FP MONTREAL

COSTCO EYES BIG EXPANSION

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The Resolve project at the Davie Shipyard in Lévis comprises the Davie-paid conversion of a fuel tanker it bought for $20 million in Europe into a $450-million sea oiler replenishment ship for the Royal Canadian Navy. *MATHIEU BÉLANGER*

Davie shipyard on rising tide

New British owners have worked tirelessly to turn fortunes around

MARK CARDWELL

LÉVIS Four years ago, most people wouldn't have paid a plug nickel for the Davie shipyard.

Awash in red ink, manned by a skeleton crew and adrift after a failed and controversial bid to land some of the $35 billion in federal contracts awarded under the National Shipbuilding Procurement Strategy, the once-proud yard appeared headed for the business-world equivalent of Davy Jones's Locker.

But a troika of brash British entrepreneurs saw opportunity in the pending financial shipwreck on the east end of this small city on the south shore of the St-Lawrence River, directly opposite Quebec City.

"We needed a base for our operations," said Alex Vicefield, CEO and one of three partners in Inocea Group, a London- and Monaco-based business that specializes in the management and/or conversion of distressed and credit-intensive marine assets. "Davie was exactly what we were looking for."

Since buying the bedevilled yard in November 2012, the new owners have worked tirelessly to turn the fortunes of the Davie ship around.

Their efforts have energized, revolutionized and even scandalized the traditionally staid Canadian shipbuilding industry.

It began with a modernization of equipment and management at the massive Davie site, which is one of the biggest shipyards on the eastern seaboard and four times the size of any Canadian rival.

They then secured the international financing and manpower needed to complete or build several ships left unfinished from previous owners.

Among them were two high-tech car ferries for the Quebec government that are now at the centre of a dispute over construction costs.

Davie's new owners have also been relentless in their pursuit of federal shipbuilding contracts.

They notably sold the former Conservative government on a novel ship-leasing proposal after a 2014 fire wrecked the half-century-old HMCS Protecteur, the last supply ship in the Royal Canadian Navy.

Canada has had to rely since then on NATO allies like Spain and Portugal to replenish our ships at sea.

Signed last fall and approved by the new Liberal government in January, the so-called Resolve project revolves around the Davie-paid conversion of a fuel tanker it bought for $20 million in Europe into a $450-million sea oiler replenishment ship for the RCN.

If and when it is delivered on schedule by the end of 2017, Davie and OMERS-owned project partner V. Ships, the world's largest ship management company with an office in downtown Montreal, will also provide a 40-man crew to operate the non-combat vessel.

In return, the RCN will pay Davie $70 million a year for five years, with an option to buy the ship at the end of the contract for a price that Vicefield said still needs to be determined.

"This agreement is revolutionary for us and the government," the 37-year-old told the Montreal Gazette during a sit-down interview in the Davie shipyard's low-rise office building.

A marine industry expert who, like his partners James Davie and Alan Bowen, learned the capital-intensive shipbuilding business working for sector-connected companies based in London, the world's maritime capital, Vicefield called the agreement with Ottawa a hybrid commercial and defence deal.

"We took a standard international marine commercial shipping contract and tailored it to meet the RCN's needs," he said.

It is perhaps an example of his brashness that Vicefield calls the Resolve project a private-public partnership, or 3P, even though Public Services and Procurement Canada, which is responsible for federal ship purchases, defines it as "a provision of services contract."

"It's just semantics," Vicefield said. "This deal fits the definition of a 3P. But (PSPC) refuse to call it that."

Vicefield said about 1,000 workers are involved with the conversion project, which is being carried out in the biggest of the Davie yard's two huge dry docks.

"We're 45 per cent through and 7 per cent ahead of schedule," he said. "The project is being driven more by speed of delivery than cost."

Financed by a Canadian fund he refused to identify, saying only that it specializes in infrastructure and asset lending, Vicefield said the Resolve project is helping Davie pump millions of dollars into the Quebec economy through jobs and purchases from nearly 600 suppliers, 113 of them in Montreal.

SEE **SHIPYARD** ON **B2**

Rogers retreats from print media

SEAN CRAIG

TORONTO Rogers Communications Inc. announced Friday a major retreat from print media, shuttering the print versions of four of its lead magazine titles in favour of more digital distribution and putting its stable of trade publications up for sale.

Beginning in January, Canadian Business, Flare, MoneySense and Sportsnet magazines will become what the company calls "content brands," regularly publishing content online and through apps. Maclean's, Canada's only newsweekly magazine, will appear monthly, but continue to publish a weekly digital edition. Chatelaine and Today's Parent, currently published monthly, will be reduced to six editions a year, and follow the same publishing schedule online.

Hello! Canada magazine's print schedule is unaffected by the announcement, and will continue to print a weekly edition.

"We are going where our audiences are, and doubling-down on digital to grow our consumer magazine brands," Rick Brace, president of Rogers Media, said in a media release.

Rogers also announced that it has put French-language magazines Châtelaine and L'Actualité, and the bilingual LouLou, up for sale. Its notice to subscribers says that it will cease publication of these magazines in December. The company "is going through a thoughtful process" to sell them by the end of 2016, as part of a new strategy that focuses on English-language consumer brands.

Steve Maich, senior vice-president of digital content and publishing at Rogers Media said there will be staff reductions "primarily in classifications where people are overwhelmingly focused on print." However, Maich said any changes will be determined over the next few months and that the company will look for ways to retain staff by moving them to other positions.

"The decision to sell the trade magazines came down to a strategic review where we had to ask ourselves what were our greatest opportunities," Maich said. "We are now in a position to grow the audiences we want to speak to and produce content that's most naturally distributable across all of our platforms."

Maich said that trade publications and French-language publishing fall outside of the company's core strategy, which will now focus on entertainment, lifestyle, parenting, news, and sports.

Declines in print revenues are hardly news in Canada any more, with almost all newspaper and magazine companies struggling to adjust to a digital ad market where they are competing against search engines, social media sites and content aggregators that often provide wider and more targeted audiences. Rogers Publishing most recently saw print revenue declines of more than 30 per cent year-over-year.

"It's been clear for some time now that Canadians are moving from print to digital, and our job is to keep pace with the changes our audiences are demanding," Maich said. "We are so much more than a collection of magazine brands, and we've seen rapid growth on our digital platforms over the past few years. Now is the time for us to accelerate that shift."

Canadian Business, Flare, MoneySense and Sportsnet magazines will publish content online and through apps. *THE CANADIAN PRESS FILES*

Rogers Media said it has committed more than $35 million in capital and marketing to transition its business to a "digital-first infrastructure." Part of that investment includes upgrading the company's marketing and IT tools.

According to Maich, the company's online and tablet magazine service Texture has over 100,000 subscribers paying $119.88 a year or more, and will this year turn a profit. Maich said that digital media revenues at Rogers Media have grown 20 per cent year over year.

"We understand that digital media is not a risk-free business," he added. "But the question for us was: Do you have the decisiveness to jump at the right opportunity? And this is a company is all about taking risks, and this feels like the right opportunity."

Rogers further noted that digital consumer revenue for its magazines is outpacing newsstand revenue by 50 per cent, and that unique visitors to their online platforms have increased 41 per cent in the last two years.

Financial Post
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A bill introduced by Innovation Minister Navdeep Bains would require distributing Canadian companies to publish the gender composition of boards. *ADRIAN WYLD/THE CANADIAN PRESS*

Bill C-25 calls for disclosure of gender ratios

Canada board diversity proposal to affect 600 TSX companies: official

JOSH WINGROVE

About 40 per cent of corporations listed on the Toronto Stock Exchange will be required to identify the gender composition of their boards and to make public their diversity policies under a proposed new law, a Canadian government official said.

Bill C-25 was introduced Sept. 28 by Innovation Minister Navdeep Bains and proposes a series of changes to corporate governance rules, such as allowing companies to communicate with shareholders online and changing the rules for the electing directors.

Distributing Canadian companies — those that sell shares, report to a securities commission and fall under the Canada Business Corporations Act — will also be required to publish the gender composition of boards and senior management, while also disclosing diversity policies or explaining why they don't have one. That change affects about 600 of the roughly 1,500 companies on the TSX, the official said Friday in a briefing, on condition they not be identified because of departmental policy.

The diversity changes were designed to "support the representation of women on boards" and ensure "all members of society" participate in the Canadian marketplace, the government said.

The government stopped short of setting a target for the number of women on boards or defining what diversity is. In Canada, men have filled 85 per cent of empty board seats this year.

The proposed federal changes were welcomed by the Ontario Securities Commission.

"As we continue to call on corporate Canada to make gender diversity a priority in the boardroom and executive suite, we are especially pleased by the proposal to expand our 'comply or explain' approach to more Canadian companies," Maureen Jensen, OSC chief executive officer said in a written statement distributed by a spokeswoman.

The proposal would also eliminate the use of so-called bearer shares. The government isn't aware of any bearer shares currently in use, but made the move to head-off attempts to use them in money laundering or terrorist financing, the official said.

The bill proposes changing the rules around electing directors — in particular, directors who are running unopposed will now face votes in favour or in opposition and require a majority to take the position. Under the current rules, electors voting for unopposed directors could only vote for them or withhold their vote, with withheld votes not counted, the official said. That, in effect, allowed unopposed directors to be elected with a single vote in favour, the official said.

> *The diversity changes were designed to 'support the representation of women on boards.'*

The bill won't take effect until it's passed by lawmakers, though Prime Minister Justin Trudeau's governing Liberal Party holds a majority. Trudeau, a self-described feminist, appointed a gender-balanced cabinet after taking power last year.

The Canada Business Corporations Act affects 270,000 companies, a significant portion of which are small or medium sized firms with no share issuance and to whom some of the changes won't apply.

Bloomberg

Icebreakers need replacing

SHIPYARD FROM *B1*

He hopes to add to that by landing some of the remaining $2 billion the federal government has said it intends to spend on the construction of as many as 100 smaller support and patrol vessels for the RCN, the Canadian Coast Guard, and the Department of Fisheries and Oceans.

Earlier this year, Davie publicly proposed the conversion of a 2012 polar-class ice breaker owned by Royal Dutch Shell that was earmarked for a now-iced offshore drilling project in the American Arctic into a replacement vessel for the 1967-built CCGS Louis St-Laurent, which is due for decommissioning next year.

"Canada faces a potential 10-year gap in polar icebreaker capability," said Vicefield. "We can deliver a ship within 18 months for a third of the estimated cost of building a new one."

Ottawa has downplayed the offer, saying it doesn't accept unsolicited proposals.

However, Vicefield said he's heard through the Resolve project grapevine that Ottawa may be considering the idea.

"We're in the tent now," he said.

That contract may be just the tip of the iceberg, since several other CCG icebreakers used in coastal and inland waterways are also in need of replacement.

"Our organization has been advocating for a renewal of the CCG's icebreaking fleet for 10 years," said Michael Broad, general manager of the Montreal-based Shipping Federation of Canada, which represents the owners, operators and agents of ocean-going ships that carry Canadian exports and imports to market.

According to Broad, the CCG's ships are old and in constant need of maintenance and repair.

"The Coast Guard has done an excellent job with the assets they have, but time is running out," said Broad.

"Canada needs at least six new icebreakers for Eastern Canada and the Arctic to allow commercial shipping and ferry services to operate year round for the foreseeable future.

Alex Vicefield

"It's not our role to comment on the Canadian shipbuilding industry; however, we encourage the Canadian government to look at all the various options when it comes to building new ships."

Davie's aggressiveness and success are driving its two main Canadian rivals — Halifax's Irving and Vancouver's Seaspan — to distraction.

Despite being contracted to build up to 40 vessels worth $38 billion over 30 years, the two yards are feeling the heat from public criticism of cost overruns and construction delays in the much-maligned federal ship procurement program.

Vicefield, a former British junior fencing champion who was ranked among the world's Top 50 in men's foil in the late 1990s, has sharply criticized the shipbuilding knowhow of both yards, but Seaspan in particular.

Davie has also hired away some top talent from Irving, sparking a war of words and also some lawsuits.

However Irving followed Davie's lead in May, when it made an unsolicited bid to build a $300-million ship within a year that would be specifically designed to aid in a humanitarian crisis or with refugee relief.

"I think they're running scared," said Davie's chief operational officer, Laurie LeRue.

A 37-year shipbuilding industry veteran who was director of naval refits at Irving's Halifax shipyard when he left three years ago to join Davie, LeRue said the Lévis yard has the wind in its sails thanks to the energy and expertise of its British owners.

"There's a lot of buzz in the industry about what's going on here in Lévis," he said.

"There's a lot of passion and the work being done is second to none."

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