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# CAFII ALERTS WEEKLY DIGEST: October 27 – November 3, 2023

November 3, 2023

*The CAFII Alerts Weekly Digest is intended to provide a curated compendium of news on insurance, regulatory, and industry/business/societal topics of relevance to CAFII Members – drawn from domestic and international industry trade press and mainstream media – to aid in Members' awareness of recently published media content in those areas.*

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## GOVERNMENT/LEGAL/REGULATORY DEVELOPMENTS

### Ottawa Should Reject RBC's Deal to Buy HSBC Canada, Finance Committee Says

*By Stefanie Marotta, The Globe and Mail, November 2, 2023*

The House of Commons finance committee is calling on the federal government to block Royal Bank of Canada's proposed takeover of HSBC Bank Canada, saying that the deal would hurt competition in the financial services industry.

Britain-based banking giant HSBC Holdings PLC announced plans to sell its Canadian subsidiary in October 2022, as part of a broader move to divest from certain markets globally, prompting a parade of interest from rival banks that culminated in RBC's $13.5-billion offer clinching its spot as the victor. The deal received its first key approval in September when Canada's Competition Bureau green-lit the takeover, saying that it was unlikely to substantially harm competition.

But the prospect of RBC – the country's largest lender – scooping up the seventh biggest bank as it moves to exit the Canadian market has drawn the ire of opposition parties in Ottawa.

In a report tabled by the finance committee in the late evening on Wednesday, November 1, the group recommended that Finance Minister Chrystia Freeland – who has the final say on the deal – reject the merger. Each of the six opposition party members on the committee voted in favour of the motion, while the six Liberal members abstained.

The Conservative-led motion said that Canada's competitive "intensity" is in decline, that the "very few" financial institutions in the Canadian banking sector represent a lack of competition, and that the loss of a lender could cause banking fees to rise.

The committee did not comment on British HSBC's decision to pull its Canadian subsidiary from the market, nor did it offer any alternative option for what could become of HSBC Canada if Ottawa were to terminate the deal.

RBC spokesperson Andrew McGrath said in an e-mail statement that the deal provides HSBC's Canadian clients with continuity and stability, while keeping more financial sector jobs in Canada.

"HSBC Canada's parent company has announced their decision to exit the Canadian marketplace, leading to uncertainty for HSBC's 700,000 Canadian clients," Mr. McGrath said.

In an exclusive interview with The Globe in October, Conservative Leader Pierre Poilievre said that Ms. Freeland should not approve the deal because it would reduce banking competition at a time when homeowners are struggling with high borrowing costs.

Mr. Poilievre and Conservative members on the finance committee have said that HSBC should not be "removed" from the market since it tends to offer more competitive mortgage rates than its larger rivals. But HSBC put itself on the auction block last year after trimming its operations in other countries, including Brazil, France, and the U.S., to re-allocate resources to areas where it has greater growth opportunities.

Canada's big banks had long coveted HSBC Canada for its strength in commercial lending and mortgages. When it launched a sale as part of a strategic review, it offered its competitors the rare opportunity to substantially grow their operations domestically through an acquisition. The takeover would bolster RBC's dominance over its rivals by tens of billions of dollars in loans and deposits.

In May, the Competition Bureau launched a public consultation requesting comments on how the deal could prevent or lessen competition in financial services. It received more than 1,500 submissions from Canadians.

In its report in September, the Bureau said that it reviewed concentration in the sector, and found that market share changes after the proposed merger would not exceed the level where the Competition Commissioner would decide to challenge it.

But in mid-October, the Bureau unveiled a separate report on competition across Canadian businesses more broadly. It said that competition has declined over the past two decades as industries have become more concentrated and less dynamic. It added that the most concentrated industries have become less efficient and have hiked prices as the number of rivals has declined.

The federal Finance Department has conducted its own public consultation on the deal. In June, it asked for submissions from industry stakeholders and the public to collect feedback on how it could affect the financial sector. The take-over also requires approval from Canada's banking regulator, the Office of the Superintendent of Financial Institutions.

Read Story (Subscription Required): https://www.theglobeandmail.com/business/article-ottawa-should-reject-rbcs-deal-to-buy-hsbc-canada-finance-committee/

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## Regulators Impose Multi-Million Dollar Fines On RBC Over Accounting Violations

*By James Berkow, The Globe and Mail, November 2, 2023*

Royal Bank of Canada has agreed to pay regulators in the United States and Canada millions of dollars in fines for violating the accounting standards provisions of securities laws in both countries over more than a decade.

The U.S. Securities and Exchange Commission said on Thursday, November 2 that RBC failed to accurately account for the costs of its internally developed software from 2008 through 2020. RBC has agreed to pay a US$6 million penalty to settle the charges, the SEC said.

The Autorité des marchés financiers and the Ontario Securities Commission, the regulators in Quebec and Ontario respectively, also announced settlements with RBC on Thursday, November 2 for the same conduct. RBC has agreed to pay $2 million in Quebec, the AMF said in a statement, while the OSC's Capital Markets Tribunal has scheduled a hearing for Friday morning, November 3 to decide whether to approve the bank's settlement agreement with Ontario, the terms of which were not disclosed.

"Royal Bank of Canada had long-standing internal accounting control deficiencies that it failed to adequately address," Nicholas Grippo, the SEC regional director for Philadelphia who was part of the American investigation, said in a press release.

According to the OSC's statement of allegations, RBC's annual spending on internally developed software doubled over the course of a decade, rising from $658 million in 2011 to $1.3 billion by 2022. The OSC found that the bank had incorrectly recorded some of its software development costs as intangible assets that should have been expensed.

It also found that some software-related assets which should have been written off had remained on the bank's balance sheet because RBC lacked an effective process to identify and report impaired assets, such as projects that were cancelled before completion. From at least 2017 through 2020, RBC also lacked sufficient documentation for professional fees paid to third-party contractors, the OSC said.

No evidence of dishonest or abusive conduct on the part of RBC was discovered, the OSC said. The investigation also did not uncover evidence of harm or loss to investors and the regulator noted that RBC "has taken corrective actions designed to address the deficiencies and prevent the re-occurrence of similar events in the future."

RBC said that the issues identified by the three regulatory bodies have been addressed and there should be no need to restate any financial statements.

"While it was not large enough to be material to our financial statements, we thoroughly investigated and took action to remediate our processes," RBC spokesperson Gillian McArdle said in an e-mailed statement. "We hold ourselves to the highest standards when it comes our financial governance and controls to ensure that we meet or exceed our regulators' expectations and the expectations we have for ourselves."

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## Meet Scotiabank's New Boss, Wildly Different From The Old Boss

*The new CEO at Scotiabank, Scott Thomson, is the polar opposite of his hard-edge predecessor. But can he reignite the bank at home and abroad?*

*By Stefanie Marotta, The Globe and Mail, October 26, 2023*

Scott Thomson's wife bought him four red ties for his 53rd birthday, just days before he formally stepped into the role of chief executive officer of Bank of Nova Scotia in February. After six years on its board of directors, he was about to become an employee of Scotiabank for the first time.
Since he was announced as the new CEO in late 2022, Thomson had been wearing the only red tie he owned day in and day out. Scotiabank's logo is red, and he needed more of the ties to match his new gig.

Moving from the bank's board of directors to the top executive job doesn't fit the typical path of a Big Bank CEO. Toronto's financial district is a chessboard of towers topped with bank logos championed by lifelong bankers. Potential CEOs are meticulously trained and groomed, often for decades. When a new CEO takes over—even after an internal power struggle—they already have some name recognition among employees and with investors.

But Scotiabank stunned Bay Street last year when it passed on internal candidates and tapped a board member for the CEO role. While directors are well known to senior executives, the average employee doesn't pay attention to, or directly feel, the machinations of board decisions. Most of Scotiabank's tens of thousands of corporate, branch, digital, commercial and wealth management employees had probably never heard of Thomson.

Instead of chasing deals on the capital markets floor or overseeing thousands of frontline retail bank employees, he'd spent his career visiting mines as CEO of construction equipment dealer Finning International Inc. and, before that, working on the corporate side of telecommunications. But Scotiabank's board bet that his outsider perspective and previous experience as a CEO would be the key ingredients the lender needs to turn around its disjointed operations.

Scotiabank was—and still is—in the throes of its own identity crisis. The bank's share price has underperformed its peers over the past decade. Bank of Montreal has overtaken Scotiabank in market capitalization, so Scotia dropped from Canada's third-largest bank to fourth. The threat of a recession and a stricter regulatory regime has weighed down bank stocks for almost a year. Inside Scotiabank, many employees have spent years walking on eggshells, feeling uncertain about the security of their jobs and whether their careers could develop at the bank.

Much of the anxiety is the legacy of Thomson's predecessor, Brian Porter, who stepped down as CEO in January after four decades at Scotiabank. He cultivated an image as somewhat of a tough guy—inside and outside the bank.

Porter ushered in a new workplace culture, seeking to shift the bank from the familial environment fostered under his predecessor, Rick Waugh, filled with lifelong staffers who'd grown comfortable there, to one that encouraged performance and a stronger desire to compete.

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Porter wanted to bolster the bank's focus on customer satisfaction and to measure itself more closely against rivals. But some employees and executives thought he took his vision too far, instead cultivating an uneasy environment where employees felt on edge, and many were either shown the door or left out of hopelessness.

After nearly a decade of this dynamic, Thomson wants to ease the pressures and win over allies both inside Scotiabank and externally. Before the end of the year, he plans to launch a turnaround strategy aimed at igniting Scotiabank's beleaguered share price by growing its deposit base in Canada, and by refocusing its traditionally extensive operations in Latin America. But a major part of the plan hinges on Thomson's ability to encourage Scotiabank's more than 90,000 employees across dozens of different businesses to march to the beat of the same drum.

"The challenge is that it takes time and a different approach. It hasn't been the way this bank has operated," Thomson says in an interview in his Toronto office in mid-September. "It's something that as a team, we are spending a lot of horsepower on now."

Eight months into his tenure, on a sunny morning in September, Thomson—wearing a red tie speckled with white flecks—walks into a Scotiabank branch in downtown Toronto. Since he took on the job, he has sporadically popped into branches across the country, to the surprise of frontline staffers.

To help launch his new strategy, Thomson has been getting to know the people who run its businesses and who face Scotiabank customers every day.

At the branch, he asks employees about the types of personal banking customers they deal with, whether they also have relationships with the bank's wealth management and small business banking units, and what tools and training the employees need to cross-sell more products and services.

The bank has to build up its deposit base—an important source of funding for bank loans—and it needs each of its businesses working together to make that happen. "The biggest opportunity is an enterprise-wide approach as opposed to a silo-based approach," Thomson says. "The opportunity is starting with my team and making sure everyone around the table is thinking about the enterprise as much as their individual functions or business line."

The immediate hill Thomson has to climb is to strike the right shift in tone on the bank's culture. Porter had worked at Scotiabank for more than three decades when he landed the top job. During his nine-year tenure as CEO, he built the bank's wealth management unit, streamlined its international businesses (traditionally the most international of Canada's banks, Scotia has extensive operations in the Caribbean and Latin America) and invested in technology.

But the moves to boost growth failed to capture investors. Scotiabank's share price slumped about 20% over the past five years—the worst performance among the Big Five banks.
During Porter's tenure as CEO, many executives parted ways with the bank, whether because they were nudged out or left of their own accord.

When it came time for the board to select Porter's successor, it eventually deemed the internal candidates not yet ready for the promotion. Meanwhile, Thomson, who was chair of the board's human capital and compensation committee, was recused from board and committee meetings when he decided to try for the CEO job himself.

He was an unlikely contender at first, but his corporate experience is extensive. Thomson worked outside the banking industry for two decades, traversing some of Canada's largest industries. Earlier in his career, he was an investment banker at Goldman Sachs. He left the banking sector to join BCE Inc. in 2003 before becoming the chief financial officer of Talisman Energy Inc. A decade later, Thomson became the CEO of Finning, a role he held for nine years.

Finning is the largest dealer of Caterpillar equipment in Latin America and in the copper-mining industry in Chile, which means Thomson brought significant experience overseeing operations in some of Scotiabank's most important markets.

When Thomson interviewed for the chief exec job at Finning, he didn't have the resumé the company was looking for at the time, either. He was just 43, and he'd spent years overseeing balance sheets and income statements at Talisman. Finning's board was searching for a seasoned executive in their 50s with experience leading a company's operations, according to Doug Whitehead, former CEO and now chair of Finning.

"But boy, when we met with him, when we saw his leadership capabilities, when we saw his interpersonal skills, it was outstanding," Whitehead says. "He was smart enough to realize that there were some issues at Finning. He was able to read all the financial statements, put together a pretty compelling strategic plan even before he joined the company."

Ten years later, it's a bit of déjà vu all over again. Thomson finds himself plotting another turnaround plan, this time for one of Canada's largest banks.

On a long shelf above the desk in Thomson's office, business books punctuate the gallery of framed artwork that his children drew for him.

"My kids saw my office for the first time about three months ago, and they were very intently looking at all the art and counting who had the most art. I learned my lesson from that. So, I made sure that I have both of them," he says, pointing to two paintings of Pikachu, a popular character from the anime Pokémon, each signed by his two children.

Next to the paintings sit a row of books, including one on the history of Scotiabank and the other on leading a company through periods of uncertainty. But the book that he reaches for most often sits on his desk closer to his computer.

It's titled The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth. "The one that is relevant for what we're doing is this one," Thomson says, picking up the book. "The point here is psychological safety and how you create a culture where people feel like they could bring their best to work."


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"In this organization, we have not had the cadence or the structure to necessarily encourage all perspectives to come to the fore," he continues. "If you can do that—which I think we've been doing quite well in the last nine months—ultimately, you'll get to a better answer. And people will feel good about work every day and bring their best selves, and therefore you become an employer people want to work for."

The book helped provide context for the turnaround plan Thomson has been trying to implement. "You can't set the path for going forward until you recognize the areas for improvement," he says. "You have to create the platform for change, and we spent a lot of time as a team highlighting why. There were a lot of different perspectives, and you had to get through the anecdotes and the perceptions and get down to data to understand the reasons for the underperformance. Once you do that, you have to come together as a team to paint the North Star, and that's what the last nine months have been about." First, Thomson had to sit down with the group heads—global banking and markets division head Jake Lawrence, Canadian banking head Dan Rees and international head Nacho Deschamps—who had been considered internal frontrunners for the CEO job. The big question on Bay Street was whether they would choose to stay.

"I look at the opportunity working with Scott and the rest of the leadership team, and I think we find ourselves in a fantastic spot to really drive change and better returns in the coming years," Lawrence says. "That's a great business opportunity for me personally."

As an extra incentive to stick around, Rees and Lawrence both received one-time stock awards valued at $1.5 million apiece due to the "importance of maintaining the overall strength of the leadership bench, and the future potential" of the executives, the bank said in a proxy circular in March.

Thomson puts a premium on the expertise of his leadership bench. Beyond the daily financial labyrinth, he's navigating with the strategic refresh, encouraging his team to share ideas and feedback is at the forefront of his decision-making process.

To bring Scotiabank's disparate teams together, Thomson hosted "challenge" sessions with senior leaders at the bank—the people who run the various segments across its business lines. During the meetings, executives made presentations about their units and the issues they're navigating. EVPs from other segments of the bank asked questions and provided feedback and analysis of their plans.

The point of these meetings is to encourage leaders from across the bank to think critically about how their divisions are connected to the others and encourage them to speak openly about the concerns they face. "When our leadership team sits down now, people recognize what we're working on and the importance of it and how important it is to be engaged," Lawrence says. "I feel very comfortable offering feedback on different parts of the bank, and I feel very comfortable receiving feedback from different parts of the bank."

Thomson has also ushered in a broader leadership shakeup as he builds Scotiabank's executive pipeline. He tapped four seasoned external candidates to join him at the senior leadership table.


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In April, Deschamps retired after seven years—he also gifted Thomson a red tie—as the lender brought in a new hire, Francisco Aristeguieta, formerly executive vice-president and CEO of Boston-based bank State Street Corp.'s institutional services unit.

Jacqui Allard left her post as Royal Bank of Canada's executive VP of personal financing products and joined Scotiabank in September as deputy head of global wealth management. She'll succeed Glen Gowland as group head of global wealth management on Jan. 1, when he transitions to an advisory role as vice-chair.

Aris Bogdaneris, formerly the head of retail banking at Amsterdam-based ING Group, took on a newly created role as group head of digital transformation, Tangerine (a Scotiabank subsidiary), and marketing and analytics. Jenny Poulos, formerly an executive at RBC, joined the lender in early October as deputy chief human resources officer and will be promoted to chief on Dec. 4. She replaces group head and chief HR officer Barb Mason, who is retiring after more than 40 years with Scotiabank.

Thomson also promoted chief risk officer Phil Thomas, who has been with the bank for 26 years and in his current role for two, to the role of group head and chief risk officer. And he expanded and shifted the roles of four executive VPs.

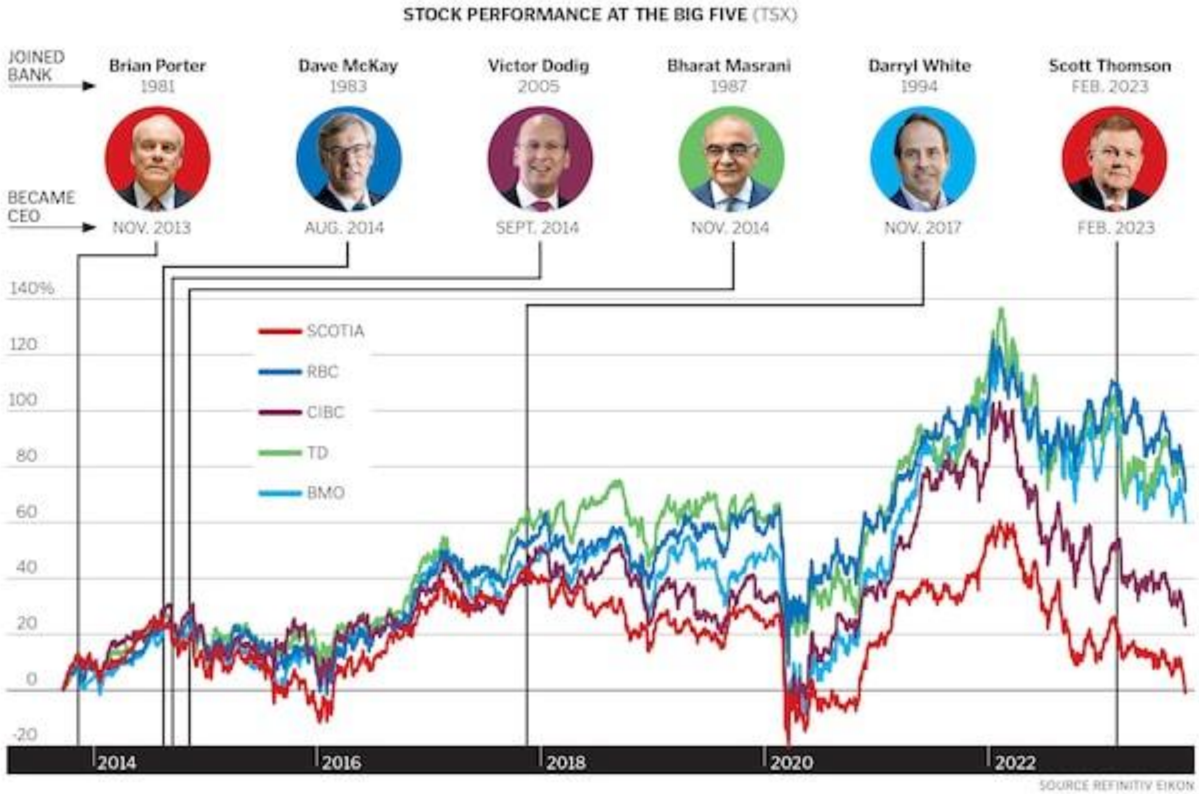
"I need people around me who have deep expertise in banking. There are a lot of benefits that come with an outside-in perspective, but we also need to recognize that these are complex organizations and banking expertise is important," Thomson says. He is "making sure we maximize the internal talent in the organization—and we have great internal talent that can be developed, along with progress in the organization—but we also needed outside perspectives. Bringing people in like Francisco, Aris, Jenny and Jacqui, who have seen the world from a different perspective and have very deep expertise, that will be a powerful combination of great internal capabilities and very deep external experience."

September is conference season in banking. The top executives of Canada's largest lenders zip across Canada and over the border to the United States to speak to auditoriums full of investors and meet with their shareholders for face-to-face discussions. Scotiabank hosts one of those conferences every year. A Scotia session in September was Thomson's first time kicking off a round of fireside chats with bank CEOs.

As investors asked the new CEO questions, two major themes emerged. They wanted to hear about how the bank assesses its stability and liquidity—a concern that has stretched across the sector since the collapse of Silicon Valley Bank in March—and how Scotiabank plans to reallocate resources among its businesses as it rejigs its operations.

Since Thomson's first month as CEO, he has signalled to investors that significant strategic changes are coming. He has since launched a company-wide "refresh" to address investor concerns that stem from years of paltry returns. Thomson has said repeatedly that Scotiabank's share-price underperformance relative to its rivals has been unacceptable.

"Scott is speaking truth when he says that the bank's performance hasn't been what it needs to be," says Rob Prichard, current chair of Torys LLP and former chair of BMO. He worked with Thomson while they were both on the board of the Weston family's holding company. "He was a member of the [Scotiabank] board of directors himself, so it's not like he's saying it's the other guys that messed it up. He's acknowledging a hard truth, and he wants to organize a team so that they'll perform better going forward... And Scott has all the personal talents, character, determination and ambition to do it successfully."




As part of the new strategy, Scotiabank is focusing on growing the lender's Canadian deposit base and on rejigging its operations in Latin America.

The first is a tall order. Canada's domestic banking industry is highly saturated, dominated by five behemoth banks. Making inroads in the highly competitive market requires drawing customers from rivals—a game of tug of war that all the lenders play in perpetuity. Scotiabank has leaned heavily on lending out money. The bank's relationship with its customers typically hinges on a mortgage or other loan. This is immensely valuable for Scotiabank, because banks make a lot of money from loans, but that strategy alone won't bolster its ambitions for growth.

Simply put, Scotiabank needs its customers with credit products to bring over their cash. This is a major reason that explains why Thomson needs his leadership team and their separate businesses to talk to each other more often. Customer relationships are complex and often include many layers.
A client who invests savings with Scotiabank's wealth management unit could also be a business owner and a homeowner with commercial deposits and a mortgage at a rival bank.

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This strategy in banking isn't new. Many Canadian banks have already employed it in recent years. But at Scotiabank, the key to making it work is improving its employee culture.

Banks also need deposits to fund loans, and there are no deposits "stickier"—or the least likely to be pulled out in times of economic stress—than those from personal and commercial banking customers. Thomson plans to grow Scotiabank's operations in British Columbia and Quebec, markets where he believes the bank is under-represented. That could require re-allocating resources from its international businesses to its operations on its home turf.

Thomson has also signalled that the returns the bank has garnered in Latin America haven't been worth the level of risk. A new strategy will cast a spotlight on Mexico to make inroads in the Latin American trading bloc known as the Pacific Alliance—which also includes Peru, Colombia, and Chile. Scotiabank is a top-five lender in Mexico, and Thomson plans to compete by targeting industries that benefit from Mexico's export agreements—largely with the U.S.—by growing the bank's commercial, wholesale and wealth management businesses in the country. "We have to recognize that we've deployed a lot of capital into the Pacific Alliance countries, and we haven't seen the returns commensurate with the risk in those environments," Thomson says. "And we have opportunities for growth in our home market, in the U.S. and Mexico. A moderation of the capital deployed at some of these emerging markets, and an acceleration of that capital to some of the markets where we have opportunities for growth at higher risk-adjusted returns, is going to be essential."

These remarks have prompted investors and analysts to wonder if Scotiabank will divest from certain regions. The lender's business in Colombia has under-performed operations in other countries. Scotiabank's return on equity—a key industry metric that measures profitability—was negative 2% in Colombia in the second quarter, far below the other Pacific Alliance countries, with Mexico posting 21%, Peru at 19%, and Chile at 10%.

Latin America has always been a challenging banking region. The countries' markets are vastly different, and their economies are difficult to predict. Each market faces its own political barriers, causing uncertainty for businesses and customers. Further complicating matters, the banking culture in Latin America diverges from Canada's: People tend to distrust lenders and carry less loyalty to their local banks. And loan delinquency rates tend to be higher, especially as interest rates have spiked faster and further than in Scotiabank's home market.

With 30,000 employees across the region, the task of cultivating a consistent workplace culture is also a challenge. Before Aristeguieta joined Scotiabank as the head of international banking, he spent more than three decades working in markets that include Latin America, North America, Asia, Europe and the Middle East.

"I've learned through the years living everywhere around the world that culture is everything, and you need to be very respectful of culture and the role it plays in success," Aristeguieta says. "I'm very impressed with [Scott's] ability to manage a group of people that have come from a journey with another leader with a very different style and very different approach, and how he's been able to transform the engagement, participation, inclusion and way we interact with each other.

It's yielding much better outcomes in terms of the quality of the decisions we're making and bringing everybody together in a way that I understand was harder in the past."

Back at the branch in Toronto, Thomson walks down the row of financial advisers' offices. Many of the employees proudly proclaim that they've just been "elevated." The program allows branch employees to study and train to achieve special certificates that, once obtained, give them automatic promotion to senior ranks within the branch's sales force.

It also incentivizes employees to grow within their branch, rather than leaving for another—and taking the institutional knowledge of their clients with them.
"Ultimately, people want to be respected, and they want to be developed," Thomson says, walking past skyscrapers from the branch to his office. "If you can show them a path, that doesn't mean they're going to be with you forever, but how important is continuity to the client? Having that relationship and people who know the client is so important."

Read Story (Subscription Required): *https://www.theglobeandmail.com/business/rob-magazine/article-scotiabank-new-ceo-scott-thomson/*

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## Scotiabank Head Of Retail Banking Departs As New CEO Prepares To Unveil Strategic Overhaul

*By Stefanie Marotta, The Globe and Mail, November 2, 2023*

Bank of Nova Scotia head of Canadian banking Dan Rees is leaving the lender after more than 20 years as it prepares to unveil its strategic turnaround plan in December under the new leadership of chief executive officer Scott Thomson.

Scotiabank said in a press release late on Thursday, November 2 that Mr. Rees is leaving to pursue other opportunities. Banking veteran and Scotiabank newcomer Aris Bogdaneris has taken over as head of Canadian banking, taking on an expanded mandate since the lender announced a major leadership shake-up in late August.

Mr. Rees was considered a front-runner for the CEO chair before the bank announced former board member Mr. Thomson as the successor to Brian Porter last year. Jake Lawrence, CEO and group head of global banking and markets, was also considered a top candidate.

In its proxy released in March, the bank said it gave each of them a one-time stock award valued at $1.5-million in recognition of the "importance of maintaining the overall strength of the leadership bench, and the future potential of Mr. Lawrence and Mr. Rees."

Mr. Rees joined Scotiabank in 2000 and has held positions across Canadian banking, wealth management, global banking and markets, global risk management, and international banking.

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"Dan steered our Canadian banking business through the global pandemic, introducing new services and implementing relief programs that helped our customers manage through uncertainty," Mr. Thomson said in a statement. "As a result of Dan's efforts and client focus, our Canadian banking business has built a strong foundation for future growth."

In addition to Mr. Bogdaneris' role overseeing digital transformation, online bank Tangerine, and marketing and analytics – a newly created position at Scotiabank – he will also lead the personal and commercial banking businesses.

"Investing in Canada, including bringing all of our physical, digital, and advice-based channels closer together to deliver trusted and personalized solutions for our clients, will enable us to win more primary client relationships," Mr. Thomson said in an internal memo viewed by The Globe and Mail.

Formerly the head of retail banking at Amsterdam-based ING Group, Mr. Bogdaneris spent more than 25 years working at financial institutions across Europe and North America, overseeing multi-country operations and global divisions.

With his expanded role, Mr. Bogdaneris finds himself at the core of Scotiabank's strategic shift. Scotiabank has been focused on building its deposit base, which Mr. Thomson has said will be a major feature of its turnaround plan. Growth in the bank's deposits will help it lend more money – a key combination that Mr. Thomson has said will bolster the lender's domestic business.

Mr. Bogdaneris joined Scotiabank as part of a suite of internal shifts and promotions unveiled in August. Former Royal Bank of Canada executive Jenny Poulos will be promoted to chief human resources officer on December 4, replacing group head Barbara Mason, who is retiring after more than 40 years with the bank.

Scotiabank also scooped up Jacqui Allard, former RBC executive vice-president of personal financing products, to succeed Glen Gowland as group head of global wealth management on January 1, when Mr. Gowland transitions to an advisory role as vice-chair.

In April, Scotiabank brought on Francisco Aristeguieta, from Boston-based bank State Street Corp.'s institutional services unit, to lead its renewed focus on Latin America after Scotiabank's head of international banking Ignacio Deschamps retired.

Read Story (Subscription Required): [Scotiabank head of retail banking departs as new CEO prepares to unveil strategic overhaul – The Globe and Mail]

## Data Is The Precious Asset We Chronically Undervalue

*By Bob Fay, The Globe and Mail, October 29, 2023*

*Bob Fay is the managing director of digital economy at the Centre for International Governance Innovation (CIGI) and co-chair of the IARIW-CIGI conference on the valuation of data.*

Data has been referred to as the new oil, the oxygen of AI and even the new plutonium. No matter the analogy, it's clear that data is broadly deemed to have value. That's as it should be. Data is at the heart of our intangibles-based economy. It's central to innovation and new technologies such as generative AI. And it's the foundation of all social media platforms. Data is, quite literally, transforming existing businesses and creating new ones as we speak. It is the principal driver of economic growth and wealth in this era.

Surely something this valuable must have a well-defined method of valuation? But no. That is not the case. And this needs to change, urgently.

This is not to say that there haven't been efforts in the right direction. Statistics Canada produced experimental estimates in 2019 in the range of $200-billion for Canada alone. To put that in perspective, StatsCan has estimated the value of Canada's oil reserves at about $300-billion.

Others point to the market capitalizations of so-called big data companies such as Google, Amazon, Apple, and Meta, which are in the trillions of dollars (though the book values of their tangible assets of these firms are in the billions, the difference being the inferred value of data.)

But the truth is that even accountants, whose job it is to value assets, including intangible ones, haven't yet figured this out. Importantly, the value of data to a firm is not necessarily its value to society.

When data is aggregated, it can reveal highly beneficial new insights – for example, new treatments in health care, improvements to traffic flow, tracking pandemics, a better understanding of climate change and the like.

Conversely, aggregated data can be used for practices that are invasive and socially harmful, including the erosion of personal privacy, greater economic concentration and less competition, the promotion of disinformation, electoral interference, and even genocide.

These factors shed light on why no ideal, standardized methodology has yet emerged to measure data's value either to the individual, to a firm, or to society; it depends on its use in a particular context. This context, in turn, is framed by governance – the rules and regulations that determine how data can be used, which of course vary across jurisdictions. But it also reflects a lack of laws and regulation, or the inability to enforce them, especially around uses of personal data.

This leads to very important policy implications for Canada. First, there are pre-notification rules when a merger takes place – should revenues or assets be above a certain threshold, they must be reviewed by the federal Competition Bureau.

If the purchaser is a foreign company, it also must also comply with the Investment Canada Act. In neither case is the value of data assets currently included in that assessment. Yet acquiring the data may be the main purpose of the acquisition, with implications for the protection of personal privacy, competition, and even national security. This is an enormous regulatory gap.

Second, private sector data is essential for the crafting of sound policy. Yet firms may be unwilling, unsure, or incapable of sharing that information, despite the fact that it could be used to benefit society. To unleash that value of data, firms need clear intellectual property rules, regulations, and standards related to data use and re-use, as well as clear rules on data mobility. This, in turn, requires sound privacy legislation, including in the areas of de-identification and/or anonymization, plus inter-operability.

Third, given the overlapping ways in which data permeates the economy, policy-making must be adaptive. Although digital technologies touch on personal data and privacy, public health, competition, and consumer protection, policy-making typically treats each of these areas separately, creating fragmented responses and overlapping regulations. That's why a whole-of-government approach is required – one that must include all orders of government. To add to this complexity, policy structures must also consider what is happening beyond Canada's borders.

Fully unleashing the value of data – for individuals, for firms, for society – requires sound governance, at the regional, national, and international levels. Integral to that process is determining how we set data's value. This should be the starting point of every current discussion about data governance.

Read Stoy (Subscription Required): [Data is the precious asset we chronically undervalue - The Globe and Mail]

## OTHER CAFII MEMBER-RELEVANT NEWS

### Over-Regulation, Populism: P&C Insurance Executives Sound the Alarm

*By David Gambrill, Canadian Underwriter, October 20, 2023*

[Over-regulation, populism: P&C execs sound the alarm (canadianunderwriter.ca)]

Canada's P&C insurance industry is tired of shouldering the weight of "over-regulation" and populist politics.

To counter these influences, the industry needs to spin its own narrative, P&C insurance company executives told attendees at the Insurance Broker Association of Ontario's recent annual conference in Toronto.

The industry's messaging to the public should champion the benefits of a competitive industry offering consumers choice. And it would debunk the threat of collusion if the P&C industry shares ways to eliminate inefficiencies to benefit consumers.

Speakers on the CEO panel at IBAOcon'23 were asked if they felt any additional pressure these days from regulators and politicians, or whether it was the same regulatory pressure, just different politicians.

**Regulating competition**

Louis Gagnon, president and CEO of Intact Insurance, suggested that the behaviour and rhetoric of regulators and politicians around insurance had the unfortunate effect of making the P&C insurance industry out to be monolithic. In fact, he said, the P&C industry is much more diverse than other industries, providing real choice for consumers.

"In Ontario, there are 21 very active writers of auto insurance. There are three grocery stores, five banks, three life insurance companies, one Google. So, you want to talk about competition? We are fighting against each other every day for every piece of business that is presented to us.

"And sometimes I feel like we are looked at as one: the Industry. The insurance industry. What the heck is that? Seriously, we have in Canada direct writers, foreign companies, mutual companies, private, public, not-for-profits, co-operatives, that are all competing against each other. Think about that. Think about the landscape of the P&C insurance business. And we are regulated to the…teeth. We are checked [and] looked at, and so, it bugs me.

"It's like we are constantly being the people pointed out as the culprit in many cases by politicians. I'm tired of that."

Heather Masterson, president and CEO of Travelers Canada, added that when regulators and politicians interfere in the marketplace, the consumer is never best served over the long run.

"You're talking about a competitive marketplace, with diversity of appetite, diversity of product, perceived capabilities and expertise, and we need to be recognized for that," she said. "That heathy, diverse marketplace is only going to favour the consumer."

Masterson said that P&C professionals are very good at sharing this narrative with each other. But the message needs to be directed outwards, so that regulators, politicians, and consumers better understand how the industry's core values are aligned with helping consumers.

"We're not telling our story externally," she said. "We're letting other people tell our story, whether it's politicians, regulators, lawyers, or consumers.

"We need to start telling our story. Yes, we are diverse and highly competitive; that's all good. But there is a lot of common ground, common goals, common values that we all share," she said. "We have amazing contributions that we're providing to the economy, to communities, to people, to families.

"We really do need to harness that energy, get that message out there together, and we all need to amplify it."

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**Collusion confusion**

One of the dangers for the industry in banding together to promote its common values is that regulators might view that as a form of "collusion," observed Paul MacDonald, executive vice president of personal insurance and digital channels at Definity.

Canada's *Competition Act* states that it is against the law for competitors to collude to "fix, maintain, control, prevent, lessen, or eliminate the production or supply of the product," among other things. The Act was modified in June 2023 to ban anti-competitive practices such as price-fixing, market allocation, restricting supply, bid-rigging, wage-fixing, and no-poaching agreements.

The law extends to caution industry associations about the sharing of their members' sensitive business information.

But when the P&C industry comes together to reduce market inefficiencies, which leads to better product pricing for consumers, that's not collusion, said MacDonald.

"The one thing that drives me absolutely crazy…is to Louis's point about the other industries—they're all oligopolies. Banking is a good [example]. And yet they always meet all the time and talk about what they can do for the betterment of the industry and consumers," he said.

"And yet at every single [IBC] Insurance Bureau of Canada meeting I attend, the first thing you do is compliance protocol. 'You're not allowed to talk about this, that, or that,' as if you are going to collude when you've got hundreds of P&C companies.

"How many Broker Management System vendors are there? How many rate-quoting members are there? How many different technologies are there? It is all inefficient. And that inefficiency means more work for you, more work for us, more cost in the system, and a higher premium for the consumer. And yet we're hamstrung because we're perceived as [though] there may be a threat of us working together. It's a bit ridiculous."

**Countering populism**

MacDonald also discussed the impact of political populism, defined in the Oxford Dictionary as a "political approach striving to appeal to ordinary people who feel that their concerns are disregarded by established elite groups."

Politicians' context-free rhetoric isn't easily disproved by the P&C industry's facts and data. For that reason, political populism isn't an arena in which the P&C insurance industry fares well, said MacDonald.

"At the National Insurance Conference of Canada, we had a panel on this," he said. "One of the presenters was an adviser to politicians [and said], 'The reality is, you can't argue with populism. We're an industry of data and facts. It doesn't matter. That's not what's going to rule the day in the immediate term.'

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"So that's the struggle we're going to have to come to terms with. And you know, I might lie in bed in the fetal position in the dark, rocking myself back and forth, thinking, 'How do I make sense of this all?'

"But I think we're just going to have to weather the storm on that particular issue, and just do what we do, provide the services we do, keep investing in our people and their capabilities, and be better in the future. That's really the only way we can do it. One step at a time."

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## Why Porter Airlines CEO Michael Deluce Sees Clear Skies Ahead

### *Porter embarked on an ambitious expansion plan just as the industry hit massive turbulence, including a pilot shortage that could be its single biggest challenge.*

*By Jason Kirby, The Globe and Mail, October 25, 2023*

In September, two dozen pilots hired by Porter Airlines to fly its expanding fleet of jet aircraft filed into a classroom in Hangar 5 at Billy Bishop Toronto Island Airport—the downtown hub that has become synonymous with the 17-year-old carrier—to start their training. At a time when nearly every industry complains about the struggle to find workers, airlines face one of the most acute shortages of all, with the global shortfall of aviators predicted to widen to 35,000 in two years. Which makes what's happening at Porter, and what it takes to put just one of these pilots behind the stick, so astonishing.

You'll forgive us if we skip some steps. Like finding someone with the confidence, intellect, spatial awareness and calm under pressure—the right stuff, if you will—to shoulder responsibility for a $100-million flying machine and the lives of so many souls; a person who may have easily had to shell out $100,000 or more to get fully licensed; and one who has already paid their dues flying cramped air taxis and remote commuter runs on bumpy turboprops to log the bare-minimum 1,500 hours of flight time needed to qualify for a first officer position (4,500 hours for a captain).

That's the baseline, just to get in the door for an interview.

From there, pilots plunge into a month of in-class and virtual ground-school training, absorbing doorstopper manuals on every facet of how to operate and deal with emergencies aboard the Embraer E195-E2, Porter's jet of choice. In a flight simulator—an exact replica of the aircraft's cockpit that's jacked up on hydraulic legs with wrap-around video screens—recruits are put through weeks of ever more intense drills, emergency scenarios, and extreme weather conditions, such as a combination of strong winds, thunderstorms, and blinding fog. (Or, as Samuel Carter, Porter's assistant chief pilot, puts it, "landing in St. John's.") And after another 25 to 60 hours of what's known as "line indoctrination"—flying the actual aircraft under the supervision of a specialized training pilot—the recruits' skills are put to the test by a "check pilot" and a final examiner.

Porter's rivals in the industry may all follow a similar three-to-four-month process for training new pilots. What sets Porter far apart is that the month after the September batch, another 24 recruits hit the books and simulators. And after that, so will another 24. And another. Month after month. For five years in total.

There's a reason Porter's CEO, Michael Deluce, calls the pilot shortage the single biggest challenge that could hamper his company's growth. In a year of remarkable upheaval in Canada's airline industry, Porter has embarked on one of the most audacious expansions in the sector's history. Other Canadian upstarts, such as ultra-low-cost carriers Flair and Lynx, have each said that they plan to buy dozens of aircraft in the coming years, but Porter has a firm order to buy 50 Embraer narrow-bodies by the end of 2024—it had already taken possession of 17 as of September—with purchase rights that would give it 100 jets by 2027. "We're launching 100 planes. Flair wants to do 50. Lynx wants to do 50. Canada Jetlines wants to do 15," says Deluce. "It's an impossibility for that actually to unfold. There are insufficient pilots to satisfy all of that ecosystem."

For Deluce, who replaced his father, company founder Robert Deluce, as CEO in 2019, the ride since announcing Porter's transformation into a transcontinental carrier two years ago has been exhilarating. "This year, we're adding capacity at a pace that has never been added in Canada on a sustained basis," says Deluce, 45. "There are times you go, Wow, what are we doing? But it's working. Sometimes it's hard to sleep at night—not from fear but excitement."

In some ways, Porter's plan is a radical departure from its roots of flying turboprops from the conveniently located Billy Bishop airport, near downtown Toronto, to regional destinations such as Montreal, Ottawa, New York, and Boston. Porter tried and failed for years to win approval to expand the runway at Billy Bishop, which would've allowed it to fly jets from there. While its turboprops continue to fly from downtown, its E2s now fly out of Toronto's chaotic Pearson International, recently ranked the second-worst large North American airport by J.D. Power.

But Porter is also looking to take its strong regional brand and reputation for service—passengers on its flights all receive complimentary beer and wine, plus free snacks—and disrupt the industry by bringing it to the rest of Canada.

Porter has set its sights on the disgruntled yet discerning economy passenger—price-conscious travellers fed up with being nickel-and-dimed by extra fees, but who are also turned off by the cramped seats and bus-like experience of travelling on an ultra-low-cost carrier. The two-by-two seat configurations on Porter's jets means there are no dreaded middle seats. And its jets are equipped with free high-speed WiFi. "There are 131 passengers on board, and the speed is as fast as if you're in your own living room," says Deluce, while soaring above the Prairies on Porter's inaugural flight from Toronto to Winnipeg in September.

As Deluce rhymes off Porter's trajectory for the coming months and years—to grow its employee count from 1,500 before the pandemic to as many as 8,000, extend its network of destinations right to the U.S. west coast, overtake WestJet in the number of flights out of Pearson, become the largest carrier serving Ottawa—there's a self-assurance, almost an inevitability, in his tone.

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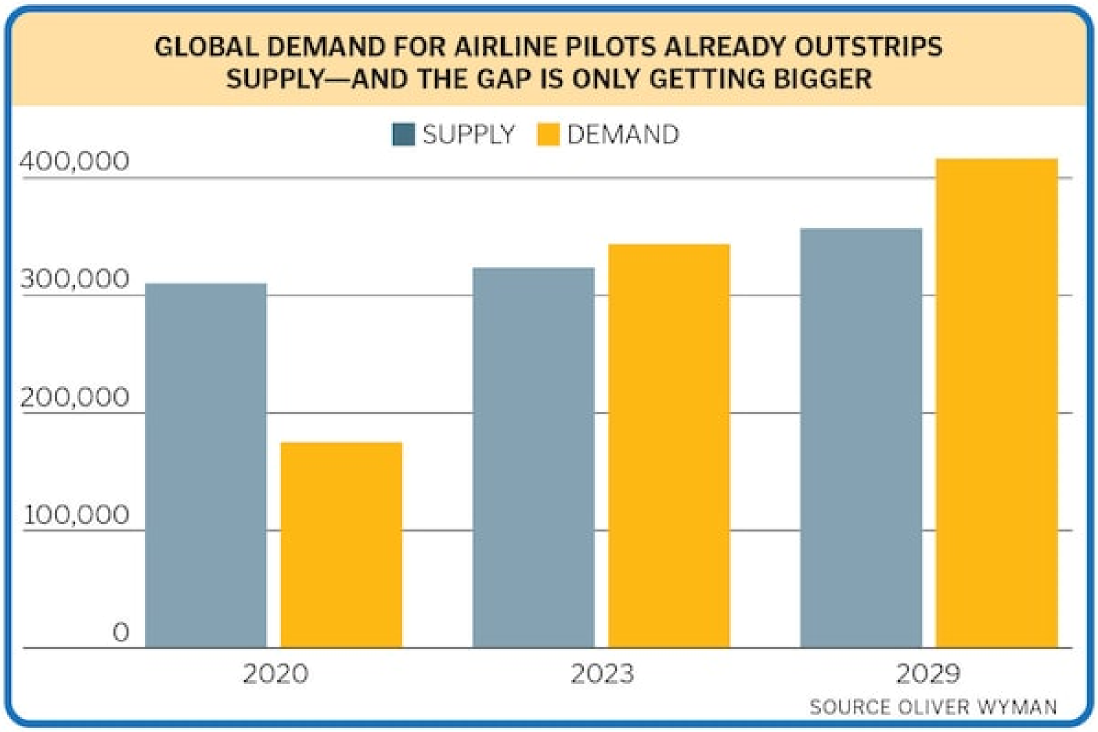


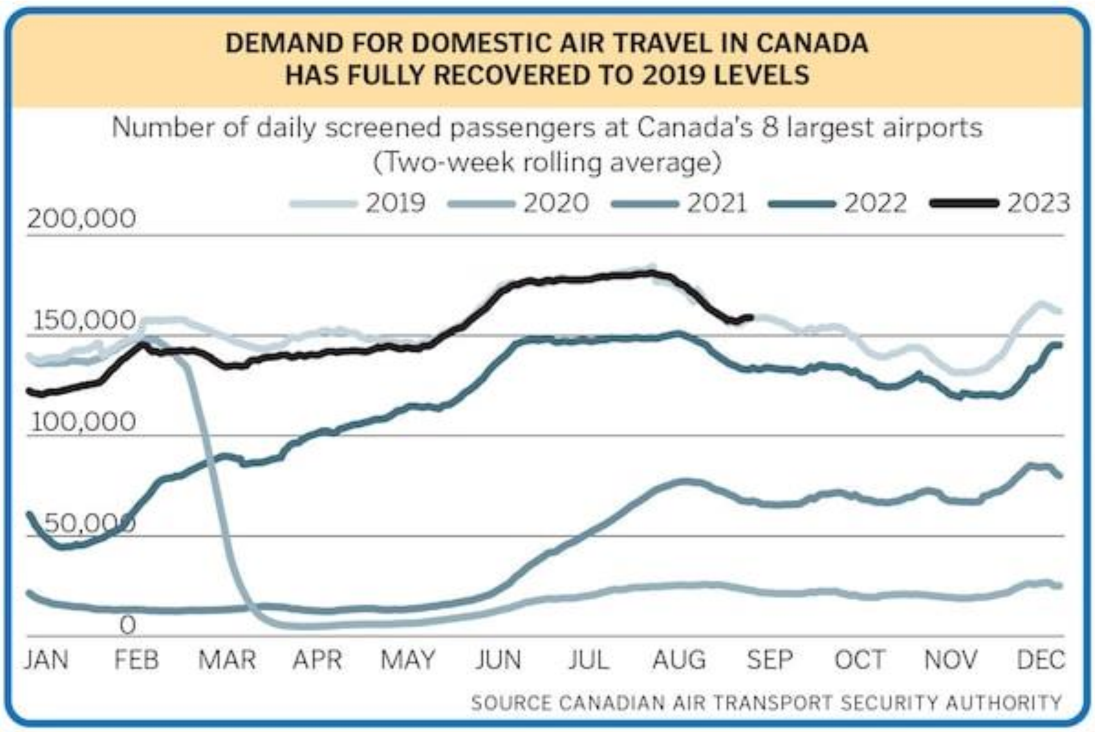

Deluce knows there are doubters. That's been the case with Porter since even before its first flight; to them, it's been on the cusp of failure for 17 years.

But if Porter's growth unfolds as planned, it will emerge as the second-largest carrier in eastern Canada, after Air Canada, in an industry that has grown increasingly fragmented since the start of the pandemic. With WestJet's decision last year to slash service in Ontario, Quebec, and Eastern Canada to focus on the West, and Air Canada's available seat miles still below pre-pandemic levels, a flurry of discount rivals have expanded across Canada. According to Cirium, an airline data and analytics company, Porter's share of the domestic flight market will end the year at around 7%, based on available seat miles, just behind Flair. However, Porter's share could grow significantly by the end of next year once it has 50 jets in the air and rounds out its flight map to all major domestic destinations.

As a private company, Porter doesn't disclose its financials, but Deluce admits revenue this year is expected to come in between $600 million and $800 million—"hopefully on the high side of that range"—and says that by the end of 2028, it's targeting annual revenue of close to $4 billion. "It's just math at this point," he says.

Yet, Canada's airline history—littered with defunct carriers such as Roots Air, JetsGo, Greyhound Air, Canada 3000, and Wardair—offers too many examples of over-reach gone wrong to ignore. For now, though, Porter has the wind at its back, and the worn-down Canadian economy traveller stands to benefit.

Deluce is the first to admit that Porter had no choice but to embark on a radical rethink of its business model. When COVID-19 shut down the world of travel, Porter, like many other companies, thought that the pause would be relatively brief. But as the weeks turned to months, and Air Canada and WestJet retook to the skies, Porter—which had laid of 95% of its staff—kept extending its shutdown. But it wasn't the failure so many had been anticipating. Instead, Deluce and his team were plotting their next steps after securing a $135-million loan from Export Development Canada.

The company had already been in talks with Embraer in 2019 about buying a smaller number of E195-E2s to build a jet business around Ottawa, says Deluce. And the outlook for its regional turboprop business looked increasingly uncertain. "When you're sitting there on remote Zoom calls and, frankly, enjoying remote work, you start to question if business traffic will ever come back in the manner, it was prior to COVID-19," he says. So, in June 2020, Deluce approached Kevin Jackson, Porter's chief commercial officer and said, "I have a really crazy idea." And the national expansion plan was born.

Deluce was just a year into his role as CEO and still finding his footing. He had big shoes to fill. Since Porter's inception in 2006, Robert Deluce, a pilot himself—with an ego and energy to match—had been the face of the company, kicking, scratching, and charming his way through battles with politicians, regulators, and rivals, most notably Air Canada, over access to the limited number of landing slots at Billy Bishop. It's not for nothing that observers have often likened the elder Deluce to the wily animal that serves as Porter's mascot, a raccoon. (Robert Deluce is now executive chairman and continues to be responsible for dealing with Transport Canada.)

Michael Deluce is not a pilot, nor a natural extrovert. Taller and stockier than his father, Deluce had operated in the background at Porter since day one as chief commercial officer. He's a self-professed "av-geek," a term for extreme airplane enthusiasts.

Rather than watch TV, Deluce, a married father of two boys, spends his time lurking on online forums like AvCanada.ca and Airliners.net, ingesting data and information about the latest aircraft, rival capacity changes, and pilot gossip.

"Bob excels at doing media and in the political areas, and I've always been more of an introvert, making things happen without the flash and bang," he says. But as a CEO leading the company through COVID-19 and on the cusp of its most aggressive expansion ever, he knew he needed to "flip" his personality. Deluce began engaging more with employees, business partners, and Porter's board. "Mike quickly got his head around what you need to do to manage people, not just downward but upward in his relationship with the board," says Don Carty, the former CEO of American Airlines and Porter's chairman since 2007. "Mike listens carefully to the board, but he knows when to push back. He knows when he knows more than a board member does."

And Deluce's message to the board and its investors was that the timing was ideal to make big bets on Porter's future. For one thing, the world was awash in cheap money. What's more, Embraer had yet to find its first North American customer for the E195-E2. Porter rekindled talks with the manufacturer and announced its initial deal for 30 aircraft (later bumped up to 50) in July 2021.

The company has touted the E2 as the quietest and most fuel-efficient aircraft in the segment. But it's also smaller than the planes its rivals fly on the same routes, like the Airbus A220 and Boeing 737, meaning it carries fewer passengers. On longer hauls of more than three hours, the lower number of paying passengers might make it more difficult to drive down the unit cost per available seat mile of revenue to the same level as rivals, says Robert Kokonis, the managing director of AirTrav, an industry advisory firm. "It's a very cost-effective aircraft, but there is a sweet spot."

The list price for Porter's jet purchase was US$5.8 billion. That's not what Porter paid, however. Deluce won't divulge the actual price, saying only that he got a "once-in-a-generation" discount.

Kokonis believes the savings could've been massive and help offset the lower passenger capacity. "Boeing and Embraer will often discount new aircraft 40% to 50% if you're a strategic buyer, and I wouldn't be surprised if Porter got some of these aircraft at an even cheaper cost of capital," he says. Porter has also signed a number of sale and leaseback agreements, a common transaction in the industry that sees airlines resell planes bought at a discount to lessors and then lease them back, pocketing profits in the process. "One of the biggest reasons airlines fail is under-capitalization, but I think Porter is in good shape there," says Kokonis.


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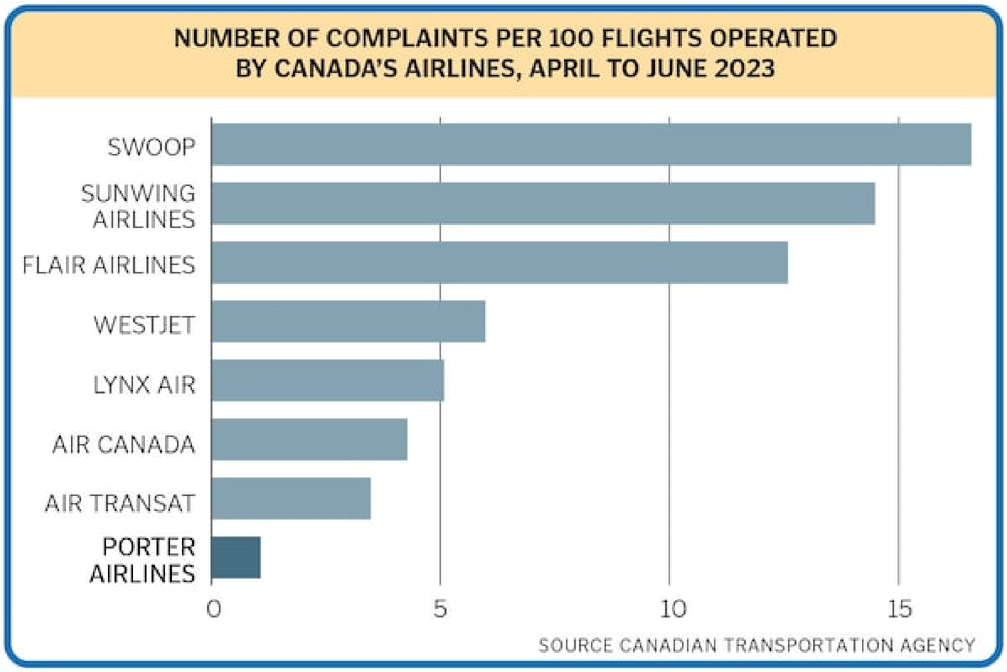
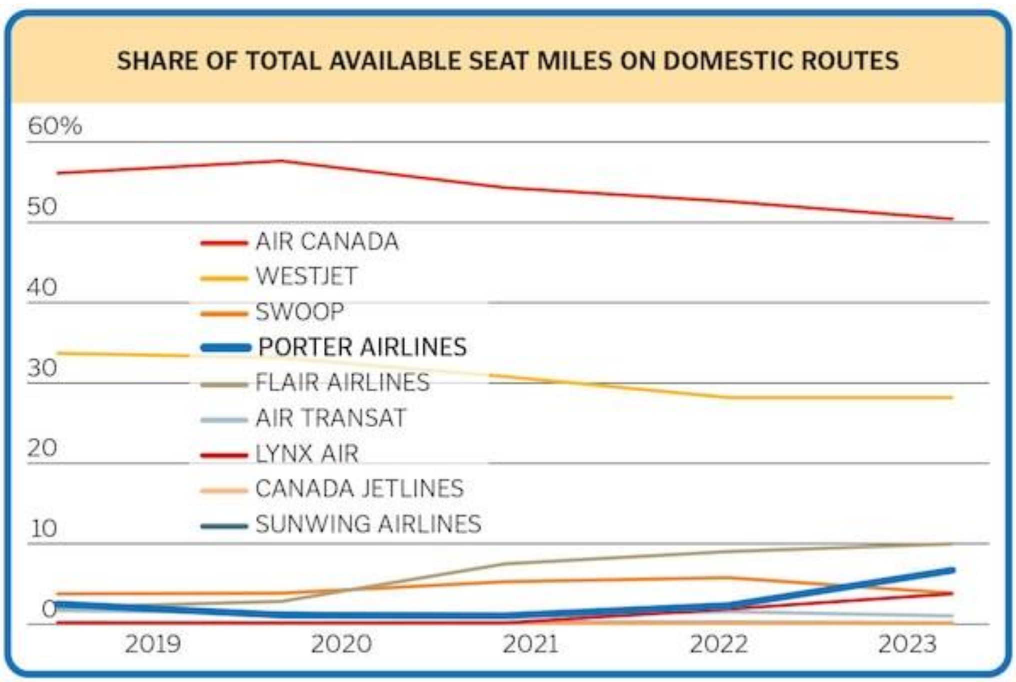
Because Porter's turboprop service had been shut down for 18 months during COVID-19, losses were kept to a minimum. Years earlier, in 2015, Porter had also sold the terminal it designed and built at Billy Bishop to Nieuport Aviation Infrastructure Partners for an undisclosed sum estimated to be $700 million, allowing it to become debt-free. (Deluce says that sales estimate is incorrect but wouldn't say in which direction.)



One financial question that has hung over the company for months has also been resolved. Last year, a judge ordered Porter to pay $131 million in damages to Nieuport after the airline stopped paying terminal fees during its pandemic shutdown. Porter appealed, and in early October the two sides reached a negotiated settlement, the terms of which are confidential.

To shore up its balance sheet ahead of the expansion plan, Porter tapped its existing shareholders for new capital. Deluce won't say exactly how much its shareholders—which include the Ontario Municipal Employees Retirement System pension fund, his family's Regco Capital, and private equity firm EdgeStone Capital Partners—invested, but he describes it as a nine-figure equity transaction.

"If someone said we want to grow the business 10 times, or even more, with a massive undertaking of new jets and new destinations, that would generally be a much harder or slower decision to make," says Gil Palter, co-founder and chief investment officer of EdgeStone about supporting Porter's expansion plan. "I won't say the circumstances and opportunities of COVID-19 made this a no-brainer, but this is the most exciting time for the company since maybe Porter's inaugural flight."

Other sweeping changes have played in Porter's favour, the biggest of which was the dramatic decision by WestJet in June 2022 to pull back from Eastern Canadian routes and focus on the West.

Earlier that summer, Deluce sat down in Calgary with Alexis von Hoensbroech, who'd taken over as WestJet's CEO that February, for a casual chat. By then, Porter had already announced its plan to buy the Embraer jets, and von Hoensbroech asked Deluce when he expected to take possession of the first 50. Deluce thought it an unusual question for a competitor to ask, but since Porter had already disclosed its rollout, he told the WestJet CEO the plan was to get the 50th plane in the air by the end of 2024. "His jaw dropped," says Deluce, while another WestJet exec remarked: "That's really fast." (WestJet said von Hoensbroech wasn't available for an interview.)

Deluce says he doesn't know if Porter's expansion plans had any influence on WestJet's new strategy, but it's obvious he's tickled that it might have. "They had the data, they knew they'd already lost in the East, but I like to think that had an impact," he says. Either way, WestJet's move opened up gate space at Pearson and gave Porter even more room to grow. "It was a gift from god on the eve of our expansion plans," says Deluce.

As it turned out, von Hoensbroech ended up flying on Porter's inaugural Calgary-to-Toronto flight this past February after several WestJet flights were cancelled due to weather. "I understand he enjoyed the flight and the fast, free streaming WiFi," says Deluce with a wry grin.

Even as Porter expands its fleet at an unprecedented pace, the company is revisiting its past as an airport developer, this time in Montreal. In February, the company signed a deal to build a nine-gate terminal at the sleepy Saint-Hubert Airport, on the city's south shore, one capable of handling four million passengers a year and providing an alternative to the over-burdened Montréal Pierre Elliott Trudeau International Airport.

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Building new airports is a chicken-and-egg dilemma. Airlines won't fly in unless there's a terminal, and no one will build a terminal without a guarantee that airlines will come. As the only airline in the world with a side hustle building terminals, Porter can do both. In July, it brought on Macquarie Asset Management, one of the world's largest infrastructure asset managers, as its 50-50 partner in the $200 million project, slated to open in 2025. Yanic Roy, the CEO of Montréal Saint-Hubert Airport YHU, says the airport aims to have five airlines on board on opening day, building on the traffic that will already be in place from Porter and Pascan Aviation, a Quebec regional carrier.

Not everyone is convinced. Chris Murray, an analyst at ATB Capital Markets who covers the airline sector, says a lack of connections to other destinations can limit the growth of secondary airports. "It's nice in theory, but we've heard this argument before."

As for Deluce, he calls the project a "slam dunk," pointing to analysis which Porter conducted showing that well more than half of people in the Montreal region would save time by flying from the new terminal, which Porter eventually expects to sell to institutional investors. "You get to own the only terminal at an airport in Canada's second-largest city that no one else wants to develop, and we'll bring the traffic ourselves?" he says. "It's like infrastructure-investment cheating."

One decision which Porter had to make early on was how to position its new jet service. Given the company's success attracting the Bay Street crowd to its turboprop service over the years, some in the company argued it might make sense to follow suit—and follow the suits—with a business class offering. But Deluce says doing so would've repeated a mistake WestJet made in trying to unseat Air Canada's lock on the premium business segment. "Why would you go after Air Canada on what they do best?" says Deluce. "You go after them on what they do worse, which is economy, which is 90% of people."

In an emailed statement in response to Deluce's comments, Air Canada's executive vice-president of marketing, Mark Nasr, said Canada's largest carrier is ready to take on more competition. "Air Canada offers spacious aircraft across the country; they offer small regional planes designed for shorter hops on every flight," his statement read, without directly naming Porter. "We offer complimentary entertainment with personal screens and WiFi messaging; they offer connectivity on some flights, to some places. Aeroplan offers over 1,400 destinations, partnerships with the best brands, and hundreds of ways to collect points; they offer three dozen places, and one way to earn."

While the airline bad-mouthing may be inevitable given Porter's plans to challenge Air Canada on transcontinental routes, so far, the industry has avoided an all-out price war. Murray at ATB attributes that to supply and demand. Canadians have continued to show an insatiable desire to travel, with the number of passengers back to where it was in 2019. Yet, despite companies such as Porter and Flair ramping up flights, that doesn't make up for the drop in capacity from WestJet's reduced trips. Meanwhile, Air Canada is still only operating at 90% of its 2019 flight capacity. "Air Canada will tell you they never take any competitor lightly," says Murray, "but it is so busy right now, I don't think they're going to be stupidly competitive."

Flyers certainly have a range of fare options to choose from. According to Cirium, the average economy fare offered by Porter in the second quarter was $138, compared to $227 for Air Canada and $184 for WestJet. At the other end of the spectrum, Flair's average fare was $63.

As Porter continues to push into new domestic markets, Air Canada may start to take more notice. Consider a mid-November flight from Toronto to Vancouver at the same date and time. Air Canada's cheapest fare is $363, but requires extra fees for seat selection, checked bags, and meals. Porter's Reserve fare includes all that, with its roomiest seat, for $324. Its cheaper à la carte Classic fare is $223.

Likewise, Porter plans to ramp up its loyalty program, VIPorter. Deluce is guarded about his plans, but he admits the company is working toward offering a co-branded credit card tied to its loyalty program.

All of this is likely to attract greater investor interest if it plays out as planned, though memories of Porter's previous run at an initial public offering linger. In 2010, the company sought to go public but pulled the offering at the last minute due to lacklustre interest. Deluce is non-committal. He says Porter is alone in the industry in having "significant positive shareholder equity" on its balance sheet and says the company is fully capitalized to sustain an aggressive spending plan for the next two years. Even so, existing shareholders see Porter eventually landing on the public markets. "At the scale we are building to, an IPO seems like an obvious event for the company a few years down the road, when the jet expansion is proven," says EdgeStone's Palter.

None of this is to say that Porter's expansion has been turbulence-free. Earlier this year, it found itself in a quandary. The company had hired close to 100 pilots ahead of its first jet flights in February. To become fully certified, however, those pilots needed to log dozens of hours under the supervision of training pilots, as well as those final qualifying flights with a check pilot. But Porter was struggling to make its schedules work. That left the airline with a backlog of uncertified pilots and a schedule that depended on them being in the cockpit. In the end, Porter slashed its planned flights by up to 20% on some routes between April and June before resuming its frantic rollout. "We got it wrong," says Deluce. "It was disappointing, but it was a lesson to learn."

It was also a blunt reminder of the worsening pilot shortage. To maintain its pace of growth, the company is actively targeting pilots who already have extensive experience flying jets for other carriers, either here or abroad. That's not always easy, since changing carriers means giving up seniority—on top of joining an outfit with an uncertain future. "In the early phase, we were maybe seen as being a risky option—we didn't have the aircraft, the training program wasn't set up—so there was some skepticism as to whether it was actually going to get off the ground," says Porter's assistant chief pilot, Carter. Now that the planes are flying, and new destinations and capacity are being added, that's changed. "We're seeing a huge uptick in applications," he says.

It helps that Porter has powered up how much it pays first officers and captains. Porter is the only airline in North America that doesn't have a union representing its pilots, which Deluce says has given it the flexibility to revise its salary scales twice this year, most recently after a nearly averted strike by WestJet pilots resulted in a 24% pay raise over four years, including a 15.5% increase this year retroactive to January 1. With Porter's most recent pay bump, some positions—including captain on the E2—are up around 40% since the start of the year.

With costs soaring from rising salaries and fuel prices, and with so many discount carriers competing for the budget passenger in Canada, Deluce says it's inevitable that we'll see a repeat of past chaos in the sector, when airlines Canada 3000, JetsGo, and Zoom abruptly suspended operations.

"It's dramatic when there's a failure because it's not like other industries where a company just goes away in the night. Thousands of people get stranded," he says. "That event will happen in the next 24 months. It won't be Porter, I guarantee that. But it will happen. The math doesn't work."

With Porter's financing in place and new planes—and pilots—rolling into the hangar each month, the test for Deluce over the next two years will be to show results as it grows, without losing the brand's strong connection with passengers. "We're focused on winning our place in this market," he says. "We'll always be striving to keep what is special about Porter, and that's going to be our focus for the next five years."

Read Story (Subscription Required): [Why Porter Airlines CEO Michael Deluce sees clear skies ahead - The Globe and Mail]

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## New Zealand Looks To The Future Of Climate-Friendly Travel

*By Maryam Siddiqi, The Globe and Mail, October 25, 2023*

*https://www.theglobeandmail.com/life/article-embracing-the-potential-of-climate-friendly-travel/?utm_medium=email&utm_source=Sightseer&utm_content=2023-10-29_9&utm_term=New%20Zealand%20looks%20to%20the%20future%20of%20climate-friendly%20travel&utm_campaign=newsletter&cu_id=Ts6FwhWx6n2rSHC0x7MiReEeeFJOJkTb*

Devastating wildfires on Maui, flooding in Vermont, Canada's worst wildfire year on record, and extreme heat in the U.S., Europe, and beyond. If this summer's headlines are any indication of our planet's future, and they likely are, changing the way we travel to minimize our impact on the planet is a goal that can't be achieved a moment too soon.

Last year, a committee of three popular New Zealand destinations announced an ambitious project to make their tourism economy carbon-zero by the end of 2030.

As of publication, Destination Queenstown, Lake Wānaka Tourism, and Queenstown Lakes District Council – all part of the Queenstown Lakes Destination Management Steering Group – have 2,620 days to meet their goal of, among other things, electrifying tour boats, minimizing waste from hotels, and re-designing tourist experiences to contribute to achieving net zero.

"You need to know the number of days left because every day you have to ask yourself, 'What have I done today to make sure we get there?'" said Mat Woods, Destination Queenstown's chief executive officer.

Part of the impetus for the project was concern from residents that the region isn't getting back what it puts into its tourism industry. "You've got a population in Queenstown and Lake Wānaka of 50,000 people, with three million visitors," Woods said of the annual visitor numbers. "How do 50,000 people fund three million visitors? That's a big strain on our infrastructure."

For international travellers, Queenstown is the second most visited place in the country (Auckland, where all international flights arrive and depart from, is the first). It's a dream location for adventure and nature enthusiasts. As a mountainous region, it's a hub for skiing in the winter. In warmer weather, visitors come for mountain biking, hiking, golf, and water-based activities, whether it's kayaking, fishing, or zooming around on a jet boat.

**The surprising benefits of zip-lining**

The challenge for Woods and his tourism colleagues in Queenstown Lakes is figuring out how to offer the area's trademark tourism experiences while achieving net zero. That involves overcoming the logistics, such as, say, finding fuel-free jet boats – and also attracting tourists who are on board for a climate-adapted experience.

There are some instances where the transition, as far as the tourist experience is concerned, will be negligible. Ziplining, for instance, has a fairly minimal footprint. Though Trent Yeo, executive director and owner of Ziptrek Ecotours, said that's by design. When he started the company in 2009, he based his operations at the top of Queenstown's existing gondola. "You design into the system, you don't design a new system," he said.

That location means there's no need to trek people from their office to their course. The platform infrastructure to get up to the ziplines is wood, and the activity itself is gravity-powered. The team knows that, on average, each guest's trip uses 3.6 kilograms of carbon. The company also tracks its transport, electricity, waste, business travel, energy, and supplies to calculate its carbon footprint so it can reduce or offset it.

To do that, the team purchases certified carbon credits that support the growth and protection of the South Island Forest.

RealNZ is another tourism operator in the area – though, as of two years ago, it refers to itself as a conservation organization powered by tourism. Among its offerings are rafting, jet boat tours, farm visits, and dining and tours of Lake Wakatipu on the historic TSS Earnslaw steamship.

It operates hundreds of vehicles, dozens of water vessels, and ski fields. "A couple of years ago, we started looking at how we consume energy. What do we do with water? And what about our uniforms? What about food and wine and beer and all the things that go with it? All the way down to the life cycle of all of our assets," Stephen England-Hall, then CEO of RealNZ, said earlier this year.

Some changes have been easy to implement and took effect before the region's tourism sector decided to take on the net zero goal.

"On the mountains, we've had a commitment to zero waste to landfill for a number of years. There's no single-use plastics, there's no disposable coffee cups. If you want a cup of coffee, you just sit down and have your coffee. We used to joke about it. Why would you put take-away coffee cups on a mountain? Where are you going to go?" said England-Hall.


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For others, the company has to wait for technology to become more reliable. Electrification of the TSS Earnslaw, which is responsible for 1 per cent of all emissions in the region, is in the works, and England-Hall said the company is looking into electric jet boats. “The biggest expense of running a jet boat is fuel, right? So, if you can eliminate the fuel that’s a much better product. It’s quieter, a better experience for the customer, and better for our team to drive them,” he said. Maori-owned regenerative tourism company Ngāi Tahu Tourism runs Shotover Jet, offering adrenaline-amped jet boat tours of the region, and it’s already piloting an electric boat.

**DIY meals and shorter showers**

Hotels are another important part of this transition. The biggest sources of their waste is food and beverage. The bar at the Sherwood, an upscale motel in Queenstown, is sending zero waste to landfill (its restaurant will soon achieve that goal), with organic waste going back into its own garden. Guest rooms are equipped with kitchens fully stocked with dishes, cookware, a fridge, and stovetop, meaning there’s less of a need to dine out, and rooms and common areas have clearly labelled bins for different kinds of recycling and organic waste. Importantly, one is labelled “landfill.” There’s no escaping where a piece of garbage is headed every time you see that word on the bin.

The hotel was refurbished using recycled, upcycled and carbon negative products, and uses solar energy (with 100 per cent renewable energy when additional power is needed). And most of the food the restaurant uses comes from domestic producers, with three-quarters of that from the South Island.

Headwaters Eco Lodge, in the nearby town of Glenorchy, takes things even further – with compostable toilets and timed showers. To be clear, this isn’t a campsite, but a luxury lodge with 14 boutique chalets for guests. The bathrooms have heated floors and a spacious walk-in rain shower, but instead of turning the taps and letting the water run, guests press a button to start the water, and it stops after seven minutes. The odourless, waterless toilets use technology from a company based in Montana, and each has its own composting unit with compost turned regularly and eventually used on the lodge’s land.

Thanks to solar power, the property is net zero. It has sophisticated water recycling infrastructure, which means it uses 50 per cent less water than similar hotels and wastewater is directed to surrounding wetlands. And an on-site garden, which includes 100 fruit trees, grows much of the produce its kitchen staff use for the hotel’s famous dining room.

While these features are drawing guests, they’re also helping general manager John Dick attract and retain staff – something the global industry continues to struggle with.

“Applicants tell me, I want to be inspired. I want to work with a company that’s making a difference. I want to learn.”

**The elephant in the net-zero hotel room: air travel**

There's no getting around the impact of flying, but help is on the way from the national airline. Air New Zealand announced in late 2022 that it was working with partners to create zero-emissions flying options. The first goal is a demonstration flight that uses electric, hybrid, or green hydrogen power by 2026. And by 2030, replacing the airline's domestic fleet for short-haul flights with planes that use sustainable power.

Second, Queenstown Lakes is intentionally not trying to increase the number of tourists they welcome. Pre-pandemic, 70 per cent of the tourists whom the region hosted were international while 30 per cent were domestic. Now, more than a year into the border being opened after COVID-19 restrictions lifted, 60 per cent of visitors are domestic. Of the 40 per cent who are international, half are Australian. Flights from most major Australian cities to Auckland or Queenstown take three hours, and according to Air New Zealand, a three-hour sustainably powered flight could be possible by 2030.

As for the remaining 20 per cent of people coming from abroad, Woods said the region is seeking "high-contributing visitors," and targeting those who want slower, more in-depth travel experiences through marketing and working with others similarly aligned in the industry, such as tour operators and travel agents.

"That doesn't mean that you're spending lots of money," Woods said. "You could be a backpacker who's high contributing, you could stay here for a long time, go further afield, come out to different places." In other words, tourists intent on exploring more deeply rather than visiting to snap a photo for Instagram.

"We feel a responsibility," said Woods. "There's a real leadership role for Queenstown, to lead this for the rest of the country. If Queenstown can do this, then everyone else can do this."

According to the World Travel and Tourism Council, worldwide tourism numbers next year are expected to exceed those from 2019, pre-pandemic, which means more folks will be hitting the road than ever. There are lessons to be found in what Queenstown Lakes is doing, which tourists can adopt in whatever destination they choose – minimizing car use by staying at a hotel that's walking distance from the attractions they want to visit; making use of the fridge in the hotel room and eating out less; travelling with a re-useable cup; perhaps most importantly, taking fewer trips and staying longer. After the climate emergencies we saw around the globe this summer, there's no denying that the time to change habits is now.

*The writer was a guest of Tourism New Zealand, which did not approve or review this story.*


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# Sun-Life Report Highlights Importance of Planning for Long-Term Health Conditions

## *Retirees' unexpected health care costs is a warning to young Canadians*

*By Steve Randall, Wealth Professional, November 01, 2023*

https://www.wealthprofessional.ca/investments/life-and-health-insurance/retirees-unexpected-health-care-costs-is-a-warning-to-younger-canadians/381030?hsmemberId={{contact.hs_object_id}}&utm_source=GA&e=cm9ieW4uamVubmluZ3NAY2FmaWkuY29t&utm_medium=20231102&utm_campaign=WPCW-Newsletter-20231102&utm_content=&tu=

Health care issues can derail our plans at any stage of life, but become more likely in our later years, which may make including this in retirement plans challenging.

But when long-term conditions are already known about, not including the cost of treatment and care in retirement planning can be a costly mistake, as a significant cohort of current Canadian retirees are discovering.

Sun Life's latest research, conducted by Ipsos, found that almost one-third of Boomers (aged 58-77 years) who are either semi or fully-retired say that long-term health care costs are a reason for their cost of living being higher than they had expected. This puts these costs second only to inflation (83%) in this regard and above housing (31%) and market volatility (23%).

Half of respondents in this age group said they have a chronic physical or mental health condition requiring medication or treatment, and one-third of those have considered changing their retirement plan to cover costs.

"Many retirees are not prepared or aware of the out-of-pocket medical expenses in retirement," said Jacques Goulet, president of Sun Life Canada. "These costs can have a significant effect on retirement, especially for those living with a chronic physical or mental health condition that requires ongoing treatment. With the cost-of-living climbing, a holistic plan that meets your health and financial security needs can help prevent this financial burden later in life."

**Next-gen warning**

The issues faced by Boomers should serve as a warning to future generations of Canadian retirees.

For example, among respondents aged 27-42, the Millennials, 31% have a chronic physical or mental health condition requiring medication or treatment, so this should be part of their retirement planning. However, more than half of this group have not done so.

Women (61%) are more likely than men (43%) to have overlooked this important part of their plan.

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Sun Life recommends having a holistic plan that covers insurance, wealth, and health solutions.

A record $114 billion in benefits from life and health insurance products was paid out last year, a 10% increase compared to 2019 including payments for health insurance claims, life insurance and insurance-based retirement products.

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## How The Baby Boomer Exodus Will Imbalance The Canadian Workplace

*By Andrew Seale, Special To The Globe and Mail, October 31, 2023*

*https://www.theglobeandmail.com/business/article-how-the-baby-boomer-exodus-will-imbalance-the-canadian-workplace/*

The last of the baby boomer generation will be turning 65 in 2030, marking a pivotal moment in a demographic squeeze that has loomed over Canadian workplaces for years. By then, most of this generation will be retired – and the labour market will face a new reality.

"A big group of people that have a lot of experience and have seen a lot and [carry] a lot of wisdom will exit our labour market," says Rafael Gomez, a professor and director of the University of Toronto's Centre for Industrial Relations and Human Resources who has researched aging demographics in the working population extensively.

Presently, one-third of workers in Canada are millennials, with Gen Xers close behind at 29.5 per cent, and the younger Gen Z ringing in at 17.6 per cent. However, Gen Xers have been routinely passed over when it comes to promotions – meaning their experience levels may not completely fill the void left by retiring boomers. They're also vastly out-numbered by younger generations.

This, says Mr. Gomez, may cause the labour market to lose its delicate balance – with some industries facing more dramatic upheavals than others. At last count, there were around 700,000 unfilled jobs in the country, most notably in food services, health care, social services, and construction.

Mary Van Buren, president of the Canadian Construction Association (CCA), says the construction industry alone currently has about 61,000 vacancies.

"We expect about 245,000 retirements by 2032 and around 240,000 people to replace those," says Ms. Van Buren. With a shortfall of 5,000 from retirements and the current 61,000 vacancies, she estimates the industry has about 66,000 roles to fill in the immediate future. "We have a huge recruitment job to do."

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It's the same across the skilled trades. With around 700,000 skilled trades workers expected to retire by 2028, the Canadian Apprenticeship Forum estimates an average of 75,000 new apprentices will need to be hired per year over the next five years to meet the demand for skilled journeypersons in Red Seal trades. The trades most at risk of not meeting that demand include welder, industrial mechanic, bricklayer, boilermaker, cook, and hairstylist.

Ms. Van Buren says one of the challenges of filling these roles is the perception of skilled trades. "Most of us went through school and were told that university is the desirable career path," she says. "A lot of shop classes were eliminated in high schools and with the federal government immigration pointing system, higher education equals higher points."

Ms. Van Buren says there's a serious concern about filling these roles at a critical time for growth in infrastructure across Canada. But it's not just the ability of organizations to hire the talent they need. The boomer exodus is also creating an imbalance between experience and technical innovation.

Mr. Gomez says younger generations tend to come in with a better grasp on emerging technologies and ideas on moving organizations into the future, while older generations have insight and institutional memory that can better predict the failure of an idea. Both are necessary, says Mr. Gomez – but, as his research shows, they need to be balanced.

"You don't want tons of people who are just in those positions saying no to every new idea because occasionally those ideas are different," says Mr. Gomez. "On the flip side, an economy or an organization that doesn't have enough gatekeepers might just spit out ideas that can cause an organization to fail."

In the case of baby boomers retiring, Mr. Gomez says it's going to affect organizations disproportionately.

Larger and more established companies will likely feel the demographic crunch more sharply. These types of companies tend to require more senior leadership roles and managers and often have to invest a lot more in training staff. "Older workers tend to be found in careers that have longer career paths – public service, education, health, and large corporations such as banks and telecom," says Mr. Gomez.

Newer companies and start-ups will be less affected, says Mr. Gomez, because they tend to hire younger and newer entrants into the work force who already have a better understanding of technology.

With growing job vacancies in former boomer strongholds, holding up the labour market – and legacy companies – will fall on Gen Xers and elder millennials. To head off looming disruptions, now is the time for those workers to get upskilling, retraining, and advancement.


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"Maybe at the very end of their careers, they can assume some of these roles that were denied them just by the sheer numbers and the demographic weight of that baby boom generation," he says. "[They could] fill that gap of experience that's needed to still manage corporations, especially larger organizations."

## UPCOMING CAFII MEMBER-RELEVANT WEBINARS AND EVENTS

### Webinar By Torys: Behind The Boom: The AI Outlook

Date: Thursday, November 9, 2023
Time: 12:00 pm – 1:00 pm EST

Starting with a primer on how generative AI works and why it has exploded in the consumer and business markets, this five-part webinar series will dig into its use cases, considerations for those investing in the space, how governments and industry are seeking to regulate AI, strategies to manage risk, and the intellectual property issues it raises.

As with most technological advances, AI regulation lags behind industry innovation. When ChatGPT burst onto the scene, regulators around the world scrambled to fit the patchwork of existing legal frameworks to emerging consumer risks.

In this session, we will canvass the current status and trajectory of AI regulation in Canada, the US, and Europe, and examine the emerging industry standards for responsible AI.

Register Here

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### Webinar By Insurance Council Of BC: Regulatory Update 2023

Date: Wednesday, November 15, 2023
Time: 3:00 pm – 4:00 pm EST

This event will provide updates on what's happening in BC insurance regulation, priorities, and initiatives of the Insurance Council of interest to our licensees, and what we are planning for the future. This event is a great opportunity for insurance licensees to hear about important topics, including:

- An overview of regulatory activities and trends from 2022/2023
- Progress updates on major initiatives such as Restricted Licensing for sales of incidental insurance, competency and qualification standards for general insurance licensure, and updates to the Insurance Council's Rules


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- Updates regarding key priorities of the Insurance Council, such as alignment with international insurance regulatory standards; regulatory support for developments in InsurTech; engagement with industry and public stakeholders; and technology and service improvements
- What's next: Insurance Council regulatory priorities for 2024-2026

Register Here