

Australia in top 4 for business location attractiveness

Results of KPMG's 2008 Competitive Alternatives Survey released

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Australia is one of the least costly countries in the industrialised world to base a business, according to KPMG's 2008 Competitive Alternatives Survey.

Australia was ranked fourth in terms of competitiveness after Mexico, Canada and the US; however, there is less than one percent separating Australia from second place.

KPMG's 2008 Competitive Alternatives Survey compared business costs in 136 cities in 10 countries in North America, Europe, Australia and Japan.

Launching the survey, KPMG's CEO, Geoff Wilson, said Australia is clearly an excellent base for business not only as it has distinct cost advantages but also many key attributes businesses desire in a location.

"Australia is a clear competitor in the global attraction race. We rank highly for cost competitiveness in areas such as transport and web and multimedia operations. While not ranked as highly as our overall score, our business tax system is competitive.

"Australia ranked number one in terms of energy self-sufficiency at a time when access to energy has become critical to business operations. In terms of our R&D capabilities we have one of the highest proportions of researchers (as a percentage of total employment) amongst the countries studied," said Mr Wilson.

But attraction doesn't always come down to just dollars and cents, Australia came in third on the Corruption Perception Index, indicating there is a low level of corruption perceived in the country, and ranked well in terms of the quality of the education system.

The report highlights several areas where Australia could improve its international competitiveness.

"It appears Australia is well on the way to achieving greater competitiveness in areas such as R&D with the innovation review, major infrastructure overhauls and the push to reform healthcare and housing affordability.

"Another key area where Australia could improve its attractiveness to overseas investors is in simplifying business regulation," said Mr Wilson.

Australia scored fourth on the World Bank's 'Ease of Doing Business Ranking' which compares countries on their overall business regulatory environment.

Australian survey highlights

- Australia is the fourth most competitive country in the survey after Mexico, Canada and the US.
- Australia has lost ground to the US and Canada but has increased its cost competitiveness relative to all of the European countries studied.

- Melbourne was the most competitive large city (over 1.5 million population) in Australia. Adelaide was the most competitive medium sized city (500,000 to 1.5 million) in Australia.
- In terms of labour costs Australia is ranked fourth behind Mexico, US and Canada.
- Australia has the third most competitive transportation costs and the second most competitive manufacturing costs of the countries surveyed.
- Despite a relatively low level of investment in R&D, Australia has one of the highest proportions of researchers as a percentage of total employment of the countries studied.
- Australia came fourth in the World Bank's Ease of Doing Business index – based on overall business regulatory environment.
- Australia was ranked third in the Corruption Perception Index – the lower the number the more ethical the country is perceived to be.

Regional analysis

In Europe, the UK has benefited somewhat at the expense of continental Europe from the stronger appreciation that the Euro has seen relative to the Pound. France has the lowest cost structure of the European countries, with costs only 3.6 percent above the US benchmark.

Costs in Paris are comparable with some large US cities, while costs in Manchester, Frankfurt and London are all significantly higher than in any of the North American cities studied. London represents the most expensive city examined, by a wide margin.

Toulouse, France—very competitive in aerospace, product testing, and clinical trials—offers the lowest costs among the mid-sized and large cities studied in Europe, and also offers non-cost benefits related to France's strong environmental performance record, low crime rates, and good access to health care.

In previous years, the UK, Netherlands, Italy, and France all ranked lower than the US benchmark, however now the cost of business is considerably higher in these countries due largely to the depreciation of the US dollar. However, within Europe there is strong evidence of intra-regional competitiveness. The opening of labour markets, more competitive tax rates, and investment in infrastructure implies that while Europe has shifted its position relative to the US there is still strong competition among European countries.

In North America, among the major cities studied, the Mexican cities of Puebla, Guadalajara, and Monterrey offer the lowest business costs, followed by San Juan and Puerto Rico. These cities rank ahead of a group of Southern US cities that all offer moderately low business costs: Atlanta, Tampa, and Dallas-Fort Worth. At the other end of the spectrum, San Jose, California (Silicon Valley), and New York City continue to represent the most expensive North American cities in which to do business.

Country comparison

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

Currency rates used in the study

Currency	Rate	Two year appreciation relative to US\$
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

To access the full report, please visit <http://www.competitivealternatives.com/>

About Competitive Alternatives

This year, the study measured 27 significant cost components that are most likely to vary by location, including labour, taxes, real estate and utilities as they are applied to 17 business operations, over a 10-year planning horizon. The study also compared data on a variety of non-cost competitiveness factors. The six-month research program covered 136 cities in Australia, Canada, France, Germany, Italy, Japan, Mexico, Netherlands, the United Kingdom, and the United States.

New to the 2008 report is analysis of a wide variety of non-cost factors that influence the attractiveness of business and site locations. Site selection factors compared in the report include macro-economic indicators, labor markets, innovation, business and environmental regulation, quality of infrastructure, energy supply, and quality of life.

Detailed study results are available online at <http://www.competitivealternatives.com/>

Further information

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