

## **Speech to the St. John's Board of Trade**

**H. Stanley Marshall**

**President & Chief Executive Officer**



Presented at the St. John's Board of Trade Luncheon

Delta St. John's

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St. John's, Newfoundland and Labrador

CHECK AGAINST DELIVERY

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I'm pleased to have this opportunity to speak to the St. John's Board of Trade, something which is obviously long overdue. This is the first time in several years I've spoken to a general business audience in Newfoundland and the first time to the St. John's Board of Trade.

When I last spoke to a business audience in Newfoundland, it was a time of irrational exuberance in provincial politics. In response to my comments about some of the hard economic realities we face in this province, the Mount Pearl Chamber of Commerce felt compelled to issue a statement disassociating themselves from my remarks! When I did an interview with The Telegram about the general economics and realities of electricity and about the difficulties of Lower Churchill development, I was vilified by the government of the day. We have not been a society that welcomes open debate on economic realities, which may, in part, account for why we're in some economic difficulty as a province.

In recent years, my public statements in this province have generally been responses to statements in the media about the nationalization of Newfoundland Power or the construction of our dam in Belize. There has been little interest in the community or in the media about the growth and success of leading businesses. We are not a society that celebrates the successes of our own people, especially in business, which may again partially account for why we don't have a lot to celebrate on the economic front. However things are beginning to change and we in Fortis consider that we are part of that change.

Whether we celebrate it or not, Fortis is a tremendous success story. It was established as the parent company of Newfoundland Power about 15 years ago. Then, we were a single utility with assets of \$390 million. Today, we are an internationally diversified company with assets exceeding \$2 billion and annual revenues approaching \$850 million. In 2004 we will be expanding dramatically in western Canada.

Our principal business is the ownership and operation of electric utilities. We have investments in 5 regulated distribution utilities. Besides Newfoundland Power, we own Maritime Electric which is the principal distributor of electricity on Prince Edward Island, and FortisOntario which distributes electricity to the Fort Erie, Port Colborne, Cornwall and Gananoque areas of Ontario.

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We also have utility investments in the Caribbean region. Belize Electricity is the distributor of electricity in Belize. Caribbean Utilities provides electricity on Grand Cayman. In total, our electric distribution utilities serve almost 500,000 customers and meet a combined peak demand of over 1,700 MW.

Fortis also has 3 subsidiaries engaged solely in electricity generation. Here in Newfoundland, Central Newfoundland Energy holds a 51 per cent interest in a partnership with Abitibi-Consolidated which last year developed approximately 35 MW of hydroelectric capacity in central Newfoundland. Through other operating companies, we own and operate a 25-MW hydroelectric facility in Belize and 4 other generating stations in upper New York State with a combined capacity of 23 MW.

One Fortis company is not primarily in the electricity business. Fortis Properties owns and operates hotels in Atlantic Canada and Ontario, and commercial real estate in Atlantic Canada. It is headquartered here in St. John's.

In total, Fortis Companies have about 2,700 employees throughout Atlantic Canada, Ontario and the Caribbean. Over 1,100 are employed here in Newfoundland.

In September of last year, Fortis entered into an agreement to purchase 2 regulated electric utilities in western Canada. These companies serve over 500,000 customers in southern Alberta and British Columbia. When the transaction closes, our total assets will be almost \$4 billion and we will service approximately one million customers. The number of employees will increase to approximately 4,000.

With these latest acquisitions, Fortis is clearly the leader in the electric distribution in Canada.

We've been a leading company here in Newfoundland for many years. Newfoundland Power and Fortis Properties are 2 of the biggest companies and largest employers here in this Province. Newfoundland Power has approximately 600 employees in the Province and Fortis Properties 500.

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Newfoundland Power and its predecessor companies have been serving Newfoundlanders for almost 120 years. Today, we serve approximately 230,000 customers or about 85 per cent of all electricity consumers in the Province. The Company's assets exceed \$760 million.

Fortis Properties is the leading hotelier in St. John's, and in the Province and is also the largest commercial real estate company with assets of \$350 million. Last year, the Company made its first acquisition outside Atlantic Canada when it acquired 4 Holiday Inn hotels in Ontario. In total Fortis Properties owns and operates 12 hotels, 4 here in Newfoundland.

Fortis Companies clearly have a significant impact on the economy of this Province.

Each year, Newfoundland Power makes a substantial investment to ensure the integrity of our electricity system. Last year it invested \$64 million. Over the next 5 years, the Company plans to invest a further \$260 million in its plant and equipment.

Of the approximately \$60 million spent in goods and services each year, 60 per cent is supplied by other Newfoundland-based companies. It paid over \$9.5 million in municipal taxes last year, \$2.7 million of which was paid to the City of St. John's. Fortis Properties paid a further \$2.3 million in Newfoundland property taxes and spent \$19 million on goods and services, almost all purchased locally. In 2003 Fortis paid over \$17 million in income taxes pertaining to our operations here in Newfoundland. Our total payroll and related benefits paid in Newfoundland exceeded \$50 million.

Fortis is a major contributor to the Newfoundland economy and we will continue to expand our presence here. Today we are announcing that Fortis Properties intends to expand the Delta St. John's to make it the largest hotel in Atlantic Canada. The \$15 million expansion will add an additional 126 rooms to bring the total to over 400. Subject to requisite approvals, we will commence construction later this spring with scheduled completion a year later.

Fortis is very proud to be a Newfoundland-based company. Through our national and international operations, we have demonstrated that we are a world leader in electric distribution

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systems and small hydroelectric facilities. Our people in Newfoundland are among the best in the world at what they do.

Fortis has become a national and international company of which all Newfoundlanders can be proud. I believe that Fortis is doing more than its share in advancing the economic growth of St. John's and Newfoundland. However, as one company we can only do so much. Newfoundland needs to attract significantly more investment capital if it is to grow and prosper the way we would wish.

Besides Fortis, there are only 2 or 3 other significant public companies based in Newfoundland who have also been successful on the national and international stage. In view of the economic benefit to the Province of these companies, the obvious question is why so few?

Yes, Newfoundland has produced some great entrepreneurs and strong business leaders. At times, we have had some good political leaders and in recent years some excellent business educators. But put simply, we haven't had enough of them.

Since 1949, Newfoundland has not had a strong entrepreneurial culture. Too many people have looked to government to undertake investment and development. Not enough young Newfoundlanders looked to engineering and business as exciting career choices and, many who did, left the province. If Newfoundland is to develop and prosper, this has got to change and we, the leaders in business, must lead the way. As I said at the beginning, I believe that our culture is changing and we at Fortis are not afraid to lead the way.

I encourage and challenge you, the St. John's Board of Trade, to be a strong voice for business and assume the leadership role that your members need and expect. I encourage you to make your views known to the media and to government, fairly but forcefully. Encourage smaller, more efficient government and a more favorable business environment. Encourage lower taxes. Be proud to be in business. The St. John's Board of Trade has a responsibility to advance the economic well being, not only of its members, but the City of St. John's and the province as a whole. Thank you.