

## **Costs drive site selection**

### **Economist helps clients account for variables involved in choosing locations**

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**Selecting sites for offices, factories and shopping centres ought to be a dollars-and-cents proposition echoing the axiom that it's all a matter of "location, location, location."**

In fact, site selection is a matter of hard-cost accounting as well as accounting for tastes.

Reducing the riddles of siting has been the business of Princeton, N.J.-based John Boyd for 28 years. A 53-year-old, French-speaking economist, he took a job with management consultancy Dun & Bradstreet in New York, where he worked on site evaluation, and then, in 1975, set out on his own.

His first assignments as an independent site consultant led him to guide Canadian companies moving head offices out of Montreal in the wake of the passage of Bill 101, which compelled companies to use French in their daily business, to Toronto and New York.

Today, much of his work is helping U.S. and European companies set up Canadian offices and plants and assisting Canadian companies in establishing branch operations.

In assisting Toronto-Dominion Bank to optimize the call centres it acquired through its 2001 merger with Canada Trust, he prepared what Suzanne Deuel, TD's senior vice-president of human resources, calls "an exhaustive report on what the merger would mean and what management would have to do to make it work."

Mr. Boyd strives to be politically neutral, which is not necessarily easy

when dealing with U.S. companies and laws that have heightened sensitivity to security issues.

In his view, the numerous variables in site selection, including labour costs, electric power costs and access to airports, train lines and highways, should be the core issues in site selection. "Problems of border management will be solved in time," he says.

"The North American free trade agreement makes the U.S. and Canada a single entity for site selection purposes," Mr. Boyd says. "Our clients are increasingly making location choices that regard the continent as seamless."

Seeking to reduce the vast number of variables that affect site choices to those that can be quantified, Mr. Boyd channels matters of personal or local preference -- such as Canada's forbidding winters in comparison to Florida's forbidding hurricanes -- to a question of taste. "Some clients like vanilla and some like chocolate," he says. "Canada has colder winters but the country is equipped to handle that weather."

The analysis of variables in site selection, which economists had sought to reduce to a mathematical mapping problem in the 19th century, has become a predictive science in which the best planners have to stay ahead of issues that involve security and its effect on security matters, Mr. Boyd notes.

For example, it has become desirable to put plants and offices in places that have direct and quick access to small airports that tend not to be locked down when security issues arise. Too many security-driven shutdowns have hit Newark, LaGuardia and San Francisco International airports, he says.

"You don't want executives with six-figure salaries standing in line for security for two to three hours," he explains. "Air travel through hubs used to be inefficient, now it has become really troublesome. Gateway airports have more security problems than smaller, less risky airports that offer direct flights to other places."

Unlike Via Rail service in the corridor from Windsor to Quebec City, U.S. Amtrak service is unreliable and getting worse, he says.

Canada is growing in popularity among European companies that are establishing North American beach heads. The higher level of education of the Canadian labour force as compared to the U.S. labour force draws

some companies, Mr. Boyd says. Just as importantly, Canada's national health care system financed by taxes means that employers do not have to support immensely costly company health plans. Health care costs are a major drag on corporate earnings in the United States.

As well, Canada is seen as politically stable with moderate costs of living in most areas, competitive corporate taxes, competitive wages, and relatively low energy costs that offset relatively high heating requirements in the long winter months, he says.

Canada has more favourable tax treatment for research and development costs than the United States, Mr. Boyd says. Internationally recognized mathematics centres like the University of Waterloo and developing biotech research centres in Montreal and Saskatoon are making Canada more attractive to businesses that need access to those assets. Add an affinity that some European companies have for Canada and its linguistic diversity and cultural accommodations, and the country appears to offer valuable bonuses for locating north of the U.S. border, he adds.

Finally, there is the issue of political security. In contrast to the heightened concerns about security in the United States, Canada offers a relatively relaxed atmosphere, Mr. Boyd says. "There is a greater reluctance to invest in developing countries where political unease is a concern. Canada appears to be stable and that's a big plus in its favour. Our clients tend to see Canada as a safe haven and as a cost-efficient place to do business. With those qualities, a few blizzards melt in significance."