town, and whether or not the company should set up there.

The report is to be handed in to Ian Spencer on the 28th of January 2003.

Procedure I am going to write the report comparing the social and private costs and benefits, using business theory, and I'm going to apply these ideas to the stakeholders. Findings 1. A well-known chemical manufacturing company is considering applying for planning permission to construct a new chemical plant on the outskirts of a small market town. New housing estates have recently been built in the suburbs and the area is popular for its picturesque countryside.

There are many social and private costs and benefits to be surveyed before construction commences. 2. Private costs are the costs that the firm's owners, an internal stakeholder (explained further down in the report), along with the employees, has to pay for setting up the factory, and there are many of these to be undertaken by the company if this project is to go ahead. Firstly the company will have to pay for the land that the plant will be built on, as well as all of the construction costs, including the building materials and the labour, the human effort, to build the plant.

Then the company will have to pay for all of the capital, which is the equipment used in manufacturing the chemicals, as well as the buildings, and the labour used to run the plant, such as scientists. They will also have

to pay for the land, which is the raw materials used to make the chemicals, and the transport of the finished chemicals to the customer will also have to be paid for. This is the petrol used and the company would also have to buy extra vehicles to transport the goods. There will also be costs that the company must face that cannot be measured in terms of money. The company's reputation may be harmed if local residents object to the new plant.

This may result in a drop in sales because people do not agree with the plant causing pollution or spoiling the countryside, so they don't buy the products. But this might not affect the company if it sells most of its products elsewhere. 3. On the other hand there will be many private benefits, which are the benefits that the firm will gain from setting up the factory. The private benefits are that the chemical firm would make more money, and its profits would increase, because it would sell more of its goods.

They would also benefit because would get good, cheap land. Employees would be easier to find because there may be people moving into the new housing estates looking for work. Transport to the customers of their products may be cheaper, as well if they have moved closer to them than they are at their other plants. The company's reputation may be enhanced if they provide good jobs, or sponsor local events, or if they build on an existing brown fields site which was just an eye saw.

They company would have to disinfect it and could make the area nicer to look at by planting trees etc. 4. Social costs are the costs that other people will have to bear from the new chemical plant being set up. The social costs

will affect the stakeholders, which are six groups of people affected by the actions of the business. These are the owners of the company, the employees, the financiers, the suppliers, the business's customers and finally the local community. The owners and the employees are internal stakeholders because they are inside the firm and the other four are external stakeholders because they are outside the firm.

The social costs will mainly affect external stakeholders. Firstly the employees will be affected by having to work in a polluted area if there are chemical fumes given off, and they may also be affected if they live in the near-by market town and are part of the local community. The financiers will have to lend the company more money to build the plant, which is a cost to them, and also they take the risk of not getting their money back. The suppliers have the cost of transporting their raw materials to the chemical plant and they too may have to purchase another van or lorry to make the deliveries. The business's customer's cost will be paying for the chemicals and they may also have to pay more so the company can pay for its new plant. The local community will be affected the most.

Firstly the people who live near it will have to put up with a big chemical plant and this may be an eye sore. This maybe avoided though if the company construct a building that would be easier on the eye or surround it in trees, so it can't be seen. There would also be a lot of pollution in the form of light at night, from the fire on the cracking towers, noise pollution from traffic and there would probably be a bad smell. There would also be a lot of traffic on the surrounding roads at rush hour times in the form of heavy lorries, which would wear out the roads.

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Local house prices may drop because no one would want to buy a house near a large, polluting chemical plant. 5. Finally there will be social benefits that other people will gain from the factory being set up. These also affect the stakeholders. The employees will benefit because firstly they are being employed, and they get paid and may also get some job satisfaction.

The company's suppliers benefit because they get paid for their raw materials and the chemical plant supplies them with an income. The company's customers would benefit because they would get cheaper goods and maybe of better quality. The financiers would benefit because they would get their money paid back as well as earning interest. The local community would benefit because there would be more, and better jobs available in the area.

They would perhaps benefit from a better road system if there were a lot of traffic going to the plant, and then the local roads may be improved. The local government would also benefit because they get paid taxes.

ConclusionI found out what the social and private benefits and costs are of setting up the chemical plant in this area. I also found out how this decision will affect the stakeholders, especially the local community.

RecommendationsI recommend that the chemical company should not build their plant in this area because they social and private costs out weigh the social and private benefits.

Most of the private costs are paying for the building and equipment, which would have to be paid for where ever they built but it still doesn't change my opinion. The local community are affected a lot by the pollution, traffic and

decreasing house prices, and although it brings jobs there wouldn't be that many and the working conditions wouldn't be ideal. I recommend they try and build somewhere where there are not as many people living near by, but still in an ideal place for suppliers and customers.