

I.

Introduction And Summary

On behalf of the Government of Canada, KPMG Management Consulting has carried out an analysis of the relative costs of doing business in the United States and Canada in 1995. This study is an update and extension of a similar assignment performed in 1994.

The study included the development of illustrative business scenarios, and is based on current tax rates, cost factors and exchange rates. We used a computer-based financial model to compare typical operating costs, from start-up to ten years of operation, for facilities in fifteen cities—seven in the U.S. and eight in Canada. All figures in this report are expressed in U.S. dollars (USD\$), unless Canadian dollars (CDN\$) are specified.

The study examined the impact of location on key location-sensitive capital and operating costs for seven industries. Each facility was assumed to have sales in excess of \$10 million, and a minimum of 100 employees. The analysis focused on costs of establishing facilities on 5-10 acre sites in suburban areas zoned for light-to-medium industrial purposes.

The specific industries, jurisdictions, and location-sensitive cost factors examined included:

| <u>Industry</u> | <u>Jurisdictions</u> | <u>Location-sensitive Cost Factors</u> |
|--|-------------------------|--|
| Autoparts | Calgary, AB | Industrial Land Costs |
| Environmental Waste Treatment Systems | Halifax, NS | Construction Costs |
| Frozen Foods | Langley (Vancouver), BC | Labour Costs: |
| Medical Devices | Laval (Montreal), QC | • Wage & salary |
| Pharmaceuticals | London, ON | • Employer-sponsored benefits |
| Software | Moncton, NB | • Statutory benefits |
| Telecommunications | Ottawa, ON | Electricity Costs |
| | Winnipeg, MB | Transportation/distribution costs |
| | | Interest costs |
| | Austin, TX | Federal, Regional and local taxes |
| | Bellingham, WA | • Income and Property Taxes |
| | Columbus, OH | • Research Tax Credits |
| | Manchester, NH | |
| | Minneapolis, MN | |
| | Raleigh, NC | |
| | Sacramento, CA | |