

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

1. Opening Remarks

2. Background

- key events leading to our report
- August - our report and its objective

3. Media coverage - what's real?

- quotation: "*We have only two modes - complacency and panic.*" James Schlesinger, the first US energy secretary
- media coverage: from apathy to hype to hysteria – back to apathy?
- average hits in major business news during May, June, July vs. coverage today
- why we are much better off than we were in August 2005
- business community awareness
- there is a job to be done

4. "When - not - If"

- business planning driven by timeframes and targets
- another if/when analogous risk - earthquake
- risk mitigation / contingencies that businesses already deal with - fire, theft, strikes
- sustainability and competitive advantage - each individual business - to the economy

5. Avian Flu - endemic

- This already is endemic. This is not going away any time soon. It will take many years - 10 years? – to bring it under control in bird stocks in Asia.
- The threat of a pandemic is long term - the justification for preparation is also long term.

6. Pandemic - planning for the unknown

- Review Don Coxe's known-knowns, known unknowns, unknown unknowns - even in the face of the unknown, we can plan - *you have to start somewhere*

7. Pandemic - what does history tell us?

- 1918 in terms of transportation, communication, business operations
- today - the global business community - internet, air travel. What is different. What is remarkably the same.
- globalization - our Achilles heel
- intra-national supply chains - dependency on goods and services from a network of other businesses all over the world

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

8. Pandemic and global economic impact

- information drawn from the report about affected industries, sectors, global economic impacts
- quotations from Sherry Cooper

9. Pandemic - people and business - your business

- Analogous to multiple global labour disputes - random, unpredictable, severe
- People will be absent from work:
 - sick
 - caring for the sick
 - afraid to come to work
- the risk exposure is individual - you know your business - this is a matter of your human capital
- your workforce, your supplier's workforces, transportation and communications networks, your customers, your bank

10. the lesson of SARS

- Toronto's experience vs. Vancouver - book-ends of the implementation of detection and response measures
- report / impact on businesses and the economy

11. Conclusion

- the important thing to realize is ***you can change the future.***
- *you can position your business for competitive advantage*
- *your efforts make it possible to do the same for our economy - it's a matter of global competitiveness.*

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: "The Investor's Guide to Avian Flu"

1. Opening Remarks

I participated as a researcher for the BMO Financial Group publication "An Investor's Guide to Avian Flu" published in August 2005.

The authors of this report - Donald Coxe, Global Portfolio Strategist of BMO Financial Group and Sherry Cooper, Global Economic Strategist - were not able to be here.

Last August - when we prepared this report, Avian Flu was not known to most business people.

BMO Nesbitt Burns was the first financial institution to deal seriously and publicly with Avian Flu as an investment and economic subject. Don Coxe and Sherry Cooper showed real leadership to tackle it, to draw attention to it.

For this presentation, I will draw on our Report but rather than facts and figures, I want to provide some context

- What does an avian flu pandemic mean to business people?
- Why should you care?
- Why should you act?

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

2. Background

First, a bit of background:

In May, - with the outbreak in Qinghai, China, we placed Avian Flu on our watch list, and then in July, we had outbreaks in Kazakhstan and Siberia.

At that point, the virus had significantly expanded its territory - in two ways - geographically - and in terms of the species it attacked - there were cases of H5N1 in tigers, cats, pigs as well as birds. And of course a small number of people.

The risks had grown.

Also, in the first week of July, came a special meeting in Malaysia of the world organizations with the responsibility for responding to a pandemic: the WHO World Health Organization, the UN and the OIE, which is the world organization for Animal Health.

They put together an avian flu response plan in Southeast Asia - asking for spending of a modest \$250 million for education, monitoring, culling, vaccination and emergency response planning.

Despite the urgency of the language of their reports and press releases and interviews - the world yawned. They had pledges of 30 million.

It was against this backdrop that we began planning for our publication.

Talk is cheap - dealing with avian flu outbreaks - even those in birds is not. It takes the allocation of serious money and resources. Government action. Coordination.

As impossible as that seemed in August, this is happening and this is good news.

I would suggest that we are already *much, much* better off than we were just 3 months ago.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

3. Media coverage - what's real?

Now, you'd never think that looking at the news.

When I look at the media coverage now - there is a quote by a former US energy secretary James Schlesinger, that comes to mind: "*We have only two modes - complacency and panic.*"

I did a bit of a survey - May, June and July - of coverage in key business papers - the National Post, Globe, NYT, WSJ, the FT - there were about 5 - 7 stories A *MONTH* in each publication.

And these were posted by science or health writers and generally found in the back pages. Not in the business pages. Certainly not on the front page.

That lack of coverage was bad news.

And the danger now is, that in terms of media coverage and of awareness, that we will move from complacency - to hype - to hysteria - and back to complacency - that people will tune out.

and that really would be bad news.

because, Yes, we have awareness, and Yes, we have put planning activities in gear, and Yes, governments have committed dollars and resources. This is good.

BUT there is a lot more to do, if we are going to reduce the risk and reduce the impact of a pandemic ***when it happens***.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

4. "When - not - If"

Over and over - we hear the pronouncement, that a pandemic is a matter of "When - Not - If"

Its what professionals like to say whenever they really want to get our attention.... when something really big and awful approaches - like an earthquake, for example.

not 'when' – not 'if' – rather 'when-not-if'

As a business person, I find this very unhelpful, perhaps you do to?

Business planning is driven by time frames. We measure absolutely everything in terms of target dates and deadlines.

And yet **there is no certainty** here.

Y2K was probably the only catastrophic risk that came with a specific deadline.

Sherry Cooper said "But all of this is uncertain—if, when, and where still remain unknowable and, in many ways, imponderable. Putting actual numbers on the loss of life, productivity, growth and development is nothing more than a guessing game."

Business people deal with smaller risks all the time - fire, theft, strikes - knowing that planning and preparation reduces impacts - saves lives.

So I would urge you to put away the calculators - the numbers really do not matter

After all - "How big is big?"

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

5. Avian Flu - endemic

Accept also, that we are planning for the long term - H5N1 is with us to stay

The WHO has declared H5N1 endemic in Asia.

The Hong Kong university research lab explains "That means it has gained an entrenched ecological niche from which to present a long-term pandemic threat to humans."

Think of the H5N1 virus as a Las Vegas slot machine player - trying over and over for the right combination - trying for the jackpot - human to human transmission.

Its going to keep trying - which means WE have to maintain readiness.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

6. Pandemic - planning for the unknown

Accept that we are planning for a risk where much is unknown.

Don Coxe structured his content for our Avian Flu report using Donald Rumsfeld's approach to analysis.

- The known knowns
- The known unknowns
- The unknown unknowns

The known knowns - we have basic scientific information about influenza and pandemics and we have some information about avian flu to date.

The known unknowns - We have the lessons of SARS and of the 1918 flu - that give us a way to think about some of the potential impacts - such as quarantining and the behavior of financial markets and of economies - without knowing exactly how those will apply.

The unknown unknowns - how bad could it be? how long will we be dealing with this? That's where we throw away the calculators.

When it comes to other risks that you already deal with - you plan in the face of considerable unknown but you plan anyway.

Michael Leavitt, the US Secretary of Health told Congress "No one in the world is ready for it," "But we're more ready today than we were yesterday. And we'll be more prepared tomorrow than we are today."

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

7. Pandemic - what does history tell us?

In developing our report, in looking at known-unknowns - we looked for frameworks of reference, we looked at 1918 and we looked at SARS

In 1918 an influenza pandemic swept the world. In a few months, one flu season - this flu pandemic swept the world and 25% of the world population was sick and it killed an estimated 40 million people. It overwhelmed the resources of hospitals, of governments, of entire countries.

We usually think about life that long ago as vastly different.

After all, 1918 was a time in which people and goods moved by rail and ship and horse - where people still read the newspaper to find out what was happening - it was a world before telephone, before cars, airplanes, before the internet. The new wonder drug was aspirin.

Not like today. But rather than think about what was different - think about what was the same.

Children went to school. People went to work - in offices, and factories, in rural settings and in cities. They went to church. They went shopping. They went to concerts, and ball games, and restaurants, and theatres.

Many of the basic activities of people are the same. People come together with people – and that is all the opportunity a virus needs for the human-to-human transmission that makes a pandemic.

Quarantines were imposed, enforced and as soon as they were lifted, the wave continued.

Today - while there are many things we don't know about the next pandemic - what we do know is that it is **vastly easier** for human-to-human transmission to occur than it was in 1918.

- 2 million people cross borders each day
- Travelers on commercial flights can reach most cities anywhere in the world - from any part of the world within 36 hours.

We also have communications, medical science and technology. We have the ability and the resources to prepare ourselves.

It's really very simple - for the economy to keep running, for businesses to keep running, people have to go to work.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

8. Pandemic and global economic impact

Don Coxe: The 1918 pandemic didn't hit at a time when international trade as a % of world GDP was at an all-time high, and when financial and economic information was instantly disseminated worldwide to investors who could trade stocks, bonds, commodities and currencies around the clock, around the world.

Nor did it hit at a time when just-in-time inventory management and global supply chains characterized all major economies—and all major manufacturing, transportation, distribution and merchandising organizations.

The expansion of free trade in the past two decades both facilitated and drove this trend toward creation of global supply chains.

Our world is characterized by economic interdependence and economic cooperation, or to a corporate world prospering through internal transfers of goods and services across international boundaries.

The very strength that has made this economic recovery a global phenomenon able to integrate China and East Asia into its processes, with mutually reinforcing exchanges of goods, services and capital is our global Achilles heel.

Sherry Cooper: With the U.S. the engine of global growth, slowing trade and U.S. activity would slow economic activity worldwide. The repercussions on global trade would be devastating. Given that virtually all major economies have a trade surplus with the U.S., trade disruptions would shutter manufacturing plants and curtail global demand for most commodities.

Tourism and hospitality industries would suffer an enormous blow—the same for airlines and most other transportation sectors. This means reduced demand for oil and gasoline. Large gatherings of people—including concerts, plays, movies, conferences and sporting events—would be cancelled. And the retail sector would be hit as most discretionary spending and trips to shopping centres would be dramatically curtailed.....

Hospitality industries would suffer an enormous blow.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

9. Pandemic - people and business - *your* business

It's a matter of your human capital. Most business people will proudly state " our people are our business!"

But what does a pandemic mean to your people, to your business?

In thinking about all that - again the numbers can tend to get in the way: Martin Meltzer, health economist at the CDC suggests, "The point isn't the exact number (of deaths). The point is: Imagine a lot of people ill in a very short space of time. More than you've ever seen."

What we know is people will be absent from work:

- sick
- caring for the sick
- afraid to come to work

For a business owner - try to imagine being hit by revolving global labour disputes – now that is a risk we really understand in BC – only this is global.

- The people in your workplace,
- The people in your customer's workplace
- and the people in your suppliers' workplaces - all over the world.

As far as a pattern - think about how the outbreaks in birds have occurred - random - scattered - unpredictable and varied, some are large, some are small.

Globalization is a huge success.

In the past 20 years the very nature of business has been transformed. Its more than the internet and technology - it's the Walmart phenomenon - we have reshaped the very nature of our businesses.

The impacts run through your workforce, your supplier's workforces, your transportation and communications networks, your customers, your bank.

I can suggest a simple measuring stick - look at your POs
Who do you receive purchase orders from? - who do you issue purchase orders to?
how many businesses, in how many countries do you deal with? The answer can be astonishing.

What this means is even if not a single person in your business get sick - even if avian flu impacts only businesses in Asia - *you will be affected*.

You could say we are connected.....or you could say we are handcuffed together.

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

10. The lesson of SARS

In our report, Dr. Cooper provides an analysis of the economic impacts of SARS in Hong Kong and Toronto.

Cooper: "**SARS Hammered Canadian Economy**"

Toronto, the city was dramatically affected, yet there were only 252 cases and 44 deaths. The tourism industry, Toronto's second largest sector, lost more than C\$500 million and 28,000 tourism jobs were obliterated. It took three years to recover.

It began with one sick person walking into an emergency ward
It could have been the same here - in Vancouver but it was not.

Thanks to detection and response measures, we did not experience. Vancouver dodged the bullet.

That is the lesson of SARS

Avian Flu Pandemic - A Context for Businesses

Dec 15, 2005 - Angela Trudeau, Researcher, BMO Nesbitt Burns Report: The Investor's Guide to Avian Flu"

Conclusion

There is opportunity here as well.

Its more than a matter of survival or of sustainability.

If you can stay up and running when others are not - that is opportunity.

The important thing to realize is you can change the future. It's a bit like the story of Scrooge.

You can change your behaviour and change the outcome.

You can position your business for *competitive advantage*

Your efforts make it possible to do the same for our economy - it's also a matter of global competitiveness.