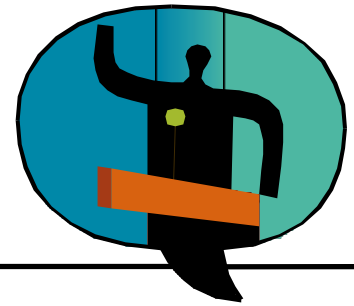




INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA



NOTES

Notes for Bernard Courtois
President and CEO, ITAC
To the Doing Business with India
Hyatt Regency Vancouver, 655 Burrard Street, Vancouver, BC
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Good afternoon, everyone. I'm pleased to see that so many of you share an interest in potential business and partnership opportunities in India.

Before we get to Pankaj's presentation, I wanted to provide you with some context for this discussion. ITAC has been concerned about the phenomenon of offshore outsourcing since early 2004. We created a Wise Person's Committee of our Board of Directors to study this issue and to determine what measures to adopt as an industry and to recommend to government.

Though this issue was controversial – at that time even highly political in the U.S. – our committee rapidly concluded that offshore outsourcing was quite simply a fact of 21st century business life. Businesses, in order to remain competitive, will seek the best cost/ benefit ratio they can find for all aspects of their business processes and supply chains. This quest is, put simply, a modern business imperative.

The good news is that Canada has been a net beneficiary of this phenomenon. Rob Scott and David Ticoll in their first study on offshoring estimated that about 170,000 Canadian jobs had been created to fulfill Canadian commitments in the call centre and IT outsourcing markets. And the United Nations Council for Trade and Development ranked Canada as a leader in global outsourcing. This leadership was built on the success of the call centre industry and upon favourable comparisons between Canada and U.S. real estate, operating and labour costs. Our outsourcing industry also profited from currency exchange rates, which until the past year or so gave Canada strong advantage.

As our work on offshore outsourcing evolved, our committee became increasingly concerned about Canada's capacity to sustain the advantages we currently hold when it comes to attracting offshore (or nearshore) business. We felt Canada needed a clear assessment of its strengths and weaknesses and a national strategy to position Canada to win a high value portion of the global market in knowledge work.

Fundamentally, organizations can obtain cost advantages, improve time to market, gain access to new markets and gain access to new ideas and new pools of intellectual capital through offshore outsourcing. The greatest benefits come from using a mix of near-shoring and offshoring. For IT and business process outsourcing, when you think offshoring, India is top of mind. When you think near-shoring for North America and also some other jurisdictions, then Canada should be top of mind.

When we looked at the situation, we concluded we needed to address four basic gaps:

- First, Canadian organizations don't sufficiently recognize advantages of offshore outsourcing. David Ticoll and Rob Scott recently completed a second study on Canadian outsourcing called "A Fine Balance: the Buying and Selling of Canada". The study revealed that Canadian firms are lagging in use of offshore outsourcing. Data from IDC suggests that only 15% of large Canadian firms are either doing or considering offshore outsourcing whereas about half of their American counterparts have embarked on offshoring.
- Second, Canadian IT firms don't sufficiently recognize the opportunities and advantages of partnering with Indian firms.
- Third, Indian IT firms don't sufficiently recognize the advantages of using Canada as a near-shore base or partnering with Canadian firms.

- Fourth, existing and potential outsourcing customers in the U.S. and elsewhere don't sufficiently recognize the advantages of using an optimal mix of Canadian and Indian resources in outsourcing.

This led us to forge a bi-lateral agreement with NASSCOM, the Indian IT association, last November. This agreement is overseen by a committee composed of executives from Indian and Canadian companies. It meets four times a year and later this month will be meeting in Mumbai during NASSCOM's annual conference. Pankaj Agarwal is, in addition to the roles he fulfills at Momentum Technologies and BCTIA, a member of that committee as well.

We believe that a close tie with NASSCOM will strengthen business relations between the IT sectors in Canada and India. It will also help us to position Canada as a nearshore partner for Indian firms seeking to expand their value propositions in the outsourcing marketplace.

We also think it can assist us in getting the word out about opportunities in outsourcing that Canadian businesses may be overlooking.

By the way, the Indian marketplace is quite important in its own right and should not be overlooked by Canadian IT and other technology firms. While it is a developing country, India's population of over three billion and strong economic growth make it an extremely attractive market that a number of Canadian firms are already serving successfully.

Now let me turn to Pankaj Agarwal to get his perspective on these issues.