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NATIONAL AND GLOBAL
PERSPECTIVES
NATIONALES ET MONDIALES



Canadian
BUSINESS
LEADERS
speak



les
chefs
d'entreprise
CANADIENS
s'expriment

CANADIAN COUNCIL OF CHIEF EXECUTIVES
CONSEIL CANADIEN DES CHEFS D'ENTREPRISE

A generation after the term “globalization” entered popular discourse, Canada’s economy continues to evolve and adapt in the face of sweeping global changes.

In this issue of **Perspectives**, member CEOs of the *Canadian Council of Chief Executives* address both the opportunities and some of the challenges presented by global economic integration. In excerpts from recent speeches, they call for a more strategic national approach to the promotion of international trade and investment, examine the need to improve the quality of our country’s infrastructure and education system, and consider how public policy reforms could help to sustain the growth of Canadian-based global champions.

Elsewhere in these pages, Canadian business leaders consider how best to respond to the growing challenge of climate change – another area in which meaningful progress will require both consistent domestic policy and stronger international engagement.

As always, we hope these thoughts will stimulate constructive discussion and debate about the best path forward for Canada.

Une génération après que le terme « mondialisation » est entré dans le vocabulaire courant, l’économie canadienne continue d’évoluer et de s’adapter devant les mutations mondiales considérables.

Dans le présent numéro de **Perspectives**, les chefs d’entreprise appartenant au *Conseil canadien de chefs d’entreprise* parlent des possibilités et de certains des obstacles que présente l’intégration de l’économie mondiale. Dans des extraits de discours récents, ils réclament une approche nationale plus stratégique d’encouragement au commerce et à l’investissement internationaux, se penchent sur la nécessité d’améliorer la qualité de l’infrastructure et des systèmes d’éducation de notre pays et examinent comment les réformes de la politique publique pourraient contribuer à soutenir la croissance des chefs de file mondiaux établis au Canada.

Ailleurs dans ces pages, les chefs d’entreprise canadiens réfléchissent à la meilleure façon de s’adapter au défi croissant du changement climatique, un autre domaine où des progrès significatifs nécessiteront une politique intérieure cohérente et un engagement international plus ferme.

Comme toujours, nous espérons que ces pensées stimuleront une discussion et un débat constructifs sur la meilleure voie à suivre pour le Canada.

ROSS LAVER
EDITOR/RÉDACTEUR

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As the world changes, Canada must adapt

March 2, 2007

OVER the past year, 116 Canadian public companies were acquired by foreign interests, more than any other major country including much bigger economies such as the United States, the United Kingdom, France and all the Nordic countries combined. We have not only seen the disappearance of major Canadian household names, but the loss of Canadian presence in industries where we have long had traditional strengths.

With respect to Canada's productivity, our output per hour worked in the manufacturing sector has grown at the fourth-slowest rate among 14 major industrialized countries, while at the same time intense competition from China and other emerging economic powerhouses is posing a severe challenge to the future of our manufacturing base.

Against this backdrop, there is a need for focused leadership and strategic policy-making. If Canada is to continue to succeed, it is essential that our politicians look beyond reactionary policies and short-term politics, to the challenges facing our country's future. It is time to develop a renewed, long-term sense of national direction to ensure the sustainable prosperity of our country.

Government and industry must work more closely together for the benefit of all Canadians. We should be enhancing the ability of Canadian companies – including our financial sector – to compete effectively in the global marketplace. It should be a common goal to shape a domestic policy environment that gives primacy, competitive advantage and sound economics to

companies that operate in Canada. Are businesses accountable for their own success or failure? Absolutely. But we should be creating an environment that helps foster their success.

We need to develop a clear vision of what Canada can achieve over the next five to 10 years and a bold strategy for realizing this vision in ways that will mobilize public support. We have to decide which industries are key to our future and ensure they can compete globally on a level playing field.

There are many areas that must be addressed to deal with the issue of Canada's competitiveness, including tax policy, regulation, immigration, research, education and infrastructure. Frankly, I don't believe that there is significant disagreement in most quarters with respect to the blueprint needed to move our economic agenda forward, but we must shake off our complacency as a nation, squarely face up to our collective challenges, and take some action.

It is time to put aside short-term differences and think about what our country should look like in a changing global landscape. Canada cannot afford to stand still while its major trading partners improve their productive capacity, economic performance and competitive position. As the rest of the world changes, we must adapt. Business leaders must do our part by improving productivity and seizing the opportunities of a global marketplace, and governments should support industry by creating an environment that encourages investment, growth and Canadian leadership.

GORDON M. NIXON
ROYAL BANK OF CANADA



Canada needs India

April 26, 2007

If I had to summarize the business relationship between Canada and India today, it would be: great potential, modest progress.

This is worrisome. India is on course to become one of the world's most important economic players. The steps Canada takes now to improve its economic ties with India will have a long-term impact on our future economic growth and the prosperity of all Canadians. We need to place a higher priority on trade and investment through closer commercial, cultural and diplomatic activities.

Canada faces tremendous competition from other countries that have intensified their focus on India. In this fast-paced world of expanding free trade zones and proliferation of bilateral trade deals, competition among countries is as fierce as competition among businesses. It's time to show the world, and India especially, that we mean business.

From the perspective of a company with a significant history in India, I offer some thoughts.

First, we need to engage Indian decision-makers deliberately, continuously and strategically. Building a relationship at the top sets the right tone of commitment and partnership.

The Government of Ontario and the federal Department of International Trade recently completed trade missions to India. Sun Life was an active participant in these initiatives, and they have our firm support. But if Canada is to continue punching above its weight on the global stage, there must be a

higher level of strategic purpose and execution.

We need a deeper, pan-Canadian approach to leverage these opportunities. Canada should intensify the number of diplomatic, trade and cultural initiatives across federal and provincial governments. Let's pursue one clear, common strategy.

Second, we must focus on Canada's core competencies, sectors where we can win against the best the world has to offer to India. For example, we have world-class financial services expertise in this country. We should promote this expertise in India and seek greater investment liberalization in this sector. Other high-value-added industries, such as technology, also come to mind. In global negotiations, our government must be prepared to deliberately support its international champions.

Third, Canada should pursue a bilateral trade agreement with India to improve access to all key economic sectors, and to grow our trade with India over the next decade. As India becomes a dominant world player, Canada needs India more than India needs Canada.

In business, as in life, relationships require ongoing effort and investment. Sun Life is investing considerable efforts in India and this has proven to be a tremendous choice for us. We believe that it would be the right choice for Canada.

DONALD A. STEWART
SUN LIFE FINANCIAL INC.



Globalization is here to stay

March 8, 2007

SCOTIABANK'S prosperity and success have been based on our unique international strategy. Our bank has a history of looking outside our borders for growth. So let me begin by giving you some background about Scotiabank as an international bank.

Scotiabank is Canada's third-largest bank by assets. We rank second by market capitalization in Canada and we are a top 10 bank in North America by the same measure. Mercer Oliver Wyman, the international consulting firm, created a Shareholder Performance Index – a global measure of the relative performance of the 400 largest companies in global financial services. Scotiabank ranked number one in North America and number two in the world over the past three, five and 10 years.

That's not bad for a bank that started in the port city of Halifax, Nova Scotia, 175 years ago. When we ventured out, it was our customers and the trade flows between North America and the West Indies that attracted us. Our history as an international bank began almost 120 years ago, when we opened a branch in Jamaica in 1889.

Throughout the United States and in Europe, we have offices where we focus on corporate and investment banking, and have established a strong wholesale banking platform that now includes Mexico. We're in nine countries throughout Asia, including China and India, with a history ranging from 25 to almost 45 years in these countries.

We have extensive operations throughout the Caribbean, as well as full service operations in four of the seven countries in

Central America. In South America, Scotiabank has operations in Peru – where we are the third-largest bank – and a bank in Chile. We also have affiliates in Venezuela and a representative office in Brazil. Add it all up and it's nearly 50 countries.

Obviously, my thinking has been greatly influenced by our bank's experiences. But it's also based on our sense of where growth opportunities exist for other businesses today, and in the years to come.

There are always people or special interest groups who will look to create barriers. But the reality of globalization – open trade and open borders – is how countries and companies will prosper and grow.

Globalization requires an unprecedented degree of co-operation and interaction to encourage the flow of trade, investments and information. It requires an unprecedented degree of collaboration among countries, companies and individuals, and it's a process that takes years, not days or months.

From my perspective, the real growth opportunities for business and for people are global. And we must have strong policies to support domestic growth, trade and investment.

Globalization is here to stay. Good, progressive and open trade and investment policies will produce positive domestic results, and more and better jobs for a growing part of the population. Our long-term prosperity depends on it.

RICHARD E. WAUGH
THE BANK OF NOVA SCOTIA



L'envergure mondiale est une condition d'existence

24 avril 2007

AUJOURD'HUI, Montréal est un des trois grands pôles mondiaux de l'industrie aéronautique, aux côtés de Seattle et de Toulouse.

L'industrie aérospatiale canadienne effectue ici 70 pour cent de sa R&D et 62 pour cent de toute sa production. Montréal est la seule ville au monde où il serait possible de construire un avion au complet. Même à Toulouse, même à Seattle, on ne peut faire ça. Ici, Pratt & Whitney Canada fabrique les moteurs; en fait elle produit 34 pour cent des petits turbos propulseurs au monde. Héroux Devtek y fabrique des trains d'atterrissage. CMC Électronique conçoit et fabrique les organisateurs électroniques des postes de pilotage et d'autres produits pour les avions commerciaux et militaires. Bombardier assemble les avions.

Et bien sûr, n'oublions pas CAE. Nos produits ne quittent jamais le sol, mais ils font partie intégrante de l'industrie aérospatiale. Nous avons fabriqué environ 70 pour cent des simulateurs de vol actuellement en service dans le monde entier. Nous avons des clients dans plus de cent pays. Non seulement nous leur vendons des simulateurs, mais nous leur offrons des programmes complets de formation pour les pilotes. L'an dernier, 50 000 membres d'équipages civils et militaires ont reçu une formation dans un de nos centres de formation situés dans 19 pays sur cinq continents.

Nous fabriquons à Montréal tous nos simulateurs civils et la majorité de nos commandes militaires. De plus, nous avons

un centre de formation civile où nous entraînons plus de 900 membres d'équipage chaque année, notamment les équipages d'Air Transat. D'ailleurs, CAE et ses clients participent à l'économie montréalaise d'une façon que bien peu de monde imagine : nous achetons chaque année plus de 20 000 nuitées d'hôtel à Montréal. Et ces pilotes profitent de leur séjour ici pour découvrir notre ville et sa joie de vivre, avec ses restaurants, ses théâtres, ses courses automobiles, son hockey et ses nombreux festivals.

Au total, le secteur aérospatial représente 30 000 emplois directs et plus de 100 000 emplois indirects à Montréal. C'est sans compter l'Agence spatiale canadienne, située à Saint-Hubert; sans compter les sièges sociaux et les opérations des transporteurs internationaux Air Canada et Air Transat; sans compter des organismes internationaux comme l'OACI et IATA.

L'industrie offre des emplois à nos finissants des écoles de métier et des universités. Au total, Bell Helicopter, Bombardier, Pratt & Whitney et CAE ont engagé 900 nouveaux ingénieurs de 2001 à 2006, bien qu'une bonne partie de ces cinq années ait été une période difficile pour l'industrie.

L'industrie aérospatiale québécoise a créé quelque 11,4 milliards de dollars de valeur en 2005. Plus de 80 pour cent de cette production a été exportée à l'étranger. Dans notre industrie, l'envergure mondiale est une condition d'existence. Nous devons être parmi les meilleurs au monde, sinon nous sommes condamnés à disparaître.

ROBERT E. BROWN
CAE INC.



How can we preserve Canadian ownership?

May 3, 2007

IN 2006, more than 100 of Canada's public companies were acquired by foreign interests. The list includes some of the oldest and most well-established companies across a broad spectrum of industries – everything from hotels to retailing, to metals and mining.

And the trend continues. I sometimes worry that we may all wake up one day and find that as a nation, we have lost control of our affairs.

I think we ought to have a vigorous debate about the extent to which it matters whether or not ownership of our economy resides in Canada. I believe that ownership matters a lot. It matters not only for economic reasons but, more importantly in my opinion, for our own sense of self-esteem and pride in our country.

My concern is not rooted in any chauvinism or in any antipathy towards foreign investment. Far from it. I happen to believe that globalization is a very positive development and that trade and investment across borders is to be encouraged. Canada benefits mightily from being “open for business” and we mustn't do anything to change that.

My concern stems from the fact that the world is awash with capital and that the consolidation trend in many industries will inevitably continue. We are a small country with a relatively small population. Canadian companies typically are not of a size to be global players. All too often, decisions affecting the future of important firms and the

communities that they sustain are made solely with a view to the short-term financial consequences. I find it particularly bothersome that so many of our natural resource companies – which I would argue represent unique and irreplaceable assets – are now owned elsewhere.

So what are some actions that we might consider taking? Well, what if we were to consider the feasibility of adopting ownership restrictions for certain sensitive sectors of our economy that would be similar to those that now apply to our financial institutions? After all, I would argue that it is a demonstrable fact that public policy regarding the ownership of our banks and insurance companies has served the country well; there is no shortage of competition in the financial services sector and the services available to Canadians are as comprehensive and as affordable as exist anywhere in the world.

Securities regulation is another area where some useful debate could be undertaken. Many feel that Canada now has the most bidder-friendly environment in the world and that this may not always be in our country's best interests. Under our rules, shareholder rights plans – also known as takeover defenses or “poison pills” – fall away after a very short 60 or 90 days, leaving the target company's board with far too little time in which to explore alternatives.

I believe that it is important for us as Canadians to have companies based here that are global leaders.

DOMINIC D'ALESSANDRO
MANULIFE FINANCIAL



Neither level nor fair

April 26, 2007

ONE of the fundamental issues we face is the challenge of finding a truly level playing field in the 21st century global marketplace.

A prime example of this challenge is how the North American economy is currently struggling to deal with climate change and greenhouse gas emissions.

There is widespread consensus on the need to tackle this problem, but why should North American governments and industry tackle it alone while so-called “developing economies” such as China and India are free to expand with little concern for the environmental consequences?

What does it profit the planet if North America goes green but other regions rapidly increase their greenhouse gas emissions and overwhelm whatever progress has been made? Working together, we must find a global solution to climate change, not one that appears to be based on creating competitive disadvantages for certain regional economies.

Another example of the need for a level playing field in today’s global marketplace comes with China and its unprecedented expansion in steel. Many people are surprised when I tell them that China today is by far the largest producer of steel in the world.

Last year, China accounted for nearly 35 percent of global steel production. China is not only the largest steel producer; it is larger than the next four producers combined. The recent growth in Chinese steel capacity and production is staggering. In the past six

years alone Chinese steel production rose 234 percent.

This unprecedented growth has nothing to do with the normal constraints of a market economy. It is the result of government ownership, government subsidies and government intervention, which defy the laws of supply and demand or profit and loss.

Chinese steel production has been expanded well beyond anything required by its domestic market. The Chinese government is building a subsidized steel industry to win export markets, and to force other regions of the world into building manufacturing capacity in China. It is just one step in the Chinese game plan to make that country the centre of global manufacturing in the 21st century. The resulting playing field is neither level nor fair.

The world should not overlook the fact that this policy threatens much more than manufacturing jobs. Chinese industry has much higher greenhouse gas emissions than steel producers in North America. Many Chinese steel mills have no pollution control equipment whatsoever, and many mills that do have such equipment do not operate it.

The expansion of the Chinese steel industry, and of manufacturing using Chinese steel, has resulted in increased emissions of greenhouse gases, as well as of particulates, sulfur dioxide and many other pollutants.

Steel is not the only thing China is exporting; it is also exporting its pollution.

**DAVID SUTHERLAND
IPSCO INC.**



Responsible growth

April 26, 2007

SUNCOR has been a leader in addressing climate change. In fact, we came out with our plan more than a decade ago and began to invest in new technologies to improve energy efficiency and reduce greenhouse gas emissions. On a per-barrel basis, we've cut emissions by 25 percent from 1990 levels.

Having said that, Suncor, like Canada's economy and population, is growing. As a result, so too are absolute emissions.

It's a big challenge for our industry and it demands big solutions. That's why Suncor has been at the forefront of renewable energy investment in Canada with planned investment of \$120 million this year alone. And it's why we've also been a leader in exploring new and promising technologies such as carbon capture and storage.

We remain committed to being part of an effective, made-in-Canada climate change strategy. But we need to recognize it takes a strong, vital industry to drive the investment and innovation needed to meet that challenge.

What about other challenges we are able to act on, such as labour supply and the high cost of materials and services?

Suncor has responded to these challenges on several fronts. We've improved our ability to recruit and retain employees in a very competitive environment while joining with others to grow the overall labour pool. And we've helped relieve regional pressures by shifting more work off-site. This also helps spread the benefits of oil sands investment more widely.

Most importantly, we're working with our suppliers and business partners to find solutions to rising costs. Getting those solutions in place is good for Suncor and it's also good for businesses across Canada.

Much more needs to be done. But for me, it all comes down to focusing on what we can control and driving continuous improvement. As the pioneers of this industry, we can take pride in knowing we have defined "what works." But we must never stop asking, "How could it work better?"

Fortunately, the same spirit and determination that saw Suncor pioneer oil sands development some 40 years ago is very much alive today.

I'm confident Suncor will remain on track to achieve our planned 2012 production target of half a million barrels per day. We will continue to look for innovative ways to connect our large resource base to a large and growing North American market. We will invest in technologies that target cost control, improved productivity and reduced environmental impact. And we will carefully manage capital spending to support a strong balance sheet and healthy rate of return for our shareholders

Together these elements add up to responsible growth – responsible to our shareholders, responsible to the communities in which we live and work, and responsible to our shared environment.

RICHARD L. GEORGE
SUNCOR ENERGY INC.



Staying ahead of the curve

February 19, 2007

ALCAN has long been a company committed to sustainability and dedicated to being a responsible steward of the resources that we use.

Our greenhouse gas (GHG) reduction activities accelerated after the Earth Summit in Rio de Janeiro in 1990 and again in 1997 with the signing of the Kyoto Protocol. We were proud to have chaired the Executive Forum on Climate Change in 2005, to take part in the Carbon Disclosure Project, to participate in the UN Global Compact, and to lend support to progressive non-governmental organizations like the World Wildlife Fund and World Environment Center, among others.

Between 1990 and 2005, Alcan's total emission intensity was reduced by 25 percent, while our primary aluminum production increased by 40 percent.

We take pride in these results, but statistics take you only so far. So let me cite three tangible examples from the Alcan experience.

First, in both our primary metal and bauxite and alumina businesses, Alcan is focused on energy efficiency. While we continue to invest in research and development, we are simultaneously upgrading our assets – for example, by building a \$550 million (U.S.) pilot plant in Quebec, relying entirely on renewable hydroelectricity.

The second example is the development of innovative sustainable products in our Packaging and Engineered Products businesses. In one exciting innovation, Alcan supplies rolled sheets of bright aluminum as

key components of solar cookers, which produce potable water for people in the developing world by capturing and boiling water using the sun's own heat. Solar cookers are designed to replace wood-fired stoves in developing countries. Using one solar cooker will help save up to 3,000 kilos of carbon dioxide emissions per year and mitigate deforestation for firewood.

My third example relates to the transportation industry. Alcan is a large supplier of lightweight products to the world's largest automakers. Replacing more than two tonnes of steel with one tonne of aluminum has the potential to eliminate 20 tonnes of carbon dioxide over the life of an average vehicle. And when that vehicle is scrapped, 99 percent of the aluminum can be recycled. For Alcan, this represents not only a way we can make a practical contribution to the sustainability of this planet, but also a profitable, and therefore sustainable, business opportunity.

But the real bottom line is: do our shareholders approve? So far I would say yes. They seem to like the fact that we are doing so in a proactive and disciplined manner, ahead of the curve, rather than chasing it with higher risks and costs.

In my opinion, Canada can also stay ahead of the global curve on climate change by embracing the worldwide scientific and political consensus and seeking out the opportunities rather than reacting to the threats.

RICHARD B. EVANS
ALCAN INC.



What makes us special?

March 1, 2007

WHEN I signed on with Bank of Montreal in that glorious summer of 1967, it did not remotely occur to me that one day I'd be looking back on a 40-year career – especially one that would wind up in the fabled corner office.

Before I turn to thoughts of succession, however, I have some blessings I would like to count.

The first is that when the information technology revolution struck with all its power and glory, I was already a veteran. One of my first big breaks at BMO came in 1971, when I was urged into something called Operations and Systems. I still shake my head when I say this, but I was one of the people who invented the computer system that allowed us to engage in real-time banking across six time zones. So when technology arrived in full flight, I was one of the first chief operating officers who was comfortable with computers, and who could speak the language well enough to more than get along.

There were other revolutions underway in the 1990s. Globalization, which in my opinion has been an unqualified success, is probably the first that leaps to mind. It has changed the way we do business – and the way we *think* about business – so profoundly that even the word “profoundly” only begins to describe it.

The third of the three great revolutions has been almost as world-bending as the other two. Corporate responsibility has gone from a dubious proposition at best to a core value and operating principle for most of the post-

industrial world; and from a traditional cost centre to a bottom-line competitive edge.

In an excruciatingly competitive industry, all of us are stretching and striving for all the edge we can get. Why should people bank with, or work at, or invest in, BMO? What makes BMO so special?

Along with everything else that makes us stand out, we can cite the fact that *Maclean's* magazine regularly names BMO one of the best 100 places to work in Canada. *Corporate Knights* magazine named BMO Canada's best corporate citizen in 2005, and has put us near or at the top of the list every year the award has existed.

I have been privileged to contribute to BMO's longstanding reputation for exceptional commitment to community. In this I have followed the lead of countless colleagues who came before me, worked alongside me, and will carry on after me.

And woe to any organization that has not yet seen the light on environmental sustainability. We have committed ourselves to this cause on several, critical global levels. Our industry is doing what our industry *can* do to prevent the environment from being despoiled by future generations of global mega-projects: we are making our funding contingent upon environmental sustainability.

As the definition of what it has meant to be a good corporate citizen has evolved over the years, BMO people and BMO thinking have always been on the crest of the wave.

TONY COMPER
BMO FINANCIAL GROUP



The 10/50 approach

December 21, 2006

CANADIANS don't want to, and need not, choose between a cleaner, healthier environment and reliable, affordable energy. Both are important. That is why a sensible, pragmatic approach must be created that addresses both and delivers value to Canadians.

The first step is to identify the most critical environmental issues facing us. Recent surveys show that Canadians view air quality and climate change as two of the most important environmental issues.

Of the two, air quality is the more immediate issue and we possess the technologies to address it. Canada's air quality is affected by a number of factors, among them unwanted byproducts such as sulphur dioxide and nitrogen oxides from industrial processes and the use of fuels for light, heat and transportation. Average air quality in Canada has improved over the last few decades, but smog remains a concern. The good news is that technology is evolving to address air pollutants by removing contaminants from smokestacks and tailpipes.

Dealing with climate change is much more complex and a longer-term task. Quite simply, increasing population and economic growth globally will raise the demand for energy, of which the largest share will come from hydrocarbon sources. Since generating energy from this source involves combustion, greenhouse gases, such as carbon dioxide, will grow.

Changing this picture will not be simple. Unlike the challenge to improve air quality, which can occur through evolutionary technologies, carbon dioxide emissions can

only be reduced materially through genuine breakthroughs. We have yet to discover or develop an energy source that meets the world's enormous energy needs with no environmental impact. This cannot, however, be an excuse for inaction. We have to implement existing technologies to solve known problems now. At the same time, we must search for the means to address issues beyond our reach, providing the conditions for longer-term technological breakthroughs.

At Imperial, we've improved the energy efficiency of our operations. Our refineries are about 16 percent more efficient than they were just over a decade ago. Of course, more can be done to improve efficiency but we should be clear that the trend of rising emissions cannot be reversed through efficiency alone. At best, energy efficiency advances can only slow the rate of increase.

We're also contributing to research on possible breakthrough technologies that aim to supply and use energy with significantly lower greenhouse gas emissions. The possibilities range from more efficient technologies for transportation and new ways to produce hydrogen to research into underground reservoirs and aquifers for storing carbon dioxide.

I like to think of these and other examples of action as part of a 10/50 approach to our energy and environmental challenges. The idea is to consider where we need to be 50 years from now to meet these challenges and then to figure out decade by decade how to do it.

TIM J. HEARN
IMPERIAL OIL LIMITED



Sensible solutions

March 2, 2007

IN the two decades since I embraced sustainable development, I have never wavered in my view that responsible environmentalism and responsible economics go hand in hand. The supreme test of leadership is to draw the best from both. How then is this to be done?

We must begin by embracing an inescapable imperative: The restoration of global ecological balance and the mitigation of the effects of climate change will not succeed unless all major countries are fully engaged. This must include not only the developed world but also emerging powers such as China and India that are not bound by Kyoto Protocol targets.

We must be equally realistic in confronting Canada's responsibilities. Canada's greenhouse gas emissions in 2004 totaled 758 million tonnes. Our country's commitment under the Kyoto Protocol begins in 2008. To honour our commitment, Canada would have to reduce average annual emissions to 563 million tonnes, a drop of almost 200 million tonnes.

Meeting this would be a gargantuan task. If we took all cars and trucks off the road and every aircraft, train and ship out of service, we might come close. If we shut down all oil sands production tomorrow, we would only make a small dent in the needed reductions.

The sensible solution to Canada's predicament lies in a combination of bold actions and strategies.

Let's have a genuine national debate about the options, the costs and the responsibilities. The sad truth is that few

Canadians understand what meeting the Kyoto Protocol involves. The equally sad irony is that the Liberal government of the day committed Canadians to overly ambitious targets without the slightest idea of what such a commitment would entail.

Let's embrace the sustainable development challenge and the immense opportunities it offers us. Conservation must be at the top of the agenda, along with more effective harnessing of technology aimed at reducing the environmental impact of human activity.

Let's create a policy and regulatory framework that will encourage industry to further reduce its greenhouse gas emissions and move more rapidly in the deployment of transformational technologies. What business wants are clear rules, adequate lead time and consistent policy.

Let's really get consumers on board. The challenge is fundamental – much more than not idling your car, using compact fluorescent light bulbs or turning down your thermostat. Let's have a debate about what policies Canadians are ready to support and how they want their tax dollars spent to improve the environment.

Finally, let's stop ignoring adaptation as one of the essential tools for coping with climate change. Understanding and preparing for change must involve a comprehensive policy framework and long-term investment that can blunt the negative consequences and capitalize on the positive.

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES



Private equity, public interest

May 10, 2007

RECENT developments in the business world are having a substantial impact on the financial structure of the industrialized world as we know it. I refer to the meteoric rise of private equity and hedge funds as major players in the financial markets.

Collectively, private equity funds have brought about the privatization of public companies worldwide worth \$900 billion. In 2006 alone, the 10 largest private funds raised \$120 billion for privatizations. At first an American phenomenon, private equity funds spread to Canada, Europe and even Japan. Today in the United Kingdom, 19 percent of private sector employees work for businesses owned by private equity firms.

Meanwhile hedge funds now number 9,000 and manage in excess of \$1 trillion. These funds are lightly regulated private investment pools which initially attracted endowment funds and wealthy individuals, but which today also have pension funds and insurance companies as investors.

The reason I am talking to you about private equity and hedge funds is that, like us, they build portfolios of companies in which they take an active role. However I would like to highlight some key differences, starting with investment philosophy.

Private equity funds look to a three- to five-year horizon in managing their investments, while hedge funds have a shorter outlook and thus need higher levels of liquidity. In contrast, we at Power are long-term investors. While private equity and hedge fund managers use substantial leverage to finance their activities, we at Power have no

debt at the corporate level, and the debt levels in our group companies are given an A or better rating by the credit agencies.

Now let's talk about governance. Is it not ironic that the principal investors in private equity and hedge funds – large institutional investors – are happy to put massive amounts of money in the hands of people who do not register with any securities commission, or have few, if any, governance regulations to adhere to and report on?

After all, these are the same institutional investors and activist shareholders who, not so long ago, cried out for governance reforms. They surely played a role in bringing about useful reforms, but I can't help but worry that their proliferation has led us to a point where they now constitute a counterproductive bureaucratic activity for managers and boards of public companies.

I wonder, for my part, if these same institutional investors and shareholder activists should be concerned when short-term considerations come to dominate the making of business decisions. We have all seen too many examples of the damage that can be inflicted on companies by managers given huge incentives to produce short-term results.

The question that must be asked is: What is going to be the impact on our economies of these new financial practices? In the future, how many Canadian companies will be strong enough to compete in the global economy? How many Canadian brands will find a place in the world's markets?

PAUL DESMARAIS, JR.
POWER CORPORATION OF CANADA



The revolution is just beginning

February 15, 2007

RAPID evolution in advanced communications networking is fundamentally changing our business and, in the process, transforming your lives.

In the 1990s, cell phones were big and heavy. Just a few years later, MTS offers phones of varying size and colour. You can find a phone that can hold hundreds of songs. It can send emails, text messages, surf the web and access streaming video, so you can see news clips, movie trailers, listen to radio – you name it. You can also take pictures, or short movie clips, and send them to your friends. It can even make phone calls. You can't forget the basics, after all.

The pace of change is staggering. We are moving into the world of convergence among all appliances – television, cell phones and even your fridge, which can now be intelligent and connected to the Internet.

The same relentless innovation is transforming the telecommunications services that are available to businesses. From the largest corporations, to governments, to small businesses, Internet protocol (IP) capabilities are enabling the transformation of everything your business does into digital information.

All of this information moves on, and is connected by, very high speed broadband IP networks. These networks are increasingly complex and capable of supporting a wider and wider array of functions. With IP-based tools and applications, we now have the ability to redefine the foundations of our businesses. The places where you work, the government offices we interact with – all

have the potential to be significantly transformed by this rapid evolution.

You may think, "Big deal – it's still only a phone call, right?" Well, it can seem that way to many of you. But think of the potential improvements you can achieve in your business when you gain quicker access to more comprehensive information.

Many customers are not only making the transition to IP, but to complete communications solutions – voice, data and wireless that all interact seamlessly with their enterprise systems.

What does that mean? It means workers have access to the data they need, whether they are at work in the office or out visiting clients. Construction forces that have instant wireless access to order supplies in real time. Transportation companies that can track vehicles and shipments and provide information to customers in real time. A police service whose officers have access to critical data right in their cars. These are just a few examples of how IP is transforming the workplace.

Believe me, it's only the beginning. Rapid evolution in technology is redefining the way you communicate, the way you share information. And when you change communications, you are changing people's lives. After all, the ability to share information is an essential component of our modern world.

PIERRE BLOUIN
MTS ALLSTREAM INC.



Building for the future

October 10, 2006

FOR the last two years or so, I've been speaking out about diversity and immigration as key drivers of Canada's prosperity. I want to be clear about what I mean by this, because many people believe this issue relates to current skilled labour shortages; some think it applies to our need to attract more professionals such as doctors, engineers and scientists; while others focus on the glass ceiling that many existing immigrants and visible minorities experience.

I view the diversity and immigration imperative as all of the above. My message is simple: people are the most important asset of companies and countries. If Canada is to succeed in the global marketplace, we must turbo-charge our economy by leveraging the diversity of our current and future workforce. We must attract the right skills, the best minds, and the required resources, while more effectively utilizing our current human capital.

If we do, we will have an unrivalled advantage. If we don't, we will face an uphill battle just to maintain our quality of life.

I should tell you that I don't normally get a lot of feedback from colleagues when I speak about topics like economic policy or financial services reform. Maybe that's because no one wants to offer constructive criticism to their boss. But this subject really strikes a chord. Across our organization, every time I talk about the issue, I get calls and emails from employees – and even clients – telling me how important this issue is to them and their families. I've heard some heartbreaking stories and some inspiring ones too, but their comments always remind me about the

different perspectives that various groups have with respect to the opportunities available in the workforce.

Immigration is one of the only tools we have to help build our nation for the future. We owe it to our citizens and our children to get it right. We can't just sit and wait for people with the right skills to come to us.

Government, business and the not-for-profit sector have to look at immigration from a whole new angle. We can no longer view immigration as a temporary employment agency. We need to start looking at immigration as a blueprint for nation-building, and we must find the right balance between social justice and economic need.

We require a coordinated strategy for dealing with our labour challenges. We must do a better job of inventorying the skills we need, now and in the future. We must do a better job of developing the right policies and programs so that we can find the people who have these skills and make sure they choose Canada as their home. And we must also make sure that we have the programs and environment where the people we attract can live up to their potential.

Canada is in a global war for talent. Right now, we are going head-to-head with virtually every developed country in the world, as well as developing powerhouses like China and India. We must be a destination of choice for skilled immigrants and professionals or we will not succeed.

GORDON M. NIXON
ROYAL BANK OF CANADA



A demographic deficit

January 22, 2007

IN 2006, the first baby boomers hit 60 and, like me, they dream of retiring. In 2030, almost one-quarter of the Quebec population will be over 65. In the years to come, our society is going to be one of those most affected by massive retirements.

We are going to have to learn to produce our goods and dispense our services with fewer employees. That is inevitable. In the past, we had people looking for jobs. Today, we have jobs looking for people.

We have all the elements of a crisis in the making. But necessity is the mother of invention. As an American economist once said, "A crisis is a terrible thing to waste."

The facts won't go away. However, myths are tenacious. One of these myths is quasi-free schooling. Here in Quebec we have an education system that is among the most generous in the world. Unfortunately, the state has less and less funding capacity. The result is that university budgets no longer allow them to keep pace with what our neighbours are doing.

Our universities are chronically underfunded. Estimates put the shortfall for Quebec university budgets at \$450 million a year. Progressively, imperceptibly, a sector that is vital for the future is floundering.

If the price to be paid for this practice was at least offset by a higher graduation rate than that of our neighbours, we'd have to think twice. But such is not the case.

In 2003-2004, the average tuition fee for post-secondary education was \$1,862 in Quebec, well below the \$5,557 in Nova

Scotia, the \$4,923 in Ontario, or the Canadian average of \$4,025. Yet in 2001, only 20 percent of Quebecers aged 20 and 21 attended university, versus 33 percent in Nova Scotia and 26 percent in Ontario. We are obviously paying a high price for poor enrolment results.

Our cutting-edge industries – those of today and those of tomorrow – are going to need to develop in synergy with colleges, universities, and research centres. We therefore have to give them the financial ability to hire the best professors and acquire the means and equipment that will ensure an optimal quality of research and teaching.

Top minds will only come if we offer top level research infrastructures and funding.

A progressive alignment of tuition fees with those of other provinces is urgently needed. On the other hand, so as not to close the door on gifted students, we need to adjust the loans and bursaries programs accordingly.

As well, taxation could be reviewed in order to give our graduates a three- to five-year tax break, up to the amount of tuition fees paid. That would have the advantage of helping to keep here in Quebec people trained with public funds, and to encourage the retention of our best brains. It could also attract and retain foreign students and thus help reduce the expected demographic deficit.

ROBERT TESSIER
GAZ MÉTRO



We need action

December 6, 2006

WHEN it comes to improving and expanding Canada's transportation system and gateways, I believe it's time for action by all of us. We need action because our infrastructure is not as efficient and secure as it needs to be. We need action because our national transportation network has neither the quality nor the capacity to ensure we can capitalize on the economic growth opportunities we see coming in the next five, 10 or 20 years.

This network has a major impact on our nation's economy, productivity and competitiveness, and our nation's reputation abroad. The good news is that we're at last seeing a promising degree of consensus about our transportation system – between federal, provincial and local governments and the transportation modes. The recently announced Asia-Pacific Gateway and Corridor initiative is one example, and CPR plans to be a leading player in making it a reality.

Similar initiatives are being discussed in Eastern Canada. For example, various levels of government, representatives of the transportation modes and other stakeholders are looking at a St. Lawrence/Great Lakes initiative to develop a common vision and investment plan for this critical trade corridor. CPR plays an important role in this corridor, serving the Port of Montreal and moving imports from Europe destined for the U.S. Midwest across our Montreal-Chicago rail corridor.

All these discussions and policy pronouncements are positive developments, but it's far too early to declare victory. We need to turn planning into action. We need to

accelerate work on the major capacity infrastructure projects, making the vision of interconnected supply chains a reality.

We must do this by simplifying and streamlining our review and approval processes so that we speed decision-making and implementation while at the same time addressing the interests of all stakeholders.

I would like to see a day when the Port of Vancouver doesn't have to wait over four years – as they just have – to receive provincial and federal regulatory approval to build Berth 3 at Deltaport.

I would like to see a day when Quebec's short-line railways don't have to wait two years – as they just have – for the province and the federal government to agree on how to distribute the \$100-million railway assistance program that will help Quebec's short-lines modernize their infrastructure.

I would like to see a day when it doesn't take half a decade – as it has so far – to discuss a solution to the Windsor-Detroit border crossing crisis. And we still see no agreement on improving this crucially important gateway that supports and enables over 25 percent of the trade between Canada and the United States.

Speeding the time-to-market for major infrastructure investments should be a priority for government and for all of us. The existing slow and cumbersome approval processes are seriously harming our reputation overseas.

FRED GREEN
CANADIAN PACIFIC RAILWAY COMPANY



Il est temps de considérer des fusions de banques

7 mars 2007

PAR la diversité de leurs activités et la nature de leur rôle, les banques constituent un rouage essentiel de l'économie canadienne. Mais sa contribution, comme celle des autres industries fortes au Canada, doit impérativement s'accroître. Pour ce faire, nous avons besoin que nos gouvernements entretiennent un terreau fertile assurant son développement à long terme et sa participation à l'amélioration constante de la productivité et au rayonnement international.

Le Royaume-Uni, dont le renouveau en matière de services financiers suscite des vagues jusqu'aux États-Unis, a bien compris cet enjeu. Des rôles accrus ont été confiés à l'autorité de réglementation des services financiers qui veille notamment à trois éléments importants.

Premièrement, que l'industrie financière contribue au maximum à l'économie nationale et à son rayonnement à l'échelle internationale. Deuxièmement, que les bénéfices liés à un encadrement sain soient maximisés tout en minimisant les effets pervers de la réglementation. Et troisièmement, que la protection des avoirs des citoyens soit assurée en visant la disparition des comportements répréhensibles comme ceux dont nous avons été témoins au Canada dans le domaine non bancaire.

Affranchir la réglementation des services financiers des pressions politiques comporterait plusieurs avantages pour le pays. Par exemple, actuellement, rien ne justifie que les banques canadiennes ne

puissent pas se mesurer pleinement aux assureurs étrangers qui dominent l'assurance de dommages au pays. Ou encore aux grands assureurs canadiens de personnes, dont l'envergure n'a rien à envier aux banques.

En effet, il est toujours interdit aux banques de mettre pleinement à profit leur expertise en matière de conception et de distribution de produits d'assurance. Pourtant, cela se traduirait par une facilité d'accès accrue, de faibles coûts et des innovations continues.

De la même manière, je suis convaincu que l'on pourrait facilement concevoir un cadre institutionnel permettant enfin de considérer les fusions bancaires sur leurs propres mérites.

Sur cette question, l'industrie des services financiers a trouvé un allié de taille en la personne du gouverneur de la Banque du Canada. Comme nous, il est convaincu que le pays aurait tout à gagner d'une réduction des entraves à l'efficacité du secteur financier, notamment en matière de fusions bancaires.

Au mois de décembre dernier, David Dodge a fait un appel clair en ce sens en affirmant qu'il pressait « d'instituer des cadres réglementaires susceptibles de stimuler la concurrence et l'innovation et d'améliorer l'efficacité. » Il s'agit là de l'analyse d'un acteur particulièrement bien informé et impartial. Il est temps de faire écho à cet appel et ainsi pleinement harnacher le potentiel de création de richesse qu'offre notre industrie à tous les Canadiens.

RÉAL RAYMOND
BANQUE NATIONALE DU CANADA



Canadians are living longer

May 3, 2007

ROUGHLY a generation ago, a number of economic and business trends began shifting the risk of saving for retirement from institutions and employers to individuals. In Canada, RRSPs grew in popularity and wealth accumulation strategies, products and services became increasingly indispensable.

But with all the attention paid to building the retirement nest-egg, relatively little has been said about what we call the disbursement phase. For anyone who feels that longevity risk is a marketing ploy by financial institutions trying to sell more investment accounts, let me offer some facts.

In a 2005 study, it was found that two-thirds of retirees underestimated their life expectancy, and two-thirds of that group underestimated it by five years or more.

Even the experts have a challenging time predicting life expectancy. For the past century, nearly every expert study has predicted that the rate of longevity improvement would tail off. Clearly those studies were wrong.

Compounding this problem is the fact that people typically underestimate the likelihood they will need long-term care during their retirement years.

Many of us will be major consumers of health care in our twilight years. In the meantime, health costs are escalating rapidly. Government and employers are trying to manage these costs, and are shifting increasing responsibility to individuals. Financial institutions like Sun Life have an obvious interest in helping individuals draw

down their retirement assets in an orderly way. But it is not our sole responsibility, nor is the life insurance industry capable on its own of addressing the challenges. Others must step up as well to ensure that society is ready for the tidal wave of retiring boomers.

Financial planners need to educate themselves and their clients on mortality trends and be ready to offer a wider range of solutions. Employers, too, have a role to play. For example, they can introduce more lifetime income options to their defined-contribution pension plans. They can also provide easier access to well-designed rollover options when people leave the company defined-benefit plan with a lump sum transfer.

And finally, individuals have an important role to play, by opening their minds to the possibility of outliving their assets, and by seeking out financial planners who have access to the full spectrum of solutions.

Canadians are living longer and more active lives. Advances in medicine and pharmacology, changes in human behaviour around nutrition, exercise and smoking, and vast improvements in public health give us every reason to expect that lifespan will continue to grow for years to come. The baby boom generation wants what all people want: a long and active retirement free from financial worries. The challenge of ensuring that outcome may be daunting, but it is one on which we can do a much better job. Failure, as they say, is not an option.

DONALD A. STEWART
SUN LIFE FINANCIAL INC.



A strategy for the future

November 30, 2006

AN EFFECTIVE competitiveness agenda for Canada will require action on many fronts. But as someone who has spent his career championing the cause of a stronger, more prosperous Canada, I have to tell you that I am more optimistic now than I have been in many years.

Indeed, I believe we are at a turning point. No longer is competitiveness just an abstract concept that preoccupies economists and public policy wonks. Canadians in all walks of life understand that the ground rules of the global economy have changed. They understand the need to make Canada a leader, not a follower.

For evidence of this shift, we need look no further than the Advantage Canada strategy announced last week as part of Finance Minister Flaherty's Economic and Fiscal Update.

The *Canadian Council of Chief Executives* is a strictly non-partisan group. Having said that, we have never hesitated to offer support when governments embrace sound public policy solutions. And there is much in Minister Flaherty's plan that is consistent with our own advocacy.

Among the key goals and commitments laid out in Advantage Canada that we support are:

- Giving Canada the lowest effective marginal tax rate on new business investment in the G-7 by revising capital cost allowance rates, eliminating distortions in the tax system and encouraging the harmonization of

remaining provincial retail sales taxes with the Goods and Services Tax.

- Cutting the administrative burden of regulation across all departments by 20 percent.
- Encouraging more business investment in Canadian communities by reviewing competition and foreign investment policy.
- Expanding private sector investment in research and development by creating a business environment conducive to innovation.
- Working with the United States and Mexico to speed the flow of goods within North America through regulatory convergence and more efficient borders.
- Working with provincial governments to develop a single regulator for Canadian capital markets and a new, principles-based approach for securities regulation.
- Capping the growth of federal spending and focusing public investment on key areas such as transportation infrastructure and the knowledge and skills of Canadians.

As business leaders, we have faith in Canada's entrepreneurial spirit, and we are committed to working with others to realize our long-standing goal of making Canada "the best place in the world in which to live, to work, to invest and to grow".

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES

