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The capital region's tech sectors
are shining brighter than ever

THE REAL GOODS

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Victoria manufacturers are making real
things and selling them worldwide

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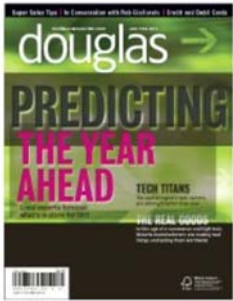
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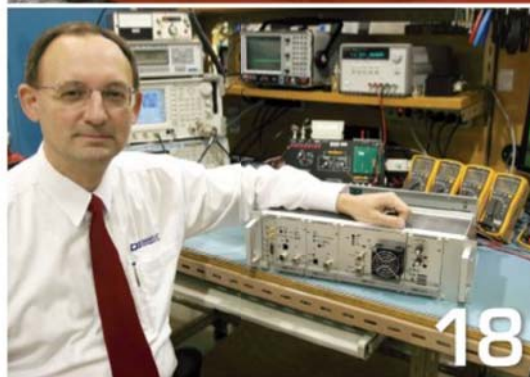
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TECH TITANS

by Doug Taylor
photo by Gregg Eligh

Eighty million dollars here, \$60 million there... after a while it all adds up. The region's major technology companies are huge contributors to the local economy. Hard numbers for individual companies are difficult to come by, as most technology firms are privately owned and do not have to disclose financial information. But the view from above shows the technology sector is a major player in the local economy.

The technology sector is the largest private industry in Victoria based on annual revenues, generated from more than 900 companies. As a result, this sector contributes to a healthy demand for space in the Capital Regional District's industrial and business parks.

It is estimated the Victoria technology sector had a \$2.65 billion impact on the Greater Victoria economy in 2008 and has become a major employer in the region,

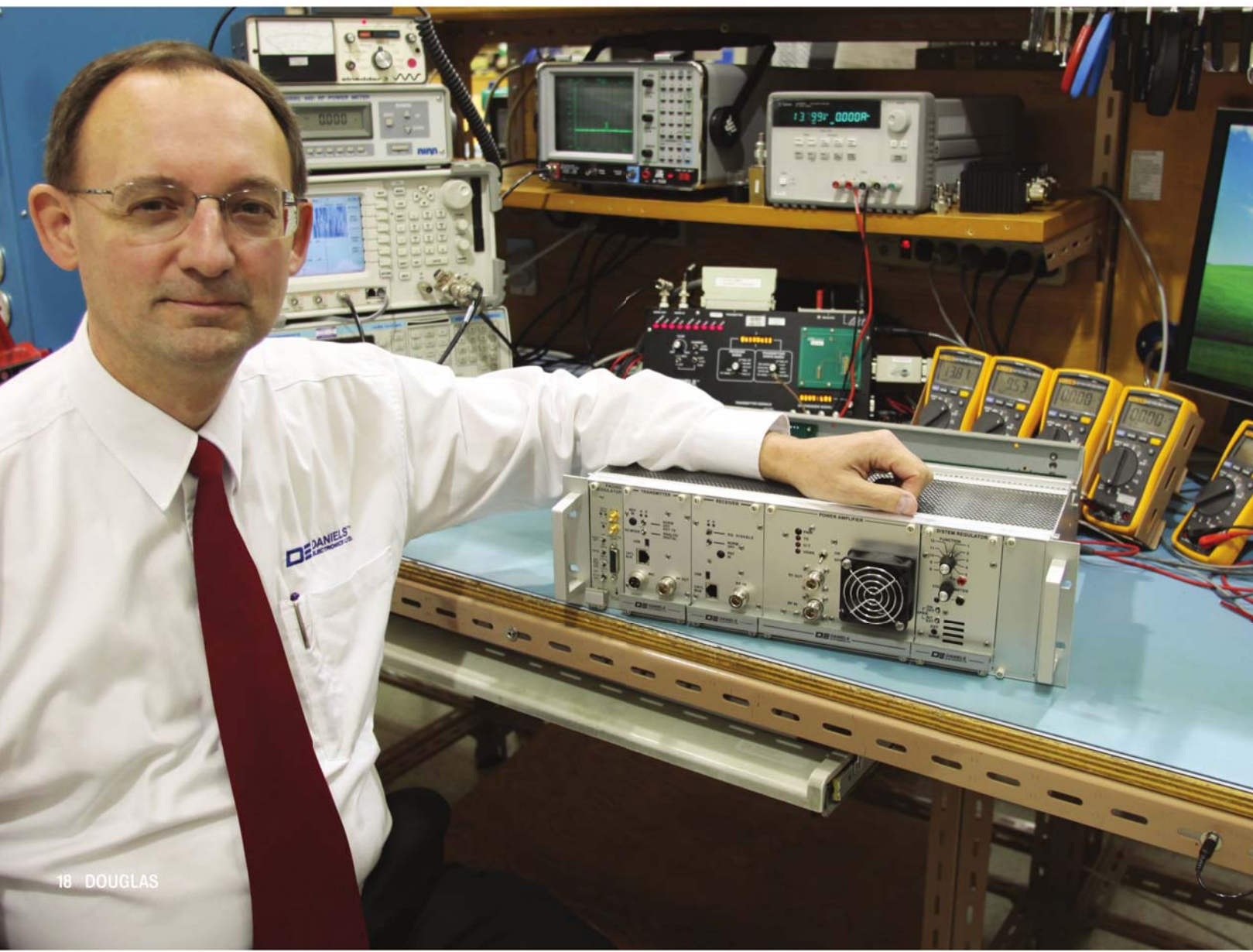
employing approximately 12,600 people, a notable bright spot.

In 2009, according to a survey undertaken by VIATeC, the industry association, and accountants KPMG, the technology industry in Victoria had total revenues of \$1.95 billion. The largest 25 technology companies in the region had combined revenues of \$793 million with total employment numbers of 2,738 — a 99 per cent increase in total revenues since

2004. While the 25 largest firms represent only a small number of the region's 878 high-tech companies, the 25 companies employ 2,738 staff, up 11 per cent over the year before and 70 per cent higher than 2004.

What explains this success, particularly in tough economic times? According to Rob Bennett, CEC-in-residence for Victoria at the Centre4Growth, the B.C. Technology Industry Association's new initiative to provide one-on-one coaching for tech entrepreneurs, many of the reasons have little to do with business smarts or great inventions, although "there is plenty of both in Victoria."

Bennett should know. In the middle of the 1982 recession he started Municipal Software and has been actively involved in the local technology sector ever since. "Like many of the new companies that have recently started,



we grew organically and opportunistically,” says Bennett. “There was never a question of why Victoria, it was more why not? This is a unique community. The firms here don’t really compete with each other; we share best ideas and practices and we talk with each other.”

Bennett says there’s a sense of “a technology community, with all of us wanting to participate in and grow the community.” It’s aided by a similar spirit of co-operation among the universities, Camosun College, and the local industry associations, particularly VIATeC. They all contribute to making the technology community better, he adds.

▶ Daniels Electronics

Many of the technology titans in the region are relatively young, but there are a few pioneers from a long way back. If Daniels Electronics Ltd. were a person, he’d be collecting CPP now. It was founded in 1925 and incorporated in 1950, and the founder’s two sons are still with the company. Terry Daniels is chairman of the board and Ron Daniels is a director. You would expect a 85-year-old company to be set in its ways, but Daniels continues to set the technology pace in their industry. For their efforts, VIATeC named them 2010’s technology company of the year. It is clear they are not resting on their laurels.

Daniels Electronics is an international leader in the design, manufacture, and servicing of specialized radio communications equipment based upon North American standards. Daniels exports around the world, mostly to national government agencies in countries such as the United States, Taiwan, Russia, Israel, and Egypt. According to sales and marketing vice-president Gerry Wight, the recent recession did not have that significant an effect, although Daniels’ sales to the United States did soften.

“One of the reasons we have become more diversified internationally is because of the downturn in the U.S. government market,” says Wight. “But our growth has been continuing at a steady rate of about 20 per cent a year so we have not been hit too badly.”

The company is profitable and did about \$20 million in sales in 2009, according to Wight. It employs 65 people and operates in a very defined market with few competitors.

“There are only about six sizeable companies like ours in the world and we all operate in the public safety market selling to national government agencies. You will find us just about anywhere there is a need for public safety and communications,” Wight

Gerry Wight of Daniels Electronics, one of Victoria’s oldest technology companies. It specializes in advanced radio communications equipment.

says. In fact, says Wight, “our latest activity was providing product to help with the communications for the BP oil spill in the Gulf of Mexico.”

▶ Viking Air

Another long-established technology company in the Victoria area is Viking Air Ltd., founded in the early 1970s. The company has hung its hat on the production of de Havilland Twin Otter airplanes, which turned out to be a resounding success. It’s been manufacturing at full capacity in Victoria and Calgary and added an 84,000-square-foot facility in Victoria that serves as its corporate headquarters and main plant. Growth has been steep. It went from 150 employees in 2007 to a current staff complement of 450 — and the company keeps growing.

“The recession hit the industry very hard,” says Angie Murray, who handles marketing and business development, but Viking Air kept on hiring. “Finding qualified people is our biggest problem. The cost of living in Victoria is prohibitive but we were lucky in being able to get really good people from other technology companies in the area that were laying people off.

Viking Air makes seven models of the Twin Otter airplane and sells them worldwide. “From the Maldives to Vietnam, the Twin Otter can fly where no other plane can and that keeps our order book full,” says Murray.

Another strong point: all of Viking’s airplanes are pre-sold until 2013. “We are the only company in the world that builds and services the planes. Our closest competitor is a Chinese firm but it does not have any service or parts capability.

“Considering that these planes fly in the most remote areas of the world from the frozen north to the heat of the desert, it gives us a huge competitive advantage,” Murray says.

Viking Air is part of Westerkirk Capital Inc., a Canadian private investment firm with substantial holdings in the hospitality, aviation, and real estate sectors.

▶ AbeBooks.com

If you had a spare \$65,000 you could have bought a first edition of *The Hobbit* from AbeBooks.com. Published in September 1937, the first edition, first printing was in its original dustjacket. Only 1,500 copies of the first edition were printed, and they were sold out by mid-December. In May 2010 the most expensive sales on AbeBooks was the sale of a key signed first printing of Theodore Roosevelt’s first address to Congress in 1901 at a price of \$25,000. In the same month another buyer paid \$8,000 for an illustrated edition of Dante’s *Divine Comedy* with artwork by Salvador Dali.



Rachel Cuthbert, CMA
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In marketing parlance, AbeBooks Inc. is what is called a long-tail company. Being a long-tail company is the niche strategy of selling a large number of unique items in relatively small quantities. And AbeBooks Inc. does that so well that in 2009 Amazon.com Inc. purchased the company. While now a subsidiary of Amazon, AbeBooks remains a stand-alone operation.

Founded in 1995 by two couples from Victoria, the company almost instantly changed the global used-book industry. Its effects were so significant and far-reaching that the *New York Times* described the company as “an actual Internet success story” in 1992 and the United Nations in 2003 acclaimed AbeBooks as one of the world’s leading e-commerce companies at its World Summit, according to the AbeBooks website.

The two founding couples were Rick and Vivian Pura and Keith and Cathy Waters. Keith worked in IT for British Columbia’s provincial government, while Cathy ran a used bookstore. Noting that customers would come into the store and ask about rare or out-of-print books, her only option at the time was to place ads in trade magazines to source the books. Then came the Internet, and Cathy figured this was the way to go. Turning to their friends the Puras, they launched AbeBooks. Although AbeBooks has expanded beyond their wildest dreams, the original idea has not changed. What AbeBooks does is connect buyers and sellers by acting as a giant shopping mall for bookstores where book searches are conducted in seconds.

AbeBooks’ Internet tentacles span the globe. With six distinct websites from Germany to New Zealand and four subsidiary firms, the company acts like a local bookstore with global reach. According to AbeBooks press and publicity manager Richard Davies, “with 140 million books on the site, with authors ranging from Shakespeare to Nora Roberts, there is something there for everyone. We sell a unique range of books through AbeBooks. Everything from the rarest antiquarian books to very hard to find, out-of-print tomes, to college textbooks.”

AbeBooks employs about 100 people in Victoria.

► Vecima Networks

If you think the terms “triple play” and “quadruple play” are sports terms, you might want to get an upgrade on technology jargon. Or you could visit Vecima Networks Inc. and learn that a triple play is the use of voice, video, and data and a quadruple play is the use of voice, video, data, and wireless systems using radio frequency technology. It sounds a bit like rocket science, but it is rocket science that works. Since incorporating 21 years ago,

Vecima has grown from three employees to more than 950. In 2005 Vecima was named one of B.C.’s largest exporters of advanced technologies and in 2006 one of the top 20 publicly traded technology companies in British Columbia. It has also been awarded the VIATeC technology of the year award in 2009.

Vecima’s corporate headquarters is in Victoria, where 45 staff work in research and development and production, but its main manufacturing facility is located in Saskatoon. The company also has additional facilities in the United States, Australia, and India.

“About 75 per cent of our sales are to the United States and our main customers are Motorola, Cisco, and Comcast,” says Vecima president and CEO Dr. Surinder Kumar. “The economic downturn has been quite negative for us. Historically we have had annual growth of about 20 to 25 per cent, but in 2009 we only established a five per cent growth. However, we are seeing signs of getting back to our traditional growth.”

According to Vecima’s published financial statements, Kumar is right. Earnings for the 2009 fiscal year reached almost \$90 million and in the first part of 2010 revenues were up 49 per cent compared to the same period the year previously. Vecima is currently in the process of building a new facility in Colwood that will be its new corporate headquarters.

► ParetoLogic

ParetoLogic is a true family company. Founded by four brothers, with inspiration from their father, the company in six short years has gone from startup to selling in 108 countries with more than 6.5 million customers and 150 million downloads of its software. And it has made money, one customer at a time.

ParetoLogic’s growth has been recognized throughout the Canadian business world. In its first year of eligibility, the company was ranked as one of the 100 fastest-growing companies in the country, according to the latest Profit 100 ranking. With annual growth rates exceeding 50 per cent per year, revenues have doubled and tripled annually. Gross profit in 2009 was about \$88 million.

And what does ParetoLogic do to achieve this success, you might ask. It develops and sells a suite of anti-spyware, data recovery, and antivirus computer security and optimization for the home user. ParetoLogic also operates Revenue Wire, an affiliate marketing company that acts an online distributor of software products. RevenueWire is an e-business platform for sellers of digital products and not just ParetoLogic products. “It’s all about making the pie larger rather than competing,” says president and CEO Elton Pereira. That pie is growing, too: Last year Revenue Wire earned about \$10 million in revenues.

“Our success comes from the type of company we are,” says Pereira. “We started as a family business and we continue to operate on that principle. One of the things we are proudest of is that our employee turnover rate is remarkably low, about two per cent a year. And yes, the family are still friends.”

ParetoLogic employees 120 people in its Victoria office and Revenue Wire has 35 staff.

► Carmanah Technologies

No story on the titans of the technology industry in Victoria would be complete without including Carmanah Technologies Corp. In business since 1996, Carmanah was the first company to develop the self-contained solar light emitting diode (LED) marine lanterns for aids-to-navigation lighting. Carmanah’s major markets are marine, aviation, traffic, and off-grid lighting applications worldwide. While most of its sales are directed toward the North American market, growth is being seen in South America, the Middle East, and Africa, according to market strategy director Greg Miller.

Over the past couple of years, Carmanah has been undergoing a structural change that has included the outsourcing of its manufacturing capabilities to a Singapore-based firm, Flextronics International Ltd., although the manufacturing is done in Houston, Texas, according to Miller. Carmanah also changed the makeup of its board of directors, refocused its marketing process, sold or closed some of its operating units, and consolidated corporate operations. While this resulted in a number of jobs lost in the local technology industry, it appears that the restructuring is proving that Carmanah has made smart business decisions.

“These changes have been very positive for the company,” Miller says. “For example, one of the major changes was to implement a regional geographic sales model which allows our sales representatives to cross-sell our products to each of our major industry markets.

Like Daniels Electronics, Carmanah has been involved in the BP oil spill in the Gulf of Mexico. “We are providing solar LED lights for the oil cleanup booms,” said Miller. “You can see the booms in the day but at night they are a real safety hazard, but with the Carmanah lights on them that safety problem is removed and there is no need to replace any batteries.”

According to Carmanah’s most recent public financial statements, sales in the first quarter of 2010 increased to \$8.1 million as compared to \$7.8 million in the same period of 2009.

Carmanah currently has 107 staff, of which 43 are in engineering and product development at its Victoria facility. ■



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