

NATIONAL AND GLOBAL

PERSPECTIVES

NATIONALES ET MONDIALES

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Canadian
BUSINESS
LEADERS
speak



les
chefs
d'entreprise
CANADIENS
s'expriment

BUSINESS COUNCIL ON NATIONAL ISSUES
CONSEIL CANADIEN DES CHEFS D'ENTREPRISE

Canada's past successes have enabled us to create a healthy society and a high standard of living, but there are no guarantees in today's global marketplace. Our ability to maintain and improve the quality of life of Canadians depends utterly on our ability to compete even more effectively in the future. We must identify and exploit whatever strategies can give our enterprises and our country a critical edge in the global economy of the 21st century.

These themes can be seen repeatedly in recent speeches by the member chief executives of the Business Council on National Issues. In this issue of *Perspectives*, we present excerpts that address three aspects of the competitiveness challenge: the global dimension, the intense battle for scarce talent, and the strategies being pursued in specific industries across Canada.

As always, we hope that these thoughts stimulate further creative discussion and debate about how best to achieve the shared goals of all Canadians.

Les succès passés du Canada nous ont permis de créer une société en santé et un niveau de vie élevé, mais, dans le marché mondial d'aujourd'hui, rien n'est garanti. Notre capacité de maintenir et d'améliorer la qualité de vie des Canadiens et Canadiennes repose entièrement sur notre aptitude à concurrencer avec encore plus d'efficacité, à l'avenir. Nous devons identifier et exploiter toute stratégie susceptible de procurer à nos entreprises et à notre pays un avantage essentiel dans l'économie mondiale du 21^e siècle.

Ces thèmes se retrouvent à maintes reprises dans les récents discours des membres du Conseil canadien des chefs d'entreprise. Dans le présent numéro de *Perspectives*, nous vous présentons des extraits qui abordent trois aspects du défi de la compétitivité : la dimension mondiale, la lutte intense pour l'obtention de talents rares et les stratégies utilisées par certaines industries particulières à travers le Canada.

Comme toujours, nous espérons que ces idées susciteront d'autres discussions et débats productifs sur les meilleurs moyens d'atteindre les objectifs communs de l'ensemble des Canadiens et Canadiennes.

DAVID STEWART-PATTERSON
EDITOR/RÉDACTEUR

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Canada's winning conditions

September 27, 1999

Our challenge today is to create the "winning conditions" or "les conditions gagnantes" (to borrow a phrase) for Canada to survive and prosper in the 21st century:

The first winning condition is lower taxes. Lower taxes are not a cure-all, but they are necessary for a more creative and productive society. Our high personal income taxes are sapping the strength of our economy. Lower corporate taxes are needed to encourage investment in new machinery and equipment which in turn will drive productivity improvements. And we need more venture capital to create jobs in the new economy.

I believe that lowering taxes in a really meaningful way will spur economic activity, promote innovation, create new job opportunities and lead to a higher standard of living.

The second winning condition is a lower debt to GDP ratio. We have made great progress over the last several years in eliminating government deficits. The Federal Government and seven of the ten provinces are running surpluses. However, our debt to GDP ratio is higher than any G7 country, except Italy, and some 26 cents of every dollar of government revenue goes to pay interest on the debt.

The third winning condition is improved education, training and life-long learning. In the end, it is brainpower that fuels the knowledge economy. We have to invest in our people and we have to increase the efficiency and effectiveness of our schools and post-secondary institutions.

The fourth winning condition is a more open and flexible economy with less government and much less regulation. Government today

accounts for too big a portion of our economy and excessive government regulation creates inefficiencies and adds to the cost of doing business. Our labour work rules in many cases impede productivity and innovation and inter-provincial trade barriers create inefficiencies within the Canadian economy.

The fifth winning condition is more collaboration among business, universities and governments to enhance our R&D efforts and create stronger linkages to the marketplace. Some of the most innovative businesses spring up around great universities, such as Harvard, MIT and Stanford. But we also need more venture or risk capital to bring new ideas to market.

The winning conditions are self-reinforcing. Lower taxes will create new job opportunities and a more entrepreneurial spirit. They will help stem the brain drain -- not only by reducing the disparity in after-tax income but also by opening up new job opportunities.

Time is short. We must "wake up" and create the winning conditions so that Canadian companies can expand from a strong Canadian base and prosper in the global economy. Unless we reverse the accelerating brain drain and the loss of head offices, we will continue the downward spiral. (...)

If we fail, all our citizens will lose the opportunity for a higher standard of living and more rewarding jobs but, more importantly, we will have failed the next generation of Canadians -- leaving them with high debt, high taxes, a lower standard of living, an uncertain social safety net, and fewer rewarding job opportunities.

We must seize control of our destiny. The time for significant change is now.

DAVID P. O'BRIEN
CANADIAN PACIFIC LIMITED



An ambitious global agenda

June 5, 1999

The global picture is deeply disturbing to me.
(...)

We are seeing a backlash against globalization and with it a dangerous escalation of protectionism. Global trade volumes reflect this malaise. In 1997, we saw ten percent growth. In 1998, growth dropped to less than 3.5 percent.

For all these reasons, the world needs now and for the 21st century a powerful re-affirmation of rules-based market policies throughout individual economies. The world also needs urgently a revival of the principles of open trade. This means moving ahead quickly with the next round of World Trade Organization negotiations and with reforms to the WTO itself.

The agenda must be an ambitious one and must include further reductions to tariffs on industrial goods; it must address non-tariff measures; curb the abuse of anti-dumping, countervail and safeguard actions; extend the coverage of the rules on trade in services; open up agriculture to free trade; expand the rules to adequately reflect the importance of intellectual property, e-commerce and the Internet; move forward with investment liberalization; and explore ways to ensure that trade respects environmental, labour and human rights issues.

In addition and extremely important, in my view, the WTO must ensure that its rulings are implemented and enforced and that private restraints such as cartels, refusals to deal and other unfair business practices are dealt with. The WTO itself must play a much more effective role in integrating and co-ordinating the international monetary and trading systems. It must be truly representative of the global economic community. In this regard, every

effort should be made to have major players such as China join at an early date and play a responsible role.

The agenda I have described is ambitious. Its execution is urgent. Urgent, because without significant action, the world could easily lapse from financial crisis to trade crisis and to a new and dangerous global disorder. At the kick-off of the next round in Seattle in November, the WTO would do well to set its sites on a three year action plan and to the achievement of early and significant results. Business will not wait while the politicians squabble. Nor will the world.

THOMAS D'AQUINO
BUSINESS COUNCIL ON NATIONAL ISSUES



We can't just play in our own sandbox

May 5, 1999

The global economy is having a profound effect on all our lives -- when historians look back -- they may conclude that globalization was the biggest single change faced by the generation in this room.

For many, the world is becoming a scarier place as globalization moves us away from Pleasantville -- where many of us came from -- to a world where our security blanket is being tugged to the other side of the bed. Some times this is referred to as globophobia.

The voices against open markets and free trade are focussed and articulate. They do not want change! I do not believe we have the option. I don't think we can just stay home any more and play in our Canadian sandbox.

There are other voices (and politicians) who want to enter into trade, only with countries who share our social values -- sometimes described as "CIVIL SOCIETIES". Now if that means we want to do business with countries who have good standards of human rights, good environmental standards, and good labour standards and are not involved in bribery and corruption that sounds fine. But in our Canadian zeal for fairness and sharing, if it means:

- we can't trade with Mexico because they don't pay the Canadian minimum wage;
- or we can't get computer code and software produced in India because they don't have gender equality;
- or if we cannot provide hydro generators to China because building dams will mean they have to move people;
- then we will be in trouble.

I mention these circumstances only to illustrate some of the complex issues currently faced in determining Canadian Trade Policy.

One of the interesting things about Trade Relations and Trade Policy is that we always talk and read about the problems -- not the successes.

In reality, the Canadian experience is that we enjoy huge investments in the auto industry by foreign owned automakers because of our labour productivity. We have huge exports of lumber, minerals and grain where we have volume and scale efficiencies, and, we have huge exports of Canadian entertainers, singers and actors -- to name only a few successes.

But what we read and hear about are the problems -- and they are real problems for the people involved.

ROBERT T. E. GILLESPIE
GENERAL ELECTRIC CANADA INC.



Freer trade is the key to sovereignty

April 27, 1999

We need constantly to be reminded that Canada is a small market beside a very large market. It is inevitable that our economy will be more vulnerable to trade disputes than the large market partner. This creates an exposure for Canadian industry today, and it will hurt our economy even more as future new investments seek immunity from trade policy disruption by gravitating to the large United States market and, by implication, away from Canada.

I am not a technical expert on trade policy, but perhaps I can offer some general themes for a re-engineered trade policy framework.

First, our trade agreements must be more clear, stronger and less subject to unilateral, internal political manipulation than is the case today. There should be much less scope for protectionist trade actions by all parties ... but most particularly the United States, where such actions against small trading partners are carried out with virtual impunity. As long as trade agreements leave substantial latitude for interpretation, protectionist-minded legislators will fill the vacuum and Canada will pay the price.

Second, in those cases where a dispute does occur we must have dispute resolution mechanisms that are responsive (i.e. quick), fair, powerful and definitive. Resolution of disputes under the Softwood Lumber Agreement today is a crapshoot that is largely unpredictable. You may win but you still lose, because of long delays, high costs of dispute resolution and the likelihood that rules will simply be changed to secure the interests of the large market partner in any event.

Third, we do need better mechanisms for monitoring ongoing, day to day compliance with trade policy. There is a natural tendency in a quota restrained, rules dominated world to look for loopholes. Small loopholes quickly

become major structural flaws and disputes quickly escalate. Industry and government need to establish mechanisms for preventing trade policy abuses and dealing with them quickly and effectively. Early action could have neutralized recent conflicts over drilled studs, rougher headed lumber and other so-called "value added" products that have clouded the Softwood Lumber Agreement.

I have always been an advocate of free trade. And in a world of large, powerful trading blocks, I believe a North American Free Trade Area is an important foundation from which to advance our interests in multi-lateral trade liberalization over time. Sliding back to poorly designed models of sectoral protectionism is not the way forward.

We should, with our North American trading partners, cement and reinforce a trading framework that ensures all three countries are stronger together than apart, that embodies mechanisms to ensure fair and expeditious resolution of problems. Canada faces an enormous challenge if we are to avoid long term absorption of strategic business investment into the large United States market.

The protectionist forces are strong and getting stronger in America today. Sectorally managed trade may well be the best we can do. But, my plea is that the context and ultimate objective be a stronger, more balanced North American Free Trade Area that can facilitate multi lateral trade liberalization in the years ahead.

For Canada, I see no alternative but to tackle trade policy as a matter of national urgency and priority. A half-hearted approach will surely yield half-hearted results and leave us on a slippery slope down the world rankings of economic performance.

DAVID L. EMERSON
CANFOR CORPORATION



Une évolution spectaculaire

le 15 septembre 1999

La mondialisation est devenue un facteur de plus en plus important sur les marchés des produits de base en général, et dans l'industrie de l'aluminium en particulier. Songez, par exemple, que nous faisons des efforts désespérés pour nous remettre du « choc du métal russe » au début des années 1990, alors qu'aujourd'hui, la production d'aluminium russe est devenue une donnée essentielle dans l'équation de l'offre occidentale.

L'industrie a donc connu une évolution spectaculaire, c'est indéniable, et d'autres changements considérables sont à venir. (...)

Nous avons dû nous habituer aussi au fait que la concurrence ne se limite plus à celle que se livrent les producteurs d'aluminium entre eux, par exemple Alcan contre Alcoa ou Pechiney, ou encore Norsk Hydro. Nous devons aussi lutter contre les producteurs d'acier et de plastiques. Il nous faut à cet égard relever divers défis, nous prémunir contre de nouvelles percées du PET dans les contenants à boisson et résister aux efforts énergiques déployés par les producteurs d'acier pour conserver leur quasi-dominance sur le marché de l'automobile. Bien que les propriétés inhérentes de l'aluminium tendent à nous favoriser dans ces situations, nous devons défendre et promouvoir notre métal sans relâche.

Plus souvent qu'autrement, l'issue de ces batailles avec les matériaux concurrents dépend dans une certaine mesure d'enjeux liés à l'« image » comme l'environnement, les cycles de vie des produits et le développement durable. En tant qu'industrie, nous nous sommes aperçus récemment qu'il s'agit d'enjeux mondiaux qui exigent des solutions mondiales.

Encore une fois, on n'y échappe pas, il faut parler de mondialisation. J'ai mentionné plus

tôt que notre industrie se mondialisait de plus en plus du côté de l'offre. C'est vrai aussi de nos clients, en particulier sur des marchés clés de produits transformés tels que l'automobile et la tôle à canettes.

Ce dernier secteur est déjà devenu un marché mondial. Une demi-douzaine environ de fabricants de canettes comptent maintenant pour près de 85 pourcent de la capacité mondiale -- et les plus grands sont présents sur trois continents. De plus, seulement deux clients de ces fabricants de canettes -- Coke et Pepsi -- représentent près de 75 pourcent de la demande mondiale de canettes finies.

Les grands fabricants de canettes comme Ball Metals exigent maintenant les mêmes normes rigoureuses des fournisseurs qui approvisionnent leur usine en Chine que de notre usine Oswego, dans l'État de New York. La situation est comparable dans l'industrie automobile, où des joueurs moins nombreux et de plus grande envergure -- en tenant compte des regroupements récents comme Chrysler et Daimler Benz, BMW et Rolls Royce, Fiat et Nissan et le trio Ford-Jaguar-Volvo -- dominent de plus en plus le marché mondial. Que ce soit en Amérique du Nord ou du Sud, en Europe ou en Asie, nos clients exigent des matériaux à prix concurrentiel présentant de façon constante le même niveau de qualité, ainsi qu'un solide soutien technologique.

JACQUES BOUGIE
ALCAN ALUMINIUM LIMITÉE



La biotechnologie en pleine révolution*le 2 juin 1999*

La biotechnologie jouit aujourd'hui d'un statut prépondérant dans l'industrie agroalimentaire. À l'heure actuelle, près de la moitié du soya cultivé dans le monde, 28 pour cent du maïs et huit pour cent du canola ont été modifiés génétiquement. Près de 75 millions d'hectares de cultures sur notre planète ont déjà été génétiquement altérées, ce qui représente une croissance fulgurante si on considère qu'en 1995 il n'existait aucune culture du genre.

Nous assistons donc à une évolution rapide et certaine de la biotechnologie en général et dans le domaine agroalimentaire en particulier. Les progrès y dépassent les prévisions les plus optimistes et bouleversent les concepts établis. Et ce n'est qu'un début!

En effet, la biotechnologie révolutionne notre industrie, tout comme elle le fait pour la pharmaceutique, la chimie, la médecine et bien d'autres domaines. Cette croissance phénoménale est remplie de promesses et, comme pour toute science nouvelle, elle suscite des appréhensions dans certains milieux. Malheureusement, elle a aussi provoqué des réactions souvent alarmistes dans plusieurs pays et de la part de divers intervenants. Mais ce qu'il faut retenir ce sont les énormes avantages que procurent les découvertes de la biotechnologie. (...)

L'importance de la biotechnologie agricole et alimentaire se mesure de façon évidente à son impact économique. Par exemple, on a réussi à épargner des millions de litres d'insecticides dans la culture du coton en injectant à cette plante très vulnérable aux parasites une gène d'un insecticide naturel résistant pour réduire le besoin en insecticides chimiques. En Angleterre, une strie de soya transgénique a épargné aux cultivateurs une somme de 30

dollars par hectare en réduisant de 40 pour cent l'utilisation des pesticides.

Les découvertes sont aussi un indicateur de l'importance d'une industrie. Chaque jour, les frontières de la biotechnologie en générale reculent. Les découvertes liées aux gènes humains et aux transformations biochimiques mèneront certainement la médecine et l'industrie pharmaceutique à de nouveaux paliers d'intervention. En médecine, la thérapie génétique, le diagnostic moléculaire et le dépistage génétique permettent maintenant de prédire, dès la naissance, des maladies comme la prédisposition au cancer, la trisomie 21 ou encore la fibrose kystique. Dans le domaine pharmaceutique, on pourrait aussi citer l'exemple des entreprises qui se servent de la génomique pour identifier des gènes associés à des maladies pour finalement mettre au point de nouveaux médicaments.

L'importance de la biotechnologie alimentaire se mesure enfin au nombre d'expériences tentées par les chercheurs agroalimentaires et par les entreprises de biotechnologie. Par exemple, au Canada, on a assisté au cours de la dernière décennie à plus de 4000 expériences sur des plantes modifiées génétiquement. Ce nombre dépasse celui de toute l'Europe économique et place le Canada au rang du plus grand centre mondial de recherche en biotechnologie agricole et alimentaire.

**GAÉTAN LUSSIER
CULINAR INC.**



Markets can help meet targets

April 14, 1999

From energy conservation for the sake of energy savings and the reduction of our dependency on non-renewable sources, energy efficiency today has an expanded role. It is now acknowledged as having a direct and measurable impact on the reduction of greenhouse gases.

The international concern on greenhouse gases secured the world's attention in December 1997 with 166 countries signing the Kyoto Protocol to limit the global production of greenhouse gases.

As many of you know, Canada was an active proponent of the intent and direction of the Kyoto Protocol. As a signatory of the Kyoto Protocol, Canada voluntarily committed to reduce greenhouse gas emissions by six percent of our 1990 levels.

Projections, however, suggest that greenhouse gas emissions will be at 15 percent above the 1990 base year levels by 2012.

As a result, there is a national process underway to evaluate the impacts, costs and benefits of the Kyoto Protocol, which makes important provisions for the establishment of market mechanisms and voluntary approaches to reducing greenhouse gases. (...)

Looking to the future, emissions trading presents an economically attractive, flexible vehicle for a broad range of players, and provides a real incentive for early action.

Emissions trading is a voluntary, multi-stakeholder environmental initiative to promote the reduction of greenhouse gases. It involves setting up a "market" to trade "emission reduction credits" as a commodity among businesses, utilities and organizations.

Essentially, a company earns credits for reducing greenhouse gas emissions ahead of regulatory deadlines, usually through new processes and technologies. The credits could be banked for future use, or sold in an emissions trading market, to businesses or organizations that need the credits to continue operating until they are able to make changes.

As a company, we could accelerate greenhouse gas reductions by investing the income earned from selling credits, or they could be banked for future use. At the same time, the "purchaser" would be able to stay in business until a reduction solution is found.

Emissions trading provides a valuable economic instrument which allows Canadian companies to buy time and space to develop and implement their emissions reductions plans without stifling their growth and expansion. It provides a flexible mechanism enabling companies to cost-effectively meet their environmental and economic targets.

DAVID W. COLCLEUGH
DUPONT CANADA INC.



Good policy helps consumers win

September 28, 1999

Demutualization is a groundbreaking development for Canada's financial services industry -- one that was made possible in many ways by progressive public policy. It's not often that we stop to recognize the role of government in supporting the success of financial institutions in this country.

But let me take a moment to remind you that we have a long history of wise policy decisions that helped shape the future of the industry. Early in the century, as a study by a leading American consulting firm notes [Boston Consulting Group, *Financial Services at the Crossroads*, 1997], changes to the Bank Act allowing national banking in Canada -- decades ahead of that in the United States -- not only enhanced the stability of financial institutions in Canada, but gave Canadians a competitive advantage and consumers better service, both of which continue today.

Later, the decision to remove interest rate caps in the '50s and '60s enabled our banks to remain stable while the United States system, which retained caps, went into a tailspin that led ultimately to the savings and loans failures of the '80s.

When it came to demutualization, perhaps the most defining movement for financial services in this decade, the federal government put in place the right structures and rules to accommodate that change. (...)

Demutualization may be a new development for Canada, but there are precedents for it in many other parts of the world. Before launching our own effort, we studied the experiences of insurance companies who took this route in the United States, the United Kingdom, Australia and South Africa.

We found, wherever we looked, that demutualization was ultimately a success. The biggest winners have invariably been consumers. The Consumers Federation of America has referred to it as the "most remarkable development in life insurance in the 20th Century". (...)

The mutual structure provides little tangible connection between corporate performance and financial rewards for the owners, the policyholders. Consequently, there also tends to be a low level of interest and voting by policyholders. Dissatisfied shareholders in a stock company can easily show their unhappiness by selling their shares and deflating the stock price. The power of institutional shareholders, in particular, is a powerful incentive spur to management excellence. (...)

Let me note one final benefit of demutualization. It improves a company's ability to attract and retain talented people -- a real challenge in today's highly competitive financial services market. (...)

Demutualization will be a "win" for consumers, a "win" for shareholders and, I predict, a "win" for Canada. It is still early days for demutualization, but so far it is having a decidedly positive effect on the industry and the economy overall. Ten years from now, Canadians will look back at this time in the financial services industry and call it a watershed era -- a time of unprecedented and fundamental change in the industry, touched off by a once-obscure phenomenon in the life insurance industry known as demutualization.

ROBERT M. ASTLEY
CLARICA LIFE INSURANCE COMPANY



Losing our high-tech Gretzkys

June 8, 1999

Nortel Networks is in Canada because of our heritage and because Canada has a lot of advantages. It continues to be a good place to do R&D. It has good public school and post-secondary education systems in every province. We've had access to a substantial pool of talented resources over the years.

Each year in Canada, we hire about 2,000 university students for co-op and other work terms. Over the past two years, we hired 1,800 grads from Canadian universities. We already hire about one-quarter to one-third of all available graduates in key disciplines. There aren't enough of them. (...)

This year the issue is retention. The faster we produce the resources, the faster they drain away to other countries. Knowledge workers have highly portable skills and they're on the move away from this country. This hits right at the heart of the high-tech industry in Canada and at the heart of Nortel Networks. (...)

Reducing levels of personal taxation is a key issue for us at Nortel Networks. Taxation is testing the allegiance of some of Canada's best and brightest. They're faced with a huge gap between what their talents and skills can bring in Canada versus what they command elsewhere.

Our retention rates are pretty good, but we're still affected. It used to be that when people left us they went to other Canadian companies or started up their own companies here. But that's changed. Increasingly, they're going to the States. In the first quarter in Ottawa, almost half the employees who left us went to the United States. More significant, one-third of them had "scarce skills".

We're better off than many other companies in Canada because we can keep many people in

the company by moving them to locations around the world. Other companies can't do that.

Historically, it's always been a little more expensive to live in Canada. The premium used to be around 15 percent over the United States and people thought that was pretty good considering the quality of life we have in what the UN consistently ranks as the best country in the world.

But the premium has skyrocketed for far too many people. It's more like 50 percent now. The gap is too great. Personal income tax rates, capital gains, and stock option rules in Canada mean Canadian knowledge workers earn less and build less equity than their counterparts in other high-tech centers.

Many of our home-grown best and brightest -- the Gretzkys of the high-tech world, the team leaders, the software architects, the people who design our silicon chips -- are finding United States' offers too attractive to ignore. They're heading south and it's often a one-way trip. (...)

The issue remains a serious one for Nortel Networks, however. We're a knowledge-based company, and if the knowledge resources in our industry move out of Canada, we have to go with them. In our industry, we have to work where the people are. Despite our allegiance to Canada, that's the bottom line. And this is a serious issue for Canada.

JOHN A. ROTH
NORTEL NETWORKS CORPORATION



Leadership requires action

June 21, 1999

For me, leadership requires **empathy ... boundless energy ... personal values ... strong identity ... and action.**

Let's take a closer look at my list, starting with empathy. As I see it, this is the imaginative power to see the world from several viewpoints simultaneously. Empathy enables you to look at a situation through the customer's, employee's, shareholder's and competitor's eyes. It enables you to gain a far deeper understanding of how they all interconnect, and what the next step should be. (...)

My second leadership attribute is a high level of energy. This is essential, both as mental resilience and physical stamina. A true leader must have the toughness to conquer fear, banish doubt and return to the challenge -- this time with even **greater** determination to succeed. (...)

It also takes a great deal of energy to reject the relative safety of a top-down, authoritarian structure. It's easy enough to issue orders from the comfort of a mountaintop, but what's the result? Only one person is thinking creatively -- the one at the top. A company that expects contributions from everyone takes far more energy to run, but also liberates vast wellsprings of creativity.

And finally, it takes energy and courage to buck the status quo, to continuously see and act on new ideas and hidden risks. This kind of relentless, top-to-bottom change is energy intensive. It exerts tremendous pressure on everyone, especially the leader -- who got the ball rolling in the first place. But here's the real challenge. As a leader, you must not only keep up with the changes you've made, but have enough energy left over to keep more changes coming. Why this emphasis on continuous change? Because in our high-tech, Internet-

driven world, there are no second chances. The global village is evolving so fast, that only those who are successful in managing change **and** growth will survive.

My third leadership attribute is the exercise of values. The ones I live by in my professional life are customer loyalty, excellence, innovation, personal fulfillment, teamwork, and integrity.

The point here is not **what** those values are. Rather, that they should be a clear and honest expression of who you are, because inevitably the leader's values will filter throughout the organization. They will become an implicit control system and road map out of which a corporate culture will emerge. The leader's values will be on the table of every boardroom, on the desk of every employee, influencing decisions great and small, setting priorities and measuring risks.

The fourth leadership attribute is a strong sense of identity. What exactly does your organization do? Who are your customers? As a leader, you must determine what your organization stands for and what role it plays in the wider world -- and then give it all meaning. (...)

Now I come to my favourite leadership attribute -- action. Strategy gets most of the lip service in business these days, but my view is that it accounts for about ten percent of results. The other 90 percent is execution. The only thing navel-gazing will do is give your competitors time to pull ahead, and thumb their noses as they go past. In the end, there's no substitute for doing the job.

JEAN C. MONTY
BCE INC.



Les travailleurs qualifiés sont mobiles*le 17 juin 1999*

Le Canada compte davantage que les autres pays du G-7 sur l'impôt sur le revenu. Une structure d'impôt aussi dépendante sur le revenu individuel est insoutenable dans une économie mondiale basée sur la connaissance.

Le taux d'imposition marginal -- c'est-à-dire le taux d'imposition qui s'applique pour un particulier à la dernière tranche de son revenu imposable -- a augmenté de 2,5 pourcent dans les pays industrialisés entre 1978 et 1995. Au Canada, il a fait un bond de plus de 20 pourcent durant la même période. Les travailleurs à revenu moyen au Canada font face aujourd'hui aux taux d'imposition les plus progressifs des pays industrialisés.

Ailleurs, au cours de la dernière décennie, la tendance a été d'élargir l'assiette fiscale (en limitant les exemptions et les déductions) et de réduire le taux d'imposition. Le Canada a élargi son assiette fiscale de la même façon, soit en éliminant ou en limitant les déductions et en convertissant les déductions en crédits d'impôt. Mais il n'a pas compensé en réduisant les taux d'imposition. Les pays de l'OCDE ont réduit leurs taux marginaux d'imposition de 12,7 pourcent en moyenne entre 1986 et 1997, tandis que le Canada ne les a réduits que de 2,7 pourcent. À 54 pourcent, le taux d'imposition marginal maximum au Canada n'est pas le plus élevé, mais il s'applique à un seuil de revenu bien inférieur à celui des autres pays industrialisés. Il s'applique à partir de 59 000 \$ de revenu imposable tandis qu'en France, les contribuables ne paient le taux maximum (de 51 pourcent) que lorsque leur revenu imposable atteint 262 000 \$.

Le seuil de revenu auquel s'applique le taux maximum d'imposition dépasse 350 000 \$ aux États-Unis et au Japon. Le Royaume-Uni est le seul pays du G-7 où le seuil de revenu imposable au taux maximum se compare à

celui du Canada, soit 61 000 \$. Mais le taux d'imposition marginal maximum au Royaume-Uni n'est que de 40 pourcent, comparativement aux 54 pourcent du Canada.

Cela a d'importantes incidences pour l'économie canadienne. Les emplois hautement qualifiés et hautement rémunérés, et les travailleurs qui peuvent les remplir, sont de plus en plus mobiles. Quand ces travailleurs décident de quitter le Canada, le pays ne perd pas seulement leur revenu et leurs qualifications, mais aussi l'argent qu'il a investi dans leur formation. Déjà plusieurs chefs d'entreprises ont signalé l'urgence de baisser les taux d'imposition afin de réduire la perte de talent au profit des États-Unis, tout spécialement en ce qui a trait aux nouveaux diplômés en science et en technologie. Je connais des entreprises qui localisent leurs activités de recherche et développement aux États-Unis parce qu'il y est plus facile de recruter des chercheurs.

Si le Canada veut participer pleinement à l'économie mondiale de la connaissance, il ne peut pas se permettre de maintenir des taux d'imposition qui sont à ce point supérieurs à ceux de ses concurrents.

CLAUDE A. GARCIA
COMPAGNIE D'ASSURANCE STANDARD LIFE



Future is rosy for those with skills

June 14, 1999

I am not forgetting here that every major technological change in the past 1,000 years has produced an enormous upheaval. And, as I hardly need to elaborate, each upheaval has in turn produced its share of casualties; this is not something I'd try to play down, even if I could.

These are real people, good people, people who have paid their dues in every sense of the word. And now, thanks to the water wheel or the steam engine or the electric motor or the microchip (or the printing press or the telegraph or the telephone or the tractor or the automated assembly line), they suddenly find themselves dropped off on the sidelines of life.

Balanced against this is that, save for advances in weaponry, every major technological breakthrough in the last 1,000 years has made the world a significantly better place -- better as in healthier and fairer, better as in more democratic, and better as in vastly richer in personally fulfilling opportunities.

And now suddenly here we are, hurtling into this Digital Age. And just as suddenly here you are, getting into it early enough to be able to claim it as your own. (...)

With degree in hand, you are already in the preferred lane for getting a really good job -- as in giving you pleasure and paying you well and opening doors to other good jobs.

As I'm sure you have heard many times, nearly all of these good jobs will be generated by "high-knowledge industries", financial services front and centre among them.

We need high-knowledge workforces. And at least on paper, each of you is a high-knowledge worker. But as much as that seems like a natural fit, it's only the start of a natural fit.

Whatever else you bring to the 21st century workplace, however great your technical skills and however attractive your attitude and however deep your commitment to excellence, the bottom line is that to be successful, you need to acquire a high level of information-literacy.

What we in the knowledge industries need, preferably in an endless stream, are people who know how to absorb and analyze and integrate and create and effectively convey information. And who know how to use information to bring real value to everything they undertake.

Blessed indeed are they who achieve mastery over these skills for they shall inherit the new century. Or at least the most attractive corners of its job market.

It is hard, perhaps impossible, not to be filled with good thoughts and feelings on days like today and occasions like this one. And in truth, the future should never look rosier than it does right now, as humankind's latest great revolution unfolds and each of us looks forward to being part of the action.

F. ANTHONY COMPER
BANK OF MONTREAL



Creative thinking is an absolute need

May 19, 1999

The Strategic Leadership Forum asked me to talk about the strategic leadership vision around which we have built AEC. I have to tell you that the things we have done in AEC have had one key theme -- our abiding belief that people who have the right stuff to succeed, people with strong values, people who care about their colleagues, their families and their community, people who take pride in their accomplishments and their company, can achieve great things -- if they are inspired by a vision, freed from bureaucracy and negative thinking, and have the opportunity to experience the thrill and fulfillment of being part of a winning team.

If people in the world can work in a place which is an "ethical meritocracy" -- in other words, a place where sound values and merit determine your success, they will have a passion for what they do, they will feel free to walk the road less travelled in pursuing new ideas, they will always strive for improvement, never accepting the status quo. In our company, and any company, our entire future success depends upon the new ideas of our people. To succeed we must be relentless about our objectives and we must make breakthrough, breakaway, creative thinking not just a desirable goal, but an absolute need for the continuation of our enterprise.

Ladies and gentlemen, I said at the beginning of my speech that caring, ethical leadership is crucial to our human condition. And so, for our small part, we try to build AEC as a company where these values are lived.

I'd like to conclude by saying that very little of what AEC has accomplished has been done by me. It's everyone being leaders at what they do, that makes a winning team. And as we count our successes, we also know we must continually strive to improve, for we know that

there are very few human beings who ever utilize their full potential. There are also very few companies that achieve their potential.

GWYN MORGAN
ALBERTA ENERGY COMPANY LTD.



Creating a culture of change

April 28, 1999

We recognized that achieving our goals would require a very substantial change in the corporate culture and focus of everyone in the organization.

As part of this process we've basically added new strength to the company's senior management team. This helped implement the culture change to the point where we now think differently, organize ourselves differently and act differently.

A critical element in this process was the involvement of employees at all levels. This includes representatives from corporate and division management and from staff and unionized employees.

As part of this process, cross-functional teams are engaged in enhancing our safety performance, helping employees better understand the nickel business and your company's performance, and implementing "breakthrough projects" with the kind of savings far surpassing our original expectations. It's a new way of moving the company forward and it's accomplishing results.

MICHAEL D. SOPKO
INCO LIMITED



Scale, agility, smarts and speed

May 28, 1999

Traditionally, banks have seen themselves as very local entities. They based their appeal on proximity and convenience. But today, like so many other industries, they are caught up in powerful global winds.

Because of technology, traditional borders around financial services are going away -- national borders as well as industry and regulatory borders.

With a telephone, a computer modem or a satellite dish, it's becoming easy to skip across state borders and industries to do business; easier for some than wandering over to the corner bank. Unless, of course, that corner bank has transformed itself, just as a wide range of other retailers, from hardware stores to bookstores, have reinvented the purchasing experience for their customers.

Few businesses reach out to its customers through as many channels today as banking. We retain our traditional bricks-and-mortars branches, but are also opening new superstores and kiosks. Our mobile bankers make evening and weekend house calls, armed with laptops. We also use a variety of electronic channels, from telephones and PCs to smart cards and new hand-held devices.

And many customers want them all -- with all that implies for our cost structures.

A major challenge for all banks is to invest in new technology while managing their cost structures down -- cost structures that, with their legacy systems and bricks and mortar infrastructure, impede effective competition with new entrants. In Canada this challenge is compounded by the fact that in-market bank mergers are on in-definite hold. (...)

At the same time, new competitors, new systems, products and choices are entering -- and will continue to enter -- the banking market.

Banks used to compete with banks. Today, in Canada we compete as well with Merrill Lynch, Intuit, General Electric, Fidelity, AT&T, Charles Schwab, financial planners, MBNA, the leasing arms of the car companies and a host of others -- including grocery stores -- all seeking a slice of the financial services marketplace.

That's a lot of competition, and it's still just the tip of the iceberg as a host of new entrants -- from established retailers to new Internet companies -- acquire directly or indirectly their banking license or otherwise compete for profitable banking business. (...)

Businesses and governments have to understand that the threats to their economic survival from this shift are real. Competitive advantages we've had in the past will evaporate. (...)

While many speeches on change dwell on the risks, perils and challenges, I believe that it's important to appreciate that the opportunities to succeed are boundless for companies willing to be the first movers.

As markets expand from regional to global, it goes without saying that governments must also be willing to take bold actions and rethink policies so they can prepare quickly for this period of epic change.

JOHN E. CLEGHORN
ROYAL BANK OF CANADA



Coffee stains hurt reputations

May 31, 1999

In the airline industry there's something we can call the "coffee stain principle" that reveals a lot about human nature: "When a passenger sees a coffee stain on a fold-down tray, they have the perception that the airline may have bad engine maintenance".

When people are uneasy, as they often are when flying, even little things undermine their sense of safety and well being. I think there's a lesson here for us.

If we extend that principle to our own industry, there are many things that we do, and don't do, that can undermine the public's confidence in us as well as the confidence of our many stakeholders. Think about it: how many coffee stains are we making as we go about our business? (...)

There is growing concern about environmental issues in our society. And if we don't directly address those concerns, they have the potential to turn into outrage and fear.

Even if we can quantify the hazard -- which is very difficult to do -- the feeling that we might be doing something harmful is not being addressed. There is still uncertainty and doubt in the minds of many people.

And can you blame them? Science can be a two-edged sword for us. (...) Whether the science is conclusive depends on your point of view. But what is real, and is not going away, is our perceived impact on the environment, which now dominates the public's perception of the oil and gas industry. And we are viewed as part of the problem and not recognized for our efforts to be part of the solution.

Our industry is conducting environmental research, but we have not been effective at letting people know about it. Research is being

done on a variety of issues, some of which include flaring, revegetation using native species, impacts of development on grizzly bears, and improved reclamation techniques.

We are also taking concrete action today to reduce our environmental impact. We have committed to voluntarily reduce solution gas flaring by 15 percent of 1996 levels by the end of 2000, and 25 percent by the end of 2001. We will also strive to reduce flaring by a total of 70 percent by the end of 2007.

Personally, I think that, as an industry, we have made great strides in cleaning up our act. But clearly not enough people outside this room think so. (...)

There's no question that what we do is important. But how we do it is important too. That means changing our organizations to address the changing expectations of our stakeholders (...)

Let's not learn the hard way. Let's make the public and our stakeholders part of the process. We don't want or need an apathetic public that does not care about what we do. Just the opposite. We need a knowledgeable public that understands our industry. That understands we work hard to make a positive contribution to the well-being of our society. That understands we care about reducing our environmental impact.

RICHARD L. GEORGE
SUNCOR ENERGY INC.



Thinking beyond the plant gate

July 6, 1999

You could argue, I suppose, that we've had smart thinking at the top of the corporate hierarchy for some time ... we tend to define smart people in business as those who can spot unmet demand in the market place, develop a source of supply, and make a profit in the commercial transaction that follows. Not everyone can do it, so there must be some intelligence involved. (...)

So here's observation number one: for companies, our human resources are among the greatest assets we have, and the greatest part of that value is from the neck up. If we hope to improve our productivity, our strategies should be focused on human resource development in and beyond the executive boardroom. (...)

A hundred years ago, it might have been all right to address a challenge or make a decision on the basis of meditation. But not today. The challenges we face and the decisions we make are more complex, more frequent and, often, more consequential. They won't wait. Do it quickly, or someone will beat you to it.

Here's observation number two: The complexion of thinking has changed. It's not that we can't think things through like they used to. It's just that there's a lot more to learn in a lot less time. As individuals, we cope and succeed with the help of a solid education bolstered by a commitment to life-long learning. And, as companies, we grow by making sure we possess those same attributes on a collective basis ... we provide the tools our people need to learn and to constantly upgrade their skills. We can no longer separate "thinking" from "doing".

And there's a third part to it. And that's thinking outside the plant gate. It's thinking about the effect a business has on the outside community

... whether it's across the street or across the country.

And without discussing it too much, I'll get right to the point. Observation number three is that the corporate sector today is under a lot more pressure to account for its activities to the wider community, and to share the opportunities it creates. And this influences, or it should influence, how a company thinks from the ground up. So, businesses are -- or should be -- taking a much closer look at their policies with respect to corporate social responsibility, because governments, at least in Canada, are focused more and more on responsible fiscal management, and because the public has become more sophisticated and more demanding.

So, comparing today's business environment to yesterdays ... we have to place a higher premium on thinking at all levels of the organization, we have to think faster, and we have to think wider, far beyond the plant gate. (...)

Thinking is, or should be, universal. It does not belong only to those who lead but to everyone who has a stake in what the company does. Business ignores the ideas of others at its own peril.

And, finally, a pre-occupation with inward thinking ... with bottom line costs and benefits ... will, in most cases, no longer make the grade. We have to balance our primary interests as commercial enterprises with the wider interests of the societies of which we are a part. And we must realize that our health as a company is very much tied to the overall well being of the world around us.

ERIC P. NEWELL
SYNCRUDE CANADA LTD.



Mergers must add value

September 16, 1999

Pick up the morning newspaper and you are likely to read that the world is on the verge of an Asian economic revival, a Euro collapse, North American deflation, Latin American inflation, consolidation, fragmentation, a knowledge worker crunch, or silicon valley meltdown. Tomorrow's headlines will be similar in topic, quite possibly advancing entirely opposite points of view as prevailing theories shift in the breeze of world markets.

The message is clear. Canadian companies are competing in a mature but volatile global market. And I can say with some experience that bigger is only better when that size provides strategic value.

What is strategic value? Five years ago, we called it "synergies". Today it is referred to as "power points". To find out what it will be called next week, you should surf into www.business.com/nomenclature when you get back to the office.

In this developed global market, becoming bigger through mergers and acquisitions has become one of the primary tools to increase market share. According to the Economist, corporate consolidations were up 50 percent in 1998.

To this I say, "investor beware", and question how many of these mergers will deliver the intended strategic value. (...)

Clearly, you can't rely on size to add value on a sustainable basis. If size were the ticket to operating efficiency and profit, a lot of steelmakers would be outperforming us. This is not the case. (...)

The broader lesson for the Canadian manufacturing sector is that it risks becoming marginalized on the world stage unless it can

add value on a sustainable basis. Ultimately, the key to competitiveness is making the products that people want and need. In order to do this, this country needs to embrace a culture of opportunity and innovation. We need to believe in and invest in our future.

Dofasco is doing just that, and is going to be a winner on a global scale. We will deliver superior value to our customers and our shareholders.

I believe that all Canadians and Canadian companies can similarly continue to be prosperous. But not by retrenching, and not by taking refuge in worn-out ways of doing things. We must invest in ourselves at a level that is competitive, and give ourselves the opportunity to succeed, and to exceed.

JOHN T. MAYBERRY
DOFASCO INC.



Bigger is not always better

May 6, 1999

All around us, the players are changing and mega-mergers or acquisitions are rewriting the rules of business.

It's cyclical in our industry -- periods of strong merger activity, often driven by low commodity prices, and periods of stand-alone growth.

This latest round began in the late 1990s. It's occurring at a pace not seen since the 1980s when the merger business was ruled by junk bonds and investment dealers.

The impetus is different this time, but we're in the thick of it, just the same. Some people call it mania. "Go big or go home", they say. "Bigger is better", they say.

But is it better? (...)

Right up front, I'll tell you I think the answer is an equivocal "sometimes yes, sometimes no". (...)

Globalization is compounded by the revolution in information and communications technology.

Space and time have shrunk, eliminating natural barriers to competition.

And products, markets and expectations unimagined only a few years ago have sprung up. Who wins in such a world? Strong companies, of course, and one way to build strength is to build size. (...)

In the late 1890s and early 1900s, about one-third of the biggest companies in the United States disappeared during the merger blitz led by people like J. P. Morgan.

After that came the anti-trust movement and the break-up of some of those merged entities, including Rockefeller's Standard Oil.

Today's Exxon/Mobil merger reunites Standard Oil of New Jersey with Standard Oil of New York. And the BP/Amoco deal reunites Standard Oil of Indiana with the remnants of Standard Oil of Ohio.

So why the great urge to merge?

- To achieve synergies.
- To cut costs.
- To improve growth opportunities.
- To meet changing customer needs.
- To better position ourselves in the brave new world of deregulated energy services and convergence.

We look to the future, read the tea leaves, and then build the businesses we think we need to prosper when we get there.

Obviously, mergers are a valuable addition to our toolkit. They have the potential to move companies forward in giant leaps and bounds. Many of them do exactly that.

To be successful, the merger has to be strategic.

Not, as in the 1960s, with the focus on forming conglomerates, or in the 1980s, with the focus on realizing gains from break-up values.

There has to be a significant opportunity to consolidate operations and bring together complementary skill-sets so the combined company can do more, do it better, and do it more effectively than the two companies before the merger.

Because mergers also have the potential to fail.

BRIAN F. MACNEILL
ENBRIDGE INC.



New golden age for rail

May 17, 1999

Over the past 20 years, railroads have cut costs substantially. It's been the shippers, rather than the shareholders, who have benefitted most. This has helped build the competitiveness of the North American economy, because we passed the savings on to our customers.

Since 1980, rail rates have fallen 55 percent and customers in the United States enjoy the lowest rail rates in the world. Even with increased demand for rail transportation, real rail rates have fallen.

In the meantime, we invested about \$230 billion in infrastructure and equipment, enabling us to triple our productivity.

But to take the rail industry to the next level of achievement, we need to invest even more, for instance by continuing the upgrade of our information technology. We need new, high horsepower engines and better, lighter rolling stock. We need to upgrade our rail system to handle heavier loads. We need new information technology to help us track every one of our customers' shipments throughout the entire North American system.

All these, and more, are needed if we are going to deliver the quality service I foresee.

We shouldn't have to go into more debt to make these improvements. They should be part of a healthy, profitable, customer-focused industry -- an industry able to attract significant equity investment.

I see a future for the rail industry where we attract the investment capital needed to provide better customer service, because we offer a superior return on investment.

And finally, I see a future where, at long last, North Americans will understand and appreciate the contributions their railroads make. Not the contributions of the last century -- the so-called "golden age" of railroad expansion.

But the contribution we will make to the future -- to the next century, the next golden age.

A golden age where, more than ever before, trade and transportation will be the life-blood of our economy. An era where the superior performance of railroads in carrying much more at much less cost to the environment will be a highly-valued contribution to a cleaner, healthier planet.

An age where shippers benefit, communities benefit, and shareholders benefit because railroads have made a transition to a new, highly-productive, technology-driven economy.

An era where railroads are profitable and shippers competitive, and railroads are widely recognized as a pillar of strength in North America.

It's time for the rail industry to set itself very ambitious goals for the future -- more ambitious than anything seen since the heyday of railroad expansion.

PAUL M. TELLIER
CANADIAN NATIONAL



Lessons in corporate renewal

June 21, 1999

Today, more than ever, businesses must be aware of and adaptable to change. This applies even to countries. (...)

The future will belong to those companies that will see the change coming and be able to shape it into a competitive advantage. They will use change to deliver pre-emptive strikes to their marketplace. (...)

In our renewal process we set out to redefine our business and to establish a business statement that would better reflect the realities we felt we would face through the next five years. (...)

The Corporate Renewal process taught us to make sure in this fast-changing world to focus on growing our areas of strength that will provide the best yields tomorrow.

Let me offer these pointers for those considering a renewal process:

- Coach people to understand change, not fear it. "Don't embrace change for the sake of change -- embrace change for the sake of survival."
- Make sure you have a system to get feedback -- and make sure you act on it.
- Be consistent in what you say and do.
- Don't micro-manage the process -- be flexible. Give management their buy-in into the process. Employee support will come if they have a sense of ownership.

Corporate renewal requires commitment at every level, especially the top. As you go through the Renewal process you will, if you do it right, go through a personal renewal. What I mean by that is you will come to realize that each and every employee has a role to play and can offer important insights as you choose

new opportunities for your company. Take time to listen to what they have to say.

JAMES F. SHEPARD
FINNING INTERNATIONAL INC.



Pouring water on troubled oil

May 26, 1999

Oil is a very volatile commodity. Trends can turn and prices can change with amazing speed, for reasons that are often difficult to foresee.

So, in managing this business, the question we have to ask ourselves is: What if the recent recovery in crude oil prices is not sustained?

After all, for most of this century, oil prices have actually fallen on an inflation-adjusted basis. They've fallen despite average demand growth of five percent a year over the past 100 years. They've fallen despite the formation, in 1960, of OPEC. They've fallen despite the oil-prices shocks of 1973 and 1979 and 1980.

A recent publication by the Petroleum Communication Foundation puts oil prices in an interesting perspective. Based on prices that prevailed in Calgary last fall, crude oil was selling for \$15 a barrel, gasoline for \$55 a barrel. Cola, on the other hand, was selling for \$164 a barrel. Bottled water was going for \$266 a barrel. And beer was \$441 a barrel. Too bad there isn't more energy in beer.

Now you know why we sell cola and mineral water at our Tiger Express outlets. We're simply trying to capture some higher-margin business.

ROBERT B. PETERSON
IMPERIAL OIL LIMITED

