



Business Insights

Business can be part of the solution

Deputy Chair Frank McKenna discusses the role that Canadian businesses can play in helping the Canadian economy to become more competitive and productive, while remaining environmentally sustainable.

We recently spoke with TD Bank Financial Group¹ (TDBFG) Deputy Chair **Frank McKenna** to get his insights into several important issues in current affairs that have particular significance for Canadian businesspeople.

Q The past few years have seen various mergers and acquisitions of large Canadian companies, both natural resource companies and others, by foreign giants. What do you see as being the implications of these takeovers for Canadian jobs, Canada's economic health, and the Canadian stock market?

A I'm concerned about the recent spate of takeovers and so are a lot of business leaders that I speak to. I recognize that simply because you have a foreign owner doesn't mean that a mine or a mill necessarily moves. And I also recognize studies that suggest foreign acquisitions can bring about some positive economic outcomes. But I believe it is a big loss when you lose those head office jobs. You lose a lot of ancillary services with them, whether it be banking or legal, insurance, or whatever. You also lose a lot of the philanthropic contributions that are generated by head offices.

I believe, as well, that it will affect the nature of our capital markets and the vigour of our economy if a lot of brand names are removed from corporate Canada. So I think that we need to be vigilant as a country.

We need to make sure that the playing field is level. We need to make sure that our tax system, our

corporate governance system, and our rules and regulations are similar to those in other countries, so that foreign firms aren't being given a better opportunity to bid for our businesses than we are to bid for theirs.

I'm very concerned that if we don't do that, we may have the virtue of purity in terms of a pure market economy, but be the loser in being a marketplace where many others don't play by the same set of rules.

The U.S. is a classic example of having perhaps less freedom in the marketplace — even though it's known as a highly free enterprise economy. CN was recently blocked from purchasing the railroad there. Dubai Ports was recently blocked from purchasing ports there, and there are numerous other examples. There is no doubt that we have to be sure that as a country we're as vigilant in protecting our businesses as other countries in the world are in protecting theirs.

Q The environment has recently become the top issue of concern for Canadians, but views on how to deal with the challenges differ significantly. How do you view the role and responsibilities of business in dealing with the challenge of environmental degradation and climate change?

How do you think businesses can contribute



Frank McKenna, Deputy Chair, TDBFG

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to environmental solutions, while benefiting economically?

A It's my view that many of the climate change problems can be addressed with market-based solutions. Regulation alone cannot do the trick. That's because market forces can better align our environmental objectives with the interests of corporations and consumers.

Listening to some of the most visionary corporate leaders speaking on this issue, it's clear to me that things like a cap and trade system and subsidizing innovative technologies must play a major role in any environmental action plan.

Education will also play a critical role. Business can make an important contribution by supporting these types of initiatives to help drive the climate change agenda.

Q Economists are calling attention to Canada's low level of productivity relative to that of the U.S. What is your view of the nature and severity of the problem?

A I think the problem is very serious, but it's not visible to the naked eye and therefore isn't a "hot button" issue. Nobody says, "Look, we need to go to the ramparts because of productivity or the lack of productivity in Canada." But what many Canadians don't realize is just how much more prosperous our country could be if we were to achieve a level closer to that of the United States.

One recent study suggests that as much as \$9,000 per family after tax would be available to every single household in Canada, and over \$100 billion in money for Government. You can imagine the impact on our standard of living and quality of life if governments could invest that much more on



Support from businesses for green initiatives can make a significant contribution towards global efforts to deal with climate change.

education and health care and other family services.

Business has an important role in its own right in terms of improving productivity. We have to invest aggressively in R&D and technology. We have to make sure we're always best-in-class in terms of the systems that we employ.

We also need to make sure that we address the human resource issue because Canadian businesses tend not to invest as much money in their own employee base. We need to ensure that they are provided with top-notch training.

Frank McKenna was appointed Deputy Chair of TD Bank Financial Group on May 1, 2006, and is responsible for supporting the Bank in its customer acquisition strategy, particularly in the area of Wholesale and Commercial Banking. He also represents TDBFG in its work to expand its North American presence.

Mr. McKenna was the Canadian Ambassador to the United States from 2005 to 2006, and Premier of New Brunswick from 1987 to 1997. ●

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INDUSTRY INSIDER

New cheque standard reminder

The new cheque clearing process is set to be implemented in August 2008, and will be phased in gradually. If you haven't done so already, you can find out how to ensure that your business cheques meet the new "image-friendly" Standard 006 specifications by visiting www.cdnpay.ca

You can also check if your software provider and cheque printer have indicated to the CPA that their products have been updated to reflect the new cheque specifications. The CPA provides this information on its website. For more information visit www.cdnpay.ca/news/new_cheque_specs.asp ●

Bringing the environment into the economic equation

Paying attention to environmental concerns can make good business sense: Often the money spent on going green can enhance the bottom line. But while it doesn't necessarily take a huge financial commitment to factor the health of the planet into ongoing business decisions, it does require a corporate commitment.

Taking action

If you'd like to incorporate more environmental responsibility into your company's business strategy, here are some tips to help you get started:

► **DEAL WITH ENVIRONMENTALLY FRIENDLY SUPPLIERS.**

Take the time to investigate the environmental policies and practices of your vendors. Order goods and services from businesses with green policies and procedures in place. For example, use printers and paper suppliers who provide chlorine-free, recycled products, using post-consumer materials and vegetable-based inks where possible.

► **INCORPORATE THE LATEST ENVIRO-FRIENDLY TECHNOLOGIES AND SOLUTIONS** into your facilities management. When building new facilities, make sure environmental and energy considerations are paramount. Your business should be able to recover additional upfront costs through reduced expenses in the long term.

► **SUPPORT ENVIRONMENTAL CAUSES.** Provide financial support to an environmental organization by donating to TD Friends of the Environment Foundation® (FEF) at your branch or via EasyWeb™ Internet banking. Visit www.fef.ca to learn more about how FEF supports projects in communities across Canada. You can also get involved in TD's national initiative to clean our shorelines — last September over 40,000 Canadians participated in the TD Great Canadian Shoreline Cleanup. Visit www.vanaqua.org/cleanup/ to locate a site near you.

Reduce, reuse, and recycle

For substantial savings, keep in mind the environmentalist mantra: reduce, reuse, and recycle.

► **REDUCE.** Your business can easily save 10% or more by better managing energy use. Lighting, heating, ventilation, air conditioning, and all equipment that draws power in your offices and plants are potential sources of savings. The more you conserve energy and reduce consumption, the smaller your negative environmental footprint, and the bigger your cost savings.

Look for ways to cut paper usage — such as switching from paper to electronic documents for bill payments and reports, statements, and other communications — and eliminate unnecessary packaging. Look into ways to offer your customers “green” or simplified packaging alternatives.

► **RECYCLE AND REUSE.** The fast pace of technological change has created a serious environmental issue: Upgrades to technology have resulted in landfills with increasing amounts of toxic electronic equipment.

You can recycle not only paper and cardboard, but items such as printer toner cartridges and cell phones. You'll save on disposal costs, while reducing waste that would otherwise end up in landfill — and ultimately in our soil and groundwater.

Increased respect and loyalty

Being environmentally responsible is an important part of your corporate social responsibilities. It can identify you as a good corporate citizen at a time when Canadians are becoming increasingly environmentally conscious.

In the end, the cost savings may be of secondary value when measured against the increased respect and loyalty of your customers and employees. ●

You can divert waste from landfills by donating old items (including old computers, machinery, and appliances) for use in the community.

Making a difference together

Within Commercial Banking, we incorporate appropriate environmental due diligence as an integral part of the lending process. Bankers conduct site visits with all borrowers, and each account is assigned an environmental risk rating. Based on this rating, an environmental questionnaire or assessment may be required.

Interested in learning more about the environmental practices and outreach of TD Bank Financial Group? Check out our latest Corporate Responsibility Report at www.td.com/community/crr2006/index.jsp

Canadian economic outlook supportive to businesses

BY CRAIG ALEXANDER, VICE PRESIDENT AND DEPUTY CHIEF ECONOMIST, TD BANK FINANCIAL GROUP



Canada is in the midst of a mild economic slowdown, brought on by the adjustment to a strong currency and the fallout from weakening U.S. demand. Canadian economic growth slowed steadily over the course

of last year, with real gross domestic product edging down to a gain of 2.7% in 2006.

Sectoral and regional disparities

However, this national picture masked sharply divergent sectoral performances, as the weakness was concentrated in the export-oriented manufacturing sector.

In contrast, domestic demand — which encompasses spending and investment by households, businesses, and corporations — rose at a rapid 4.7% pace last year. There was also a major regional dimension, as resource-rich provinces have consistently experienced well above average economic growth.

The national economy

Looking ahead, the national economy is expected to grow by 2.4% in 2007, representing a sub-par pace of expansion, but the details are again considerably better than the headline.

Much of the softness is due to a poor handoff created by weak 1.4% annualized economic growth in the fourth quarter of 2006. The pace of economic expansion is poised to rebound in the first three months of the year and then settle into a 2.3% to 2.7% range for

the rest of 2007, before strengthening to 2.9% in 2008.

Domestic demand is expected to remain solid. However, it should moderate, to a still-vigorous 3.3% pace of increase in 2007–2008, as housing construction and consumer spending lose some steam. It must be stressed that the level of activity in housing and personal expenditure will remain high. Major regional differences in economic performance will persist.

Western Canada will continue to lead by a wide margin, but the disparate regional economic growth rates will gradually narrow with time, as manufacturing conditions improve in 2008.

Steady as she goes

The macro backdrop suggests that interest rates will remain close to current levels. While economic growth has slowed, very little economic slack is being accumulated. So, the Bank of Canada is unlikely to lower short-term interest rates. Meanwhile, inflation should remain under wraps when economic conditions improve in 2008, implying little need for rate hikes.

On the currency front, the Canadian dollar is expected to remain well above 90 cents (U.S.), with the currency rising and falling with trends in commodity prices.

Overall, the economic and financial backdrop remains supportive to business. Domestically oriented firms will benefit from robust demand, supported by low unemployment and rising income. Export-oriented firms, or those part of a supply chain for exporters, will face challenges in the near term, but their fortunes should improve in 2008. ●

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- UNDERSTANDING - EXPERTISE - SOLUTIONS - COMMITMENT -

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TD Bank Financial Group has been rated the "Best Corporate/Institutional Internet Bank in Canada" in Global Finance's 2006 World's Best Internet Banks competition.

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