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# Canada ranked No. 2 in competitiveness

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Canada ranks second among 10 key countries as a place to locate a business - at least where costs are concerned - according to a new international survey from consultants KPMG.

The firm's latest study, released Tuesday, shows that Mexico is the most cost-effective place to do business among the group of 10 countries, with Canada next and the Netherlands in third place.



KPMG conducts the study every two years, and this is the second time in a row Canada has come in just behind Mexico.

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The United States placed eighth on the list, a sharp drop from third place in 2008. Canada has a full 5 per cent cost advantage over the U.S., the study suggests.

The study examines a number of financial factors, including taxes, labour costs, the price of real estate and the cost of utilities. It also looks at "non-cost" factors such as education, environmental regulation and the availability of energy.

KPMG said one key reason for Canada's high position on the list is that federal and provincial governments have been cutting taxes and reforming tax laws. Indeed, Canada now has lower business taxes than any other G7 country, the consultants say.

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The Canadian tax position has seen "modest improvement" since the last study two years ago, said Glenn Mair, director of MMK Consulting which assisted in the running the study. However, "over the last 10 years Canada's tax position has changed quite significantly from being a high tax jurisdiction to leading the G7 in terms of its tax costs for business," he said.

A key move was the elimination of capital taxes federally and in most provinces, along with numerous other provincial tax cuts and federal income tax reductions, he said.

"What stands out in the 2010 survey is how strong Canada's position is globally as economic recovery starts to set in," Mr. Mair said.

Even with the Canadian dollar relatively high versus the U.S. dollar, Canada has managed to maintain a cost advantage over the United States, KPMG said. However, the study was conducted with the dollar valued at 94.3 cents (U.S), lower than the current exchange rate.

Today's higher dollar will have a mild impact on business competitiveness, Mr. Mair said, but it "certainly wouldn't eliminate Canada's cost advantage" relative to the United States. In 2008, when the last study was conducted, the dollar was at par but Canada still had a small cost advantage over the United States, he said.

The study also looks at business costs in individual cities. Of 41 large population centres, Montreal ranked third in cost competitiveness, behind Mexico City and Monterrey. Vancouver was fifth and Toronto was sixth. All were ahead of every large U.S. city examined in the study.

KPMG said its study includes developed countries with similar business characteristics, and adds Mexico because its economy is tightly integrated with its NAFTA partners.

### Rank by cost competitiveness:

1. Mexico
2. Canada
3. Netherlands
4. Australia
5. United Kingdom
6. France
7. Italy
8. United States
9. Germany
10. Japan



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