



CANADA - UNITED KINGDOM Chamber of Commerce

38 Grosvenor Street
London W1K 4DP
Tel: +44 (0) 20 7258 6578
Fax: +44 (0) 20 7258 6594
Email: info@canada-uk.org
www.canada-uk.org

May — June
2006

Inside this issue:

Economics	2,3
Provinces	4,5
UK tax, budget	6,7
Business news	7
International	8
Take-overs	9
Event news	10
New Members	12

Charter Members



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A Farewell to the High Commissioner to London

Dear Members

Let me start by thanking H.E. Mel Cappe the outgoing Canadian High Commissioner to the UK for his unstinting support over the past 4 years to the Chamber. We wish him all the best for his future back in Canada.

I am delighted to welcome the Ontario Provincial Government back to London. We now have 4 Canadian Provinces represented in the UK: Alberta; British Columbia; Ontario and Quebec. We

very much hope to host and co-host Chamber events with them during '06.

With the arrival of summer we have already begun our exciting and varied event programme including luncheons with The Rt Hon Alan Johnson MP, UK Secretary of State for Trade and Industry (3 May) and Peter Mandelson, EU Trade Commissioner (23 June).



I am also delighted to announce that Prime Minister Tony Blair has kindly agreed to address the Chamber to celebrate our 85th year in style in Autumn '06 and we shall let you have more details in due course.

Finally, a warm welcome to Former British High Commissioner to Canada, Sir Andrew Burns who has agreed to join the Board.

Victor Phillip Dahdaleh
President

[Photos: Far left: Rt Hon. Alan Johnson MP with Victor Dahdaleh and Nigel Bacon 3 May and left: Peter Mandelson, EU Trade Commissioner who addresses the Chamber 23 June]

Director's Comment

We are grateful to Air Transat for sponsoring this edition of the newsletter and to our contributors and advertisers.

A warm welcome to new members Axon Communications, Canon, GSK, IWM Pantheon, Ontario International

Marketing Centre, Pengrowth Management, and Travel Alberta.

May and June will be busy months for the Chamber with 4 confirmed events including a lunch with the Rt Hon Alan Johnson MP on 3 May, our AGM on 15 May at the House of Lords, the

annual Golf Day on 14 June and a lunch with Mr. Peter Mandelson on 23 June.

We also hope to see you on 30 June at the Canada Day celebrations in Trafalgar Square.

Nigel Bacon
Executive Director

Air Transat strengthens Canada-UK services

Source: Peter Kenworthy, Commercial Director UK & Ireland, Air Transat

Air Transat, the leading holiday carrier to Canada, is strengthening its presence in the UK. The airline, which launched its new consumer website earlier this year, has bought a 15th aircraft as customer demand for flights between the UK and Canada keeps on growing.

Air Transat is launching a new scheduled air service from London-Gatwick to Halifax, Nova Scotia this year and is increasing flight frequency on its London-Gatwick to Montreal route

from one flight to two flights a week. Direct flights to Toronto operate from more UK points than with any other carrier (eight UK departure airports) and to Calgary & Vancouver from London-Gatwick, Glasgow and Manchester. In all, Air Transat operates 27 weekly flights between the UK and Canada.

Peter Kenworthy, Commercial Director UK & Ireland, comments: "Canada is becoming a hot spot. More and more people

travel everyday either on business or leisure trips – some even buy second homes there. With great fares in both Economy and Club Class and punctuality second to none, Air Transat is the natural choice for flights to Canada from the UK."

www.airtransat.co.uk

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Economic Update

Source: RBC Capital Markets

Global monetary policy becoming more co-ordinated

The global economy is gaining upward momentum and growth prospects for countries in the Eurozone, Japan and UK have improved. The Canadian and U.S. economies are expected to post another year of above-potential growth. Central banks are guarding against a pick-up in inflation. The European Central Bank has raised interest rates twice Jan – April and 2 more 25 basis-point rate increases are expected to end the year at 3%; the Bank of Japan has ended its policy of quantitative easing and is closing in on its first rate hike in 16 years; the Federal Reserve and Bank of Canada continue to remove monetary stimulus.

Canada's economy maintains strong momentum

As other industrialized

countries appear to be getting their bearings, the Canadian and U.S. economies remain the G7 growth leaders. We forecast another year of solid performance. So far, inflation in Canada has been well-behaved but, given the tightness in the labour and resource markets and the prospect of another year of strong growth, the Bank of Canada will need to continue to increase the overnight rate to prevent inflation from moving above the mid-point of its target band. RBC expects the Bank to raise the overnight rate to 4.5% mid-year.

U.S. dollar faces opposing forces

As interest rates outside Canada and the U.S. rise, the U.S. dollar is likely to come under some selling pressure. As the Fed ends the string of rate increases in anticipation of slower economic growth in 2007, foreign investment is likely

to taper off, removing some of the support for the currency. Offsetting this downward pressure will be rising demand for U.S. exports from strengthening foreign economies. On balance, the U.S. dollar will lose ground against the euro and the yen, although losses will be limited given the improved appetite for U.S. exports.

Modest deterioration in Canadian dollar in store

Canada's dollar is likely to weaken only modestly this year as prices for energy products fall from recent highs. Two underlying positive factors may limit how much the currency weakens - mergers and acquisition activity remains robust (mainly in the oil and gas sector) and the market is underestimating how much the Bank of Canada will raise rates this year. We look for the Canadian dollar to end 2006 at 84 U.S. cents. To read more go to: www.rbc.com

'...the Canadian and U.S. economies remain the G7 growth leaders. We forecast another year of solid performance.'

RBC Capital Markets

°Gelst

Revenue Generation

Source: Geert Van der Elst, Founding Partner, Gelst

Often professional services firms wonder why revenues aren't quite going the way they want them to. While it's true that one's market may be hitting a bad patch, more often the answer to these worries is closer to home.

International sales, while clearly more complex, are no different. Revenue problems usually boil down to the same root causes – a lack of effective process, a lack of understanding about how an organisation's products or services will help their customers or both. How do you quickly do something about it?

Our Top Tips:

-Make sure you have an effective and efficient lead generation engine. Without one, your sales force will starve and will leave.

-Be ruthless in qualifying leads and focusing on the ones you can really win. Without doing this your good (and expensive) sales force will chase every opportunity they can lay their hands on and you will win very few.

-Make sure that everyone on your sales team (and not just the sales force) can articulate how your organisation's services will contribute to their customer's business

objectives. Without this, your organisation will become a low margin, commodity supplier, at best.

-Get everyone to be politely persistent and helpful. It's amazing what dividends this pays.

Finally, know what you do well and not so well during the sales process. Sounds obvious? Well, when was the last time you asked a client how they experienced your sales effort? We can just about guarantee that any discussion with your client about this, once it gets going, will be very enlightening, no matter which country your client is in.... www.Gelst.com

On 24 April, an Air Canada Airbus 320 became the first aircraft to enter a Montreal hangar for its makeover. The airline's fleet is undergoing an interior transformation, featuring an industry-leading lie flat seat for its international Executive First customers and all of its Hospitality cabins fleet-wide will be reconfigured with new seats offering personal seat back entertainment systems.



Canada's Shifting Economic Sands

Source: Andrew Pyle, Head of Capital Market Research, Scotia Capital Economics



If we only look at aggregate economic conditions across Canada, things haven't really changed in the past year, nor are they expected to change much over the next few quarters. Yet, this rather static picture of Canada masks one of the most dramatic economic evolutions in recent memory. A significant shift in growth leadership from central Canada to the west has materialized in the wake of a 4-year rally in energy and material prices, as well as the surge in the Canadian dollar. Massive public and private sector investments

in Alberta and British Columbia (the latter influenced by construction for the 2010 Olympics) have led to stellar growth in those provinces, and have also contributed to a large-scale migration of workers from other parts of the country. This influx of people has, in turn, fuelled property values to the extent that new home prices in Calgary have risen by more than 20% over last year. The economic snapshot in Ontario and Quebec is quite different.

The combination of higher energy prices and a rising Canadian dollar has weighed on the manufacturing sector,

resulting in a combined loss of 185,000 factory jobs since late-2002. Non-residential construction and government spending are helping to support conditions in central Canada but, with the Canadian dollar expected to break above 90 US cents, the ability to compensate for the magnified impact on manufacturing and its support industries will diminish. The result will be growth in the low 2% region for central Canada in 2006-07, while western Canada's pace of expansion will be more than double that.

For more info go to: www.scotiacapital.com

' A significant shift in growth leadership from central Canada to the west has materialised in the wake of a 4-year rally in energy and material prices...'

Scotia Capital

Member Business Update

BP expects production to grow by about 4% p.a. to 2010 with improving margins.

Genzyme has received approval for its Myozyme drug for patients with a rare muscle disorder from European regulators.

GSK reported a 27% rise in Q1'06 profits to £2.17bn.

HSBC Canada: net income attributable to

common shares for Q1 '06 up 7.4% year-on year to C\$116m.

Petro-Canada: net earnings for the Q1'06 were \$206m compared with \$118m Q1'05. Net earnings in Q1'06 include a \$242m charge for the U.K. supplemental corporate tax rate adjustment.

Nexen Petroleum Inc.'s investor relations (IR)

website has recently been ranked as the best IR site in the energy industry, according to [IR Web Report](#)

Research in Motion

A complaint alleging patent infringement has been filed in the U.S. Eastern District Court of Texas by Visto Corp against RIM alleging infringement of 4 patents and seeking an injunction and monetary damages.

New AIM Guidance for resource companies

Source: Richie Clark, Partner McCarthy Tétrault

On 16 March the London Stock Exchange published a Guidance Note on the interpretation of the AIM Rules as they apply to companies in the resource sector, to apply with immediate effect. The Guidance will have a not insignificant impact on the ever-increasing number of AIM-listed Canadian oil & gas and mining companies, as well as those considering a listing.

The Guidance is intended to codify existing market best practice in respect of a

resource company's continuous disclosure record, the use of competent person's reports and the due diligence obligations of the nominated advisers (Nomads), and imposes a number of new duties and requirements on companies, Nomads and competent persons. Although there had been some initial concern that the Guidance was in essence new AIM "rules" to be blindly followed, recent experience has happily shown that there are a number of areas where the AIM team is prepared to

adopt a practical approach to interpretation in the circumstances.

While complying with the Guidance should provide more protection to investors, it will nevertheless increase compliance costs and limit the flexibility and discretion of resource companies and Nomads alike, one of the attractions of the AIM market.

The full text of the Guidance can be found in the AIM section at www.londonstockexchange.com

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McCarthy
Tétrault

mccarthy.ca

Disclaimer:

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Alberta's economy continues to thrive

Source: Neil Aikman, Alberta UK Office London

Alberta's surging economy outpaced all other Canadian provinces by at least 1% of growth in '05 (Statistics Canada -26 April) and a strong performance is expected for '06.

Statistical highlights for Alberta include:

(1) '95 -'05: the highest provincial rate of growth rate at 3.8%. In '05, Alberta's economy grew by approx. 4.9% (Conference Board of Canada); experts predict Alberta will have one of Canada's top performing

future provincial economies.

(2) exports of provincial goods and services more than tripled '95 - '05 to about \$86.0 bn. A growing number of those exports are manufactured products and services. Exports of manufactured goods more than doubled over the same period.

(3) Between '95 - '05, manufacturing shipments more than doubled to \$59.4 bn.

(4) Alberta has the highest

provincial investment per capita at \$18,250, more than twice the national average. Investment in '05 was \$60.3 bn, almost triple the '95 level.

(5) Av. annual employment in the province in '05 increased by 26,900 over '04. Approx. 420,000 new jobs were created '95 - '05.

(6) Av. unemployment rate ('05) was the lowest in Canada at 3.9%.

For more info contact:

albertaukoffice@gov.ab.ca

T: +44 (0) 20 7258 6473

'Alberta's surging economy outpaced all other Canadian provinces by at least one percentage point of growth in 2005...'

Alberta - UK Office



Ontario's International Marketing Centre opens in London

Source: Goldie Schermann, Ontario International Marketing Centre

Ontario's International Marketing Centre has opened in London with a primary role to encourage FDI into the province, promote provincial exports and accelerate science and technology partnerships.

Ontario is home to businesses in key sectors ranging from traditional areas such as natural resources, automotive, chemicals, plastics, aerospace and defence to leading edge technologies in biotechnology, information

and communications, environment, life sciences and advanced manufacturing.

Ontario's \$4.5 bn of exports ('05) to the UK represents about 56% of Canada's total exports to the UK. The new marketing centre plans to build on this mutually beneficial trading relationship.

With a population of 12.5m, Ontarians enjoy a high quality of living at affordable prices. With a strong dollar, gener-

ous R & D tax incentives, a highly skilled work force, a superior infrastructure (in telecomms and transportation) and a market of 135 million consumers living within an 800 km radius from Toronto, Ontario is an excellent investment destination.

Contact:

goldie.schermann@international.gc.ca

T: +44 (0) 20 7258 6677



Canada Day, Trafalgar Square, London on 30 June '06

A unique opportunity to promote to a wide ranging audience as part of the national Canada Day celebrations. Up to 30,000 visitors expected during the day. Media coverage - print and broadcast - will widen the reach beyond both the UK and Canada.

For sponsorship package details contact Margaret Egan or Antonia Weetman:

T: +44 (0)20 7258 6385 or +44 (0)20 7439 6064 E: canadadaylondon@yahoo.ca

British Columbia Offers tax incentives for Biotech companies

Source: Alice Harder, Communications Manager International Financial Centre BC

The International Financial Centre BC announces that on January 1, 2006, the International Financial Activity Act (IFA Act) was expanded to allow a provincial tax refund of up to 75% (to a maximum of \$8 million) on income derived from: 1) the sale or licensing of life science patents; or 2) the sale of goods or services

where the revenue is derived from an allowed patented invention. Life science-related patents include inventions that have a living or biological component, certain medical devices and methods for investigating or analyzing living matter. Eligible patent classifications can be found at:

www.gov.bc.ca/itb/Bulletins/ifa_002.pdf

By registering an international financial business under the IFA Act, corporations can apply for a refund of up to 100% on qualifying activities.

T: +1 (604) 683-6626

info@ifcbc.com

www.ifcbc.com



Babel Media sets up HQ in Montreal

Source: Dany LaRochelle, Director (London) Invest Québec

Babel Media, a UK-based video game service provider with offices in Brighton, Los Angeles and New Delhi, is now setting up shop in Quebec.

"We were already well positioned in Europe and Asia, and looking for an ideal site to expand in North America, a key market for us," explains Algy Williams, MD of Babel Media. "Montreal not only has a thriving game development community, it also offers excellent talent and very competitive costs. I personally travelled to other major centres," says Williams, "and Montreal immediately attracted Babel's attention. The Quebec government's subsidies were certainly a

major influence."

Recognized by the *Sunday Times* as one of the fastest growing private technology companies in the UK, Babel Media is one of the major drivers behind the growth of outsourcing in the booming video game and interactive entertainment industries. Its Canadian subsidiary, Babel Games Services, will provide invaluable services, such as localization, testing, quality assurance, wireless handset conversion and online marketing. Its impressive client roster includes Sony, Sega, Nintendo, THQ, Atari, Disney, Mforma and Jamdat.



'Montreal not only has a thriving game development community, it also offers excellent talent and very competitive costs.'

Algy Williams, MD
Babel Media

Hatley makes UK debut at Fenwick

Source: Andrew Turley, Québec Government Office

Montréal-based cotton apparel and whimsical gift item company Hatley, whose products are inspired by nature and wildlife, recently marked its UK launch with a 3-week special promotion at Fenwick's London Brent Cross store.

Among the products featured

were rainwear ensembles for children, nightwear and leisurewear for women and gift items such as aprons and magnetic notepads. All featured Hatley's signature spin on everyday sayings or popular culture.

Impressive window and front-of-store displays provided

excellent visual appeal.

Hatley products have been very well-received by Fenwick customers and it is hoped that other stores within the group will be featuring Hatley in the future.

Canadian Affair: Summer Schedule

The UK's leading tour operator to Canada's Summer schedule has over 40 weekly flights to and from Canada. We sell direct to consumers which allows the lowest prices from flights to complete tailor made holidays. We are now in our 11th year of business and are well renowned for offering the most comfort in the air as well as the very best of customer service from flight booking to in-flight experience.

Flights are operated by Thomas Cook Airlines as scheduled flights and by My Travel Airways with a joint capacity of over 200,000 seats.

Fly to Toronto, Montreal, Ottawa and Halifax on the Boeing 757 and experience the best product on the Atlantic, with luxury leather seats and 35 inch seat pitch giving you more legroom than any other economy product... with prices still available from £89 o/w

including tax!

Fly to Vancouver, Calgary or Edmonton on the Airbus A330 where you'll have seat back TV monitors throughout the cabin or why not upgrade to the separate Premium cabin for extra benefits and comfort? Flights still available at £139 o/w including tax.

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or call +44 (0)20 7616 9999



CAREER OPPORTUNITY WITH QUEBEC HOUSE

The Quebec Government Office is looking for a new **COMMERCIAL ATTACHÉ** to join its economic services team in London. Key responsibilities include: to develop and identify market opportunities in the UK and Scandinavia for Quebec based companies, to provide advice and market information as well as to promote Quebec strengths, assets and incentive programmes in order to stimulate strategic alliances, technology transfers and investments. Key qualities sought:

1. 3 years experience in the UK's market in sales, marketing or in a related field. 2. Strong academic background with fluent spoken / written French and English. 3. Excellent communication skills; strong ability to develop a network of contacts. 4. High degree of self-reliance. 5. Good knowledge and experience of the UK commercial market in either the Health, Environment or Advanced material sectors an advantage.

For more info or to apply visit: www.quebec.org.uk



'The UK has an attractive tax regime for resident foreigners (including Canadians).'

Stikeman Elliott

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RadcliffesLeBrasseur

Tax advantages for Canadians living in the UK

Source: Richard Hay and Robert Reymond, Stikeman Elliott LLP

The UK has an attractive tax regime for resident foreigners (including Canadians).

Canada taxes its residents on worldwide income and gains, whether or not remitted to Canada. By contrast, the UK taxes individuals resident, *but not domiciled*, in the UK on their foreign income and capital gains only when such income or gains are remitted to the UK. Accordingly, a Canadian living in the UK is not subject to tax in the UK on income and capital gains earned outside the UK unless remitted to the UK, provided the individual ceases to be resident in Canada and is not domiciled in the UK. This is referred to as remittance based taxation.

UK income and capital gains tax planning for individuals emigrating to the UK who will be resident but not domiciled in the UK usually involves implementation of arrangements for separating capital from income and gains. This permits remittance of capital to the UK without tax exposure. However, remittances of *income or capital gains* are generally fully exposed to UK

tax. There is some issue about whether a partial remittance of a capital gain would be treated as coming first out of the gain element or the untaxed portion of the capital; the safer view appears to be that remittances come first out of the gain element.

An individual is generally domiciled in the country in which they intend to live permanently. Individuals who continue to show significant personal connections with another country in which they claim to be domiciled have been able to maintain residence in the UK for a number of years while continuing to take the position that they are not domiciled there. From a Canadian tax perspective, retaining a Canadian (technically a provincial) domicile does not affect tax status in Canada, as Canada taxes on the basis of residence.

Remittance-based planning does not apply to employment income. However, there are other ways to mitigate UK tax

on employment income relating to activities conducted outside the UK. Such planning usually turns on an individual's status as not 'ordinarily resident' in the UK and the context of duties performed outside the UK.

Non-residents of Canada (including foreign residents), may be subject to tax in Canada on Canadian source income and where they sell certain Canadian sited assets (e.g. Canadian real estate and private company shares). Therefore, while Canadian source income or gains of a non-UK domiciled resident would not be taxed in the UK unless remitted, it may still be taxed in Canada.

This article does not constitute legal or tax advice. Individuals should consult their Canadian and UK tax professionals to determine whether such planning is suitable based on their personal facts and circumstances.

www.stikeman.com

UK Pension Reform –A Risk for Overseas Investors

Source: Robert O'Donovan RadcliffesLe Brasseur LLP

New funding regulations recently introduced for UK pension schemes could impact on decisions made by overseas investors.

The changes affect UK defined benefit ("DB") pension schemes, often referred to as "final salary" pension schemes.

In 2003, the Government changed the rules so that a sponsoring employer had to underwrite the scheme up to the level it would cost to buy out pension benefits with an insurance company. Before then, it was possible to close schemes and, if there was inadequate funding to buy out benefits, the bulk of the loss would fall on scheme members. Now the sponsoring employer is liable for the deficit.

Under the latest changes, pension schemes have to set a their own funding targets, but there is pressure from the Government to:

-set these targets at levels, which in the past, would have been considered excessively cautious;

-shift the assets of funds into less volatile assets being gilts and bonds. But, as these usually yield lower returns, the result is likely to be a need for higher employer contributions;

-to divert funds to achieve these targets as a priority over other areas of expenditure. There are now reports that this is adversely affecting capital investment in the UK.

The message is clear to overseas investors, and that is, if you are planning to invest in a UK company, take care if it has a DB pension scheme.

robert.o'donovan@rlb-law.com

UK Budget Commentary

Source: Connor O'Daly, IWM Pantheon LLP

For UK based companies and individuals, the latest UK Budget contains nothing but pain particularly for small to medium sized companies.

1 - PENSIONS

A new charge to Inheritance Tax is being levied on monies left in pension funds, for the benefit of anyone other than a spouse or financially dependant relative. A real sting in this is that it is not necessarily the value of the property on the date which it passes for the benefit of the younger generation but will be the value on the day that the person who passed the property dies.

2 - PRE OWNED ASSETS TAX [POAT]

Q. Have you insured yourself to cover the value of your shares in your company in the event of your death?

A. If yes, there is good & bad news - your family may get the cash for your shares quickly but there may be substantial tax liabilities. If no, the bad news is your family could be left with no immediate cash on your death and the company may only achieve a forced sale valuation.

The impact of POAT on life policy trusts is bad news. Even worse, the beneficiaries will end up paying 40% Inheritance Tax on death. The shareholder on whose life the policy is

written will pay Income Tax annually under the POAT rules. It behoves all of us to ensure that whenever considering our business or personal life that expert advice is taken.

3 - WILLS

Another area of concern is that many tens of thousands of elderly vulnerable people who wrote perfectly standard wills when husband and wife were still alive will now be pursued by a rapacious Government for tax on their own homes,

For a fuller version of this article go to:

www.iwm-pantheon.co.uk.



'For UK based companies and individuals, the latest UK Budget contains nothing but pain particularly for small to medium sized companies.'

IWM PANTHEON

Business News

Global GDP will reach 4.8% in '06 and 4.5% in '07 according to NIESR forecasts.

The World Economic Forum placed Britain 10th in an index of readiness for network technology with the US in 1st place.

The cost of using a mobile phone in the EU will

halve in '07 according to European Commission proposals.

Worldwide biotech revenues rose 18% to £63.1bn in '05 according to Ernst & Young.

The UK services sector rose at its fastest pace for over 2 years in April according to the latest CIPS /

RBS purchasing manager's survey.

The EU is hopeful that an **'open skies' aviation agreement** with the US will be agreed in '06.

Royal Dutch Shell will focus on oil sands and synthetic fuels in '06 raising its spending from \$19bn to \$21bn.



Communications critical in pandemic planning

Source: A Butcher, Axon Communications

Nobody knows whether H5N1 bird flu poses a major threat to humans or not. Expert medical opinion varies from the UK Government chief scientist's 'negligible risk' to the World Health Organisation's 'one in four people could be affected'. This leaves us with the choice of 'wait and see' versus 'plan ahead yet hope it never happens'.

Commercial organisations are beginning to appreciate the need to go beyond business continuity planning to meet their responsibility for good governance and

risk management as well as the expectations of their customers. Communication with staff and external stakeholders plays a fundamental role in this.

Axon Communications in London, part of Canada's leading PR consultancy NATIONAL Public Relations, has developed a communications infrastructure for use before pandemic influenza becomes a reality. This is based on long-standing work with health organisations in the UK and Canada and is being applied to businesses

large and small.

Whether or not a pandemic occurs, preparing a communications plan now will help you anticipate scenarios, develop action plans and messages, provide reassurance that you are addressing the issue in practical terms and demonstrate leadership.

It is easier to explain why you planned ahead, than to explain why you didn't.

Contact:

abutcher@axon-com.com

www.axon-com.com

The Duke of Edinburgh's Award turns 50 in '06. Since 1956, over 6m young people around the world have participated in this leading development programme. Young people undertake wide-ranging activities in their free time to build leadership, self-reliance and responsibility.

The Award is seeking donors for its Jubilee Fund to help meet increasing demand and remain truly open to young people from every background. Special events to celebrate the 50th Anniversary include a Supporters Garden Party at Buckingham Palace. For more info and to contribute visit: www.theaward.org/50



'In the commercial property markets [in the UK] the story [in 2005] was one of recovering tenant demand...'

Savills Commercial

UK Office leasing markets expected to recover in '06

Source: Mat Oakley, Savills Commercial Ltd

The UK economy ended '05 on a surprisingly high note, with better than expected GDP growth in the final quarter of the year, and some positive signs emerging in the retail economy and housing market.

In the commercial property markets the story was one of recovering tenant demand, falling vacancy rates, rising rents and rampant levels of demand for investments.

All property rental growth accelerated from the negative levels seen in '02 and '03 to 2.7% in '05. The primary reason for this recovery was the recovery in the office market, particularly in London and the South

East. Retail property continued to show the strongest rental growth, averaging 3.9% in '05.

Driven by the traditional attractions of the UK commercial property lease to investors '05 saw a dramatic increase in investment activity. We estimate that over £60bn was traded in '05, around a third up on '04.

Despite this volume of deals, many investors remained unsatisfied and competitive bidding remains intense. This drove prices upwards and yields downwards. Average commercial property yields have now fallen by over 100 basis points in two years, and

according to the Investment Property Databank the average initial yield stood at 5.1% at the end of '05.

Looking ahead, the story for '06 is for more of the same. We expect the office leasing markets to continue to recover this year. Vacancy rates will fall, driving up rents as tenants start to have to compete for the best quality space. As a result of this we are forecasting that the office sector will see the strongest rental growth of the three main asset classes in '06.

Investor demand is expected to remain strong and we expect yields to fall on all types of property this year, though at a slower rate than before. www.savills.com

Chamber member KPMG's guide to international business costs now available

The High Commission for Canada in the UK and Chamber member KPMG hosted a breakfast meeting at Canada House 25 April 2006 to launch the 2006 Competitive Alternatives – KPMG's Guide to International Business Costs.

The study contains valuable information for any company considering an expansion of its operations.

The study offers a cost comparison of doing business in 10 countries,

including Canada.

Andreas Dressler, Director, Global Location & Expansion Services, KPMG, presented the results of the study followed with a discussion and Q&A session.

The study found Canada leads the G7 countries in terms of low business costs, with a cost advantage of 5.5% over the U.S. and the UK holds a cost advantage of approx. 2% over the U.S.

As stated on KPMG's website the study 'measures

the combined impact of 27 significant business cost components that are most likely to vary by location. The study covers 17 industry operations in nine industrialized countries: Canada, France, Germany, Italy, Japan, the Netherlands, Singapore, the United Kingdom and the United States. The basis for comparison is the after-tax cost of start-up and operations, over 10 years.'

For more details go to:

www.competitivealternatives.com

For details of the Chamber's Welsh Chapter contact:

Anne Buchanan or

Dan Clayton-Jones on:

T: +44 1633 411 732

F: +44 1633 413 102

www.canada-uk.org



NetConnect Systems undertakes an issue of 25-30m Kroner

Chamber member NetConnect Systems, a leading teleconferencing and web conferencing company, is raising 25-50 million Norwegian Kroner to finance future growth and expansion.

Working with SEB Enskilda, NetConnect expects to complete the private placement by early May. "Building on NetConnect's record of rapid growth in sales and profit, this issue will allow the Company to expand

more aggressively into new markets as well as to capitalise on strategic M&A opportunities" said CEO Rolf Larsen. Contact:

Elisabeth.idler@netconnect.com

Rules restricting changes to terms and conditions on takeovers in the UK

Source: Gordon Turner, President CANE and Ben Ratelband , McCarthy Tétrault LLP



New managers are often exasperated by the rules restricting changes to terms and conditions on takeovers (transfers of undertakings as a 'going concern' to use the legal phraseology). These UK rules prevent dismissals of staff employed immediately before the transfer and they also prohibit changes to existing contractual terms and conditions (but not procedures) as part of the transfer process. To many Canadian executives' eyes, such rules may appear restrictive by comparison to the rules they are used to in Canada.

But going forward, UK employment laws do help managers who need to exact change where there is a business case for doing so. Getting this right is critical because of the risk of a constructive dismissal case (where the employee resigns because of a fundamental breach of his/her contract of employment allowing a case which is essentially an unfair dismissal action to be brought in an employment tribunal). Changes to terms cannot therefore be made without consent. The maximum award for an unfair termination is £58,600. Contractual notice can also be claimed for breach of the contract and so cases of this nature can exceed £100,000 net of legal fees. However, with care, an employer in the UK can lawfully dismiss an employee for an obstructive approach to change.

A recent case - *Willow Oak* - looked at the rules on dismissals following a refusal to agree to reasonable changes to existing contracts; specifically to introduce restrictions preventing competition and solicitation of the employer's clients by ex employees. The

employees refused to sign the new contracts and were dismissed, the employer relying on the 'some other substantial reason' ('SOSR') basis for a termination. The SOSR justification is essentially a catch all 'business case' for dismissing an employee and can include any reason which is sufficiently important to the employer. In this way, despite first appearances, UK employment rules may ultimately provide employers with a kind of flexibility unavailable to employers in Canada.

The *Willow* case addressed 2 important points: firstly, the new contracts must be reasonable, and secondly the *manner* in which the employer seeks to introduce the new contracts is very relevant. A 'take it or leave it' approach is unacceptable. The Tribunal was critical of the employer's lack of prior consultation, inadequate time for the employees to consider the changes in order to take independent legal advice and a 'rude and abrupt' stance by the managers. Notes of meetings were 'hopelessly inadequate' and 'confusing'. (Tribunal decisions are available to the public via the Internet and negative judicial comments such as these will be seized upon by a company's adversaries).

Employers who need to introduce changes to terms and conditions cannot be deterred from doing so. Here is some guidance on change: 1. Create a credible report specifying why the proposed changes are essential to the business 2. Consult in a fair and respectful way, providing reasonable time 3. Take minutes of the meeting and circulate bullet points afterwards

4. Consider training and management coaching to help with change (described as '*absolutely essential*' by a Canadian taking over management of a well known UK operation with existing British staff) 5. Offer something in return for the change such as a new bonus structure to reflect 'buy in'. 6. Follow the UK mandatory dismissal procedures and any procedures in the employee's contract including an appeal.

Generally, on a takeover, the new managers should always set fair, new performance standards which should be agreed individually if possible. These should stipulate clear timescales, rewards and any negative consequences for not meeting new objectives. Records of these would be critical for capability dismissals which can only be considered after a reasonable period of time from the transfer. Such standards will likely seem familiar to Canadian executives - for good reason - since these are essentially the same standards that underlie performance management rules under Canadian law.

Managing the UK employment law aspects of transition requires care and knowledge of the rules that apply. From a Canadian perspective, some of these rules will seem familiar and others unfamiliar. However, employers can use those rules to their advantage to make successful changes in their UK operations.

For more info contact:

Gordon Turner
gturner@roiterzucker.co.uk

Ben Ratelband

bratelba@mccarthy.ca

'New managers are often exasperated by the rules restricting changes to terms and conditions on take-overs...'
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The Rt Hon. Alan Johnson U.K. Secretary to the Canada - UK Chamber of Commerce

There is... much that we can do bilaterally, combining our scientific excellence to find solutions to the world's most compelling problems.'
The Rt Hon. Alan Johnson MP

[Editor's Note: 2 days after this lunch & following a cabinet re-shuffle the Rt Hon Alan Johnson MP became Secretary of State for Education and Skills. We wish him all the best and thank him for delivering his last speech on trade to our members.]



[Above] Sir Andrew Burns, former British High Commissioner to Canada who has agreed to join the Board of the Chamber with Mr Victor Phillip Dahdaleh, Chamber President at the lunch on 3 May.

I'm delighted to address the Canada - UK Chamber of Commerce at this quiet and uneventful time in British politics.

Victor invited me to give this speech whilst we were at the Progressive Governance Conference in South Africa, discussing some of the challenges of globalisation: climate change, global poverty, new competition - all challenges that Britain and Canada face together.

Our two countries are on opposite sides of the Atlantic, but share huge similarities.

We are two of the richest and largest economies in the world - joined historically, economically and culturally. We are both modern, reforming, outward looking and prosperous nations sharing values, traditions and a sovereign.

We enjoy close political ties - through NATO, the Commonwealth, the UN and the G7.

We have close personal ties - three quarters of a million Canadians visit Britain and a million people from Britain visit Canada every year; whilst thousands of our youngsters study in one another's universities.

And we have close professional ties.

Britain and Canada are key routes into two of the largest trading blocks in the world - the EU and NAFTA respectively.

Britain is Canada's third largest export market, whilst more than a third of Canada's European exports are sold in Britain.

Britain is the largest European investor in Canada. And Canada

invests in cutting edge British industries such as biotech, life sciences, energy and ICT.

Companies like Research in Motion which makes the Blackberry wireless platform from its European HQ in Egham. Or Alcan, which recently announced 30 new jobs in Cumbria, in the high value, highly lucrative aerospace components sector.

I want to grow these links further.

They are valuable for our own countries, but they can also be used to tackle the biggest issues facing the planet.

Issues such as climate



change - which endangers our entire future.

In Britain, we have shown a lead on this, taking difficult political decisions - introducing the climate change levy, for example - which have put us ahead of our Kyoto targets and saved 28 millions tonnes of carbon.

Infectious disease is another such issue, increasingly pertinent after SARS and Avian flu.

Global problems need global action - and our two countries work together through fora such as the G7; but there is also much that we can do bilaterally, combining our scientific excellence to find solutions to the world's most

compelling problems.

Scientists from Toronto and Oxford Universities are already working together to understand the role of proteins in heart disease; whilst the Wellcome Trust and McGill University in Montreal are looking at the role of genetics in diseases like cancer, diabetes and heart disease.

The British Consulate in Toronto has recruited a dedicated science and technology promoter to exploit and develop these links further.

Britain and Canada must also work together to tackle global poverty.

Britain and Canada are equally committed to a successful outcome to the Doha Development Round. A successful trade round has the potential to increase global output by hundreds of billions of dollars and, more importantly, to lift millions of people out of abject poverty.

When this trade round began, in the aftermath of September the 11th, the rich world agreed that the best way to promote international security was to give everyone a fairer share of global prosperity.

We wanted a global, multilateral deal, but biased in favour of the poor, and redressing the imbalance of power which had distorted previous trade rounds. The Uruguay Round actually left Sub Saharan Africa poorer than it had been when the round began.



of State for Trade & Industry address on 3 May 2006

So the Doha round was explicitly called a development round, and the rich world promised to show a spirit of enlightenment, so that the round worked for everyone.

Yet today, we risk reverting to depressing, historical precedent: national interests strengthened, established positions entrenched; the consensus straining at the seams.

The meeting of Ministers in Hong Kong at Christmas was hardly a roaring success, and now the talks seem to be grinding to a halt.

Some wealthy countries might be content to escape the challenge of reform. And, perversely, some in the NGOs might also be happy with this state of affairs - saying that the system is so rigged against the poor that it will never produce worthwhile reforms.

But such defeatism is effectively defending the status quo – and all the injustice inherent in it.

Washington collects more in tariffs from Cambodia than it does from France – even though French imports are fifteen times more valuable.

Exports from Canada alone are greater than exports from the whole continent of Africa.

Developed world agricultural subsidies amount to \$280 billion, half of the entire sub-saharan economy. So it's scarcely surprising that cotton farmers in Benin can't compete with their feather bedded American counterparts.

It is these scandalous inequities that we must

tackle if we are to address the nightmare of more than a billion people – 1 in 5 of the world's population - living on less than a dollar a day.

We know that trade has the power to lift people from poverty. 300 million Chinese have escaped such hardship because of China's increasingly outward looking focus over the last ten years. So no-one will suffer more from the loss of momentum in this trade round than the developing world.

Many developing countries stand to gain from liberalising trade and will



want to do so. We should wholeheartedly welcome this. But we must also recognise the difficulties that pushing things too hard and fast can cause in terms of social and economic dislocation.

We must not make much needed reform of Western farm subsidies conditional on excessively stringent liberalisation for the developing countries.

The onus is on the rich countries who believe in, have benefited from and will continue to benefit from free trade to set an example in these negotiations. As John F Kennedy might have said, we must shift our focus



away from what the trade round can do for us, to ask ourselves what we can do for the trade round.

Canada and Britain must persuade our oldest and closest, and nearest and dearest neighbours, that the path to prosperity will not be found in protectionism.

If Doha fails, the whole multilateralist system in which each country has a vote and a veto, will be in jeopardy.

These are not easy issues, as Bill Clinton said when he addressed you before Christmas, and as Pascal Lamy and Peter Mandelson will undoubtedly confirm in their forthcoming speeches to you.

But there is a huge prize at stake. One which could allow developing countries to achieve the same advances through trade that our own two countries secured many years ago, and in doing so make a huge contribution to the prosperity and security of the world.

Thank you.



[Above] Lord Young delivers the Vote of Thanks

'Canada and Britain must persuade our oldest and closest, and nearest and dearest neighbours, that the path to prosperity will not be found in protectionism.'
The Rt Hon. Alan Johnson MP



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Forthcoming Chamber Events May to September '06

2006

3 May	Rt Hon Alan Johnson MP, Secretary of State for Trade & Industry	Hotel Russell, London
15 May	Annual General Meeting	House of Lords
14 June	Annual Golf Day	Porters Park Golf Club, Herts
23 June	Mr. Peter Mandelson, European Trade Commissioner	lunch venue tbc
30 June	Canada Day celebrations	Trafalgar Square
27 July	Joint event with Australian Business and BABI	evening, New Zealand House, London
Sept	Mr. Charlie Fischer, CEO Nexen Petroleum Inc	tbc
Autumn	Prime Minister Rt Hon Tony Blair MP: Chamber 85th celebrations	tbc
1 Dec	Chamber Xmas celebrations	lunch, Stationer's Hall, London

Also agreed to address the Chamber in 2006: Former Canadian Prime Ministers Kim Campbell P.C., Q.C. and Mr. Paul Martin; and Mr. Pascal Lamy, Director-General World Trade Organisation (Autumn 06)

Future Deadlines for Newsletter Contributions & Advertising:

July-August edition	Fri 23 June
Sept-Oct edition	Fri 25 Aug
Nov-Dec edition	Tues 24 Oct

New Members

1. Axon Communications

Axon Communications is the London office of Canada's largest PR consultancy, NATIONAL Public Relations. Axon help clients in the UK and Canada to achieve their objectives by raising their profile, building and protecting reputation, and engaging effectively with stakeholders.

www.axon-com.com

2. Canon

Canon (UK) Ltd is the UK marketing and sales operation for the US\$30bn global company based in Tokyo. In the UK Canon employs over 2,000 people in various locations including Ireland and achieved sales of £505m ('03). The main business focus for Canon (UK) Ltd, covers 2 clearly defined market segments: Business Solutions and Consumer Imaging. Additionally Canon sells and supports a market leading range of TV products.

www.canon.co.uk

3. GSK

GSK, headquartered in the UK and with operations based in the US, is one of the industry leaders, with an estimated 7% of the world's

pharmaceutical market. GSK produces medicines that treat 6 major disease areas – asthma, virus control, infections, mental health, diabetes and digestive conditions. In addition, GSK is a leader in the important area of vaccines and is developing new treatments for cancer.

www.gsk.com

4. IWM Pantheon LLP

IWM Pantheon LLP is a specialist provider of advanced tax planning solutions to UK corporates and high net worth individuals, helping them to preserve their wealth. In addition, they provide seminars and news bulletins for companies and business owners to mitigate their tax.

www.iwm-pantheon.co.uk

5. Ontario International Marketing Centre

Ontario's has opened an international marketing centre in London. The centre is located in the Canadian High Commission, Grosvenor Square and is headed by Goldie Schermann. International marketing centres are part of the Ontario government's strategy to promote foreign trade and investment.

Contact: goldie.schermann@international.gc.ca

6. Pengrowth Management

Est. in 1982, Pengrowth Management Ltd is a Calgary-based specialty fund manager dedicated to building value for investors in the Canadian oil and gas industry. The company maintains a diversified portfolio of investments for its own account and proposes to expand its fund management and financial services businesses into other sectors. It is closely associated with Pengrowth Energy Trust.

www.pengrowthmanagement.net

7. Travel Alberta

Travel Alberta is the destination marketing organization for the Province of Alberta with a mandate to increase the number of visitors to and within Alberta and the subsequent economic impact of tourism spending in the province. Guided by the Strategic Tourism Marketing Council and a rolling 3-year Strategic Tourism Marketing Plan, Travel Alberta is the steward for the effective and efficient delivery of tourism marketing programs.

www.1travelalberta.com

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