

KPMG REPORT

Vancouver business climate on an upswing

City's competitive advantage over major centres in the United States has risen significantly in the last two years, a new study shows

BY GORDON HAMILTON
VANCOUVER SUN

Vancouver's competitive advantage over the major cities of the United States has jumped significantly in the last two years, according to a report by international consultants KPMG.

Vancouver ranks fifth — up from 21st two years ago — among 41 major international cities in terms of business competitiveness, says the report.

Montreal ranks third and Toronto sixth. Vancouver's nearest geographical competitor, Seattle, ranks No. 29. The KPMG report, called *Competitive Alternatives*, examines business competitiveness in 10 industrialized countries and 112 cities. It also breaks out the 41 largest cities, all with a population over two million and ranks them separately.

The biennial survey examines 26 cost components including labour, taxes, real estate and utilities.

Of the 10 nations, Canada ranked second only to Mexico. The Netherlands was No. 3 and the U.S. No. 8.

Glenn Mair, director of MMK Consulting in Vancouver, a co-author of the report, said in an interview that relatively lower labour, energy and tax costs in Canada were a large driver of the country's competitive business environment.

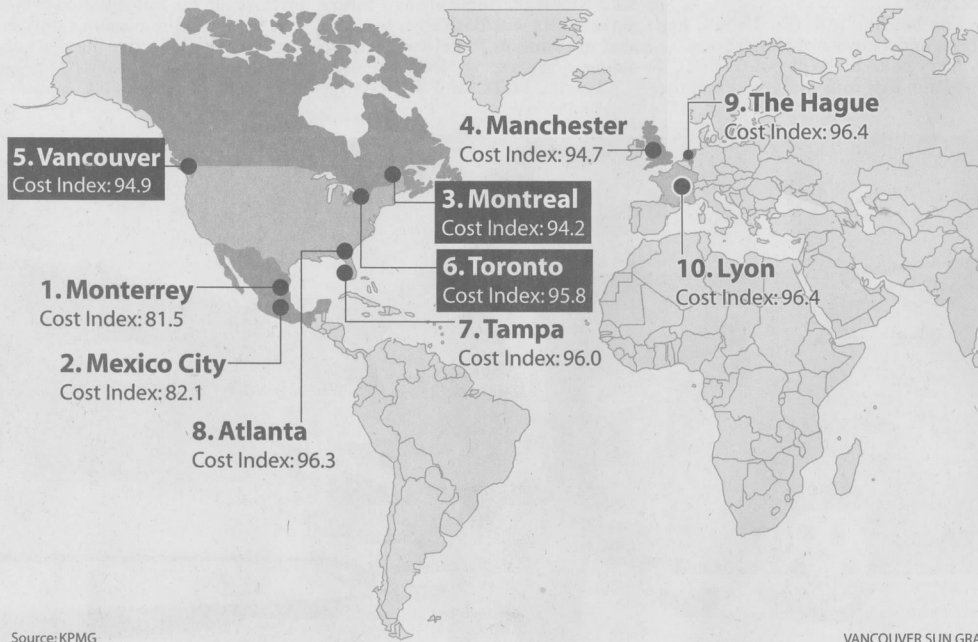
Canada's stronger dollar is not having that big an impact on business costs, Mair said, because of significantly lower costs for labour, taxes and energy.

"Over the long-term trend, what we see is labour costs in Canada have grown moderately relative to some other countries, particularly the U.S. in boom years. Energy costs in Canada continue to be reasonable or have actually improved compared to some other countries.

"And over the last 10 years, the tax environment in Canada has changed quite significantly with a whole variety of corporate income tax, capital tax and sales tax changes at the federal level and among many of the provinces.

Cost of doing business

Accounting firm KPMG compared the competitive advantages of doing business in 41 large cities with estimated metro-area populations of 2 million or more. Three Canadian cities made the top 10, including Vancouver.



"That has really reshaped Canada's tax environment from being a moderate to high tax country 10 years ago to actually being, relatively, one of the lower tax countries among the G7 countries today," Mair said.

Much of Vancouver's advantage stems from the overall Canadian advantage, but provincial corporate income tax cuts and the coming HST have helped improve the city's business climate, Mair said.

Those benefits apply to smaller cities

in the province, such as Prince George, he said, which has lower business costs than similarly sized Western U.S. cities. The study is forward-looking, he said. It measures the costs of establishing a new business in each place over a 10-year time horizon, which accounts for the HST advantage showing up in the report. The business benefit of the HST, which comes into effect in July, is that it is a refundable value-added tax. Mair said all other nations in the survey have

refundable value-added taxes for businesses, except the U.S. which has non-refundable value-added taxes.

The study uses the four largest U.S. cities, New York, Los Angeles, Chicago and Dallas-Fort Worth to form a baseline of business costs against which business costs in other countries and cities are compared.

The average costs in those four cities are given a value of 100. Vancouver's rating was 94.9.

Monterrey, Mexico, has the biggest

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GLENN MAIR
REPORT CO-AUTHOR

costs advantage, with a score of 81.5. Tokyo has the worst competitive advantage at 108.9.

KPMG managing partner Elio Luongo, said in a news release that Vancouver is positioned to grow because of Olympic Games exposure and growth in Asia.

Having a competitive edge over other major cities is an added advantage, he said.

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