26TH ECONOMIC DEVELOPMENT GUIDE

EDAC • ACDE

To paraphrase Gilbert & Sullivan, "an economic development officer's job is never done." In many ways, that's because it has become more complex while available resources have decreased. Yet practitioners perform an essential task.

One thing in their favour is that they have Canada – a terrific product – to promote. That's not just boosterism talking. It's the conclusion of the biannual KPMG's *Competitive Alternatives* study, a comprehensive guide that compares business costs in North America, Europe and the Asia-Pacific region. Canada, it says, is the lowest-cost location for setting up and running a business.

Economic development officers and many others eagerly await the arrival of *Competitive Alternatives*. In the 2004 *Competitive Alternatives* study, Canada nosed out Australia for first place. Against the U.S. cost standard of 100.0, Canada's overall score was 91.0 to 91.5 for Australia.

Originally introduced by KPMG 10 years ago and in 2004 directed and authored by Vancouver-based MMK Consulting Inc., the survey compares the after-tax cost of a start up and its operation over a 10-year period, highlighting 27 cost components. The 2004 survey took eight months, examining 2,000 individual business scenarios in 17 industries across 11 countries.

Canada's advantages came to the fore in several cost categories:

Overall labour costs: Canada ranked first, ahead of Australia.

Labour costs (salary and wages before benefits): Canada ranked second, after Italy, based on 42 job positions.

Statutory plans and other salary benefits (as a percentage of payroll): Canada scored the lowest.

Facility construction and ownership costs, including financing: Canada ranked third, after the U.S. and Australia, for manufacturing operations.

Utilities: Canada ranked lowest for electricity costs.

Taxes: Canada along with Luxembourg, the U.K. and Australia offered the

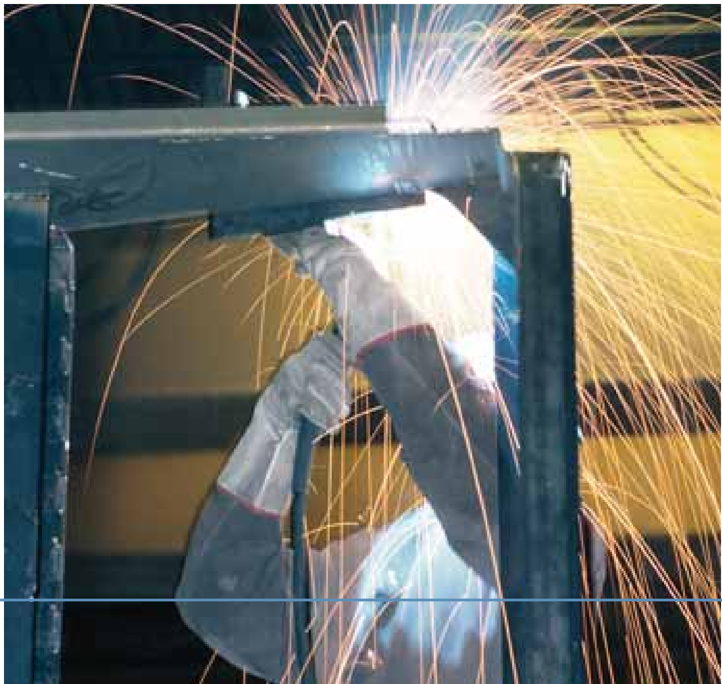
Brampton: Building on Success

The lowest mortgage and lending rates in living memory have helped boost construction across the country, leading to a development boom for many municipalities.

Brampton, Ont. has been particularly blessed. The city actually began limiting residential construction to 5,500 units after 9,600 units were built in 2004. The result, says Jeffrey Baines, Brampton's manager of economic development, was pressure on the municipality to provide the necessary infrastructure, recreational facilities, transportation and schools. In the place of residential construction, Brampton is now seeing the value of industrial construction increase 120% over 2004 numbers (as of August 2005).

According to Baines, Brampton's major advantages include its proximity to Toronto's Pearson International Airport and the Greater Toronto Area, easy access to major highway corridors and rail lines serving North America, and a large supply of vacant, developable land.

"We expect it can take care of our commercial and industrial activities for another 25 years," he says. Some other jurisdictions in the GTA will reach their limits much before that."



Cornwall: Location still counts

Despite the importance of incentives and business support programs, geography still plays a huge role in economic development. For Cornwall, Ont. that's a positive. Its location makes it an ideal distribution node: about 100 kilometres from both Montreal and Ottawa, about 500 kilometres from Toronto directly on Highway 401, on the CN main rail line and at one end of the Seaway International Bridge leading to the U.S.

As a result, it is the home of the largest of the three Wal-Mart Canada distribution centres after its recent expansion to 1.4 million sq. ft. For similar reasons, automotive aftermarket parts distributor Auto-Pak moved its head office to Cornwall from Ottawa and expanded its distribution centre.

Besides its location, Cornwall's other major attraction is affordable housing. The average selling price for a home in the region is $115,000 – half the cost in Ottawa and only one-third of the cost in the Greater Toronto Area.

With these kinds of attractions, Cornwall believes it has the goods to attract large-scale employers. "With the local traditions around here such as the Domtar paper mill," says Mark Boileau, senior economic development officer for Cornwall, "we are still looking to build up the manufacturing sector."

lowest effective income taxes for manufacturing operations.

Corporate support services: Canada, Australia and the U.S. offered the lowest costs.

But for a clearer picture of Canada's true economic strength, it is necessary to look behind the numbers. "The cost advantages extend beyond the value of the Canadian dollar," says Glenn Mair, MMK's Vancouver-based director. "For the 2004 report, we set the value of the Canadian dollar at US$0.75 and the Canadian cost advantage was 9%. In comparison, back in 1996, when the Canadian dollar was worth US$0.735, our cost advantage was only 7%."

What has caused the difference?

Mair attributes much of it to recent federal and provincial government tax cuts. The generous federal Scientific Research & Experimental Development (SRED) tax credit program and its provincial equivalents have also acted as effective incentives for attracting investment and encouraging domestic expansion of innovative high-tech companies. Halifax, Montreal, Calgary and Victoria, for instance, are all home to high-tech companies that use the SRED program.

Moreover, Canadian utility prices are still regulated in most provinces and labour wage inflation tends to be lower than in the U.S.

Canada's government-controlled healthcare system also acts as an advantage since such services represent 8% to 10% of all payroll costs. In the June 2005 American Chamber of Commerce Research Association cost of living survey, Kelowna, B.C. had the lowest healthcare costs – 62% of the average of the 294 participating cities.

"These figures represent the base of our national cost advantage against other countries," says Mair. "But it is up to economic development practitioners to stress the other advantages of their individual municipalities and regions – such as quality of life and location – to attract foreign investment and expand existing companies."