



CANADIAN OUTSOURCING
REPORT



MARKET LEADERSHIP CAN BE AN ELUSIVE QUALITY TO DESCRIBE TO CUSTOMERS.

Many claim it; yet, few can actually prove it.

In the outsourcing sector, Canada can rightly claim a global leadership position.

And we can prove it because the Government of Canada, our provincial counterparts and industry have worked in partnership to establish fundamental business and economic conditions that have elevated how organizations now evaluate outsourcing.

We believe our partnership has systematically deepened outsourcing's value equation, amplified its promise of greater shareholder returns and today allowed foreign companies to flourish in Canada.

It is no surprise that IBM, American Express, eBay, BP Amoco, Pitney Bowes and Shell have chosen Canada to outsource their business operations. As U.K.-based market research firm the Economist Intelligence Unit confirms, Canada is one of the best countries in the world in which to conduct business over the next five years. A KPMG 2004 international study, meanwhile, says that Canada is the most cost competitive country in the world for businesses.

The Government of Canada continues to play an important role in creating a supportive business environment that encourages a robust outsourcing sector.

We have established prudent fiscal policy, low interest rates and a corporate tax framework that is among the best in the world, while strategically investing in technology, education and healthcare.

Combined with a multilingual, highly educated workforce, Canada provides foreign companies with an attractive and stable business environment ideally suited for outsourcing.

What follows in these pages is proof of Canada's global outsourcing leadership position - its key components, substantial value and opportunity for organizations. It is relevant information we hope will help make your outsourcing decision easier.

“Our Penticton (B.C.) employees have a genuine commitment to quality and a desire to be a part of the company’s success. Their core beliefs are aligned with our company mission and philosophy.”

- Jeanna Delcotto, Director, Excell Agent Services of Tempe, Arizona

“Compared to the United States, Canada is a lower cost, low-risk environment, with similar or even superior education and infrastructure levels.”

- A.T. Kearney's 2004 Offshore Location Attractiveness Index

“Offshore locations may offer greater operational efficiencies but challenges with language, travel time and terrorism have caused more than one company to re-think their offshore strategies.”

- Brian Kreiger, Director of Investments, Linx BC.

“...typically, an outsourcing contract between an American company and an Indian vendor saves less than half as much as the wage difference would imply.”

- Noam Scheiber, New York Times, May 9, 2004

Meeting America's Demands with Canadian Solutions – Customer Interface Magazine

Labour Costs Comparison for CSR Position			
Cost	Canadian (\$)	U.S. (\$)	
Wage Cost/hr.	\$ 10.00	\$ 10.00	
Benefit Cost/hr.	\$ 2.00 (benefits at 20%)	\$ 3.00 (benefits at 30%)	
Total Cost/hr.	\$ 12.00	\$ 13.00	

Labour Savings per CSR in U.S. Dollars at Different Points in Time			
Cost	Exchange rate 12/31/03	Exchange rate 12/31/02	
	.76	.64	
Labour Costs U.S.	\$ 13.00	\$ 13.00	
CDN. Labour Cost	\$ 9.12	\$ 7.68	
Savings per hour/CSR	\$ 3.88	\$ 5.32	

Annual Labour Cost Savings (U.S. \$) Based on 300 Person Centre			
Annual CSR Hours	Savings per Hour/CSR		Annual CSR Savings
2080	\$ 3.88 (12/31/03)		\$ 2,421,120
2080	\$ 5.32 (12/31/02)		\$ 3,319,680

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CANADA LEADS IN COMPARISON OF SITE SELECTION PRIORITIES

Every business must identify its own priorities when evaluating locations for outsourcing its key business services, but some needs are universal: competitive labour costs, a superior workforce, excellent and affordable infrastructure, government stability and support, and low overall business costs to make a location viable. Canada offers tremendous advantages in each of these categories to U.S. companies that choose Canada as a nearshore site for investment.

Overall business costs are a significant 11.7 percent lower than in the U.S., and Canada's fiscal prudence points to sustainable long-term fiscal health.

WORKFORCE

A.T. Kearney's 2004 Offshore Location Attractiveness Index noted that turnover rates in Canada were significantly lower than in the U.S., offering companies considerable hiring and training cost saving advantages. Cultural compatibility with U.S.-based employers - and their customers - is unsurpassed anywhere else in the world. Recent decisions by companies to pull offshore sites back to North America, because of cultural differences, unreliable infrastructure and security concerns, further underscore the Canadian advantage.

COMPETITIVENESS

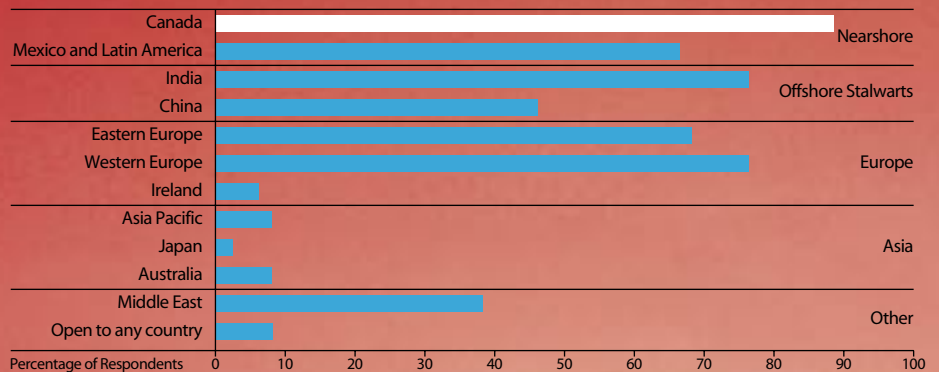
In *KPMG's 2004 Competitive Alternatives Study*, labour cost was identified as the single most important location-sensitive cost factor, and Canada was the clear leader in total labour costs. Government incentives in support of new hires, training and R&D generate real cost savings. On-the-job training incentives from 40 percent to 70 percent are offered in most Canadian jurisdictions.

SUPERIOR WORKFORCE AND MANAGEMENT

The World Competitiveness Yearbook 2004 confirms that among countries surveyed Canada has the highest percentage of individuals who have achieved at least a college or university level education. In an 80 country study of locally available management education in first class business schools, the Global Competitiveness Report, 2003-2004 ranked Canada third overall.

The Canadian work ethic translates into cost savings for companies in productivity and turnover costs. At a 300-person customer-contact centre in Winnipeg, for example, the turnover rate was recently calculated at 9.4 percent, according to A.T. Kearney's 2004 Offshore Location Attractiveness Index.

Where to Offshore, Nearshore Factor has Value – IDC 2004



MULTILINGUAL PROFICIENCY AND CULTURAL COMPATIBILITY

Canada offers the unique combination of a workforce that shares U.S. core values, business practices and attitudes toward hierarchy, collaboration and risk avoidance. In addition, the country has one of the most multilingual societies in the world. English or French remains the first language of most Canadians. Costly and time-consuming cultural training is unnecessary in Canada, and virtually any language can be sourced in Canada's labour pool.

INFRASTRUCTURE

Canada's infrastructure ranks high in terms of quality and low in terms of cost when compared to the U.S.

Consider these facts:

- Canada's energy costs are, on average, 31 percent lower than in the U.S.
- Canada's energy supply is both plentiful and reliable
- Construction costs are eight percent lower than the U.S.
- Office lease costs are 85 percent of those in the U.S.
- Canada's technological infrastructure is second only to the U.S. among the G-7
- Business telephone charges are lower in Canada than in the U.S.
- Canada is second in the G-7 in broad band or high-speed Internet usage



“...CUTS TO FEDERAL CORPORATE INCOME TAX WILL WIDEN CANADA’S LEAD OVER THE UNITED STATES...”

GLOBE AND MAIL, FEBRUARY 24, 2005



FISCAL HEALTH AND ECONOMIC POLICIES

Canada was the only G-7 country in surplus in 2003, and is expected to remain so during the 2004-2006 period. Canada continues to deliver prudent management of the nation's finances, exemplified by its eighth consecutive balanced budget and seventh consecutive budget surplus.

The 2005 Budget enhances Canada's tax competitiveness by proposing the elimination of the corporate surtax in 2008 and a 2 percentage-point reduction in the general corporate income tax to 19 percent from 21 percent by 2010. This is a direct tax advantage to Canadian-based operations.

CULTURAL AND BUSINESS ADVANTAGES

CULTURAL AND BUSINESS SIMILARITIES
PriceWaterhouseCoopers' A Fine Balance 2004, recommends that buyers consider drilling down beyond general service and quality risks to consider the following when looking at options for outsourcing:

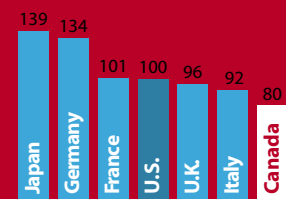
- o Proximity
- o Currency
- o Regulatory compliance
- o Tax issues
- o Political, employee, public relations and geopolitical risk
- o Immigration and work visa issues

On these issues, on issues of intellectual property legislation, and on other issues that can arise from setting up a business in another country, Canada offers U.S.-based businesses a familiar nearshore alternative that minimizes risk.

For the fifth consecutive time, Canada has emerged as the most cost-competitive country in *KPMG's 2004 Competitive Alternatives Study* of international business costs. Canada's cost advantage over the U.S. ranges from 4.3 percentage points for wireless communication to 24.7 percentage

points for electronic systems development. Canada's overall cost advantage of nine percent is enough of a differential to separate a good business year from a bad business year.

Total Labour Costs, U.S. = 100



KPMG's 2004 Competitive Alternatives Study

The signing of the North American Free Trade Agreement integrated the Canadian and U.S. economies for nearly all business purposes, simplifying processes for establishing and investing in businesses in Canada from the U.S. According to the World Bank Group's *Doing Business in 2005*, regulations pertaining to the creation of new businesses are considerably more flexible in Canada than in the rest of the G-7, and Canada ranks best in both the number of steps and the number of days required to establish a new business.

CANADIAN OUTSOURCING PROVIDERS LEAD GLOBALLY

Canadian outsourcing providers lead globally in providing quality services at a competitive cost in a risk-free environment. From January 2002 to July 2004, 148 new customer contact investments, acquisitions or expansions took place in Canada. There are now more than 14,000 customer-contact centres in Canada, with a 33 percent increase forecast by 2007. Once here, companies who outsource to Canada routinely expand operations. Superior project management, unmatched infrastructure, exceptional people resources, real-time support capabilities and cultural compatibility give Canadian suppliers a significant edge.

CUSTOMER CONTACT CENTRES

Canada is a well-established global leader in customer call centres. Canada's advantages include a competitive telecom structure, a favourable exchange rate, low labour costs and a reduced corporate income tax rate. Tellingly, some American companies have recently moved customer-service centres from offshore sites to Canada, citing, among other reasons, long waits and sub-par service.

Canada's labour pool offers superior qualifications as a standard. Governments across the country actively support training programs aimed at meeting the industry's requirements. In many instances, local governments provide funding support for training development to match incoming investors' particular needs, resulting in employees with strong company loyalty and a low attrition rate, which enhances efficiency and profitability.

Suppliers located in Canada include CGI, IBM, Connectel, LiveBridge, Convergys and NuComm International. U.S. companies with call centres in Canada include:

eBay
Imperial Oil
Microsoft
IBM
Kodak
American Express
Epson
Xerox
Assurant
Wells Fargo
Starwood Hotels
Marriott Lodging

APPLICATION DEVELOPMENT

Nearshoring application development to Canada eliminates potential inefficiencies that may result from political instability, technology breakdown and lack of available expertise. Staff management costs are lower in Canada because of the quality and stability of the workforce, and amalgamated business costs are less than in the U.S.

Application development suppliers located in Canada include EDS, IBM, Keane, Unysis, Accenture, Kelsar, Convansys and Pangaea Systems.

U.S. companies outsourcing application development to Canada include AT&T and Family Insurance Solutions.

E-BUSINESS

Canada's technological infrastructure is second only to the U.S. among the G-7, and government policies aggressively support continuing development of a universal, competitive, leading-edge "Information Highway". Canada is second in the G-7 in broadband or high-speed Internet availability, and is committed to universal access to broadband by late 2005. The Canadian commitment to connectivity, in combination with other outsourcing advantages including comparatively low business costs, makes Canada an attractive alternative to offshore sites.

E-business services in Canada are offered by Pyxistechnologies, CGI, IBM, Keane, Kelsar, TheDevShop, 724 Solutions and Zedcom. Sun Life Financial outsources its e-business needs in Canada.

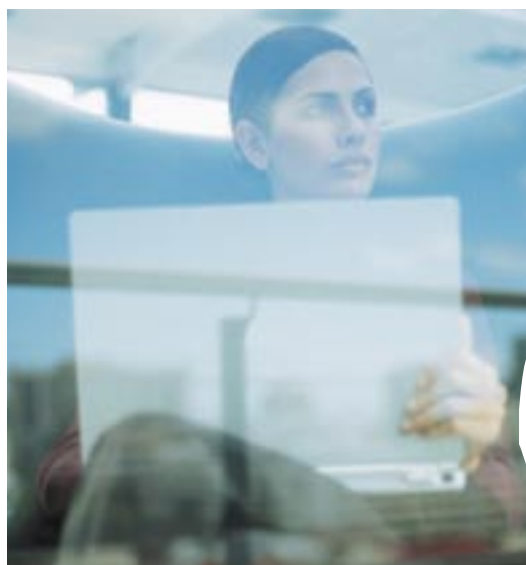
IDC

"IDC data, for example, suggests that Canada's expertise is recognized in areas such as complex, leading-edge IT development and for its capacities in developing industry specific and process specific applications."

- ITAC's Offshore Outsourcing 2004

“(Canada) provides an excellent business environment and high-quality workers for BPO tasks. Robust infrastructure and cultural and language similarities with the United States further contribute to Canada’s performance. Initiatives at the provincial level also contributed to Canada’s success.”

- A.T. Kearney’s 2004 Offshore Location Attractiveness Index



“As more concerns arise from overseas contact center operations, U.S. companies have been re-examining their off-shore strategies. They are rapidly discovering that their real cost of savings is much lower than the 40 percent forecasted.”

- Site Selection Canada, Customer Interface, March/April 2004

BUSINESS PROCESS OUTSOURCING

Business Process Outsourcing (BPO) typically requires advanced skill sets. To make BPO profitable, lower costs and access to critical skills and technology is crucial. Canada exceeds these requirements, giving U.S.-based companies a nearshore alternative with reduced labour, real estate and other infrastructure costs, cultural similarity and real-time interaction. According to market research firm IDC, Canadian business process outsourcing is expected to grow by 13 percent annually over the next five years because choosing Canada increases efficiencies and profitability.

BPO providers in Canada include CGI, EDS, Accenture, Unysis, Keane, OAO Technology Solutions, PriceWaterhouseCoopers, Aquarian Group and Covansys.

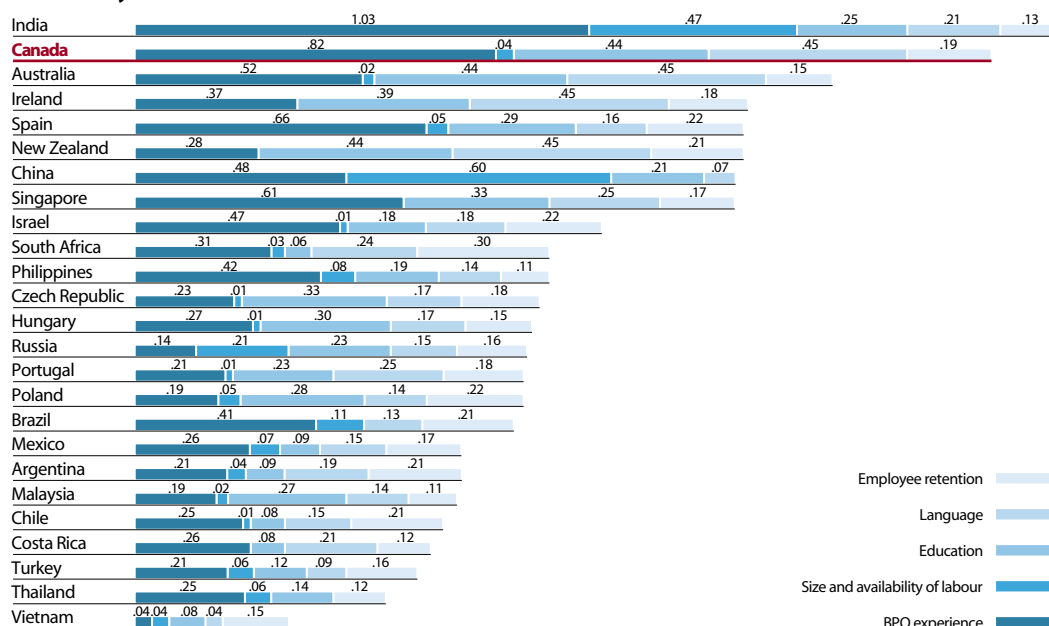
BP Amoco and Delphi Automotive Systems are U.S. companies outsourcing business processing in Canada.

APPLICATION MAINTENANCE

Successful application maintenance outsourcing requires access to software support experts, as well as real-time support of business-critical applications. Canada’s highly-educated labour pool provides a well-recognized advantage for companies choosing to outsource application maintenance to Canada.

Applications maintenance suppliers in Canada include RIS Global, CGI, EDS, IBM, Accenture, Keane, Unysis and Conveyance. U.S. companies outsourcing application maintenance to Canada are: Pitney Bowes, Fireman’s Fund and Shell.

A.T. Kearney offshore location attractiveness index 2004



A.T. Kearney

“Compared to the United States, Canada is a lower cost, low risk environment, with similar or even superior education and infrastructure levels.”

- A.T. Kearney's 2004 Offshore Location Attractiveness Index

INDEPENDENT SOURCES CONFIRM CANADA'S COST AND VALUE ADVANTAGES

There is a growing consensus among international business authorities that Canada offers advantages that will ultimately increase profit margins for U.S. companies choosing to outsource here. Kearney, The Economist Intelligence Unit, Gartner, KPMG and more point to Canada in their examination of competitive alternatives and outsourcing realities.

Cost advantages must be weighed against the spectrum of cultural and political complexities that can add millions to projected cost estimates. Investment in Canada is an investment in stability and sustainability, allowing U.S. companies to consistently hit - and often exceed - projected efficiencies and targets.

“Three major Indian outsourcing firms are expanding in Canada.... Why Canada? A Canadian presence facilitates nearshore services for U.S. clients through closer proximity, cultural similarities and skilled workers paid in Canadian rather than U.S. dollars.”

- A.T. Kearney's 2004 Offshore Location Attractiveness Index

THE ECONOMIST INTELLIGENCE UNIT

“Canada's high-living standards and strong growth performance provide lucrative opportunities for foreign investors.”

- World Investment Prospects: The Revival of Globalisation, 2004 Edition

“Canada is a world leader in education, and continued high spending in this sector should allow it to retain its lead over most OECD countries.”

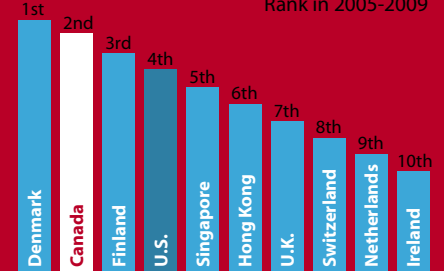
- World Investment Prospects: The Revival of Globalisation, 2004 Edition

UN CONFERENCE ON TRADE AND DEVELOPMENT

“Canada is a leader in attracting offshoring call centres - in 2001, Canada accounted for just over a tenth of all call centres offshored globally.”

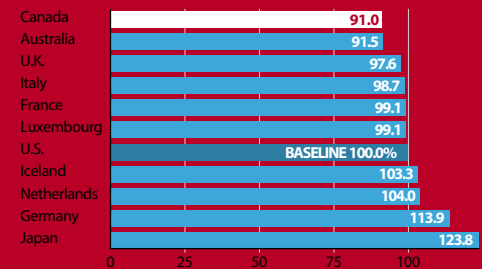
- UNCTAD's World Investment Report 2004

Business Environment of Top Ten Countries,
Rank in 2005-2009



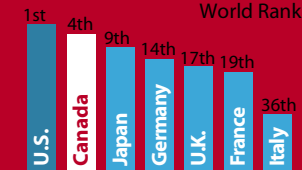
The Economist Intelligence Unit

Comparison of Annual Costs - 12 Industry Average



KPMG's 2004 Competitive Alternatives Study

Technological Infrastructure*
World Rank



*Standing among 60 countries. Index based on 20 characteristics including investment in telecommunications, computers in use, computer power, Internet connections, number of telephone lines, cost of telephone calls and use of robotics. World Competitiveness Yearbook, 2004

U.S. COMPANIES CHOOSE CANADA IN RECORD NUMBERS

“Though outsourcing shows no sign of fading, rising wages and rapid turnover in Indian hubs may reduce the savings American companies reap when they send work abroad.” - Noam Scheiber, New York Times, May 9, 2004

“Based on a contact centre employing 300 Canadian CSR’s, the savings that would be accrued by a U.S. company in annual payroll costs would provide savings of approximately \$2,421,120 to \$3,319,680. Based on a five year lease, this would be \$12,105,600 to \$16,598,400 in U.S. currency.” - Site Selection Canada, Customer Interface, March/April 2004

“Many of the companies are wary of using offshore vendors because of cultural differences or political uncertainties.” - The Conference Board Inc., Outsourcing Trends 2003

“Our employees have good skills and a strong work ethic, and many of them are coming out of high school with Microsoft Certified System Engineer certification. This kind of training is one of the reasons why their service skills tend to be superior.” - Anthony Williams, Chilliwack Site Director, Stream International

“We are very pleased with the caliber and professionalism of CGI’s delivery team and appreciate their responsiveness and flexibility in meeting our needs. This initiative will enable us to review our processes and technologies in a more focused fashion to better serve our organization and clients.” - Robert Butler, CIO, Pitney Bowes Office Systems

“With IBM’s (Canada) outstanding expertise in financial services and the scale and quality of its operations in Canada, the company is uniquely equipped to help ensure that Sun Life Financial’s computing infrastructure can support the needs of our growing business. IBM’s (Canada) exceptional service has proven to be an important part of our continuing success.” - John Wright, Executive Vice-President, Sun Life Financial

Accuride Corporation
Alcoa
American Express
Anadarko Petroleum Corporation
Assurant
AST
AT&T
Borden Chemical
BP Amoco
Chemcraft International
Chevron
Cisco Systems
Coca-Cola
Copperweld
Dell Computer
Dow Chemical
Delphi Automotive Systems
eBay
EDS
Epson
Family Insurance Solutions
Fireman’s Fund Insurance
Ford Motor Company
Frito-Lay
General Electric
General Mills
General Motors
Goodrich Corporation
Henry Schein Arcona
Honeywell Aerospace
Hershey
IBM
Imperial Oil
Kimberly-Clark
Kodak
Kraft Foods
Marriott Lodging
Meridian Automotive Systems
Microsoft
Mobil Oil
Motorola
NPS Pharmaceuticals
Oracle Corporation
Pepsi
Pfizer
Pitney Bowes
Shell
Starwood Hotels
Sun Life Financial
Wells Fargo

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