



# Competitive Alternatives

KPMG's Guide to International Business Location  
2010 Edition

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# A Guide to Business Location

*Competitive Alternatives* is KPMG's guide to comparing business locations in North America, Europe, and Asia Pacific



*Competitive Alternatives 2010* is the most thorough comparison of international business locations ever undertaken by KPMG. This study contains valuable information for any company considering their international business location options.

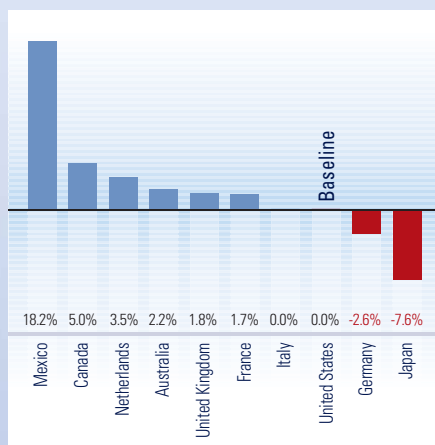
*Competitive Alternatives 2010* compares business costs for more than 100 cities in 10 countries: Australia, Canada, France, Italy, Japan, Germany, Mexico, the Netherlands, the United Kingdom, and the United States. For 2010, *Competitive Alternatives* expands its coverage of large international business centers, adding a number of major global cities to the study for the first time. International results now reflect business costs in each country's major metropolitan regions.

The primary focus of *Competitive Alternatives 2010* is international business costs. The study measures the combined impact of 26 significant cost components that are most likely to vary by location, as applied to 17 different business operations over 10 years.

*Competitive Alternatives* also compares a variety of non-cost factors that also influence the relative attractiveness of locations to business. Aspects considered by the study include labor availability and skills, economic conditions and markets, innovation, infrastructure, and regulatory environment, as well as personal cost of living and quality of life.

Full study results are available online at: [www.CompetitiveAlternatives.com](http://www.CompetitiveAlternatives.com).

## The Bottom Line



% cost advantage/disadvantage relative to the US, based on four major US business centers (Chicago, Dallas, Los Angeles, and New York City)

The four largest US cities—New York City, Los Angeles, Chicago, and Dallas-Fort Worth—form the baseline against which business costs in other countries and cities are compared.

As the only emerging country included in the study, **Mexico** represents the lowest-cost country examined. Mexico's major cities have a business cost advantage of 18.2 percent, on average, relative to the US baseline.

**Canada** and the **Netherlands** are the cost leaders among the nine established industrialized countries examined with business costs 5.0 and 3.5 percent below the US, respectively.

**Australia**, the **United Kingdom**, and **France** rank fourth, fifth, and sixth, respectively. Costs in Australia are 2.2 percent below the US baseline, while costs in the UK and France are very similar, at 1.8 and 1.7 percent below the US, respectively.

Costs in **Italy** are virtually equivalent to the study baseline—the **United States**.

**Germany** and **Japan** have the highest cost structures among the 10 countries examined, with costs 2.6 and 7.6 percent, respectively, higher than the US.

## Key Cost Factors

**Labor costs** typically represent the single largest location-sensitive cost factor. For manufacturing operations, labor typically represents 46 to 60 percent of total location-sensitive costs, while for non-manufacturing operations this range is typically 74 to 85 percent.

Labor cost comparisons are based on 42 job positions. Labor-related costs vary significantly among the countries examined.



Labor costs include wages and salaries, statutory benefits (including government pension plans, medical plans, etc.), and other benefits typically provided by employers. Combining these elements, total labor costs are lowest in Mexico, followed by Canada, the United Kingdom, and Australia.

**Facility costs** vary both by location and type of business operation:

- For manufacturing operations, rental costs for industrial facilities range from 2 to 7 percent of location-sensitive costs. Industrial facility rental costs are lowest in Mexico, followed by the United States and Canada.
- For non-manufacturing operations, office leasing costs range from 5 to 18 percent of location-sensitive costs. Office lease costs (triple net) are lowest in Mexico, followed by the Netherlands and the United States.

**Transportation costs** vary widely by industry and represent between 5 and 18 percent of location-sensitive costs for the manufacturing operations examined. Transportation costs vary by product and markets served, but tend to be lowest in the European countries and Japan, with the leading cost countries being the United Kingdom, Germany, and Japan.



**Utility costs** represent between 1 and 7 percent of location-sensitive costs:

- The lowest electricity costs are found in Canada, France, and the United States, but may vary significantly by region.
- Mexico, the United States, and Canada offer the lowest natural gas costs.

### Taxes, Taxes, Taxes

Taxes typically represent up to 14 percent of location-sensitive costs. Effective income tax rates, calculated net of generally-applicable tax credits, grants, and incentives, vary most significantly by business sector:

- For **manufacturing** operations, Canada offers the lowest effective corporate income tax rate, followed by the Netherlands and Australia.
- For **corporate and IT services**, Canada, the Netherlands, and the United Kingdom offer the lowest effective rates for corporate income tax.
- For **research and development** operations, Australia, Canada, France, the Netherlands, the United Kingdom, and the United States all offer significant R&D tax incentives, some of which may be refundable in certain situations.

Taxes are the subject of a separate KPMG report, *Competitive Alternatives Special Report: Focus on Tax*, which analyzes international tax issues in greater depth than the main report on business costs. The *Focus on Tax* report will be available from May 2010 at [www.CompetitiveAlternatives.com](http://www.CompetitiveAlternatives.com), along with all other study results and publications.

### Other Competitiveness Factors

In addition to business costs, many other factors also influence the business competitiveness of locations. For example, one factor that has become more relevant to many businesses since the 2008 edition of *Competitive Alternatives* is the time and cost of laying off redundant workers.

The time period during which an employer has a financial commitment to its workforce after making a decision to downsize varies dramatically among countries—from 4 weeks in Japan, to potentially more than 1 year in Italy. These time frames combine delays for mandated government approvals or union negotiations, required statutory notice, plus typical severance payments for a collective dismissal scenario.

### Estimated Average Weeks of Financial Commitment to Employees Following Decision to Downsize<sup>1</sup>

Country	Weeks	Rank
Australia	11.0	3
Canada	14.5	5
France	21.0	6
Germany	22.0	8
Italy	66.5	10
Japan	4.0	1
Mexico	28.0	9
Netherlands	13.0	4
United Kingdom	21.0	6
United States	8.5	2

1: Assumes facility closure with 100–150 employees with an average term of service of 4 years.

Government responses to the recent economic downturn are also playing a key role in shaping national business environments, in both the short and long terms. Countries where governments have responded most strongly with stimulus spending—Australia, Japan, and the US—are seeing more short-term stimulus activity for business. However, stimulus spending comes at the cost of deficits, and large deficits may result in increased corporate tax burdens in the longer term.

# Global and Regional Results

## Results vary between major global cities and regional cities

Site searches often differ in the range of geographic locations under active consideration. Whether the search is global or regional, there is often a trade off between larger and smaller cities.

Larger cities tend to provide larger labor pools, better access to customers and suppliers, and better support infrastructure, while smaller cities tend to offer lower labor and facility costs.

Within the 10 countries studied, *Competitive Alternatives* examines 41 large cities, each with estimated metro-area populations of 2 million or more. Results for these cities are detailed in the “Global Cities” table at right.

While large cities may be of greater interest for some global investment projects, smaller regional cities can offer a more attractive investment location for other investment projects.

*Competitive Alternatives* examines more than 100 cities, and regional comparisons can be made among cities within each country. When comparing results for larger and smaller cities, cost differences vary greatly. In the compact market of the Netherlands, for example, there is little in the way of cost differences between cities. However, in the United Kingdom, business costs in Manchester are seven percentage points lower than London.

Cost Results for Global Cities<sup>1</sup>

Rank	City	Country	Cost Index
1	Monterrey	MX	81.5
2	Mexico City	MX	82.1
3	Montreal	CA	94.2
4	Manchester	UK	94.7
5	Vancouver	CA	94.9
6	Toronto	CA	95.8
7	Tampa	US	96.0
8	Atlanta	US	96.3
9	The Hague	NL	96.4
10	Lyon	FR	96.4
11	Melbourne	AU	96.7
12	Amsterdam	NL	96.7
13	Miami	US	97.0
14	Baltimore	US	97.1
15	Dallas-Fort Worth <sup>1</sup>	US	97.7
16	St. Louis	US	97.8
17	Houston	US	97.9
18	Phoenix	US	98.1
19	Philadelphia	US	98.3
20	Detroit	US	98.5
21	Chicago <sup>1</sup>	US	98.8
22	Sydney	AU	98.9
23	Portland	US	98.9
24	Minneapolis	US	99.0
25	North Virginia (Metro DC)	US	99.0
26	Milan	IT	99.0
27	Riverside-San Bernardino	US	99.5
28	Denver	US	99.6
29	Seattle	US	100.1
30	Paris	FR	100.1
31	Boston	US	100.8
32	Rome	IT	100.9
33	San Diego	US	100.9
34	Los Angeles <sup>1</sup>	US	101.4
35	Berlin	GE	101.6
36	London	UK	101.7
37	New York City <sup>1</sup>	US	102.0
38	Frankfurt	GE	103.6
39	San Francisco	US	104.1
40	Osaka	JP	106.4
41	Tokyo	JP	108.9

Cost Index Comparison: Larger and Smaller Cities

	Largest City	Smaller City	Differential
<b>Netherlands</b> • Amsterdam • Brabant Stad	96.7	96.3	0.4
<b>Australia</b> • Sydney • Adelaide	98.9	97.0	1.9
<b>Canada</b> • Toronto • Average of 12 regional cities	95.8	93.3	2.5
<b>France</b> • Paris • Lyon	100.1	96.4	3.7
<b>United States</b> • Average of four largest cities <sup>1</sup> • New York City • Average of 36 regional cities	100.0 102.0	96.8	5.2
<b>United Kingdom</b> • London • Manchester	101.7	94.7	7.0

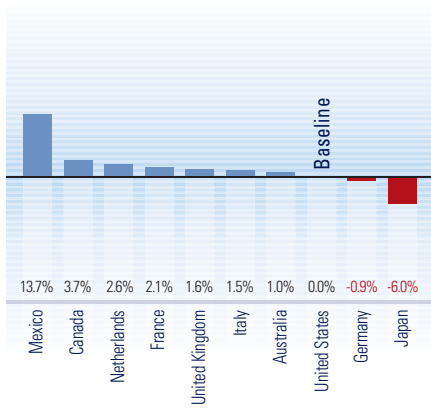
1: Business costs are expressed as an index, relative to the average results for the four largest US cities (as indicated), which define the US baseline of 100.0. A cost index less than 100 indicates lower costs than the US baseline. A cost index greater than 100 indicates higher costs than the US baseline. For example, an index number of 95.0 represents a 5.0% cost advantage relative to the US baseline.

1: Study comparison baseline.

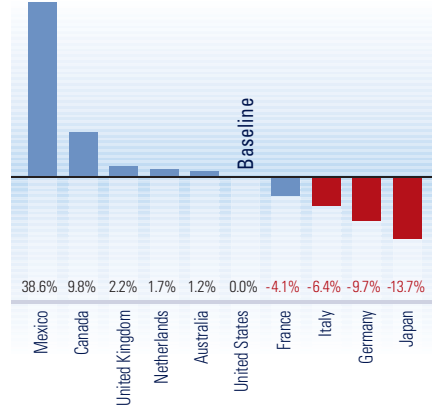
# Results by Industry Sectors

Results for specific business operations form the basis for comparing industry sectors

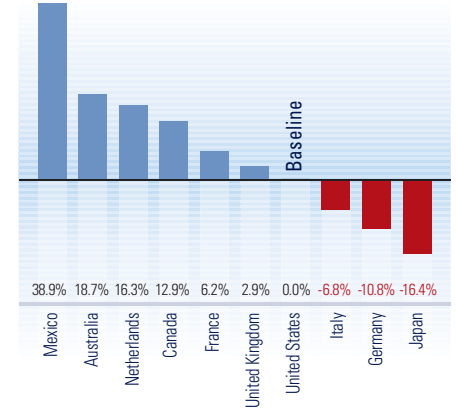
## Manufacturing



## Corporate and IT Services



## Research and Development



For manufacturers, costs for globally sourced materials and equipment do not vary by location, resulting in lower cost differentials relative to other sectors. As manufacturing has become more capital intensive, cost variations between locations have decreased over the 15-year history of *Competitive Alternatives*.

**Italy, Germany, and Japan** achieve their strongest results in this sector.

Labor costs are more significant in the corporate and IT services sector, and vary considerably by country and by region. This results in generally higher cost differentials in this sector, as seen most prominently in the cost results for **Mexico**.

Among the industrialized countries studied, **Canada, the United Kingdom, and the United States** all achieve their strongest results in this sector.

Cost differentials are generally higher for R&D due to differences in labor costs for scientific and technical employees, as well as differences in tax treatment of R&D costs. Indeed, many of the jurisdictions studied offer specific tax incentives designed to encourage R&D activities.

**Australia, the Netherlands, and France** all have their strongest results in this sector, assisted in part by their respective R&D tax incentive programs.



# National and Overall Cost Results

## National Cost Results by Industry and Operation

INDUSTRY	OPERATION	France
<b>Manufacturing</b>		
Aerospace	Aircraft Parts	97.8 (3)
Agri-Food	Food Processing	98.1 (6)
Automotive	Auto Parts	97.7 (4)
Chemicals	Specialty Chemicals	98.9 (6)
Electronics	Electronics Assembly	98.2 (5)
Medical Devices	Medical Device Manufacturing	97.6 (4)
Metal Components	Metal Machining	97.0 (5)
Pharmaceuticals	Pharmaceutical Products	97.3 (6)
Plastics	Plastic Products	96.1 (3)
Precision Manufacturing	Precision Components	97.9 (4)
Telecommunications	Telecom Equipment	98.4 (5)
<b>R&amp;D</b>		
Biotechnology	Biomedical R&D	101.4 (6)
Clinical Trials	Clinical Trials Management	74.4 (4)
Product Testing	Electronic Syst. Dvlt/Testing	95.7 (6)
<b>Corporate and IT Services</b>		
Web and Multimedia	Content Development	103.8 (7)
Software Design	Software Development	104.4 (7)
Back Office/Call Centers	Shared Services Center	104.1 (8)
<b>Overall Results</b>		<b>98.3 (6)</b>



## Overall Cost Results by Region and City

Location	Country	Index <sup>1</sup>	Rank
<b>EUROPE</b>			
Lyon	France	96.4	5
Paris	France	100.1	8
Berlin	Germany	101.6	10
Frankfurt	Germany	103.6	12
Milan	Italy	99.0	7
Rome	Italy	100.9	9
Amsterdam	Netherlands	96.7	6
Brabant Stad	Netherlands	96.3	2
The Hague	Netherlands	96.4	3
Utrecht	Netherlands	96.4	4
London	England	101.7	11
Manchester	England	94.7	1

Location	Country	Index <sup>1</sup>	Rank
<b>NORTH AMERICA</b>			
<b>New England/Atlantic Canada</b>			
Bangor, ME	United States	95.6	6
Boston, MA	United States	100.8	11
Burlington, VT	United States	97.7	7
Charlottetown, PE	Canada	93.8	4
Fredericton, NB	Canada	91.8	2
Halifax, NS	Canada	93.3	3
Hartford, CT	United States	99.7	10
Manchester, NH	United States	98.6	9
Moncton, NB	Canada	91.3	1
Providence, RI	United States	98.0	8
St. John's, NL	Canada	93.8	5
<b>Northeast US/Canada</b>			
Baltimore, MD	United States	97.1	12
Buffalo, NY	United States	96.5	9
Charleston, WV	United States	95.0	5
Detroit, MI	United States	98.5	16
Harrisburg, PA	United States	96.6	10
Indianapolis, IN	United States	97.2	13
Lexington, KY	United States	95.5	7
Montreal, QC	Canada	94.2	3

<b>ASIA PACIFIC</b>			
Adelaide	Australia	97.0	2
Brisbane	Australia	97.3	3
Melbourne	Australia	96.7	1
Sydney	Australia	98.9	4
Osaka	Japan	106.4	5
Tokyo	Japan	108.9	6

All study results are sensitive to exchange rates:

Currency	Exchange Rates <sup>1</sup>		% Change <sup>2</sup>
	2008 Edition	2010 Edition	
Euro	0.68	0.68	0.0%
UK £	0.50	0.61	-18.0%
Canadian \$	1.00	1.06	-5.7%
Mexican peso	10.87	13.07	-16.8%
Australian \$	1.14	1.10	3.6%
Japanese ¥	111.27	89.86	23.8%

1: Per US\$.

2: Two-year appreciation/depreciation relative to US\$.

1: Business costs are expressed as an index, with the United States being assigned the baseline index of 100.0. A cost index less than 100 indicates lower costs than the US. A cost index greater than 100 indicates higher costs than the US. For example, an index number of 95.0 represents a 5.0% cost advantage relative to the United States.

Cost Index<sup>1</sup> (Rank)

Europe				North America			Asia Pacific	
Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
101.4 (9)	99.5 (6)	98.2 (4)	98.6 (5)	96.9 (2)	86.1 (1)	100.0 (8)	99.9 (7)	105.3 (10)
99.4 (7)	97.6 (5)	96.3 (2)	97.2 (4)	96.9 (3)	88.4 (1)	100.0 (9)	99.7 (8)	105.3 (10)
100.7 (9)	98.8 (5)	97.4 (3)	99.4 (6)	97.1 (2)	88.8 (1)	100.0 (8)	99.9 (7)	107.1 (10)
101.2 (9)	99.6 (7)	97.7 (3)	98.1 (5)	96.5 (2)	88.6 (1)	100.0 (8)	97.7 (4)	103.6 (10)
101.7 (9)	99.2 (7)	98.2 (4)	99.2 (6)	95.8 (2)	86.6 (1)	100.0 (8)	97.0 (3)	105.7 (10)
102.7 (9)	98.6 (7)	97.7 (5)	98.4 (6)	95.2 (2)	79.3 (1)	100.0 (8)	97.5 (3)	108.4 (10)
100.0 (7)	96.6 (3)	96.2 (2)	99.3 (6)	96.7 (4)	84.0 (1)	100.0 (8)	102.1 (9)	111.1 (10)
101.1 (9)	97.7 (7)	96.8 (3)	97.1 (4)	94.9 (2)	83.6 (1)	100.0 (8)	97.1 (5)	104.9 (10)
99.5 (7)	96.7 (4)	95.7 (2)	99.3 (6)	97.7 (5)	84.1 (1)	100.0 (8)	105.6 (9)	111.6 (10)
100.1 (9)	98.5 (6)	97.4 (3)	98.2 (5)	96.9 (2)	90.4 (1)	100.0 (8)	99.7 (7)	102.9 (10)
102.2 (9)	99.3 (7)	98.5 (6)	98.1 (4)	95.4 (2)	85.0 (1)	100.0 (8)	96.7 (3)	105.3 (10)
111.3 (9)	107.2 (8)	89.0 (3)	101.7 (7)	90.9 (4)	62.7 (1)	100.0 (5)	87.9 (2)	121.4 (10)
117.8 (10)	109.6 (8)	73.4 (3)	92.3 (6)	84.8 (5)	63.9 (1)	100.0 (7)	66.8 (2)	116.5 (9)
107.3 (9)	105.2 (8)	83.8 (3)	95.3 (5)	84.9 (4)	58.6 (1)	100.0 (7)	81.9 (2)	112.0 (10)
108.6 (10)	107.2 (8)	97.9 (4)	97.2 (3)	88.8 (2)	65.9 (1)	100.0 (6)	98.0 (5)	108.5 (9)
109.2 (9)	109.4 (10)	97.9 (4)	97.7 (3)	87.9 (2)	68.3 (1)	100.0 (6)	98.7 (5)	107.0 (8)
111.7 (9)	101.2 (7)	99.3 (4)	98.5 (3)	95.0 (2)	46.6 (1)	100.0 (6)	99.9 (5)	129.3 (10)
<b>102.6 (9)</b>	<b>100.0 (7)</b>	<b>96.5 (3)</b>	<b>98.2 (5)</b>	<b>95.0 (2)</b>	<b>81.8 (1)</b>	<b>100.0 (8)</b>	<b>97.8 (4)</b>	<b>107.6 (10)</b>

Location	Country	Index <sup>1</sup>	Rank
New York City, NY	United States	102.0	19
North Virginia (Metro DC), VA	United States	99.0	17
Philadelphia, PA	United States	98.3	15
Quebec City, QC	Canada	92.4	2
Saginaw, MI	United States	97.0	11
Sherbrooke, QC	Canada	91.2	1
St. Catharines-Niagara, ON	Canada	94.7	4
Toronto, ON	Canada	95.8	8
Trenton, NJ	United States	99.8	18
Wilmington, DE	United States	97.6	14
Youngstown, OH	United States	95.2	6
<b>Southeast US</b>			
Atlanta, GA	United States	96.3	6
Greenville-Spartanburg, SC	United States	95.6	2
Jackson, MS	United States	96.5	8
Little Rock, AR	United States	95.9	3
Miami, FL	United States	97.0	10
Montgomery, AL	United States	96.2	5
Nashville, TN	United States	97.0	9
Raleigh, NC	United States	96.4	7

Location	Country	Index <sup>1</sup>	Rank
Shreveport, LA	United States	94.3	1
Tampa, FL	United States	96.0	4
<b>Mexico</b>			
Mexico City	Mexico	82.1	2
Monterrey	Mexico	81.5	1
<b>Midwest US/Western Canada</b>			
Albuquerque, NM	United States	98.3	19
Billings, MT	United States	95.9	8
Cedar Rapids, IA	United States	96.9	11
Cheyenne, WY	United States	94.9	4
Chicago, IL	United States	98.8	20
Dallas-Fort Worth, TX	United States	97.7	14
Denver, CO	United States	99.6	22
Edmonton, AB	Canada	95.7	7
Fargo, ND	United States	96.2	9
Houston, TX	United States	97.9	17
McAllen, TX	United States	94.8	3
Milwaukee, WI	United States	97.8	16
Minneapolis, MN	United States	99.0	21
Oklahoma City, OK	United States	95.6	6
Omaha, NE	United States	96.5	10
Phoenix, AZ	United States	98.1	18

Location	Country	Index <sup>1</sup>	Rank
Salt Lake City, UT	United States	97.4	13
Saskatoon, SK	Canada	94.0	2
Sioux Falls, SD	United States	95.5	5
St. Louis, MO	United States	97.8	15
Wichita, KS	United States	97.3	12
Winnipeg, MB	Canada	93.9	1
<b>Pacific US/Canada</b>			
Anchorage, AK	United States	106.3	12
Boise, ID	United States	97.2	3
Honolulu, HI	United States	107.3	13
Las Vegas, NV	United States	99.8	7
Los Angeles, CA	United States	101.4	10
Portland, OR	United States	98.9	5
Prince George, BC	Canada	94.3	1
Riverside-San Bernardino, CA	United States	99.5	6
San Diego, CA	United States	100.9	9
San Francisco, CA	United States	104.1	11
Seattle, WA	United States	100.1	8
Spokane, WA	United States	98.4	4
Vancouver, BC	Canada	94.9	2

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Based in all regions of the globe, KPMG's GLES professionals offer locally relevant, industry-specific knowledge that can help support expansion and relocation decisions.

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www.nlbusiness.ca

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