ASIA PACIFIC
Cities of Opportunity

SYDNEY
Chamber of Commerce
part of
NSW Business Chamber

PricewaterhouseCoopers

Contents

1 Foreword

This report outlines the economic strengths and weaknesses of major Asia Pacific cities. For the first time, there's an authoritive source which backs up the business case of the region's cities. The good news is that among most indicators, Sydney performs strongly.

The economic growth of the Asia Pacific region is indicative of the energy and diversity of its people. But in such a competitive region, Sydney needs to work hard to stay ahead of the pack.

Sydney is already a major hub in the Asia Pacific and a key player in global supply chains and the financial services sector. But this report reveals what Sydney must do to remain competitive and dynamic, especially up against consistent performers such as Tokyo and Singapore.

The indicators used in this benchmarking study reflect what corporations consider when deciding where to locate their regional headquarters. This report also considers other key aspects of doing business in the Asia Pacific – amenity, environment and lifestyle.

The study shows that Sydney continues to offer an internationally competitive business environment, while not compromising quality of life. Sydney's strategic location in the Asia Pacific, liveability, stable governance, investment climate and human resources, place us in a strong position globally.

We hope this report will stimulate discussion about the region and Sydney's place within it.

Yours sincerely

Patricia Forsythe

The Hon. Patricia Forsythe
Executive Director
Sydney Chamber of Commerce

2 Introduction

The emergence of the Asia Pacific region onto the world economic stage has been the centre of much political and media attention. This attention is equalled by the excitement surrounding the region's future, as countries realise their labour market potential and natural resource wealth, consumer markets blossom and financial markets mature.

Accompanying this emergence has been the rapid growth of key cities that act as gateways into the Asia Pacific. But which cities offer the greatest opportunity for business to unlock the wealth and prosperity this region promises? And what unique challenges must be identified and skillfully negotiated by any business entering these cities? The Sydney Chamber of Commerce, in partnership with PricewaterhouseCoopers, have adopted a business readiness angle from which to approach these questions; an angle that produces some thought provoking insights into the cities of the region.

Initially, we were unsure what answers we would uncover. Would a global city like Tokyo retain its leadership and competitive advantage across the region? A number of cities could challenge this. Sydney, better known for its physical attributes, is now emerging as an important financial hub given its geographical proximity and strengthening economic ties within the Asia Pacific region. Singapore and Hong Kong are consolidating their spheres of influence after riding the economic success of the Asian Tigers during the later stages of the 20th century. The rapid expansion of China in the last decade has also propelled Shanghai and Beijing into increasingly important regional and global leadership roles.

The vast socio–economic, political and historical differences within the region add further interest to the questions. How will these forces shape the dynamics both within, and between, the cities of this region?

We have selected nine key cities across the Asia Pacific to study – Beijing, Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Shanghai, Singapore, Sydney and Tokyo. Each offers its own distinct advantages to business and a unique pathway into the region.

However, it's not the selection of cities that sets this study apart. Rather, it's our choice of criteria which differentiates this study. We have built upon the unique approach adopted by the inaugural *Cities of Opportunity: Business–readiness indicators for the 21st century*[1], focusing and refining these criteria to suit the Asia Pacific region. We feel there are eight categories that indicate what it takes for a city to be business ready in the 21st century. These eight categories take on added importance in this region where access to human capital, the ease of doing business, lifestyle and environmental assets can differ significantly from Western city counterparts.

These eight categories contain 29 individual variables, selected because we think they are not only interesting in their own right, but also offer insights into broader social, economic and political factors that drive a city's business readiness.

We are conscious that the reliability of the variables depends on the rigour of collection and the transparency of the governance. We have made every effort to ensure the accuracy of these figures, backing statistical findings with anecdotal evidence from both country specialists and subject matter experts.

The findings of this report have a range of implications. For businesses, there is no standout city that is immediately positioned as the key gateway into the region. This implies that trade–offs need to be made based on factors most important to individual businesses.

The lack of a standout city also has implications for the cities themselves. Established cities are seeing their influence eroded by the phenomenal growth of emerging cities that, twenty years ago, would not have been mentioned in the same sentence, let alone be vying for the same investment dollars. While these established cities still display leadership in crucial areas, the need for precise, informed city policy and infrastructure investment is perhaps more important now than ever in retaining competitiveness.

For cities emerging onto the regional and world stage, the findings of this report identify current strengths and future opportunities. This allows cities to shape their futures, fully realising these opportunities through informed and strategic policy initiatives.

1. Partnership for New York City & PricewaterhouseCoopers, 2007, Cities of Opportunity: Business–readiness indicators for the 21st century.

To enable comparison of the cities, we have scored them against each variable. The city that scored most favourably was given nine points. The city that scored least favourably was given one point, while a city was given zero if the individual variable was not applicable. Within each category these scores were tallied to see which city scored highest, indicating overall leadership in the category.

- Financial Clout
  Credit Rating
  Number of Global 500 HQ's
  Value of Stock Exchange

- Ease of Doing Business
  Corporate Tax
  Ease of Employment
  Flexibility of Employment
  Corruption

- Intellectual Capital, Technology & Innovation
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  Per cent of Population with a Tertiary Education
  Top 500 Universities
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- Environmental & Lifestyle Assets
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- Health, Safety & Security
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- Demographic Advantages
  Population Density
  Working Age Population
  Diversity of Population
  Gender Equality

- Cost
  Cost of Living
  Purchasing Power
  Cost of Skilled Labour
  Cost of Prime Office Space


Satu warisan. Satu matlamat.

3 Financial Clout

Position		Credit Rating	Number of Global 500 HQs	Value of Stock Exchange	Score
1	Tokyo	**9**	**9**	**9**	27
2	Sydney	**9**	7	6	22
3	Shanghai	5	6	8	19
3	Hong Kong	6	6	7	19
5	Singapore	**9**	4	5	18
6	Beijing	5	8	0	13
7	Kuala Lumpur	3	4	4	11
8	Bangkok	2	4	2	8
9	Jakarta	1	0	3	4

There is an old saying: it takes money to make money. A city's financial clout is not only a good measure of its ability to do business but also to attract financial resources and international investment. However, this financial clout must be based on solid foundations, a factor of growing importance given the current global uncertainties in world financial markets. In examining financial clout we have therefore looked at three variables:

- Credit rating[2]
- Number of Fortune Global 500 headquarters[3]
- Value of stock exchange[4]

These measures have been selected because they broadly cover aspects needed by a city to build and maintain financial clout. A city's credit rating is a measure of investor confidence in both the health of the economy and the strength of the financial systems and regulations underpinning it.

Market capitalisation displays the value and power of the city's stock exchange, also indicating the ability to do business and attract both financial resources and international investment. Finally the number of global 500 headquarters points to the ability of cities to help foster, attract and support large enterprise.

Not surprisingly, Tokyo took out the top spot, scoring highest across all three categories. Given its place along side London and New York as a global financial hub, the influence it currently exerts across the Asia Pacific is to be expected.

Sydney's superior investor confidence and ability to attract major companies edges out Hong Kong and Shanghai for second spot, despite both these cities possessing larger market capitalisation than Sydney.

These results serve to underscore the balance that may need to be struck between market size and financial system stability. For example, Shanghai's market capitalisation is second only to Tokyo and growing at a faster rate. However Shanghai does not possess the same investor confidence which is underpinned by the financial systems and regulation. Sydney on the other hand displays leadership in credit worthiness, yet records the fourth largest market capitalisation.

These rankings also shed light on some of the dynamics underpinning city growth in this region. Shanghai's position in equal third, along side Hong Kong and above Singapore (fifth), underscores its emergence as a financial powerhouse and growing sphere of influence in the region. However, Beijing is home to the second largest number of global 500 headquarters, reaffirming the diversity of city power sharing characteristics within China.

Finally, while ranking lowest, Jakarta is a city starting to show signs of growing financial influence in the region. It recorded stronger market capitalisation than Bangkok and has significant potential for rapid expansion.

2. Moody's Government Bonds (foreign currency) long–term credit worthiness rating. Credit ratings apply to the city, state or country depending on the individual city circumstances.
3. Fortune Magazine, 2007 Fortune Global 500 © Time Inc. All rights reserved.
4. The value of a stock exchange is measured through market capitalisation. Beijing, which doesn't host a stock exchange, is excluded from this variable.

4 Ease of Doing Business

Position		Corporate Tax	Ease of Employment	Flexibility of Employment	Corruption	Score
1	Singapore	8	**9**	**9**	**9**	35
2	Hong Kong	**9**	**9**	**9**	7	34
3	Sydney	2	7	**9**	8	26
4	Kuala Lumpur	5	6	**9**	5	25
5	Tokyo	4	6	4	6	20
6	Shanghai	7	3	4	4	18
6	Beijing	7	3	4	4	18
8	Jakarta	3	1	**9**	1	14
9	Bangkok	2	4	4	2	12

Regulatory red tape, taxation and corruption all stifle the ability to undertake business and can significantly cancel out other strengths a city may possess. Furthermore, the unique legal systems, styles of governance, cultural norms and employee expectations spanning all cities in this study highlight the importance for businesses to fully identify and understand what it takes to do business in the different cities.

In examining this category, we looked at four variables:

- Corporate tax rates[5]
- Ease of employment[6]
- Flexibility of employment[7]
- Corruption[8]

Two cities clearly top this list; Singapore boasts top spot but is closely followed by Hong Kong. These cities exemplify planning policies that actively encourage business investment through low corporate tax rates and a simple, yet flexible, employment environments. Both cites also take a very tough stance on corruption, placing first and third in this variable respectively.

Sydney comes in third place, ranking equal first in terms of flexibility of the work environment and finishing just behind Singapore in second spot for perceived lack of corruption. However Sydney's comparability to Singapore and Hong Kong is hindered by an onerous corporate tax rate which sees it placed equal last with Bangkok in this variable.

Kuala Lumpur finishes just behind Sydney in fourth place, demonstrating employment flexibility, and consistently finishing mid field against all other criteria. Interestingly, Tokyo finishes fifth, dragged down by high corporate tax rates and a less flexibile work/life balance.

Corruption is potentially the most important, and sensitive, of these variables. Shanghai, Beijing, Jakarta and Bangkok are pushed lower in the rankings due mainly to their performance against this variable. The prevalence of corruption cannot only potentially hamper business operations and deter foreign investment, but undermine many positive attributes a city may possess. However, it also represents an opportunity for cities that can effectively combat these corruption concerns.

5. PricewaterhouseCoopers, 2008, Worldwide Tax Summaries, www.pwc.com/taxsummaries. Corporate tax rates reflect all city, state and national taxes required for doing business in the respective city.
6. The World Bank, 2007, Doing Business. Ease of employment represents the employer requirements required for the hiring and termination of employees.
7. The World Bank, 2007, Doing Business. The flexibility of employment measures the ability of the business environment to balance work / life commitments.
8. Transparency International, 2007, Corruption Perception Index.

5 Intellectual Capital, Technology & Innovation

Position		Broadband Penetration	Per cent of Population with Tertiary Education	Top 500 Universities	Patents per Capita	Score
1	Tokyo	7	7	**9**	**9**	32
2	Singapore	8	8	6	6	28
3	Sydney	6	**9**	7	5	27
3	Hong Kong	**9**	6	8	4	27
5	Beijing	5	3	6	7	21
6	Shanghai	5	3	4	8	20
7	Kuala Lumpur	3	5	0	3	11
8	Bangkok	2	4	0	2	8
9	Jakarta	1	1	0	1	3

Technological advancement has come to epitomise the popular view of a modern city. No other force has altered the nature of business as quickly and dramatically as the technological advancements of the late 20th century. However, sitting behind this technology is a city's intellectual capital and innovative flair. The interactions between these three are inescapable: intellectual capital and technology drive innovation, which in turn attracts intellectual capital and furthers technology. Together, these three factors form crucial pillars that support the 21st century business readiness of a city. To gauge a city's level of intellectual capital, technology and innovation we have examined four variables:

- Broadband penetration (as a per cent of the population)[9]
- Per cent of population with a tertiary education[10]
- Top 500 universities in the city[11]
- Patents per capita[12]

Tokyo leads this category, taking first place in the measures of intellectual capital and innovation. Singapore places second scoring strongly across all categories. Sydney, third, places highest in terms of an educated population, while Hong Kong demonstrates the greatest broadband penetration.

Interesting variations exist when delving into the detail within these individual variables. For example, Beijing and Shanghai place mid field in terms of broadband penetration. However this variable overlooks restrictions around information access and free use of the internet. Both these factors pose potential issues for business looking to operate in these cities and represent an important political dimension that needs to be factored into decision making.

Patent registration is another very interesting category. While Tokyo tops the category, Shanghai and Beijing round out second and third spot. This is potentially explained by China's Patent Law which is based on the 'first to file' principal rather than 'first to invent'. This implies a patent can be granted before the required R&D investment is needed to move the idea off the drawing board. Furthermore, international exporters and domestic manufactures can be required to both file a patent for the same product, potentially resulting in double counting.

Notwithstanding these Chinese legal details, rapid innovation in manufacturing techniques and phenomenal growth in an increasingly diverse range of industries are the prime drivers of the substantial increase in patents issued. Furthermore, the registration of brands is also driving the growth in patents as consumer markets flourish and retail networks expand.

This rapid innovation growth in Shanghai and Beijing could be a harbinger of things to come. However, this potential needs to be backed by legal protection to ensure innovation is transferred into increased economic productivity and business advantage.

9. Broadband penetration is measured by the proportion of broadband users in the population.
10. Sources for this variable are country specific. Refer to our sources section at the back for further details.
11. Shanghai Jiao Tong University, Top 500 World Universities 2007, http://ed.sjtu.edu.cn/ranking.htm
12. Sources for this variable are country specific. Refer to our sources section at the back for further details.

6 Transportation Assets

Position		Congestion	Railway Stations per Capita	Number of Airline Carriers Operating	Freight	Score
1	Shanghai	7	5	**9**	7	28
2	Hong Kong	8	6	4	**9**	27
2	Singapore	**9**	7	3	8	27
4	Tokyo	2	**9**	6	6	23
5	Beijing	4	3	8	5	20
6	Sydney	3	8	5	1	17
6	Bangkok	5	2	7	3	17
8	Kuala Lumpur	6	4	2	4	16
9	Jakarta	1	1	1	2	5

The ability to move both people and freight into, out of and around a city in an efficient manner not only underpins its current capacity, but is crucial to its future economic growth and survival. In examining cities' transportation assets we looked at:

- Congestion[13]
- Railway stations per capita[14]
- Number of airline carriers operating[15]
- Freight (container port throughput and air cargo tonnage)[16]

Shanghai places first, servicing the greatest number of airline carriers and scoring strongly in terms of international freight access and congestion levels. Hong Kong and Singapore finished joint second, with Hong Kong leading the way in terms of freight and Singapore being the least congested city. Tokyo finishes fourth with the best railway station to population ratio.

While these overall rankings are of interest, behind them lie significant forces which shed light on where these rankings could be heading in the future. For example, over the last five years the number of air passengers flowing through Beijing has increased 98 per cent, catapulting Beijing from the 26th to 9th busiest international airport[17]. This is reflected in the number of airlines servicing Beijing and also has implications for the quality of the airport and its ability to cope with increased passenger volumes.

The story is similar for freight access, with Hong Kong's position as number one potentially under threat from Chinese cities. Shanghai's container throughput grew 20.0 per cent during 2006, while Beijing air cargo tonnes grew 15.8 per cent during 2007[18].

While Hong Kong still exhibits growth (up 4.5 per cent in air freight and 4.9 per cent in container freight) other established transport hubs like Singapore and Kuala Lumpur experienced contractions in volumes, down 0.7 per cent and 3.7 per cent respectively in air cargo[19]. These trends highlight the shifting dynamics of the region and the importance for more established cities to prioritise strategic infrastructure investment to remain competitive.

While these modal indicators are important for business, it would be wrong for city officials to simply examine each of these variables in isolation. Rather, a city's transportation assets should be examined holistically, with the final goals of transport policy taking prominence; be it enhancing the cities productive capacity, boosting connectivity to regional and global markets or increasing liveability for residents. It is only once these goals have been identified, and agreed upon, that targeted policy can be executed, using the most socio–economically appropriate modes.

This holistic approach is also important as insufficient variables and data exist to adequatey capture and compare transport efficency across cities. While congestion gives an indication of what is happening on the roads, railway stations per capita does not reflect the efficiency, quality or reliability of the rail system, instead demonstrating resident's access to mass public transport. Ideally, comparable measure of efficiency (both within and between modes) will emerge, as inefficient planning and transport systems have the potential to cause significant business frustration and choke the productive capacity of a city.

13. Congestion is a measure of the time taken to travel by road from the international airport to the city CBD weighted against the total distance of the trip. Times represent the average of peak and off peak travel. Sources for this variable are country specific. Refer to our sources section at the back for further details.
14. Sources for this variable are country specific. Refer to our sources section at the back for further details.
15. Sources for this variable are country specific. Refer to our sources section at the back for further details.
16. Air Cargo World, The Worlds Top 50 Cargo Airports 2007, www.aircargoworld.org; United Nations, Review of Maritime Transport 2007.
17. Airports Council International. www.airports.org.
18. Air Cargo World, The Worlds Top 50 Cargo Airports 2007. www.aircargoworld.com; United Nations, Review of Maritime Transport 2007.
19. Air Cargo World, The Worlds Top 50 Cargo Airports 2007. www.aircargoworld.com; United Nations, Review of Maritime Transport 2007.

7 Environmental & Lifestyle Assets

Position		Air Quality	Recreational Space	Entertainment	Total
1	Sydney	**9**	6	**9**	24
2	Hong Kong	5	8	6	19
3	Shanghai	4	7	5	16
3	Beijing	2	**9**	5	16
5	Bangkok	3	5	7	15
6	Singapore	6	3	5	14
7	Jakarta	1	4	8	13
8	Tokyo	7	2	2	11
9	Kuala Lumpur	8	1	1	10

The fundamental function of a city is as a place for inhabitants to live. However the ‘liveability’ of a city has often played second fiddle to operational and economic priorities. This is changing. Driven by the growing emphasis on a work / life balance, companies are increasingly placing emphasis on lifestyle assets. Cities are realising the potential benefits of aesthetics, liveability and environmental sustainability to attract not only business investment, but the skilled labour population required to support it. In examining this category we have looked at three variables:

- Air Quality (particle matter per cubic metre)[20]
- Recreational and green space as a proportion of a city’s area[21]
- Entertainment (nightlife, sporting and recreational facilities)[22]

Sydney is the current leader in environmental and lifestyle assets, topping the air quality and entertainment variables. Beijing takes out top spot for recreational space, but finishes equal third overall with Shanghai, both of which are dragged down by poor air quality.

The proportion of recreational space in a city is an interesting indicator, generating some thought provoking results and shedding light on both city planning policy and the use of public space. Beijing possesses the most recreational space, closely followed by Hong Kong and Shanghai. While this may appear surprising, the definition of recreational space differs substantially depending upon the city. The western view of recreational space is centred on public parklands provided free of charge to all residents. However in cities like Beijing, Shanghai and Bangkok, residents typically pay to use parks and, once admitted, may be asked to keep off the grass. Furthermore, the notion can often extend to include private recreational space such as golf courses and estates.

It should however be noted that Shanghai and Beijing have both adopted strong policy and planning measures aimed at increasing recreational and green space in their cities. This is to both enhance the aesthetics of the city and offset environmental concerns.

These environmental concerns, such as air quality, can stifle the liveability of the city and hinder the enjoyment of entertainment and recreational areas. The importance of these environmental considerations will only intensify as public debate increasingly focuses on notions of sustainability, and emission trading schemes or congestion tolling may become a reality.

20. World Bank 2007, World Development Indicators. Particulate matter refers to fine suspended particulates less than 10 microns in diameter that are capable of penetrating deep into the respiratory tract, causing significant health damage. This matter consists of smoke, soot, dust and liquid droplets from combustion that are in the air. Particulate levels indicate the quality of the air that people are breathing and the state of a city's technology and pollution controls.
21. Sources for this variable are country specific. Refer to our sources section at the back for further details.
22. Political and Economic Risk Consulting, 2004, Desirability Factors for Expatriates. The entertainment variable is a combination of nightlife, sporting and recreational facilities.

8 Health, Safety & Security

Position		Homicides per Capita	Hospital Beds per Capita	e–Security	Total
1	Tokyo	**9**	**9**	6	24
1	Hong Kong	7	8	**9**	24
3	Singapore	8	3	7	18
3	Sydney	5	5	8	18
5	Shanghai	4	7	3	14
6	Beijing	3	6	3	12
7	Bangkok	1	4	5	10
8	Kuala Lumpur	2	2	4	8
8	Jakarta	6	1	1	8

The need for safety and security is a fundamental human requirement. Denying this stifles productivity, creativity and innovation. Recent concerns surrounding terrorism have heightened the importance of this category for both city officials and businesses looking to expand into the Asia Pacific region. Technology is also posing new challenges to our traditional understandings of safety and security. Therefore, in examining safety and security we have looked at thee variables:

- Homicides per capita[23]
- Hospital beds per capita[24]
- Levels of e–security[25]

Tokyo and Hong Kong are clear joint leaders in the category. Tokyo takes top spot for both the lowest number of homicides and greatest proportion of hospital beds amongst the population. Hong Kong leads the field in e–security, followed by Sydney and Singapore.

Hong Kong, Beijing and Shanghai all score strongly on proportion of hospital beds, pipping cities like Sydney and Singapore. However, this variable is arguably simplistic, with a lack of consistent data across cities precluding a more meaningful KPI which captures variations in health care quality and access. Differing health systems and costs can also result in residents being unable to access care despite a cities strong ratio of hospital beds to population.

The homicide rate within a city can represent not only the level of violence, but also the city's response and policing, as well as completeness of their statistical reporting. Tokyo, Hong Kong and Singapore take out the top three spots, however it's the fourth placed Jakarta that is of real interest, beating Sydney and the Chinese cities.

A possible explanation lies in the potential under–reporting of crime, both from a victim's perspective and crime statistics perspective. This is a flaw common to many emerging cities, reflecting both the level of confidence individuals place in the police force, and the politically sensitive nature of these statistics.

However it is identity theft and financial fraud that is causing the most concern across the Asia Pacific, more so than physical safety, terrorism or health epidemics[26]. This underscores the growing importance of e–security for attracting investment to a city and providing assurance for residents that they can use emerging technology with confidence. Hong Kong and Sydney lead the way in this field, with the most rigorous legal environment and enforcement of e–security.

A final word of caution; the political sensitivity surrounding these statistics, combined with vastly differing rigour in collection methods casts shadows across some of the variables. Steps have been taken to verify rankings, however in some cases a more complete picture of health, safety and security will only emerge as a city's governance becomes more transparent and official collection measures improve.

23. Sources for this variable are country specific. Refer to our sources section at the back for further details.
24. Measures both private and public hospital beds. Sources for this variable are country specific. Refer to our sources section at the back for further details.
25. Economist Intelligence Unit (EIU) & IBM, 2008, E–readiness rankings 2008: Maintaining momentum.
26. Unisys, 2008, Unisys Security Index – Global Summary.

9 Demographic Advantages

Position		Density of Population	Working Age Population	Diversity of City Population	Gender Equality	Score
1	Singapore	7	8	3	7	25
2	Tokyo	5	3	8	8	24
3	Sydney	1	4	**9**	**9**	23
3	Hong Kong	6	7	4	6	23
5	Shanghai	3	**9**	5	5	22
6	Bangkok	4	5	7	2	18
6	Kuala Lumpur	8	1	6	3	18
8	Beijing	2	6	2	5	15
9	Jakarta	**9**	2	1	1	13

The diversity of city demographics across the Asia Pacific is startling. However certain demographic characteristics offer cities inherent advantages in terms of access to labour, productivity, efficiency and liveability of the city. We have focused on four variables:

- Density of population (inhabitants per square km)[27]
- Working age population (as a percentage of total population)[28]
- Diversity of foreign born population[29]
- Gender equality[30]

Singapore, the city displaying the greatest demographic advantages, does not actually rank first in any of the measures. Rather, it consistently ranks highly across density, working age population and gender equality, but displays levels of population diversity towards the lower end of the spectrum.

Jakarta leads the way in population density, Shanghai has the greatest proportion of the population at working age while Sydney shows the greatest levels of gender equality and population diversity.

Density of the population provides a raw measure of labour force availability, but without adjusting for skills. Economic benefits are generally higher with large populations of skilled labour in close proximity to one another. However, the drivers of population density differ between cities; an outcome of unique planning policy, geographical constraints, land costs and social or cultural forces.

Working age population is a complimentary measure to labour force access. However even this basic variable reflects different forces in different cities. Developed cities like Tokyo and Sydney face falling proportions due to ageing populations and declining birth rates. Government policies, ethnic beliefs and cultural traditions influence the higher proportions in emerging cities. Businesses need to be aware of these various forces and consider them when making long–term decisions.

The diversity of a city population is measured by the number of ethnic groups that make up at least half of a per cent of the foreign born population in a city. This demonstrates diversity and also taps into the historical notion that the mixing of cultures drives more innovation and creativity. Sydney tops this variable, having traditionally attracted a strong and diverse immigrant population.

Gender equality indicates the potential proportion of females in the work force. Sydney displays the greatest levels of gender equality, followed by Tokyo and Singapore. This creates an advantage over cities like Jakarta, Bangkok and Kuala Lumpur who are not able to realise this labour potential. Gender equality also ensures that those females in the labour force are able to work in the most productive and efficient manner.

27. Sources for this variable are country specific. Refer to our sources section at the back for further details.
28. Sources for this variable are country specific. Refer to our sources section at the back for further details.
29. Sources for this variable are country specific. Refer to our sources section at the back for further details.
30. Gender equality is also a very important societal and lifestyle variable. It can impact upon the liveability of a city for the female population and enhance or reduce the ease of which business is conducted. So while it's inclusion in this demographic category pertains to labour market participation, it could also have been included as an important variable in a number of other categories.

10 Cost

Position		Cost of Living	Purchasing Power	Cost of Skilled Labour	Cost of Prime Office Space	Score
1	Kuala Lumpur	8	7	7	7	29
2	Bangkok	**9**	2	8	8	27
3	Jakarta	7	1	**9**	**9**	26
4	Shanghai	6	4	5	5	20
4	Beijing	5	3	6	6	20
6	Sydney	4	**9**	1	3	17
6	Singapore	3	6	4	4	17
8	Tokyo	1	8	2	2	13
9	Hong Kong	2	5	3	1	11

Cost is a factor that all cities are acutely aware of in striving to attract business investment. Potential residents also weigh up the costs of a city when making decisions on where to live and work. In examining cost, we have looked at a suite of variables which include:

- Cost of living[31]
- Purchasing power[32]
- Cost of skilled labour[33]
- Cost of prime office space[34]

Kuala Lumpur offers the most competitive overall cost environment but does not top any of the four variables, instead scoring consistently strongly across all measures. Bangkok finishes second displaying the lowest living costs, while Jakarta finishes third with the lowest skilled labour costs and cheapest prime office space. Sydney offers residents the best bang for their buck, helping secure it equal sixth place.

Perhaps the most interesting aspect is the relationship between cost of living and purchasing power. Cost of living indicates the relative costs of purchasing a basket of goods, while purchasing power factors in wages to demonstrate what a salary can buy in the city. With the exception of Kuala Lumpur, which scores well across both variables, there appears to be an inverse relationship between these two variables.

Bangkok and Jakarta both display low living costs; however they have the weakest purchasing powers of the cities examined. This implies that while purchasing the hypothetical basket of goods is relatively cheap, lower average wages ensure that this is still an expensive exercise, with the purchasing power of city residents quite weak.

The more established cities, like Sydney and Tokyo, highlight the other side of the relationship. Both cities display a high cost of living; however this is offset by the higher wage rates paid to skilled labour, resulting in residents having the best bang for their buck.

Caution needs to be exercised when interpreting these variables as recent currency fluctuations have the ability to rapidly influence cities relative costs. It is also necessary to factor in variations in a city's inflation rate, generally higher in emerging cities, and potential inconsistencies in the cultural and economic relevance of the 'basket of goods' traditionally used to gauge cost. Finally, the costs of living can also vary substantially between expatriate areas of a city and mainstream city averages.

However broadly speaking, these results indicate that there is a trade off between the established cities that bring with them a number of undisputed advantages, but higher associated costs, and emerging cities that are able to deliver attractive cost savings.

31. Mercer Human Resource Consulting, 2008, Cost of Living Survey & Economist Intelligence Unit (EIU), 2008, Worldwide Cost of Living Survey. These figures are calculated against an international basket of goods targeted towards expatriate tastes.
32. UBS, Prices and Earnings: A comparison of purchasing power around the globe, March 2008. These figures are calculated by dividing the city's hourly wage rate against a basket of commodities (including rent), giving a comparable indication of a consumers' purchasing power.
33. Skilled labour refers to a qualified Senior Accountant (Global Grade 13), annual guaranteed salary excluding bonus and fringe benefits. Sources for this variable are country specific. Refer to our sources section at the back for further details.
34. Staubach / DTZ Research, Global Office Occupancy Costs Survey, 10th Edition, 2007, Occupancy costs include the average cost of leasing 10,000 square feet of prime CBD office space, maintenance costs and property tax if paid by occupier. It does not include fitting–out costs or provisional leasing incentives.

11 Conclusion

	Financial Clout	Ease of Doing Business	Intellectual Capital, Technology and Innovation	Transportation Assets	Environmental & Lifestyle Assets	Health, Safety & Security	Demographic Advantages	Cost
Bangkok	8th	9th	8th	6th	5th	7th	6th	2nd
Beijing	6th	6th	5th	5th	3rd	6th	8th	4th
Hong Kong	3rd	2nd	3rd	2nd	2nd	**1st**	3rd	9th
Jakarta	9th	8th	9th	9th	7th	8th	9th	3rd
Kuala Lumpur	7th	4th	7th	8th	9th	8th	6th	**1st**
Shanghai	3rd	6th	6th	**1st**	3rd	5th	5th	4th
Singapore	5th	**1st**	2nd	2nd	6th	3rd	**1st**	6th
Sydney	2nd	3rd	3rd	6th	**1st**	3rd	3rd	6th
Tokyo	**1st**	5th	**1st**	4th	8th	**1st**	2nd	8th

Summery of position within the eight categories of business readiness.

Within our summery of positions we have deliberately avoided a final ranking of cities across all eight categories. We feel that this wouldn't actually add much to the findings or debate. Each city displays unique strengths and all present equally unique challenges. Different businesses will assign different weightings to these category results, depending upon their goals and operational requirements. Examining the specific categories is a far more constructive way to examine the general factors that signify business readiness in the 21st century.

Broadly we can see that the established cities in the region retain their leadership and influence. Tokyo, Sydney, Hong Kong and Singapore generally performed well across the eight categories of business readiness. However cities like Shanghai, Beijing and Jakarta displayed rapid growth in key areas, signalling the potential to challenge the established cities in the near future.

Finally, this report should not be regarded as conclusive or definitive. New cities of opportunity and influence will emerge in the region, business emphasis may shift and the variables used to measure this emphasis will continue to evolve. There are numerous other ways in which cities can also be analysed, each casting their own insights into the current debate. This report furthers the debate from a business readiness perspective, contributing an additional lens through which to view the exciting and dynamic forces that are shaping the cities of opportunity within the Asia Pacific region.

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Contacts

Sydney Chamber of Commerce is part of NSW Business Chamber and together we represent 30,000 businesses across the state, including 120 local Chambers of Commerce. The Sydney Chamber of Commerce is a member–based organisation, which includes many Sydney–based corporations and institutions.

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