

You know you deserve some perks.
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TSX
11,245.37
▼ 10.02

DOW
10,883.27
▼ 6.17

NASDAQ
2249.42
▲ 2.93

DOLLAR
85.76¢
▲ 0.07¢

OIL
\$58.43
▲ \$0.15

GOLD
\$503
▲ \$0.30

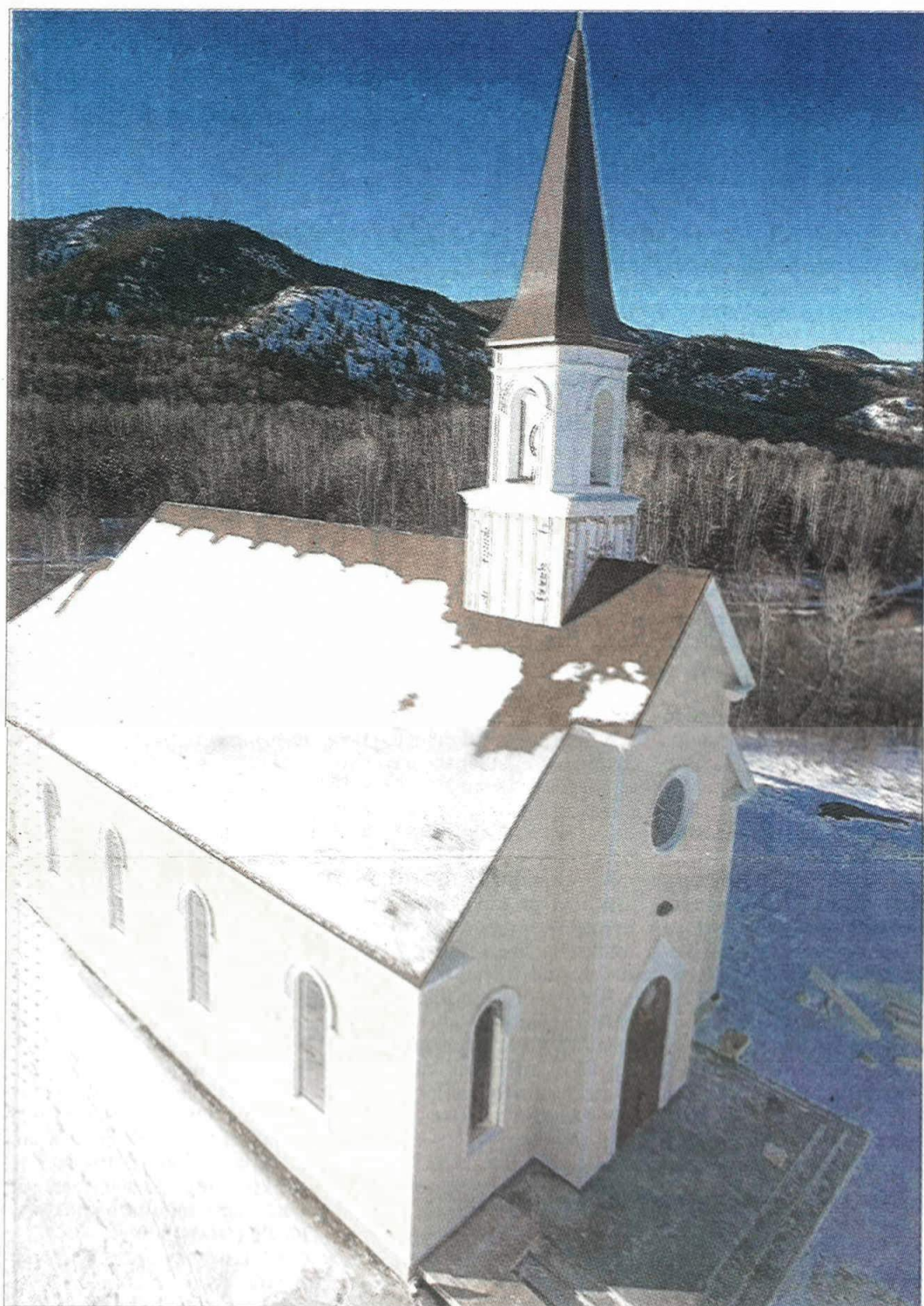
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BUSINESS

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Paul Desmarais Sr. and the people of Sagard have a relationship that goes back a long way. It's an arrangement that has worked well for the residents of the remote Charlevoix village and the retired financier

THE BILLIONAIRE'S CHRISTMAS GIFT



DAVE SIDAWAY THE GAZETTE

Paul Desmarais Sr. has spent about \$1 million to build this church in a style typical of the Sagard area. Workers expect to have it ready for Christmas mass.

MARK CARDWELL
SPECIAL TO THE GAZETTE

Never in his wildest dreams did Father Jacques Fortin imagine he'd be celebrating Christmas tonight in a new church in this remote corner of the Charlevoix region.

But he and the 162 residents of this mountain-bound village will do just that thanks to the largesse of Canadian financier Paul Desmarais Sr.

Desmarais has provided \$1 million to build the village a new pastel-yellow church. It's close enough to being finished to hold the 9 p.m. mass.

"The way things have been going for the (Catholic) church in recent years in Quebec, this was the last thing I expected," Father Fortin said. "It's all very exciting for me and my parishioners."

Desmarais's help with the church is only the most recent example of a mutually advantageous relationship between the Ontario-born billionaire and the people of Sagard.

While unemployment and depopulation are perennial problems in the outlying regions of Quebec, Sagard has been blessed with having as its neighbour the sixth-richest person in Canada, a man whose net worth, according to Canadian Business magazine, is \$4.25 billion.

Now retired, Desmarais remains a majority owner of **Power Corp.**, the Montreal-based, multinational management and finance behemoth.

"Some towns have factories. We've got (the Desmarais estate)," said Jean-Philippe Simard, a life-long Sagard resident and president of a local citizens' committee that represents the unincorporated village.

According to Simard, "several dozen" residents of Sagard and surrounding villages such as St. Siméon, 20 kilometres south on the St. Lawrence River,



CANADIAN PRESS

Paul Desmarais Sr. lives in retirement at Le Domaine Laforest, near the village of Sagard.



THE GAZETTE

(the estate has horse stables, hunting-dog kennels and pheasant-raising facilities), mechanics, carpenters, housecleaning and kitchen staff, security guards, office staff and foremen.

While visitors and part-time workers must use a telephone at the unmarked main entrance on Highway 170 to gain access to the estate, which is surrounded by forest-green fences, regular employees are issued electronic devices that automatically open the big iron gates.

Guards control access at a second security perimeter inside the estate close to the main residences.

Like Simard, many locals earn a little extra income as pheasant drivers during the half-dozen weekends each fall when the Desmarais family organizes shooting parties for their guests.

"There's a big fenced-in, forested area on the estate where there are thousands of pheasants," Simard said. "It's really something to see."

He said that he and as many as 20 other people walk slowly through the trees in order to drive the birds toward a line of hunters who wait in a clearing.

Simard said he's heard that as many as a thousand pheasants are taken in a single day.

A 1999 municipal tax evaluation of Le Domaine Forest placed its worth at \$1.7 million. The same evaluation estimates the estate's assets, which include 40 buildings and three immense residences, to be worth about \$25 million.

The newest and biggest home has been built since then on a hilltop that was flattened and reshaped, a project that villagers said required the removal of thousands of truckloads of material and took several years to complete.

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Having resources to sell is nice, but productivity is better



JAY BRYAN
ON THE ECONOMY

"We shouldn't forget how much of the good fortune of 2005 is based on factors beyond our control."

The past year has rewarded Canadians handsomely in many ways. Despite a nasty energy shock, the economy grew and most Canadians found the job market to be friendlier than it's been in decades.

But we shouldn't forget how much of this good fortune is based on factors that are not only beyond our control, but very likely to go into reverse at some point.

Right now, that's easy to forget. The past year has been so good to investors that they might feel like breaking out the New Year's bubbly early. Already

they've been richly rewarded by surging equity prices that boosted Toronto's stock market index more than 20 per cent. By comparison, the equivalent U.S. market yesterday, the S&P 500 index, clocked out a gain of just over four per cent.

That comparison helps to explain why foreign investors were happy to join our party, producing inflows of cash that helped push up the index a few more percentage points against the greenback. Its gains over the past three years are stunning, amounting to about 50 per cent.

The good cheer wasn't limited to investors, of course. Those

stock gains reflected corporate profitability that climbed to a record percentage of GDP.

Even better for the average worker, healthy job creation caused the unemployment rate to shrink. At 6.4 per cent, it's at the lowest level since 1974.

So what's the downside?

It's that our greatest prosperity is driven largely by a global boom in the resources we have in such abundance. From oil and gas to coal to industrial metals like copper and nickel, demand is strong and prices high. Even gold, which usually winks when inflation is low, has soared.

In the background, however,

things are not so encouraging. That's because the efficiency of this country's business system is lagging badly.

At some point, the resource boom will taper off, and when that day arrives, Canada will have to earn its way in the world like any other industrial nation by producing things as efficient as possible.

The usual measure of efficiency is labour productivity - the output an average worker can produce in an hour. In this measure, Canada's business sector remains far behind that of our key economic partners, the U.S. Indeed, we've actually slipped

further in the past three years.

Because labour productivity is a key factor determining how much a worker can be paid and still leave a profit margin for the boss, this is a big part of the reason why Canadians - even with our resource income - enjoy a standard of living only about 80 per cent as high as that in the U.S.

While there's no magic bullet that would close this gap, the clearest thing might be if Canadian firms were to make more use of the current era's most potent productivity tools: information technology.

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DAVE SIDAWAY THE GAZETTE

Jean-Philippe Simard (sitting on bench) gets a lift from workers Alain Lavoie (left) and Marco Houde, who a few days ago were putting the pews in place in Sagard's new church.

Dozens of area residents make their living working on the Desmarais estate, maintaining its private houses, stables and the golf course, which its designer — who fashioned 60 courses — calls the best in Canada

Sagard | Playground for celebrities

CONTINUED FROM B1

Guests at the housewarming party in 2003 were reported by the regional press to have included former prime minister Brian Mulroney, former premier Lucien Bouchard and former U.S. presidents George Bush Sr. and Bill Clinton.

The four, together with former prime minister Jean Chrétien, who is the father-in-law of Paul Desmarais Sr.'s son André, are believed to be only a few of the many jet-set tycoons, international heads of state and political and business movers and shakers from around the world who regularly drop in to fish, hunt pheasants or play golf on

the Desmarais's private course.

The golf course is a major attraction. Built by award-winning Canadian designer Tom McBroom, it is a full-scale, 7,000-yard course, complete with club house, three sets of tees on each hole and a full greens staff.

"I think it's the best course in Canada," said McBroom, who has designed more than 60 courses across the country and abroad.

"There are lovely backdrops on every hole. They're all memorable."

Like the Desmarais, many guests fly directly to the estate in Desmarais- or Power Corp.-owned helicopters. Others fly in to the small regional airport

near La Malbaie, which has been upgraded in recent years to accommodate Challenger jets.

Once landed, they are driven to the estate in one of its fleet of luxury vehicles and SUVs. There, guests can enjoy the use of snowmobiles, all-terrain vehicles, boats or Sea-Doos, depending on the season.

While local friends and families share stories among themselves about the kingly fashion in which the Desmarais live, Simard said few recount them to outsiders.

"Like in any small place, people are suspicious of strangers," he said. "But people here know, too, that the Desmarais family doesn't like people talk-

ing about their affairs."

A few residents who came to the village's only dépanneur, talked about what they knew or heard of concerning life at Le Domaine Laforest, but when told they were talking to a reporter, they clammed up.

"You should leave (the Desmarais) alone," snapped one woman who works part time in the offices at the Pavillon de chasse, the massive manor that the senior Desmarais called home before his new abode was built.

"They deserve their privacy." Despite their tight lips, Simard said many Sagard residents both wonder and worry privately what will happen to the Desmarais estate — and their jobs —

when the family's patriarch passes on.

A full-time resident of Le Domaine Laforest for the past five or six years, Desmarais, 78, suffered last spring what one senior Power Corp. official called "a minor stroke."

An official with the regional hospital in La Malbaie confirmed Desmarais has been admitted to the facility "a few times" since then.

His most recent visit was in early December, when he underwent what Ted Johnson, head of investor relations at Power Corp., termed a "minor surgical intervention" and was released the same day.

"Mr. Desmarais is in good health," assured Johnson.

Though Desmarais retired from active participation in Power Corp. in 1996, leaving its day-to-day operation to sons André and Paul Jr., who took over as co-

on his estate," Father Fortin recalled from his one and only meeting with the financier last spring.

"But he thought that, since ours was in such bad shape, why not build one here?"

"What he originally wanted was for people here to build a new church themselves and he would act as the financial backer," Fortin added.

When his parishioners showed little interest in that proposal, the priest said the billionaire's offer "quickly evolved" into a donation of the new turn-key church that is currently under construction.

In return, the people of Sagard pledged to pay the approximately \$12,000 a year it will cost to maintain and operate the new building.

"This way, everyone benefits," Fortin said.

Power Corp.'s Johnson said he was unaware of the sequence of events in what he called "a private family affair."

The new church is built at a picturesque, isolated bend in a river on the same spot where the rugged pioneers who carved this community from the forests of the Canadian Shield put up the old chapel a century ago.

Among other things, the new building will feature an organ, wooden carvings, paintings of the steps of the cross, a mural of paintings by local children, and the hand-pull bell from the old chapel.

"It's going to be a thing of beauty," Fortin said.

He didn't know if, as rumoured, Desmarais would attend tonight's service in the new service.

"I hope he does," Fortin said. "I think many people would like to express their gratitude."

Simard said he'll be among those people. "A free new church is a great deal for us," he said.

Well, perhaps not entirely free.

While Revenue Canada officials were reluctant to speculate about whether or not the cost of building a church for a community is tax deductible, a department brochure that provides income-tax information concerning gifts suggests it would be, indeed — with the right financial planning.

When asked if he considered the possibility that Canadian taxpayers might end up footing the bill for Sagard's new church, Simard simply smiled and shrugged.

"It's like people say," he said. "Never look a gift horse in the mouth."



DAVE SIDAWAY THE GAZETTE

The entrance to Le Domaine Laforest: regular employees are issued electronic devices that automatically open the big iron gates.

Desmarais roots in area go back to '60s

Canada Steamship owned estate

According to people around Sagard, Paul Desmarais Sr. has been a regular visitor to the area since taking control of Power Corp. in 1968.

Power was originally a hydro-electric giant (hence the name) whose Quebec energy-making assets were nationalized by Jean Lesage's Liberals in 1962. It became a holding company that owned controlling shares in several big Canadian companies.

Chief among the companies Power Corp. controlled was

Canada Steamship Lines, which was a major landowner in the Charlevoix region.

In addition to the prestigious Manoir Richelieu, the company owned or leased vast tracts of lands an hour's drive to the northeast, in and around Sagard, where it and several other large companies operated fishing camps for well-heeled tourists or company executives and their families, friends and clients.

"They were a welcome sight," Sagard resident Jean-Philippe Simard said.

Growing up in a poor farming community that straddled a

rough dirt road (now Highway 170) that was impassable in winter when the snow was up to three metres deep, Simard, now 72, said the camps offered him and several of his friends the chance to earn a few dollars a day guiding almost exclusively English-speaking fishermen.

"It was the only money we ever saw," said Simard, who later followed his father into the bush as a lumberjack.

"There wasn't much going on here then. We were cut off from the world and lived by our wits. We lived more like Indians than white people."

The rugged natural beauty of

this area must have caught Desmarais's eye. A study of land titles of one of the biggest of the dozen lots he and his family now own here show that, in the fall of 1976, before he sold CSL to Paul Martin, the father of the current Canadian prime minister, the company sold the 21,000-acre lot to Power Corp. for \$1.

Since then, the property has been sold and resold for the same price between Desmarais and a number of private holding companies that contain his family's vast fortunes. The lots are now consolidated in Le Domaine Laforest.

MARK CARDWELL

"Desmarais wanted to help the community and he did."

Ted Johnson, Power Corp.

CEOs, he remains the company's largest shareholder.

"One of the many outstanding things Mr. Desmarais has done in business over the years is carefully planning and executing the transition and succession of the management and the company to his sons," Johnson said.

As for the new church, Johnson said the reclusive billionaire did not want to comment publicly on his unusual gift to the village of Sagard.

"It's a personal matter for Mr. Desmarais," Johnson said. "He wanted to help the community and he did."

For his part, Simard said people here overwhelmingly approve. One reason, he said, is that the old chapel in which he was baptized had become both an eyesore and a safety concern in recent years.

Another reason, he added, is that, unlike many communities in Quebec, where churches are being shuttered up rather than built, "about a quarter" of Sagard's residents still attend church on Sundays.

That, he said, explains why people here accepted the offer Desmarais made last spring through Father Fortin and a few local church officials to replace the village's dilapidated old chapel with a brand new one.

"He said he'd been thinking about building a private church