

# STUDY SHOWS SIGNIFICANT COST ADVANTAGES TO EASTERN CANADA LOCATIONS OVER U.S. SITES

Investors contemplating a beach-head in the North American market take note: Atlantic Canada is a better locational buy than comparable locations in the United States.

In a study prepared this year for the Atlantic Canada Opportunities Agency (ACOA), KPMG Management Consulting, in association with Business Development Information Inc. (BDI), compared location-sensitive costs of establishing and operating production facilities in 12 U.S. and 16 Canadian cities.

Covering start-up and ten years of operation, the survey encompassed seven industries (see box item) and found a significant Canadian advantage in all.

The net after-tax annual cost advantage averaged 19.5%. Since location-sensitive costs make up 36% of the total, this gives the Canadian locations a net cost advantage of 7%. ♦

## 28 TWENTY-EIGHT CITIES

### Atlantic Canada

- Corner Brook, NF
- Grand Falls, NF
- St. John's, NF
- Halifax, NS
- Kentville, NS
- Sydney, NS
- Truro, NS
- Yarmouth, NS
- Charlottetown, PEI
- Summerside, PEI
- Bathurst, NB
- Edmunston, NB
- Fredericton, NB
- Miramichi City, NB
- Moncton, NB
- Saint John, NB

### U.S.A.

- Eastern U.S.**
- Baltimore, MD
- Charleston, SC
- Hampton, VA
- Hartford, CT
- Manchester, NH
- Newark, NJ
- Raleigh, NC
- Other U.S.**
- Austin, TX
- Bellingham, WA
- Columbus, OH
- Minneapolis, MN
- Sacramento, CA

## SEVEN INDUSTRIES

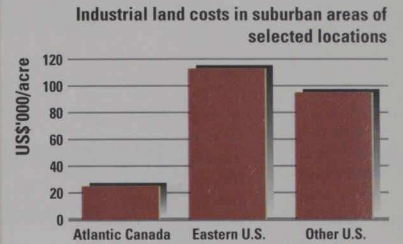
The survey compared typical start-up and operating costs for facilities in the following industries:

- frozen foods
- medical devices
- software
- telecommunications (ocean technology applications)
- plastics
- metal fabrication
- electronics and instrumentation (avionics applications)

## BY INDUSTRY, THE COSTS COMPARISONS REVEALED:

### INDUSTRIAL LAND AND CONSTRUCTION

The study focused on the costs of establishing facilities in suburban areas zoned for light-to-medium industrial purposes. It found these costs to be significantly lower in Atlantic Canada than in the U.S. locations.



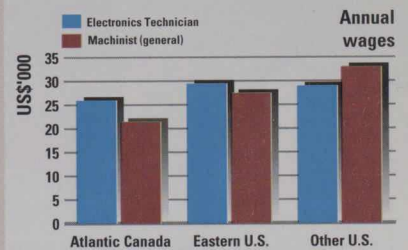
### TAXES

Corporate, federal, regional and local taxes vary significantly by jurisdiction and no consistent advantage emerged in the study. However, Canada has the edge in its system of tax credits for Research and Development expenditures.



### LABOUR COSTS

KPMG's research found that labour costs account for between 17% and 29% of total operating costs for the industries reached in the survey.



Source: BTA Economic Research Institute, 1995 Geographic Reference Report

The study found that wages and salaries, employer-sponsored benefits and employer-paid statutory benefits were significantly lower in Atlantic Canada.

### ELECTRICITY, TRANSPORTATION AND INTEREST COSTS

KPMG based this part of the study on consumption of 200,000 kilowatt hours per month and a demand load of 300 kilo-volt amperes. On this basis the comparisons favour Canada. On average, electricity costs are 40.8% lower in the Atlantic Canada cities than in the eastern U.S. cities and 30.9% lower than the overall U.S. average.



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