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CANADA RANKS SIXTH IN GLOBAL IT COMPETITIVENESS INDEX

Second Annual Study Ranks Canada High in Human Capital Development, Lower on Intellectual Property Protection

TORONTO (September 16, 2008) – A new study conducted by the Economist Intelligence Unit and sponsored by the Business Software Alliance finds Canada ranks sixth in the world in IT industry competitiveness, moving three places from its 2007 ranking of nine. Despite high scores in the areas of IT infrastructure and development of human capital, the study also found Canada lags behind other countries including Australia, Germany and the U.K. when it comes to fostering a legal environment for stronger intellectual property protection.

Now in its second year, the IT Competitiveness Index assesses and compares the information technology (IT) industry environments of 66 countries worldwide to determine the extent to which they possess the conditions necessary to support a strong and competitive IT industry. Although the top 20 economies remain the same from one year ago, nine countries moved up and 11 went down in the rankings. Canada ranks sixth in the overall index, with the top five spots going to the U.S., Taiwan, UK, Sweden and Denmark.

“Canada’s rise to a higher spot on the index shows that a country’s IT competitiveness can improve significantly in a short period of time,” said Michael Murphy, Chairman of the BSA Canada Committee. “The ability of local governments and IT industries to deliver jobs and a better quality of life through information technology is strongly affected by how they handle key drivers of competitiveness. While it’s encouraging to see Canada ranks relatively high overall in IT competitiveness, the study shows more can be done to improve the country’s legal environment for the IT industry, which would help address concerns around intellectual property rights.”

The study findings were calculated based on six distinct factors, or “IT competitiveness enablers,” which create a sound environment for the IT sector, including: an ample supply of skills; an innovation-friendly culture; world-class technology infrastructure; a robust legal regime that protects intellectual property, such as patents and copyrights; an open, competitive economy; and government leadership that strikes the right balance between promoting technology and allowing market forces to work. Countries that perform well in these areas generally are home to high-performance IT industries. High performing IT sectors directly contribute more than 5% to the gross domestic product of most advanced nations and also drive momentum in the wider economy by helping organizations and workers to be more efficient and productive.

Canada’s sixth place on the index is based on its performance in the following areas:

- Canada is among the leaders in the category of IT communications and infrastructure, third only after the U.S. and Switzerland by virtue of widespread Internet adoption and strong IT spending by businesses and consumers, resulting in high levels of computer penetration (87 for every 100 people).
- Well educated workers and high regarded universities moved Canada up three spots in the category of human capital, slightly behind the UK (3), South Korea (5) and Australia (6), but well ahead of other G8 countries including Italy (17), France (22) and Germany (24).
- Higher software piracy rates than other Western countries (33 per cent) place Canada’s legal environment for the IT industry 13th in the world this year, well behind Australia (2), Germany (6) and France (12).
- With a low-risk operating environment and open economy, Canada ranks 14th in the world for the overall attractiveness of its prevailing and forecast business environment. However, high corporate tax

rates and a high level of dependency on the U.S. economic trends place Canada behind countries including the UK (5), Australia (7) and Sweden (10).

- Canada's environment for research and development ranked 18th in the world, with private sector spending on R&D relatively low compared to other countries.
- In the category of government support for IT industry development, Canada ranks fourth, ahead of the U.S. (4) and Australia (6), for fostering an environment whereby investment capital is readily available to IT industry and other entrepreneurs.

"There is a strong link between the presence of IT competitiveness enablers and the strength of local technology economies," confirms Denis McCauley, Director, Global Technology Research with the Economist Intelligence Unit. "Governments and industry leaders must pay close attention to these factors if they want to reap the benefits of a globally competitive IT industry."

Other findings of the research include:

- **Investing in people is mission-critical for domestic IT industries.** Sourcing talent will be among the toughest challenges IT producers will face in the coming years.
- **Competitive broadband markets help cultivate strong IT sectors.** Without fast, reliable, and secure Internet access, technology firms cannot interact effectively with partners and the research community, nor can they sell their services online.
- **A legal environment that protects intellectual property rights (IPR) and takes a robust approach to cybercrime is essential.** The US, Australia and Western European countries have the most effective systems in place to address IP protection and cybercrime, but gradual improvements are also evident in tough places like China.
- **Globalization and the Internet will 'liberate' R&D.** Ecosystems, online or otherwise, that bring together talent, technology, venture capital, and good universities, supported by a risk-taking ethos, will be the best incubators of innovation.

For more information on the index results and methodology, see "How technology sectors grow: Benchmarking IT industry competitiveness 2008," available at www.eiu.com or www.bsa.org/globalindex.

About the Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of over 650 analysts, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.

About BSA

The Business Software Alliance is the foremost organization dedicated to promoting a safe and legal digital world. BSA is the voice of the world's commercial software industry and its hardware partners before governments and in the international marketplace. Its members represent the fastest growing industry in the world. Working with its partners in Canada and other countries worldwide, BSA educates consumers on software management and copyright protection, cyber security, trade, e-commerce and other Internet-related issues. BSA member companies in Canada include Adobe Systems, Apple, Autodesk, Avid, Bentley Systems, Borland, CNC Software/Mastercam, Microsoft, Mindjet, McAfee, Monotype Imaging, PTC, Siemens PLM, SolidWorks, Sybase, Symantec, and The MathWorks.

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For further information please contact:

Melita Vega

Hill & Knowlton, for BSA

416-413-4743

melita.vega@hillandknowlton.ca