CANADA

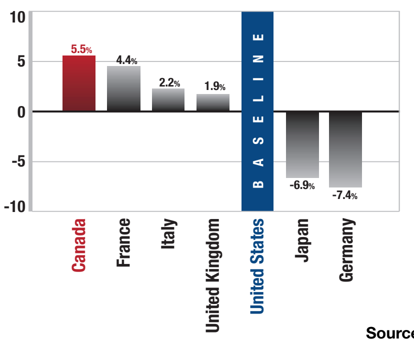
INVESTING IN GROWTH AND PERFORMANCE

Canada

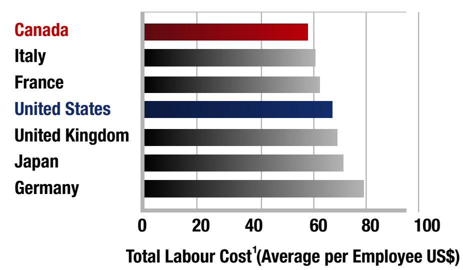
CANADA

A CLIMATE FOR GROWTH

Overall G7 Results
Percentage Cost Advantage / Disadvantage Relative to the U.S.



G7 Labour Cost Comparison (Rank)



[1]Average for 12 operations included in the overall results.
Represents 42 different job positions.

Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

Imagine investing in a diversified company that has consistently shown quarter-over-quarter, year-over-year growth and fostered a working culture that sets it apart from all its competitors. Market leadership. Innovation. A skilled and diverse workforce. Cost competitiveness. A growth-focused and entrepreneurial business climate. All highly differential advantages that are intimately tied to a results-driven track record. **But if that company were a country…**

Then that country would be Canada. Canada's cost-competitiveness is conclusively proven by KPMG's 2006 Competitive Alternatives study. This comprehensive eight-month study examined and compared relative business costs of 27 location-sensitive cost factors in 17 industries, nine industrialized countries and 128 cities.

And for the sixth consecutive time, Canada leads all G7 countries with the lowest overall business costs—a tremendous achievement with a strong dollar, further signalling a robust and internationally competitive economy.

Canada continues to provide corporations looking to expand their operations with a strong economic foundation that has encouraged a low-cost, yet quality-driven business environment for different sectors.

The proof of Canada's cost-competitiveness is in KPMG's recent analysis. In 12 of 17 industries KPMG studied, Canada has the lowest business costs of all G7 countries, while Canadian cities rank No.1 in 16 out of 17 industries as low-cost G7 jurisdictions. Canada also records the lowest overall labour costs of G7 countries.

CANADIAN CITIES, MEANWHILE, CONSISTENTLY DEMONSTRATE THEIR COST-COMPETITIVENESS COMPARED TO SIMILAR U.S. LOCATIONS, WITH OVERALL BUSINESS COSTS 5.5 PERCENTAGE POINTS LOWER THAN THEIR SOUTHERN NEIGHBOURS.

PERFORMANCE

Canada's overall cost-competitive results reinforce its position as a strategic point of entry to a North American free trade zone of more than 435 million consumers.

And along with very supportive corporate tax incentives for research and development (R&D), Canada provides expanding businesses with a growth and performance platform to tackle markets well beyond the country's continental borders.

As a result, investments in Canada have generated long-term shareholder value and improved the bottom line.

NOTHING IMAGINED, BUT EVERYTHING GAINED BY THOSE WILLING TO STRATEGICALLY INVEST IN CANADA.

Ask seasoned investors about a company's future and they'll likely point you to the bench strength of their business fundamentals: cost of sales, cash flow, customer loyalty, revenue and growth trajectory.

The fundamentals need to be under careful stewardship, guided by measured economic policy and encouraged by a low-cost business environment.

Canada's cost competitiveness is made crystal clear when KPMG says that: "Canada is the leader among G7 countries, with a cost index of 94.5, representing business costs 5.5 percentage points below those in the United States."

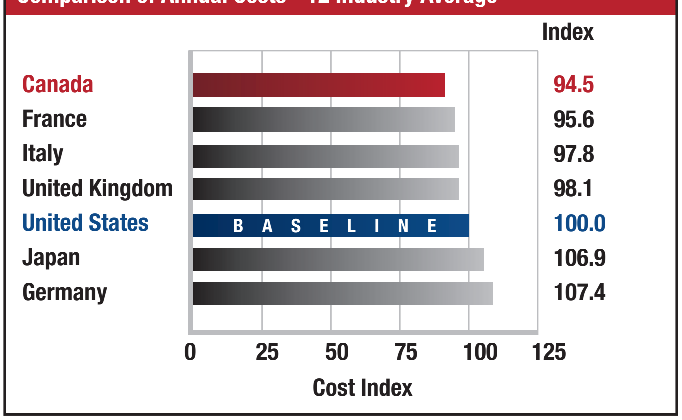
KPMG'S RANKING SYSTEM: HOW IT WORKS

How does KPMG compare business costs of each country? *Competitive Alternatives* measures the relative location-sensitive costs of 27 factors in 17 sectors located in G7 countries, the Netherlands and Singapore. In this year's study, KPMG analyzed more than 2,000 individual business scenarios and 30,000 individual data cost elements.

The basis of inter-country comparison is the after-tax cost of start-up and operation over a 10-year period. KPMG uses the latest business-cost data available for each location and applies it to standard business operating criteria. From this analysis, KPMG creates 10-year *pro forma* reports that include detailed tax calculations and income and cash flow statements, to name a few factors. The firm then compares groups of cities based on population size and geographic location against U.S. results, which are used as a base-line for the study.

For more information on the study and its methodology, visit **www.competitivealternatives.com**.

Graph 1.1
Overall G7 Results: U.S. = 100.0[1]
Comparison of Annual Costs - 12 Industry Average



[1]U.S. cost index is 100.0 (taken as the baseline).

Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

As Graph 1.1 indicates, Canada has cost advantages over its G7 counterparts, despite its dollar appreciating in value during the last 24 months. That said, even with a 10 percentage point increase in its dollar value relative to the U.S. greenback, Canada would maintain its low-cost leadership position. Prudent monetary and fiscal policies are another important part of Canada's investment advantage.

These policies, in turn, create an environment that helps companies manage their location-sensitive cost factors. KPMG's analysis describes key location-sensitive cost factors, such as labour, facility investments, transportation, utilities, financing and taxes.

According to the global professional services firm, location-sensitive cost factors can account for between 30 to 90 percent of the total operating cost for manufacturing and service operations.

Labour, for example, assumes the lion's share of these costs, between 55 and 87 percent for manufacturing and service operations.

COMPETITIVE

IN FACT, THE KPMG STUDY CITES LABOUR COSTS AS THE MOST IMPORTANT BUSINESS COST FACTOR IN AN ORGANIZATION'S SELECTION OF A NEW LOCATION.

Described in Graph 1.2, KPMG's analysis of total labour costs, which include salaries, wages and benefits, points to a Canadian advantage among G7 countries. Canada, for example, has a 3 percentage point average per employee cost advantage over Italy, its closest competitor, and an 11 point cost advantage over the United States.

Graph 1.2
Labour Cost Comparison in the G7

	Salaries & Wages: Average per Employee[1] (US$)	Rank	Benefits – Statutory: Percent of Payroll	Rank	Benefits – Other Benefits: Percent of Payroll	Rank	Total Labour: Average per Employee[1] (US$)	Rank
North America								
Canada	$49,252	4	8%	1	20%	3	$62,891	1
United States	$52,036	5	9%	2	27%	5	$71,087	4
Europe								
France	$41,333	2	42%	7	19%	2	$66,686	3
Germany	$57,350	6	23%	5	27%	4	$86,314	7
Italy	$41,194	1	29%	6	29%	6	$65,035	2
United Kingdom	$47,234	3	13%	3	40%	7	$71,947	5
Asia Pacific								
Japan	$60,565	7	18%	4	12%	1	$78,411	6

[1]Average for 12 operations included in the overall results. Represents 42 different job positions.
Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

Supplementing Canada's low labour cost position is the country's No. 1 ranking in total industrial facility investment, which consists of costs related to industrial land and construction. Canada holds substantial cost advantages over its European and Asian counterparts for total facility investment, from US$29.65 per square foot (sq. ft.) of building over Singapore to more than US$50 per sq. ft. over Germany.

In addition, Canada's low land acquisition cost, at US$131,000 per acre, places it second only to the U.S. Combined with a construction cost of approximately US$35 price per sq. ft., which is third in KPMG's overall rankings, Canada provides companies looking to grow their operations with a cost-effective base from which to build a new industrial facility.

Managing a new facility in Canada, meanwhile, is made even more cost effective with the lowest overall electricity costs, a nearly 2 cent or 21 percent savings compared to that of the U.S. per kWh rate. The rate is also lowest in comparison to the Netherlands, Singapore and the G7, where Canada has on average an almost 3 cent or 25 percent cost advantage—a significant savings for large facilities.

Among countries surveyed by KPMG, Canada has the best effective corporate income tax rates for R&D in the G7, while offering manufacturers low overall tax rates. Canada rewards companies investing in R&D through refundable tax credits. This tax incentive can result in "negative" income tax, or net government subsidies for R&D in some jurisdictions.

WHAT THIS CAN MEAN FOR COMPANIES IS A MORE THAN 20 PERCENTAGE POINT TAX ADVANTAGE FOR R&D OVER THE U.S.

Investment decisions consider a broad spectrum of business and cost factors and KPMG's *Competitive Alternatives* reinforces the business case for strategically investing in Canada.

Graph 1.3
Effective Combined Corporate Income Tax
Percentage of Net Profit Before Tax for Representative Operations in the G7

	R&D Average[1]	Rank
North America		
Canada	-2.8%	1
United States	20.7%	4
Europe		
France	10.1%	3
Germany	42.1%	6
Italy	70.9%	7
United Kingdom	0.2%	2
Asia Pacific		
Japan	38.2%	5

[1]Average for two R&D operations included in the overall results. Most activities represent tax-eligible R&D activities.
Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

ADVANTAGE

PUT SIMPLY, CANADA IS THE MOST COST-COMPETITIVE PLACE TO DO BUSINESS IN THE G7.

Canadian businesses use one of the world's most sophisticated telecommunications and transportation networks, source their employees from world-renowned universities and colleges and shepherd their expansion with management teams that take a world view of growth.

CANADIAN REGIONS – ENGINES OF COMPETITIVENESS

The backbone of this success, however, is the country's regional economic strength, where talented workforces reside and municipalities offer real cost savings to new and expanding businesses.

Cities in all geographic regions across Canada rank exceptionally well as low-cost areas from which to do business, according to KPMG. Sherbrooke, for example, is the G7 cost leader in nine out of 17 sectors reviewed by KPMG, while Moncton ranks No. 1 in four out of 17 and Charlottetown records the lowest cost in two out of 17.

Indeed, some Atlantic Canadian cities, such as Moncton, Charlottetown, St. John's and Halifax, consistently rank among the top five or six low-cost cities in the KPMG study for chemicals, medical devices, pharmaceuticals, software design, telecommunications, corporate service centres, and Web and multimedia industries. In North America, these Atlantic Canadian cities are the regional cost leaders with costs 6 to 9 percentage points below the U.S. average.

The same could be said for cities in Northeast U.S./Canada, where Waterloo, Ottawa and Quebec City are identified by KPMG as having overall costs below most other U.S. cities. Also in the same geographic area, Sherbrooke, a short 30-minute drive to the U.S. border and to 130 million consumers, receives the lowest-cost ranking across multiple sectors, making it one of the most diversified and cost-competitive industrial areas in Canada.

Measured against international hubs of commerce, such as London, New York and Tokyo, Canada's large metropolitan areas also showcase their low-cost leadership in the KPMG study. Montreal and Toronto rank first and third respectively as the lowest-cost large international cities in the G7, while Vancouver—Canada's gateway to rapidly growing Pacific markets—ranks fifth among G7 counterparts.

SECTOR LEADERSHIP – A DECISIVE ADVANTAGE

Regional cost advantages in Canadian cities are matched by overall cost leadership in 12 of 17 sectors among G7 countries surveyed by KPMG.

Graph 1.4
Canada's Cost Advantage in the G7 by Industry

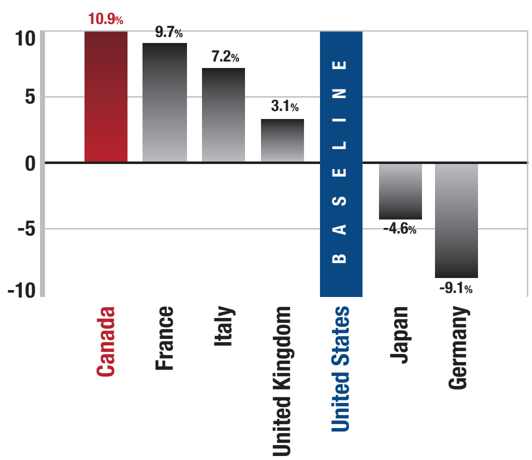
Industry	Canada's G7 Rank	Canada's Cost Advantage over the U.S.[1]
Aerospace	1	6.5%
Agri-food	3	4.0%
Automotive	2	5.1%
Chemicals	1	4.5%
Electronics	1	3.4%
Medical devices	1	4.1%
Metal components	2	5.2%
Pharmaceuticals	1	4.4%
Plastics	3	4.5%
Precision manufacturing	1	8.0%
Telecommunications	1	2.5%
Biotechnology	1	10.1%
Clinical trials	1	16.0%
Product testing	2	11.5%
Software design	1	7.0%
Web and multimedia	1	6.2%
Corporate service centres	1	5.3%

[1]Percentage cost advantage relative to the U.S.
U.S. cost index is 100.0 (taken as the baseline).
Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

OPPORTUNITY

Adding to significant low business cost advantages are Canada's generous R&D tax incentives, which are highlighted in the KPMG study. As Graph 1.5 indicates, Canada has the lowest R&D costs in the G7, including a 10.9 percentage point advantage over the U.S.

Graph 1.5
Research and Development Cost Comparisons in the G7
Percentage Cost Advantage / Disadvantage Relative to the U.S.[1]



[1]U.S. cost index is 100.0 (taken as the baseline).
Source: *Competitive Alternatives: KPMG's Guide to International Business Costs, 2006 edition.*

The result—Canada offers innovative businesses a hotbed of R&D expertise, regional centres of innovation and research excellence that are developing new products for tomorrow's markets.

CANADA'S LOW-COST ADVANTAGES ARE MADE CLEAR BY KPMG'S 2006 *COMPETITIVE ALTERNATIVES* STUDY.

SO WHAT'S THE BOTTOM LINE?

Take Canada's G7 leadership in aerospace, for example. In this sector, Canadian labour costs remain the lowest among the G7 countries, and 13.3 percent lower than the U.S. Adding to this advantage, Canada's effective income tax rate is 3 percentage points lower than that of the U.S.

A WINNING CANADIAN PERFORMANCE

In a 24/7 global economy, growth and performance shape and re-shape a sector's competitive landscape in real-time.

It is unforgiving. Perpetually shifting. Worldwide. Increasingly integrated through regional and global supply chains and international workforces. Managed by high-speed digital networks linking together operations in different continents, regions and cities.

In a growth and performance-driven global economy, nothing stays the same; change becomes the only constant.

But where there is change there is opportunity.

And that opportunity begins in Canada, a country that has turned change into opportunity and opportunity into competitive advantage for businesses that invest in its regions and cities.

The Canadian business case is a straightforward proposition. The country's economy is fine tuned with eight consecutive budget surpluses, low inflation and favourable interest rates, plus the best overall quality of life and the lowest cost of living in the G7. Therefore, Canada is the complete package for those looking to strategically invest in the country's regions and cities.

Fundamentally, investing in Canada is a decision about growth and performance. It's about a destination that offers real competitive advantage, a compelling business case confirmed by KPMG's analysis of location-sensitive cost factors.

What is certain is that Canada has created an investment climate where the only constant is growth and performance.

SO WHAT ARE YOU WAITING FOR? TAKE ADVANTAGE OF THE CANADIAN OPPORTUNITY TODAY.

Canada provides businesses the world's most comprehensive range of proven investment advantages that encourage growth and performance—that enhance your bottom line.

It's that simple.

FOR MORE INFORMATION ON INVESTING IN CANADA, PLEASE VISIT:

www.investincanada.gc.ca