

THE ONTARIO BUSINESS REPORT

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Nelvana creates animated magic

It's a remarkable ability to write a tale that grabs the imagination of a child. It's an equally remarkable ability that brings that tale, and its characters, to life.

Over the past thirty years, Nelvana Limited has become a master at bringing animated worlds to millions. Based in Toronto, it is now the largest independent animation studio in the world, producing its own proprietary productions. Its logo is seen on such popular animated children's series as *Franklin*, *Pippi Longstocking* and *The Care Bears*, as well as the prime-time show *Bob and Margaret*.

Michael Hirsh, Co-Chief Executive Officer, started the business in 1971 with partners Patrick Loubert and Clive Smith. "Clive is an

animator, and Patrick and I became interested in animation when we were in university together. At the time, there was no production industry per se in Canada, either in animation or in television production. There were stations making local shows, but you didn't have people making programs for sale around the world," said Hirsh. "So, blissfully unaware of all it would involve, we decided to start a company in Toronto."

They acquired the rights to the historical Canadian Whites war-time comic publications, which included *Nelvana of the Northern Lights*. This move not only prompted the company name, but also gave the partners their first taste of success with television and multi-media productions based on the properties.

From that point on, Hirsh points to many defining moments. There was Nelvana's breakthrough film *A Cosmic Christmas* in 1977. There was its first network cartoon series, based on Star Wars characters, in

1985. There was the first international co-production, *Babar: The Movie*, which was released in 1989 and spawned Nelvana's merchandising and licensing division. Today, the internationally award-winning Nelvana has more than 1,450 cumulative half-hour episodes. It has more than 20 series currently airing on major television networks and specialty services around North America, and last fall it launched more programs in the United States than any other producer. Nelvana distributes its programs to more than 160 countries.

Hirsh is proud of the fact that Nelvana has a lot of top-rated shows. "We can attribute our success to picking great products, working with great authors and developing terrific relationships with networks," he says. "Also, the fact we're an independent allows us to sell to Disney, Fox, Warner or Nickelodeon,

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Nelvana's Co-CEO Michael Hirsh has helped create the largest independent animation studio in the world.

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Nelvana creates animated magic

while none of these companies will buy from, or sell to, each other."

Nelvana employs about 600 people at its studio in Toronto. "Ontario has some of the best talent available. Sheridan College is the Harvard of animation schools, and through them we have a constant flow of good people," says Hirsh.

In 1997, the government of Ontario helped Sheridan College build on its growing reputation in this area, and jump-started development of a new Centre for Animation and Emerging Technologies with a \$12 million loan to the college. In June 2000, the government invested \$7.2 million through SuperBuild to expand capacity of this facility by 400 students.

Branded Consumer Products is another fundamental arm of Nelvana. Through this side of the business, the company has acquired both *Kids Can Press* and *Klutz*, making it the leading children's book publisher in Canada and one of the top ten in the United States.

This side of the business also directs Nelvana's successful licensing and merchandising programs. As one example, Nelvana and merchandising partner Sears, Roebuck & Co., are working to meet the accelerating demand for *Franklin* merchandise and hope to build *Franklin* into a U.S. \$150 million retail brand worldwide in 2001.

Nelvana went public in 1994, and last September Corus Entertainment purchased the company for \$554 million. "In joining forces with Corus, we have access to greater capital to build the world's premiere children's entertainment company," said Hirsh.

This year Nelvana marks its 30th anniversary. The company will celebrate quietly and will continue to advance the philosophy that has guided it so well over the years. Simply put, as Hirsh says, "We bring great books to life."



Strong management turns Chalmers around

You may remember Victor Kiam, the Remington shaver guy who "liked the shaver so much, he bought the company." Harinder Takhar, president and C.E.O. of Chalmers Suspensions International Inc., has a similar story beginning around the same time in the late 1970s.

"I was the company's first controller back in 1978," said Takhar, "but I'd moved on to other things. Then I ran into one of my former colleagues at the grocery store several years later, and he told me that Chalmers wasn't doing very well. I was a little surprised, because I knew the potential of the technology they had."

That technology is legendary in engineering circles. Chalmers Suspensions was founded in 1969 by an engineer and inventor, whose patented rubber spring suspension systems filled a gap in the off-road truck market. Traditional leaf spring suspensions were too heavy for off-road use, and "air-ride" systems weren't tough enough for the heavy trucks used in mining, construction and forestry.

Chalmers's proprietary solid rubber spring system soon proved to be a popular choice with original equipment manufacturers (OEMs) such as Navistar, Mercedes-Benz, Volvo, Kenworth, Mack and Freightliner. Dividing gross weight equally among the wheels, the Chalmers system is maintenance-free and lasts the life of the vehicle.

In 1993, Takhar and his partners stepped in and bought the company. "It was a management problem," said Takhar. "We re-organized the entire company as soon as we bought it, cut the overhead, and moved to a new location in Mississauga. Our action plan called for a break-even in the first year, but we were actually profitable from day one."

Chalmers had 23 employees and sales of \$2.7 million when Takhar and his team took over. Eight years later, total employment for the Chalmers Group stands at around 180, and sales have surpassed \$50 million. While less



Harinder Takhar and partners have made Chalmers a success story.

than half of the company's sales were exports in 1992, international sales now make up more than 75 per cent of volume.

"Ninety per cent of our sales are to OEMs," said Takhar. "We export to the U.S., Mexico, Australia, New Zealand, India, and several countries in Asia. We've been on the Team Canada trade mission (to Asia in 1996). We have five full-time sales reps. in the U.S. now."

After making some new contacts during the 1996 Team Canada trip, Chalmers signed a joint venture agreement with APM, a large Asian manufacturer. APM's plant in Kuala Lumpur is now building Chalmers suspension systems for luxury motor coaches and buses in the Asian market. Chalmers is also setting up a manufacturing operation in India under another joint venture agreement.

The company has also diversified its product line with the purchase of a precision metal fabricator and a manufacturer in the U.S., and Scientek, a Vancouver-based manufacturer of hospital and laboratory equipment.

"We're really four companies now, under the CSI Inc. banner," said Takhar, whose company has achieved the coveted ISO 9001 quality standard.

To continue its steady growth, Chalmers plans to introduce two or three new products each year, and move into new export markets in Europe. With a history of serving the cyclical trucking industry, the people at Chalmers have learned the value of product and market diversification.



Bulldog has a grip on worldwide markets

When Chris Strachan was casting about for a name for his new company, he had several priorities. He wanted a name that would be easy to identify. A name that would allow strong branding. A name that would be remembered. The winner?

Bulldog.

The name has lived up to all expectations. So has the company it represents. Co-founded by Strachan in 1991, The Bulldog Group, with its head office in Toronto, is now the recognized leader in digital management and distribution, holding current worldwide market share of 34 per cent.

"We always positioned the company at the junction between software communications and the growing interactive telecommunications revolution. We wanted to develop products that would have global implications in terms of this convergence," said Strachan. "Ultimately, we questioned how businesses could automate distribution of content across channels. We felt that content management was the one great untapped market, which led to the first version of Bulldog software, in 1995."

Without a doubt, digital convergence has changed the way that businesses communicate with customers and business partners. Companies currently hold more content-based assets in the form of print, image, video and audio than ever before. Bulldog's software (the most recent version is Bulldog Two.Six) offers a secure way to load, index, browse and distribute any kind of digital media content across multiple channels of delivery, including the Internet, broadcast and Interactive TV.

Strachan cites the example of Sony Pictures Entertainment, which uses Bulldog to distribute their marketing materials worldwide. For every new movie release, Sony puts material including set photography, movie posters, and all of the content needed to nationalize or regionalize their marketing on Bulldog. It means the company does not have to physically send out this material, and the process of turning it into product is automated. The customer can access the material and handle it with the least amount of intervention.

Bulldog's system was also selected by Quokka Sports to help extend NBC's coverage of the recent Olympic Games over the Internet.

Bulldog targets industry sectors that rely on the management and distribution of digital content as a core component of their business. Currently, it is focused on four key target segments: broadcast, publishing, entertainment and corporate. It tailors the technology to meet the real business needs of its clients, which include such heavy-hitters as Disney, Fox, BBC, Sears and TV Guide.

Bulldog software is also used effectively within business. "Microsoft launched Windows 2000 internally through Bulldog. They put all of the marketing and training materials into Bulldog and made it available simultaneously to about 2400 internal users," said Strachan.

Bulldog has established valuable partnerships with customers including Microsoft Studios and Sony Pictures, to address specific business challenges faced by these organizations. This enables Bulldog to replicate the solution in business cases for new clients facing similar challenges. It has also developed several technological partnerships that support digital management and distribution.

In today's technologically driven market, digital success often means dramatic growth. Two years ago there were 45 people working at Bulldog. This time last year there were 65 people. Today, there are 145 employees, with offices in Toronto, New York, Los Angeles, Berlin and London, England.

Strachan recognizes that there is a huge advantage in operating in Ontario. "The cost of software labour is dramatically lower than it is in the United States, so our competitors are probably bearing double our expense rates. The skill sets are here. The education is here. The Canadian dollar is an advantage." He also feels that while there is a lot of pressure to obtain skilled labour, it's easy to attract good people to good opportunities.

Just like its namesake, Bulldog is moving forward in a most determined way.

VIEWPOINT



It is my great pleasure to have been appointed Minister of Economic Development and Trade, at this exciting time in Ontario. The Harris Team is redoubling its efforts to prepare Ontario for the challenges in the 21st century, and I am privileged to have this opportunity to help encourage the growth and success of our province's many businesses, and to attract investment to Ontario from around the world.



Certainly there is enormous opportunity. Our economy is changing. It's diversifying. It's maturing. While the automotive industry remains the number one sector and the backbone of our growth, other sectors are emerging as major contenders. Today, Ontario is home to well-established leaders in the areas of information and communications technology, aerospace, plastics and pharmaceuticals. We are known to have a high-tech, knowledge-based economy with industries that effectively compete on the global stage.

This diversity gives Ontario strength in good times. It also puts us in a stronger position when the economy slows. Economists have predicted growth of between 2.5 and three per cent this year. While the automotive sector's rapid growth has softened, there remain high levels of good news in this sector and in others as Ontario continues to grow.

Look at only a few of the most recent announcements. In London, Keiper Canada Ltd. announced a \$100 million investment in a new auto parts plant. In North Bay, TeleTech Holdings announced a 500 employee inbound call centre. In Niagara Falls, Marineland announced a \$160 million expansion plan. In Ottawa, Catena Networks has grown from four to almost 250 employees in the past two years, and plans to add another 130 employees in the next year.

From Sudbury to Toronto, from Smiths Falls to St. Catharines, from Waterloo to Kingston there are new jobs, new buildings and new investment in so many areas.

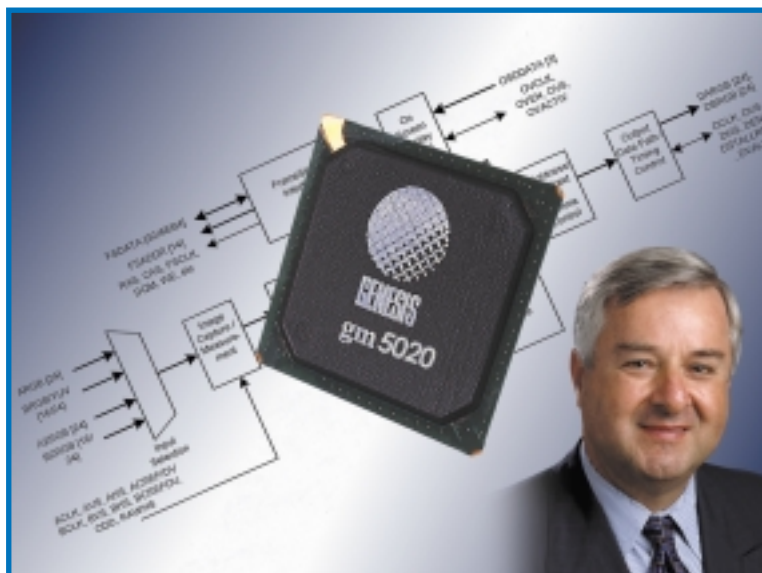
Our government has put Ontario back on track. Over the past five years, we have encouraged business diversity and strength through lower taxes and reduced regulation and red tape. The worldwide economy is constantly transforming itself. Today, Ontario is well positioned to weather change.

Our government commits to all businesses that we will work hard to ensure we remain competitive and maintain the momentum of our growing economy. Cutting taxes remains the cornerstone of our plan to create jobs and investment. We know that is the best way to protect our prosperity and make Ontario even stronger.

In the coming months I will have the opportunity to meet many of the small, medium and large business owners and operators that are so vital to the success and growth of our province. As Minister of Economic Development and Trade, I look forward to serving all of the people of Ontario.

Bob Runciman
Minister of Economic Development and Trade

Genesis' success is good news for Ontarians



Dr. Paul Russo helped found Genesis Microchip Inc. in 1987.

What creates a success story in Ontario's Information and Communication Technologies sector? Is it innovative technology fused with leading edge engineering and an innovative approach to finding a scientifically sound solution? Is it first-class research and development and excellence in design, coupled with outstanding customer service? Or is it strategic marketing and possessing a client list that reads like a "who's who" in your target market? For Thornhill's Genesis Microchip Inc. (www.genesis-microchip.com), it is a combination of all these and more.

Current Chairman Dr. Paul Russo founded Genesis with some colleagues in 1987. The group created technology for video scaling algorithms. (methods to convert video from one resolution to another involving highly complex mathematics) The concept was to enable video to run at different resolutions, ideally to shrink it, so one could have multiple video windows on a computer or video monitor.

The challenge was daunting. The technology had to be able to take one screen of video and shrink it down to a quarter of the size, which required discarding 75 per cent of its information without damaging the image quality. It was imperative to have math that could sort out which pixels are relevant and which are not, so that the reduced video maintained its integrity.

One of the first practical applications of Genesis' technology was the space arm, or "Canadarm", on the Space Shuttle. That arm itself has four cameras on it, and the workstation that controls it on earth uses the company's first generation chips, enabling it to put the four images on screen with very good image quality.

technology companies in North America, a reflection of the company's resourceful approach to research and development and, in turn, its ability to develop products that meet customer demands.

In the last few years, Genesis has successfully concentrated on the rapidly expanding flat-panel display and consumer video markets, the latter of which includes DVD players, digital displays, home theatre equipment and many other consumer applications. Companies using Genesis Microchip products include: Apple, Dell, IBM, Philips, Sony and ViewSonic, among others.

There are some challenges in this sector. "There is a problem in our industry in finding skilled chip designers. Fortunately, the University of Waterloo has a wonderful engineering program. We have a very aggressive co-op program where students work here for three or four months, and most of them return after graduation," said Hunter. In taking this proactive approach with the University of Waterloo, Genesis is complementing the Ontario Government's variety of creative programs designed to increase the province's pool of highly skilled Information and Communication Technologies sector talent.

Genesis Microchip benefits from the robust Ontario economy. Hunter notes, "The business climate is certainly better than it used to be, and we appreciate the current government's pro-business attitude." The sector's rapid growth also has its benefits. "There are more semiconductor companies every year, and technical start-ups in general, which is a good a thing. We like having other technology companies nearby because it helps to create a dynamic marketplace."

Genesis is now an industry leader. Its success speaks for itself. According to Hunter, "Public funds did aid in the development of this company and we're an example of how those kinds of investments can pay off." Along with many other firms in this sector, Genesis Microchip's success represents a very meaningful return on investment for Ontarians.

Atlantis – Taking training to new heights

Atlantis Systems International Inc. is one Ontario company that knows the value of investing in research and development. Founded in 1979 by four engineers, the Brampton-based firm's first project was to build the primary flight trainer for the F-15 fighter plane used by military forces around the world. Building on the knowledge gained on that initial project, Atlantis engineers developed simulators for a wide range of commercial and military aircraft. More than twenty years later, the company is reaping the benefits of its extensive R&D, through growing sales of both flight and aircraft maintenance simulators.

"The Atlantis founders were at the forefront of the industry," said Douglas Olson, Atlantis President and CEO. "Basically, they took sophisticated data and put it into a training format. It was an evolutionary process, and they later set up trainers for the F-18 fighter plane. The focus was on R&D for the company's first 10 years, and the next 10 years were focused on product development. Now we've got a wide range of training systems for commercial and military customers."

The company's timing is excellent. The tremendous growth of the airline industry has created a huge demand for pilots around the world. That demand, combined with increasingly complex aircraft, has expanded the market for technical training solutions to complement Full-Flight Simulators in pilot training.

By training pilots on Atlantis's relatively inexpensive Flight Training Device (FTD), airlines and flight training academies can make more efficient use of their costly full-flight simulators. The FTD replicates the appearance and functions of the aircraft's cockpit, with controls and instruments driven by computer simulations. The training is controlled by an instructor sitting behind the "pilot's" seat.

"Training is a fundamental need in the industry now," said Olson. "But it can be very expensive, especially on a full-flight simulator. Our FTD units are available at about one-tenth the cost. We don't replace full flight simulators, but airlines and flight schools are recognizing how they can train more pilots for less money with our systems. We expect 50 per cent sales growth over the next three or four years."

Sales are already growing. The company recently won a contract to supply flight trainers to Boeing. The training equipment was shipped to the Boeing training centre in Manchester, England, where it is a key component of the curriculum for pilots training for the Airbus A320 passenger plane.

"That sale was a milestone for us," said Olson, "because it was our first to Flight Safety Boeing. They are the world's top independent aircrew trainers for major airlines."

Atlantis has also delivered Flight Training Devices for the Boeing 737, 747, and 767, McDonnell Douglas MD-82, and Raytheon-Beech King Air C-90A. The units are customized to meet each client's specific training needs, aircraft and budgets. Customers include Air Canada, Air New Zealand, China Southern Airlines, Alitalia, Boeing, and Canadair.

Currently, the market for Atlantis is evenly divided between commercial and military customers. On the military side, the company's Aircraft Maintenance Trainers simulate



Atlantis President and CEO, Douglas Olson.

everything from engines to landing gear. Aircraft maintenance students get realistic, hands-on training, at a fraction of the cost of working on the actual aircraft.

"The same training principle applies to aircraft maintenance," said Olson. "No one can afford to do hands-on training in today's environment. Instead, we build high quality simulation hardware. This allows defence forces to provide low cost, high fidelity training, in a non-threatening environment. And, since it's software driven, you can keep pace with changes very easily."

The Aircraft Maintenance Trainers let the students choose their own sequence of maintenance steps, simulating real-world conditions without the dangers involved in working on an actual aircraft. Atlantis Aircraft Maintenance Trainers are in use by defence forces around the world, including the Canadian Air Force, the Royal Australian Air Force, Navy, and Army, the United States Air Force and Navy, and the Royal Saudi Air Force.

"In the past, commercial airlines counted on the military for trained pilots and maintenance people," said Olson. "We can produce a new generation of pilots at lower cost with our systems. And we can help them train maintenance staff much more efficiently."



Atlantis has delivered flight training devices to many major world airlines.

Ontario's auto industry remains strong

Ontario's automotive sector celebrated a record year in 2000. The economy boomed across North America, and for many people the purchase of a new car was high on the list of personal priorities.

The fast-paced economy is beginning to slow in the United States. Since more than 90 per cent of the vehicles manufactured in Ontario are exported south of the border, the province's auto industry is the first to feel the effects of a slowdown as inventory is reduced.

Finance Minister Jim Flaherty has stated that private-sector analysts are projecting a healthy growth rate of 2.8 per cent, or just under, for 2001.

The Canadian vehicle sales forecast for 2001 is 1.50 million vehicles, down slightly from 1.55 million in 2000, but still higher than 1.16 million in 1995. In 1995, 2.4 million vehicles were produced.

Auto production forecasts for 2001 have dropped 100,000 to 2.86 million vehicles, which shows the continued strength of the industry in Ontario.

The Ontario government understands the issues facing the auto industry and has taken many steps to ensure the province has become and will remain highly competitive. The manufacturing tax rate will be cut from 12 to eight per cent by 2005. The regulatory process has been streamlined. The province has large numbers of skilled workers and lower operating costs than in the United States. The government has worked hard over the past five years not only to encourage investment by the large auto makers, but also to encourage a network of suppliers that support vehicle production.

These measures have worked. Ontario is one of the leading automotive producing jurisdictions in North America, following the state of Michigan. According to data from Ward's Automotive Reports, since 1990 production in Ontario grew by 61 per cent. The auto industry remains Ontario's largest economic sector by revenue.

Auto plants in Ontario have world mandates for producing popular and highly profitable models, including the Intrepid, Windstar and Corolla. While demand is softening there is still desire for new vehicles. This was recently

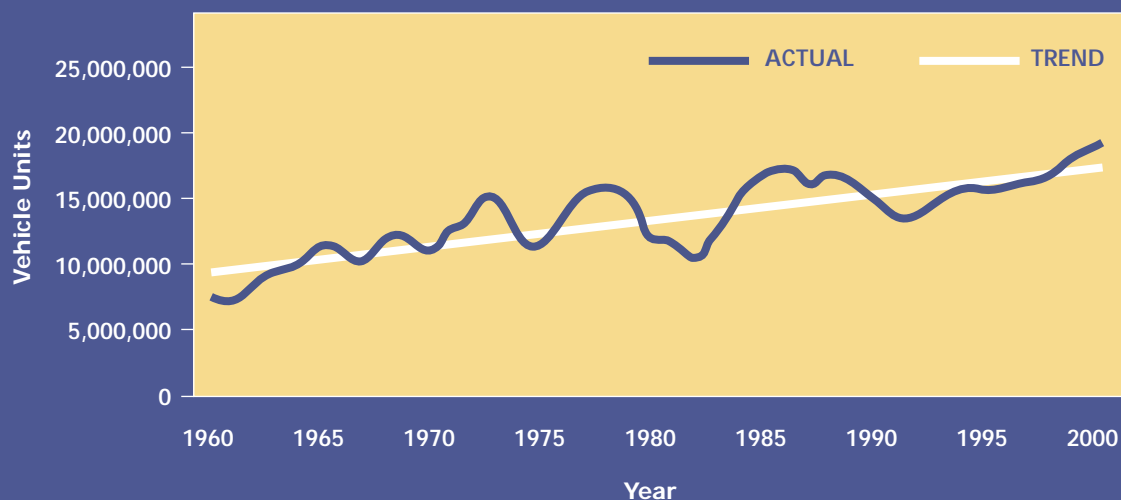
seen at General Motors where the company posted a 7.2 per cent gain in sales in January 2001 over January 2000.

Recent events in support of the industry include:

- Toyota announced plans in January 2001, to produce the 2003 Matrix at their Cambridge plant.
- On February 8, 2001 Ford Motor Company announced the Mercury Marauder will begin production in Spring 2002 at the St. Thomas Assembly Plant.
- Honda will build about 40,000 Acura luxury SUVs per year at a new plant in Alliston.
- In December 2000, Keiper Canada Limited announced a \$100 million investment in a new auto parts plant in London.
- In August 2000, UBE Automotive announced plans to build a \$180 million aluminum wheel plant in Sarnia.
- The CAMI Automotive Plant in Ingersoll, (a joint venture of General Motors of Canada Ltd. and Suzuki Motor Co. Ltd.) has been earmarked for a future new vehicle to be built in 2003.

The auto industry has always been a cyclical industry. After several years of record performance, the current slowdown is not unexpected. "The world's economy is constantly changing," said Premier Mike Harris. "Every day brings new economic challenges and opportunities. That's why we will take all necessary steps to protect the gains that we've made and to stay competitive with the rest of the world."

U.S. AND CANADIAN VEHICLE SALES



Sales in 1999 and 2000 were well above trend

Source: Wards Automotive Yearbook 2000 (Data) Ministry of Economic Development and Trade Office of Automotive (Chart)

Top Investments

Wescast Industries Inc.

Has announced plans to invest approximately \$23 million to establish its new technical development centre and corporate offices in Brantford. Construction will commence on the 6,968 sq. m facility in 2001 with completion scheduled for early 2002. The site will also house the corporate support group which will relocate from the existing Brantford plant. About 100 new employees are expected to be added in the next few years.

AmeriCredit Corp

Plans to build a new financial services customer contact centre in Peterborough. The 7,897 sq. m facility will be designed to accommodate 500 employees. The centre is expected to open in June 2001.

Amex Canada Inc.

\$5 million to establish a travel management call centre in Hamilton. Expected to create 150 new jobs.

Hershey Canada Inc.

Invested \$60 million in Smiths Falls to add two new production lines, expand an existing area, and expand waste treatment. Work will be completed in late winter 2001. The expansion will result in 100 new jobs in 2001.

Domtar Inc. and Anthony Forest Products

Have announced plans to construct a new plant in Sault Ste. Marie. The joint venture company will invest \$20 million in the facility. The plant will make a solid sawn flange I-joists. A groundbreaking ceremony for the new facility was held on October 5, 2000.

C-MAC Industries

Has officially opened its new, 7,897 sq. m manufacturing facility in Cornwall. The facility currently employs more than 50 people. Employment is expected to reach 150 within six months. The facility will provide electro-mechanical assembly and systems integration services.

Coca-Cola Bottling Company

Has announced plans to invest \$150 million to build a manufacturing, sales and distribution facility in Brampton. The new plant will employ about 550 people, transferred from other facilities. The creation of new jobs is possible.

Great Dane Trailers

Has purchased 65 acres in the former City of Trenton to build a 27,871 sq. m building. The company will create 500 jobs when the plant is fully operational.

Nokia Corp.

Building a 13,936 sq.m facility in the Kanata Research Park. The new building will be able to house up to 500 employees and will allow for the possible expansion of Nokia's current 200 person workforce in Kanata. On October 10, 2000, the company held a groundbreaking ceremony for phase one of a major expansion to their original Kanata product development facility. The expansion will accommodate 300 new high-tech employees. Nokia is a provider of mobile phones and mobile and fixed telecom networks.



Triptych showcases Canadian storytellers

Triptych Media is a small yet growing force in the film industry. In 1996, its feature film *Lilies* won four Genies including Best Picture. In 1997, *The Hanging Garden*, won Best Canadian Film and Most Popular Film at the Toronto International Film Festival. With feature film work combined with television drama and performing arts television, Triptych has developed an international reputation for award-winning work highlighting the talents of some of Canada's finest directors, writers and actors.

"It's gratifying to receive the recognition of your peers and your audiences. It's most gratifying to know that you've reached out to people through your work and touched them," said Anna Stratton, Producer/Partner of Triptych Media. "That's why we do it."

Stratton and two colleagues, Robin Cass and Louise Garfield, first met while working together on a feature film called *Zero Patience*. By the time that movie was released, the three decided to form a production company. They founded Triptych Media in 1994.

"Feature film is the heart and soul of what we do, but we're also interested in doing long-form drama for television," said Stratton. The company's success in this area has been evident in the recent television movie *The Bookfair Murders*, and the family drama *The Tale of Teeka*, which won Best Children's Program in 1998 at the Banff Television Festival in the face of stiff international competition.

"We choose our projects in a combination of ways. We read books, we see plays and our choices are driven by the quality of the material," said Stratton. "Our work tends to be character driven. So we are looking for strong characters, rich stories and original voices. They're all Canadian works."

Triptych has nine projects currently in development. The process is a lengthy one.



Triptych media's partners (from left) Anna Stratton, Robin Cass and Louise Garfield.

Stratton explains that developing a script, putting together the financing and packaging, shooting, editing and distributing a film can take, potentially, several years. "I first saw the play *Lilies* in 1988. We optioned it in 1991 and it was released in 1996," she says. All of their films have gained U.S. distribution. *The Hanging Garden*, for instance, was sold to MGM Studios as well as internationally.

Triptych Media is located in Toronto and has a permanent staff of five. When a film goes into production, a separate company is set up dedicated to the film and people are hired accordingly. A film could require 100 to 150 people. The Triptych office is essentially the development hub. Stratton and her colleagues work closely with the writers and directors in the development of a script, and aggressively in financing,

packaging and casting. "It is possible to be involved as solely a financing producer or creative producer, but we like getting involved in all aspects. We are also hands-on on the set, and we try to be as involved as possible in publicity and marketing."

Stratton says she would like the company to reach the point where, ideally, they release three films a year. She would also like to create more opportunity for Canadian film in the international marketplace. "We really want to get Canadian work out there, and showcase the Canadian storytellers."

Television audiences will soon be able to watch the latest Triptych Media production, co-produced with Alliance Atlantis. This spring, CTV will air *Lucky Girl*, a hard hitting look at the devastating effects that gambling has on a teen-aged girl and her family.

GenFast is locking up the ideal mix of product, performance and price

Canada's largest manufacturer of automotive fasteners, Brantford's GenFast Manufacturing Company, has a tight hold on the market. Clients include General Motors Power Train, Ford Motor Company, Dana Corporation and Tower Automotive in the U.S. Over 80 per cent of GenFast's core business is making bolts, screws, assemblies, rivets and other fasteners sold to the automotive industry. The balance of the business goes to industrial applications such as office furniture controls, casters, construction safety equipment, power-line hardware and the pulp and paper industry all of whom require made-to-print fasteners.

"We've been targeting non-automotive and after-market accounts, but automotive is where you consistently find large volume parts. For example, we supply over 50 million pieces of just one design of bolt to General Motors," explains Dan Penrose, Vice President, Sales and Marketing.

Since 1910, GenFast operated as Stelco Fasteners. An acquisition in January 1998 by General Fasteners Company of Livonia, Michigan resulted in a corporate name change to GenFast Manufacturing Company. Today the state-of-the-art Brantford manufacturing plant, in operation since 1990, is 32,516 sq. m with 380 employees and over 60 primary production units. Grand River Technologies, a separate company, manufactures automotive tooling, die progressions and machined parts. GRT Lab conducts rigorous product testing and investigative analysis.

Volatility in automotive sales can upend many industry suppliers who rely on steady car and truck sales. In the event of automotive industry downturns, GenFast has positioned itself for minimum disruption to its operations and sales. Penrose credits good management and a little good luck with GenFast's enviable position. "We've positioned ourselves in Powertrain and value added products. We've grown significantly, about 50 per cent in the last three years. Our new business has been in newer model engines, transmissions and components... and these are going mainly into the more popular vehicles."

Product development is a priority for GenFast. This is driven in part by customer demand for cost reductions and cost savings, but also by GenFast's commitment to continuous improvement. "We have significantly increased our selling price per piece through product development. We have moved into assembled components, ferrules, MATHreads (a licensed product) and roll thread after heat treat. We do a lot in the area of cost reduction and

commonization through method improvements – better ways of manufacturing a product. To reduce their costs, automotive companies are pushing back engineering onto their vendors. So we do a lot of development and offer full service supply."

Plans for growth demonstrate GenFast's commitment to quality. The company is focused on growing its tooling equipment division at the Grand River plant with several new machines currently being commissioned. "We're also focusing on the back end of the business (sorting, packing and shipping). We're putting in the necessary components to ensure defect-free products," Penrose adds.

Dedicated to community involvement, GenFast recently received the Brantford Chamber of Commerce 2000 Business Excellence Award. "Because of the employment we created in Brantford in the last three years, we hired close to 100 new employees. With attrition and retirements this nets out at more than 75 jobs. We revived an apprenticeship program and have trained dozens of machine operators. Normally you are nominated for two or three years before winning the Business Excellence. We won it first time out of the blocks."

Doing business in an industry with many variables, GenFast succeeds because of several factors. Last year GenFast adopted the Six Sigma system of cost reduction/method improvement/lean manufacturing that is very popular in the U.S. automotive industry. As important is a realistic and candid understanding of their customer.

"Customers expect you to become involved in their business and supply defect-free products. You've got to be the best in the business; you've got to be a partner, you've got to be a quality supplier and you've got to be full service. But you've also got to be the best price in town. The only way to do that is through modern equipment and efficiencies and through continuous improvement in all aspects of your business. That's GenFast."



Dan Penrose, Vice President of Sales and Marketing (left) and Craig Hagopian, Director of Quality, inspect some of their product.

Canica designs revolutionary tools for surgeons

"It's frustrating," said the doctor. "I can get more specialized tools for woodworking than I can for surgery." It was a comment that Leonard Lee, founder and president of Lee Valley Tools, heard time and time again. For more than 20 years his family-owned business had made quality hand tools for use by serious woodworkers and gardeners. Many customers were doctors.

"One day, a long-time customer came in and I learned that he was using one of our woodworking knife handles, that takes scalpel blades, when he was in surgery. He said it was the most comfortable handle he had ever used and that it had far better balance than the normal scalpel," said Lee. "He suggested that I specifically design a surgical scalpel."

Lee was thinking about retirement at the time, but he realized that much of his experience in woodworking hand tool design could be directly transferred to medical hand tools with very positive results for both doctors and patients. That was the beginning of Canica, a medical tool company.

For the past two-and-a-half years, Canica has been researching and developing low-cost, effective tools that reduce procedure time and improve patient results. The company is just beginning to market three innovative systems, and Lee is enthusiastic about the huge potential for each.

First, he explains the advantages of Canica's new ejectable-blade scalpel. The standard scalpel was introduced in 1915 and remains in use today with only minor refinements. "This wasn't terribly critical until HIV and



Leonard Lee founder & President of Canica.

the prevalence of Hepatitis B and C. Now, of course, an accidental cut from a used scalpel can be mortal," Lee said. The new tool ejects used blades with a press of a button, and offers improved surgical control and greater safety.

A second system flowed directly from the same doctor who suggested the scalpel be redesigned. "He had been buying rare earth magnets from Lee Valley and thought they might work in holding wound edges apart when operating," said Lee. Working collaboratively with Dr. Michael Bell, an Ottawa plastic surgeon and innovator, the company designed the *Canica Hand Surgical System*, or CHESS.

The third device is described as revolutionary. The *Canica Wound Closure System* eliminates the need to close wounds with unyielding devices such as staples or sutures. A small hook attaches to healthy skin and a force similar to a rubber band crosses the wound

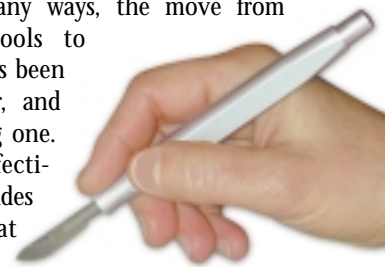
and pulls the edges back together. In most cases, it eliminates the need for skin grafts.

"Of all the systems we have designed," said Lee. "this is the most satisfying, because the patient benefit is so direct."

Canica's achievements are always the result of collaborative work with doctors, and Lee and his design team have become accustomed to watching operations to determine how to advance a surgical procedure. With a staff of nine at their office in Almonte, 30 minutes southwest of Ottawa, they study the problem, develop a device to overcome it and make a prototype for the doctor to use. The device is refined until the doctor is satisfied. Manufacturing is currently done in the Lee Valley facility or sub-contracted out.

The company's first commercial catalogue was delivered to 4,200 Canadian surgeons at the end of January. "In Canada, we plan to maintain a very direct sales relationship with surgeons," he says. "We want their comments and criticisms directly." Distributors have been established to sell to hospitals and to the international market.

Lee says, in many ways, the move from woodworking tools to medical tools has been an easy transfer, and a most satisfying one. It has built effectively on two decades of experience at Lee Valley.



Nienkämper: form + function = growing sales

A well-designed product not only looks good, it performs and functions in a way that exceeds the user's expectations. Nienkämper, a furniture manufacturer based in Toronto, has been turning out award-winning, functional furniture for more than 30 years. Often collaborating with leading designers, the company most recently won the National Post Design Exchange Furniture Award. Last year, Nienkämper received a Canada Export Award recognizing its success in international markets.

"We are market driven," said company founder and President Klaus Nienkämper, "and the market wants good designs. We talk to our clients, and fill their needs."

A few years ago, a client identified a need for a modular system that could contain the myriad wires, cables, and plastic boxes that are necessary in the modern office and boardroom. Mark Muller, the company's chief designer, responded with the Vox Collection, an elegant solution that lets technology

function in a clean, uncluttered form. It includes meeting and conference tables, cabinets for video conferencing and communications equipment, credenzas and lecterns for audio-visual support.

"Our approach was to treat the table concept and connectivity as a whole," said Muller. "It's a unit that's designed with connectivity at the outset, instead of as an afterthought."

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BUSINESS BRIEFS

Premier Harris to focus on jobs and the economy for 2001

Premier Mike Harris said his team's goal for this year is to strengthen Ontario's economy and create more jobs.

"We are working to keep up the momentum of a growing economy, so there will be as many jobs in Ontario as possible, regardless of how much global conditions change," Harris said, following a special Cabinet meeting to discuss the province's fiscal outlook.

Harris confirmed that Ontarians will see further tax cuts in the future and that his team will always stick to a balanced budget.

"We will continue with our plan to cut taxes and to create jobs and investment, because that's the best way to protect our prosperity and make Ontario even stronger," Harris said.

"We know that the world-wide economy is constantly transforming itself. So we must work, day-in and day-out, to keep Ontario ahead of the competition."

The Harris team campaigned on a 30 per cent personal income tax cut in the 1995 campaign and, having kept that promise, they ran on a further 20 per cent reduction in 1999. With several phases of that tax cut already in place, it is on-track to be fully implemented, ahead of schedule.

"Tax cuts are too important to be a once-in-a-lifetime event. We're going to keep cutting taxes because that's the best way to encourage more job creation."

First Nations partners to win award

A thriving Aboriginal silviculture business has sprouted up in northwestern Ontario. The success of the business is the result of an innovative partnership between a local First Nation and two major forestry companies and the partners have been awarded the first annual Ontario Aboriginal Partnerships Recognition Award.

The Wabigoon Anishnaabe Gitigewin Inc. Tree Nursery is the result of a successful collaboration among the forestry companies Bowater



Janet Lane, Enhanced Forestry Leader, Weyerhaeuser and Chief Ruben Cantin, Waabigon Saaga'igan Anishinaabeg First Nation inspect seedlings at the Wabigoon Anishnaabe Gitigewin Inc. Tree Nursery.

Forest Products Division, (Thunder Bay Woodlands Operations) and Weyerhaeuser Company Ltd. (Dryden) and the Waabigon Saaga'igan Anishinaabeg First Nation.

The nursery is contracted to supply Weyerhaeuser Company Limited with 3.1 million seedlings annually, and a further two million are being sold to Bowater Forest Products Division, Thunder Bay Woodlands Operations.

Located on a reserve, the tree nursery is housed in a modern, climate controlled 8,733 sq. m greenhouse. The site allows ample room for possible future expansion of the operations to a capacity of 10 million seedlings. It is entirely owned and operated by the Waabigon Saaga'igan Anishinaabeg First Nation and currently employs eight full-time staff and 30 to 40 seasonal workers.

Both forestry companies have provided the nursery and staff with technical, legal and business advice.

Bowater Vice President, Ontario and New Brunswick Woodlands Operations, Roger Barber said, "We are very impressed with the calibre of workmanship from the tree nursery's staff.

Bowater is very pleased to have had the opportunity to play a substantial role with the Waabigon Saaga'igan Anishinaabeg First Nation to bring the tree nursery concept to fruition. This partnership is an excellent working relationship for all the involved parties."

"We have been working with the Waabigon Saaga'igan Anishinaabeg First Nation for a number of years on this project and we're very supportive of it", said Fred Dzida, Weyerhaeuser Company Limited, Forestlands Manager. "We have entered into contracts with the tree nursery because it's a good business opportunity for both parties and a real plus for the region. This was a sound business investment and I highly recommend Ontario's Working Partnership program to other corporate colleagues."

Partnerships with Aboriginal communities can help corporate partners gain access to new markets and to community support for economic and business development. They can also lead to potential cost savings and provide a stable, long-term workforce, particularly in remote communities.

"In November 2000, I had great pleasure presenting the first annual Ontario Aboriginal Partnerships Recognition Awards to the nursery partners", said Finance Minister Jim Flaherty, former Attorney General and Minister Responsible for Native Affairs. "The award recognizes the tree nursery as illustrative of Ontario's vision for partnerships between Aboriginal communities and Ontario's corporate sector".

The award recognizes successful partnership ventures consistent with the principles of the government's *Building Aboriginal Economies* strategy.

Through a co-ordinated framework of more than 35 programs across 11 ministries, the Ontario government plays a key role in encouraging working partnerships and other economic development initiatives in Aboriginal communities.

"The tree nursery will provide many economic spin-offs for the area's First Nations," said Chief Rueben Cantin Senior of the Waabigon Saaga'igan Anishinaabeg First Nation. "In addition, we're working towards economic self-sufficiency.

Nienkämper: form + function = growing sales

The first Vox was assembled with “off-the-shelf” electrical components for a client in Dallas. “We are furniture makers, so this electrical part of the product was completely new to us,” said Nienkämper. “Designing and manufacturing the Vox Forum to provide connectivity solutions in board rooms and meeting spaces was a new challenge that we have met successfully.”

Multi-national corporations are especially fond of the Vox Collection’s functionality. An employee from one Vox-furnished office can go to another, plug-in a laptop computer in the built-in outlets, and make an A/V presentation on the system’s electronic whiteboard. Consulting giants like Deloitte Touche and Accenture (formerly Andersen Consulting) and many other large organizations have adopted the Vox Collection as their standard worldwide. A seamless blend of old and new, Vox now accounts for more than half of Nienkämper’s sales.

Not surprisingly, the sprawling Nienkämper plant in suburban Toronto displays that same combination of tradition and technology. Automated industrial saws cut wood into the impossible shapes dictated by the company’s



bold designers, while craftspeople carefully assemble and finish components by hand, amid stacks of fine veneers and leather. There is the distinct absence of a “factory” atmosphere, as most of the employees greet visitors with a smile and obvious pride in their work.

“We have 220 employees now, and we’ll probably have 250 by the end of the year,” said Nienkämper. “We have eight designers on staff, and we work with several others.”

New York-based design superstar Karim Rashid is one of Nienkämper’s collaborators.

Recent works include the Wavelength seating collection of sofas, benches and chairs, and the Blob, a chair that curves organically to fit the contours of the body. A graduate of Ottawa’s Carleton University, Rashid once taught at the Ontario College of Art, opening his own practice in New York City in 1993.

“We’ve worked with the Ontario College of Art for many years,” said Nienkämper, “and we’ve had a scholarship program with them since the late 1970s. We encourage the students to tour and see what we’re doing here.”

Until recently, about 80 per cent of Nienkämper’s export sales came from clients in the United States. Nienkämper has sales offices and showrooms with partner ICF Group in most major U.S. centres. While U.S. sales remain strong, boosting sales in other markets is a definite priority.

“We exhibit at the Cologne (Germany) office show, which is the largest in the world,” said Nienkämper. “After the last trip there, we followed up with visits to the U.K. and France, and now we’re doing business in London. We have established a sales agent in London. We want to broaden our market, especially if things slow down in the U.S.”

The company is already selling its furniture in Hong Kong, with hopes to export to mainland China soon. Last month, Klaus Nienkämper joined the Team Canada trade mission to China, a new market that could make sales grow at an even faster rate. Nienkämper is ready for the challenge.

THE ONTARIO BUSINESS REPORT

Ministry of Economic Development and Trade
Communications and Public Affairs Branch
Eighth Floor, Hearst Block
900 Bay Street
Toronto, Ontario, Canada M7A 2E1

Telephone: (416) 325-6666

Facsimile: (416) 325-6688

Minister: Hon. Bob Runciman

Deputy Minister: Barbara Miller

Editor: Dale Lubitz

e-mail: ontariobusiness.program@edt.gov.on.ca

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Comments and contributions are welcomed. Please write us by mail, fax or e-mail.

