

Calgary's rise more than oil

Major financial institutions have given Calgary clout on the world stage

Geoffrey Scotton

Calgary Herald

Sunday, June 22, 2008

Spurred by a frenzied energy industry with an international reach and an unquenchable thirst for capital, Calgary's fast-growing financial services industry is quickly becoming a global player, according to a new report.

"Calgary has already become Western Canada's financial centre," argues Katie Emond, manager of research for Calgary Economic Development. "And now Calgary definitely can compete with Toronto, it can compete with New York, it can compete with London."

A focus on Calgary's success as an emerging financial services powerhouse is a key facet of CED's latest semi-annual Calgary State of the Economy assessment, to be released Monday and obtained in advance exclusively by the Calgary Herald.

The report concludes the city has settled into a period of strong but sustainable economic growth of about 3.5 per cent annually -- and it is building the tools and traits to achieve a true global financial presence.

In two short decades, Calgary has built heft in the high-stakes world of banking and insurance, brokerage, credit intermediation, currency trading and hedging, asset management, financial analysis, accounting, commodity trading and investment banking.

It's a world that includes the largest and most liquid markets in existence, attracts the best, brightest and highest-paid minds on the planet and revolves around trillions of dollars in transactions -- every day.

"It is not just one factor that makes a financial centre successful, but a combination of factors," says the report, researched by Emond and written by CED vice-president and chief economist Adam Legge.

"Calgary certainly has many of the key factors -- proven economic growth, an industry base that continues to diversify, a high concentration of head offices, an internationally renowned securities market and regulatory system, individual wealth and an experienced pool of talent," the report adds.

George Gosbee, founder, chairman and chief executive of Calgary-based Tristone Capital Inc., a global investment bank, brokerage and advisory firm operating from centres here and in Houston, Denver, London and Buenos Aires, says that, as the 21st century opened, Calgary grew increasingly prominent amid the global flow of trillions of investment dollars.



CREDIT: Leah Hennel, Calgary Herald
Vijay Viswanathan, an equity analyst at Mawer Investment Management Ltd., launched his career in Calgary.

"Calgary is now a global financial centre. Companies are coming from outside Canada to Calgary to raise capital or obtain advisory services," says Gosbee, also vice-chair of Alberta Investment Management Corp., which oversees more than \$70 billion in public-sector Alberta investment funds.

"If you are in the financial services sector, you have to be in Calgary now -- you have to be," says Gosbee.

It's no empty boast. Recent arrivals in Calgary include Societe General (France), UBS (Switzerland), Goldman Sachs (U.S.), Macquarie Bank (Australia), Lehman Brothers (U.S.) and Standard Chartered Bank (Asia-U.K.).

Over the last decade, Calgary's financial services industry, which directly employs more than 22,000 people at more than 1,200 businesses, has grown 48 per cent faster -- in terms of employment growth -- than the provincial economy and at twice the pace of the national economy.

Broader measures of financial services -- including real estate, for example -- include as many as 60,000 workers in Calgary.

Close to 80 per cent of the new jobs in financial services in Alberta over the last 10 years have been in Calgary and the jobless rate in the sector here has averaged 1.6 per cent. It currently sits at 2.2 per cent.

Evidence of Calgary's growing prominence in financial services is everywhere, from the world's largest forecast dinner held here every January by the Calgary Chartered Financial Analysts Society, to the highest concentration of corporate head offices in Canada (the city is No. 2 overall), to the very name of Calgary's premier business address: Bankers Hall.

Among the rising stars Calgary has attracted is 32-year-old Vijay Viswanathan, who in 2007 chose Calgary's Mawer Investment Management Ltd. to launch his career as an equity analyst.

(Mawer, with \$5 billion under administration, has just scored a global coup by signing to design, develop and manage a family of mutual funds for insurance and investment behemoth Manulife Financial Corp., a \$400-billion asset manager.)

Viswanathan, a CFA designate and University of Western Ontario MBA graduate originally from from the Toronto suburb of Newmarket, was struck by the size and vibrancy of Calgary's financial services sector.

"That was one thing I didn't realize, just how big it really is here," says Viswanathan. "And, while it's oil and gas-centric, all the major players are here. So that was a surprise."

Viswanathan says his choice mystified some friends and family, but made perfect sense to him.

"You would think that the logical choice would be to look for a job in Toronto, which I did, but there are opportunities, there are incredible firms that are out here," he says. "And I was lucky that one of those firms wanted to hire me."

Since starting with Mawer last August, Viswanathan has also come to realize Calgary's financial services sector is diversifying away from a pure oil and gas focus. "What I have come to realize over the course of being here the last 10 months is that there are other opportunities in financial services."

Calgary Economic Development, and some big players in Calgary's financial services, are in the midst of preparing a major report on the sector for release later this summer. Meant to demonstrate the presence and promise of the city's financial services sector, the report is aimed at spurring the next step in the city's ascendancy on the global financial services stage.

It notes the Economist magazine has recently cited Calgary's successes and growth, stating that "for the first time in a century, Toronto's status as Canada's pre-eminent city is being challenged -- the contender is Calgary, the western base of the country's booming energy industry."

It also cites the observations of the Toronto Financial Services Alliance, which like an aging gridiron star, appears to be aware of Calgary's footsteps behind it. "Calgary . . . is attracting available resources and potentially diminishing Toronto's eminence as the financial centre of the nation," the alliance said in a report last year.

Ironically, the future of Calgary's financial services sector effectively involves stepping past its parent, the city's energy sector. But make no mistake, it has been the internationally-oriented and capital-intensive oilpatch and allied industries that have spawned and continue to nurture a champion in Calgary's financial services sector.

"The oil and gas industry is so unique in the world," notes Gosbee. "For one, it's the most capital-dependent industry in the world, hands down. The second thing is it's the most transactional industry in the entire world, and those two things combine to create what I call deal velocity.

"Deal velocity is what's happening in Calgary . . . and that's given a lot of the financial and investment institutions in this town experience on raising capital or on giving advisory work such as on mergers and acquisitions -- more so than you would find anywhere else in the world."

However, that is simply a departure point, Calgary Economic Development believes. "Significant opportunity exists for Calgary to leverage the existing capital flows from the energy sector to become Canada's financial capital, as well as a global capital epicentre," the agency said its semi-annual State of the Economy report.

Gosbee and Calgary Economic Development believe the key to cementing Calgary's stature among global financial centres is further cultivating the so-called buy side of the industry -- institutions and firms that oversee financial assets and represent massive pools of investment capital. Some, like Mawer and Bissett Investment Management, are already here -- and there is growing pressure to relocate AIMCo from Edmonton.

"We're more than halfway there," says Gosbee. "And it's ours to take."

gscotton@theherald.canwest.com