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# CANADA

## INVESTMENT NEWS

MARCH 1997

### Hitachi investment in Saskatoon plant tops \$20 million with latest expansion

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he plant that Hitachi Canadian Industries Ltd. (HCL) operates near Saskatoon, Saskatchewan, has a unique claim on history. Established in 1989 to manufacture turbines for hydroelectric generators, it was the first Japanese-owned heavy-equipment plant built on foreign soil. Since then, Hitachi has invested over \$20 million in a series of expansions to accommodate steadily increasing demand for its products.

Recently the company announced the opening of a new chapter in the plant's history: a \$3-million upgrading and expansion project which will allow HCL to broaden both its product line and its markets.

In addition to the large turbine casings which are its stock-in-trade, the Saskatoon plant will now manufacture smaller turbine components to meet the after-market demand for replacement parts in established installations. Hitherto, Hitachi has produced these in Japan. Joe Vidal, General Manager,

says that the Saskatoon plant will now become the main production centre for the U.S., Australia and Latin America. To meet these responsibilities, HCL is constructing a new building, installing additional production machinery and hiring 30 additional machinists and engineers, bringing its workforce to 170.

Operating 24 hours a day, seven days a week, the plant now exports 65 per cent of its output to the United States and 30 per cent to Japan. Its globe-spanning customer base includes General Electric, Westinghouse and the Tokyo Electric Power Company.

Vidal tells *Canada Investment News* that the plant won its new mandate through inherent competitive strengths and an outstanding six-year track record.

"This location has many advantages and, without any doubt, the item at the top of the list is human resources. Most of

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Dr. Hisano Kita, President of Hitachi Canada Ltd., launched the Saskatoon plant and has been living in Canada for eight years. He says, "After seeing the diligence and efforts of Saskatchewan people, I believe other companies could locate here and have similar results."

our employees are rural or small-town people with a strong work ethic and deep roots in the community. This makes for a highly productive and stable workforce. Furthermore, labour costs compare very favourably with both the United States and Japan."

An additional advantage is the low exchange rate of the Canadian dollar in relation to

both the US dollar and the yen.

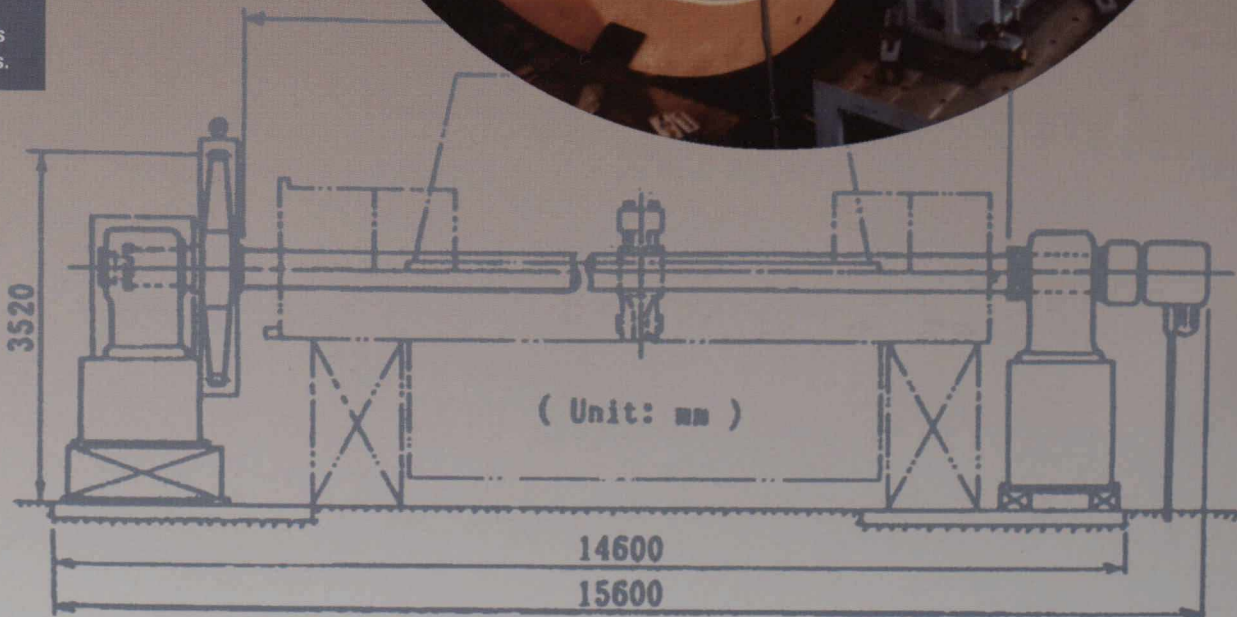
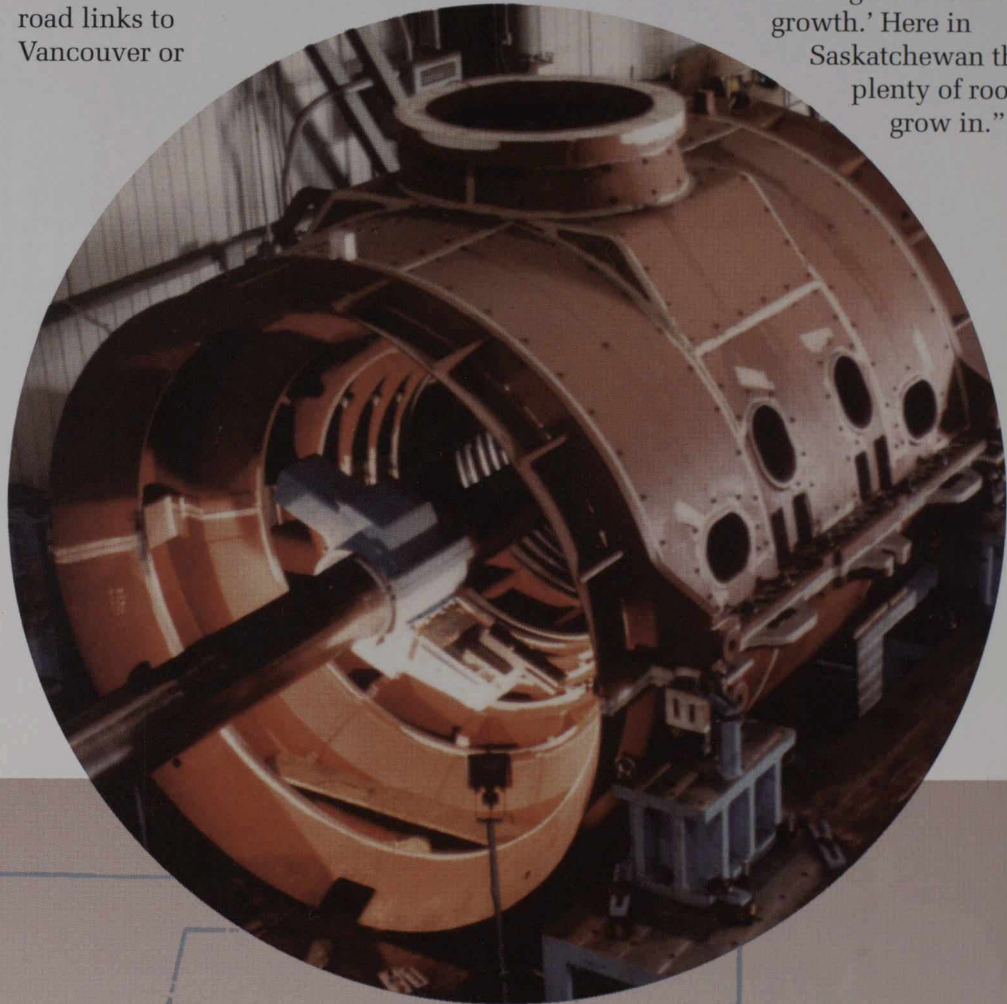
Saskatoon also scores high in terms of physical access to Hitachi's major markets. "We can deliver to any point in the United States by truck within two or three days" says Vidal. "We also have excellent road links to Vancouver or

Seattle for shipments to Japan."

Another asset that comes with the Saskatchewan prairie location is plenty of low-priced land — according to published newspaper reports, HCL paid \$85,000

for 6,000 square metres of land next door to its main site in a fully serviced industrial park. "Indeed", says Vidal, "land costs here are so low as to be almost a non-issue. That's an important advantage: our motto is 'Slow growth but steady growth.' Here in

Saskatchewan there's plenty of room to grow in." ♦



Mr. Joe Vidal, Plant General Manager, is supervising the latest of HCL's many expansions.

# Composites Atlantique gears up to meet growing demand for space-age materials

**C**omposites Atlantique, a Canadian subsidiary of France's Aérospatiale, is investing \$1.2 million to install new machinery and transfer technology in its advanced-materials manufacturing plant in Lunenburg, Nova Scotia.

The expansion will accommodate the firm's growing business in the North American and European markets.

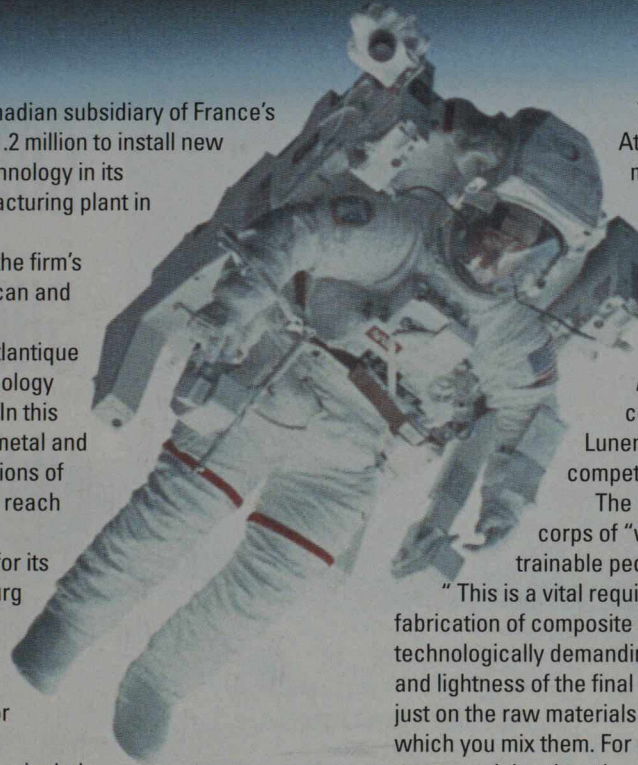
As its name implies, Composites Atlantique is involved in the relatively new technology of composite materials manufacture. In this field, scientists and engineers blend metal and fibre ingredients to achieve combinations of strength and lightness far beyond the reach of conventional materials.

Located in a coastal town famous for its picture-postcard beauty, the Lunenburg plant uses a highly-advanced computer-integrated manufacturing system to produce both composite materials and finished components for the world's aerospace, defence and transportation industries. Its customers include NASA, Rockwell, General Dynamics, Aérospatiale and Allied Signal. In the aerospace sector the company produces components ranging from structural panels for the Airbus and the Dassault Falcon to the helium tanks that fuel activator devices on the space shuttle.

## Blended strengths

Composites Atlantique's products also find their way into such heavy-duty hardware as helicopter skids for military helicopters, missile nose cones and satellite panels.

The common requirement in all these cases is that the products not only be lightweight, but rugged enough to withstand immensely high pressures without cracking or corroding.



To achieve this resilience, Composites Atlantique interweaves a complex mix of raw materials into its products. The recipe includes metals such as titanium and aluminium, resins, and long fibres of carbon, quartz, balsa, kevlar and boron.

Maurice Guitton, Executive Vice-President of Composites Atlantique and original founder of the company, told *Canada Investment News* that, in addition to excellent connections to the U.S. and European markets, Lunenburg's Atlantic coast location offers many competitive advantages.

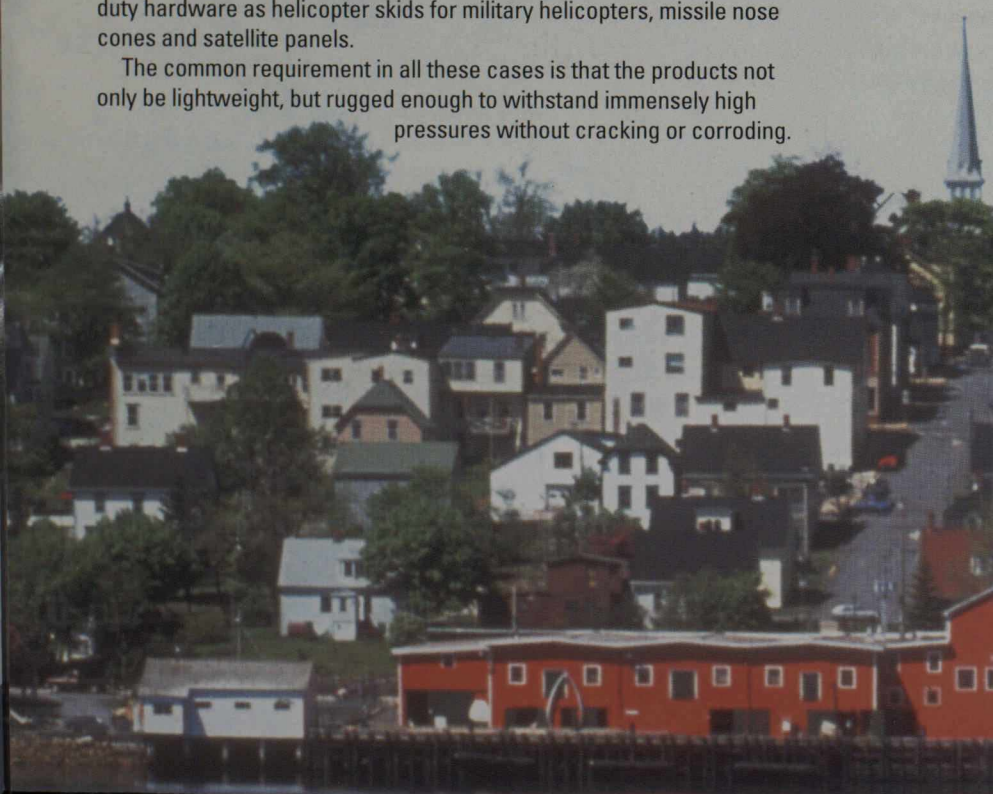
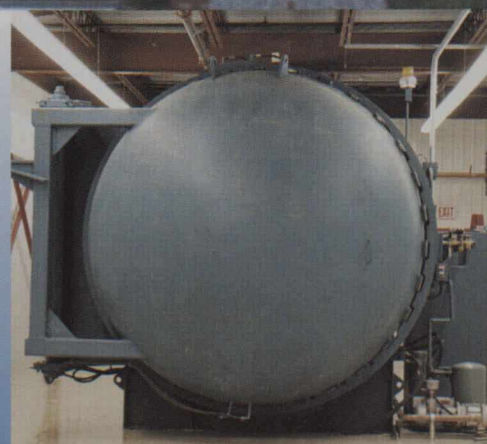
The most important, he says, is a strong local corps of "well-educated, hard-working and highly-trainable people."

"This is a vital requirement for us," says Guitton "because the fabrication of composite materials is a technologically demanding process. The strength and lightness of the final product depends not just on the raw materials but the manner in which you mix them. For example, the ratio of one material to the other is important. So is the angle at which the fibres are applied.

"We have been pioneers in this field — we have developed our own technology and know-how and we have the skilled and dedicated workforce we need to apply it." ♦

**"We have been pioneers in this field — we have developed our own technology and know-how and we have the skilled and dedicated workforce we need to apply it."**

**Autoclave:**  
a high-temperature curing chamber for simultaneous curing, pressurization and vacuuming of parts



## BioClean Fuels builds \$685-million clean energy plant in Alberta

U.S.-based BioClean Fuels is investing \$685 million to establish a new production complex in Alberta which will convert barley and butane into gasoline additives that reduce pollution in automobile emissions.

Located near the town of Fort Saskatchewan, the Alberta BioClean (ABC) plant will have a permanent workforce of over 150 and will use its patented technology to convert barley and butane into ethanol, methanol and other clean-energy fuel products. This facility will be the first in the world to employ this technology.

The ABC plant will use more than 650,000 tonnes of Canadian barley each year along with butane brought in by pipeline from sources in Alberta. The final products will be ethyl tertiary butyl ether (ETBE) and methyl tertiary butyl ether (MTBE), additives that make gasoline burn cleaner.

Construction of the facility will begin in 1997 with start-up scheduled for 1999. Ultimately the plant will produce about 800,000 tonnes of ETBE and MTBE per year.

Based in Omaha, Nebraska, BioClean Fuels is majority-owned by three U.S. companies, all of them leaders in their respective fields:

CalEnergy Company Inc., an independent energy producer with 27 facilities in three countries, ConAgra, a \$25-billion giant of the food industry, and Peter Kiewit Sons Inc., one of the world's largest construction companies.

In an interview with *Canada Investment News*, David Hallberg, President and Chief Operating Officer of BioClean, and inventor of the technology that the plant will employ, noted that both the timing and the location of the company's new project are right.

The ABC plant comes on to the scene at a time when clean air legislation in the U.S., Canada and Europe is generating a steady increase in demand for environmentally-friendly fuels. Current world shipments total 500,000 barrels a day, half of which goes to the California market. The ABC plant will ship 20,000 barrels daily.

As for location, Hallberg says, "Alberta is the perfect site for the plant. We have access to prodigious supplies of both butane and barley at cost competitive prices and tax rates are attractive."


The ABC will pump its products to Vancouver via an existing underground pipeline system and from there by sea to California. ♦

### *"A vote of confidence in Alberta"*


David Sokol, Chairman and CEO of CalEnergy, pointed to Alberta's "unique combination of raw materials, logistics and skilled labour and the proper attitude to justify a commitment of this magnitude."

Bringing an agribusiness perspective to the advantages of investing in Canada, ConAgra President and CEO Tom Manuel praised recent changes in Canadian grain transportation policy. These, he said, "have helped create an economic environment on the prairies, one that is conducive to new investments in strategic grain handling facilities and encourages more value added processing and diversification."

Walter Scott Jr., Chairman and CEO of Peter Kiewit Sons Inc., said, "Kiewit has done work in Canada for many years. This plant is a strong vote of our confidence in Alberta."



**BAXTER**  
**CANADA'S**  
**SHERBROOKE**  
**PLANT WINS**  
**A LARGER ROLE**  
**THE**  
**OLD-FASHIONED WAY:**  
**IT EARNS IT**



## Sherbrooke

has excellent transportation links to the nearby northeastern U.S. market, and to Europe via the port of Montreal.

**B**axter Corporation, the Canadian subsidiary of Chicago-based Baxter International, is spending \$2 million to upgrade production machinery and automate processes at its medical products plant in Sherbrooke, Quebec.

Baxter is installing the new equipment to increase the plant's production of the company's patented InterLink™ equipment for the U.S., Canadian and

offshore markets. The system replaces needles with blunt plastic devices called cannulas in blood transfusions, kidney dialysis and other intravenous

procedures, including the administration of pharmaceuticals.

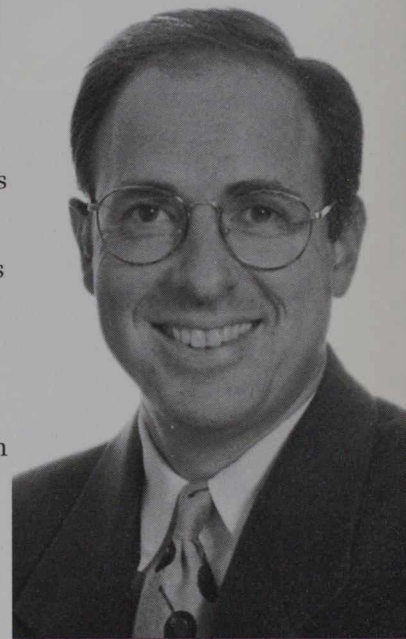
Announcing the project, Jim Utts, President of Baxter Corporation, said, "InterLink has grown substantially over the years because concerns about blood-borne contaminants or pathogens are causing hospitals to look at ways to eliminate the potential health risk associated with needle sticks."

Commenting on Baxter's decision to assign a larger share of InterLink production to Sherbrooke, Pierre Fréchette, Vice-President of Manufacturing, says, "The plant won its expanded role through performance. Ever since opening in 1983, it has maintained outstanding levels of excellence in customer satisfaction, service and quality."

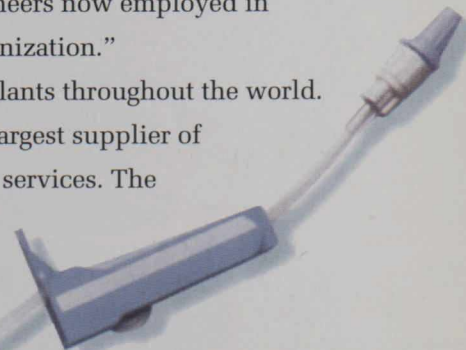
Also contributing to the plant's success, says Fréchette, are important competitive advantages linked to the location. Sherbrooke has excellent transportation links to the nearby northeastern U.S. market, and to Europe via the port of Montreal. In addition, the city is the home of the University of Sherbrooke and its top-rated school of engineering.

"Over the years, Baxter has been a major employer of young graduate engineers from the university" says Fréchette. "In fact, the Sherbrooke plant has been something of a training ground for a sizeable contingent of engineers now employed in different parts of the Baxter organization."

Baxter International has 176 plants throughout the world. Baxter Corporation is Canada's largest supplier of specialized health products and services. The Sherbrooke plant is one of two that the company operates in Canada. ♦




**Pierre Fréchette,**  
Vice-President of Manufacturing  
Baxter Corporation



ASTRA

# completes first phase of \$300 million research complex in Montreal

 Astra AB has moved into its new \$35-million research unit in Montreal, the first that the huge Swedish pharmaceuticals company has established on foreign soil.

The new facility represents the first phase in a scheduled ten-year development of the \$300-million Astra Research Centre Montreal (ARCM) research complex.

ARCM, which has been operating in rented quarters since 1994, is spearheading Astra's quest for a new, post-morphine generation of non-addictive pain-killers with fewer side effects than earlier medications.

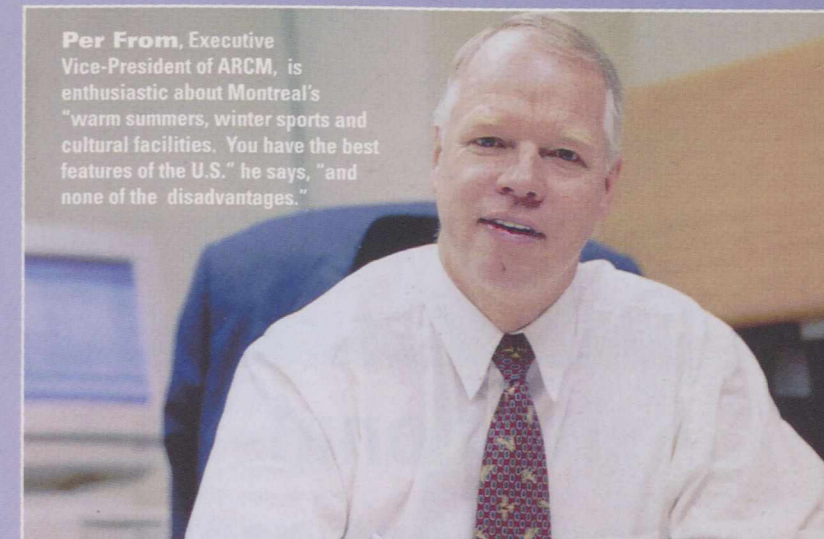
Located on a 47,000 square metre site, the research unit houses chemistry, pharmacology and molecular biology laboratories along with a library and other support services.

The centre currently employs 50 researchers and Astra expects the total to grow to 150 in the next few years.

Equipped with advanced research tools in all three areas of its interest, the Centre also has the technology it needs to integrate ARCM programmes into Astra's multi-nation research effort. For example, each scientist at the Centre will have individual access to the company-wide "Intranet" which allows scientific teams to cooperate on projects across continents and different time zones.

Before selecting Montreal, Astra considered several other locations for its first extra-territorial research centre,

**Per From**, Executive Vice-President of ARCM, is enthusiastic about Montreal's "warm summers, winter sports and cultural facilities. You have the best features of the U.S." he says, "and none of the disadvantages."



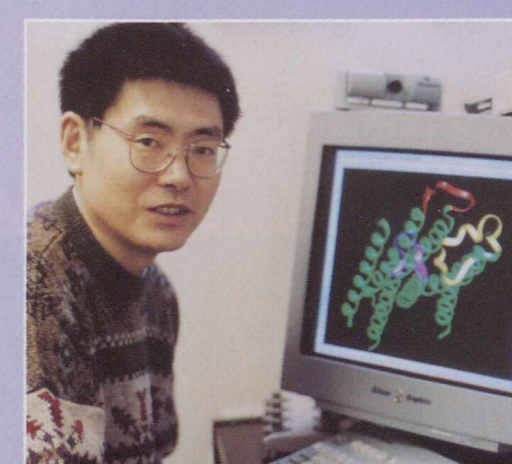
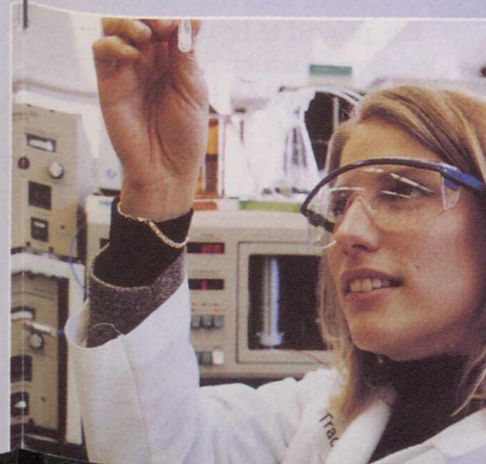
including Boston and sites on the U.S. west coast. Per From, Executive Vice-President of ARCM, says the company's choice was influenced in part by generous R&D tax incentives offered by the Governments of Canada and Quebec.

Another positive factor was access to a skilled workforce and the opportunity to collaborate with four local

**Per From, Executive Vice-President of ARCM, says the company's choice was influenced in part by generous R&D tax incentives offered by the Governments of Canada and Quebec.**

universities, including institutions with special strength in neuroscience and the study of pain mechanisms. Astra is

already benefiting from this advantage: several senior researchers at ARCM are also professors at McGill University and Université de Montréal. ♦





# International investment group buys into Canada's fast-growing Power Measurement Ltd.

*For electrical power industries throughout the world,*

the age of government-endorsed monopolies is giving way to one of deregulation. By opening the field up to competition, that trend has created a ripple of new opportunities for companies that serve the sector.

Against that background, an international investors group has purchased a 50 per cent interest in Power Measurement Ltd., a Canadian company that is uniquely positioned to benefit from power utility deregulation. The amount of the investment was not disclosed.

Starting literally in the basement in the early 1980s,

Power Measurement has grown at a whirlwind rate of 100 per cent per year and now has agents and distributors in over 70 countries. Powering that expansion has been the application of innovative technologies to exploit new opportunities opened up by change.

Says Bradford Forth, Vice-President, Sales and Marketing, "It's fair to say that we've played a large part in bringing energy metering into the modern age. We were among the first to see the potential of applying digital technology to energy measurement."

Acting on that realization, Power Measurement was first out of the gate in offering the hardware and software for micro-processor-based metering systems. The company has maintained its technological lead ever since.

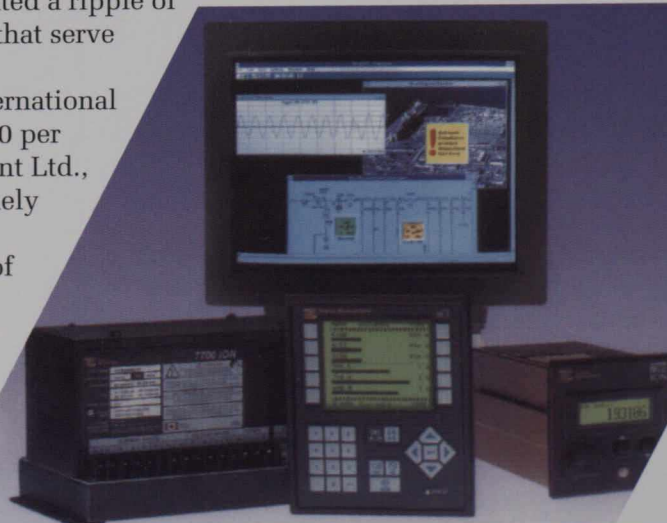
With deregulation that advantage has become more valuable than ever.

Forth explains, "From here on in, electrical utility companies will be competing to meet their customers' needs with elaborate multi-service packages.

"They will be writing contracts that cover not just the gross amounts of energy but customized deals linked to periods of consumption, power quality and other factors.

"This will create a need for new metering technology capable of monitoring and measuring all of these new factors."

Forth says that Victoria has proved to be an ideal location in which to execute a strategy based on innovation.



Forth says that Victoria has proved to be an ideal location in which to execute a strategy based on innovation. "The most significant advantage is an abundant supply of the professional expertise we need."

"The most significant advantage is an abundant supply of the professional expertise we need."

"The University of Victoria, for example, has an excellent electronics engineering programme. And we have ready access to computer science graduates and technicians from universities in nearby Vancouver."

Leading the group that has invested in Power Measurement are two U.S. companies, GFI Energy Ventures, which specializes in exploiting opportunities opened up by power utility deregulation, and Oaktree Capital Management. The other members are the Rothschild Investment Trust Capital Partners plc, Prudential Securities, the Roman Arch Fund and Tincum Investors.

GFI President Larry Gilson estimates the value of currently-installed metering equipment at \$5 billion in the U.S. and Canada alone. "With open competition in the utility industry, a significant share of that installed base will become obsolete. We are very excited to be affiliated with Power Measurement, which we consider to be a leader in the power measurement business." ♦

## Xerox invests \$25.5 million to expand R&D facilities in Mississauga

**X**erox Canada Inc. has completed construction and outfitting of a \$25.5 million supplies-development centre as an adjunct to its research and development facility in Mississauga, Ontario.

Employing a number of engineers and technologists, the new unit will scale up research done at the adjacent Xerox Research Centre of Canada which works on the development of polymers, pigments and other advanced materials.

In addition to its research and development function, the new centre will roll out intermediate-run volumes of the new toners, photo receptors and other products that Xerox uses in its rigorous and sustained testing of new materials.

In an interview with *Canada Investment News*, Tom Kavassalis, Associate Centre Manager of Xerox Research Centre of Canada, noted that the Centre has been operating in Canada since 1974 and that, like other units in the Xerox worldwide research network, it serves a global market.

"Xerox Research Centre of Canada reports directly to the company's Corporate Research and Technology group at our world headquarters at Stamford, Connecticut. We are not just doing value-adding or the customization of existing products for the Canadian market — we are developing products for use around the world."

He adds that the Canadian Centre operates on the



Xerox Research Centre of Canada

frontier of new document technology in which the company specializes.

"Essentially, our role is to focus on new things needed to develop next-generation materials for Xerox products."

Kavassalis says that locating in Mississauga has provided Xerox with many benefits, including access to a large talent pool from southern Ontario universities and technical institutes. A recent survey by KPMG (reported on in the last issue of *Canada Investment News*) has also shown that Canada offers a significant advantage in human resource costs. Says Kavassalis,

**"In terms of R&D effectiveness, the Mississauga Centre has a shining reputation within our corporation."**

Xerox Canada has 4,268 employees at offices and facilities across the country and had 1995 revenues of \$1.19 billion. ♦



# Sun Microsystems picks Quebec's Primetech as strategic ally for workstation manufacturing

After what the company describes as "a comprehensive global competition" Sun Microsystems Inc., of the United States has awarded a \$100-million contract to a Quebec-based corporation for the supply of components for Sun's leading-edge line of computer workstations.

The Canadian firm is Primetech Electronics Inc. of Dollard-des-Ormeaux near Montreal, Quebec — Canada's leading contract engineering company. Since its foundation in 1976, Primetech has established an outstanding track record as a strategic ally and supplier to large corporations — particularly in the integration of new electronic technologies into high technology industries.

Announcing the contract award, Everett Anstey, President of Sun Microsystems of Canada Inc., said the contract would make Primetech "the worldwide supplier for peripheral controller and interface boards used in Sun workstations."

Founded in 1982, Sun Microsystems ranks 222 on the Fortune 500 list and reported record earnings of more than US \$7 billion for 1996. Sun offers award-winning hardware, software, service and support solutions for building and maintaining network computing environments. The company's products hold the highest UNIX market share in three important categories: workstations, multiprocessing systems and database servers.

Among Sun's groundbreaking technologies is Java, generally recognized as the de facto standard platform for network computing. Designed from the ground up for the Internet and for corporate "intranet" computing, Java lets developers create small applications, called "applets" that, once written, can run on any platform.

Primetech opened its doors 21 years ago as a supplier and distributor of electronic parts and circuits on the North American market. In the 1980s, the company moved into contract engineering and the development and marketing of specialized products for a variety of consumer industrial markets. Primetech quickly built its reputation as a reliable partner in manufacturing collaboration with a galaxy of multinational corporations including Sun

Microsystems, IBM Canada, Nortel, General Electric, United Technologies, Newbridge and Apple Computer.

In meeting the evolving needs of these customers, Primetech developed capabilities that led the company directly into another service line: the design and development of new electronic technologies and their integration into the aerospace and other leading-edge industries.

In this area, the company's customer list includes names like General Electric Aerospace, Pratt and Whitney, Aérospatiale France, Bombardier and the Canadian Department of National Defence.

## A quality environment

At a contract announcement press conference, Primetech President Jack McAllister said, "The obvious question is how Primetech, an anonymous company to many of you, could participate in a major worldwide competition and walk away with the first prize."

McAllister attributed his company's coup to two linked factors. First is a corporate mindset that emphasizes quality. "When we began manufacturing many years ago, for example, the first employee we hired was a quality manager." This insistence on getting things done perfectly made Primetech one of the first contract-manufacturing and engineering companies to achieve ISO-9002 certification.

Another competitive edge, said McAllister, is Montreal itself. The city and its environs have what it takes to support Primetech's quality standards and growth objectives: notably "a large, well-educated and motivated work force" and a strong supply and service infrastructure for the city's thriving electronics industry.

Putting the Primetech award into the context of Sun's long-term marketing goals, Everett Anstey said it was his company's "stated strategy to continue to pursue opportunities for investment in research, development and manufacturing within Canada, through alliances with Canadian companies." ♦



# Newfoundland offers investors a new incentive package

**T**he government of the province of Newfoundland is offering an attractive package of incentives to companies that invest in the establishment of new businesses in the province.

## The EDGE (Economic Diversification and Growth Enterprises) Programme

### The EDGE Programme includes:

- A ten-year holiday from provincial corporate income, post-secondary school, health (payroll) and retail sales taxes, followed by a five-year phase-in of these taxes.
- An incentive of \$2,000 for each permanent job the new enterprise creates.
- Lease for a nominal fee of unserviced Crown (government-owned) land to approved EDGE applicants. The companies also have the option to purchase the land for \$1.
- Help from a government appointed facilitator in obtaining permits, licences, options for the use of government assets and other authorizations a company needs to execute its business plan.

### Eligibility

- To be eligible for the programme, the company must receive government designation as an Economic Diversification and Growth Enterprises (EDGE) corporation.

### To qualify for designation, the company must demonstrate:

- The potential to make a minimum capital investment of \$300,000 or to register incremental sales of \$500,000 per year.
- The potential to create and maintain at least ten permanent jobs.

Other criteria include consistency with the province's strategic economic plan and with the principle of sustainable development, and evidence that the EDGE incentives do not give the incoming company a competitive advantage over firms already established in the province.

A board of government officials and non-competing private sector representatives evaluates each EDGE application. Decisions are made within 30 days. ♦

For more information on the EDGE programme, readers may contact the Department of Industry, Trade and Technology, Government of Newfoundland.

Phone: 1-800-653-2299  
Fax: 011-1-709-729-3208  
e-mail: [info@ditt.gov.nf.ca](mailto:info@ditt.gov.nf.ca)

WEB SITE: <http://www.compusult.nf.ca/dtt/dtt.html>



## QUOTABLE *quote*

*Japanese businessmen have been paying too much attention to the United States. They haven't seen the **strength of Canada***"

**Michiro Ejiri**, former chairman of Mitsui and Co. Ltd. and head of the Japan-Canada economic committee of the Keidanren, representing more than 900 of Japan's largest companies.

# Growing with Canada

- U.S.-based **Genzyme Corporation Inc.**, one of the world's five largest biotechnology companies and a world leader in gene therapy research, has chosen Kanata, Ontario, near Ottawa, as the site of its first office in Canada.

In an interview with *Canada Investment News*, Dane Bedward, General Manager of Genzyme Canada Ltd., said "Our parent company has a history of successful collaboration in joint ventures with biotechnological firms.

"We are already working with two Canadian companies involved in transgenics research, and we are actively exploring collaboration with other companies in various fields, including biotechnology and medical devices."



Bedward adds "Canadian medical research institutions, academic and otherwise, have a distinguished international reputation in genetics and other disciplines in which we are interested."

Genzyme chose the national capital region for its Canadian base to be close to the federal

government's Health Promotion Branch, the body that regulates and licenses health products.

Based in Cambridge, Massachusetts, Genzyme Corporation Inc. had 1995 revenues of \$380 million.

- U.S.-based **Echlin Inc.**, a global giant of the autoparts industry, has purchased **Long Manufacturing Ltd.** of Oakville, Ontario, for US \$160 million. Paul Ryder, Echlin's Director of Investor Relations, told *Canada Investment News* "Echlin manufactures motor vehicle parts for the world market and this makes a nice addition to our existing offering. Long Manufacturing specializes in heat exchange products such as transmission- and power steering-oil coolers. We have made this investment so that we can participate in the growing market for replacement parts for these systems."

- **Amdahl Corporation's** Canadian subsidiary, DMR Consulting Group, has established a Business Solutions Centre (BSC) in Quebec City bringing to three the number of BSCs in Canada — the others are in Montreal and Halifax.

The Quebec City centre which has created 150 new jobs, is already working on four information technology services projects: one in Russia, and three in the United States.

Yves Dubé, director of the BSC, says that Amdahl's decision to establish the Centre recognizes the experience and professionalism of DMR's staff in market sectors

where international competition is fierce.

DMR is a leading international provider of information technology services to business and public enterprises and employs 3,500 professionals in Canada, the United States, the Asia-Pacific region and Europe. ♦

## For more information

Find out more about investing in Canada by contacting the nearest Canadian embassy or consulate, or by directly contacting the:

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International Trade  
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Ottawa, Ontario  
Canada K1A 0G2

**INTERNET:** <http://www.dfait-maeci.gc.ca/english/invest/imd/indindex.html>

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