



Media Release

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Singapore's Business Costs Rank First Among Nine Industrial Countries - KPMG Study

Singapore is the most cost-competitive place to do business among nine industrialised countries, according to the 2006 edition of KPMG's bi-annual study, *Competitive Alternatives*. Canada ranks second overall, while France and the Netherlands are the most cost-competitive European countries studied, followed by Italy and the United Kingdom. The United States, seventh in the rankings, has improved its competitive position since 2004, assisted by the lower value of the U.S. dollar relative to other major currencies. Eighth-ranked Japan has also significantly improved its competitiveness since 2004, overcoming its previous cost disadvantage to ninth-ranked Germany.

KPMG's *Competitive Alternatives* study measures 27 key cost components--including labour, benefits, business facilities, taxes and utilities – as applied to business operations in industrialised countries. The 2006 edition of the study includes a comprehensive analysis of 128 cities in nine countries -- Canada, France, Germany, Italy, Japan, the Netherlands, Singapore, the United Kingdom and the United States. The study's basis for comparison is the after-tax cost of startup and operation for 17 different types of business, over a 10-year planning horizon.

"Selecting the best site for a business operation requires balanced consideration of many factors, including business costs, business environment, personnel costs, and quality of life issues," said Mr Satyanarayan R., KPMG's Asia Pacific Head of Business Performance Services. "This study offers a comprehensive guide for comparing business costs and contains essential information for any company seeking a cost advantage in locating international business operations."

The 2006 edition notes several surprising results and trends since the 2004 edition. Singapore, new to the study, has a business cost advantage of more than 20 percent over the benchmark United States results. With GDP per capita now on par with some western European nations, Singapore is the first newly industrialised country to be included in *Competitive Alternatives*. Among the returning countries, business cost differentials have narrowed since 2004, and all G7 countries now have costs within eight percent of the U.S. results.

Rankings and relative cost indices are illustrated in the following chart. The benchmark cost index (U.S. = 100) is defined as the average of nine representative U.S. cities.

COMPETITIVE ALTERNATIVES STUDY 2006

Country	Cost Index	Rank
Singapore	77.7	1
Canada	94.5	2
France	95.6	3
Netherlands	95.7	4
Italy	97.8	5
United Kingdom	98.1	6
United States	100.0	7
Japan	106.9	8
Germany	107.4	9

Source: KPMG's 2006 Competitive Alternatives Study

For international cities with populations of more than two million, Singapore ranks as the most cost competitive followed by Montreal, Atlanta, Toronto, Tampa, and Amsterdam. The city with the highest business costs is New York, followed by Frankfurt, London and San Jose.

Commenting on the study results Mr. Satyanarayan said: "Singapore is the most competitive destination across all four areas of the study viz. manufacturing, R&D, software and corporate services. The challenge for Singapore is to continue to find new sources of competitive advantage as its Asian neighbours catch up in terms of institutions and infrastructure."

The KPMG analysis is based on cost information collected primarily between July 2005 and January 2006. Taxes reflect tax rates in effect on January 1, 2006.

About Competitive Alternatives

KPMG's 2006 Competitive Alternatives study provides an independent comparison of international business location costs in 128 cities around the world. The study enables businesses executives to take a quick, initial scan of how business costs compare among a variety of cities in leading industrialised countries. It also assists KPMG professionals and economic developers in their work with businesses considering relocation, and enables policy makers to help determine the impact of a proposed tax and/or incentive policy change on the cost-competitiveness of their jurisdiction in relation to others. The study's proprietary cost model is available online at www.CompetitiveAlternatives.com

About KPMG

KPMG is the Singapore member firm of KPMG International, the global network of professional services firms whose aim is to turn knowledge into value for the benefit of their clients, people and the capital markets. With nearly 94,000 people worldwide, KPMG member firms provide industry-focused audit, tax, and advisory services from more than 717 cities in 148 countries. KPMG's member firms assist clients as they consider expanding, relocating or consolidating their business activities. Member firms offer a variety of global location and expansion services, ranging from strategic planning, to site analysis, to determining the availability of business incentives. KPMG's web site is located at www.kpmg.com.sg

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