NATIONAL AND GLOBAL
PERSPECTIVES
NATIONALES ET MONDIALES

SUMMER - ÉTÉ 2005

Canadian BUSINESS LEADERS speak

les chefs d'entreprise CANADIENS s'expriment

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

NATIONAL AND GLOBAL
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As the senior voice of Canadian business, the *Canadian Council of Chief Executives* (CCCE) is committed to playing a lead role in improving corporate governance practices in Canada.

In 2002, the Council published a groundbreaking statement on governance that included recommendations on accountability, board independence, the audit process, compensation and disclosure. At the same time, the Council noted that an excess of rules and regulations could stifle the very spirit of innovation and risk-taking that drives prosperity and social progress.

Three years on, there is a growing consensus that the pendulum has swung too far in the wrong direction. British Prime Minister Tony Blair, for one, recently spoke out about the perverse consequences of red tape as exemplified by the U.S. Sarbanes-Oxley Act. This issue of *Perspectives* includes several excerpts from speeches by Canadian business leaders on the same theme.

Elsewhere in these pages, member chief executives of the Council discuss the challenges of corporate social responsibility, Canada's evolving role in the North American community and the need for a more focused Canadian energy strategy.

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

Le *Conseil canadien des chefs d'entreprise* (CCCE) s'est engagé à jouer un rôle prépondérant dans l'amélioration des pratiques de gouvernance d'entreprises au Canada.

En 2002, le Conseil a publié une déclaration inédite sur la gouvernance d'entreprises qui comprenait des recommandations concernant la responsabilité, l'indépendance des Conseils d'administration, le processus de vérification, la rémunération et la transparence. En même temps, le Conseil souligne qu'un excès de règlements peut étouffer l'esprit d'innovation et le goût du risque qui détermine le succès des marchés dans la poursuite du progrès de l'humanité.

Après trois ans, il y a un fort consensus que le pendule a oscillé beaucoup trop loin dans la mauvaise direction. Le premier ministre britannique, Tony Blair, a récemment parlé contre les conséquences perverses de la bureaucratie. Cette édition du *Perspectives* comprend plusieurs extraits de discours par des chefs d'entreprise canadiens sur le même thème.

Ailleurs dans ces pages, des membres du Conseil discutent de la responsabilité sociale des entreprises; du rôle que joue le Canada à l'intérieur de la communauté nord-américaine; et du besoin pour une stratégie énergétique plus précise.

Nous espérons que vous trouverez ces réflexions 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

GOOD GOVERNANCE AND CORPORATE RESPONSIBILITY / BONNE GOUVERNANCE ET CONSCIENCE SOCIALE D'ENTREPRISE

STRENGTHENING CANADIAN COMPETITIVENESS / RENFORCER LA COMPÉTITIVITÉ CANADIENNE

The exception, not the rule

May 5, 2005

IT almost seems as though not a single day goes by without some group prescribing yet more ideas for how corporations can be made more responsive to shareholders.

In my view, there are two terribly flawed assumptions that appear to underlie many of these recommendations.

The first is that if enough regulation and liability could be imposed on corporations and their directors, somehow this would prevent the recurrence of headline-grabbing corporate failures.

The second regrettable assumption is that managers are so driven by greed and self-interest that they cannot be trusted to do the right thing for the corporation or its stakeholders.

It would be useful to reflect on the cumulative impact of the regulation that has been enacted to date, particularly in the United States. For example, while I have no problem with the requirement that the chief executive officer (CEO) and the chief financial officer (CFO) attest to the accuracy of the financial statements and adequacy of internal controls – which, by the way, is something I thought we always did – does it really make sense to subject all companies to the extraordinarily onerous provisions of Sarbanes Oxley Section 404, which requires that each annual report contain an internal control report?

At Manulife, we estimate that it could cost us as much as $30 million a year to comply with Section 404. If I thought for a moment that these new regulations would deter fraud or lead to better financial reporting, I would not be so agitated. But I am afraid it will do nothing of the kind. Rather, this “tick the box” type of regulation will have the perverse effect of causing external auditors and boards of directors to become excessively reliant on process and less reliant on common sense and good judgment.

I am not a choirboy. I believe I have some understanding of human nature. While clearly there have been too many cases of improper behaviour at some corporations, these still remain the exception, not the rule.

Maybe I have been lucky, but I have never worked with anyone who even remotely engaged in the egregious behaviour that we read so much about. All of the CEOs I know are dedicated to advancing the interests of their organizations and doing so in an ethical way. They care about their customers, their personnel, their shareholders and their communities. I am proud to be a member of Canada’s CEO community and proud of our contribution to the quality of life.

The concerns I voice today are real and they are shared by many of us in the corporate world. I should say, too, that it pleases most of us to see that the legal system is dealing aggressively with those executives who did commit crimes. The prosecution of these people to the full extent under existing laws is the way to deal with the problem. It will prove to be a far more effective remedy than the imposition of burdensome and costly new regulations.

DOMINIC D’ALESSANDRO
MANULIFE FINANCIAL

A return to common sense

May 10, 2005

CORPORATE governance reform has unfortunately found itself at the forefront of business news in recent years. While most people agree that some reforms were necessary in light of the numerous public displays of abuses, many are now asking, "Is governance regulation going too far?"

In my view, we are now entering a phase where process is often replacing common sense.

One of my concerns has to do with the undesired economic impact that an excessively prescriptive regulatory regime can have on corporate Canada and the securities markets.

We are getting more and more feedback from publicly traded companies across Canada that the focus of boards is often shifting to process and checklists, away from corporate strategy and risk management. Directors are finding their experience as board members less satisfying and riskier from a personal liability standpoint.

As the cry for more so-called "independent" directors mounts, the real question one must ask is: Are we fostering a climate of risk aversion on boards and, if so, what will be the price to our economy?

Let us not forget that risk-taking is at the heart of free enterprise. Managing risk is not easy, and even the best governance systems will never guarantee success. Choosing good strategy is a lot harder than checking off good governance boxes.

What if good public companies were to elect to go private because they find some of the governance regulations to be unreasonable? What if Canadian entrepreneurs seeking capital for growth were to decide to avoid the public markets and turn instead to private equity markets or foreign capital markets?

In recent years Canadian institutional investors – retirement funds, mutual funds and state-run pension funds – have expressed concern about an insufficient supply of domestic equities in which to invest. That concern was one of the arguments they advanced in the recent successful drive to encourage the Government of Canada to increase the foreign content limits for RRSPs and pension funds.

What an unfortunate irony it would be if the call by institutional investors for more intrusive governance regulations were to lead to a decrease in the range of available investment choices.

I urge regulators to carefully monitor the evolution of governance practices and their impact on the economy and public financial markets. I believe that it is in everyone's best interest that we allow our system to absorb the many important initiatives that have been introduced in recent years, before we consider more changes. Our economic and financial systems have brought much prosperity to Canadians and we should respect their vulnerabilities in today's rapidly changing world.

PAUL DESMARAIS, JR.
POWER CORPORATION OF CANADA

La confiance: un levier de gestion

20 avril 2005

DE nos jours, chaque organisation est amenée à investir dans la production de confiance. Ceci étant dit, je vous présenterai les démarches mises de l'avant par la Banque Nationale pour démontrer comment elle a procédé pour développer et maintenir la reconnaissance de ses stakeholders: je fais référence ici aux quatre piliers d'une institution comme la nôtre, à savoir les clients, les employés, les marchés financiers et la communauté.

Si l'on remonte à six ans en arrière, au lendemain de ces turbulences qui ont affecté toute l'industrie bancaire et détourné quelque peu notre attention des valeurs fondamentales, nous avons fait les constats suivants:

- Le service à la clientèle n'avait pas toute l'attention méritée à la Banque Nationale. Au Québec, la proportion de notre clientèle se déclarant très satisfaite se situait à un niveau susceptible d'amélioration.
- La dimension « ressources humaines » n'était pas encore intégrée au plan d'affaires de la Banque. On ne se souciait pas autant qu'on aurait dû le faire de la qualité des pratiques de gestion en cette matière.
- Le titre de la Banque était quelque peu délaissé des investisseurs, voire ignoré de plusieurs gestionnaires.
- Quant à l'engagement de la Banque envers la communauté, bien que nous menions diverses initiatives en ce sens, nous ressentions que notre image corporative n'était pas au mieux.

Dans ce contexte et à la croisée des chemins, la Banque Nationale a décidé de prendre les grands moyens pour renverser cette situation vécue, il faut le dire, par l'ensemble de l'industrie bancaire.

Nous avons mis au point un plan d'action visant à poser des gestes concrets, après identification d'une problématique aux quatre niveaux mentionnés précédemment.

Dans le cadre de ce travail de longue haleine, il s'agissait de bâtir des fondations solides pour créer et maintenir la confiance, et ce, pour chacune de nos parties prenantes. Or, celles-ci sont animées par des motivations diverses et les considérations financières ne sont pas leurs seuls facteurs de satisfaction.

Les investisseurs réclament du rendement, assurément, mais accompagné d'une saine gestion par une équipe en laquelle ils ont confiance et d'une vision à long terme de l'entreprise qui convainc par sa justesse. Quant à la communauté, elle compte sur des institutions à la fois prospères d'un point de vue économique et engagées dans les diverses causes de la collectivité.

Le défi, pour une organisation comme la Banque Nationale, est de faire jouer l'ensemble de ces motivations parfois antagoniques et de composer avec elles afin de trouver la zone de frappe idéale, le sweet spot, permettant d'optimiser le résultat final.

RÉAL RAYMOND
BANQUE NATIONALE DU CANADA

Values and success

April 25, 2005

CANADA has always been recognized as a leader in social responsibility. We were one of a handful of countries responsible for the creation of the United Nations and one of the first in the world to adopt a publicly funded healthcare program.

Canada is not immune to the challenges that have plagued other nations. We have had our share of corporate and government scandals. Still, a strong majority of Canadians have embraced the concept of corporate social responsibility. This puts us in the forefront of countries around the world.

My company recently commissioned a study of attitudes towards corporate social responsibility with the research firm GlobeScan. The results show a compelling connection between values and economic success. For example, 40 per cent of the Canadians who were surveyed said they had punished corporations by not purchasing their products or speaking critically about them because they felt those companies were not acting in a socially responsible manner. Furthermore, 93 per cent agreed that corporate social responsibility should be as important to companies as profit and shareholder value.

CEOs share these sentiments. Seventy-nine per cent of global chief executives agree that social responsibility is vital to the profitability of any company.

I believe the foundations of our society reflect the personal values of our citizens. As a first-generation Canadian, those values certainly taught me about the power of family, community, integrity, and the necessity of a hard day's work.

My grandfather immigrated to Canada just before the Depression. Although I will give him high marks for his choice of country, I must say his timing was anything but impeccable. He left his wife and four boys back home while he struggled to build a better life for his family. Twenty years after arriving, he was finally able to bring his family to Canada. My parents ran a small restaurant for over 25 years, six days a week, 15 hours a day. Both generations provided me the values I hold today: the power of family, community, integrity and hard work.

I am proud that Canada continues to embrace over 200,000 new immigrants a year, who are drawn by the economic opportunity, quality of life and humanitarian values that differentiate our nation. Our legacy of tolerance and strong social values means that we are generating even higher expectations of the role of business and government in creating a sustainable and socially responsible society.

My colleagues at the Canadian Council of Chief Executives understand that building a stronger Canada economically and socially is our national mandate. Member CEOs across this country agree that good governance in both the public and private sectors has a real impact on competitiveness.

PAUL TSAPARIS
HEWLETT-PACKARD (CANADA) CO.

Finding talent in new places

April 28, 2005

AT The Home Depot, we have an ongoing commitment to ensure our employees are not only the best informed and trained in the industry, but also that they are well rewarded for their commitment and that they extend our commitment to serving the customer.

In retail, employee turnover is double that of most other industries, so we are always looking for great associates. But our turnover is much lower than the industry standard – for a couple of reasons.

I have mentioned our training program already. We also compensate our associates well and offer a number of programs that allow our associates and managers to share in the company's success. We have a great deal of opportunity to offer, due to the continued growth we are experiencing in this market.

But there are other, less tangible reasons, such as our volunteer program and community affairs initiatives. We have the largest volunteer program in the country – more than 24,000 associates who are encouraged and supported to actively engage in the communities where they work and live.

Last year, associates at The Home Depot Canada volunteered more than 400,000 hours. That is more than 16 hours per associate. How do we get our associates to participate at these levels? Simple: they own the projects. They are involved with selecting the organizations, they are encouraged to bring opportunities forward and they are financially supported by the company to get out there and do great things for the community.

So, our formidable community program is a great way to impact communities in need, but it also gives us more motivated associates and is a successful retention strategy.

We have more than 24,000 associates today, but we are growing fast and need more people all the time. You might be asking, "Where are we getting this talent pool?"

We still use all the traditional channels. But at the beginning of 2005, we also announced a strategic hiring partnership with CARP, the Canadian Association of Retired People. They have helped us attract an entirely new group of associates – a portion of the population that some businesses will not look at. But in my book, they are model employees.

They are extremely adept at serving the customer, they are great role models for younger associates, and they make our 50-plus customers, a demographic that grows larger every day, more comfortable.

Working with CARP, we adapted our associate positions to make them as appealing as possible for the 50-plus population. In fact this demographic makes up almost 20 percent of our workforce, and that number will continue to grow.

ANNETTE VERSCHUREN
THE HOME DEPOT CANADA

You need to earn people's respect

April 29, 2005

WHEN I graduated from college in the United States – many years ago, as these grey hairs attest – I spent two years in President John F. Kennedy's Peace Corps as a school teacher in a remote village in Ethiopia.

That experience taught me a few simple lessons that have stuck with me. One, to respect different cultures and ways of looking at the world. Two, no matter where you go, people want to improve their lives. Three, you need to earn people's respect. You do not go where you are not wanted.

At Inco we do not claim to have written the book on corporate social responsibility. And we have had our share of hiccups. There is a lot we can learn from other companies.

But overall I think we can claim success in meeting our basic objectives: being a positive force in the community, and, as a result, being seen as a good neighbour where we operate around the world.

Let me mention a couple of examples that I am proud of. One is our PT Inco operation in South Sulawesi in Indonesia. In 30 years we have built healthcare centres, schools, vocational training centres and community infrastructure. We have counselled farmers, trained teachers, awarded scholarships and given financial assistance to local businesses.

We recently created a forum where leaders of the Christian and Muslim communities came together for the first time. And we brought one of Indonesia's leading Muslim clerics, Aa Gym, to Sorowako to preach tolerance and understanding to a crowd that included both Muslims and Christians.

Another example is Voisey's Bay in Labrador. When we purchased the property in the 1990s, we faced mistrust and active opposition from aboriginal groups living in northern Labrador, the Inuit and Innu.

But over the years – through long negotiations and, most importantly, by simply getting to know one another – trust and respect slowly developed on both sides. Today the Inuit and Innu people are true partners in our success at Voisey's Bay. We are providing jobs, business opportunities and hope.

The lessons we learned at Voisey's Bay are helping us at our Goro project, located in the South Province of New Caledonia. In Goro, we are well on the way to developing fruitful partnerships with the Melanesian communities adjoining our project.

Goro is truly an enormous resource. Our operation there could be expanded many, many times. I call Goro the Sudbury of the South Pacific. Which leads to a fearless prediction: that Goro will prove to be the world's most significant single nickel producer in this century.

Securing the social license to operate is as fundamental as securing financing. Without it, you cannot get a new project off the ground. And so it should be.

SCOTT M. HAND
INCO LIMITED

Getting to know each other

April 7, 2005

IN my view, the single most important success factor for any country is a professional, dedicated public service operating with the highest possible levels of expertise and integrity. High quality public sector management can be a significant competitive advantage for our nation. In an increasingly complex and globally competitive 21st century, we must find ways to improve competitive advantage.

I would like to share with you an initiative that EnCana has undertaken in conjunction with the federal government, and in particular the Privy Council Office (PCO).

Our Building Bridges program began as an exchange of senior management between our company and the public service, typically at the Vice-President and Assistant Deputy Minister levels. It was initiated in 2003 as a result of the unfortunate and divisive process leading to ratification of the Kyoto Accord.

Follow-up discussions revealed considerable mistrust and suspicion of motives on both sides – a great gulf of understanding which, if left to fester, could only be negative to the interests of our country. In this environment, a discussion occurred between myself and the Clerk of the Privy Council, Alex Himmelfarb.

What did we find? Two solitudes – Ottawa and, in our case, Calgary – were operating without a real understanding of each other's respective strategies, tactics and cultures.

What else did we find? That leaders in the public sector and in the energy industry shared one overarching value: a love for our country.

Part of the solution was an executive interchange. Executive exchanges are not new. In fact, the federal government has had a program in place for the past 20 years.

We believe that what makes our initiative unique are, first, the seniority of the individuals involved and, second, the orientation toward building relationships between the private and public sectors in both the short and long term.

In embarking on this exchange, the PCO set a clear overall objective to "enrich management of both the public and private sectors by improving our understanding, enhancing communications and taking advantage of each other's expertise and culture." We share and embrace this objective wholeheartedly.

Key to the success is the strong support this exchange receives from the senior team at PCO as well as from my executive team.

Since its inception less than two years ago, we have completed one exchange, are in the midst of another, and are just commencing a third, involving five individuals from our respective organizations.

I challenge other business leaders to join in the process of bridge-building through selective senior-level exchanges that will make "Team Canada" a true public and private sector powerhouse.

GWYN MORGAN
ENCANA CORPORATION

Our industry deserves better

May 18, 2005

THERE is no doubt that we need to protect and nurture the physical environment we live and work in – the air, water and land we all want to enjoy. On the other hand, in the political and regulatory arena, industry in Ontario is struggling in an unfriendly and unreliable environment that needs to change.

The result is that virtually all of the recent growth in the Canadian plastics and chemical industry has taken place elsewhere, particularly in Alberta. In the past 30 years, our industry has added 8,000 new jobs in Alberta. In just the past 15 years, our industry has invested close to $10 billion there. The difference is that Alberta supports growth, understands the value of our industry and tries to support us rather than attacking us.

Other jurisdictions we operate in take a similar approach. In Pennsylvania, where we have a large and now growing polystyrene plant and administrative and sales offices, we have been greeted enthusiastically by all levels of government. The Chief Executive of Allegheny County, where Pittsburgh is located, understands that his jurisdiction is in a global competition. He is anxious to work with us to attract more chemical companies, more investment and more jobs.

Now contrast that with our recent experience in Ontario. Despite real improvements in our environmental performance and our commitment to collaboration, the province of Ontario treats us like the enemy. In 2004 and early 2005 we went through the experience of having so-called SWAT teams from the Ministry of the Environment descend on our sites. These teams arrived at our Sarnia-area plants in battle gear, including flak jackets in some cases. And they made sure they got lots of publicity.

You can imagine how it felt to have people arrive at our plants wearing flak jackets. I was personally insulted and many people at NOVA felt the same way. Our employees and our industry deserve better than to be used as public relations props.

This exercise reportedly cost the province approximately half a million dollars and occupied 30 SWAT team members for 11 months while they inspected 35 plants.

I would like to quote the SWAT team report following these inspections: “The sweep did not identify any immediate impacts of non-compliance leading to concerns about human health or the environment.”

We are always looking for ways to improve and we are anxious to work with the authorities. They are always welcome at our plants. However, when they show up wearing flak jackets and with TV crews in tow, we question whether their agenda is really about improving the environment.

We have improved every aspect of our performance and we are committed to continuously improving the way we operate. We provide outstanding jobs for our employees, for service providers and for the construction industry in every community we work in. And we get outstanding cooperation everywhere we work – except Ontario.

JEFFREY M. LIPTON
NOVA CHEMICALS

Lessons from the energy market

May 30, 2005

IT has been almost five years since UK-based Centrica plc brought its experience of European markets to North America with the launch of its subsidiary Direct Energy. In this time, we have invested more that $3 billion in North America. We now serve more than five million business and residential customers in Canada and the United States with natural gas, electricity and heating/ventilation services. Direct Energy has also acquired and developed substantial gas assets in Alberta and 1,000 megawatts of power generation capacity in Texas.

We have learned valuable lessons along the way.

North American energy markets are fundamentally different from Centrica's home market. The United Kingdom has one consistent regulatory framework for gas and electricity, a clear vision of the desired end-game and strong political support for "seeing it through."

In Canada, energy regulation is administered by the provinces and is different in every jurisdiction. Models range from fully integrated utilities, where competition is effectively prohibited, to places such as Alberta, where competition and choice are strongly encouraged.

Even in Alberta, however, the government has intervened with natural gas rebates and electricity-hedging mechanisms introduced in response to short-term problems or pressure from vested interest groups. In Ontario, a price cap on electricity was introduced in November 2002, ending a short-lived experiment with open markets. Private investment now has to be encouraged with government-backed long-term contracts. The result is that ratepayers, not investors, are bearing the risk.

Huge investment is required in North America's energy infrastructure in the near term, both to improve security of supply and to replace aging plants with more efficient, cleaner technology.

Governments can best play a part by creating a stable investment climate and by setting clear, transparent rules for sustainable environmental improvement. This means pricing energy at its full cost, rather than subsidizing through price caps, rebates and so on.

Of course, society must protect its most vulnerable. This is an appropriate use of taxpayers' funds. But focused delivery of such assistance comes at a far lower price than scattergun rebates and other mechanisms that many recipients simply do not need.

Consumers will only see the true benefits of competition if government and industry work together to advance a level playing field for all market participants, and do not waver in the face of temporary adversity.

Centrica has the financial strength to be a key investor in Canada's energy markets. It will be an active investor provided that the playing field is level. That means rules that are consistent and market mechanisms that create transparent investment and risk-management opportunities.

DERYK I. KING
DIRECT ENERGY

A recipe for growth

January 25, 2005

WE operate three mines in Canada, all in northern Ontario. And the vast majority of our Canadian shareholders live in Ontario and Quebec. So why, you might ask, are we still headquartered in Vancouver? It might seem logical that our head office should be in Toronto. But that only considers a couple of the issues.

Placer Dome is truly a global company. We operate 17 mines in seven countries. One third of our more than 13,000 employees are based in operations throughout Asia Pacific. We own 50 per cent of one of the largest gold mines in South Africa. We produce metals in the Andes in Chile, in the highlands of Papua New Guinea and are the third largest gold producer in Nevada.

We have exploration teams in East Africa and China. Thanks to modern technology and transportation, we can stay in touch from many different parts of the world. I could argue that our head office could be anywhere there is a major international airport and the infrastructure necessary to keep us up and running technically.

But that would sell Vancouver short. This city has a rich history as a mining centre. In fact, I have been advised that Vancouver is home to the world's largest concentration of exploration geologists and geophysicists. This city is also number one in the world for raising early-stage exploration capital.

Here in British Columbia, renewed government interest in supporting exploration is driving record expenditures. The government's new mining plan puts substance to the claim that this province is becoming a mining-friendly jurisdiction once again.

British Columbia offers a number of benefits for the mining sector, including strong physical infrastructure in many parts of the province and a relatively young, highly educated and mobile workforce. But for 30 years or so, the tax and fiscal regimes have not supported the mining industry.

In the early 1970s, Ottawa rescinded tax incentives for new mines. Shortly after the New Democratic Party came to power in British Columbia in 1972, it imposed a royalty on the mining sector on top of the taxes that already existed. The federal government refused to recognize provincial royalty and mining taxes as deductible expenses, which meant that mining companies had to pay income taxes on funds already claimed by the province. As a result, companies like Placer Dome looked elsewhere. We ended up building mines in places like Australia, Papua New Guinea and Chile.

Today, British Columbia is doing many things right to encourage exploration, which translates into jobs and tax revenue. But there is more to do. We would like to see investment increased significantly to stimulate mine exploration and development.

Our industry is a global one. Two overriding factors determine where mines and mining companies do business. One is geology. The second is political will. In the case of British Columbia, the first has been pre-determined. The second is in the hands of government.

PETER TOMSETT
PLACER DOME INC.

Springtime in British Columbia

May 4, 2005

BUSINESS and government depend on each other. Governments need companies to provide employment, pay taxes and generate wealth. In turn, we must comply with their laws and regulations, be compatible with their social, cultural and traditional values, and add to the quality of life. In short, we have to earn our way into the communities where we want to operate.

Farsighted governments understand the opportunity that arises from being sensitive to practical business needs such as fair-minded regulatory environments, competitive tax rates and the application of sound laws within a prudent and just judicial system.

Consider the role of Alcan in British Columbia. Over the years, Alcan has spent billions of dollars in the province.

In 2003 alone, our 1,619 employees received $155.6 million in payroll and benefits. Another $29 million went to Alcan retirees. Our direct economic contribution to the province exceeded $272 million.

Each of our 22 smelters – such as our facility at Kitimat, one of British Columbia's largest industrial complexes – represents a capital investment that can be measured in the hundreds of millions, if not billions, of dollars.

Naturally we want to safeguard those assets. We nurture them and grow them when the opportunity is right, but each is evaluated and judged on its performance. Each is competing to be the best, just as Alcan is competing to be the best. If one of our Canadian smelters is a higher-cost producer than one we operate in France, Germany or elsewhere, we want to know why. If it is something within our control, we will fix it. If it is something beyond our control we will isolate it and work to change it over time.

We have to make choices when it comes to investing. Naturally we are drawn to areas where governments understand and are supportive of the need to compete in the rigorous global market. We look for competitive tax rates, timely permit processes and regulatory consistency. We look for predictability. We seek a balanced playing field and political stability.

So how does British Columbia measure up? In the last four years personal income tax rates have been cut, the corporate capital tax was eliminated and the province has cut unnecessary regulation.

These actions suggest that British Columbia is positioning itself to meet the competition inherent with globalization. The province has moved from last to first in areas like the economy and community health.

British Columbia is also resource-rich, but that alone is no guarantee for success. Success in the future will be determined in large part by the continued efforts of those entrusted to govern to further strengthen the province's competitiveness.

Governments throughout British Columbia are to be commended for what is truly a remarkable turnaround. It is indeed springtime in British Columbia.

TRAVIS ENGEN
ALCAN INC.

The right role for government

May 2, 2005

WHAT role should government play in promoting excellence? It is my proposition that we do not need a government to protect us. Instead, we need a government that promotes heightened competition – one that allows us to compete our way to excellence.

If you accept my basic proposition, the government is not even the most important factor in promoting excellence. Excellence depends first of all on the attitude we bring to our markets, and only second on whether government is present in those markets.

While government on occasion has the power to disrupt our efforts, it does not have the power to ignite our excellence. That power resides in our hands alone.

I say this, first of all, as an Atlantic Canadian. I was born in Antigonish, N.S., raised in Woodstock, N.B., and now live in Saint John. I have the privilege of leading a company that serves customers in those provinces, along with Prince Edward Island and Newfoundland and Labrador.

At Aliant, we know how businesses in our region see the world. They do not want government handouts. They do not want protection. They want the chance to show Canada and the world that they are the best. That is why, if you go to any economic hotspot in Canada, you will find it packed with Atlantic Canadians in their 20s and 30s who inherited from their parents an innate desire to compete their way to excellence.

That is why, if you go to Moncton today, you see a whole city that rescued its community from a death spiral into oblivion and transformed itself into a technology hotbed.

If you go to Halifax, you will find a booming film industry that competes toe-to-toe with major entertainment centres in the United States.

If you look to Charlottetown you will see it is home to Paderno, a cookware company that supplies top quality kitchen boutiques and major supermarket chains across the country.

And in Newfoundland you will find a resort in the Humber Valley that sells its high-end vacation properties to Europeans like hotcakes.

Atlantic Canadians are clearly not afraid to compete. Not in their backyard. Not across the country. Not even internationally. If you have clients in Atlantic Canada or if you are from Atlantic Canada, then you know of this thirst for excellence.

I say this as the president of what regulators call an "incumbent telecommunications company" – a company that used to have all the market power of a monopolistic utility. I do not want the government to protect me. I do not want the government to protect my historic advantages. There is no protection in telecommunications today.

I want the chance for Aliant to show its stuff, and to compete its way to excellence, one day after another.

JAY A. FORBES
ALIANT INC.

La politique de l'énergie

1 novembre 2005

SELON l'Agence internationale de l'énergie, pour ne répondre qu'à la demande, l'industrie pétrolière devra injecter 200 milliards de dollars US par an dans de nouveaux projets de développement. Du côté de la production d'énergie, les investissements requis sont encore plus substantiels.

La clé de l'approvisionnement continu, fiable et bon marché en énergie réside dans la mise au point de nouvelles technologies pour produire de l'énergie, l'utiliser de façon efficiente et répondre aux préoccupations environnementales.

De grands progrès ont été réalisés au chapitre de l'utilisation de l'énergie. Par exemple, les nouveaux moteurs de voiture consomment bien moins d'essence et produisent beaucoup moins d'émissions aujourd'hui que ceux d'il y a 30 ans. Mais il faut continuer à aller de l'avant.

D'importantes avancées technologiques ont été réalisées en matière d'efficience énergétique. Dans l'industrie, la plupart des entreprises de fabrication se sont dotées de matériel et d'outillage peu énergivores, ont passé leurs procédés au peigne fin et les ont ajustés pour alléger leur facture d'énergie. On a aussi augmenté l'efficacité énergétique dans l'industrie pétrolière. Aujourd'hui, le rendement énergétique des raffineries de l'Impériale est de 40 % supérieur à ce qu'il était il y a 30 ans.

Mais tous les efforts menés dans ce sens ne pourront, à eux seuls, combler ni même réduire l'écart prévu entre la consommation d'énergie et les sources d'approvisionnement. Tout au plus pourront-ils réduire au minimum l'accroissement de cet écart, compte tenu de la hausse de la demande. Le plus important sera de trouver et de mettre en production d'autres sources d'énergie, y compris de nouvelles sources comme les énergies éolienne, solaire et verte, dont la viabilité économique à grande échelle dépend essentiellement de percées technologiques.

À cet égard, une mise en garde s'impose: les subventions publiques octroyées aux projets d'énergie de remplacement non concurrentiels sur le plan commercial ne constituent pas une utilisation judicieuse de nos ressources financières, qui sont limitées.

Encourager et soutenir la recherche, c'est la clé de l'innovation; et l'Impériale est un chef de file à cet égard. En plus des recherches menées dans ses laboratoires, la compagnie parraine un vaste ensemble de programmes de recherche énergétique dans des universités canadiennes.

De tels partenariats entre l'industrie et le milieu universitaire sont indispensables pour relever le grand défi énergétique. Les gouvernements, en particulier, doivent comprendre que le secteur privé sera le principal élément moteur des nouvelles technologies énergétiques, et que ce sont les marchés qui détermineront les gagnants et les perdants. L'État doit donc favoriser l'instauration d'un climat fiscal et réglementaire propice aux investissements, et qui reconnaît les risques associés au développement énergétique.

TIM J. HEARN
COMPAGNIE PÉTROLIÈRE IMPÉRIALE LTÉE

The aviation policy we need

April 18, 2005

THERE have been great changes in the airline industry over the past 12 months. The price of oil keeps rising, and more and more North American carriers are struggling in the new low-fare world.

That means we have to ensure that the environment in which airlines operate provides an incentive to grow.

The challenge extends to airports, airlines, air traffic control and government. Each has a stake in the success of Canada's airline industry and the ability of Canadians to move freely throughout the country at a reasonable cost. There has to be clarity and fairness in the rents airports are paying to the federal government, in the way airports are managed, and in the levels of fees and taxes levied on airlines. All these elements are interconnected and these various entities must no longer be allowed to treat airlines and their customers as cash cows.

Unfortunately, Canada has become a world leader – not in creating an environment where airlines can flourish but in charging some of the world's highest airport fees, security fees and other charges. Other than fuel, this category of costs is the only Air Canada item which keeps going up and up. In the fourth quarter of 2004 alone, Air Canada's airport and navigation fees rose $30 million, or 18 percent.

To make matters worse, there is an abysmal lack of governance over air traffic control and airports.

Even though Canada's airports are governed by local, autonomous, non-profit authorities, Ottawa continues to collect rent from airports – $268 million this year, going up to almost $500 million by 2010. We happen to be the unlucky tenant caught in the middle. Every year, airports put the squeeze on us, and you, for more money to cover the rent.

Fortunately, the government accountability and leadership that was so sorely missing for Canada's airline industry just a couple of years ago has been replaced by a new Minister of Transport who realizes that the challenges for the industry have not gone away. He has talked about reviewing the rents at airports in connection with governance changes at the airports – something that would see airlines finally getting a say in how airports are run. That is a step in the right direction and we support it 100 percent.

But the cost of using Canada's airports is just half of the equation. The government must also pay attention to the damage caused by inefficient customs, immigration, and security processes which are hampering our ability to make Montreal, Toronto and Vancouver truly attractive hubs through which international customers can connect. The fact is that Canada's location in the world makes it a natural transit point for the world to the Americas and for the Americas to the world. We simply need the government leadership to make it happen.

If Canada is to be a world leader in aviation, the costs and infrastructure must be in place to support that objective.

ROBERT A. MILTON
AIR CANADA

Time for a new approach

May 31, 2005

HERE in Canada, we know that information and communications technology (ICT) is the key to making productivity gains, but we are spinning our wheels – and losing ground. Our first-mover advantage, particularly vis à vis the United States, is fading fast.

We were once the most connected nation on the planet, with the highest penetration of telephones, cable and the Internet.

Today, we rank tenth in the Digital Access Index, according to the World Telecommunications Development Report. Year by year, we have slipped in international rankings – slipped in the key indicators of an information society, in the areas that will drive productivity. In a world where competition is fierce, this decline in our relative performance is not just a matter of academic interest. It is a national imperative. The stakes here are enormous.

It is in this context that we should understand the importance of the federal government's new Telecommunications Policy Review.

The first issue is the speed and breadth of change. As recently as 1993, the landline telephone was still the most common way of communicating across distances. In just 12 years, we have seen a revolution – an explosion in the use of cell phones, computers, email and the Internet.

The result has been a fundamental change in the way people interact and share information. The various technological breakthroughs of recent decades – the personal computer, the Internet, fibre optics, cable, satellite – are converging to create what Thomas Friedman of The New York Times calls a "flat world". More people, in more places, in real time, can participate and collaborate seamlessly, from whatever device they choose.

Here in Canada, this trend is well underway. Wireless subscriptions have more than doubled in the past five years and will overtake wireline in two years.

Such a world cannot be directed successfully using out-of-date tools of policy or regulation. We need a new approach, new thinking and new rules.

Yet here in Canada, we regulate in ways that are simply oblivious to these changes. Companies that offer comparable services are regulated differently.

The fundamental issue is clear. How can Canada derive the maximum benefit from the use of advanced telecommunications technologies to spur innovation, drive productivity and enhance living standards?

This is not a matter of regulation versus deregulation. It is an appreciation that the wrong kind of regulation could restrict competition, harming consumers and limiting productivity gains.

There is a great opportunity here to build world-leading telecommunications capability in Canada and to export it to the world. That is what is at stake. Let us get this right.

MICHAEL J. SABIA
BELL CANADA ENTERPRISES INC.

Energy truly matters

January 28, 2005

CANADA has a distinct role to play in the unfolding scenario of world energy demand and supply. We are blessed with abundant resources of all forms of energy – oil and gas, coal, hydro- and nuclear power generation, biomass and the potential for renewables such as wind and solar.

Canada is the only G-7 country with the resource base to support significant growth in hydrocarbon production. We have the industrial capacity as well as the educated, skilled and experienced workforce to develop our resources efficiently. Except in the Far North, we have an efficient, reliable pipeline infrastructure already in place, providing producers with access to customers across the world's biggest continental market for oil and gas, Canada and the United States.

In addition, Canada's fiscal regime is sound, consistent and not prone to sudden, overnight changes in the regulatory framework. Canada represents a secure, politically stable and hospitable source of energy supplies – security that is further strengthened by important multilateral arrangements such as the North American Free Trade Agreement.

Our energy trading relationship with the United States is a vital engine of our economy and a major contributor to Canadian prosperity and living standards.

The key to our future success is technology. Our best scientific minds need to be brought to bear on finding new and effective ways of developing our energy resources at acceptable costs and minimal environmental impact. As one example, Imperial recently committed $10 million over five years to the University of Alberta for breakthrough research aimed at developing the oil sands in ways that are more economically viable and environmentally responsible. Similar initiatives have been undertaken at other universities. Alberta is already the world's leading centre of oil sands technology and expertise. I am sure it will be even more so in the future.

The other fundamental requirement for long-term success is a supportive public policy environment. This begins with a recognition by governments, both federal and provincial, that energy and energy development are not just important, but essential.

Energy truly matters. It is vital to our economy, our society and our way of life. Of course we must use it wisely, to ensure that every unit of energy consumed goes to a constructive purpose. It is important not only to ensure the continuing supply of energy for our own use, but also to ensure continuing economic growth and prosperity for all citizens.

Canada is rich in energy resources, but they are higher-cost than the conventional resources available from international competitors. Our policy-makers need to recognize that developing them will require large and long-range investments. That means regulatory and fiscal regimes must be expeditious, fair, competitive and encouraging to market-driven investments. Streamlining burdensome regulatory regimes has to be part of that process.

TIM J. HEARN
IMPERIAL OIL LIMITED

Our commitment to Canada

May 19, 2005

LESS than 10 years ago, North American auto manufacturers, steelmakers and suppliers were all but written off as Rust Belt dinosaurs. Today, those perceptions are changing. Manufacturing is once again being given the respect it deserves.

Auto manufacturing has provided good jobs for five generations. Our success benefits this country directly and helps to increase prosperity. With greater prosperity come advances in health, education, cultural achievements and social stability.

As business leaders, we are responsible for making sure our companies can compete on the world stage. No-one is looking for special favours. We just expect to compete on a level playing field.

North America is one of the most open markets in the world. But all too often, when North American automakers try to export or build our vehicles in other regions, we face different rules. There are tariffs, investment restrictions, import quotas, local sourcing rules, currency manipulations and unnecessarily restrictive vehicle standards, to name a few.

While we welcome investments by our foreign competitors in Canada or the United States, we should never be confused with the competition. DaimlerChrysler, Ford, and General Motors are the foundation of the North American manufacturing economy. Our combined market share in the region is around 60 percent. Yet we employ nearly 90 percent of the autoworkers in the region and support virtually all of the retiree community. We manufacture 75 percent of the cars and trucks made in North America. Ford, DaimlerChrysler and General Motors spend more than $16 billion a year on research and development. We purchase 80 percent of all North American auto parts. Since 1980, we have made more than 85 percent of the total investments in North America's auto industry.

Ford's new Oakville Assembly Complex in southern Ontario is a good example of the investments we are making. When we are finished, $1 billion later, we will have transformed a facility built in the 1950s into a state-of-the-art, sustainable, flexible manufacturing facility. We made this investment at an existing location because of our commitment to Canada, the community and the environment.

Automotive manufacturing is the engine that drives the economy. Industry, labour and government are the keys to keeping that engine revving.

Decades ago, and with his usual eloquence, Winston Churchill summed up the essence of our future. He said, "Some regard private enterprise as if it were a predatory tiger to be shot. Others look upon it as a cow they can milk. Only a handful see it for what it really is, the strong horse that pulls the whole cart."

For the sake of future generations, we need to ensure that the horse pulling the cart remains strong. It will only be possible if we all keep working together to build a better future.

JOSEPH R. HINRICHS
FORD MOTOR COMPANY OF CANADA, LIMITED

The end of hierarchy

May 18, 2005

IF there is one thing I regret about being somewhat closer to the end of my working life than the beginning, it is the prospect of not being there to witness firsthand as the next generation dismantles what is left of the hierarchies.

I suppose I should sound less jubilant about this turn of events, given how well I fared in a hierarchical organization. But I was one of the first university grads to be hired at a major Canadian bank. For that and, I hope, other reasons, I was moved along fast enough that I rarely had time to get jaded or bored.

What is more, I zigzagged around to the point where I developed a good working knowledge of just about every business in and of the bank, from the frontlines to the backrooms.

Until 1996, when demographer David Foote published his best-selling book Boom, Bust and Echo, I had not known that what I was doing was something he called “spiraling.” And it had not yet occurred to me that spiraling – mixing lateral moves with promotions, switching disciplines, acquiring new skillsets – would be pegged as the dominant “lifestyle” in an increasingly hierarchy-free 21st-century corporate workplace.

From that point on, however, it was hard to see how the revolution could end any other way. For one thing, the work of organizations like mine had risen to levels of complexity that required at least a university or college education. Such people are not the type who take kindly to getting “orders from headquarters,” or anything else that smacks of regimentation and chain of command.

For demographic reasons the graduates of 2005 are entering a seller’s market. What it all comes down to is that if we have hopes of staying competitive in a very tough field, we have got to hire and retain the best and the brightest.

Which means we have to make accommodations that I am sure would have a lot of the old command-and-control guys just spinning in their graves.

I do not just accept this turn of events, I revel in it. And when the process is complete at BMO, the very notion of “bosses” and “workers” and a division between the two will have become a quaint memory of the Industrial Age.

In the new, flattened corporate universe, a manager is a member of a team – the one whose specific talents include facilitation, coordination, communication and inspiration. It is taken as a given that all colleagues will treat the success of the organization as a matter of pride, self-interest and personal responsibility.

I am not going to claim that workers, in the modern guise of colleagues and associates, have seized the means of production. But the top-down corporate world I entered back in 1967 is vanishing, ever so quietly, into the history books.

TONY COMPER
BMO FINANCIAL GROUP

L'internet: un retour au futur

11 mai 2005

UN grand secteur d'activités, porteur d'avenir et dans lequel nous sommes particulièrement bien positionnés, est sans contredit l'Internet. Cela peut vous étonner de m'entendre parler ainsi d'un secteur dont plus personne ne voulait parler depuis l'éclatement de la fameuse bulle Internet il y a un peu plus de quatre ans.

C'est pourquoi, avant de vous parler de nos actifs et de nos résultats dans ce secteur, j'attire votre attention sur une nouvelle parue il y a quelques semaines dans un grand quotidien financier. On y apprenait que Google générerait cette année plus de revenus publicitaires que l'ensemble des publications de Gannett, l'éditeur du célèbre USA Today, et plus que l'ensemble des réseaux de télévision généralistes des États-Unis. Ceux qui croyaient que les entreprises reliées à l'Internet n'avaient été qu'un mirage, étaient bien évidemment dans l'erreur.

Après l'éclatement de la fameuse bulle, de nombreuses entreprises qui avaient investi dans l'Internet, se sont départies de ces actifs. Pourtant, l'utilisation de l'Internet n'a pas diminué. En réalité, l'éclatement de la bulle s'apparentait davantage à une épuration qui a fait disparaître du paysage les charlatans. Les investisseurs sérieux et les gestionnaires de talent sont toujours là et ils ont appris à s'adapter à la rapide évolution de ce médium.

Quebecor est dirigée par des gestionnaires sérieux qui ont rapidement compris que le modèle économique qui a mené à l'éclatement de la bulle ne pouvait pas survivre.

Aujourd'hui, on peut dire que le site Canoë est notre navire-amiral, notre Journal de Montréal, dans le secteur Internet. Canoë peut compter sur 2,9 millions de visiteurs francophones uniques et constitue une présence dominante dans ce marché publicitaire en forte croissance.

Canoë est à la base d'une constellation de sites spécialisés comme Jobboom, Réseau-contact, Autonet et Webfin Argent, tous dominants dans leurs secteurs. Notre engin de recherche, la Toile du Québec, est le troisième engin de recherche le plus consulté au Québec, après Google et MSN.

Nous sommes également actifs dans le commerce électronique depuis le début. C'est en effet en 2000 que nous avons lancé Archambault.ca, un site de commerce de produits culturels. Nous opérons aussi le site Archambaultzik.ca, un portail de téléchargement légal de musique. Et je ne peux pas passer à côté du succès remporté par le site vidéotron.com, identifié par la revue Commerce comme le quatrième meilleur site québécois destiné aux consommateurs.

Alors que nos sociétés sont en train de vivre des changements profonds dans la façon de consommer les médias, je suis fier de vous dire que Quebecor est très bien positionné dans ce créneau d'avenir. Nos activités Internet sont flexibles, multiformes et déjà rentables et nous croyons qu'elles constituent un actif stratégique très important.

PIERRE KARL PÉLADEAU
QUEBECOR INC.

The outlook for oil

April 5, 2005

IN 1956 a geophysicist by the name of King Hubbert predicted that oil production in the United States would start to decline during the early 1970s. He also predicted the "peaking out" of oil production around the world in the not-too-distant future.

Hubbert's theory was widely rejected during the ensuing three decades. This was because the price shocks of the 1970s and 1980s caused a sharp fall in oil demand that led to a glutted market and low prices. Remember the March 4, 1999, cover of The Economist with the headline, "Drowning in Oil"? The main message was that oil would continue to fall to $5 per barrel.

With such a dismal outlook for prices through the 1980s and 1990s, exploration fell out of favour. And this shows up in the global reserves picture. For the last 15 years, discoveries have failed to keep pace with consumption.

Over the last couple of years, Hubbert's theory has gained credence. Some experts are now saying that global production of conventional oil will indeed peak before the end of the decade. Meanwhile, demand is increasing. In China, oil consumption has been growing at compound rates in excess of 7.5 percent annually. Today, China's oil demand surpasses Japan's and is second only to that of the United States.

The other factor has been surprisingly strong demand in the OECD countries. Many economists are scratching their heads on this one. They thought prices above $25 would trigger a sharp demand response.
The fact is that $50-a-barrel oil ain't what it used to be. The price peak we saw in 1981 would equate to $70 today, allowing for inflation. Even Alan Greenspan, chairman of the U.S. Federal Reserve, has acknowledged that it would take oil prices in excess of $70 a barrel to cause substantial harm to the global economy.

Will $50-a-barrel oil bring on enough new supply? Certainly not in the near term. And it is not clear the opportunities are there. In the last couple of years lack of exploration success on Canada's East Coast has prompted companies to relinquish more than 20 exploration licenses. Recently a license sale was cancelled due to lack of interest.

When you take into account the lack of opportunity and the lead time to develop new sources, I would not look to a supply solution in the near term.

Where does that leave us? The interplay of economic, geopolitical and speculative factors is a tough call. What I can say, with relative certainty, is that very little can be done to change the supply side over the next five years. It would take a demand correction to change the market balance. Judging by recent developments in China and by the response of North American consumers so far, this does not look likely. And a recession would only be a temporary reprieve.

So my guess is that this is not just a price bubble. We are likely to see strong prices for some time, with lots of volatility.

RON A. BRENNEMAN
PETRO-CANADA

Focusing on what really matters

January 12, 2005

WE, as Canadian business leaders, need to go on the offensive. We need to create real productivity – not by cost-cutting but by adding real new value.

Over the past three years, all kinds of companies have squeezed all kinds of costs out of their businesses. Now what?

Every organization has invested in information technology (IT). The innovations keep coming and the investments keep growing. From 1997 to 2003, North American companies spent two-and-a-half trillion dollars on IT.

It is my belief that Canada has not gotten the productivity gains that should result from such major investments. Face it – it is easier to write a cheque than it is to get people to change the way they work.

Information technology has not only failed to live up to the promise of a paperless office, email is the single greatest printed item in the world today. What an irony. Email has created a world where the sheer volume and diversity of documents has become the enemy of productivity.

Some estimates show that we create from 7.5 billion to 1.3 trillion documents a year. Many exist on paper. But many more are in digital form – on computer screens, in your Blackberry and on web pages.

We recently surveyed Canadian workers and found that half of them spend more than nine hours at work each day. No surprise there. But 65 percent are only productive for about half that time. What is holding them back? You guessed it: email overload, document-intensive processes and not knowing where to find critical business information.

It is clear that documents are the key connectors between IT infrastructure, people and critical business processes.

Manitoba Hydro, one of the largest energy utilities in Canada, is an example of a company with a strong document strategy. Its engineering drawings are essential to all critical preventive maintenance and repair operations.

The challenge at Manitoba Hydro was to control a million drawings – some in microfilm, some on paper and some stored in file servers at different company sites throughout the province. Twenty to 25 percent of staff time was spent looking for documents. Accessing a wrong version could endanger workers or risk utility service interruption for customers.

The solution at Manitoba Hydro utilizes a new, centralized repository to store and manage the electronic drawings. Now, users can instantly access the correct versions. Regulatory compliance is enabled, productivity has increased and risk is reduced. Manitoba Hydro is saving more than $2 million in annual labour costs.

The focus in IT used to be on the technology. But today the focus is on what really matters – information.

DOUG LORD
XEROX CANADA LTD.

Small businesses need a boost

April 5, 2005

THE greatest generators of jobs in Canada have been and still are the small and medium-sized enterprises (SMEs). Last year, they contributed 63 percent of Canada's total employment growth.

However, SMEs find it increasingly difficult to access capital and to grow. In this context, how can we give SMEs the help they need to grow and foster employment?

I would like to propose a solution that would enlarge the pool of capital available to SMEs by encouraging Canadians to invest in these small and medium-sized companies.

This idea stems from an experiment by the Quebec government in the early 1980s – the Quebec Stock Savings Plan, or QSSP. The QSSP encouraged Quebecers to invest in various Quebec-based companies.

Depending on the size of the company, investments made through the plan qualified for tax credits ranging from 25 percent to 100 percent for stocks. In the case of convertible debentures, a 50 percent tax credit was given for an investment made in a company that had less than $1 billion in assets.

Needless to say, the QSSP had a significant impact on the Quebec economy. Throughout the 1980s and into the early 1990s, a large pool of capital became available to Quebec-based firms. These firms, in turn, created thousands of jobs. The QSSP allowed many of these firms to tackle global markets.

Eventually, the Quebec government restricted the tax advantage to a smaller number of firms. The QSSP ended in the mid-1990s. I believe that the time is ripe to launch a similar program, this time for Canada.

Of course, it is important to learn from the past. It would be essential to establish guidelines and prerequisites that would prevent firms from going public too early. Such prerequisites could include a proven track record of profitability, a minimal assets threshold and, for example, two years of consecutive growth.

Obviously, such a program would not only benefit SMEs. Governments would benefit from the creation of jobs and increased tax revenue, which would more than compensate for the tax incentive.

When you ask yourself which companies have generated the greatest number of jobs in Quebec over the past 20 years, you think of names such as Jean Coutu, Cascades, Couche-Tard, Bombardier, Quebecor, Laperrière Verreault, Saputo, Transcontinental, Metro, SNC-Lavalin and CGI. What do all these companies have in common? They all got the oxygen they needed to grow from the QSSP. Today, they represent more than 75,000 jobs in Quebec and more than 250,000 jobs worldwide.

I suggest that we encourage our political leaders to set up a similar stock savings plan for Canada. This would not be an expense. It would be an investment that would help create jobs and stimulate the economy.

SERGE GODIN
CGI GROUP INC.

A bold vision for North America

March 17, 2005

I never cease to be amazed at how any proposal to have Canada strengthen its relationship with the United States provokes a doomsday chorus. We heard it in the 1980s. We heard it in the 1990s. We are hearing it again today.

It is always the same tired rant. It is always the same old group of extreme nationalists. Any deal with the Americans, they insist, will kill our economy, destroy our social programs, wipe out our culture, surrender our resources and erase our very identity.

The fact is that open trade on our continent has paid off for Canadians. Our economy has grown by leaps and bounds. Companies are creating more jobs. Exports are booming. Families are earning higher incomes. And governments are taking in record tax revenue. Last year, the federal government collected $70 billion more than a decade earlier. Open trade is helping to pay for all the massive new spending on health care, child care, the environment, transit, infrastructure and equalization.

Most Canadians are ready to build on this success. Canada needs to strengthen North America not because the Americans demand it, but because it is so clearly in our own national interest. We need an economically stronger North America to take on the new competitive challenges coming from Europe and Asia. We need a more secure North America to ensure the smooth flow of goods and people within the continent that lies at the heart of our economic advantage. Canada's security interests and economic interests are inextricably linked.

Next Wednesday, Prime Minister Paul Martin will meet in Texas with Presidents George W. Bush and Vicente Fox. This week, an independent tri-national task force challenged the leaders to consider a bold vision for the creation by 2010 of a North American community. This community would be defined by both a common economic space and a shared zone of security. To forge this community, we need a North American border action plan, a common external tariff, new ways to prevent trade disputes, an energy strategy and aggressive efforts to improve the lives of people in the poorest regions of the continent.

This vision comes from a very diverse group: former politicians, public servants and diplomats together with leading academics, business people and social advocates from across North America. Its work reflects the mainstream understanding in Canada, Mexico and the United States that people in all three countries will be better off if we work together than if we try to move forward in isolation.

Getting closer to the United States and Mexico has given Canadians more control over our destiny, not less. Our shared economic success has made us more confident than ever in our ability to pursue our own path of social and cultural development. We know that our future lies with borders that are open to the movement of people and goods – and minds that are open to the idea that a stronger partnership with our neighbours is the best way to serve our national interest.

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES

No more foot-dragging

March 21, 2005

WE live in a world of opening doors. Here in Canada we have experienced the strength of open markets first-hand through the North American Free Trade Agreement (NAFTA). Increasingly, opportunities also exist in markets outside North America, especially in Latin America and Asia.

Canada and Canadian companies need to do more to grasp those opportunities now. We need to more consciously focus on Latin America and the Asia Pacific region, because these areas represent some of the greatest future opportunities.

Generally speaking, we have been dragging our feet. For example, Australia's exports to China are roughly twice as large as Canada's.

Optimism about the economies of Mexico, China, India and so on stems not only from the important structural and institutional changes that have taken place in those countries, but also from the simple reality of demographics and population growth.

Take Mexico as an example. It has by far the most youthful population in North America, with a median age of just 22, compared with 35 in the United States and 38 in Canada. Consider the potential this has for the future. Over the next several decades, Mexico's labour force expansion and potential growth rates are forecast to remain well above those of Canada and the United States.

Young people entering the labour force quickly become consumers. They buy toasters, then cell phones, then cars, then houses. This spending fuels growth, producing more jobs, more business and more prosperity.

Mexico's economy is clearly the most open for Canada. It offers some of the greatest and most immediate opportunities. My hope is that the upcoming meeting between Prime Minister Paul Martin, Mexico's President Vicente Fox and United States President George Bush will result in further opportunities to integrate our economies.

In the NAFTA countries, we have seen great success over the past 10 years. But more recent signs show trade interdependence is declining somewhat as other countries such as China grow in importance.

So we have to consider more carefully the markets of Asia. While the level of access in the short term is not the same, the long-term potential is tremendous. China and India have become powerful growth engines.

Successful Canadian companies will need to expand their capabilities in these regions. They will need to form partnerships and alliances to lower their costs. I am confident that we will continue to restructure and to invest in order to strengthen productivity. And remember, a strong Canadian dollar bolsters our ability to invest abroad.

The real challenge of the future is the willingness of everyone – businesses and governments alike – to support and encourage that growth.

RICHARD E. WAUGH
THE BANK OF NOVA SCOTIA

A new way of looking at Mexico

April 5, 2005

THE North American Free Trade Agreement (NAFTA) went into effect in January 1994. But after we reduced the tariffs, we as North Americans turned off our brains – we stopped thinking. As a result, NAFTA fell far short of its potential.

My proposal is to think of Mexico in a radically different manner. The least prosperous part of Mexico is in the south, which is virtually disconnected from the industrialized world.

Study the map of Mexico. There is a point about three-quarters of the way to the south where the distance between the Pacific and the Caribbean is a mere 140 miles, with almost flat terrain. Consider what would happen if the giant Pacific container ships that are too big to traverse the Panama Canal – ships that now idle in frustration at the overcrowded Port of Long Beach, CA, or are turned away from the even more overcrowded Port of Vancouver – could instead travel the extra four or five days to a port on the Pacific coast of southern Mexico.

Imagine if those ships could discharge their cargo directly onto trains that could reach the Caribbean in four or five hours. The cargo could then be reloaded onto ships and transported directly to ports on the Gulf of Mexico or along the Eastern seaboard.

A Mexican crossing makes interesting logistical sense, but it makes even greater development sense for Mexico and for North America. It would connect southern Mexico – the area in North America with the lowest labour costs and the most under-employed labour force – with Asia and the Eastern Seaboard of the United States.

Southern Mexico would become a convenient location to warehouse and tranship goods, or to add value through assembly. The adjacent countries of Guatemala, El Salvador, Honduras and so forth would also benefit, enhancing the value of this connection.

In addition, the economies of Canada and the United States would benefit from a greater variety of transportation alternatives. All of the existing transportation channels from the Pacific to the Gulf of Mexico and the Atlantic are crowded to the point of increasing unreliability and escalating costs.

The argument could be made that this requires too much investment. But think of the cost of expanding the Port of Vancouver or of Long Beach.

Think of this as a new Marshall Plan to integrate Mexico with the rest of North America. Think of the impact on illegal immigration at Mexico's northern border with the United States. Think of the potential for Mexican economic growth and the subsequent increase in demand for products from elsewhere in North America.

This may sound at first like a strange idea, but it would cost a small fraction of the building of the Panama Canal and have a potentially phenomenal social and economic benefit.

ARTHUR A. DEFEHR
PALLISER FURNITURE LTD.

Forging a stronger partnership

May 10, 2005

WHEN Canada signed the Free Trade Agreement with the United States in 1988, there was an outpouring of doom in every province. Many Canadians thought our worst national nightmare was about to come true. We would finally be swallowed by the great economic engine on our southern border and become a branch office of America Inc.

Today, all but the most hardcore of the economic nationalists have been forced to admit that they were wrong. Free trade has paid off for both sides. Canada now exports 48 percent of all the manufactured goods it produces to the United States. In turn, Canada is the single largest foreign customer for 39 American states.

While we have seen extensive new investment flowing into Canada from the United States, we are far from being swallowed up by corporate America. In fact, Canadian companies have been doing more than their share of the buying – including Manulife, whose purchase of John Hancock Financial Services was the largest Canadian acquisition of a foreign company in history.

Manulife's experience brings me to a larger point. The most important relationship that our two countries have in the world is with each other.

Obviously, there are several places where our two countries are not seeing eye-to-eye these days, including softwood lumber and beef, and the even more vexing arena of foreign policy, where Iraq and missile defence are issues. However, there are plenty of areas where agreement between our governments ought to be easy and is likely to pay off handsomely for both economies. I belong to an organization called the Canadian Council of Chief Executives (CCCE), which recently proposed a new bilateral initiative for bringing our countries into a closer economic partnership.

Here are a few suggestions:

- One, create a truly seamless market for trade in goods, beginning with harmonization of the tariffs we charge third countries.

- Two, allow any American or Canadian to work freely in either country.

- Three, harmonize the regulations and standards that make it inefficient for businesses to operate in both markets.

- Finally, we need to work together to maintain the security of our external borders against the threat of terrorism.

The CCCE recently co-sponsored a trilateral task force to develop a joint strategy for a security perimeter around North America, while at the same time easing travel between Mexico, Canada, and the United States. There is no excuse for delaying. The American head of the commission, former Massachusetts Governor Bill Weld, put it this way: "It took five years to fight World War II. Surely we can harmonize a few government departments in that time."

DOMINIC D'ALESSANDRO
MANULIFE FINANCIAL

China's boom is good for Canada

January 28, 2005

FOR years, European investors have been able to use Canada as a North American play. But now they can also use Canada as a China play, on the strength of China's voracious demand for Canadian commodities. We are a low-risk, high-return way to share in the booming Chinese economy.

Over the last decade, China's GDP has grown by almost 8.5 percent per year. China is Canada's second-largest trading partner after the United States. Over 400 Canadian companies now have a permanent presence in China, more than double the number eight years ago. Between 1999 and 2003, Canada's exports of goods to China grew from $2.7 billion to $4.8 billion. For the first 11 months of 2004, Canada's exports to China rose to $6.5 billion.

Let me tell you something about the potential for greater trade between Canada and China. China consumes 12 percent of the world's market pulp. Canada accounts for 22 percent of the capacity. China consumes 6.4 million barrels of oil per day. Canada's oil sands now produce a million barrels per day, and some predict that it will reach about five million in 10 years. Those oil sands require major investments in refining capacity and transportation infrastructure. There are a couple of proposals for pipelines from the oil sands to the West Coast, and one of them, put forward by Enbridge, could potentially include some equity ownership from China.

Last year China accounted for more than 45 percent of the growth in global consumption of aluminum, nickel, zinc and lead. But China itself has major deposits of aluminum, nickel and lead. This provides a different kind of opportunity. Over 60 percent of the world's mining companies are based in Canada.

The global reach, the leading expertise and the resource wealth of Canadian companies are all very attractive features to Chinese business. In fact, China is using the proceeds from its huge trade surplus not just to buy commodities, but also to invest in the companies that produce them. It is now clear that the Chinese are shopping the world for resource companies. Some of Canada's biggest resource companies are now possible plays for a Chinese economy flush with investment cash.

Canada has long enjoyed excellent relations with China. In the 1960s, China imported our wheat. In the 1980s a new wave of Chinese immigrants began arriving in Canada, bringing their business networks. In the 1990s, Canadian companies were major players in big projects that helped to build modern, industrial China.

Companies that have demonstrated long-term commitment and have taken the time to cultivate personal relationships with China's leaders are the most likely to succeed.

With the continuing strength of North American trade, the rising value of the Canadian dollar, and the booming trade opportunities with China, Canada offers a unique opportunity for global investors. We believe Canada is the single most interesting place in the world in which to invest.

WILLIAM A. DOWNE
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