



Building a Better Canada: The Business Imperative to Lead

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Delivered Monday, November 17, 2014
Centre Sheraton Montréal Hotel
1201, René-Lévesque W. Blvd., Montréal

Je suis ravi d'être parmi vous aujourd'hui et je remercie, France, pour son introduction.

Il y en a parmi vous qui connaissent Aimia assez bien, mais je suppose que nombreux sont ceux qui ne peuvent pas en dire autant ou qui savent simplement qu'il s'agit de l'entreprise à qui appartient Aéroplan. Je vais donc vous présenter – ou présenter à nouveau – brièvement Aimia.

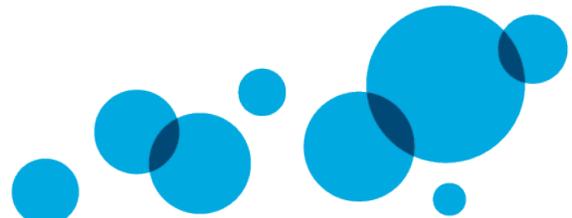
Aimia est effectivement propriétaire d'Aéroplan au Canada. Le programme pour grands voyageurs d'Air Canada créé en 1984 a été essaimé en 2002 et est à présent un programme de fidélisation coalisé qui compte plus de 75 partenaires représentant au-delà de 150 marques dans les secteurs de la finance, du commerce de détail et du voyage.

Nous avons cinq millions de membres actifs, autrement dit un habitant – homme, femme, enfant – sur sept au Canada, ce qui inclut, je pense, presque tout le monde dans cette pièce. L'an dernier, Aéroplan a émis 2,3 millions de primes à ses membres, dont plus de 1,5 million de voyages avec Air Canada et les transporteurs Star Alliance, et des milliers d'autres récompenses.

La plupart d'entre vous étaient au moins au courant de cela, même sans trop connaître les détails.

Mais j'ai l'impression que la plupart d'entre vous ignorent qu'Aimia, qui avait 6 employés Aéroplan au Canada en 1984, en compte maintenant plus de 4 300 dans 20 pays, dont 1 800 au Canada.

Nous sommes le propriétaire du programme de fidélisation Nectar au Royaume-Uni, qui a 19 millions de membres actifs, et de Nectar Italia, qui en compte



6,4 millions; nous exploitons Air Miles au Moyen-Orient; et nous avons conclu des partenariats au Mexique, en Malaisie, en Espagne, au Portugal, en Inde, et en Chine notamment.

Au fil des ans, nous avons connu énormément de succès au Canada, mais comme vous pouvez l'imaginer, le Canada ne peut avoir qu'un certain nombre de programmes de fidélisation étant donné sa population de 35 millions d'habitants. Ce pays offre encore, selon nous, des possibilités d'expansion, mais nous devons aussi nous tourner vers l'étranger afin de continuer à croître au rythme élevé auquel nous aspirons. C'est ce que nous avons entrepris de faire en 2007, alors que nous nous appelions Groupe Aeroplan, et nous avons depuis grandement contribué à façonner une industrie mondiale de la fidélisation. Un des piliers de notre stratégie de croissance consiste justement à reproduire ailleurs dans le monde les modèles que nous avons peaufinés au Canada et au Royaume-Uni.

At this point you may be wondering how this connects to nation building? Some of you have already checked the card on the table to see if you misunderstood the topic for the day... You're in the right room.

The topic of this speech is nation building, and the roles that business and government play in this current era.

For many people, the phrase nation building conjures up images first of Samuel de Champlain, reaching the shores of what would become Quebec City in the early 1600s and building those first three main buildings; more recently of Sir John A. Macdonald, credited with both the vision and creation of the Canadian National Railway, which served to connect the country coast to coast and was part of the deal when British Columbia entered Confederation.

History certainly lays credit for that second era of nation building at Macdonald and his government's feet, with business's role relegated to a footnote in people's memory, if at all. Government made it happen. And that railroad was a cornerstone of the country's early economic success.

The explosion of air travel in the 1950s and the 60s, which in Canada spurred the growth of Air Canada and other airlines, and connected the country in a much more immediate way, represented another era of nation building. It was now possible to travel rapidly and regularly for business meetings between Canadian cities, and Canada and the world, creating a national business community.

Fast forward to today. We are, in my mind, in the midst of another era of nation building. And while I see the pipelines that are being hotly debated across the

country as the symbol of that nation building, this era is fundamentally different than those past. This speech is not *about* pipelines, but they're a useful example of the issues at hand.

I'm sure this room is, as is every room it seems, quite divided on the merits of the various proposed pipelines. But one thing is clear to me. It is no longer appropriate to rely on the federal government to provide all the vision and all the will to make such major initiatives realities, and interprovincial fighting is coming at the expense of a vision for all, and frankly the prosperity and employment opportunities that we can deliver nationally.

Business has a responsibility to lead a strong debate on the ethical and environmentally mindful exploitation of natural resources so that it reflects 21st century values. Yet business leaders have done a fairly atrocious job of leading, or even participating in, a national debate in which they explain their viewpoint on the merits of pipelines in the language of the average person, so as to make it relevant at the community level.

And while much of the national consciousness is focused on pipeline debates, there is actually a far broader phase of nation building underway right now. We are moving away from our dependence on natural resources for our wealth. While pipelines, oil and gas, mining, forestry – frankly, in the future water – will still drive a formidable and important portion of our country's income, in the neighbourhood of 20 percent, we must ensure we are putting in place the infrastructure – and much of it's intangible – to evolve towards a country of thinkers.

Less than 20 years ago, the biggest companies in the world were either resource companies – like Royal Dutch Shell and Exxon Mobil, or they made “things” – GE, Nippon Telegraph and Coca-Cola.

Today, only Exxon remains in the top 5. The others have been replaced by Microsoft, Google, Apple, and Berkshire Hathaway. Companies that at their cores were built on intellectual capital – neither manufacturing nor resources define their success. In Canada, the top ten list includes four banks, two resource companies, two pipeline companies, a railway, and BCE. But that dominance of banks, resource companies and companies that *move* resources, will inevitably change in Canada as it has in other countries.

For the next generation to succeed, two critical things need to happen:

1. We need to recognize that while natural resources are a significant source of wealth today, our future will fundamentally depend on companies which have

intellectual capital at their core. And that in turn means that government needs to recalibrate to better support the companies of tomorrow.

2. Secondly, business needs to show greater leadership – in creating the vision, and in building a successful country.

With a population of just 35 million, ranking us 38th in the world, and smaller than Tokyo, we have a finite market for everything we do. So for companies to reach the scale needed to be successful as an intellectual capital company, we must reach for the international markets, and not just the U.S.

When we took Aeroplan public in 2005, we knew that we had developed an entirely scalable model, and that our long-term growth would be driven by our success in adapting and implementing the Aeroplan model around the world.

So from our home base, which remains in Montreal, we bought Loyalty Management Group, which owned the infant Nectar loyalty program in the UK, in 2007, along with our first investment in Air Miles Middle East, with anchor partner HSBC. In 2010 we expanded our global footprint and diversified our capabilities further with the acquisition of Carlson Marketing and the organic launch of Nectar Italia. That year also saw our first investment in Mexico, and just in the past year or so, we've reached partnerships in Malaysia, with Air Asia, with Fractal Analytics, based in India, with Travel Club in Spain, and Sonae, the biggest retailer in Portugal. And the list goes on.

Because we are now in 20 countries around the world, we've developed a rigorous approach to assessing new markets, navigating the government and business landscape, assessing and understanding the local cultural and demographic similarities and differences to other markets we have business in. This helps us understand whether the market is ripe for loyalty solutions, and what successes from other markets we can replicate, and those which we cannot.

From Aimia's first acquisition of LMG seven years ago, we have enlisted the support of our federal government's Canadian Trade Commissioner Service on several occasions: for high-level introductions to clients we were pursuing, to expedite paperwork, and to build just-in-case relationships. And what we have learned is that our success – or lack there of – was directly related to the level of intimate connections that the embassy and consular staff had developed on the ground in their respective countries. And that success varies significantly from culture to culture and also due the individual backgrounds of consular staff.

So while to various degrees, the federal government has been there to help facilitate our efforts, with the understanding that what's good for Aimia is ultimately good for Canada, over the last few years, I've come to the conclusion that the support that the government is able to provide through its trade initiatives, has not kept pace with the changing face of global Canadian businesses. I suspect that trade commissioners are excellent at supporting traditional manufacturers, resource companies, etc. But in our experience, Canadian staff on the ground around the world have a difficult time wrapping their minds around how to help a company like ours.

Now in fairness, because this is an opportunity, not a criticism, Aimia's business – building and operating loyalty programs and providing data analytics and insights – is not one most are familiar with, and the elevator speech to explain it requires a taller-than-average building... But frankly, such is the case with most companies based in intellectual capital. The loyalty industry didn't exist 20 years ago. Similarly, imagine trying to explain Twitter even 10 years ago.

I would suggest that, given finite time and resources, the government needs to focus its efforts supporting companies in a few sectors it believes will build Canada into the nation we want to be in the future, rather than just focus on the nation we are now.

Clearly Canada has been blessed with an abundance of natural resources but I, and I'm sure many of you, would like to see a future in which our country's wealth further diversifies from the exploitation of those resources. And it can be done, with some focus and more leadership.

Take Norway: in the late 1970s and early 80s Norway had a vision that it would become a global leader in telecom. From one end of the food chain to the other, including education, training grants, and many tax incentives, Norway put in place the conditions to become a telecom powerhouse, and it paid off for them. You could argue choosing telecom was a big bet for Norway – how were they to know that in 2014 (forty years later) half of your hands are twitching because you haven't checked your Blackberry or iPhone in the last 10 minutes? ... Or actually, perhaps some of you have. But anyway...

The Canadian government can't predict exactly what industry will be the next game changer, but what it can do is ensure that staff both in Canada and abroad are better equipped to facilitate what I could call "new world economies".

Now, it's not as though the government doesn't agree that it can do a better job at supporting Canadian companies in their international expansion. That belief was actually articulated in the launch of its Global Markets Access Plan in 2013, which includes the notion of "economic diplomacy" as a core objective.

And while I somewhat disagree with the way the government has replaced, rather than supplemented, traditional diplomacy with economic diplomacy, I was thrilled to hear that last month in Toronto, Minister Ed Fast said that he has started to fix the problem, directing the country's export-oriented agencies to – quote – "enhance their coordination, align their activities, facilitate referrals, and share market intelligence and information."

What might surprise you is that other countries are providing the kind of help that Aimia needs, but often better.

Let me give you an example. We employ more than 500 people at our London office on The Strand. The UK government recognizes that because Aimia owns the very successful Nectar program in the UK, it benefits from Aimia's success—even though our head office is in Montreal. So the UK government has not only included Aimia in discussions on critical issues such as privacy and data security, but also offered highly valuable advice in some of the markets in which we operate.

Now Aimia is fortunate that when it doesn't get the help that it needs abroad from the Canadian government, it has the wherewithal to turn to others. But the Aeroplan of 20 years ago didn't have those resources, and the thousands of businesses across the country that are on the cusp of international success often don't have the resources or contacts needed. Certainly, there are many companies that have thrived on the international stage, and a number of those are based here in Montreal, like CAE, CGI, Bombardier and Cirque du soleil. But for every success story you can tell, there are hundreds of other companies that are never able to navigate the complexities of international expansion or trade, but do have great products and services that would be very competitive in international markets.

The Canada of tomorrow is going to depend on the international success of hundreds of currently unknown companies, and our federal government is in the unique position of being able to help. Successful international companies mean higher incomes, more taxes paid, higher stock valuations in retirement funds, and

a spinoff effect for other Canadian businesses. In short, a more competitive Canada in the global market we now operate within.

So how can the government help us better? While I very much appreciate the minister's approach to getting the government's agencies to work better together, I would suggest taking it one step further. Treat businesses such as Aimia as the customer. Provide us with one customer relationship manager who is equipped to lead us through the various services the federal government offers and who can help us expand internationally. (And to be clear, I do mean internationally, not just to the U.S.)

Treat us like the customer that we actually are, and we in turn will support the development of a stronger, wealthier, more successful country. A more focused approach will beget better results.

And to build this new nation, we need the government to adapt to the needs of businesses.

What we also want to ensure is that as Canadian companies reach out into the international arena, they want to keep their home base here, rather than move to countries with lower tax rates (although ours are very good), better government support, or more skilled workers.

Aimia a inauguré en avril dernier son nouveau siège social ici à Montréal. Nous sommes une entreprise mondiale ayant des bureaux importants à Londres et à Toronto, un comité exécutif réparti entre ces trois villes et d'autres points du globe, et des activités dans 20 pays, mais lorsqu'il nous a fallu choisir un endroit pour notre nouveau siège social, cela allait de soi que nous allions rester au Canada et plus précisément ici à Montréal. Aimia a des racines profondes à Montréal et fière d'être une entreprise montréalaise.

But for companies in transition – through cross-border M&A activity in particular, where to put the combined company's head office is not as obvious. The benefits of having head offices located in Canada have been well-documented. One such study, by Calgary Economic Development, pointed to higher corporate and personal tax revenues for cities with head offices, higher wages and consequent higher consumer spending, real estate demand, and charitable donations, both directly from corporations but also from its employees. And of course a head office needs the support of many partners – like many of you in the room! – in the banking, legal, accounting and advertising fields, among others.

Businesses like Aimia need all levels of government to focus on the factors that attract head offices to our cities. Factors such as developing not just a skilled workforce, but one with the right skills,

- A high quality of life that's attractive to international staff
- And low taxes, both corporate and personal.

Low tax rates do not equal low tax revenues. Low tax rates not only attract both companies and international workers, they also leave more money in the hands of citizens and businesses to spend in other ways, generating more jobs, spending and taxation. Essentially a virtuous multiplier effect. And one very important competitive advantage that we have is our immigrant population. We have new Canadians from every country around the world; we need to do a better job of using that talent and diverse experience to grow our economy, both domestically and internationally. These people know the countries that we are trying to do business with.

Now lest you think that it's all doom and gloom, Canada is of course doing many things right. University education, while more expensive now than it was 15 or 20 years ago, is still much cheaper here than in the U.S., and thus provides our country with more equitable access to higher learning, and means a lower debt burden after graduation – allowing graduates to start reinvesting their earnings in their own ideas earlier.

This brings me to the other side of our discussion – the changing role that business has to play in the success of our country. Government alone is not responsible for a high quality of life. And if we want low taxes, then we can't expect government to do everything.

So, in what I see as the shifting balance of roles between business and government, business holds greater responsibility for the success of our people, and the country that we are building. Our responsibility to our shareholders as a public company hasn't changed. We exist to generate a return for those shareholders. I do not believe, however, that our purpose and responsibility ends there. It extends beyond our shareholders, to our stakeholders, and to the country – or countries – we call home.

The OECD, through its Better Life Index, identifies 11 characteristics of a successful society, including a sense of community, the environment, jobs and education.

And business has the responsibility to support these elements of a society's success.

At Aimia, we're focused on a couple of areas where we can help, that some people would hold government responsible for.

Carbon neutrality would be one them. I take personal pride that Aimia is a carbon neutral company. We measure our carbon footprint annually, work to reduce it, and offset the remaining emissions with an investment in high-quality offset projects to achieve carbon neutrality. We don't do this to make money, or because any law requires us to, but because it's the right thing to do for our company, our communities, and our country.

Thinking about education, Aimia's business is built on the analysis of mountains of data. For that we have a significant demand for data analysts. But the education system hasn't kept up with our demand, making those roles the hardest to fill. It's not a Canadian issue, it's a global issue, one that led us to our partnership recently formed with Fractal Analytics. Through that partnership we have more than 500 new analysts to support our work, but they're in India, not here. We will need more, and we would love them to be here in Canada.

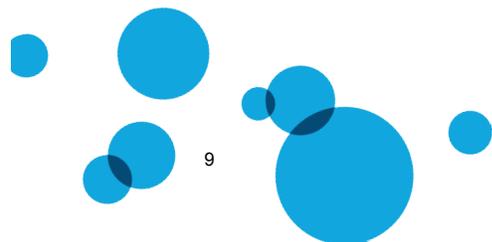
So how do we address this?

First, knowledge economy businesses need to find ways to capture the imagination of teenagers and young adults to consider jobs that didn't exist in their parents' day. Whether it be through apprenticeships, partnerships or mentorships, business needs to do a better job at enticing our youth into new knowledge-based fields and then providing training for tomorrow's jobs.

The second element that I believe businesses should take responsibility for is skills-based volunteering. This is not revolutionary, of course. Many companies have well-developed programs to encourage their employees through both formal and informal volunteer programs.

Aimia's most significant initiative is through our data philanthropy. This week in Montreal some 50 Aimia data specialists will work for two and a half days to wade through each of four not-for-profit organization's data to find the critical insights they seek most, things like recruitment patterns, donor activity, attendance patterns and membership demographics.

But just as important from my perspective are the volunteer hours that our employees give back to the organizations they are personally passionate about.



For example, Vince Timpano, CEO of Aimia in Canada, is the outgoing chair of the United Way in Toronto and serves on the board of Business for the Arts. Over the years I have worked and continue to work with organizations such as Engineers Without Borders, The Art Gallery of Ontario, and Brain Canada, among others.

We encourage *all* our employees to volunteer, particularly through skills-based initiatives, because not only do they provide deeper support to organizations, they also sharpen those skills that help them perform their own jobs well. And they come away inspired. In our executive team, I see the broader experience, vantage points, contacts and perspectives that they bring to the table through their volunteering.

La troisième initiative d'Aimia dont je vais vous parler est le partenariat que nous formons avec des organismes comme Ingénieurs sans frontières, Oxfam, le Musée des beaux-arts de l'Ontario et le Musée des beaux-arts de Québec. Certains d'entre vous connaissent peut-être le Prix de photographie AIMIA | AGO, la plus prestigieuse distinction mondiale dédiée à la photographie contemporaine, qui est accordée chaque année par le Musée des beaux-arts de l'Ontario et Aimia. Ici à Montréal, nous nous sommes associés au Musée national des beaux-arts du Québec afin de louer plus de 45 œuvres d'art provenant de sa collection Prêt d'œuvres d'art, appelée CPOA. Ce partenariat ne vise pas seulement à trouver des œuvres pour décorer nos murs; il donne de la visibilité à des artistes du Québec et est une façon de les aider ainsi que le milieu artistique à vivre tout en faisant connaître la CPOA à d'autres entreprises.

These are just examples of what we are doing at Aimia. But we are certainly not alone. What I want you to take away from this is that business has a role to play in making our society successful. Not just in the jobs that you create, but in the organizations you support, and the communities you help build. And it's not just cash – it's time and expertise. And it's not in retirement – it's part of an active executive's role in the community.

And at the same time, government has the responsibility to support our businesses to expand overseas, to sell into international markets, while enticing them to stay firmly Canadian, with their headquarters in great cities like Montreal. The discussions happening today at Je Vois Montreal are exactly what I am talking about – a meaningful discourse on the future of Montreal with all parts of our community participating to create a vision for the society we want to live in.

Together business and government can build this Canada of tomorrow. A nation with tendrils reaching out to countries around the world that will support a vibrant nation at home. Our success will be based on a new partnership, in which government adapts to the new needs of businesses, and businesses take a leading role in finding solutions to the challenges we face.

