



**North American Competitiveness:
Smart Technologies, Smart Borders, Smart Business**

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Thank you

As someone who calls this city home, and as part of a company whose roots are firmly planted in Quebec soil, it's an honour to be here and to participate in the great tradition that is the Canadian Club of Montreal.

I've been thinking a lot in recent days – and not just about the pros and cons of income trusts, which probably surprises a lot of you – but about a broader issue, one facing Quebec and our country as a whole. That issue is our competitiveness.

An issue that's very much top of mind through my involvement with the North American Competitiveness Council.

As you know, that Council, made up of private sector representatives from Mexico, the United States and Canada, was launched at the Cancun meeting of President Fox, President Bush and Prime Minister Harper.

They've asked us to make recommendations to their governments on how to strengthen North American competitiveness. How to improve NAFTA – building on what we've already achieved. Enhancing the mechanisms for doing business. Positioning North America to compete with rising economic powers such as China, India, South Korea and Brazil.

Two recent events have reinforced concerns I've had about Canadian competitiveness.

The first you may not have heard much about – a report, commissioned by Industry Minister Bernier and prepared by the Council of Canadian Academies on our strengths and weaknesses in science and technology.

The second, something we've heard a lot about, though not in the context of competitiveness, and that's the anniversary of 9-11.

What's the connection between September 11th and competitiveness? In a word, security.

September 11th did more than change the skyline of a city – it transformed the psychology of a nation. Making security the sine qua non of our relationship with the U.S. At every level. On every file. For years to come.

Security now inextricably part of the competitiveness equation. The price of continued openness to the world's richest market.

The border the focus of concern. Not just in the days following the attack, but continuing, even accelerating, today. Just last week, a U.S. task force report calling for 8,000 troops to patrol crossing points between our two countries.

The question is, “how does Canada, as a small, open economy, relate to a major trading partner whose preoccupation is security?” Which sees its priority as protecting itself against terrorists, not opening itself up to trade.

And which has much less to lose from such actions than we do, with exports to Canada accounting for only about two per cent of its GDP.

The situation very different here, where one out of every three jobs depends on trade. The U.S. our largest customer. America the destination for 84% of our exports.

Our two countries, the world’s largest free trade area, with nearly \$2 billion in goods and services crossing our border every day – along with 37,000 trucks and 300,000 people.

Here in Quebec, some 81% of exports go to the United States. Representing about a quarter of our provincial GDP. Lacolle, Quebec’s busiest border point, with 760,000 two-way truck trips last year.

But there’s nothing preordained about our trading relationship with the U.S. Nothing which guarantees that we’ll remain one another’s best customers.

The fact is the United States has many more options for re-balancing its international trade than we have. Less dependent on two-way trade than we are.

According to the Seventh Annual Report on Canada’s State of Trade, China is already catching up as the largest foreign participant in the U.S. market. On trend to overtake us.

The pace at which China and others are gaining market share in the U.S. a stark reminder of the intensity of international competition. Meaning we don’t have the luxury of time – or complacency.

And if international competition wasn’t enough, we now face the additional overlay of security. Redefining our relationship. Challenging our competitiveness.

So today, our challenge is not only to make the link between trade and competitiveness, but between competitiveness and security. And for Canada, that means focusing on our relationship with the U.S. and, in particular, on addressing concerns about the border.

Making it safer. Making it work better.

To operate at peak efficiency, a modern border requires sophisticated technologies. To examine cargo. Expedite travelers. Move goods quickly. And manage security risks.

And yet, roughly two-thirds of the border points between Canada and the U.S. don't have broadband connectivity. Unable to fully employ sophisticated identifiers. Make use of RFID and automated manifest systems. Or intelligent transportation systems that can verify and authenticate people and documents instantly. The vital tools of modern trade.

And that's just not good enough. It's not good enough for our tourist industry, which has seen a dramatic decline in American visitors.

It's not good enough for Canadian companies which need to ensure "just in time" schedules for their goods and services. Hampering their ability to compete globally. Making them less competitive.

And it's not good enough for the tens of thousands of trucks that cross into the U.S. each year. Delays costing hundreds of millions of dollars last year alone.

We need to build a truly digital border, with sufficient speed and capacity to accommodate sophisticated applications. Operating seamlessly. Eliminating impediments. Protecting privacy.

Allowing an efficient transfer of goods and people to cross with minimal delay. No more filling in forms or filing reports.

At the same time, sending a very clear message to our American partners about Canada's commitment to security in a post-September 11th world.

We've been talking about this for five years with very little to show for it. And the longer this goes on the more invasive and extensive the American demands have become.

The border is one of the key priorities identified by the North American Council on Competitiveness and Canada's agreed to take the lead. It's in our own economic interest to do so – and to act now.

So September 11th and the security concerns it raised, a major new challenge to our competitive position. One we simply have to address.

But not the only one. The recent report on science and technology presented its own set of concerns. About where we need to do better in a world where the prerequisites for economic success, the raw materials of prosperity and the defining measurements of achievement are fundamentally different from what they were even 10 or 15 years ago.

A world where the engine of growth is the human mind, building products, offering services and creating industries on the strength of an idea.

Research and development more critical than ever to pushing forward the frontiers of knowledge and transforming that knowledge into new products, services and technologies.

A world where information and communications technology (ICT) – has transformed how companies operate – and succeed.

In such a world, we have to improve our productivity and competitiveness.

As the science and technology report says, “strength in a global context matters for Canada because it determines our ability to compete for increasingly mobile resources of people and investment capital, and to participate in global knowledge-sharing networks that operate at the leading edge of both science and technology development.”

To those efforts, as the Report points out, we bring real strengths.

First area of comparative advantage – the resource sector. Canadian talent and technologies among the best in the world.

Second. ICT – still a strength, but one we need to diffuse into every corner of our economy.

Third, health and life sciences – including in such groundbreaking areas as genomics and proteomics.

Significantly, all of these areas are ones of current strength or future opportunity for Quebec: in resources, our expertise in hydro-electric power holding tremendous potential for clean energy; in ICT, through leading technology companies – including BCE, the third largest private sector employer in the province and in life sciences, where Montreal ranks among the largest clusters in North America in health sciences biotechnology.

But on many of the key metrics of productivity and competitiveness, Canada is falling behind. Slipping in the key measurements of an information society. Losing ground in the very areas that will drive productivity.

As the report points out, we need to do better at moving knowledge from researchers in universities to innovators in industry. Transforming ideas in our heads into products in the market.

Far too many ideas developed in Montreal or Vancouver are being commercialized by people in Boston or Raleigh. Depriving our economy of the benefits of innovation. Denying our businesses the rewards of their own R&D. And making Canada less competitive.

We have a regulatory framework that is acting as an impediment to innovation and competitiveness. According to the report, a “significant proportion of science and technology stakeholders” see the regulatory system as “falling short.” And the longer it falls short, the further we fall behind.

In telecom, the regulatory environment is trailing the times. Stifling innovation. Limiting consumer choice.

A few months ago, Minister Bernier issued a clear directive to let market forces determine outcomes in telecommunications. It's time to bring regulatory practice into line with government policy.

In the critical area of ICT, we simply have to do better. Economists Melvyn Fuss and Leonard Waverman, estimate that almost 60 percent of today's productivity gap between Canada and the U.S. can be attributed to greater use of ICT in the U.S.

Yet Canadian companies are only investing in ICT at about two-thirds the rate of American firms.

Canada faces an additional challenge in that SMBs make up a greater proportion of our economy than that of the U.S. And that's particularly true here in Quebec.

These smaller enterprises are dynamic. Quick to seize opportunities. Powerful job creators. The engines of economic growth in this country. But these engines aren't firing on all cylinders. Not adopting ICT as quickly as they could be.

And that's a problem, because failing to adopt ICT isn't just hurting their performance, it's hurting our economy as a whole.

Indeed, as the Report makes clear, almost every area of opportunity is associated with ICT and its applications. Benefiting from ICT's ability to push innovation. Drive productivity. Create prosperity.

To ensure that ICT plays the critical role it must in the knowledge economy, we need a coordinated strategy. Bringing the benefits of ICT to every Canadian business, in every sector. It's time for a national policy on ICT.

At a minimum, that means policies that will drive education in computer literacy and engineering. And that make technology diffusion a priority – especially among small and medium-size businesses.

If Canada is going to meet its competitive challenges, we all have to play our part. At BCE, we've led North America in the roll-out of DSL – broadband connections. Now reaching more than 85% of all households passed in our territory. Extending the power of highspeed internet solutions into more homes and businesses.

And to help SMBs become even more productive, we're developing a whole range of new products and services. Joining with Microsoft to deliver hosted e-mail and messaging services. Acting as their virtual CIO.

Just a couple of examples of a broader strategy to encourage the adoption of ICT. To encourage its adoption. Extend its benefits. Joining our efforts to the challenges facing all of us – in Quebec and across the country.

To expand opportunity. Spur innovation and drive competitiveness.

The question is no longer “what worked in the past and how do we repeat it?” But “what is necessary for the future and how do we create it?”

At BCE, we’re creating that future by reinventing ourselves. As a core strategic imperative. Re-designing our business model. Introducing new products and services. Recruiting the best talent in the business.

Executing on our strategic plan – to build a company that will deliver levels of customer service that set us apart. Over leading edge networks. With next generation services that meet a broader range of our customers’ needs.

Competing and winning in video, networking, voice over internet protocol, television, wireless and highspeed internet. Building new streams of income.

A plan that is on track. Gaining traction. And delivering results.

This year, a critical turning point, with revenue from our new streams of income eclipsing revenue from our traditional businesses.

Our growth businesses on a trajectory to provide more and more of our revenue in the years to come. Until these “new” sources of income become the primary source of income. For a very different company.

One that has changed with the times. And helped to change the times. Through technology.

So some ideas. About the competitive challenges facing all of us. About the need to think differently. Plan strategically. And act quickly. Across sectors. Across the country.

If we meet these challenges, we can compete with the best, against the best. Drive our competitiveness. And ensure our prosperity.

We have a world to win and work to do.