News

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KPMG STUDY REVEALS OKLAHOMA CITY IS LEAST-EXPENSIVE MID-SIZED U.S. LOCATION FOR BUSINESS

Raleigh, Buffalo and Nashville Also Highly Cost-Competitive

NEW YORK, **March 30** – Oklahoma City is the least-costly metropolitan area to do business among 12 U.S. locations with populations between 1 million and 2 million, according to a study by KPMG LLP, the audit, tax and advisory firm. Contributing to Oklahoma City's top ranking were its very low costs for labor, industrial/office leasing and electricity.

Raleigh, N.C., ranked second in the study for mid-sized cities, with Buffalo, N.Y., and Nashville, Tenn., coming in third and fourth, respectively. Other cities that performed well were Indianapolis, Salt Lake City, Wilmington, Del., Milwaukee, and Providence, R.I. In fact, of the 12 mid-sized cities studied, all had business costs below the U.S. baseline of 100.0.

"Our study offers a comprehensive guide for comparing business costs in the United States and contains valuable information for any company seeking a cost advantage in locating a business operation, especially in the current economic environment," said Hartley Powell, national leader of KPMG's Global Location and Expansion Services practice. "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."

KPMG's 2010 *Competitive Alternatives* study measured 26 significant cost components including labor, taxes, real estate and utilities as they applied to 17 industries, over a 10-year planning horizon, along with a variety of non-cost-competitive factors. The study enables companies to perform a "quick scan" of jurisdictions to determine which can offer a cost-competitive business environment.

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Mid-Sized Cities by the Numbers

According to the study, Oklahoma City had a cost index of 95.6, coming in 4.4 percent below the U.S. baseline of 100.0. Raleigh followed with a cost index of 96.4, while Buffalo and Nashville ranked third and fourth with cost indexes of 96.5 and 97.0, respectively.

Raleigh performed well in numerous cost categories, including labor, office leasing and electricity costs, even though it wasn't among the lowest in any single-cost factor. Buffalo's ranking was driven by very low transportation costs, as well as low costs for labor. Nashville also benefited from low costs for labor, along with low natural-gas costs.

Indianapolis, with a cost index of 97.2, ranked fifth among mid-sized cities and profited from low industrial lease, natural gas, and sales tax costs. Salt Lake City, with only a slightly higher cost index of 97.4, ranked sixth, aided by very low electricity and natural-gas costs.

Wilmington and Milwaukee were seventh and eighth, respectively, in the mid-sized cities category, with cost indexes of 97.6 and 97.8, respectively. Both of these cities benefited from very low property and sales-tax costs, with low transportation costs also assisting Wilmington, and low office leasing costs also benefiting Milwaukee. Providence ranked ninth, aided by low industrial-lease and property-tax costs, as well as a low effective corporate-income tax rate.

At the other end of the spectrum, Trenton, N.J., and Las Vegas, with an identical cost index of 99.8, and Hartford, Conn., with a slightly lower cost index of 99.7, were the most expensive among the mid-sized cities studied, although they still fall just below the U.S. baseline. Trenton's cost index reflected higher costs for labor, compared to the other locations, while Las Vegas' cost index was due in large part to high office-lease and sales-tax costs. Hartford's industrial lease and electricity costs contributed to its higher ranking.

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Incentives Can Tip the Scales

Commenting further, KPMG's Powell said: "Identifying which sites are most worthy of further investigation by a company as it considers relocation is just the first step. Although business costs and location issues are important considerations in the site-selection process, companies should also remember that discretionary incentives offered by many jurisdictions may enhance the cost-attractiveness of alternate sites."

Cost indexes for all mid-sized U.S. cities studied follow. The benchmark cost index (U.S. = 100) is defined as the average of business costs in the four largest U.S. metropolitan areas: New York, Los Angeles, Chicago, and Dallas-Fort Worth.

KPMG's 2010 COMPETITIVE ALTERNATIVES STUDY
(U.S. Cities with population of 1 million to 2 million)

City	Cost Index	Rank
Oklahoma City, OK	95.6	1
Raleigh, NC	96.4	2
Buffalo, NY	96.5	3
Nashville, TN	97.0	4
Indianapolis, IN	97.2	5
Salt Lake City, UT	97.4	6
Wilmington, DE	97.6	7
Milwaukee, WI	97.8	8
Providence, RI	98.0	9
Hartford, CT	99.7	10
Las Vegas, NV	99.8	11
Trenton, NJ	99.8	12

Cost-index figures were created by measuring the combined impact of 26 cost components that are most likely to vary by location. More than 1,900 individual business scenarios were examined, analyzing more than 40,000 items of data.

The overall *Competitive Alternatives* study measured business-operating costs in 112 cities throughout 10 countries. The full text of the 2010 study is available online at www.CompetitiveAlternatives.com.

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KPMG’s Global Location and Expansion Services practice, with more than 50 U.S. professionals, offers a comprehensive range of services that help companies find tax and other efficiencies when expanding, relocating or consolidating their facilities. The practice operates domestically and globally and is part of KPMG’s State and Local Tax practice in the United States.

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