CANADA
INVESTMENT NEWS

JULY 1997

Pfizer Canada invests $14 million to gear up its Arnprior plant for a world mandate

Pfizer Canada Inc., a subsidiary of the U.S.-based global health care giant, has completed a $14-million expansion and upgrading of its plant at Arnprior, Ontario, to fulfil an important new mandate.

The investment opens a new chapter in the facility's 42-year history which began in 1955 when a planeload of local residents and business leaders flew into New York City and lobbied successfully with Pfizer Inc. for a plant in their town.

Arnprior's expansion flows from its choice by the parent company, Pfizer Inc. as one of three plants in the company's international network to manufacture Visine™ eyedrops for a global market.

Visine™ is a staple in medicine cabinets throughout the world, and until recently Pfizer had been manufacturing it at many separate locations. As part of a rationalization process, the company

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decided to consolidate production in Canada, the United States and Indonesia.

Sixty-five km by road from Ottawa, the Arnprior plant manufactures both prescription drugs and over-the-counter products such as Visine™. The prescription line includes Zoloft™, an antidepressant, and Norvsac™ for angina and high blood pressure.

In an interview with *Canada Investment News*, Randell Ritchie, Manager of Manufacturing Operations at Arnprior, says that in the competition for the mandate, the plant benefitted from its outstanding record in productivity and overall efficiency.

Zero labour turnover

Listing the locational advantages underlying the track record, Ritchie mentions:

- A highly skilled workforce recruited from nearby cities including the National Capital Region of Ottawa-Hull, with its four universities and three community colleges.

- Labour force stability — an advantage that Ritchie says stems from a quality of life that people find hard to walk away from. Arnprior (population 7,000) combines small-town stability with easy access to larger urban centres. Canada's National Capital Region is 40 minutes away; cosmopolitan Montreal another hour and half. On both sides of the Ottawa River are skiing and summer vacation playgrounds in Ontario and Quebec.

Pfizer's latest investment covers expansion of the plant, installation of new production machinery and computerized information systems, and training facilities.

"I have a turnover rate here of zero" says Ritchie. "Zero. I mean that literally. Nobody leaves."

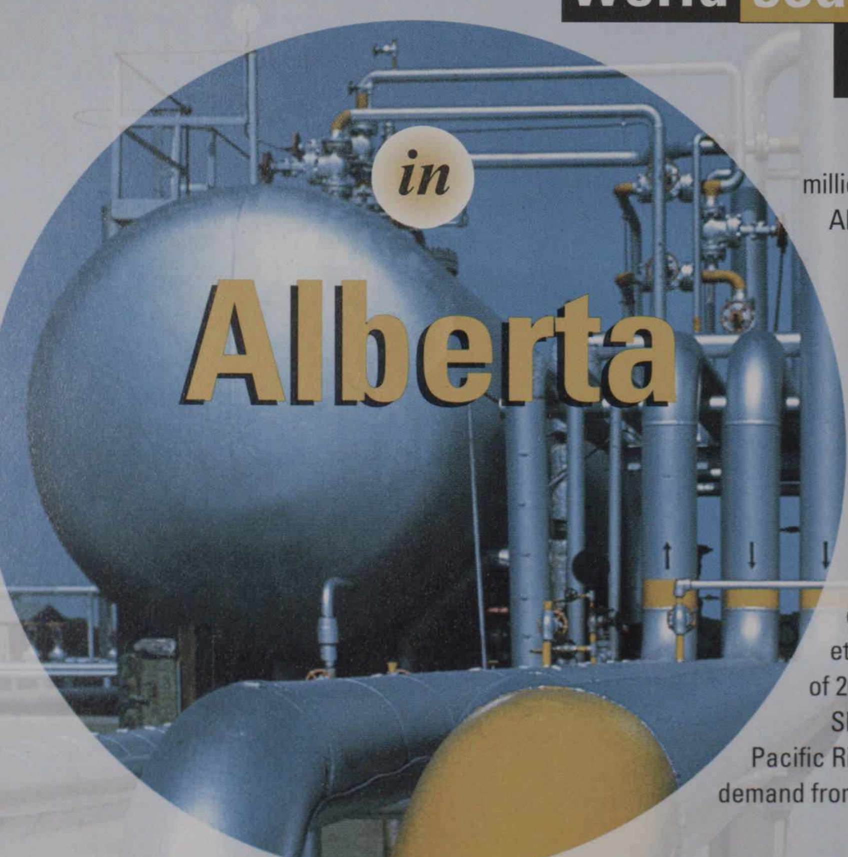
Another competitive edge is convenient air and sea linkage to world markets via Montreal, approximately 200 km by road and rail from the plant gate.

Pfizer's latest investment covers expansion of the plant, installation of new production machinery and computerized information systems, and training facilities.

The expansion has resulted in a doubling of the workforce to 120 people and Ritchie expects further increases to result from the new mandate.

Pfizer, a global health care company founded in 1849, has its headquarters in New York. In 1996 the company spent $36 million on research and development in Canada. ◆

Shell Chemicals building world-scale ethylene glycol plant in Alberta



Shell Chemicals Canada Ltd. of Calgary is spending $300 to $400 million to build an ethylene glycol plant near Fort Saskatchewan, Alberta, in partnership with Mitsubishi Chemicals of Japan.

The facility will help Shell Chemicals stay abreast of world demand for ethylene glycol that has been racing ahead at six per cent per annum in recent years. The substance is used in the manufacture of polyester fibres, resins and antifreeze.

Announcing the start of the project's engineering design phase, John Wills, President and CEO of Shell Chemicals, said the plant would be "a world-scale facility" that would complement Shell's global ethylene glycol manufacturing capability.

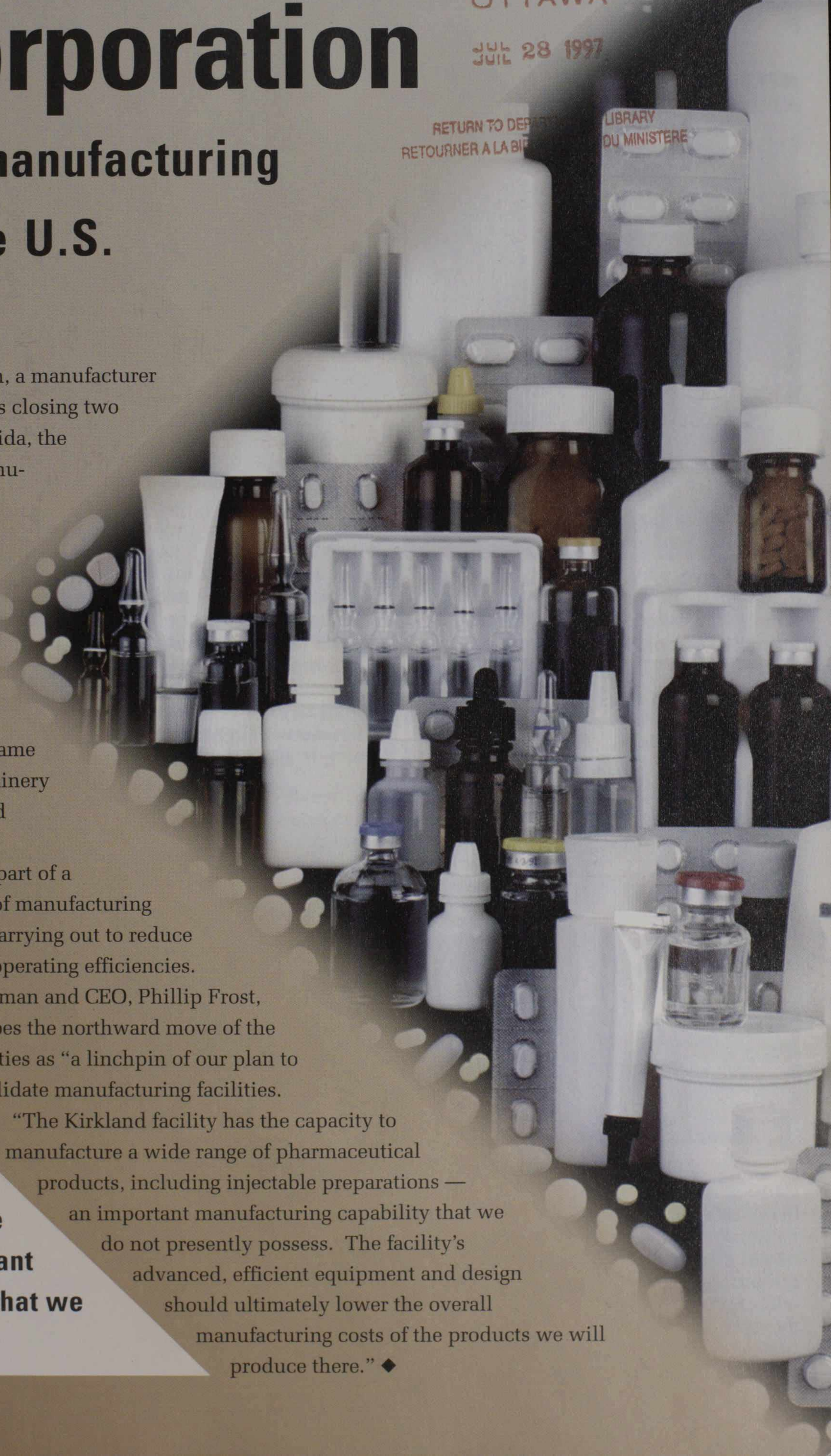
Scheduled for start-up in the year 2000, the plant will be located at the company's existing Scotford manufacturing site outside Fort Saskatchewan and will produce 400,000 tonnes of ethylene glycol annually. The plant will have a permanent workforce of 20 to 40 people and employ 250 during the construction period.

Shell Chemicals said the plant will serve the North American and Pacific Rim markets, and timed the project start-up to meet increasing demand from customers in these regions. ◆

Moving north:

IVAX Corporation

transfers some manufacturing muscle from the U.S. to Quebec



Miami-based IVAX Corporation, a manufacturer of generic pharmaceuticals, is closing two of its U.S. plants, one in Florida, the other in Louisiana, to consolidate manufacturing in Kirkland, Quebec. In so doing, it will maintain existing jobs at Kirkland and possibly add more in the future.

IVAX is moving its manufacturing operations into a 275,000 square foot plant that the company purchased from Glaxo Wellcome Inc. in 1996. The facility came fully equipped with production machinery and a staff of some 165 highly trained employees.

The move to Kirkland is part of a widespread restructuring of manufacturing facilities that IVAX is carrying out to reduce costs and enhance operating efficiencies.

"The Kirkland facility has the capacity to manufacture a wide range of pharmaceutical products, including injectable preparations — an important manufacturing capability that we do not presently possess."

IVAX Chairman and CEO, Phillip Frost, M.D., describes the northward move of the two facilities as "a linchpin of our plan to consolidate manufacturing facilities.

"The Kirkland facility has the capacity to manufacture a wide range of pharmaceutical products, including injectable preparations — an important manufacturing capability that we do not presently possess. The facility's advanced, efficient equipment and design should ultimately lower the overall manufacturing costs of the products we will produce there." ◆

Britain's SunFlag Group builds $32-million plant in Canada to serve North America

Drawn by the continental market that NAFTA wove, Atlantic Yarns Inc. is spending $32 million to build an advanced-technology textile manufacturing plant in Atholville, New Brunswick, to serve the North American market.

Atlantic Yarns is a division of the British-based multinational SunFlag Group, an integrated textiles manufacturer which operates plants in the U.K., Kenya, Tanzania, Cameroon, Nigeria, Thailand and India. The company employs more than 8,000 people worldwide.

The Atholville facility will produce quality open-end cotton and cotton/polyester yarns for user industries. Initially, Atlantic Yarns will sell 75 per cent of its output to the knitting industry in Canada, and 20 to 25 per cent to the United States — a proportion that the company expects to increase rapidly in the year ahead. The plant will employ 50 people at the outset.

Buhshan Bhardwaj, President and CEO of the SunFlag Group, said:

"Our decision to locate in Canada was largely motivated by NAFTA. The plant, with its state-of-the-art spinning equipment, will be able to match all competitors in the North American market."

Marcel Pilon, President of Sogeffa Inc., a Montreal-based consulting company with special expertise in the textile industry, did the preliminary market and cost studies for SunFlag. Interviewed by *Canada Investment News,* he said: "The decision to locate here was preceded by two years of technical studies, market studies and site locational analyses. This was the best choice."

Comparing Canada/U.S. costs in the textile industry, Mr. Pilon says the arithmetic favours Canada. "The most important advantage is in overall labour costs. In New Brunswick, statutory employer-paid benefits alone are about 16 per cent. In the United States you are looking at an average of 32 per cent. Electricity costs are lower in Canada too, and particularly in New Brunswick."

Marcel Pilon points out that the company has established its plant in a spacious 20-acre site, giving it plenty of room for growth. With the cost advantages, and NAFTA in the final years of its ten-year phase-in period, SunFlag will evaluate other opportunities to expand its presence in the North American industry. ◆

British Columbia offers fund for immigrant investors

The Government of British Columbia has established a $35-million fund under the Immigrant Investor Program, a federally-regulated immigration and economic development program.

The British Columbia Investment Fund Ltd. provides a channel for immigration to Canada for successful business people whose presence would enrich the economy and provide investment capital for businesses in the province.

The fund, which British Columbia is marketing primarily in Asia, offers bond units of $350,000 to prospective immigrants who qualify under the Citizenship and Immigration Canada requirements. ◆

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New spending program brings Chrysler Canada's two-year investment to $2.5 billion

Against a background of all-time records in revenues, profits and production, Chrysler Canada Ltd. has announced it will spend more than $1.3 billion, this year and next, to upgrade assembly and manufacturing facilities that serve the entire North American market.

Yves Landry, Chairman, President and CEO, itemized the company's 1997-98 spending program as follows:

- $850 million to expand Chrysler's Bramalea assembly plant at Brampton, Ontario, for production of the 1998-model Dodge Intrepid and Chrysler Concorde slated to reach dealers this fall. Bramalea will be Chrysler's only North American facility producing the Intrepid, the Concorde and the Eagle Vision.
- $275 million for Phase One of a new paint shop at Chrysler's minivan assembly plant in Windsor, Ontario.
- "$100 million plus" to retool the body shop at another Windsor assembly facility, which assembles full-size vans.
- $82 million to upgrade and expand capacity at Chrysler's aluminum-casting plant in Etobicoke, Ontario.

"Over the past two years Chrysler has committed $2.5 billion in capital programs to our Canadian operations," Landry said.

Landry also reaffirmed Chrysler's commitment to "nurturing the best labour relations in the industry," and pointed to recent achievements in that area. "In 1996, for the third consecutive set of negotiations, Chrysler Canada reached a win-win agreement with our labour partners, the Canadian Automotive Workers (CAW), without any work interruptions."

Chrysler Canada's 1996 revenues reached $250 million, an all-time record, while net earnings rose to $152 million from $83 million the year before. Production of cars and trucks was also in high gear, rising by 31.1 per cent to over 705,000 vehicles, another Chrysler record.

Noting that Chrysler Canada exports 86 per cent of its production, Landry says: "We build three vehicles for every one we sell in Canada." ◆

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1998 Dodge Intrepid ES

Cargill U.S. agri-business giant, builds $53-million plant in Saskatchewan

The dateline for one of Canada's biggest agri-business investment stories in recent years has been one of its smallest towns.

The community is Clavet, Saskatchewan, (population 200) on the Canadian prairies, where Cargill Ltd., Canadian subsidiary of Cargill Inc., the world's third-largest food company, has completed a $53-million plant for crushing and processing canola seed into oil and meal products.

In an interview with *Canada Investment News*, Ken Stone, Plant General Manager, said that in planning the new facility Cargill set its sights high. "Our objective was to establish a plant that could produce oilseed products at a cost-per-unit ratio as low as any in the world. To do that we needed to build it big."

Cargill's new facility, with a workforce of only 55 people, fulfils that vision. Its seed-crushing capacity of 600,000 tonnes makes it the largest canola processing plant in Canada and, by itself, increases the nation's total oil-processing capacity by 25 per cent.

With world demand rising at an annual rate of two million tonnes, Cargill expects that it will eventually need all of that production muscle.

Off to a running start

Ken Stone says that, despite one of the harshest winters in Canadian history, the plant came in within budget and two months ahead of schedule, opening in mid-1996. "We have completed our tenth month of operation and the plant is performing exceedingly well."

Cargill sees many competitive advantages in the Canadian location including, notably, access to raw material. "This is one of the best areas in North America to produce canola," says Guillaume Bastiaens, President of Cargill's Food Sector.

In addition, the plant is only 25 miles from Saskatoon, a city of 200,000 and home of the University of Saskatchewan, a major centre of agri-business-related research.

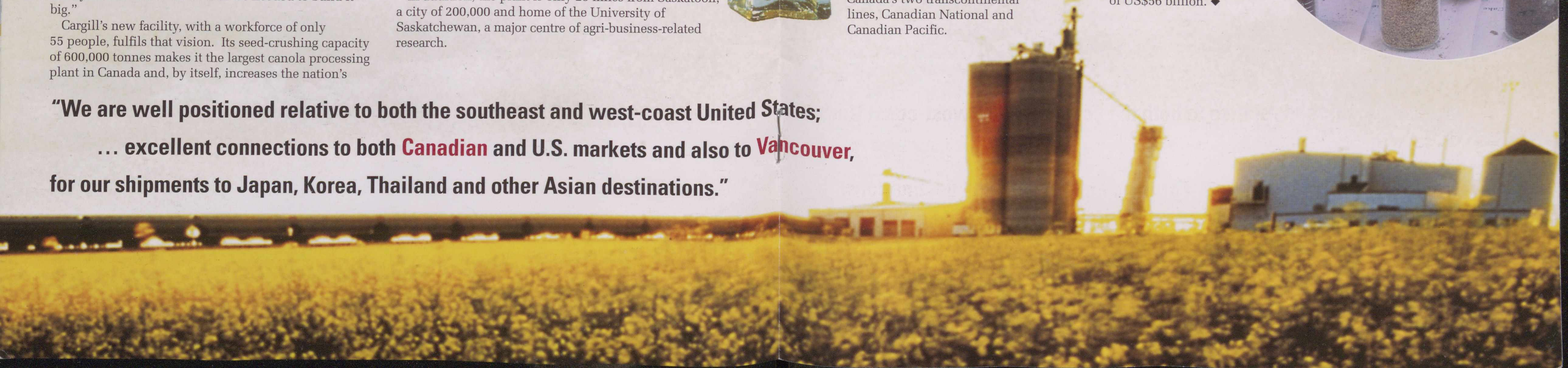
"Because of the university, we have access to a pool of trained engineers, technicians and other professionals in areas important to us," says Stone.

Saskatoon's Innovation Place, an agri-business industrial park, is also the site of one of the world's leading clusters of agri-biotechnology firms, including several subsidiaries of U.S. and European firms. Also located in the cluster are several university and government research laboratories that focus on canola research. (See *Canada Investment News*, November 1995.)

Another advantage, says Stone, is easy access to Cargill's markets. "We are well positioned relative to both the southeast and west-coast United States." The plant also has direct railway links to Canada's two transcontinental lines, Canadian National and Canadian Pacific.

These, Stone says, provide "excellent connections to both Canadian and U.S. markets and also to Vancouver, for our shipments to Japan, Korea, Thailand and other Asian destinations."

Cargill Inc. is a privately-held merchandiser, processor and distributor of agricultural and other commodities. Earlier this year, the company announced 1996 earnings of US$902 million on sales of US$56 billion. ◆



"We are well positioned relative to both the southeast and west-coast United States;

... excellent connections to both Canadian and U.S. markets and also to Vancouver,

for our shipments to Japan, Korea, Thailand and other Asian destinations."

Sherbrooke edges U.S. locations as site of Fried v. Neuman's new $19-million manufacturing facility

The new plant is one of only a handful in North America producing aluminum extrusion disks and will serve markets in the United States, Canada and Asia.

The world's largest manufacturer of aluminum slugs is spending $19 million to build a manufacturing plant in Sherbrooke, Quebec. The prospects for the new facility look rosy: even before coming on stream, the plant has landed orders that account for a large share of its capacity.

The plant is a joint venture of Fried v. Neuman Gesselschaft, an Austrian-based multinational corporation, and Société générale de financement du Québec (SGF), a public-sector industrial development corporation.

Under the deal, the 90,000-square foot plant will be owned 60 per cent by the parent company's offshoot, Neuman Aluminum International, and 40 per cent by SGF. The federal and provincial governments are contributing a $2.38-million repayable loan under a Canada-Quebec industrial development agreement.

Before deciding on the Sherbrooke location, Neuman considered other options, including expansion of its existing plant in Virginia, U.S.A. Factors influencing the final decision were Canada's highly competitive costs in energy and labour combined with excellent transportation infrastructure and Quebec's abundant reserves of aluminum.

At a news conference in Sherbrooke, Dr. Cornelius Grupp, President of Fried v. Neuman, said that the company is establishing the new plant to extend its already formidable presence in the worldwide market for aluminum slugs.

"We have already signed a long-term sales contract with the largest consumer of aluminum slugs in North America," said Dr. Grupp. "The contracted volume could account for a significant portion of the new facility's capacity."

The new plant is one of only a handful in North America producing aluminum extrusion disks and will serve markets in the United States, Canada and Asia. It will get its aluminum from Alunor, an SGF subsidiary which operates a smelter in Sept-Iles, Quebec,

Neuman's Sherbrooke facility will have a payroll of 60 permanent workers. Company officials predict that it will produce 5,000 tonnes in its first year, and that output will increase eventually to 12,500 tonnes a year. ◆

Dow invests $100 million in latest Alberta expansion

With world demand for polyethylene soaring, U.S.-based Dow Chemical Company has given the go-ahead to yet another expansion of its petrochemical plant in Fort Saskatchewan, Alberta, this one valued at $100 million.

The decision comes hard on the heels of Dow's completion of an $800-million expansion project, and brings Dow's total capital investment in Alberta to over $2.1 billion.

The project will bring the plant's total capacity to more than 636 kilotonnes per year and will add 250 jobs to a current workforce of 1,000 full-time and long-term contract employees.

Dennis Lauzon, President of Dow Chemical Canada Inc., described Dow's expansion activity in Fort Saskatchewan as "a testament to the competitiveness of Alberta for petrochemical growth. We like Alberta: it has an economic environment that encourages vigorous entrepreneurship and a provincial government that supports it."

Roméo Kreinberg, Vice-President (Polyethylene), said "Fort Saskatchewan's expansion will help to meet the growing demand for polyethylene in the North American market and around the world."

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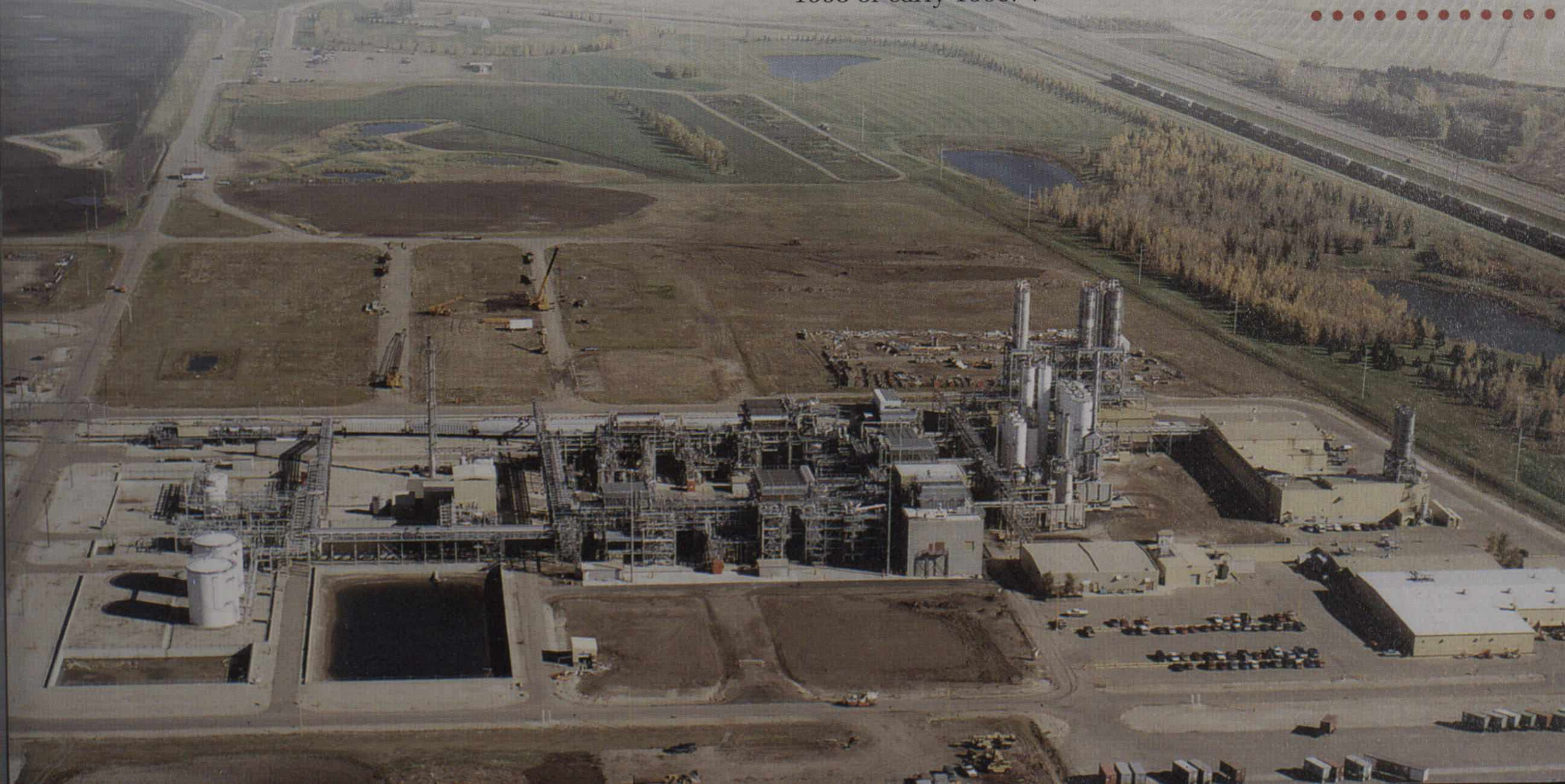
The expansion will allow Dow to make use of its patented INSITE™ technology to widen its product offering, speed up deliveries to markets, and bring the company's total global production to more than 3.35 million tonnes.

Dow expects to start production at the expanded site in late 1998 or early 1999. ◆



$400-million investment readies Toyota's Ontario plant to produce baby boomers' dream car

Toyota Motor Manufacturing Canada (TMMC) is spending $400 million to gear up one of its Cambridge, Ontario, plants, to produce an all-new sport coupe for the North American market. Toyota has assigned the Canadian plant exclusive responsibility for production of its new vehicle.

Toyota's new offering will look very much like, and may even bear the name of the Solara, a convertible "concept" car that rolled into the spotlight at the Chicago International Auto Show in February.

Yoshio Nakatani, President of Toyota Canada Inc., TMMC's marketing arm, said that in introducing a new coupe, Toyota has an eye on the greying cohort of baby boomers who, the company believes, will bring their taste for sporty models into their later, more affluent years. Noting that boomers and their tastes have influenced automobile sales throughout their life spans, Nakatani said: "They were the import sedan and hatchback buyers of the late 70s and early 80s. Later they became the mid-size sedan buyers, then the minivan buyers and more recently, the sport utility buyers for the end of the 90s. They are now becoming empty nesters. They have the time and money and freedom."

In the Solara, they will also have more space and comfort than they did as joy-riders of the 60s: the four-seat mid-size car will be larger and more luxurious than coupes of the past.

Investment in Canada: $2.2 billion and counting

Announcing the new mandate, TMMC President, Hiroaki Watanabe, says that retooling will be complete in 1998 after which the Cambridge plant will produce up to 40,000 of the coupes per year. The annoucement brings Toyota's total investment in its Cambridge facilities to more than $2.2 billion, including $600 million for a new plant which will start producing Corollas this year at a 120,000-per-year clip. In total, these expansions will add 1,000 workers to the plants' 1,200 workforce. The retooling project will raise the total capacity of the two plants to 200,000 vehicles a year.

Ray Tanguay, Vice-President of TMMC, said that the scale of Toyota's investment in Cambridge is linked to the plant's stellar performance. Since 1990, the plant has won three prestigious J.D. Power gold awards, two of them in 1995 and 1996. The award is based on customer satisfaction as measured by J.D. Power in a survey of car owners. The gold goes to the company that finishes first in a field of 75 North American assembly plants.

"We are pleased and honoured to be chosen as the manufacturer of this brand new vehicle," said Watanabe. "I know that our Canadian team will meet the challenge with the same energy and commitment to quality that has impressed the North American auto industry over the past nine years." ◆

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Sweden's Kanalflakt builds $6-million North American manufacturing base in New Brunswick

Citing excellent labour skills and a welcoming attitude by provincial and federal governments, Kanalflakt Ltd. AB of Sweden has selected Bouctouche, New Brunswick, as the site of a $6-million manufacturing plant.

President Gerald Engstrom said the Bouctouche plant will be Kanalflakt's production base from which it hopes to expand its share of the North American market.

The parent company in Sweden manufactures industrial ventilation and heating systems. The output of its new plant will include heat exchangers, fans and air curtains.

Commenting on the company's decision to locate in Canada, Engstrom said: "a high-calibre workforce, the availability of facilities and responsive government were all factors in our decision to come here.

"We have attractive products and lines that we haven't introduced here yet. By producing them locally we'll be able to do so competitively."

"We have attractive products and lines that we haven't introduced here yet. By producing them locally we'll be able to do so competitively."

As a first step in establishing its North American beach-head, Kanalflakt AB purchased a controlling interest in Environment Air Ltd. in nearby Cocagne, New Brunswick, which had employed 30 people. Kanalflakt will combine the two operations in the Bouctouche facility. This will result in an immediate gain of 130 full-time manufacturing jobs, increasing to 160 in the near future.

The consolidated operation is housed in a 135,000-square foot building which Kanalflakt purchased, upgraded and renovated at a cost of $1 million. The company has installed $3 million worth of new production equipment.

The federal government's Atlantic Canada Opportunities Agency, which promotes investment in the region, is providing a $1-million repayable loan for the upgrading of the building. ◆

Quintiles establishes $25-million centre in Montreal

Quintiles Transnational Corporation, a U.S.-headquartered firm with global scope in the contract pharmaceutical services industry, has chosen Montreal as the site of a $25-million research and data processing centre. The company expects that the centre will eventually employ about 200 people, compiling and analyzing clinical research data from Canada and the United States.

"Our decision to expand in Canada was driven by the growth of multinational clinical research studies in this country," said Marc Rivière, Executive Director, Quintiles Canada. "This has resulted in an increased demand for monitoring of Canadian clinical research sites involved in these studies. We selected Montreal because of its established pharmaceutical expertise, its educated workforce, and its outstanding universities. We're pleased to be expanding our operations in an area where business, government and academic groups are working together to promote the development of pharmaceutical sector industries."

Quintiles Transnational Corporation is a leading provider of full-service contract research, sales and marketing services to the worldwide pharmaceutical, biotechnology and medical devices industries. Quintiles also provides services in healthcare policy consulting, and disease and health information management, to the health care industry. The company is headquartered near Research Triangle Park, North Carolina, and has about 7,400 employees in more than 60 operating units located in 22 countries. ◆

Growing with Canada

- **DowElanco, Indianapolis**, a multi-billion dollar agri-business leader, is transferring a key agri-biotechnological research unit from San Diego, California, to Saskatoon, Saskatchewan. The announcement was made by the company's Calgary-based affiliate, DowElanco Canada Inc.

The parent company was formed in 1989 as a joint venture of Dow Chemical (60%) and Eli Lilly and Company (40%). The corporation is one of the world's leading manufacturers of crop production chemicals such as herbicides and pesticides and, in 1996, reported global sales of $2 billion.

DowElanco is now diversifying aggressively into plant genetics. As part of that strategy, the company recently acquired a controlling interest in Mycogen, a California-based biotechnology company with a special strength in Brassica (canola oilseed) research. It is the Mycogen operation that DowElanco is now moving to Saskatoon.

Richard H. (Rick) Smith, President and CEO of DowElanco Canada Inc., says that several competitive advantages influenced the company's choice of Saskatoon for Mycogen's new headquarters. One is its status as one of the world's leading centres of canola research. Another is the presence of university and government laboratories engaged in related research. The plant will be located in Innovation Place, a research industrial park that already houses a large cluster of foreign and domestic biotechnology companies.

"The majority of the newest developments in Brassica research is coming out of Saskatoon," Smith said. "Our intent is to be at the forefront of these developments. To do that, we need to be here.

"We believe that the world-class efforts under way here will move Brassica innovations to new, higher levels of value to the agricultural community."

- **Dassault Investissements** of France, the global aviation giant, is also Europe's leader in monetics (money-handling) technology. In pursuit of that interest, the company has invested $19 million to become an important shareholder and strategic ally of the Canadian firm, Nova Expertise Solutions (NES). Based in Montreal, NES is a consulting firm that specializes in the development and integration of technologies.

Privately-owned NES has been developing an array of hardware and software solutions for the financial community. Its product line ranges from "smart " electronic transaction cards to systems for safeguarding security in transactions, keeping data on communications networks confidential, and streamlining electronic payments. The company employs 150 people, including 100 in its Montreal R&D centre.

With the post-cold war shrinking of military budgets, Dassault A.T., the corporation's manufacturing arm, has been diversifying from missiles, military aircraft and other defence-industry products into civilian technologies. "Nova is ideal for this," says Laurent Dassault, President of the company and grandson of its founder.

Under the investment agreement with Nova, Dassault A.T. will market the Canadian firm's software solutions throughout Europe, while NES will do the same for Dassault's products in Canada. ◆

For more information

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