



March 2012



The 2012 edition of Competitive Alternatives: KPMG's Guide to International Business Location Costs has just been released. The study is a detailed analysis of the combined impact of 26 significant business cost components that are likely to vary by location, and contains valuable information for companies considering their international business location options.

Competitive Alternatives 2012 examines cost factors for 19 industry operations in more than 110 cities in 14 countries. For the first time, the study features four major high growth countries<sup>1</sup> in addition to the ten countries included in the 2010 edition.<sup>2</sup> Canada was a cost leader among the ten mature markets examined, with business costs 5.0% lower than the US baseline.

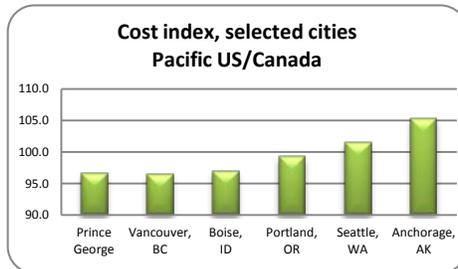
Prince George's cost competitiveness index was higher than the Canadian average, although the city ranked second among the fifteen cities profiled in the Pacific US/Canada region. With a cost index of 96.6, Prince George was only 0.1 points behind Vancouver, BC (96.5) and came out ahead of cities including Boise, Idaho (97.0), Portland, Oregon (99.3), Seattle, Washington (101.5) and Anchorage, Alaska (105.3).<sup>3</sup>

<sup>1</sup> Brazil, Russia, India, and China.

<sup>2</sup> Australia, Canada, France, Germany, Italy, Japan, Mexico, the Netherlands, the United Kingdom, and the United States.

<sup>3</sup> The Pacific US/Canada category also included Salem (Oregon), Spokane, Honolulu, Las Vegas and five cities in California.

Of the location-sensitive cost components considered, Prince George ranked the best among the profiled cities in the Pacific region<sup>4</sup> for corporate income tax and facility costs, and ranked near the best for labour costs and cost of utilities. Although the



study found relatively higher transportation costs for Prince George, the study methodology may not have included the cost advantages associated with Prince George's close proximity to the Port of Prince Rupert and the international cargo capabilities of the Prince George Airport, both of which add to Prince George's cost competitiveness. Regardless, the profiled cities ranked closely for this factor, with an average cost differential of only \$743<sup>5</sup>.

Despite a slightly higher overall cost index relative to Canada, the study results showed that Prince George has a considerable cost advantage for companies looking to locate Research & Development and Corporate Services operations. Labour, facilities and

<sup>4</sup> Specific cost factors were not analyzed for cities in California and Hawaii.

<sup>5</sup> Ten-year annual average transportation costs.

utility costs were all found to be lower in the city for these industries.

Prince George's cost index for Research & Development was 85.7, compared to 89.3 for Canada. Costs for product testing, biotechnology and clinical trials were found to be 4.7%, 5.2%, and 1.5% lower, respectively, than the Canadian average for these operations. R&D activities related to product testing and biotechnology can benefit from the research cluster already established at the University of Northern BC<sup>6</sup> and the University Hospital of Northern BC's connection to UNBC's research and the Northern Medical Program makes it the perfect venue for clinical trials.

For Corporate Services, Prince George's index was 85.7, compared to the Canadian index of 91.7. Within this category, costs for Professional and Support Services were found to be 6.7% and 5.3% lower than the Canadian average. With lease rates nearly half the Canadian average for this industry, it is not surprising that Prince George continues to be a preferred location for corporate service operations. Companies like Fortis BC and Telus have expanded their operations here, citing the availability of office space, skilled labour and high quality infrastructure as locational decision factors.

Detailed cost profiles and comparisons are available at: <http://www.competitivealternatives.com/>.

<sup>6</sup> UNBC is one of only four research universities in BC and has received more than \$82.4M in Research Awards over the past five years.



## Economic Statistics

### Employment

49,000 persons were employed in Prince George in February, unchanged from the previous month, while the number of persons in the labour force increased slightly (0.2%; 100 persons). The number of unemployed persons was unchanged from January, leaving the unemployment rate stable at 8.1%. In BC, the number of persons employed and in the labour force increased by 0.4%; although the number of unemployed persons increased by 0.6%, the unemployment rate was unchanged at 6.9%. Across Canada, the number of employed persons was relatively unchanged and those in the labour force declined by 0.2%, leading the number of unemployed persons to decrease by 2.5%. As a result, the unemployment rate decreased 0.2% (to 7.4%). Prince George's working age population was unchanged last month, as was the employment rate (68.8%); the employment rate increased 0.2% (to 60.5%) in BC and was unchanged (at 61.6%) in Canada.

(Source: Statistics Canada Labour Force Survey)

### Real Estate

53 single family homes were sold in Prince George last month, 12 more than in February 2011, with an average price of \$258,800 (9.8% higher than in the same month last year). Year-to-date, the average house price was up 11.4% compared to the first two months of 2011; unit sales were up 30.1%. Comparatively, the year-to-date average house price in BC was down 2.4%; unit sales were down 7.1%. In Canada, the



average price was up 1.7% and units were up 6.7%.

(Source: BC Northern Real Estate Board; Canadian Real Estate Association)



### Housing Construction

There were 7 housing starts in Prince George in February, down 82.1% compared to the same month last year. However, starts of market housing units were up 133%.<sup>7</sup> There were 4 residential units completed in the city (all single family units), in contrast to the 5 single and 20 multiple units completed in February last year. 150 housing units were under construction (105 single family and 45 multiple dwelling units); 18.0% fewer than in the same month in 2011. Year-to-date housing starts were down 82.1% at the end of February. Comparatively, starts were up 17.8% and 19.5%, in BC and Canada, respectively, at the end of February.

(Source: Canada Mortgage and Housing Corporation)

### Building Permits

The City of Prince George issued 23 building permits valued at \$2.2M in February, down 23.5% compared to the same month last year. Residential building permits accounted for 75.3% of the total value of permits issued in the city last month, with permits for 5 single family dwellings making up 64.3% of this category. Commercial permits made up the remaining 24.7% of the value

of permits issued, with a permit for continued construction at Original Joe's Restaurant making up 39.1% of the category. Year-to-date, the value of permits issued by the City was down 48.2% at the end of February; however, the number of permits issued was up 11.1%, indicating a higher level of overall building activity. Comparatively, permits were up 33.6% provincially and 11.6% nationally at the end of January.

(Source: City of Prince George; Statistics Canada)

### Business Licenses

The City of Prince George issued 301 business licenses in February (41 new licenses<sup>8</sup> and 260 renewals). 5 of the new licenses issued were a result of businesses changing location.

(Source: City of Prince George)

### Airport Passenger Volumes

34,884 passengers passed through the Prince George airport in February, 11.1% more than in February 2011. Year-to-date, passenger traffic through the airport was up 8.1% compared to the first two months of last year. Comparatively, traffic through the Vancouver airport was up 6.6% at the end of February.

(Source: Prince George Airport Authority; Vancouver Airport Authority)



<sup>8</sup> New business licenses are issued when a new business is established, when a business is re-established after not operating for a period of time and when a business changes ownership or relocates.

<sup>7</sup> The recently completed 36-unit senior's housing development, Elizabeth Fry Place, was started in February 2011.