

Quebec is Lowest Cost Region for Business in Canada – KPMG

Quebec among top 20 jurisdictions for R&D expenditures

(Montreal, QC – March 30, 2010) – Sherbrooke, Quebec, ranks as the lowest cost city for business among 75 Canadian and US cities studied, according to KPMG's *Competitive Alternatives 2010* study, which compares business costs in 10 countries in North America, Europe, and Asia Pacific. Among specific industries, Sherbrooke tops the charts for low costs in both the Agri-Food and Metal Components industries.

Quebec City and Montréal also rank well in the study:

- Quebec City ranks second among Canadian and US locations in key high-tech sectors, including Software Design and Web & Multimedia.
- Montréal ranks among the top 10 Canadian and US cities for low costs in the Agri-Food and Pharmaceuticals manufacturing sectors, and in the high-tech Clinical Trials and Web & Multimedia sectors. For Aerospace, Montréal ranks 13th among the 75 cities.

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.

Comparing business costs in Montréal to other major global cities, *Competitive Alternatives 2010* ranks Montréal third among a group of 41 large international cities, all with populations in excess of 2 million. This represents an improvement for Montréal—up from a ranking of eight among a similar group of 35 cities in 2008. For Canada's other major cities, Vancouver ranks fifth and Toronto sixth. Looking south, Baltimore ranks 14th, Philadelphia 19th, Boston 31st, and New York City 37th. In Europe, Paris ranks 30th.

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. "Cities in Quebec offer businesses a variety of cost and non-cost advantages—low operating costs, competitive corporate tax rates, high quality of life, excellent access to health care, and quality education," said Carl Deslongchamps, Partner, KPMG. "Even with the high Canadian dollar, Quebec cities still hold a strong competitive edge over their US and European counterparts. In particular, Sherbrooke, Quebec City, and Montréal continue to keep their competitive edge among their North-Eastern counterparts in important sectors to the Quebec economy: Agri-Food, Aerospace, Life Sciences, and R&D."

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In addition to business costs, *Competitive Alternatives 2010* also compares a wide range of other factors that impact on the competitiveness of locations to business. “One area where Quebec really stands out is in its commitment to R&D,” said Glenn Mair, Director, MMK Consulting, and one of the study authors in association with KPMG. “Among 80 states, provinces, and other regional jurisdictions examined in 10 countries, Quebec is the only Canadian province to rank among the top 20 in terms of total R&D expenditure as a percentage of GDP. A combination of Quebec’s low business costs and incentives for R&D and various high-tech businesses make it a real player in the technology sector.”

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 nation-

wide 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.

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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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