



Nearshoring Industry in Atlantic Canada

DISCOVER THE REASONS WHY ATLANTIC CANADA IS A GOOD LOCATION FOR YOUR NEARSHORE OUTSOURCING OPERATION

It's a fact. Atlantic Canada is a prime nearshore destination and a growing powerhouse in the industry. It has all of the benefits that led one of the world's leading outsourcing consulting firms to name Canada as the top location for nearshore information technology (IT) and business process outsourcing (BPO) activities.

According to neolT's *Mapping Offshore Markets Update 2005*, Canada ranked as the most attractive location for nearshore activities. It scored highest on the factors CEOs must consider when searching for a location—a highly qualified labour force, a competitive business environment, business expertise, advanced infrastructure, customer privacy legislation, language and cultural compatibility with the United States, and generous incentive programs, particularly in relation to research and development. Atlantic Canada has all of this, and more. It's why more IT outsourcing companies like **CGI, EDS, IBM, xwave, Keane** and **CenterBeam** are selecting Atlantic Canada as a location to carry out higher-value, mission-critical tasks close to their North American clients.

TEN REASONS TO SELECT ATLANTIC CANADA

1. Located Next to the World's Biggest Market for Outsourcing Services

Atlantic Canada's geographic proximity to the United States provides seamless access to the lucrative US market. US-based outsourcing companies looking for a balance between cost savings and operational control should select Atlantic Canada to reduce the uncertainties and risks of giving up these activities to an offshore location. Outsourcing companies from outside North America should establish a presence in Atlantic Canada to provide nearshore services to US clients and benefit from Atlantic Canada's other advantages—including cultural and linguistic similarities, a long-standing trade partnership and agreements, lower labour costs, highly skilled workers, and robust infrastructure.

2. Abundant Supply of Professional Talent and Skills

Atlantic Canada's highly educated and technically skilled workforce provides a steady stream of professional talent capable of handling high-end work. More than 27,000 people graduate from Atlantic Canada's community colleges and universities every year—one of the highest per capita rates in all of North America. The region's post-secondary institutions offer a wide array of IT and BPO-related degree and diploma programs, creating an excellent recruitment pool for companies located in Atlantic Canada.

“Our critical success factors demanded access to world-class talent, a powerful telecommunication infrastructure, and a supportive government enterprise to assist us in a smooth transition. We found all of this within New Brunswick. Today we have over 100 employees supporting clients in 18 countries on four continents and consistently delivering 95% client satisfaction. We are absolutely thrilled with the results.”

A. Kevin Francis
President and Chief Executive Officer
CenterBeam, Inc.
Saint John, New Brunswick

Canada 

NEARSHORING INDUSTRY IN ATLANTIC CANADA

“We are very pleased with the growth we’ve experienced, and attribute much of this success to the natural advantages inherent in doing business in Atlantic Canada, a cost-effective and valued location for remote application development. Turnover is low. The work force is strong, fed by numerous university and community college IT programs. The quality of life is remarkable, which is important to both our current employees and those we recruit to Atlantic Canada. Our US customers like that this region is very similar with respect to language, culture and time zones.”

Alaisdar Graham
VP Atlantic Global Development Center
CGI
Halifax, Nova Scotia

WHAT ATLANTIC CANADA OFFERS

HOW YOU BENEFIT

Geographically close to United States—seamless access to the lucrative US market

- Less travel time and similar time zones mean fewer irritations compared to offshore location
- Improved communication and lower project management costs

Highly educated workforce—more post-secondary graduates per capita than the Canadian and US averages and home to 17 universities

- Easy to recruit new graduates and retain their services
- Start-up growth is not hindered by technical skill shortages

Dedicated workers—among the lowest rates of turnover and absenteeism in North America

- Low turnover rates mean resources are not leaving with the knowledge that you paid to build

Low business costs—Canada leads the G7 countries in terms of low business costs, with a cost advantage of 5.5 percent over the US

- Improved profitability thanks to lower labour costs and operational cost efficiencies
- Low real estate prices keep overhead low

Data security—a safe and stable environment governed by progressive data security laws

- E-governance laws guarantee utmost security, providing peace of mind
- Intellectual property protection easily implemented as a result of the legal structure and practices

Excellent business environment—the IT industry generates \$4 billion in annual revenue; the software development and computer services industries experienced revenue growth of more than 12 percent per year for close to a decade

- Greater potential for revenue growth
- Supportive environment for developing outsourcing best practices and service excellence

Trade agreements—a trade-friendly relationship with the US based on the North American Free Trade Agreement (NAFTA)

- Leverage trading relationship with the United States through Canada, America’s largest trading partner

World-class telecommunications—high-speed digital telecommunications network and the second highest rate of broadband penetration in the Organisation for Economic Co-operation and Development (OECD)

- Enhanced opportunity to grow business through access to reliable telecommunications service
- Reduced costs through lower billing rates than in the US

World-leading R&D commitment—Canada ranks first among the G7 countries for offering the most generous R&D tax incentives

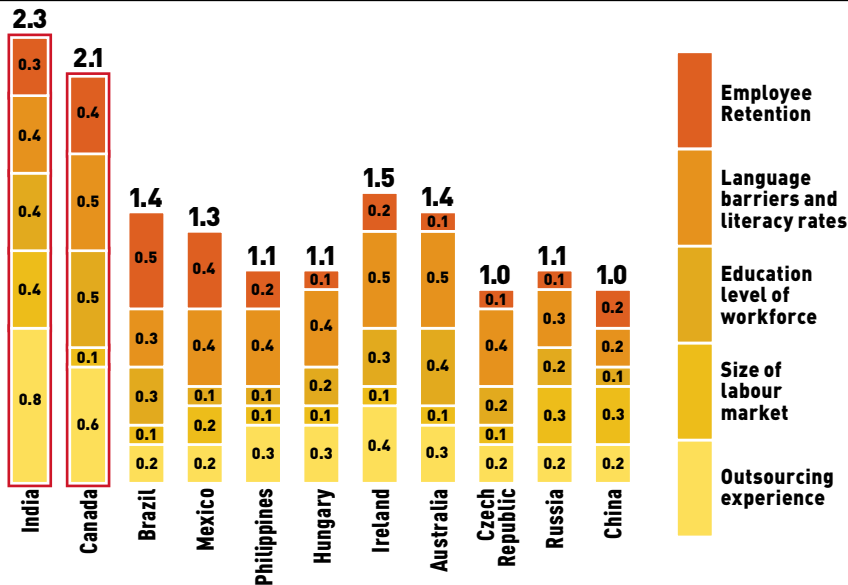
- Enhanced ability to leverage expertise of universities and government researchers

Productive and innovative cluster—over 40,000 people are employed in more than 100 facilities in the BPO industry and over 19,000 people are employed in the IT industry

- Enhanced ability to innovate, be creative, and continuously learn
- Opportunity to improve performance and profitability through access to government programs and services geared to the needs of the industry

NEARSHORING INDUSTRY IN ATLANTIC CANADA

LABOUR SCORES BY COUNTRY FOR OFFSHORE IT AND BPO ACTIVITIES



Canada's labour force retention rates compare favourably to India's.
source: A.T. Kearney, 2004

A Magnet for Talent

Atlantic Canada has a proven record of attracting talent from outside the region. People move to Atlantic Canada because they are attracted by its low cost of living, excellent quality of life, and modern infrastructure. US-based companies such

as **Keane Inc.** and **Centerbeam Inc.** that have facilities in Atlantic Canada have successfully recruited IT professionals from across Canada and beyond. This includes people from the United States who bring hands-on experience in working for American firms.

COMPARATIVE COSTS INDEX*

	SOFTWARE DEVELOPMENT	BACK OFFICE / SHARED SERVICES
Boston, MA	109.0	115.4
San Jose, CA	108.9	114.6
Phoenix, AZ	101.3	101.5
Salt Lake City, UT	99.4	99.0
Raleigh, NC	97.6	95.7
Tampa, FL	95.6	92.1
Jackson, MS	94.3	91.0
ATLANTIC CANADA		
Halifax, NS	89.7	88.0
St. John's, NL	89.6	88.3
Moncton, NB	88.3	87.2
Charlottetown, PE	89.2	86.0
Pictou, NS	89.2	85.6
Sydney, NS	86.8	80.5
Truro, NS	86.0	81.8

source: *Competitive Alternatives: KPMG's guide to international business costs, 2006 Edition.*
* Business costs are expressed as an index, with the United States average being assigned the baseline index of 100. A cost index of less than 100 indicates lower costs than those in the U.S.

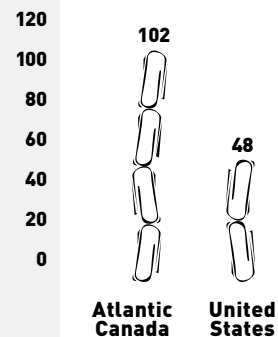
There are also over seven million French-speaking people within Canada's population of 33 million. Many of Atlantic Canada's communities boast a bilingual workforce that speaks English and French.

3. Low Staff Turnover

Employees in Atlantic Canada's IT and BPO industries are hard working, loyal, and dedicated—ensuring the smooth execution of your project. Absenteeism and turnover rates are among the lowest in North America, resulting in lower recruitment and training costs. On average, employees stay with their employers 100 percent longer than their American counterparts, where turnover rates range from 25 percent to 50 percent annually. In a recent survey of information technology firms in Halifax, Nova Scotia, over 80 percent of the firms had less than 5 percent annual staff turnover.¹

AVERAGE JOB TENURE

(months on the job)



source: Statistics Canada and the U.S. Bureau of Labor Statistics (2004)

4. Competitive Business Costs

Canada has the lowest business costs among the G7 countries, with a cost advantage of 5.5 percent over the United States, says *Competitive Alternatives: KPMG's guide to international business costs, 2006*. That cost advantage is the reason why Atlantic Canadian outsourcing service providers lead globally in providing quality services at a competitive cost. Three Atlantic Canadian cities rank among the top low-cost leading locations for any corporate service centre, such as IT and data processing, contact centres, and other administrative functions. These are the cities of Charlottetown, Prince Edward Island; Moncton, New Brunswick; and Halifax, Nova Scotia.

Cost Factors That Make a Difference

Canada’s labour costs, including wages, salaries, and benefits, averaged 11.5 percent lower than US costs and ranked lowest of the G7 countries. Atlantic Canada’s labour costs are lower still—a full 21 percent lower than the US average—and our favourable exchange rate makes them even more attractive.

Electricity costs in Atlantic Canada are the lowest within the G7 countries and are, on average, 20 percent lower than those in the United States. Atlantic Canada has a competitive, reliable, and plentiful energy supply (hydro, nuclear, coal, gas, and oil) with a capacity of more than 14,000 megawatts. Infrastructure costs are also lower than those found in the United States, enabling you to keep your overhead low. The IT industry boasts a 14.7% cost advantage over the US average in the corporate services back office industry. Effective corporate income tax rates in Atlantic Canada are 4.8 percent lower than the US average while land costs are on average 65 percent lower. Construction costs in Atlantic Canada are lower than in any G7 country.²

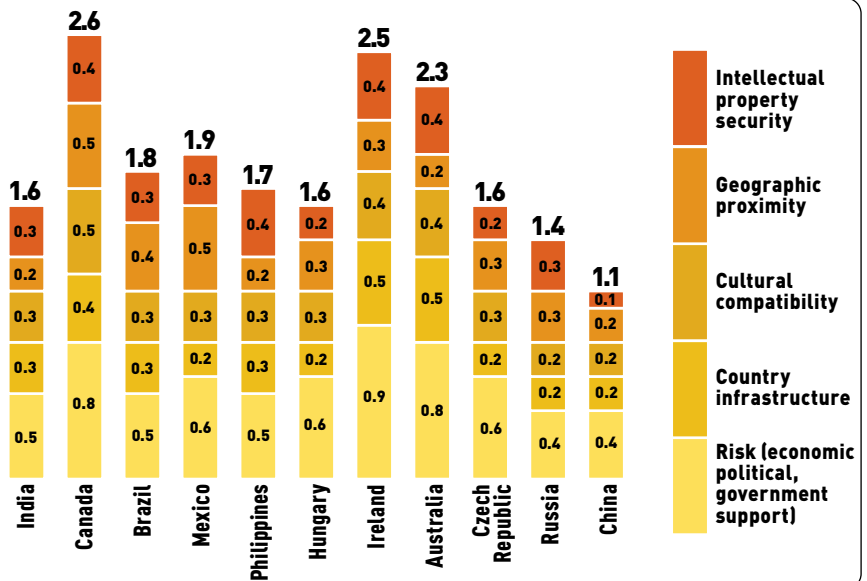
5. Data Security and Intellectual Property Protection

Outsourcing experts agree that Canada is a very safe and stable nearshore alternative. Intellectual property (IP) and data security laws, such as the federal *Personal Information Protection and Electronic Documents Act*, govern the disclosure and privacy of personal information. Data transfer without any confidentiality loss is a fundamental principle in Canada—a must for any project, especially in the wake of several recent data security breaches in the offshore outsourcing industry.

6. Business-Friendly Environment

When it comes to business climate, Canada ranks at the top. North American companies in Atlantic Canada can access an excellent business environment while benefiting from lower costs, a stable workforce, and world-class infrastructure and transportation networks. The region’s universities and research organizations have developed a business culture that supports the development of outsourcing best practices and service excellence. And unlike offshore outsourcing service providers in India and China, Atlantic

BUSINESS CLIMATE SCORES BY COUNTRY FOR OFFSHORE IT AND BPO ACTIVITIES



source: A.T. Kearney, 2004

Canada closely resembles the United States in its market-oriented economic system, pattern of production, and living standards. Their government and legal frameworks function on a common standard, and they share the same accounting guidelines.

7. Mature and Experienced Service Industry

The IT and BPO industries have a high level of maturity, demonstrating management experience in process improvement and innovation in the outsourcing life cycle, from analysis to service level agreement development. The number of project management professionals (PMP) and certified management consultant (CMC) professionals is higher, per capita, than anywhere in Canada. The long history of complex outsourcing relationships with companies in the United States has helped develop Atlantic Canada’s reputation as one of the best nearshore destinations for outsourcing.

Focused on Quality

Atlantic Canada’s favourable market structures create pressure for firms to focus on continuous improvement of quality. Many companies are certified by the International Organization for Standardization (ISO), and many others

“Keane has had great success in finding and hiring highly skilled and motivated workers to power the growth of our Halifax Advanced Development Centre. Our success in this area continues to be fundamental to the growth of Keane’s Application Outsourcing business, and is enabled by our strong partnership with the Government of Nova Scotia.”

Sean D. Bishop
 Managing Director
 Advanced Development Centre
 Keane Canada
 Halifax, Nova Scotia

² Source: *Competitive Alternatives: KPMG’s guide to international business costs, 2006*

NEARSHORING INDUSTRY IN ATLANTIC CANADA

have Software Engineering Institute (SEI) Capability Maturity Model (CMM) initiatives. For example, Keane Canada recently became the first Canadian IT services facility to be assessed at Level 5 of the SEI CMM Integration.

8. Advanced Telecommunications Infrastructure

Canada is a pioneer in broadband and IP telephony and it shows. Atlantic Canada has one of the world's most advanced telecommunications infrastructures with a 100 percent digital telecommunication network, high-speed digital links, broadband networks, mobile and marine communications, and much more. Over 98 percent of the population in Atlantic Canada is covered by digital wireless networks. Atlantic Canada is also served by a number of leading telecommunications service providers, including Bell Aliant, one of the largest regional telecommunications service providers in North America.

9. Research and Development Incentives

Canada is one of the 10 largest research and development spenders in the world³ and offers the most generous R&D tax incentives of any country in the G7. Companies can write off certain current and capital R&D expenditures under the scientific research and experimental development incentives contained within the federal *Income Tax Act*.

Atlantic Canada also offers other assistance programs, including the Atlantic Innovation Fund, which is designed to strengthen the innovation and technology capacity of the Atlantic region. Atlantic Canada participates in the world's fastest research and innovation network, CA*net⁴.

Leading-Edge R&D Facilities

The National Research Council, the Government of Canada's R&D organization, operates a national e-business research facility in Fredericton, New Brunswick. Research areas include e-learning, e-health, security, privacy and trust on the web, e-procurement configuration systems and tele-oncology.

Telecom Applications Research

Alliance of Halifax, Nova Scotia, combines advanced telecommunications research and development equipment with seed investment funding and business mentoring resources. The Alliance accommodates Canada's only Cisco Certified Internetworking Expert Certification Lab. It is involved with Dalhousie University in offering a Master of Engineering in Internetworking program.

Atlantic Canada's universities are also driving much of the R&D in the area of information and communications technology, housing various research facilities such as:

- Acadia University's Intelligent Information Technology Research Centre;
- Memorial University of Newfoundland's Centre for Digital Hardware Applications Research;
- The University of Prince Edward Island's Department of Computer Science and Information Technology; and
- The Université de Moncton's collaborative e-learning research with the university's Virtual Learning Environment.

10. Industry Strength

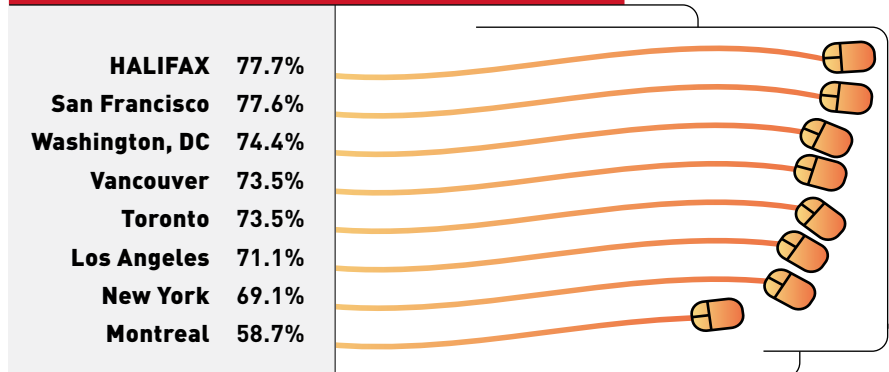
Atlantic Canada has been successful in attracting IT and BPO outsourcing operations in recent years. The result is competitive industry clusters that include approximately 1,800 companies

in the ICT industry and over 150 contact centres. The pro-business climate that has produced this industry concentration has also fostered the success of such homegrown innovators as **Spielo, Whitehill Technologies, Q1 Labs, and Diaphonics**.

Atlantic Canada also boasts other industry clusters including:

- **Financial Services—Butterfield Fund Services** has joined several other Bermuda-based financial services firms in providing support for a wide range of financial activities from Halifax, Nova Scotia. **AMVESCAP (AIM Trimark)**, one of the world's largest independent investment management companies, has selected Charlottetown, Prince Edward Island, as a location for a Global Enterprise Centre. These companies are joining the ranks of the **Royal Bank, Moneris, Scotiabank, CIBC**, and other major financial service firms operating large customer support centres in Atlantic Canada.
- **E-learning**—Atlantic Canada is home to one of North America's largest e-learning clusters with over 40 firms across the region specializing in areas ranging from custom content development to integrated e-learning solutions. These include companies like the world-leading, publicly traded **SkillSoft**, which is delivering industry-leading online mentoring in real time, and providing world-class customer service to global clients.

HOUSEHOLD INTERNET PENETRATION



source: Statistics Canada and Nielsen/NetRating (2004)

NEARSHORING INDUSTRY IN ATLANTIC CANADA



PROVINCES AND ABBREVIATIONS

- NB** - NEW BRUNSWICK
- PE** - PRINCE EDWARD ISLAND
- NS** - NOVA SCOTIA
- NL** - NEWFOUNDLAND AND LABRADOR

HOW WE CAN HELP YOU TO LOCATE AND SUCCEED HERE

The Atlantic Canada Opportunities Agency (ACOA) is the federal government agency responsible for helping to build economic capacity in the Atlantic Provinces. Through a variety of programs and services, ACOA ensures companies locating in Atlantic Canada have access to a range of practical support to help them successfully develop their businesses.

For more information, contact:
Atlantic Canada Opportunities Agency
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Toll-free: 1-800-561-7862 (Canada and US)
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OUTSOURCING LEADERS WHO CHOSE ATLANTIC CANADA

Leading multinational service providers have selected Atlantic Canada for their nearshore operations. A testament to the success of these investments is that many of these companies have already re-invested in Atlantic Canada or are gearing up to invest more.

Key investors include the following companies:

- **Research In Motion (RIM)**, the Waterloo, Ontario-based creator of the BlackBerry wireless device, has established a \$230 million, 1,200-person technical support centre in Nova Scotia. The company evaluated several locations in North America and concluded that Atlantic Canada offered the best mix of professional talent and competitive costs.
- **CenterBeam Inc.**, a California-based IT outsourcing company, launched its North American Solution Centre in Saint John, New Brunswick. CenterBeam's continuing business success drove a need to quickly expand its team of Express Access customer care specialists, and the company saw New Brunswick as fertile ground for that growth.
- **CGI Group Inc.**, Canada's largest IT firm, operates its Atlantic Global Delivery Centre in Nova Scotia and is setting up a satellite location in Prince Edward Island. The company chose to expand its Atlantic Canada nearshore capabilities because of the province's skilled labour force and strong educational focus.
- Boston-based **Keane, Inc.** is one of the largest IT outsourcing firms in the world. The company operates an Advanced Development Center (ADC) in Nova Scotia, where labour costs are lower, to provide IT services.
- Headquartered in Plano, Texas, **EDS**, one of the world's largest IT and BPO companies, has offices across Atlantic Canada, including a Customer Contact Centre and a Customer Interaction Centre in Nova Scotia. Nova Scotia was chosen because of the availability of a large, stable, well-educated workforce and a world-class digital telecommunications infrastructure.
- Greenbelt, Maryland-based **OAO Technology Solutions** provides managed application services including application maintenance, enhancement and support, project management, production support, and software development. The company's Moncton location leverages cost savings while mitigating potential risks associated with moving mission-critical applications offshore.
- Saint John, New Brunswick's **Computer Generated Solutions Canada**, a subsidiary of New York City-based Computer Generated Solutions, is a leading provider of application development, learning solutions and business integration services to businesses and government agencies worldwide.
- Colorado-based **TeleTech**, the number two teleservices provider in the US, operates more than 75 call centers located in about 15 countries, including several in Atlantic Canada.
- **ClientLogic**, a leading global BPO provider headquartered in Nashville, Tennessee, operates in 49 locations in 13 countries. The company has established three customer care facilities in New Brunswick because of the province's competitive cost environment, bilingual workforce, and leading-edge telecommunications.



Atlantic Canada
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