



POWER CORPORATION  
OF CANADA

THE HONOURABLE PAUL DESMARAIS, P.C., C.C., O.Q.

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## Chairman's Address to the Annual Meeting of Shareholders

MAY 10, 1996

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I am very pleased to have this opportunity to share some observations and thoughts with you today. This is a particularly important occasion for me since it will be my last annual meeting as Chairman and Chief Executive Officer of Power Corporation, a position I have had the great privilege of holding since 1968.

Our President has already reported on results and developments at Power Corporation for the year 1995. These results were generally most satisfactory and constitute another excellent year for your Corporation and its holdings. The first quarter results for 1996 indicate that we can expect continued solid performance.

I would like at this time to acknowledge and thank in a special way all of our Directors who have given us their valued insights, guidance and advice combined with their unfaltering support.

This year, as a result of the need to comply with Canada's Broadcasting Act, we were obliged to accept the resignations of three of our European Directors, Baron Albert Frère, President of GBL in Belgium, Mr. André Levy-Lang, President of Paribas in Paris, and the Right Honourable the Viscount Rothermere, President of the Associated Newspapers in London.

I would like to thank them on behalf of all shareholders for their important contribution to the affairs of Power. I am also pleased to underline that we are most fortunate to have the continued benefit of their experience as ongoing participants on the International Advisory Council of Power Corporation.

It is appropriate to make particular mention of the retirement of Mr. Peter Thomson from Power's Board. Mr. Thomson is the son of one of our distinguished co-founders Mr. Peter A. Thomson, and is retiring from our Board because he has the distinction of reaching the mandatory retirement age for service as a Director. Peter is the longest-serving member of the Board, having joined Power as a Director in 1954. Over these 42 years, he has served the Corporation as President, Chairman and retired as Deputy Chairman in 1978.

In all the years that I have been Chairman and Chief Executive Officer of Power, Peter and I have always enjoyed a wonderful relationship. Peter is a very honest person with much experience. I know we can count on his support in the years ahead. I would ask Peter to stand up so that shareholders can extend to him proper recognition and appreciation for his valued contribution to our Corporation. We wish him and his family well.

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Shareholders have just elected a new Director, The Right Honourable Donald Mazankowski. We are pleased that Maz, as he is known by his friends, has agreed to serve with us. He is an outstanding Canadian and will bring valuable perspectives to our affairs. Besides all that, he has the added quality of being a Westerner and we welcome him to Power.

Much has taken place since 1968. Here are some statistics which highlight the kind of growth that we have experienced. Prior to the transaction with my former company Trans-Canada Corporation Fund in 1968, Power's annual report for the year 1967 records assets of \$165 million, compared with assets of \$2.7 billion at the end of 1995; net earnings to participating shareholders of \$3 million in 1967, compared with net earnings of \$209 million for 1995; and a market value of \$61 million in 1967, compared with \$2.6 billion at the end of 1995. During this period, shareholders have earned a compounded annual return of 16.4%.

In recent years, I have personally concentrated most particularly on fulfilling three objectives for our companies as we seek to build value for all of our shareholders.

My first objective was to put in place a new management team to take over from the one I had led in Power, as well as to oversee the renewal of the management in the companies in which we have major investments

The companies' results published in the past few weeks and today amply demonstrate that the new generation is working effectively together. I am confident that they will continue to give a good account of themselves in the future.

The second objective was to make Power a significant international investor. Our company now has approximately one-third of its assets in Canada, one-third in the United States and a final third in the rest of the world, principally in Europe and also in China.

As I inherited a strong Canadian base of companies in Power in 1968, it seemed equally appropriate that the new generation of management should have an international base. Creating this takes time and a lot of travel. But I believe Power now enjoys in many key areas of the world the associations, relationships and investments it will need to continue to grow as a significant international company.

So a third objective, somewhat related to the second, but of a more personal nature, has been to free myself from the task of day-to-day management at Power in order to accelerate our participation in the rapidly expanding global economy.

I am confident that this can now best be achieved through the senior executive changes in our company that will take place after today's Annual Meeting. These changes are the result of a carefully planned process of succession that has actually been going on for some years and has been approved by your Board of Directors on April 3rd.

I am moving from the Chairmanship and Chief Executive Officer's position which I will relinquish to my sons Paul and André who will share this responsibility in their respective roles of Chairman and President of Power. I remain Chairman of the Executive Committee, a Director and principal shareholder of our Corporation.



Power is a closely held corporation, but the clear responsibility of the controlling shareholder and management is to work to create shareholder value on behalf of all of Power's shareholders and other shareholders with whom we invest as partners. We take this responsibility of ownership most seriously.

My life at Power has been a truly extraordinary experience for my family and me. During the 28 years that I have served as Chairman and Chief Executive Officer, I have received the support of many outstanding people, some who are with us today, others who are not. All have made an exceptional contribution to the impressive story of Power. On this special occasion, I applaud our team — then and now.

The people who have made up the Power team in the broadest sense of the word have accomplished great things together. We also were lucky enough to enjoy each other's respect, loyalty and friendship. We even managed to have some fun. It is the richness of this human dimension that I appreciate the most and for which I owe my greatest thanks.

Two weeks ago, we all lost our dear friend and colleague Peter Curry. Peter had a most distinguished career both in business and public service in Canada for over 50 years. He was an integral part of Power Corporation's growth, having served as Chairman of Investors Group and Great-West Life, and as a Director, President and Deputy Chairman of Power Corporation itself from 1968 to 1988.

Peter Curry was a man who kept the highest standards, with solid judgment and much wisdom. He also had a warm, human quality which he shared generously with everyone with whom he came into contact. We were greatly privileged to have known him and we extend our most sincere sympathies to all of his family.

And now as usual I would like to talk about Canada.

Of course, I do not have to proclaim that I am a French Canadian. My ancestors came to Canada from Paris in 1657. They settled in Verchères on the south shore of the Saint-Lawrence River, very close to Ville-Marie at the foot of Mount-Royal.

350 years later, in 1905, in search of work, my grandfathers moved from Gatineau to take jobs in Northern Ontario as foremen for the C.P.R., supervising cuts of timber for ties for the railroad.

I recall that in my youth my grandfather Desmarais was already an entrepreneur. He owned a general store and a saw-mill in his village of Noëlville. My grandfather Laforest moved to Sudbury and among other things got involved in a small railroad from Sudbury to the International Nickel in Copper Cliff. This is the transportation company which, in 1951, gave me my start in business.

My profound attachment to Canada stems from the great liberty and freedom that my ancestors were able to enjoy in building their lives in a new country, the same liberty and freedom which allowed me as a young French Canadian from Northern Ontario to realize his dream in building a business in all parts of Canada and abroad.



When I first wanted to go into business, I was advised by my parish priest in Sudbury that I should enter the profession of law instead since it was a much more serious pursuit. When I first came to Québec, I was told by some it would be closed to me because I came from Ontario. When I planned to invest in English Canada, I was told by some it would be closed to me because I was from Québec. Finally, when I first started to expand abroad, I was told by some it would be closed to me because we were only small Canadians up against the big international players.

I am happy to tell you the naysayers were wrong. And if I have one simple message to give all young Canadians regardless of their background or the language they speak, it would be, above all, to believe in themselves and not let themselves be isolated in any particular corner. They should move on and up to those seemingly impossible heights attainable to those who dare to try.

You are well aware of our Corporation's long-standing presence in Montréal since 1925, and of the deep commitment of our family and all of our colleagues at Power Corporation to Canada, Québec and Montréal. Above all, we treasure our Canadian citizenship, both in an individual and a corporate sense, and are resolved to maintain it. We take great pride in it.

This Canadian citizenship is at the root of our identity. It is what binds us together as a free democratic society. It is what gives us confidence in the future. It has proven to be the best guarantee for francophones to be able to preserve and promote the French language, and to flourish as a vigorous culture. At the same time, it maintains the many advantages that all Canadians have to participate in the larger North American society and that of the world. It is universally respected. The experiences we have had clearly attest to that.

While the referendum resulted in a majority for the No forces, the closeness of the vote has unfortunately caused many Québécois and their fellow Canadians to have a crisis of confidence in the future of our country. However, we must never lose our faith in Canada. Separation is not inevitable.

In recent months, the new government in Québec has been taking steps to put the focus of their governmental efforts on issues of public finance and the economy. While different statements have been made at different times on the subject, it has seemed to indicate that the issue of separation will only receive public consideration again at some point following receipt of a new mandate. This is not supposed to occur until after the present term of the government has been allowed to follow its normal course.

What is required on this issue, however, is more than a temporary truce of uncertain duration and of questionable intent. Divisive policies of separatism and the threat of a future referendum on the matter will only prolong the uncertainty and insecurity which has burdened us for so long. Make no mistake, business avoids uncertainty, and opportunities are permanently lost as a result.

Regardless of what people may perceive to be the case, I am convinced that the great majority of Québécois and their fellow Canadians earnestly hope that all our governments will work together to find the best way to go forward in greater harmony as one country.

I believe that Canada is the country which will enable us to rediscover the positive force of unity and confidence so badly needed.



When I moved to Montréal in 1962, the city was a dynamic, challenging and exciting place to live and to do business. Montréal can recapture this vitality because never has its population been better prepared to contribute to its progress. It can still be all of that.

Above all, we must not forget the constructive way in which our society has responded over the years to accommodate the ambitions of francophones no longer content to accept the limitations on themselves that existed. Doors which were closed are now wide open. A business community, which was almost completely dominated by anglophones, has changed significantly. Inequalities which previously existed have been eliminated.

The French language and culture have experienced a resurgence and enjoy a vitality unparalleled in their history. Respect for them has never been greater. Significant progress has been made within the Canadian context. It is important that this progress be acknowledged.

In my mind, there has been one major shortcoming of policy in Québec, particularly in Montréal, over the past 35 years. This has been the repeated failure of governments and their electorates to recognize that continued economic, social and cultural growth requires a united population which has confidence in the future of the community and is prepared to commit to it. It is urgent to have policies that unite rather than divide us. As Lincoln said: "A house divided unto itself cannot stand".

We must encourage the people and capital we have to stay here, and attract people and capital from the outside to come here. Unless this happens, we are destined to remain on the path of erosion, decline and missed opportunities.

Never has it been as critical for a provincial government to pursue a more responsible and courageous alternative course than the one which leads to separation.

Never have the potential rewards for a new beginning within Canada appeared more promising.

Never has it been more important for Canadians from the other provinces in Canada to encourage such a new beginning for our country.

The problem cannot be left to the federal government and the Québec government alone. If Canadians from the other provinces love their country and wish to preserve their heritage for themselves and their children they must take an urgent interest in promoting a lasting solution to this serious malaise which has been slowly undermining Canada. Every Canadian must be brought to understand that this is not someone else's problem.

I believe we are approaching an historic crossroads. In assessing investment opportunities I have learned more than once that timing and the ability to seize the moment is a key to success.

To quote Shakespeare:

"There is a time in the affairs of men, which, taken at the flood, leads on to great fortune;  
Omitted, all the voyage of their life is bound in shallows and in miseries."

This is the task. Now is the time.