

WINTER
HIVER 2005

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

Oil prices near record highs. The United States closed to live Canadian cattle. Exporters forced to cope with an unexpectedly strong Canadian dollar. It sounds like a recipe for economic slowdown, yet as 2005 began Canada looked set for another year of above-average growth. As Barbara Stymiest observes in this issue of *Perspectives*, "Canada now has one of the strongest economies in the world – resilient, fiscally sound, with a strong social system that is soundly financed."

None of this is accidental, of course. A decade ago, Canada had the second-worst fiscal record among the world's top industrialized countries. Smart policy choices turned that situation around – policies that emphasized fiscal discipline, debt repayment and an ambitious program of tax cuts to pump fuel into the country's economic engine.

As the voice of Canada's senior business leaders, the *Canadian Council of Chief Executives* (CCCE) is committed to building a stronger, more prosperous society through sound public policy. This selection of excerpts from recent speeches and essays by CCCE members offers a wide range of solutions to today's challenges – issues such as the rising cost of health care, the need to accelerate responsible development of Canada's energy resources, and the importance of achieving greater cultural diversity in the workplace.

We hope you find these contributions helpful in making your own assessment of the best way forward for Canada.

Le prix du pétrole atteint des niveaux presque record. Les États-Unis ferment leur frontière aux bovins canadiens. Les exportateurs doivent composer avec un dollar canadien inopinément fort. Voilà peut-être les ingrédients pour ralentir l'économie; néanmoins, en ce début d'année, le Canada semble se diriger à nouveau vers une croissance supérieure à la moyenne.

Cette situation n'est évidemment pas le fait du hasard. Il y a une décennie, le Canada affichait la deuxième pire fiche financière parmi les principaux pays industrialisés. Des choix stratégiques intelligents ont modifié radicalement la situation – des choix de politiques qui mettaient l'accent sur la discipline financière, le remboursement de la dette et un programme ambitieux de réductions d'impôts dans le but de stimuler l'économie du pays.

Le *Conseil canadien des chefs d'entreprise* (CCCE) veille à contribuer à bâtir une société plus forte et plus prospère par le biais de politiques publiques rationnelles. Cette sélection d'extraits d'allocutions et de comptes rendus récents de membres du CCCE offre un large éventail de solutions aux défis actuels – et aborde des enjeux comme la hausse des frais de santé, la nécessité d'accélérer le développement des ressources énergétiques du Canada de façon responsable et l'importance d'assurer une plus grande diversité culturelle dans le milieu de travail.

Nous espérons que ces textes vous aideront à faire votre propre évaluation de la meilleure façon de faire prospérer le Canada.

ROSS LAVER
EDITOR/RÉDACTEUR

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Canada can lead the way

October 18, 2004

JUST like consumers who feel the pinch at the pump, the leaders of Canada's energy industry are concerned with the high cost of oil and gas. High energy prices are a lightning rod for consumer discontent and for proponents of government intervention – and that's not good for anyone's business. High prices also drive higher manufacturing and transportation costs and inflation.

According to leading economists, Canada's growth over the next few years will be protected precisely because we are a major energy producer. But the same can't be said for our largest trading partner, the United States. This is cause for concern because Canada's growth will eventually stall without growth south of the border.

Now consider the prize if Canada can take the lead in expanding energy production to meet rising global demand. Crude oil demand, for example, is expected to increase from the current 82 million barrels per day to more than 120 million barrels over the next 25 years.

The question for Canada is, will our share of this growing demand be met by other nations? Or will it represent an investment in our economy as Canada supplies an energy-hungry globe?

I believe that we can increase Canada's energy production in a way that is both economic and consistent with our environmental goals. However, we must recognize that it's not enough to boost production of energy; we must also ensure there is a strong connection into the marketplace. One way to accomplish that is

by improving existing trade relationships, especially with the United States. The United States is our number one trading partner and it will continue to be our number one energy market. American energy demand is expected to increase 30 percent by 2025, while U.S. domestic oil and gas production will remain roughly flat.

To close the gap, the United States will need to rely more on imports – and they're looking north. Canada is already the ninth largest producer of crude oil in the world. What's more, Canada has the advantage of being friendly, reliable and politically stable – a combination of qualities that is rare among countries with large oil reserves.

Since 9/11, the security as well as supply of energy has become a serious concern for the world. We now hear the call for accelerating energy development across North America as part of a broader effort to strengthen economic and security ties.

The fact is that on top of security pressures in the wake of 9/11, North America faces unprecedented competition from emerging economic giants such as China and India.

Affordable, reliable and sustainable energy is critical to the future of both Canada and the United States. Energy, more than any other economic lever, can help make us a better partner in North America and also help ensure a stronger, more prosperous future for all Canadians.

RICHARD L. GEORGE
SUNCOR ENERGY INC.



The capacity crunch

September 13, 2004

NORTH America's surface transportation infrastructure – our network of railways, ports and highways – is headed for a capacity crunch. This capacity issue is urgent.

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

We need to ask ourselves why our current transportation capacity is being strained by the current uptick in growth.

The railway industry has accomplished a great deal in the past decade. Our railways are financially stronger than they were 10 years ago. Rail rates are down 40 percent and are now the lowest in the world. Our railways are technologically advanced. Our productivity is reaching new heights. We have a great safety record.

Yet the most significant challenge facing the North American railway industry now and for at least the next 20 years is adequate additional investment in the network.

The capacity strains we began to see early this year are a signal that our railways are starting to bump up against the limitations of their networks. We need to find a public policy formula that will free up railways to invest more in their networks. However, I continue to be very concerned that our governments and policy makers in Canada

and the United States are not taking action fast enough. Far too many out-dated regulations and policies continue to sap the strength of our railways and other parts of our transportation sector.

We need to press strongly for regulatory and taxation changes that will allow railways to increase their pace of investment in their networks. The taxation situation for railways in Canada, for instance, is very, very ugly. Putting lipstick on this pig won't make it any prettier.

How bad is it? Let me put it as politely as I can: Railways are getting screwed right across Canada. Let me count the ways: fuel tax, property tax, sales tax, capital and customs tax, income tax, payroll tax.

In CPR's case, we paid \$235 million in input taxes across Canada in 2003. This does not include income tax. Ottawa grabbed \$85 million. Ontario grabbed \$47 million, which works out at an unbelievable \$20,000 per track mile and nearly \$3 per originating ton in this province.

We have to engage our government leaders to help them understand that our economies require stronger railways. Our government leaders need to appreciate how the inequitable treatment of surface transportation modes has led to the underfunding of the rail network. They need to understand that this is today preventing the railway industry from reaching its potential to support and facilitate North America's economic expansion.

ROBERT J. RITCHIE
CANADIAN PACIFIC RAILWAY COMPANY



Canada's surprising strength

September 21, 2004

THEY say that stock markets, at their healthiest, climb a wall of worry. We do that as a country, too.

Americans, like Icarus, are inclined to see their market soaring endlessly into the economic sunshine. So it always seems to be such a surprise when the wax melts and they fall back to earth.

Canadians are more inclined to fret about how the heights we've scaled leave us so much further to fall. I'm not sure which mindset is the better one. It's a lot easier, though, for us to meet our expectations of ourselves. In fact, we are now nearing our eighth year of exceeding expectations, with the healthiest fiscal situation in the G-7.

The year 2003 provides a classic illustration of our penchant for over-performing. The Canadian dollar soared against the U.S. currency, whacking our export industries. What SARS didn't do to tourism, lengthy border delays completed. A single case of mad cow disease prompted the U.S. to shut the border to live Canadian cattle. A week-long blackout brought Canada's industrial heartland to a halt. At one point British Columbia looked like it was burning down, the forest fires were so bad. Any of these blows might have knocked back a less resilient economy. All of them together seemed at the time to be a hammer blow.

The Canadian economy did in fact touch the ground, but only briefly before it took off again. The most recent numbers tell the story of an accelerating economy that is back in the groove.

Given the hits the Canadian economy took in 2003, and some troubling issues in the global economy, caution remains appropriate. The notable worry is the heavy dependence of the United States on foreign investment to fund both its record fiscal deficit and its record current account deficit.

Caveats notwithstanding, *The Economist Intelligence Unit* predicts that Canada will be the leading industrial economy for the 2004-2008 period. There are some important elements supporting those projections. One is the way Canada shucked off the effect of a 20 percent revaluation of the Canadian dollar against the U.S. dollar.

China's burgeoning growth, Japan's long-awaited recovery, and U.S. hunger for Canadian energy suggest there has been a long-term shift in Canada's terms of trade. They need steel. They need coking coal. Canada is big in both.

There are other things happening, too. Until 2000, employment growth in the United States exceeded Canadian job growth by about a third. Since then Canadian job growth has continued its climb. In the United States, meanwhile, population growth is running 50 percent higher than job growth.

Canada now has one of the strongest economies in the world – resilient, fiscally sound, with a strong social system that is soundly financed. Now we have to do something we're new at. We have to sell that package – and the Canadian brand – to the world.

BARBARA G. STYMIEST
TSX GROUP INC.



More ships, fewer trucks

June 27, 2004

THE steel industry is intensely competitive. We serve global customers and our competitors are global.

To succeed, our cost structure must be globally competitive as well. Our transportation costs not only have to be competitive with the other steel companies operating on the St. Lawrence Seaway, but they must be competitive with other steel companies throughout North America and around the world.

Let me put it this way: Dofasco alone brings in more than six million tons of materials to our docks in Hamilton Harbour on Lake Ontario each and every year. If our total shipping costs went up one dollar per ton, that's a \$6 million hit that falls directly to our bottom line.

There have been a number of discussions around improving the competitiveness of the Port of Hamilton and the St. Lawrence Seaway, and Dofasco is involved in some of these talks. These are good discussions to have, because there is a fundamental positive goal at the heart of them – increasing the competitiveness of our community and of the companies that operate on the harbour.

Just let me weigh in on a couple of specific issues. Let me say clearly that Dofasco is supportive of an improved Seaway that has a longer shipping season and is more suitable to today's modern shipping industry. As one of the largest shippers on the Great Lakes, we see it as vital infrastructure that has yet to be fully optimized.

But I also have a caveat. It is my firm belief that under no circumstance should we pursue Seaway development unless environmental concerns have been properly and adequately addressed and resolved.

We must think longterm. We must approach this with one of our goals being the sustainability of one of North America's greatest natural assets – the Great Lakes themselves. A better shipping channel and a longer shipping season – if gained at the cost of a severely damaged ecosystem – would be a terrible mistake, in my view.

That said, my hope is that it is possible to improve the Seaway system and that it can be done cost-effectively, at least compared to the cost of constructing new roads.

One true benefit to an improved Seaway will be increased traffic on the water, and less on the roads.

I said a moment ago that Dofasco received six million tons of materials by ship each year. That's about 250 boatloads. Each boatload translates into about 225 rail cars or 870 truckloads. In other words, every additional boatload we could potentially receive would contribute to reduced congestion on our roads.

This is a classic case of making decisions based on the principles of sustainable development – the triple bottom line of social responsibility, environmental responsibility and prudent financial principles.

DON A. PETHER
DOFASCO INC.



The case for lower taxes

January 18, 2005

THE current period of healthy economic growth in Canada and globally represents an important window of opportunity. While hoping for the best, the federal government must take active measures to plan for the worst. To address the risks and to keep Canada on a path of sustainable growth, the government's fiscal strategy must include three elements.

First, the government must maintain prudence in fiscal planning, to ensure that Canada does not follow the United States back into the deadly cycle of repeated deficits, rising inflation and high interest rates.

Second, the government must make rigorous spending review an essential part of each year's budget cycle. The needs of Canadians change over time and the government has a duty to look for ways to make better use of taxpayers' money.

In 2003, the *Canadian Council of Chief Executives* (CCCE) proposed a "five percent solution", a requirement that each department each year identify the least effective five percent of its spending for potential reallocation to new or growing needs. The current spending review, with a target of reallocating \$12 billion over five years, includes a five percent target for departmental programs.

In December, the CCCE wrote to Prime Minister Martin urging him both to ensure that the current exercise delivers the intended results and to give his cabinet's Expenditure Review Committee a mandate

to develop a system for ongoing program review as part of the annual budget cycle.

Third, the time has come for a second major round of tax reduction, this one with an initial focus on corporate taxation. The government is depending on a strong economy to sustain the huge commitments it is making on social programs. No fiscal measure would be more effective in helping Canadian communities to attract new investment and companies to boost competitiveness and create jobs than a significant cut in corporate tax rates.

Last autumn, when we asked members of the CCCE to describe the impact of the rising Canadian dollar on their businesses, the responses covered a wide range. What is clear, however, is that businesses that have been negatively affected essentially have three stark options: to invest in new technology and skills upgrading that will restore the competitiveness of Canadian operations; to move production out of Canada; or to go out of business.

The choices that Canada makes on corporate tax policy will have a huge impact on how quickly Canadian enterprises adapt to a higher dollar, and on the extent to which their responses maintain and add to employment in Canadian communities.

Low corporate tax rates do more than encourage business investment. They also attract more companies that make more money and at the end of the day generate more revenue for governments.

THOMAS D'AQUINO
CANADIAN COUNCIL OF CHIEF EXECUTIVES



Time for accountability

September 17, 2004

MUCH of the recent First Ministers' health care summit focused on waiting lists. But what about the dangers that face Canadians once they finally land a hospital bed? Our health care system must be measured by both access and quality.

It astounds me that the quality standards of our most important services – treating illness and saving lives – are hugely below the standards of what the public expects from private industry.

For example, when we buy an automobile, we expect that there is almost no chance of any catastrophic mechanical failure that would jeopardize our lives. When we fly in an airplane, we expect a “no defect” experience. Understandably, when an aircraft accident occurs as a result of quality control failure, there is a huge regulatory and public outcry.

Yet every week in our country there are mistakes made in our operating rooms, in our hospital wards and nursing homes, the cumulative human toll of which number in the thousands.

While a single failure of a private industry product gets huge attention, only a small portion of the serious errors affecting patients in our health care system are even publicly reported. How can it be that Canadians find this an acceptable situation? No private company could stay in business if its “defects rate” was even a small percentage of that in Canadian health care today.

Patient care and accountability must dictate policy. To this end, our political leaders

would be wise to consider politically neutral benchmarks to measure the quality of services delivered throughout our health care system.

For example, the International Organization for Standardization, a network of the national standards institutes of 148 countries including Canada, offers a quality management tool called ISO 9000.

Applying international standards would provide Canadians with transparent measurement of quality, safety and reliability. With benchmarks in place, future discussions of our health care system could focus on the actions necessary to deliver better patient outcomes.

I have great respect for the dedication and capability of our health care workers. This unacceptable quality record is clearly caused by placing good people in a dysfunctional system.

Do we, as Canadians, think it's as important that existing quality standards, as we lay on the operating table or in the recovery room, are at least as good as the standards used in the construction of the car we drive? When it's my family or friends that I am anxiously pacing the hospital waiting room to hear about, I know what my answer is to this question.

Canadians want better patient care. To achieve this, we need to adopt world-class quality standards and reporting systems for our health care system.

GWYN MORGAN
ENCANA CORPORATION



A new vision for a changing world

September 9, 2004

AS we look at a world with six billion people today, it is mind-boggling to think that about half of us have never made a phone call. So there's something special about being associated with a company that represents the ability to connect the six billion people in the world. If you want to think about ways to be humanitarian, then connect people. Make their lives better. Help them prevent AIDS by providing low-cost communications so people can learn how to protect themselves.

Today, as we move into a converged Internet world, a new infrastructure is going into place. And we are relying on that infrastructure for governments, for businesses, and in our homes. We rely on it for video streaming, to share data, and to maintain banking and businesses.

What is interesting about that infrastructure is that it's terribly vulnerable. Let me draw an analogy to terrorism. Before 9/11, we had a lot of terrorist acts in the world – 25 terrorist acts committed against the United States alone. And yet somehow we don't learn very fast. We didn't recognize that we were under attack. Then on 9/11, we realized we were under attack.

Today in the world, there are, in this new Internet infrastructure, lots of attacks. They're going on all around the world as we speak. Do you want to rely on a network that is very fragile and is under attack? There are telephone companies in the world today that have experienced a virus in their voice-over-Internet Protocol networks. And that virus spread into their residential and business highspeed networks. And then into the

internal control networks of their traditional telephone networks. And they shut down the whole thing for hours and hours. How does that feel for a government that is relying on a new-world infrastructure?

So who does security of networks today? Actually, I don't think anybody does it very well. None of us are really coming to grips with the architecture, the fragile nature of the Internet, the seriousness of providing quality service on that network. But Nortel will.

You would be surprised at the research going on in Ottawa and in Silicon Valley in areas like deep packet inspection of the Internet. We are working on products that can look deeply into trillions of packets going at the speed of light across the Internet, and which can detect a virus instantly, isolate it, scrub it from the network, and proceed with business on the network.

If we think that the Internet is important in our future, you want it to be secure and reliable. It's good business for Nortel.

It is a changing marketplace. We are competing face-to-face with new entries, companies that we didn't know three or four years ago. These new competitors have low cost structures, products that are increasing in their quality and, yes, research and development programs that are growing in sophistication and quality.

So, it is a different market but we are people with a vision.

WILLIAM OWENS
NORTEL NETWORKS CORPORATION



The challenge for Canada

November 29, 2004

GLOBALLY, we expect oil demand to rise by about 50 percent by 2030, to about 120 million barrels a day, due to rapid growth in Asia. Given this demand outlook, it's clear that both globally and in North America we need to take a two-pronged approach to our energy future.

First, there is a need to reduce unnecessary consumption. It's important to bear in mind, however, that a great deal of progress has already been made in improving energy efficiency. And any progress made in improving energy efficiency will be outweighed by global demand growth.

So in concert with efficiency and conservation efforts, we also need to mount an all-out effort on the supply side. All available and economically viable energy-supply options must be vigorously pursued – in oil, gas, coal and nuclear as well as with other alternatives and renewables.

For Canada, this presents huge opportunities and challenges. In a world where more energy is essential, we are blessed with abundant resources. We also have the human capability and the basic technologies needed to develop our resources – to become a more significant supplier of energy. These are advantages that many other nations wish they had.

The fundamental challenge is to develop Canada's energy resources in ways that meet two critical tests. One is to do so at costs that are competitive with other potential suppliers. The other is to ensure that we meet relevant environmental responsibilities

– and I stress that these are parallel and equal objectives.

Huge amounts of investment capital will be needed. Development requires huge investments and long lead times, which in turn requires a sound fiscal and regulatory environment.

Another critical factor is technology. The best scientific minds need to be brought to the challenges of using energy more efficiently and developing energy resources at acceptable costs and minimal environmental impact. This means searching for and investing in new ways of doing things. For example, Imperial recently committed \$10 million over five years to the University of Alberta for breakout research aimed at developing Canada's oil sands in ways that are both economically viable and environmentally responsible.

The other fundamental requirement is a supportive public policy environment. To attract the levels of investment and technological innovation that will be required, we need a policy environment and regulatory and fiscal regimes that are expeditious, fair, competitive and encouraging to market-driven investments.

The well-being of Canadians is closely connected with the well-being of the global economic system. That system runs on energy, and Canada has the opportunity and the capability to contribute to a healthy global economy by developing its energy resources.

TIM J. HEARN
IMPERIAL OIL LIMITED



Securing our energy future

December 10, 2004

RIGHT now, the world oil market is operating near the limits of its dependable capacity. There's virtually no slack in the system.

Compounding the problem is the NIMBY factor – the “not in my back yard” approach to energy development. Far too often, a single community or special interest group can derail an energy project that is needed elsewhere. NIMBYism is preventing energy suppliers from bringing necessary new supplies on stream to solve those issues of high prices and price volatility.

Regional and provincial politics are also delaying and adding costs to projects that could help solve the problems of supply. There is no consideration of the broader societal good.

In my view, this almost automatic opposition to energy projects isn't an affront to energy companies. It's a big world and they can often find somewhere else to invest. It is, though, an affront to you and me as consumers, who have to live with the consequences.

What I have described here is a huge disconnect between the consumers of energy and producers. That disconnect is too often characterized by antagonism and emotional rhetoric. Are there any solutions? Yes, but they won't come easy.

There are plentiful sources of energy in the world, at reasonable prices. Most notable are nuclear and coal. Nuclear power is a major factor in Europe, where it supplies three-quarters of the energy for France. In fact,

there are some 440 commercial nuclear reactors now operating in 31 countries. And although it has been developed sparingly here in Canada, we do have one of the three proven commercial technologies in the world for nuclear reactors.

Of all the fossil fuels, coal is by far the most plentiful. And clean coal technology is being developed to address environmental concerns. However, here in North America NIMBY is a major challenge for nuclear development and for coal, no matter how much they may be needed. So those solutions will not work in the short term.

Renewable forms of energy are an important part of the energy mix of the future. So there are solutions to our major energy problem.

But, in my view, the most important solution to all of the problems relates to something we can all participate in. We need to decide what we are going to do in Canada to ensure a secure long-term energy future.

We need a national energy strategy. It must consider our current state, our transition, but most importantly our desired state 50 years from now. It must consider the environment, individual rights and overall societal needs. It must make realistic energy choices and some very, very tough decisions.

Far too many projects are needlessly at risk. The biggest problem is that too many energy consumers have stopped seeing the linkage between high prices, scarce supplies, and opposition to new projects.

PATRICK D. DANIEL
ENBRIDGE INC.



How to fix health care

September 20, 2004

HEALTH care is front and centre in everyone's mind. Health care costs consume between 40 and 50 percent of each province's budget, and are growing faster than the economy or any other segment of provincial spending.

More money is not the answer. In fact, I worry that the \$18 billion or \$19 billion just committed in additional federal funds will disappear without producing any obvious benefits. If it does produce benefits, it will be by accident, not design, since we have no capacity to measure outcomes.

Harrison McCain often said that you cannot manage what you cannot measure. I find it almost inconceivable that we have no tools by which we can gauge the effectiveness of our health care system – the quality of the care and the efficiency with which we spend health care dollars. A cursory review would suggest that there is enormous room for improvement. The percentage of Canada's Gross Domestic Product that is committed to health care is similar to that spent in Europe, yet access to the system in Europe is not an issue. In Canada, it is our number one issue.

Senator Michael Kirby's recent report on health care reform offered some useful and easily implementable suggestions in this regard. To quote from that report, "Annual hospital budgets are based on historical aggregate spending patterns, rather than the volume and type of procedures they do in a given year."

How bizarre is this? But it would be easy to change to a service-based funding system, to begin budgeting on the basis of services

provided. For the first time, we would be able to identify and isolate the costs of particular treatments, compare those costs to what is incurred in other jurisdictions, and begin to engage the private sector meaningfully in helping to improve the quality and quantity of service available – all while remaining committed to a single-payer model.

Such changes would lead to a more efficient system, one that was more accountable and capable of cutting waiting times.

I have deliberately avoided getting into what I would consider to be more aggressive reforms, but these must ultimately be engaged. Why, for instance, do we spend virtually 100 percent of our health care budgets on treatment and almost nothing on prevention? Consider the return on investment you could generate from a healthier population – and the result is not measurable in just financial terms.

Why are nutrition and daily exercise programs not a compulsory component of our public education system? Is this revolutionary stuff? Yet medical practitioners around the world openly state that exercise and diet are two of the most important components in a healthier lifestyle.

Nothing in these remarks is meant to suggest that the quality of our health care professionals is substandard. Rather, it is the management of these responsibilities I criticize, the complete absence of any meaningful tools to encourage superior performance and efficiency.

JOHN C. RISLEY
CLEARWATER FINE FOODS INC.



Working for a greener tomorrow

January 26, 2005

THE auto industry has made tremendous progress controlling smog-causing emissions. The next challenge is to reduce greenhouse gas emissions – primarily emissions of carbon dioxide.

With that objective, General Motors believes it makes the most sense to apply green technologies to vehicles that need it most. That's why we're starting big, by offering hybrid engines in buses and large vehicles like pickup trucks that use more fuel.

With our partner, New Flyer Industries, we recently announced the first Canadian sale of municipal hybrid buses to the B.C. Transit Authority. Some were surprised to see GM promoting public transit, but this is just one example of forward-thinking. GM supplies hybrid diesel bus powertrains that improve fuel efficiency by up to 50 percent, reduce emissions by up to 90 percent and dramatically reduce engine noise.

Last year, Seattle purchased 230 of these hybrid buses. If Canadian transit systems could collectively purchase an equal number, we would save more fuel in one year than has been saved by every hybrid car ever sold in Canada.

Fuels also have to be part of the solution. Canada's major fuel providers are bringing forward cleaner fuels, and they should be applauded. A potentially significant development is cellulose-based ethanol, which creates almost no greenhouse gases.

In a recent cross-Canada driving tour called Mission Green, people have been amazed to learn that a full-size GMC Yukon emits less

net greenhouse gas than the smallest hybrid vehicles when fueled with a blend of 15 percent gasoline and 85 percent cellulose ethanol (e-85). All new GM vehicles are capable of using e-10 (10 percent ethanol), and a number of models are available with an e-85 option.

Together, we can accelerate change. But a major speed bump will be the investment and costs for new engine technologies and alternate fuels – for manufacturers, fuel companies and consumers. Will we pay more for an engine that reduces greenhouse gas? Will Canadians drive farther to fill up with an alternate fuel?

In Canada, we have limited opportunity to shift consumers from large vehicles toward the purchase of smaller vehicles – because we're already there. Canadians buy smaller cars and minivans, as opposed to SUVs, at twice the rate of Americans.

Canadians also keep their cars significantly longer, with almost 80 percent of Canadian vehicles on the road today being three years or older. Each of us, as drivers, can do our part in reducing emissions by regularly servicing our vehicles, checking tire pressure, reducing speed and using public transportation more often.

Working together for a greener tomorrow will take on a comprehensive approach that includes automakers, fuel providers, consumers and government. We each can make a difference; collectively, let's start the wheels in motion.

MICHAEL A. GRIMALDI
GENERAL MOTORS OF CANADA LIMITED



Éliminer les accidents industriels

1er juillet 2004

DANS les années 1960, alors que j'étais encore aux études, j'ai travaillé tout un été pour une entreprise de construction. Je m'en souviens comme si c'était hier. Et ce qui m'a laissé une impression aussi durable est la façon dont mon employeur abordait le problème de la sécurité. Malgré les risques inhérents aux travaux de construction, il ne se souciait guère de mettre en place de saines pratiques de sécurité. Cet été-là, j'ai vu combien cette carence a donné lieu à des résultats aberrants. Pas une semaine ne passait sans qu'un ouvrier ne se blesse.

L'été suivant, j'ai commencé à travailler à la raffinerie de l'Impériale à Regina. Le contraste était frappant. J'ai été témoin de l'importance de faire de la sécurité une priorité. On instaurait des systèmes et des procédés pour circonscrire et écarter les risques, et les employés étaient formés à la sécurité.

Des progrès appréciables ont été réalisés au pays sur le plan de la sécurité au travail, mais la question est encore loin d'être réglée. Au Canada, les accidents du travail provoquent tous les ans davantage de décès que d'autres causes comme le cancer de la peau ou les crimes violents, par exemple. En fait, tous les jours au pays, près de trois personnes en moyenne meurent des suites d'une blessure subie au travail, et on relève en moyenne un accident du travail toutes les neuf secondes.

En plus des coûts humains, on ne saurait négliger les coûts économiques, qui sont énormes. Au Canada, les accidents du travail représenteraient en effet plus de 16 millions de journées d'absence par année,

soit l'équivalent du travail accompli par 67 000 employés à temps plein. Selon des évaluations prudentes, le coût des maladies professionnelles et des accidents du travail s'élève à quelque 12 milliards de dollars par an. C'est un énorme fardeau pour les Canadiens, et je suis d'avis qu'il pourrait être éliminé.

L'Impériale s'est donné pour objectif de réduire à zéro le nombre d'accidents du travail et de maladies professionnelles. Objectif ambitieux, certes, car il englobe jusqu'aux problèmes courants comme les microtraumatismes répétés (entrée de données au clavier) et les simples coupures résultant de l'agrafage accidentel d'un doigt. Malgré tout, ces incidents peuvent être prévenus.

Pour notre part, nous avons déjà réalisé de grands progrès. En 2003, l'Impériale a enregistré un taux d'accidents à déclarer de 0,39 pour 200 000 heures de travail, soit moins de la moitié du taux moyen de ses principaux concurrents.

Ces résultats sont encourageants, certes, mais nous devons faire bien mieux encore. Il est vrai que le dossier de sécurité de l'Impériale est l'un des meilleurs de l'industrie canadienne, mais le taux d'accident n'a pas encore atteint zéro; et par le passé, on a dû déplorer des accidents mortels. Au chapitre de la sécurité au travail, un seul nombre d'incidents est acceptable : zéro!

TIM J. HEARN

COMPAGNIE PÉTROLIÈRE IMPÉRIALE LTÉE



In defence of rural communities

January 12, 2005

THAT any intelligent commentator could call rural Newfoundland "the most vast and scenic welfare ghetto in the world", as a newspaper columnist did recently, demonstrates a failure to understand the plight of rural Canada.

The underlying problem is the speed at which the world's economies are creating knowledge and service-based jobs in cities, and transferring manufacturing and processing jobs to low-cost jurisdictions such as China. In the process of wealth creation, many traditional values are being compromised or lost.

Across Canada, the traditions of rural life are based on pride, self-determination and independence. But remember that good roads, water and sewer systems, electricity and access to modern health-care facilities came to rural areas long after most Canadians took them for granted.

One result is a huge deficit in education. Many rural Canadians 40 and older never completed high school. That's not their fault. Once-abundant job opportunities, financial necessity and a different set of social values conspired to lure them away from school prematurely. That the jobs and skill sets on which they depended are no longer there is also not their fault.

One of my companies recently opened a plant in rural Newfoundland. The job opportunities for some 150 people attracted applications from more than 1,000. Of such 1,000 applications, there were two from people under 30. More than 900 were from those over 40. A generation, rejecting

dependency on EI, had left to seek jobs providing year-round incomes.

What can be done? Across Canada, education should help impart insight into rural life. And in rural Canada, we must encourage people to finish high school, become computer-literate, and overcome that sense of being disenfranchised.

My company has sponsored such programs. The results are universally encouraging. People say proudly, "Now we can help our children with their homework."

My companies have been well-rewarded by investing in rural Canada. Whether it be in rural Newfoundland and Labrador or in Cape Breton, productivity levels and attitudes are as good as, if not better, than you will find in any workforce anywhere.

Canada cannot afford to be patronizing in its approach to rural employment. Past efforts to re-educate those displaced from the fishery were intellectually bankrupt. Training 50 people to be hairdressers in a community of 600 served no purpose other than to undermine the integrity of the entire project. We must find ways to invest in these people, not belittle them.

What kind of country do we want? Surely we can agree that it would be one that understands the unique role our rural communities can play, and that recognizes that the quality of life and traditions rural Canada generates are of profound importance to our national character.

JOHN C. RISLEY
CLEARWATER FINE FOODS INC.



Turning ideals into reality

November 4, 2004

THE gold mining industry has always been a pioneering industry. From the Klondike in North America to the Witwatersrand in South Africa to the development of Papua New Guinea, mining is often the first major industry into many countries.

Today the talk is about Peru, China, Russia, the former Soviet republics and central Africa. The push into these and other new areas poses new challenges that require skills and expertise. I believe the companies that will be successful are companies committed and skilled in sustainable development.

It isn't easy. Translating lofty ideals into on-the-ground practicalities exposes a company to risks and criticism. But we are committed to the process.

For instance at the Musselwhite mine in Northern Ontario, we have spent a number of years building trust with the local First Nations communities and now have in place a profit-sharing and employment agreement with the neighbouring bands that provides us with operating flexibility and aligns the interests of the community and the mine in maintaining a highly profitable operation while meeting their principle need of employment. As a result, over 30 percent of the employees at Musselwhite are First Nations, and \$12 million in goods and services per year are sourced from First Nations-owned businesses.

How do these skills give us a competitive advantage? I think the advantage comes in three ways: avoiding untenable situations;

having skills to better manage challenging situations; and having a reputation and demonstrated commitment to sustainability that makes us a partner of choice.

Our current "new frontier" activities are most focused on China, South Africa and central Africa. We have been in China for 10 years, building relationships and understanding the culture. We are in the process of finalizing our third exploration joint venture agreement.

Safety is key in our exploration programs in China and we have been very deliberate in building safety into our early stage activities working with our Chinese partners. We know China will have its challenges, but are confident in our abilities to take them on.

Our sustainability programs have gone in 15 years from a more reactive requirement to being a proactive strategic activity that is embedded in our business. We were one of the first mining companies to adopt a Sustainability Policy in 1998 and extended that to a Sustainability Charter in 2002. We published our first corporate sustainability report in 1998 and have published over 30 mine site sustainability reports since then.

That doesn't mean everything will be smooth sailing, but we will continue to innovate and grow. There are no cookbooks on how to build projects or how to be successful operators. But strong corporate values form the base with which experienced, highly qualified people, working on the ground can make a difference and achieve superior business results.

**PETER TOMSETT
PLACER DOME INC.**



A commitment to Canada

September 16, 2004

I WANT to share my views on the recent debate about the relevance of the Canadian Radio-television and Telecommunications Commission (CRTC). Our industry is under threat at home and from abroad. It's time to remember how we got here. The CRTC, while not perfect, is an effective and necessary instrument of cultural policy that needs to be supported or we risk losing it.

There are three recent examples where the CRTC has stood firm in defence of Canadian broadcasting. One was the decision not to renew the license of Quebec City radio station CHOI-FM. Columnist Andrew Coyne wrote a blistering attack of the CHOI decision in the *National Post*. He referred to Corus Radio's support of the decision as effectively sucking up to the CRTC for future favours.

He failed to mention that Corus had earned the right to make that comment. We removed Howard Stern and Tom Leykis from our stations at tremendous commercial risk because we recognized they violated our own industry's codes and regulations. That's what leadership is all about.

Critics say, "Let listeners change stations if they are offended." But that ignores the fact that we are an advertising-driven industry. If pirate broadcasters are allowed to act outside the regulations, they are unfairly rewarded for their bad behaviour at the expense of those who abide by the law and the standards we set for ourselves.

After the CRTC denied an application for distribution in Canada by Italy's RAI International, John Ibbitson of *The Globe and*

Mail asked, "Why not just shut down the CRTC and award digital licenses to anyone who wants one?" He added, "RAI is being kept out of Canada to keep Home Box Office (HBO) out of Canada."

On the last point, he is correct. Genre protection is one of the cornerstones of our system and this is not just about foreign services. It is about ESPN, Home and Garden Television, HBO, Nickelodeon and Lifetime. Genre protection is the reason why YTV has triggered over \$1 billion in Canadian independent production since its launch in 1988. It's why Astral and Corus license every single Canadian movie produced for their pay movie franchises.

It's because we, as Canadians, decided we wanted a Canadian broadcasting system. We built our system on the basis of a quid pro quo: Genre exclusivity in return for a significant contribution in terms of hours and dollars to Canadian content.

Are we afraid of competition? Not at all. But we should not apologize for the protection we have earned in return for our commitment to a Canadian system.

The Canadian broadcasting system is a great success. Canadians enjoy a great variety of programming from everywhere. We do need to examine how we regulate the system as the environment changes, but we need to do this analysis with a complete understanding of the facts, our history, our standards and our goals.

JOHN M. CASSADAY
CORUS ENTERTAINMENT INC.



The three stages of diversity

October 18, 2004

I AM sure some of you remember "Mary" from the Royal Bank, who was the star of our advertising in the 1960s and early 1970s. Mary was the perfect bank teller and typified many things about that era – including gender stereotyping. In one of our advertisements, Mary was kneeling before an imposing-looking male in a prominent photo with a caption that read: "Can I get you a cup of tea, Mr. President?"

And so it was that Laura Sabia, a champion of women's rights, stood up at a Royal Bank annual meeting in Montreal and said – these were her words – "Please take that idiot Mary off the television!" She also challenged us about why we had so few women in management and no women on the board.

Things started to happen pretty quickly after that. Mary was retired. The Royal Bank chairman of the day launched a task force on women in management. Our first woman director joined the board of directors in 1976. Our first woman executive was appointed in 1979, the year I graduated from university.

Currently, women make up about one-third of our management ranks in North America, and it's a number we are working hard to increase. We recently appointed Barbara Stymiest as our Chief Operating Officer. As COO, Barb will have many of my top management team reporting to her, including the Chief Financial Officer, the head of human resources, and our Chief Auditor, who are also women.

We have certainly made progress at RBC, but just think about the opportunity we would have missed if we hadn't taken a pro-active

approach to advancing women. And while we have made progress, gender remains one of our top diversity priorities today.

The second stage of our diversity program was a commitment to all employment-equity-designated groups – not just women, but visible minorities as well as persons with disabilities and Aboriginal people. We are working hard to advance people from the designated groups, but we are not as far along there as we are with women.

This is a challenge for everyone in the business community. Visible minorities are not well represented in key decision-making positions in Canadian companies. Only three percent of Canadian companies report having a visible minority as a CEO, and less than two percent of public companies had visible minorities on their boards. This is a challenge that must be addressed.

The final stage of our diversity program – and this is an area where we still have the furthest to go – is a commitment to diversity of thought.

Most organizations, particularly large ones with a long history, tend to develop a distinct corporate culture. That is not a bad thing. But we need to ensure that our corporate cultures do not restrict our openness to new developments, new ideas and new approaches to doing things. We need to ensure that we are fully tapping the creative energy that a diverse workforce can provide. This is our competitive advantage in an increasingly competitive world.

GORDON M. NIXON
ROYAL BANK OF CANADA



Dreams and determination

June 14, 2004

TODAY, Shell Canada has not only a woman Chief Executive Officer, but also a woman Chief Financial Officer. Almost 30 percent of our 4,000 employees are women, many of them in engineering or technical positions.

Women today are fortunate to have so many diverse role models. Women of influence are everywhere and in everyone's life.

Let me start with a woman whose influence on 20th century politics was considerable. Margaret Thatcher was Great Britain's first woman Prime Minister. To some, she was an economic saviour. To others, she was "Margaret Thatcher, milk snatcher" – a reference to her government's policy to abolish free milk for schoolchildren. In any event, she was definitely her own person.

Margaret Thatcher was a great believer in hard work. Look at a day when you are supremely satisfied at the end, she said. It's not a day when you lounge around doing nothing. It's when you've had everything to do and you've done it.

Love her or hate her, Margaret Thatcher had a tremendous influence on every aspect of British politics. During her 11 years as Prime Minister, she rescued the economy, reformed outdated institutions and revitalized foreign policy.

Other women are also making their mark in the political arena, including one woman very much in the news today: U.S. National Security Advisor Condoleezza Rice. At the age of 49, she leads the foreign policy of the world's superpower at a time of rapid global

change and unprecedented global terrorism. Not a job for the faint of heart!

Rice is African-American, and grew up in the then rigidly segregated city of Birmingham, Alabama. Racial tensions ran high in the late 50s and 60s. When she was nine, four black girls were killed in a bomb explosion at a church. One of those girls was Condoleezza's kindergarten classmate.

Education was very important in the Rice household. Her parents believed it provided protection from prejudice. And despite growing up with racial segregation, personal expectations ran high. Ms. Rice once said, "My parents had me absolutely convinced that, well, you may not be able to have a hamburger at Woolworth's, but you can be president of the United States."

There are many, many other examples of women who have influenced on a national and international level – women who lived at different times and of diverse backgrounds, interests and accomplishments.

But they did have certain things in common. Education was immensely important in their lives. They thrived on hard work. They all had dreams, vision and a passion for their chosen career. And, finally, they were all women of great determination and perseverance, undaunted by difficulties or precedents.

Such women are not deterred by convention, nor are they limited by stereotyping.

LINDA COOK
SHELL CANADA LIMITED



Banking on small business

October 21, 2004

FINANCIAL services has become a buyer's market for the business community in this country. One of the things that I believe truly sets us apart in this race is a plugged-in sensitivity to the extraordinary challenges that can and often do descend on our business banking customers.

The most recent large-scale case in point is our response to the ongoing BSE crisis and its impact on our agricultural clients and their counterparts in related industries.

Not only is BMO a leading bank lender to the beef cattle industry, we are also the number two bank lender to the agricultural industry in general.

Under the BSE Disaster Assistance Program, the solutions we offer include: the deferral of principal payments on loans and mortgages; the reduction of interest rates on lines of credit; and the waiving of new-loan application fees. We also introduced procedures to deal with emergency situations, with options that include establishing new and manageable lines of credit, extending amortization periods and/or restructuring credit terms and conditions.

We did exactly the same kind of things when those forest fires were ravaging British Columbia, drought was parching the Prairies, the SARS epidemic was numbing Southern Ontario, and Hurricane Juan was beating down on the Maritimes.

And while our assistance programs are designed to help clients through disasters of the natural kind, we have also effectively put them to work during economic downturns as

well, whether they are local or national in scope.

I doubt if anyone actually wonders why we have made business banking customers such a priority. But just for the record, let certain things be noted.

The first is that in addition to creating most of the new jobs in the economy, small business customers make up our consistently most profitable customer base at BMO. They're the best investment around - our "life's blood," as I once described it.

The second thing is that this customer base forms a neat and natural overlap with the customers targeted by our colleagues in BMO Nesbitt Burns and BMO Harris Private Banking: people with income to invest and people who want to retire in comfort.

The third thing is that competition for such high-quality customers has never had a keener edge, thanks in large part to the fact that for financial services providers, Canada has become a mature market.

With relatively fewer new customers coming on stream and a growing number of first-rate providers vying for their attention, growth strategies must focus on expanding relationships with existing customers.

So while there is indeed goodwill in our hearts at BMO, helping our most-coveted customers through tough times has been and continues to be an inspired business decision.

TONY COMPER
BMO FINANCIAL GROUP



Breaking down the walls

October 14, 2004

A STUDY by the Conference Board of Canada found that visible minorities are not represented well in key decision-making positions in Canadian companies. Another survey found that a majority of women executives don't feel fully accepted into executive-level culture.

How can these findings coexist with the progressive practices of corporate Canada? My sense is that today's key barriers are far more subtle than those of 25 years ago. And they are far more difficult to overcome.

Today, for instance, we talk about "organizational fit." It's a consideration in hiring a potential employee or promoting a certain candidate. The objective is to examine if an individual shares in and will sustain the company's corporate values. But "organizational fit" can have different meanings to different people. You may wonder if a potential new employee would be a regular at the company's Thursday pub nights, participate in the banter with the firm's largest client, or attend golf getaways with senior management.

It's a much more subtle form of discrimination, but this line of thought still considers an individual's personal attributes over their professional contributions.

Don't get me wrong: organizational fit is a two-way street. Each employee has a personal responsibility to integrate as best as he or she can into the employer's corporate culture. Still, the challenge remains: how can companies strike a balance between organizational fit and diverse workplace?

Let me mention one finding that strikes at the heart of this issue. More than 75 percent of internationally trained professionals are not working in their field of choice in Ontario. Every year, tens of thousands of qualified people are overlooked or undervalued by the public and private sectors.

I feel for these people because I know what they're going through. By 1991, I had completed two degrees in the United States: a master's in chemical engineering and an MBA. I searched high and low for a challenging job. Applied to hundreds of them. But to no avail.

It was a tough market – to be sure. But many companies did not have the appetite to go through all the paperwork and processes required to sponsor a non-U.S. citizen. Fortunately FedEx saw things differently, but many of my international friends weren't so lucky. They ran up against a wall that prevented them from finding work in their chosen profession.

That's why I'm calling upon you today to help break down walls that prevent engineers from designing; doctors from treating; tradesmen from building. I'm calling upon you today to help break down walls that prevent any man or woman from advancing in their career, regardless of their personal, cultural or religious background.

Ultimately, I'm calling upon you today to help break down walls to build a more prosperous future.

RAJESH SUBRAMANIAM
FEDERAL EXPRESS CANADA LTD.



Harnessing 'nature's bar-code'

June 16, 2004

AT Maple Leaf, our marketers are constantly reaching out to consumers, obtaining insights on how they feel about food and food products. Consumers are telling us that not only do they want convenience and nutrition, but they also want food to add to their well-being.

Not surprisingly, consumers' biggest concern is not with their own kitchen, where the risk of contamination is greatest, but with animal production and processing operations. There is a high trust and emotional factor in food. The more we distance ourselves from the kitchen, the harder we have to work at sustaining the trust factor.

As Canada's largest meat processor and a company with global interests, what is Maple Leaf doing in response? We didn't wait for a crisis to anticipate the rising importance of food safety assurance. Four years ago we were the first domestic producer to launch premium quality branded poultry products fed from an all-vegetable grain formulation containing no animal by-products.

We followed up by offering Canada's only nationally available pork products fed no animal by-products. Let me be clear that we believe animal by-products can be used safely and beneficially in animal feeds. However, our first priority is to provide consumers with the choice, and to be responsive to the needs of our customers, both domestic and international.

Breaking new ground in this quest, Maple Leaf and our partner Pyxis Genomics recently launched our pork DNA traceability system, which we believe is the first

commercial and comprehensive DNA traceability system worldwide.

By using DNA, or "Nature's Bar-Code" as we call it, this new system is uniquely positioned to trace a piece of pork from the grocery store shelf into the live animal production chain, bypassing the expensive step of tracking through the plant.

The attraction of DNA is that it requires little capital investment, is precision accurate and relatively free of human error, and can be detected in cooked or processed as well as fresh product right through the complete production chain to the consumer's home.

Maple Leaf is now in the final stages of typing blood samples from 30,000 sows that feed our plant in Lethbridge, Alberta. We will have the first fully traceable pork products available for the Japanese market by the end of 2004. After that, we are committed to making the licensed technology available around the world. The initial cost of the traceability pilot is about 95 cents per market hog. This will decline as the scale of our program expands, and the technology continues to improve.

In launching DNA traceability, Maple Leaf has chosen to be fully transparent. Consumers not only have more concerns over food safety, they also have access to information like never before. Rather than react to mounting pressure, we have developed a traceability system that will provide customers fully verifiable data on meat products, from gate to plate.

MICHAEL H. MCCAIN
MAPLE LEAF FOODS INC.



'We have to be the best'

October 5, 2004

MANY years ago, there was an undertaker in Kansas City named Almon B. Strowger. Strowger was a salt-of-the-earth sort of guy, a pragmatic businessman. And maybe a bit paranoid. Which is not necessarily a bad thing, as Andy Grove pointed out in his bestselling book about Intel, *Only the Paranoid Survive*.

Strowger lived in the late 1800s, when the phone system was new, when operators switched phone calls manually. Strowger's funeral home wasn't the only game in town. And when the wife of his main competitor was hired by the phone company as one of those operators, he got worried. Strowger believed she was directing calls from bereaved families to her husband's business. Even if the customer asked for Strowger.

True or not, it didn't matter. Strowger saw his competitiveness at risk. And he did something about it. He invented an automatic telephone switch – technology that gave him a better chance to compete.

Fast forward to late 2004. As business people, we all face essentially the same challenges Strowger did. How to survive. How to grow. How to compete. We must be able to compete as businesses and as a country with an economy that supports an enviable quality of life – a quality of life, to be frank, that we sometimes take for granted.

Canada, judged against other national economies, has had a pretty good run for the last decade, consistently performing at or near the head of the class in terms of growth. But we have some work to do on a number of fronts. We lag our largest trading partner,

the United States, on critical productivity measures. A 16 percent gap in output per worker, worth about \$6,800.

Our performance has improved in the last couple of years. But the gap is still more than twice what it was 20 years ago.

And we have to question whether we're doing enough to develop the people who will help us make up the difference.

Canada's public and private investment in education is much less than the United States on a per-student basis. Especially at the post-secondary level, where we spend only 50 cents for every dollar the United States invests in its students.

Meanwhile, the world is not standing still. Evolving technologies and labour realities create continuously shifting patterns of trade. New global economic powers are emerging. We read every day of developments in China and India. And of the impact their decisions and their growth will have here at home.

Recently, Industry Minister David Emerson put the challenge bluntly. In a speech in Calgary, he said we cannot afford to be just as good as the most competitive economies out there. We have to be better. We have to be the best.

Exactly. As a nation that exports 40 percent of what it produces, Canada needs to exploit every tool at our disposal.

MICHAEL J. SABIA
BELL CANADA ENTERPRISES INC.



Priorités de l'industrie automobile

8 juin 2004

L'INDUSTRIE automobile représente 12 pour cent du produit national brut du secteur manufacturier du Canada, et emploie un Canadien sur sept, directement ou indirectement. Les produits automobiles se situent au premier rang des exportations canadiennes, qui ont atteint plus de 88 milliards de dollars l'an dernier. Le Canada construit 1,6 véhicule pour chaque véhicule vendu, et Ford Canada est fière de son ratio production-ventes de presque 2 à 1.

Pour nous aider à définir la place qu'occupera l'industrie automobile au Canada pour le prochain millénaire, nous avons mis sur pied le Conseil du Partenariat du secteur canadien de l'automobile (CPSCA).

Le CPSCA a élaboré une courte liste de recommandations à court terme pour donner à notre industrie une définition claire de nos grandes priorités. Elles ont toutes trait à la productivité et à la capacité concurrentielle du Canada et à ce qu'il faut pour s'assurer que le Canada ait les bons outils pour attirer de nouveaux investissements.

Or, comme le Canada est soumis à une réelle épreuve de force avec d'autres pays et états chaque fois que des fonds d'investissement sont proposés, notre vision pour son avenir doit être suffisamment flexible pour conserver nos investissements industriels. De plus, les recommandations du CPSCA incitent l'acquisition de nouvelles sources de financement pour l'innovation dans l'industrie automobile.

Dans notre industrie, nous exploitons nos usines de montage aux quatre coins du

globe selon la théorie de la gestion de la chaîne d'approvisionnement, soit l'inventaire juste-à-temps. Dans le cadre de ce projet, les pièces requises pour la production arrivent à l'usine de montage au fur et à mesure qu'elles sont requises.

Des problèmes surviennent, cependant, lorsque la théorie juste-à-temps devient victime des forces extérieures, donnant lieu à une théorie moins attrayante que l'on appelle « juste au cas ». Je dis souvent que nous avons une industrie sans frontières ici en Amérique du Nord, mais pratiquement, l'infrastructure canadienne doit composer avec les besoins croissants du secteur automobile de l'avenir.

Une autre préoccupation est l'harmonisation de la réglementation dans une zone franche – ce n'est pas exactement du protectionnisme par le biais du contrôle de la qualité, mais c'est tout comme. L'absence d'harmonisation technique peut nuire à un pays producteur qui est relativement petit. Si le marché plus grand peut dicter les règles à suivre, il peut également réduire les coûts de conception et mettre les atouts de son bord par rapport à un marché plus petit.

Enfin, le CPSCA a identifié le besoin d'examiner les investissements en capital humain ici au Canada. Le Canada a besoin d'une stratégie qui prévoit et gère le capital humain de l'avenir, qui fait en sorte que nous avons des employés formés pour les emplois de demain et qui assure le niveau de vie élevé qui fait du Canada un endroit où il fait bon travailler et vivre.

ALAIN BATTY
FORD DU CANADA LIMITÉE



Rebirth of an airline

November 18, 2004

THESE days, given the state of the North American airline industry, speeches by the CEOs of legacy air carriers are all starting to sound rather similar.

First, we complain about the economy, fuel prices and the industry. Then we talk about our financial situation and what we are doing to reduce costs – like job cuts.

Of course, the CEOs of successful low-cost carriers deliver a different speech.

They don't complain so much about the state of the economy. They focus on their most recent quarterly results and the profit they made. Then they talk about growth plans and new routes which they plan to launch to take more market share from the legacy carriers. Then they talk about new aircraft which they're going to use on those routes to beat the pants off the legacy carriers and they end with an upbeat picture of the future.

Well, that's the speech I want to make – partly because I'm sick of giving, and hearing, the legacy carrier speech, but mostly because Air Canada is transforming itself from a legacy airline into an international network carrier that looks, operates and competes like a low-cost airline.

Canada's new Transport Minister, Jean Lapierre, recently announced that the government will examine liberalizing Canada's air policies.

To say that I'm pleased by this initiative is like saying that Boston Red Sox fans are pleased with the World Series. The federal

government's past approach to air policy stressed protectionism, interventionism and regulation over free market principles. It prevented Canadian carriers from flying international routes, helped foreign carriers and prevented Canada from maximizing its aviation potential.

I can't resist giving my favourite example of this because it cracks me up – even to this day. Under the old policy in place until the late 1990s, Air Canada could serve all of Germany except Munich from Eastern Canada and Frankfurt from Western Canada. Canadian Airlines could fly from Western Canada to Frankfurt, but not to the rest of Germany. They could, however, fly to Munich from Eastern Canada.

This gives you an idea why we find it so refreshing that this new Minister of Transport has decided to challenge the status quo.

We will support Minister Lapierre's liberalization initiative and we will work cooperatively towards a common goal of moving towards liberalized air agreements – first with the Canada-U.S. market and then into other markets around the world, starting with the largest markets first.

When you put a financially restructured Air Canada together with a new business model and the prospect of a modern aviation policy, we will finally have the key elements for sustainable success.

ROBERT A. MILTON
AIR CANADA



Why outsourcing creates jobs

September 27, 2004

OVER the past year, there have been numerous media reports about the displacement of work through outsourcing or offshoring. The resulting concern is certainly understandable. Yet the fact that work travels does not necessarily mean that jobs are lost.

Our experience has shown us many times that, if well managed, any technological evolution can result in new opportunities, including the creation of new jobs.

CGI's Global Delivery Model has indeed promoted the creation of several thousand jobs in recent years in our global centres of excellence. These centres of excellence are located in Montreal, Quebec City, Saguenay, Fredericton, Regina, Calgary, Edmonton and Toronto. In the United States, we have centres of excellence in Massachusetts, Oklahoma, Ohio, Alabama and Virginia.

As you can see, these centres of excellence are located both in large urban centres as well as in remote areas. This has allowed for the creation of jobs in various areas that were seeking economic development.

My hometown, Saguenay, is a town of 120,000 people north of Quebec. In Saguenay, we have created and retained 350 jobs with the long-lasting support of our partner Alcan, making us one of the largest private employers in the region. Our professionals in Saguenay serve the operational activities of Alcan around the world and those of various international clients. This is one example of information technology (IT) job creation that we have replicated in other locations in North

America. If we add up all of the jobs created over the past five years in our centres of excellence, we find they account for almost 2,500 people or ten percent of our total headcount.

As this clearly indicates, the movement of work results not in the loss of jobs but in the creation of new ones.

Moreover, we are making significant investments in the specialization of these centres to promote their growth and improve their competitiveness in global markets. It is our firm intention to develop new centres of excellence, creating and retaining jobs in the regions and in urban centres in the United States, Canada and Europe. These new centres of excellence will be developed in partnership with our clients in order to meet their specific needs, priorities and values.

The phenomenon of work that travels in the information technology sector allows all countries and regions to create new IT jobs and to position themselves at the forefront by establishing numerous centres of excellence capable of facing international competition.

For CGI, developing these centres of excellence while helping job growth is a logical application of our deeply rooted values. We have always believed that our long-term success depends on our contributions and our commitment to the communities in which we operate.

SERGE GODIN
CGI GROUP INC.



Partners for growth

September 23, 2004

It was almost a year ago that Manulife Financial and John Hancock Financial Services of Boston announced that their boards had entered into a merger arrangement that would see the creation of one of the most important life insurance groups in the world.

The transaction was the largest cross-border investment in Canadian history. The merged company, Manulife Financial, with a market capitalization of more than \$45 billion, is now the largest company in Canada.

The coming together of our two companies was inevitable because we operate in an industry where scale and scope are important, and because there are unlikely to be two companies anywhere in the world that complement each other as well as we do.

Today, Manulife Financial has significant operations in some of the most attractive markets in the world. Roughly 25 percent of our earnings come from Canadian operations, 50 percent from the United States and the balance from across Asia.

In drafting the plans for merging our two companies, we were mindful of Maritime Life and of its importance to the City of Halifax and the region. So we tried to develop merger plans that would not seriously compromise the important role that Maritime Life plays in this community. This was the challenge that Bruce Gordon, our Senior Executive Vice President and General Manager for Canada, and his team had to meet: get the merger savings that the market was demanding but do so in a way that would be seen by everyone as being

sensitive to the concerns of Haligonians. I think that Bruce succeeded admirably.

As our partners at CGI announced earlier today, a new agreement between Manulife and CGI will create an International Systems Development Centre here in Halifax. Its prospects are excellent. In fact, I fully expect that the development centre will in time grow so as to employ far more than the approximately 300 personnel it has today.

We are pleased to have a partner in CGI that shares our passion for excellence and that is committed to developing a sizable business in Halifax. We both recognize the distinct advantages that Halifax offers: a skilled and well-educated workforce, wonderful infrastructure and lower operating costs than many of Canada's major cities.

Manulife is well positioned in some of the world's most attractive markets. We are diversified by product line and by geography. Our growth in the future can come from any number of places and we especially like the fact that our development will not unduly depend on the favourable evolution of Canadian government policy.

We expect that opportunities to grow our existing business organically and through acquisition will be plentiful. Our goal is to be the most professional life insurer in the world. Our merger with John Hancock and the establishment of an International Systems Development Centre in Halifax are important milestones towards that goal.

DOMINIC D'ALESSANDRO
MANULIFE FINANCIAL



'I want to hear what is going wrong'

July 12, 2004

I BELIEVE in transparency. I've spent my career trying to drive transparency into every organization I've worked for. So I understand that it's easy to say and much harder to do.

To some extent, transparency has become the flavour of the day. People say that if we'd had more transparency we wouldn't have had the Enron and Worldcom problems. But that's not true. The perpetrators of Enron and Worldcom were crooks and you can't solve that problem with transparency. Crooks will be crooks, no matter how much regulation or transparency you have.

But do I think you can drive out 'near crooks'? I do. I believe that transparency makes it harder for near crooks to enhance their results.

I believe that over time, transparency is fundamental to better performance. If you're not transparent, it's hard to hold your people accountable. But transparency isn't a simple concept. It has consequences for how you relate to your board, your investors, the media and your employees.

I tell my board of directors to wander through the organization; meet the executives; ask for any document you want. And if any executive refuses, tell me and I'll have a conversation with him or her and make sure they know they have to let you have it.

I'm not upwardly delegating when I tell the board about problems. I do it because if I don't tell my boss my problems, how can I expect the people below me to do it to me?

I'm constantly saying to people: "The good news will surface soon enough. I want to hear what's going wrong. Let's deal with it."

It's amazing how much that notion runs counter to human instinct. People turn over all the good rocks and show off all their achievements and all the positives but they don't instinctively turn over the bad ones where the problems lie. But my approach is that every time I see something unusual I know instinctively that it will be negative.

When I first came into the bank everyone had a deep fear of upwardly delegating problems. That's human nature. You think, I'm being paid the big bucks so I can't go to my boss and show I can't manage this on my own. But that's not what it's all about. It's about no surprises. Any number of problems we've had to deal with could have been solved if the person had only let us know early on.

Part of what's going on is that people think they'll be beaten up or fired if they bring problems forward. They think they are judged by how few mistakes they make. That might have been true once, but it's not how I judge them.

In fact they joke that I'm only happy when the world's falling apart and that I'm a total pain when everything is going well. And there's some truth to that. But their reaction tells me something about how they behave when they hear bad news from their people. They have to learn how to behave so people aren't afraid to come forward. Nobody's going to be punished for making a mistake if they're honest about it.

W. EDMUND CLARK
TD BANK FINANCIAL GROUP



The search for a solution

April 20, 2004

THE relationship between Canada and the United States is envied by many countries in the world. Few nations with a common border have succeeded in getting along so well for such a long time.

Of course, one issue of seemingly perpetual concern to Weyerhaeuser and the forest industry is softwood lumber.

The first thing I would like to do is to acknowledge the government of British Columbia for its positive move to amend its policies to make the timber pricing process more market-driven and transparent. This initiative is directly linked to efforts to find a durable solution to the softwood lumber dispute.

As a company with significant lumber operations on both sides of the border, Weyerhaeuser is convinced that litigation is not the answer. The current damaging cycle of conflict and litigation has lasted for 20 years now, with four waves of legal action. Absent a negotiated agreement, it can literally go on forever.

We have tried to play the role of honest broker in this dispute, and have never been a member of the United States Coalition for Fair Softwood Imports, which launched these trade actions. We understand and operate in both timber pricing systems – private in the United States, public timber in Canada.

We also believe that the real softwood lumber market is North America, and that North American producers must be prepared to compete with offshore producers such as Russia, which has a vast and mostly

untapped softwood forest. There are plantation forests in the southern hemisphere as well that represent new and growing competition in some lumber grades.

We have just passed the third anniversary of the latest legal battle. Appeals are underway at the World Trade Organization (WTO) and under the North American Free Trade Agreement (NAFTA). It should be clear to all that litigation will never resolve the dispute.

Fortunately, governments and industry have worked hard for over a year to define a framework for resolution. The cornerstone is policy changes by provincial governments – including those that British Columbia is already beginning to implement – to create more transparent, market-based timber pricing. The United States must be assured that these changes will be effective. Canada, on the other hand, must be assured that making these changes will create an “off-ramp” in the United States that will in fact lead to free trade.

The framework of this agreement has already been negotiated. While there will not be unanimous support within either country, we believe that a majority of the industry will support a reasonable settlement.

Weyerhaeuser has from the outset advocated a negotiated resolution to the softwood dispute, which to succeed will take leadership of governments and industry on both sides of the border.

SANDY D. MCDADE
WEYERHAEUSER COMPANY LIMITED



Mexico's untapped potential

October 13, 2004

THROUGHOUT our history, Canada has looked to international markets to generate wealth. Exports represent close to 40 percent of our Gross Domestic Product.

At the same time, the global economy has undergone significant change – first, with the end of the Cold War, then the tragic events of 9/11 and now the fact that security issues have become the focus for the United States in much of what it does, including how it looks at its economic policies.

In the face of global uncertainty, many of the world's leading economies, particularly the United States, are increasingly focused on their own agendas. There is a move away from multilateralism to more bilateral and even unilateral issues.

As the most trade-dependent country in the G7, Canada cannot afford to be complacent in our approach to trade or international growth opportunities. Canada and Canadian companies must take charge of their futures.

One solution is to leverage our relationship with the United States and Mexico through the North American Free Trade Agreement (NAFTA) and build strong bilateral relationships with other key markets in this hemisphere. Given the current global environment, this should be the central trade-related priority for Canadian business and government. The importance of our North American partners to Canada cannot be overstated.

We have a particular opportunity in Mexico, a market that offers tremendous growth

potential. Canada-Mexico trade has increased more than 200 percent in the past 10 years. Canada is now Mexico's second most important export market behind the United States. And Canada has become the third-largest foreign investor in Mexico.

Mexico and Canada have important common interests, not the least of which is in the development of a continental energy plan. Mexico needs to actively look for investments and Canadian-based energy companies make especially good partners. Agri-food is another important growth area, as is telecommunications, transportation, education and financial services.

One of the most important reasons for optimism about Mexico is the country's demographics. Mexico has by far the most youthful population in North America, with a median age of just 24, compared with 36 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 rate are forecast to remain well above both Canada and the United States.

Mexicans are working hard to build, reform and liberalize the economy. They have an economy that not only is open for business, they encourage it.

I personally recommend that Canadian business leaders look to Mexico, the Caribbean and Central America. It is close, we are welcome as Canadians, and we have the products and skills they need.

RICHARD E. WAUGH
THE BANK OF NOVA SCOTIA



China's day is coming

December 6, 2004

Q UITE a few years back, someone a lot smarter than me at Inco saw that China's day was coming and decided we needed to start building our presence there. We started out small, opening a sales office in Shanghai in 1994 with a staff of three people. In 1997, we opened a joint venture nickel refinery in Kunshan, outside of Shanghai. In 2002 we launched another joint venture that is focused on nickel exploration in northern China.

This year, we opened a plant in Dalian that manufactures nickel foam, a key component in rechargeable batteries. And by the end of this year, we expect to have completed the acquisition of another nickel foam company in Shenyang.

Our 2004 sales to China will be about \$400 million U.S., which represents just over five percent of Canada's total exports to China.

I'm most proud of the safety and environment record we have established for our plants in China. At our nickel refinery in Kunshan, we have not had a single lost-time accident in five years. Our Kunshan facility meets the highest environmental standards and was recognized as one of the top 10 environmental performers in that city's industrial zone. We have also just completed construction of our Dalian plant, with 580,000 person-hours of construction, with no lost-time accidents.

When the media talk about China's state-run sector, they typically depict it as bloated and bureaucratic. We saw a lot of this commentary in the Canadian press when

China Minmetals initiated discussions to buy Noranda.

But things sometimes look different on the ground. The quality of equipment and technology in Chinese privately owned plants often surprises Western visitors. The nickel foam plant we've built in Dalian is a case in point. Its made-in-China technology is considered the best in the world for producing high quality nickel foam.

The point is that Western manufacturers cannot afford to be smug. The combination of growing technological advantage with low-cost labour in China could add up to a formidable global competitive edge.

China's development may not happen at a steady, consistent or uniform rate. But its overall growth, its urbanization, and the desire among its population for material comfort and a better life are key factors that cannot and will not be denied. For years the world's economy has been driven by the power of the U.S. consumer. In China, there is another consumer arising, small by comparison but growing fast.

I believe that Canada as a whole still has not grasped the importance of China. It is understandable that trade relations with the United States still dominate our view. But while the United States may be the dominant market today, the future belongs to China. For a long time people have said that Canada shouldn't put all its eggs in one basket when it comes to trade. The way we see it, that new basket has arrived.

SCOTT M. HAND
INCO LIMITED

