

# Western Canada's Cost Advantage The Best Place to do Business!



KPMG compares international business costs and  
proves Western Canada is low-cost leader



Western Economic  
Diversification Canada

Diversification de l'économie  
de l'Ouest Canada

Canada

## WESTERN CANADA HOLDS EDGE OVER 10 COUNTRIES

The location of your business directly affects your profitability. The cost of labour, transportation, utilities, and taxes in a given location are among the key factors that help determine your bottom line.

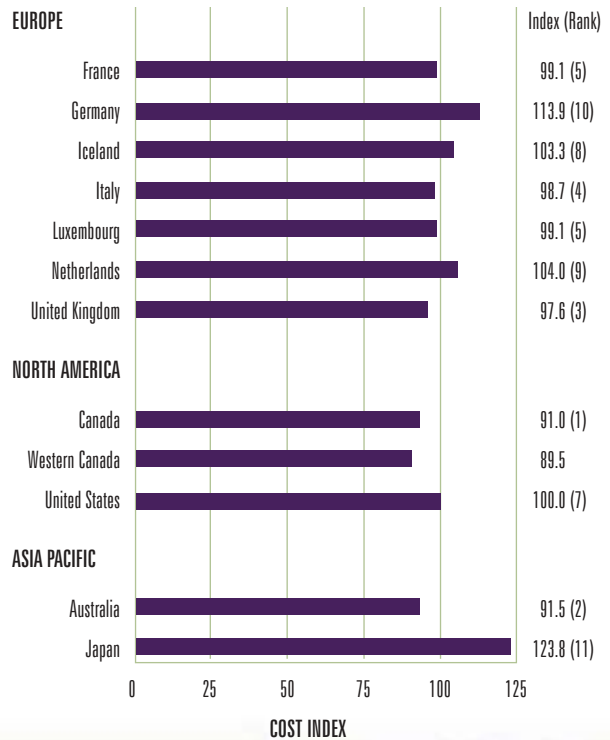
A comprehensive international study by business advisors KPMG LLP (US) compared business costs in North America, Europe and Asia-Pacific. Between April and November 2003, KPMG measured the combined impact of 27 significant cost components and found that Canada has the lowest overall costs among the 11 countries studied, with business costs approximately eight to nine percent lower than in the United States. Within Canada, **communities within the western provinces have a cost advantage in some industries of up to 5% over the top-ranked country and up to 32% over the U.S.**

In the chart to the right, total business costs in each country are expressed as an index, with the baseline index of 100 being assigned to the United States. Countries with a cost index less than 100 have lower costs than the U.S., while countries with a cost index greater than 100 have higher costs than the U.S.

**KPMG's eight-month research program covered 17 industry operations in 11 countries. To view the complete 2004 KPMG *Competitive Alternatives* international business cost study, go to [www.competitivealternatives.com](http://www.competitivealternatives.com)**

### OVERALL RESULTS BY COUNTRY

U.S. = 100.0



Source: 2004 KPMG Competitive Alternatives study

Western Canada represents average costs in 14 western cities.





## WESTERN CANADIAN CITIES ARE LOW-COST LEADERS

KPMG explored the costs of setting up and operating over a 10-year period in more than 120 cities in 11 countries. The study included a cost comparison of 14 western Canadian cities, with populations ranging from 34,000 (Moose Jaw) to 2,000,000 (Vancouver), and noted there is often a trade-off between larger and smaller cities. While larger cities have deeper labour pools and better support infrastructure, smaller cities tend to have lower labour and facility costs.

Since labour costs represent the single most important cost factor—accounting for 56 to 85 per cent of all location-sensitive costs—smaller centres like Moose Jaw, Prince Albert and Brandon may be particularly attractive to an industry concerned about labour costs.

INDUSTRY	WESTERN CANADA	CANADA	U.S.	FRANCE	GERMANY	ICELAND	ITALY	LUXEMBOURG	NETHERLANDS	U.K.	AUSTRALIA	JAPAN
<b>MANUFACTURING</b>												
Aerospace industry	92.5	92.9	100.0	99.2	117.1	101.3	100.8	99.9	104.5	97.9	93.5	126.7
Food processing	94.8	95.3	100.0	98.0	106.3	116.5	99.6	98.5	99.4	96.8	94.7	112.7
Automotive	93.3	93.6	100.0	98.9	113.8	102.2	100.5	100.2	103.2	97.5	92.1	129.6
Chemicals	92.5	93.9	100.0	99.9	109.8	100.9	97.0	96.7	104.2	98.1	96.9	114.0
Electronics	91.6	93.2	100.0	100.8	115.0	101.9	99.2	100.5	105.7	98.7	95.1	123.7
Medical devices	92.9	94.4	100.0	100.3	115.8	100.2	101.2	100.6	104.9	98.2	95.6	124.5
Metal components	93.5	93.7	100.0	98.8	114.0	102.7	100.7	100.2	103.2	97.4	92.0	130.5
Pharmaceuticals	92.9	94.0	100.0	99.6	113.4	99.4	100.4	99.4	103.2	97.5	95.8	120.4
Plastics	93.9	93.6	100.0	97.9	114.4	120.1	101.4	99.6	101.9	97.4	91.3	129.1
Precision manufacturing	91.5	91.8	100.0	98.0	124.4	101.6	102.1	99.8	102.0	95.9	91.2	128.6
Telecommunications	94.9	95.7	100.0	98.5	105.1	102.3	98.9	98.9	101.0	97.2	96.4	108.6
<b>RESEARCH AND DEVELOPMENT</b>												
Biotechnology	79.9	83.4	100.0	97.3	115.0	94.8	91.8	100.2	101.3	96.6	88.6	135.9
Clinical Trials	76.1	77.6	100.0	105.6	131.5	95.5	97.2	94.8	83.8	94.0	85.7	153.3
Product Testing	72.2	75.3	100.0	86.8	102.2	81.7	82.6	89.4	90.5	85.4	71.7	120.8
<b>SOFTWARE</b>												
Software Design	84.1	86.4	100.0	98.5	108.2	884.0	95.6	95.7	105.3	92.9	84.7	114.4
Web & Multimedia	84.7	87.5	100.0	98.4	120.5	93.4	96.3	94.9	108.6	97.3	84.2	128.1
<b>CORPORATE SERVICES</b>												
Back Office/Call Centres	83.3	88.3	100.0	114.3	144.0	121.3	114.6	118.3	128.4	116.9	95.9	162.4

Western Canada result is based on a 14-city average.



## REGIONAL COMPARISONS STRENGTHEN THE CASE FOR WESTERN CANADA

The KPMG study carried out cost comparisons not only at the international level, but also at the regional level. It compared the cost of doing business in cities in Alberta, Saskatchewan and Manitoba with comparable size cities in the U.S. Midwest to see how they all stack up against the U.S. average. Check out the results and draw your own conclusions.

Source: 2004 KPMG Competitive Alternatives study

RESULTS BY SIZE OF CITY, MIDWEST U.S./CANADA					
POPULATION					
100,000 to 500,000		500,000 to 1.5 million		Exceeds 1.5 million	
Cedar Rapids, IA	99.3	Wichita, KS	100.1	Houston, TX	104.7
Sioux Falls, SD	97.6	Oklahoma City, OK	100.1	Minneapolis, MN	104.1
Saskatoon, SK	89.4	Colorado Springs, CO	98.6	Chicago, IL	103.5
		Salt Lake City, UT	97.8	Dallas-Ft. Worth, TX	102.8
		Calgary, AB	91.4	Milwaukee, WI	102.1
		Winnipeg, MB	90.5	St. Louis, MO	102.0
		Edmonton, AB	89.2	Phoenix, AZ	99.4

Saskatoon has a cost structure approximately 8 to 10 points lower than in comparable U.S. locations. In larger centres, the mid-sized cities of Edmonton, Winnipeg and Calgary all have cost structures well below those of their U.S. counterparts.

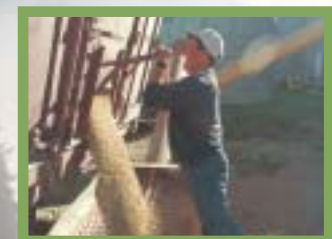
The study also compared costs of cities in the Pacific region of the U.S. and Canada. Again, cities in our western-most province are the clear cost leaders.

RESULTS BY SIZE OF CITY, PACIFIC			
POPULATION			
100,000 to 500,000		500,000 to 1.5 million	
Spokane, WA	101.4	No representative city	San Jose, CA 110.9
Boise, ID	97.9		Seattle, WA 105.6
Kelowna, BC	89.7		San Diego, CA 105.1
			Riverside-San Bernardino, CA 104.8
			Portland, OR 102.5
			Las Vegas, NV 102.2
			Vancouver, BC 93.6

Source: 2004 KPMG Competitive Alternatives study

Costs in both U.S. and Canadian cities in the Pacific region tend to be relatively higher than in other regions of each respective country. Kelowna has an eight to 11 point cost advantage over comparable U.S. cities, and is particularly strong in operations with high requirements for skilled labour. Vancouver also has a cost advantage of eight to 11 points over comparable Pacific U.S. cities, primarily due to lower labour costs.

*Vancouver, B.C. ranks 3rd in the world in quality of life (Mercer Human Resources Consulting's Quality of Living report, March 2004)*



## KEY INDUSTRY SECTORS PROVE CLEAR WESTERN ADVANTAGE

Virtually every western Canadian community in the 17 industries studied displayed significantly lower business costs than in cities to the south. Look at some of the comparisons below:

### Biomedical Research and Development:

Winnipeg vs Minneapolis  
Winnipeg 27% lower

### Clinical Trials:

Saskatoon vs Portland  
Saskatoon 30% lower

### Software Design:

Calgary vs San Jose  
Calgary 24% lower

### Biotechnology:

Edmonton vs San Diego  
Edmonton 31% lower

### Web and Multimedia:

Vancouver vs Seattle  
Vancouver 16% lower

### Electronic Systems Testing:

Kelowna vs Spokane  
Kelowna 28% lower

Some western Canadian cities are particularly well suited for some industries looking to lower their business costs. For example, **out of 98 ranked cities world-wide, Edmonton had the second lowest costs in the Agri-Food industry, and Saskatoon was ranked sixth!** Saskatoon was ranked seventh out of 98 cities for lowest costs in the field of biomedical research and development, and Winnipeg was number 11 in the aerospace industry. Kelowna had the eighth lowest costs for web and multimedia work.



## KPMG COMPETITIVE ALTERNATIVES INTERNATIONAL REPORT 2004

Overall results for western Canadian cities\*

CITY	INDEX RATING (U.S. = 100.0)	% COST ADVANTAGE/RELATIVE TO U.S.
FEATURED CITIES		
Calgary	91.4	8.6
Edmonton	89.2	10.8
Kelowna	89.7	10.3
Saskatoon	89.4	10.6
Vancouver	93.6	6.4
Winnipeg	90.5	9.5
ADDITIONAL CITIES		
Brandon	88.3	11.7
Chilliwack	90.5	9.5
Lethbridge	88.3	11.7
Grande Prairie	87.9	12.1
Moose Jaw	88.3	11.7
Prince Albert	87.6	12.4
Red Deer	87.7	12.3
Regina	90.5	9.5

\* KPMG reported on a total on 14 Western Canadian cities: six under the "Featured Cities" category and eight under the "Additional Cities" category.

*For the second year in a row, Calgary, Alberta ranks 1st in the world as the cleanest city in which to live (Mercer Human Resources Consulting's Quality of Living report, March 2004)*



## SIX GREAT REASONS TO LOCATE OR EXPAND YOUR BUSINESS IN WESTERN CANADA

### 1) CALGARY, ALBERTA POPULATION: 993,200

Nestled at the foothills of the Rocky Mountains, **Calgary is Canada's fastest growing city** with a prosperous economy traditionally based on energy, distribution/logistics, and business services. Emerging sectors include engineering/environmental technologies, communications technology, and telecommunications. Calgary is home to many leading corporations, including EnCana Corporation (energy/utilities), Nortel Networks (telecommunications), and Canadian Pacific (logistics/distribution).

### 2) EDMONTON, ALBERTA POPULATION: 954,069

Edmonton has traditionally been a magnet for companies in the petrochemical business, as well as those in engineering/environmental technologies and equipment manufacturing. However, agriculture, biotechnology and nanotechnology are now also becoming important sectors. KPMG determined **overall average business costs in Edmonton are the lowest in North America's Midwest region!** In fact, of 17 industries studied, Edmonton proved the lowest cost location for 15 of them!

### 3) KELOWNA, BRITISH COLUMBIA POPULATION: 147,739

Located 205 miles (330 km) northeast of Vancouver, this fast growing community has traditionally offered jobs in the agri-food business, aerospace industry, and forestry products. Nowadays, there is increasing reliance on engineering/environmental technologies, life sciences and software design. **Of 10 centres in the U.S.-Canada Pacific region, Kelowna had the lowest business costs in all 17 industries surveyed!** Major employers include Gorman Brothers (forestry), Kelowna Flightcraft (aerospace) and Sun-Rype Products (food processor).

### 4) SASKATOON, SASKATCHEWAN POPULATION: 225,927


Saskatchewan's largest city, Saskatoon has an economy traditionally based on agriculture, potash mining, and metal manufacturing. It is now starting to also specialize in agri-food products, biotechnology, and specialty manufacturing. Major employers include Mitchell's Gourmet Foods (agri-food), PotashCorp (mining), and CNH Global (equipment manufacturing). **In the Midwest region of North America, Saskatoon had the second lowest average business costs, and the lowest cost ranking in pharmaceuticals and precision manufacturing.**

### 5) VANCOUVER, BRITISH COLUMBIA. POPULATION: 1,986,965

Known for its natural beauty, this cosmopolitan city is geared towards international trade and is Canada's gateway to the Pacific. Forestry, transportation and business services remain important sectors, and are being joined by biotechnology, engineering/environmental technologies, and information technology. Of 10 centres in the U.S.-Canada Pacific region, Vancouver had the second lowest business costs in all 17 industries surveyed. **In the area of research and development in particular, business costs in Vancouver average 16.2% less than in the U.S.**

### 6) WINNIPEG, MANITOBA POPULATION: 685,507

Located at the longitudinal mid-point of North America, Winnipeg is just 55 miles (88 km) north of the U.S. border. The city enjoys a diverse economy with a highly skilled, multilingual work force and a strong focus on training/education in support of business investment and expansion. Traditional businesses include insurance/financial services, specialty manufacturing and transportation services. Growth industries include aerospace, life sciences, advanced manufacturing/OEM manufacturing, communications and IT. Leading existing firms include Boeing Canada Technology (aerospace), Cargill Limited (agri-food products/services) and Great West Life Assurance (insurance/financial services). In 17 cities within the North American Midwest region, Winnipeg had the third lowest overall operating costs, based on 12 industries analyzed. **Industries in Winnipeg enjoy the lowest published hydro-electricity rates in North America.**



## STRONG BUSINESSES ARE CHOOSING WESTERN CANADA

*"Winnipeg's favourable cost of doing business and a skilled workforce have been key to making Boeing Canada Technology, Winnipeg Division a global competitor in the aerospace composites industry."*

—Mark Ross, General Manager,  
Boeing Canada Technology, Winnipeg Division

*"Hitachi Canadian Industries Ltd. has been located in Saskatoon for 15 years. Our decision to locate in Saskatoon and Saskatchewan was influenced by many factors. These included high-quality workers, proximity to the U.S. market in which we have been able to compete in both quality and price, and one of the lowest corporate income tax rates for manufacturers in Canada and the industrial world."*

—Pat Pitka, General Manager and CEO,  
Hitachi Canadian Industries Ltd.

*"Western Canada, and particularly Vancouver, provided an excellent opportunity for Peoplesoft to expand its operations. We chose Vancouver based on the availability and quality of talent. Western Canada ranks tops in lifestyle and availability to attract talent from around the world. We have also exceeded expectations here in Vancouver where we have the highest productivity and highest customer service ranking among all regions."*

—Mark Derraugh, Regional Director,  
Western Canada, Peoplesoft

*"Greater Vancouver has proved to be an excellent decision. Our site analysis was based on three key criteria for future employees: Internet and computer literacy, knowledge of eBay, and the ability to speak many different languages. For location, proximity to our next growth area, the Pacific Rim, was critical. We found all that, and more, in the Vancouver area."*

—Lynn Hardin, Senior Director of  
Customer Support, eBay Inc.

*"Dominion Exploration is a young company with ambitious plans for future growth. Our decision to locate our Canadian head office in Calgary was based on three key factors: the availability of a skilled workforce, a receptive business climate, and equally importantly, the opportunity for our employees to enjoy a high quality of life."*

—Anthony Marino, President & CEO,  
Dominion Exploration Canada Ltd.

*"Alberta is a tremendous place to do business. Saxby Foods has found that Edmonton, in particular, is an advantageous location for a number of reasons. These include access to an abundant supply of raw materials, a quality workforce, and proximity to freight lanes that allow us to ship our products to customers throughout Canada and the U.S."*

—Thea Avis, Owner, Saxby Foods Ltd.





Western Economic Diversification Canada (WD) supported production of this publication. WD is the Government of Canada department responsible for promoting the development and diversification of the western Canadian economy. Contact us at:

#### WD HEADQUARTERS

Suite 1500, Canada Place  
9700 Jasper Avenue  
Edmonton, Alberta T5J 4H7

Tel: (780) 495-6796

Fax: (780) 495-6876

For more information on investment opportunities in Western Canada, please contact the offices below:

#### BRITISH COLUMBIA

**International Trade  
Canada, Vancouver**

Tel: (604) 666-0434

Fax: (604) 666-0954

E-mail: [itc-vancouver@ic.gc.ca](mailto:itc-vancouver@ic.gc.ca)  
[www.investincanada.gc.ca](http://www.investincanada.gc.ca)

**Ministry of Small Business and  
Economic Development,  
Government of British  
Columbia**

Tel: Ian Mellor (604) 844-1813

Fax: (604) 844-1926

[www.investbc.com](http://www.investbc.com)

#### ALBERTA

**International Trade  
Canada, Edmonton**

Tel: (780) 495-6505

Fax: (780) 495-4507

Email: [itc-edmonton@ic.gc.ca](mailto:itc-edmonton@ic.gc.ca)  
[www.investincanada.gc.ca](http://www.investincanada.gc.ca)

**Alberta Economic  
Development**

**Government of Alberta**

Tel: Doug Cameron (780) 427-6702

Fax: (780) 427-6560

[www.alberta-canada.com/invest](http://www.alberta-canada.com/invest)

#### SASKATCHEWAN

**International Trade  
Canada, Saskatoon**

Tel: (306) 975-4343

Fax: (306) 975-5334

E-mail: [itc-saskatoon@ic.gc.ca](mailto:itc-saskatoon@ic.gc.ca)  
[www.investincanada.gc.ca](http://www.investincanada.gc.ca)

**Saskatchewan Industry  
and Resources**

**Government of Saskatchewan**

Tel: Brendan Reding (306) 933-7215

Fax: (306) 933-8244

[www.ir.gov.sk.ca](http://www.ir.gov.sk.ca)

(click on Investing in Saskatchewan)

#### MANITOBA

**International Trade  
Canada, Winnipeg**

Tel: (204) 983-5851

Fax: (204) 983-3182

E-mail: [itc-winnipeg@ic.gc.ca](mailto:itc-winnipeg@ic.gc.ca)  
[www.investincanada.gc.ca](http://www.investincanada.gc.ca)

**Manitoba Industry, Economic  
Development & Mines**

**Government of Manitoba**

Tel: Randy Boldt (204) 945-6211

Fax: (204) 948-2179

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