

**COMPARATIVE OPERATING COST ANALYSIS:
EXECUTIVE SUMMARY AND NOTES**

Introduction

In the following Boyd analysis, major operating costs scaled to a representative corporate headquarters facility are presented for a series of 25 comparative U.S., European and Asian cities. Annual operating cost totals are presented in Summary Exhibit I and range from a high of \$38.1 million in Hong Kong to a low of \$17.3 in Singapore. U.S. cities range from a high of \$28.5 in San Francisco to a low of \$22.1 in Newark. All costs are expressed in U.S. dollars.

Annual operating costs were projected solely for comparative purposes, with only major geographically-variable factors being considered. Those costs not varying significantly with geography, including relocation and start-up expenses, were not considered. The analysis focuses on those key geographically-variable cost elements considered to be most pivotal within the corporate site selection process. Sales and income factors are not considered.

Operating costs are scaled to a hypothetical 75,000 sq. ft. head office employing 250 workers. The analysis provides an independent and authoritative point of reference for the corporate planner's assessment of comparative operating cost levels in each of the surveyed cities. The format of the cost exhibits will allow further custom tailoring of the cost data, occupancy assumptions and staffing levels to reflect alternate scales of operation and growth expectations.

Comparative Headquarters Locations

For purposes of comparative economic analysis, major geographically-variable operating costs have been projected by Boyd for the following series of U.S. and off-shore cities currently housing concentrations of head office operations.

A COMPARATIVE OPERATING COST ANALYSIS

CORPORATE HEADQUARTERS SITE SELECTION

- Los Angeles, CA
- Oakland, CA
- Orange County, CA
- San Francisco, CA
- San Jose, CA
- Stamford, CT
- Washington, DC
- Chicago, IL
- Boston, MA
- Newark, NJ
- New York, NY
- Brussels, BE
- Zurich, CH
- Frankfurt, DE
- Madrid, ES
- Paris, FR
- London, GB
- Milan, IT
- Stockholm, SE
- Sydney, AU
- Shanghai, CN
- Hong Kong, HK
- Osaka, JP
- Tokyo, JP
- Singapore, SG

Comparative Labor Costs

Annual costs for labor are presented in Exhibit II. Comparative costs are based on a mix of 250 representative corporate headquarter positions scaled to the model office. Comparative labor costs for executive and top management positions were not included as these costs would tend not to vary significantly by geography, but rather by individual company compensation practices.

Fringe benefit costs are included as a percent of total annual base payroll costs and are assumed to include all statutory benefits, pay for time not worked and

company-sponsored benefits consistent with local practices.

Comparative Electric Power Costs

Comparative annual electric power costs are presented in Exhibit III. Annual costs reflect commercial rate schedules of the various utilities serving each of the 25 surveyed areas.

Comparative Office Rent Costs

Exhibit IV presents comparative costs for the leasing of an assumed 75,000 sq. ft. of Class-A downtown office space in each of the surveyed cities.

Comparative Amortization and Sales/VAT Tax Costs

Exhibit IV also presents comparative amortization costs as well as sales tax costs based on a fixed annual purchase of supplies, furnishings, equipment and other taxable goods. For the surveyed European cities, prevailing VAT tax levies on taxable purchases of supplies, furnishings, equipment and other taxable goods are presented.

Comparative Corporate Travel Costs

Comparative annual on-site corporate travel costs for each of the 25 surveyed cities are presented in Exhibit VI. On-site costs include corporate traveler lodging, meals, local transportation and other business travel incidentals.

Figures are indicative of local business travel cost structures expected to be incurred by management, technical support and other customer and vendor visitations to each of the surveyed head office sites.

A COMPARATIVE OPERATING COST ANALYSIS

CORPORATE HEADQUARTERS SITE SELECTION

Total Annual Operating Cost Ranking

Taken from summary Exhibit I is an overall cost ranking of the 25 surveyed headquarters cities.

Corporate Headquarters Location	Total Annual Operating Costs
Hong Kong, HK	\$38,147,402
San Francisco, CA	\$28,527,658
Stockholm, SE	\$28,449,095
Zurich, CH	\$28,336,698
New York, NY	\$27,996,946
Tokyo, JP	\$27,233,039
San Jose, CA	\$26,748,336
Brussels, BE	\$25,795,801
Paris, FR	\$25,707,723
Oakland, CA	\$25,593,107
London, GB	\$25,215,647
Boston, MA	\$25,198,907
Washington, DC	\$25,102,865
Sydney, AU	\$24,317,568
Milan, IT	\$24,234,115
Los Angeles, CA	\$24,191,592
Stamford, CT	\$24,090,075
Chicago, IL	\$23,674,876
Osaka, JP	\$23,612,025
Orange County, CA	\$23,598,707
Frankford, DE	\$22,847,550
Newark, NJ	\$22,155,411
Shanghai, CN	\$20,018,494
Madrid, ES	\$18,729,627
Singapore, SG	\$17,384,892

About Boyd

Founded in 1975, Boyd (www.theboydcompany.com) provides independent location counsel to leading North American and overseas corporations. Devoted exclusively to corporate mobility, The Boyd Company is recognized as a leading authority in comparative business cost analysis and strategic site selection. Boyd clients with global operations include those of JP Morgan Chase, PepsiCo, GlaxoSmithKline, Boeing, BNP Paribas, Kumon, Mayne Pharma and others.