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## **Sherbrooke, Quebec City, and Montréal Lead the Way As the Most Competitive Cities in the North East, Reports KPMG**

*Canadian cities remain an attractive business locale despite higher dollar*

**(Montréal, QC – March 27, 2008)** – Montréal has some of the lowest business costs among major North American cities and is one of the most cost-competitive locations to do business, according to KPMG’s 2008 *Competitive Alternatives* study. The results of the extensive study that compares business costs in 136 cities in 10 countries in North America, Europe, and Asia Pacific were released today.

The results were determined using recent exchange rates, with the Canadian dollar valued at US\$1.00, up 17.4 percent from 2006. “Cities in Quebec offer businesses a variety of cost and non-cost advantages, from low operating costs, competitive corporate tax rates, high quality of life, excellent access to health care, and quality education,” said Nathalie Bernier, Office Managing Partner, KPMG Montréal. “Even with the Canadian dollar now close to par with the US dollar, Canadian cities still hold a competitive edge over larger US and European cities.”

Comparing Northeastern cities with populations between 100,000 – 1.5 million, Sherbrooke, Quebec City, and Montréal consistently rank below the US benchmark of 100 percent, and these cities offer a more competitive environment than their Ontario counterparts of Waterloo and Toronto. The least cost-competitive places in the region are Saginaw, MI, Buffalo, NY, and New York City, NY.

“The Canadian dollar, hovering around par with the US dollar, has reduced Canada’s cost advantage from a dollars and cents perspective, but non-cost factors strongly impact the attractiveness of the business location,” said Glenn Mair, MMK Consulting.

“Sherbrooke, Quebec City, and Montréal continue to keep their competitive edge among their Northeastern counterparts, with strong competitiveness in the automotive, pharma, bio-tech, telecommunications, and aerospace industries,” added Carl Deslongchamps, Partner, KPMG.

Overall, Canada ranked 2<sup>nd</sup> out of the 10 countries, and Mexico, new to the study to allow a comparison among the North American Free Trade partners, is the cheapest place to do business, with costs approximately 20.5 percent below the US baseline, while Germany and Japan remain the most expensive countries in which to do business.

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 6 month research program covered 136 cities in Australia, Canada, France, Germany, Italy, Japan, Mexico, Netherlands, the United Kingdom, and the United States. For the first time, the study

includes all 3 NAFTA countries and all 50 US states, in addition to its traditional G7 coverage.

Also new this year, *Competitive Alternatives* compares a wide variety of non-cost factors that influence business location choices. The four top site selection factors identified by respondents were: highway accessibility, labour costs, availability of skilled labour, and energy availability and cost. The four top quality of life factors were: low crime rates, ratings of public schools, housing availability, and housing costs.

### Comparison of Cost Indices Among Selected Cities in Canada

| CITY               | COST INDEX |       |
|--------------------|------------|-------|
|                    | 2006       | 2008  |
| Sherbrooke, QC     | 90.1       | 92.8  |
| Moncton, NB        | 91.1       | 94.9  |
| Charlottetown, PEI | 91.7       | 95.8  |
| Halifax, NS        | 92.2       | 96.6  |
| Quebec City, QC    | 92.6       | 96.3  |
| Saskatoon, SK      | 92.8       | 96.7  |
| Edmonton, AB       | 93.3       | 99.9  |
| Winnipeg, MB       | 94.1       | 97.7  |
| Montreal, QC       | 94.3       | 98.5  |
| St. John's, NL     | 94.3       | 99.5  |
| Waterloo, ON       | 94.3       | 98.2  |
| Calgary, AB        | 94.7       | 102.0 |
| Ottawa, ON         | 95.1       | 99.9  |
| Toronto, ON        | 96.5       | 101.5 |
| Vancouver, BC      | 96.9       | 104.2 |

*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*

### Canada and International Comparison

#### Canada

- Canada ranks 2nd overall and first among G7 countries for low business costs, with a cost advantage of 0.6 percent over the United States.
- Canada ranks second in terms of environmental performance after France; it is perceived as a country with environmental laws that are most compatible with business competitiveness.<sup>1</sup>
- Total labour costs are lowest in Mexico, with a significant cost advantage over Canada. However, Canada ranks much higher than Mexico on quality of life issues, such as healthcare, crime rates, and education, which are included in the study for the first time.

<sup>1</sup> International Institute of Management Development (refer report exh. 6.14)

- Globally, Canada ranks second for educational attainment and expenditures, and achieves top ranking in terms of educational outcomes.
- Canadian corporate tax rates are low in comparison to the US and other countries studied.
- Canada is one of the top rated countries in terms of ethical business practices, ranking second on the corruption perception index, while the US ranks eighth and Mexico last.

**Other Countries**

- 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 industrialized country to be included in *Competitive Alternatives*.
- France ranks 5th among the 10 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 and have business costs between 7.1 and 7.9 percent above the US benchmark.
- Japan and Germany have the highest cost structures with costs 14.3 and 16.8 higher than the US.

**Cost-Competitiveness: 2008 Rankings by Country**

| COUNTRY        | COST INDEX | RANK |
|----------------|------------|------|
| Mexico         | 79.5       | 1    |
| Canada         | 99.4       | 2    |
| United States  | 100.0      | 3    |
| Australia      | 100.2      | 4    |
| France         | 103.6      | 5    |
| United Kingdom | 107.1      | 6    |
| Netherlands    | 107.3      | 7    |
| Italy          | 107.9      | 8    |
| Japan          | 114.3      | 9    |
| Germany        | 116.8      | 10   |

*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*

To access copies of 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 industrialized 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. The study's proprietary cost model is 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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