

Vancouver Improves Its Business Cost Position Relative to US, Canada – KPMG

After-effects of Western boom impact Alberta, Saskatchewan

(Vancouver, BC – March 30, 2010) – Western Canada is emerging from the Great Recession of 2009 in an improved competitive position for businesses, and even the lingering effects of the recession in the US have not prevented Western Canada from growing its business cost advantage over the US during the last 2 years. And among the major cities in Western Canada, Vancouver's competitive position is looking stronger than ever.

The slight easing in the Canada-US exchange rate over the last 2 years has helped the competitiveness of Western Canadian cities. Federal tax cuts have assisted the cost competitiveness of Canada for global business, and tax reforms being phased in by British Columbia are providing further benefit to businesses in the province.

Competitive Alternatives examines business competitiveness in 112 cities in Australia, Canada, France, Germany, Italy, Japan, Mexico, the Netherlands, the United Kingdom, and the United States. The study measures 26 significant cost components that are most likely to vary by location, including labour, taxes, real estate, and utilities, as they apply to 17 business operations over a 10-year planning horizon, as well as a range of non-cost competitiveness factors.

Competitive Alternatives 2010 compares business costs among a group of 41 large international cities, all with populations in excess of 2 million. Vancouver ranks fifth among the 41 cities, up from a ranking of 21st (in 2008) among a similar group of 35 cities. For Canada's other major cities, Montréal ranks third and Toronto sixth. Looking south, Dallas ranks 15th, Portland (Oregon) 23rd, and Seattle 29th. Costs in California are even higher, with San Diego ranking 33rd, Los Angeles 34th, and San Francisco 39th.

While all Western Canadian cities have seen some improvement in their competitiveness relative to the US, within Canada the strong of the Western boom of recent years has had an ongoing impact in terms of higher business costs in Alberta and Saskatchewan. Despite the recent slowdown in the oil patch, since 2008, Winnipeg has moved ahead of Saskatoon to become the low-cost leader in Western Canada, while business costs in Edmonton are now higher than in Vancouver and almost on par with Toronto.

The weak US economy and ongoing growth in Asia is forcing Canadian businesses to look more to the west, which positions Vancouver ideally for growth as the gateway between Canada and Asia," said Elio Luongo, Managing Partner with KPMG's Vancouver office. "Combined with its recent positive exposure on the world stage, the fact that Vancouver's business cost competitiveness is improving at the same time is just an added advantage."

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The results were determined using recent exchange rates with the Canadian dollar valued at USD\$0.943 (CAD\$1.06 per USD\$), down from parity in 2008. “With the Canadian dollar at USD\$0.94, and even after allowing for the impacts of the resources boom, it is very positive for Western Canada to demonstrate such a strong competitive position relative to the United States,” says Simon Harding, Associate Partner in KPMG’s Advisory Services practice and head of its Strategic & Commercial Intelligence practice. “Winnipeg ranks as having the lowest business costs among 35 cities in Western Canada/US, followed by Saskatoon in second place. While business costs have risen in Edmonton, it still ranks as a more cost-effective location for business than US cities such as Salt Lake City, Omaha, Minneapolis, Denver, and Houston.”

“While this is a great news story for Vancouver, it is important to look beyond Vancouver to see the other opportunities in British Columbia and Western Canada,” said Glenn Mair, Director, MMK Consulting, one of the study authors in association with KPMG, and based in Vancouver. “For example, Prince George boasts business costs lower than regional US cities, such as Billings (Montana) and Boise (Idaho), while offering skilled labour and access to Asian markets through the new Prince Rupert container port and recently expanded airport.”

Comparison of Cost Indices among Featured Canadian Cities

City	2010 Rank	2010 Cost Index	2008 Rank
Sherbrooke, QC	1	91.2	1
Moncton, NB	2	91.3	2
Fredericton, NB	3	91.8	3
Quebec City, QC	4	92.4	5
Halifax, NS	5	93.3	6
Charlottetown, PEI	6	93.8	4
St. John’s, NL	7	93.8	11
Winnipeg, MB	8	93.9	8
Saskatoon, SK	9	94.0	7
Montréal, QC	10	94.2	9
Prince George, BC	11	94.3	13
St. Catharines-Niagara, ON	12	94.7	10
Vancouver, BC	13	94.9	15
Edmonton, AB	14	95.7	12
Toronto, ON	15	95.8	14

Ranks shown in this table are among this group of 15 Canadian cities featured in both the 2008 and 2010 editions of *Competitive Alternatives*. 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 percent cost advantage relative to the US. (Source: *Competitive Alternatives 2010*, KPMG)

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Canada and the International Comparison

- Mexico ranks first among the countries studied, with business costs 18.2 percent lower than in the United States. This rating reflects Mexico's status as the only emerging industrial country included in *Competitive Alternatives 2010*.
- Canada and the Netherlands are the cost leaders among the nine established industrialized countries examined, with business costs 5.0 and 3.5 percent below the US, respectively.
- Australia, the United Kingdom, and France rank fourth, fifth, and sixth, respectively. Costs in Australia are 2.2 percent below the US baseline, while costs in the UK and France are very closely matched, at 1.8 and 1.7 percent below the US, respectively.
- Costs in Italy are virtually equivalent to the study baseline—the United States.
- Germany and Japan have the highest cost structures among the 10 countries examined, with costs 2.5 and 7.4 percent (respectively) higher than the US.

Cost Competitiveness: 2010 and 2008 Rankings by Country

Country	2010 Rank	2010 Cost Index	2008 Rank
Mexico	1	81.8	1
Canada	2	95.0	2
Netherlands	3	96.5	7
Australia	4	97.8	4
United Kingdom	5	98.2	6
France	6	98.3	5
Italy	7	100.0	8
United States	8	100.0	3
Germany	9	102.6	10
Japan	10	107.6	9

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 percent cost advantage relative to the United States. (Source: *Competitive Alternatives 2010*, KPMG.)

Rankings for most countries are generally consistent between 2008 and 2010. The two exceptions are the Netherlands, which has seen a relative improvement in its ranking, and the United States, which has seen a relative decline. These changes are due in part to the shift in study focus for the 2010 edition of *Competitive Alternatives*, to base the national comparisons on business costs for the largest cities in each country, rather than the mix of different sized cities compared in previous editions. This change has improved the national relative ranking of the Netherlands, due to its relatively homogeneous nationwide cost structures, while worsening the relative ranking of the United States, which sees much greater variation in costs between its largest cities and smaller regional ones.

About Competitive Alternatives

KPMG's 2010 *Competitive Alternatives* study provides an independent comparison of international business location costs in 112 cities in 10 countries around the world. The study enables businesses executives to take a quick initial scan of how business costs compare among a variety of cities in leading countries. It also assists KPMG professionals and economic developers in their work with businesses considering relocation, and enables policy makers to help determine the impact of a proposed tax and/or incentive policy change on the cost competitiveness of their jurisdictions.

To access the full report, please visit www.competitivealternatives.com.

The full ranking of 41 major international cities referenced in this press release is available at www.competitivealternatives.com/new/cities.aspx.

Exchange rates per USD used in the *Competitive Alternatives 2010* study are as follows: AUD \$1.10, CAD \$1.06, €0.68, GBP £0.61, JPY ¥89.86, and MXP \$13.07.

About KPMG

KPMG LLP, the audit, tax and advisory firm (kpmg.ca), a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International Cooperative (“KPMG International”). KPMG International’s member firms have 140,000 professionals, including more than 7,900 partners, in 146 countries.

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