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Business on the cheap

City third-lowest market to run a head office

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A growing number of companies are looking for cheaper locations to set up shop, and Winnipeg could be one of the big beneficiaries of that trend, according to a leading U.S. site-selection specialist.

A new study of 50 major Canadian and U.S. cities by The Boyd Company, Inc. ranks Winnipeg as the third-cheapest market in which to operate a head office.

That backs up the findings of a recent study by KPMG, which ranked Winnipeg as the most cost-competitive city among the 25 western Canadian and Midwest U.S. cities it examined.

Boyd principal John Boyd Jr. said some of the advantages Winnipeg has going for it include low labour, hydroelectricity and amortization costs, which include such things as land and construction costs.

On top of that, it boasts a stable economy, a central location, a vibrant arts community and professional sports teams.

Those are some of the same benefits cited by KPMG and by local business boosters such as Yes! Winnipeg and Economic Development Winnipeg. While they haven't been enough to draw a flock of new businesses to the city just yet, Boyd said that could soon change.

In the aftermath of the 2008-09 global recession, companies are focused on rebranding themselves as fiscally prudent operations, Boyd said, and many are finding it's easier to reduce costs than to boost revenues.

"As a result, location decisions at every level of the corporate structure -- from offshore call centres and assembly plants right up to the corporate head office suite -- are all being made with cost minimization as an overriding objective," the company report states.

The Boyd study focused on the comparative cost of operating a head office in the 50 different cities because it sees that as "the next major frontier of Canadian corporate cost-cutting and strategic site selection" over the next several years.

And if a low-cost location is what they're looking for, smaller Canadian cities such as Winnipeg, Halifax, Regina and Saskatoon, and U.S. Midwestern cities such as Indianapolis can stand out in the crowd, Boyd said.

"If a company is in Vancouver or Toronto and is growing weary of the high cost of doing business there... Winnipeg is the type of city they are going to be looking at, as well as Indianapolis."

That would be a refreshing change from 10 or 20 years ago, when Winnipeg was losing head offices to faster-growing western Canadian cities such as Calgary and Edmonton.

But Boyd said the two Alberta centres were still considered low-cost cities back then, and that's not so true these days. "Edmonton and Calgary are no longer as cost-effective as they were a decade ago, particularly for commercial (office) space. Those costs are skyrocketing."

While some costs may be skyrocketing there, Boyd found Edmonton was still slightly cheaper than Winnipeg, while Calgary was ranked fourth-lowest on the list. The most costly Canadian head-office city is Toronto, the study found, and New York City is the most expensive of them all. Indianapolis was the lowest-cost U.S. market.

Boyd said high-cost Canadian cities don't just have smaller Canadian cities to worry about. A growing number of Canadian companies are also relocating their head offices to lower-cost U.S. cities. And that's a trend that's likely to continue if the Canadian dollar remains close to par with the U.S. dollar, he said.

Yes! Winnipeg leader Bill Morrissey agreed operating costs are a major consideration with most of the companies his organization deals with.

But he and Economic Development Winnipeg CEO Marina James said they haven't encountered many firms that are looking to move their head offices here.

Instead, most are considering Winnipeg as a site for things like new branch office, a manufacturing plant, a distribution facility, or a customer-service centre.

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Some key rankings in The Boyd Company's comparison of annual operating costs in 50 major Canadian and U.S. markets for a hypothetical company with 100,000 square feet of space and 500 employees:

New York City was the most expensive, at \$47.2 million.

Halifax/Dartmouth was the cheapest, at \$32.9 million.

Winnipeg was third-lowest, at \$33.4 million, while Edmonton was ranked second-lowest at \$32.9 million and Calgary fourth-lowest at \$35.2 million.

Toronto/Mississauga and Vancouver/Burnaby were the two most expensive Canadian markets, at \$39.2 million and \$39 million respectively.

Indianapolis was the lowest-cost U.S. market (fifth cheapest overall) at \$35.7 million.

Some key areas where Winnipeg stacked up well against other cities:

Total labour costs: \$29 million annually, versus \$33.5 million in Toronto and \$40.2 million in New York.

Electric power costs: \$146,160 annually versus \$295,470 in Halifax, \$274,050 in Toronto and \$441,108 in New York.

Some areas where it didn't do so well:

Property and sales tax costs: \$1.5 million annually, versus \$633,531 in Indianapolis, \$1.3 million in Chicago and \$1 million in San Francisco.

Air travel costs: \$290,784 annually, versus \$185,628 in Indianapolis, \$275,928 in Toronto and \$213,480

in New York.

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