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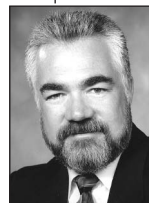


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Exchange

SERVING BUSINESS IN WATERLOO REGION AND GUELPH

CONTENTS

MOVER & SHAKER

14 **BOB ASTLEY'S ENCORE** / BY PAUL KNOWLES

He saved the symphony; now he takes on national and community challenges. Now that the symphony's financial crisis has been solved for the foreseeable future—Astley has been very busy on several significant fronts.

FEATURE

22 **OPPORTUNITY KNOCKS - TWICE!**

BY BETH WILSON

Martin Rombout is cleaning up in his franchise business.

46 **MAKING A DIFFERENCE**

BY BRIAN HUNSBERGER

The creative, unusual staffers at MeMe's Café have rewarded their employer's faith in them



On the cover (& far left): Bob Astley, chairman of the Kitchener-Waterloo Symphony, President of the Astley Family Foundation: (above) Martin Rombout, owner of JDI Cleaning Systems; (left) Andrew Thorn, Sarah Gropp and Anna Cressman of MeMe's Café.



Former US President Bill Clinton answers questions during his recent visit to Kitchener.

DEPARTMENTS

9 EDITOR'S NOTE

10 BUSINESS MONITOR

New Year Outlook?; Waterloo Region Business Achievement Awards; XQuarterly; Boomers changing the face of charities; XQuote; Bill Clinton speaks in Kitchener; The rising of Cancun; Giffen Lee celebrates; Conestoga College opens new school

39 WATERCOOLER

COLUMNS

28 BUILDING BETTER BOARDS

BY JIM BROWN

Currency in the Board Room

30 WORK / LIFE BALANCE

BY LINDA GREGORIO

Crisis Prevention Management

32 MANUFACTURING METHODS

BY DOUG CATER

Is Quality Free?

34 ON ASSIGNMENT

BY PAUL KNOWLES

The Value of Good Service

35 SALES TALK

BY WAYNE VANWYCK

You Are What You Sell

37 WEALTH MANAGEMENT

BY DANIEL E. GIRARD

Active or Passive Investing?

38 BUSINESS & THE LAW

BY MELANIE REIST

The Cost of Sensitivity



TV celebrity Mike Holmes joins Conestoga College celebrations.



Cancun: Better than before, one year later



Bruce Lee and Peter Giffen at the 25th Anniversary reception of Giffen Lee Lawyers

Exchange

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The Next Career

The opportunities that lie on the other side of the exit

BY PAUL KNOWLES

The news from Greg Voisin did not make the cover of Exchange magazine, this month. In fact, it's included in our bits-and-bites "Watercooler" section, the place where we try to give you as many info hits as possible about the local business community.

But Greg's announcement was significant, and it fits well with the theme of two of our feature stories, this month. Greg – 25% owner of M&M Meat Shops – sent me an email indicated that he will be selling his shares in the organization, which was founded and is still 75% owned by his brother Mac. The details are included in the "Watercooler" item.

Greg – who was responsible for franchise development at M&M – continues to be a big fan of that company. He made that clear in his statement. But what struck me most in the announcement was this observation: "Since his recent trip to Rwanda, one of Greg's new interests will be to help others while he and Marie have the personal and financial resources to do so."

Full disclosure: Greg happens to be a friend of mine, and I have had the chance to talk about that "trip to Rwanda" with him at some length. And while he's quite focused on making a difference in the world – he's discovered some opportunities he wants to pursue – he's still the same Greg, quick with a joke and equally quick to make sure nobody is taking any situation too seriously.

I was especially struck by Greg's announcement in relationship to the other stories, this edition. We talked at length to Bob Astley, the subject of our cover story, and while there are

a number of newsworthy elements to the article – the least of which, frankly, is the information about the KW Symphony – I was most intrigued with the newly minted Astley Family Foundation, which Bob, his wife Judy and their children have

formed to "support innovative projects, primarily in Waterloo Region, that encourage personal development of troubled youth." They plan to give \$100,000 in 2007, and then \$200,000 a year to such projects.

This new foundation will have an unbelievably powerful impact in one of the most challenging areas in our community. The Astley Family Foundation creates a crucial resource. They have truly put their

money where the need is.

Both Bob and Greg are officially retired, yet they are both launching projects that may have more impact on the community and the world at large than anything they have done in their working lives to date.

I am also intrigued with the story Beth Wilson wrote about Martin Rombout. Here's a case of "retirement" – or being the beneficiary of a buy-out – in which an ex-employee went on to found his own business, and grow it successfully from there.

With the new expectation of multiple careers, and considering our lively if volatile business environment, second careers – and more – are with us for the foreseeable future. Early retirement, buy-outs, new opportunities – they are all part of today's economic lexicon.

I'm delighted that we can tell at least three "new-opportunity" success stories in this edition of Exchange.



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THE ECONOMIC OUTLOOK FOR 2007 sounds a lot like a British weather forecast: "sunny, with some clouds and a chance of wind and rain." Or, as Cole Porter put it, "heaven knows, anything goes."

That's the outlook Exchange magazine encountered at the international, national, regional and individual levels. For example, Export Development Canada is expecting declining exports from Ontario in 2007. A forecast from the EDC says that 2006 was flat, and 2007 will see a decline. "Ontario exports experienced another tough year in 2006 as the automotive, consumer goods and forestry sectors struggled under the strong Canadian dollar, excess capacity and increased global competition," said Stephen Poloz, Senior Vice-President of Corporate Affairs and Chief Economist. "In 2007, expect lower prices for industrial goods such as metals and petrochemicals to add to the ongoing weakness in forestry and autos."

To get into more detail, the EDC suggests that "the woes affecting domestic auto producers will lead to declines in Canadian export earnings though 2007, compounded by closures and shift cuts throughout southwestern Ontario. Declining North American vehicle production will also drag down exports of auto parts in 2007. Overall, EDC expects ... another decline of 6% per cent in 2007 as US vehicle sales and production continue to slow. However, a number of recent investment announcements from GM, Chrysler, Ford and Toyota and Honda have bolstered the long-term outlook."

On the other hand, "nationally, Canadian economic growth is forecast to remain stable at 2.4% in 2007. Canadian export volumes are forecast to ...decline by 1% in 2007."

Venture capital outlook

Canadian venture capital investment is expected to remain at a more sluggish level. Reflecting on the most recent 2006 figures, Rick Nathan, CVCA President and Managing Director of Kensington Capital Partners, said, "The continued drift downward in Canadian venture capital investment reflects a slower pace of activity in all of our major market sectors and regions. On the positive side, Canadian venture firms are becoming more focused, concentrating more attention and scarce capital on fewer investments, in order to provide their more promising companies with a better chance to succeed. This strategic shifts is also evident in the increasing attention paid to follow on investment – deploying fresh capital into companies already in their portfolios – and a resulting more cautious approach to investing in new companies."

The US perspective

According to some reports, American investor confidence remains strong. The State Street Investor Confidence Index, released in late November, says "investor confidence increased by 0.3, to 83.2 from October's revised reading of 82.9. Looking regionally, the confidence of North American institutional investors fell slightly from 93.2 to 92.5. The confidence of Asian investors increased to 99.7 from 95.2 and the confidence of European investors fell from 95.5 to 89.1." The State Street Investor Confidence Index measures investor confidence on a quantitative basis, analyzing actual buying and selling patterns of institutional investors.

"Global investor confidence remained steady this

NEW YEAR OUTLOOK? The predictions are mixed



month," said Harvard University professor Ken Froot. "Moderating global growth expectations, Fed patience and a further easing of commodity prices have combined to leave investors with balanced perceptions of risk. With the CBOE Volatility Index declining to levels not seen since 1993, this has been supportive for equity prices."

East Asia perspective

However, the World Bank is predicting that "Economic growth in East Asia will slow by about half a percentage point in 2007 as a result of significant weakening in the US economy and a decline in the region's exports." A report says, "Growth in East Asia excluding Japan is likely to be 7.3% in 2007, the slowest pace in four years"

Looking at the long term trends of the area the update described East Asia as increasingly becoming a "middle income region." While it praised the contribution of recent East Asian campaigns against poverty to the overall economic prosperity of the region, it also highlighted the challenges East Asia's new status is expected to bring. "Growth in East Asia has been accompanied by rising inequality within countries," said Milan Brahmbhatt, World Bank Lead Economist. "The challenges the region faces in the future include rapid urbanization, delivery of services, social cohesion and corruption."

The report added, "on the horizon, [the] growth rate in transition economies including China and Vietnam and Newly Industrialized Economies, such as South Korea, Singapore, and China are expected to slow, reflecting a likely weakening in US growth in 2007 and a consequent drop in exports from East Asia. A growth rate in China of more than 10% is underpinning the region's overall gross domestic product growth."

Regional perspective

The leaders of Canada's Technology Triangle are making a case for that the local situation reflects higher employment earnings and a growing regional economy. The CTT's most recent report "showed Waterloo Region's Gross Domestic Product (GDP or the value of finished goods and services produced) climbed to \$20.9 billion in 2005. The nearly 40% growth in GDP from 1997 to 2005 ranked fourth among Canada's 27 metropolitan areas."

John Tennant, CTT CEO says, "the strength of the economy is being reflected in increased prosperity." He pointed to the 2004 median employment income of

\$30,400 which is third highest in Canada.

The report suggests that Waterloo Region has the second highest level of employment and labour force participation in the country, trailing only Calgary, Alberta. As well, Waterloo Region's net-migration surpassed 24,000 people between 2000 and 2004. "A vibrant economy is a significant factor in attracting talent and boosting our economic performance," added Tennant.

Individual perspectives

Tennant's viewpoint is largely reflected in the opinions of a number of area business leaders who responded when contacted by email by Exchange magazine. While some predicted some economic bumps in the coming 12 months, most were essentially optimistic.

For example, RDM's Douglas Newman said, "We are very bullish on 2007. RDM is

expecting significant growth in both the number of document scanners we ship and the number of payment transactions we process. Electronic cheque deposit is one of the fastest growing segments in the American payments industry and RDM continues to be a market leader. We are particularly excited about the prospects of being able to deploy our technology and services in the Canadian market. We are expecting some of the Canadian banks to begin pilots of electronic cheque deposit services at the tail end of 2007."

Meanwhile, M&M Meat Shops' Mac Voisin pointed to challenges ahead: "2007 will be a very challenging year in the food business. 'Tough' might be a better word! WalMart Supercentres are coming with their full grocery sections. The big food chains will react by putting even greater pressure on their suppliers to lower prices. The end result will be lower prices for the consumer. The chains will close unprofitable locations, especially in Ontario where the biggest battles will be waged."

Larry Martin, of Best Western St. Jacobs Country Inn, expresses optimism about his sector of the economy, and the regional outlook in general: "I'm optimistic for the regional economy in 2007 despite some setbacks in the manufacturing sector. In accommodation, while there may be some growth, it is anticipated the additional rooms currently on stream in Cambridge, Kitchener and Waterloo will accommodate any new demand."

Dan Flanagan, of Flanagan Foodservice Inc., sees a "relatively strong" year in his industry. "In my view, the outlook for the foodservice industry is relatively strong for the coming year. The Canadian Restaurant and Foodservice Association predicts the



John Tennant



Douglas Newman



Mac Voisin



Larry Martin

commercial foodservice market to grow by 3.9% in 2007 on top of a healthy 5.0% projected for this year [2006]. Much of this growth will continue to come from western Canada, while Ontario (the market that we serve) will register growth just slightly below the national average.

"In terms of the market segments, catering will post stronger growth than the restaurant trade, while bars (mainly due to provincial no smoking bans) will trail significantly. One of the main reasons for the relatively robust growth is the 1% cut in the GST. Back in 1991 when the infamous tax was introduced, it had a devastating effect on the foodservice business. Now, every 1% cut in the tax will represent approximately an equivalent gain in revenue.



Dan Flanagan

"Generally, I am quite optimistic about the growth opportunities in our industry during the coming year." That optimism is echoed from an entirely different segment of the local economy. Peter Walsh, of QLO Management (Jiffy Lubes and Suds Express Car Washes), told Exchange, "As vehicles require less frequent maintenance, we expect visits by customers to Jiffy Lube will remain the same in 2007. However, the ability to present their complete Manufacturer's Maintenance Schedule has customers requesting additional services while they are in for routine oil changes since they don't plan to return for several more months. This was evident from our strong sales growth throughout 2006 and we expect to see continued sales growth in the coming year.



Peter Walsh

"We also anticipate our Suds Express interior and exterior car wash segment to show strong growth in 2007 as many new customers in the region experience our fast service and quality offerings."

The findings? At all levels from the international stage to Canadian venture capital investment to the bars and car washes in Waterloo Region, economically speaking, in 2007 – as Cole Porter prophesied – "anything goes."



KPMG EXCELLENCE IN TECHNOLOGY Award went to Sandvine. Shown: Jan D'Ailly, Ken Seiling, Dave Caputo, Joel Campagne, Steve Knipping

WATERLOO REGION BUSINESS ACHIEVEMENT AWARDS

Junior Achievement of Waterloo Region organized the 22nd Annual Waterloo Region Business Awards in November. Right photo: UNION GAS CORPORATE CITIZENSHIP AWARD was won by Coldwell Banker - Peter Benninger Realty. Shown are (l-r) Ken Seiling, Murray Costello, Peter Benninger, Steve Knipping, and Carl Zehr.



Above: CIBC BUSINESS OF THE YEAR was Conestoga Rovers & Associates. Shown, Jan D'Ailly, Ken Seiling, Steve Knipping, Glenn Turchan, Cecil Hayes, Doug Craig and Carl Zehr.



THE RECORD SMALL BUSINESS Award was won by Edward R. Good Funeral Home. Shown: Jan D'Ailly, Ken Seiling, Don McCurdy, Steve Knipping. front: David Erb, Leanne Baer.



GOWLINGS NEW BUSINESS Award went to Grand River Foods. From left, Ken Seiling, Steve Knipping, Craig Richardson, John Doherty, Doug Craig.



THE ROYAL BANK RETAILER OF THE YEAR is Stemmler Meats and Cheese. Shown: Ken Seiling, Kevin Stemmler, Jane Black, Steve Knipping, front, Shawn Stemmler, Terry Stemmler.



PHOTOS: BY FORDE STUDIOS

XQUARTERLY

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- Kitchener's October housing starts plummeted to their lowest level since 1993, according to CMHC. Construction began on 128 homes in the Kitchener Census Metropolitan Area, a drop of 67% from the 390 units started in the same month in the previous year. For the first ten months of 2006, housing starts in the Kitchener CMA were down 30%.
- Fewer than half of small businesses in Canada survive more than three years. But for businesses that survive, thriving can come later. A recent study by Innovators Alliance of its fast-growth member firms shows that high growth rates have occurred after being in business more than 10 years.
- The wireless industry recruited just over 326,000 new customers from March to June of 2006, bringing the total number of subscribers to 17.2 million, up 10.9% from the end of the second quarter of 2005.
- Operating revenues in the wireless reached \$3.1 billion, up 16.4% compared to Q2 2005, and earnings before interest and taxes climbed 35.6% to \$996.5 million.
- At the end of the Q2 2006, there were 11.5 million conventional residential lines, down 5.8% compared to the second quarter of 2005. From June 30, 2001 to June 30, 2006, the number of conventional residential lines has fallen by nearly 10%.
- The composite leading index rose by 0.2% in October, continuing its string of moderate growth over the last five months. Household demand remained the driving force of growth, while weak export demand continued to crimp the manufacturing sector.
- Nowhere was the strength in consumer demand more evident than in services employment. Growth in this sector was sustained for a 19th straight month, but the sources of growth have completely reversed since the start of the year. At that time, rapid gains in business services offset losses in personal services. By October, business services fell for the first time in almost two years; personal services grew 0.7%.
- 76% of Canadians believe Canada's gap between rich and poor has grown compared to 10 years ago.
- Wholesale industry sales fell by 1.6% in September to \$41.8 billion. Five of the seven wholesale sectors, representing 85% of sales, declined in September, with wholesalers of automotive products (-3.4%) and machinery and electronic equipment (-3.3%) bearing the brunt of the decrease.
- Each Canadian taxpayer owes \$171,032 in federal, provincial, and local liabilities, according to the Fraser Institute. Federal, provincial, and local governments have accumulated \$798 billion in direct debt and more than \$2.7 trillion in total government liabilities.
- Among Canadian provinces, Ontario carries the largest total liabilities per person at \$92,490, followed by Quebec (\$88,778) and Alberta (\$87,630). PEI has the smallest, at \$64,841.
- After two months of declines, travel to overseas countries rebounded as Canadian residents took an estimated 576,000 trips in September. This was the seventh record high of the year. Meanwhile, the number of travellers from overseas countries to Canada declined 0.8% in September compared to August. Travel was down in 6 of Canada's top 12 overseas markets.
- Travel from the US fell in September, as fewer than 2.4 million Americans took trips to Canada, down 0.6%. Overnight travel from the United States declined 0.7%.

BOOMERS WILL CHANGE THE FACE OF CHARITIES

THE BABY BOOMER GENERATION'S ENTRANCE TO RETIREMENT will change the face of philanthropy in Canada, according to a recent TD Economics report, "Graying of Canada's Population Has Far-reaching Implications for Charities".



Volunteers at a charity barbecue

According to the report, in 2030 the average age in Canada will be 45 years. Canadians 65 years of age and older will make up almost a quarter of the population, nearly double their share today. Health services spending, which was around 10.4% of the total economy in 2005, will also double and could be close to one-fifth of the total economy by 2030.

Since health care services are consumed to the greatest degree in the late stages of life, this will place enormous pressure on social services targeting older people. Government funding will increase but it is unlikely to meet all of the needs of health care charities, creating increased demand for private and corporate donations. As more attention is paid to funding health services, charities outside this sector will be forced to campaign hard to attract and maintain non-government funding.

"There's a bright side to this demographic story," says Craig Alexander, Vice President and Deputy Chief Economist, TD Bank Financial Group, who authored the report. "Boomers are living longer, healthier lives, and represent a tremendous wealth of skills. As many seek new challenges and opportunities to give back to society, their contribution of time and energy will help charities maintain service levels and transform into more efficient, business-like operations."

The influx of new volunteers will be a welcome boost to the charitable sector. In 2004, Statistics Canada's National Survey of Nonprofit and Voluntary Organizations found that recruiting volunteers was one of the two top concerns, along with long-term funding, among Canada's roughly 79,000 charitable organizations.

The nature of philanthropy itself will change dramatically. Recent high profile donations by billionaires may result in more of the ultra-rich following this lead. Even if a small proportion of the world's 793 billionaires do so, the impact will be substantial.

Changes to tax legislation brought in by the federal budget of May 2006 will also have a large and growing impact on charitable giving. Donations of publicly-listed securities will be exempt from all capital gains taxation while still entitling donors to the tax credit for charitable giving. In some instances, if the capital gains on an investment are sufficiently large, it may be possible for the tax credit to exceed the book value of the investment. This would mean that the individual runs a profit on the donation.

Given that Canadians hold about \$1.3 trillion in stocks, and that almost half of that amount is capital gains, the potential impact of donations of stocks on charities is substantial as more baby boomers who have accumulated significant financial assets begin to understand the advantages of strategic philanthropy.

The aging population also means that immigrants are becoming a larger part of Canadian society. Indeed, from 2022 onwards, it is estimated that all of Canada's population growth will be from immigration. The increasing diversity of Canada will have far-ranging implications for charities:

- Immigrants will make up a greater share of charitable services users.
- They will represent a larger part of the population, and many will not have access to social security benefits, at least initially.
- New immigrants tend to reside in major urban centres, such as Toronto and Vancouver, putting pressure on charities in these markets.
- As more immigrants become volunteers, charities will have to adapt marketing to attract them and ensure their skills and education are fully utilized.

- Immigrants will make up a growing share of donors.

With these forces at work, there will likely emerge a new generation of charities that are aligned to meet the specific needs of Canada's diverse cultural and language populations. Meanwhile, existing charities will likely change their services and practices to adjust to the greater diversity.

The full report is available at www.td.com/economics.

BILL CLINTON COMES TO KITCHENER

Former US President Bill Clinton attracted close to 1000 paying guests who packed the hall at Bingemans. Clinton was keynote speaker at a wildly successful fundraiser for KW's Catholic Family Counselling Centre, Nov. 8. The event also included UN Special Ambassador for AIDS Stephen Lewis (right), who dubbed Clinton "a colossal mortal." The fete attracted initial criticism from Clinton critics, but by the time the President arrived in town, the red carpet was enthusiastically deployed.



XQuote

"Identity Theft is the fastest growing form of consumer fraud, which continues to claim thousands of victims each year with serious consequences. I encourage consumers to be vigilant with their personal information, and seek practical ways to protect themselves on an everyday basis, such as investing in a shredder."

— ANN CAVOUKIAN,
ONTARIO INFORMATION
AND PRIVACY COMMISSIONER.

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Cancun floats suspended in its own unique physical, psychological and commercial space. It's a 24/7 therapy session that goes well beyond the wet and wild. Tourists are immersed in a counter-culture of warm breezes, turquoise water, and white sand. It's paradise to some, a great vacation to the rest.

And it's only minutes away from the residents of this region – or at least, the flight to paradise is that close. Because charter flights to the sunny south now regularly depart from Waterloo Region International Airport, operated by My Travel (SunQuest) and destined for RIU Hotel and Resorts.

Just last year, Hurricane Wilma ravaged this piece of paradise. One year later, Cancun radiates with new energy. The resort area turned disaster in opportunity. Cancun went through a metamorphosis of structural and cosmetic change. Vested groups have worked together like never before.

Wilma forced public and private organizations to come together, to rebuild and bring to market a new Cancun. Many didn't expect it could be rebuilt in a year, but one year later, it's hard to imagine the devastation.

But devastation, there was. An eight mile strip of beach was almost completely washed away, trees were uprooted and vegetation defoliated by Category 5 winds. Much was written off, including Cancun's famous beaches.

Repair started immediately. The badly eroded north shore properties were rejuvenated with 96 million cubic feet (2.9 million cubic meters) of sand pumped from the ocean floor via large specially designed ships. Six thousand

palm trees replaced defoliated trees along the famous 17-mile strip. Streets were freshly paved, water and sewer systems are now more technologically advanced, streets lights have been made hurricane proof and the beaches are bigger and better.

Cancun is actively pursuing its own success. However, success is dependent on vacationers' purchasing habits, and the US passport legislation set to kick in January 23, 2007. Results of the year long program will be clearer several months from now.

Cancun's 2006 was a year of rebuilding and reinventing. Reportedly, Mexico's number one destination had a private and public investment of between \$1.5 and \$1.75 billion to rebuild – most from insurance claims. Today, there's an atmosphere of accomplishment. Cancun is back – and still retains the magic that can turn the most stressed-out individual into an energized adolescent.



Cancun, one year later – the Seven-Mile Strip has been 95% restored to its pre-Wilma glory... and then some!



December 1, 2005: the devastation wrought by Hurricane Wilma.

BUSINESS MONITOR

There is still rebuilding going; Cancun is 85% complete. The remaining 15% will take a couple of years, and is mostly limited to a few of the one hundred or so hotels. The Mexican government stepped up to lead the rebuilding, pushing for a one year rebuild program. Businesses realized that cooperation was key to success and ongoing cash flow.

Mexico's top income earner took a hit, physically, economically and but not spiritually. Capitalism has energized governments and investors; what's left is to re-invigorate the tourism market. Cancun needs to remind the 1.8 million Americans who annually visit Cancun that US law requires their citizens who are international air travelers to have passports beginning January 23, 2007.

Visitors to Cancun this season can expect a service industry prepared to exceed expectations. The new Cancun is rebuilt, renewed and reinforced with new rebar. For Cancun, 2007 may be the switch to a worldlier, more sophisticated Cancun – less John Wayne and more James Bond. *by Canadian-Tourist.ca an Exchange Affiliate*

CENTRE FOR FAMILY BUSINESS



The Centre for Family Business featured Wright Lawn Care Landscape Services, at its most recent meeting. Shown are, from left, John, Ruth and Dave Wright, with Centre for Family Business Executive Director Dave Schnarr. Guest speaker was John Fast of John Fast and Associates, who told his audience that in any family business, "the Golden Rule is often dangerously interpreted as 'the one with the gold, rules'." Fast urged family businesses to solve power problems, to be a family as well as a business, thus combining the positive traits of both worlds: "high expectations with unstinting love."

Giffen Lee 25th Anniversary Celebration



GiffenLee Partner Don Olsen enjoys a glass of claret with Kathy Wagner, City of Waterloo and Brad Marsland of Marsland Centre Limited; right, Bruce Lee and Peter Giffen, founders.



Above, lawyer Gary Melanson, with GiffenLee founder Bruce Lee and Waterloo Regional Solicitor Debra Arnold. Left, Record Director of Circulation Carl Vosatka, and "Twice as Nice" owner Debra Bridger celebrate in unique style.

