THE GLOBE AND MAIL

June 20, 2012

Quebec's biggest obstacle to attracting data centres? Quebec
By BERTRAND MAROTTE

Province is concerned the server farms don't provide enough jobs even as other regions around the world offer financial incentives to lure big players

Montreal entrepreneur Michel Plante went to Las Vegas for a data-centre conference armed with what he believes is a compelling case to convince potential customers to locate their server farms in Quebec.

Part of his pitch went down well: The province's crisp Nordic air and huge water supply can both be used to cool the energy-gobbling, high-heat-generating computers that populate the data centres. It also has access to plentiful, cheap, clean and renewable hydroelectric power – all key to the sprawling warehouses, which contain thousands and even hundreds of thousands of computers to feed the Internet age's voracious appetite for data processing and networking storage.

"We're trying to convince North American and European companies to come to Quebec," said Mr. Plante, whose company, Karno, specializes in transforming old industrial sites into data centres that are more modest in size than the monster facilities. "So far, we're not getting any results."

That's because there are many obstacles to Mr. Plante's vision of Quebec as a global hub of server farms – among them, Quebec itself. As regions around the world offer financial incentives to lure big players like Google Inc. and Facebook Inc. for the siting of their server farms, the provincial government is wary of the fact the centres – vast spaces filled with endless rows of humming computers that usually require only a very small caretaker staff – don't generally provide much in the way of job creation.

But the sector is big – and getting bigger. Companies last year were estimated to have lavished about $100-billion (U.S.) on equipping data centres, according to research consultants Gartner Inc. That spending is expected to surpass $126-billion by 2015 as data increasingly shift online, consumer use soars and cloud computing takes off.

And for Quebec, a province whose traditional manufacturing sectors are sputtering in the face of a high dollar and cheaper competition overseas, attracting a critical mass of these farms would provide a platform on which to build a thriving high-tech industry.

If attracting these data farms isn't a priority for Quebec, it is for several regions around the world: Several Scandinavian countries and regions in the United States are rapidly establishing themselves as environmentally friendly data-centre capitals, offering a slew of economic incentives and other goodies to win over major customers.

Facebook, for example, is setting up three 300,000-square-foot facilities in the Swedish town of Lulea, 100 kilometres south of the Arctic Circle, encouraged to settle there thanks to €10-million ($13-million) in subsidies.

Google has built a server farm in a former paper mill, in Hamina, Finland that is cooled exclusively with sea water. Tax incentives and low-cost power helped close the deal, which will result in a grand total of 50 to 60 jobs.

In the United States, about a dozen states have devised special incentives programs to attract data centres.

Quincy, Wash., boasts what is believed to be the world's largest cluster of centres thanks in part to half-price power and tax breaks; firms that chose to locate there include Microsoft Corp., Yahoo Inc. and Dell Inc..

For the province's part, it isn't completely dismissing the notion of trying to attract foreign server farms. The Quebec government's investment arm, Investissement Québec, has formed a committee with economic development agency Montréal International to study the data-centre industry and map out a strategy for attracting companies.

"We think this is a promising area but we want to explore what approach would suit us best and find the appropriate candidates," said Chantal Corbeil, an Investissement Québec spokeswoman.

In fact, there were "very active discussions" about three years ago between Google and the Quebec government on construction of a massive data centre in the province, says Bill St. Arnaud, an Ottawa-based web consultant who is familiar with the file.

But Hydro-Québec refused to offer Google the same type of deal on preferential electricity rates as the ones enjoyed by the big aluminum-smelter companies because its skeleton-staffed server farm wouldn't create many jobs, he said.

Ms. Corbeil confirms that Google did indeed come for a visit but says she's not familiar with the details of any talks that might have taken place.

For now, one thing is certain, she said: The province isn't interested in companies that are only looking for cut-rate electricity to set up huge centres that create only 15 jobs.

"We're not looking for that kind of server farm. We want to identify companies that are prepared to do R&D."

John Boyd, principal at Boyd Co. Inc., a Princeton, N.J.-based firm that helps corporations select the best real estate, including sites for server farms, says Quebec's stance on luring data centres appears to be shortsighted.

"It's a timely industry for diversifying the province's economy and for providing a boost to hinterland communities," he said.

"Data centres should be part of their arsenal. It's important for the province to work with trends rather than against them and currently the data centre sector is one of the fastest-growing," he said.

"Many of our clients are prioritizing green power. That's an intangible Quebec can bring to the table."

The Globe and Mail, Inc.