

ADELAIDE'S BUSINESS COST COMPETITIVENESS

A COMPARISON OF BUSINESS COSTS FOR ADELAIDE AND THREE OTHER AUSTRALIAN CITIES AGAINST THE 2006 EDITION OF KPMG'S *COMPETITIVE ALTERNATIVES*

Submitted to:

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1. Introduction

KPMG's *Competitive Alternatives* is the KPMG guide to comparing business costs in North America, Europe and Asia Pacific. The biannual report, published by KPMG and authored by MMK Consulting, measures the individual and combined impact of 27 major cost components, as they apply to 17 different industry sectors.

The 2006 edition of KPMG's *Competitive Alternatives* compares costs in 95 featured cities (with populations of more than 100,000) in nine developed countries. The study results are based on an eight-month research and analysis program, examining more than 2,000 individual business scenarios and incorporating more than 30,000 items of data.

1.1 Study Objectives

While a number of Australian cities (including Adelaide, South Australia) were sponsored in the 2004 edition of KPMG's *Competitive Alternatives*, no Australian cities were included in the 2006 edition.

In implementing its South Australia Strategic Plan (SASP), the Government of South Australia desires to benchmark its business cost competitiveness relative to other jurisdictions in Australia and elsewhere. Accordingly, the South Australia Department of Trade and Economic Development (DTED) has commissioned MMK Consulting to benchmark Adelaide's cost competitiveness, not only in comparison to the 95 cities featured in the 2006 edition of KPMG's *Competitive Alternatives*, but also in comparison to three other Australian cities — Brisbane, Melbourne, and Sydney. KPMG has verified the results of this analysis for inclusion in the 2006 web-edition of results, at www.competitivealternatives.com.

1.2 Study Conduct

This study has been performed by MMK Consulting in association with our associates—KPMG, Mercers, and Colliers. Using the same methodology applied in KPMG's *Competitive Alternatives* study, we have:

- Performed detailed research into each of the 27 location-specific cost components, using the same approach as for the 2006 edition of KPMG's *Competitive Alternatives*. In addition to research performed directly by MMK Consulting, we have incorporated research undertaken by leading professional firms in specific cost areas — Mercers for labour and benefits costs, Colliers for land purchase and building construction/lease costs, and KPMG in Australia for taxation and other location-specific costs.
- Analyzed the results, applying the same methodology used in the 2006 edition of KPMG's *Competitive Alternatives*, and utilizing the proprietary CCM-2006 costing model developed for the published 2006 study.
- Developed detailed cost reports, comparing costs for each Australian city, both overall and for each of the 17 industry operations profiled in *Competitive Alternatives*.

- Developed this report summarizing our study findings.

Further detailed information regarding the study methodology is available at www.CompetitiveAlternatives.com.

1.3 Layout of Report

The balance of this report is laid out as follows:

- Chapter 2 presents the overall international results for Australia in 2006.
- Chapter 3 presents a comparison of the four Australian cities, both overall and for each of the seventeen industry operations profiled in KPMG's *Competitive Alternatives*.
- Chapter 4 presents detailed results for the four Australian cities by individual cost components (labour, real estate, etc.).

1.4 Interpretation of Results

This analysis was conducted using cost data related to the period between July 2005 and January 2006. Major sources of data include Colliers International (real estate), Mercer Human Resource Consulting (labour and benefits), and KPMG in Australia (taxes, utilities and transportation). The analysis reflects tax rates in effect on January 1, 2006, plus announced changes taking place in future years, where relevant. The analysis is presented in US dollars, using an exchange rate of AU \$1.3446 = US \$1. Exchange rates and other cost factors will, of course, change over time. Tax rates and other tax-related information are also subject to change as a result of new legislation, judicial decision, and administrative pronouncement.

This report represents the results of analysis conducted by MMK Consulting Inc., and verified by KPMG.

While great care has been taken in performing this analysis and developing the findings, all information provided is of a general nature and the results of this analysis should not be interpreted as a definitive or final opinion on the merits of locating any specific facility in one jurisdiction over another. Further analysis is required to determine the best site for any specific facility, and no one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

2. The International Comparison

2.1 Basis for the International Comparisons

The international business cost comparisons contained in KPMG's *Competitive Alternatives* are based on the combined impact of 27 key cost components applied to establishing and operating 12 representative business operations (in different industries¹) over a ten-year period. The international comparisons are based on the average results for comparable cities within each country. Further details of the study methodology are available at the www.CompetitiveAlternatives.com study website.

In comparing Australia to other countries, we have incorporated the results for three of the four cities analyzed — Adelaide, Brisbane and Sydney².

To enhance comparability with the 2006 KPMG's *Competitive Alternatives* results, Australia has been added to the comparison based on business costs as of late 2005/early 2006. Tax rates are those in effect on January 1, 2006, and currency exchange rates represent the average for October through December 2005.

2.2 2006 Results for Australia

Total business costs in each country are expressed as an index, with the baseline index of 100.0 being assigned to the United States. Countries with business costs lower than the US have a cost index less than 100.0, while countries with business costs higher than the US have a cost index greater than 100.0.

As illustrated in Exhibits 2.1 and 2.2, the 2006 results for Australia are very strong. Australia's cost index of 92.3 translates to an average 7.7% after-tax cost advantage over the US benchmark. While 2006 business costs in Australia are higher than in Singapore, they are lower than in each of the other eight countries surveyed — Germany, Japan, the United States, the United Kingdom, Italy, the Netherlands, France, and Canada.

¹ The 12 industries included in the international comparison include seven manufacturing operations (electronics assembly, food processing, specialty chemicals, metal machining, pharmaceutical products, plastic products, precision components), two R&D operations (biomedical R&D and electronic systems development and testing), two software operations (advanced software and content development), and one corporate services operation (shared services centre). Five additional industries are also analyzed individually (see exhibit 3.2).

² Melbourne is not included, since the inclusion of both Melbourne and Sydney would over-weight the impact of large mature cities in the national results for Australia.

Exhibit 2.1. – Overall results

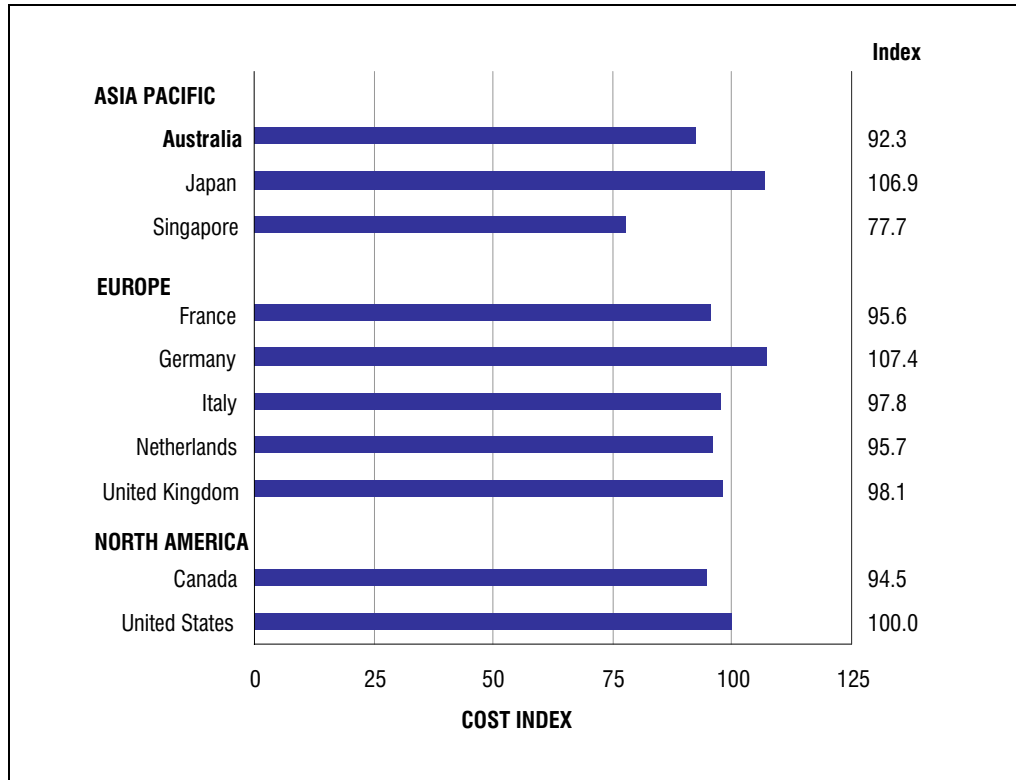
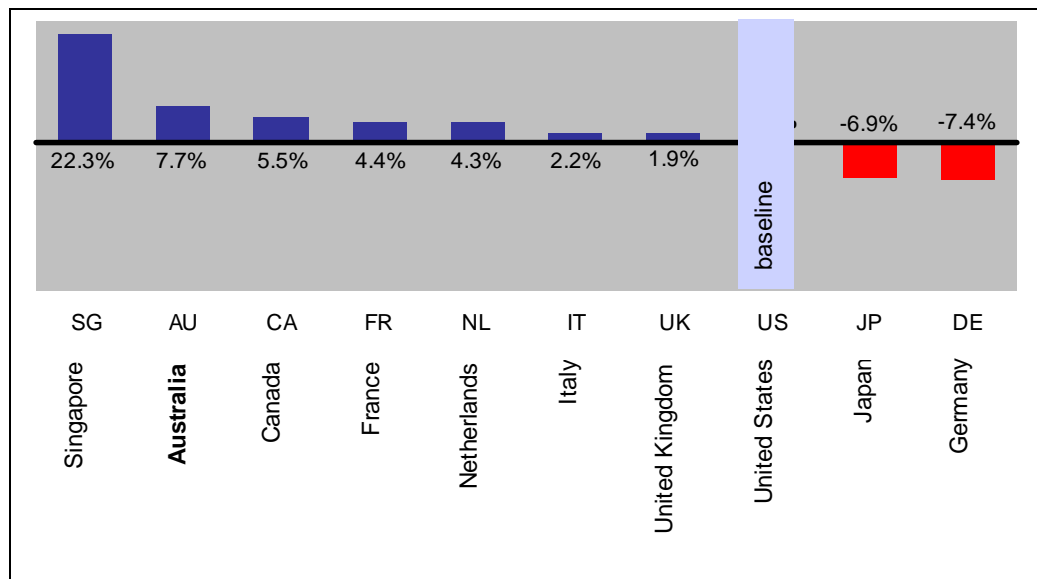


Exhibit 2.2 – Percentage cost advantage relative to the US Overall results



2.3 Cost Trends 2004 – 2006

Cost trends between 2004 and 2006 represent the combined impact of:

- Changes in currency exchange rates.
- Cost trends within the country, as expressed in national currency terms.

Cost trends for Australia and other countries between 2004 and 2006 are illustrated in Exhibit 2.3.

In determining Australia’s results for the 2006 study, we have used the exchange rate of US \$0.7437 per Australian dollar (the average rate for October-December 2005), representing an appreciation of 7.6% against the US dollar since 2004 (US \$0.6914 per Australian dollar).

Despite the strength of Australia’s currency, the Australian cost index has increased by only 0.8% in relation to the United States. This finding indicates that, in terms of national currencies, Australia’s business cost competitiveness relative to the United States has improved significantly between the 2004 and 2006 studies.

Exhibit 2.3 – Cost trends 2004-2006

	Change in Currency Relative to US \$	Cost Index		
		2006 ¹	2004 ¹	Change vs. US ²
ASIA PACIFIC				
Australia	+7.6%	92.3	91.5	-0.8
Japan	-5.2%	106.9	123.8	+16.9
EUROPE				
France	+2.8%	95.6	99.1	+3.5
Germany	+2.8%	107.4	113.9	+6.5
Italy	+2.8%	97.8	98.7	+0.9
Netherlands	+2.8%	95.7	104.0	+8.3
United Kingdom	+5.2%	98.1	97.6	-0.5
NORTH AMERICA				
Canada	+13.6%	94.5	91.0	-3.5
United States	-	100.0	100.0	-

1 Results reflect both exchange rate shifts and local cost trends.

2 Difference in percentage points between 2006 and 2004 index.

3. Results for Australian Cities

3.1 Overall Results for Australian Cities

Exhibit 3.1 summarizes the overall results (12-industry average) for each of the four Australian cities.

The order of these four cities is unchanged from 2004. **Adelaide** is again the cost leader, with a cost index of 91.1 (8.9% below the US benchmark), followed by **Brisbane** (91.4), **Melbourne** (92.3), and **Sydney** (94.6). Adelaide's cost advantage over other Australian jurisdictions on an after-tax basis ranges from 0.3% to 3.7%.

Exhibit 3.1 – Results for Australian cities 12-industry average

Cities	Cost Index	Adelaide's Cost Advantage ¹ Relative to:
Adelaide	91.1	--
Brisbane	91.4	0.3%
Melbourne	92.3	1.3%
Sydney	94.6	3.7%

1. Percentage by which Adelaide's cost structure is lower.

3.2 Comparison by Size of City

Exhibit 3.2 presents the results for the four Australian cities, in relation to the 95 other cities featured in the 2006 edition of KPMG's *Competitive Alternatives*.

Adelaide's cost-competitiveness ranks first overall among 31 cities of similar size (population of 500,000 to 1.5 million). Among all 99 cities, Adelaide's business cost structure is tied for third lowest.

**Exhibit 3.2 – Results for 99 Cities, by size of city,
including ranking within city population classification**

Population					
100,000 to 500,000		500,000 to 1.5 million		Exceeds 1.5 million	
	Rank ¹		Rank ¹		Rank ¹
ASIA-PACIFIC					
No representative city		Fukuoka, JP	106.3 30	Yokohama, JP	108.3 35
		Hamamatsu, JP	106.0 29	Sydney, AU	94.6 5
		Adelaide, AU	91.1 1	Melbourne, AU	92.3 3
				Brisbane, AU	91.4 2
				Singapore, SG	77.7 1
EUROPE					
Chemnitz, DE	103.5 29	Nottingham	100.8 26	Frankfurt, DE	109.7 38
Florence, IT	99.3 27	Northampton	100.1 24	London	109.1 37
Vicenza, IT	98.9 25	Nantes, FR	93.6 4	Manchester	101.1 20
Livorno, IT	97.9 21	Lincoln	96.4 12	Paris, FR	100.2 17
Friuli V. G. Region, IT	97.9 20	Leicester	99.7 22	Turin, IT	98.4 14
Mulhouse, FR	93.0 8	East Netherlands, NL	96.7 13	Naples, IT	96.7 12
Poitiers, FR	92.9 7	Derby	99.7 21	Amsterdam Area, NL	96.6 11
Montpellier, FR	92.6 5	Darmstadt, DE	108.9 31	Lyon, FR	95.1 6
		Brabant Stad, NL	93.9 6		
		Barnsley	97.1 14		
NORTH AMERICA					
Burlington, VT	101.2 28	Hartford, CT	105.3 28	New York City, NY	112.6 39
Spokane, WA	99.0 26	Buffalo, NY	100.9 27	San Jose, CA	108.5 36
Lewiston, ME	98.7 24	Colorado Springs, CO	100.8 25	Boston, MA	107.8 34
Saginaw, MI	98.4 23	Harrisburg, PA	99.8 23	Newark, NJ	107.7 33
Cedar Rapids, IA	98.4 22	Salt Lake City, UT	99.6 20	Seattle, WA	104.4 32
Billings, MT	97.7 19	Albuquerque, NM	99.6 19	Minneapolis, MN	103.8 31
Sioux Falls, SD	97.1 18	Boise, ID	99.2 18	Las Vegas, NV	103.6 30
Lincoln, NE	96.5 17	Wichita, KS	99.0 17	Riverside-San Bernardino, CA	103.3 29
Cheyenne, WY	96.4 16	Oklahoma City, OK	97.8 16	San Diego, CA	103.2 28
Charleston, WV	94.7 15	Raleigh, NC	97.3 15	Houston, TX	102.9 27
St. John's, NF	94.3 14	Nashville, TN	95.5 11	Philadelphia, PA	102.8 26
Waterloo Region, ON	94.3 13	Ottawa, ON	95.1 10	Detroit, MI	102.7 25
Lima, OH	94.3 12	Jackson, MS	95.0 9	Providence, RI	102.4 24
Lexington, KY	94.1 11	Calgary, AB	94.7 8	St. Louis, MO	101.9 23
Chilliwack, BC	94.0 10	Winnipeg, MB	94.1 7	Dallas-Ft. Worth, TX	101.2 22
Dothan, AL	93.0 9	Greenville-Spartanburg, SC	93.7 5	Phoenix, AZ	101.1 21
Saskatoon, SK	92.8 6	Edmonton, AB	93.3 3	Chicago, IL	100.8 19
Halifax, NS	92.2 4	Quebec City, QC	92.6 2	Portland, OR	100.5 18
Charlottetown, PE	91.7 3			Northern VA (Metro DC), VA	99.8 16
Moncton, NB	91.1 2			Milwaukee, WI	98.5 15
Sherbrooke, QC	90.1 1			Vancouver, BC	96.9 13
				Indianapolis, IN	96.6 10
				Tampa, FL	96.5 9
				Toronto, ON	96.5 8
				Atlanta, GA	96.4 7
				Montreal, QC	94.3 4

¹ Ranking within population grouping.

3.3 City Results, by Industry

Adelaide's rankings for the seventeen industry operations profiled in the 2006 edition of KPMG's *Competitive Alternatives*, are presented in Exhibit 3.3. Exhibit 3.3 shows Adelaide's ranking within Australia, within the Asia-Pacific region, and relative to 99 international cities.

Relative to other Australian cities, Adelaide is cost-competitive in all 17 industries, and is the cost leader (or tied) in more than two-thirds of the 17 industries.

Exhibit 3.3 – Adelaide's business cost-competitiveness ranking, by industry

Business Operations	Adelaide's Ranking		
	Within Australia (4 cities)	Within Asia-Pacific (8 cities)	Overall (99 cities)
Aerospace	1	2	3
Agri-food	3	4	4 (tie)
Automotive	2 (tie)	3 (tie)	3 (tie)
Chemicals	1	2	9
Electronics	1	2	8
Manufacturing			
Medical Devices	1	2	2
Metal Components	3	4	4
Pharmaceutical	1	2	4
Plastics	2	3	3
Precision Manufacturing	1	2	2
Telecommunications	1	2	12
R&D			
Biotechnology	1	2	11
Clinical Trials	1 (tie)	2 (tie)	9 (tie)
Product Testing	1	2	10
Software			
Software Design	2	3	6
Web/Multimedia	1 (tie)	2 (tie)	2 (tie)
Corporate Services			
Back Office/Call Center	2	3	25
Overall	1	2	3 (tie)

Detailed results for all 99 cities, for each of the seventeen industry operations profiled in the 2006 edition of KPMG's *Competitive Alternatives*, are presented in Exhibit 3.4.

Exhibit 3.4 – Results by city - Asia Pacific and Europe

Industry	Manufacturing											R&D			Software		Corp. Serv.	Overall Result
	Aero-space	Agri-food	Auto-motive	Chemicals	Electronics	Medic. Dev.	Metal Comp.	Pharmaceutical	Plastics	Precision Mfg	Telecom	Bio-tech	Clinical Trials	Product Testing	Software Design	Web/Multi-media	Back Office/Call Center	
Operation	Air-craft Parts	Food Proc.	Auto Parts	Spec. Chem.	Electr. Assbly	Med. Dev.	Metal Mach.	Pharmaceutical	Plast. Prod.	Prec. Comp.	Telecom Equip.	Bio-medic. R&D	Clin. Trials Mgt	Elec. Syst. Dvlt/Test	Adv. Softw.	Content Dvlt	Shared Serv.	12 Operations
ASIA PACIFIC																		
Australia																		
Adelaide	89.9	93.9	90.3	94.4	94.8	92.5	89.9	93.4	88.6	87.1	97.2	86.6	78.3	81.1	89.3	87.3	94.1	91.1
Brisbane	90.8	93.8	90.3	95.0	96.0	92.8	89.6	93.6	88.7	87.6	97.5	87.3	78.3	81.7	89.2	87.3	94.0	91.4
Melbourne	90.9	93.3	89.5	95.0	95.7	93.5	89.0	94.2	87.2	88.7	97.8	91.0	81.7	85.8	92.5	91.0	97.9	92.3
Sydney	94.1	95.2	93.1	97.0	98.5	95.5	92.7	95.8	90.9	90.9	98.9	93.0	83.1	87.8	94.0	92.5	99.8	94.6
Japan																		
Fukuoka	108.0	103.2	107.3	101.0	110.9	106.0	107.7	105.0	105.4	109.9	104.4	108.5	95.8	101.2	100.4	101.6	134.0	106.3
Hamamatsu	108.3	104.7	109.1	101.2	110.7	105.8	109.8	104.8	106.7	110.2	104.5	102.8	94.0	96.0	99.5	100.5	132.1	106.0
Yokohama	109.3	105.5	109.7	101.3	111.2	106.5	110.5	105.4	107.3	112.4	104.8	113.4	96.6	106.6	102.3	103.8	138.4	108.3
Singapore																		
Singapore	74.3	84.3	76.4	86.3	81.9	81.4	74.4	83.9	77.0	67.2	89.3	73.3	63.2	65.5	70.7	67.4	71.4	77.7
CONTINENTAL EUROPE																		
France																		
Lyon	94.3	95.3	93.3	97.6	99.3	96.3	93.0	96.4	91.9	92.3	98.5	92.7	85.5	85.4	96.3	93.7	100.4	95.1
Montpellier	92.7	94.7	92.2	96.2	97.6	94.4	91.8	94.9	91.0	90.0	97.4	86.9	80.6	79.4	91.9	89.1	93.2	92.6
Mulhouse	92.7	94.5	92.1	96.4	97.8	94.9	91.8	95.2	90.7	90.1	97.6	87.3	81.9	80.0	93.3	90.6	95.5	93.0
Nantes	93.5	94.9	93.0	96.8	98.4	95.2	92.6	95.5	91.6	91.1	97.9	88.6	82.6	81.2	93.6	90.9	96.1	93.6
Paris	98.1	96.4	96.1	100.2	103.4	99.6	95.7	99.1	94.2	96.2	100.5	106.7	93.1	98.8	104.1	102.5	113.8	100.2
Poitiers	92.8	94.4	92.3	96.3	97.7	94.9	92.0	95.2	90.9	90.4	97.6	86.5	81.9	79.3	93.2	90.4	95.2	92.9
Germany																		
Chemnitz	103.3	99.9	102.1	103.4	108.1	104.4	102.0	103.0	100.7	101.3	103.1	105.7	106.1	97.4	104.9	102.7	117.8	103.5
Darmstadt	107.9	101.9	106.6	107.5	113.3	108.4	106.5	106.5	105.0	105.9	105.3	115.9	120.5	107.6	111.4	112.3	129.4	108.9
Frankfurt	108.3	101.9	107.0	107.8	114.0	108.8	106.9	106.8	105.4	106.2	105.4	118.7	122.0	110.2	112.5	113.6	130.6	109.7
Italy																		
Florence	98.4	97.1	96.5	99.8	103.2	99.6	96.2	98.9	95.8	96.4	100.7	102.2	96.7	94.0	103.1	98.8	108.0	99.3
Friuli V. G. Region	97.3	97.7	96.6	99.1	102.0	98.8	96.4	98.3	96.6	95.5	100.2	94.8	93.6	87.1	100.8	96.2	105.1	97.9
Livorno	97.8	96.9	96.1	99.1	102.5	99.0	95.8	98.4	95.5	96.0	100.4	96.2	93.6	88.4	101.0	96.4	105.7	97.9
Naples	96.1	96.3	94.7	97.6	100.5	97.2	94.4	97.1	94.3	93.7	99.5	95.5	92.3	87.3	99.6	95.0	105.3	96.7
Turin	97.7	97.4	96.6	99.9	102.9	99.1	96.3	98.6	96.0	95.6	100.5	96.9	94.9	89.2	101.9	97.5	105.9	98.4
Vicenza	98.0	97.6	96.9	99.8	103.2	99.3	96.7	98.7	96.6	95.8	100.5	99.2	96.0	91.3	102.4	98.1	106.8	98.9
Netherlands																		
Amsterdam	97.0	95.0	94.7	97.2	100.6	98.3	94.5	97.9	92.9	96.8	99.5	93.4	78.2	86.5	96.3	97.3	110.4	96.6
Brabant Stad	94.7	94.6	93.4	95.7	98.5	96.2	93.2	96.2	92.0	94.1	98.4	86.7	75.2	79.6	91.9	92.5	103.5	93.9
East Netherlands	96.0	95.3	94.8	97.4	99.7	97.9	94.6	97.3	93.4	95.5	99.3	91.4	79.7	86.7	98.1	99.8	109.8	96.7
UNITED KINGDOM																		
Barnsley	97.2	95.7	95.2	98.8	102.9	98.0	94.6	97.8	93.4	94.7	99.6	96.5	89.1	90.4	98.0	97.1	103.4	97.1
Derby	99.4	96.7	97.2	100.2	105.4	99.7	96.6	99.2	95.4	96.9	100.6	102.9	94.5	96.2	101.1	100.5	109.1	99.7
Leicester	99.2	96.6	97.0	100.1	105.4	99.6	96.3	99.1	95.2	96.7	100.6	104.3	94.7	97.6	101.3	100.8	109.3	99.7
Lincoln	95.6	95.0	93.6	98.4	101.4	97.3	93.1	97.2	91.5	93.6	99.2	96.0	89.1	90.1	98.2	97.3	103.7	96.4
London	106.8	99.5	104.4	104.4	114.1	105.5	103.7	103.9	102.6	103.2	103.6	130.6	111.3	121.6	113.1	118.1	125.5	109.1
Manchester	100.8	97.5	98.1	101.4	106.7	101.1	97.5	100.5	96.1	99.2	101.5	104.0	97.6	97.4	103.2	102.9	112.5	101.1
Northampton	100.1	97.0	98.6	100.7	106.4	100.4	98.0	99.8	96.6	97.5	101.0	101.7	93.6	95.3	101.4	100.7	109.2	100.1
Nottingham	99.8	96.9	97.6	100.5	105.9	100.1	96.9	99.6	95.8	97.5	100.9	108.1	97.1	101.1	102.9	102.6	111.8	100.8

“continued overleaf”

Exhibit 3.4 (cont'd) – Results by city - North America

Industry	Manufacturing											R&D			Software		Corp. Serv.	Overall Result
	Aero-space	Agri-food	Auto-motive	Chemicals	Electronics	Medic. Dev.	Metal Comp.	Pharmaceutical	Plastics	Precision Mfg	Telecom	Bio-tech	Clinical Trials	Product Testing	Software Design	Web/Multi-media	Office/Call Center	12 Operations
Operation	Aircraft Parts	Food Proc.	Auto Parts	Spec. Chem.	Electr. Assly	Med. Dev.	Metal Mach.	Pharmaceutical	Plast. Prod.	Prec. Comp.	Telecom Equip.	Bio-medic. R&D	Clin. Trials Mgt	Elec. Syst. Dvl/TEST	Adv. Softw.	Content Dvl	Shared Serv.	
NORTH AMERICA																		
New England/Atlantic Canada																		
Boston, MA	106.8	104.1	107.3	105.9	106.2	105.6	107.3	105.1	107.1	107.8	102.9	113.2	120.4	113.8	109.0	112.6	115.4	107.8
Burlington, VT	101.2	100.6	101.6	100.7	101.1	100.9	101.7	100.7	102.1	101.5	100.5	101.0	100.4	101.4	101.2	100.5	102.4	101.2
Charlottetown, PE	90.1	96.5	93.1	93.1	92.4	93.5	93.2	93.8	94.8	88.4	96.8	85.7	83.4	82.9	89.2	88.6	86.0	91.7
Halifax, NS	91.2	97.2	94.2	94.2	94.1	93.8	94.3	93.7	96.3	89.7	96.2	81.4	72.0	79.4	89.7	90.3	88.0	92.2
Hartford, CT	104.4	102.5	104.3	104.1	103.8	104.2	104.5	103.8	103.7	106.1	102.5	109.1	114.5	109.7	106.5	108.0	112.0	105.3
Lewiston, ME	99.6	100.5	101.2	99.4	99.5	99.6	101.4	99.3	101.8	99.0	99.5	94.3	94.1	94.1	96.8	96.0	95.4	98.7
Moncton, NB	90.5	96.0	92.8	93.1	93.3	93.0	92.9	93.0	94.7	88.9	95.6	80.3	70.1	78.3	88.3	89.0	87.2	91.1
Providence, RI	102.0	101.3	102.5	101.7	101.8	101.9	102.6	101.5	102.6	102.1	101.0	104.3	106.1	104.0	102.4	102.6	105.1	102.4
St. John's, NF	92.6	102.5	100.1	93.3	93.3	93.6	100.7	93.5	106.1	91.6	95.6	81.1	71.2	79.6	89.6	90.1	88.3	94.3
Northeast US/Canada																		
Buffalo, NY	100.3	99.2	100.4	101.1	100.3	101.2	99.9	101.0	99.6	101.0	100.6	103.4	105.0	103.1	101.5	101.3	103.3	100.9
Charleston, WV	95.8	95.3	93.9	96.7	96.2	96.2	93.8	97.0	93.5	95.1	98.4	92.3	89.1	91.8	94.1	93.4	92.1	94.7
Detroit, MI	103.3	99.2	101.3	102.4	103.7	102.7	100.8	102.4	100.1	104.1	101.8	105.6	106.3	106.1	104.2	104.8	107.2	102.7
Harrisburg, PA	100.3	99.1	99.9	99.8	100.5	100.3	99.8	100.1	99.5	100.4	100.1	99.9	100.3	99.3	99.9	99.6	100.9	99.8
Indianapolis, IN	97.3	95.9	94.6	98.0	98.0	98.0	94.4	98.2	93.6	97.6	99.0	95.6	93.0	95.0	97.7	97.2	96.6	96.6
Lexington, KY	94.8	94.6	92.4	96.0	95.4	95.8	92.1	96.2	91.6	94.4	97.8	92.0	89.8	91.2	94.7	94.0	92.2	94.1
Lima, OH	95.7	95.4	93.5	96.4	96.1	96.7	93.5	97.2	93.3	95.3	98.2	88.5	89.4	88.3	94.0	93.5	91.0	94.3
Montreal, QC	93.1	95.4	93.8	95.9	97.5	96.2	93.4	95.5	93.4	91.2	97.6	88.9	79.4	87.8	93.5	94.7	96.1	94.3
New York City, NY	114.6	105.3	113.9	109.8	112.0	112.2	112.6	110.5	112.3	113.3	105.9	118.9	124.5	120.4	114.8	120.2	120.1	112.6
Newark, NJ	107.0	102.7	106.0	105.3	106.9	105.8	106.1	105.2	105.5	108.4	103.4	114.1	120.8	115.8	109.9	114.0	115.3	107.7
Northern Virginia (Metro DC) VA	99.5	98.0	97.7	100.1	100.1	99.3	97.7	99.4	97.1	99.5	99.7	104.2	102.1	102.9	101.0	100.8	102.8	99.8
Ottawa, ON	93.8	95.4	95.0	96.3	98.1	97.3	94.7	96.7	94.9	91.6	98.1	91.5	87.8	90.0	94.0	94.6	96.7	95.1
Philadelphia, PA	102.5	100.5	101.9	102.0	102.5	102.3	101.8	101.8	101.3	103.2	101.4	106.2	107.2	105.7	103.6	103.9	108.0	102.8
Quebec City, QC	92.0	95.3	93.4	94.9	96.3	95.3	93.1	94.8	93.6	89.8	96.9	83.7	74.9	82.5	90.4	91.3	91.4	92.6
Saginaw, MI	99.3	97.4	97.8	99.8	100.0	99.7	97.3	99.8	98.8	99.9	100.1	95.5	97.4	96.2	99.6	99.2	98.1	98.4
Sherbrooke, QC	89.6	93.9	90.9	93.5	93.7	93.3	90.6	93.2	91.0	87.3	95.8	78.9	71.4	77.8	87.7	88.3	86.6	90.1
Toronto, ON	94.3	95.6	94.7	97.0	98.2	97.5	94.4	96.9	94.6	93.0	98.5	97.2	92.0	95.7	96.7	97.7	101.4	96.5
Waterloo Region, ON	93.3	95.0	94.2	95.9	97.2	96.5	93.9	96.1	94.1	91.3	97.8	89.4	87.2	87.9	93.1	93.7	95.5	94.3
Southeast US																		
Atlanta, GA	96.9	96.8	94.9	97.9	96.9	96.9	94.7	97.3	94.3	96.9	98.6	95.8	92.7	95.8	96.9	96.5	95.6	96.4
Dothan, AL	93.8	95.8	92.2	95.3	93.1	94.3	92.3	95.0	92.0	93.6	96.9	87.8	88.3	87.5	93.5	92.4	87.9	93.0
Greenville-Spartanburg, SC	94.6	95.1	92.6	96.2	95.2	95.0	92.4	95.7	92.0	93.8	97.3	89.9	88.3	89.1	93.3	92.8	90.5	93.7
Jackson, MS	96.0	96.6	94.7	97.0	96.2	96.4	94.5	96.9	94.5	95.5	98.3	92.1	89.4	91.0	94.3	93.3	91.0	95.0
Nashville, TN	95.9	95.5	93.5	96.6	96.3	96.8	93.4	97.3	92.9	95.6	98.6	95.3	90.9	95.2	96.2	95.5	94.3	95.5
Raleigh, NC	97.9	97.5	96.8	98.1	98.2	97.7	96.8	97.8	96.7	97.1	98.9	96.0	92.2	96.1	97.6	97.2	96.7	97.3
Tampa, FL	97.6	98.5	97.0	98.0	97.6	96.7	96.9	97.3	97.5	96.9	98.4	92.7	90.4	93.3	95.6	94.7	92.1	96.5
Midwest US/Western Canada																		
Albuquerque, NM	100.7	99.4	99.4	100.3	100.9	100.4	99.4	100.6	99.3	100.1	100.3	98.5	97.8	98.2	99.0	98.5	98.6	99.6
Billings, MT	98.7	100.1	100.0	97.9	98.9	98.8	100.3	98.7	100.8	97.6	98.5	92.9	92.1	92.3	95.3	94.9	93.3	97.7
Calgary, AB	95.6	95.3	95.2	95.2	96.5	95.9	95.1	95.9	96.0	94.8	97.4	91.7	89.9	90.9	93.1	93.6	94.5	94.7
Cedar Rapids, IA	97.8	101.3	100.9	98.2	98.0	99.0	100.9	99.3	101.4	98.2	99.3	93.0	94.7	92.6	96.3	96.1	96.3	98.4
Cheyenne, WY	96.4	98.6	97.7	97.2	96.5	97.8	97.7	98.3	98.1	95.9	98.3	93.2	91.3	92.6	94.3	93.6	92.9	96.4
Chicago, IL	100.6	98.6	98.8	100.8	101.1	101.0	98.7	100.5	98.1	101.3	100.8	103.0	103.2	103.5	102.3	102.4	104.7	100.8
Colorado Springs, CO	99.6	100.7	100.7	99.9	99.9	100.1	100.8	100.2	100.9	99.6	100.0	103.7	101.9	104.0	101.2	100.8	101.3	100.8
Dallas-Fort Worth, TX	101.3	100.1	99.2	101.4	101.5	101.1	99.3	101.1	98.8	101.8	100.9	104.2	105.7	105.0	101.5	101.5	101.7	101.2
Edmonton, AB	94.3	94.9	94.5	94.3	95.2	94.7	94.4	94.9	95.4	93.5	96.8	88.3	85.9	87.2	90.8	91.1	90.6	93.3
Houston, TX	102.9	101.5	101.2	101.6	102.4	102.2	101.4	102.0	101.0	103.9	101.4	106.7	108.8	109.1	104.0	104.1	105.2	102.9
Lincoln, NE	95.8	98.9	97.1	97.0	96.3	96.8	97.2	97.6	97.2	95.9	98.2	92.5	91.7	92.1	93.2	95.3	94.0	96.5
Milwaukee, WI	99.0	98.4	97.6	98.6	99.3	99.4	97.6	99.5	97.1	99.5	99.8	96.7	96.6	96.9	99.3	98.8	100.3	98.5
Minneapolis, MN	102.8	105.3	105.6	101.3	103.1	102.7	105.8	102.4	106.1	103.3	101.3	104.0	105.3	103.5	102.6	102.8	105.8	103.8
Oklahoma City, OK	97.9	99.1	97.8	98.4	98.0	98.6	97.8	98.8	97.8	97.9	99.4	96.7	95.8	96.7	97.2	96.2	94.9	97.8
Phoenix, AZ	102.1	100.4	100.6	100.7	101.5	101.7	100.5	101.5	100.1	102.0	100.6	102.5	102.2	102.2	101.3	101.1	101.5	101.1
Salt Lake City, UT	99.3	100.2	99.7	98.7	99.0	100.3	100.1	100.3	100.4	99.6	99.9	99.7	98.4	99.3	99.4	98.8	99.0	99.6
Saskatoon, SK	94.1	95.4	95.3	93.8	95.0	94.7	95.2	94.5	96.1	92.6	96.7	84.2	80.3	82.8	91.0	91.1	86.6	92.8
Sioux Falls, SD	96.0	100.0	98.7	97.4	96.5	97.3	98.8	97.8	99.4	95.6	98.5	94.3	92.0	94.0	95.7	94.8	93.1	97.1
St. Louis, MO	100.5	103.0	102.9	100.5	101.2	100.9	103.3	100.9	103.4	100.6	100.5	102.8	102.1	102.6	101.0	101.0	102.3	101.9
Wichita, KS	99.0	99.9	99.0	99.1	99.5	99.4	99.2	99.5	98.9	99.0	99.7	98.7	96.5	98.5	98.6	97.9	97.5	99.0
Winnipeg, MB	93.2	97.5	96.4	94.5	95.4	94.9	96.7	94.9	97.6	91.9	96.9	88.5	83.0	86.9	91.0	91.8	91.2	94.1
Pacific US/Canada																		
Boise, ID	99.4	100.8	100.6	98.5	99.3	99.7	100.7	99.8	101.2	99.3	99.5	97.3	96.1	96.9	98.5	97.7	97.3	99.2
Chilliwack, BC	97.4	96.1	96.7	95.0	96.3	96.3	96.5	96.2	97.0	97.6	97.9	84.1	82.7	83.0	90.9	91.4	92.6	94.0
Las Vegas, NV	103.4	101.6	101.9	103.0	102.5													

4. Detailed Results, by Cost Component

The cost model (CCM-2006) that underlies KPMG's *Competitive Alternatives* may also be used to compare overall costs, and also to compare component costs.

Exhibit 4.1 presents an overview of component costs for the four Australian cities, based on the overall twelve-industry results:

- **Initial investment costs** — Adelaide's initial investment costs are similar to those in Melbourne, and are lower than those in Sydney and Brisbane. Property acquisition (real estate) costs are the source of much of the differential.
- **Labour costs** — Adelaide has the most cost-competitive salaries and wages among the four cities. Its total labour costs are comparable to Brisbane, and are lower than Melbourne and Sydney.
- **Lease costs** — Adelaide's lease costs are lowest among the four cities.
- **Transportation and utilities** — Adelaide's costs are highest among the four cities, reflecting Adelaide's geographic location and costs of accessing markets.
- **Taxes** — Adelaide's income and other taxes are competitive with other Australian cities.
- **Overall** — Adelaide's business cost advantage over Sydney and Melbourne is driven primarily by its competitive labour cost environment. Adelaide's cost advantage over Brisbane results primarily from its lower real estate costs.

Detailed comparisons by cost component are also available for each of the seventeen industries.

Exhibit 4.1 – Selected comparisons by major cost component
Overall results (US \$'000s, 12-industry average)

	Australia			
	Adelaide (Rank)	Brisbane	Melbourne	Sydney
Initial investment	9,116 (2)	11,046	9,056	11,412
Annual Revenues¹	15,792	15,801	15,904	15,956
Annual Costs				
- Salaries & Wages	4,309 (1)	4,343	4,604	4,695
- Statutory Benefits	605 (2)	568	635	679
- Other Benefits	802 (1)	803	824	833
- Total Labor & Benefits	5,715 (2)	5,714	6,063	6,207
- Facility Lease	272 (1)	304	308	327
- Transportation	325 (4)	272	246	262
- Utilities	472 (4)	418	396	449
- Interest & Depreciation	619 (2)	702	611	784
- Non-income Taxes	39 (2)	82	37	89
- Location-insensitive Costs	5,557	5,557	5,557	5,557
- Income Taxes	839	826	802	683
Effective Rate	30.0% (3)	30.0%	29.9%	29.9%
Total Annual Costs	13,837 (1)	13,874	14,020	14,358
Index (US=100.0)	91.1 (1)	91.4	92.3	94.6

¹ Revenues are not identical among cities because a few of the 12-industry operations are modelled as “cost-plus” subsidiaries of larger firms (visit www.CompetitiveAlternatives.com for fuller explanation).