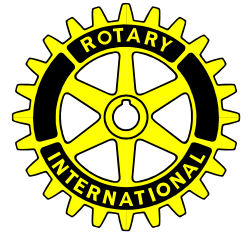


The Beacon News



The Rotary Club of Port Hope

News Bulletin for the Week of August 17, 2009

Michael Mackenzie

COMMENCEMENT

President Sylvia opened the meeting at 6 pm. The head table consisted of President Sylvia, Past President Ben Currelly and Rotarian George Harvey together with the guest speaker, Mr. Michael Mackenzie whose topic related to the banks and the current financial crisis. Guests included Elin, the current youth exchange student who is currently residing with Ron and Bonnie Tuttle and whose host families will include the Boycott's. Martha Henderson was welcomed as a guest from the Northumberland Sunrise Club. Gael Moore, our Assistant District Governor, was welcomed as she always is when she attends, which she does often. The President had a conspicuous porcine prosthesis; She was quite proud of this appendage as a means of advertising for the Rock and Roast event upcoming.



Alexei, the team leader from Vladivostok, who was visiting Canada, was also introduced. And as President Sylvia said, it was gratifying to see so many members present on a hot and muggy evening in August.



DESSERT REPORTS

Rotarian Kelly spoke about the upcoming Foundation Walk. President Elect Doug talked about the song that Rob was able to get the words and music for called, "I'm a Hog for You, Baby", which was going to be the promotional tune at the Brighton meeting. Unfortunately as Doug and President Sylvia pointed out, it was the inclement weather

which resulted in the cancellation of the efforts to do the Karaoke performance. Doug did say that the promotion at Estival and RibFest went well, and Doug found it quite gratifying that people would squeeze his nose and snap it back and forth. He was looking forward to the Rock and Roast marketing continuing at the Port Hope Jazz Festival.

He thanked Bill Lang for his work with respect for the float at the Estival parade and advised that tickets were being printed now for the Rock and Roast and should be available next week.

Further dessert reports included Rotarian Ken O'Neill's pitch for the final Club 500 coming up on October 5th where he anticipates an excellent turnout and an enjoyable evening for all.

HAPPY BUCKS

The sergeant-at-arms this week was the always intimidating Rotarian Bruce Coleman who mercilessly squeezed money out of unwitting Rotarians. Surprisingly everyone sitting near Past President Rolly put in

a happy buck. It must be his new cologne.

Ken Burgen, who we look forward to welcoming into the club, put in a Happy buck in honor of that anticipated event.

Rotarian Bud likes mowing his lawn, but his condition in doing so makes it very important that he do so extremely carefully so as to avoid unseemly accidents. Rob Boycott put in a happy buck because he was looking forward to some scintillating music with the new exchange student, Elin, being quite proficient on the saxophone. This bodes well for the Christmas Party.

There were a lot of happy and sad bucks concerning the golf tournament and the various levels of performance.



The Assistant District Governor, Gael Moore, put in some happy money as a token to the success of Cobourg's RibFest, which was very well attended and many of our Port Hope Rotarians.

Rotarian Merv put in a sad and happy buck because he is looking forward to the web page being repaired because of some potential confusion being created by dates for the Fall Fair and other key events. Our Russian visitor, Alexei, was happy finally to learn what "hey", means. Rotarian Ben was happy that there were new transportation arrangements set up for his business that involved shipping.

Rotarian George Harvey was happy about the RibFest and also happy that he and wife Janet had just celebrated their 46th wedding anniversary.

President Sylvia was happy that on Tuesday, August 11, 2009 a little Binkley boy was born weighing 7 lbs. 6 oz.

Rotarians in general castigated the public relations fiasco with respect to anniversaries and birthdays remaining unacknowledged. By the way, the word, *castigated*, which our guest speaker had an opportunity to use, is not an unseemly physical act. It was terrific to see all our Rotary friends in such fine form.



GUEST SPEAKER

Rotarian and Past President Ben had the honor of introducing our esteemed speaker, Mr. Michael Mackenzie, a chartered accountant with an MBA from Harvard who is also a Fellow with the ICA. He has had a distinguished career, both in private practice and in public life, as among other things, a former superintendent of financial institutions. He has also engaged in the academic life as a professor at, among other institutions, McGill University. Michael spoke about financial institutions and their importance in Canada and he gave us a sampling from a speech that he had given at Yale University this past year. Michael noted early that, although he lives in Cobourg, he is nonetheless on the Board of the Capitol Theatre which of course is in Port Hope. Your scribe will not attempt to give all of the detail and very interesting background that Michael laid out for us but will attempt rather to hit some of the points.



We are going through extraordinary economic times. Michael advises that the banking memories go back only about five years. Unfortunately

if they had been able to cast back even further they would have been able to see that in 1989-1993 the real estate market went into freefall which is a comparable situation to today's unfortunate circumstances.

The savings and loan failures and trust companies back in that time period virtually disappeared with one exception being Canada Trust which because of its policies managed to retain much of its viability and was sold to TD as a unit for a very reasonable sum. In Canada there was a regime of supervision that was put in place following that problem and the framework assisted in creating a Canadian banking system that is probably the most secure in the western world.

Michael outlined that even though the Scots founded the Canadian banking system, their banks are among the many in the world that are having problems. He also spoke about the historical precedents, the South Sea Bubble being one of the most historically significant, that are quite similar in nature to what has recently occurred with toxic assets.

He pointed to the lack of concentrated ownership in banks in Canada as being one of the good features of Canadian banking that seems to maintain a healthy viability with respect to the profitability.

Mergers have been halted and as Michael pointed out, we do not need closely held and focused foreign owned banks. Canadian banks are profitable

and continue to be profitable, even though some banks have shown a small loss as a result of their foreign operations.

He said that even though it is called a financial crisis, it is really a crisis in management. Banks and insurance companies get 90% of their money from depositors and policy holders, but they had lost sight of the fact that their primary responsibility should be to these groups and also that the financial and investment banks should be primarily responsible to their investors and secondarily of course responsible to their shareholders. The unfortunate reality has been that the prime focus was on short term profit and not on long-term viability. He cites Canada Trust as having lasted because of their old-fashioned view. Michael ascribes to that old-fashioned view and he said some of the problems arose because the banks began watching each other like hawks and got into something of a "herd" instinct. When any bank did not participate in various schemes which involved exotic instruments they were castigated by their peers. The second point is that the banks developed a mantra stating that fast growth was necessary. He gave as an example the Bank of Scotland that went into markets that they didn't know anything about. The third point that Michael made involved compensation in the financial sector that was based upon the short-term profitability. He said that they momentarily were taken off this tack, but unfortunately were getting back

into it. With top management there was no long-term perspective and he sees this as a lack of the culture of long-term responsibility and that this is an incorrect approach to banking.



Michael advised that we should be very wary when financiers and lawyers are running the show. He said they are in love with complexity and are transaction-fee oriented. They believe that if there is no regulation to say they cannot do something, they believe that they can do it and that this is a very dangerous approach and potentially unethical.

He talks about the regulator's duties as being independent and free from political interference. Notwithstanding this freedom from political interference, there is a tightrope that has to be walked. He said that right-wing ideologies took over and regulation became unstylish. For example, he talked about the efforts of London to serve as the banking centre of the world. One of their approaches was to regulate with a light touch.

Michael remains skeptical because there doesn't seem to be the will to act but when the

banks come under political pressure it is the regulators who have agonizingly difficult jobs.

These are very complex situations and the talent, he does not feel, is there in the management to deal with these very complex issues. He believes that the whole structure of the financial world has to be changed and one of the ways it has to be changed is to keep commercial banking separate from investment banking.

Michael states that the financial institutions have to be servants of the economy, not the masters. There has been a disconnect, he states, between finance and the real worlds. He believes that part of the problem has arisen in the business schools and that they have let us down. The risk management systems are not in place, and there has been a denial syndrome. He pointed to a form of group think in the management as being responsible for a culture of, "it doesn't matter what I do, it's right". He said the loan-to-asset ratio has to be at least 75-80% to maintain the sort of conservatism that we have in our Canadian banking systems. He says that the three C's of credit must be adhered to; they involve 1) credit history, 2) collateral, and often overlooked 3) character.

Michael's talk was very well received. Questions followed and were answered graciously and very competently.

Rotarian George Harvey thanked Michael for his speech on *The Importance of*

Principled Business, and stated that in his experience it should be the main focus of boards of directors in reviewing operations and in the performance of their CEO's. He said that capital ratios are very, very important.



50/50 DRAW

The 50/50 draw was won by somebody who wasn't the scribe.

(An extra note from R. Roger: He is not on the door next week, Diane is.)

Alexey Bragunets, Russian Group Study Exchange Team Leader

Group Study Exchange is a Rotary International program whereby a group of four or five young (age 25 – 40) professional or business people travel with a Rotarian leader to another district for a month, usually in the fall. Then, in the spring our Canadian team from District 7070 travels to their district for a month. While the team is in D7070, they are hosted a week at a time by different Rotary clubs. Each week they see the local sights and visit similar businesses or

professionals that relate to their professions.

Two years ago, our Rotary Club hosted a Russian Group Study Exchange Team from Vladivostok for a week. The Team Leader, Alexey Bragunets, contacted PP Ron Tuttle to arrange a visit to our club. Alexey is visiting Canada until September 15 with his business partner, Oleg Kazakov. Ron invited the Russians to come back to his house after Rotary.



Alexey and Oleg still have the automotive dealership in Vladivostok, but they have expanded into the leasing and sale of heavy construction equipment. They are also very involved in promoting the sale of a new kind of eco friendly light bulb. The household bulbs only use 6.5 Watts and provide more light than compact fluorescent bulbs. There are also other bulbs and fixtures for lighting factories, offices and streets. Alexey and Oleg have already sold this new lighting system to some customers in Japan, Russia and Bulgaria. They have tried to promote it in Russia, but government corruption is widespread, so promoting green initiatives is difficult.

In Canada, the business partners have met with CSA (Canadian Standards Association) and government officials who have expressed interest. Alexey and Oleg hope to find a Canadian company who wants to purchase exclusive distribution rights for these new light bulbs.

Alexey talked to Gael Moore from the Cobourg Rotary Club after the meeting, and she hopes to invite them back to our area to attend one of Cobourg's meetings. Alexey said that he really enjoyed attending our meeting and seeing people again. If you wish to contact Alexey or if you want to find out more about the light bulbs, his E-mail address is bragunets_al@yahoo.com and his local cell phone number is 647-297-5070.



WEB SITE

Please take a moment to visit the Port Hope Rotary web site. www.porthoperotary.com

There is now information about our upcoming fund raiser, the **Rotary Rock and Roast Old Fashioned Pig Roast and Dance** on Saturday, October 17.



CORN ROAST - AUGUST 31

All Rotarians, spouses or partners and children or grandchildren are invited to the annual Corn Roast and BBQ at Ron and Bonnie Tuttle's house at 1030 Port Britain Road on Monday, August 31. This takes the place of our regular meeting.

Social: 5:00 – 6:30 p.m.
Corn and Hot Dogs served at approximately 6:30 p.m.
Cost: \$5.00 if you are older than 12
BYOB, lawn chair and sweater

FUTURE MEETING SCHEDULE

Date	Speaker	Location	Door Duty	Scribe
August 17	Michael McKenzie – Banking Update	K of C	Merv Richards, Ben Currelly	Jim Hunt
August 24	Club Assembly about fall Fair & Rotary Rock and Roast Dinner and Dance	K of C	Roger Ingram, Hugh Parker	Kelly
August 31	Corn Roast at the Tuttle's	Port Britain	Jim Adamson, Sid Hatch	Rolly
September 7	Labour Day – No meeting			
September 14	TBA	K of C	Jan, Erin, Dave Watson	Bud
September 21	Club Assembly	K of C	Dianne Pendock, John Mowat	Jim Hunt
September 28	TBA	K of C	Dick O'Toole, Kelly M-M	Rolly

COMING EVENTS

Friday, September 18 - Sunday, September 20

Port Hope Fall Fair Food Booth


Monday, October 5

500 Club Dinner at the Best Western in Cobourg

Saturday, October 17

Rotary Rock and Roast Dinner and Dance at the Town Park

**ROTARY CLUB OF
PORT HOPE**



**THE FUTURE OF ROTARY
IS IN YOUR HANDS**

P.O.Box 191 Port Hope, Ontario, L1A 3W3

Officers

President: Sylvia Binkley
Secretary: Erin Brown

President- Elect: Doug Burke
Treasurer: Paul tait

Directors

Club Service: Ken O'Neill
Community Service: Roger Ingram

World Service: Kelly Morgan-MacKenzie
Fund Raising: Jamieson Ross