

REPORT ON BUSINESS

**WHY CANADA'S
FUTURE DEPENDS
ON ECONOMIC
RECONCILIATION
WITH INDIGENOUS
COMMUNITIES**

Chief Crystal Smith
partnered with
Pembina to build an
LNG terminal on
Haisla Nation territory



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THIS IS WHAT ECONOMIC RECONCILIATION LOOKS LIKE

Indigenous people need to share fully in Canada's prosperity. Guilt over past wrongs can be a powerful motivator. So can a looming deadline—the effort to meet the country's net zero commitments by 2050.

/By Susan Nerberg

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COME FLY WITH ME

Michael Deluce has taken over running Porter Airlines from his founder dad, Robert. It's still a unique and intriguing mix: a now-established upstart that deftly picks its spots in chasing Air Canada and WestJet. /By Jason Kirby

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MEET THE NEW BOSS, WILDLY DIFFERENT FROM THE OLD BOSS

New Scotiabank CEO Scott Thomson was very much a surprise choice to succeed a hard-edged predecessor. But the bank reached beyond its own executive ranks to recruit someone who could soothe nerves and reinforce its traditional strengths. /By Stefanie Marotta



Lay of the land

When theatregoers took their seats at Crow's Theatre in September 2022, they were expecting to see a "radical retelling" of Shakespeare's *As You Like It*. Playwright Cliff Cardinal took the stage, telling the audience that Crow's had asked him to do the land acknowledgement. "I hate land acknowledgements—I find them so god-damn patronizing," he said. "I'm afraid that people of money and privilege hear a land acknowledgement, nod solemnly in approval and then wait patiently for their show to begin."

But the show never did start—at least, not *As You Like It*. Instead, Cardinal proceeded to excoriate, over 90 minutes, the sheer emptiness of land acknowledgements, which became pervasive as a means of educating settlers about the theft of Indigenous land. It's a history most Canadians never learned about—a mass erasure of our uncomfortable and not-so-distant colonial past. The legacy lives on in so many ways: a \$9,000 income gap between First Nations and Métis people compared to non-Indigenous people; 26 communities under long-term boil-

water advisories; a critical lack of infrastructure on reserves that means 21% of First Nations people live in overcrowded homes; and, most horrifyingly, the children buried on the grounds of church-run residential schools.

We know all this; after all, the six-volume Truth and Reconciliation Commission report was released eight years ago. Now it's time to move beyond land acknowledgements to enable Indigenous communities to control their own fates.

As Chief Sharleen Gale, chair of the First Nations Major Projects Coalition, put it at a recent Canadian Club event on economic reconciliation: "Any project that's built is [built] on Indigenous land." Yet, for a century and a half, "the Indian Act has prevented us from generating our own wealth and building our own economies." Yes, obtaining "free, prior and informed consent" from Indigenous communities—as per the UN Declaration on the Rights of Indigenous Peoples—is crucial. But to benefit from these developments in a lasting way, they need the means to participate fully as co-investors. The single-largest barrier? Access to capital. As Gale and her fellow panelists stressed, we desperately need a national loan guarantee program that will allow Indigenous communities to take equity stakes in the hundreds of billions of dollars in infrastructure projects being planned over the next decade, many of them part of the crucial transition to renewable energy.

You can read more about the case for economic reconciliation—and why our future growth depends on it—in "This is what economic reconciliation looks like," on page 24. The essay and profiles of Indigenous-led projects were written by Susan Nerberg, who grew up in Sweden divorced from her own Sámi heritage in Norway, where an Indigenous-assimilation program saw her father's mother sent to a state-run residential school eerily similar to the ones here in Canada.

You might ask why we didn't run this package in our October issue, which landed on the third National Day for Truth and Reconciliation, honouring the children who died in those schools and the ones who survived. To which I say, this is an ongoing history we need to confront every day, not just once a year. And as painful as this conversation might be, it's one we plan to keep on having. **/Dawn Calleja**

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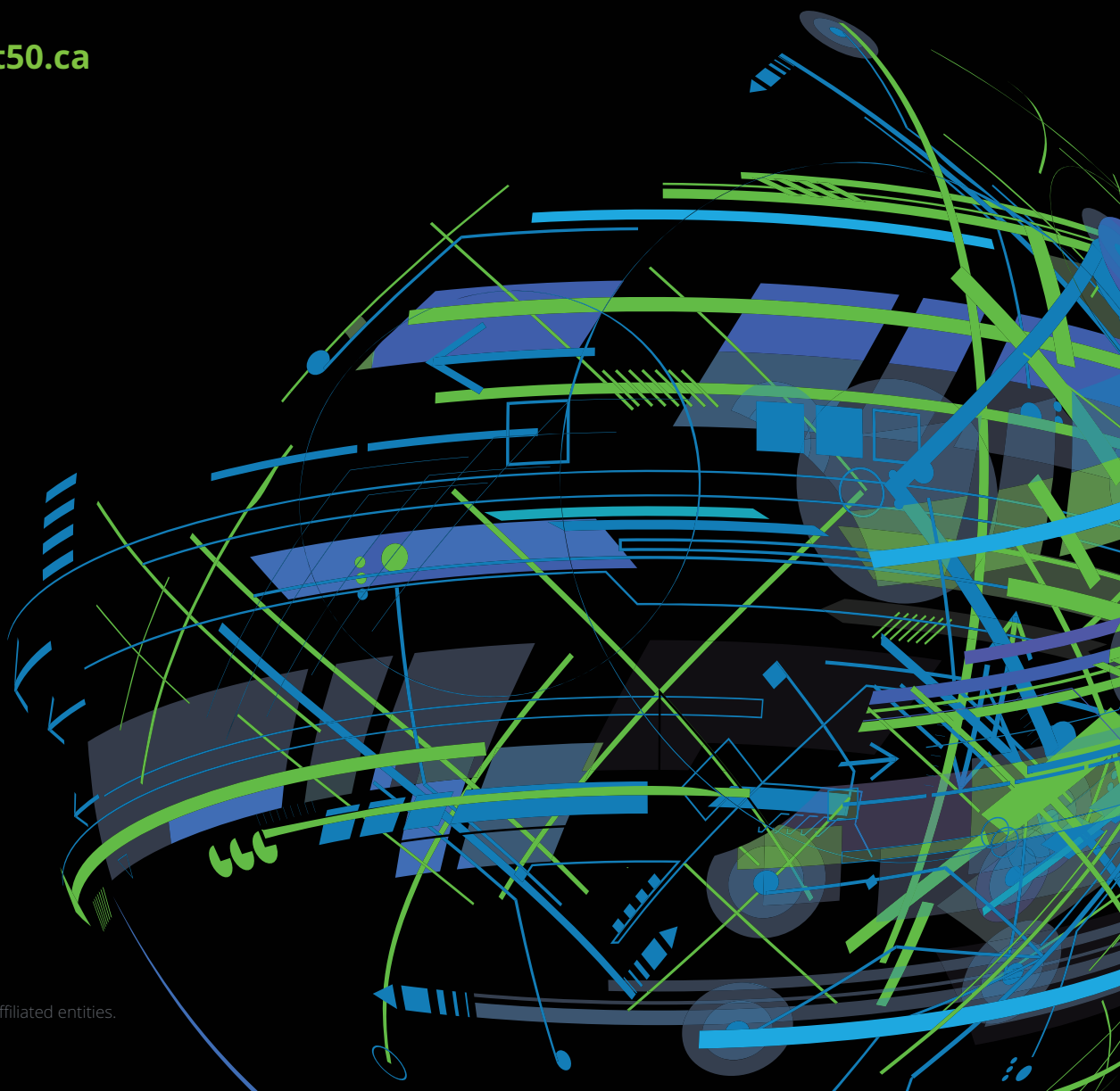
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Meet our winners!

The Technology Fast 50 program is ready to recognize Canada's most innovative and fastest-growing companies in the tech industry. Mark your calendars—2023 winners will be announced on November 8, 2023. Watch for feature articles on the program and winners in Report on Business magazine throughout November.

Join us in celebrating the exceptional achievements of Canada's technology sector. To meet the winners, please visit:

www.fast50.ca



Hot and not-so-cold

Jason McBride's October cover story on Subterra Renewables—which teams up with developers to install geothermal systems—got plenty of heat (in a good way).

Geothermal energy is a match made in heaven for Canada. We have a lot of expertise in drilling, and should be able to convert that knowledge and equipment into drilling for thermal energy. Canada also has huge needs for both cooling and heating buildings, and that technology can address both needs with one simple ecological solution. I would buy stock in Subterra immediately if they ever go public. —**robert-by-the-lake**

Great technology—geothermal (ground-source heat pumps) are up to 400% efficient (4 kwh of heat from 1 kwh of electricity). They'll soon be a no-brainer for new buildings, especially in Canada, where air-source heat pumps are less efficient in the winter. —**Zepho Bark**

I saw the headline and absent-mindedly clicked as I thought, "Condo buildings are a good idea for ground-source systems." It turns out, the lady in charge is married to the new owner of my favourite hockey team, the Ottawa Senators. Go, Andlauer family! Condo developers in Saskatchewan, please do consider this. At a multilevel-building scale, the math works very well. —**Pierre-André Ranger**

No Sharp edges

Trevor Cole's interview with Issy Sharp drew universal praise for the Four Seasons founder.

I had a bad dining experience at the Four Seasons Hotel in Toronto in the 1990s and wrote in to complain about it. I was shocked to get a very long and sincere written apology by none other than Isadore Sharp himself. He apologized and told me exactly what he was going to do about it. Guess which hotel I stay at when I can? —**callmesteve**

Mr. Sharp lives in our neighborhood and can be seen walking the streets with his wife and that trademark hat. At no time does he make you feel you are talking to a self-made billionaire and creator of a rare global Canadian corporate brand. He hosts our resident association meetings in his magnificent home at no cost. —**Bahadur**

Great article about a great Canadian business person. Four Seasons is arguably the top luxury hotel brand in the world, and no doubt most of that is due to Issy. In fact, I love staying at one of their international properties and, if the opportunity presents itself, telling other guests that it is a Canadian hotel chain. —**ksmith2001**

Many years ago, I stayed at the Four Seasons in Vancouver with my young family, taking advantage of my company's corporate rates.



Based in Montreal, **Susan Nerberg** ("This is what economic reconciliation looks like," page 24) is a Sámi journalist who zooms in on Indigenous issues, science and the environment, culture and nature. She's completing a master's in governance and entrepreneurship in Northern and Indigenous areas through the University of Saskatchewan and University of Tromsø in northern Norway.



Alison Boulter is a Vancouver-based Michif photographer, recognized for her vivid visual storytelling and nearly a decade of experience in the field. She photographed both Chief Crystal Smith (who appears on our cover) and Chief Sharleen Gale.



Marcel Petit is a Métis artist from Saskatoon who works in film, theatre and photography. He has a number of films to his name, from short dramas to feature documentaries, and his photography has been featured in multiple publications. He travelled to Pasqua First Nation to photograph workers at Pro Metal Industries for our cover package.

The kids were treated like royalty with homemade chocolate chip cookies and cold milk in a wine carafe. Twenty years later, while booking a corporate event at the same hotel, I mentioned my story to the event manager. When the event happened one year later, I arrived at my hotel room to a plate of cookies and cold milk. At my request, the hotel manager then agreed to an impromptu talk to our group on customer service. Great hotel chain.

—**farmer's daughter**

Legend. Icon. Soft-spoken. Confident. Grateful. Humble. We should all emulate his success and achievements, and encourage that attitude as opposed to the toxic victim mentality that dominates today's politically and socially inflamed discourse.

—**Cobra Kai**

Fresh thinking

In Turning Point, Freshco's Mandy Rennehan issued a cri de coeur for women in the trades.

I particularly appreciate Mandy's comment that our attitude toward blue-collar workers is bad for the economy. Lawyers can't install HVACs. Doctors can't fix their own cars. Accountants can't build a house. There is a real intelligence to a lot of blue-collar workers, who often own and run their own small businesses. The political and professional classes need to stop looking down on these people and see them for what they bring to our society.

—**Sahd Man**

The list of people I've never met but have mad respect for is long, and it absolutely includes Mandy Rennehan. Her "be yourself, be excellent, reward talent, and be good to others" philosophy of leadership is more rare than it should be. Whether in the trades where she works or where I do in Big Law, we could all use more of her kind of straightforward, lead-by-example, authentic leadership.

—**Laurie Livingstone, Dentons**



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December 31!

Your donations to Lakeridge Health Foundation's 2023 Holiday Appeal will ensure exceptional cancer care is available, close to home.

Your gifts will be matched by Beth Kelly and Paul Mackie Sr. and their families. Beth and Paul are long-time friends, donors and volunteers who have both experienced cancer in their lives. All funds donated to cancer care will help purchase new equipment, fund improved spaces and propel cancer research at Lakeridge Health.



Only \$1 Million left to go!

Our Cancer Campaign's ambitious \$20 Million goal is in sight with 95% of funds achieved.

Every dollar counts! All donations to cancer care between now and December 31 will be matched up to \$500,000 to meet our promise to Lakeridge Health and the families that rely on our cancer services.



Donate now, have your gift DOUBLED, and save lives.

Visit www.OurCancer.ca, scan the QR code or call 905-433-4339 and mention the "Holiday Match."

**This is our
cancer.**
This is our cause.



11/23

NEW RULES

Making the team

Michael Andlauer has joined the ranks of National Hockey League owners, reportedly paying close to US\$1 billion for Eugene Melnyk's share of the Ottawa Senators. As the NHL season gets underway, we look at some of the best—and absolute worst—owners in recent history (plus former Leafs overlord Harold Ballard, obviously).

US\$800 MILLION

VALUE OF THE SENATORS IN 2023

111% INCREASE IN VALUE SINCE 2013

AVERAGE NHL TEAM VALUE
\$1.03 BILLION

UP 19% FROM ONE YEAR AGO

MOST VALUABLE NHL TEAMS

NEW YORK RANGERS
\$2.2 BILLION

TORONTO MAPLE LEAFS
\$2 BILLION

THE GOOD, THE BAD AND THE REALLY BAD

Michael Jordan
Carolina Hornets (2010–2019)

During the 2011 NBA lockout, he led a group of hard-line owners who wanted to cap players' income, things went downhill from there

James Dolan
New York Knicks and Rangers (1999–)

Overspending, meddling, alienating diehard fans, installing facial recognition tech at Madison Square Garden to target his enemies...the list goes on

Glazer family
Manchester United (2006–)

Patriarch Malcolm (now dead) saddled the team with £660 million in debt, enraging fans and players alike. The team is now owned by Avram (pictured) and his siblings

Peter Pocklington
Edmonton Oilers (1976–1998)

Traded Wayne Gretzky, the best player the Oilers—or anyone—ever had, to the L.A. Kings in 1988; fans never forgave him

Dan Snyder
Washington Commanders (1999–2023)

Overlaid a reign of sexual harassment and financial improprieties, plus a decades-long run as one of the worst performing teams in the NFL playoffs

Harold Ballard
Toronto Maple Leafs (1972–1990)

A greed-driven loudmouth who traded beloved players, hiked ticket prices, ensured the team consistently lost thanks to his bungling and, oh, went to jail for financial crimes a year after becoming majority owner

Jeffrey Vinik
Tampa Bay Lightning (2010–)

Seven appearances in either the Stanley Cup or Conference finals, including two back-to-back Cups

Ryan Reynolds & Rob McElhenney
Wrexham FC (2020–)

Promised to improve the stadium, invest in the women's team and, most important, win promotion, all of which they did, along with finding new sponsors, making a hit docuseries about the 160-year-old club and generally reviving a dying Welsh town

WORLD'S MOST VALUABLE SPORTS TEAMS (US\$)

DALLAS COWBOYS	\$9 BILLION
NEW YORK YANKEES	\$7.1 BILLION
GOLDEN STATE WARRIORS	\$7 BILLION
NEW ENGLAND PATRIOTS	\$7 BILLION
LOS ANGELES RAMS	\$6.9 BILLION

US\$509 BILLION

COLLECTIVE NET WORTH OF THE WORLD'S 20 RICHEST SPORTS-TEAM OWNERS

THE EXCHANGE

Attested development

It's not exactly a well-trodden transition from affordable-housing activist to big-time developer. But that's exactly the path taken by Mitchell Cohen, CEO of Toronto-based Daniels. And he has lots of thoughts on how Toronto can build a city that works for everyone

BY TREVOR COLE

> You can probably count on one finger the number of feisty community activists who became major property developers. But that's Mitchell Cohen, a guy who literally marched on city hall in early-1970s Montreal to protect the rights of evicted tenants, then a decade later joined up with developer John Daniels, the former Cadillac Fairview CEO who'd started his own company. Since 1984, the soft-spoken Cohen, who is also a songwriter, has kept his profit motive tuned to his social conscience. No project exemplifies that better than the Regent Park Revitalization, which, over 17 years, has gradually healed a wound in Toronto's downtown. By ensuring that Daniels Corp. includes affordable and accessible housing in its condo, rental and community developments, Cohen has done more than construct 35,000 homes over his career. He's built a strong argument that development can work for everyone. We met in Cohen's light-filled Queens Quay office, overlooking Toronto Harbour.

Interest rates are higher than they've been in decades, and everyone's worried about a recession. What's this economic environment like for a developer?

The environment is tough. Costs were already going up—land cost, development charges, the cost of delivery or creating a home. Then the pandemic hit, and costs were driven up even further. Young people in the industry haven't seen this, but I've been through it three or four times, and there will be an end. The challenge is to be patient and to understand that we're not dependent on one kind of product. Yes, we build condominiums, and today that market is very challenged. But we're also building rental housing, and the rental market has been good and is gonna be even better.

We're in the midst of a housing affordability crisis in Canada. Most people blame supply. You're one of the suppliers, so, why don't we

have enough homes?

I'm perhaps one of the few who doesn't blame supply. You've seen the cranes in our marketplace for the past 20, 25 years; there's been enormous supply. The real challenge is that there hasn't been investment in affordability. The federal government got out of affordable housing in 1984. In Ontario, the province got out in 1995 with the "common sense revolution." ⁽¹⁾ The thesis was that an unfettered free market would create so much housing that there would be this trickle down. Well, guess what? That has not happened. The cost of housing continues to go up. We believe government needs to spend money to offset some of the costs, with a requirement to bring down the cost for a certain percentage of units within every new building and integrate affordable housing into new communities. That hasn't happened.

What about investor demand—

1. He's referring here to the election of Mike Harris in 1995, whose Progressive Conservatives gutted government spending.

PHOTOGRAPHS YASIN OSMAN





overseas buyers snapping up units? Is that part of the problem? Or is it part of the solution?

Why would it be part of the solution?

Because when all those condos were getting built, there was no money to create rental housing. Rental buildings weren't getting built in the 2000s and early 2010s because the economics didn't work. So, someone who invested in a condo unit provided a rental unit. Now, had government said, "If you want to build that density, then 10% or 15% or 20% of the units have to be affordable, and here are the criteria for affordability," the developer would have said, "Great. I want the density; I'll provide the affordability matrix you're asking for." But government didn't ask that. There was no national housing strategy until 2017. Then all of a sudden they said, "We're gonna put \$80 billion behind it." And they rolled out programs that didn't work.

What was the fundamental flaw in those programs?

In 2015, 2016, 2017, we and others finally began to build rental housing with no government assistance. Then the CMHC launched the Rental Construction Financing Initiative, to incentivize developers to build rental buildings they were already building. And the requirement was for only 10 years of affordability. How does that make sense? It doesn't.

What changed around 2015 that made building rental units viable?

So little product had been built for a long time that the older product was now not as attractive. New buildings became an asset class people wanted. Pension funds and life insurance companies began investing billions of dollars in long-term income-producing properties. And it was working. They could get a 4% or 4.2% return, so it was okay to put that money away for 20, 30, 40 years. The pandemic hits, the cost of construction goes

up, interest rates start going up, and the equation doesn't work anymore. "Let's just put our money into T-bills."

Does the federal government's recent decision to eliminate the GST on rental construction change that dynamic?

Yes, particularly if the provinces follow. Ontario is saying it's doing its bit. So, the full HST will be waved on new purpose-built rental, and new senior and student residences. Not all the provinces have said they're doing it yet.

But the provinces that do will be the ones that get rental housing.

Yes. People have been sitting on projects, saying, "I don't want to build a condo 'cause the market's dead. I'd like to build rental, but the economics don't work. Oh my god, we can take off the HST." Now it pencils out. (2)

You've talked about trying to achieve something called SDG 11. What is that?

In 2015, the United Nations established 17 "sustainable development goals" we need to achieve by 2030. SDG 11 has to do with the creation of cities that are affordable, inclusive and resilient. That's what we have been striving for in our work in Regent Park. (3)

You've been at Regent Park for 17 years. What stage are you at?

We are nearing the end of phase three, which is the end of our contract. There are 69 acres in Regent Park. We are nearing the end of 54, leaving 15 acres for phases four and five. (4) There was a moment when we had a contract for all phases. In 2017, Toronto Community Housing

decided to terminate the contract and go to tender for the last two phases.

Why?

I've never been able to get the answer.

Do you have a theory?

TCH has suffered from some political challenges. In the early years, the board and management valued the public-private partnership model. In 2010, a mayor was elected (5) who determined that TCH was a boondoggle—"a gravy train"—that should be torn apart, and that the revitalization of Regent Park should be investigated because there was probably something untoward about it. After months of investigation, retired Ontario Superior Court Judge Patrick LeSage issued a report that said this was the best public-private partnership he'd ever seen—nothing untoward whatsoever. (6) But TCH went through a number of changes of leadership—I think it's 13 CEOs in 17 years—so the concept of a long-term public-private partnership to create community has been lost.

What is it about Regent Park that inspired you to write a musical?

I've been a songwriter all my life. And I'll tell you the moment. It's Feb. 6, 2006. Mayor David Miller is on site. We're demolishing the first building. There are hundreds of residents there, and I know a lot of them because I've been in the community for months. A grandmother looks at me and says, "Mr. Cohen, my family's and my history are being erased." (7) And that hit me in the side of the head. In that moment, I felt the responsibility. We're a builder; we can build buildings. How do you stitch together a community that is being torn apart? I went home that night, picked up my guitar, and I started to write a song—"Buildings coming down/I hear the wrecking ball"—which became the central song in what became, several years later, *The Journey*. (8)

2. On Sept. 26, the federal government also announced a 50% increase in the amount of mortgage bonds issued, raising an additional \$20 billion every year for new rental construction.

3. Dream Residential REIT and Choice Properties REIT are two other builders cited by Cohen as embracing SDG 11 principles.

In Regent Park, Daniels has completed...

- 3,063 condos
- 346 market-rate rental units; 34 "deeply affordable" units for 40 years
- 332 market-rate seniors apartments
- 1,261 TCH replacement apartments with rents geared to income
- 403 new TCH affordable rentals
- 853 residential units still under construction





One thing that connects your songwriting to your efforts to build affordable housing might be empathy. Would you say empathy is rare among developers?

Most developers have a different mindset; the primary goal is achieving profit. We have had a mindset that says we can achieve profit while exercising empathy, if you want to use that word. And it's a good word, because it's about people.

Does Daniels make less money with that attitude than it otherwise could?

Hard to measure, but I think we make more money. I mean, we're a successful company. We care about the quality of what we build, and we're recognized for that. (9) But we also do a lot of other things around the social infrastructure, to ensure that people feel good about the community they're living in.

For developers, what's the downside of building affordable housing?

The worry is always, "If we bring in people who are renting on subsidies, it's gonna bring down the value of my market units."

And you say?

Bollocks! We have done thousands of affordable housing units over the decades. And we have proved time and again that we can integrate affordable housing into condominiums and into purpose-built market rental buildings, and it's seamless.

Do other developers see Daniels as a troublemaker, setting the bar too high?

I hope not. For many years, we were a lone voice saying inclusionary zoning is a good

thing. Nobody liked us for that. But we weren't able to accomplish that. Because every single building you see would have affordable housing in it, had that been adopted. We're now saying to the industry, "We can do better with accessibility." And some are saying, "Yeah, yeah, sure, but it costs more." And I'm saying it actually costs very little more, if any, if you think about it in advance. The concrete guy doesn't care that you have a depressed slab so somebody can roll into a shower. Is that being a troublemaker? Sure. I don't care.

What's your view of the Greenbelt debacle?

The Greenbelt should be preserved forever. We don't need any of that land to achieve the housing targets. Let's build density where infrastructure already exists, on our main streets, with transit at the door.

You had great hopes when the city had John Tory as mayor and the Liberals in provincial government.

How did that pan out?

What I anticipated—governments talking to each other to create affordability—did not happen. But the city has tools. It could say, "Every unit of affordable housing that gets built will not have property taxes charged in perpetuity. There will be no development charges. There will be no building-permit fees." This is slam-dunk stuff that is within the city's toolbox.

And if Mayor Olivia Chow says, "Toronto can't spare that money," what do you say?

I say that the value of our city will go down as a place to live and work if we continue

5. Rob Ford was elected mayor in 2010.

6. Suggestions of improper conduct by TCH executives, in purchasing Regent Park condo units, led to an investigation headed by former Ontario Superior Court Chief Justice Patrick LeSage. In his report, released in August 2012, LeSage concluded the executives "did not receive any benefit or preference not available to the general public."

7. The 2,083 Regent Park households whose homes were demolished were promised a "right of return" to a home suited to the household's current size, with rent geared to income.

8. *Songs from The Journey* will be performed at Toronto's Koerner Hall in June 2024.

9. Daniels has won multiple awards, including 2023 Ontario Builder of the Year (large volume) by the Ontario Home Builders' Association.

to ignore affordability. The businesses will leave, because commuting two and a half hours from wherever is not the answer. We need to create places in the city for the key workers to live near where they work. We're gonna erode the value of the city by not making that investment.

The federal government wants to bring in roughly 500,000 new Canadians every year.

The economy needs them, but how do we house them?

In Toronto, it's fairly simple. Apply zoning that allows 10 or 12 stories on major avenues, with set-back rules. The big cities of Europe all have six, eight, 10, 12 stories on the major avenues. That creates density along transportation routes, which is where we want it.

Do you have enough workers to build all those homes?

That's a huge issue. We don't have the workforce to build anywhere near the Ontario goal of 1.5 million homes by 2031. The bricklayers are retiring. The formwork contractors are 60. What are we doing by way of creating scholarships, bursaries, training pathways? We need to bring in the next generation of workers to come even close to satisfying that need.

Should the government be targeting construction workers in those 500,000 new Canadians? Hundred percent.

You're relentlessly upbeat in advocating for affordable housing. Do you ever get discouraged or angry?

I am often discouraged and angry, but I try to turn that into: What can we do to demonstrate what can be done? We're gonna continue to be upbeat about what we can accomplish. And hopefully others will say, "Hey, we can do that, too."

This interview has been edited and condensed.

Trevor Cole is the author of five books, including the novel Practical Jean, which won the Stephen Leacock Medal for Humour.

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BIG IDEA

It had one job...

Companies using AI might just find it's not the magic bullet they were hoping for

An anyone who has visited a Canadian supermarket lately—which is to say, most of us—may have been distracted (albeit briefly) from their fury over price gouging to take note of a small but telling shift in the deployment of employees in chains like Loblaw's or Metro. As the grocery giants expand their self-serve check-out kiosks, cashiers may be displaced, but they don't necessarily lose their jobs due to another pandemic-related trend—a sharp increase in grocery e-commerce. Even post-pandemic, it's still commonplace to see employees schlepping shopping carts up and down the aisles, filling multiple online orders displayed on handheld devices.

As productivity-fixated economists have long said (perhaps paraphrasing here), technology may taketh away, but technology also giveth back.

The steadily increasing num-

ber of organizations hustling to incorporate AI tools—everything from fairly basic predictive analytics algorithms to the large language models (LLMs) that have stormed into public consciousness in the past year—will all encounter a similar dynamic, even if executives and shareholders hoped these systems would sharply reduce headcounts.

The reason? Almost all jobs are actually a grab bag of discrete tasks—some complex, others mundane. Like generations of previous technologies, AI applications are still more likely to replace specific tasks than entire jobs. But the process of adopting a new technology within a workplace, observe a team of organizational behaviour researchers from McGill University and Stanford, tends to set in motion a kind of HR chain reaction as managers seek to shuffle tasks—adding new duties for those

who've lost a part of their job to AI, but then also plugging new gaps created by the introduction of the technology.

In a forthcoming study, Matissa Hollister and Lisa Cohen, both professors at McGill's Desautels Faculty of Management, and Arvind Karunakaran, an assistant professor of management science and engineering at Stanford, cite the example of a Los Angeles law firm that began adopting new AI tools to automate contract reviews, a move that caused some consternation among the firm's paralegals and junior lawyers. As it happened, these new systems produced new and more abstract tasks, such as risk assessment, legal strategizing and even more client interaction.

The much-feared attrition didn't happen, which is the good news. The wrinkle is that with the introduction of the AI, plus the Tetris-like reconfiguration of the roles of paralegals, some ended up answering to multiple bosses, "thus creating more tensions between the managers who wanted to maintain their span of control and authority," the study finds.

Cohen, whose research centres on the way shifting tasks affect organizations, relates the story of a tech startup, the focus of a case study. The firm, she explains, was aiming to market HR consulting at financial institutions, and its founders wanted to begin by building a database of bank directors and senior executives. To do so, they used web-scraping software designed to automatically find and collect data from online financial disclosure documents issued by banks.

When they carried out a proof-of-concept pilot, however, they realized the algorithm they'd designed to save research time wasn't working effectively, bringing back only about 5% of the data they knew was available. In the end, the firm had to hire data entry clerks and analysts to check the data coming back.

The moral of the story? "AI is

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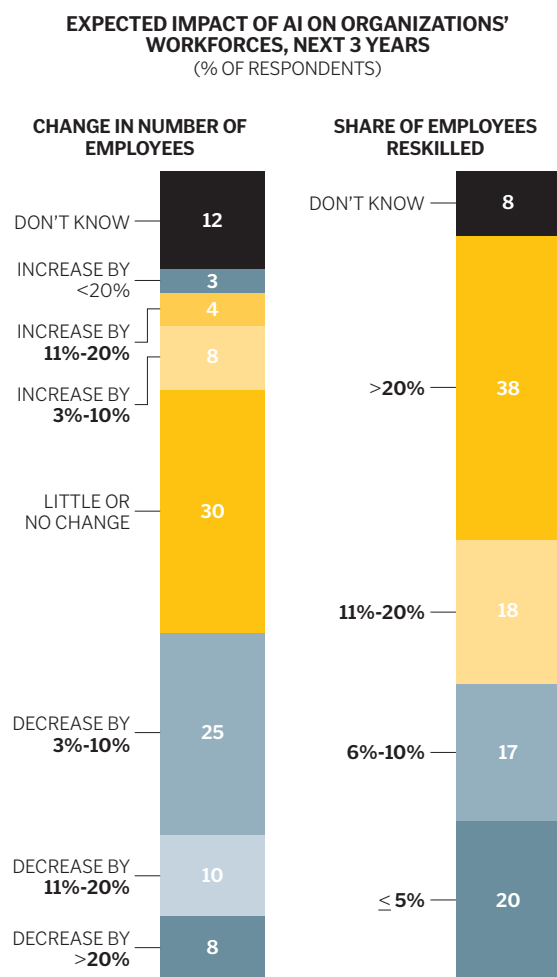
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not the answer,” Cohen says. “I don’t think it was ever going to do the whole of what was needed here.” More generally, she adds, “AI isn’t just destroying tasks. There are new tasks to make it work.”

These fine-grain findings—coupled with the explosion of often hilarious examples about how ChatGPT and other LLMs make preposterous mistakes or hallucinate, such as concocting entirely fake scientific journal articles in response to prompts—run up against the dystopian narrative about how AI is going to clearcut jobs from sectors as diverse as coding and customer service. While the internet is predictably awash in lists of “prompts” for prospective applications for powerful chatbots, the reality is likely to be significantly muddier.

Hollister, whose field is organizational behaviour, says firms that have bought into the AI hype-cycle have tended to overestimate the potential of these technologies. “Even with super powerful generative AI systems, people are already quickly realizing they have weaknesses and limitations,” she says. “I can think of a number of examples where companies thought they could use technology to do something and ended up realizing that it can’t do everything.”

Hollister also notes that when senior managers charge ahead with new AI systems, perhaps seeking first-mover advantage, they can face blowback from employees who are rattled by the chaos. She points to the case of U.S. temp giant, Kronos, which implemented an AI-based scheduling system that ended up wreaking havoc with the lives of the company’s workers and generated a powerful media backlash. “Kronos said, ‘Oh, we can fix the system to address the workers’ concerns,’” she says. “But part of what I tell my students when I teach a class on HR analytics is that they would have been much better off if they had



asked the workers themselves.”

As it happens, HR professionals know the AI story, warts and all, better than many other executives. For several years now, managers tasked with recruiting or hiring have been able to draw on a growing set of AI-based systems that can perform tasks like sifting through hundreds or thousands of online applications to separate—or so the theory goes—the wheat from the chaff. There are many variations on the theme. For example, Hyercontext, a Toronto-based tech startup, recently introduced an AI tool meant to automate performance reviews.

Although these systems hold out the promise of simplifying time-consuming tasks, they are known to backfire—for example, by allowing bias to creep into

the way an algorithm selects or disqualifies applicants. Such glitches have fueled an AI sub-industry—the business of ensuring that AI tools function in ethical ways—and they’ve also prompted a new generation of regulation.

This past spring, for instance, New York adopted Local Law 144, which requires any organization that’s using AI to hire people in the city to demonstrate that these tools satisfy some basic standards of fairness, bias and privacy. The European Union has adopted even tougher AI legislation designed to regulate the use of these technologies.

Such developments have meant that companies operating in these jurisdictions increasingly need to hire or retain compliance and risk-management experts who can advise on the ethical use of AI or carry out so-called bias audits—no doubt for hefty retainers. It’s yet another example of how adding a cutting-edge and presumably labour-saving technology can set off an organizational chain reaction that may produce all sorts of unexpected costs.

Hollister, the author of a 2021 World Economic Forum “toolkit” on the use of AI in HR applications, says firms would do well to take a back-to-basics approach when introducing these technologies into a workforce that is likely familiar with the heavily publicized predictions about AI-related job losses. Senior managers should take the time to properly explain the new technology, how it works, why it’s being implemented, and how the new systems will affect the existing workforce. It’s also critical for organizations to cut through the often grandiose promises made by AI vendors.

“When implementing the tool, [a company’s] leadership should be thinking much more concretely,” she advises. “What does this tool do? What does it not do? You make it clear that this isn’t some magic thing.” **/John Lorinc**

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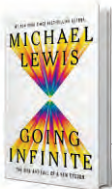
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7-WORD BOOK REVIEW

Going Infinite: The Rise and Fall of a New Tycoon by Michael Lewis
FTX's enigmatic founder and spectacular crypto collapse

11/23

WHAT YOU CAN LEARN FROM...

Paul Sun-Hyung Lee

In a little over a decade, Lee's acting career has gone from struggle to stratosphere. His starring role as Appa on CBC's *Kim's Convenience* led to a recurring role on Disney+'s *Star Wars* spinoff *The Mandalorian*. Next, he'll play Uncle Iroh on the much-anticipated live-action adaptation of *Avatar: The Last Airbender*, due early next year on Netflix. **/Dawn Calleja**

1 Good things come to those who wait

Lee, now 51, first played the curmudgeonly Appa on stage, at the 2011 Toronto Fringe Festival, and he went on to portray the character upwards of 500 times. But he didn't get his big break on TV until he was in his mid-40s, when CBC adapted the play into what became a breakout hit in 2016.

Dreams do come true

Lee has been a *Star Wars* fanatic since he was five, when his dad—who moved the family from Korea when Lee was a baby—took him to see the original in 1977. Lee's Toronto house is filled with *Star Wars* paraphernalia; he has a YouTube channel dedicated to unboxing figurines and other assorted geekery; he's even a member of a *Star Wars*-focused cosplay group. So it was a literal dream come true when, in 2018, the executive producer of *The Mandalorian*—who'd become a fan of *Kim's Convenience* via Netflix—wrote a part just for Lee, as X-Wing fighter pilot Carson Teva. *Mando* is now going into its fourth season, with Teva reportedly set for a storyline of his own.

5 Nice guys finish first

Lee's company—which includes a YouTube channel, a line of merch, a blog and more—might be called Bitter Asian Dude, but Lee is known for his unbridled warmth with fans. As a super-fan himself, he has said he knows what it's like to reach out to someone you admire and get crickets back. "It's such a small thing to do to say, 'Thanks for watching.'"

ONWARD AND UPWARD 2

When *Kim's Convenience* ended abruptly in 2021, before its promised sixth season, Lee talked openly about how sad he was—after all, he'd spent a decade playing Appa. But he never veered into acrimony toward the show's producers, as did a couple of other cast members. "At the end of the day," he said, "we have a body of work that we're super proud of...We're gonna be okay. Life goes on, right?"

4 REPRESENTATION MATTERS

Until Appa came along, Lee struggled to land meaningful roles as an Asian actor. "You're forced to audition for these dehumanizing parts that are perpetuating stereotypes," he recently told *Zoomer*. Even his beloved *Star Wars* universe failed miserably when it came to diversity, and fans have been known to spew racist vitriol toward non-white actors (Kelly Marie Tran was forced off social media after being cast in *Star Wars: The Last Jedi* in 2017). But as Lee said at the 2018 Canadian Screen Awards, where he won best actor in a comedy for *Kim's*: When people see themselves represented on screen, "it's a powerful moment...because it means they've been moved from the margins to the forefront, and it gives them a voice, and it gives them hope."



ASK AN EXPERT

I try not to play favourites, but I'm only human. How can I make sure I treat my staff fairly?

Props to you, first of all, for recognizing what's inevitably already happening at work: "Playing favourites is not fair or okay, but in practice, humans naturally click with some people and not others," says Ann Gomez, a high-performance-teams expert in Toronto. She's also a mom of four, pertinent here because good moms—like good bosses—have to master this skill on the daily: "You want everyone to feel like they're your favourite." But while kids will loudly complain when things aren't fair, your grown-up employees will probably never fess up to the same feeling (at least to you...or until their exit interview), so it's up to you to wise up and "be aware of where you're shining your light." When you see those natural clickers at the elevator, surely you smile, ask about their weekend and engage without even trying. So, rather than toning down the favouritism to that employee, try turning up the connection to the other guy. Since it's not coming naturally, some considerations from Gomez: "Do you know their strengths? Their motivators? What they do outside of work?" If not, no wonder they're not your "favourite"—you hardly know them. "You need to spend more intentional time connecting with that person," says Gomez. With any luck, you might find you click after all. **/Rosemary Counter**

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MAIN EXPORT TO U.S. IN 2022 (US\$)

Motor vehicles

\$31.3 BILLION

Motor vehicles

\$13.5 BILLION

Computers

\$9.1 BILLION

Motor vehicles

\$35.1 BILLION

Motor vehicles

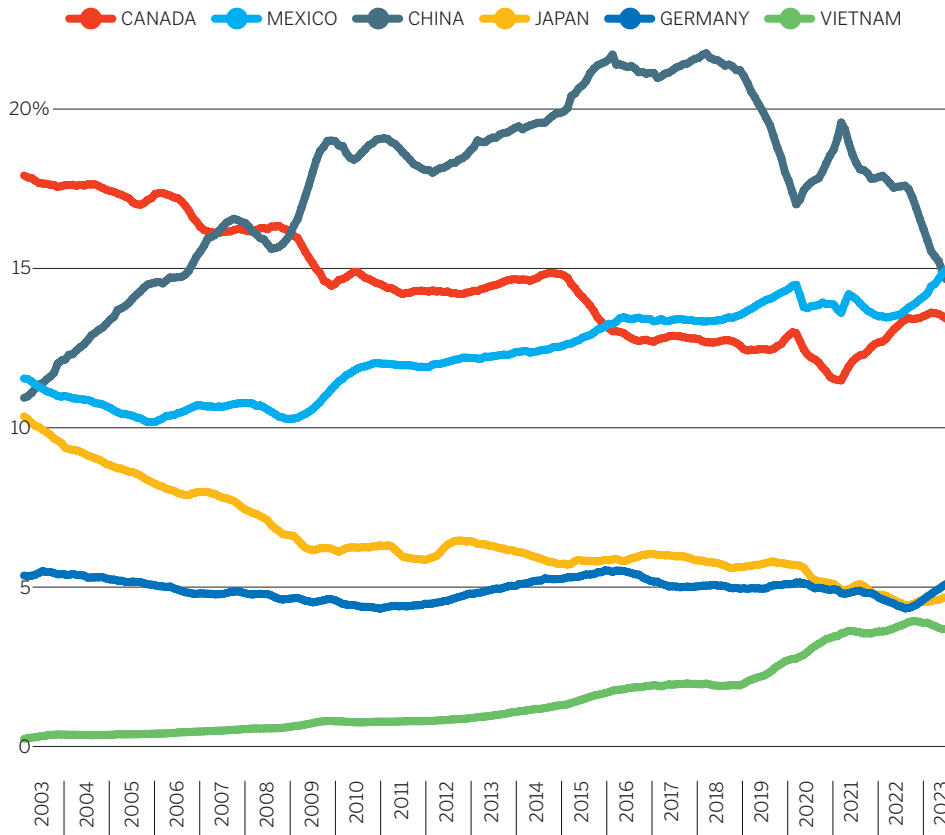
\$17.8 BILLION

Crustaceans (shrimp)

\$368 MILLION

SIX LARGEST EXPORTERS TO THE U.S.

(Percentage of total U.S. imports based on rolling 12-month sums)



MAIN EXPORT TO U.S. IN 2022 (US\$)

Computers
\$36.7 BILLION

Smartphones
\$63.1 BILLION

Crude oil
\$113.4 BILLION

Motor vehicles

\$19.4 BILLION

Motor vehicles

\$32.8 BILLION

Smartphones

\$24.2 BILLION

DECODER

EXPORT, EH?

When economic historians look back on China's aspiration to become the so-called factory to the world, mid-2018 might stand out as the high-water mark. After all, it was May of that year when then U.S. president Donald Trump followed through on his threats to punish China for its "theft of intellectual property and technology, and its other unfair trade practices," and hit US\$50 billion worth of Chinese goods with a 25% tariff, followed by tariffs on another US\$200 billion of made-in-China stuff.

That was also roughly when China's share of what the United States bought from the rest of the world topped out. The story since has been a question of which other countries could fill the gap. A lot of the attention has gone to Vietnam, as Western companies eye the country's cheap labour and growing manufacturing capacity. America's former military rival has seen its exports to the U.S. surge and become a lot more sophisticated—its top export to the U.S. two decades ago was shrimp; over the last 12 months, it's computer equipment.

While no single country can hope to match China's capacity to churn out factory goods, the biggest winner so far just marked an important milestone: As of July, Mexico is now the largest single exporter to the U.S. on an annual basis.

Mexico's advantage over most other countries, aside from its own lower labour costs, is proximity. The pandemic, and the snarled supply chains that followed, have reinforced the value of having suppliers closer to home.

Like Mexico, Canada obviously has location going for it, too. Yet so far, that hasn't translated into as impressive a market-share gain. Our largest export to the U.S. last year was crude oil, totalling US\$113 billion. Cars and trucks were a distant second at US\$26 billion. The rise in oil prices we've seen in recent months likely bodes well for Canada's trade picture with our neighbours to the south. It's just not clear whether that will be enough to put this country back on top as America's largest import partner like it was two decades ago.

/Jason Kirby

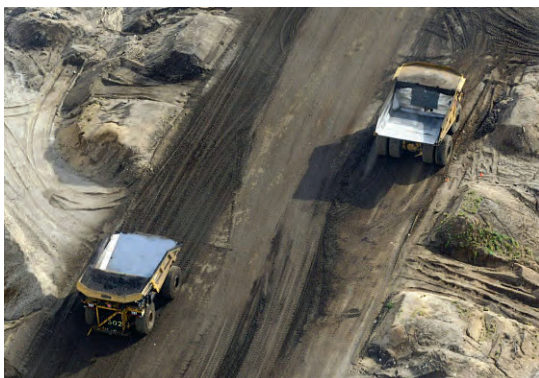
A man with a shaved head, wearing clear safety glasses and a dark blue polo shirt, is focused on his work. He is holding a piece of wood with both hands, using a tool to shape it. The background is a plain, light-colored wall.

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PROFIT **\$72.4 MILLION**

THREE-YEAR SHARE PRICE GAIN **142%**

P/E RATIO (TRAILING) **7.7**

Despite a snazzy, retro-future name that an ad man might have devised, Wajax is one of Canada's longest-standing industrial companies: It was founded in 1858 as a blacksmith shop in Montreal. The industrial equipment and services provider has grown a lot since then, including buying pressure pump maker Watson Jack & Co. Ltd. in 1954—the source of its name.

Wajax now has two main businesses. About 60% is sales and service of heavy equipment for various industries—big stuff like mining excavators, forklifts

and more. The other 40% is industrial parts and engineered repair services—supplying and maintaining “the kind of gear that keeps factories running,” says CEO Iggy Domagalski.

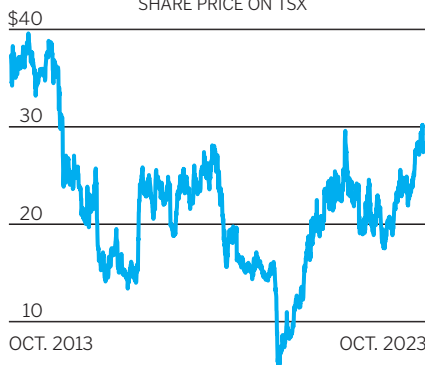
He arrived at Wajax during the COVID-19 pandemic. Domagalski was CEO of Tundra Process Solutions, a Calgary-based distributor of industrial process equipment. In 2020, Wajax announced it

would buy the company.

Soon afterward, long-time Wajax CEO Mark Foote decided to step down, and Domagalski went through months of vetting to succeed him. “The background checks, psychologists asking what you were thinking when you were 12,” he recalls. He was named CEO in October, 2021.

It was a step up in many ways. Wajax was much bigger—3,100 employees

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and 125 branches coast to coast—and Domagalski's first chance to run a publicly traded company. He still lives in Calgary, however, and travels a lot. “I joke that my main office is an airplane,” he says.

Wajax came to the end of a five-year strategic plan in 2022, and Domagalski has helped craft a new one. Its five priorities include focusing on employees first, solidifying its existing \$2-billion business and continuous improvement, such as keeping a lid on costs. A fourth is strengthening ties with giant Japanese equipment supplier Hitachi Ltd. In 2021, Hitachi ended its multidecade partnership with John Deere and now has an enhanced exclusive distribution deal with Wajax, its biggest partner in the Americas.

Acquisitions are another priority. Wajax has bought five companies since 2018. It wants to keep growing both organically and through acquisitions, particularly of industrial parts suppliers, and engineered repair services operations.

In part, Wajax wants to show it's more than a supplier to the highly cyclical mining and oil and gas sectors. Historically, the stock price has fluctuated widely because of that perception.

It's also now astonishingly attractive based on multiples such as price to earnings. “Whether you're a growth or value investor,” says Domagalski, “I think it's worth a look.” **/John Daly**



FOMO INVESTING

5 things we learned from Michael McNabb

You see ads for new houses starting at an eye-watering \$2 million, and you read about high interest rates casting a pall over real estate markets. With all that worry, is it time to jump back into the sector? We talked with Michael McNabb, portfolio manager at Purpose Investments and co-manager of the Purpose Real Estate Income Fund. **/JD**

1. In some respects, traditional real estate investors have blinkers on: They compare yields on REITs with safe alternatives like GICs and bonds—many of those now yielding 5%. “I want to yell from the mountaintop, ‘Don't look at it that way!’” says McNabb. They should look at long-term REIT and real estate fundamentals, too.

2. Since March 2022, the Bank of Canada has raised its policy rate from 0.25% to 5%. Monthly payments for mortgage borrowers have gone up, as has the cost of capital for REITs and other property owners. Yes, rates will likely stay “higher for longer,” McNabb says. But they could also be near a peak. “It's always darkest before dawn.”

3. Ah, demographics—they help push up residential and commercial rents. Canada's population has grown by 1.2 million over the past year alone. Even in jurisdictions like Ontario that have rent control, where most landlords can't raise rents until tenants move, “rents have gone up,” says McNabb—and will continue to do so.

4. The S&P/TSX Capped Real Estate Index, which is dominated by REITs, has declined by more than 25% since March 2022. But McNabb says that in the sectors his fund focuses on, such as multifamily residential (a.k.a. apartments) and non-office commercial, “you're going to see strong growth in free cash flow in the next few quarters.”

5. One advantage of a REIT fund (like McNabb's) over, say, buying a duplex yourself: He can keep money in promising sub-sectors, such as industrial, and downplay others, such as offices. He also thinks worries about retail are overdone. “I'm the father of a 12-year-old girl, and I can tell you, ‘Can we go to the mall?’ says a lot,” he says.

Is it time for a new perspective?

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SMART MONEY

MARC LECAVALIER

SENIOR PORTFOLIO MANAGER FOR CANADIAN SMALL-CAP EQUITIES
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Some fund managers search the world for the best stocks. Others stick to Canada. But Fiera Capital's Marc Lecavalier, who oversees National Bank of Canada's NBI Quebec Growth Fund, has unearthed gems by focusing largely on *la belle province*. The \$542-million fund, which has a bias toward smaller-cap companies, has outpaced both the S&P/TSX SmallCap and S&P/TSX Composite Total Return indexes over 20 years. That remarkable performance even comes from the fund's A series, which includes fees that eat away at returns. We asked the 45-year-old why Quebec has been a fertile ground for stocks and why convenience-store giant Alimentation Couche-Tard is still compelling.

How has your fund been able to outperform?

I have a long-term time horizon and tend to be less invested in cyclical sectors, such as commodities and energy. They are volatile and create less value over time. I own more industrial, technology and consumer-related names, which are more resilient. We purchased MTY Food Group and Stella-Jones [maker of pressure-treated wood products] when they were under the radar 15 to 20 years ago, and we made 50-baggers with them. I also manage a Quebec and North American micro-cap fund for Fiera Capital. I get to see the rising stars and will have had a relationship with those companies for several years. It's like having a farm team.

Why is Quebec fertile ground for investing?

The NBI Quebec Growth Fund name is a bit misleading, because our companies are all North American. I own very few companies that only do business in Quebec. It's just that their headquarters are there. Some are even global leaders, when you think of CGI, an IT company, or WSP Global, an engineering firm. We also have a history of being entrepreneurial. It was obviously helped by the Quebec Stock Savings Plan [which allowed tax writeoffs for investing in new Quebec companies]. It helped companies raise money and do initial public offerings. But I can invest in companies with headquarters outside of Quebec, too.

When do you go beyond Quebec's borders?

Currently, 25% of the assets in the fund have their headquarters outside Quebec. But many of those companies do a large part of their business in the province. Champion Iron is headquartered in Australia, but its iron-ore mine is near Sept-Îles in Quebec. If I see a great opportunity in the rest of Can-

ada, I jump on it. That's why I own Intact Financial. However, at least 51% of the assets must be invested in companies headquartered in the province.

What is your outlook on the small-cap sector?

I own fewer micro-cap stocks now. Many stocks in small-cap land have fallen a lot. I am wary of an economic slowdown and a consumer with less disposable income, but there are opportunities to invest at great prices. A good thing about current market conditions is that higher interest rates have dried up the excessive liquidity once available to private equity to compete against our companies for acquisitions. Most of our firms can now negotiate for other companies at better prices. They will be able to swallow competitors, gain market share and become stronger in this slowdown.

Alimentation Couche-Tard, which owns chains such as Circle K and On the Run, is a top holding.

What's the attraction?

Alimentation Couche-Tard sells essentials, such as food and gasoline, so it's recession-resistant. It generates free cash flow to make acquisitions, buy back stock or increase its dividends. It also benefits from past acquisitions, growing its network and capturing synergies. Once you've grown that network globally, it gives you lots of opportunities.

Has your fund benefited from takeovers lately?

We have had several takeovers since the start of 2022. They have included Uni-Select, an automotive products distributor; Intertape Polymer Group, a packaging products company; and LifeWorks [formerly Morneau Shepell], an employee assistance provider. But the value creation in my companies really comes from the other side of the table. It's when you have companies, such as CGI, Alimentation Couche-Tard, Stella-Jones and MTY Food Group, buying other companies.

/Shirley Won

NBI QUEBEC GROWTH FUND (SERIES A) ANNUALIZED % TOTAL RETURN*



S&P/TSX SMALLCAP INDEX



* RETURNS TO AUG. 31, 2023. SOURCE MORNINGSTAR

This is what economic reconciliation looks like

Indigenous people have been left out of Canada's economy for too long. But our future growth—and even our ability to reach net zero goals by 2050—depends on changing that

BY SUSAN NERBERG

► Chief Wayne McQuabbie of Henvey Inlet First Nation, home to the largest on-reserve wind installation in Canada





JP Gladu wants me to see the land.

He turns around the camera on his computer—we're on a Zoom call—and points it across Bingwi Neyaashi Anishinaabek (Sand Point First Nation) and toward Lake Nipigon. There's been a dump of snow in this part of northwestern Ontario overnight, and the snow seems to hush the rolling landscape. But there's nothing quiet about what Gladu wants to tell me, what he wants you to know: that Indigenous people have had enough—enough discrimination, enough exclusion, enough destitution, enough paternalism—and are therefore buying back Canada. “We're tired of managing poverty—I can tell you that managing poverty is not a fun job. We want to manage wealth.”

And wealth, really, comes back to the land—the swath outside Gladu's window, the territories to which Indigenous peoples are inextricably linked. Just to exercise traditional activities like hunting and fishing requires a certain level of economic means, Gladu explains. “It's not like in the past, when our people hunted with dog teams. Today, people need money for a snowmobile and gas.” At the core of what Gladu is saying is a demand for economic reconciliation, which he defines as economic parity between Indigenous peoples and the rest of Canada. The founder and principal of Mokwateh, a consultancy that works to bridge the gap between Indigenous businesses and corporate Canada (*mokwateh* means “bear heart” in Ojibway), he says economic reconciliation needs to be part of our collective move toward overall reconciliation. It's about bringing Indigenous communities and businesses into the economy.

The reality is that the policies that have shaped this country's relationship to Indigenous peoples are as white as the snow outside Gladu's window. The supremacist underpinnings of the disparities we see today are the legacy of the Indian Act,

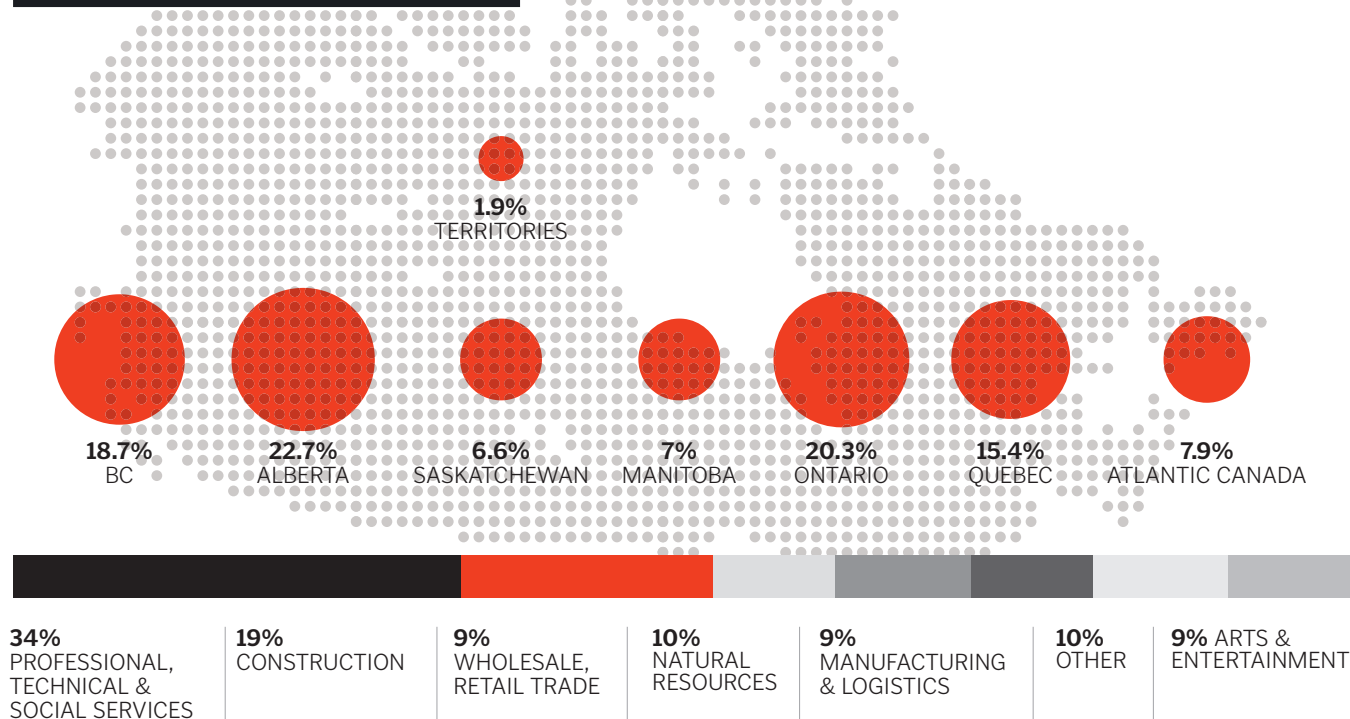
which has formally restricted Indigenous economic development since its enactment in 1876. So to move forward as a country for all citizens, we need a collective reckoning with our post-European-contact past. Ours is a history of exclusion: When the Crown forced Indigenous peoples from their lands and onto reserves, it effectively deported them to poverty. Unless Canadians grasp this and confront the brutal legacies of colonialism, there can be no reconciliation.

Jake Dockstator (Oneida Nation of the Thames, southwestern Ontario), whose mission is to foster economic prosperity in Indigenous regions, remembers when he was studying arts at the University of Waterloo; in his class of 40, only two had heard of residential schools. When revelations of the 215 unmarked graves at the former Kamloops Indian Residential School were made in May 2021, non-Indigenous people finally started realizing the scope of the horrors inflicted on Indigenous peoples by their own country. “The Indian Act is a racist piece of legislation, simply because it governs a group of people based on their race,” says Dockstator, a law graduate, filmmaker and executive director of the Sioux Lookout Friendship Accord Economic Development Corp. (SLFA-EDC). “Under it, there's no ability for Indigenous people to be masters of their own destiny.” The act prevents First Nations people living on reserves from using their land as security, since the land belongs to the Crown. “Non-Indigenous Canadians can use their house as collateral for loans; First Nations people on reserve can't do that.”

The Indian Act is like a black hole sucking up and obliterating Indigenous well-being. Imagine not being able to leave your reserve without first getting written permission from the Indian Agent, or not being allowed to hire a lawyer, a rule that was finally struck when the act was revised in 1951. And if Indigenous people got a university education, they were stripped of their Indian Status; the State considered them “enfranchised.” “How do you generate wealth under those circumstances?” asks Tabatha Bull (Nipissing First Nation, southcentral Ontario). “Economic reconciliation is about truth—understanding where we are now, and how and why Indigenous people were left out of the economy.”

Stolen land won't be returned to Indigenous peoples any time soon. That means the reconciliation journey must include a path toward economic self-determination, says Bull, president and CEO of the Canadian Council for Aboriginal Business (CCAB). “We talk about human rights—safe drinking water, access to land, treaty rights, Indigenous access to education—but we seldom talk about economic prosperity,” or the all-too-common lack thereof. A few examples: 11.8% of Indigenous people live below the poverty line, nearly double the rate of the non-Indigenous population; the high school completion rate is 18.5 points lower, and 15.6 points lower for university; the unemployment rate is 8%, compared to 5.2% for non-Indigenous people. For the past 20 years, the CCAB—which marks its 40th anniversary in 2024—has worked on turning that narrative on its head. It runs the Progressive Aboriginal Relations (PAR) program, whereby corporations sign up for help on how to boost Indigenous relations, with gold, silver and bronze certificates awarded as a company makes PAR progress. (Gold-level companies include ScotiaBank, Bank of Montreal, HydroOne, BC Hydro, Syncrude and Ontario Power Generation.) And in 2018, the CCAB launched Supply Change, a multiyear strategy to boost procurement from Indigenous-owned businesses; Suncor's then CEO,

INDIGENOUS BUSINESS IN CANADA



Mark Little, was the inaugural chair.

Anyone who pays even scant attention has noticed that as a concept, economic reconciliation gets bandied about a lot these days, by everyone from banks to corporations to political parties, with different interpretations depending on whose agenda it becomes part of. Political parties might use the term to court votes; for corporations, adopting the concept could enhance environmental, social and governance (ESG) goals. Even for Indigenous people, the definition varies depending on, among other things, what a particular community needs to advance economic and social well-being, and where the community is situated. Dockstator emphasizes the need to consider geography in addition to history when we talk about persistent barriers to economic reconciliation. “People need to understand what it’s like to live in a small community that’s a two-hour drive from the nearest Tim Hortons,” he says, referring to the lack of opportunities in remote locations, which tend to be inhabited mostly by Indigenous people.

But Hayden King (Beausoleil First Nation, southern Ontario) says we’re going about economic reconciliation the wrong way. “The premise should start elsewhere,” says the executive director of the Yellowhead Institute, an Indigenous-led research and education centre based at Toronto Metropolitan University. “Conversations around economic reconciliation tend to skirt the idea of Indigenous sovereignty. What I’d like to see applied to these discussions is a restitution-based framework as opposed to one that is recognition- and reconciliation-based.” The current structure doesn’t get at the root causes of injustice: dispossession of land, denial of livelihoods and exploitation. “Instead, we’ve got Impact Benefit Agreements, we’ve got joint ventures, we’ve got procurement strategies, all of which are premised

on these limited rights that Indigenous people possess based on Canada’s interpretation of its obligations.” King describes it as a sleight-of-hand, whereby the government and industry appear benevolent: “They’ve taken your land but are now inviting you into this narrow paradigm of economic development. We need to shift away from that to restitution, sovereignty, land back—the redistribution of power back into the hands of Indigenous people.” Still, he says it’s not for him to decide how Indigenous communities should move forward; it’s up to them to choose their path.

At the end of the day, economic reconciliation doesn’t come in one size fits all, nor is there a unified opinion on how to get there. Indigenous communities each have their own history and culture, their own sets of values and aspirations, their particular disagreements, challenges and victories. “We are not a monolith,” says Gladu. “Why are we expected to have 100% consensus when our governments are in the sub-50%?” As an example, he points to the proposed development of the critical-minerals-rich Ring of Fire in northern Ontario, and environmentalist opposition and political caution because some communities in the region are against it. “Yes, it’s true—a couple of communities don’t want it. But there are communities that do that are also the most impacted. So why aren’t we supporting the communities that want that project, just because not all of them agree?” he says. “Tell me a situation where everybody agrees. That’s utopia.”

Regardless of how you—or your grandmother or the prime minister, for that matter—understand economic reconciliation, Indigenous peoples need all of us to commit to building a country based on equality, equity and fairness. The reality is that Canada needs it, too. Indigenous people account for the fastest-growing demographic in the country, with a booming youth segment compared to the rest of Canada, whose



◀ Chief Sharleen Gale of Fort Nelson First Nation is chair of the First Nations Major Projects Coalition, whose mission is to advise Indigenous communities seeking ownership of projects on their lands

population—and work force—is aging. Add to this untapped resource the fact that Indigenous people start businesses at nine times the national average. “Investing in Indigenous businesses is not riskier than any other business,” says Bull. And when people get over their prejudices, she hopes the investment coin will drop.

For reconciliation—including economic reconciliation—to happen, words must be matched by action. The federal government earlier this year promised \$65 million for “advancing economic reconciliation by unlocking the potential of First Nations lands.” But everyone knows how slowly government works. Take the Truth and Reconciliation Commission’s Calls to Action. Out of 94 action calls—number 92 deals with economic reconciliation and supporting Indigenous businesses—only 13 have been completed so far, eight years after the final report came out. And just imagine the years, even decades, it would take to bring about a constitutional amendment to abolish the Indian Act. In the meantime, Indigenous people are finding ways to actively shape their economic future—by buying back Canada. Short of sovereignty and getting land back (at least for the time being), they’re setting up their own development corporations. They’re investing land claims in revenue-generating businesses to support social and cultural programs, health facilities, sport and recreation centres, and higher education and skills training. (See the profiles starting on page 30 for examples of what economic

reconciliation and self-determination can look like.) They’re demanding a seat at the negotiation tables of corporate Canada. And they’re pushing for a national loan-guarantee program. But no one claims it’s easy going.

Perhaps the biggest challenge is the lack of access to financial capital. In Canada, Indigenous communities and companies have few avenues to access capital markets because of persistent colonial structures around ownership and collateral—as Bull puts it, “land issues that keep Indigenous people poor.” And while the government has provided limited funding at times, “they would only fund our projects a year at a time,” says Gladu. “But who writes a business plan on one-year funding?” There’s also a shortage of Indigenous business leaders, social networks and board connections, and a negative bias in banks. An increasing crop of Indigenous financial institutions—including First Nations Bank, the First Nations Finance Authority and others—helps, as do three provincial loan guarantee programs in Alberta, Saskatchewan and Ontario—although the latter have a reputation for being chronically underfunded. Hence the call for a national loan guarantee program.

This past June, Chief Sharleen Gale from Fort Nelson First Nation in northeastern British Columbia led a delegation of peers and business and banking executives to Ottawa to meet with federal officials. What Gale wanted to make clear was that without financing that enables Indigenous communities

to become owners, partly or wholly, in energy and infrastructure projects, those projects risk delays or may not get built at all. Without meaningful partnerships—the power to say yes and no—economic reconciliation is just a term. Gale is adamant that Indigenous peoples have a say in what’s happening on their traditional territories. In 2015, her Nation and 10 others launched the First Nations Major Projects Coalition (FNMPC)—of which Gale is the chair—to support members with advice as they seek ownership in resource and other major projects on their lands. The coalition currently has 145 members across Canada and is involved in 12 projects so far. One of those is Tu Deh-Kah Geothermal on Gale’s First Nation—a project that would not have been possible without the assistance of the FNMPC. In addition to providing clean energy for her Nation and the local community, the development will bring in plenty of benefits for her people. It also supports Canada’s goal of reaching net zero by 2050. But it all started with a seat at the table.

Board representation goes beyond securing economic benefits. It’s also a way to ensure that Indigenous values and avenues for cultural practices are respected. Gale says it could be about protecting a salt lick, a caribou migration route or a berry patch from industrial activity, and safeguarding cultural sites and places where medicines grow. Gladu, a corporate-board veteran, mirrors that sentiment. He calls for making ESG targets, not only profits, a prime objective, and seeks commitment from industry to collaborate with Indigenous peoples, not only securing their consent. “That’s why I’d like to see an Indigenous person on every board in this country,” he says, adding that there are maybe 10 such directors on major corporate boards today, including himself (he was one of the first when he joined Suncor in 2017). That would also put Indigenous people in the driver’s seat when it comes to environmental assessments and applying traditional knowledge essential to minimizing the impact on land and the species living on it. “In the 1930s, my community was flooded by Ontario Hydro,” says Gladu, referring to Lake Nipigon and the hydro development that drowned burial grounds and cultural sites. He also mentions Rio Tinto blowing up a 46,000-year-old Aboriginal site in Aus-

60,000
Number of
Indigenous businesses
in Canada

\$48.9
BILLION
Indigenous
contribution to
Canada’s GDP

\$27
BILLION
Estimated additional
boost to the country’s
GDP if gaps in
employment, labour
participation, income
distribution and
education completion
rates are closed

1.8
MILLION
Number of Indigenous
people in Canada,
or 5% of the national
population

1
MILLION
Projected number
of Indigenous youth
by 2027, making it
the fastest-growing
demographic in
Canada, with twice
the growth rate of
the non-Indigenous
population

tralia in 2020. “With Indigenous people on corporate boards, we can make sure something like that never happens again.”

It really comes down to “nothing about us, without us.” One of the best power tools to ensure this is the United Nations Declaration on the Rights of Indigenous Peoples, or UNDRIP. Enshrined by the international body in 2007 and adopted by B.C. in 2019 and by the federal government in 2021, it gives Indigenous people the means to enter partnerships. While not legally binding, it spells out a set of rules for business engagement anchored in so-called Free, Prior and Informed Consent, or FPIC—consultation with and consent from Indigenous peoples from the early planning stage on proposed projects that may impact their traditional lands and livelihoods. While going against FPIC might not be illegal, it is morally unacceptable and really bad PR.

“Consumers are increasingly demanding to know where things are coming from and whether there was consent to projects,” says Mark Podlasly (Nlaka’pamux Nation, Cook’s Ferry Band, B.C. Interior). What’s more, says Podlasly, the FNMPC’s chief sustainability officer: “Indigenous people hold increasing sway over vast amounts of land, and any development on traditional territories requires FPIC.”

The green transition can’t happen without FPIC because most, if not all, of Canada’s critical minerals are on, or under, constitutionally recognized Indigenous ancestral and treaty lands. (The B.C. Supreme Court ruled in September that no mineral claims can be made on Indigenous land before the First Nations there have been consulted.) “And if companies think they will take their case to court, well, that can take years, maybe 25 years,” Podlasly says. “Do you really have 25 years to wait before starting a project?” To him, it’s a no-brainer: Involve consenting Indigenous people as co-investors.

Economic reconciliation is not about handouts; it’s about enabling Indigenous people to reach the same standard of living that the rest of Canada takes for granted. And yes, they will make decisions that not everybody likes; we all do. And they will not all agree on everything; nobody does. To some, even the concept of “reconciliation” is flawed, because it doesn’t challenge the status quo or address the fact that Indigenous people are not the ones who should make amends. But Indigenous communities need to be able to call the shots, to decide and act on what they feel is best for their future well-being—economic, social and environmental. And it’s about respecting that there are differences in ways of being and doing—from Iqaluit to Tiotià:ke (Montreal), from Tkarronto (Toronto) to K’emk’emeláy (Vancouver), from Waskasoo-Seppee (Red Deer) to Tuktuuyaktuq.

Gladu and Bull and Gale—everyone interviewed for this story—want to reassure Canadians there is nothing to be fearful of. But there is an important lesson to keep in mind about how we approach economic reconciliation. Gladu recalls the Mi’kmaq fishers whose boats and nets, along with a storage facility, were burned in 2020 by a mob of non-Indigenous fishers pissed off about Indigenous rights to harvest and sell lobster. “It was awful to watch from afar. I can only imagine what it was like up close,” Gladu says. Now, the Mi’kmaq own 50% of the largest fishery in Nova Scotia thanks to the \$1-billion purchase, with Premium Brands, of Clearwater Seafoods. “Those racist, fearful, non-Indigenous people who were harassing them now have to sell their fish to the very people they were harassing. Be careful about your actions today, because the future is going to be a lot different.”

This is economic reconciliation in action

These five projects across the country are putting the power back in Indigenous hands—and having a huge positive impact on local communities



REAL ESTATE

Creeco

Cree Nation of Quebec
(Eeyou Istchee, Que.)

PROJECT: ODEA REAL ESTATE DEVELOPMENT,
OLD MONTREAL

LARGEST INDIGENOUS REAL-ESTATE
DEVELOPMENT IN EASTERN CANADA

Lay of the land

Leveraging the 1975 James Bay and Northern Quebec agreement—a \$225-million *mea culpa* from the province for Hydro-Québec's flooding of Cree territories—the Cree Nation of Quebec created the Board of Compensation and Cree Regional Economic Enterprises Co. (shortened to Creeco) to kick-start economic development that would bring long-term prosperity to its nine communities. The nation now owns and operates an airline (Air Creebec); camp management services and infrastructure for hydro and mining



operations; the Quality Inn & Suites in Val d'Or; and several other businesses. In 2020, it broke ground on ODEA, a residential-commercial tower under construction in Old Montreal.

Bold move, fair deal

Creco's first sizable foray into real estate development, ODEA was conceived by Douglas Cardinal—the Indigenous mastermind behind the curvilinear Canadian Museum of History in Gatineau, Que.—with input from Cree Nation Elders. The 26-storey design riffs off a canoe, a mode of transport that

unifies First Nations. “We’re putting Indigenous culture front and centre in Canada’s second-largest city,” says Derrick Neeposh, Creco’s president. But the project is more than a bold statement; it’s a move toward independence. “It was important for us to have control,” says Neeposh. Creco negotiated 95% ownership of the project; Cogir, its Montreal-based real estate management partner, owns the remaining 5%. That was key to creating revenue for the long term. “We wanted a partnership with a company that was willing to work with us not only on this project

◀ Creco's 26-storey ODEA tower in Old Montreal riffs off a canoe. “We’re putting Indigenous culture front and centre in Canada’s second-largest city,” says president Derrick Neeposh

but also on future developments,” says Neeposh. “If we wanted fast cash, we could’ve just sold the property.”

Return on investments

While revenue from ODEA is still months away (move-ins are slated for spring 2024), it will add to the income generated by the various divisions under the Board of Compensation—Creco umbrella. The Board of Compensation is already running a growth fund, an economic development fund and a community fund that support its citizens through housing developments, infrastructure projects, education and employment training, plus social, cultural and language programs. “In the Cree Nation right now,” says Neeposh, “we have very modern facilities—arenas, health centres, clinics in every community, justice buildings, new band offices. And that growth happened because we demonstrated we can manage our own affairs without a political third party watching over us.”

Creco is committed to going after big projects, says Neeposh, not just to generate revenue, but also to create jobs. To that end, Creco is working on its next big thing. “We can’t say what yet,” he says, “but we’re planning something very big in the real estate division.”

Self-determination vs. economic reconciliation

Neeposh stresses the importance for First Nations to demand majority ownership of projects, be it in mining, hydro, real estate or other sectors, and to look for meaningful partnerships with Indigenous and non-Indigenous companies alike. “Don’t fear taking those steps, and always be mindful that you have the capability to build your own independence,” he says. “When you gain that independence, reconciliation is secondary—secondary to what the government wants to do.” As for the government? “Allow us to flourish. Allow us to grow. Allow us to develop.”

NATURAL RESOURCES

Haisla Nation

(Kitamaat Village, B.C.)

PROJECT: CEDAR LNG FACILITY

FIRST MAJORITY INDIGENOUS-OWNED
LIQUIFIED NATURAL GAS EXPORT FACILITY
IN CANADA

Lay of the land

For the first time since European contact, the Haisla Nation has taken control of a major industrial project that would otherwise have fallen under the purview of—and with profits going to—settler-colonialists on their territory. This past March, the B.C. government granted an environmental assessment certificate for Cedar LNG, a planned LNG export facility it's developing in partnership with Pembina Pipeline Corp. The \$3.2-billion project is a floating loading facility in Kitimat, on Haisla territory, that will have the capacity to produce an estimated three or four million tonnes of LNG annually from TC Energy's Coastal GasLink pipeline. (Neighbouring LNG Canada, also on Haisla land, will receive 14 million tonnes when it goes online.)

The long road to approval

Crystal Smith, chief councillor of the Haisla Nation, says it took more than a

decade of discussion before a majority of community members agreed to the project, looking forward to a future of economic self-determination rather than government reliance. While critics will point out that LNG is a fossil fuel that should be phased out sooner rather than later, Smith argues LNG is a bridge fuel to help reduce global emis-

sions when exported to countries that would otherwise use coal. "We can add our Indigenous values and become part of the solution by displacing higher-polluting commodities," she says. The Cedar LNG facility will itself also run on renewable energy from BC Hydro. Smith stresses that the decision to build Cedar LNG on Haisla land was not taken



▲ Chief Crystal Smith helped negotiate a massive LNG facility that will bring new economic wealth to the Haisla Nation. "This is a new era: of relationship building and of rebuilding partnerships with other First Nations that existed prior to first contact," she says

lightly. “We take care of our land, our territory, and we are always taking into account the environment. The key to our success is having the membership with us.” With majority support from members, council voted in favour of the project, as well as allowing the last 8.5 kilometres of the Coastal GasLink pipeline to traverse its territory to the coast.

Big gains for the community

Over the past few years, the Haisla Nation has leveraged revenues from impact-benefit agreements with LNG Canada and Coastal GasLink, which operate on their territory, to build a high-tech health facility able to accommodate teleconference medical appointments with remote patients. The Nation has been able to move members into a 23-unit housing complex on reserve, and it has purchased eight 10-unit apartment buildings off reserve, in Kitimat. There’s a \$7-million youth facility that’s become a sort of living room. All these infrastructure undertakings form part of healing a community fragmented on several levels by colonialism. And once Cedar LNG is completed—the final investment decision will happen this quarter—it will bring long-term benefits to the region. Smith notes there’s an increase in dementia, for instance, but the region lacks specialized resources to care for these people. Thanks to Cedar LNG, the Haisla Nation is already helping make such a facility a reality with a \$500,000 donation to the Kitimat Valley Housing Society this past March; ground-breaking for the 12-room Kitimat Dementia House Project is planned for 2025. “When Indigenous communities thrive, we can contribute to broader society,” Smith says.

These are just the physical projects. The Haisla are also investing in saving their language and culture; out of 2,000 members, only 145 still speak Haisla. “We finally have the funds to create our first-ever culture and language department, with a full-time manager,” says Smith. But she sees the project overall as a conduit to independence—a legacy project. “The revenue generated from Cedar LNG will solidify and sustain our programs for many generations,” she says. “This is a new era: of relationship building and of rebuilding partnerships with other First Nations that existed prior to first contact. And I hope all corporations take into account whose territory they are on, and who benefits from them being there.”

430

Number of Indigenous people employed by Bouchier, an Indigenous-owned civil contractor in Fort MacKay, Alta.

That makes it the largest private Indigenous employer in Canada (it has 1,000 employees in total)

\$1

BILLION

Value of the deal that saw the Mi’kmaq Coalition, composed of seven communities in Nova Scotia and Newfoundland and Labrador, acquire 50% of Clearwater Seafood, with Premium Brands owning the other half



FINANCE

Longhouse Capital Partners

(West Vancouver)

PROJECT: \$1-BILLION INVESTMENT FUND

LARGEST INDIGENOUS ASSET MANAGER IN CANADA

Lay of the land

Considering UNDRIP, FPIC and Call to Action No. 92, Canada has an obligation to involve Indigenous communities and businesses in resource and other economic development on their traditional lands. But without access to capital, their level of involvement is limited, and so the commitments made by Canada—and good-faith pledges by corporations—risk becoming platitudes. A report by the Assembly of First Nations and Indigenous Services Canada pegs the infrastructure gap for First Nations at \$349 billion to reach parity with the rest of the country. (For the rest of Canada, estimates of the gap vary widely, from \$150 billion to as high as \$1 trillion.) Enter Longhouse Capital Partners, the Indigenous-led investment fund with a \$1-billion target.

Correcting the imbalance

“From a financial standpoint, we like to refer to things as TAM—total addressable market. And we think there’s a huge market,” says Fred Di Blasio, Longhouse’s CEO and co-founder with Bernd Christmas, Christian Sinclair and Paul Cugno. To tap into that market, Longhouse will provide risk-adjusted returns for its investors while delivering capital to Indigenous communities

▲ “If colonial business had heeded our advice, we wouldn’t find ourselves in this rather difficult climate crisis,” says Longhouse co-founder Fred Di Blasio

on an equal basis to ensure long-term economic self-determination. With a target of \$1 billion, Longhouse is aiming to close its first \$500-million round in the first quarter of 2024. There are obvious challenges. “We’re a first-time fund working in this system,” says Di Blasio (a member of the Huron-Wendat Nation near Quebec City), referring not only to structural inequalities but also negative stereotypes. So the focus leading up to the fund’s launch in May was to assemble a team that would build confidence with investors who want to make a difference while making money. Strategic advisors include former Liberal cabinet minister Martin Cauchon and Walt Jackson, formerly of Goldman Sachs and Onex. The investment team includes co-founder Cugno (Lehman Brothers, Jefferies, Barclays); Kelly Marshall (OMERS, Brookfield Asset Management); and Yanick Blanchard (formerly of National Bank of Canada). “We’ve got the experts,” Di Blasio says. “We’re prepared to play hard and win.”

Ancient wisdom for new times

Playing hard in these times must include ESG principles—an area where Canada has a lot to learn from Indigenous values. “ESG is essentially taking our seven sacred teachings—respect, bravery, truth, honesty, humility, love and wisdom—and casting them in marketing speak,” says Di Blasio. “If colonial business had heeded our advice on how to treat Mother Earth, we wouldn’t find ourselves in this rather difficult climate crisis.” Longhouse created its own ESG framework to ensure investments and allocations are made on a holistic basis. “Indigenous people have always been stewards of the land. Now we can be stewards of capital,” Di Blasio says. As for reaching net zero? “We’re part of the solution—and we’re open for business.”

Giving back to grow stronger

In their combined 200-plus years of experience, Longhouse’s management and investment teams have conducted more than 1,000 job interviews in finance. “In our collective careers, we’ve never seen another Indigenous person,” says Di Blasio. One of Longhouse’s objectives is to change that—by putting an emphasis on scholarship and mentorship opportunities for Indigenous youth. Di Blasio calls this “finance for good,” creating a positive impact by increasing financial literacy, building capacity and providing opportunities.

**\$1.2
BILLION**

Value of the minority stake owned by 23 First Nations and Métis communities in seven Enbridge pipelines in northern Alberta, the largest such transaction in North America. It’s expected to bring in \$10 million annually to the communities, which operate under the banner Athabasca Indigenous Investments

10,000

Number of employees of Grand River Enterprises, a 100% Indigenous-owned tobacco grower and cigarette maker on Six Nations of the Grand River territory. That makes it the largest private Indigenous-owned company in the world—it sells its products in 52 countries on five continents



MANUFACTURING

PFN Group of Cos.

Pasqua First Nation (Pasqua, Sask.)

PROJECT: PRO
METAL INDUSTRIES

ONLY 100%
INDIGENOUS-
OWNED DEFENCE
CONTRACTOR IN
CANADA

Lay of the land

Not content with temporary local contracts and joint ventures, Pasqua First Nation started seeking long-term business opportunities, especially after settling a \$20.6-million flood claim in 2013, to build up its economy and expand social programs. So in 2015, PFN Group of Cos., the Nation’s business division, tapped into the interest earned on the flood-claim investments to purchase



◀ PFN Group, the business division of Pasqua First Nation, bought Pro Metal in 2015. Today, one-third of the steel manufacturer's workers are First Nations

Regina-based Pro Metal Industries for \$4 million, giving the Nation a foot in manufacturing. Soon after, it embarked on a market study to gauge Saskatchewan's economic outlook and identify growth sectors. Thanks to the acquisition of Pro Metal, PFN Group could now pinpoint—and go after—prospective clients in agribusiness, construction, oil and gas, mining and defence, to name a few.

Pedal to the metal

The acquisition made Pro Metal one of only a handful of 100% Indigenous-owned steel manufacturers in Canada. It would also boost the Nation's revenues, especially after it started going after defence contracts—a strategic move stemming from figuring out where government, for instance, would allocate spending. "Even in a recession, every country needs to defend itself,"

says Chief Matthew T. Peigan. Its first defence partner was General Dynamics Land Systems, or GDLS-Canada, which supplies armoured vehicles, including LAVs, to the Canadian Army. (GDLS has Progressive Aboriginal Relations certification from the Canadian Council for Aboriginal Business.) "They put in a purchase order for \$1 million for components," says Peigan, adding the defence sector now accounts for 33% of Pro Metal's business.

Return on investments

Pro Metal brings in the bulk of PFN Group's millions in annual revenue; that's set to grow when a 44,000-square-foot manufacturing plant opens next spring. The facility will almost double the size of the metals business and expand specialized manufacturing with new laser and water cutters. "With that equipment," says Peigan, "we'll be able

to create spin-off business." Add to that a new metals-painting shop designed to handle military-grade powder coating. These developments mean opportunities to better members' lives. "Now, 38% of Pro Metal's employees are First Nations people working as machinists, welders, pipe benders, office staff. Our goal is to increase that number," Peigan says. "With the expansion, we'll add employment. And the more opportunities, the better the process for people to provide for their families."

PFN Group's activities are enabling the construction of 46 new homes (the goal is to boost the on-reserve population from 800 to more than 1,000, of a total membership of 2,600); expansion of the high school; and the opening of a 12-suite long-term-care facility. PFN Group also oversees land acquisitions, both urban and agricultural—steps toward not only economic independence but also energy and food sovereignty. "We want to produce our own food on land we own rather than rent; we want to build solar and wind power so we can get off our dependency on SaskPower," Peigan says.

Contribution to broader economy

Pro Metal's facility under construction is located off reserve, bringing in property and employment taxes to provincial and federal coffers, not to mention jobs for non-Indigenous people. And the Nation's growth spurt puts it in a good position when it comes to Canada's new public services and procurement policy, aimed to increase diversity among suppliers. Of its \$24-billion annual budget, a minimum of \$1.2 billion is earmarked for Indigenous businesses. "We're ahead of the game even before Canada implements the policy in 2024," says Peigan. "We want a piece of that cake."

► Chief Wayne McQuabbie has one piece of advice for Indigenous communities: “Do your due diligence, and never give up”



CLEAN ENERGY

Nigig Power Corp.

Henvey Inlet First Nation
(Pickering, Ont.)

PROJECT: HENVEY INLET WIND

LARGEST ON-RESERVE WIND
INSTALLATION IN CANADA

Lay of the land

Swept by the prevailing westerly wind, Henvey Inlet First Nation is located on the northeast shore of Georgian Bay. More than a decade ago, band members and council alike started thinking of that breeze as a potential resource—and a source of revenue that could lift the Nation out of poverty. But the idea didn't gain traction in a real way until after a regional chiefs' meeting in 2008, when

Paul Boreham, president of the wind-power company 401 Energy, was invited to speak. Boreham, whose business model favoured a 51% equity portion for local partners (mainly southern Ontario farmers), urged the First Nations to go after partnerships with equal equity. “I was intrigued,” says Chief Wayne McQuabbie. “That’s when it all started.”

Going 50-50

When Henvey Inlet's band council went looking for partners, the only way forward would be a 50% equity stake. At one point, three companies were shortlisted, but McQuabbie says none of them were the right fit. He instructed Nigig Power's then CEO, Ken Noble, to go after the largest renewable-energy proponents in the world. “We did a sort of beauty contest,” he says. The winner was Pattern Energy, which has renewables projects across North America and in the Caribbean. Henvey Inlet ensured its partner would respect the Nation's treaty and inherent rights, including hunting and gathering. What it got was a partner that also gave

the Nation veto powers on anything related to the land, such as safeguarding heritage sites, habitat and species at risk, and it pitched in for the community's powwow and youth fishing derby. Pattern even helped, along with the First Nations Finance Authority, to secure bridge financing (90% financing, 10% down). “That kind of deal was unheard of,” McQuabbie says. But not impossible: “Do your due diligence, and never give up,” he advises other Indigenous communities. The agreement with Pattern was signed in 2014; the blades on the project's 87 wind turbines started spinning in October 2019.

Windfalls of change

Churning out 300 megawatts of power, the 132-metre-tall turbines are connected to the grid, keeping the lights on in 100,000 homes. Under a 20-year renewable feed-in tariff contract with the province's Independent Electricity System Operator, the band receives annual revenues of roughly \$20 million, both from electricity generation (the amount varies depending on wind conditions) and leasing fees for the transmission line that crosses its land. At the peak of construction, some 1,000 people worked on the project, one-third of them First Nations citizens; \$25 million in contracts went to local Indigenous businesses. While the finished project only requires 20 staffers for maintenance, the income from it has changed life for the Nation, with upgraded on-reserve infrastructure, including new housing, a new access road and a new ceremonial building, and more jobs. Neighbouring First Nations also receive leasing fees for the portion of the 104-kilometre transmission line on their traditional territories.

The majority of revenues are funnelled into a trust, managed by the First Nations Bank, for future generations. “But our members also receive quarterly distributions from the trust. It's not to get rich, but to improve quality of life,” says McQuabbie. While he isn't prepared to discuss other major initiatives—planning made possible thanks to the income from the wind project—he says the Nation is in early talks with Pattern on future revenue-generating projects. “We're seeing the fruits of our labours now. We're able to do more for our members,” McQuabbie says, adding that before the wind project, the Nation's only income was from cottage leasing and government funding. “We're done dealing with poverty.” ●

Cowley Abbott Fall Live Auction Presents Rare Opportunity for Collectors to Acquire Masterworks by Canadian and International Artists

Cowley Abbott is delighted to present the third offering of An Important Private Collection of Canadian Art this fall. To be held at the Globe & Mail Centre in Toronto on December 6th at 7:00 pm EST, on the heels of two consecutive record-breaking sales, the final installment of this prestigious collection of rare, museum-quality historical Canadian art will serve as part of the two-session Fall Live Auction. Highlights include works by Emily Carr, Clarence Gagnon, Lawren Harris and Helen McNicoll. The collection has achieved nearly \$30 million across two auctions and is on pace to become the highest-grossing private collection of Canadian art ever sold at auction. The first of the two Fall Live Auction sessions at 4:00 pm EST will feature important Canadian and international works by historical, post-war and contemporary artists from a variety of private, corporate and public collections.



Emily Carr
Nirvana, c. 1930



Lawren Harris
Lake Superior Sketch no. 3



Clarence Gagnon
Ice Harvest, Quebec, 1935



Helen McNicoll
The Chintz Sofa, c. 1912



Jack Bush
Bridge Passage, 1975



Guido Molinari
Serial, 1966



Andy Warhol
Mick Jagger, 1975



Jack Bush
Rose, Red & Red, 1966



This year, Cowley Abbott celebrates ten years as part of the auction industry, capping a decade of offering unique and personalized services to buyers and sellers of Canadian and international art. Through industry-leading client service, professional expertise, and cultivating relationships within the art community, our firm has presented important works of art to advantage, rapidly becoming a market leader in the auction industry. For inquiries regarding the Fall Live Auction, or to receive complimentary auction catalogues, please contact connect@cowleyabbott.ca or 416-479-9703.



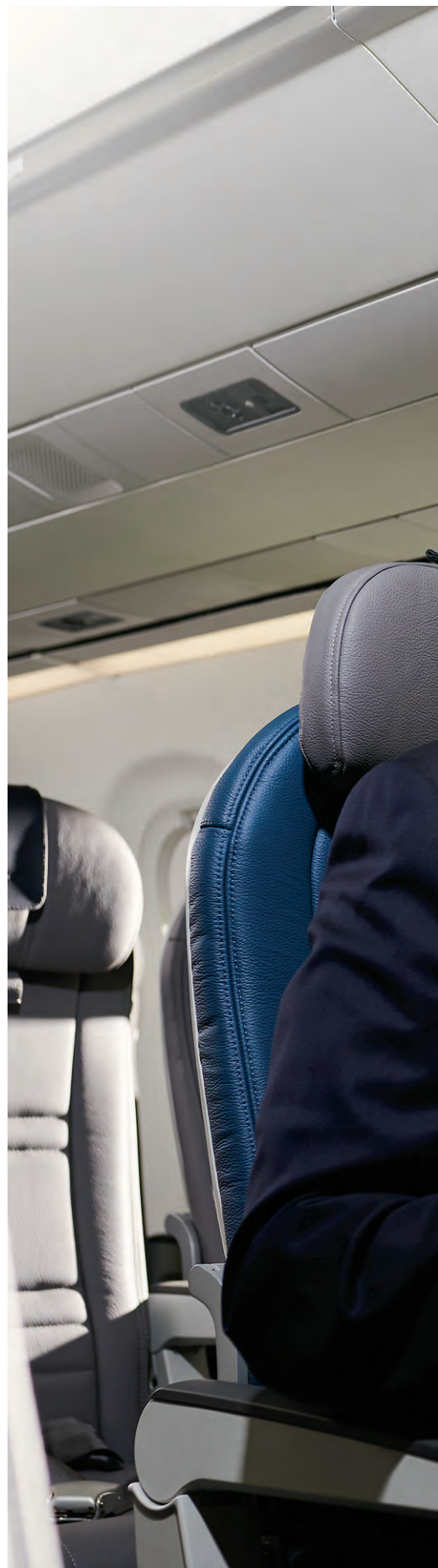
come

with me

Porter Airlines embarked on an ambitious expansion plan just as the industry hit massive turbulence. But CEO Michael Deluce, an aviation geek who took over from his dad, sees clear skies ahead—as long as he can keep hiring pilots to keep his new jets in the air



by Jason Kirby
photographs by Daniel Alexander Skwarna







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, like 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, like ultra-low-cost carriers Flair and Lynx, have each said they plan to buy dozens of aircraft in the coming years, but Porter has a firm order to buy 50 Embraer narrowbodies 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 like 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.

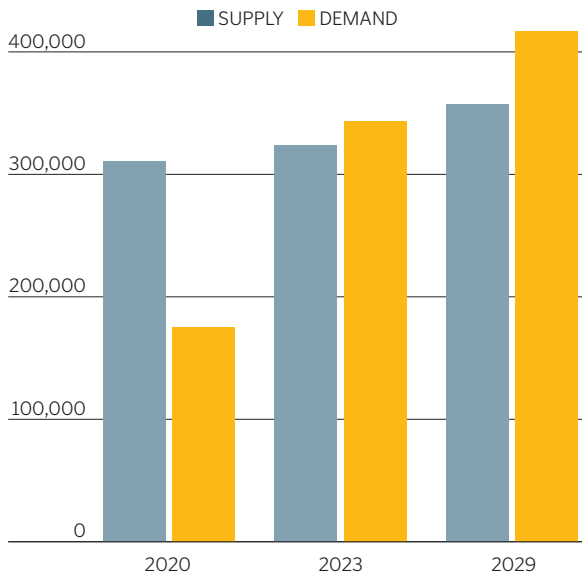
But Porter is also looking to take its strong regional brand and reputation for service—passengers on its flights all receive complimentary beer and wine, plus free snacks—and disrupt the industry by bringing it to the rest of Canada.

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

Porter founder Robert Deluce is a pilot, with the ego and energy to match. His son Michael (right), meanwhile, is a self-described aviation geek



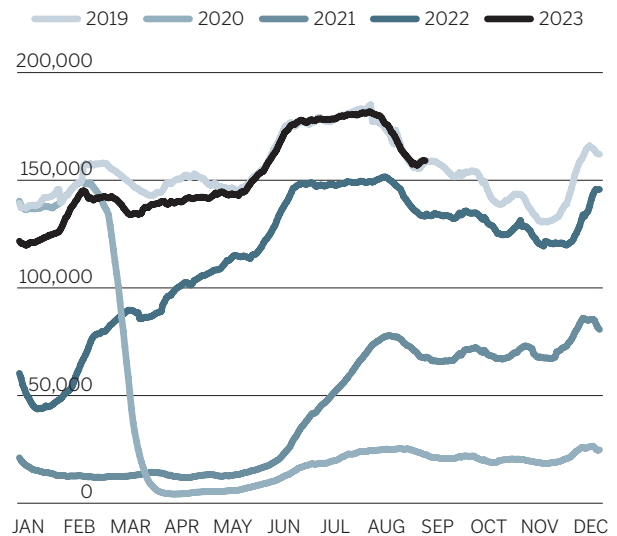
GLOBAL DEMAND FOR AIRLINE PILOTS ALREADY OUTSTRIPS SUPPLY—AND THE GAP IS ONLY GETTING BIGGER



SOURCE OLIVER WYMAN

DEMAND FOR DOMESTIC AIR TRAVEL IN CANADA HAS FULLY RECOVERED TO 2019 LEVELS

Number of daily screened passengers at Canada's 8 largest airports (Two-week rolling average)



SOURCE CANADIAN AIR TRANSPORT SECURITY AUTHORITY

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.

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.

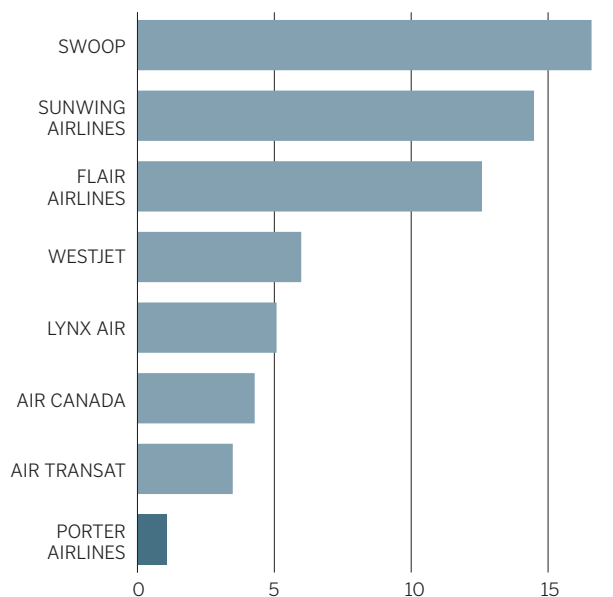
But if Porter’s growth unfolds as planned, it will emerge as the second-largest carrier in eastern Canada, after Air Canada, in an industry that has grown increasingly fragmented since the start of the pandemic. With WestJet’s decision last year to slash service in Ontario, Quebec and Eastern Canada 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 like Roots Air, JetsGo, Greyhound Air, Canada 3000 and Wardair—offers too many examples of overreach gone wrong to ignore. For now, though, Porter has the wind at its back, and the worn-down Canadian economy traveller stands to benefit.

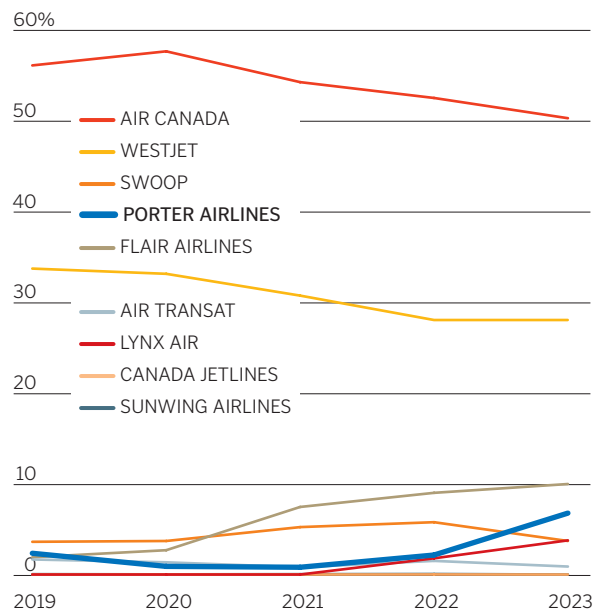
Deluce is the first to admit Porter had no choice but to embark on a radical rethink of its business model. When COVID-19 shut down the world of travel, Porter, like many other companies, thought the pause would be relatively brief. But as the weeks turned to months, and Air Canada and WestJet retook to the skies, Porter—which had laid off 95% of its staff—kept extending its shutdown. But it

NUMBER OF COMPLAINTS PER 100 FLIGHTS OPERATED
BY CANADA'S AIRLINES, APRIL TO JUNE 2023



SOURCE CANADIAN TRANSPORTATION AGENCY

SHARE OF TOTAL AVAILABLE SEAT
MILES ON DOMESTIC ROUTES



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," 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 "avgeek," 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 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 undercapitalization, but I think Porter is in good shape there,” says Kokonis.

Because Porter’s turboprop service had been shut down for 18 months during COVID, 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 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, that’s capable of handling four million passengers a year and providing an alternative to the overburdened Montréal-Pierre Elliott Trudeau International Airport.

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 Porter conducted showing 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 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

A photograph of a modern house at dusk. The house features a dark brick upper level and a large glass-walled ground floor. A prominent vertical concrete pillar stands in the foreground. The interior is warmly lit, showing a living room with a blue sofa and a dining area with a red chair. The sky is a deep twilight blue.

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“It’s dramatic, because it’s not like other industries where a company just goes away. Thousands of people get stranded,” says Deluce of the next inevitable airline failure

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.”

Air Canada didn’t make any of its executives available for an interview, but 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 like 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 Clasic 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 noncommittal. 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 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 Jan. 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 we’ll see a repeat of past chaos in the sector, when airlines like 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.”

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By Stefanie
Marotta

Photographs by Shlomi Amiga



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.

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."

It's safe to say Thomson is nothing like his predecessor. "The point," he says, "is how you create a culture that people feel they could bring their best to work"





E

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."

"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."

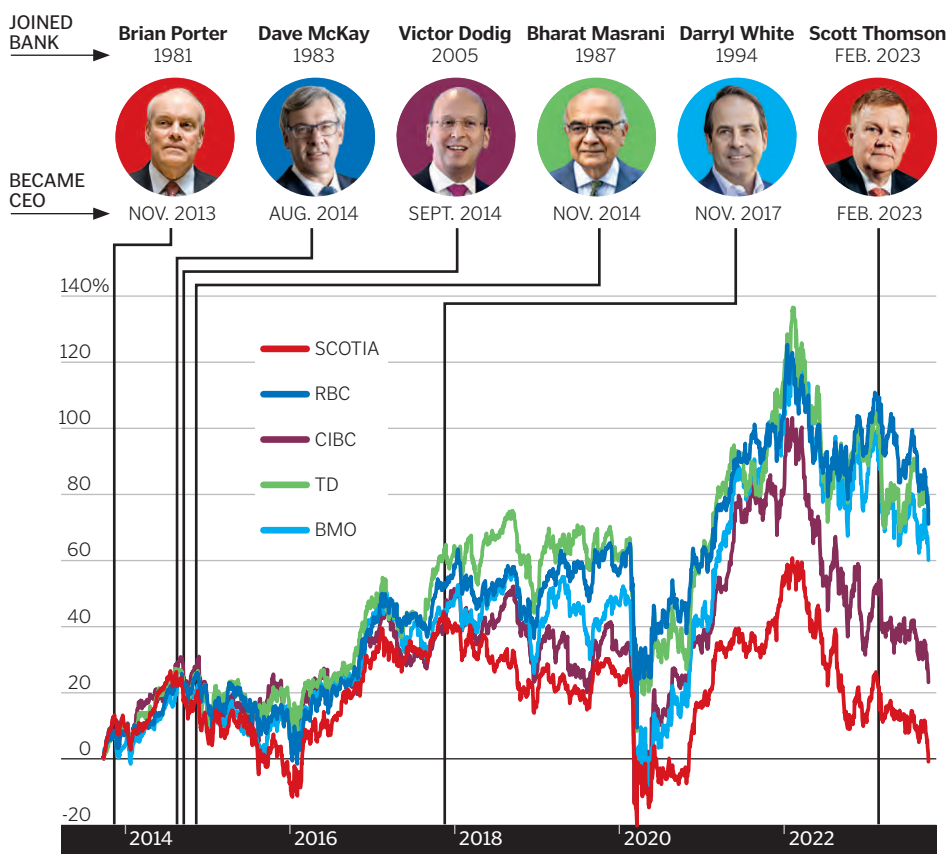
As an extra incentive to stick around, Rees and Lawrence both received one-time stock awards valued at \$1.5 million apiece due to the "importance of maintaining the overall strength of the leadership bench, and the future potential" of the executives, the bank said in a proxy circular in March.

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

STOCK PERFORMANCE AT THE BIG FIVE (TSX)



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. 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 Octo-

ber 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 rejiggering 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.

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 underrepresented. That could require reallocating 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

“There are a lot of benefits that come with an outside perspective,” says Thomson, “but these are complex organizations, and expertise is important”

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 underperformed 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 inter-

national 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.”

B

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.”

Congratulations to these recent appointees

Andrew Saunders, President and CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.



C. J. Saunders



Hazel Claxton
to Board of Directors
Bank of Montreal



Christian Settano
to CFO
Business
Development Bank
of Canada



Lisa A. Sheppard
to Board of Directors
Canadian Urban
Limited



David Ward
to Executive VP and
COO
Canadian Urban
Limited



Darrell Jones,
FCPA, FCMA
to Vice-Chair of the
Board of Directors
Chartered Professional
Accountants of Canada



Beth Wilson,
FCPA, FCA
to Chair of the
Board of Directors
Chartered Professional
Accountants of Canada



Tim Dinesen
to Senior VP and
Chief Technology
Officer
Cogeco Inc.



Gino DiGioacchino
to President and
CEO
Giant Tiger Stores
Limited



David Newman
to Regional Head,
Central Canada
Letko, Brosseau and
Associates Inc.



Jennifer Teskey
to Canadian
Managing Partner
Norton Rose
Fulbright



Chris Saniga
to Chief B2B Officer
Staples Canada



Brian Lawson
to Chancellor
Trinity College

No other media company provides the prestige of The Globe and Mail. For decades, our Appointment Notices have been vital to introduce key personnel to Canada's business leaders and decision makers. Our integrated Appointment Notices package includes high profile features in Canada's #1 National newspaper, #1 business magazine and across our Digital platforms. Connect with Canada's business community and showcase the outstanding talent that contributes to your organization's success.

Your appointment notice will be reaching 633,000 average weekday print readers, 1.7 million average weekend print readers, 847,000 Report on Business Magazine readers and will appear online for 30 days. As an added bonus a complimentary plaque will be sent to the new appointees.

Source: Vividata SCC Fall 2023, Total National



Guest dressed

Sofi Kassam knew there had to be an easier way to buy outfits for South Asian weddings, so in 2015 she launched the Saree Room—and sales are expected to exceed \$10 million next year

The typical South Asian wedding can last anywhere from two to seven days, and the expectation is that you have a different outfit for every event over that period. Bridal wear is where all the money is when everyone talks about weddings, but the people attending weddings get lost in this industry.

As a guest, the norm for finding an outfit—something that's \$500 or \$600—is to go to a friend's aunt's basement and spend an hour trying on things they bought in India and brought back to resell, or to go to a South Asian store, which can be intimidating because there's haggling involved. It was always this daunting experience, but we thought, *We need a new outfit, so let's just get through this hour.*

I started The Saree Room in 2015 with Adam Meghji, our CEO, as a passion project. At the time I was pursuing a career in fitness and working at a boutique gym in Toronto. Within less than a year, I realized the demand aligned with my passion and I was able to work on it full time.

Online stores typically post catalogue images on their websites to display outfits. But when the order actually comes in, it looks completely different. To set ourselves apart, we do all of our e-commerce

2023 sales
\$5 MILLION+

2024 sales
\$10 MILLION+
(forecast)

Triple-digit
year-over-year
growth for the
past three years

**\$35
BILLION+**

Total addressable
market (TAM) in
Canada, the U.S.
and the U.K.

When everything moved online during the pandemic, it helped focus our efforts on the site

photography and video in-house. Our focus is on always having the most detailed photos and videos, so you can really see what you're getting.

We modelled our online experience on other sites that we like to shop on—Artizia, for instance. We promote our reviews everywhere, as best we can, and added a feature allowing customers to upload photos of themselves in the outfits to the reviews.

Shifting customers from their usual shopping behaviour to a more streamlined approach was a challenge. When everything moved online during the pandemic, it helped focus our efforts on the site. People who weren't used to online shopping were now more comfortable. And it was an easier shopping experience for non-South Asians.

We have a lot of people who say they're attending a Hindu wedding or a Punjabi wedding, and there's different rules for different weddings. We have a lot of customers who aren't of a South Asian background—in Canada, there are a lot of interracial marriages, and people have diverse groups of friends. So, brides send their friends to our site because it's the easiest to navigate and closely aligned with any other online shopping experience. You don't need to wait six to eight weeks to get your clothing—we fulfill the order the same day it's put through. We have a return and exchange policy. And our repeat customer rate is 40%.

Now, we've started getting into more modest options for an older clientele, too, after influencers we work with told us their moms loved our pieces. They're coming from Canada, the U.S., the U.K. and elsewhere. But our warehouse is in Toronto, and our next goal is to have global warehouses so we can take a more global approach. We're also in the process of developing proprietary AI technology that will serve a dual purpose: Customers can create outfit pairings online, and our system can provide tailored recommendations that complement their existing wardrobe.

/Interview by Maryam Siddiqi

Learning to code.



occasionally speaks in it.

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