



# Atlantic Canada Advantage

Your Gateway to Success

KPMG spotlights international business costs and Atlantic Canada comes up shining.

**KPMG**  
*Business Study  
Results 2004*



Atlantic Canada  
Opportunities  
Agency

Agence de  
promotion économique  
du Canada atlantique

Canada

# Atlantic Canada's Winning Story



**Doing business in Atlantic Canada is a winning strategy for investors**—the region offers well-educated employees, proximity to lucrative international markets, world-class utilities and transportation networks and competitive business costs.

A compelling business case is found in KPMG's 2004 study *Competitive Alternatives: The CEO's Guide to International Business Costs*, a comprehensive survey comparing business costs in North America, Europe and Asia-Pacific. The study clearly illustrates Atlantic Canada's advantages by measuring the combined impact of 27 significant cost components in 11 countries—Australia, Canada, France, Iceland, Italy, Japan, Germany, Luxembourg, the Netherlands, the United Kingdom and the United States.

This 10-month study covered 17 industry sectors, examining more than 2,000 individual business scenarios and combining more than 30,000 items of data. The basis for comparison was the after-tax cost of startup and operation over a 10-year time horizon.

For the fourth time in a row, Canada recorded the lowest costs among all surveyed countries, with a 9.0% advantage over U.S. baseline costs. **And once again Atlantic Canada** emerged as the most competitive region examined by KPMG, recording a **11.6% cost advantage over the U.S. baseline**. *Of the 17 industries KPMG surveyed for costs, Atlantic Canada finished ahead of the international cost leaders in 14 industries.* Included in these were cutting-edge growth sectors that included R&D establishments, corporate services and precision manufacturing.

## More To The Story...

**Costs are crucial. But it's not just low costs that define Atlantic Canada as an ideal location to invest and grow.**

- Atlantic Canada is close to lucrative markets—strategically located between the United States and Europe.
- Atlantic Canada's infrastructure brings businesses even closer together with a world-class high-speed digital telecommunication network, year-round ports, major air cargo routes and fast, high-bulk land transportation.
- Under the North American Free Trade Agreement (NAFTA), Atlantic Canada has access to the world's largest free-trade area—400 million consumers—and nearly a billion dollars of trade crosses the Canada-U.S. border every day.

**All Part of the Atlantic Canada Advantage . . .**



# KPMG Business Study 2004

## Business Cost Index Ratings (U.S. = 100%)

Per cent cost advantage/disadvantage relative to the United States. U.S. cost index is taken as the baseline.

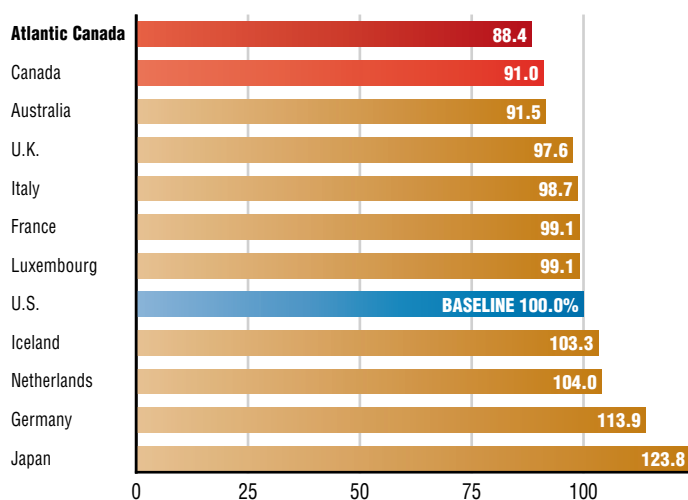
Industry	North America			Europe						Asia Pacific			
	Atlantic Canada*	Canada	U.S.	France	Germany	Iceland	Italy	Luxembourg	U.K.	Netherlands	Australia	Japan	
<b>Manufacturing</b>													
Aircraft Parts	4.2%	89.0	92.9	100.0	99.2	117.1	101.3	100.6	99.9	97.9	104.5	93.5	126.7
Food Processing	-0.9%	95.5	95.3	100.0	98.0	106.3	116.5	99.6	98.5	96.8	99.4	94.7	112.7
Auto Parts	0.3%	91.9	93.6	100.0	98.9	113.8	102.2	100.5	100.2	97.5	103.2	92.1	129.6
Specialty Chemicals	2.8%	91.3	93.9	100.0	99.9	109.8	100.9	97.0	96.7	98.1	104.2	96.9	114.0
Electronics Assembly	3.8%	89.6	93.2	100.0	100.8	115.0	101.9	99.2	100.5	98.7	105.7	95.1	123.7
Medical Device Manufacturing	3.4%	91.2	94.4	100.0	100.3	115.8	100.2	101.2	100.6	98.2	104.9	95.6	124.5
Metal Machining	-0.2%	92.2	93.7	100.0	98.8	114.0	102.7	100.7	100.2	97.4	103.2	92.0	130.5
Pharmaceutical Products	3.1%	91.1	94.0	100.0	99.6	113.4	99.4	100.4	99.4	97.5	103.2	95.8	120.4
Plastic Products	-2.3%	93.4	93.6	100.0	97.9	114.4	120.1	101.4	99.6	97.4	101.9	91.3	129.1
Precision Components	4.4%	87.2	91.8	100.0	98.0	124.4	101.6	102.1	99.8	95.9	102.0	91.2	128.6
Telecom Equipment	2.0%	93.7	95.7	100.0	98.5	105.1	102.3	98.9	98.9	97.2	101.0	96.4	108.6
<b>R&amp;D</b>													
Biomedical R&D	10.4%	74.7	83.4	100.0	97.3	115.0	94.8	91.8	100.2	96.6	101.3	88.6	135.9
Clinical Trials	15.6%	65.5	77.6	100.0	105.6	131.5	95.5	97.2	94.8	94.0	83.8	85.7	153.3
Electronic Systems Dev't & Testing	7.2%	66.6	75.3	100.0	86.8	102.2	81.7	82.6	89.4	85.4	90.5	71.7	120.8
<b>Software</b>													
Advanced Software	2.4%	82.7	86.4	100.0	98.5	108.2	88.4	95.6	95.7	92.9	105.3	84.7	114.4

\* % Savings for Atlantic Canada as a region over the #1 country in each industry.

\* Totals in the Atlantic Canada column represents an eight-city average.

## Comparison of Annual Costs — 12 Industry Average

Overall business operation average in 12 industries.\*  
Per cent cost relative to the United States.



\* Total business costs comprise the sum of location-sensitive costs and location-insensitive costs.

Atlantic Canada total represents an eight-city average.

## Atlantic Canada's Cost Advantage

Per cent cost advantage relative to the United States.

Charlottetown, P.E.I.	12.2%
Halifax, N.S.	11.4%
Moncton, N.B.	11.9%
St. John's, N.L.	10.3%
Pictou, N.S.	15.0%
Saint John, N.B.	11.9%
Sydney, N.S.	12.3%
Truro, N.S.	13.4%

# Atlantic Canada's Proven Cost Advantages



## High-Quality Employees, Competitive Labour Costs

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- For manufacturing operations, labour costs typically represent 56% to 72% of total location-sensitive costs. KPMG's survey shows that Atlantic Canada's costs for knowledge workers are the **lowest** in any of the countries surveyed.
- The survey showed that Canadian labour costs—including wages and salaries, statutory plans and other benefits—averaged **25% lower** than U.S. costs and ranked best in the survey. Atlantic Canada's labour costs were an additional **9.5% lower** than the U.S. average.
- Atlantic Canadian employees are loyal and dedicated. Their absenteeism and turnover rates are among the lowest in North America, resulting in lower recruitment and training costs.
- Canada boasts the highest percentage of citizens between 18 and 35 with post-secondary education. And Atlantic Canada has more university students per-capita than any other region of Canada.



## Cut Costs Across the Board

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**In addition, Atlantic Canada also offers savings on numerous business costs advantages, such as:**

- **Electricity costs** in Atlantic Canada are the lowest of the G7 countries and are on average 31% lower than those in the U.S. Atlantic Canada has a competitive, reliable and plentiful energy supply (hydro, nuclear, coal, gas and oil) with a capacity of more than 14,000 MW.
- **Effective corporate income tax rates** in Canada are among the lowest of the 11 countries KPMG surveyed, boasting a 6.1% advantage over the U.S. baseline. Canada also offers the most generous R&D tax incentives of any country in the G7.
- **Land costs** in Atlantic Canada are on average 55% lower than those of the U.S., while facility and rental costs were also found to be low. Atlantic Canada provides businesses with the kind of reasonably-priced, high-quality infrastructure that leads to optimal production and profitability.

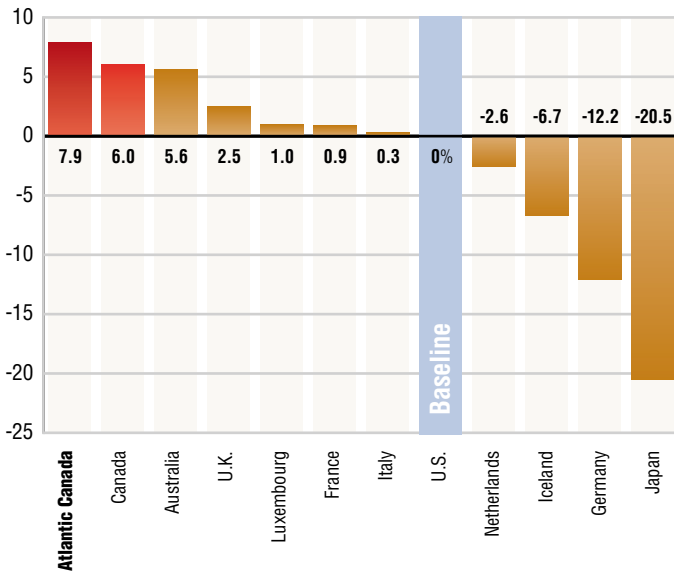


# KPMG Business Study 2004

## Results by Industry Sector

Per cent cost advantage/disadvantage relative to the United States. U.S. cost index is taken as the baseline.

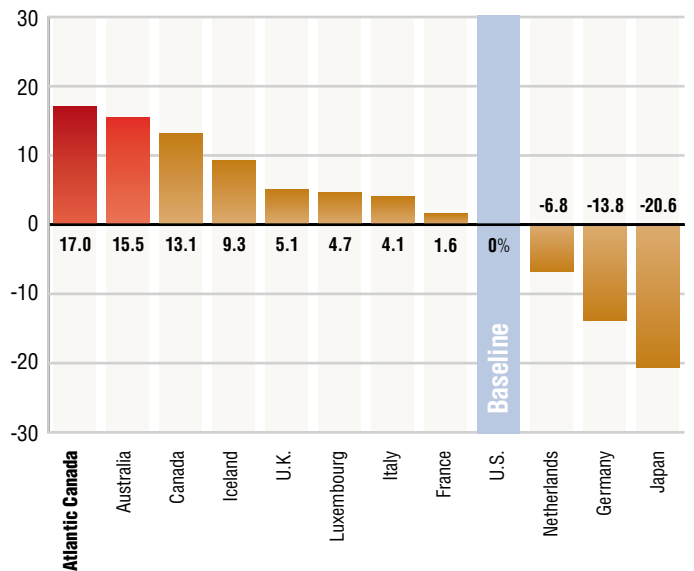
### Manufacturing: Atlantic Canadian Advantage — 7.9%



#### Seven manufacturing operations

- Metal machining
- Plastic products
- Food processing
- Electronics assembly
- Precision components
- Pharmaceuticals
- Specialty chemicals

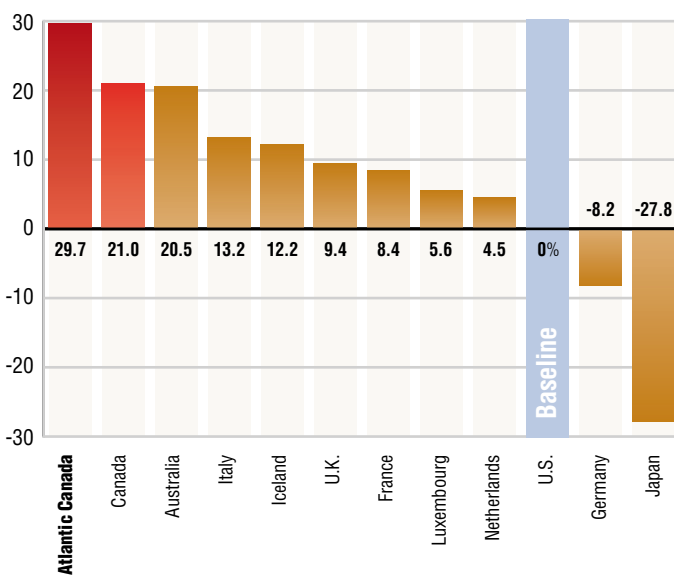
### Software: Atlantic Canadian Advantage — 17.0%



#### Two software operations

- Advanced software
- Content development

### R&D: Atlantic Canadian Advantage — 29.7%



#### Two R&D operations

- Biomedical R&D
- Electronics systems development/testing

## A Great Investment Tool

For in-depth analysis of the Atlantic Advantage and other components of the survey, go to [www.competitivealternatives.com](http://www.competitivealternatives.com), punch in the numbers, use your own comparative criteria, and pick potential spots to locate or expand.

*KPMG's results are sensitive to exchange rates. The exchange rate used for the Canadian and U.S. dollars was Can\$1.33 = US\$ 1.00.*

# Atlantic Cities: Cost Leaders

These are the eight Atlantic Canadian cities analyzed for the KPMG study. They are home to some of the most innovative companies in the world—companies like **Keane** (Halifax), **Xerox** (Saint John), **Convergys** (Truro), **Newfound Genomics** (St. John's), **Diagnostic Chemicals** (Charlottetown), **Michelin** (Pictou), **OAO Technology Solutions** (Moncton), and **EDS Canada** (Sydney).



## **HALIFAX**, Nova Scotia

(pop. 360,000)

**NEW GROWTH STRENGTHS:** Biotechnology, Energy/Utilities, Software Design & Development. (Home of Institute for Marine Biosciences and Brain Repair Centre).

**TRADITIONAL STRENGTHS:** Defence Equipment/Services, Distribution/Logistics, Health/Education.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Biotechnology: 24.7%; Software Design: 16.2%; Clinical Trials: 34.6%; Web & Multimedia: 15.2%.

**OVERALL COST SAVINGS:** 11.4% over U.S. city average.



## **SAINT JOHN**, New Brunswick

(pop. 123,000)

**NEW GROWTH STRENGTHS:** Tourism, Petrochemicals, ICT. (Home of National Research Council's e-Health Research Group).

**TRADITIONAL STRENGTHS:** Energy/Utilities, Metal Manufacturing/Products, Pulp & Paper.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Back Office/Call Centers: 17.2%; Chemicals: 8.4%; Precision Manufacturing: 11.6%; Software design: 16.9%.

**OVERALL COST SAVINGS:** 11.9% over U.S. city average.



## **MONCTON**, New Brunswick

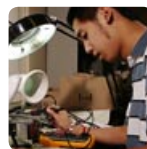
(pop. 118,000)

**NEW GROWTH STRENGTHS:** ICT, High Tech Manufacturing, Corporate Services (Strong English/French bilingual capacity and home of National Research Council's e-Learning group).

**TRADITIONAL STRENGTHS:** Metal Manufacturing, Telecom Equipment/Services and Transportation Services.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Precision Manufacturing: 11.6%; Back Office/Call Centers: 18%; Aerospace: 10.2%; Software Design: 17.8%.

**OVERALL COST SAVINGS:** 11.9% over U.S. city average.



## **SYDNEY**, Nova Scotia

(pop. 110,000)

**NEW GROWTH STRENGTHS:** ICT, Engineering/Environmental Technologies, Corporate Services. (Home to National Research Council's Wireless Systems and the University College of Cape Breton's Information Technology Innovation Centre).

**TRADITIONAL STRENGTHS:** Health/Education, Insurance/Financial Services, Tourism.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Back Office/Call Centres: 21.5%; Precision manufacturing: 12.6%; Software Design: 17.8%; Web & Multimedia: 17.1%.

**OVERALL COST SAVINGS:** 12.3% over U.S. city average.

“Being based in New Brunswick has worked out well for our company. Our clients visit our facilities here and are impressed not only with our technology and knowledgeable staff, but the entire region and the reception they receive. They recognize this as a great place to do business.”

**Brian MacPhee, President  
Spielo (GTECH Holdings)  
Moncton, New Brunswick**

“We're extremely pleased with the business resources Cape Breton has to offer, and especially with the calibre of the workforce. The results from our New Sydney Customer Interaction Centre have far exceeded our expectations.”

**David Carrigan, VP for the Atlantic Region  
EDS Canada  
Sydney, Nova Scotia**



**TRURO**, Nova Scotia

(pop. 44,000)

**NEW GROWTH STRENGTHS:** Agri-foods Products/ Services, Chemicals/Plastics, Life Sciences.

**TRADITIONAL STRENGTHS:** Equipment/Machinery Manufacturing, Forestry/Wood Products, Textiles, Apparel Design/Manufacturing.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Biotechnology: 26.7%; Chemicals: 9.1%; Pharmaceuticals: 9.7%; Clinical Trials: 36.9%.

**OVERALL COST SAVINGS:** 13.4% over U.S. city average.



**CHARLOTTETOWN**, Prince Edward Island

(pop. 58,000)

**NEW GROWTH STRENGTHS:** Biotechnology, Shared Services/Call Centres, Aerospace. (Home of the Atlantic Technology Center and Atlantic Veterinary College).

**TRADITIONAL STRENGTHS:** Agri-food, Fishing/Aquaculture, Tourism.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Aerospace: 12.5%; Precision Manufacturing: 14.7%; R&D average: 23.6%; Back Office/Call Centres: 19.4%.

**OVERALL COST SAVINGS:** 12.2% over U.S. city average. Ranked 2nd among 98 featured cities.

“People are often surprised to know that there is a company of BioVectra’s calibre in such a small place! It points to the concentration of talent that is available to us in this area. In the end, it’s the quality of your people and their skills that make you successful. P.E.I. is ideal for this—we have excellent educational and research institutions and prominent scientists close by.”

**Dr. Tony Lucas, CEO  
BioVectra dcl.  
Charlottetown, Prince Edward Island**



**PICTOU**, Nova Scotia

(pop. 47,000)

**NEW GROWTH STRENGTHS:** ICT, Distribution/ Logistics, Tourism.

**TRADITIONAL STRENGTHS:** Aquaculture, Forestry/ Wood Products, Specialty Manufacturing.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Web & Multimedia: 19.6%; Clinical Trials: 40%; Electronic: 11.5%.

**OVERALL COST SAVINGS:** 15.0% over U.S. city average.



**ST. JOHN’S**, Newfoundland & Labrador

(pop. 173,000)

**NEW GROWTH STRENGTHS:** ICT, Engineering/ Environmental Technologies, Petrochemicals. (Home of Canadian Centre for Marine Communications and massive Hibernia offshore reserves).

**TRADITIONAL STRENGTHS:** Fishing/Aquaculture, Marine Services, Tourism.

**SECTOR COST ADVANTAGE:** (relative to U.S.) Web & Multimedia: 15.7%; Chemicals: 8.5%; Software Design: 16.8%; Precision Manufacturing: 10.8%.

**OVERALL COST SAVINGS:** 10.3% over U.S. city average.

“INSTRUMAR’s business could be located anywhere. We chose Newfoundland and Labrador because it provides great potential for a loyal and committed work force that has been trained in excellent local educational institutes. St. John’s offers opportunities for growth on a global scale, in a unique, community-like atmosphere.”

**Dr. Stuart Inkpen, President  
Instrumar  
St. John’s, Newfoundland & Labrador**

# Atlantic Canada

A great place to live. A profitable place to do business.

# Here are Some Compelling Reasons to Invest in Atlantic Canada Beyond the KPMG Numbers

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## Atlantic Canada Features:

- The closest ports to Europe along the North American seaboard
- A stable economy and political structure
- Medical benefits savings for employers under Canada's national health care plan
- A competitive, reliable and plentiful energy supply (gas, oil and electricity)
- Secure environment for corporate assets and information
- One of North America's fastest growing offshore oil and gas sectors
- More post-secondary graduates per capita than the Canadian and U.S. averages
- A cost of living 25% to 65% lower than other North American regions
- Few transactions and days required to set up a new business



The Atlantic Canada Opportunities Agency (ACOA) is the Government of Canada department responsible for helping to build economic capacity in the Atlantic Canadian provinces.

For more information on investment opportunities in Atlantic Canada, please contact the ACOA Trade and Investment Unit at:

### ACOA

P.O. Box 6051  
644 Main Street  
Moncton, New Brunswick  
Canada  
E1C 9J8

**Phone:** 1-800-561-7862

or (506) 851-2573

**Fax:** (506) 851-7403

**E-mail:** [invest@acoa-apeca.gc.ca](mailto:invest@acoa-apeca.gc.ca)

**[www.acoa.gc.ca/invest](http://www.acoa.gc.ca/invest)**

Atlantic Canadian provinces:

### Prince Edward Island

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

### Newfoundland and Labrador

[www.success.nfld.net](http://www.success.nfld.net)

### Nova Scotia

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

### New Brunswick

[www.newbrunswick.ca](http://www.newbrunswick.ca)

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At ACOA, we believe that a healthy environment is essential to the development of a strong, growing and sustainable economy. We are committed to protecting the environment of this region by promoting sustainable businesses and communities in Atlantic Canada and by setting an example in the environmental management of ACOA's own operations.



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