

Address to the Canadian Club

Scott Hand, Chairman and CEO

Inco Limited

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Thank you Gordon -- and good afternoon ladies and gentlemen.

First let me say how proud I am to be here today at the Canadian Club representing Inco as we celebrate our hundredth anniversary. As Gordon pointed out, this is a pretty significant milestone.

Or as Yogi Berra might have said: your hundredth birthday only comes along once in a century.

Here in Canada, we're joining an elite group of companies who've made it this far. I hesitate to say it; but we may now officially qualify as a "Canadian business icon."

That phrase is usually reserved for companies who were very big in the days when our fathers wore fedoras, and now face bankruptcy.

I am happy to report that sure isn't the case with Inco.

In fact I'll be talking today about how I see Inco launching into the next hundred years.... into a century that's going to see even more change than the last.

In a nutshell: to make it in the next hundred years, we're going to have to be very good at asking questions, challenging assumptions and yes, coming up with good answers most of the time.

We'll have to question our technology, our marketing strategy, how we engage our people, how we understand concepts like sustainable development, and how we deal with a world that, to use baseball parlance, throws us a curve once in awhile.

And that's not just true for Inco. It's true for any company that hopes to be around one hundred years from now.

Before I look ahead to the future, I hope you'll excuse me a bit if I indulge a little centennial nostalgia, and look back at our past.

It's like that old joke: How many history professors does it take to change a light bulb? Answer? Five. One to change the light bulb and four to talk about how good the old bulb was.

The truth is, the history of nickel goes back long before Inco was even a gleam in a prospector's eye.

Nickel was discovered in Europe hundreds of years ago. But until about a century ago, nobody knew what to do with it -- apart from making ornaments and coins. They just didn't have the technology.

The old medieval metal workers were so frustrated by their failure, they blamed demons.

Which by the way is a tactic I still use with our board when they ask me a really tough question.

In any event, back then they called these demons 'nixes.' In fact, that's where the word 'nickel' comes from.

Technology wasn't the only challenge. Nickel was also in very short supply. That changed dramatically with the discovery of nickel in Canada.

Now, everyone knows that Isaac Newton discovered gravity in the universe. And that John Sutter discovered gold in California.

And that a French skating judge discovered how to turn gold into silver at Salt Lake City.

But nobody really knows who first discovered the ore near Sudbury.

We often credit Tom Flanagan, a blacksmith with Canadian Pacific. He detected an outcropping of copper sulphide in 1883, during the Railway's westward expansion. But, several other people stumbled on the find that same year.

One of those people, by the way, was a local magistrate. He was best known for confiscating all the bootleg whisky in the district. I don't know what he did with it but I hope it provided some warmth in those cold northern winters.

Some say we've been digging around Sudbury looking for it ever since.

One thing about the Sudbury ore deposit is certain, though. That's where Inco planted its roots. And right from the beginning, researchers and engineers started asking some very interesting questions.

"What if we add nickel to steel?" "What if we experiment with nickel refining techniques?"

These questions, and their answers, would transform nickel into a valuable commodity and nickel production into a valued industry.

From these beginnings, we began to evolve and never stopped. We invented and reinvented ourselves.

Along the way, we made major discoveries in nearly every level of our business: exploration, mining, technology and processing, product creation and market development.

But it hasn't been smooth sailing all the way.

Our story is not unlike that of many other companies in Canada whose world changed dramatically with the emergence of new global competition.

Faced with this new world, we began to take a hard look at our business, and to re-invent who we were.

We stopped chasing volume for its own sake, and switched our focus to profitable production.

In the 1990s we became experts at slimming down. We dramatically cut costs and we moved into the lowest cost quartile of our industry.

At the same time, we launched an aggressive platform for growth. Back in the 1960s we signed one of the first contracts of work in Indonesia and built a major operation in the 1970s that we recently expanded.

We established ourselves in Japan, Taiwan, Korea, and China to add to our strong positions in the United States and Europe.

Last year, we announced plans to go ahead with the biggest project in our company's history and, I believe, the largest single new investment in the nickel industry – our \$1.4 billion development at Goro, on the South Pacific island of New Caledonia.

Our Goro project is world's best and probably largest undeveloped orebody. I call it the Sudbury of the South Pacific because it truly has the potential to become one of the world's great nickel producers – and I believe that it will.

Our goal is to combine Goro with a successful Voisey's Bay project – a topic I will return to later, by the way, in case you're worried that I'd forgotten about it.

But if we can do both projects, five years from now we will be a 40 per cent bigger company than we are today. And I stress that is profitable growth – not growth for growth's sake.

All this bodes well for the future. But, as wiser people than me have pointed out, the future ain't what it used to be.

Which brings me back to the point I started out with. To grow and thrive from this point on, we all have to become relentless in questioning basic assumptions as we decide how to move ahead.

I want to share six questions- don't worry, I won't keep you here all afternoon - that are especially critical as we enter the next century.

These are important questions not just for Inco, but for any Canadian mining company – and potentially for any Canadian business hoping to succeed in the global arena.

Let's face it. These days, you can't hide here in Canada or in any other place. You had better be willing and prepared to live and succeed in that big world out there.

So the first question we need to ask is, are we making products that the world needs?

Because in mining, like any other business, the customer is king.

Some of us are old enough to remember a time when kitchen sinks were made of porcelain. It wasn't until 1948 that Harry Galley, an Inco employee, came up with the bright idea of using stainless steel.

Stainless steel, he reasoned, was lightweight, easy to clean, and would still look great after years of use – and indeed, he was right.

Today, kitchen sinks are the number one market for stainless steel, and stainless steel is the number one market for nickel.

At Inco in 2002, we may not be looking for the next stainless steel sink, but we are focussed on finding new and more exotic ways to use nickel.

For instance, we have recently developed ultrafine nickel powders that are no bigger than a bacterium and are used to make miniature electronic components.

We've also coated nickel onto graphite, which is embedded in the hard plastic shell of your computer to block electromagnetic interference.

Those kinds of products don't come about by accident. They come about by being closely engaged with customers, and having technical people dedicated to new product research and development.

You might find that surprising from your typical mining company. Well typical is not what we want to be.

The second question is, are we pushing the technology envelope?

When you hear technology, you think computers, telecom, internet – true, but we in the mining and the metals industry are doing our part too.

Mining is one of humankind's oldest economic activities – we've been at it for thousands of years. Perhaps because of its strong traditions, technical innovation has often been slow to come.

But no longer. Today, people are questioning some of mining's most fundamental assumptions.

For instance, do we still have to send people underground to mine ore – as we have been doing for eons? Do we still have to use heat-intensive smelting technology to extract useful metals from rock – again, as we have been doing for years?

For the past decade in Sudbury, we've been pioneering remote telemine technology.

Telemine lets an operator at a surface workstation run robotic drills and mobile equipment that are located kilometres away and thousands of metres underground.

Telemine should become part of our day-to-day mining operations, and we think it will play an even bigger part in the future of underground mining.

Meanwhile, at Voisey's Bay, we're proposing to extract nickel and other metals from the Labrador rock using a whole new process called hydromet.

Hydromet technology totally eliminates smelter furnaces along with their massive energy requirements and the air emissions they produce.

We're already using hydromet on the laterite ores at Goro, and we're confident that another form of the same technology can work on the hard rock sulphide ores of Labrador.

The fact is that mining and metals processing has been transformed into a technology-driven business. And mining and metals processing is one global industry where Canada sets the benchmark for the rest of the world in terms of innovation.

We need to keep it that way, by pushing the technology envelope further, and by supporting innovation as a key competitive strength Canadian mining brings to the rest of the world.

The third question is, are we truly engaging our people?

Let's face it. Mining companies haven't traditionally led the pack when it comes to human resource management.

In the past, we've tended to be command-control type organizations. That was certainly the case at Inco for many years. But recently we've seen some very dramatic changes in how we engage people in our business.

Let me give you one example. Back in 1998, we had some mines that were unprofitable, high cost operations. With some of them we had to say, we can't see any way these mines can pay their way, so we'll have to shut them down. In some cases we did that.

In other mines we saw an opportunity. And we put a challenge directly to our employees.

We said, for this mine to be a survivor, we need to find a way to take out 25 to 30 per cent of your costs. We don't care how you do it, so long as you don't compromise safety.

It was amazing to see what happened. Working together as joint union-management teams, they literally went to everyone in the operation to get their ideas on how to do things better.

In maintenance, equipment utilization, shift scheduling, you name it -- people were encouraged to question everything.

In the end they not only beat their cost and productivity targets, but they improved safety performance as well.

This kind of thing is inspiring to see. It convinces me that engaging your people is absolutely critical to win in a global economy.

In a unionized environment, this also means turning old adversarial relationships into true partnerships.

Our last collective agreement with the Steelworkers gives union members a direct stake in our prosperity with a unique earnings-based compensation formula. The union is also working as a full partner in many of the major new initiatives to optimize our Canadian operations.

We've come a long way from the bad old days when labour strife was a given in our business. And our union leaders deserve much of the credit for getting us there.

Question four is, are we doing the right thing when it comes to the environment?

For companies like Inco that have been around for awhile, that doesn't just apply to what you do today.

It also applies to what you did fifty years ago. We're not unique and we all have to deal with those legacies responsibly.

You've probably heard about Inco's legacy challenge in Port Colborne. It appears in the newspapers and the radio once in awhile.

The Port Colborne refinery was the largest nickel refinery in the world during World War II and was instrumental in the war effort.

Today it's a different operation – it's much smaller, and it no longer produces nickel – but there is a legacy from those earlier years that remains in the surface soil.

Two years ago, we helped launch and are funding a community-based risk assessment process in Port Colborne to deal with that legacy.

The CBRA, which involves all community stakeholders, is carrying out a wide range of studies, including studies that explore the possibility of any health risk to the community.

The CBRA is truly a ground-breaking approach. It will likely prove a model for other companies facing similar issues. In Port Colborne, we think it is the right thing to do.

Of course "doing the right thing" also applies to current operations and new developments, whether they're in Canada or the other side of the world.

At Goro in New Caledonia, we made two significant environmental decisions based on doing the right thing.

First, we're disposing of tailings on land, rather than in the sea.

Second, we've designed our effluent system to provide additional protection to marine life.

Both are more costly. Both are the right things to do.

The recent GMI conference in Toronto took important steps towards developing a global view of sustainable development for the mining industry.

Just as important -- perhaps more important -- is the work our employees do every day to take good words like "sustainable development" and translate them into real, meaningful actions on the ground.

Which leads me to the fifth question. Namely, are we as an industry a positive force in the communities where we operate around the world?

As Gordon mentioned in his introduction I spent two years with the US Peace Corps as a teacher living in a village in Ethiopia.

That was a long time ago. But I think that experience has helped me appreciate the different backgrounds and ways of looking at things that I find today when I deal with communities in Indonesia or in Goro.

It also taught me that no matter where you go, people are looking to better their lives, whether they live in Indonesia, New Caledonia, or Labrador.

And they want to do so in ways that respects their traditions and the places where they were born and where they and their families live.

Since we started our PT Inco operations in Indonesia back in the 1970s, community development has been a cornerstone of our business plan.

We've built schools and hospitals, provided free medical treatment for the community, trained teachers, counselled and assisted local farmers, and built fresh water and irrigation systems.

That work has made a big difference to people's lives. It has also made a big difference for our business.

You may have read about the difficulties some oil and mining companies have been experiencing in Indonesia. We haven't had those problems, despite the political upheaval that's gone on there.

Why? A big reason is the work we've done in our communities, and the reputation it has earned us with the government and other stakeholders.

I think we've been a positive force in Canada as well, whether you are talking about our century-long relationship with Sudbury or our relationship with Thompson Manitoba, a town that began when we discovered nickel there fifty years ago.

Like any relationship, there have been ups and downs. But overall, it has been a remarkably good story – one that deserves a speech of its own. We plan to be part of both communities for a long time to come.

The sixth question is, are we managing well in a global environment?

Canadian mining was a global business long before “globalization” became a household word.

Our challenge is to continue being a force in the global marketplace of the future.

As I said earlier, we're on the verge of the biggest growth phase in our company's history. Our Goro project will be in production by the end of 2004.

On the marketing front, we are looking forward to expanding our strong presence in China, to take advantage of its explosive economic growth.

Add all this to a company that already includes operations in Manitoba, Ontario, Indonesia, the United Kingdom, and USA, and operations with local partners in Japan, Korea, China, and Taiwan.

We have a pretty diverse mix of geography and culture, to say the least.

Fortunately our long experience on a global stage has taught us a few lessons.

We have learned that partnerships with local businesses are often the best way to gain entry and to grow in a new market – hence our joint ventures in Asia.

We've learned there is no substitute for a strong, local management team who bring cultural understanding and established relationships.

We've have learned that embracing cultural diversity has made us stronger than trying to impose a common corporate stamp across our world.

You might call it a “cultural mosaic” style of global management. In some ways, it is a very Canadian approach to managing a global business.

So far, for us, it has been an approach that works.

Now I promised I'd say something about Voisey's Bay -- since you can't talk about Inco these days without talking about Voisey's Bay.

I'd like to put my remarks in the context of the negotiations that led to our successful Goro development in New Caledonia.

Voisey's Bay and Goro are quite simply the two best undeveloped nickel resources in the world.

Two projects with great mining potential. Two projects with tremendous potential for the people who live there.

When it came to negotiations with the New Caledonian government, they weren't about to give anything away.

They wanted to be sure they got a project that was world-class in its environmental standards and that delivered maximum economic benefits to New Caledonians, including a source of good, sustainable jobs.

They also took a long-term view. They knew that Goro would be there for a long time -- for another 100 years. And they saw it was in their best interest for the project to get off to a strong start.

As a result, we worked out an agreement that met their needs for long-term, sustainable employment and economic benefits, and which ensures protection of the environment.

An agreement that at the same time provides us with the strong economic foundation we need to establish a new project, using new technology, in a new part of the world.

It was a deal that we could take to our shareholders, and that the government could take to their people, including the Melanesian people of New Caledonia.

No one in New Caledonia has accused their government of selling out. In fact, public approval of the project has been consistently high.

Thanks to all this, construction on the \$1.4 billion dollar project is well underway.

Voisey's Bay is still waiting. But I think we're getting there.

It has taken a lot longer than we expected. But the fact is we have learned a lot since we first started down this road back in 1996.

We've learned about the needs of the Innu and the Inuit people, about their values, their culture, and what really matters to them. Our relationship has evolved from mistrust to one of cooperation and true respect.

As you've probably heard, we recently concluded impact and benefits agreements with the respective leaders of the Innu Nation and the Labrador Inuit Association.

I want to acknowledge the vision and leadership of Peter Penashue and William Barbour as they take these agreements to their respective members for ratification.

Voisey's Bay is a tremendous opportunity for the aboriginal communities of Labrador and I hope this marks the beginning of a long and very productive relationship.

We have also learned about the people of Newfoundland and Labrador, their history and their aspirations.

In particular, we've learned about the legacy of past deals that did not deliver all they promised, and left people feeling they had given away too much and received too little in return.

So I can appreciate where Premier Roger Grimes and his team are coming from.

I understand their determination to ensure Newfoundlanders get the very best deal that they possibly can at the Voisey's Bay bargaining table. It has made these negotiations tough, but I can see the necessity on their side.

A good deal – an enduring deal – has to work for everyone. It has to work for Inco and its shareholders, and for the people of Newfoundland and Labrador.

The people of Newfoundland should understand we take a long term view of Voisey's Bay. We plan to be there for a long time.

Thirty years from now, we don't want to be viewed as unwelcome guests who rode in on the back of a bad deal.

We want our presence to be seen a positive one, for the long term, because that's how we do business in every community where we operate.

At the end of the day, it is deeds that count, not words. I hope that soon we can get beyond the words and get to work and deliver.

Now with all the speculation in the press some of you may have come here today wondering if you might hear an announcement.

As you're probably beginning to realize, that's not going to happen.

I can tell you that we are getting there -- but as Yogi Berra said: "It ain't over till its over."

But I can say that the deal, if and when it comes, will be a good deal for everyone -- for Inco and its shareholders, for the people of Newfoundland and Labrador, including the Innu and the Inuit.

So I hope that very soon we will all be raising a glass of Screech together to toast the start of a great new chapter in Canadian mining.

Of course with all the attention it has received, Voisey's Bay has come to symbolize something bigger than just a mine in Labrador.

It has become a case study for how we approach business in Canada, and how government and the private sector work together.

And I think it is critically important to all Canadians that in the end we show that we can work together and make projects happen that will benefit everyone.

And for Canadian mining, there's a lot at stake.

I believe that Canada is the world's number one centre of excellence in mining and metals -- from exploration and engineering, to mining and processing and product technology.

There's no other place in the world where you find the same concentration of technical expertise, management know-how, and financing capability as right here. It is recognised and respected around the world.

The French are famous for their wine, Italians for their fast cars -- Canadians are respected for their mining.

Not as sexy perhaps, but it's something we do very well. And we need to keep it that way.

One hundred years ago Inco started out by staking its future in Canada.

As we embark on our second century, we're working hard to stake our future in Canada once again, at the same time as we expand around the globe.

Because when all is said and done, being a living and growing Canadian icon is something we really can be proud of.

I can't resist referring one more time to my favorite philosopher on the challenge and the opportunities for the future. Yogi said: "When you come to a fork in the road, take it!"

So here's to another "One hundred Years Strong" for Inco and the mining industry in Canada.

Thank you.