

# Fact Sheet

## KPMG's 2008 *Competitive Alternatives* Study

### About the Study

- *Competitive Alternatives* ([www.CompetitiveAlternatives.com](http://www.CompetitiveAlternatives.com)) is KPMG's comprehensive guide for comparing business locations in the G7 and other major economies. The 2008 study contains essential information for any company seeking advantage in locating international business operations.
- KPMG founded the *Competitive Alternatives* study in 1996. Previously, the study was completed in 1996, 1998, 1999, 2002, 2004, and 2006.
- *Competitive Alternatives* measures 27 key cost components that are most likely to vary by location, including labor, taxes, real estate, and utilities, as they are applied to 17 business operations over a 10-year planning horizon.
- More than 2,000 individual business scenarios were examined, combining more than 50,000 items of data.
- Industrial sectors that were analyzed: manufacturing, software, research and development, and corporate services.
- This is the 7th edition of the study, and it includes, for the first time, all three NAFTA countries and all 50 U.S. states, in addition to its traditional G7 coverage.
- The exchange rates used in the study:

CURRENCY	RATE	CHANGE FROM 2006
Australian Dollar	AUS \$1.14 per US\$	+17.9 %
Canadian Dollar	CA\$1.00 per US\$	+17.4%
Euro	€0.68 per US\$	+23.7%
Japanese Yen	¥111.27 per US\$	+5.4%
Mexican Peso	10.87 per US\$	-1.5%
United Kingdom Pound	£0.50 per US\$	+14.4%

*Source: KPMG Competitive Alternatives 2008 Study*

- KPMG's analysis is based on cost information collected primarily between July 2007 and January 2008. Taxes reflect tax rates in effect on January 1, 2008.
- In 2008, for the first time, the *Competitive Alternatives* report presents a secondary comparison of business environment and "quality of life" factors across all study locations.

## Country Comparison

- Mexico ranks 1st among the countries studied, with business costs 20.5 percent lower than in the United States. This rating reflects Mexico's status as the first emerging industrial country to be included in *Competitive Alternatives*.
- Canada, the U.S., and Australia rank 2nd, 3rd, and 4th, respectively, but with less than 1.0 percent separating them. The United States has experienced the greatest gain in cost competitiveness since 2006, improving its position significantly against all other countries due to the depreciation of the U.S. dollar.
- France ranks 5th among the ten countries examined, and has the lowest cost structure among the European countries studied.
- The United Kingdom, the Netherlands, and Italy are also very closely grouped, ranking 6th through 8th, with business costs between 7.1 and 7.9 percent above the U.S. benchmark.
- Japan is still a relatively high-cost jurisdiction, ranking ninth overall. However, Japan has gained some ground against other countries over the longer-term, due to its low inflation rates and the lower volatility of the yen vis-à-vis the U.S. dollar.
- Germany (ranked 10th) has the highest cost structure overall, with costs 16.8 higher than the U.S. benchmark. Germany, along with Italy and Japan, also face the additional challenge of an ageing population, with the largest proportions of the population older than 44 and the smallest proportion under 25.

## Cost-Competitiveness: 2008 and 2006 Rankings by Country

COUNTRY	RANK	2008 COST INDEX	2006 COST INDEX	Change in Cost Index
Mexico	1	79.5		
Canada	2	99.4	94.5	-4.9
United States	3	100.0	100.0	
Australia	4	100.2	92.3	-7.9
France	5	103.6	95.6	-8.0
United Kingdom	6	107.1	98.1	-9.0
Netherlands	7	107.3	95.7	-11.6
Italy	8	107.9	97.8	-10.1
Japan	9	114.3	106.9	-7.4
Germany	10	116.8	107.4	-9.4

*Business costs are expressed as an index, with the United States being assigned the baseline index of 100.0*  
*Source: KPMG's 2008 Competitive Alternatives Study*

## **Cost Components**

- Industrial land costs have increased in most countries, with the greatest increases in Canada and the United Kingdom.
- Industrial construction (building) costs have increased in almost all countries, most significantly in Canada, the U.S., the U.K., and the Netherlands.
- Labor cost increases have generally been modest.
- Road freight costs have also increased in most jurisdictions, reflecting the global increases in diesel fuel costs.
- Sea freight and air freight rates have generally been stable or declining.
- Electricity and natural gas rates have tended to increase, reflecting the rise in global oil and other energy prices.
- Telecommunication rates have generally remained stable or declined.
- Income taxes (effective corporate tax rates) have generally been flat or trending downward.

To access the full report, please visit [www.competitivealternatives.com](http://www.competitivealternatives.com).

## **About Competitive Alternatives**

KPMG's 2008 *Competitive Alternatives* study provides an independent comparison of international business location costs in over 100 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 jurisdiction in relation to others. Detailed study results are available online at [www.competitivealternatives.com](http://www.competitivealternatives.com).

## **About KPMG**

KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. We operate in 145 countries and have more than 123,000 professionals working in member firms around the world. Our purpose is to turn knowledge into value for the benefit of our clients, our people, and the capital markets. Our member firms aim to provide clients with a globally consistent set of multidisciplinary financial and accounting services, based on deep industry knowledge.

Our values determine how we behave, with clients and each other. They define what we stand for and how we do things, helping us to work together in the most effective and fulfilling way. This enables us to create a strong organizational culture—consistently—throughout the network.

We play an important role in the capital markets, and are highly active in supporting positive reform within our industry to strengthen credibility and confidence. We believe corporate social responsibility is at the heart of all great organizations, and are committed to making a real difference to the communities in which we operate.

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