

Head office costs lowest in Calgary

San Francisco most expensive

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Companies headquartered in Calgary enjoy the lowest head office operating costs in North America, suggests a new study of 52 cities.

The report, by The Boyd Co. Inc., was viewed by business officials as further proof Calgary is becoming Canada's western head office centre.

Calgary posted annual operating costs for a typical corporate administrative office of \$14.1 million US, the lowest in the survey of key expenses such as labour, office lease rates, utilities and corporate travel.

By contrast, San Francisco was the highest cost city at a whopping \$22.4 million US.

"Companies are examining their cost structures at all levels of the corporate organization and now the corporate headquarters is under the microscope," said John Boyd, president of the New Jersey-based location consulting firm.

"As our study indicates, Calgary would offer some very significant cost savings for companies."

Notable recent relocations include Boeing's 2001 move to Chicago from Seattle, and Imperial Oil's imminent switch to Calgary from Toronto.

"The good news is they consider Calgary one of the top 50 corporate headquarter cities in North America," Richard White, executive director of Calgary Downtown Association, said of the study.

"We're probably one of the top 10, when you look at our size and 35 million square feet of office space in our downtown. The fact we have 20-minute access to our airport is huge in a world where people are travelling."

Head office locations have become more flexible with the global nature of many companies and the threat of terrorism.

"The whole terrorism issue says 'Why wouldn't you decentralize and have some key things happening in Calgary?' which is a much less likely terrorist site than a Toronto, New York, London, Paris or Houston," White said.

Calgary's inclusion in the study is also welcome news for Calgary Economic Development officials.

"Other than Toronto, we're the only Canadian centre on here, which to me says that in the opinions of these U.S. location consultants, Calgary is the western head office centre of Canada, which is a really significant indication," said Adam Legge, director, research and business information.

"It's just another validation of what we've been promoting for a long time -- that Calgary is the most cost-effective location for head office activity in North America."

Currently, nine of the Financial Post's Top 50 companies are headquartered in Calgary, compared with 18 in Toronto.

Legge said Calgary is a desirable head office location because of its diverse, talented and well-trained labour pool.

The overall business environment -- including the low tax regime in Alberta, competitive real estate market and competitive utility rates -- is another selling point.

"The third thing would be the quality of life, which enables a corporate head office to attract and retain that labour pool," said Legge.

"Without a quality of life, people particularly in a head office setting aren't going to stick around long. Their skill sets can be in demand anywhere from Calgary to New York to Los Angeles to Toronto."

Boyd is in Calgary today to meet with corporate planners from Western Canada and the U.S. Pacific Northwest.

The cities analysed in the study are those which house large concentrations of corporate office employment, including head office and administrative back office support.

Also included are emerging corporate office markets projected to be leading regional centres of new corporate office investment during the 2004 and 2005 period.

Total annual operating costs are based on a representative corporate administrative office facility employing 350 workers and occupying 50,000 square feet of Class A office space.

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Cost comparison between cities

Lowest cost city:

Calgary

- Total annual operating costs: \$14.1 million US

- Annual labour costs:

\$12.1 million US

- Electric power costs: \$38,900 US

- Office rent : \$602,900 US

Highest cost city:

San Francisco

- Total annual operating costs: \$22.4 million US

- Annual labour costs:

\$19.2 million US

- Electric power costs: \$110,000 US

- Office rent costs:

\$1.6 million US

Source: The Boyd Co. Inc.

This story features a factbox "Cost comparison between cities".

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