

WINTER
HIVER 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

The past year has been a time of significant transition in Canadian politics – a new Prime Minister, several new provincial governments and a new, united Conservative party that is preparing to face the federal Liberals and New Democrats in an election widely expected in the spring of 2004.

Equally, it is a time of new ideas and opportunities to strengthen Canada and its place in the world.

This selection of excerpts from speeches by members of the *Canadian Council of Chief Executives* (CCCE) reflects a broad range of these ideas and offers practical solutions to some of the challenges confronting Canada and Canadian enterprises. One such set of challenges arises from the continuing focus on public and private governance and social responsibility. Another concerns the need for a new approach to relations between Canada and its most important trading partner, the United States. And, as always, Canadian-based companies face a wide range of pressures in dealing with global competition.

We hope that these thoughts stimulate further discussion and debate about how Canadians can work together to build a stronger, more prosperous and more secure society.

L'année, qui vient de s'écouler, a été une année de transition importante sur la scène politique canadienne – un nouveau Premier ministre, l'élection de plusieurs nouveaux gouvernements provinciaux et un nouveau Parti conservateur unit et prêt à affronter les libéraux et les néo-démocrates dans une élection qui aura lieu vraisemblablement au printemps 2004.

C'est également un temps pour de nouvelles idées et de nouvelles possibilités afin de renforcer le Canada et sa place dans le monde.

Cette sélection d'allocutions prononcées par des membres du Conseil canadien des chefs d'entreprise (CCCE) explore plusieurs de ces nouvelles idées et vise à mettre de l'avant des solutions pratiques à quelques-uns des défis auxquels le Canada et les entreprises canadiennes doivent faire face. Certains de ces défis sont liés à l'importance accordée à la gouvernance publique et privée ainsi qu'à la responsabilité sociale. D'autres ont trait à la nécessité d'une nouvelle démarche à l'égard des relations entre le Canada et son partenaire commercial le plus important, les États-Unis. Et comme toujours, les entreprises ayant leur siège au Canada doivent composer avec des pressions de tous ordres au chapitre de la concurrence mondiale.

Nous espérons que ces réflexions sauront stimuler les discussions et les débats sur la façon dont les Canadiens peuvent travailler ensemble pour bâtir une société plus forte, plus prospère et plus sûre.

ROSS LAVER
EDITOR/RÉDACTEUR

IN THIS ISSUE  **DANS CE NUMÉRO**

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

- “A made-in-Canada strategy for good governance”** page 4
Barbara G. Stymiest, TSX Group Inc.
- “A sensible solution to conflicts of interest”** page 5
Paul Desmarais Jr., Power Corporation of Canada
- “Priorités nationales et réalités politiques”** page 6
Thomas d'Aquino, Conseil canadien des chefs d'entreprise
- “The social dimension of sustainable development”** page 7
Linda Z. Cook, Shell Canada Limited
- “L'énergie au Canada: les déficits et les opportunités”** page 8
Ron A. Brenneman, Petro-Canada
- “A plea for leadership”** page 9
Patrick Daniel, Enbridge Inc.
- “Stepping up to the plate”** page 10
Scott M. Hand, Inco Limited

**STRATEGIES FOR NORTH AMERICA /
STRATÉGIES NORD AMÉRICAINNE**

- “Beyond the rhetoric”** page 11
Frank Clegg, Microsoft Canada Co.
- “What gets measured, gets done”** page 12
A. Charles Baillie, TD Bank Financial Group
- “New avenues of cooperation”** page 13
Derek H. Burney, CAE
- “Enhancing a model friendship”** page 14
Gwyn Morgan, EnCana Corporation

“A cross-border federation of electrons” page 15
David McD. Mann, Emera Inc.

**COMPETING IN THE WORLD /
COMPÉTITIVITÉ AU NIVEAU MONDIAL**

“Rebalancing our priorities” page 16
Richard E. Waugh, Bank of Nova Scotia

“Forging a stronger partnership” page 17
Thomas d’Aquino, Canadian Council of Chief Executives

“Passion and imagination” page 18
Frank Dunn, Nortel Networks Corporation

“New skills for a new era” page 19
Don A. Pether, Dofasco Inc.

“Exploding the myths” page 20
Paul M. Tellier, Bombardier Inc.

“Reinvesting in our future” page 21
Robert J. Ritchie, Canadian Pacific Railway Company

“The new digital marketplace” page 22
Leonard J. Asper, CanWest Global Communications Corp.

“Canada’s resource potential” page 23
Tim Hearn, Imperial Oil Limited

“Competing and winning in the global arena” page 24
Barbara G. Stymiest, TSX Group

“An invaluable lesson in human behaviour” page 25
Tony Comper, BMO Financial Group

“The power of effective teams” page 26
Jay A. Forbes, Aliant Inc.

“Designing an economic engine that fires on all cylinders” page 27
Réal Raymond, National Bank of Canada

“Putting more money in the purse” page 28
A. Charles Baillie, TD Bank Financial Group

A made-in-Canada strategy for good governance

September 19, 2003

AS I said to the Canadian Coalition for Good Governance earlier this month, I believe that public companies need the flexibility to find and adapt best practices to their own unique circumstances.

We have adhered to the view that the best evolution in terms of the needs of the Canadian market lies in enhancing our standards and guidelines, rather than through adopting *holus bolus* the rules-based approaches approved by the U.S. Congress in the form of Sarbanes-Oxley.

There are basic reasons for adopting this approach. First, we believe that we should not be burdened with the U.S. rules because of what happened in their country. We've had some problems here, no question, problems that have almost entirely run afoul of existing laws such as fraud. But our conclusion is that our system is not as failed as theirs.

Of course, this is not to condone complacency. We just don't see why you'd throw the baby out with the bath water in looking at changes to our system.

Second, our market structure is tilted much more toward small cap companies than the American market. Look at the numbers. Under 10 percent of the companies on TSX Group's two national exchanges have a market capitalization in excess of \$500 million. This compares to about 30 percent of companies crossing that threshold on the three national exchanges in the U.S.

Importing U.S. rules without taking account of our circumstances is equivalent to punishing small Canadian companies for the sins of certain large American companies. It could also stifle innovation coming out of the smaller end of the public markets, to say nothing of the growing investor interest in small cap opportunities.

The facts suggest that many institutional investors, who are traditionally risk-averse, continue to be reticent to invest in quality, emerging companies. This is a trend we hope to change. In fact, recent numbers show that retail investors are increasingly interested in what they find on TSX Venture Exchange.

You can see this in the increase in trading volumes, up 10 percent as of this August over last year, while value traded on TSX Venture Exchange is up 14 percent over the same time.

The third reason for our ongoing support of guidelines is found in the counter-reaction to Sarbanes-Oxley evolving in many quarters, both in the U.S. and around the world. Notably, Alan Greenspan and Bill Donaldson have both warned that all the measures of the last year may have made U.S. corporate leaders more risk averse – to the point where a reluctance to take risks is impeding economic recovery.

BARBARA G. STYMIEST
TSX GROUP INC.



A sensible solution to conflicts of interest

January 29, 2004

SOME commentators on governance have suggested that as a matter of policy, the boards of closely held companies should have a majority of directors who are independent from management and the controlling shareholder.

The proposal seems to be based on a confused notion that independence from management and the controlling shareholder is synonymous with excellence and integrity. This is a fallacy. It implies that investors are better off if they entrust their wealth to a committee of trustees who may or may not share the controlling shareholder's interest and commitment.

A mandatory requirement for a majority of directors unrelated to the controlling shareholder is inconsistent with a fundamental principle of free enterprise: control means control. A controlling shareholder is entitled to be fully involved in the election of his board and through the board to appoint the chief executive officer and set company policy. We are talking about the heart of the market economy.

If this rule were applied to existing closely held public companies, it would constitute an attack on property rights. It could lead to a reduction in the propensity for risk-taking, and make our markets a less attractive place in which to take a company public.

What I am saying to advocates of governance reform is that we have many very successful business organizations in Canada, with varied forms of governance. The challenge will be to ensure that in

regulating governance we do not impede that success. In that vein, I would put forward the suggestion that Canadian corporations consider adopting a process to deal with problems of conflicts of interest between controlling shareholders or managers, and the corporation.

Financial services companies, as you know, are mandated by regulators to have a conduct review committee that serves such a purpose, and this concept has worked well for us at Great-West Life.

Boards of every public company would create a "conduct review committee", to be made up exclusively of independent directors, neither related to management or to controlling shareholders. Such a committee would be charged with reviewing every matter, whether or not material, involving a possible conflict of interest or self-dealing.

I have no doubt that such a committee would help solve 99.9 percent of all such contentious situations. It would make a lot more sense than the suggestion that independent directors should make up the majority of all boards. And it would go a long way to protect minority shareholders from inappropriate use of corporate funds by managers or owners, while making sure that those who manage best – and who, overwhelmingly, do it honestly – are able to do their job effectively, for the benefit of all shareholders.

PAUL DESMARAIS JR.
POWER CORPORATION OF CANADA



Priorités nationales et réalités politiques

January 15, 2004

EN ce qui concerne la politique fédérale, les dynamiques ont énormément changé à Ottawa, tant au sein du Parti libéral qu'entre les partis.

D'une part, le nouveau Premier ministre Paul Martin a pris l'engagement fondamental d'aborder le problème de ce qu'il appelle "le déficit démocratique". Il a déjà pris des mesures pour accorder plus de pouvoir aux membres du parlement et aux comités parlementaires, permettre un plus grand nombre de votes libres à la Chambre des communes et autoriser l'examen par le public des nominations clés des gouvernements.

Ces efforts visant à améliorer le travail du parlement s'accompagnent d'un engagement à perfectionner la gouvernance par l'intermédiaire de la loi, à créer un poste de commissaire à l'éthique qui œuvrera comme agent parlementaire plutôt que comme conseiller du premier ministre ainsi qu'à élaborer de nouvelles règles plus strictes sur l'éthique et les conflits d'intérêts à l'intention des députés et des sénateurs.

Les mesures annoncées ou proposées par le Premier ministre Martin, considérées de concert, ont la capacité d'entamer considérablement le processus décisionnel. Pour des organismes comme le nôtre et pour toute personne intéressée à influencer sur la politique publique, les structures et les pratiques nouvelles offriront plus de possibilités de participation.

Toutefois, elles demanderont des efforts accrus pour travailler avec un plus grand

éventail de représentants élus et de représentants du gouvernement.

Je n'ai aucun doute quant à la sincérité de l'engagement du Premier ministre Martin qui vise à augmenter la transparence et la participation à la prise de décisions.

Par contre, je dois ajouter qu'on ne sait toujours pas clairement jusqu'à quel point les mesures annoncées inspireront véritablement une dynamique plus libre au Parlement et dans la fonction publique.

Depuis le premier mandat du gouvernement Trudeau, lorsque je travaillais au bureau du premier ministre, j'ai vu le pouvoir du premier ministre s'accroître et devenir de plus en plus enchâssé. Cette tendance sera difficile à renverser.

Le désir de rendre le Parlement plus démocratique fait certainement face à de réelles tensions compte tenu de la tendance à la centralisation et au contrôle du pouvoir qui caractérise maintenant le gouvernement du premier ministre du Canada.

THOMAS D'AQUINO

CONSEIL CANADIEN DES CHEFS D'ENTREPRISE



The social dimension of sustainable development

October 30, 2003

TODAY, with global communications, and with media and special interest groups relentlessly scrutinizing every activity, all large organizations operate in a "culture of suspicion."

Expectations have risen for companies to accept much wider responsibility for the social and environmental impact of their operations – in addition to the financial consequences.

The social dimension of sustainable development also encompasses human rights and the challenge of corruption.

These are particularly relevant in a country like Nigeria, where Shell has been operating for almost 50 years. Regrettably, Nigeria is consistently ranked as one of the most corrupt countries in the world. Bribery is generally accepted as a normal part of doing business. Some people would say that not to bribe would place a company operating in Nigeria at a severe competitive disadvantage.

Nevertheless, Shell has a clear, unequivocal prohibition on bribery. However difficult this may be – and we are not naïve enough to claim to be perfect – we do think we gain in the long term.

Our commitment to supporting human rights is more complicated because it raises difficult questions about the legitimate role of business in the affairs of a nation.

We think of this commitment in terms of circles of influence. At the centre is the

obligation to Shell's employees. We have a duty to protect those who work on our behalf, pay them a fair wage and make sure they get home safely at the end of the day.

Next is our duty to respect the rights of our neighbours and ensure they benefit from our activities in their communities.

In Nigeria, working with local leaders and non-governmental organizations in 2002, Shell invested \$65 million in community development, social and infrastructure programs.

More widely, we try to use our influence with governments. Often, this is best done privately, but we have to be prepared to speak out, as we have done in Nigeria.

Shell is one of the first multinational companies to support a proposal calling for businesses to disclose their payments to governments generated from mining and oil and gas production.

Launched in Europe, the "publish what you pay" campaign is backed by a coalition of over 160 non-governmental organizations, including Amnesty International. If adopted, disclosure will help increase transparency and make governments more accountable for the use of these funds.

LINDA Z. COOK
SHELL CANADA LIMITED



L'énergie au Canada: les défis et les opportunités

November 24, 2003

QUEL rôle Petro-Canada peut-elle jouer pour appuyer une révolution de la technologie de l'énergie? Certains pourraient dire que nous devrions investir dans les énergies renouvelables – en construisant des éoliennes, par exemple. Je ne crois pas que ce soit là la solution. Petro-Canada n'est pas une entreprise du secteur de l'électricité et les éoliennes ne sont pas notre domaine.

D'un autre côté, nous sommes assis sur ce qui est, il est permis de croire, la plus importante source de pétrole à l'échelle mondiale – les sables pétrolifères de l'Athabasca – et nous avons une expertise approfondie de la façon d'exploiter cette ressource. Des réserves totales incroyables de 315 milliards de barils de pétrole – du même ordre que celles de l'Arabie Saoudite – peuvent être récupérées au moyen de la technologie d'aujourd'hui.

J'aimerais que nos systèmes de politique d'intérêt public encouragent l'investissement dans la nouvelle technologie pour améliorer la performance environnementale de nos usines de sables pétrolifères. Cependant, pour réaliser cette vision, il est essentiel que nos responsables des orientations politiques fassent preuve de flexibilité, de créativité et d'innovation dans les instruments qu'ils sélectionnent pour faciliter un avenir plus durable.

J'ai promis au personnel des Affaires publiques de ne pas mentionner l'Accord de Kyoto car je m'attire des ennuis chaque fois que je le fais. Mais je trouve préoccupant que, tandis que le gouvernement développe son plan pour répondre aux objectifs de

Kyoto, nous semblons nous éloigner de l'innovation en faveur d'une politique «prescriptive» qui ne pourra tout simplement pas fonctionner.

De la façon dont les choses se présentent aujourd'hui, je suis forcé de dire non à presque toutes les idées innovatrices, mais non prouvées, qui me sont soumises pour un nouvel investissement technologique qui pourrait améliorer l'efficacité énergétique. La raison est que je ne peux garantir que l'investissement sera payant sur le plan de la réduction des émissions d'ici à l'échéance fixée pour la mise en application du Protocole de Kyoto.

Si je dois atteindre un objectif inflexible pour Kyoto, il semble que la seule chose à faire soit d'acheter des droits d'émission sur le marché international. Donc, au lieu d'investir de l'argent dans l'innovation technologique ici au Canada, nous semblons encourager des sorties de capitaux, avec des effets très douteux.

Par ailleurs, je suis très heureux des conversations que j'ai eues avec notre nouveau premier ministre à ce sujet. Paul Martin est clairement engagé à l'égard de l'environnement et de l'action contre le changement climatique, mais il comprend aussi combien il est essentiel d'encourager l'innovation dans le secteur privé ici au Canada pour s'attaquer à ces défis colossaux.

RON A. BRENNEMAN
PETRO-CANADA



A plea for leadership

November 3, 2003

BELIEVE the world is entering an era where natural gas is becoming a key economic driver, much like oil has been for well over a century. Natural gas is clearly becoming the fuel of choice for the future. In other words, the potential of the gas industry is tremendous. But whether that potential will be realized is another matter.

The good news is that globally we have almost as much natural gas available as we do oil – about 1 trillion barrels of proved oil reserves, excluding oil sands and shale oil, and just under 1 trillion barrels of oil equivalent of natural gas, excluding coalbed methane and potential future sources such as undersea methane hydrates.

If supply isn't an issue – at least in the longer term – what is the situation with demand? Natural gas remains a premium-priced fuel and the environmentally preferred fuel of choice. Sixty million U.S. homes are heated with gas and 40 percent of U.S. industry uses gas as its primary fuel.

The power generation sector continues to be the leading source of growth, accounting for about a quarter of U.S. natural gas consumption. According to the National Petroleum Council, natural gas is likely to fuel more than 90 percent of the 220,000 megawatts of U.S. power plant capacity recently built or due to come on stream in the next few years.

Now let's turn to prices. Gas has gone through two price shocks in the last few years, resulting in a volatile pricing environment. In the oil business it was easy to be somewhat cavalier and say, "Well don't

drive so much if you don't like the price – or drive a Volkswagen Beetle". With gas it's hard to say, "Don't heat your home if you don't like the price!"

Long lead times for development and slow, often unpredictable approvals processes are a big concern. It is getting harder and harder to build infrastructure without lengthy hearings and considerable vocal opposition. It is also harder to gain access to land, resulting in delays in bringing new reserves to markets and contributing to price shocks.

We didn't always have these problems in the early days of the oil business. But with the advent of the NIMBY syndrome – Not In My Back Yard – many resource projects are being delayed or even killed by local, but very vocal, opposition groups.

That may well be the Achilles heel of gas development. Governments and regulators have identified the need for streamlined approvals, and signaled their desire to make it happen. Yet barriers still exist – restrictions on access to land for drilling, drawn out approvals for development, and the lack of specific processes for multiple jurisdictional review, including approval of expected applications for one or more northern pipelines.

There are no easy answers. But a key part of the solution has to be leadership. Someone, or a group of someones, has to take the lead, to reach a consensus on how to streamline the approvals systems, and then ensure it happens.

**PATRICK DANIEL
ENBRIDGE INC.**



Stepping up to the plate

November 13, 2003

AT Inco, we're totally focused on the responsible mining and processing of nickel – in Canada, in Indonesia, the U.K., China, and soon in New Caledonia.

Is the world better off for having nickel? I think it is. It's the reason stainless steel is stainless. It's in the batteries of cell phones.

It's in the batteries of hybrid/electric cars. It's in kitchens, airplanes and medical instruments.

But to meet public expectations, to address today's environmental and social standards, we've got a lot of work to do. And a lot of that work involves dealing with the cumulative impact of 100 years of operation.

Take Port Colborne, Ontario. During World War II, our Port Colborne refinery produced 90 percent of the world's nickel and helped in the war effort. Today, it's a smaller operation – and it no longer produces nickel.

But the legacy of those earlier years remains in the surface soil where, in some areas, there are elevated levels of nickel.

What should a company do? How do we deal with something that happened more than half a century ago?

First, we accept responsibility. Step up to the plate. Acknowledge our role in creating the problem.

Second, we act responsibly. Bring the best minds and science to the problem. Stick it out until it's resolved. And pay for it.

In Sudbury, for the last 25 years, we've undertaken one of the largest environmental clean up projects in Canadian history. We've spent over \$700 million achieving something we believe in – clean air. And we now contain 90 percent of our emissions.

But that's not enough. The job isn't done. We're spending another \$115 million to lower our SO₂ emissions a further 34 percent by 2006. We will continue to be one of the top 10 air emitters in North America until we can figure out a way to fix it completely. Our scientists and researchers are aggressively pursuing innovative and technical solutions, with the aim of achieving a 75 percent reduction of our current SO₂ emissions by 2015.

It's a tough challenge. Can we get there? At this point, we don't know for sure – but that's our goal.

One thing we do know is that we can't do it alone. We'll need the creative energy of others to finally resolve this issue. For example, our federal and provincial governments are searching for new regulatory tools beyond the traditional command and control approach.

Let's just tackle the problem head on. Let's think out of the box. Let's look for solutions and results. And let's do it together.

SCOTT M. HAND
INCO LIMITED



Beyond the rhetoric

June 3, 2003

FOR a company to gain the respect and loyalty of consumers, it must go beyond simply connecting with consumers' minds. Successful companies must build deeper relationships connected to the heart and soul of consumers, if they are to earn a level of trust, respect and loyalty.

I think Canadians believe businesses should make healthy profits, but with profit comes an increased expectation that companies will behave with respect, honesty and integrity and contribute in a meaningful way to the society that supports their business.

Recent Gallup International and Environics International research supports this view. Thirty-nine percent of North Americans see "building a better society" as a major role for large companies. Only 11 percent said that "making a profit in ways that obey all laws" was the major role for companies.

Looking at Canada, 59 percent of respondents said that large companies in Canada are not doing a great job at being responsible. Half of Canadian respondents think we need laws to force Canadian companies to do a better job. And, in the last four years, more than 40 percent of Canadians have considered punishing companies who are not socially responsible

I believe that companies must put their efforts where their money and expertise can make the greatest difference in the community, not necessarily in areas that best serve their business interests. And that can be a very fine line to walk. Let me give you an example:

Last year, we determined that as a company, Microsoft Canada needed to make a more meaningful commitment to innovation in Canada. We decided to create a \$10 million fund and make it available to Canadian universities for the advancement of research, education technology solutions or curriculum.

University of Waterloo was our first recipient. They had some very strong ideas for using the money in all three categories. We made the announcement with great fanfare. But within hours, students on campus started questioning our motivation. They presumed our intentions were to offer research funding with one hand and with the other hand, fund curriculum development for the sole purpose to advance our own technology in the school. That our real motivation was the curriculum.

This was never the intention. So our good intentions ended up in two weeks of suspicion and negative publicity directed toward Microsoft, tainting the whole initiative.

This was the biggest eye-opener of my career at Microsoft. I now realize that we need 100 percent transparency in the actions we take, and that if there's self-interest in any way, we can't call it philanthropy. It may take us a decade to reclaim that trust, but we will not consider ourselves a truly successful company until we get there.

FRANK CLEGG
MICROSOFT CANADA CO.



What gets measured, gets done

October 8, 2003

ACCORDING to a recent Environics poll, Canadians are second only to Americans as the most demanding nation in the world. We are the most likely in the world to punish at the cash register companies we deem socially irresponsible.

The increased focus on social responsibility is fuelled by a number of factors. One is greater access to information. The more we know, the more we demand transparency from our public and private institutions.

Driven in part by the demand for greater transparency, but also by the wish to highlight their corporate social values in action, a small but growing number of corporations is now reporting what is known as “the triple bottom line”, a term that refers to the need to think of performance in financial, environmental and social terms.

Little of this reporting is yet governed by regulation, although the new Bank Act requires that Canada’s chartered banks annually produce a Public Accountability Statement in addition to our annual reports. Banks are required to account for their community development activities, their philanthropy, small and medium-sized business financing and micro credit programs, branch closures, and employment, as well as taxes paid.

TD Bank Financial Group produced its first Public Accountability Statement last year. We accepted the premise for the report, but candidly, we were worried that its preparation would be more burdensome bureaucracy.

Creating it was a process of drawing out and cataloguing the threads of social and philanthropic activities woven throughout all parts of our organization. We had never done that in such a holistic fashion before. The experience was an eye-opener.

One benefit was that it gave employees a new view of the bank – not simply as a place to work, but as an active contributor to the communities where we do business.

Two years ago, TD Bank began to support a black theatre group called Obsidian. We provided seed money to help them mount works that build greater awareness of black culture and issues. We assisted with marketing and advertising. This year we are funding a management position so that their principals can focus on what they do best – great theatre. This project is giving TD a better understanding of an important part of our market and forging stronger links with the black community.

It is a tenet of business that what gets measured gets done. The mere fact of having to itemize our activities made the bank more conscious of the impact of many decisions that had previously been taken quite independently across the organization. The fact that we now have a way to measure these activities from year to year and to see how we rank against our peer group, in Canada and globally, naturally leads TD to want to do better.

A. CHARLES BAILLIE
TD BANK FINANCIAL GROUP



New avenues of cooperation

October 30, 2003

GEORGE Schultz used to say that good management of the Canada-U.S. relationship was like good gardening. It required regular weeding and consistent attention or the crop would suffer. And it needed more than one hand on the hoe.

There will never be a dispute-free nirvana in this relationship. But if we are prepared to shift from complacency to engagement, changing both the tone and the priority of our relationship, there is definitely scope for new avenues of cooperation that would help protect and advance Canadian interests where they count most.

First and foremost, assuming that security remains Washington's priority concern for some time to come – as I am certain it will – there is a chance that a fresh proposal from Canada indicating our readiness to participate more tangibly in North American security and command structures might attract interest, if not attention, in Washington.

This could involve new levels of cooperation and commitment and new institutions, enabling stronger defence, intelligence and police cooperation. It might include, as well, harmonized, or at least common, procedures to handle immigration and refugee policies, balancing our individual needs with our mutual desire for greater physical security.

There is no question but that Canada should do more on defence in order to participate more effectively in preserving its own national security. That is, after all, the ultimate assertion of sovereignty. It is also a matter of morality and ethics. If we are

unwilling to provide our soldiers with proper equipment, we should not place them in harm's way.

Instead, we should increase defence spending in the next budget and, just as importantly, spend those increased resources in a way that enables our armed forces to be a more effective instrument of Canadian security and Canadian foreign policy.

Procrastination on issues like missile defence does not help. It is always easier to abstain or postpone on tough issues than to take a stand, even more expedient politically in the short term.

But does avoidance strengthen our sovereignty? If missiles are some day targeted at North America, should we not seek to participate constructively in measures intended to divert them from Canadian as well as American cities?

I am not suggesting that we move in lock step with the U.S. on security or other issues of the day. But, to be credible, we need to have established a track record of performance and an atmosphere of mutual trust and confidence. To be taken seriously when we counsel patience (or inaction), we need a capacity to act. Otherwise, our motives could be dismissed as merely avoiding the cost and controversy of involvement.

DEREK H. BURNEY
CAE



Enhancing a model friendship

November 11, 2003

A FRIEND of mine recently observed that Canada is one of the few countries in the world that has only one neighbour. Looking at the world's many dysfunctional countries, the fact that our single neighbour happens to be the world's strongest country is a very fortunate "accident of birth".

For Canada, the list of reasons why living next to Uncle Sam is very good fortune includes not only a strong friendship and many shared values, but also economic prosperity and strategic security.

But all lasting friendships require effort, on both parts. And I have to say that in the past several years, Canada hasn't done its part to maintain our side of the relationship. And, just as lasting partnerships require a sharing of the effort, Canada has not carried its share in the area of maintaining an effective military capability.

Like relationships between people, maintaining a strong friendship between countries means building a bank of goodwill – in effect, a "relationship goodwill account" – that can be drawn upon from time to time to solve mutual problems.

Unfortunately, at far too many levels Canada has built up a relationship account deficit with the United States.

This cannot be allowed to continue. I have great confidence that – just as our new Prime Minister, Paul Martin, erased Canada's fiscal deficit – he will act decisively to remove Canada's relationship deficit with the United States. From this new, more positive platform, our two countries can deal

more effectively with those issues that continue to cause friction between the world's two most naturally suited allies and most closely knit economies.

Moving into this more positive future, there is a proven model to build on - our energy trade relationship.

EnCana, Canada's largest energy company, exemplifies this bilateral relationship. Canadian natural gas exports are crucial to U.S. consumers, and EnCana is the largest producer and exporter of Canadian natural gas. Our U.S. subsidiary is one of the largest U.S. gas explorers and producers. We have the largest North American oil and gas exploration program of any Canadian- or U.S.-headquartered company. It ranges from Alaska and the Canadian north to the Canadian west and the U.S. Rockies, to Canada's East Coast, to the Gulf of Mexico. We are a major exporter of oil to the United States and we are represented on boards of major industry groups.

So EnCana truly is an example of a Canadian-headquartered oil and gas company operating on a fully bilateral basis with our American friends. Canadian energy exports are a model of a kind of economic co-operation that offers important strategic benefits. I hope that this model of economic and strategic co-operation will further strengthen the relationship between two countries, born alongside each other to become the world's best friends.

GWYN MORGAN
ENCANA CORPORATION



A cross-border federation of electrons

September 17, 2003

WHEN I agreed to make this speech, I did not expect that it would follow the largest blackout in North America's history – a blackout that struck at the very heart of the Northeast Power Coordinating Council (NPCC).

If there was a silver lining to the blackout, look at what happened to utilities in the Maritime provinces and most of New England. Using NPCC procedures along with technology and training, they worked together to stop the blackout from spreading. As a result, millions of people in New England and the Maritimes were unaffected.

This cross-border federation of electrons underscores the benefits of integration between Canada and the United States. Our economies are inextricably connected, and growing more so every day. Eighty-five percent of Canadian exports go to the United States while 73 percent of Canada's imports come from the United States. Twenty-two percent of US exports go to Canada – more than Japan and Mexico combined.

Canada is America's largest supplier of energy, accounting for 94 percent of natural gas imports, a large majority of electricity imports, and more crude and refined oil products than any other foreign supplier. On average Canada exports between 7 and 9 percent of its total electric generation to the United States, with much of this going to the Northeast U.S.

And just off the Nova Scotia coast near Sable Island you will find Canada's first offshore natural gas project. Gas from Nova

Scotia is shipped through the Maritimes & Northeast Pipeline to just outside Boston. You may be interested to know that Emera has an equity stake in both the Sable Offshore Energy facilities and the Maritimes and Northeast Pipeline.

The energy trade between Canada and the U.S. is not just a one-way street. U.S. exports to Canada have risen steadily over the years, to over 15 million megawatt hours, taking advantage of the diversity between the U.S. and Canadian electricity systems.

At Emera, we have a somewhat unique view of the cross-border nature of the electricity industry. We were the first Canadian company to buy an American utility, with our 2001 acquisition of Bangor-Hydro Electric in Maine. We've seen firsthand the hurdles that still exist to operate efficiently in both countries.

It is our view that a regionally integrated market that spans the Canada-U.S. border is positive. Increased integration of the U.S.-Canadian market will help reduce the current uncertainty in North American markets through greater efficiency, increased energy security, more predictable regulations and policy, lower costs, and greater environmental benefits.

DAVID MCD. MANN
EMERA INC.



Rebalancing our priorities

January 15, 2004

THE recent failure of World Trade Organization talks in Cancun, Mexico, highlights the reality that global-scale trade agreements are becoming increasingly difficult to achieve.

While I fully support the WTO, and I encourage staying with the negotiations, the reality is that the United States has already demonstrated that it is ready to take a more bilateral approach to achieve its own more narrowly based objectives in the absence of progress in multilateral discussions, with recently completed agreements with Chile and Singapore.

As unfortunate as this is for Canada, it means there is a need to rebalance our priorities. Making this even more pressing, Canada, once an important international voice, seems to have lost much of its influence in our own hemisphere.

Therefore, Canada should redouble its efforts to promote hemispheric trade with a clear focus on bilateral and more regionally based development and trade agreements. These agreements will be of growing importance for Canada and for Canadian business.

It's easy to forget that, after the United States, ours is the largest economy in both North and South America. Many countries want to see Canada play a greater part as a natural counterbalance to the dominance of the United States.

In addition, large developed countries such as ours have a clear responsibility to support developing markets, financially and in

helping organize and build the right legal and institutional frameworks to support economic growth, social improvements and wealth creation.

The fact is that wealthy countries represent two-thirds of world trade and three-quarters of global GDP. So our decisions have a disproportionate impact on other markets, even more so for the small countries of the Caribbean and Central America.

At the same time, governments and the private sector must understand the limitations of emerging countries. They must recognize that it is not possible to achieve goals such as full transparency overnight. It will take time, and changes need to be managed carefully.

While good progress has been achieved over the years throughout the Caribbean and Central America, much more can be done. Governments and international organizations, while confirming their various priorities, including security and transparency, must also make a realistic appraisal of what progress is possible in these markets, at least in the short term, towards achieving these goals. They need time and they need help.

I believe now is the time for greater commitment and leadership from leading nations and, in particular, Canada. We lost some of that initiative in recent years, and now a new government and new leadership is our opportunity to regain it.

RICHARD E. WAUGH
BANK OF NOVA SCOTIA



Forging a stronger partnership

January 15, 2004

AT a time when security alerts continue to cause costly delays at the border, the evolution of the Canada-United States relationship remains one of our core priorities as an organization.

As we said in launching our North American initiative a year ago, economic integration may be irreversible, but economic security and physical security have become indivisible. The future of Canada's economy and of Canadian-based enterprises depends on our ability to manage our North American relationships – and, in particular, on our ability to keep borders open and people and goods moving at all times.

It is more important than ever for our two countries to make progress during 2004. Our countries need to maintain a strong economic partnership, but also to build a much stronger security and defence partnership to ensure that we do not get caught in any repeat of the disruptions seen in the aftermath of the terrorist attacks of September 11, 2001.

New United States measures to boost security, notably the photography and fingerprinting of most visitors and pre-notification requirements for incoming shipments, together with repeated security alerts and a continuing need for better border infrastructure, have added to perceptions that crossing the 49th parallel can be unpredictably time-consuming. Such perceptions have a direct impact on Canada's ability to attract new investment and may over time affect our country's ability to maintain many of the Canadian jobs that

depend on efficient flows of people and goods.

Meantime, there is growing recognition of the importance of forging public policies that recognize the highly integrated nature of the Canadian and United States economies. Minister of Natural Resources John Efford, for instance, recently called for a Canadian energy strategy that would focus explicitly on the United States.

In meeting the twin challenge of economic and physical security, I want to emphasize the extent to which Canada's strategy must be trilateral rather than bilateral. As Prime Minister Martin and Mexican President Vicente Fox emphasized in their first meeting on January 11, the free flow of people and goods across our respective borders with the United States is critical to both of our countries. What is more, these flows matter greatly to United States businesses engaged in trade.

Some initiatives, such as the 30-point Smart Border action plan agreed between Canada and the United States, will necessarily proceed on a bilateral basis initially. But experiments that are tried first along the 49th parallel may well prove applicable along the Rio Grande as well. This prospect of broader application to Mexican as well as Canadian trade may in turn prove important for Canada in building private sector support for our North American strategy within the business community in the United States, as well as with the millions of American voters of Mexican descent.

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES



Passion and imagination

December 4, 2003

RECENTLY, the U.S. Labor Department announced the most significant productivity improvement in 20 years. This improvement is partially attributable to a faster pace of technological change and innovation, seeded by earlier improvements and research and development spending and patent activity.

This improvement is also seen in emerging markets. For example, in Turkey, total factor productivity, which reflects increases in productivity in technological improvements, has accelerated from an average of 0.5 percent in the 1990s to approximately 4.7 percent in the last two years.

These advances allow emerging markets and developing countries to leapfrog traditional industry cycles, with profound social, economic and political impact.

The United Nations believes that accessible telecommunications is now a human right on the same footing as healthcare and literacy. Consider this: currently 62 percent of North Americans have Internet access. That number is less than 1 percent in Africa. What might the impact of that statistic mean to Africa's future?

Let me offer another example. In India there are many remote farming villages without phone services and therefore with limited Internet service. Recently an entrepreneur introduced a "mail bus" which travels from one community to another. The bus picks up and delivers data from Internet kiosks and cafes in the villages as it moves through the countryside. Villagers use the kiosks to access email and surf the net.

What has this meant? Obviously the ability to access current technology, but more profoundly for them greater control over crop disease as these remote farmers are able to consult with urban, university agricultural experts via the Internet. More effective price setting for crops as farmers communicate with each other easily regarding weekly market conditions.

In the past, emerging economies experienced the same decades-long industry cycles, in traditional sectors like mining and manufacturing, as we did in North America.

That will not be the case with telecommunications. New technologies are enabling countries to skip over what were major milestones in conventional cycles.

Countries like India believe that a robust and reliable telecommunications infrastructure will be a significant tool for increasing their prosperity, attracting foreign investment and driving economic and social change. And they are not burdened by legacy network investments, meaning they are moving quickly to state of the art technologies.

Telecommunications currently represents 4 to 5.5 percent of GDP in emerging markets. In Canada it is currently 3 percent.

These countries have passion and imagination. Consider the potential of that passion and imagination, coupled with an increasingly well-educated population and state of the art technologies.

FRANK DUNN
NORTEL NETWORKS CORPORATION



New skills for a new era

June 17, 2003

BACK in 1998 and '99, the Canadian Steel Trade Employment Congress surveyed its members and found a big, difficult issue. There was an urgent need to replace retiring skilled trades people, especially with a big demographic bubble of baby boomers about to hit retirement age. And it is a big bubble. In the Hamilton region alone, 15,000 tradespeople will retire in the next five to 10 years.

A couple of other factors were making the situation worrisome. First, most companies had not been hiring for several years, so there were few new employees getting ready to replace those who were retiring.

Second, companies were recognizing they needed new skills and more advanced knowledge, as our industry has become more high tech and innovative.

And third, we realized we needed to look at ways to minimize the recruiting and training costs associated with getting the right, skilled apprentices into our companies.

We had to act. So we got together and formed a Steel Industry Trades Replacement committee, with representation from industry management, labour, government and community colleges. And we started to tackle some of the issues.

We talked about developing a program that delivered the right mix of skills and experience for the students, that provided the right kinds of qualifications, and that set generally accepted high standards for skilled trades.

And we talked about a program that could be updated to stay current with the evolving needs in the workplace. Mohawk College agreed to partner in a pilot program with three area steel manufacturers - Dofasco, Stelco Lake Erie and Stelco Hamilton. The first students came to Mohawk in September of 2000. They experienced a combination of technical curriculum in the classroom and paid co-op experience that is credited towards apprenticeship hours. And they had a chance to check out more than one work environment in the process.

It's a unique program that provides a broad base of both knowledge and experience to students – as well as insight into the companies they might want to work for.

For companies, the program provides us a broad base of talent to recruit from, delivers learning appropriate to current and future needs in our industry, and ultimately reduces the cost of recruiting. The college benefits through support from industry and government, high job placement rates and by having an attractive program for student recruitment.

I am sure I can speak for all three steel manufacturing locations when I say that any of us will be fortunate to welcome these graduates as apprentices in our plants. This program is a wonderful example of the success that comes from partnerships between government, education institutions and industry.

DON A. PETHER
DOFASCO INC.



Exploding the myths

September 15, 2003

EVEN before assuming my present position at Bombardier, I had been surprised to no end by the undercurrent of half-baked assertions that, in certain parts of the country, created an urban legend around Bombardier as a poster child of corporate welfare.

This is of course an outright and tenacious myth. It seems to feed on two elements of Bombardier's growth history: The bidding process for acquisitions and various contracts, and government financial support for research and development, product development and exports.

My colleagues and I are determined to explode these myths, to set the record straight, and to challenge these perceptions directly. Consider the following facts:

Bombardier created 9,265 jobs in this country since 1992, to bring its current Canadian workforce to 24,495 employees as of last July 31st.

Our Canadian payroll represented \$1.6 billion in 2002, and Bombardier employees earn salaries well above the Canadian average.

The company provides business to over 5,200 Canadian suppliers spread across the West, Québec, the Atlantic and who have in turn created thousands of jobs.

One of them, Polyfab Aerospace, a division of Magnifoam Technology has, since 1997, more than doubled its sales from \$12.1 million to \$29 million, with \$17 million

consisting of Bombardier Aerospace purchases in 2002.

Cyclone Manufacturing, also from Mississauga, has supplied some \$7.5 million worth of components and assemblies to Bombardier Aerospace in 2002.

In aerospace alone, Ontario suppliers altogether provide Bombardier with 54 percent of our Canadian material and equipment purchases.

Notwithstanding our achievements, recent Canadian governments have often been accused of favouritism and the company branded a child of corporate welfare. Well, let me say this: we live in a totally open economy, an economy that is largely dependent on exports, an economy that needs to be supported by a cluster of strong knowledge-driven industries. Aerospace is one of them. But the Canadian aerospace industry faces formidable and ferocious competitive forces worldwide.

Canadians have to decide whether to make our industry central to this country's industrial and commercial strategy. For starters, a little less whining about government support and a greater effort in understanding the enormous challenges facing the Canadian aerospace industry would be welcome. These helpful contributions would clear the air for a more rational public dialogue on policy matters.

PAUL M. TELLIER
BOMBARDIER INC.



Reinvesting in our future

December 5, 2003

CANADIAN railways have been doing everything they can over the past decade to modernize and improve service. However, we need radical changes to regulation, taxation and public policy to ensure rail can meet the capacity demands of a growing economy.

This situation is past the stage where it should be acceptable to the citizens of Canada. Must we wait until a capacity crunch? I hope we have the intelligence to deal with this issue before it seriously harms our economy.

It is time for our governments to change tack. It is time to eliminate the punitive taxes on railways – for the good of our national economy. These taxes are a grab of money the railways would otherwise invest in infrastructure to support economic growth.

Canada's economic performance gap relative to the United States is still significant. Canada's freight rail industry is already contributing \$10 billion annually to the Canadian economy. A thriving rail industry will contribute even more to the productivity of the Canadian economy and the competitiveness of Canadian products.

Canadian railways need taxation reform. In the absence of taxation reform, we need public-private partnerships.

Our neighbours to the south are ahead of the curve. In the United States, input taxes on railways are 50 per cent lower than in Canada. The U.S. has a number of programs in place to provide public funding to support rail and rail-related infrastructure.

Earlier this year, the American Association of State Highway and Transportation Officials (AASHTO) called for greater public investment in the U.S. rail infrastructure in the form of public-private partnerships.

AASHTO asserts that a public investment of just over \$4 billion a year in the U.S. rail system would, over a 20-year period, save shippers \$401 billion, highway users \$635 billion and highway costs of \$27 billion.

Let's break down these numbers. For every dollar in rail investment, the highway department saves \$7, shippers save \$100 in lower transportation prices, and all highway users save \$150 in reduced congestion, accidents and increased fuel economy.

I think all of us in Canada can learn much from the AASHTO report. Here are a few conclusions I would draw:

First, trucks alone will not be able to handle projected growth in shipping volumes. There are limits to growth of the highway infrastructure.

Second, railways need to maximize their ability to reinvest in their infrastructure to accommodate future growth and therefore we need to eliminate unfair and counter-productive taxes on the railway industry.

And third, if governments aren't willing to eliminate these taxes, public investment in Canada's rail infrastructure through public-private partnerships is needed to allow rail to handle its fair share of shipping volume growth in the future.

ROBERT J. RITCHIE
CANADIAN PACIFIC RAILWAY COMPANY



The new digital marketplace

November 13, 2003

NEW digital technologies have established the consumer as king. People used to say content is king, but content is now the gold that the king consumes.

For media companies this technology has created fragmented markets. Everybody can be a producer now. Digitization also provides the consumer with more choice.

However, digital interactive technology has three attributes that will influence our activity to a larger extent than mere choice. They are: identity; dialogue; and community.

The first attribute of a digital interactive market is identity. The identity of the consumer is known at the time of the consumption. We can even know what is being consumed as it happens.

This attribute of identity puts us in tune with what consumers want. However, it also raises consumer expectations that we will meet their demands. And of course it raises privacy concerns. CanWest has developed a compliance strategy and we intend to adhere to Canada's new privacy legislation.

In a digital environment the consumer also has the opportunity for dialogue with the media company in a manner never contemplated before. I recall not long ago when letters from TV viewers were mostly ignored lest the response encourage them to write again. Today we ignore a consumer call, letter or e-mail at our peril. This is not rocket science but what if 100,000 people are talking to you at the same time? That's a big challenge.

And third, digital technology satisfies the need for communal behaviour like never before. People want to talk to each other. The commercial manifestations of this range from peer-to-peer file-sharing to the digital marketplace known as eBay. eBay has no product. It is simply a digital community marketplace.

So what are the business consequences of this fragmentation?

The advertising market has become like any other competitive market where high volumes of inventory are available to buyers – most of the inventory is treated as a commodity with low value pricing. The value of an "eyeball" has increased, because it is harder to find them. And the value of a mass audience has increased.

This is good for newspapers because they are the last mass medium, reaching over 40 percent of homes daily. In TV, to achieve the equivalent of one spot on *Friends* on Global, a media buyer must buy 51 spots on five cable channels. So they will pay a premium to achieve the mass audience.

This is why conventional media continues to perform reasonably well. Our company will always focus on generating top-quality hit programming and delivering the best in journalism through our newspapers in order to maintain that mass audience.

LEONARD J. ASPER
CANWEST GLOBAL COMMUNICATIONS CORP.



Canada's resource potential

January 16, 2004

THE four largest economies of the world – the United States, the European Union, China and Japan – are all net importers of energy. In many parts of the world, the energy exporting countries supplying these economies don't always have the same political, legal and regulatory stability – adding a degree of geopolitical uncertainty to the long-term supply picture.

So, Canada has a distinct and advantaged position. Already a net exporter of all major energy forms, we are the only G-7 country with the resource potential to become an even larger supplier to the North American market. Compared with other potential competing suppliers to North America, Canada offers unique, valued advantages of supply security, political stability, and an existing infrastructure of pipelines and electrical grids.

Specifically to natural gas in North America, one of the significant developments recently has been an even greater increase in gas prices in relative terms versus oil prices. Natural gas prices, which used to trade at levels below parity on an energy basis with crude oil, have recently been well above, with important implications for choices among these energy sources.

This shift in relative prices has important implications for the development of gas-based industries and power generation on this continent. Certainly, assumptions that massive conversion away from coal and oil to gas in a variety of applications can be sustained are likely not realistic.

That changing picture has implications for the outlook for energy prices in the near to medium term. As noted, I think we are in the process of a shift in the basic relationship between natural gas prices, with gas prices becoming relatively more costly.

Looking ahead in 2004, it is hard to see oil prices, from a strictly supply/demand perspective, being sustained near current levels. New supplies from new sources such as Russia, the Caspian, West Africa and from new projects in Canada are expected to outstrip world demand growth in 2004. OPEC's ability to maintain prices in their target range of \$22-\$28 will be further tested. A number of analysts, based on the experience of last year, have been revising their price outlooks upward. As always, unknown geopolitical events will be a factor. What we do know is that prices will continue to be volatile and uncertain.

All of these factors are motivating a renewed interest in energy policy. Both energy producers and users are encouraging a review of what can be done to promote more reliable, affordable energy supply. We welcome this in Canada. It is time that energy policy considerations move beyond the recent single-minded focus of climate change.

Canada has a rich resource base. Sound energy policies will be required to ensure that we, as a country, realize the full potential of that endowment.

TIM HEARN
IMPERIAL OIL LIMITED



Competing and winning in the global arena

January 20, 2004

IN the last year, investors who put their money in Canadian companies did very well, much better than those who put their money in U.S. shares.

Will that continue? Who knows? What is clear is that our securities markets have represented good value for investors and we have every confidence that this will continue to be the case.

One of the reasons for that is the underlying strength of the Canadian economy and of the fiscal health of the Canadian public sector.

Canada's federal government has been in surplus since 1997. That situation, especially in comparison to what is happening south of our border, has given Canadians considerable confidence in their investments, whether in real estate, in the market or in starting their own businesses.

We have, moreover, one of the healthier investment cultures in the world.

Nearly half of Canadian adults are invested in the market directly or indirectly, and that is not counting equity investments on behalf of every working Canadian by the country's public pension plans.

We also have one of the healthiest market structures in the world. Five years ago, there were six Canadian exchanges – the Toronto Stock Exchange and five others – and we were in a decidedly unhealthy situation.

While U.S. exchanges like NYSE and NASDAQ, and European exchanges like the London Stock Exchange, were making competitive thrusts into Canada, the six Canadian exchanges were focussed on battling it out with each other. We had the wagons circled, in other words, and our competitive guns were pointed at each other.

That has changed. The five smaller exchanges have become a single junior exchange, the TSX Venture Exchange. The Toronto Stock Exchange became the senior exchange. We now own both the senior and junior exchanges. They are run off a common trading system based on new, cutting-edge technology that is as fast and cheap as any of the new electronic trading systems used by our global competitors.

In fact, a study for Deutschebank found that we are among the lowest cost exchanges in the world on big trades, with impact and other costs only marginally higher than those on the CAC 40 or the Dow 30 – and only a third as high as all-in costs on the London Stock Exchange.

That has allowed us to focus on the real competition we face, which is not at home but in global markets, especially the United States, and to expand our horizons and our presence in the United States, Europe and Asia.

**BARBARA G. STYMIEST
TSX GROUP INC.**



An invaluable lesson in human behaviour

September 8, 2003

I THINK that I can say without much fear of contradiction that the greatest single hurdle to effecting successful technological change has been and still continues to be our own woefully inadequate understanding of what drives human behaviour.

Consequently, and to our considerable detriment, we have been slow in developing the critical insights required to optimize our choice of technologies and then put them to their dual purposes of controlling costs and creating value that customers will happily pay for.

While we are very good with machines, in other words, and getting better all the time, when it comes to the emotional and intellectual factors that drive customers' banking routines, we as an industry still have an awful lot to learn.

I certainly make no apologies for my organization being the first bank in North America to offer customers a stand-alone, full-service e-banking option. It was called mbanx, and we launched it in 1996 with lots of ballyhoo — as well as a bit of controversy regarding the slogan and theme song: Bob Dylan's *The times, they are a-changin'*.

As it turned out, however, the times had not changed as much as we'd hoped and calculated when we experimented with mbanx. What we anticipated was a sizable demographic of technology-savvy young people entering the economy with a predisposition toward doing their banking in cyberspace.

There was a demographic all right, but not a sizable one. In a few years, mbanx, which we also introduced to the United States via our Harris Bank franchise in 1997, would be quietly modified, rechristened mbanx Direct in Canada, and integrated into the larger banking operation, one channel among others.

The size of the demographic that would flock to such a bank, however, was not our only problem. What really happened was that, in the spirit of the times as I have already described them, we let collective enthusiasm for the vast potential of Internet banking overwhelm sufficient consideration of how flesh-and-blood customers might actually respond.

In focusing on the early adapters, we temporarily lost sight of the fact that as a mass retailer, what we really needed was an e-banking business model that worked for the broader population.

When we regained our sight, which happened in fairly short order, it didn't take long, as I said, to convert mbanx into one more full-spectrum banking option available to all customers.

I said no regrets before and I'll say no regrets again. The absence of catastrophe aside, that experience would provide both my organization and our industry with an invaluable lesson in human behaviour.

TONY COMPER
BMO FINANCIAL GROUP



The power of effective teams

November 19, 2003

BUILDING great teams requires a common set of values, but it doesn't mean finding carbon copy people and bringing them together. Diversity of ideas, experience, beliefs, and styles is what makes a team great.

Take Dr. Carol Scott's opinions on building effective teams. She is a consultant to businesses and organizations, has been cited often in *The Wall Street Journal*, and draws on her insights and experience as a practicing emergency physician, medical educator, wife and mother to provide advice on developing powerful, creative teams.

She believes, and I agree, that the traditional approach to developing and managing successful teams focuses on forming groups of "good team players", implying that they will all "fit in" and conform. It is these expectations for harmony that may actually stand in the way of a team's success.

Her experience within healthcare institutions has led her to the belief that the union of unique, often diverse, and seemingly unmatched individuals, coupled with the unifying force of a compelling vision and objective, is what really drives success.

At Aliant, we have many teams that are made up of people from all different areas of our company, different provinces, varying backgrounds, different cultures. In fact, our teams are at times spread out over all four provinces – which means we have to be really good at working as a virtual team. We willingly share ideas across the organization and are open to thoughts and ideas of others. We engage in constructive debate to

ensure we've considered all issues and options. We share ownership and responsibility and always work to ensure that team members and coworkers know that their work is important and valued.

Another requirement for an effective team is to have clear goals and objectives – and to know when you're achieving them.

I was reading an article on team building recently and it cited a story about a Canadian contest to find the strongest ox. The winning ox could pull 8,000 pounds. The runner-up pulled just a little less than that. The owners of the oxen wanted to know how much the two oxen could pull together.

Most observers placed some friendly bets that they would pull about 16,000 pounds. When they actually put the two oxen in front of the weights, they pulled over 26,000 pounds! You might interpret that story as being a testament to the power of teamwork – that the sum is more than the parts. You would be correct, of course.

But I like to look at it somewhat differently as well. If they didn't have the weights, how would they have known how much the oxen could pull? Knowing what your objectives are is extremely important to an effective team – it ensures you are all moving in the same direction. But knowing how you're doing against those objectives is equally, if not more, important.

JAY A. FORBES
ALIAN INC.



Designing an economic engine that fires on all cylinders

September 24, 2003

CANADA'S economic results in the second quarter of 2003 showed an interesting trend. Although the main indicators were down, public spending was up 3 percent.

For some regions, this is good news. It certainly is for the Outaouais, which is benefiting from the resurgence in federal government spending and experiencing a significant economic boom.

Between first quarter 2002 and first quarter 2003, the number of public service jobs rose from 27,900 to 34,300 in the Outaouais, a whopping 22.9 percent increase.

Only the construction sector rivalled this performance with a 16.7 percent increase, or 11,500 jobs versus 10,700 a year earlier.

At the other end of the spectrum, the number of jobs in the manufacturing sector shrank from 9,600 to 7,700, or almost 20 percent.

People claim that it's easy to massage the numbers, but these numbers don't lie. Against a backdrop of strong economic growth, we can see that some of the private sector jobs have been replaced by public sector ones.

The public service is certainly a good invention, and above all, an excellent employer. It treats its workers well, and gives them well-paying and stable jobs. And contrary to what people often say, most public servants are competent workers genuinely dedicated to the public good.

But as an economic engine, the public service has its drawbacks. Its level of activity is tied to political and budget decisions over which it has very little control.

This level of activity can explode, as we are currently witnessing, but it can also contract sharply, as occurred during the 1990s.

Can this economic concentration in the public sector be profitable in the long term? My hypothesis is that it is better to have an engine that works on several cylinders than one that works on only one cylinder, even if it is government.

The Outaouais is a dynamic and prosperous region. No one can deny it.

Nevertheless, I would like to point out that it could be even more competitive and prosperous than it is now. For this, it must find new commercial vocations. Diversify its economy, promote initiative and encourage private enterprise.

You've come a long way with the public sector cylinder. Hang on to it. But add other cylinders and you could go much further.

RÉAL RAYMOND
NATIONAL BANK OF CANADA



Putting more money in the purse

November 21, 2003

I WANT to talk about a subject that matters to every person in this room: the goal of exceeding the U.S. standard of living within 15 years.

You might wonder why I care so passionately about this subject. The fact is I have always been a proud Canadian. And as a proud grandparent I'd like my grandchildren to inherit a strong country that can take pride in its place in the world.

We are at a fascinating point in our history. The pressures on leaders at all levels of government are intense. They are being asked to perform an immensely difficult feat – to increase social spending yet maintain fiscal responsibility.

Naturally, when there are significant demands, difficult choices have to be made. How do governments choose between education and health care, between affordable housing and defence? How can they address the needs of special interest groups yet remain fiscally responsible?

Clearly, the more money in the purse, the easier the choices become. And the only sure way to put more money in the purse is to increase our standard of living.

It is fairly common knowledge that Canada needs more research scientists. In Ontario we have no more Ph.D. students today than we did in 1991 when the province had a million fewer people and the economy was far less dependent on skills and knowledge.

Canada has one of the world's most generous tax treatments of research and development expenditures, but we rank just

13th of the OECD countries in business spending on research and development. American universities undertake 14 times as much research as their Canadian counterparts, and receive 49 times as much licensing income.

It's time for us not only to invest in building our research pool but also in commercializing more new technology and bright ideas. We need more investment in new ventures and in established companies that are looking to become more innovative. And we need a widespread change in attitude at the top levels of Canadian enterprise. The mindset that worked in the days of a highly regulated, highly protected business sector won't cut it today.

The returns for the country can be immense. A survey in 2000 by the Bank of Canada found that over the past 20 years many Canadian businesses have restructured in significant ways. The resulting productivity improvements were often triggered by mergers and acquisitions, the introduction of new technologies, divestitures and consolidations.

Handled well, these business events can strip out unproductive fat, reenergize underperformers and improve the value of the underlying assets. Smarter, more productive companies can create more jobs, increase exports, and stimulate whole business sectors. All of these outcomes contribute to a higher standard of living.

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