



Québec

**: A Dynamic and Profitable
Business Environment**

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Home

Québec is one of North America's leading high-tech hubs. The province boasts hundreds of businesses that are active in every sector of the information and communications technology (ICT) industry, as well as a large pool of highly skilled workers. In fact, the agglomeration of Montréal has more engineering firms and engineers than any other city in Canada.

Aware of the importance of innovation, Québec devotes considerable resources to ICT by fostering the provision of higher education, the operations of numerous R&D centres and the creation of networks of excellence. In addition to its seven universities, Québec has a number of specialized research centres-such as CRIM, CEFRIO, Prompt and CANARIE-which contribute to the development of innovative solutions and the transfer of knowledge. The province's efforts to encourage innovation have proven highly successful, as ICT firms here invest close to \$1 billion in R&D each year.

Businesses that locate in Québec enjoy very low operating costs. Corporate tax rates are among the lowest in North America. Thanks to the R&D tax incentives offered, a \$100 expenditure can end up costing as little as \$37. There are also numerous programs available to facilitate the financing of businesses and the hiring of foreign researchers.

A large number of the world's biggest ICT companies have set up operations in Québec, including **CGI Group, Ericsson, IBM** and **DMR-Fujitsu**. But the pool of sector companies is much more extensive, encompassing a total of 7,300 businesses that employ more than 145,000 people and are active worldwide. A full 90% of the ICT products manufactured in Québec are exported, and 60% go to one of the world's most demanding markets-the United States. That figure reflects the vitality and expertise of Québec's ICT businesses.

"Right from the start, Québec impressed us with the quality of its multilingual, highly educated workforce. In a fiercely competitive and innovative industry like ours, recruiting top talent is the key to success. Here in Québec, we are able to recruit software developers and creative, resourceful managers who are a perfect match for our needs, along with programmer analysts, project architects and leaders who can help us improve our business processes and consolidate our technological leadership position." - Maria Codipietro, General Manager, SAP Labs Canada, 2009

Growing your company? Expand your horizons in Québec!

Last update: June 2010

Sector Profile

The ICT sector includes businesses that supply information technologies as well as firms that develop and publish software.

"Information technologies" refers to integration and subcontracting services in niches such as:

- integrated resource management;
- e-business;
- customer relations management;
- computer security;
- knowledge management; and
- supply chain management.

Businesses that provide information technologies are active in numerous fields, including health, manufacturing and logistics management, finance and public administration. They vary greatly in terms of size and offerings. Large international companies provide a wide array of products and services, while a large number of smaller firms target specific niches and focus on specialized products and services. All in all, they make up a highly innovative and dynamic industry.

Firms that develop and publish software design primarily:

- programs that meet the specific needs of an industry or profession (vertical applications);
- off-the-shelf software suitable for a number of businesses (word processing programs, spreadsheet software, accounting software, etc.).

The nearly 350 firms that develop and publish software generate close to \$1.2 billion in revenues and employ over 6,100 people.

Industry-leading Companies

A large number of international companies form a dynamic critical mass around which thousands of smaller companies revolve. Here are just a few of them.

Company	Employees in Québec	Total Revenue (millions of Canadian dollars)
<p>BCE BCE is Canada's largest communications company, providing the most comprehensive and innovative suite of communication services to residential and business customers in Canada.</p>	14,331	17,735
<p>CGI A leading IT and business process services provider, CGI maintains close relations with its clients through 25,000 professionals at over 100 offices worldwide.</p>	9,000	3,587
<p>IBM Canada IBM Canada is one of Canada's leading providers of advanced information technologies, products, services and business consulting expertise. With investments of over CDN\$397 million in 2008, IBM Canada is also one of the country's largest investors in research and development.</p>	5,500	103,600
<p>Ericsson Research Canada The Ericsson Research Canada R&D centre in Montréal serves the Canadian market by providing complete communication solutions, including wireless network technology, mobile Internet, IP and data systems, transmission solutions and managed and consulting services.</p>	1,563	27,815
<p>DMR (Fujitsu) Founded in 1973, DMR is a division of Fujitsu Consulting (Canada). It is one of the leading IT service providers for businesses and public organizations.</p>	1,463	279
<p>Compuware Compuware is a supplier of business and e-business solutions designed to increase productivity.</p>	1,213	1,090

Industry Associations

Alliance numérique

Alliance numérique, the business network of the multimedia and interactive digital content industry in Québec, assists industry companies by providing a common forum and representing their interests, assisting with expansion plans and helping them grow by offering a broad array of services catering to their needs.

Association québécoise des technologies (AQT)

A non-profit organization funded by its members, the AQT represents 1,200 business leaders and 25,000 workers through its 400 member organizations. Its mission is to help members meet their growth objectives and promotes best practices for marketing products and services. The AQT also raises the profile of the ICT industry with public and private stakeholders.

GéoQuébec

GéoQuébec services industry sectors using geospatial data. Its mission is to provide tailored solutions that integrate all aspects of geomatics.

Information Technology Association of Canada (ITAC)

ITAC is the voice of the Canadian information and communications technologies (ICT) industry. Its mission is to promote and boost the industry's contribution to Canadian society and the country's economy.

Regroupement des partenaires du gouvernement en technologies de l'information (RPGTI)

RPGTI is an association representing Québec's largest companies in leading sectors of the IT industry. Its mission is to foster ongoing dialogue with the Québec government to promote the sound use of information technologies.

Réseau Action TI

The mission of Réseau Action TI is to represent and mobilize stakeholders in Québec's IT industry. It creates opportunities for members to get together and helps further their knowledge and skills. It also showcases industry accomplishments and helps add value to IT in Québec.

TechnoCompétences

TechnoCompétences is the sector committee for the information and communication technology workforce. Its mission is to support and promote the development of labour and employment in the information technology and communications industry, in conjunction with industry partners.

TechnoMontréal

TechnoMontréal, also known as the Information and Communication Technology Cluster of Greater Montreal, is a platform for promoting the economic development of metropolitan Montreal. Its mission is to raise the international profile of the region's ICT industry by promoting dialogue and showcasing the cluster and its member companies on the international scene.

Labour

A Network of Institutions of Higher Learning

Québec boasts an education system that is able to supply and replenish a skilled and multidisciplinary labour force. Its seven universities (four French-language and three English-language) encompass 18 institutions with numerous programs in applied sciences, eight of which offer a complete range of engineering programs. Québec-based companies also have access to a variety of work-study programs in engineering and computer science offered by Québec universities.

In 2008, Québec universities awarded almost 3,000 diplomas in computer sciences, computer engineering and electrical engineering, more 70% of them in the Montréal area.

**Enrolment and Degrees Awarded, Québec Universities, 2008
Computer Science and Related Programs**

Programs	Undergraduate		Graduate		Total	
	Students	Graduates	Students	Graduates	Students	Graduates
Computer Science	4,137	1,126	1,375	402	5,512	1,528
Computer Engineering	956	195	182	54	1,138	249
Electric, Electronic and Communications Engineering	2,951	673	1,261	402	4,212	1,075
Administrative data processing	395	207	-	-	395	207
Total	8,439	2,201	2,818	858	11,257	3,059

Source: Ministère de l'Éducation, *Gestion des données sur les effectifs universitaires*, 2009.

Québec's colleges produce a large pool of ICT-specialized technicians every year. Below are the main programs of study related to this industry.

New College Enrolments (Fall 2007) and Graduates (2006)		
Computer Technology and Related Programs		
Program	Number of students	Number of graduates
Computer Technology	1,011	926
Electronics Technology	870	289
Multimedia Integration Technology	1,082	184*
Total	2,963	1,399

Source: Ministère de l'Éducation du Québec, *Gestion des données sur les effectifs universitaires*, 2010.

* The low ratio of graduates to students is due to the creation of numerous new specialized programs, with an average duration of three years, during the period in question. As a result, there are many enrolments but no graduates yet for these programs.

Research & Development

In addition to private-sector firms doing intensive R&D, Québec has a number of highly regarded public-sector research institutions. Many university faculties also house leading-edge researchers who work in partnership with industry.

Research, liaison and transfer centres and research associations

CANARIE is Canada's advanced research and innovation network. Established in 1993, CANARIE supplies and manages an ultra high-speed network, hundreds of times faster than the Internet, which facilitates leading-edge research and big science across Canada.

Centre d'entreprises et d'innovation de Montréal (CEIM)

CEIM is a non-profit organization that offers specialized management support and related services for the company start-ups in the information technology, multimedia, industrial technologies and life sciences industries.

Centre francophone d'informatisation des organisations (CEFRIO)

CEFRIO is a knowledge transfer and liaison centre with over 160 university, industry and government members as well as 60 associated and visiting researchers working towards social and organizational innovation in Québec.

Centre de recherche informatique de Montréal (CRIM)

CRIM is an IT applied research centre that develops and transfers technologies and knowledge in order to add value to the products and services of businesses and organizations and contribute to their commercialization.

Consortium en innovation numérique du Québec

The Consortium (formerly known as Hexagram) puts technological innovation to work for Québec businesses to help them go head-to-head with competitors around the world. It financially supports industry-oriented research and development projects in the media arts and technologies, and ensures technologies are transferred to and utilized by businesses.

Language Technologies Research Centre (LTRC)

The LTRC carries out and promotes research, development and technology transfer activities in language technologies as part of collaborative efforts between academia, government, associations and industry in order to advance knowledge and benefit the Canadian language industry.

Partnerships for Research on Microelectronics, Photonics and Telecommunications (Prompt)

Prompt is a non-profit corporation that stimulates industry-university R&D partnerships to increase Québec's competitiveness in the information and communication technologies sector.

Society for Arts and Technology (SAT)

The SAT is a transdisciplinary centre dedicated to research, creation, production, presentation, education and conservation in the field of digital culture. It brings together creators and researchers who work with digital technologies through programs focusing on research, prototyping, production, training, publishing and dialogue with the public.

College centres for the transfer of technology (CCTTs)

CCTT en imagerie numérique et médias interactifs (CIMMI)

This research centre on digital imaging and interactive media, affiliated with Cégep de Sainte-Foy, contributes to the development and technological advancement of Quebec City area businesses and organizations in two key sectors of the economy: digital imaging (including applied digital imaging and medical imaging) and interactive media (interactive entertainment and Internet development).

Centre de géomatique du Québec (CGQ)

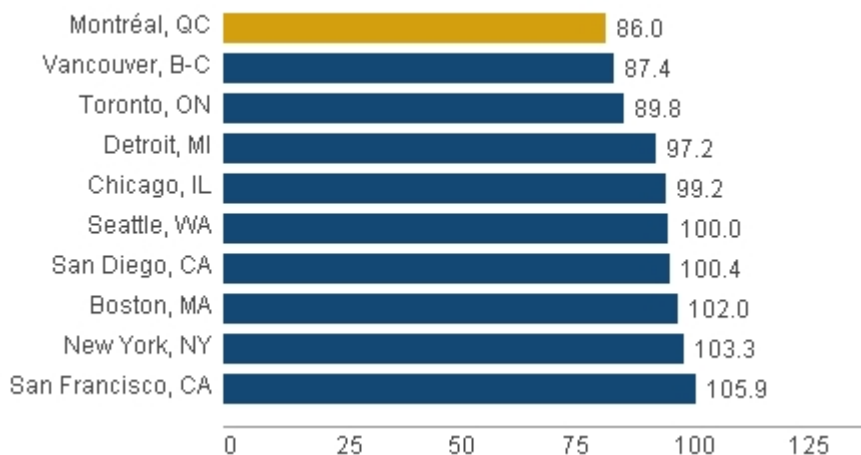
CGQ, the Québec geomatics centre, is a non-profit parapublic organization classified as a college centre for the transfer of technology. Its mission is to enhance the performance of public and private bodies and promote the use and development of geomatics by means of active assistance based on applied research, technical assistance and the dissemination of information.

Operating Costs

According to the 2010 KPMG comparative study on international business location, the annual operating costs for leading-edge software development companies are, on average, 19.6% lower in Québec than in the United States.

Comparison of Annual Operating Costs

Advanced software (United States = 100)



Source: KPMG's Guide to International Business Location—2010 Edition.

Operating Costs Labour

Competitive Labour Costs

According to a KPMG study (2010), labour costs are more competitive in Québec than in other industrialized countries.

Here is an example of cost differential and distribution in total pay for a worker in Québec and in the United States.

Comparison of Average Salary in Québec and in the United States (US\$, Advanced Software Industry)					
	Average salary (KPMG)	Statutory benefits	Optional benefits	Sub-total: Social benefits (Statutory & optional)	Total pay
Montréal, QC	72,683	5,867	16,708	22,575	95,258
Toronto, ON	75,408	4,292	17,542	21,834	97,242
Boston, MA	82,192	6,308	24,858	31,166	113,358
San Diego, CA	79,833	6,300	24,617	30,917	110,750
San Francisco, CA	89,533	6,767	27,600	34,367	123,900
Seattle, WA	80,709	6,500	24,883	31,383	112,092

Source: *KPMG's Guide to International Business Location-2010 Edition.*

Operating Costs Space Rental

Cost-effective Space Rental

Gross Rental Cost, Office Space - Class A				
	US\$/ft ² /year		US\$/m ² /year	
	Periphery	Downtown	Periphery	Downtown
Montréal	23.57	29.26	253.72	314.92
Boston	24.97	47.90	268.77	515.59
Dallas/Fort Worth	25.00	25.25	269.10	271.79
New Jersey/ New York - MTS Manhattan	26.11	40.59	281.04	436.91
Vancouver	26.19	44.76	281.91	481.81
Toronto	27.02	48.53	290.83	522.41
Houston	27.26	37.36	293.42	402.14
Seattle	27.46	26.01	295.58	279.97
Chicago	27.59	32.00	296.98	344.44
Ottawa	27.90	47.14	300.36	507.44
Miami	32.47	43.25	349.50	465.54
San Francisco	33.48	34.73	360.37	373.83
San Diego	34.56	31.44	372.00	338.42

Rate of change: CDN\$1,05 = US\$1

Source: Colliers International - Global Real Estate Review Year End 2009.

Financial Solutions and Taxation

Financial Solutions

Investissement Québec can assist you with your expansion plans, providing consulting services as well as financing assistance. In addition to being an economic development agency, we are also a financial institution. We have several financial solutions for you.

SMB Financial

We can provide a loan guarantee, i.e. a guarantee applicable to a loan, line of credit or letter of credit granted by a financial institution. We also offer loans. Two components of our SMB Financial program are likely to interest you:

- Interim financing of tax credits
- Technological and design innovation

Tax Credit for the Development of E-Business

A company that carries out activities in the information technology sector may be eligible for a refundable tax credit equal to 30% of the eligible wages.

Strategic Support for Investment Program

If your company is planning an investment or seeking to develop a new product, we can provide various types of loans, a loan guarantee or a non-repayable contribution.

The Strategic Support for Investment Program (PASI) favours investments that target diversification or consolidation of a particular sector, and product development that is distinctive because of its innovative nature and commercial potential.

Financial Solutions and Taxation Measures to Stimulate R&D

Certain Québec tax measures enable companies to realize considerable savings on R&D costs. The real cost of a CDN\$100 R&D expenditure may be as low as CDN\$37.

Net Cost of R&D Expenditures Large Corporation or Foreign-controlled Corporation

R&D Model: A corporation incurs expenditures of \$100,000 on R&D; i.e., \$90,000 for the salary of a researcher and \$10,000 for materials.

Expenses	\$
A Salaries	90,000
B Subcontracting services	0
Materials	10,000
Equipment	<u>0</u>
C Total R&D expenditures	100,000
Québec tax credit	
(A + B/2) X 17.5%	15,750
Federal tax credit	
Total expenditures (C)	100,000
Overhead (A X 65%) ¹	58,500
Less Québec credit	<u>(15,750)</u>
D Expenditures eligible for credit	142,750
E (D X 20%)	28,550
F Total tax credits	<u>44,300</u>
Net cost for the corporation before tax (C-F)	<u>55,700</u>
Tax savings (corporation earns profits)	
Federal ((C - F) X 18%)	10,026
Québec ((C - E) X 11.9%)	<u>8,503</u>
G Total savings	18,529
Net cost for the corporation (C-F-G)	<u>37,171</u>

¹ Proxy method used to calculate overhead. Under this method, overhead actually incurred is replaced by 65% of R&D salaries.

Source: Investissement Québec and Raymond Chabot Grant Thornton, April 2010.

Financial Solutions and Taxation Corporate Tax Rates

Among the Lowest Tax Rates in North America

In Québec, the corporate tax rate of 29.90%-one of the lowest in North America. Québec's tax system is also very competitive regarding job creation and capital investment.

Comparison of Income Tax Rates, 2010 Québec, Ontario and American States Non-manufacturing Companies Effective Tax Rate (%)					
	Federal ¹	Province/ State	City/ certain States ²	Total	Outside of the reference city
Québec	18.00	11.90	--	29.90	--
Ontario	18.00	12.00	--	30.00	--
California	31.91	8.84	--	40.75	--
Florida	33.08	5.50	--	38.58	--
Georgia	32.90	6.00	--	38.90	--
New York	29.00	7.10 ³	10.05 ⁴	46.15	39.62
Texas	34.65	1.00 ⁵	--	35.65	--
Washington	35.00	--	--	35.00	--

[1] In Canada, the federal tax rate is 11% for Canadian-controlled private corporations with taxable income of less than CDN\$500 000. Reduced rates also apply in some provinces for small businesses. The rate of 18% in 2010 will decline to 16.5% in 2011 and 15% as of 2012. In the United States, the general rate of 35% depends on the company's taxable income. State and city taxes are generally deductible from American federal tax. The effective American federal tax rate reflects this deduction.

[2] Most of the rates used for cities are for 2008, since some rates for 2009 were not available when this document was published.

[3] Companies are subject to a tax based on the highest of the four amounts. The income tax rate is 7.1%.

[4] New York City. A 17% surtax, applied on the 7.1% state tax for the metropolitan New York zone, has been added to the city rate of 8.85%. The three rates may not apply to all companies.

[5] The State imposes a Franchise Margin Tax at a rate of 1%. The "Margin" equals the lesser of the following three margins: 1) total revenues minus cost of good sold; 2) total revenues less remuneration; and 3) 70% of total revenues. From January 1, 2010 to December 31, 2011, a state tax exemption applies to entities having an income of less than \$1,000,000. The revenue threshold will decrease to \$600,000 after January 1, 2012.

Source: Raymond Chabot Grant Thornton and Investissement Québec, 2010.

Financial Solutions and Taxation

Tax Holiday for Foreign Researchers

Foreign researchers employed by a company in Canada that does R&D in Québec benefit from a provincial tax holiday on their salary for five consecutive years. It is a declining tax holiday computed as follows: 100% of employment income the first two years, 75% the third year, 50% the fourth year and 25% the fifth year. This measure also applies to other foreign experts; e.g., managers working in innovative fields.

Venture Capital

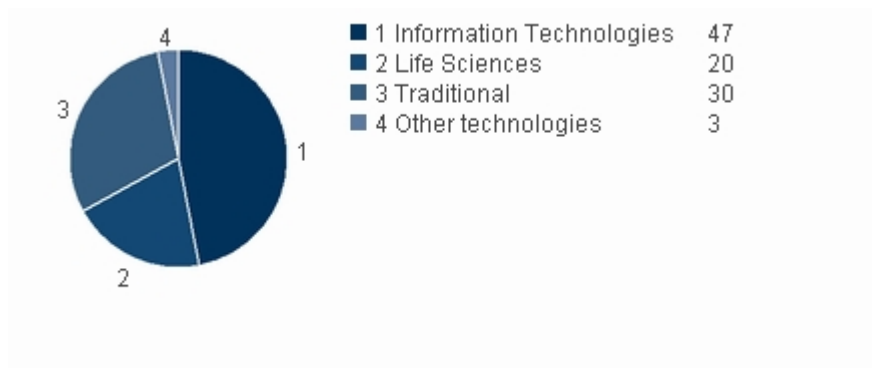
Québec is Canada's leading venture capital manager.

Québec is home to the greatest number of Canadian companies financed by venture capital, with 42% of the total.

In 2009, venture capitalists injected CDN\$432 million into Québec businesses and realised 159 financing.

Breakdown of Venture Capital Investments in Québec, by Sector, 2008 (%)

(\$432 million)



Source: Thomson Financial, 2010.

Venture Capital Leading Public-sector Financiers

Leading Venture-Capital Companies in Québec and their Sectors of Activity

Entreprises	Sectors
Argo Global Capital	Information technologies
Blue Ship Investments	Information technologies
Brightspark	Software
CAI Capital	All sectors
Capimont	All sectors
Capital Benoit	All sectors
CIBC Merchant Banking	All sectors
Desjardins Capital de risque	Industrial sector, information technologies, telecommunications, health sciences and cooperatives
EdgeStone Capital	All sectors
GE Capital Canada	All sectors
Greenpoint Ventures	Technology
GTI Capital	Information technologies
ID Capital/Telesystem	Technology
Innovatech	Information technologies, life sciences and advanced applied technologies
iNovia Capital	Information technologies, life sciences and cleantech
Miralta Capital	Information technologies
MMV Financial	Technology and life sciences
Novacap	Communications, technologies and various industrial sectors
Propulsion Ventures (Telesystem)	Software
RBC Capital Markets Technology Group	Information technologies
Roynat Capital	Information technologies
Stable Capital Advisors	All sectors
St-Lawrence Capital	Information technologies and cleantech
T2C2	Biotechnologies, information technologies
Technocap	Information technologies, multimedia
Telesystem	Information technologies
VIMAC Ventures	Software, communication, health sciences and infrastructure

Leading Public-Sector Venture-Capital Partners in Québec

Entreprises	Sectors
Association des centres locaux de développement du Québec - ACLDQ	All sectors
Banque de Développement du Canada - BDC	All sectors
CDP Capital - Technologies	Information technologies
FIDEC - Financière des entreprises culturelles	Multimedia
Fondation - CSN	All sectors
Fonds d'investissement de la culture et des communications	Multimedia
Fonds de solidarité des travailleurs du Québec - FSTQ	All sectors except retail
Société générale de financement du Québec - SGF	All sectors
Société de développement des entreprises culturelles - SODEC	Multimedia

Choose Investissement Québec

Are you looking for the right place to grow your information technologies and software company?

Call Investissement Québec.

We combine the advantages of a financial institution and an economic development agency, so we have what it takes to meet your needs.

Our team of experts can help you :

- Gain insight into the challenges and opportunities offered by Québec's information technologies and software industry;
- Build productive, strategic alliances with local and international partners;
- Find a location that suits your needs;
- Benefit from attractive tax incentives;
- Find the right financing solutions including loans, loan guarantees and working capital.