

SUMMER - ÉTÉ 2004

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

As this issue of Perspectives was going to press, Canadians were getting ready to elect a new national government after what observers agreed was one of the most unpredictable federal campaigns in recent memory.

After the votes are counted, each political party will draw its own conclusions from the twists and turns of the previous five weeks. But already one lesson is clear: Canadians are hungry for new ideas and a new approach to governing that elevates sound public policy above narrow, typically short-term partisan interests.

As the voice of Canada's senior business leaders, the *Canadian Council of Chief Executives* (CCCE) is committed to building a stronger, more prosperous and more secure society. Composed of the chief executives of 150 leading Canadian corporations, the CCCE has been called the world's most effective CEO-based organization dedicated to public policy development and solutions.

This selection of excerpts from recent speeches and essays by CCCE members reflects a wide range of these ideas and offers constructive solutions to many of the challenges confronting Canada and its enterprises.

As always, we hope you find these thoughts provocative and helpful in making your own assessment of the best way forward for Canada.

Au moment où ce numéro de Perspectives allait sous presse, les Canadiens s'apprêtaient à élire un nouveau gouvernement national après une campagne fédérale qui a été, selon les grands experts, l'une des plus imprévisibles de l'histoire récente.

Après le décompte des suffrages, chacun des partis politiques en présence tentera de tirer ses propres conclusions des événements. Mais il est déjà possible d'en tirer une leçon : les Canadiens ont soif de nouvelles idées et d'une nouvelle approche qui permettent d'élever la politique publique au dessus des intérêts partisans.

En tant que porte-parole des principaux dirigeants d'entreprise du Canada, le *Conseil canadien des chefs d'entreprise* (CCCE) s'engage à bâtir une société plus forte, plus prospère et plus sûre. Le CCCE, qui est composé des hauts dirigeants de 150 grandes entreprises canadiennes, est reconnu comme l'organisation de chefs d'entreprise la plus efficace au monde vouées à l'élaboration de solutions en matière de politiques publiques

Cette sélection d'allocutions et d'écrits de membres du CCCE reflète un large éventail de ces idées et offre des solutions constructives à plusieurs défis auxquels le Canada et ses entreprises doivent faire face.

Nous espérons que vous trouverez ces réflexions stimulantes et utiles et qu'elles vous aideront à juger de la meilleure façon pour le Canada d'aller de l'avant.

ROSS LAVER
EDITOR/RÉDACTEUR

IN THIS ISSUE  DANS CE NUMÉRO

**CORPORATE & PUBLIC GOVERNANCE /
LA GOUVERNANCE D'ENTREPRISE ET PUBLIQUE**

- “Why good governance matters”** page 4
Gordon M. Nixon, Royal Bank of Canada
- “Sticking to our beliefs”** page 5
Paul Desmarais, Jr., Power Corporation of Canada
- “Time to dismantle the brick wall”** page 6
Leonard J. Asper, CanWest Global Communications Corp.
- “Reinventing ourselves to survive”** page 7
Darren Entwistle, Telus
- “Who speaks for Canada?”** page 8
Barbara G. Stymiest, TSX Group Inc.
- “Open for business”** page 9
Gwyn Morgan, EnCana Corporation

**SUSTAINABLE GROWTH & CORPORATE SOCIAL RESPONSIBILITY /
CROISSANCE DURABLE ET RESPONSABILITÉ SOCIALE DE L'ENTREPRISE**

- “Where the rubber hits the road”** page 10
Travis Engen, Alcan Inc.
- “Sound-bite junk science”** page 11
Gwyn Morgan, EnCana Corporation
- “L'énergie au Canada: un futur soutenable”** page 12
Tim J. Hearn, Compagnie Pétrolière Impériale Ltée
- “Customers are demanding more”** page 13
Richard E. Waugh, The Bank of Nova Scotia
- “Perceptions and reality”** page 14
Michael A. Grimaldi, General Motors of Canada Limited
- “A new approach to social responsibility”** page 15
Jay K. Taylor, Placer Dome Inc.

“The car of the future?” page 16
Alain Batty, Ford Motor Company of Canada, Limited

**COMPETING AND WINNING IN THE GLOBAL ECONOMY /
CONCURRENCE ET GAGNER DANS L'ÉCONOMIE MONDIALE**

“Adapting to a new world” page 17
Jacques Lamarre, SNC-LAVALIN Group Inc.

“Transportation at a crossroads” page 18
Robert J. Ritchie, Canadian Pacific Railway Company

“Reaping the benefits of open skies” page 19
Robert A. Milton, Air Canada

“The way ahead for North America” page 20
Thomas d'Aquino, Canadian Council of Chief Executives

“The truth about outsourcing” page 21
Serge Godin, CGI Group Inc.

“Towards a new aerospace policy” page 22
Paul M. Tellier, Bombardier Inc.

“British Columbia’s new spirit” page 23
Michael J. Sabia, Bell Canada Enterprises Inc.

“Helping children think in new ways” page 24
A. Charles Baillie, Canadian Council of Chief Executives

“Atlantic Canada’s population problem” page 25
Jay A. Forbes, Aliant Inc.

“Canada’s educational myths” page 26
Gwyn Morgan, EnCana Corporation

“Un système bancaire canadien fort et équitable” page 27
Réal Raymond, Banque Nationale du Canada

Why good governance matters

May 18, 2004

A RECENT poll showed that corporate executives in the United States have fallen below politicians in terms of public trust and respect, so you may think management's opinion on corporate governance is as useful as an arsonist's view on fire prevention. However, I believe management's view of how a board provides value, and the relationship between management and its board, are important to the oversight and strategic direction of a corporation.

As the CEO of a major Canadian corporation, I understand the importance of an active and demanding board. A board that is engaged, informed and independent will have a significant impact on a company's future growth and prosperity.

More and more these days, we hear that the governance pendulum has swung too far. Maybe yes, maybe no. But it is beyond dispute that in recent years there have been broad lapses in corporate governance in the private sector involving some of the world's largest banks and investment dealers, telecommunication and energy companies, mutual fund and money management firms, and the list goes on.

I think we have to agree that if the private sector is not prepared to rein in excesses, we will face excess regulation and inflexible rules which will be extremely punitive to public corporations.

Don't get me wrong. The governance changes that have occurred as a result of regulation and shareholder pressure were necessary to rebuild public trust. But they

only go half way to ensuring good governance.

I believe effective governance should be an evolving process rather than a fixed set of rules. This more flexible approach depends on an active and informed board of directors that pushes management to perform at its highest potential.

For example, boards should be engaged well in advance in shaping strategy around major transactions. In many cases, boards are surprised when major transactions are brought before them because there has been limited prior discussion about a specific transaction and the strategy behind it.

I also believe that separating the roles of chairman and CEO makes sense, and this has been reinforced from my own experience. It has allowed our board to set its own agenda and facilitated greater engagement in the operation of our business. It has also given me more time to focus on clients, employees and other constituents.

Much has changed since Irving Olds equated directors to parsley on fish – decorative but useless. Experience has taught us that management is much better off when they have a committed and able board. Boards can constructively challenge management, influence performance, establish standards, provide strategic direction and influence culture, and we will be better off for it.

GORDON M. NIXON
ROYAL BANK OF CANADA



Sticking to our beliefs

May 12, 2004

THE growth of our company over the past 10 years was made possible by the quality, dedication and loyalty of our directors, managers, financial advisors and employees. I speak for all our shareholders when I say that we are very, very grateful for their outstanding contribution.

On a personal note, however, I find it quite distressing that the exact opposite to what I think has helped make our company successful is increasingly prevalent in today's business world.

Trust is breaking down all around us. Trust in institutions. Trust in governments and political leaders. Trust in business leaders, their companies and their brands.

Confidence is being replaced by suspicion and cynicism. Second-guessing has become a favourite sport. Decisions, and those who make them, are dissected, analysed and judged, with the benefit of hindsight of course, by a growing number of Monday morning quarterbacks.

Which would you prefer: a director or a manager whose first concern is how he personally will be judged as a result of his decisions, or one whose sole concern is the impact his decisions, made in good faith, will have on the company?

In our group the question does not pose itself. Our directors and our executives do what is right for the company.

I am concerned that some people are forgetting that investing involves an element of risk. As the former U.S. Treasury

Secretary and author Robert E. Rubin puts it: "In a climate where in hindsight honest mistakes or risk-taking decisions that turn out badly are confused with dishonesty, managers can become far less willing to take a chance of failure."

Investors should be concerned when short-term considerations dominate business decisions. We have seen too many examples of the damage that can be inflicted by unethical managers given huge incentives to produce short-term results.

The lifespan of the average CEO in his job is down to 3.5 years in the United States. Does anyone seriously believe that companies can grow and prosper while changing CEOs on average every 3.5 years?

Luckily not all companies are falling into the traps I have just enumerated. Many successful enterprises are sticking to the fundamental beliefs and values that have made them solid performers over time, and I am happy to say that Power Corporation and its group companies are in that camp.

We believe that our mission is to produce long-term returns to our shareholders and that cannot be achieved without customers who are satisfied with the products and services they are receiving, dedicated and well-motivated employees, a strong management team with ethical standards that have stood the test of time, and, of course, a diligent, value-adding board whose members share mutual respect and trust.

PAUL DESMARAIS, JR.
POWER CORPORATION OF CANADA



Time to dismantle the brick wall

June 3, 2004

CANADA'S newspapers have the power to act collectively to produce responsible social change.

Canadians have told us they depend on us to keep governments accountable. Only in the last few years have I realized the extent to which there are barriers that prevent us from carrying out this mandate.

It's hard for reporters when they can't get to the heart of a story because governments are determined to block them. There's no excuse for that.

The Canadian Newspaper Association (CNA) has been lobbying for reform of Canada's freedom of information law since 1997. Largely because of pressure from the CNA, the government launched a task force into Access to Information reform in 2000. When it reported back, it made 139 recommendations for change – including changing the law to capture Canada's Crown corporations, as well as all the other organizations that depend on public funds.

The government sat on the report.

Why is this important? Because an Access to Information request that led to one of the first big revelations of the sponsorship scandal took two years to process.

That's not acceptable. That is not what we call freedom of information, by any standard. The federal government could announce that Canada's Crown corporations and agencies, which collectively manage \$70-billion in assets and employ 70,000 people, would no longer be able to evade public scrutiny.

It could end the exemption from freedom of information for Export Development Canada and the CBC, among others. It could announce that it is reviewing the Security of Information Act – the law that could send a journalist who is in possession of a government secret to jail.

I find it unbelievable that in this democracy, the Ottawa Citizen's Juliet O'Neill is facing a possible jail term for doing her job. What's wrong with this picture?

The new government could withdraw the hastily and badly written whistleblower protection act. It protects the government instead of whistleblowers.

All these measures are bricks in the wall obstructing the journalistic mission of holding the government accountable to ensure a fully functioning democracy.

We are also faced with systemic impediments at the local and provincial level: in the courts, where publication bans are requested without justification and granted without basis; and from police forces that withhold information from the press because of sheer obstreperousness or a poor understanding of the implications of Canada's new privacy laws.

On all these fronts, the pressure we are bringing to bear can make a difference, if we remain consistent and unwavering in our determination to keep fighting for press freedom and the public's right to know.

LEONARD J. ASPER

CANWEST GLOBAL COMMUNICATIONS CORP.



Reinventing ourselves to survive

June 16, 2004

ONE of the major challenges facing Canada's telecom industry is the disruptive nature of Voice-over-Internet-Protocol (VoIP) technology.

Voice-over-IP is much more than a new way to deliver telephony. Like wireless in the mid-1980s, it is the leading edge of a revolution in communications. VoIP changes voice from a service associated with a particular network infrastructure to an application that can run on virtually any data network.

We look at VoIP from an understanding of the dynamics that we face. Our biggest business IP competitors, operating on an unregulated basis, see every regulatory constraint placed on TELUS as an advantage for them. Our ability to attract and retain customers depends on being able to offer innovative services quickly.

The regulatory challenge is to enable Canada's telecom companies to compete on an equal footing with unregulated, foreign companies already entering the market. To allow unfettered foreign competition, but hold back Canadian companies like TELUS, is bad public policy. It will hurt the Canadian economy, restrict choice for businesses and consumers and stifle innovation.

On the consumer front, new entrants and services are multiplying rapidly. Virtually every day we hear about the launch or expansion of a Primus, Vonage, Navigata, or Skype. In the near future, we will hear from other large foreign entities like AOL, intent on entering the Canadian telephony market.

Those are some of the key challenges. Now the question is: What kind of transformation needs to happen on the regulatory front?

We need to redefine Canada's regulatory priorities and focus for the telecom sector. Just think of the changes in telecommunications technology and services since the advent of wireless telephony and the Internet alone. We all have to adapt and reinvent ourselves to survive. Public policy makers and regulators must do the same.

As part of that process of renewal and refocusing, the Canadian Radio-television and Telecommunications Commission (CRTC) should clean house in terms of unnecessary requirements and regulations that absorb time and resources for both industry and the regulator.

I think it is critical that the CRTC make it a priority to identify and eliminate what is no longer needed or essential for accomplishing its strategic objectives.

TELUS supports moving away from regulatory constraints, to disciplining competitive misbehaviour or abuse of a dominant position. In other words, punishing the bad apples; rather than imposing generalized rules that restrict everyone just in case bad behaviour might take place.

We are on the threshold of tremendous new opportunities in the Internet and wireless world, opportunities that will benefit our communities, customers and country. Let us not put Canada's competitiveness at risk.

DARREN ENTWISTLE
TELUS



Who speaks for Canada?

March 23, 2004

SOME 152 years ago, the Toronto Stock Exchange was just a bunch of guys meeting to trade a few stocks and have lunch. Trading could only be done by people who had paid to be on the trading floor. So not much happened that wasn't within walking distance of King and Bay.

Later, when the regulators moved in, they had to be close by, too. Other markets operated in other cities in much the same way. Each exchange had its own regulator and rules. It made all the sense in the world in the 19th century. It makes no sense whatsoever in the 21st.

So while Canadians have changed, the stock markets in which they place their money and their confidence continue to be regulated as a bunch of local markets. The existing system requires us to address every securities question not from the perspective of a single Canadian market, but as if we are actually 13 different markets.

A generation ago, Pierre Trudeau used to ask: Who speaks for Canada? Now that question is asked by foreign regulators, governments and market operators.

Regulators in the United Kingdom have told us that they are not prepared to open up their market to Canadians one province at a time. Chinese securities regulators, who concluded a memorandum of understanding with four provinces, have told us they aren't anxious to negotiate in that way again.

Both have told us, basically, that we need to get our act together. We need one voice to speak for Canada on securities, not 13.

Why are the provinces negotiating separate agreements with foreign countries and foreign markets? Isn't that why we have a federal government, so that foreign countries and companies can't play off one group of Canadians against the others?

Well, yes, it is the reason why we have a federal government, among other things.

Does this require that the provinces have to be eliminated from the equation on securities?

Hardly. The Wise Persons Committee, in fact, has recommended an approach that would combine provincial and federal powers in a single national commission. We agree with that approach.

I think most Canadians looking at this issue would consider the idea of a single commission for the whole country to be, in the phrase of Ontario Premier Dalton McGuinty – the premier with the most to lose in this – a “no-brainer.”

I think they consider it strange that anyone would want to defend doing something 13 times when it only needs to be done once.

We need a single regulator for the single capital market we have become.

We need to speak with a single Canadian voice. The world needs to be clear on what Canada stands for, the contribution it can make and the opportunities it presents. Thirteen versions won't do.

BARBARA G. STYMIEST
TSX GROUP INC.



Open for business

April 7, 2004

ENCANA is the world's largest independent oil and gas exploration and production company – independent meaning not tied to refineries or gasoline stations. We invest in a dozen or so countries, and in 2003, our core upstream capital expenditures totalled \$6 billion.

Of course, we have choices about where we invest. In earlier times, not much from our two legacy companies went to British Columbia. Now, however, the province rates a strong third place for EnCana's capital expenditures, after Alberta and the U.S. Rocky Mountain states.

In 2003, we invested \$1.4 billion including operating expenses in B.C., and we paid even more to the B.C. treasury through royalties and taxes. Last year, we drilled 270 net wells in B.C., or about 25 percent of the provincial total. This year, it will be about the same.

None of this growth is by accident. EnCana has a clear vision of how our B.C. operations can contribute to the company's future. In realizing this vision, we know we will contribute to B.C.'s growth.

Some call this a leap of faith, but it's the very foundation for the only economic system that has ever succeeded in the world – free enterprise. Gordon Campbell's provincial government understands this. They took a leap of faith – that an encouraging policy environment would cause our industry in turn to take a leap of faith.

Consider some of the province's commitments contained in B.C.'s Oil and Gas Development Strategy:

- A new energy policy framework, including streamlined regulatory processes;
- Royalty programs that target underexploited resources, including low-volume resource-play wells and deep, high-cost wells;
- Investment in infrastructure and corridor access roads; and
- Encouraging a strong and growing service sector.

From EnCana's perspective, many of the right things are being done by the province. And, they are being done in the right ways. By this I mean through consultation and understanding, and with a long-term view.

In fact, the Campbell government's new oil and gas policy framework is helping unleash the powerful potential of B.C.'s oil and gas resource endowment. Co-operation between the province and the oil and gas industry is creating new value for the people of B.C.

As EnCana invests in British Columbia, we're betting that the people of this province will elect governments wisely. Governments that will continue to foster the good governance that has brought so much new revenue, jobs and community-building from our industry. Governments that recognize that free enterprise and consultation will return B.C. to its rightful place as an economic powerhouse of Canada.

GWYN MORGAN
ENCANA CORPORATION



Where the rubber hits the road

June 7, 2004

FOR most companies today, corporate social responsibility (CSR) is an overarching code of conduct. It encompasses such elements as governance and ethics, workplace health and safety, and the management of relationships with stakeholders inside and outside the organization.

At Alcan, our definition of corporate social responsibility also includes the broader concept of economic, environmental, and social sustainability. CSR is a fundamental part of an integrated set of principles applied to the management of our business.

This system starts with our code of conduct, which includes three major imperatives.

The first is maximizing value – our plan to double value every five years. There's nothing ambiguous about what we mean by value. We mean making money, which is why we exist as a company. But a socially responsible approach to making money also values other important dimensions.

The second element is reducing the environmental footprint of our operations and protecting the health and safety of our employees.

The third element is continuous improvement. Our goal is to create an organization of troubleshooters and innovators that is unmatched in the world.

Our business model integrates economic performance with environmental and social values. This is, we believe, a good definition of corporate social responsibility. At Alcan,

we call it a commitment to sustainability. Alcan is privileged to make one of the world's most sustainable products, aluminum. Because of aluminum's infinite recyclability, we don't talk cradle-to-grave stewardship; we talk cradle-to-cradle stewardship.

To the extent that we can take advantage of aluminum's recyclability in the design and eventual recovery of our products, the net contribution of our product to a greener world increases. To the extent that we can reduce the environmental footprint of our industrial processes, this net benefit of our product climbs higher still.

We know that we cannot succeed in doing what we exist to do – that is, make money – in an unsuccessful world. We cannot use the resources we depend on without careful stewardship. We cannot secure the skills and innovation we need in our people without progressive educational systems. We cannot offer the quality-of-life conditions that will attract and retain skilled workers and their families without healthy, economically viable communities. We cannot expect society to endorse our use of resources, such as water and minerals, unless society realizes tangible benefits from our use of these resources.

This is where the rubber hits the road in terms of social responsibility. For companies that interact with society – and I think that's all of us – social responsibility isn't an option. It's a requirement of business success.

TRAVIS ENGEN
ALCAN INC.



Sound-bite junk science

March 29, 2004

THE value of information was well expressed by former British Prime Minister Benjamin Disraeli when he said, "As a general rule, the most successful man in life is the man who has the best information."

The same can be said of governments, corporations, institutions and NGOs.

But here's the catch: not all information is created equal. Governments, corporations and other stakeholders all too often do not get the kind of scientifically based, independently generated research that empowers good decisions. Much of the science served up to the public is flawed – created by those ill-equipped to conduct sound research or generated to support a specific agenda.

One common offence is sloppy work, carelessly reported. Then there is the artful editing of scientific findings and even deliberate manipulation of fact. Most difficult of all, misinformation reported as fact is difficult to recognize – especially by an increasingly scientifically illiterate public. Bad science leads to bad decision-making.

I call this phenomenon "sound-bite junk science." It is science developed in the court of public opinion and gleaned from the "loudest" – not the most qualified – source.

The real tragedy of sound-bite junk is that mankind continues to degrade the earth's environment, while often taking action on the least important things.

In a world where noxious pollutants are continuing to increase, it is ironic that the only major worldwide initiative to date is to attack a substance which is not a pollutant at all but rather the substance that all plant life needs to breathe.

That substance is carbon dioxide. It also performs less critical, but nevertheless important duty as the bubbles in our soft drinks, beer and champagne. The further irony is that the only countries that agreed to the constraints of the Kyoto Accord include those who are already doing by far the best job of reducing true airborne pollutants.

As long as we continue sound-bite junk science and tolerate politicians who rise to "populist" causes with neither personal scientific literacy nor eyes open to sound scientific analysis, mankind will continue to degrade the earth's environment, while waging politicized campaigns where the facts become lost in murky rhetoric.

For example, pro-Kyoto campaigners in Britain point to flooding of the Thames River as being due to climate change. The scientific explanation is that during the Ice Age, the north of Britain was covered by ice, pushing Scotland down, while the south of Britain rose up, a bit like a see-saw.

Since the ice went 10,000 years ago, the north is coming back up and the south is going back down, a phenomenon described in scientific terms as "glacial rebound." But sound-bite junk science says it is due to global warming.

GWYN MORGAN
ENCANA CORPORATION



L'énergie au Canada: un futur soutenable

1er juin 2004

SELON les prévisions, d'ici à 2020, la consommation mondiale d'énergie augmentera d'environ 45 pour cent et dépendra toujours du pétrole brut et du gaz naturel comme sources principales. Peu réjouissante pour certains, cette perspective présente pourtant des aspects encourageants.

La hausse prévue de la consommation d'énergie est liée à l'augmentation de la population mondiale, à la croissance économique et à l'amélioration des niveaux de vie dans les pays en développement. Aujourd'hui, 85 pour cent des habitants de la planète vivent dans ces pays, où beaucoup de gens sont sous-alimentés, sans accès à de l'eau potable ni à des soins médicaux.

La croissance de la population et de l'économie risque de soulever des préoccupations environnementales. L'expansion économique du monde en développement entraînera une augmentation de la consommation d'énergie dont il faudra réduire au minimum les répercussions sur l'environnement. En effet, l'histoire nous montre que la croissance économique améliore la performance environnementale: plus un pays est prospère, plus il peut consacrer de ressources à la protection de l'environnement.

Cependant, il faut mettre au point des techniques novatrices pour produire et consommer l'énergie de manière beaucoup plus efficace. Comme l'Impériale exploite l'énergie des hydrocarbures, elle œuvre activement dans ce secteur de la recherche.

Comme la plupart des entreprises responsables et pragmatiques, l'Impériale a pour principe d'utiliser l'énergie de manière rationnelle afin de réduire au minimum ses coûts et ceux de ses clients, tout en diminuant les émissions produites par la consommation de carburant. Aujourd'hui, le rendement énergétique de nos raffineries est de 40 pour cent supérieur à celui d'il y a trente ans; l'énergie économisée annuellement suffirait à produire la chaleur, l'éclairage et l'électricité nécessaires à environ 400 000 foyers canadiens pendant une année. Et nous entendons améliorer de 1 pour cent par année l'efficacité énergétique du raffinage. De plus, nous avons pratiquement éliminé le torchage et la ventilation forcée du gaz naturel produit dans nos puits de pétrole.

L'Impériale a aussi investi 250 millions de dollars dans la cogénération, autre technologie qui nous permet de répondre plus efficacement à nos besoins en énergie. Nous avons construit, à notre exploitation de sables pétrolifères de Cold Lake (Alberta) et à notre complexe pétrochimique de Sarnia (Ontario), des installations qui utilisent le gaz naturel pour produire à la fois de l'électricité et de la vapeur, consommant au total beaucoup moins d'énergie que n'en exigeraient des procédés de production distincts.

La recherche-développement apportera les solutions aux défis que nous devons relever tout en réduisant les répercussions sur l'environnement. Le coût sera élevé, mais il nous incombe de poursuivre cette recherche avec ardeur.

TIM J. HEARN

COMPAGNIE PÉTROLIÈRE IMPÉRIALE LTÉE



Customers are demanding more

May 19, 2004

THERE has been a clear and steady rise in shareholder demands over the past few decades. One reason for this is that there has been a tremendous shift in the makeup of the Canadian shareholder population.

Twenty or 30 years ago, relatively few Canadians participated in equity markets. Today, you would be hard-pressed to find someone who does not own shares in one form or another.

The growing popularity of mutual funds and RRSPs helped to democratize the markets, making them accessible to more people, while low interest rates helped drive Canadians into equities. But likely a bigger part of the equation was demographic. Aging baby boomers – about nine million Canadians – had to seriously begin planning for retirement.

Today our average shareholder is part of a diverse group, a group that is more representative of the population on the whole than ever before. Most Canadians are shareholders either directly or indirectly through mutual funds and pension plans. One in two working Canadians owns shares directly or indirectly in Canada's banks.

And these people have expectations that go beyond the desire for higher returns on their investments. Shareholders are now holding management and boards to higher standards of corporate social responsibility – whether it's related to the environment, economics or, especially in light of recent events, corporate governance and ethical behaviour.

At the same time, customers are demanding more. They expect not only the highest standard of service and quality products. They expect companies to provide these without compromising their values.

At Scotiabank, we serve 3.5 million households in Canada. And we know that Canadians have a very clear sense about what's important beyond the bottom line.

In fact, research by IPSOS Reid in its 2003 Canadian Reputation Monitor shows that the two most highly rated factors influencing a corporation's reputation – the bread and butter of every business – are customer service and quality of products.

The next two are management and ethical business practices. Quality of the workplace and the environment are the two after that.

Profits to shareholders placed among the attributes Canadians ranked as least important to reputation. Having said that, without profits you wouldn't have an organization, and you wouldn't have any reputation or corporate social responsibility to worry about.

So for Scotiabank, corporate social responsibility makes perfect sense when we think about our priorities as an organization. For all businesses, I think it's important to recognize that the expectations of various stakeholders have increased dramatically. That is reality.

RICHARD E. WAUGH
THE BANK OF NOVA SCOTIA



Perceptions and reality

February 12, 2004

I WANT to speak about the challenge of balancing our love of mobility, freedom and function with the need to reduce emissions and conserve fuel.

For the automobile industry, at least, there are two distinct challenges. The first is how to reduce or eliminate harmful emissions. The second is how to improve fuel economy and thereby reduce greenhouse gases – while still meeting customer requirements for utility and function.

On the first challenge, you might be surprised to hear about the scope of the advances we have made already. In fact, with the implementation of new emission standards, which apply to all of our vehicles, we will have reduced smog-causing emissions by 99 percent.

In practical terms, that means burning a cord of wood in your fireplace will create more smog-causing emissions than 10 of our new Chevy sport utilities over their entire practical lifetime. In fact, you'd have to drive one of our new Trailblazers around the earth's circumference more than 37 times to match the output of that nice warm winter fire.

Or consider that painting a room with one can of interior water-based paint generates more smog-causing emissions than driving one of our GMC sport utilities from Toronto to Vancouver and back again. And that same new vehicle will emit less in a year than operating a snowmobile for one hour.

So perceptions occasionally can be out of sync with reality. We are now after the small remaining margins. This remains a critically

important issue, but it is one on which the auto industry has made great strides.

The second major challenge is how to reduce our use of fossil fuels and thereby curb the production of greenhouse gases.

If you have been reading the auto pages lately you might have the impression that hybrid gasoline/electric vehicles are the silver bullet we've been waiting for.

I wish that were true. Hybrids are a good first step. But last year, only 740 small hybrid engine vehicles were sold in Canada – only half of point one percent of the 1.6 million vehicles sold here in 2003.

GM Canada is coming at the introduction of hybrids from the other end of the spectrum – by applying them on larger vehicles so we can have a bigger impact.

And when I say big, let me start with our GM hybrid electric bus, which we are bringing to the Canadian municipal market right now. Our experience is demonstrating that the GM Allison powertrain can improve fuel economy by 50 percent and reduce emissions of particulate, carbon monoxide and volatile organic compounds up to 90 percent as well as emissions of NOx by up to 60 percent compared to a conventional diesel bus.

Consider this statistic – in Canada it would take fewer than 150 hybrid buses, or about one percent of all the urban transit buses operating in the country today, to exceed the fuel saved by all the hybrid cars that have been sold here to date.

MICHAEL A. GRIMALDI
GENERAL MOTORS OF CANADA LIMITED



A new approach to social responsibility

March 11, 2004

WHEN Placer Dome first invested in South Africa, we were faced with the challenge of achieving the high safety standard that we take for granted at our mines in Canada.

Up to that point, the South Deep gold mine had been relying largely on low-skilled labour, who worked to a much lower safety standard than was the Placer Dome norm.

Raising the standard of safety at South Deep has taken considerable effort and cost. But in January this year South Deep achieved a significant milestone for deep level mining in South Africa: one million fatality-free shifts.

Our sense of corporate social responsibility has made us quite sensitive to other issues, as well. For example, people living near our mines in developing countries clearly benefit from expanded employment and business opportunities. We work with national and local authorities to ensure communities benefit from improved educational, medical and recreational facilities, from better transport infrastructure and from a rising standard of living.

These are all good things. However, the real challenge in contributing to local economic development is preventing the community from becoming overly dependent on the mine. All mines eventually close and many downsize long before closing.

One example of how we are responding to this challenge is Placer Dome's "Care Project" at the South Deep mine. Launched in 2002, the Care Project focuses on helping

mineworkers to become employable in their home communities.

Partners with the mine in the Care Project are: The Mineworkers Development Agency (MDA), an arm of the National Union of Mineworkers; and the Employment Bureau of Africa (TEBA).

The Care Project worked at finding new jobs or entrepreneurial opportunities for some 2500 downsized South Deep workers. It also worked to increase the capacity of the Mineworkers Development Agency in training, and assisting TEBA Bank in providing more micro-credit facilities.

The Canadian International Development Agency (CIDA) became a partner in the Care Project in 2001. CIDA's \$2 million commitment represents 40 percent of total project costs over two and a half years.

A significant component of the Care Project is an HIV/AIDS program, focussed on training palliative care workers to care for dying individuals in their home communities. In January 2002, the World Bank honoured the Care Project with its prestigious Development Marketplace Award, in recognition of the HIV/AIDS component.

As these examples suggest, there is a new approach to corporate social responsibility emerging within the international mining community.

JAY K. TAYLOR
PLACER DOME INC.



The car of the future?

March 25, 2004

AUTOMOTIVE products are Canada's number one export. Canada is the seventh-largest vehicle-producing nation in the world and the automotive industry is responsible for providing generations of Canadians with one of the highest standards of living in the world.

As with any story, however, there are milestones and there are missteps. My favourite example is the Ford Model T. Before the Model T, on average, a person would, during his or her entire lifetime, not travel more than 20 miles from his birthplace. With the Model T, all that changed. We took a machine that was once a plaything for the rich and made it affordable and easy to use.

At one point in the early 1920s, more than half of all the cars on the planet were Model T Fords. But while the Model T quickly led to the introduction of the moving assembly line, Ford built the same Model T for 19 years. Then, as now, you can't stand still and expect the competition to do nothing. As one would expect, our 50 percent global market share evaporated, almost overnight.

So, while we are a 100-year-old company with a rich and colourful heritage, our focus has always been on the future. And we have learned the lessons of the Model T, working hard to make dependable, affordable cars and trucks. We have learned too that to remain successful we have to change. And we have to recognize that different customers have different requirements.

That's part of the reason we plan to place a fleet of hydrogen-powered fuel cell Ford Focus vehicles on the streets of Vancouver

later this year. This first-ever, long-term real-world test of fuel cell vehicles is a joint project between Ford Motor Company, Natural Resources Canada and Fuel Cells Canada.

Testing fuel cell vehicles in everyday conditions is a critical step in moving the industry toward commercialization. Projects like this will provide the data we need to engineer improved performance, reliability and durability of fuel cell vehicles and prepare the market for widespread commercialization.

The cars in this program will be hybrid-electric fuel cell versions of the Ford Focus, utilizing a B.C.-made Ballard fuel cell engine and a Dynetek compressed hydrogen storage tank from Alberta. The Focus Fuel Cell Vehicle (FCV) employs a regenerative braking system to capture energy lost through braking and improve overall efficiency and range and an advanced nickel metal-hydride battery for energy storage.

The Ford Focus FCV produces zero emissions (if the hydrogen is created using renewable resources), and the Ballard fuel cell engine converts chemical energy into electrical energy. The electrical energy then powers the vehicle's electric-drive motor, producing only water and heat as by-products. Fuel-cell technology is projected to provide up to two times the fuel economy of gasoline and diesel engines.

Some have said this may be the car of the future. At the very least, it is one step closer.

ALAIN BATTY

FORD MOTOR COMPANY OF CANADA, LIMITED



Adapting to a new world

February 10, 2004

COMMERCE between nations used to involve the exchange of goods and services rather than actual investments, as is now the case in Russia and China and other developing economies.

What we are seeing is an increase in foreign direct investment, or FDI, in these countries, while Canada's share is declining. In the 1980s, Canada received approximately 10 percent of the world's FDI inflows. By 2001, Canada's global share of FDI was down to five percent. Meanwhile, Canada's outbound FDI increased exponentially to the point that we now invest more abroad than foreign firms do in Canada.

At the same time, as a result of efforts by both the Chinese and Russian governments to establish a rule of law and take measures to wipe out corruption and fraud, millions of dollars in foreign investment continue to pour into both countries.

SNC-Lavalin has been doing business in China and Russia, and other countries in political/economic transition, for many years. I believe we have made a significant contribution in assisting these societies to evolve toward becoming great societies.

This kind of investment will, and is, having an impact on the economies of Canada and other G8 countries, on our manufacturing sector, but also on the services sector, and indeed on the world economy itself.

For example, since January 2003, 77,000 manufacturing jobs have been lost in Canada. In the United States, nearly three

million manufacturing jobs have disappeared since 1998.

Many of these jobs have been transferred to other countries, mainly in the Far East. I don't believe they will return. As a country like China becomes more stable economically and politically, I expect this job transfer will increase with time.

So the world is changing in many ways. SNC-Lavalin and a number of others in both the public and private sectors felt the impact of change directly, when the billion-dollar Magnolia magnesium refinery in Quebec closed for good before it even had a chance to open. The project had to be abandoned because the work could be done for half the price in China. Having an abundance of raw materials is not enough anymore.

The future, however, is bright. When he was prime minister, Sir Wilfrid Laurier predicted that: "The 20th century belongs to Canada." He meant that our natural resources would make the country an economic powerhouse. I predict that the 21st century will be even better for us, by virtue primarily of our human resources.

We will succeed. We have proven that we are flexible and that we can adapt. We have proven that we can accept differences, cultural and otherwise, and thrive by virtue of our people, their diversity, their professional expertise and their ability to adapt to change as well. In that respect, there is no better country to do business from, and in, than Canada.

JACQUES LAMARRE
SNC-LAVALIN GROUP INC.



Transportation at a crossroads

June 3, 2004

I BELIEVE all of us in the transportation industry share an urgent duty to ensure that Canada's transportation infrastructure has the capacity to support and sustain the nation's long-term economic growth.

Part of that duty is to point out that this capacity is not keeping pace with economic growth. Canada's and, indeed, North America's transportation capacity is under extreme stress.

Talk to the truckers who have to cope with increasing congestion and bottlenecks at border crossings. Or to bulk shippers who want to move more product than our rail networks can handle. Or to West Coast ports that are struggling to manage a huge influx of container traffic. Or to commuters travelling to work on clogged highways and city streets.

This situation demands immediate attention. Transportation is a long-term economic generator for our nation. Our governments – particularly the federal government – need to adopt a long-term vision for transportation.

We also need each transportation mode to show leadership. The railway industry, for one, has accomplished a great deal in the past decade. Our railways are financially stronger than they were 10 years ago. Rail rates are down 40 per cent and are now the lowest in the world. We are technologically advanced.

North America is the only place in the world where there is an integrated railway network in private hands that runs safely, efficiently,

and does not seek one penny from the taxpayer.

The railway industry has accomplished this by investing tens of billions of dollars to improve its network and it continues to invest billions every year.

Yet the most significant challenge facing the North American railway industry in the next 20 years is adequate additional investment in the network. Those billions of dollars we have invested are only allowing us to improve our networks incrementally, and that is not enough to meet the needs created by economic growth.

For the Canadian railway industry, this means finding a public policy formula that will free up railways to invest more in their network.

I have called for a North American summit involving the rail industry and the federal governments of Canada, the United States and Mexico to discuss the solutions that will support the growth of trade within the North American Free Trade Agreement zone well into the 21st century. My peers have enthusiastically embraced my proposal, and we expect it to occur after the upcoming U.S. elections.

My point is this: it's time to stop talking about the solution and move to action. Canada's transportation sector is at a crossroads. Which road are we going to take?

ROBERT J. RITCHIE
CANADIAN PACIFIC RAILWAY COMPANY



Reaping the benefits of open skies

February 26, 2004

EVEN post-9/11, the Canada-U.S. air market continues to be a good news story in terms of revenue potential, market growth and business opportunities.

Until just nine years ago, there was an extremely restrictive bilateral agreement in place between the two countries, which served to effectively limit transborder access for carriers and maximize inconvenience for travellers. You may remember the days when travelling from Toronto to cities as close as Milwaukee or Atlanta was an all-day adventure requiring one or two connecting flights on two or more airlines and lots of airport downtime.

All that changed in 1995 when Canada and the United States implemented an open transborder agreement.

This agreement allowed carriers on both sides of the border to offer unlimited point-to-point air service between Canada and the United States. At the time there, many observers believed that Canadian carriers would get trampled by U.S. carriers under this deal. As history and experience have shown, those concerns were unfounded.

In fact, the Canada-U.S. open skies agreement generated a genuine win-win scenario and created real growth in the free market. How much growth? Here's one indicator: Passenger traffic grew from approximately 13 million in 1995 to over 20 million in 2000.

For Air Canada, this has been a very positive agreement and we have been able to significantly expand our network into the

United States. Prior to the 1995 agreement, Air Canada served just 14 scheduled destinations in the United States. Nine years later, Air Canada serves over 50 U.S. cities, with more than 200 flights a day.

Can Canada continue to reap the benefits of its proximity to the United States? For the airline industry, the answer is a resounding yes. We see the transborder market as a prime opportunity and we are actively advocating a fully liberalized air transportation market between Canada and the United States.

The 1995 agreement has achieved what it was designed to do. But considering the massive change the industry has undergone, it is no longer reflective of market realities.

For example, what about services beyond Canada and the United States to the rest of the world? And what about Canadian carriers offering point-to-point services in the United States and vice versa? And what about cargo services, which were excluded from the 1995 agreement?

The development of a more integrated North American market is clearly an opportunity for economic growth on both sides of the border.

That's why Air Canada is advocating a natural progression from the 1995 transborder accord to a true open-skies agreement which will provide carriers in both countries with the unfettered ability to link the entire North American market with the world.

ROBERT A. MILTON
AIR CANADA



The way ahead for North America

April 7, 2004

IN a few weeks, Prime Minister Paul Martin and President George W. Bush will sit down in Washington to discuss relations between our two countries.

When they do, I hope they consider what polls have been telling us for some time: 15 years after the launch of the Canada-United States Free Trade Agreement, a strong majority of citizens in both countries not only support freer trade, but want more of it.

In Canada, we have seen a remarkable transition in public opinion since the early 1980s.

Canadians once approached big ideas on this front with trepidation. Today, however, we are confident that neither stronger economic ties with the United States nor a common security agenda will imperil our political sovereignty, our social values or our cultural vitality.

Canadians understand that sovereignty is not an abstract goal, but a tool to be used in serving our interests and doing our duty as citizens of the world.

In the short term, governments on both sides of the border will be preoccupied with winning new mandates.

Once the dust has settled, however, we believe that Canada must be ready to move quickly with a proposal that can win support in both the White House and Congress.

That is why, earlier this week, we released a paper called *New Frontiers* that puts forward what we believe are the essential elements

of an ambitious but realistic Canadian strategy for building a 21st century partnership with the United States – a strategy that consists of reinventing borders, reducing regulatory differences, ensuring resource security, reinvigorating the North American defence alliance and developing new cross-border institutions to manage the Canada-United States relationship.

Much work remains to be done and many significant issues will have to be resolved, but already the feedback from leading academics and strategic thinkers in both Canada and the United States has been extremely positive.

This tells us that we are on the right track in arguing that Canada's approach cannot be fragmented and incremental. Rather, it must be comprehensive and coherent – a strategy that brings our two countries together both in enhancing the economic competitiveness of North America and in ensuring the defence and security of the continent we share.

Canadians know from our experience in negotiating the Canada-United States Free Trade Agreement in the 1980s that complex and comprehensive negotiations take time.

They also depend on a strong working relationship at the top – and I am confident that the forthcoming meeting between President Bush and Prime Minister Martin will provide the essential foundation for launching a vigorous discussion on the best path forward in strengthening the unique relationship between our countries.

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES



The truth about outsourcing

April 19, 2004

I AM often asked how our company continues to deliver high growth despite economic downturns, the tech bubble and intense global competition. I give a simple answer: We always listen to our clients.

Our clients convinced us to develop our information technology (IT) outsourcing offering as early as 1985. They told us that it was more than a passing trend.

The majority of them told us that, while IT was highly strategic, it was not core to them.

Nearly two-thirds of Fortune 500 companies in the United States have already outsourced at least some of their IT functions. As globalization, competition and economic pressures intensify, the need for outsourcing will become stronger and stronger.

Today, businesses can conduct engineering, technology and software manufacturing activities from any corner of the globe. Leading systems integrators and outsourcers, including CGI, have developed global supply chains capable of servicing clients from multiple geographies, allowing clients the best combination of control, skills, flexibility and cost savings.

With our global delivery model, we are able to develop systems for our U.S. or British clientele using experts in Toronto, Montreal, Quebec City, Saguenay, Fredericton and Regina, as well as in Bangalore and Mumbai in India.

For example, as the result of an outsourcing contract with California-based Fireman's Fund, work is managed in Toronto while the

data resides in our Phoenix data center. For our partner British Telecom, we are developing online government services solutions in Fredericton. Deutsche Bank New York has outsourced the maintenance, support and development of some of their applications to us – our experts in Montreal do this work. Many other brand name clients have work that is done out of India.

As you know, every day the American newspapers carry horror stories about offshoring. It has become a hot issue in the upcoming American elections. It has already started creating a stir in Canada.

I'm amazed to see how a natural and gradual evolution could rapidly become so controversial.

Of course, some work is being sent to India, China and other offshore locations. A recent study by PricewaterhouseCoopers and David Ticoll forecasts that as many as 75,000 IT jobs will be lost in Canada over the course of the next six years. The same report shows that, however, for the same time period, 240,000 jobs in IT will be created.

Talk to the IT project managers, the IT architects and designers who work with the users. Ask the people mastering IT what they think of it.

There is just no reason to panic. Rather, this is giving us the chance to position ourselves as a leading offshore destination by developing numerous competitive centers of excellence in IT.

SERGE GODIN
CGI GROUP INC.



Towards a new aerospace policy

February 17, 2004

THE Canadian aerospace industry provides high-quality jobs, creates wealth and contributes to the development of an economy based on knowledge and on the conquering of world markets.

But our industry also faces fundamental challenges. We are up against competitors who benefit from huge military research and development financing. In the United States, for instance, the Department of Defense invests \$45 billion (U.S.) in R & D, some \$6.5 billion of which goes directly to Boeing, Raytheon and United Technologies. Of the international competitors in the field, Canada is the only country in which military investment is of no real significance.

The situation is no different in terms of commercial R & D. In 2001, the whole Canadian industry shared \$165 million in R & D provided by the federal government. In contrast, Airbus's A380 aircraft program can tap into a pool of \$3 billion (U.S.) of combined public funds from various European countries. Risk-sharing partners and major suppliers such as Saab and Rolls-Royce also received considerable public funding for their participation in the A380.

Over the last three years, Export Development Canada has financed on average 41 percent of Bombardier's total regional aircraft deliveries. In comparison, Brazil's Development Bank has financed on average over 80 percent of Embraer's total deliveries over the same period. Of even greater concern is the fact that EDC's support for 2003 has declined to 37 percent despite Bombardier's increase in aircraft deliveries, with most of that financing being

for existing contracts. Embraer, by comparison, received state support for virtually all of its financing this year.

If this were not enough competition, Russia, China and Japan are now entering the fray. China is developing its own regional jet and is expected to continue to protect its fast-growing domestic market. Russia has already launched and financed a regional jet and a medium-range jet program.

Japan has invested in the feasibility study of a Japanese-designed and manufactured twin-engine aircraft. Indeed, Honda has already developed its own jet engine and prototype business jet aircraft.

With competition expected to become ever more intense, Bombardier will face greater exposure than its competitors because of the particular context in which it is operating. Our market is largely private, while that of our competitors is mostly governmental and benefits from large public sector orders.

Unless we promptly develop a well-informed and effective policy in this field, our nation could end up losing its own industry, one of its most highly performing economic assets.

I am convinced that such a targeted effort by public and private stakeholders is essential to the maintenance and to the development of our aerospace industry. Otherwise, we will allow certain nations of Europe, Asia and the Americas to benefit from growth in the international aerospace market.

PAUL M. TELLIER
BOMBARDIER INC.



British Columbia's new spirit

May 26, 2004

AT BCE, we are determined to reach from coast to coast – a truly national communications company. British Columbia is central to that commitment. And that commitment is permanent.

This focus on communications is the driving force behind our expansion into Western Canada. We are taking full control of Bell West, to better serve business customers in British Columbia and Alberta.

To that same end, we announced the acquisition of 360networks's Canadian operations. Why? To strengthen our presence here. To intensify competition. And to give us an even broader platform from which we can develop and deliver the most advanced services to British Columbians.

For BCE, this is our world of opportunity. British Columbia has regained its competitive footing, able to go up against any other major North American centre in attracting economic development. In the past three years, tax rates have been reduced, along with regulation. The provincial budget has been balanced. And the provincial economy is diversifying, expanding in sectors such as biotech, the film industry and, of course, technology.

And what have been the benefits for B.C.?

- In 2003, B.C. had the second highest GDP growth of the 10 Canadian provinces at 3.1 percent; for 2004 it's projected to be 3.5 percent;
- New building permits in the province are twice the national average;

- B.C. is Canada's job-creation leader with 77,000 new jobs created in 2003; employment growth is double the national average.

Something is changing here. New outlooks. A new spirit. We want to be part of it.

To date at Bell we have invested more than \$500 million in British Columbia. We've created 600 new jobs. And we're working to make the Bell brand a common sight throughout the province.

One of every four dollars we earn in new revenues at Bell comes from B.C. and Alberta. That's today. For tomorrow our growth trajectory in the West will be steep.

By 2010, Bell will be a \$2.5 billion company in B.C. and Alberta. Over the next three or four years alone, we plan to invest well in excess of a \$500 million.

By the end of the year, Bell's workforce in British Columbia will double to about 1200 people. And it will more than double once again well before 2010.

Step by step, we will make inroads – winning a larger and larger share of the market. Yes, we are here to do business – but we're here to do more than that. We are anxious to play our role in helping build successful communities.

For successful communities make successful companies.

MICHAEL J. SABIA
BELL CANADA ENTERPRISES INC.



Helping children think in new ways

March 3, 2004

BELIEVE we are at a defining moment in our history. Canadians share a greater degree of confidence and a stronger pride in Canada than ever before.

How then do we channel that confidence and pride into building an even stronger future?

The answer is that we need to strive to be more competitive. And as David Saunders of Queen's University and Michael Porter of Harvard have emphasized, competitiveness is fuelled by innovation. It is through innovation that we shall increase productivity. Increased productivity in turn will improve our standard of living.

You might ask what a banker knows about innovation. Admittedly banking in the past would probably not immediately come to mind if you were asked to list the most innovative industries.

That reminds me of Grindlay's retirement from an esteemed bank in the 1970s. When presenting the traditional gold watch at Grindlay's retirement party, the boss asked him to reflect on the greatest changes he had witnessed in his 40 years of banking. Grindlay thought for a moment and responded – "air conditioning".

Of course, innovation in banking, as in any other service industry, depends on your definition. In my view it means finding new and better ways of doing anything we do. To paraphrase Einstein, "you can't solve problems by thinking the way you thought when you created them".

One of our national tendencies is to look to government for the solution. But if we are to continue to reduce the federal debt that still eats 20 cents of every dollar of taxes we pay, we cannot expect government to shoulder the entire burden.

We need to acknowledge that competitiveness and innovation don't come from a country or a corporation or an institution; they come from people. In 15 years Ireland has soared from one of the poorest economies in Europe to one of its most successful. In that time, it increased its standard of living from 47 per cent to 76 per cent of the United States.

While it benefited from new funding from the European Community, it chose to invest a disproportionate amount of the funding in human resources rather than infrastructure. This was a conscious bid to create a self-sustaining capacity for innovation.

We can learn from the Irish experience. Our education system needs to help children think in new ways, dream big dreams and take the risk to fulfil them.

As the Council of Ontario Universities stated recently, the business sector needs to be more vocal about the value of education. We need to collaborate with academia to create the right supply-demand balance. We also need to ensure that we are helping our employees prepare for constant change by offering life-long learning opportunities.

A. CHARLES BAILLIE
CANADIAN COUNCIL OF CHIEF EXECUTIVES



Atlantic Canada's population problem

April 21, 2004

ONE of the ways we can secure lasting economic and social prosperity for Atlantic Canada is by securing our future workforce. What does that mean? From my perspective, it means attacking our population problem head-on.

Over the last 10 years the population of Atlantic Canada has dropped by approximately two percent. We must devote ourselves to attracting and retaining a vibrant, growing and diverse population – citizens who possess the skills and competencies necessary for us to compete in the global economy.

To accomplish this, we need to aggressively tackle two critical issues: immigration and retaining youth in our region.

What do we know about immigration? Research indicates that in 20 years, immigration will be the sole source of labour force growth in this country. As baby boomers retire and the reproduction rate continues to decline, we will need to rely heavily on new Canadians to maintain, let alone expand, our economy.

Each year, 220,000 newcomers arrive in Canada. But Atlantic Canada does not attract anywhere near its fair share of that growth. In fact, Statistics Canada figures show that the Atlantic provinces have the lowest percentages of foreign-born citizens. In New Brunswick, we are second only to Newfoundland and Labrador, and Nunavut. Three percent of our citizens are foreign-born, compared with 27 percent in Ontario

and 26 percent in British Columbia. That's a track record we need to think long and hard about.

Atlantic Canada is also unique given the rapid aging of our population and the high concentration of the population in rural communities. Atlantic Canada's almost 50-50 urban-rural split is dramatically different from the rest of the country, where 80 percent of citizens live in urban centres.

This urbanization trend is drawing our young minds to the cities, leaving many of our rural communities in a state of decline.

We know that we need to develop our workforce. We want to keep our talent – and our youth – in this region. We also want to celebrate our cultural diversity, and ensure that we position Atlantic Canada as a viable option where people will come to build their future. Retaining our youth and attracting new Canadians will translate into new, fresh ideas for our communities.

At Aliant, we fill approximately 1,000 jobs a year, 400 of which are external hires. The new jobs we create are largely for customer service roles, and the typical employee is in his or her mid-20s and university educated. In New Brunswick, almost 80 per cent of new hires are bilingual. We also employ more than 200 students each year through summer employment, internships and co-op work terms. We know we have a role to play in keeping our young people at home.

JAY A. FORBES
ALIAN T INC.



Canada's educational myths

March 16, 2004

MANY myths have evolved about the delivery of education services in our country. They have shaped our individual and collective thinking. They have limited our ability to create solutions.

These myths die hard, partly because so many refuse to face them. Reality can be challenging and uncomfortable.

Which brings us to Myth One. How many people think Canadians deserve our standard of living "because we are a rich country"?

I submit that Canada is not, intrinsically, a rich country. The fact is that our country provides opportunities for Canadians to produce richness. Our standard of living is simply a reflection of our collective ability to produce the wealth we need to maintain that standard of living.

Another fact: Over time, the total value of the goods and services we consume cannot be greater than the value of the goods and services we produce. Canada is one of the world's richest countries because Canadians create more value, per person, than the citizens of "poorer" countries.

Let's turn to another Myth: "Canadians are better educated and trained than citizens in developing countries." All you have to do is look to India or China or Eastern Europe to know this is not true. Graduates in these countries are just as competent and knowledgeable as Canadian students – but most are much more motivated.

Many of these young people possess a wider worldview and are hungrier to contribute. They know the living conditions in the West, and they want to have them.

This isn't to say that developing countries educate their full populations. There are huge problems of poverty. But these countries also have a burgeoning middle class, each larger than 10 times our country's total population.

In an increasingly interconnected world, Canada cannot rest on its laurels. Our institutions of higher learning need to raise themselves to a whole new level of performance and results.

If we in the corporate sector fail to change, to improve, we go out of business. I can't recall the last time a public university ceased to exist. And when was the last time the results of universities were actually measured? I mean real measurements like the quality of undergraduate teaching and the preparation of students to thrive and contribute — measured by the ability of students to find good jobs and to create value in the fields in which they graduate.

In business, we know that we run into big trouble if we don't produce products that are in demand. For universities, this means allocating resources in relation to the needs and demands of society. In other words, applying the resources to turn out graduates who are educated in the areas most needed by our society, and most critical to maintaining our standard of living.

GWYN MORGAN
ENCANA CORPORATION



Un système bancaire canadien fort et équitable

21 avril 2004

BEAUCOUP de nos concitoyens croient que les banques canadiennes sont des entreprises qui empochent des milliards de dollars de profits en raison d'un pouvoir de marché excessif que confère une forte concentration de l'industrie. En dépit des événements de crédit et de marché qui surgissent de temps à autre, il est tout à fait exact d'affirmer que le système bancaire canadien est solide et rentable.

Cet état de fait va au-delà d'une simple constatation puisqu'il s'agit d'un objectif important de politique économique. Qui donc voudrait d'un système financier fragile et déficitaire à la japonaise et soutenu à bout de bras par les pouvoirs publics?

Au point de départ, il est faux d'affirmer que le système bancaire canadien souffre d'une concentration excessive. Le Canada se situe plutôt dans la moyenne lorsqu'on le compare aux autres pays industrialisés. Ainsi, les trois plus grandes banques détiennent 52 pour cent du marché, comparativement à plus de 70 pour cent dans la plupart des pays nordiques.

Le cas de la Suisse et des Pays-Bas est particulièrement intéressant. Ces deux économies comparables à celle du Canada présentent des indices de concentration de plus de 80 pour cent, le marché intérieur étant dominé par de grandes banques globales.

À l'autre extrémité, on retrouve les États-Unis où l'on dénombre quelque 9200 banques. Cette prolifération est surtout le résultat de contraintes réglementaires qui

empêchaient d'opérer dans plus d'un état ou qui, dans plusieurs états, fixaient une très faible limite au nombre de succursales.

Il y a pourtant une toute autre réalité qui se cache derrière ce grand nombre d'institutions. Les trois plus grandes banques de la Floride – soit moins de 1 pour cent des institutions actives dans cet état – accaparent en effet 46 pour cent du marché. On retrouve ce phénomène dans la plupart des marchés locaux aux États-Unis.

Lorsque l'on compare le Canada aux autres pays, il ne semble pas que la concentration bancaire soit excessive.

Maintenant, qu'en est-il de la situation des consommateurs de services financiers? La conclusion universelle est que le coût d'utilisation du système canadien est parmi les plus faibles au monde.

Parmi les victimes présumées du comportement anti-concurrentiel des banques, on retrouverait les PME dont la genèse et la croissance se heurteraient, dit-on, au manque de compréhension de leur banquier. La Banque Nationale ne se sent pas particulièrement concernée, puisqu'elle détient au Québec une part de marché de 40,6 pour cent pour les prêts aux PME parmi les six grandes banques. Encore une fois, si l'on se fie aux études comparatives plutôt qu'aux anecdotes et aux préjugés, les conclusions sont plutôt favorables au secteur financier canadien.

Malgré tout cela, les idées reçues ont la vie dure!

RÉAL RAYMOND
BANQUE NATIONALE DU CANADA

