

High hopes for high tech

With its traditional economic bases eroding, B.C. looks to Microsoft's new centre in Richmond as beachhead for the industry

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RICHMOND, B.C. — Forty national flags hang in a row on a wall inside

Microsoft Corp.'s development centre just south of Vancouver. They represent the diversity of the 325 software testers and developers working at the new facility.

They may also be a sign of a hoped-for jump-start for the tech sector in the region, as the traditional underpinnings of the area's economy erode.

Ciprian Chisalita is a recent arrival. The 25-year-old Romanian computer scientist moved to Vancouver July 5 and started at the Microsoft development centre two days later, working on search technology.

"It's a great place, you're handed a lot of new technology, you're plugged in," he said.

Vancouver is a place where he wants to stay and build his career and life. He finds familiarity in the mountains north of the city, which are like the ones around his hometown of Brasov in central Romania.

"I would prefer to stay here. Here, I have everything," Mr. Chisalita said.

The region's leaders are hoping Mr. Chisalita is the beginning of a wave of many new arrivals working in the technology sector to Vancouver and the surrounding cities of Burnaby, Richmond and Surrey. Until now, technology here has thrived in niches such as digital media and fuel cells but has generally lagged other Canadian provinces and especially neighbours in the United States such as California, Oregon and Washington state.

They are hoping the Microsoft Canada Development Centre will act as a magnet for other tech companies, creating a mini-Silicon Valley North.

Though Microsoft already has development centres, as well as research and development offices, in countries including Israel, Ireland, India and China, the company chose the Vancouver region for another one partly because of a more welcoming immigration climate. There is a low cap on what are called H-1B visas in the United States, which are three-year passes for skilled workers with university degrees, limiting the number of people Microsoft and other tech firms can bring in from around the world.

Locating in Richmond, Microsoft can much more easily bring in the likes of Mr. Chisalita. In the year since opening in September, 2007, the company has grown to 325 people from 20 - the vast majority coming from outside Canada - with plans to keep adding people quickly, eyeing a total contingent of more than 700. Last month alone, 25 new employees started work, another influx of highly skilled and well-paid people.

Other important factors in Microsoft's choosing Richmond include the city's proximity to the company's headquarters in the Seattle suburb of Redmond, as well as the Vancouver region's diversity, which meshes well with the firm's work force, according to Parminder Singh, managing director of the development centre.

And it's not only the region that has high hopes for the centre.

Microsoft wants to become a platform from which a stronger regional technology industry grows.

"If I look at an analogy of a mall, I want us to be an anchor tenant," Mr. Singh said. "By being significant, and having financial strength, and the ability to attract some of the top talent in the world, that in itself is going to create an ecosystem right here for the greater Vancouver area, that is going to be felt."

The arrival of one of the world's best-known technology names occurs as the regional economy hits a slump. After real gross domestic product growth of 3.6 per cent in 2006 and 4 per cent in 2007 - driven by real estate and construction - growth is projected to be halved to 2.1 per cent this year and 1.9 per cent in 2009, according to a forecast published this week by Central 1 Credit Union.

The traditional underpinning of the economy - forestry - remains in a dire situation, which is expected to get worse with the deepening housing implosion and credit crisis in the United States. Ascendant industries - natural gas and metallurgical coal - are picking up the slack but not enough to propel the whole economy forward.

And while Vancouver's standard of living is high, this hasn't translated economically, beyond construction and real estate. The city is famous for its beauty, surrounded by oceans and forests and mountains, where in some months it is possible to ski in the morning, golf in the afternoon and go sailing in the evening. It is routinely ranked in surveys as one of the best cities to live in the world.

Many people want to live here but what to do for work is sometimes a mystery. The region is defined by many small- and medium-sized businesses, rather than easy-to-identify large sectors and companies, such as oil and natural gas in Calgary or banks in Toronto.

Technology, a sector where workers seem particularly suited to the temperate West Coast lifestyle, hasn't made much of a mark compared with other jurisdictions.

The B.C. tech sector accounted for just 5 per cent of the province's GDP, according to the latest information compiled by B.C. Stats, a government agency. That's less than the Canadian average of about 6 per cent and around 8 per cent in Quebec, and lower than most U.S. states, including neighbours Washington, at 11 per cent, and Oregon at 12 per cent. Those states, as well as Quebec, benefit from high-tech manufacturing, where B.C. notably lags, and are also strong in areas such as software development.

Among the more worrisome numbers for B.C. is the measure of patents granted per 100,000 people, where B.C. is notably trailing competitors Alberta, Ontario and Quebec.

The good news for B.C. is percolating promise. Notwithstanding the patent deficit in the province, the University of British Columbia is a heavyweight among Canadian institutions, collecting more than 100 patents so far this decade, B.C. Stats said, behind only McGill University in Montreal.

And high-tech in B.C. is growing rapidly from its relatively small base, with revenues up 10 per cent in 2006, B.C. Stats said, double the

national increase of 5 per cent.

"What Vancouver is missing right now is there's just a lack of anchor tenants in the tech sphere," said Mr. Singh. "Let's take a contrast of Seattle. Seattle has Microsoft. If we look at Vancouver, we have [video-game maker] Electronic Arts - but I don't see too many EAs. If we step back and say, 'What's Vancouver known for?' Well, it's a gateway to the world, it's a great place to live, great outdoors and all this other stuff, which shouldn't be minimized, but it's not known for technology. It's not a Silicon Valley."

Despite this, Microsoft decided in the spring of 2007 to open a Canadian development centre. It turned its attention to the Vancouver region, weighing Burnaby and Richmond and decided on Richmond, in large part because of the availability of adequate real estate. The centre is in a business park developed in the 1990s and already home to tech names such as MacDonald Dettwiler and Associates Ltd., though Microsoft didn't choose the spot because of its tech-oriented neighbours.

Like other business parks, the area is antiseptic and hardly hints at any sort of community. There are no cafés, there is only the occasional

bicyclist and no one walks.

If Microsoft is to be a hub, it will be a general one for the technology sector in the greater region, rather than the heart of a bustling local neighbourhood.

But the region has some work to do to attract the hoped for tech expansion.

One challenge for Vancouver is the cost of housing, the most expensive in the country. The cost to develop software and multimedia Internet programs is about the same in Vancouver as it is in Portland, Ore., and cheaper than in Seattle, according to an annual

assessment by consultancy KPMG. But housing in the Vancouver region is an issue, especially for the young people many tech companies hope to attract.

"The quality of life in the region is one major element that draws people but affordable housing is one of the big drawbacks - and affordable rentals. We're below 1-per-cent vacancy; it's scary," said Bernie Magnan, chief economist at the Vancouver Board of Trade.

The region also has to do a better job of selling itself, Mr. Magnan said, a sentiment shared by many others, including Richmond Mayor Malcolm Brodie, who said the arrival of Microsoft will help.

"A company like that creates a lot of attention," Mr. Brodie said. "You will find that other companies that are looking to come in to your region give more serious consideration when a company like Microsoft has given serious consideration and located in Richmond. It doesn't mean you'll automatically get the next one but it means that they may take a look at it more seriously."

Greater regional co-operation is needed to market the Lower Mainland to firms looking to establish themselves or grow, Mr. Brodie said, explaining local officials could "do far more."

"The answer to the question 'How much do we do as a region?' is 'Not nearly enough.' In the coming years, I think you'll see us do more. But there's been a start made."

This start is called Metro Vancouver Commerce, a loosely united group of cities in the region that started work this year to market the area to businesses under the slogan "Powerhouse. Paradise."

One of the first projects was a two-day visit to Beijing.

"None of the municipalities could have gone over there and done that on their own," said Phil Heard, chief executive officer of Vancouver

Economic Development Commission.

Working together requires a shift in thinking to co-operation from competition, Mr. Heard said.

"Microsoft going to Richmond isn't a loss for Vancouver, it's a win for the region," he said. "Like with anything, we all had to lean to co-operate and share, but it's becoming easier."

DIGITAL MEDIA TO COME

On the boldly named Great Northern Way, just southeast of downtown Vancouver nestled in an light industrial area, four postsecondary institutions are dreaming of a real estate play that will underpin a digital media hub

populated by students, businesses and artists.

The project began in 2002, when Finning International Inc. donated 7½ hectares of land

abutting the rail yards on Industrial Avenue to four schools: the

University of British Columbia, Simon Fraser University, Emily Carr Institute of Art + Design and the British Columbia Institute of

Technology.

Today, 50 students are working on their master's degrees in

digital media, with the first

graduating class set for spring.

Ten years from now, if all goes well, the project's backers hope to have at least 500,000 feet of residential space among a total potential of 3-million square feet, which would include about 400,000 square feet of academic space for about 1,000 students.

The area would also add much-needed commercial space in the heart of Vancouver.

Lack of space - and high prices for the small amounts available - has been a deterrent for expanding businesses.

"We've looking at shovels in the ground in three to four years," said Brad Foster, a spokesman at Great Northern Way Campus Ltd.

Vancouver is a major global centre for digital media, a sector best known for video games and one that includes many specific fields such as digital animation and special effects for film.

The city's available talent, and the mix of skills from computer engineering to art and design,

recently drew Seattle's successful Big Fish Games Inc. to Vancouver to open its first office outside its home city, finding 4,500 square feet in Vancouver's fashionable downtown neighbourhood of

Yaletown.

Big Fish, which employs 310 workers in Seattle and plans to add 30 in Vancouver by the end of next year, spent three years weighing options around the world on where to open its first satellite office.

"We're focused on getting the right people, rather than a lot of people," said Jeremy Lewis, a long-time Goldman Sachs managing director who is chief executive officer of Big Fish, which in September raised \$83-million (U.S.) in its first round of financing with institutional investors.

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