

COM DEV (cont'd)

The transfer of the Canadian culture and participative management style to the UK operations was considered an essential step. However, differences in the social landscape of the 2 countries were also taken into account. In consequence, Com Dev now offers to all their employees what they describe as a "broad level of equality". Because of the frequent contacts between the North American and the European employees, the management spent much time highlighting those differences (eg. the holidays are much longer in the UK than in Canada, fringe benefits are generally more generous in the UK, the salaries are higher in Canada, the profit sharing scheme idea is much more ingrained in Canada, etc.).

In order to minimise the taxation load, the UK operations were at first divided in two parts with the trading activities considered as Canadian revenues, and the capital assets activities assigned to a UK registered limited company. Through this agreement, they were able to offset the losses of UK operations against their Canadian revenues, and hence reduce their tax bill. However, as soon as the UK company began to break even, the UK trading activities came under the UK company.

This arrangement was designed by their accountants, who were chosen specially because of their knowledge of international taxation.

The construction of Com Dev Europe's headquarters highlights a few points to be considered when envisaging a greenfield investment:

- Much planning and time were required. In fact between the initial thought and the actual moving, 2 years will have elapsed with nearly one year just to find the land.
- UK land prices are much higher than Canadian ones.
- There are very strict planning and building permission rules (much tougher than in Canada).

The UK experience is seen as providing the model for expansion into other European countries.