

## **Lower US Dollar Erodes Ontario's Cost Advantage Globally, Reports KPMG**

*Corporate tax cuts, skilled labour, energy supply help offset effects of high dollar*

**March 27, 2008 – Toronto, ON** - KPMG today released the results of the global 7<sup>th</sup> annual *Competitive Alternatives* study that compares business costs in 136 cities in 10 counties in North America, Europe, and Asia Pacific. The 2008 study contains essential information for any company seeking a cost advantage in locating international business operations.

Canada and Australia, which in previous years had benefited from a much higher U.S. dollar, now rank second and fourth globally, with business costs essentially equivalent to the U.S.

The results were determined using recent exchange rates, with the Canadian dollar valued at US\$1.00, up 17.4 percent from 2006. "With the Canadian dollar at par, Ontario is challenged to maintain the competitive edge it once held," said Rob Brouwer, Office Managing Partner for KPMG. "Ontario cities have to present a clear value proposition compared to businesses in other competing business areas. Larger Ontario cities offer businesses a variety of strengths including central location, availability of skilled labour and access to education.

Highlights of the survey for Ontario:

### **Border Cities – Windsor and St. Catharines**

- Ontario border cities, Windsor and St. Catharines, have a cost advantage over their US counterparts, Detroit and Buffalo
- With strong integration in the automotive industry, and representing the busiest commercial crossing point on the US/Canada border, Detroit and Windsor are as close as any pair of border cities. Windsor holds a 5.5 point cost advantage over its much larger neighbour
- Results are much closer for St. Catharines-Niagara and Buffalo, with St. Catharines holding a 1.6 point cost advantage over Buffalo

<b>CITY</b>	<b>POPULATION</b>	<b>COST INDEX</b>	<b>DISTANCE</b>
Buffalo, NY	1.1M	100.6	48KM
St. Catharines-Niagara, ON	0.4M	99.0	
Detroit, MI	4.5M	106.8	3KM
Windsor, ON	0.3M	101.3	

### **Toronto**

- Toronto has lost the cost advantage it once held over larger US cities, such as Indianapolis and Metro Washington, DC, due to the depreciating US dollar
- Compared with the 2006 *Competitive Alternatives* study, Toronto's previous cost index of 96.5 increased 5.0 points to 101.5, putting it over the US benchmark of 100.0

### **Waterloo Region**

- The Cambridge-Kitchener-Waterloo region has a significant cost advantage over other technology hubs, such as San Jose (Silicon Valley), San Diego, and Vancouver
- The Waterloo Region cost index is 98.2, versus 110.0 in San Jose, 104.6 for San Diego, and 104.2 for Vancouver

### **Ottawa**

- Ottawa, which used to hold a strong competitive advantage over many mid-sized US cities, is now almost on par with similar sized cities, such as Youngstown, OH, Harrisburg, PA, and Buffalo, NY
- Ottawa, with a cost index of 99.9, still maintains a slim cost advantage over some major US cities competing in the life sciences industries, including Indianapolis (101.3) and Philadelphia (103.2)

### **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 in Canada**

KPMG LLP, a Canadian limited liability partnership established under the laws of Ontario, is the Canadian member firm affiliated with KPMG International, a global network of professional firms providing Audit, Tax, and Advisory services. Member firms operate in 145 countries and have more than 123,000 professionals working around the world.

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative. Each KPMG firm is a legally distinct and separate entity, and describes itself as such.

KPMG can assist clients as they consider expanding, relocating, or consolidating their business activities. The firm offers a variety global location and expansion services, ranging from strategic planning, to site analysis, to determining the availability of business incentives.

KPMG in Canada's Web site is at [www.kpmg.ca](http://www.kpmg.ca).

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