

Fairly affordable and business-friendly

AUSTRALIA is sustaining its status as an affordable country in which to do business, according to a study of 112 cities in 10 countries.

Published by the North American operations of management consultants KPMG, the study measures 26 significant cost components affecting investment decisions in 17 main business sectors.

The 2010 report keeps Australia in fourth position overall for cost-competitiveness, behind Mexico, Canada and The Netherlands, but ahead of Britain, France, Italy, the US, Germany and Japan, in that order. Australia was also fourth in the 2008 survey when the US was third — it is now in eighth place — and The Netherlands was seventh.

However, Australia ranks fifth for quality of living, behind Japan, Germany, The Netherlands and Italy, and sixth for numbers of doctors per 100,000 people, well behind the leader, The Netherlands.

KPMG says Australia has improved its competitive position relative to the US over the past two years, with business costs 2.2 per cent below the US baseline despite an appreciation in the value of the Aussie dollar against the greenback.

The Australian position is bolstered by relatively low costs in Melbourne, which KPMG ranks 11th among 41 large cities, and weakened by the expense of doing business in Sydney (ranked 22nd). KPMG says Melbourne and Sydney are “relatively affordable”, well ahead of the most expensive, Osaka and Tokyo, but way behind Monterrey and Mexico City. Manchester, Montreal and Vancouver make up the top five.

Adelaide and Brisbane, says KPMG, also compare well with 15 cities of similar size studied in Europe and North America.

Australia gets a big tick for research and development support. KPMG says it is the

most attractive nation for R&D investment as a result of the Rudd government’s introduction of a new tax credit system for small and medium-sized companies.

This took effect in July and has moved Australia from fifth spot two years ago to first on the KPMG total tax index.

The consultants define TTI as a measure of total taxes paid by a company expressed as a percentage of those paid in the US.

“The importance of R&D to the continued success of businesses and the growth of national economies is undeniable,” says Glenn Mair, one of the study’s authors.

“Governments are responding with ever more focus on a variety of incentives. Staying abreast of R&D offerings is a key consideration in managing international business activities.”

Employment costs represent the most important factor in the KPMG review.

Australia (with an average per worker of \$US63,183, or \$67,745, lies eighth among 10 countries, with Mexico (\$US26,319) by far the cheapest and France, Britain, Italy and Canada making up the top five, each paying between \$US52,000 and \$US59,000. The most expensive employees are Japanese, costing companies an average of \$US77,074, while German workers receive \$US73,268. The US average is \$US61,897.

The consultants say that labour costs, including pay and benefits, represent 46 to 60 per cent of location-sensitive input bills for manufacturers and 74 to 85 per cent for service operators.

Costs relating to servicing capital, road, air and sea transportation charges, energy and leasing bills are the other key issues for manufacturers. Taxes represent 5 to 14 per cent of the equation for manufacturers and up to 9 per cent for non-manufacturing operations.

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