



Competitive Alternatives

KPMG's Guide to International Business Location

2008 Edition

ADVISORY

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A Guide to Business Location

Competitive Alternatives is KPMG's guide to comparing business locations in North America, Europe, and Asia Pacific

The *Competitive Alternatives* study is the most thorough comparison of international business locations ever undertaken by KPMG. This study contains valuable information for any company considering their international business location options.

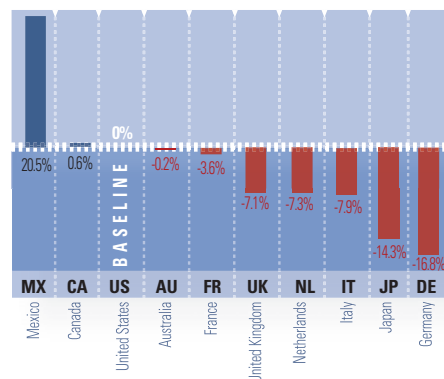
Competitive Alternatives 2008 compares business competitiveness for more than 100 cities in ten countries: Australia, Canada, France, Italy, Japan, Germany, Mexico, the Netherlands, the United Kingdom, and the United States. For the first time, the 2008 study includes all three NAFTA countries and all 50 US states, in addition to its traditional G7 coverage.

The primary focus of *Competitive Alternatives 2008* is international business costs. The study measures the combined impact of 27 significant cost components that are most likely to vary by location, as applied to 17 different business operations. The basis for the cost comparison is the after-tax cost of startup and operation, over a 10-year planning horizon. This brochure summarizes the results of the international cost comparisons.

The *Competitive Alternatives* report also presents a comparison of a variety of non-cost factors that can also influence the attractiveness of locations to business. Aspects of the business environment, such as labor availability and skills, economic conditions and markets, innovation, infrastructure, and the regulatory environment, as well as personal factors, such as cost of living and quality of life, are all discussed and compared in the main study report.

Full study results, for both cost and non-cost factors, are available online at: www.CompetitiveAlternatives.com.

The Bottom Line



% cost advantage/(disadvantage) relative to the US

Among the countries studied, **Mexico** represents the lowest-cost country, with a business cost advantage of 20.5 percent, on average, relative to the US baseline. This rating reflects Mexico's status as the first emerging industrialized country to be included in *Competitive Alternatives*.

Canada, the **United States**, and **Australia** are the cost leaders among the nine established industrialized countries examined. Business costs in these three countries are virtually equivalent, with less than one percent separating them.

France ranks fifth among the ten countries examined, and has the lowest cost structure among the European countries studied. Overall business costs in France are 3.6 percent higher than the US benchmark.

The **United Kingdom**, the **Netherlands**, and **Italy** are also very closely grouped, with business costs between 7.1 and 7.9 percent above the US benchmark.

Japan and **Germany** have the highest cost structures among the ten countries examined, with costs 14.3 and 16.8 percent (respectively) higher than the United States.

Cost Trends—Big Gains for US on Back of Weak Currency

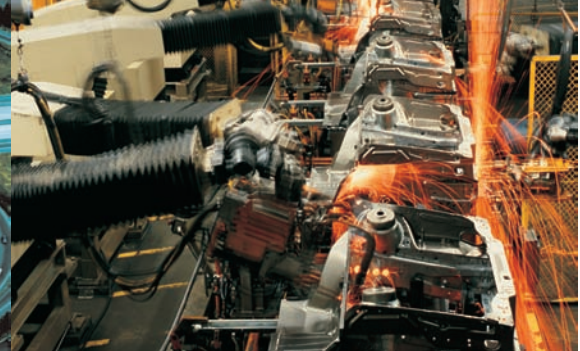
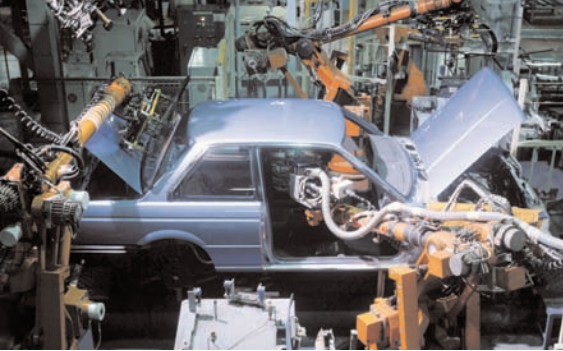
Since the previous (2006) edition of *Competitive Alternatives*, the most notable cost trends have been caused by the weakening of the US dollar against all other major currencies. However, changes in the local cost fundamentals in each country have also impacted results:

- The **United States** has experienced the greatest gain in cost competitiveness since 2006, improving its position significantly against all other countries as the value of the US dollar has declined
- **Canada** and **Australia** have both lost their previous cost advantages relative to the US, but have both gained ground relative to the European countries
- **France**, **Germany**, **Italy**, and the **Netherlands** have all lost ground, not only relative to the US, but also to the **United Kingdom**, which has benefited from the stronger appreciation seen by the euro than the pound
- While **Japan** remains a relatively high-cost country, over the longer term it has gained some ground against most countries, due to its low inflation rates and the lower volatility of the yen vis-a-vis the US dollar.

The results of this study are sensitive to exchange rates.

Exchange Rates ¹			
Currency	2006 Edition	2008 Edition	% Change ²
Euro	0.84	0.68	23.7%
UK £	0.57	0.50	14.4%
Canadian \$	1.17	1.00	17.4%
Mexican peso	10.71	10.87	-1.5%
Australian \$	1.34	1.14	17.9%
Japanese ¥	117.26	111.27	5.4%

1: Per US\$. 2: Two-year appreciation relative to US\$



Labor Costs Are Key

Labor cost comparisons are based on 42 job positions.

Labor costs include wages and salaries, statutory benefits (including government pension plans, medical plans, etc.), and all other benefits typically provided by employers.

For manufacturing operations, labor costs typically represent 58 to 74 percent of total location-sensitive costs. For non-manufacturing operations, this range is typically 79 to 88 percent.

Labor-related costs vary significantly among countries:

- Mexico has the lowest salary and wage costs among the ten countries examined, followed by France, Italy, and the United States
- Costs for statutory plans, as a percentage of payroll, are lowest in Canada, followed by Japan, the United States, and the Netherlands
- Costs for other employer-sponsored benefits, as a percentage of payroll, are lowest in France, followed by Canada, Germany and Mexico
- Combining these three elements, total labor costs are lowest in Mexico, followed by the United States, Canada, and Australia; in an order that is generally consistent with the overall cost rankings

Other Major Costs

Facility costs generally represent the second-largest group of location-sensitive business costs:

- For manufacturing operations, facility ownership costs (including financing) range from 8 to 19 percent of location-sensitive costs

Land purchase and building construction costs for a new industrial facility are lowest in Mexico, followed by the United States, Italy, and France

- For non-manufacturing operations, office leasing costs range from 4 to 14 percent of location-sensitive costs. Lease costs include rent, plus all costs and taxes typically passed on by the landlord to the tenant

Office lease costs are lowest in Italy, followed by Mexico, the Netherlands, and Germany

Transportation costs vary widely by industry, and represent between 1 and 15 percent of location-sensitive costs for the manufacturing operations examined. Transportation costs vary by product and markets served, but tend to be lowest in the more compact European market, with leading cost countries including the Netherlands, the United Kingdom, and France. Despite its broad expanse and more distant global location, Australia also offers relatively low transportation costs.

Utility costs represent between two and ten percent of location-sensitive costs:

- The lowest electricity costs are found in the United States, Canada and France, but may vary significantly by region

- Mexico, the United States, and Canada offer the lowest natural gas costs
- Telecommunication costs are lowest in the United States, Canada, and the United Kingdom

Income taxes typically represent two to eight percent of location-sensitive costs. Effective income tax rates are calculated net of generally-applicable tax credits, grants and incentives:

- For manufacturing operations, the Netherlands offers the lowest effective corporate income tax rate, followed by Canada, Mexico and France
- For R&D operations, the Netherlands, France, the United Kingdom, Canada, Australia, and many US states all offer significant R&D tax incentives, which may be fully or partially refundable in certain cases or locations
- For other non-manufacturing operations, the United Kingdom, the Netherlands, Canada, and Australia offer the lowest effective corporate income tax rates

Detailed Results

Full results of this study, including all industries and cities for both cost and non-cost factors, can be found online at: www.CompetitiveAlternatives.com.

National & Overall Cost Results

National cost results by industry and operation

Overall cost results by region and city

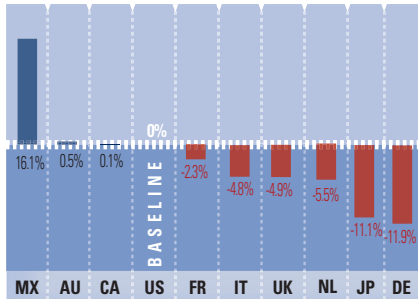
INDUSTRY	OPERATION	Cost Index ¹ (Rank)									
		Europe					North America			Asia Pacific	
		France	Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
Manufacturing											
Aerospace	Aircraft Parts	101.8 (5)	113.2 (9)	104.4 (6)	106.9 (8)	106.0 (7)	99.1 (3)	77.8 (1)	100.0 (4)	98.3 (2)	113.4 (10)
Agri-Food	Food Processing ²	100.0 (4)	106.0 (9)	101.8 (8)	100.9 (7)	100.9 (6)	99.2 (3)	89.2 (1)	100.0 (5)	97.6 (2)	106.8 (10)
Automotive	Auto Parts	100.8 (5)	111.8 (9)	104.8 (8)	104.1 (7)	104.0 (6)	100.2 (4)	81.0 (1)	100.0 (3)	98.2 (2)	115.2 (10)
Chemicals	Specialty Chemicals ²	105.4 (5)	116.6 (10)	108.4 (6)	109.0 (8)	108.6 (7)	99.1 (2)	88.1 (1)	100.0 (3)	103.2 (4)	109.5 (9)
Electronics	Electronics Assembly ²	106.4 (5)	117.6 (9)	107.6 (6)	110.7 (7)	111.2 (8)	100.4 (3)	78.0 (1)	100.0 (2)	102.3 (4)	117.9 (10)
Medical Devices	Medical Device Mfg.	102.9 (5)	113.8 (10)	105.2 (6)	107.4 (8)	105.5 (7)	99.7 (2)	79.2 (1)	100.0 (4)	99.9 (3)	112.7 (9)
Metal Components	Metal Machining ²	101.2 (5)	111.2 (9)	104.6 (8)	104.5 (7)	104.0 (6)	101.0 (4)	81.2 (1)	100.0 (3)	98.2 (2)	114.9 (10)
Pharmaceuticals	Pharmaceutical Products ²	102.8 (5)	112.5 (10)	104.5 (6)	106.7 (8)	104.9 (7)	99.6 (2)	82.0 (1)	100.0 (3)	100.6 (4)	111.7 (9)
Plastics	Plastic Products ²	100.0 (4)	109.1 (9)	103.8 (8)	102.5 (7)	102.5 (6)	101.7 (5)	84.2 (1)	100.0 (3)	96.7 (2)	111.3 (10)
Precision Mfg.	Precision Components ²	99.5 (4)	112.8 (10)	101.9 (6)	105.8 (8)	103.2 (7)	98.6 (3)	73.4 (1)	100.0 (5)	95.8 (2)	110.0 (9)
Telecommunications	Telecom Equipment	101.2 (5)	108.3 (10)	102.7 (6)	104.1 (8)	103.8 (7)	98.6 (2)	85.7 (1)	100.0 (4)	99.7 (3)	107.6 (9)
R&D											
Biotechnology	Biomedical R&D ²	105.7 (5)	127.0 (9)	112.2 (8)	107.9 (6)	110.7 (7)	98.6 (2)	73.6 (1)	100.0 (3)	105.6 (4)	127.2 (10)
Clinical Trials	Clinical Trials Management	87.2 (3)	135.5 (10)	102.7 (7)	86.2 (2)	104.5 (8)	92.6 (4)	63.9 (1)	100.0 (5)	100.2 (6)	117.7 (9)
Product Testing	Electronic Syst. Dvlt/Testing ²	95.7 (3)	117.0 (10)	106.3 (8)	97.0 (5)	104.7 (7)	94.4 (2)	64.8 (1)	100.0 (6)	96.0 (4)	109.2 (9)
Software											
Software Design	Advanced Software ²	105.2 (5)	127.1 (10)	115.6 (9)	110.0 (7)	112.9 (8)	95.1 (2)	72.0 (1)	100.0 (3)	101.5 (4)	109.1 (6)
Web and Multimedia	Content Development ²	104.7 (5)	127.2 (10)	112.0 (9)	109.2 (6)	109.6 (8)	98.0 (3)	66.7 (1)	100.0 (4)	97.6 (2)	109.4 (7)
Corporate Services											
Back Office/Call Centers	Shared Services Center ²	121.2 (5)	141.9 (9)	129.8 (7)	132.2 (8)	123.2 (6)	105.8 (3)	69.3 (1)	100.0 (2)	109.6 (4)	159.9 (10)
Overall Results²		103.6 (5)	116.8 (10)	107.9 (8)	107.3 (7)	107.1 (6)	99.4 (2)	79.5 (1)	100.0 (3)	100.2 (4)	114.3 (9)

LOCATION	COUNTRY	INDEX ¹	RANK	LOCATION	COUNTRY	INDEX ¹	RANK	LOCATION	COUNTRY	INDEX ¹	RANK
EUROPE				Northeast US/Canada				Midwest US/Western Canada			
Mulhouse	France	101.9	2	Baltimore, MD	United States	98.9	7	Albuquerque, NM	United States	101.2	17
Paris	France	107.1	5	Buffalo, NY	United States	100.6	11	Billings, MT	United States	99.4	12
Toulouse	France	101.8	1	Charleston, WV	United States	95.3	3	Calgary, AB	Canada	102.0	18
Erlangen	Germany	116.7	12	Detroit, MI	United States	106.8	18	Cedar Rapids, IA	United States	97.6	7
Frankfurt	Germany	121.1	13	Harrisburg, PA	United States	100.5	10	Cheyenne, WY	United States	96.9	4
Halle	Germany	112.5	10	Indianapolis, IN	United States	101.3	14	Chicago, IL	United States	106.5	23
Livorno	Italy	108.0	8	Lexington, KY	United States	95.0	2	Dallas-Fort Worth, TX	United States	97.3	5
Naples	Italy	108.5	9	Montreal, QC	Canada	98.5	6	Denver, CO	United States	104.9	22
Vicenza	Italy	107.2	6	New York City, NY	United States	109.2	20	Edmonton, AB	Canada	99.9	14
Utrecht	Netherlands	107.3	7	North Virginia (Metro DC), VA	United States	101.0	13	Fargo, ND	United States	98.1	9
Barnsley	United Kingdom	103.2	3	Ottawa, ON	Canada	99.9	8	Houston, TX	United States	99.4	11
London	United Kingdom	129.3	14	Philadelphia, PA	United States	103.2	17	McAllen, TX	United States	93.7	1
Manchester	United Kingdom	113.3	11	Quebec City, QC	Canada	96.3	4	Milwaukee, WI	United States	103.7	20
Plymouth	United Kingdom	104.9	4	Saginaw, MI	United States	102.2	16	Minneapolis, MN	United States	103.9	21
ASIA PACIFIC				Southeast US & Puerto Rico				Pacific US/Canada			
Adelaide	Australia	97.9	1	Atlanta, GA	United States	96.9	8	Anchorage, AK	United States	112.6	11
Brisbane	Australia	100.1	3	Greenville-Spartanburg, SC	United States	94.4	4	Boise, ID	United States	100.5	2
Melbourne	Australia	99.4	2	Jackson, MS	United States	95.4	6	Chilliwack, BC	Canada	101.6	3
Sydney	Australia	102.7	4	Little Rock, AR	United States	93.4	3	Honolulu, HI	United States	115.0	12
Fukuoka	Japan	113.6	5	Montgomery, AL	United States	94.7	5	Las Vegas, NV	United States	105.5	8
Hamamatsu	Japan	114.6	6	Nashville, TN	United States	96.8	7	Portland, OR	United States	102.2	4
Yokohama	Japan	114.8	7	Raleigh, NC	United States	97.6	10	Riverside-San Bernardino, CA	United States	102.8	5
NORTH AMERICA				Mexico							
New England/Atlantic Canada				Aguascalientes				San Diego, CA			
Bangor, ME	United States	97.5	5	Guadalajara				United States			
Boston, MA	United States	106.7	11	Monterrey				United States			
Burlington, VT	United States	99.4	6	Puebla				United States			
Charlottetown, PE	Canada	95.8	3	Reynosa				Canada			
Fredericton, NB	Canada	95.3	2								
Halifax, NS	Canada	96.6	4								
Hartford, CT	United States	104.1	10								
Manchester, NH	United States	101.0	8								
Moncton, NB	Canada	94.9	1								
Providence, RI	United States	101.9	9								
St. John's, NF	Canada	99.5	7								

1: Business costs are expressed as an index, with the United States being assigned the baseline index of 100.0. A cost index less than 100 indicates lower costs than the US. A cost index greater than 100 indicates higher costs than the US. For example, an index number of 95.0 represents a 5.0% cost advantage relative to the United States. 2: Overall 2008 results are based on the same 12 operations analyzed in 2002-2006, as indicated.

Results by Industry Sector

Results for specific business operations form the basis for comparing industry sectors

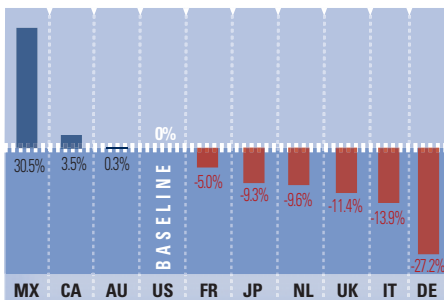


MANUFACTURING

For manufacturers, significant costs for globally sourced materials and equipment do not vary by location, resulting in lower cost differentials for most countries. In this sector, **Australia** and **Italy** achieve their best rankings, while the **United Kingdom** and **Germany** also achieve their strongest results.

Seven manufacturing operations

- Electronics assembly
- Food processing
- Metal machining
- Pharmaceutical products
- Plastic products
- Precision components
- Specialty chemicals

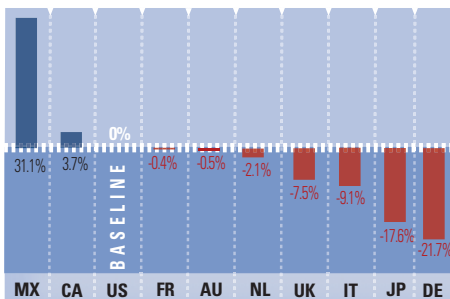


SOFTWARE

Labor costs are more significant in the software sector, and vary considerably by country and by region. This results in generally higher cost differentials in this sector, as seen most prominently in the cost advantage that **Mexico** holds over all other countries. Among other countries studied, **Japan** achieves its best ranking in this sector.

Two software operations

- Advanced software
- Content development

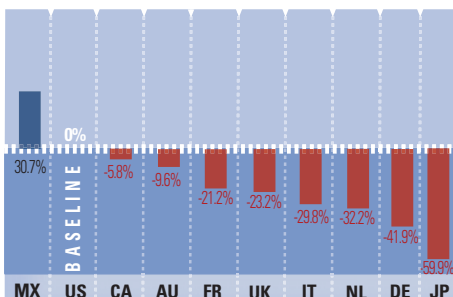


RESEARCH & DEVELOPMENT

Cost differentials are generally higher for R&D, due to differences in labor costs for scientific and technical employees, as well as differences in tax treatment of R&D costs. **Canada**, **France**, and the **Netherlands** all have their strongest results in this sector.

Two R&D operations

- Biomedical R&D
- Electronics systems development/testing



CORPORATE SERVICES

Results for the corporate services sector are driven primarily by labor costs for entry-level workers, which vary most significantly by country. The **United States** achieves its best ranking in this sector.

One corporate services operation

- Shared services center

Focus On Canada

Results for Canadian Cities¹

Industry	MANUFACTURING											R & D			SOFTWARE		CORP. SERVICES	OVERALL RESULTS ²
	Aerospace	Agri-Food	Automotive	Chemicals	Electronics	Medical Devices	Metal Components	Pharmaceuticals	Plastics	Precision Mfg.	Telecom	Biotech	Clinical Trials	Product Testing	Software Design	Web & Multimedia	Back Office/Call Center	12 Operations
Operation	Aircraft Parts	Food Process.	Auto Parts	Specialty Chemicals	Electronic Assembly	Medical Devices	Metal Machining	Pharmaceuticals	Plastic Products	Precision Compon.	Telecom Equip.	Biomedic. R&D	Clinical Trials Mgt.	Elec. Syst. Dvl/Test	Advanced Software	Content Dvl.	Shared Services	
ATLANTIC																		
Charlottetown, PE	94.1	100.2	98.1	96.8	94.6	96.1	98.8	96.8	100.4	93.7	97.1	92.0	90.9	86.9	89.8	91.5	95.2	95.8
Fredericton, NB	94.3	99.5	97.0	96.8	95.7	95.9	99.0	96.1	99.9	94.0	96.0	86.2	75.1	82.4	89.2	92.2	97.4	95.3
Halifax, NS	95.5	100.4	98.9	96.9	96.7	96.9	100.2	97.1	102.2	95.6	96.8	88.8	77.5	84.5	91.5	94.3	99.1	96.6
Moncton, NB	94.0	99.8	96.9	96.5	95.1	95.3	98.9	95.7	100.0	93.8	95.8	84.7	74.1	81.0	88.4	91.3	96.1	94.9
Pictou, NS	94.1	100.3	98.1	97.0	95.5	95.5	99.4	95.8	101.4	93.4	95.9	81.7	74.2	77.9	88.0	90.5	92.1	94.5
St. John's, NF	97.6	109.6	108.7	96.6	94.9	96.7	110.1	97.0	117.4	98.2	95.9	84.9	75.6	81.4	90.1	92.8	97.6	99.5
Sydney, NS	96.1	102.1	100.7	98.1	97.1	97.2	102.0	97.2	104.2	95.8	96.9	86.4	76.5	82.4	90.7	93.4	96.9	97.0
Truro, NS	92.5	99.5	96.4	96.1	93.7	94.2	97.8	94.8	99.6	92.0	95.1	80.9	71.5	76.5	86.3	88.8	91.0	93.3
NORTH - EAST																		
Barrie, ON	97.4	97.4	98.6	99.1	100.1	99.3	99.2	99.3	99.1	95.8	98.2	94.0	91.7	89.8	93.0	95.3	102.2	97.5
Bellefleur, ON	95.3	96.6	96.4	98.3	98.1	97.7	97.1	97.9	96.7	94.1	97.5	92.7	90.4	88.3	91.8	94.0	100.2	96.1
Chatham-Kent, ON	97.4	97.2	98.7	98.4	99.9	99.2	99.3	99.1	99.3	95.9	98.1	90.8	90.3	86.9	92.2	94.4	100.8	96.9
Gatineau, QC	97.4	97.7	97.7	98.8	99.6	98.6	98.4	98.5	98.2	96.8	98.0	95.0	83.0	91.3	93.7	96.9	104.4	97.7
London, ON	99.0	98.1	99.9	99.9	101.5	100.7	100.5	100.4	100.2	98.0	99.3	101.0	97.2	96.6	96.9	99.5	108.0	99.9
Montreal, QC	98.6	98.2	98.5	99.6	101.0	99.6	99.1	99.4	98.7	97.9	98.6	94.9	85.0	91.4	94.8	97.9	105.7	98.5
North Bay, ON	96.3	97.2	97.7	98.4	99.0	98.5	98.4	98.5	98.2	94.7	97.7	92.1	89.6	87.8	91.5	93.7	99.8	96.5
Ottawa, ON	99.0	98.2	99.6	100.0	102.2	101.2	100.1	100.8	100.0	97.9	99.6	100.8	96.3	96.5	96.8	99.4	107.9	99.9
Quebec City, QC	96.2	97.8	96.9	98.0	98.0	97.5	97.6	97.7	97.9	95.6	97.3	90.5	81.1	87.0	91.6	94.6	101.1	96.3
Quinte West, ON	95.0	96.5	96.1	98.3	97.7	97.6	96.8	97.9	96.4	94.0	97.4	92.2	90.1	87.9	91.6	93.8	99.9	95.9
Rimouski, QC	92.7	96.6	94.6	95.8	93.7	94.4	94.5	95.2	96.6	92.4	95.2	83.2	75.2	79.9	87.4	89.9	94.8	93.0
Sault Ste. Marie, ON	100.0	99.6	101.8	100.1	102.3	101.3	102.4	100.9	102.6	98.4	99.3	93.7	93.6	90.1	94.6	96.8	104.1	99.4
Sherbrooke, QC	92.8	95.8	93.2	96.1	94.5	94.8	94.1	95.4	94.1	92.3	95.5	83.4	75.0	80.2	87.7	90.4	95.4	92.8
St. Catharines-Niagara, ON	98.2	97.6	98.7	99.5	100.7	100.2	99.4	100.1	99.2	97.6	99.0	98.1	96.8	94.1	96.0	98.6	106.7	99.0
Toronto, ON	100.8	98.5	101.1	100.9	103.7	102.3	101.5	101.7	101.7	97.9	99.6	104.0	100.5	99.7	99.0	101.8	111.2	101.5
Trois-Rivieres, QC	94.8	96.6	95.4	97.6	96.6	96.6	95.3	96.9	96.1	94.7	96.8	88.5	79.7	85.2	90.8	93.6	99.9	95.1
Waterloo Region, ON	97.5	97.5	98.2	99.3	100.0	99.6	98.8	99.5	98.6	96.9	98.7	95.9	94.7	92.0	95.0	97.5	105.2	98.2
Windsor-Essex, ON	99.1	98.7	100.2	100.1	101.1	100.8	100.9	100.5	100.7	98.6	99.3	96.1	97.0	92.6	96.4	98.9	107.2	99.5
WEST																		
Brandon, MB	93.9	98.5	96.8	94.8	93.0	94.2	98.4	95.2	99.5	93.8	95.1	86.9	83.2	82.9	86.3	89.1	93.2	93.8
Calgary, AB	103.7	99.1	103.0	99.9	102.1	101.2	103.6	101.4	104.3	103.6	99.3	108.1	104.3	103.3	97.6	100.3	110.3	102.0
Edmonton, AB	102.7	99.1	102.9	99.5	100.7	100.4	103.6	100.7	104.4	102.5	98.7	97.9	99.3	94.1	93.9	96.3	104.6	99.9
Grande Prairie, AB	104.8	100.5	105.6	99.5	102.0	101.0	106.1	101.1	107.6	104.4	99.0	92.3	95.3	88.9	91.7	93.8	101.6	99.8
Lethbridge, AB	98.8	97.7	98.9	97.5	96.9	97.3	99.7	98.0	100.3	99.1	97.0	89.9	91.3	86.4	89.5	91.5	98.4	96.2
Medicine Hat, AB	98.3	96.9	97.8	96.2	96.3	96.7	98.6	97.6	99.3	98.4	96.5	88.4	89.8	84.9	88.4	90.5	96.9	96.1
Moose Jaw, SK	96.6	97.1	97.3	95.0	94.2	95.3	98.4	95.6	99.4	94.4	95.3	83.4	82.1	79.8	85.8	88.3	92.6	93.5
Prince Albert, SK	96.8	97.5	97.9	94.8	94.1	95.2	99.0	95.6	100.4	96.5	95.2	88.2	83.8	83.9	86.6	89.2	93.8	94.2
Red Deer, AB	100.5	97.5	100.4	97.6	98.5	98.2	101.1	98.8	101.9	100.0	97.3	93.3	92.7	89.3	90.3	92.4	99.6	97.2
Regina, SK	99.3	98.7	100.0	96.7	97.0	97.7	101.1	97.7	102.1	99.3	96.8	97.4	94.4	93.1	92.2	95.2	102.2	97.8
Saskatoon, SK	99.3	98.2	99.6	96.5	96.7	97.4	100.7	97.5	101.8	99.3	96.6	92.0	90.3	88.2	90.3	93.2	99.3	96.7
Winnipeg, MB	96.8	100.9	100.3	97.0	96.5	96.9	101.9	97.5	103.0	97.1	97.0	94.7	92.2	90.8	91.3	94.5	100.7	97.7
PACIFIC																		
Abbotsford, BC	107.4	100.6	105.5	100.3	103.5	102.4	106.2	102.2	106.3	107.7	100.3	96.1	97.2	92.4	94.7	97.4	106.3	101.3
Campbell River, BC	105.8	101.2	104.9	99.5	101.3	101.1	105.8	101.2	106.1	106.6	99.4	93.5	94.6	89.9	93.3	95.9	104.0	100.3
Chilliwack, BC	107.3	100.7	105.1	100.5	103.4	102.4	105.7	102.3	106.0	108.1	100.5	97.2	98.8	93.6	95.6	98.4	107.7	101.6
Courtenay, BC	106.2	101.2	105.2	99.6	102.0	101.3	105.9	101.4	106.3	106.7	99.6	94.9	95.2	91.1	93.6	96.2	104.6	100.6
Duncan, BC	105.8	101.0	104.6	99.7	101.5	101.2	105.4	101.3	105.6	106.7	99.6	94.9	95.4	91.1	93.7	96.4	104.8	100.5
Kamloops, BC	105.1	99.9	103.4	99.6	101.4	100.7	104.1	100.8	104.3	106.4	99.8	94.5	94.3	90.6	93.0	95.7	103.7	99.8
Kelowna, BC	104.5	99.6	103.2	99.4	101.0	100.3	103.9	100.4	104.3	105.0	99.4	92.3	93.5	88.4	91.6	94.0	101.6	99.0
Nanaimo, BC	105.9	100.5	104.6	99.4	102.0	100.9	105.3	101.0	105.7	106.1	99.4	95.3	94.5	91.3	93.1	95.7	103.8	100.2
Penticton, BC	103.4	99.3	102.2	98.7	100.0	99.1	102.8	99.4	103.6	104.0	98.7	87.7	87.5	84.0	89.2	91.6	98.0	97.5
Prince George, BC	104.8	100.7	104.4	99.3	100.9	100.9	105.2	101.0	105.7	105.7	99.5	94.5	94.9	90.7	93.2	95.8	104.1	100.1
Vernon, BC	104.1	99.3	102.5	98.8	100.6	99.6	103.1	99.9	103.8	104.7	99.1	89.7	90.2	85.9	90.2	92.6	99.5	98.1
Vancouver, BC	108.6	101.3	106.6	101.3	104.6	103.6	107.2	103.2	107.1	109.6	101.2	107.5	106.3	102.9	99.2	102.4	113.0	104.2
Victoria, BC	106.5	101.7	105.9	100.1	102.6	101.7	106.6	101.6	107.1	107.0	100.0	97.2	97.1	93.2	94.3	97.0	105.6	101.4

1: Business costs are expressed as an index, with the United States being assigned the baseline index of 100.0. A cost index less than 100 indicates lower costs than the US. A cost index greater than 100 indicates higher costs than the US. For example, an index number of 95.0 represents a 5.0% cost advantage relative to the United States. 2: Overall 2006 results are based on the same 12 operations analyzed in 2002-2006, as indicated.

Focus On Canada

RESULTS FOR CANADIAN CITIES

Results are shown for 51 Canadian cities, representing the largest number of Canadian cities ever examined in *Competitive Alternatives*. Results are presented both by individual operation and for a 12-operation average.

To maintain balance in the international KPMG report, the number of Canadian cities featured in the report was limited to 17. However, an additional 34 cities have also been researched on a comparable basis, and results for all Canadian cities are presented in the accompanying chart. (opposite page)

Detailed results for all cities are available online at: www.CompetitiveAlternatives.com.

CANADIAN VERSUS US COSTS

Despite the significant appreciation in its currency since the previous (2006) edition of *Competitive Alternatives*, and the Canadian dollar now being at par with the US dollar, Canada maintains a competitive cost structure relative to the United States.

While at the national level cost results for Canada and the United States are very similar (with Canada holding an advantage of just 0.6 percent), fully 38 of the 51 Canadian cities examined still offer business costs below the US benchmark. Indeed, a number of Canadian cities offer cost savings of five percent or more relative to the United States.

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In addition to the sponsors listed on the last page of this brochure, the following organizations also participated as Bronze Sponsors of this study, and sponsored the inclusion of the additional Canadian cities listed in this "Focus on Canada" brochure.

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About KPMG's Global Location and Expansion Services

In most industries today, companies have to operate internationally to stay successful and grow. The need to enter new markets, serve major customers, or reduce costs and risks are just some of the reasons why businesses decide to establish a presence overseas. KPMG's Global Location and Expansion Services (GLES) group was formed to assist clients in the location and establishment of operations around the world. GLES professionals can provide objective advice that can help companies:

- Develop an approach for international expansion that can support overall business objectives
- Determine the requirements of a new operation and translate these into criteria for evaluating locations
- Identify and compare countries, regions, and cities as potential locations for relocating or establishing new operations
- Select and evaluate potential properties, buildings, or sites for a new facility
- Negotiate and secure grants, tax breaks and other types of government incentives and support
- Set up new operations in a tax-efficient manner

Based in all regions of the globe, KPMG's GLES professionals offer locally relevant, industry-specific knowledge that can help support expansion and relocation decisions.

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