News

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Singapore leads in KPMG study of business costs in nine industrialized countries

Study highlights Canada as the lowest-cost country among the G7

(Toronto, Tuesday, March 21, 2006) – Singapore is the most cost-competitive place to do business among nine industrialized countries, according to the 2006 edition of KPMG LLP's bi-annual study *Competitive Alternatives*. Canada ranks second overall, retaining its previous position as the lowest-cost country among the G7 countries.

France and the Netherlands are the most cost-competitive European countries studied, followed by Italy and the United Kingdom. The United States, seventh in the rankings, has improved its competitive position since 2004, assisted by the lower value of the U.S. dollar relative to other major currencies. Eighth-ranked Japan has also improved its competitiveness since 2004, overcoming its previous cost disadvantage to ninth-ranked Germany.

KPMG's bi-annual *Competitive Alternatives* study measures 27 key cost components--including labor, benefits, business facilities, taxes and utilities – as applied to business operations in industrialized countries. The 2006 edition of the study includes a comprehensive analysis of 128 cities in nine countries -- Canada, France, Germany, Italy, Japan, the Netherlands, Singapore, the United Kingdom and the United States. The study's basis for comparison is the after-tax cost of startup and operation for 17 different types of business, over a 10-year planning horizon.

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"Selecting the best site for a business operation requires balanced consideration of many factors, including business costs, business environment, personnel costs, and quality of life issues," said Mark MacDonald, director with KPMG's Advisory practice in Canada. "This study offers a comprehensive guide for comparing business costs and contains valuable information for any company seeking a cost advantage in locating international business operations."

The 2006 edition notes several surprising results and trends since the 2004 edition. Singapore, new to the study, has a business cost advantage of more than 20 percent over the benchmark United States results. With GDP per capita now on par with some western European nations, Singapore is the first newly industrialized country to be included in *Competitive Alternatives*.

Among the returning countries, business cost differentials have narrowed since 2004, and all G7 countries now have costs within eight percent of the U.S. results. Within North America, the strengthening of Canada's currency has lessened the gap between Canadian and US costs. In Europe, the Euro-based countries have all gained ground against the United Kingdom. And Japan's competitive cost position has improved significantly, assisted by the weakening of the yen and improvements in local business costs.

Rankings and relative cost indices are illustrated in the following chart. The benchmark cost index (U.S. = 100) is defined as the average of nine representative U.S. cities.

Cost-Competitiveness:
2006 Rankings by country

Country	Cost Index	Rank
Singapore	77.7	1
Canada	94.5	2
France	95.6	3
Netherlands	95.7	4
Italy	97.8	5
United Kingdom	98.1	6
United States	100.0	7
Japan	106.9	8
Germany	107.4	9

Source: *KPMG's 2006 Competitive Alternatives Study*

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For international cities with populations of more than two million, Singapore ranks as the most cost-competitive overall. Montréal is the most cost-competitive large city in the G7, followed by Atlanta, Toronto, Tampa, and Amsterdam. The city with the highest business costs is New York, followed by Frankfurt, London and San Jose.

Among medium-sized and smaller cities included in the study, the lowest-cost city is Sherbrooke, Canada, while in Europe, the lowest-cost city is Montpellier, France.

Commenting on the cost competitiveness of cities in the study, KPMG's Mark MacDonald, said: "There is often a tradeoff between larger cities with deeper labor pools and better support infrastructure, and smaller cities, which tend to have lower labor and facility costs."

According to the study, labor costs typically represent the majority of location-sensitive costs, for both manufacturing and non-manufacturing operations. Facility costs represent the second largest location-sensitive cost factor, accounting for 10 to 22 percent of costs for manufacturing operations and 4 to 13 percent for non-manufacturing operations. Taxes are another key factor, representing 3 to 13 percent of total location-sensitive costs.

The KPMG analysis is based on cost information collected primarily between July 2005 and January 2006. Taxes reflect tax rates in effect on January 1, 2006.

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About *Competitive Alternatives*

KPMG's 2006 *Competitive Alternatives* study provides an independent comparison of international business location costs in 128 cities 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 is available online at www.CompetitiveAlternatives.com

About KPMG

KPMG is the global network of professional services firms whose aim is to turn knowledge into value for the benefit of their clients, people and the capital markets. With nearly 94,000 people worldwide, KPMG member firms provide industry-focused audit, tax, and advisory services from more than 717 cities in 148 countries.

KPMG's member firms assist clients as they consider expanding, relocating or consolidating their business activities. More than 100 KPMG professionals throughout the world offer a variety of global location and expansion services, ranging from strategic planning, to site analysis, to determining the availability of business incentives.

KPMG's Web site is located at www.kpmg.com

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