
III.6 AN ADVANTAGEOUS LOCATION

A 1995 study, done by KPMG Management Consultants, entitled *A Comparison of Business Costs in Canada and the United States*, has shown that it is less expensive to do business in Canada than in the United States, especially for the pharmaceutical industry.

KPMG developed computer models to compare the relative costs of setting up and running a facility in a suburban industrial park in eight Canadian cities and seven U.S. cities. The scenario was from start-up to 10 years of operation. The study team compared a variety of cost components, from industrial land and construction costs, as well as operating expenses (electricity, transportation), to wages, benefits and tax credits for seven industries including pharmaceuticals. Each facility was assumed to have sales in excess of \$10 million, and a minimum of 100 employees.

The study revealed a definite Canadian advantage, which was found to be consistent among cities and regions. For the pharmaceutical sector, the report noted that initial investment in facilities showed a 17-per cent difference in Canada's favour. On average, \$3.5 million was spent in the Canadian locations, compared to \$4.1 million in the seven U.S. sites.

Labour costs, in the pharmaceutical model, including wages and salaries, and statutory and other benefits, were lower in all Canadian cities and overall showed an impressive 26-per cent difference in Canada's favour.

In addition, Canada presents an ideal gateway to the North American market for European and Asian companies. Through the implementation of the NAFTA, Canada is a member of the largest trading bloc in the world: 360 million consumers with combined annual health-care expenditures in the three countries approaching \$1 trillion.