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# Blackberry Bonanza

## What Is Manitoba's Future In A Vastly Different World ?

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# Presentation Outline

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## 1. The Flattening of the Globe

- The “flatteners”
- Impact on N.A. industry

## 2. Canada’s Customer Contact Centre Sector

- Trends
- Comparing Manitoba to our competitors
- Lost Opportunity – Why was the RIM deal so important?
- Economic Players to watch.....Nova Scotia & Alberta

## 3. Manitoba’s Challenge

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**“The winning companies of the future will be those most adept at leveraging global talent to transform themselves and their industries, creating better jobs for everyone”**

**▪Source: Business Week, Jan. 30, 2006**

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# Section 1

## The Flattening of the Globe

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# The World is Flat

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- Thomas Freidman
- Period between Y2K – 2004 critical
- Convergence of technology & events
- Allowed India, China, Russia & Brazil to become part of global supply chain
- Challenging virtually every N.A. industry

# The Modular Corporation

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- Work processes for every corp. dept. can be outsourced and managed offshore
- Corporate America says “If you don’t do “T.O.” you won’t survive today”
- Genpac, Accenture, IBM use teams to dissect workflow, build IT platforms to send to India & China

# Global Sectors Outsourced Offshore in 2005 (Billions\$)

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**Logistics** (just in time shipping) → \$179

**Manu.** (electronics to medical) → \$170

**Infotech** (software, tech support, IT) → \$90

**Cust. Care** (call centres, air travel) → \$41

**Engineering** (electronics testing, chips) → \$27

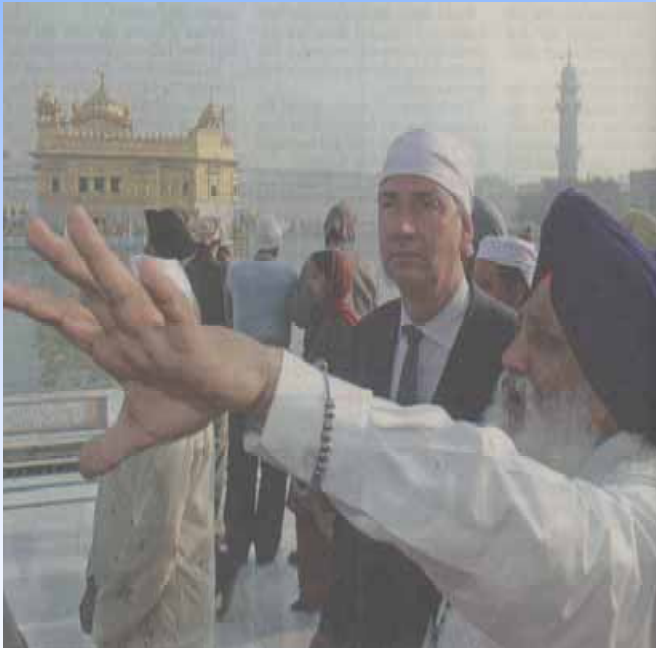
**Financing** (accounts, payables) → \$14

**HR & Analytics** (Fin. Analysis, payroll) → \$25

Source: IDC Estimates, Evalueserve Manufacturing

# Recent 2006 Visitors to India

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Frontier Centre, May, 2006

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# “India’s” Vision of the Future?

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**“In manufacturing we were first employees. After, we learned all the processes, we started our own firms, Software and IT will be the same. It is “like building a building” Today the U.S. are the designers, architects and China and India are the bricklayers. Shortly, we will be the architects.”**

**Source: Thomas Friedman, “The World Is Flat”**

# What Bush Already Knows

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- India “solved” America’s Y2K problem
- India has “labor solution” to provide greater efficiency, productivity and new markets for U.S. business
- Dot com meltdown, fibre optics have created new N.A. opportunities for India
- Since Y2K....U.S. O/S has grown rapidly
- India and China want *MORE* N.A. business
- “India has arrived ...and Bush has landed”

# What Bush & Lou Dobbs Know

**Playing the Savings Game**

As these average-salary figures show, outsourcing lowers costs

<b>SOFTWARE PROGRAMMER</b>	U.S. \$66,100	INDIA \$10,000
<b>MECHANICAL ENGINEER</b>	U.S. \$55,600	INDIA \$5,900
<b>IT MANAGER</b>	U.S. \$55,000	INDIA \$8,500
<b>ACCOUNTANT</b>	U.S. \$41,000	INDIA \$5,000
<b>FINANCIAL OPERATIONS</b>	U.S. \$37,625	INDIA \$5,500

**WIRED AND HIRED:** Engineers click away at the Infosys Technologies campus in Bangalore, India

Sources: PayScale Inc.; the Paaras Group

PAWEL KOPCZYNSKI—REUTERS

Source: Time Magazine

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# Section 2: Canadian Customer Contact Centre Sector

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# Job Creation – Canadian Customer Contact Centre Sector

<u>Summary</u>						
Comparative Provincial Performance						
2002, 2003, 2004, 2005						
<u>Job Creation</u>						
Province	2002	2003	2004	2005	Total	Ranking
BC	1,560	3,160	1,400	2,070	8,190	2
AB	600	800	2,300	250	3,950	6
SK	0	800	560	570	1,930	7
MB	0	80	370	100	550	9
ON	10,095	7,360	7,227	6,545	31,227	1
QB	3,118	3,360	898	200	7,576	4
NB	2,479	999	3,415	1,130	8,023	3
NS	1,334	2,960	1,000	1,550	6,844	5
PE	250	0	0	0	250	10
NF	1,000	0	0	1,600	2,600	8
<b>Total</b>	<b>20,436</b>	<b>19,519</b>	<b>17,170</b>	<b>14,015</b>	<b>71,140</b>	

# Comparative Job Growth (2001-2005)

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Province	2001 (jobs)	2005 (jobs)
MB	12,000	10,600
N.B.	10,500	20,000
N.S.	8,000	15,500

# 2nd Wave – Silicon Valley

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# The 2<sup>nd</sup> Wave – After Outsourcing

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- Jobs returning to Silicon Valley
- Firms like HP have outsourced lower skills to foreign countries
- New jobs require specialized skills
- Emphasis on engineering, design, product development
- Move is “up the skills curve”



# Issues – Headlines Impacting the Sector

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- **“GM banks on India’s low cost know-how”**
  - **The 184,347 Indian engineers who graduated from the country’s 15,436 colleges last year will lure more overseas companies**
  - **India is moving from call centres to innovation!!!!**

*Globe & Mail, September 2005*

**Dell plans to double Indian headcount to 20,000 over next 3 years”**

- **“Dell produces gifted engineers and we see that as an asset for hardware and software activities”**

**Micheal Dell, Chairman, Dell Computers**

*Reuters, March 20, 2006*

# Headlines Impacting the Sector

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“Halifax Scores RIM Technical  
Support Unit”

*Globe & Mail, Nov 26, 2005*

# “Canada’s Emerging Hot New High Tech Location – Nova Scotia”

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Frontier Centre, May, 2006

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# Significance of RIM Deal: 1,200 Jobs

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- Outcome of 5 Year N.S. Strategic Plan
- Team effort by Provincial/City/Corporate
- Built on customer contact centre strategy
- Billed as “careers w/o limits”
- Competed with 30 other N.A. jurisdictions to win RIM

# The RIM Investment

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## Tangible Benefits

- 1,200 new level 3 & 4 careers
- targeted at college & university grads
- Base salaries \$45 - 48 K
- \$230 million in investment
- 100,000 sq. ft. of real estate

# The RIM Investment

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## Intangible Benefits

- “Waterloo East”
- “Emerging” High Tech Ctr. in Canada
- “Grabbing attention” of Intl. R & D

# Why? Because the Elephant is Also Our Neighbour!

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Frontier Centre, May, 2006

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# “Alberta’s Need to Compete”

## Economic Club of Toronto, Feb. 06

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- Alta. must lower corp. taxes to compete
- Competition is not with Cda. with world
- Strategy is to “attract people & capital”
- “Personal & corp. taxes will drop quickly in years, not decades, Footloose industries and workers will find Alta. Compelling...Jeff Rubin, CIBC



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# Section 3

# Manitoba's Challenge

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# Must Act As A Team!

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**“The province must rework its relationship with the city”**

**Jim Carr, President & CEO, Business Council of Manitoba, WFP, Mar 05, 06**

# Global Impacts - Local

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# Global Impact - Local

Winnipeg Free Press  
TUESDAY, FEBRUARY 14, 2006

## BUSINESS

EDITOR: Steve Pora 697-7262 [business@freepress.mb.ca](mailto:business@freepress.mb.ca) | B3

<b>S&amp;P TSX</b>	<b>DOW</b>	<b>NASDAQ</b>	<b>Dollar</b>
11,519.49 -132.20	10,892.32 -26.73	2,239.81 -22.07	86.53¢ -0.14%

### Firm's troubles soaring

#### Standard Aero's future at risk after losing work on American contract

By Geoff Kirbyson and Paul Samyn

MANITOBA'S largest aerospace company faces hundreds of job losses and questions about its very future after being told its services on a \$225-million US annual contract will no longer be required.

Paul Soubry, president of Standard Aero, is crying foul and said the Winnipeg-based firm is exploring all of its legal options in the wake of Kelly Aviation Center's decision to sever a seven-year partnership on lucrative engine repair and overhaul work for the U.S. government.

In its place, KAC plans to take the business in-house and a company spokeswoman said its goal is to hire "virtually all" of Standard Aero's 650 employees who work on the contract and

the coming contract extensions in San Antonio, Texas.

"Standard Aero bid as a team, awards were earned as a team and extensions were to be awarded as a team," Soubry said in an interview yesterday.

"They're saying, 'we'll insource the work, hire your people and move on.' It's wrong. It's not like we lost to competition or didn't deliver what we promised."

Another 350 Standard Aero employees in Winnipeg stand to be affected by KAC's decision, Soubry said. As a privately held business with significant debt, the loss of the contract, which represents one-third of its annual revenues, could have serious ramifications for the future of the company, Soubry said.

In the late '90s, Standard Aero partnered with Lockheed Martin, the world's largest defence contractor, to bid on the propulsion business area contract for T56 and TF39 engines for the U.S. government. The pair was awarded the business in 1999 with Standard Aero handling the T56 work. (Lockheed Martin was subsequently renamed KAC after joining forces with General Electric in 2002 and Rolls-Royce in 2005.)

KAC spokeswoman Candy Ealinger disputed Standard Aero's claim and said as the prime contractor for the work, it's up to KAC where it's performed. She said its contract with Standard Aero expires in February 2007 and it hasn't been renewed.

"We have the option to either extend the contract (with Standard Aero) or not," she said in an interview yesterday.

She said because some of the aircraft using T56 and TF39 engines are being retired, the repair and overhaul workloads are declining. By bringing the work in-house, she said KAC will be able to save the U.S. government about \$120 million US.

Soubry said the proposal to the Air Force was clearly an industry teaming arrangement and he plans to go to the wall fighting KAC's decision.

"We were integral in writing the proposal and in transforming the facility. You can't separate one of these programs from the other. We're going to fight this as far as we can. We owe it to our shareholders and our employees," he said.

"When we were offered the opportunity to team with the world's largest defense contractor, we took that as a sign of a significant partnership. We never imagined they would just take over our work."

Manitoba Industry Minister Jim Roudreau said the situation facing Standard Aero was brought to the attention of Paul



Paul Soubry: will fight decision

Martin's Liberal government and he will be raising the matter with the new Tory government.

Federal Justice Minister Vic Toews, the province's new regional minister and a potential key player in saving jobs at Standard, could not be reached for comment.

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# Global Impacts - Local

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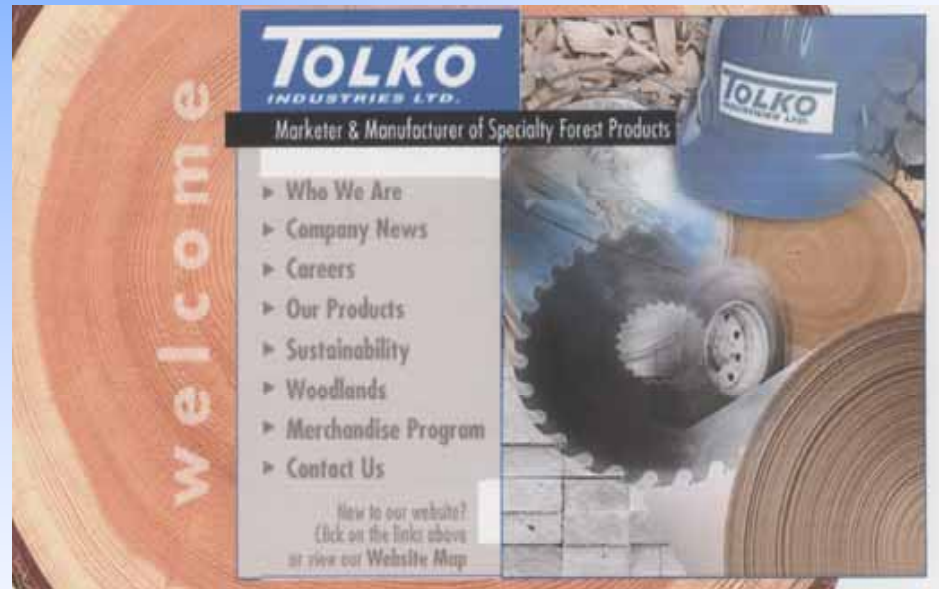
Frontier Centre, May, 2006

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# Global Impacts - Local

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# Global Impacts – Local?

III INSURANCE

## Sun Life tests underwriting in India

First time firm has assessed Canadian applicants offshore

BY SINCLAIR STEWART, TORONTO

Sun Life Financial Inc. has launched a pilot project this month to underwrite some of its Canadian life insurance policies in India, the first step in what could be a significant "offshoring" of back office work in the world's second most populous country.

The insurer recently created a service and technology centre in Bangalore, India's high-tech capital, where it will set up a local management team to take charge of things such as IT outsourcing and possibly even call centres. Additionally, a small group of professionals there will take a stab at underwriting Canadian insurance policies, an effort that, if successful, could lead to much of this work eventually being done in India. Underwriters are paid to evaluate people who are applying for insurance coverage.

James Prieur, Sun Life's president and the executive directly in charge of Asian operations, said the new centre will attempt to capitalize on a labour market that is young, highly skilled, and — perhaps most important — cheap. University graduates with an MBA degree can often be hired for as little as \$18,000 a year, he noted.

"Developing that capacity is very



Sun Life president James Prieur said the new centre in India will attempt to capitalize on a labour market that is young, highly skilled and cheap.

# Winnipeg Economic Concerns

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## Key Economic Indicators (1990 – 2004)

Cities	Real GDP%	Population %	Employment %
Calgary	75.7	38.1	54.6
Edmonton	69.4	19.8	28.4
Vancouver	57.1	34.8	38.6
Ottawa	43.8	22.5	22.9
Montreal	39.9	10.8	19.3
Saskatoon	39.3	11.3	21.2
Halifax	38.1	14.5	19.8
Winnipeg	30.7	5.9	11.3
<i>Source: Conference Board</i>			



# Winnipeg Income Growth

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## Average Weekly Wage by Province

<b>Province</b>	<b>Avg Weekly Wage</b>
<b>Alberta</b>	<b>\$741.84</b>
<b>Ontario</b>	<b>\$737.44</b>
<b>B.C.</b>	<b>\$701.85</b>
<b>Canada</b>	<b>\$696.69</b>
<b>Quebec</b>	<b>\$652.58</b>
<b>Saskatchewan</b>	<b>\$634.26</b>
<b>Manitoba</b>	<b>\$618.78</b>
<b>Source: Statistics Canada</b>	

# Recent Winnipeg Headlines

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- “Universities pay steep price for tuition freeze” Post secondary education in this province has been severely hobbled”

*WFP, Feb. 19, 06*

- “Manitoba Manufacturing Falling Behind, This just screams at me...John McCallum, U. of M.
  - *WFP, Feb. 22, 06*

- “Competitive Edge Missing” & “Leading at Underachieving”
  - *Sun, Feb .25, 06, & Mar. 01, 06*

# Lessons to be Learned?

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- **“N.B. should have pitched RIM”**
  - **“There is no excuse why N.B. did not pitch Waterloo, Ontario based Research In Motion, according to Donald Savoie, Professor of Regional Economic Development , University of Moncton. Creating great jobs isn’t done by sitting in Fredericton. There is no excuse for this. You can spin it, you can rationalize it, but there is no excuse for not being on the RIM radar screen.”**

*Moncton Times & Transcript, Dec. 14, 06*

- **N.B. Minister Peter Mesheau, relieved of portfolio**

*February , 2006*

# Competition...

## The Tip Of The Iceberg...

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- Jobs are going to corners of the world where there is least resistance, least barriers, greatest opportunity. This is the tip of the iceberg. Every individual, every jurisdiction must improve themselves to compete. It is going to be one global market.

Rajesh Rao, Founder, CAO, Dhruma Interactive

# New Brunswick CEO's Speak Out – March 10, 06



- “Massive transformation of planet taking place”
- “Must think bigger for the long term”
- “The Canadian federation is changing”
- “Must strategize about the comment good”
- “Since 2004, NB has lost 25% of manufacturing jobs
- “Forge ties with growing economic superpowers”

# We Can...We Must do better! We Must Excel!

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- Creating Career Opportunities
  - Attracting Business investment
  - Building futures
- ...Everyone is becoming much more competitive!!

# Why Did RIM Expand To Nova Scotia?

## Why Not Manitoba?

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- 1,200 new jobs
- University focus
- \$54 – 58 M salaries
- “careers w/o limits”
- R & D synergies
- Plus, plus, plus

# Manitoba's Future

## David Bell & Lori Milburn

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- March 29<sup>th</sup>, 06
- “Exodus worse than initially feared”
- 22,085 moved elsewhere in '05
- Highest exodus since 1990
- Net loss of 8,218



# Manitoba's Future

## Michael Legary

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- Mar 27<sup>th</sup> 06
- 7 year old co.
- 20 employees
- Can't hire engineers
- Clients elsewhere
- Rim would add \$1m
- Manitoba not focused on tech

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多謝 (Thank you)

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