PIVOT

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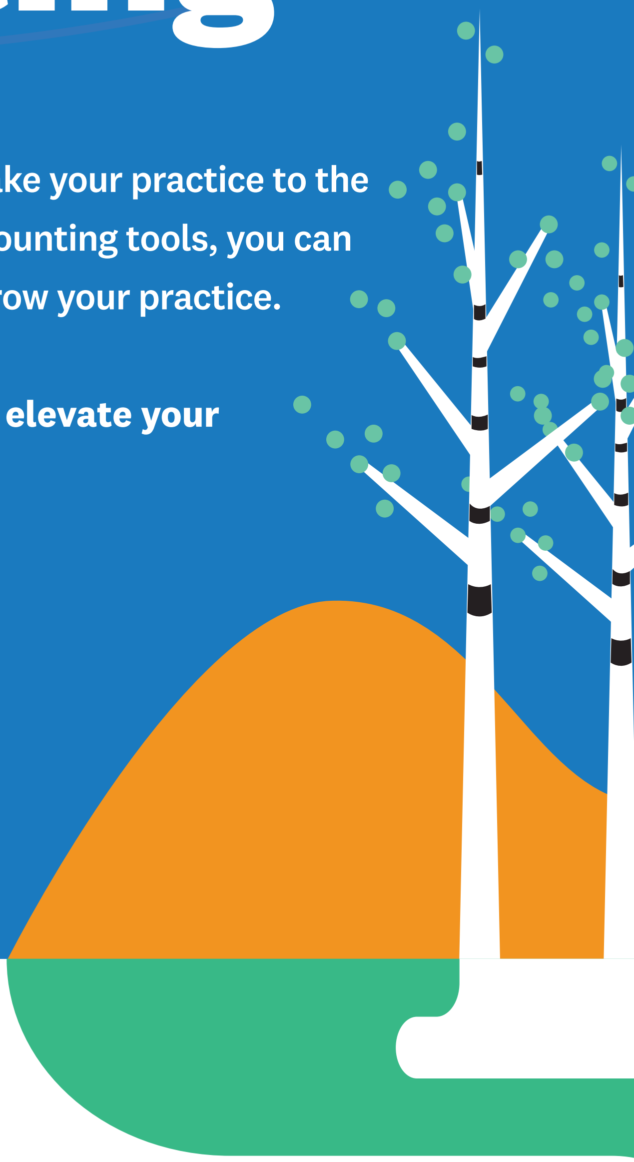
MARCH/APRIL 2021

STAGE FRIGHT

Battered by the pandemic, Canada's live entertainment industry is facing a long road back to the spotlight

+ TWO VCs HUNT FOR CLEANTECH GOLD / HOW COVID-19 TAUGHT ACADEMIA A LESSON / RETAIL THERAPY VIA LIVESTREAM

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CPACANADA.CA/NEWS

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FEATURES

ON THE COVER
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WHAT DO YOU THINK?
Send your letter to the editor to pivot.letters@cpacanada.ca or to 277 Wellington St. W., Toronto, ON M5V 3H2. Letters may be edited for length and clarity.

STANDING STRONG

We are committed to supporting our members as we work together to fight money laundering

BY CHARLES-ANTOINE ST-JEAN

Money laundering is a destructive issue that eats away at our economy and society while eroding the integrity of Canada's financial system. Our profession recognizes these threats and has consistently taken a strong stand against this illegal activity, working with governments and other bodies to strengthen Canada's anti-money-laundering regime.

We are proactively engaged in fighting this issue as evidenced by the profession's involvement in the work of the Cullen Commission, British Columbia's money-laundering probe. Both CPA Canada and CPABC were granted participant status by the commission and witnesses from each organization were invited to testify in January.

The continued evolution of anti-money-laundering regulations and enforcement activities is necessary because money laundering has become steadily more complex with the emergence of new schemes, channels and technologies.
The federal government outlined its continuing efforts to strengthen Canada's regime in its written opening statement to the commission in February 2020. Part of this effort includes addressing the 2016 recommendations by the global money laundering watchdog, the Financial Action Task Force, on the need for beneficial ownership transparency and an improved record on prosecutions in Canada.

A critically important detail, affirmed in the federal government's 2015 assessment of inherent risks to money laundering in Canada, is that the accounting sector is not considered to be at high risk.

We are committed to being part of the solution in the fight against money laundering—both at home and globally through our participation with the International Federation of Accountants, the Private Sector Consultative Forum of the Financial Action Task Force (which sets AML standards internationally), Business at the OECD and the B20.

We support better information sharing among private and public participants in the AML regime. The federal government has recently committed to legislation that would enable the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's AML regulator, to clarify its ability to obtain additional information from reporting entities and expand the information it can disclose. CPA Canada has also called for a national whistleblower framework that would broadly apply, including in scenarios concerning money laundering.

The CPA profession's Public Trust Committee is currently reviewing the International Ethics Standards Board for Accountants Code, which includes the standard for responding to Non-Compliance with Laws and Regulations (NOCLAR) as a more principles-based code for possible adoption in Canada. Additionally, the Public Trust Committee is considering Canadian AML and beneficial ownership changes for relevant implications.

WE ARE COMMITTED TO BEING PART OF THE SOLUTION IN THE FIGHT AGAINST MONEY LAUNDERING

Beyond these efforts, CPA Canada continues to provide and develop education efforts to ensure our members have the necessary information to be aware of their obligations under the AML regime. CPA Canada and the provincial bodies are offering members materials and sessions on AML requirements, and articles and other resources to keep them informed on key AML developments affecting the profession.

The best approach to removing the profitability associated with crimes such as drug trafficking and terrorist financing—actions that ruin lives and undermine the economy—is through collective efforts both domestically and internationally. As CPAs, we embrace our role in this important fight and look forward to working with others in combatting money laundering. ◆

PHOTOGRAPH BY LINDSEY GIBEAU, WESTBORO STUDIO

SKIP

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PURPOSE DRIVER

CHARITABLE GAINS

Dustin Johnson, controller of children's charity Compassion International, found a sense of fulfillment when he begn working in the non-profit sector **BY ANDREW RAVEN**

When Dustin Johnson learned last year that his position as a controller at a Florida-based waste management company was being dissolved, the 48-year-old didn't panic.

In fact, he felt a sense of relief.

After two decades in the private sector, the Ottawa native had been contemplating a jump into the world of non-profits, hoping to do something more "fulfilling" with his career.

"I had been feeling a lack of direction," says Johnson of his layoff. "It forced me to do something different."

Today, Johnson is the United States controller of Compassion International, a Colorado-based Christian charity that sponsors almost two million children in the developing world.

Compassion is a billion-dollar organization, and Johnson is responsible for not only overseeing financial statements and tax filings but also ensuring that money ends up exactly where donors have intended—a vital process for a charity.

Johnson, who earned his accounting designation in Canada in 2006, says the transition to a non-profit has been equal parts invigorating and daunting.

"For the last year-plus that I've been working here, I have been learning constantly. It's very exciting."

What was your first day like at Compassion International?

It was like drinking from a firehose. People were warm and welcoming, of course. But trying to understand what the challenges were, and where I fit into the conversation, was pretty overwhelming.

What's the main difference between working for a private sector company and a non-profit?

It's all about the concept behind spending. [In the private sector] you're raising money, keeping it and reinvesting it. The concept of reinvesting doesn't really exist at a non-profit. The mission is to spend every dime. Our goal is to remove barriers and let the money flow through to needy countries so we can raise people from poverty.

PHOTOGRAPH BY **BENJAMIN RASMUSSEN**

Compassion International sponsors two million children in the developing world

Financial transparency must be another major difference.

Yes. Even in a publicly traded company, there are lots of trade secrets. Margins are private. There's confidentiality about how money is spent because, in an industry like the waste business, it's the secret to success. That is not the case for a non-profit. It's very public. If a [donor] gives us money and says, "I want it spent on this," we need to in good conscience look them in the eye and say, "We did what you asked. This is how we did it."

Before you jumped into the non-profit sector, you volunteered abroad, teaching accounting to members of a small community organization in Cambodia. What was that like?

It was very, very fulfilling. [The group] was focused on building a school and a water system, and bringing electricity to a village. I did some basic accounting and explained to them how to book deposits, direct cash flow and analyze how they're spending money.

I don't know if I'd call it life-changing, but I guess it was career-altering. I'll always remember a conversation I had when I came back. I was describing [the trip] to a co-worker and he said, "You're so lit up right now. It's like you're on fire. You're like a different person."

"A CPA CAN USE THEIR ANALYTICAL SKILLS AND INSTINCTS TO ANSWER IMPORTANT QUESTIONS"

What can a skilled accountant bring to a non-profit?

For non-governmental organizations, it's always about furthering the mission—reaching more children, feeding more hungry people, whatever

PHOTOGRAPHS COURTESY OF **COMPASSION INTERNATIONAL**

Answering the call

One U.K.-based organization is making it easier for accountants to give back by connecting them with non-profits in need

For more than a decade, the United Kingdom-based Accounting for International Development (AFID) has been arranging volunteer placements for accounting professionals, including many Canadians.

COVID-19 has put a temporary stop to its missions. But, in normal times, it connects accountants with non-profit groups in Africa, Asia and South America.

The placements can last anywhere from a couple of weeks to several months, says Apeksha Sumaria, the organization's head of partnerships.

"Most of the accountants we work with are from very large organizations and often they feel like they're a cog in a wheel," she adds.

"What our placements do is they really enable you to work in a smaller community, where it's very easy to see the benefits of the work that you're doing."

the end goal might be. A CPA can use their analytical skills and instincts to answer important questions, like "How can we use money more effectively?" and "How can we get the money directly to the user in a more efficient way?"

Do you think some accountants shy away from the non-profit world because they worry it'll be a step back in their career?
Yes. People sometimes say, "Oh, it's something I'll do at the end of my career. I'm going to slow down and I'm going to work for a non-profit."

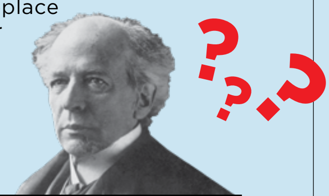
We have two million sponsored children in our program. If we want to grow that to 10 million, we really need to push the business. That takes some really energetic, educated, smart people.

There's a perception that the non-profit world doesn't pay as well as the private sector. Is that true?
More and more not-for-profits are realizing that to grow, they need to pay appropriately. But, even if [salaries] aren't the same, not-for-profits make up for it with benefits. There is a better work-life balance. You get vacation time that you can actually take. Many have really good benefit plans. You have to factor everything in. Then, it becomes a lot more competitive.

What would you say to someone considering a jump into the non-profit sector?
It's worth it. Don't hesitate. You will be valued. I have a feeling you'd never go back to for-profit. ◆

NOTEWORTHY FACES

Nearly **45,000 people** suggested more than **600 nominees** to grace a new five-dollar bill. The nominee had to be a notable Canadian by birth or naturalization and deceased for more than 25 years. The Bank of Canada announced a list of eight Canadians from which one will be chosen. According to an Angus Reid survey released shortly afterward, 57 per cent of Canadians favoured cancer campaigner Terry Fox to replace Wilfrid Laurier on the banknote, while 21 per cent preferred Indigenous rights advocate Binaaswi. At press time, Finance Minister Chrystia Freeland had not announced the "face of the fiver," which is expected to be revealed in early 2021. —*Steve Brearton*



LIST OF NOMINEES:

Pitseolak Ashoona, Inuit artist (1904–1983)

Won Alexander Cumyow, the first Chinese Canadian born in Canada (1861–1955)

Binaaswi (Francis Pegahmagabow), Indigenous rights advocate and soldier (1891–1952)

Robertine Barry, French-Canadian journalist and feminist (1863–1910)

Terry Fox, athlete and cancer campaigner (1958–1981)

Lotta Hitschmanova, Unitarian Service Committee of Canada founder (1909–1990)

Isapo-muxika (Crowfoot), Siksika chief and diplomat (1830–1890)

Onondeyoh (Frederick Ogilvie Loft), founder of the League of Indians of Canada (1861–1934)

$5.7 million

Development costs related to research and consultation, banknote design, pre-production testing and communications for the commemorative $10 banknote celebrating Canada's 150th year of Confederation released in 2017

23 cents

Approximate cost to print one $5 Canadian polymer banknote

$1.4696 billion

2019 value of $5 Canadian banknotes in circulation

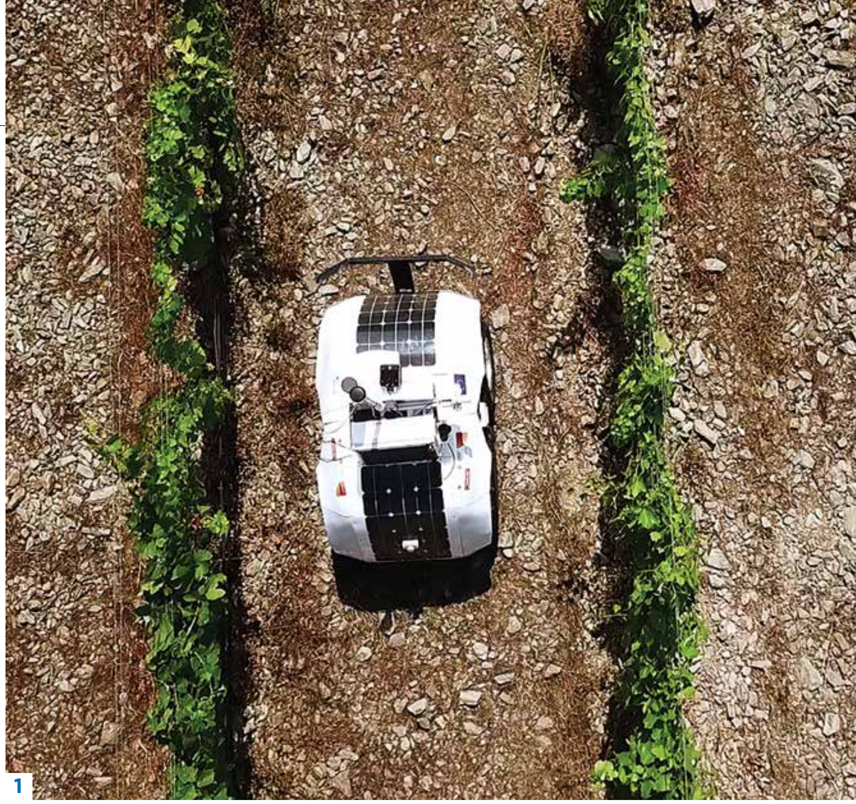
Top three considerations among Canadians to factor into new banknote designs, according to a 2014 survey for the Bank of Canada:

41% Celebrate more women

15% Better represent Canada's multiculturalism

10% Celebrate Canadian historical figures and events

PHOTOGRAPHS: WILFRID LAURIER BY **GETTY**; FIVE DOLLAR BILL BY **ISTOCK**; PITSEOLAK ASHOONA BY **TESSA MACINTOSH PHOTOGRAPHY**; WON ALEXANDER CUMYOW COURTESY OF **CITY OF VANCOUVER ARCHIVES**; BINAASWI COURTESY OF **CANADIAN MUSEUM OF HISTORY**; ROBERTINE BARRY COURTESY OF **THOMAS FISHER RARE BOOK LIBRARY**; TERRY FOX BY **CANADIAN PRESS**; LOTTA HITSCHMANOVA COURTESY OF **SEEDCHANGE**; ISAPO-MUXIKA COURTESY OF **GLENBOW ARCHIVES, UNIVERSITY OF CALGARY**; ONONDEYOH COURTESY OF **CANADA DEPT. OF NATIONAL DEFENCE/LIBRARY AND ARCHIVES CANADA**



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PICTURE THIS

VINO EX MACHINA

The labour-intensive, hands-on world of winemaking is getting a high-tech makeover **BY CHARLENE ROOKE**

The idea of traditional winemaking likely conjures bucolic images of barefoot farm workers crushing barrels full of grapes. But the ancient practice is undergoing a high-tech, 21st-century makeover.

Although other forms of wine tech—like smart irrigation technology and the mechanical harvesting of grapes—have been widely in use for decades now, a new wave of automation tech designed for winemakers is suddenly ripe for adoption. And, given that pandemic-related travel concerns are squeezing the availability of temporary labour for vineyards, vintners have more reason than ever to automate the industry.

BarrelWise, a startup born out of UBC's business school, is one of several companies aiming to do just that. Its product, a white silicone stopper that plugs the hole through which a barrel is filled and emptied—called the "bung"—is designed to attach to a cart that automatically tests and treats wines. The cart tops up the barrel's wine levels, adds sulfites as needed, then self-sterilizes before sampling and dosing the next barrel. The process, which might take several minutes manually, is completed in under 30 seconds. A better bung seal is important because up to 10 per cent of the wine per year, per barrel, can evaporate through the bung opening. Evaporation also creates space for oxygen, creating an environment where unwanted microbes can grow and the possibility for barrel cross-contamination is high. Wineries might manually test only a fraction of their barrels, then treat the entire cellar based on those results.

The bung and dispensing system from BarrelWise recently won a B.C. Ministry of Agriculture Agritech Innovation Challenge award. And its invention is already being used to ease pain points at notable wineries like B.C.'s Mission Hill and Chateau Ste. Michelle and Betz in Washington state.

Of course, there are nagging doubts among some winemakers about whether new technologies can yield the same high-quality results as manual methods. According to Honore Comfort, vice-president of international marketing for the Wine Institute of California, this isn't an either-or proposition. "Technology is a tool to support the skill, experience, intuition and creativity of growers and vintners—not a replacement," she says. "Nothing replaces hands-on viticulture and winemaking or having a close connection with the grapes in the vineyard and wine in the cellar."

The Canadian Vintners Association values the annual economic impact of the wine industry at

$9B

That said, Californian wineries, as Comfort describes them, do tend to be innovation-friendly. Palmaz Winery in the Napa Valley has pioneered its own tech-powered tanks that allow for more precise control of temperature, oxygen levels and tannin extraction during fermentation. The tanks—powered by software engineered by CEO Christian Palmaz—have become so A.I.-smart from three years of data-gathering that during the 2017 wildfires, in the absence of winery staff, the tanks were able to make virtually all the winemaking decisions. Palmaz credits the technology with saving about US$10 million worth of wine that year.

Meanwhile, European winemakers are developing their own motley crew of wine robots. Vitirovers, manufactured in Saint-Émilion, France, weed and mow between vines, grazing like a herd of highly efficient animals. The Spanish Vinbot is an all-terrain robot that gathers vineyard images and 3D data, then analyses them with cloud computing to more accurately estimate grapevine yields.

The technological advances are well-suited to the times. Although BarrelWise wasn't born of pandemic-related concerns, the company's engineering team received Genome BC Rapid Response Funding for COVID-19 R&D to develop a cost-effective decontamination oven that disinfects the filtering facepiece respirators used by frontline health care workers. Meaning wine's new tech-smart innovators may be poised to capitalize on more than just barrels. ◆

PHOTOGRAPHS: 1 AND 4 COURTESY OF **VINESCOUT**; 2 AND 3 COURTESY OF **BARRELWISE**

1. Innovations like this VineScout robot can help make the wine industry more efficient and cost-effective. The Canadian Vintners Association values the economic impact of the wine industry in Canada at **$9 billion** annually, with $1.7 billion of that going to wages.

2. During an early trial of the BarrelWise system at Sandhill Winery in Kelowna, B.C., barrel-servicing time was reduced by **74 per cent**. The new system could free up workers' time for more high-value winemaking tasks. "I was impressed by the concept and somewhat surprised by how much time-saving it demonstrated," says Sandhill's head winemaker Sandy Leier.

3. Wine barrels at Sandyhill are treated and tested using this cart, which adds sulfates and sterilizes as needed. **BarrelWise** offers a subscription-based model that allows wineries to integrate the system as an operations expense, instead of a one-time capital investment.

4. The solar-powered **VineScout**, field-tested by the prestigious Symington Family Estates in Portugal, gathers viticultural data on vineyard conditions, along with growing and ripening cycles, that would normally be labour-intensive to source.

TAX LAB

HOMEWARD BOUND

While the CRA still has some work to do, allowing employees to claim home office expenses is the right move at the right time

BRUCE BALL

It's hard to believe it's been a year since the pandemic hit and lockdowns forced a lot of us to work from home. Now, with tax season in full swing, many employees are asking whether they'll get a tax break on their 2020 tax returns to help cover their home office expenses.

The short answer is yes. These deductions are welcome even though the write-off may not amount to much in the bigger scheme of things.

The government was quick to recognize that the abrupt shift to remote work would entitle millions of Canadians to claim home office expenses on their tax returns for the first time. These claims can be quite complicated, so helping ensure all these claims are done correctly stands to benefit employees, employers and the government alike.

When CPA Canada provided its input on the best approach, we asked two big questions:

- For employers with employees working from home strictly because of the pandemic, would the government waive the rule that says employees must obtain a T2200 form from their employer confirming their conditions of employment for their 2020 tax year?
- For employees, could the Canada Revenue Agency (CRA) simplify the rules administratively and provide tools and guidance to help employees claim the deduction?

Since then, the CRA has taken some key steps to help employees:

- They made it easier to qualify for the claim, so any employee who worked primarily at home for at least four weeks in a row is generally eligible.
- They created an optional, simplified method for calculating expenses that allows eligible employees to claim $2 per day for up to 200 days, with no need to keep receipts or get a T2200 form from their employer.
- They created tools and guidance for both this simplified approach and the detailed calculation for claiming actual expenses.

For employers, the CRA created a much simpler, pandemic version of the T2200 form specifically for people who worked at home due to lockdowns.

The CRA also agreed to partially waive the T2200 requirement where the employee chooses to use the simplified method. This approach created problems, however. Employers won't necessarily know which method makes the most sense for each employee, making the T2200 process hard to manage. Should employers simply address individual requests for the form as they come in? Or should they just go ahead and complete simplified T2200 forms for everyone who is eligible?

For the employee, a number of factors come into play when determining which method produces the best result. Perhaps unexpectedly, the biggest factor is whether they own or rent their home.

For the detailed calculation, eligible expenses are added up and then prorated to determine the amount that counts as business use. For a typical home-owning employee working from home, these expenses are mainly heat, water, electricity and other utilities, and, new for 2020, internet costs. By contrast, renters can use the full amount of the rent they pay along with internet costs as the starting point for the calculation.

The issue of how to treat home internet costs is still under debate—specifically, determining the best approach for allocating reasonable amounts

ILLUSTRATIONS: HOMEWARD BOUND BY LEEANDRA CIANCI; BRUCE BALL BY KAGAN MCLEOD for eligible employment-related use and non-deductible personal use.

Rent expenses would generally be far higher than utility and similar costs for homeowners, producing an uneven playing field. However, it turned out to be difficult to devise a simplified approach that would be reasonable for everyone, so many home-owners will be better off using the simplified method. But those who rent will have to make detailed claims to maximize their deduction.

THE CRA HAS CREATED A PANDEMIC VERSION OF THE T2200 FORM

What will happen for 2021 and beyond remains to be seen. It's widely expected that more employees will work from home in the future. If this trend continues, the government should review the tax rules for remote work expenses to make sure the current rules are fair and without undue complexity.

In particular, the way owners versus renters are treated makes no sense in tax policy terms. A portion of rent paid to a landlord is meant to help cover things like mortgage interest, insurance and property taxes. Yet the rules stop a typical home-owning employee from claiming these costs, even though they pay them directly.

Another issue became clear as the CRA developed tools and guidance for all these new claimants. While the CRA did a great job, the amount of work needed to deliver these resources highlighted how complicated it is to complete the calculation and determine a reasonable amount. The government should work to simplify the deduction permanently.

Overall, the government must seek ways to simplify the T2200 process for confirming employment conditions and improve how it works for employees, employers and the government. ◆

Bruce Ball, FCPA, FCA, is the vice-president of taxation at CPA Canada.

Find out more about deducting home office expenses in CPA Canada's Tax Blog: **cpacanada.ca/taxblog**

AUDIT

LESSONS LEARNED

After a tumultuous year, auditors are prepared for more challenging times ahead

CAROL PARADINE

The last year has been extraordinary for the audit profession and those who regulate its work. Performing audits remotely became the new normal almost overnight. Within the same 48 hours in early March that our team began working from home, Canadian Public Accountability Board (CPAB), audit firm leaders and other regulators held the first of many discussions (in the new Hollywood Squares style, of course) about the implications of the pandemic on audit quality.

Turns out, along with heightened challenges, the disruption enabled better audit quality practices in certain ways.

As Canada's public company audit regulator charged with protecting the investing public's interests, CPAB views its work through a risk lens. The economic upheaval wrought by the pandemic opened the door to potential indiscretions in the financial world, underscoring the need for scrupulous compliance with auditing standards and timely, proactive audit regulation.

"A tsunami of accounting and auditing issues." That's how one audit executive put the effect of the crisis (and its attendant risks) to me last year. So far, 2021 feels about the same. We're certainly seeing the rising water, but I don't think it's crested quite yet.

While the pandemic itself is still front and centre around the world, the audit sector is making headlines, too. Scandals in various jurisdictions highlighted some critical issues: greater possibility of corporate fraud and the auditor's role in detecting it; reliability of going concern assessments and the need to apply professional skepticism. It is no coincidence Canada's Audit Quality Roundtable recommendations on these matters emphasized the need for vigilance. I'm looking forward to seeing tangible change in these areas this year—it's critical to better audits and better protection of the investing public, especially during prolonged economic uncertainty.

Audit committees share our concern about fraud. They are asking how management and auditors are responding to the risk of override, collusion and aggressive practices. Certain emerging good practices are worth noting, such as: comprehensive ethics and cybersecurity training; integrating fraud risk management into internal controls; as well as direct audit committee oversight of corporate whistleblower programs.

The impact of the pandemic on publicly traded companies must be well understood by the auditor, particularly any changes in internal controls and indicators of possible management bias. Remote working conditions that result in changes to the control environment may increase the risk of errors going undetected or opportunities for misappropriation of assets.

As we move through this second year of disruption, we're seeing thoughtful approaches by auditors to the risks associated with working from home. Asking if management has an inventory of process changes and questioning how supervision has changed are examples.

We're also hearing some interesting things about the quantity and quality of interactions among management, the audit committee and the auditor. Some say planning and preparation has improved and the use of audit quality indicators is up, resulting in better communication and more productive meetings. I've been told Zoom calls and travel restrictions allow partners and senior members of the audit team to be more involved in client meetings and oversight.

"A TSUNAMI OF ACCOUNTING AND AUDITING ISSUES" IS HOW ONE EXECUTIVE DESCRIBED THE EFFECT OF THE CRISIS

As we look forward, we expect additional challenges for completing audits in 2021.

For example, unpredictability and volatility will affect the complexity and measurement uncertainty surrounding many accounting estimates, including going concern/liquidity evaluation, complex valuations, impairment of assets and allowances for expected credit losses. When assessing the risk of material misstatement, attention must be paid to the subjectivity of accounting estimates, ineffective internal controls, management bias and events and conditions that increase the risk of fraud. Remote auditing amplifies the risk. A critical mindset will be essential to evaluating management's assessment.

ILLUSTRATION BY KAGAN MCLEOD

The use of technology in the audit, already in high gear before the pandemic, massively accelerated in 2020. Audit firms have and continue to invest heavily in tools like data analytics and AI to bring efficiencies to the audit. We expect to see a greater impact in the 2021 audits.

I'll end with a final word on people. Unprecedented challenges to our working lives persist, including physical and emotional isolation, as well as the need to balance work and family. New entrants to the profession can be particularly vulnerable. Less experienced audit team members may find it difficult to gain the proper competencies and experience, build constructive relationships and absorb the culture of their firms at a critical stage in their careers. Partners and other senior staff are dedicating more time to mentor and supervise their teams and provide on-the-job training.

And, unfortunately, professional skepticism can be a casualty of physical distancing and mental fatigue. Auditors must sharpen their focus on making sure teams have the time and resources they need to perform high-quality audits.

Last year was indeed extraordinary for all of us. But, adversity led to some good practices to strengthen audit quality and we expect that to continue through 2021. ◆

Carol Paradine is CEO of the Canadian Public Accountability Board

SHAM, WOW

A catalogue of recent cons

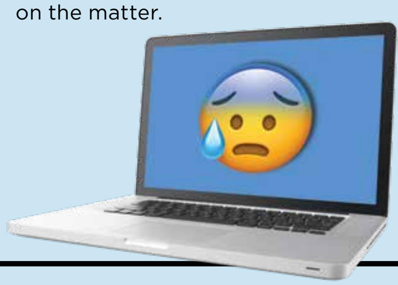
BY DAVE ZARUM

To the rescue

The Northwest Territories government was caught in a phishing scam in late 2020 when they transferred funds to a fraudster claiming to represent a vendor. The con artists created a fake website and email address, along with invoices that were submitted to the territory. Quickly realizing the scam, the government contacted the RCMP's Financial Crimes Unit, which was able to recoup the money.

$2.7 million

Lost by an electronics distributor in Quebec, after its accounts payable staff were conned by a fraudster posing as the CFO of a supplier, who arranged, via email, for the money to be wire-transferred in several instalments. In a recent ruling, a Quebec Superior Court justice determined that the company is entitled to just $50,000 from their insurance policy due to a limiting clause for social engineering fraud such as email impersonations—the first-ever legal decision in Canada on the matter.



9

People were charged in Ontario as part of a private school college diploma scheme, following an OPP Anti-Rackets Branch investigation that alleges owners and employees of the Royal Institute of Science Management (RISM) in Markham, Ont., had allegedly recruited prospective students to pay for enrolment by falsely applying for the Ontario Government Second Career Funding Program, which is designed to reintegrate unemployed workers back into the workforce. Once funding was received—up to $28,000—students used the funds to pay tuition and received a diploma in exchange, all without attending any classes. The investigation revealed the fraud had been happening for six years.

"It just disappeared"

A 20-year-old Halifax woman recalls thinking when she watched $14,000 vanish into an automated bitcoin machine in a local store after falling victim to a phone scam. She received a phone call from a man claiming to be a Halifax police officer, who said that her social insurance number and banking info had been stolen, and explained she had two options: Empty your back account or get arrested. Panicked, she followed the man's instructions as she withdrew the cash and deposited the money at the bitcoin machine, staying on the line the entire time. The Government of Canada's "Slam the Scam" campaign aims to protect Canadians from falling prey to cons like this by urging people: "Don't be afraid to say no."

PHOTOGRAPHS BY ISTOCK

BY THE NUMBERS

BINGE MODE

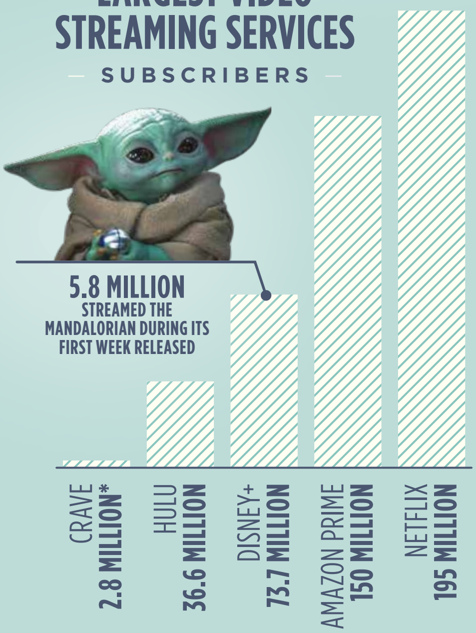
When Netflix launched in Canada in September 2010, CEO Reed Hastings noted the streaming service wasn't an "effective competitor to cable" and described it as "a supplement for those who are really into movies and TV shows." In the subsequent years, streaming has moved from a supplement to the core of how we consume and create entertainment content. Today, there are more than 1.2 billion streaming subscriptions worldwide. Here's a breakdown of the economics of modern entertainment and how video streaming services have become such a big part of our daily lives. —*Steve Brearton*

8.7 MILLION

CANADIAN HOUSEHOLDS WITH ACCESS TO A SUBSCRIPTION VIDEO STREAMING SERVICE IN 2020

LARGEST VIDEO STREAMING SERVICES

— SUBSCRIBERS —



*CANADA ONLY

VIDEO STREAMING SERVICES SUBSCRIPTIONS

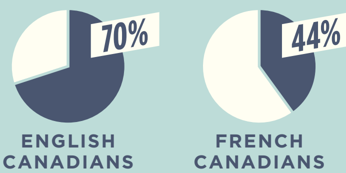
— 2015 —

100 MILLION

— 2020 —

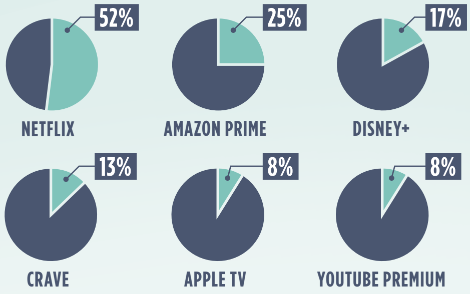
864 MILLION

PERCENTAGE OF CANADIAN HOUSEHOLDS WITH PAID VIDEO STREAMING SERVICES, BY LANGUAGE, 2020



YODA COURTESY OF **DISNEY+**, SCHITT'S CREEK COURTESY OF **THE CBC**, TABLET AND MONEY BY **ISTOCK**

% OF CANADIANS WHO ACCESS...



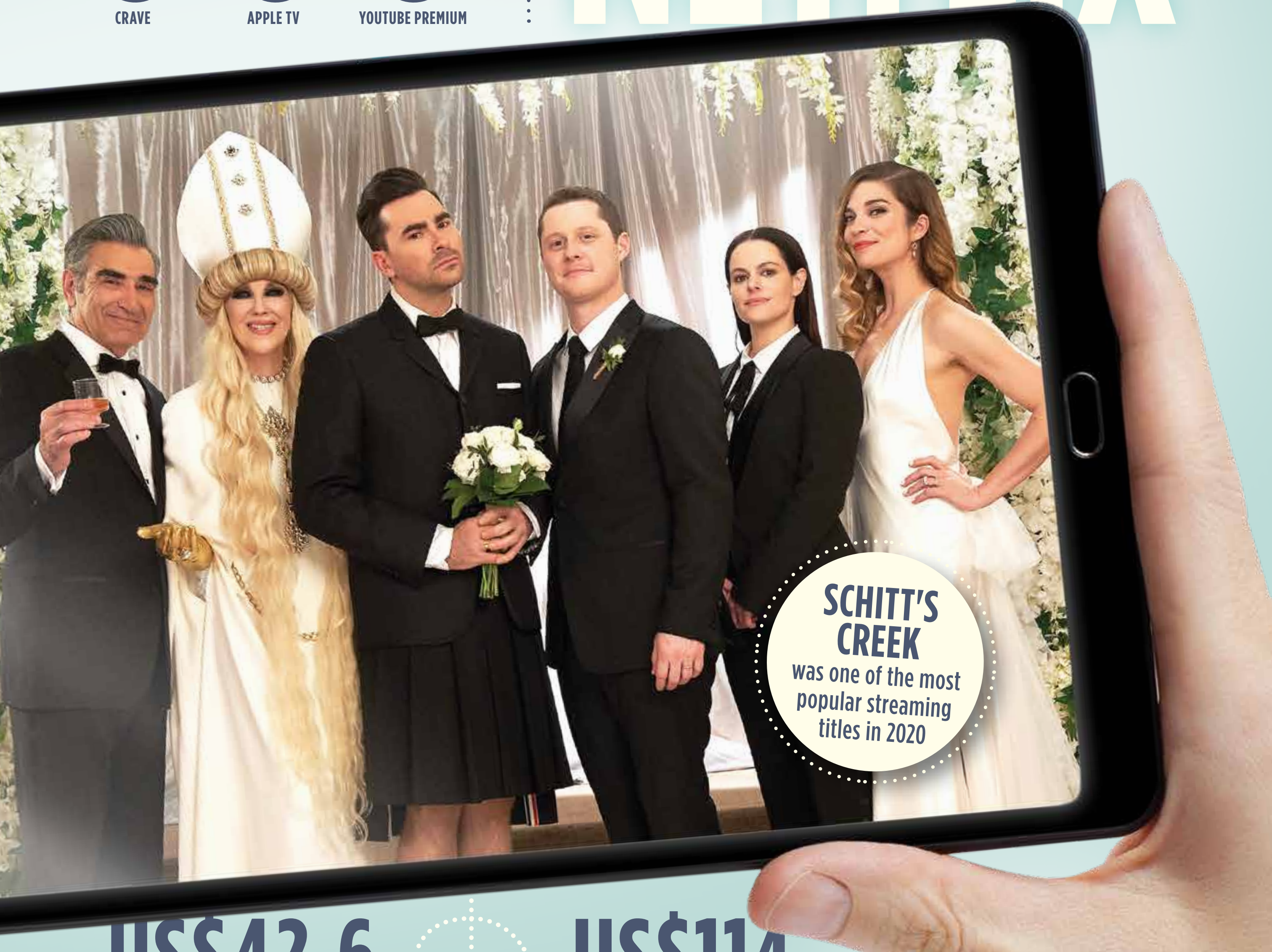
NETFLIX

195 MILLION PAID SUBSCRIBERS

6.5 MILLION+ CANADIAN SUBSCRIBERS

$14.7 BILLION IN LICENSED CONTENT

$9.8 BILLION IN NETFLIX-PRODUCED CONTENT



US$42.6 BILLION

GLOBAL VIDEO STREAMING AD REVENUE (2019)

US$114 MILLION

CANADIAN CREATORS REVENUE FROM DIGITAL

SOURCES: INTERNATIONAL CONFEDERATION OF SOCIETIES OF AUTHORS AND COMPOSERS, SOCAN, MDIAL, IAB, PWC, EDISON RESEARCH, MINDSHARE, PODTRAC, TECHCRUNCH, NETFLIX, THE TRICHORDIST, MOTION PICTURE ASSOCIATION OF AMERICA, GRAND VIEW RESEARCH, INTERNATIONAL FEDERATION OF THE PHONOGRAPHIC INDUSTRY, ADVERTISECAST

ONLINE PLATFORM BRINGS CPAs TOGETHER TO DISCUSS THE PROFESSION'S MOST PRESSING ISSUES

In today's digital world, community engagement is becoming an increasingly popular tool to bring people together to discuss issues that matter the most.

In 2018, Chartered Professional Accountants of Canada (CPA Canada) invited Chartered Professional Accountants (CPAs) and members of the global business community to get involved in a digital conversation as part of **Foresight: Reimagining the Profession**. We asked participants a series of online questions to help us identify key topics we needed to explore to future-proof the Canadian accounting profession.

Foresight has grown exponentially since our initial launch two years ago. Today, we're in a stronger position to deeply explore the challenges and opportunities affecting the profession. This year, our research and digital engagement will uncover answers to more provocative questions, delve into pervasive and rapid changes in the business landscape, gain insights from national and global leaders, and motivate stakeholders from all sectors of the economy to join us on our journey to position CPAs as leaders of change in the information age.

Foresight's new interactive home

As we enter a new phase of Foresight, it is only fitting that we offer a brand-new online tool (foresight.cpacanada.ca) to give CPAs a place to discuss issues and connect with other stakeholders in the business-accounting community. This new digital engagement tool offers the following features:

- a Forum: CPAs can drive discussion, debate and participate in meaningful dialogue with other participants
- Quick Polls: A fast and easy way to weigh-in on important issues
- a Related Content section: Download a curated selection of articles, publications and other interesting content

Michael Massoud, CPA, CA, moderator of the Foresight digital engagement tool, expressed his excitement about the comments and insights which participants have contributed so far:

"This is a fantastic opportunity for CPAs to be part of a movement that's reimagining the future of our profession by having a conversation to explore a variety of pertinent topics.

The accounting profession is on the precipice of a fundamental transformation and how CPAs respond to and manage these changes will impact the future of

CPAs, the profession and Canadian business."

As we advance our thinking and research, we will be posting new questions that discuss:

- how to explore/test new value creation measurement approaches
- the CPA profession's role in assuring the integrity of data used for decision making
- the role of CPAs as stewards of trust and ethics in the digital economy
- professional development programming to support CPAs in developing the skills and competencies to succeed in the information age

The ideas generated on the digital engagement tool will help the teams of CPAs and industry experts we've assembled to lead our data governance, value creation, and skills and competencies research.

This is your opportunity to be part of a movement that is reimagining what CPAs do, how we do it, and the impact we can have across the world.

Ready to get started? foresight.cpacanada.ca

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IT'S QUICK, EASY AND PAINLESS, WE PROMISE!

Register

Visit foresight.cpacanada.ca/register and answer the questions provided.

Confirm

Look out for the confirmation email and verify your account.

Explore

Sign in and get familiar with the interface as well as the topics for discussion.

Contribute

Post and like comments and participate in polls, answer questions, and connect with other users.

Bookmark

Add the site to your favourites and make it a regular stop in your daily routine.

REGISTER: foresight.cpacanada.ca/register

CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CPA Canada Foresight

REIMAGINING THE PROFESSION.

Pushed to the wings by the pandemic, Canada's live entertainment industry is reeling. While there are signs of hope amidst the chaos, musicians, artists, comedians–and their fans–face a long road back to the stage

UNPLUGGED

By Dave Zarum

Erin Benjamin, President and CEO of the Canadian Live Music Association

PHOTOGRAPH BY **RODOLPHE BEAULIEU**

Erin Benjamin stuffs a blue parka into her luggage and tightly secures the green pom-pom that distinguishes it from the sea of standard-issue black suitcases waiting at the airport. She says goodbye to her son, Oliver, and daughter, Toby, and heads out the front door of her Ottawa home. A cold gust of wind greets her as she tugs at the zipper of her brown leather jacket. It's 8:00 am on March 12, 2020, a typically grey and snowy late-winter morning in the nation's capital. In three days the 49th annual Juno awards are taking place in Saskatoon, and Benjamin is headed west to celebrate the best and brightest in Canadian music.

A former touring singer-songwriter who transitioned to a career in national arts organizations like the Canadian Arts Presenting Association and National Arts Centre, Benjamin has been attending the awards show for the past 10 years, the last six as executive director and president and CEO of the Canadian Live Music Association (CLMA).

A highlight on Benjamin's calendar, there is far more anxiety surrounding this trip than usual. Just a day earlier the World Health Organization declared COVID-19 a global pandemic, and the Trudeau government pledged $1 billion in relief efforts. The National Basketball Association (NBA)—which had at least one player, Rudy Gobert, test positive for the virus two days after a game against the Toronto Raptors—became the first North American large-scale event holder to suspended operations as the dangers of crowded indoor gatherings were becoming clearer.

Benjamin is only a few steps out the door when her phone rings.

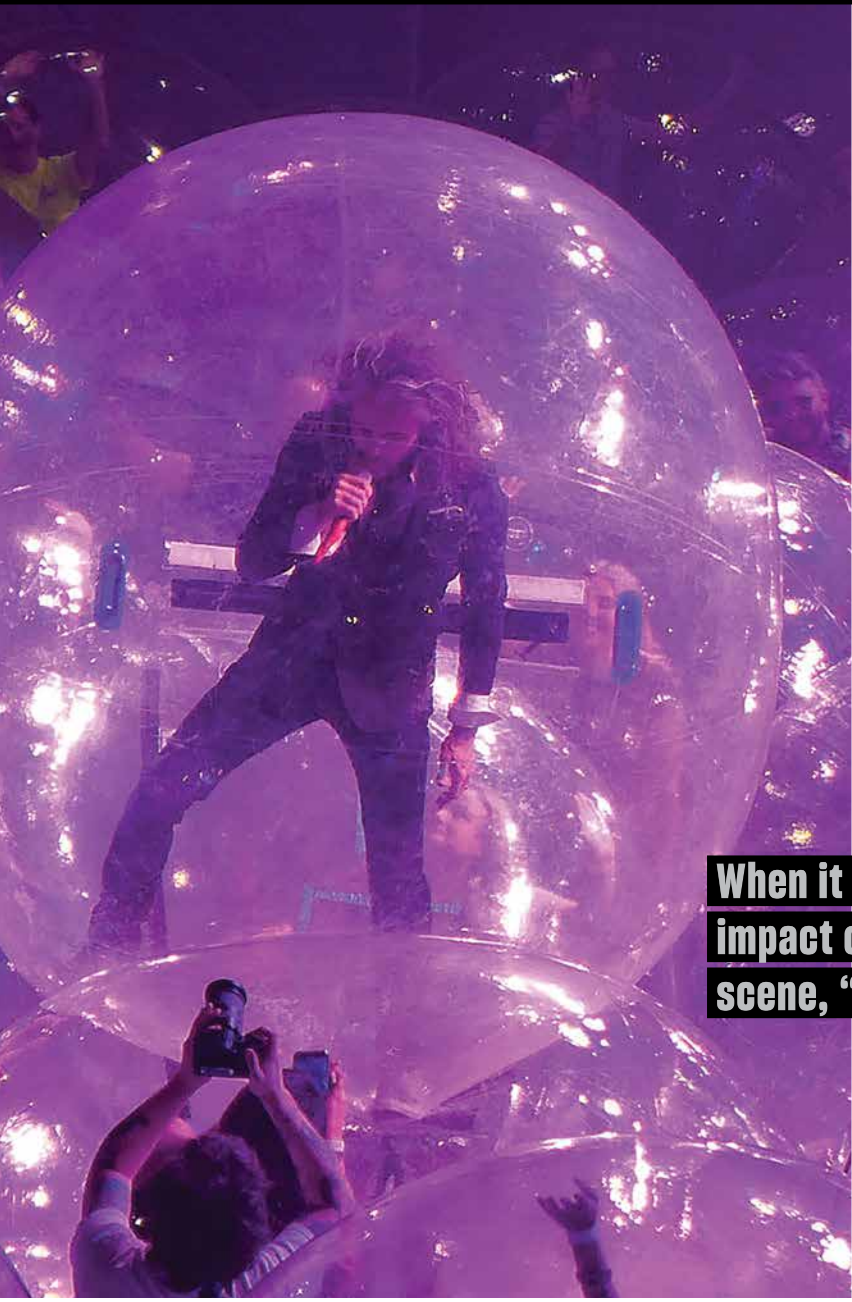
"Don't get on the plane," says a friend who's working at the Junos. For the first time in 32 years, the show is cancelled.

Benjamin's mind conjures images of empty arenas, deserted festivals and vacant concert halls. She picks up her suitcase and heads back inside, unable to stop the tears flowing down her face. Her kids take one look at her, crying and, notably, not at the airport. "What's wrong, mommy?" a concerned Toby asks. Benjamin struggles to find the right words. How to explain to a 12-year-old what may be on the horizon? How a ruthless virus is about to threaten the collapse of entire industries. How untold jobs were on the brink of extinction. How a crucial piece of our cultural fabric would be ripped to shreds. She breathed a heavy sigh and made her own declaration: "The world is about to change."

PHOTOGRAPH BY SCOTT BOOKER/WARNER RECORDS/CNN

News of the Juno's cancellation went public within a couple of hours. By the end of the day, a host of other major live entertainment ventures had screeched to a halt. Live Nation, the world's largest promoter, suspended all concert events. The National Hockey League followed the NBA's lead and also suspended its season. Theatre districts across Canada closed, while landmark annual events like the Calgary Stampede, Stratford Festival, Just For Laughs, and just about any public gathering were brought to a halt.

Of the many targets of the pandemic, few were rocked harder than the live entertainment industry.



Flaming Lips' front man Wayne Coyne and his fans take social distancing to another level during a 2020 concert.

For the sake of public health and safety nearly the entire range of the sector's business operations was essentially halted.

Normally, the industry is a cultural and economic bedrock that contributes roughly $3 billion annually to the national GDP and employs some 72,000 people in Canada. Yet, for almost one calendar year, revenue streams have turned to mere droplets, as everything from 60,000-seat stadiums to 200-capacity theatres lay dormant. A report from concert trade publication *Pollstar* estimated that the live entertainment and event sector lost $30 billion globally in 2020. Despite adapting as best it could (online concerts, sporting "bubbles" and other innovations), the industry faces one of the longest roads back to so-called normalcy.

"I don't think we've invented the words to describe what's happening—'decimated' comes to mind," says Benjamin. "We are on a precipice right now and poised to lose a huge chunk of our cultural infrastructure in this country."

In her role as the head of the CLMA, Benjamin represents key stakeholders—the ecosystem that supports musicians by putting them on stage. Members include venues, festivals, theatres, talent agencies, ticketing companies, suppliers and more. In the immediate wake of the COVID-19 news, Benjamin set to work lobbying the government for support for artists and non-artists alike.

Along with representing the CLMA's members, as co-chair of the Ontario Live Music Panel, she worked closely with provincial cabinet minister Lisa MacLeod and the Ministry of Heritage, Sport, Tourism and Culture Industries to ensure that members of the live entertainment community were being supported by broader relief safety nets.

When it comes to the pandemic's impact on the Canadian live music scene, "hard-hit" is an understatement

The federal government announced more than $1 billion in relief funds, including the Canada Emergency Response Benefit (CERB). Initially, the CERB excluded artists who earned any streaming royalties—an extremely minor revenue stream for most musicians. Benjamin and her group successfully lobbied for an exemption. Still, by May, 70 per cent of CLMA members surveyed said they were not eligible for pandemic-related government assistance.

Benjamin also helped to lead the Coalition of Hardest Hit Businesses (CHHB), a newly formed organization made up of 100 partners including the CLMA, Hotel Association of Canada, as well as tourism boards from every major region across the country. The coalition went to work devising proposals and other long-term changes to help its stakeholders keep their heads above water and safeguard these industries against future disasters.

When it comes to the pandemic's impact on the Canadian music scene, "hard-hit" is an understatement. With the rare exception of artists who own 100 per cent of their music—an exclusive group that includes the likes of rapper Jay-Z and metal rock mavens Metallica— the stage is where a musician's dollars are earned. It's a notable change from traditional revenue models. No longer are record sales the avenue to financial success. Today, digital streaming has changed things even more, with miniscule returns for artists.

For the vast majority of musicians in Canada, "well north of 75 per cent of their income comes from touring," says Shane Matthewson, a CPA and JUNO-award winning drummer. Matthewson, 37, spent years as a touring musician with the band KEN Mode before turning his attention to his Winnipeg-based accounting and management firm, MKM Management Services, in 2016. As the main point of contact for his client roster of bands (mainly

Only 30 per cent of Canadians surveyed said they have watched a live show on a digital platform during the pandemic

"road dogs," as he calls them), Matthewson spent much of the first three months of the pandemic refreshing the government's COVID-19 response page and searching for answers to the dozens of emails he received from clients each day, seeing which funds and grants he could help secure to make up for the sudden loss of income. "It was a nightmare keeping up with all of the changes."

Perhaps the most troubling sign for the industry has been the permanent closure of several venues. As a 2020 City Lab report explains, "the more music venues there are, the more jobs become available, and the more a city's economy is able to grow."

Unable to pay rent and squeezed out by hefty property taxes, at least 13 venues in Toronto alone were permanently shuttered during the first nine months of the pandemic, including The Mod Club and Kensington Market's The Boat, both of which helped launch the careers of many Canadian artists. According to a November 2020 joint study from the CLMA and City of Toronto titled Re:Venue, each closed venue represents losses of approximately $575,000 in annual GDP contributions, and $148,000 in provincial and federal taxes. Under normal circumstances, those venues would host roughly 5,000 musicians per year and provide nearly 200 jobs—from ticketing companies to graphic designers, bartenders, insurance companies, sound and lighting engineers, security personnel and more, all toppled by the pandemic's domino effect. In total, 554,000 fewer tourists attended music events in Toronto in 2020, sapping Ontario's economy of an estimated $369 million in Gross Provincial Product. Toronto's municipal government implemented $1.7 million in tax relief efforts. Yet of the 177 venues surveyed in the study, 96 per cent said they were at risk of business failure.

Neon Dreams' Frank Cadillac performs—virtually—at the 2020 Junos.

PHOTOGRAPH BY CBC MUSIC

On June 29, three and a half months after explaining to her children that the world would change, Erin Benjamin and her family curled up on the couch to watch the Juno awards, which had regrouped to broadcast a live show online. Digitally-broadcast events and performances, drive-in concerts and other inventive solutions helped fill the void to keep some revenue flowing, satisfy artists' need to perform and give fans at least a taste of how things used to be (veteran rock band The Flaming Lips even hosted a concert where everybody—audience and band members—was encased in individual bubbles).

Still, just 30 per cent of Canadians surveyed on behalf of non-profit MusicCanada said they have watched a live show on a digital platform during the pandemic. The efforts to keep the arts alive, virtually, are applauded, but nobody in the industry is ready to make these changes permanent. "I haven't met an artist yet who is satisfied with the experience they're having now versus what it was before [the pandemic]," Benjamin says.

Perhaps the most successful and elaborate pivot came from the world of professional sports, where fan attendance—ticket sales and other game-day revenue—accounts for roughly 40 per cent of team revenues; the NBA had already lost an estimated US$695 million from the 258 games it was forced to cancel last March in the wake of the pandemic.

In June, the league announced it would play out the remainder of the season sequestered at Disney World resort in Orlando, Fla., with no fans at the games. "Bubble basketball" provided a model for how leagues—at least those with deep pockets—could safely adapt and continue to provide a product. All told, the league spent a reported total of $180 million to operate its bubble, which included constructing multiple courts on the property and purchasing thousands of rapid COVID-19 test kits. By playing the games inside the bubble, the NBA was able to prevent additional losses of US$1.5 billion in television revenue, it's biggest source of income. The National Hockey League also established its own "bubbles"—one in Toronto and the other in Edmonton, and saw similar success in being able to provide a product to fans. Neither the NBA nor NHL registered positive COVID-19 tests inside the bubble.

Leagues like Major League Baseball and the National Football League, however, played in their usual venues, with either no fans or a limited number of fans in attendance—and experienced a number of COVID-19 outbreaks. Others, like the Canadian Football League and Canadian Hockey League, were forced to suspend operations altogether.

When the NBA and NHL started their new seasons, they too returned to empty arenas in the hopes that the spread of the virus is mitigated as the 2021 campaign wears on and ticket-buying fans can return to the stands in a partial-capacity setting. To limit travel—particularly across the U.S. border—this NHL season features a new division made up entirely of Canadian teams, and teams in warm-climate locations explored playing games outside as a means to allow fans back in the stands. Meanwhile, the Toronto Raptors, the NBA's lone team outside of the U.S., have been temporarily relocated to Tampa Bay, Fla.

After becoming a basketball fan following the Raptors' 2019 championship run, Neha Kohli followed the NBA's bubble experiment closely.

Stream On

Here's a breakdown of the state of digital music streaming services, from subscriber stats to revenue models and more:

7.8 MILLION

Canadians subscribe to a music service

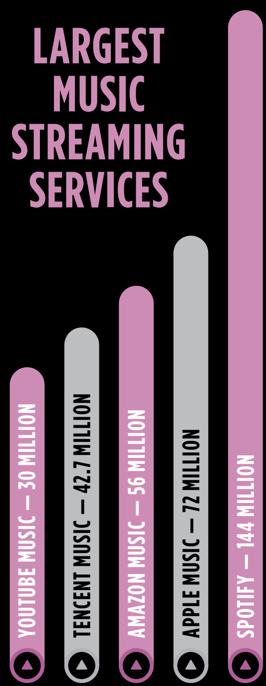
MUSIC STREAMING SERVICE SUBSCRIPTIONS

- 2015 -	- 2020 -
68 MILLION	341 MILLION

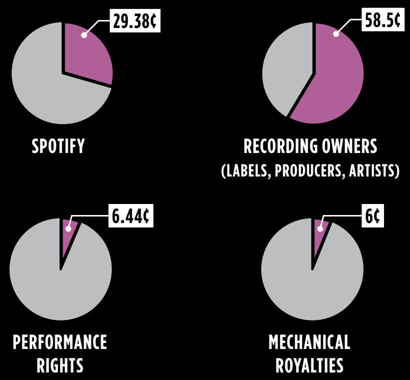
GLOBAL STREAMING AD REVENUE (2019)

MUSIC	PODCASTS
US$11.4 BILLION	US$1 BILLION

LARGEST MUSIC STREAMING SERVICES



SPOTIFY REVENUE SHARE BREAKDOWN (ONE DOLLAR)



US$114 MILLION

Canadian creators digital streaming revenue

A comedian, actress and CPA from Toronto, Kohli at first struggled to grasp the severity of the pandemic. "For a long time a lot of people were in denial in the performing community," she says. "We were thinking 'Oh, it'll be two weeks then we'll be back.'" Before the pandemic, Kohli produced her own reoccurring show, *She's All That*, performed in sketch troupes, and attended acting auditions as many as five days per week. She also founded her accounting company, NK Consulting, where she gears up mainly during tax season and winds down during the other months to focus on her acting career. In the wake of the pandemic, she's put more time toward the consulting business.

"The great thing about being a CPA is the fact that, even during a pandemic, I was able to earn money, pay the mortgage and other living costs," she says. "It's such a stable thing in my life that's allowed me to take so many risks."

"This is not Drake we're worried about. These are our neighbours, our friends and family. It's people's livelihoods."

With comedy clubs closed and auditions few and far between, Kohli has taken the opportunity to focus on scriptwriting. She also taught accounting courses at Centennial College, York University and for CPA Ontario's CPA PEP program—all virtually, of course.

As they adjust to a new reality, some artists sought new roles within the industry. Stratford actors are turning to film and TV; Comedians like Kohli are scripting original content to pitch to producers or apply for grant funding. But, as she warns, for the vast majority "the harsh reality of the situation is that it's going to be very hard to get out of the pandemic while still being creative, without having to permanently switch careers."

That is the inherent fear among those who ply their trade in live entertainment. In places like the music industry, there could be what Erin Benjamin calls a "mass exodus" on the horizon.

Yet, plans are already well underway to ensure that large-scale concerts and festivals could return in 2021. Live Nation and Ticketmaster partnered with tech companies Blink Identity and CLEAR Health Pass—which make high-speed facial recognition technology. Ticketmaster is planning to implement new ticketing functions that will be able to detect whether concertgoers have tested negative for COVID-19 or, eventually, have been vaccinated.

"OK, so U2 can go back on tour," Shane Matthewson says, "But what about the little guys? A lot of clients are figuring out what they are going to do going forward. Some are saying 'I'm going to become a real estate agent.' This will kill a lot of bands."

"This is not Drake we're worried about," echoes Erin Benjamin. "These are our neighbours, our friends and family. It's people's livelihoods."

In Canada, a reported $384 billion—19 per cent of the country's total economic output— has been spent in COVID-19 relief efforts. The country is eyeing a stark period of economic recovery, which makes the sudden collapse of the live entertainment industry that much more dire. It will be much harder to turn around the economy with an entire sector on life support.

Benjamin says she's grateful for the government's help to this point but warns much more will be needed in order to keep her industry alive. The Coalition of Hardest Hit Business has drafted several recommendations that have been presented to the government.

First, it's asking for an increased wage subsidy for those in the sector. Second, it is seeking more support for fixed costs such as equipment and venue overhead expenses that, unlike their revenue, haven't dropped. Third, they are seeking further liquidity to help prevent businesses from plunging further into debt—an inevitability so long as the till remains near empty.

Key to survival, Benjamin insists, is a continuation of sector-specific relief. The live music industry, for example, received $23 million through the emergency sector relief program deployed by Canadian Heritage. By September, CLMA members began seeing those funds, which ranged from $5,000 to $150,000, depending on the scale of the business and losses. It's a positive start, Benjamin says. But more is needed. "For now, it's about mitigating Grand Canyon-sized gaps between concept and reality."

The many stakeholders in the live entertainment realm are, like the rest of us, at the mercy of the coronavirus and the success of nationwide vaccine programs already underway—the government has said all Canadians should have access to the vaccine by September. In the meantime, there are signs for hope. Music festivals staged in December 2020 in Taiwan and Australia—where COVID-19 has been tamed—offer a potential glimpse into our near future. Warmer weather could welcome more outdoor event options as well.

Benjamin is hopeful that the advocacy of groups like CLMA and CHHB will help save the industry, and that the government will respond to their needs. "This industry will be back," she says. "But our main concern is that the loss of infrastructure will be so significant that we may not be able to hit the ground running and contribute in a meaningful way in terms of rebuild and recovery," she adds. "That's what we're trying to protect against most of all." ◆

PHOTOGRAPHS: ERIN BENJAMIN BY **RODOLPHE BEAULIEU**; TECH BY **ISTOCK**

For the tech of it

Blink Identity, which partnered with Ticketmaster to provide facial recognition technology at concerts, was founded by two biometrics developers who previously worked for the U.S. Department of Defense. Their facial scanning technology can identify people while they're moving—avoiding congestion at entry points—and is just one of the innovations you might soon see implemented at entertainment venues.

Here are more tech developments being rolled out to help ensure the safe return of live events:

AEG, the second-largest concert promoter in North America, laid off 15 per cent of its workforce in the wake of the pandemic, but it has since boosted its engineering department. The company hopes that results in the most contactless experience possible thanks to digital ticketing. The system allows fans to use an app throughout their concert-going experience—everything from purchasing tickets to entry (via contactless scanners) and ordering at concessions. This will also inevitably allow AEG to track the buying habits of their customers.

California-based design studio Production Club's Micrashell protective suit looks like something out of the world of *Tron*. Intended for concertgoers, the suit features a ventilation system the company claims works like an N-95 respirator. It's airtight and designed to fit over the upper body, while an accompanying app will allow fans to filter and control audio levels playing from the speakers within the attached helmet and mask.

Ticketmaster hopes to rely on customers' smartphones to track and verify COVID-19 testing and vaccination status through third-party partners like CLEAR, a company that has been providing biometric ID systems to airports since 2005. For event organizers, Ticketmaster developed SmartEvent, a suite of digital tools to help ensure safety protocols are being followed. Promoters can use features like a social distance seating tool that uses algorithms to arrange seating at venues. There's also a timed-entry tool to avoid bottlenecked lineups as well as a contactless box office.

Temporary Normal

Live event organizers around the world made lemonade in response to COVID-19 restrictions:

1 Concert-goers attend DJ Gareth Emery's drive-in concert in Anaheim, Calif. on Dec. 18, 2020.

2 With Canada-U.S. border restrictions in place, the Toronto Blue Jays were temporarily re-located to Sahlen Field in Buffalo, NY, during the 2020 season. Due to COVID-19, Major League Baseball teams played out the campaign in stadiums without fans—except the cardboard ones.

3 Parishioners of Toronto's Church of the Queensway attend drive-in mass. "You can't yell out Hallelujah, a pastor instructed, "but you can honk your horn."

4 Los Angeles Lakers fans, cheering on their team from home, appear on screens alongside the court during the NBA Finals, which took place inside the league's "bubble" at DisneyWorld in Orlando, Fl.

5 Socially-distant fans wait to see Sam Fender perform at Virgin Money Unity Arena in Newcastle upon Tyne, England.

1

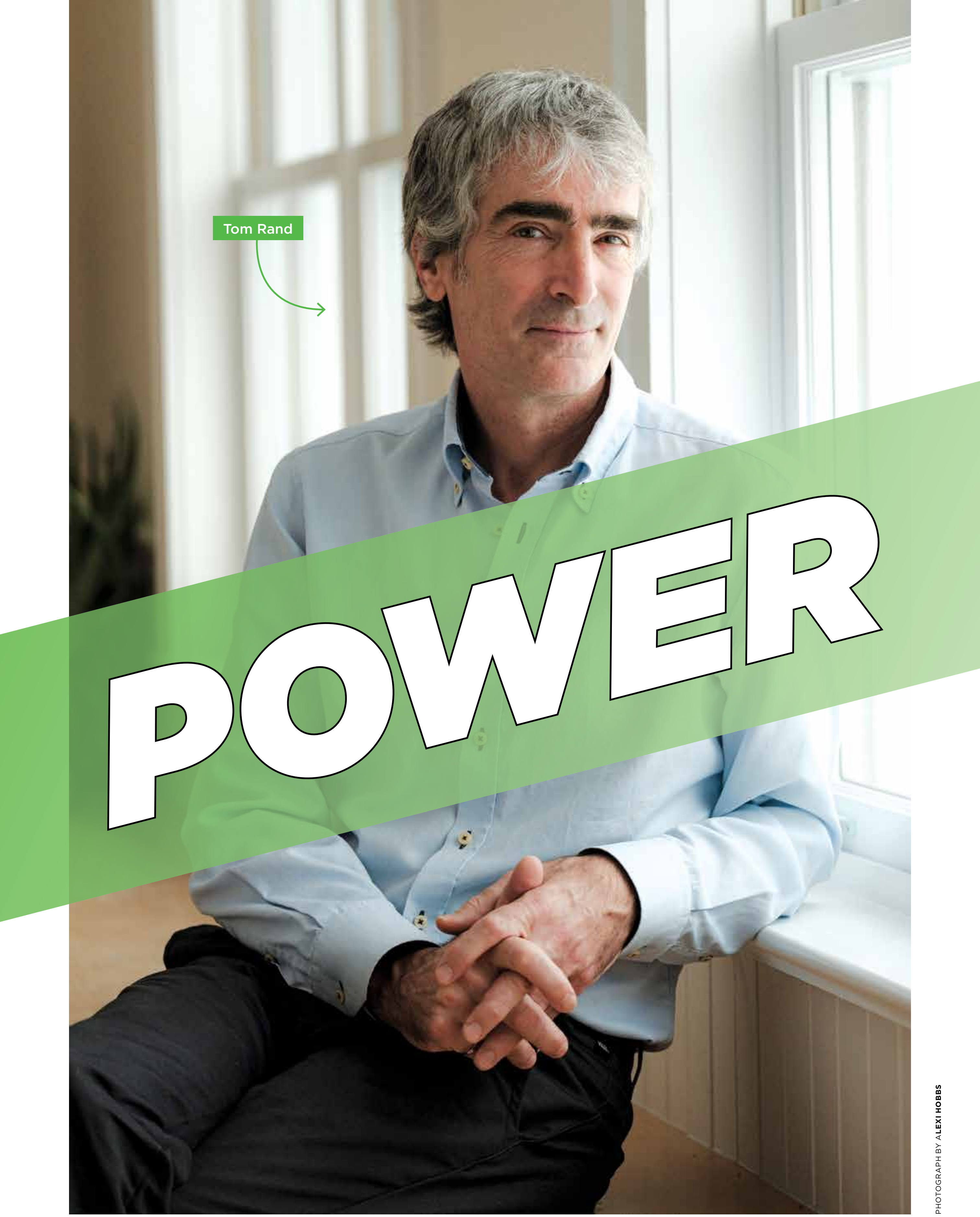
2

3

4

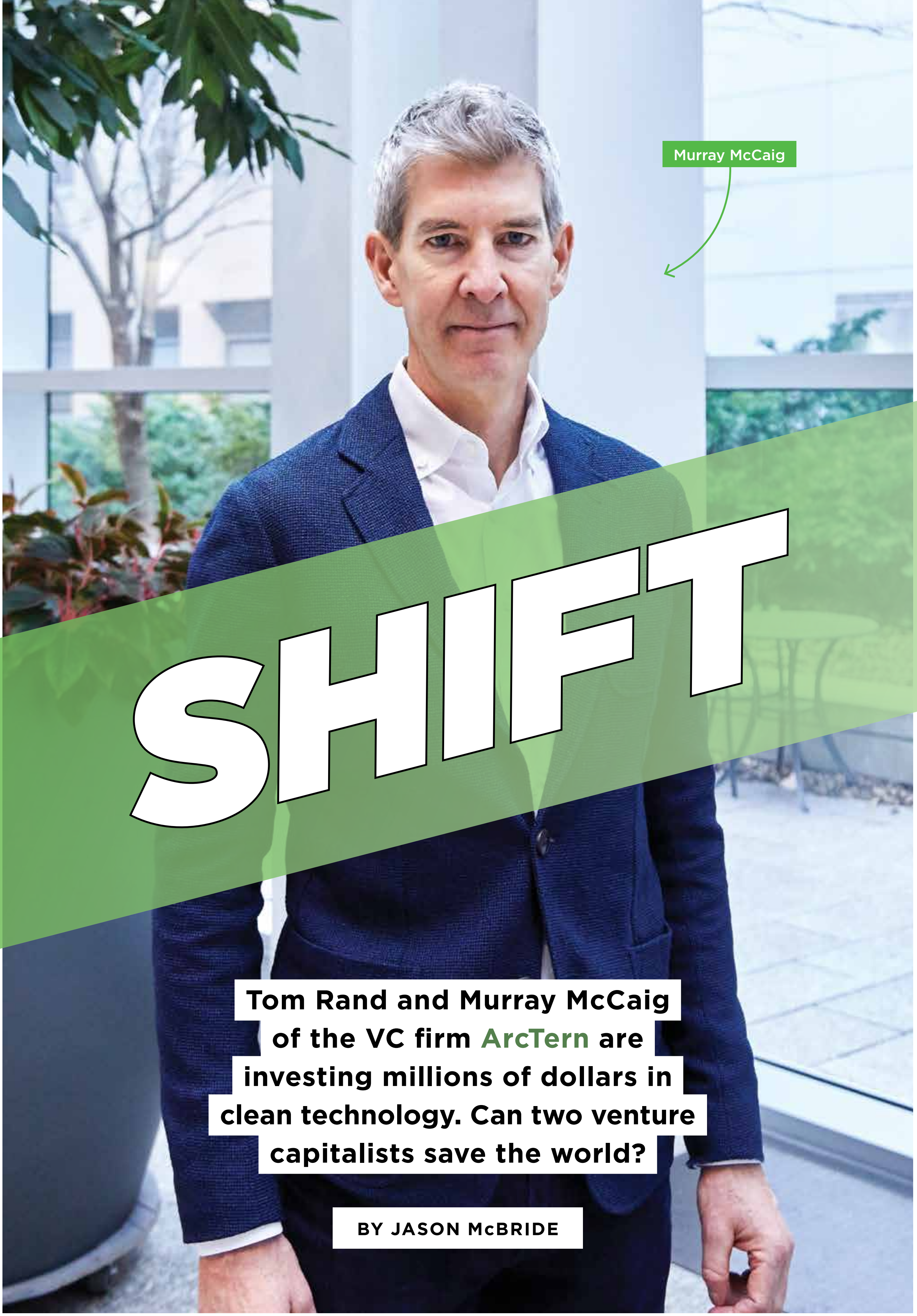
5

PHOTOGRAPHS: DRIVE-IN CHURCH BY **DANIEL NEUHAUS**; OTHERS BY **GETTY**



POWER

PHOTOGRAPH BY ALEXI HOBBS


Murray McCaig

SHIFT

Tom Rand and Murray McCaig of the VC firm ArcTern are investing millions of dollars in clean technology. Can two venture capitalists save the world?

BY JASON McBRIDE

PHOTOGRAPH BY **DEREK SHAPTON**

There are *anni horribiles* and then there was 2020. Ruth Bader Ginsburg and Chadwick Boseman died, the U.K. officially left the EU, and, of course, COVID-19 brought the entire world to its knees. For the environment, things were even worse. Even as a global lockdown grounded air traffic and shuttered factories, record-breaking fires ravaged Australia, California and the Amazon, while the last of the Arctic's ice shelves collapsed and the Atlantic experienced the busiest hurricane season ever. In early December, the secretary-general of the World Meteorological Organization announced that the global temperature was on track to reach 1.2 degrees Celsius above pre-industrial levels.

But, for a company committed to solving the climate crisis, 2020 was, counterintuitively, pretty good. Toronto-based ArcTern Ventures is the largest venture capital firm in Canada dedicated to clean technology. Cleantech (also sometimes known as climatetech or greentech) is a catchall term for the myriad services, processes and products that combat environmental devastation and promote sustainability—everything from smart thermostats to AI-driven agriculture. The global cleantech market is estimated to reach about $2.5 trillion by 2022, with Canada now one of the industry's leaders; 12 Canadian companies, including Vancouver-based Axine Water Technologies and Nova Scotia's CarbonCure, were included in the most recent Global Cleantech 100, an annual ranking of the world's greentech companies. ArcTern, which prefers the more capacious term "earthtech," provides early-stage funding to such companies and invests in six specific sectors: clean energy; energy efficiency and storage; food systems; the circular economy (i.e., things that reduce waste and consumerism); advanced manufacturing and materials (smart factories, modular construction); and mobility (autonomous vehicles, electrification).

ArcTern was founded in 2012 with a mandate to accelerate the global transition to a greener economy—a win-win evolution that, the firm's principals argue, will both yield unprecedented returns and save the planet. Every year since, that promise has become more tangible. In January 2020, ArcTern announced that it had raised $200 million for its second fund, securing investment from heavy hitters like OMERS and fossil fuel giants Suncor and Equinor, which are both pivoting to renewables with whiplash speed.

ArcTern isn't just revolutionizing cleantech. It's turning venture capital into an unexpected force for good.

Last summer, as many other industries were navigating job losses and cratering revenues, ArcTern was expanding. In the last year, the firm grew to 14 people from three. In June, it opened its first European office in Oslo and its first American office opened in San Francisco last fall. "We're doing great," ArcTern Ventures co-founder Tom Rand told me with characteristic ebullience. "We've done four deals so far during COVID-19. So we're going full-steam ahead." Their second fund is now the largest cleantech fund in the country and one of the largest in the world.

But ArcTern isn't just revolutionizing Canadian cleantech. They're also revolutionizing venture capital, transmuting it into an unexpected force for good.

ArcTern's founders, Tom Rand and Murray McCaig, are both lean and angular, with enviable hair five shades of grey. They might be the middle-aged front men of a '90s indie band—the Gallagher brothers of the VC world. They bring wildly different but complementary experiences to their business. Rand, with degrees in electrical engineering and philosophy, began his career in telecommunications before devoting himself entirely to clean energy. He co-developed the Planet Traveller hostel in Toronto's

Kensington Market neighbourhood, considered North America's lowest-carbon hotel, and published three proselytizing books: *Kick the Fossil Fuel Habit*, *Waking the Frog: Solutions to Our Climate Change Paralysis* and *The Case for Climate Capitalism*. McCaig, meanwhile, was once an elite windsurfer, destined for the Olympics before a car accident cut his career short. After earning an MBA, he then founded two successful startups, a wireless hotspot operator and a cleantech water treatment company. In terms of their respective corporate roles, McCaig is the firm's strategist, while Rand is, in his words, an "integrated thinker."

The two met at MaRS Discovery District, Toronto's renowned innovation hub. MaRS focuses on four distinct sectors—health, fintech, enterprise software and cleantech—and Rand, a long-time clean energy evangelist, founded the hub's cleantech practice in 2009. This was basically an incubator for green startups, but Rand quickly learned that no matter how energetic and inventive those startups were, many of them didn't have enough capital to get off the ground. To solve that problem, in 2012, Rand and McCaig, a volunteer adviser at MaRS, teamed up to launch and manage the $30-million privately backed MaRS Cleantech Fund, which would focus on early-stage firms in the practice. McCaig knew a group of investors—"high net-worth individuals who were passionate about the cleantech space," he says—who were looking to start a fund, and Rand was in a similar position. Providing $30 million in seed money, the fund invested in 10 Canadian companies, including GreenMantra, which turns waste plastics into roofing and paving materials, and Smart Energy Instruments, a purveyor of chip systems that more precisely measures energy flows. A year later, in 2013, MaRS cleantech ventures as a whole (the fund, along with corporate partnerships and related services) had raised more than $112 million in capital and generated $83 million in product sales revenue in more than 40 different countries. The next year, the fund itself was renamed ArcTern Ventures—a nod to the arctic tern, a hardy bird that is nonetheless threatened by climate change.

When Rand and McCaig conceived of their fund, they were determined to avoid the costly errors made by the overzealous, misguided Silicon Valley VCs who had previously invested in the cleantech sector. In the mid-2000s, venture capital poured billions of dollars into the emerging cleantech market, but, after some high-profile blowups—most famously, Khosla Ventures's big bet on a costly, complex biofuel process that never panned out—VCs all but fled the sector. But Rand and McCaig liken cleantech's evolution to the boom-bust-and-boom of the web's brief, turbulent history. "The same thing happened in the internet economy," McCaig argues. "We had the Pets.com of the world, and then we had Google."

TOP OF THE CLASS

ArcTern focuses its investment on six sectors. Here's a closer look at up-and-coming companies within each sector.

CLEAN ENERGY

Wind and solar energy are expected to be fundamental power sources going forward, and ArcTern has partnered with many companies that specialize in the industry, like **Clir Renewables**. Founded in 2017, Clir is a renewable energy AI software company based in Vancouver. Clir's AI monitoring tools provide data and analysis to help wind and solar-power companies manage energy yields, increase production, and even provide assessments for potential updates and retrofits. Since launching, the company developed its own software with algorithms designed to detect underperformance and use AI to flag and relay the information to wind farms in real time. In 2020, Clir was ranked 63rd in Canadian Business's list of Canada's fastest-growing companies under the 'startup' category after achieving two-year revenue growth of 314 per cent.

CIRCULAR ECONOMY

A traditional linear economy is based on the so-called "take, make, and dispose" cycle. But, a circular economy is predicated on a more regenerative approach that aims to eliminate waste and boost recycling. Many companies in ArcTern's portfolio contribute to a circular economy, including **GreenMantra Technologies**, which converts plastic waste into synthetic waxes, polymers, and other products. The Brantford, Ont.-based company 'upcycles' post-consumer and post-industrial plastics into materials that meet specific requirements for industrial use. GreenMantra operates a full-scale production facility where plastic waste is transformed into materials used in asphalt roofing and paving, among other applications.

Much has changed in the last two decades as well—the climate crisis, of course, has worsened, but, correspondingly, there are many more people trying to solve that problem. "There's a lot of innovation driven by entrepreneurs who want to have a positive impact," McCaig says, "and countries funding fundamental research in this sector. We've got more great opportunities, which allows us to make better investments. And, at the other end, you've got the global energy companies, all the Fortune 500s of the world, looking to roll out new technologies. So, you've got a very healthy acquisition space."

McCaig says ArcTern sees more potential deals than other VCs. Last year, it looked at about 1,300. "We know a good one when we see it."

One of ArcTern's mantras: don't reinvent the wheel; deploy it differently. Unlike other venture firms, who have invested in companies that require immense amounts of capital to build projects at scale before they even know if they'll work, ArcTern looks for companies, as Rand writes in *The Case for Climate Capitalism*, "that leverage existing materials, processes and infrastructure rather than inventing exotic new materials or machines." Some of the companies they've invested in so far include Hydrostor, a compressed air energy storage firm; Aquabyte, which uses AI to improve fish farming; and Clir Renewables, an AI-driven data analytics firm that improves operations of wind farms (see "Top of the Class," p. 35). Hydrostor, one of Rand's favourite success stories, uses a proprietary system to store energy in underground caverns, but it does so using familiar machinery and engineering techniques. It currently has three projects in operation or under construction in Canada and Australia, with a pipeline of others to come in the U.S. and Chile—"hundreds of megawatts," in Rand's words.

McCaig says that ArcTern sees more potential deals than any other VC. Last year, it looked at about 1,300. In some cases, that look was simply reading a pitch email and deciding a company was not for them; in other cases, the firm might have spent three or four months doing due diligence. When they invest, they initially look for 10 key things; among them, significant environmental impact; substantial market size ($5 billion and up); strong revenue traction and velocity; and competitive advantage. "Given our pattern recognition over the years," McCaig says, "we know a great deal when we see it."

What they're not interested in, however, is investing in companies that maintain the status quo. "We're looking for the next, next thing," McCaig says. "We're not figuring out how to lower the cost of natural gas. It is not our area of expertise and not the fastest route to solving the climate crisis. Solar's the cheapest thing on the planet right now. You'd be insane not to be aggressively installing solar wherever you are in the world." The Canada Energy Regulator argued that oil production will peak by 2039 and that half of all new passenger vehicle purchases will be electric by 2050. The International Energy Agency issued a report in November saying that almost 90 per cent of new electricity generation in 2020 will be renewable.

Cleantech can theoretically provide the jobs and economic growth that incumbent industries like oil and gas and automotive traditionally have. In 2019, there were almost 300,000 people employed in cleantech, with that number expected to grow to more than half a million in the next 20 years. Canadian cleantech exports, meanwhile, have grown 11 per cent year-over-year since 2017. ArcTern's own investment is itself a bet on the country and its future in every sense of the word. "Canada can create far more economic upside by aggressively chasing that market," Rand says, "than we can by doubling down on last century's energy resources."

MANUFACTURING AND MATERIALS
A major focus of the cleantech space is the industrial manufacturing process, which has traditionally been a haven for producing waste and pollution. Headquartered in Irvine, Calif., **ThinkIQ** dubs itself a leader in "the next frontier in supply chain intelligence," thanks to its digital manufacturing process that uses sensor data to meticulously track the movement of materials "from farm to fork". The company's open, cloud-based platform is already being utilized on assembly lines for clients like General Mills, McCain, Corning, and Mars. By identifying and eliminating waste, ThinkIQ says its technology has already helped clients save tens of millions of dollars.

ENERGY EFFICIENCY AND STORAGE
Energy cost and consumption is typically a major area of concern for larger structures like multi-family condos and apartments. Toronto-based **Parity Inc.**, a multi-residential building energy management software, uses AI sensors and machine-learning algorithms to manage energy use and effectively reduce energy consumption by an estimated 25-40 per cent. Massive retrofitting costs are usually a deterrent for large buildings to incorporate cleantech practices, but Parity's software-driven model is meant to unlock any barriers to adoption by eliminating typical upfront costs. In 2020, Parity was ranked No. 50 on *The Globe and Mail*'s list of the 400 fastest-growing companies in Canada, with a three-year revenue growth of 1,107 per cent.

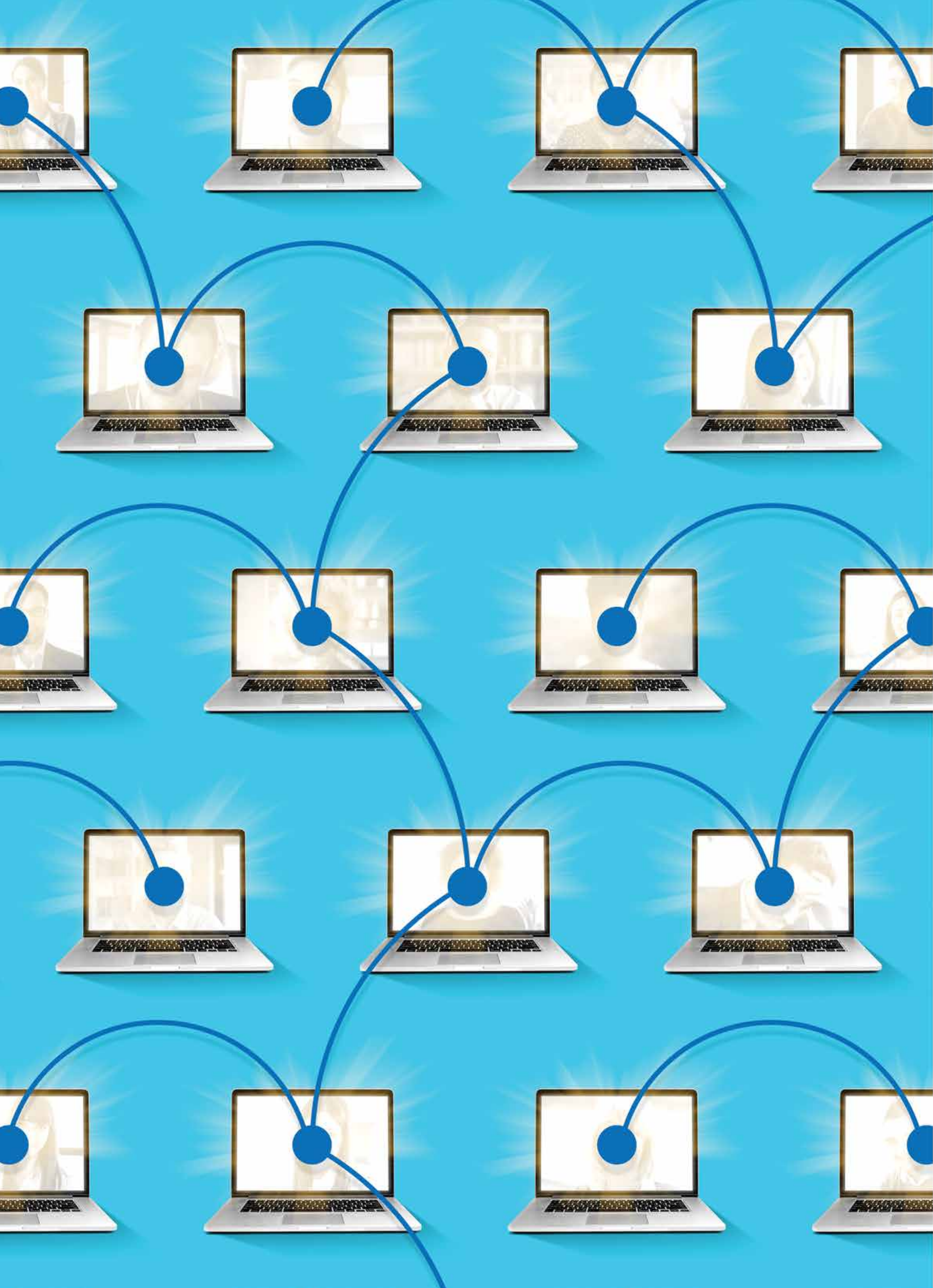
FOOD SYSTEMS
Since it was founded in 2010, Vancouver-based **Terramerra** has spent the past decade working toward its goal of reducing pesticide use and other synthetic chemical loads in food production. The company's trademarked Actigate system delivers fertilizers and pesticides to targeted cells at the molecular level, which results in 10 times fewer chemicals introduced during the farming process. The company is working toward the goal of reducing the global synthetic pesticide load by 80 per cent by 2030. Terramerra has partnered with the United Nations' Sustainable Development Goals initiative, and in 2020 was named one of Forbes "THRIVE Top 50" agtech companies.

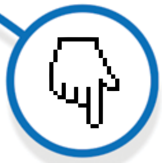
MOBILITY
Identifying ways to eliminate harmful fuel emissions—and reduce waste during the fuel production process—has long been at the forefront in conversations about environmental sustainability. Enter **Woodland Biofuels**, the Toronto-based startup that turns non-food waste biomass into ethanol. Woodland uses a patented process to convert waste (including forest, agricultural and municipal waste) into clean, renewable fuel. Having received a $4.7-million investment from the federal government in 2019, Woodland Biofuels currently runs a demonstrative pilot plant in Sarnia, Ontario.

Last fall, Mira Inbar became ArcTern's latest partner, opening its first American office in San Francisco. Like Kristin Aamodt, who heads up its European outpost in Oslo, Inbar has worked in oil and gas and in the energy industry. She worked for years at Dow Chemical, NRG and then Shell, where she was head of residential power. For much of that time, she says, she tried to affect change from within, developing renewable energy programs within these companies. "As people, it's very hard to change," she told me. "As a legacy business that's been around for a hundred years, it will take time for these businesses to change. These technologies need to come from people who don't have very much to lose. Those are the entrepreneurs. Those are the people who wake up every day worried about the climate."

And those are the people she, Rand and McCaig continue to help. When we spoke, Rand was focused on generating exits—reducing ArcTern's stake through a sale or IPO—for his ventures. McCaig, meanwhile, was expecting to do about 10 deals in 2021. Then, there would be another fund, with ArcTern likely to spend more time raising capital in Europe. "The markets there are just way ahead of us," McCaig says. "And they will create global winners as they have been doing."

Some have argued that venture capital has, over the last several years, deformed capitalism, causing it to overvalue companies that contribute very little to the economy. ArcTern, Rand argues, does the opposite. It uses the levers of capitalism—investment vehicles, pension funds—to mould capitalism in its more equitable, just, progressive image. It treats climate like a financial challenge, not an environmental one. It enables business and political leaders, entrepreneurs and banks, scientists and activists, to solve the overwhelming, historic problem of the climate crisis together, not separately. "I've always taken the long view of this," Rand says. "You solve a big problem in the market economy, you get a big reward." ◆





LEARNING CURVE

From CFE exams written in hotel rooms to a total embrace of digital learning, the pandemic has forced academia to get creative. Now, the nature of teaching and testing is changing in front of our eyes — and screens.

BY ALI AMAD

Last September, Alexander Kowalski, a 26-year-old finance manager at Bell, found himself writing the Canadian accounting profession's Common Final Examination (CFE) in unusual circumstances: alone, in a hotel room at a Mississauga, Ont., Hilton. After COVID-19 forced the cancellation of the 2020 spring CFE, CPA Canada devised a solution for the three-day exam, safely sequestering the thousands of CPA candidates in about 90 hotels across Canada. "I was grateful to be able to take the CFE at all," says Kowalski.

"I'm proud of the collaborative work done across the profession to find solutions to the challenges of the pandemic," says Tashia Batstone, FCPA, CPA Canada senior vice-president, external relations and business development. "We've continued to provide our members and aspiring CPAs with the resources and opportunities we've traditionally delivered. And in the long term, we've displayed a resilience and adaptability that will give CPAs the confidence that we can weather any storm the future brings."

Amid mass lockdowns and other safety measures, the academic world has been forced to get creative in order to find safe alternatives to traditional in-class teaching and testing. The rise of virtual learning has helped academia

PHOTOGRAPHS BY ISTOCK

The hotel room where Alexander Kowalski took his CFE test

survive the pandemic. But it comes at the risk of losing much of what makes these institutions valuable, like face-to-face interaction. To preserve those integral components, the industry continues to experiment with digital education in ways that are poised to further alter the landscape of higher learning.

For most institutions, the shift to digital was swift. "Within the first few weeks of the pandemic, most universities had adopted a virtual model that incorporated a blend of synchronous and asynchronous learning," says Marina Milner-Bolotin, an educational technology specialist and science education professor at the University of British Columbia (UBC).

A Statistics Canada questionnaire of 100,000 Canadian post-secondary students revealed that, by May 2020, 75 per cent of participants were taking all their courses remotely. Academic institutions like UBC, McGill and the University of Toronto invested heavily in workshops and mentorship programs to boost the technical skills of faculty members who were suddenly relying on video conferencing platforms like Zoom and Microsoft Teams as necessary tools of the trade. Students, meanwhile, grew accustomed to watching pre-recorded lectures and writing online exams in places like hotels or bedrooms. Still, the longer the pandemic dragged on the more the limitations of virtual learning were exposed.

"We've now seen that the traditional chalk-and-talk method of teaching can be reproduced with virtual learning"

"We've now seen that the traditional chalk-and-talk method of teaching can be adequately reproduced with virtual experiential learning," says Ishwar K. Puri, dean of engineering at McMaster University. "But other methods of teaching rely on collaborative interaction with peers and professors, and the virtual learning tools we're using today cannot duplicate those quite yet." That's why last September, before rising COVID-19 cases led to renewed lockdown restrictions, an estimated 44 per cent of Canadian universities had either fully or partially reverted to in-person instruction. "The pandemic is forcing educators to determine what can be virtualized and what cannot, but we're still teasing out how to best address that problem," says Puri.

That sentiment reverberates throughout the educational world, leaving many prospective CPAs looking for ways to replace the group study sessions and in-person tutors past candidates depended on. When the pandemic hit, Kowalski, the Bell CFE writer, was lucky enough to be enrolled in the specialized CPA stream of Bell's Finance Grad Leadership Program. Forced to study in the isolation of his apartment last summer, Kowalski stayed in frequent contact with program colleagues who were also taking the CFE later that fall.

"I would have felt completely in the dark without that support," he says.

CFE writers have found other virtual solutions as well. Maxe Class, an online tutoring platform for accounting exams (including the CFE), was launched by Toronto-based CPA Kari Rao-Kamboj in 2016. "Since last March, we've seen our number of clients more than double compared to the previous three years," she says.

For the Association of International Certified Professional Accountants (The Association) in the United States, addressing the loss of face-to-face interaction is a focus, especially given how COVID-19 has impacted the United States. "Even though we had to go virtual for almost everything, it was important to preserve the socializing and networking opportunities our events provide," says Todd Helton, senior director of meetings and conferences at The Association.

Relying on Digitell, a live-streaming tool, and Communiqué, a virtual conferencing platform, The Association is hosting online events that essentially operate like virtual exhibit halls, with participants able to click on a virtual booth and chat with others in between panel discussions. To enhance the social aspect of conferencing, The Association also offers attendees programs like yoga-at-your-desk, Zoom concerts featuring everything from rock bands to dueling pianists, and even live tours

PHOTOGRAPHS COURTESY OF ALEXANDER KOWALSKI

Work smarter, ~~not harder~~ this tax season

By Bill Kimball

As the tax season is upon us – right after going through a seemingly endless tax season last year, you might be wondering how you're going to do it all. We have a variety of tools that can help you become more efficient, less stressed, and have happier clients...and maybe even see your firm become more profitable.

Prioritize your mental wellbeing

Maintaining good physical, emotional and mental health is key for a productive tax season. We can't always avoid working long hours or deadlines, but we can change the way we approach these stressors. It might be counterunitive or difficult to justify self care during busy times, but you'll be more effective at work when you can bring your body and mind back to a state of wellbeing. If you aren't taking care of yourself, you can't give your best self to your clients.

How healthy are the processes within your tax practice?

Once your physical and mental health are in balance, take a look at the systems within your tax practice. Below are some tips on how to use cloud accounting and Xero to prevent you from doing tons of catch up work during tax season and potentially generate revenue from your clients year round.

Go paperless

If you're getting a box of receipts from clients, it's time to go paperless. Consider implementing tools like Hubdoc or Xero Files to help you make this transition. Hubdoc will read receipts and add key information directly into Xero. It will also capture an image of the receipt and store it in Xero so that your client is audit ready. Xero Files is a simpler way to extract and store files into Xero so that you can code the transaction to the correct account manually with the image for reference. Both tools allow you or your clients to send the information to Xero quickly via a mobile app or email.

Introduce automation

If you are coding transactions one-by-one, you are losing time and money. The work must be done no matter what, so you can decide whether to use technology to automatically do the majority of it or to use your time – which is ultimately a cost for you. Cloud accounting tools allow us to use technology for automating data entry so that you and your staff can spend more time working with clients, analyzing data and doing the work that only humans can do. Providing advice and insights on their financials will be more valuable to your clients than data entry.

Leverage cloud tools

If you have banking data in an accounting system, how do you quickly get it categorized into the correct account and get it ready for the tax return? Xero offers two tools for this: cash coding and bank rules. Cash coding allows you to bulk reconcile transactions at once so that you can reconcile a year's worth of transactions in just a couple of hours. If your client didn't keep accounting records all year, this will speed up the process of coding the transactions to the right account so you're ready to work on the tax return in no time.

Bank rules are extremely helpful for both monthly clients and clients you see once a year. Using cash coding in conjunction with bank rules is the most powerful way to reconcile in Xero. Bank rules allow you to essentially pre-code a transaction based on data that Xero will recognize, such as vendor name or reference information. Bank rules will be saved in your client's organization automatically and ready to be reconciled using cash coding with just the click of a button. Using this tool will help you for tax seasons to follow.

Better conversations with your clients

Once you start working in the cloud and utilizing these tools, you are opening up opportunities to work with your clients in new ways. By sharing these simple insights, you are able to have a conversation with your client that motivates them to see their accounting data and interact with you more than once a year. This sets you up as a trusted advisor and provides opportunities to add-on services such as bookkeeping. Having the numbers in real-time and an advisor like you gives your clients the power to make more informed and timely business decisions.

We might not be able to control our clients, pandemics or natural disasters but we can control how efficient our processes are within our accounting firm. We also have the ability to care for our wellbeing to give ourselves and our clients the best experience. Get started by joining the Xero Community today.

Bill Kimball

Head of Sales, Canada

Bill Kimball brings his love for the small business economy to Xero and has worked with some of Canada's early adopter cloud accounting firms. As Head of Sales in Canada, he oversees the company's growth in the country.

Live-streaming platform Digitell is helping virtual conferences become reality

PHOTOGRAPH COURTESY OF DIGITELL

of a New Jersey goat sanctuary. This past September, CPA Canada introduced a similar digital experience for the first-ever virtual edition of its flagship national conference, The ONE. Attendees participated in the two-day event via an interactive 3D exhibition hall, which offered easy access to panel discussions, Q&As, live vendor demos and more.

Going forward, The Association plans on hosting hybrid events in 2021 and beyond, offering teaching and networking opportunities for both in-person attendees and remote participants. "Going virtual has shown us that our members appreciate flexibility in our events," says Helton. "People may not be as willing to travel long distances to attend conferences anymore. That's why accounting firms will most likely look at different ways to educate their employees." Helton predicts smaller localized regional conferences becoming the norm, as well as an increase in special in-person events that broadcast live to a much larger global virtual audience. "Whatever it is, now is the time to experiment," he adds.

Evidently, it's also the time to invest. Over the past decade, digital education has lagged behind tech innovations in areas like health care and finance, but COVID-19 is accelerating investment in the field. The global educational tech sector drew US$500 million in venture capital funds in 2010, compared to a whopping US$4.5 billion within the first six months of 2020 alone. At the same time, academic institutions are switching their focus from hands-on learning to any applicable digital extensions. McMaster's Puri introduced virtual reality platforms to allow his engineering students to create simulations of technologies that function exactly like their real-life counterparts. Puri's students work together online to build and test devices such as drones. It may feel like playing video games at times, but they've accurately mirrored the collaborative learning environment they experienced prior to the pandemic.

> **"Accounting firms will look at different ways to educate their employees. Whatever it is, now is the time to experiment."**

Last August, B.C.'s Simon Fraser University piloted a course called SFU101, intended to replicate the kind of socializing that normally takes place on campus. The pilot created virtual "hives" that connected students with those from the same faculty who were taking the same courses. Nearly 2,000 students participated, and Simon Fraser already aims to add SFU101 to its programs.

In the midst of this tumultuous change, academic institutions feared the pandemic would result in plummeting enrolments, budget cuts and layoffs. Yet, according to Universities Canada, while first-year enrolment dropped by nearly five per cent nationwide, total enrolment is actually up by 1.5 per cent. This uptick is believed to be due to a rise in the number of people pursuing further education after losing their jobs during the pandemic.

One year after the start of the pandemic, most Canadian campuses remain at least partially closed, but UBC's Milner-Bolotin doesn't think they'll be going away any time soon. "Learning is perhaps only half of the reason why students go to university," she says. "A lot of social activities will still be on campus, [but] advances in virtual learning will mean that many faculty members and students won't need to come to school every day."

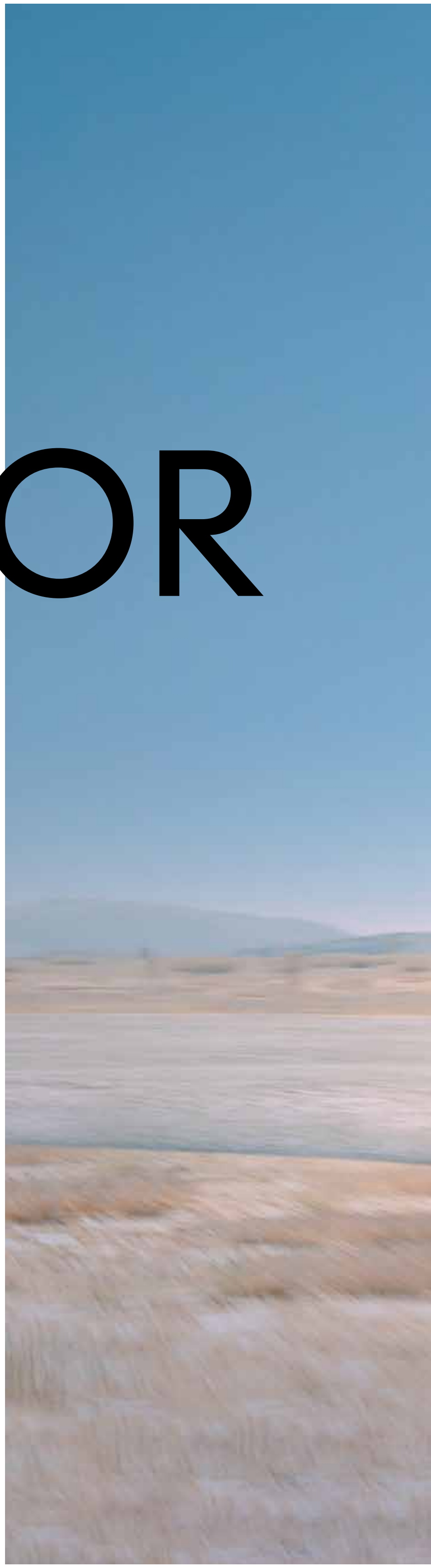
While the changes to the educational system have been dramatic, there have been highlights. Last fall's CFE, for example, was heralded as a success—and without a single reported case of COVID-19 among test-takers.

"We had a lot of candidates saying they were happier with the quieter, less distracting hotel room environment," says Jylan Khalil, FCPA and CPA Canada's special advisor, precertification education. One student even left a Post-It note in their hotel room, thanking CPA Canada. "It was great to feel appreciated for all the effort we put in to make sure we delivered the CFE safely," Khalil says.

Bell's Alexander Kowalski certainly enjoyed the experience—he earned a spot on the honour roll, which comprises the top one per cent of exam writers nationwide. "When I got the results, I was over the moon," he says, adding that the profession came up with a creative solution to keep people socially distanced and safe. "Given everything we're experiencing these days, nothing is more important." ◆

Visit **cpacanada.ca/news** for more on the CFEs, including strategies and keys to success.

BOLD WAITS FOR NO ONE



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PHOTOGRAPH BY **ROB BUBEK**

EXTRAORDINARY ITEM

TAKING CHARGE

An e-motorcycle startup is plugging safety and sustainability to appeal to a wider set of riders

BY MATTHEW HAGUE

Motorcycles: the loud, gas-guzzling ride of adrenalin-junkie boomers who love the roaring engines and the thrill of tearing along an open road. Maybe that stereotype was once true. Not anymore. In 2020, Canadian motorcycle sales—many of them smaller, fuel-efficient bikes—jumped by 10.5 per cent. The demand was largely pushed by an unexpected demographic: city folks, including many millennials, turned off during the pandemic by the thought of sitting in congested public transit. Motorcycles are becoming an increasingly popular alternative for zipping around town.

Damon, a three-year-old Vancouver-based startup, is among the manufacturers who have benefitted from the surge. Even though the company has yet to distribute a single bike, pre-sales of its Hypersport prototype model grew by 60 per cent between March and June last year, resulting in more than $16 million in sales and helping Damon secure $3 million in new funding from a group of American investors.

DAMON JUSTIFIES ITS HIGH COST DUE TO ADVANCED SAFETY FEATURES AND ENGINE TECH

Hypersport, expected to roll out to customers sometime in 2021, comes at a hefty price—$39,995, or almost triple the median Canadian motorcycle price of $15,000, according to *Canadian Biker Magazine*. Damon justifies the cost with its engine technology and safety features. The Hypersport is fully electric (therefore whisper-quiet and rumble-free), and its promised range of 322 km exceeds many other e-bikes. The Harley Davidson LiveWire, for example, averages 235 km before the battery needs a recharge. Plus, Hypersport, says Damon, has a proprietary CoPilot system—more than 20 different cameras that scan the surrounding roads and sidewalks, alerting the rider, via a screen on the dashboard, to potential dangers.

"Navigating through traffic is by far the biggest challenge for any rider," says Dominique Kwong, co-founder of Damon, adding that CoPilot is intended to ease safety concerns for riders who are new to motorcycling or who are coming back to it.

The combination might give Damon an edge to compete in a market where few Canadian companies have been able to do so. Quebec's Bombardier has sold about 100,000 of its Can-Am Spyder since introducing the three-wheeled bikes in 2008, most of which were bought domestically. Harley-Davidson, for context, sells more than twice that number of motorcycles each year, aided by its global distribution network. "There are many barriers for new entrants in a traditional market space," says Davinder Valeri, CPA, director of strategy, risk and performance for CPA Canada. "With eco-friendly products, the uptake may be slow initially, but the trend is quickly changing." Damon's exact pre-sale volumes are private but the company has already expanded its pre-sales to Germany, France and the United Kingdom.

"There's excitement around Damon because no one has put [safety and sustainability] together the same way yet," says David Grummett, director of communications for Canada's Motorcycle and Moped Industry Council. "And that could really change who feels comfortable getting onto a motorcycle." ◆

DESIGN

SLEEP ON IT

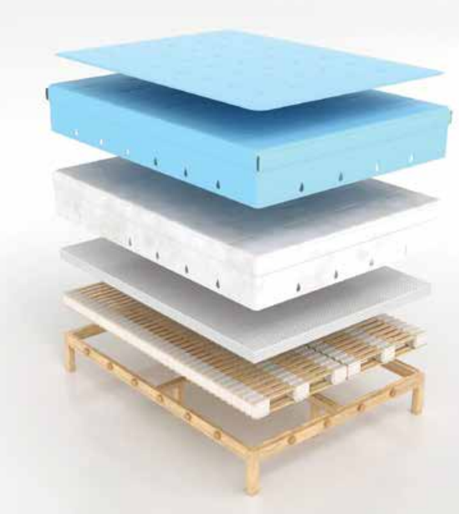
It takes decades—even centuries—for mattresses to decompose, but a Vancouver-based company says it has found a solution and it's preparing to become industry enemy No. 1 **BY MATTHEW HAGUE**

Canadian households and businesses throw out over six million mattresses every year, causing inordinate problems for municipal and provincial landfills. Despite only lasting an average of five to seven years, mattresses take decades—if not centuries—to decompose. Almost none are recycled or even recyclable because of their complex construction from various synthetic fabrics, metal springs, pocket coils and other materials.

Vancouver's Len Laycock says he has a solution. His company, Horizontal Sleep (Horizontal.eco), has spent the last three years developing a bed that is nearly 100 per cent biodegradable, sourcing organic linens from Portugal, specially woven narrow fabric from Bavaria, Germany, undyed wools from California, and sustainably grown ash lumber for the wooden frames. The product is said to last a lifetime and biodegrades safely compared to traditional mattresses. "My goal is that people only need one mattress," says Laycock, who was previously the marketing director for IKEA Canada. "I've seen up close the appalling amount of waste fast furniture can generate. I decided to start with mattresses because we spend a third of our lives on them, so I figured that would make a big impact."

The trend toward environmentally friendly beds is slowly underway in parts of the industry. "We are undergoing a radical transformation to become a planet-positive business by 2030," says IKEA Canada's head of sustainability, Melissa Barbosa, outlining various mattress recycling programs in progress. Laycock maintains there's much work still to be done.

Despite his good intentions, there are significant challenges to launching a new mattress brand. The Canadian mattress market is expected to grow at a compounded annual growth rate of just 1.7 per cent through to 2024—quite low, considering the entire economy's inflation rate is 1.9 per cent. As it stands, the market is not only saturated, but dominated by two huge American players—Tempur Sealy International Inc. and Serta Simmons Bedding—with a whole slew of internet-based startups—Endy, Leesa, Casper, Purple—which largely compete using super competitive prices. Horizontal's full-sized bed costs $4,230—more than five times a full-sized Endy and 10 times some IKEA full-sized mattresses.



"WE PLAN TO TELL THE TRUTH ABOUT THE INDUSTRY," SAYS FOUNDER LEN LAYCOCK

PHOTOGRAPH COURTESY OF **HORIZONTAL SLEEP**

"Our current economic model is such that consumers have been allowed to get away with paying for products that have given very little consideration to their long-term impact on the environment," says Gord Beal, CPA, and vice-president, research, guidance, and support for CPA Canada. "A model that integrates all of the costs including the manufacturing process and the end-of-life disposal process has to be somehow incorporated in the price." Yet, Beal is skeptical as to whether or not Canadians are willing to pay that price but adds a greater awareness around sustainable practices is emerging.

"[A mattress] is not a prestige purchase like a car or nice clothes," says Michael Magnuson, the founder and CEO of mattress review site GoodBed.com. "Most people need to be educated to understand why one mattress costs a premium."

At press time, Laycock anticipates Horizontal's launch date to be early 2021. Part of the plan cribs from the competition. As with Endy, Casper and the like, Horizontal will exist primarily online (with the occasional pop-up shop), shipping mattresses to order, reducing inventory and retail costs. Part of the plan is an aggressive confrontation of the competition. Laycock has hired SEO and social media teams to build Horizontal's web presence, and populated his website with tools that show both the environmental and economic costs of supposedly cheap mattresses. Buying a $4,000 Horizontal seems expensive against a $1,000 alternative, but not if you have to buy seven mattresses in your lifetime or, he argues, if those mattresses contribute to the issue of ocean plastics. "We plan to tell the truth about the industry. For that, I think the industry is going to hate us." ◆

TECH

THE LONG VIEW

Since the pandemic hit, camera sales have dropped but binoculars—yes, binoculars—are on the rise **BY MATTHEW HAGUE**

At the 2020 Consumer Electronics Show in Las Vegas in January, DoubleTake, a newly released set of digital binoculars, had its moment. *Forbes* named the product one of the show's five coolest travel gadgets and the Paley Center for Media put it on its short list of top overall products. Wi-Fi-enabled, a pair of DoubleTakes can capture pictures and video, and livestream both online, and has 10 times the zoom capabilities of a smartphone.

For NexOptic, the Vancouver-based tech startup that spent $3 million and 18 months developing DoubleTake, the results were validating. For the more casual observer, though, the praise was likely a little more head-scratching because, well, binoculars? These days? Really?

In the nearly 170 years since modern binoculars were first designed by the Italian inventor Ignazio Porro, the concept of pairing mirrors and lenses to magnify images has, at least ostensibly, been rendered obsolete several times over. Cameras can zoom in to see and preserve images of faraway objects—and they've been supplanted in part by smartphones, which can upload those images for sharing within seconds.

The pandemic has been particularly unkind to camera-makers. In March 2020 alone, during the first phase of the lockdown, with parties and vacations and anything once deemed photo-worthy called off, camera sales in the U.S. alone fell by 66 per cent compared to the prior year, performing almost as badly as suitcases, which dropped by more than 70 per cent, according to the Seattle-based data firm Stackline.

Logically, NexOptic's big binocular bet seemed ill-conceived. At the best of times, who wants to strap a cumbersome pair of telescopes around their neck? Turns out, lots of people. Pre-COVID, in 2019, London, England-based market research firm Technavio predicted binocular sales would grow at a rate of five per cent per year between 2019 and 2023—part of an ongoing fad that includes outdoor wellness pursuits like forest bathing (surrounding oneself in nature). During the onset of the virus, binocular sales bettered that figure, jumping 22 per cent in June 2020 alone, according to the American market research company NPD Group. Nikon, one of the world's largest camera-makers, which reported declines in revenue and profits in 2019, is benefitting from the boost. Throughout 2020, "we saw an increased interest in our entire binoculars category," says Amanda

ILLUSTRATION BY MATTHEW BILLINGTON

Mohammed, director of sales and marketing for Nikon Canada.

According to Rod Duclos, an associate professor of marketing at Western University's Ivey Business School, there are two reasons for the persistence of ultra-old tech like binoculars. One, he says, is technology aversion. "Not everyone feels savvy enough to dabble with technological advancements," notes Duclos. The second: a yearning for the past.

NIKON REPORTED DECLINES IN PROFITS IN 2019 BUT SAW A BOOST IN THEIR BINOCULAR CATEGORY IN 2020

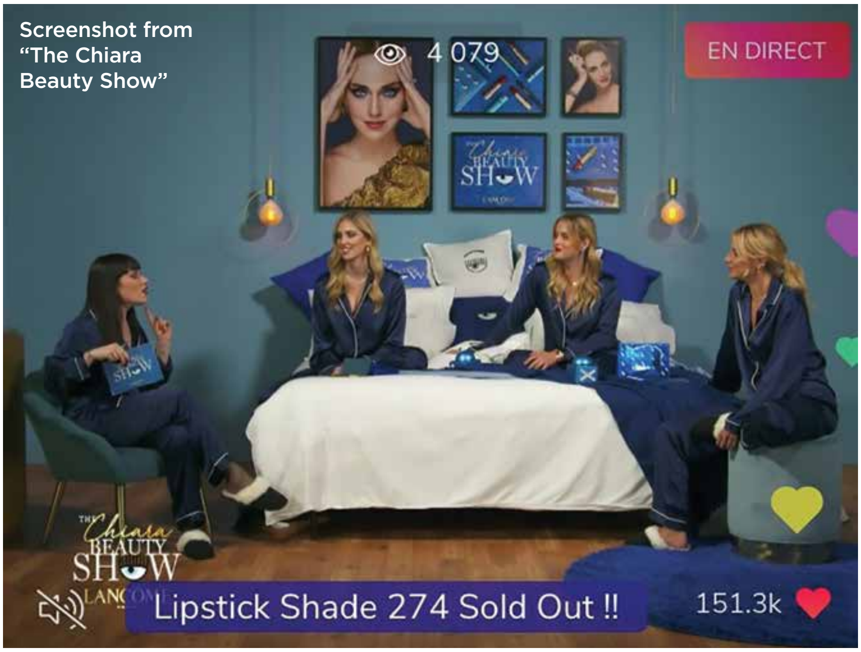
Nostalgia, he says, can be a resource for people, particularly during stressful times. "[It] provides a sense of comfort, groundedness, resilience or energy. Using older technologies such as binoculars—or vinyl records or roller blades—can serve as a bridge linking their present self to the past." Presumably, a less stressful one at that.

Bruce Woollatt, a sales representative for online retailer Binoculars Canada, posits another, more tangible, driver: birding is suddenly trending. "We saw an increase in binoculars sales, particularly during the first wave of the pandemic, in the spring and summer of 2020," he says. "Many people wanting to go out—but not able to 'go' anywhere—discovered that there is lots to see in their own backyards and neighbourhoods. Apart from a pair of binoculars, and maybe a bird guidebook or app, no specialized equipment is required, just the sky, and trees, and birds." Like binoculars, bird identification apps have taken off this year, too. In total, the Canadian Wildlife Federation estimates that $100 million in revenue is generated through birdwatching activities across the country. Woollatt adds that, like NexOptic, the type of binoculars people are snapping up these days feature several improvements on old-school models. The Swarovski Optik dG Digital Guide, for instance, has image stabilization that steadies the lenses to prevent a blurry view; it can snap and upload pics online; and it syncs to the Cornell Lab of Ornithology birdwatching app to auto-identify bird species.

It's the Swarovski Optik dG Digital Guide that NexOptic's DoubleTake is most likely to compete with. In addition to its smartphone-like recording and uploading features, NexOptic has a secret weapon—a patented suite of intelligent imaging technology called Aliis that enables long-distance viewing in low-light or dark conditions without using infrared. Aliis has machine-learning capabilities to recognize what a viewer is looking at and help fill in the gaps, enhancing what might otherwise be dim or grainy. That could help with late-night owl watching, for instance.

According to Bill Cawker, head of corporate relations at NexOptic, it might also appeal to another market post-COVID. He anticipates that many sports fans like himself will take the binoculars to stadiums, sit in the nosebleeds, and still be able to make out the expressions on players' faces down on the field. "It will be a hit in taking the game-day experience to another level," he says from Vancouver.

The DoubleTake, which is lighter and more compact than a traditional pair of binoculars, is not yet commercially available; NexOptic doesn't have the manufacturing capabilities to produce the model internally. "We are looking for a partner who can build them," says Cawker. "Our goal is to secure a partnership. We'd like to work with one of the established companies, because they know how to make good binoculars—binoculars that will last a long, long time." ◆



Screenshot from "The Chiara Beauty Show"

RETAIL

'FROM BRICKS TO CLICKS'

COVID-19 is turning Western shoppers on to a social media trend that's already big in Asia: livestream shopping. And it might be the rescue flagging retailers have been waiting for. **BY WING SZE TANG**

Sporting a nautical-blue blazer dress from her own label, Chiara Ferragni is talking to her global audience of online fans about her newest makeup collaboration with Lancôme. "I've been wearing it every day. It's the perfect matte nude," she says, livestreaming from a velvety curved couch, brandishing the collection's hero lipstick. The shade, Working Girl, new in fall 2020, sells out in minutes.

Ferragni, a veteran fashion influencer who's the subject of the Amazon Prime documentary *Chiara Ferragni: Unposted*, is one of the internet stars helping drive consumers to the next big thing in e-commerce: livestream shopping. Think of it as a modern spin on the Shopping Channel but, instead of happening on TV, the real-time shows take place on social media, often hosted by trusted experts or influencers, who entice viewers to buy products instantly onscreen. Over the course of an hour in November, more than 46,000 people tuned into *The Chiara Beauty Show*, broadcast from Italy to viewers everywhere using technology from the Montreal-based live shopping platform Livescale.

"With the exception of [Asia-Pacific], live shopping is really new for all regions," says Livescale co-founder and CEO Virgile Ollivier, "but what we see is [that] momentum worldwide is huge." The platform was released in 2019 and was a finalist for the 2020 LVMH (Moët Hennessy Louis Vuitton) Innovation Award, started by the luxury conglomerate to recognize customer-experience startups. In June 2020, Livescale also launched a Shopify integration, making the tech available to all North American merchants. "COVID changed the game because [companies in] all Western countries want to go fast on live shopping," Ollivier says. "Of course, there's opportunity in the long term, but there's also necessity in the short term."

While the so-called retail apocalypse has been shuttering traditional bricks-and-mortar shops since 2010, the pandemic is speeding up the process. IBM's U.S. Retail Index found that the pandemic has increased the shift "from bricks to clicks" by about five years. Brands are looking to grab consumer attention in new ways, like experimenting with selling on social media.

In Asia, live shopping is already well-established, taking off in China several years ago. Taobao Live (owned by Alibaba, China's answer to Amazon), Douyin (TikTok) and Kuaishou are among the best-known platforms in the country's crowded field. The rise of live shopping shouldn't be surprising; it dovetails with several other key trends, including a worldwide appetite for video content, the ongoing influencer-marketing boom, consumer expectations of instant gratification (the "see now, buy now" effect) and the emergence of "entertainmerce"—the phenomenon where online stores become content-rich social media hubs.

One of the earliest blockbuster events was Alibaba's 24-hour online shopathon for Singles' Day in 2016, called the 11.11 Global Shopping Festival. Splashy activities included an eight-hour livestreamed fashion show, featuring items from 50 brands that viewers could pre-order. Alibaba rang up US$17.8 billion of gross merchandise volume that day.

THE 'QUEEN OF LIVESTREAM' HAS BEEN CALLED A CROSS BETWEEN MARTHA STEWART AND KIM KARDASHIAN

Since then, live shopping in China has accelerated at a dizzying pace. In the first half of 2020, more than 10 million e-commerce livestreaming sessions had aired, the Chinese government reported. The format has been a source of serious revenue for the country's superhosts, like Viya, a former pop singer who is now the reigning queen

PHOTOGRAPH COURTESY OF CHIARA FERRAGNI

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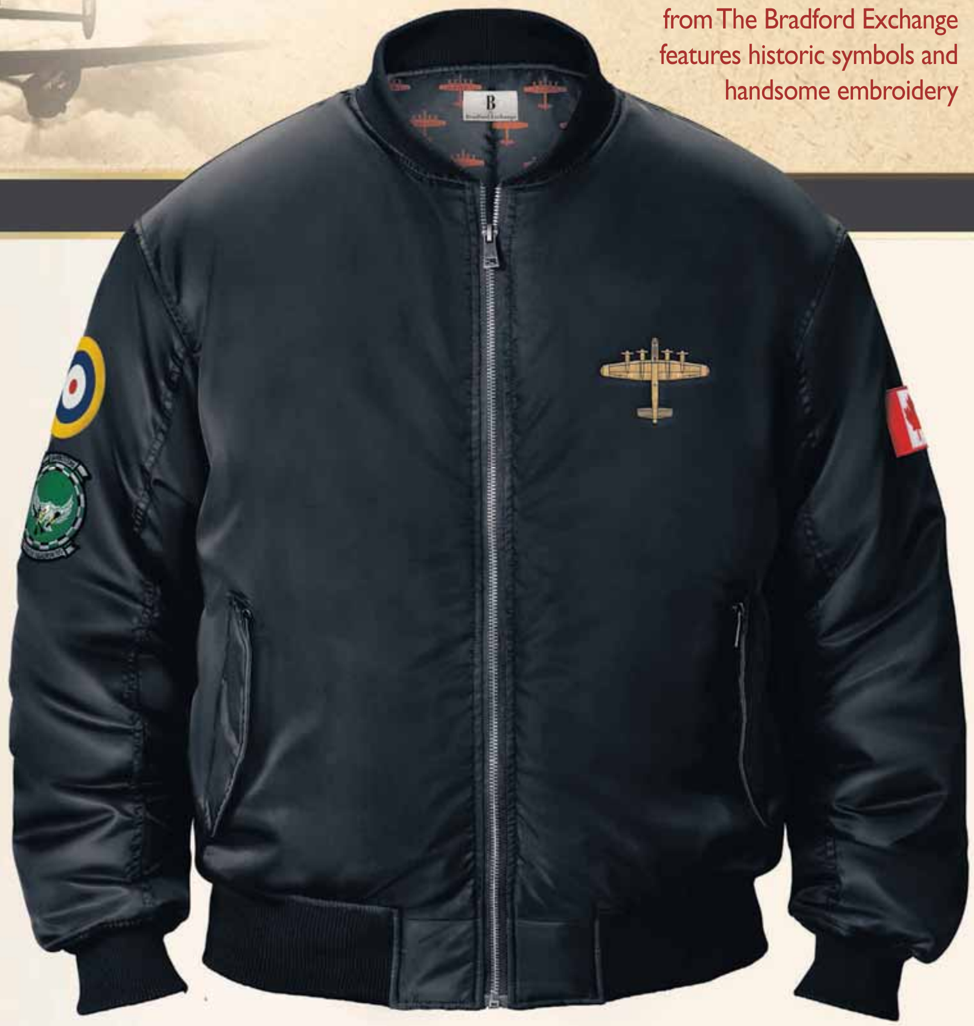

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of the livestream. Alibaba reported that she earned an estimated 30 million yuan (more than US$4.5 million) in 2018. Described by *Bloomberg*'s Allen Wan as "a cross between Martha Stewart and Kim Kardashian," she persuades her loyal audience to spend millions of dollars each time she does a show, which is almost every night. The products she markets on Taobao Live are wide-ranging: she's worked with more than 8,000 brands to promote everything from purses to noodles—and, once, even a space rocket launch costing 40 million yuan. (It sold.)

All in all, Coresight Research predicted that livestreaming in China would pull in about US$125 billion in sales for 2020, up from US$63 billion in 2019. By comparison, the fledgling U.S. market was valued at just about $5 billion, but the potential for growth is clear, especially with the pandemic changing how and where we shop, perhaps forever.

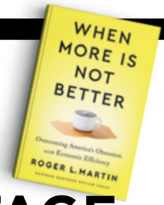
Outside the Asian market, both internet giants and scrappy startups are competing for the new online consumers: Amazon Live launched in 2019, while Facebook Live Shopping and Instagram Live Shopping rolled out during the pandemic. Other platforms joining Montreal-based Livescale in the fray include Stockholm's Bambuser and Los Angeles' Popshop Live.

While sales conversion rates in traditional e-commerce hover around one to two per cent on a good day, livestream shopping has proven to be more compelling: Taobao Live, China's biggest player, reportedly has an eye-popping conversion rate of 32 per cent—meaning 32 out of every 100 viewers buy something. Bambuser recently announced that 12 per cent of its viewers purchased at least one item and Livescale sees an average conversion rate of 9.5 per cent.

Much of live shopping's effectiveness lies in a brand engaging consumers in a direct two-way conversation, Ollivier says, and creating an interactive community experience. And, if that experience can tap into the star power of a social media personality (which is where the big money is), even better.

For companies still trying to sell with unimaginative websites, "having another catalogue of products is not enough anymore," says Ollivier. "We will see more and more socializing of the e-commerce experience in the coming months and years."

By catering to what consumers increasingly want, the promise of livestream shopping seems to sell itself. ◆



BOOKS

UNFAIR ADVANTAGE

Capitalism is damaged, argues Roger Martin. But business leaders and ordinary citizens alike have a role to play in its repair

BY BRIAN BETHUNE

There is no one Roger Martin brings to mind more than John Kenneth Galbraith, and not just because they are both influential Harvard-associated economic thinkers born 150 km apart in rural Ontario. Galbraith was a Keynesian New Deal official under FDR in the 1930s, the last time observers thought American capitalism faced an existential crisis, and Martin thinks it's in that situation again. In his new book, *When More Is Not Better*, the former dean of the Rotman School of Management at the University of Toronto argues persuasively that the U.S. economic system no longer delivers fairness and prosperity for most of its citizens.

After a 29-year stretch, between 1947 and 1976, when median income rose by 100 per cent, the next 42 years saw the American median income rise by only 31 per cent, even while "the top one per cent (and 0.1 per cent and 0.01 per cent) are doing better than they have ever done in American history," Martin writes. "And there's no sign of that stopping." Bearing in mind that *When More Is Not Better* was completed before the COVID-19 economy not only laid bare existing income inequality but exacerbated it—high-wage employment is actually up in the U.S. in 2020, while low-wage jobs are down 15 per cent, with 13 million families behind on their rent—Martin's sobering conclusion is still more than plausible. "On its current path, American democratic capitalism is, I believe, heading for an ugly fall," when the voting side of democratic capitalism inevitably turns against the economic side.

Alarming as his assessment is, Martin does accompany it with a diagnosis of how American capitalism came to this point and suggestions on how to turn it around. Most of them are incremental—although he predicts large cumulative effects—and all of them are already in practice somewhere, somehow.

Among the book's surprising amount of material from Martin's home and native land is several pages on Canadian banking regulations, including the 1871 Bank Act. From its beginning, the act has had an automatic review period built in—originally every 10 years, now every five—allowing for tweaks to cope with changing conditions. It is an approach directly opposite to the American penchant for dramatic and sweeping Dodd-Frank–style laws. (That 2,300-page 2010 legislation, passed in the wake of the 2008 financial crisis, tightened government regulation of every aspect of the U.S. financial system, to the extent it sparked immediate—and ongoing—criticism of overreach and unintended consequences.) Martin believes Canada's more flexible system was a crucial reason why six of North America's 11 largest banks—all American—required billions in government aid during the crisis, and the other five—all Canadian—did not.

Continuous, small-scale rebalancing is at the heart of Martin's advice and it begins in our heads: "We select our metaphors and, afterward, our metaphors shape us." For 150 years or more, the model that has dominated American corporations and governments has been the economy as machine, a car-like object from which parts can be separated and individually polished to near-perfect efficiency before being reassembled. The trouble is, efficiency is hard to measure, so companies establish proxies for their aims, which then turn into the actual goals in executives' minds. Firms with the lowest labour costs are considered the most efficient, so businesses send work offshore and use ever more sophisticated algorithms to cut "slack" by scheduling workers as tightly as possible, all without considering the quality of the product or—crucially—customer satisfaction. Cheap labour becomes an end in itself. Stock price becomes not an indicator of corporate value but the actual value, which leads to all attention and energy focused on maximizing stock prices and rewarding management for it.

All economic models put into practice will soon enough be gamed by clever participants. Corporate management long ago learned that stock price volatility—which is not good for the firm's long-term value (and hence its shareholders)—actually pays off for them in their stock-option compensation, according to Martin. The machine model has been squeezing money from the lower end of the economy to its highest reaches for decades.

Far better, Martin argues, to think of the economy as a natural system: complex, adaptive and unstable. All stakeholders—business executives, politicians and citizens/consumers—need to adopt policies and practices that balance efficiency, necessary slack and resilience. Southwest Airlines keeps two contradictory proxies balanced, aiming to simultaneously be the lowest-cost airline and the highest in customer satisfaction, employee satisfaction and profitability. It does that, writes Martin, by higher pay (for happier and more loyal workers), plus training and policies that make its employees so productive that the real goal—low labour costs per passenger—is met.

Strengthening antitrust provisions is one of Martin's main proposals for policy-makers, along with giving enhanced voting rights to stockholders who keep their shares for a set period of time (two years or more) and restoring high marginal tax rates in the U.S. that reach up to 65 per cent for incomes $10 million and higher. But none of those are as central to his book as the tweak proposal: all economic systems, machine or natural, will be gamed, and too many big and bold reforms have had unintended consequences that have made bad situations worse. All laws and regulations have to be revisited regularly and tweaked back into balance, just as Canada's Big 5 banks are kept on their toes by Bank Act reviews.

TOO MANY BIG AND BOLD ECONOMIC REFORMS HAVE UNINTENTIONALLY MADE BAD SITUATIONS WORSE

But politicians and business leaders cannot reshape democratic capitalism alone. Given that the leading figures in both spheres are people who have flourished in the system as it is, citizens will have to push them hard for change. More than that though, ordinary people need to "multihome," argues Martin, borrowing a term from computer networking. That is, they need to fight monopolies or corporate concentration directly by not always buying the same brand. "Take Uber sometimes, Lyft others and taxis still others," he writes. In our complex and adaptive socioeconomic reality, Martin says, tweaks to the rules—and taxi hailing—are the equivalent of the flapping butterfly wings of chaos theory: small actions that can bring large outcomes. ◆

PIVOT RECOMMENDS

Off the clock

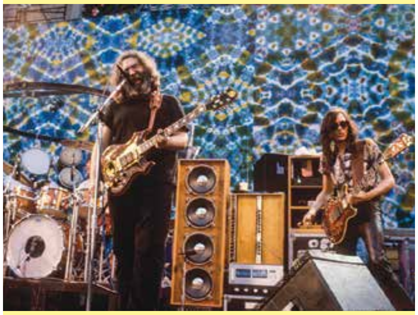
BY CHRIS POWELL

Read

In his new book, ***Think Again***, author and organizational psychologist Adam Grant explores the power of rethinking and unlearning as a way to discover the "joy" of being wrong. Over the course of 320 pages, Grant chronicles feats like how a Black musician convinced white supremacists to turn away from hate and how a vaccine advocate convinced resistant parents to immunize their children.

Watch

From *Baseball* to *The Vietnam War*, documentarian Ken Burns is regarded as one of the greatest chroniclers of American history. Now he is returning with a new documentary devoted to perhaps the country's most revered literary icon: **Ernest Hemingway**. The three-part series paints an intimate picture of the author responsible for classics like *The Old Man and the Sea* and *The Sun Also Rises*, examining a turbulent life characterized by alcoholism, mental illness and depression before being cut short by suicide at just 61. The series premieres on PBS on April 5.



Listen

What a long, strange trip it's been for the Grateful Dead and their fans. The Dead have inspired a cult-like following among so-called "Deadheads" but, like any cult, there's a dark side. The podcast ***Dead and Gone*** explores the mysterious deaths and murders of several fans, including those that have occurred since the 1995 death of guitarist Jerry Garcia. The series speaks to a darkness that lurked just below the surface of the band's "peace and love" ethos.

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NIGHT VISION

By day, CPA Karina Pangilinan, 29, works as a manager at a Vancouver accounting firm. By night, she runs @vantasticfeasts, an Instagram foodie account with more than 7,000 followers (and counting). **BY ZIYA JONES**

In 2009, I started my education at the University of British Columbia. I didn't go in knowing that I wanted to be an accountant, but I quickly realized that **accounting courses** were the ones I liked best and excelled at. My mom is also an accountant, so that probably helped sway me.

In July 2016, when I was studying for my CPA exam, I created my food Instagram account, @vantasticfeasts. **Posting was a distraction from the stress of studying.** I connected with a whole new foodie community in Vancouver.

Accounting is my nine-to-five job, so I always say that I'm a foodie by night. Working in both fields makes me feel like I'm living a fuller, more well-rounded life.

While on exchange at the University of Manchester in 2012, I began to post photos on Tumblr of home-cooked meals or restaurant dishes I was eating while away from home. **I had no idea what I was doing at the time.** It was just for fun.

It's a crazy time to own a business right now. **I encourage my followers to buy from small businesses whenever they can**—especially in the age of COVID-19—and support their local economies. Big box stores can't foster the same sense of community as local businesses do.

Many people don't realize that there's a social aspect to accounting. I love that the job allows me to work closely with people to help them achieve their goals. The relationships I build on the job are what keep me coming in to work every day. Food also draws people together. I think pretty much everyone misses convening with the people we love over a good meal. On Instagram, at least we can bond over food digitally.

I'm so much more adventurous when it comes to food now. I always used to go to the same restaurants but, by getting out of my culinary comfort zone, I learned about delicious treats like Filipino ensaymada, a soft, sweet dough pastry that comes in various flavours such as ube or salted egg.

PHOTOGRAPH BY GRADY MITCHELL

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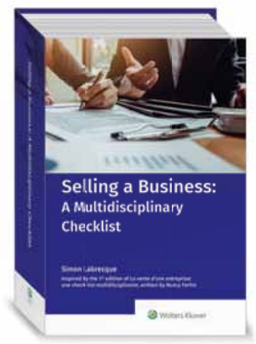

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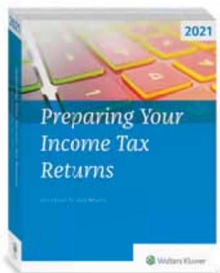

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