



FRESH WIND FROM THE WEST

Scott Tannas is poised to challenge the power of the Big Five banks

WHILE I profoundly sympathize with Western Canadians' frustrations about feeling left out of the mainstream, I've always thought that they were using the wrong tactics. Instead of pressuring politicians for senior federal cabinet posts, what they really need is their own bank. That's where the power that counts resides in this country, and that's how you gain individual leverage.

Now, the West may be in the process of getting a big bank, thanks to Scott Tannas, a youthful 43-year-old who runs an unexpectedly lively financial conglomerate out of High River, 55 km south of Calgary, with low overhead and high expectations. When I asked him recently to define the limits of his ambition for his Western Financial Group, Tannas replied: "Our big, hairy, audacious goal is to be the strongest financial institution in the West by 2020." He then added: "Our management team is young enough to make that goal a reality, but it's far enough in the future that nobody can debate us about it now."

Tannas began from a standing start in 1993, buying Hi-Alta Inc., a small insurance company that provided some banking services. Similar purchases followed, and today his financial group has a customer base of just more than 200,000, and a bank-loan portfolio of \$50 million. That hardly qualifies him as a major player. But neither can his fledgling firm be dismissed as an exercise in wishful thinking. Western Financial Group finished 2004 with revenues of \$42 million, up nearly a third from the previous year, while profits doubled. The total assets of his companies now exceed \$200 million.



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Tannas put together his mid-sized conglomerate by buying up a range of Western financial institutions: it boasts 54 locations and 600 employees west of Winnipeg, mostly in Alberta, including banking facil-

ities (Bank West); several insurance companies; in-house mutual fund dealers, and a Calgary investment broker (Jennings Capital). What makes Tannas's mini-empire interesting, and fuels its potential, are his

alliances with powerful friends and associations with world-class financial houses. In March, he added a significant piece to the group, negotiating a joint general insurance venture with Harvard Developments. That's one of the many corporate arms of Paul Hill, a Saskatchewan multi-millionaire, whose family is a leading player in insurance (having also once owned Crown Life), real estate and broadcasting, and has significant oil and gas ventures.

Alberta's most likely next premier, Jim Dinning, is chairman of Western Financial, and Gabor Jelinek, a former vice-chairman of Seagram's, is a director. Other Tannas connections lead into the heart of the Montreal Anglo business establishment with such power brokers as Reford MacDougall, Philip Webster and Jim Robb as his boosters and investors. France's AXA SA, the world's largest insurance company, owns about six per cent of Western Financial. Other multinationals with a stake include Holland's ING, England's Royal & Sun Alliance, the U.S. Wells Fargo operation and the insurance firm, Wawanesa Mutual.

Bank West gained charter bank status in

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December 2002, but enjoys an advantage not shared by the Big Five, which can own insurance companies, but can't sell their products over the counter in their branches. Because Bank West has assets under \$1 billion, it can and does sell every kind of insurance policy.

Tannas says there's a benefit to living and operating in small communities. "When you know everybody in town, you quickly recognize who the good credit risks are," he claims. "We intend to build an up-close, personal, hold-your-hand kind of financial institution that the West has never had." His expansion formula is unashamedly based on the small-town ethic that has local interests at heart. It's just about impossible to phone a bank branch these days, and even queries to head office are often answered by call centres on other continents, where operators know nothing about local

conditions. Tannas counts on the comfort customers will derive when it's Aunt Gleny or Cousin Albert answering their calls. "The time is right," he says, "for a financial institution that will build and retain a depth of expertise in, and the ability to respond to, the appetites and needs of the Western Canadian market—an institution for which the West is home, so that it stays engaged in our economy through all business cycles."

Like most Western Canadian businessmen, he is disillusioned with the average Bay Streeter's approach to the Prairie economy as an afterthought, and the dismissal of Canada's heartland as "fly-over country." Tannas cites the success of WestJet as one example of what can be achieved. But his role model is the Quebec-based National Bank which, along with Desjardins and the *caisse populaires*, trump the market share of the Big Five in French Canada. "The West and Quebec," Tannas maintains, "share similar attributes when it comes to regional passion being transformed into support for regional enterprises."

The Big Apple in the Sky, the transaction that Tannas hardly dares mention during our interview (though we both know it's the key to his success), would be the takeover of the Alberta Treasury Branch. Established in 1938 to ensure a stable banking presence in the province, it was once a lender of last resort. Today ATB Financial is a thriving concern with 600,000 customers and more than 3,000 employees. Premier Ralph Klein has repeatedly pledged to privatize ATB, but the timing has never seemed right (loan problems with former Edmonton Oilers owner Peter Pocklington and the West Edmonton Mall were among the roadblocks). But because the Alberta Conservatives have over the years privatized Pacific Western Airlines, Telus, Alberta Energy, liquor stores and just about anything that moves, Tannas is optimistic that Klein's farewell gesture might be a boost to private banking in his home province.

Western Financial is perfectly positioned to bid for ATB if it comes up for sale. Certainly, Tannas has the guts, the know-how, the connections and the chutzpah to be the candidate to beat in any future auction of ATB's considerable assets. If successful, the move would turn Tannas's incubator baby into a powerful \$14-billion financial institution. I hope it happens, as Jean Chrétien used to say, "the better the sooner." ■

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