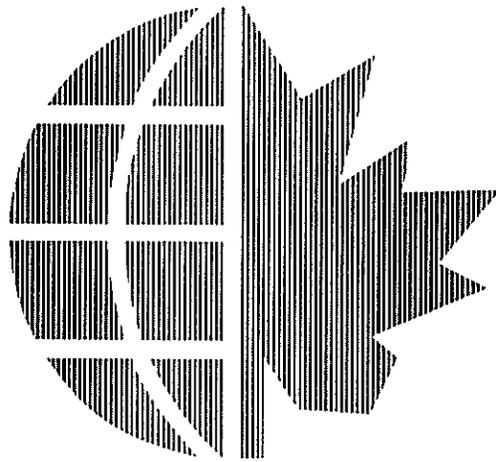

NATIONAL AND GLOBAL
PERSPECTIVES
NATIONALES ET MONDIALES



Canadian Business Leaders Speak
Les chefs d'entreprise du Canada s'expriment

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



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Richard S. Barton

"CEO as Organizational Architect"

(Presented to the Planning Forum, February 18, 1993)



What will it take to be a CEO in the year 2000? It will take vision, intuition, motivational skills, a firm sense of direction and the ability to respond to change. It will take courage and strength to endure a trial by fire. And above all, it will take a keen intellect to develop new strategies for competitive success. One of the most important keys to competitive success will be to leverage intellectual capital in an organization. Even today at Xerox, I view my role as that of an organizational architect whose assignment is to motivate and direct the process of transformation by leveraging intellectual capital.

Today, around the world, corporate leaders of small, medium and large enterprises are throwing themselves into the task of restructuring and transforming their business to meet the challenges of change head-on. There is no handbook on change, no template for success. What works in the transformation process for one company or one industry may not be applicable to another, but there are some elements that can be shared. Let me share with you some of the keys to the successful re-engineering of Xerox, but let me caution you... our model is not a panacea. [...]

At Xerox, we challenged the traditional view of the CEO. [...] In today's changing organizational structures, leadership cannot

be secured solely through the execution of authority. Respect has to be earned, and there has to be a mutual recognition of talents and skills.

At Xerox, we also defined our corporate paradigms; we tracked our business processes; we flattened our hierarchical organization; and we freed our corporate entity to function in an organic, molecular business model. Basically, we integrated the hierarchical web, allowing individual intellect and leadership to flourish.

Leadership is alive and well throughout our new organizational structure. It has become part of the new Xerox paradigm -- part of our shared set of assumptions -- and part of the way we at Xerox perceive, think, value and carry out our business. As a result, we have been successful in freeing our corporate entity to function as an organic molecular model in which our business "atoms" are linked by communication and networking.

This is a unique architecture, uniquely suited to Xerox and to our customer's needs. It is flexible and allows us to meet ongoing change by tapping the power and resources of our intellectual capital. [...]

There is structure; there is direction; there is leadership. But there are also core values and principles: the critical elements that must be understood and nurtured in an organic environment. I am *not* talking about



organizational anarchy. Despite the fluidity of the molecular business model at Xerox, we have very important protocols and behaviours and greatly enhanced

requirements for responsibility and accountability. We have more and more clearly defined measurements of performance and standards. [...]

Thomas A. Di Giacomo

"Canadians Can Compete Effectively in the Global Marketplace"

(Presented to the Canadian Italian Business and Professional Association of Toronto, March 23, 1993)



he Canadian life insurance industry stands alongside the world's leading insurance industries. Internationally, over 5 million people in more than 20 countries own policies

with Canadian life insurance companies.

Approximately, 40% of the Canadian industry's annual premium and investment income is generated from international operations; this compares with approximately 20% in the U.K., 5% in the U.S., and virtually 0% in Japan.

The industry is in no way a newcomer in international markets. Canadian life insurance companies have been operating internationally for over 100 years.

My company, for example, has been operating in international markets virtually since its inception 105 years ago. Being international is a cornerstone in my company's strategy. [...]

We operate today in 15 countries and jurisdictions, with 175 branches worldwide,

and we collect premiums in 40 different currencies. Some two-thirds of Manulife's premium income is generated outside of Canada. Of the company's total business, some 50% is generated in the U.S., with the remainder in the U.K. and Hong Kong. [...]

With the exception of Japan, Pacific Asia offers tremendous growth opportunities and it is our fastest area of growth. We have been able to enter these new markets and establish ourselves as a leading financial services company in the area. To us, high personal income growth rates, growing economies and low penetration of insurance products, are an extremely attractive combination. [...]

We are currently operating in Hong Kong (pop. 5.7m), South Korea (pop. 41.9m), Taiwan (pop. 19.9), Singapore (pop. 2.7m), Indonesia (pop. 163m), and the Philippines (pop. 60m).

One market I don't foresee us entering is Japan. It takes a bold company to spend the kind of money it takes to enter the Japanese market, as well as overcome the hurdles that



the Japanese government puts in the way -- only to be given the privilege of competing against some of the world's largest financial institutions on their home turf.

I also believe that some of the developing countries offer good future opportunities for life insurance companies. The more traditional insurance products which offer capital accumulation over a longer term would not only be profitable for companies, but would provide those countries with a source of longer term capital.

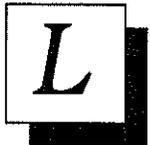
In Mexico, (pop 80.5m), for example, the government's reforms and restructuring taking place make it an exciting and challenging market, with strong potential for insurance.

The People's Republic of China (pop. 1,096m) is a vast new market, though over the very long term. Manulife has recently entered an arrangement with the PRC, where we will train a number of their actuaries in our Hong Kong office. This will also put us in good favour with our new landlord in 1997. [...]

Jacques A. Drouin

«L'importance des services financiers pour la vocation internationale de Montréal»

(Allocution devant la Chambre de commerce du Montréal métropolitain le 16 mars 1993)



'économie mondiale est ainsi en voie d'être dominée par des institutions financières gigantesques aux ramifications internationales et mondiales impressionnantes. Je vous

donne un point de repère. La Banque Royale du Canada est la banque canadienne qui a atteint la plus grande taille. Or, à l'échelle mondiale, elle se classe au 56^e rang des institutions financières. Je vous laisse imaginer la place que nos institutions financières québécoises occupent sur l'échiquier mondial.

Si nous refusons à nos entreprises les moyens de faire leur place sur la scène mondiale, c'est toute notre économie que nous ralentissons.

Dans ce contexte où les géants se livrent une lutte sans merci, la survie et le développement de nos institutions passe par des alliances, des partenariats et, dans certains cas, des intégrations pures et simples, à de grands groupes mondiaux. Si nous refusons de regarder la réalité en face, il va falloir accepter que nos institutions disparaissent graduellement et soient remplacées par des succursales d'institutions étrangères.

Une attitude protectionniste ne joue pas en notre faveur. Si nous empêchons les grands groupes mondiaux d'investir dans nos institutions, nous nous pénaliserons nous-mêmes.

Il faut cesser d'avoir peur et voir les réalités



telles qu'elles sont. Au Québec, par exemple, depuis que le Groupe Commerce fait partie d'une grande société internationale, il continue à générer de l'activité économique chez nous tout en profitant de l'apport du réseau auquel il appartient. En Europe, les transactions entre des entreprises situées dans des pays différents se multiplient. Qui aurait pensé, il y a à peine quelques années, que le deuxième assureur français, le Groupe VICTOIRE, pourrait se porter acquéreur du deuxième assureur allemand, le Groupe COLONIA, sans susciter des réactions nationalistes sans merci. Mais non, notre partenaire français a réussi en peu d'années à constituer une mosaïque internationale d'assurance en profitant du courant de libéralisation des économies d'Europe. Nous-mêmes, au Groupe La Laurentienne, nous avons pu acquérir des sociétés en Grande-Bretagne qui ont la liberté aujourd'hui d'acquérir à partir du Royaume-Uni toute société dans quelque pays que ce

soit de la Communauté Européenne.

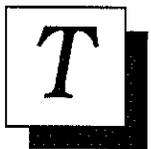
Saviez-vous que nous pouvons, si nous le voulons, obtenir un permis d'assureur en moins d'une semaine en Espagne ou en Italie, à partir de notre base au Royaume-Uni. Ici au Canada, il nous faut plus d'un an pour obtenir un permis d'opérer, par exemple en Alberta, et parfois il nous faut obtenir une licence fédérale, l'autorité du Québec n'étant pas reconnue. L'investissement étranger est ici tabou et perçu comme presque immoral. Il faut que les Canadiens et les Québécois se libèrent de cette mentalité protectionniste et s'ouvrent réellement sur la mondialisation des marchés. Il y va de notre intérêt local et national.

Il faut créer chez nous la masse critique suffisante pour concurrencer à l'échelle mondiale. C'est en participant aux grands courants mondiaux que nous allons y parvenir et non pas en nous repliant frileusement sur nous-mêmes. [...]

Pierre Y. Ducros

"Managing in a Knowledge-Based Canada"

(Business Quarterly, Spring 1993)



here are five major goals we set out to achieve a knowledge-based Canada. The first goal calls for a transformation of the workplace. It calls for this achievement: "Within ten years, Canada has to create a pool of the most effective knowledge workers in the world, and has to become the most attractive environment for global investment in

knowledge-based work."

[...] Businesses -- and managers especially -- must empower their employees. While empowerment does not guarantee success, in an economy dependent on knowledge work, non-empowerment is clearly the road to failure. Businesses must create a culture of knowledge. [...]



Our second major goal is to create a commitment to innovation in R and D; we need an R and D infrastructure. Within ten years, Canada should be the leading country for the performance of infotech-based R and D. In the goods producing infotech sectors, R and D intensity currently runs at more than ten times the industry average. Software development is one of the stars of Canadian industrial R and D; it makes up one quarter of all Canadian R and D. We have to encourage the expansion of strong points like software development. Managers in industry, government and the academic community need to concentrate on innovation as an asset.

Our third major goal concentrates on translating this new innovative talent into concrete commercial products. Within five years, Canada must have a critical mass of investors knowledgeable in information technology, and it must have an adequate pool of capital available for high technology investments. We are facing an uphill battle. The amount of private sector investment in Canadian technology firms has declined between 1986 and 1990. Investment firms are putting only \$50 million per year in Canadian technology companies, compared with the \$2 billion or so a year being invested by their U.S. counterparts. One of the contributors to this insufficiency in venture capital is lack of investor experience;

institutional Canadian investors are weary of the technology market in particular. But management experience is also essential, and we propose to enlist the help of managers with expertise in technology financing.

Our fourth goal concerns a competitive domestic environment in which these newly-born and well-capitalized companies will grow. [...] Within five years, Canada must have a national policy and business environment that is free of trade barriers. [...] We [also] need to adopt a new set of economic indicators that reveal the importance of knowledge and information. The old division of economic activity into goods and services obscures the world that has emerged. By one account, fully 60% of the U.S. GNP comes from the new information economy.

Our final goal concerns our move to the international stage through global outlook, which should allow us to gain new markets and retain our own Canadian market. [...] Within approximately ten years, all Canadian businesses producing goods and services that can be traded must compete and win globally, free of protectionist barriers. They need to take advantage of the relative ease of exporting knowledge instead of goods, and sharing a commitment to continuous quality improvement. [...]■



Bill Etherington

"Moving a Monolith"

(Business Quarterly, Spring 1993)

One of the biggest problems with change is that people feel threatened by it. A steady state is comfortable; it allows people to develop certain expectations of their day-to-day activities, career paths and so forth. Change disrupts that. A most disruptive change at IBM -- the old monolithic IBM -- was removing that comfortable cloak of entitlement, the sense that you can go on doing the same old things in the same old ways, with yesterday subsidizing today. Even in the recession-plagued 1990s, this too often tends to be the North-American way of looking at things. [...]

In North America, everyone wants to win, declare victory and finish the game. But successful Asian managers see change as a constant and are driven on by the constant state of change. In Japan and the emerging Asian "tigers", the prospect of change and improvement stretches off, beyond the horizon, far ahead. North American business, at least in the electronics and telecommunications industries, will likely need to adjust to this Asian-inspired mentality for many years to come. The prospect of perpetual change is here to stay.

How can Canadian companies compete with that business philosophy? Fortunately our own plant always had an export mentality. The bulk of its production has been going abroad for almost twenty years, and overseas

trade has long been its lifeblood. But we still had a lot of key questions to formulate and then answer: What did the markets want? How could we best position ourselves to take advantage of those ever-changing markets? How should we reorganize to best meet their demands?

At a corporate level we also had to satisfy ourselves that we had answered two more vital questions. Were we paying lip service to the changes that we were seeing in the global economy, or were our people really aware of that change and the need to play a vital part in it? Then we had to ask ourselves if we were willing to change the organization from top to bottom -- in our products and services; in the way we approached our customers; the way we assessed their needs; and the way we dealt with our own people through a difficult time of change. A CEO can talk all he or she wants about total reorganization, but without support from everybody in the company the effort falls flat. Real change has to grow from the workplace up; at IBM Canada our people have been our best and most effective resource.

In effect what we did is turn IBM into a whole collection of small organizations, tightly focused on specific, well-defined goals, and linked electronically to speed information flows and improve coordination. We learned from the '80s that putting standard units together on an assembly line leads to low profit margins. To use the analogy of



automobile assembly line, we found that putting together standard units (or "boxes" in the lexicon of the computer business) together in record time and selling them off the end of the line gave a very low rate of return. It is much more profitable to build engines, transmissions and other sub-units that generate add-on value, and sell them to whoever wants to buy them. That includes

our competitors. Today, we can -- and do -- sell components to Apple or Digital Equipment Corporation with the same dedication to quality as if they were going to other business lines at IBM or to our own best customers. In this way we are able to generate substantial revenue from component sales that we could never make selling finished standard products. [...]

Susumu Eto

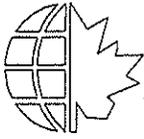
"The Foreign Investor's Scorecard"

(Presented to the International Business Conference, March 30, 1993)

In a country where the FTA with the U.S. is in place and the NAFTA will shortly be ratified, Government's involvement and intervention in Canadian business activities look excessive and consequently are damaging to the enhancement of entrepreneurship. Some examples are, the existence of provincial trade barriers and the difficulty of removing them; government's subsidies, grants and interest free loans to business when the breakdown of an enterprise threatens local job opportunities. I know that some concrete progress has been made recently on these fronts -- provincial barriers, liberalization and privatization policies of the transportation industry, etc., but to me, these changes are coming too slowly. I think domestic restrictions and regulations should be further and more quickly liberalized so that freer competition among enterprises enhance the quest for higher productivity

and entrepreneurship. [...]

Another issue which should be addressed by both federal and provincial governments is that of budgetary deficit and enormous official debt. It is said the public sector debt has reached 90% of Canada's GDP in 1992. This factor not only puts pressure on the cost of debt services but also raises the level of long-term interest rates which discourage long-term business investment. I sincerely hope that Canadian governments would be inspired to emulate President Clinton's courage in his recent announcement to take drastic measures to bring the deficit under control within four years. President Clinton's posture triggered a 1% per annum drop in the 30-year U.S. government bond interest rates over the last 4 months. In Canada, during the same four month period, long-term interest rates have remained high relative to the U.S. This factor makes long-term investment in Canada less attractive.



I know that there have been efforts towards this direction, including recent announcements of restructuring by the provinces of Ontario, Saskatchewan and Newfoundland. But I believe there is a lot of further room for cost cutting of government expenses if governments streamline their bureaucratic organizations through reduced involvement in business and public affairs.

Canadian labour and business relationships must be improved. According to our experience of building similar types of plants both in Canada and the U.S.A., Canada is less efficient than the U.S. by something like 30%. In Canada, narrow job classifications require a larger work force and work

stoppage is easily allowed through the simple complaints made by a worker. Whereas in the U.S., third parties should verify the complaint before the work can be stopped and work weeks are longer in the U.S. I am afraid the introduction of Bill 40 in Ontario and bill 84 in British Columbia should have given a negative impression on labour relations in Canada to business communities both domestic and overseas. I firmly believe that Canada will lose the competition for foreign investment in major manufacturing sectors to other countries, especially to the U.S.A., Mexico and South East Asia, unless confrontational labour-management relations and biased labour customs are rectified. [...]

Kerry L. Hawkins

"Agriculture : Basket Case or Grocery Basket?"

(Canadian Business Review, Spring 1993)



The agriculture/food complex employs some 600,000 people in this country. The total value of agriculture/food receipts is approximately \$20 billion, making it one of Canada's most important economic sectors. We export approximately \$12 billion in agricultural goods annually to virtually every nation in the world, and those exports continue to grow steadily despite the grain industry's misfortunes. [...]

Strategic alliances, quality management principles and regulatory reform will all help create an environment in which Canadian agriculture can capture new markets.

However, the final element for economic success in agriculture is the need for sectoral and international trading agreements to liberalize global trade.

Although the Canada-U.S. Free Trade Agreement (FTA) and now the North American Free Trade Agreement have had their detractors, they have helped keep the hopes for global trade liberalization alive while we wait for a resolution to the General Agreement on Tariffs and Trade (GATT). And there is evidence that these agreements have been beneficial to our industry.

Agri-food exports to the United States in 1991 were worth 28 per cent more than in



1988. Imports from the United States increased by only 19 per cent over the same period. Durum wheat is up 52 per cent since the FTA was implemented in 1989, and Canola oil exports increased by 77 per cent during the same period. Successful rulings against U.S. trade sanctions have resulted in \$17 million being refunded to Canadian pork exporters (they had expected \$8 to \$10 million) and to date, Canada has won every agricultural dispute settlement case under the FTA.

Recent reports that the United States is launching an extraordinary challenge to Canadian hog imports confirms, rather than disproves, the need for a formal trade agreement. Although the protection offered under the FTA is certainly not perfect, without it, we would surely have been prevented from making the gains we've seen.

As we look towards Mexico, we see tremendous opportunities for growth in agricultural trade. Not only is Mexico's

population growing rapidly, but the opportunity to trade more freely offers the potential for increased disposable income. Wheat, oilseeds, red meats and processed foods will be in demand, and Canada is in a most favourable position to supply that market.

Unfortunately, we'll stop short of achieving our full potential as global traders if we fail to consummate years of multilateral negotiations at the GATT. Elements of the tentative GATT agreement on agriculture offer tremendous hope. Volume and spending limitations on export subsidies will remove millions of tonnes of European grain from the global market. Minimum import access levels will create new opportunities for the livestock sector in countries whose borders were previously closed. GATT rulings on trade disputes would be binding on agriculture for the first time. At the same time, the agreement provides adjustment time for our domestically protected industries. [...]

Ken F. McCready

"Committed to Sustainable Development"

(Interview, Canadian Business Review, Spring 1993)



activities?

: You have been involved in many groups and activities that essentially are trying to see how we can achieve sustainable development. Why are you so committed to these

A: It's this simple: there really is no alternative to sustainable development. Once you say that, you begin to ask: "How can I make it work?" To me, it's not a question of feasibility, it's a question of commitment. Sustainable development is highly feasible.



I believe that if we commit ourselves to sustainable development, we will make it happen. Humans are very good at making things happen that they are committed to. I had to "wrestle the devil to the ground" in understanding what sustainable development meant for TransAlta, how we could deal effectively with our environmental problems, and what the costs would be. I sought a lot of excellent advice. Having been through that process, I'm very clear that sustainable development is the way to go. [...]

The sceptics say that economic development can be won only at the cost of environmental damage. Or that we can only improve the environment by stopping economic development. But that's a trade-off mentality; it has no creativity and no innovation. In business, we can be very creative and innovative when we are committed to a course. [...]

Q: You've spoken out in favour of full-cost pricing. How do you respond to those in the environmental movement and also in the business community who are sceptical about using the market to solve environmental problems?

A: Let's take those one at a time. The environmentalists who are sceptical have asked, "If the market really worked, we wouldn't be in this mess, would we?" But I think the market hasn't been engaged yet, we can't say it doesn't work. It hasn't been used. We're not paying for using a scarce

resource and markets are exceptionally good at rationing scarce resources. At present, we pay for labour, fuel, materials, and capital, but we don't pay for using some part of the scarce carrying capacity of the Earth to take up our wastes. That's what we call full-cost pricing. And I've found many environmentalists who, when they understand that, think it's a great tool to accomplish environmental goals.

Business people who are sceptics haven't had the chance to see the problem in its full flavour. [...] You have to maintain the level playing field, so that *everybody* pays for using whatever air-shed or watershed you're talking about. No free riders: that's principle number one. The second principle is that we must keep reading the science. We need to set up market forces based on scientific realities, not sudden fears and panics. The third principle is that we keep adjusting. We need to make hundreds of mid-course corrections based on the results of the price in the market. [...] Sticking to these principles will result in the getting the biggest bang for the environmental buck.

The other important question raised by business people who are sceptical is that it is just going to add costs. But that is ridiculous from a total society point of view -- these costs exist now and show up in taxes, health costs and losses in quality of life -- they're not theoretical. I think it's in business people's long-term interest to do the best job possible to serving society and recognizing the full-cost principle. [...]



Allan R. Taylor

"Education and Training in the Knowledge Economy."

**(Presented to the Canadian Council for International Business
March 24, 1993.)**



At a time when education and skill requirements are rising fast, too many Canadians -- not only the drop-outs -- are leaving school without the necessary skills or prospects.

At a time when high earnings depend on high skills, too many of us still do not understand that education is vital to securing the high quality of living that we have been enjoying and, until recently, have taken for granted. And about 30 per cent of Canadians have problems with basic reading, writing and arithmetic skills. [...]

Another disturbing finding is that 70 per cent of Canadian business say that problems with literacy are affecting day-to-day operations.

Yet, the inescapable reality is that our workforce in the new knowledge economy must compete with the workforces in Japan, and Germany and other nations that have much less illiteracy and whose math and science skills are above ours.

While the will and the organizational framework to do better may be weak, we do not lack the financial means: only Sweden spends more per capita on education than Canada.

Now is the time to start spending it more wisely. Now is the time for action. [...]

The action should start by ensuring that more of our young people learn basic language, math and science skills and that they can be tested against national -- indeed, international -- performance standards.

But standardized tests for the three Rs are not nearly enough. In the new knowledge society, competence in these basic subjects must lead to proficiency in the three Cs: computing, critical thinking and capacity for change. [...]

Another dimension of the educational issue, is especially relevant to this audience. To achieve excellence in the new global market, Canadian business must also do more to attract and develop people with international business skills. And that means using our universities as a source for people with these skills.

The major obstacle to the necessary "internationalizing" of Canadian management is not the business schools. It is business itself. This statement is as true today as when it was made in 1988 in the report "Going Global" of the Task Force of the Corporate Higher Education Forum.

And there are great opportunities for Canadian companies to exploit in the global marketplace that knows fewer borders. We have to go out and sell our goods and services more boldly than ever before. To



take advantage of these new opportunities abroad, we must look to the business schools

at home that offer present and future executives the training to do this. [...]

L.R. Wilson

"BCE and the Challenge of Globalization of Telecommunication Systems"

(Presented to the Annual Meeting of Shareholders, May 1993)



major challenge facing BCE is the globalization of telecommunications systems.

BCE has been expanding its reach beyond the borders of Canada for the past several years. However, the recent purchase of a 20 per cent interest in Mercury Communications in the U.K. was clearly an important new milestone. Mercury is a dynamic and innovative company, with a fiber optic network accessible to some 80 per cent of the U.K. population.

Mercury will benefit from BCE's strengths in research and development and operations, while BCE will benefit from Mercury's experience operating in Great-Britain, which has one of the most open competitive environments in the world.

Another important aspect of this transaction is BCE's alliance with Mercury's parent, Cable and Wireless plc., which is active in more than 50 countries.

As part of the Mercury transaction, Cable and Wireless purchased a 20 per cent share of BCETI Cable Limited, which holds BCE's investments in cable television in the U.K.

Together, we will be developing both telecommunications and cable television services in the U.K.

Alliances with companies whose strengths complement our own offer major advantages. Our newly forged alliance with Cable and Wireless gives us greater international experience and reach. We will be making other alliances and investments, with the goal of building the competitiveness of BCE companies, in order to preserve and increase value for our shareholders.

Over the next five years, BCE will seek to invest some 2 billion to further expand our international telecommunication activities.

Within Canada, Bell Canada and the other major telecoms have formed the Stentor alliance, which will give them as a group, far greater force and cohesion in facing technological and regulatory challenges. Stentor, in turn, last September concluded an alliance with MCI Communications, the second long distance carrier in the U.S., to provide enhanced services for business customers in Canada and the United States. Already, the alliance has announced two leading edge corporate services, international



frame relay and virtual private networks, that will make Canadian business more competitive.

Stentor has also joined an international alliance of 12 major telecommunications companies, called the Financial Network Association, that will manage global communications services for financial institutions. Stentor itself was selected to administer the global network, which will serve 20 world financial centres.

Northern Telecom has also been forging international alliances. Matra Communications, a leading French manufacturer, has joined Northern Telecom to develop mobile communications systems for Europe. Motorola-Nortel Communications Co., a joint venture between northern Telecom and Motorola Corporation, has strengthened both companies in the North and South American mobile equipment market. [...]■