

2009

Invest in Canada BUSINESS SERVICES



RECENT INVESTMENTS IN CANADA

- » French company **AMESYS** set up its North American operations in Montréal, Quebec in 2008, involving 100 engineers over the next few years.
- » Texas-based **EDS** has chosen Winnipeg, Manitoba as the location for a new \$18 million high-tech service centre, which will create a 1,000 new jobs over the next five years.
- » In 2008, U.S.-based IT firm **Keane** expanded its operations in Halifax, Nova Scotia, creating up to 375 new jobs within the next five years.
- » Brazil-based **Stefanini IT** opened its first Canadian office in Toronto, Ontario in 2008.
- » In 2008, U.S. giant **UPS** announced that it will build a 150,000-square foot consolidated distribution facility in Calgary, Alberta.

MAJOR ENGINEERING FIRMS IN CANADA

AECOM Group
 CH2M Hill Canada
 Dessau
 Genivar
 Golder Associates
 Hatch Energy
 MMM Group
 Sandwell Engineering (Ausenco Group)
 SNC Lavalin
 Stantec Consulting International
 Trow Associates

MAJOR NEARSHORING/ OFFSHORING FIRMS IN CANADA

Accenture
 Aditya Birla Minacs
 Capgemini
 Ceridian
 CGI Group
 Convergys
 EDS
 Infosys
 Keane
 Tata Consulting Services
 Wipro Technologies

Canada's business services industry is a major sector of the national economy, accounting for \$57 billion of the 2007 national GDP. More than 1.1 million Canadians are employed in this industry, as of 2007, representing nearly 7 percent of the total labour force.¹ Between 2003 and 2006, Canada was among the top 10 countries in the world in attracting business service investment projects.

Canada has developed significant business process operations in business process outsourcing (BPO), human resources management (HRM), customer relationship management (CRM), finance and accounting, data mining, application development labs, business continuity and disaster-planning support. In 2006, this fast-growing business support services industry reported over \$5.7 billion in revenues. This growth has resulted in a dramatic increase in job creation in Canada, with employment in this industry jumping by 190 percent between 1991 and 2005.

Key Capabilities

Engineering services: Canada is the third-largest exporter of engineering services. These services employ more than 85,000 workers, and have annual operating revenues of more than \$13 billion. Canada has an excellent international reputation for the quality of its engineering services, with particular strengths in resource extraction, energy, telecommunications, transportation and infrastructure engineering.

Nearshoring/offshoring: Canada is a major service provider of business process outsourcing and information technology outsourcing (ITO) to U.S. firms. Thanks to a skilled workforce of 150,000, proximity to, and cultural similarities with, the United States, as well as innovative business practices, Canada remains the world's second-largest provider of BPO services. Canada's nearshore/offshore industry earns US\$14 billion in annual revenues, representing 30 percent of the U.S. market.

Management services: Internationally controlled firms have been a major source of growth in recent years, and now represent nearly 35 percent of Canadian head office and management operations. Canada's global attractiveness as a location for head office and management service operations reflects the high quality of available staff, and the outstanding quality of life that Canadian cities provide.

Supporting these dynamic industries is a vast and deep network of **professional services** that are sophisticated and world-class: legal and accounting firms, financial management, architectural design, scientific & consulting services, public relations, and specialized design services. Canada is also a centre of excellence for logistics and supply chain management.



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Unless otherwise noted all values are in Canadian dollars.

¹ Canadian Industry Statistics, 2007, Gross Domestic Products: Professional, Scientific and Technical Services.

Ontario

Toronto is the largest business services centre in Canada, with exports of goods and services exceeding \$70 billion. As Canada's business capital, Toronto is the major head office location for large Canadian-based businesses, as well as for many international firms with significant Canadian operations. Toronto is also home to the top 10 international human resources and benefits firms, as well as customer care centres and management, technical and design consultancies. Engineering services is another significant industry segment accounting for more than \$4 billion in revenues.

Ontario also boasts a large number of CRM centres. Growth in this industry segment has averaged approximately 20 percent annually in recent years, driven by both domestic and international investment. Major international BPO firms located in Ontario include Accenture, Capgemini, CGI, Convergys, and EDS.

British Columbia

Strategically located between the Asia Pacific region and North America, British Columbia is Canada's Pacific Gateway. Although the largest and busiest port in Canada, Vancouver is also a commercial hub for a wide array of business services including transport and logistics, engineering, advanced technologies, ITO, BPO and knowledge process outsourcing (KPO). Recent investments by eBay, Microsoft and PeopleSoft were made on the basis of the city's highly skilled workforce and strong commitment to IT, education, research and training.

Alberta

Calgary is Western Canada's fastest-growing city and is home to rapidly expanding business services clusters with over 800 companies. Calgary boasts more than 270 head offices, with related employment representing almost 20,000 jobs. Engineering services also represent a rapidly growing segment, reflecting Alberta's strong regional economy and its dynamic oil and gas sector. The number of Calgary-based engineering services firms now represents more than one quarter of the Canadian total. A major strength is the engineering capability for oil and gas production facilities. The sector also includes several large engineering contractors who provide engineering, procurement, and construction services to industrial process plant projects.

Manitoba

Winnipeg's business support services cluster employs over 10,600 people and provides outsourced HR services and processing of bill payments to companies across Canada. Other services include call centres and back-office operations. EDS, Ceridian Canada Ltd., Telpay Incorporated, Convergys, INSPYRE Solutions, IPSOS Reid, Royal Bank and Manitoba Telecom Services are some of the major firms present in Winnipeg.





Quebec

Montréal hosts more than 60 international non-governmental organizations and boasts over 450 head offices employing almost 37,000 staff. Over the course of the last decade, Montréal has become a destination of choice for large foreign companies wishing to outsource the development of applications and complex internal systems.

The outsourcing and integration of information technologies brings together close to 700 companies in Greater Montréal, resulting in 13,600 jobs. Greater Montréal's expertise is concentrated in health, human resources, management, logistics, finance, and government online, to name a few. Some of the major companies situated here include Canadian giant CGI Group Inc. and multinationals such as IBM-LGS, DMR, Insight, Honeywell, Canon and IMS.

Nova Scotia

Nova Scotia has consecutively ranked among the top three emerging outsourcing destinations in North America and among the top 50 in the world.² Businesses currently operating in Nova Scotia provide customer care, help desk services, customer support, IT and technical support, and sales and service—mainly through inbound operations. Companies such as Acrobat Research, Admiral Insurance, ADP, Convergys, Minacs Worldwide, On-Line Support Inc., Register.com, Staples and Xerox have chosen to grow their operations in Nova Scotia.

New Brunswick

The greater Moncton area is a major presence in business process outsourcing services, and is home to over 30 contact centres whose primary focus is on customer service and technical support. A variety of bigger centres also engage in back-office operations such as payroll, insurance underwriting and accounting. Moncton hosts a number of major global firms, including Exxon Mobile, Minacs, UPS, ClientLogic, Moneris Solutions, ICT, Asurion and Medavie Blue Cross.

Prince Edward Island

Charlottetown is a business services processing location with strengths in the areas of human resource management, payroll services, accounting and client relations. Major firms based in Charlottetown include Ceridian, HRA and Resolve Corporation.

METHODOLOGY

This benchmarking study assesses the competitiveness of a number of Canadian clusters against competing international business locations. Based on an investor's perspective, the research and analysis uses a representative investment project prototype (consolidating a number of specialized HR functions into one operation to service particular geographic regions—see profile on page 5) to assess criteria that corporate decision makers typically examine when evaluating location alternatives for foreign investment.

This international location benchmarking exercise was conducted by IBM-Plant Location International (IBM-PLI), a renowned global location consultancy. IBM-PLI performed objective research to assess the comparative cost and quality of doing business in various locations, simulating the approach used by investors when screening candidates for corporate investment projects. The benchmarking study examined 250 to 300 financial and qualitative location indicators in the assessment of each industry subsector.

To assess the quality of a location's operating business environment, data were collected from a variety of sources for the different subfactors in each of the categories featured in the operating environment table (page 5). Data for the qualitative assessment were translated into comparable scorings (zero to 10) for each category and subfactor using a weighted scoreboard approach. Weights were assigned to each location category and subfactor to demonstrate their relative importance in the location selection process. These weights are specific to each industry subsector and are based on IBM-PLI's experience in helping investors make strategic decisions when choosing locations.

A high-level financial analysis was also conducted to take into account major location-sensitive operating costs for each representative project profile. Operating cost projections have been calculated and discounted over a 10-year period, incorporating anticipated inflation rates, to determine their net present value.



benchmarking the comparative
cost and quality of doing
business in global locations



Vancouver Skyline (British Columbia, Canada)

INVESTMENT LOCATION BENCHMARKING

REPRESENTATIVE PROJECT PROFILE

Toronto Stock Exchange (Ontario, Canada)



GENERAL DESCRIPTION OF OPERATIONS

Consolidation of a number of specialized HR functions into one operation to service particular geographic regions.

KEY PROJECT DRIVERS

- » Presence of experienced staff: human resources professionals and clerical staff
- » Quality and reliability of IT and telecommunications

OPERATING COST ANALYSIS

PROJECT REQUIREMENTS FOR FINANCIAL MODELLING

LABOUR

(HEADCOUNT = 150)

HR Managers: 3

Payroll Managers: 7

Senior HR

Administrators: 50

Junior HR

Administrators: 90

PROPERTY

Building: 20,000 sq. ft.

OPERATING ENVIRONMENT

GENERAL BUSINESS ENVIRONMENT » 5%*	» Quality of support from local government & development agencies; » Availability of financial support & incentives; » Economic and financial stability; » Political stability; » Business permitting procedures
LOCAL POTENTIAL TO RECRUIT SKILLED STAFF » 30%*	» Presence of experienced employees (HR shared services); » Presence of student population; » Overall tightness in the labour market (unemployment); » Overall size of labour pool
PRESENCE OF INDUSTRY/CLUSTER » 10%*	» Presence of industry base
FLEXIBILITY OF LABOUR & REGULATIONS » 15%*	» Hiring & firing flexibility; » Industrial relations/attitude of unions; » Working time regulations; » Work permits
INFRASTRUCTURE & COMMUNICATIONS » 10%*	» Quality & reliability of IT & telecommunications; » Air access; » Highway network & congestion; » Public transport; » Reliability of power supply
REAL ESTATE » 5%*	» Availability of office space
LIVING ENVIRONMENT » 5%*	» Attractiveness for young international recruits; » Cost of living; » Attractiveness for expatriates
LANGUAGE SKILLS » 20%*	» English language skills; » French language skills



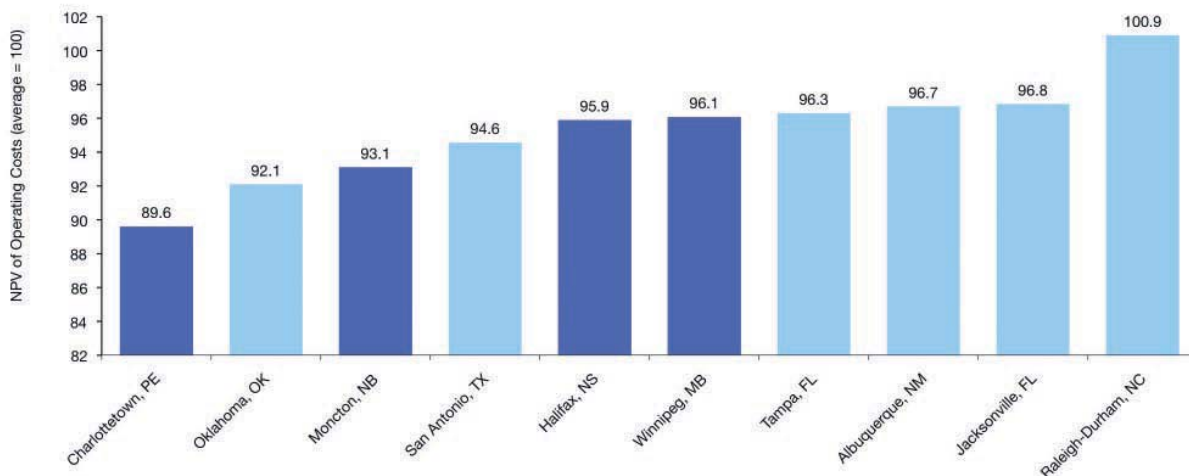


CANADA'S VALUE PROPOSITION

Canada's geographical location and sound business practices make it a favourite nearshoring/outsourcing destination for U.S. investors and one of the world's top BPO markets. Benchmarked Canadian cities provide a variety of well-performing operating environments and cost-competitive offerings.

COST ASSESSMENT*

■ Canadian
 ■ Non-Canadian
 C\$1 = US\$0.862



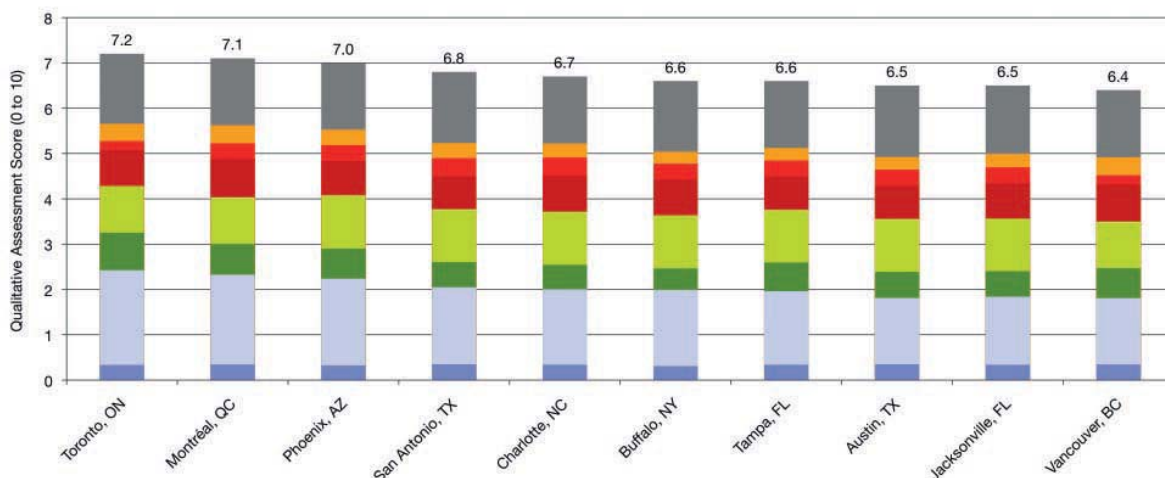
Competitive operating costs

The cost of running a shared services centre is highly influenced by salary levels. Winnipeg and the Atlantic province locations of Charlottetown, Moncton and Halifax offer notable cost advantages

compared to other North American cities, while providing a favourable overall business environment.

QUALITATIVE ASSESSMENT OF OPERATING ENVIRONMENT*

- Language skills
- Living environment
- Real estate
- Infrastructure & communications
- Flexibility of labour & regulations
- Presence of industry/cluster
- Local potential to recruit skilled staff
- General business environment



Strong clusters with specialized skills

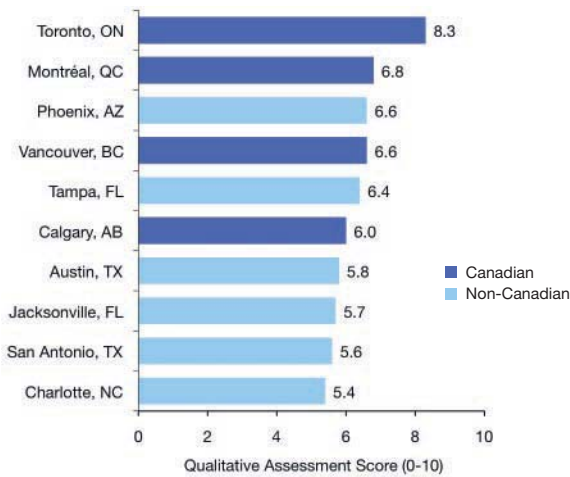
Business services make up an important part of the business activity for many clusters in Canada. Canadian cities rank among the top locations in North America in terms of their excellent operating environment, with Toronto and Montréal at the highest end of the

spectrum. All Canadian locations provide interesting alternatives for investment with unique advantages due to specialization and strong language skills.

*Unless otherwise noted, graphs represent IBM-PLI assessment scores.



Presence of industry base (highest-ranking cities)*



Thriving business services clusters

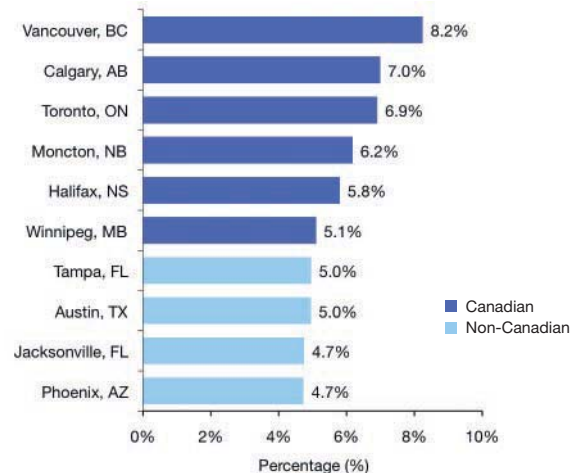
Canada is a major market for shared services. Canadian cities benefit from the strong presence of office administration, employment services, and business support services companies, which provide employees with the skills they need to operate in a shared services organization.

Canada's three largest cities, Toronto, Montréal and Vancouver, together with Calgary, boast some of the largest business services clusters in North America. Clusters of shared services companies also allow close linkages with buyers, suppliers and other institutions to offer advantages that lead to greater efficiency, accelerated improvement and innovation.

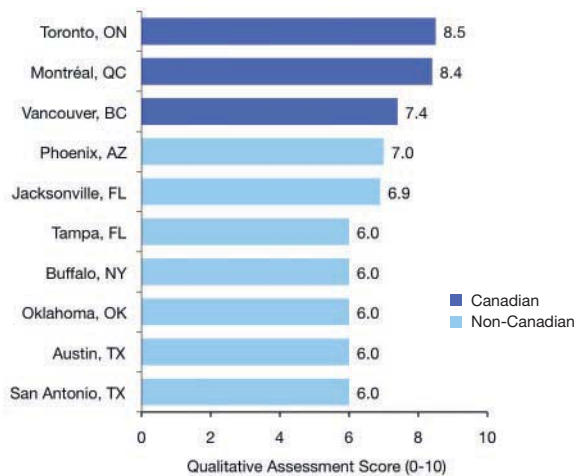
An expertise in business services

The rapid growth of the Canadian business services industry is strong evidence of Canada's attractiveness to international firms. Canadian cities have a higher proportion of companies dedicated to business support-related activities in comparison to most North American locations. Canada's wealth of experience and knowledge in this sector is already helping many of the world's top international firms grow and prosper.

Size of estimated cluster as % of total companies (highest-ranking cities)*



Student and recent graduate population (highest-ranking cities)*



The people advantage

Investing in people is a core Canadian value. This explains why Canada has the world's highest percentage of college and university graduates and is ranked third globally for secondary school enrolment, well ahead of the United States (26th).³

Graduates from a variety of backgrounds represent a rich potential employee pool for shared services. The presence of large universities such as the University of Toronto, McGill University (Montréal) and the University of British Columbia (Vancouver), help propel Canada's three largest cities to the top of the rankings. The quality of university education is high throughout Canada, with smaller cities also home to universities that rank well in national qualitative rankings. Canadian cities such as Moncton, Montréal and Winnipeg offer the advantage of having universities and colleges that also provide first-rate education in French.

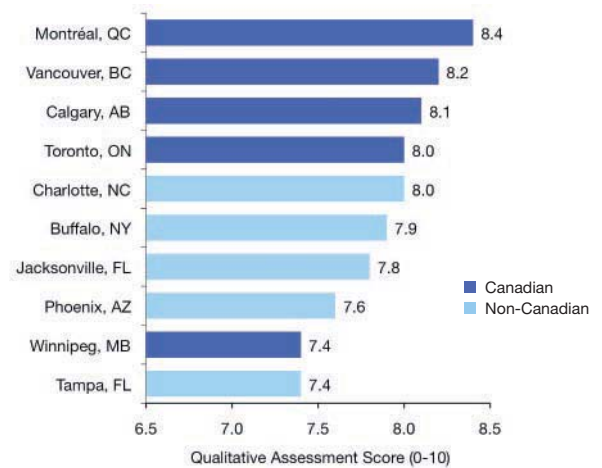
World-class infrastructure

Transportation and communication infrastructure is an important consideration in the overall evaluation of the operating environment. The assessment of a location's infrastructure includes a consideration of highway and road access, road congestion, airport and port access, public transportation and power and telecommunications reliability.

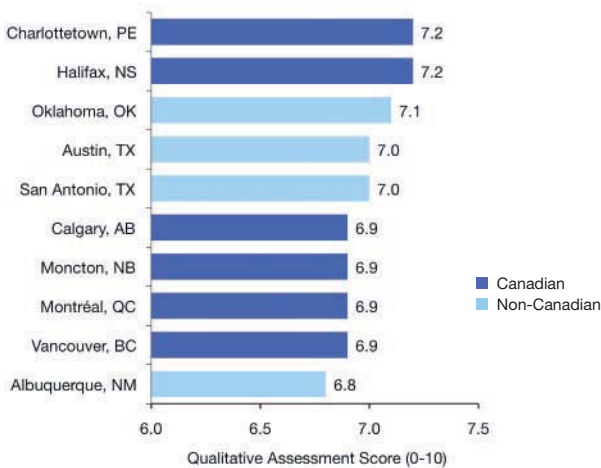
Canada offers unparalleled connectivity with reliable, high-quality telecommunications and broadband infrastructure, as well as one of the lowest business telephone charge rates among G7 economies.

Montréal, Vancouver and Toronto are all connected to major hubs in Europe, Asia-Pacific and the Americas, while Calgary and Winnipeg offer excellent regional connections to cities in the Americas as well as to selected destinations in Europe.

Infrastructure and communications (highest-ranking cities)*



General business environment (highest-ranking cities)*



A conducive business environment

Thanks to its solid and dynamic economy, low corporate tax rates, generous R&D incentives, quality support from local governments and development agencies, business permitting procedures and protection of intellectual property rights, Canada has fostered a business environment that allows companies to invest and grow.

As the leader in GDP growth among G7 countries over the last decade, and with the world's soundest banking system,⁴ Canada provides a stable and strong business environment that offers tremendous growth potential and peace of mind for business investment. In fact, all Canadian cities evaluated offer a strong business environment, as based on measures published by the IMD, the Economist Intelligence Unit and the World Economic Forum. Charlottetown and Halifax rank particularly well because of their very supportive local development network.

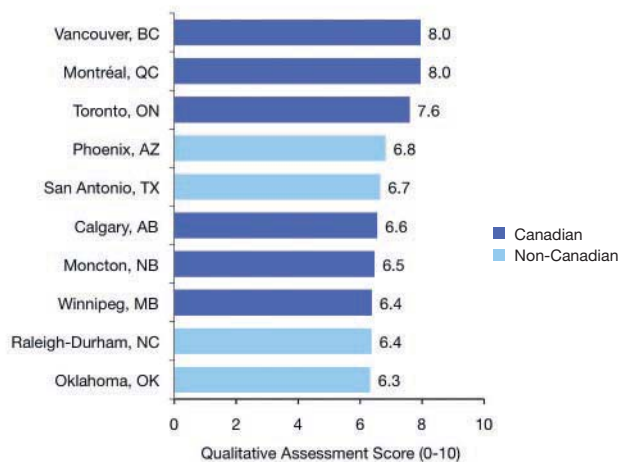
Outstanding quality of life

With its natural beauty, comparatively low cost of living, quality of life and values, Canada is globally regarded as being one of the best places in the world to live. This explains why Canadian cities attract young international recruits and talented expatriates from around the globe.

International measures such as the Mercer Cost of Living Survey, Sperling's Cities Ranked & Rated and Economist Intelligence Unit's quality of life index consistently place Canadian cities near the top of the rankings.

Major urban centres such as Vancouver, Montréal and Toronto top the rankings, while cities such as Calgary, Moncton and Winnipeg also provide high living standards and an attractive cost of living.

Living environment (highest-ranking cities)*



*Unless otherwise noted, graphs represent IBM-PLI assessment scores. 4 World Economic Forum Global Competitiveness Report 2008-2009, October 2008.

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- help in identifying a suitable place in which to invest
- assistance in developing a business case for your next investment decision

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Catalogue Number FR5-38/5-2009E-PDF
ISBN Number 978-1-100-12047-8

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