



[BUSINESS SERVICES SECTOR]
Canada's competitive advantages

CANADA'S BUSINESS SERVICES SECTOR

Canada is a global leader in a variety of business service verticals. Foreign investors have established operations in human resources management, customer relations management, knowledge process outsourcing, data mining, application development, project management, business continuity and disaster planning support. The business services sector is a large part of the Canadian economy. Foreign investors can expect deep supply chains and infrastructure to support their objectives. Professional, scientific and technical services, which is a sub-component of business services, contributed \$83.5 billion¹ to Canadian GDP and employed 820,307 Canadians in 2013.²

INFRASTRUCTURE SERVICES

The infrastructure market in Canada is supported by a vibrant services sector, comprised largely of engineering, architectural and construction services firms. In 2013, three Canadian firms were ranked among the world's top-20 design firms by Engineering News-Record,³ and Canada's public-private partnership model was ranked the world's best by 55 percent of infrastructure executives in an international survey.⁴ The Government of Canada⁵ plans to invest \$53 billion to build roads, bridges, subways, commuter rail and other public infrastructure in cooperation with provinces, territories and municipalities over 10 years, starting in 2014.

BUSINESS PROCESS OUTSOURCING (BPO)

Canada is a leading provider of BPO services thanks to its skilled workforce and proximity to, and cultural similarities with, the U.S. Canada is experiencing rapid adoption of back-office financial services; its BPO industry is sophisticated, mature and world-class, with most major providers operating in Canada to serve customers across the world. In 2014, A.T. Kearney rated Canada's business environment as the best in North America—and the fourth-best in the world—for global services offshoring.⁶

ACCOUNTING SERVICES

Operating revenue for the accounting services industry increased 4.8 percent in 2012 to \$15 billion.⁷ International companies such as Deloitte Touche Tohmatsu, KPMG, Ernst & Young Global and PricewaterhouseCoopers all operate in Canada. Toronto CFA Institute has the second-largest CFA membership in the world.⁸

MANAGEMENT CONSULTING

Management services is a fast-growing industry in Canada, with internationally controlled firms a major driver of expansion. The high quality of available staff, coupled with an exceptional standard of living, makes Canada a global magnet for management-service operations. Canadian firms are global leaders in the direct management of physical assets for global investors, especially in the fields of infrastructure, energy and real estate.

¹ Statistics Canada. *Gross Domestic Product at Base Prices, by Industry*, 2013.

² Statistics Canada. *Payroll Employment, earnings and hours*, November 2013.

³ Engineering News-Record. *The Top 225 International Design Firms*, 2013.

⁴ Deloitte. *Partnerships Bulletin: The Global PPP Market 2012*.

⁵ Infrastructure Canada.

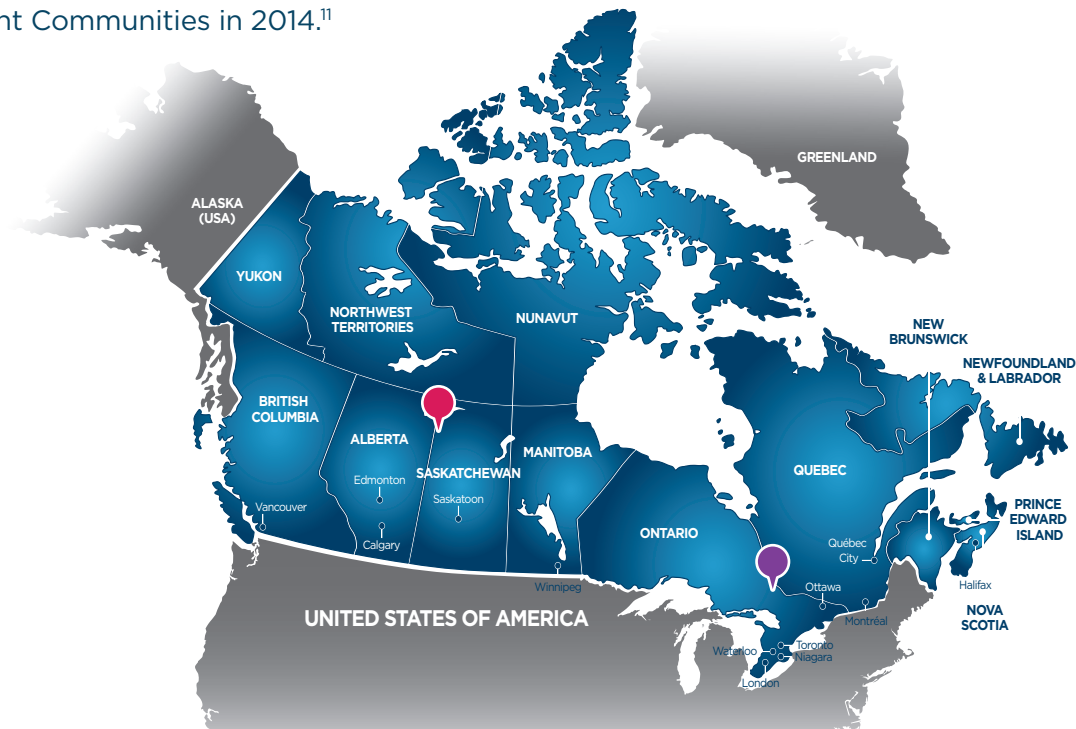
⁶ A.T. Kearney. *The A.T. Kearney Global Services Location Index*, 2014.

⁷ Statistics Canada. *Accounting Services*, 2012.

⁸ CFA Society Toronto.

BUSINESS SERVICES CLUSTERS

Ontario's business and professional services cluster is among the largest in North America. British Columbia is Canada's gateway to the Asia-Pacific region. Quebec, Alberta and New Brunswick are all home to rapidly expanding business services clusters, while Manitoba's CentrePort⁹ is an innovative logistics centre for domestic and international cargo. Halifax consistently ranks among the top-100 outsourcing destinations in the world, and typically among the top two U.S. and Canadian cities.¹⁰ Kingston and Toronto, Ontario, along with Winnipeg, Manitoba, were among the world's Top 7 Intelligent Communities in 2014.¹¹



WESTERN CANADA

- » British Columbia, Alberta, Saskatchewan, Manitoba
- » Annex Consulting Group, Bennett Jones, Enerflex, Stantec, Vision Critical, Accenture, AECOM, Ceridian, Convergys, McKesson, Bank of America Merrill Lynch, Wipro, Spencer Ogden, CH2M Hill

EASTERN CANADA

- » Ontario, Quebec, Prince Edward Island, Nova Scotia, Newfoundland, New Brunswick
- » Brookfield, CentriLogic, Conestoga-Rovers & Associates, CSA Group, Enermodal Engineering, Golder Associates, Gowlings, MDC Partners, Tetra Tech, AMEC, Ernst & Young,

IBM, Tata Consultancy Services, UPS, Canam Group, GardaWorld Security Corp, NTT DATA, SNC Lavalin, Minacs, Infosys, Morgan Stanley, Randstad, AON, Ernst & Young, Fujitsu, KPMG, Price Waterhouse Coopers, Protiviti, Deloitte

RECENT INVESTMENTS

COMPANY	BUSINESS ACTIVITY
FDM Group	IT Services Provider
Northcott Global Solutions	Emergency Response System
Spencer Ogden	Energy recruitment firm
Sitel	BPO service firm
360i	Digital marketing agency
Boston Consulting Group	Management Consulting
High Street Partners	Business software and consulting services

⁹ CentrePort Canada.

¹⁰ Tholons. *Top 100 Outsourcing Destinations*, 2013.

¹¹ Intelligent Community Forum. *Top 7 by Year*, 2014.

CANADA'S ADVANTAGES

INVESTOR-FRIENDLY BUSINESS ENVIRONMENT

Canada will be the best place among G-20 countries for doing business over the next five years according to the Economist Intelligence Unit (EIU). Canada climbed to third place in A.T. Kearney's FDI Confidence Index 2014, just behind the United States and China. This is the highest ranking Canada has achieved since the index began in 1998 and provides valuable insight into how positively business leaders regard the medium-term outlook for foreign direct investment in Canada.

DATA PROTECTION

Canada has fully endorsed the significance of, and need for, protecting personal data, and offers a number of additional safeguards and data-protection guarantees. Federal, provincial and territorial laws, along with industry-leading best practices, protect personal information protection—a crucial advantage for human resources management, finance and accounting outsourcing, and compliance outsourcing activities.

HIGH QUALITY WORKFORCE

The availability of qualified engineers in Canada is the second-highest in the G-7, according to the Institute for Management Development. Canadian cities consistently rank near the top of Mercer's annual Quality of Living Survey and dominated the list for North America in 2014. Vancouver ranked fifth globally, followed by Ottawa (14), Toronto (15) and Montreal (23).¹² Rankings such as these are important to investors in business services, as they help attract and retain high-calibre staff.

LOW-COST, LOW-TAX ENVIRONMENT

Canada's cost environment for business services is extremely advantageous: corporate-services firms operating in Canada typically save 12.5 percent on total costs relative to their U.S.-based counterparts.¹³ Canada is also the most tax-competitive country in the G-7, with combined federal-provincial general corporate income-tax rates of 26.3 percent, 12.8 percentage points lower than those in the U.S.¹⁴

MARKET ACCESS

Canada's pro-trade agenda helps provide firms with direct access to the world's most important and attractive markets. Once the Comprehensive Economic and Trade Agreement (CETA) with the European Union comes into force, foreign investors in Canada will have preferential access to both North America and the EU. This represents 977 million consumers and a combined GDP of US\$37 trillion, or nearly one-half of the world's output of goods and services. Canada is also engaged in negotiations with India, Japan and the Trans-Pacific Partnership to strengthen its position as a global export base.

"...There's high confidence right now; the economy is doing well and lots of investment is being made; this consistency shows that businesses really can rely on Canada..."

Natan Aronshtam, Global Managing Director,
Research and Development
and Government Incentives,
Deloitte & Touche

¹² Mercer. *2014 Quality of Living Worldwide City Rankings*.

¹³ KPMG. *Competitive Alternatives Report*, 2014.

¹⁴ OECD tax Database, 2013.

SUPPORT PROGRAMS AND INNOVATION

INNOVATION AND EDUCATION

Canada has a world-class higher education system—23 Canadian universities appear in the top-500 universities of the world¹⁵—that offers programs in engineering, law, finance, accounting, marketing and management at the undergraduate, graduate and PhD levels. Six Canadian business schools rank among the top 100 in the world¹⁶ and three Canadian law schools rank among the world's top 40.¹⁷

Leading research centres and groups include:

- Conrad Business, Entrepreneurship and Technology Centre (University of Waterloo, Waterloo, Ontario)
- Social Research Centre (University of Ontario Institute of Technology, Toronto, Ontario)
- Osgoode Hall Law School (Toronto, Ontario)
- McGill University Faculty of Law (Montréal, Quebec)
- University of Toronto Faculty of Law (Toronto, Ontario)
- University of Alberta Faculty of Law (Edmonton, Alberta)
- Centre for Oil Sands Innovation (University of Alberta, Edmonton, Alberta)
- Business and Management Research Centre (BMRC) (McGill University, Montréal, Quebec)
- Innovation Centre for Engineering (University of Alberta, Edmonton, Alberta)
- KPMG Research Bureau in Financial Reporting (University of British Columbia, Vancouver, B.C.)
- Marketing Research Group (University of Ontario Institute of Technology, Toronto, Ontario)
- Rotman Institute for International Business (University of Toronto, Toronto, Ontario)
- Ed Lumley Centre for Engineering Innovation (University of Windsor, Windsor, Ontario)

Canada also offers generous tax credits and funding for business services companies.

- **Scientific Research and Experimental Development (SR&ED)** provides income tax credits and refunds for expenditures on eligible R & D activity in Canada on wages, materials, some overhead and SR&ED contracts.
- **Industrial Research Assistance Program (IRAP)** supports innovative R & D and commercialization of new products and services by small- and medium-sized firms.
- **Export Development Canada (EDC)** and **Business Development Bank of Canada (BDC)** provide flexible financing programs and solutions tailored to support foreign direct investment in Canada.

¹⁵ The Times Higher Education. *Academic Ranking of World Universities*, 2013.

¹⁶ Financial Times. *Global MBA Rankings*.

¹⁷ Quacquarelli Symonds Limited, Top Universities. *Worldwide University Rankings, Guides, and Events*. See also Maclean's Magazine. *The 2013 Maclean's Canadian Law School Rankings*.

INVEST IN CANADA TO ACHIEVE GLOBAL EXCELLENCE

A WELCOMING BUSINESS ENVIRONMENT

Canada is ranked as the best country for business in the G-20.

Source: Forbes and Bloomberg

A HIGHLY EDUCATED WORKFORCE

Canada's workforce is the most highly educated among members of the OECD, with half of its working-age population having a tertiary-level education.

Source: Organisation for Economic Co-operation and Development (OECD)

LOW TAX RATES

Canada's overall marginal effective tax rate on business investment is by far the lowest in the G-7—about 17 percentage points lower than that of the United States.

Source: Department of Finance Canada

COMPETITIVE R & D ENVIRONMENT

Canada offers the lowest business costs in the G-7 for R & D-intensive sectors, with a 15.8 percent cost advantage over the United States.

Source: KPMG

FINANCIAL STABILITY

For six consecutive years, the World Economic Forum has declared Canada's banking system to be the soundest in the world.

Source: World Economic Forum (WEF)

UNPARALLELED MARKET ACCESS

Canada's NAFTA advantage gives investors access to 470 million consumers. Many Canadian production hubs are actually closer to U.S. markets than American production sites—of Canada's 20 largest cities, 17 are within an hour-and-a-half drive of the U.S.

Source: The World Bank

A GREAT PLACE TO INVEST, WORK, AND LIVE

Canada is one of the globally most multicultural countries with world-class universities, a universal health care system and clean and friendly cities in addition to having the second highest standard of living in the G-20, as measured by GDP per capita.

Source: The World Bank

Unless otherwise noted, all values in this publication are in Canadian dollars. Content is based on the latest available information at time of publication.



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