



# ACHIEVING THE BALANCE: MANAGING STAKEHOLDER INTERESTS AT CANADA LANDS

Tuesday, March 25, 2003, 1:30 pm  
Crown Corporation Governance Conference (Federated Press)  
Westin Hotel, Ottawa, Ontario  
Address Delivered by Kathy Milsom, President and CEO  
Canada Lands Company

## Check Against Delivery

Good afternoon, ladies and gentlemen. I am pleased to be here today and I would like to commend the Federated Press for putting together such a comprehensive conference on Crown corporation governance. I welcome this opportunity to speak about a topic that is integral to our company's operations – balancing stakeholder interests. I believe this topic is relevant in the context of every Canadian's desire for accountability, transparency and efficiency in its public institutions. Not only have we demonstrated at Canada Lands that such a balance is key to our business successes, we consider it an extremely important activity affecting many businesses, not just Crown corporations. To achieve a successful balance often requires operational transparency, along with extensive consultations and communications.

For those of you who are not familiar with Canada Lands Company, it is an arm's-length Crown corporation reporting to Parliament through the Minister of Transport. We are a commercial Crown corporation that does not rely on appropriations from the government; rather, we return dividends to the Crown. Our mandate is to optimize the value realized, in terms of both financial and community outcomes, from surplus property no longer required for program purposes by the Government of Canada.

Since its reactivation in 1995, Canada Lands has proven its mettle as a developer like no other. We fulfill our mandate by purchasing properties at fair market value and then managing, improving, and selling them to produce the best overall value for the government and local communities. In short, we manage a great deal of real estate in an imaginative and socially responsible manner, to the benefit of a great many stakeholders. Our company is truly committed to working with stakeholders to build vibrant, sustainable communities.

Since 1995, Canada Lands has achieved a notable track record of accomplishments in both financial and non-financial value creation. The company has repeatedly demonstrated that these two priorities are not conflicting but rather complementary. We have shown that what is good for the local community is ultimately good business for the company.

As a small Crown corporation of fewer than 100 people and in operation for just seven years, we are proud to have contributed \$266 million to the government and taxpayers of Canada in the form of dividends, cash acquisitions and payments for properties.



In keeping with our commitment to the principle of corporate social responsibility, we are equally proud of the non-financial value we create within the communities where we operate. The company's activities across Canada to date, along with estimates for sold properties, will have stimulated:

- \$3.3 billion in private sector development expenditures;
- 14,000 new or refurbished housing units;
- 12 million square feet of non-residential building space;
- 26,000 people years of direct construction employment; and
- the investment of nearly \$36 million in remediating environmentally contaminated sites.

When the company was reactivated in 1995, the government's priorities and fiscal circumstances were such that the focus of the company was financial value creation. As the needs and priorities of the government changed over the years, the company was sensitive to those changes and evolved accordingly. As Canada Lands came to recognize that it could effectively support some of the Government of Canada's social policy objectives – such as housing and environmental stewardship – without detriment to its financial value creation, the company adopted corporate social responsibility as a core value.

By adopting corporate social responsibility, Canada Lands acknowledged the importance of all of its key stakeholder groups. Recognizing not only the different priorities and needs of these key groups but that they are inter-related, we created a balanced scorecard that enables us to identify goals, manage and measure performance, and ultimately report on achievements with respect to the priorities of each of our key stakeholder groups. Although we attempt to utilize quantitative measures wherever feasible, this is not always possible and our scorecard tracks both qualitative and quantitative indicators of performance, in terms of both financial and non-financial outcomes. The scorecard also provides the company with the perfect tool to report to our shareholder and other interested parties on our goals and achievements. Corporate social responsibility has become a core value for Canada Lands such that in each new project the company undertakes, we assess – and actively “budget” for – environmental, social and economic opportunities and develop a plan that enhances value creation, while striving to improve the quality of life in the local community.

Canada Lands' balanced scorecard was developed to not only recognize the needs of our various stakeholders but also as a means to improve the company's internal financial and qualitative measures and performance. The scorecard works both as an internal self-assessment tool that makes it easier for the company to manage and measure its operations, and as an external communication tool that allows us to report on our progress and accomplishments.

At the corporate level, we have identified five key result areas that represent our primary stakeholder groups. These performance areas are: business and financial outcomes, community and legacy initiatives, municipal and provincial interests, our employees and the work environment, and our shareholder and board of directors.

Each year, as part of the company's strategic planning process, performance indicators are established for each key result area. The process of establishing goals, monitoring and managing



performance, and evaluating outcomes is a cyclical one at Canada Lands. We encourage all employees to participate in the strategic planning process. Their ideas and input feed into the joint board/management planning process, which ultimately results in the establishment of corporate goals and objectives for the five year plan period. These goals then become the foundation for my personal performance goals, which then cascade through the organization such that all employees have performance goals that relate back to the corporation's overall strategic objectives. In this manner, every employee has an understanding of their contribution to and a stake in the ultimate success of the organization. In assessing year end performance, the process flows from the individual employee to the corporation overall to complete the cycle. The cyclical nature of this process also reinforces some of the interdependencies between the various stakeholder groups.

Whether it is the construction of a park, the creation of affordable housing units or the restoration of a contaminated site, Canada Lands' achievements are documented and the scorecard enables us to better measure our performance with respect to our five key result areas.

Extrapolating from the corporate level to the project level, one of the first things we seek to accomplish when we undertake a project is to identify all relevant interest groups and stakeholders. If there is a lack of clarity as to the stakeholders, we clearly cannot hope to understand what their interests are or balance those interests with those of other stakeholders.

At the project level, these stakeholders could be government officials, community groups, local businesses, environmental groups, schools or adjoining property owners. The list may be long but they all have a stake or interest in the outcome of the individual project in question.

Although our reputation often precedes us in a positive sense when we start work in a community where we have not undertaken a project before, we are realistic in recognizing that not all stakeholders are going to welcome us and our efforts with open arms. We gain their trust and support by being open, transparent and consultative. We readily acknowledge that it is virtually impossible to satisfy everyone but by engaging people in the process, they can feel that they were consulted, that their ideas were seriously considered and, by understanding the decision making process, they respect the outcomes. Canada Lands also subjects itself to the municipal planning process. The better this process is working, the less problems the company encounters in obtaining community and other stakeholder buy-in and municipal development approvals.

Good communication with all stakeholders is key to achieving our goals. Good communication at Canada Lands ensures that information is disseminated, input is obtained and, where appropriate, acted upon. It also ensures that expectations are managed so that projects proceed smoothly and with community buy-in. For us, communication is key during all stages of project development.

One of Canada Lands' current projects that has benefited from intensive consultations, particularly with respect to balancing many disparate interests and views, is our Benny Farm property in the Montréal community of Notre-Dame-de-Grace. Benny Farm is an 18 acre property originally consisting of 384 apartment units built in 1946 and 1947 to respond to the overwhelming need for post-war housing. The site was named after the Benny family that came to Montréal from Scotland in the early 1800s. The Benny family owned the site until selling it to a developer in 1946 and it was subsequently transferred to the Canada Mortgage and Housing Corporation. In 1999, Canada Lands



acquired the site from CMHC and fulfilled a commitment to provide new housing for Benny Farm tenants, most of whom are veterans. By 2000, Canada Lands finished relocating Benny Farm tenants into newly constructed apartments on the site. In 2001, the new apartment complex was awarded a Governor General's medal for architectural design, as well as a Regional Merit Award from the Canadian Society of Landscape Architects.

When we embarked on the process of establishing a master plan for the remainder of the site, we knew through the media and the history of the project that many groups had considerable interest in this site. Numerous interest groups from within the community came forward directly or through the media with diverse views on the potential future uses for the Benny Farm site and the approach to its redevelopment. With a history of confrontation and debate, including several months characterized by tension and even attempted legal action that resulted in delays and complications, Canada Lands decided that the best way to move forward was to launch a tailored participatory process to engage the community, and develop objectives for the future uses of the property that considered the needs of all stakeholders.

Following preliminary consultations with a wide range of community representatives during the summer of 2002, Canada Lands created the Benny Farm Task Force, comprised of twelve individuals representing the diverse views within the community on future uses and redevelopment concepts.

The Task Force established common development objectives for Benny Farm's future, including the need for housing, neighbourhood services and issues related to the demolition or renovation of the existing buildings. From the beginning, Canada Lands managed the expectations of the members of the Task Force by stating that the company, as land owner, would only implement recommendations if they were financially viable and appropriate from a business perspective.

In November of 2002, the Task Force completed its review of four proposed design alternatives and provided Canada Lands with its recommendations on the development plan for Benny Farm. In addition to the Task Force members representing the primary stakeholder groups, we also engaged the community at large. We solicited input from the public through a specially designed web site and a feedback form, receiving almost 300 responses, and we held a public information session to present the four design alternatives to nearly 400 community members. The feedback received helped guide Canada Lands in preparing the final plan for the site, which best balanced stakeholder interests and business needs.

Before we embarked on our consultation process, the media was routinely critical and the community outspokenly dissatisfied. In approximately three months, we were able to complete our master plan for Benny Farm, stronger for the many views and ideas presented, and with the support of both the community and the City of Montréal. An interesting indicator of the success of the process was the dramatic turn around in the media coverage which, in this case, was representative of public sentiment. Before we began our consultative process, the media tended to be negative..... and after the conclusion of our consultation process..... there was an entirely different tone.

At present, our plan for Benny Farm has been submitted to the City of Montréal for public consultation and we – along with the community – look forward to seeing the results of the plan's



implementation. And the outcome balances the community interests and needs, with those of the municipality and ultimately the business drivers – cost effectiveness and viability – for the company.

Another project example that demonstrates how we act to create community value while enhancing the financial bottom line is our recent redevelopment of the former Moncton Shops site in New Brunswick. After years of railway use, the property was in desperate need of environmental remediation, and had long been considered both a health risk and an eyesore by neighbouring residents. In order to rejuvenate the lands, the company undertook the challenging brownfield project using an innovative site based risk-management approach. The approach enabled us to responsibly deal with the contamination on site rather than simply transferring the problem elsewhere through more traditional dig and dump methodologies. This was done in the context of economic viability and consideration of the site's end use.

Again, an extensive consultation and communication process was employed to both gain community input and support, as well as to disseminate information to dispel the community's perceptions and fears regarding the safety of the site. After the remediation of the site was successfully completed, the City of Moncton acquired a portion of the property for the development of the Moncton Common, and retained Canada Lands to oversee the development of this major public recreation facility consisting of 16 sports fields. Canada Lands takes pride in knowing that its commitment to sustainable development has provided the City of Moncton with a cost effective, long-term public recreational greenspace that will provide economic and social benefits for years to come. A site which was fenced off for an extended period of time to prevent public access is now a vibrant, well used recreation area. Through our innovative approach to remediation, we avoided costs in the order of \$38 million and reduced the projected time frame by seven years from the estimates provided by consultants at the project's outset.

The project also received two Brownie Awards in 2002 from the Canadian Urban Institute, including the award for sustainability in community building as the best overall project.

This is another example of how our company created benefit for the community while enhancing our financial bottom line.

The Government of Canada's departments represent another important group of stakeholders for us. Often departments recognize that they have surplus assets but may not have the resources to act to rationalize land holdings to enable consolidation on required lands and disposal of surpluses. Canada Lands relies on custodian departments of the federal government for its land inventory; therefore, we have a vested interest in working with these departments to free up the surpluses.

At the Canadian Forces Base Griesbach in Edmonton, Canada Lands is partnering with the Department of National Defence to provide married quarters housing for base personnel. In the late 1990s, DND decided to relocate CFB Griesbach's operations to a new Edmonton base at Lancaster Park, north of Edmonton. Subsequently, the decision was made to transfer title to the Griesbach lands to Canada Lands for redevelopment. Although the transfer of title to the base happened only in January of this year, Canada Lands and DND have been working together for many months in establishing housing for the base's occupants.



In late 2001, Canada Lands gave a commitment to DND that a number of married quarters units would be made available for rent to military families. While rental rates continue to be determined by the CMHC, the residents have benefited by Canada Lands undertaking much needed upgrades to the units. DND has benefited by being able to proceed with their consolidation and relocation plans, and the government overall will benefit by Canada Lands being able to realize financial gains sooner than would have otherwise been possible. Canada Lands is very pleased to work collaboratively with DND in this regard to achieve mutual benefits.

There are many other examples of how Canada Lands has acted to create community value, through projects such as the Brandt's Creek revitalization in Kelowna, the Garrison Woods residential redevelopment in Calgary and the Glenlyon technology business park preservation of flora and fauna in Burnaby to name three. To demonstrate the balance we have been able to achieve with respect to stakeholder interests, it is important to consider the company's financial performance at the same time.

While adopting corporate social responsibility, we have also worked diligently to achieve greater cost efficiencies and operational effectiveness. As another means of measuring our financial value creation, we introduced a market value assessment tool. The assessment indicates that, since reactivation, the average annual value generated has been \$18.5 million. With fewer properties than ever in our portfolio, last year this number was \$31.4 million. Based on the number of employees at the time, this translates into a net asset value creation of \$340,000 per employee last year, an impressive accomplishment by any standard.

Canada Lands has learned – and has been able to effectively demonstrate – that by adopting corporate social responsibility and taking into consideration the views of its many different stakeholders, bottom line performance can be enhanced. I hope I have successfully illustrated today that financial and community value creation are not mutually exclusive but often entirely complementary.

Thank you for your time, and I would be pleased to respond to any questions that you may have.