

Survey says we're No. 7

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Cincinnati is one of the least-expensive cities in the country in which to operate a corporate headquarters, according to a new national study.

The region ranked seventh among 30 major markets surveyed by the Boyd Co. Inc., a Princeton, N.J.-based corporate location consulting firm.

"Cincinnati is more competitive than ever before," said consultant John Boyd, who presented the results of the study to a group of former and current corporate clients Tuesday at the Cincinnati Marriott North in West Chester Township.

Annual operating costs of a hypothetical corporate office in Greater Cincinnati employing 350 would be \$22.9 million, according to the study.

Las Vegas, which has lately become a hot corporate headquarters location, ranked first in the Boyd study at \$21.9 million.

The survey of metropolitan markets with populations of at least 2 million and a concentration of Fortune 500 headquarters looked at administrative support, labor costs, construction costs, utilities, corporate travel and other operating expenses.

Boyd, whose firm has done independent site analyses for corporations such as PepsiCo, J.P. Morgan Chase, Time Inc. and Convergys Corp., in Cincinnati, said global competitive pressure is pushing companies to find the lowest-cost markets for new headquarters.

"We think the corporate headquarters arena will be the next frontier in corporate cost-cutting and corporate restructuring," he said.

Among six Midwest cities in the survey, Cincinnati ranked lowest in nonexempt annual labor costs at \$20.1 million.

Its construction and amortization costs for a 55,000-square-foot corporate office on 5.5 acres at \$1.28 million.

Western & Southern Financial Group is trying to use Cincinnati's advantages to draw tenants to a new office tower it hopes to build downtown.

It's planning a new tower with more than 700,000 square feet between Third and Fourth streets just east of Sycamore but needs to sign leases for some of the space first.

John Barrett, Western & Southern chairman and chief executive officer, said Cincinnati might need to stretch its normal conservatism to land a new corporate headquarters here.

"There are just easier places to do business," Barrett said. "I think we have to step up a little bit and take some chances."

Boyd's research also raises some issues that could pose a challenge to luring corporate headquarters to Cincinnati.

While businesses tout the wide range of direct flights and extensive service at Cincinnati/Northern Kentucky International Airport, the city also ranked highest among the six Midwest cities in corporate travel costs at \$614,076. That's because it had the highest air travel cost of \$361,829 based on 63 monthly domestic flights.

Detroit had the lowest overall travel costs in the Midwest at \$535,475. The other Midwest cities in the survey were Chicago, Cleveland, Minneapolis and St. Louis.

And a separate poll of 100 top-level corporate executives asked what, other than operating costs, were important drivers for corporate headquarter site selection.

A business-friendly tort system ranked first, among those surveyed, at 29 percent, followed by low or no corporate and personal income tax at 21 percent and 18 percent respectively; business-friendly labor laws at 15 percent; low property taxes at 10 percent; and availability of headquarters' location incentives at 7 percent.

The legal climate is a problem for Ohio cities, Boyd said, citing Gov. Ted Strickland's veto of legislation capping lead-paint liability for manufacturers in one of his first acts on becoming governor.

"One unfavorable lawsuit can have a big impact on a company," he said, even though the Ohio Supreme Court later found Strickland's veto illegal because it came too late.

Las Vegas ranked best among all the cities surveyed, he said, because it has no corporate or personal income tax and has business-friendly right-to-work labor laws. Nevada is one also of the few states with a business-friendly court system.