



Eagle Net

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The Saga Continues.....

Canadian Finance Minister Ralph Goodale has shelved plans to issue bank merger guidelines before the next election, saying that the minority Liberal government doesn't believe opposition parties will give the matter a fair hearing while the clock is ticking down to another ballot.

Mr. Goodale didn't specify when he might reopen the matter but his timetable suggests the guidelines could be delayed until well into 2006 or even 2007.

The federal Finance Department's own polling shows bank mergers have few supporters in Canada. One poll conducted for Finance Canada this past January found 56% of Canadians polled felt bank mergers were not in the public interest.

Stay tuned!!

Those Darn Boomers

Thrifty baby boomers, not rising oil prices, are weighing on David Dodge's mind. The Bank of Canada Governor says that pricey energy has not proved to be a major problem for Western economies, at least not yet, even as he highlighted a major long term worry – namely, what happens when baby boomers turn from spending to saving.

Mr. Dodge says that demographic shift threatens to push the world economy into stagnation for years, as consumer spending sags, dragging down growth and pushing up unemployment.

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Quick Hits – U.S.A.

1. ***Fidelity Eyes Bank 401 (K)s*** – Fidelity Investments says it plans to expand distribution of its 401 (K) services through better penetration with advisors at banks.
2. ***Poll: Consumers Shun Third-Party Sharing of Data*** – Most people do not want banks to share their personal information with third-party brokers, insurance agents, or firms that might sell it to telemarketers, but they do not mind if banks give information to affiliates if they could get specially tailored advice as a result.
3. ***Wal-Mart's Financial Vision in Payments: Spotlight on ILC's Role*** – Wal-Mart says it plans to use the industrial loan charter solely to act as the agent for its own transactions in the VISA and Mastercard networks, whose roles allow only chartered banks to serve in this capacity.
4. ***Regulators Offer Details on Basel IA*** – Under a long-awaited proposal to change the capital rules governing nearly all U.S. banks, residential mortgages and small business loans under \$1 million U.S. dollars would become more attractive while commercial real estate loans will cost more.

Scotia Plays Unique NAFTA Hand

The Bank of Nova Scotia is playing up its unique presence in all three NAFTA countries as it goes head-to-head with some of the largest banks in the world for dominance in Mexico's fast-growing financial services industry.

Scotiabank, which owns Mexican Bank Inverlat, announced a radical realignment of its wholesale banking operations in Canada, the United States and Mexico that will see its stand-alone Mexican operations move under the Scotia Capital banner. The integration will enable the bank to offer seamless service for companies operating in the NAFTA countries.

Inverlat's retail banking operations, with more than 400 branches across the country, will continue to operate as a separate unit.

Firms Cannot Stay Out of China

In its latest World Economic Outlook, the International Monetary Fund forecasts continued strong growth in China. In fact, China continues to contribute more to global economic growth than the United States, despite the fact that the U.S. economy is much bigger.

And while China is forecast by the Organization for Economic Cooperation and Development to become the world's biggest exporter by 2010, it will also become one of the world's largest importers. The OECD, in a special report on China, says it should have no difficulty maintaining its high economic growth rate for some time and expects it will become the world's fourth largest economy within five years. Other forecasts suggest it will takeover the United States as the world's largest economy by 2025.

Studies Confirm Canadians Still Lag as Online Purchasers

Two studies appear to confirm that Canadians continue to lag behind most countries and especially the U.S. when it comes to making purchases over the Internet. While this e-commerce gap may be closing, it remains significant. According to a recently released Ipsos-Insight survey, compared to the world at 70% and the U.S. at 82%, only 57% of Canadians have made Internet purchases. Paradoxically, the results also show Canadians lead the world in Web banking. 56% of Internet users in Canada engaged in online banking last year.

RBC's Head of U.S. Brokerage Departing

The Head of Royal Bank of Canada's Minneapolis based brokerage, RBC Dain Rauscher, is leaving the firm, making the second high level executive shuffle at RBC's U.S. operations in the past year. Just over a year ago, the Head of RBC Centura, the small North Carolina based retail network the RBC purchased for about \$3.3 billion in 2001, also stepped down.

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Once The Lights Come Back On

As reported in the Credit Union Times, credit unions along the U.S. gulf coast continued to gradually pull themselves out of the muck and devastation left in the wakes of Hurricanes Katrina and Rita, even as it became clearer that some may close or merge as a result of the long term impacts of both storms.

The immediate results of the hurricane relief have been heartening, but once the insurance payments have been made, the buildings and equipment replaced and the lights turned back on, credit union executives and economists say that the credit unions may face a particularly challenging time as a good number of their members may decide not to return to their now shattered homes, towns and credit unions.

BMO Wins Again

In his annual survey, Rob Carrick of The Globe & Mail's Report on Business, assessed 12 online brokers and handed Bank of Montreal's Investor Line first place once more. The 10 criteria included: commissions, research, equity order flexibility, online bond trading, real-time account updates, online account maintenance, transaction history, account performance, website navigation and value-added.

Here are Mr. Carrick's ratings:

BMO Investor Line	A+	
E*Trade Canada		A
TD Waterhouse		B+
Qtrade Investor		B
Credential Direct		C
CIBC Investor's Edge		C
Scotia McLeod Direct Investing	C-	
RBC Action Direct		C-
National Bank Discount Brokerage		C-
Disnat	D	
HSBC InvestDirect	F	
ENorthern		F

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Once More In the Ring

In what has become a regular feature on the credit card industry landscape, four large U.S. retail associations have filed suit against VISA and Mastercard, alleging collusion and unfair trade practices in the setting of interchange rates on credit and debit card transactions. The four associations are the National Association of Convenience Stores, the National Association of Chain Drug Stores, the National Community Pharmacists Association and the National Cooperative Grocers Association. The lawsuit alleges that VISA and Mastercard and their largest bank issuers engaged in "collusive practices" in setting card interchange fees.

Bank of Montreal Picked In China

BMO is among five Chinese and nine foreign banks named by China's foreign-exchange regulator as members of the interbank foreign-exchange forward contracts market, according to a statement posted in the official Chinamoney website. Once foreign-exchange forwards trading on the interbank market becomes active, the dealings could affect the yuan spot rate and offshore yuan forwards market.

Other foreign banks approved include the Shanghai branches of HSBC, Standard Chartered, Citibank, Societe Generale, Deutsche Bank, Credit Suisse First Boston, ING and Mizuho Financial Group.

Canadian Credit Unions are Getting Their Share Too

And perhaps a little more of the Canadian mortgage market. For example, in 2004 Ontario credit unions saw their residential mortgage loans grow 9% over the previous year. That compares very favourably to most of the Big Five Canadian banks:

Royal Bank up 6.8%

Toronto Dominion down 2.2%

CIBC up 3.7%

Scotiabank up 12%

Bank of Montreal up 8.3%

Some Interesting Facts Out of India

- India's IT and ITeS industry is on track to reach \$50 billion in exports by 2009 according to NASSCOM (translates to about \$22.3 billion this year).
- The Business Process and Knowledge Process Outsourcing industry seems poised for a hectic round of consolidation. The acquisitions and critical public offerings in the Indian BPO and KPO industry could touch \$3 – 5 billion between 2005 and 2010.
- The \$5.1 billion Indian BPO market is truly moving up the value chain. Amidst the U.S. residential mortgage banking sector, the world with \$7.6 trillion outstanding debt at the end of 2004, BPO firms are seeing opportunities in offshore-based deliverables such as loan production, loan administration, secondary marketing and lender services.
- Domestic Indian companies see the value in outsourcing. For example, the State Bank of India is reportedly arranging a multi-year arrangement for handling voiced-based inbound customer support operations.
- The skilled manpower pool in the Indian BPO industry continues to be far short of the current requirements.
- Publishing outsourcing is becoming the latest buzzword in India Inc. – just ask Elsevier, McGraw Hill, Cambridge, John Wiley, etc.

Attention Wal-Mart Shoppers

In some parts of the U.S., depending on local conditions and where Wal-Mart has made a market entry, the competition among banks and credit unions to win the branch in-store franchise, particularly in the new Super Centre stores, has been spirited. Indeed, some credit unions and banks have been lining up a year in advance of store openings making applications with Wal-Mart for leased space.

But if you want to enjoy the high traffic in the world's largest retailer, the cost for setting up in a Wal-Mart facility will not be cheap.

Mastercard and Cardtronics Ink a Deal

Cardtronics, the largest independent deployer of ATMs in the U.S. and the chief ATM provider for the Allpoint network, has made an agreement with Mastercard which, theoretically, would give Mastercard cardholders across the United States surcharge free access to 25,000 Cardtronics machines.

Fuel for Thought

With gas prices sky high, one credit union in the U.S. is offering cheap loans on hybrid cars. The United Teletech Financial Federal Credit Union of Tinton Falls, N.J. has been offering inexpensive loans for members seeking to purchase fuel-efficient hybrid cars.

Environmental sensitivity, member awareness about the tax break that the federal government is offering for the purchase of the hybrids, and the desire to help their members meet their need for fuel efficient cars, all contributed to the development of the unique program offering.

Confident About Contactless Cards, But Cautions on Passports

There is plenty enthusiasm about tap-and-go payment cards announced Card Technology's magazine readers, but more caution when it comes to embedding contactless chips into passports. A recent e-mail survey of nearly 700 of the magazine's readers found 83% think that contactless payment cards will catch on in the United States, where some major credit card issuers have introduced them and 92% say issuers elsewhere also will offer the cards that consumers wave past readers at checkout counters.

However, another application of contactless smart card chips, embedding them into passports to hold data that verifies the identity of the passport holders, is viewed with more skepticism. Privacy advocates have warned that unauthorized individuals could possibly read the personal data on those contactless passport chips and many of the magazine's readers agree. Asked if those concerns are warranted, 51% of respondents say they are, and another 21% say the concerns should be expressed more strongly. Only 21% say the concerns are overblown.

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Scotiabank Sponsors Kids' Soccer League

Scotiabank has signed its first sponsorship deal for the ScotiaStar Network credit card reward program launched last October. The bank sponsored an Ontario children's soccer league's 160 member teams for the 2005 season.

The ScotiaStar Network rewards Scotiabank Visa cardholders with up to 10% cash rebates at retailers, which are ScotiaStar partners. There are currently more than 360 ScotiaStar partners including retailers, travel companies, online merchants and restaurants and 1,700 retail outlets enrolled in ScotiaStar across Canada.

Less is More when It Comes to Office E-Mail

A new survey developed by The Creative Group asked about 250 executives "which of the following do you find most annoying when communicating via e-mail with business contacts?" Their responses:

#1	Receiving unsolicited large files	29%
#1	Unnecessarily being copied on "reply all messages"	29%
#2	Messages that are too long	16%
#3	Typos or grammatical errors	13%
#4	Having to scroll to find information	6%
#5	Other	7%

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From the Desk of Pat Palmer, Principal & CEO OF WESI

Customer Service Leadership – In Canada

As our readers are aware, Where Eagles Soar (WESI) continuously emphasizes the importance of customer quality service/satisfaction as the bedrock of loyalty and hence profitability. Amongst the major banks in Canada, some have made true commitments to this premise and their multi channel delivery networks.

We want to first recognize the TD Canada Trust number one overall rating for 2005 with solid first place scores in at least eight categories. Canada Trust always had a strong customer performance prior to TD's acquisition and obviously their combined focus is on the customer. Surely the staff is pleased with the results. Customers obviously are excited by their experiences. The TD Canada Trust promotion/ advertising multi media strategy was also synchronized with the customer satisfaction goal. In fact, they have run full-page ads in national, regional and local newspapers highlighting their achievement and, naturally, thanking staff and customers alike – a class act.

Scotiabank was in second place after five consecutive years with the top ranking. Rest assured Scotiabank is not slipping. They improved their year over year score. So the trend continues in the right direction. WESI expects even more emphasis from them on the customer-in perspective in the months ahead. This should be a great competition between Scotiabank and TD Canada Trust who have their focuses and actions in the right place.

Now it would be inappropriate to just mention the banks, since in reality the credit unions overall on an inter-industry comparative basis continue to outrank the banks in member/customer satisfaction. We do not have access to area market comparisons by all financial institution segments, which would be enlightening for everyone as practitioner and customers.

Sales and service culture development and maintenance is recognized by the most successful financial institutions as a core corporate strategy for the short and long terms and the abilities to execute this strategy will show up in research studies plus the bottom lines.

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The dedicated commitments organizationally, process-wise and people are normally synchronized to build continuous improvements and not one-off, or isolated actions. Truly you must walk the talk on both sides of the counter.

At WESI, one of our SVP's has developed a unique portfolio approach to customer service so that the results, if executed properly, are closer to loyalty reinforcement, which is the optimum goal. The portfolio of actions is complimented with visible messages throughout the organization and in the public arena. It is a total plan of integrated activities designed from a customer or member-in perspective so that the positive emotional linkages are made amongst staff and customers/members. If your plan is not producing progressive improvements, reassess your customer/member service commitment.

One Final Thought from Pat Palmer

Sources of Revenue

In recent articles I have highlighted the continuous narrowing of margins and fees from traditional sources and products within the financial services industry. On top of this trend, the pending slower rates of growth in the housing market – new and refinancing, add an extra dimension of revenue pressure. Twice in the last thirty days, two of my senior international contacts in the industry have explored the possibilities for new alternative sources of revenue. These brainstorming discussions have been mentally exhilarating and emotionally pleasing. Not once did either person extol the possibilities of simply increasing fees or charges on existing products or services as some of the less strategically creative individuals will activate without due consideration to customer erosion impacts. Essentially, this latter commodity approach, assumes that customers will continue to pay and the financial result is immediate. Others will contend that this strategy gets you short term gain for long term loyalty erosion – a premise WESI supports. Most commodity type advocates have not planned well enough in advance to have potential new flows of revenue from added products, services or experiences for current and new customers. The two individuals I was talking with are actively moving this way.

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Since WESI began, we have offered unique services to compliment a strategy of continuously new revenue sources. First there is the Channel Preference Research, which focuses on current and future preferences of customers/members. Within the question sets are exploratory items addressing future channels, products, services and important alliances. The results can be a real eye opener and generally they differ, as you would expect from one customer group to another in different countries and even within the same country. Asking the customer for preferred new sources of revenue is not new or novel, it is common sense!

Secondly, there are many sources of revenue growing quietly, and some quickly, within the global industry. Some applications may be opportunities with your particular customer base, or at least should be verified if that is the case.

Finally, you may need a completely new series of revenue generators, which can only be identified with experienced research and commercialization skills. Naturally, with this latter approach you can set the constraints and parameters which may be related to time-to-market, capital investments required, or strategic fit with current people, processes and technology.

The environments in most international markets would suggest that a strategic priority targeted at a continuous stream of alternative sources of revenue is well worth the investment of senior management's time. Waiting can only push you back into commodity competitions, which eventually erodes the organization's potential value. If you want to discuss your current situation, please call.