

Article

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Costs Beyond Our Control

There are certain location-sensitive costs that are beyond the control of any one firm. KPMG's 2004 guide to business costs in North America, Europe, and Asia-Pacific offers some interesting insights. Labor represents 56 to 72 percent of location-sensitive costs for manufacturing operations, and 75 to 85 percent for non-manufacturing operations. Total labor costs are lowest in Canada, then Australia, Italy and the United Kingdom.

Taxes represent another major component. Overall, the United Kingdom and Australia are the two countries that offer low effective income tax rates for the widest range of operations. Industrial facility costs are lowest in the United States and Australia.

Canada and Iceland offer the lowest electricity costs, while natural gas costs are lowest in the United Kingdom and Australia. Telecommunication costs are lowest in the United States and Germany.

Canada is the overall cost leader, followed very closely by Australia. The United Kingdom ranks third. The United States is the country that has experienced the greatest improvement in its competitiveness since 2002. Currency fluctuations have played a big part.

