

# The future, as it looked a month ago

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*I wrote this piece on March 25, 2020, as a way of trying to overcome the foreboding uncertainty of our current times. I guess, like many of us, I'm someone who handles difficult situations better when I can internalize the worse-case, then act with more determination once the uncertainties resolve. I usually never share those musings with anyone, and almost never choose to write them down. This time was different though. I didn't just want to imagine what might happen. I wanted to imagine a hopeful, but realistic outcome.*

*At the time of this initial writing our family had been in quarantine mode for less than two weeks, and C-19 deaths in the US had just risen above 1000. So much has changed since then, but I've resisted the temptation to change any of my predictions from a month ago (not easy). I have chosen to add a few additional musings, mostly thoughts that friends contributed when I shared my initial version of this with them (special thanks to Dean Johnson and Chad Keuler). Hopefully, this will inspire you to write your own version of the future as it pertains to you.*

## It's September 2020

We've moved beyond hoarding toilet paper, or anything else for that matter. People have finally tired of using the words "unprecedented" and "uncertain times" to describe what we've been going through. In Canada, social media diets have recently featured the many stories from parent's who happily sent their kids "to the fields" to help with this year's summer harvest – farmers begrudgingly accepted the thousands that showed up across the country in a mass movement that helped offset the dearth of migrant workers that had a difficult time returning to the country after planting season. Parent's loved it, and teenagers and 20-somethings learned to drive tractors and combines, and to pick stuff. Just like when some of us were kids.

The coronavirus (C-19) has not been eliminated, and there are global concerns about potential re-emergence in the next couple months. Ubiquitous testing in first world countries has confirmed that new infection rates remain very low/controlled within their borders, but this is not true for many poorer third world countries, typically with weak/low trust governments (ie. C-19 still rages in Venezuela, Nigeria, parts of India, Indonesia, Pakistan, Somalia, DRC, South Sudan, Angola). US/Canada have banned travel to/from 30 countries currently. The WHO and UN are coordinating mercy missions to many of these countries.

North American schools are going to open again – in time to start off the new 2020/21 school year. There are new registration protocols for on-campus students. All students must present testing documentation to show that they are C-19 free, with serology profiles deeming them to be low risk. Students must also agree to submit to random testing (temperature screening, saliva/swabbing tests) while on campus, and sign waivers absolving the school for any C-19 associated liabilities. For any class/gathering > 50 students, 100% of participants are temp screened upon

entry. Most schools have hired additional health professionals, and have established isolation protocols and facilities. Common area cleaning procedures have been completely overhauled in line with the newly established "viral cleansing" (VCLEAN 2020) standards, now promoted for all public spaces (likely to become law soon).

For those students not willing or able to physically attend campus due to the above restrictions, including international students no longer able to travel from their countries, many leading academic institutions have now fully implemented on-line learning programs covering a broad range of degree options with modified tuitions. Many more are proposing to do this within the year, and uptake is expected to be huge.

Many bad memories exist of how C-19 impacted the US.

Over 103,000 people died in the US from C-19 over a four month period (c/w only 1857 in Canada). The disease didn't discriminate. It killed high profile movie stars, sports and political figures, musicians, social influencers, while ravaging homeless populations, rural church congregations, and countless undocumented citizens. US states that didn't fully implement social distancing protocols suffered much higher infection/death rates than neighbouring states that did, with per-capita impacts differing by up to two orders of magnitude (100 times) from state to state. The communication/decision making of state/local leadership proved to be the most significant factor. The worse day in the US saw 5,581 deaths (over half of these in Texas); people likened that day to the carnage experienced in the US civil war. Referring to lives lost, one US senator called it a "present-day Gettysburg", crying that "fewer were lost in Pickett's Charge".

Another notable incident was the massive infection outbreak at an outdoor Kid Rock concert in early June 2020, just outside Nashville, TN. Controversial from the start, it was billed as the "We Survived Corona Woodstock" and drew massive crowds despite the opposition of health officials. This single event accounted for the largest recorded community spread – creating a wave of infection surges that extended into neighbouring Kentucky, Georgia, Alabama, and Mississippi reversing the two months of progress made in those states (estimated at 50,000 initially, leading to almost 10X that number). Promoters face numerous class action lawsuits.

Today, large scale social events are still problematic, prompting the re-invention of parties/concerts/theatres, and the incorporation of new protocols (similar to school campus controls – 100% temp screening for outdoor events, indoor events more stringent). Many people now wear masks when in a crowd. Legal prosecution and fines have demonstrated how serious public administrators are when it comes to maintaining these protocols, and in punishing anyone who may be a C-19 carrier. Accordingly, almost everyone has voluntarily subscribed to one or more of the C-19

tracking apps now available – apps that monitor your C-19 exposure profile, crowd-share infection data updates, and securely log your testing certifications.

After many months of high volatility, Canadian and US stock markets have stabilized – the Dow is at around 25,000, still significantly down from its 52-week high of >29,000. The health of global stock markets vary by region. The winners and losers have largely been sorted out, but the economy is still recovering from layoffs, shuttered businesses, bankruptcies, and higher tax burdens now anticipated as a result of the massive government intervention these past few months. In the US, less than half of the \$2 trillion federal aid program has been spent (still a lot) and unemployment is currently at 10%.

On the business front, there have been so many changes/upheavals.

Many companies that were able to quickly move to allow large elements of their workforce to work-from-home (WFH) during the crisis surprised themselves with how well things worked. This has now led to permanent trends in the digitization of work products/services and dramatic upgrades to online collaboration networks serving both internal and external stakeholders. Workforce Transformation is the new buzzword, as many companies explore ways to permanently convert 25-50% of staff to WFH/remote options. A plethora of new apps and tech solutions are being developed in response.

Any business related to online sales or at-home delivery has experienced surging demand for their services – no surprises there. It's also no surprise that Pharma stocks for the major players continue to surge on expectations of new drugs/treatments. Perhaps more lucrative though is the future of the many new start-ups are pursuing product innovations in C-19 testing, monitoring, detection, and disinfection (eg. sprays, active filters, UV-C), working together with global labs studying the virus characteristics. 3M has expanded and enhanced its patented offering of masks and air filtration products and has increased R&D spending by 300%, working in concert with others. Related to this are the new businesses that have been created/expanded to respond to the implementation of VCLEAN 2020 and viral monitoring, testing, and certification services. All of this has created excitement and hope.

On the economic downside, a depressing number of bars and restaurants have closed (20% bankruptcy rates for some regions). Many more are estimated to still be in financial distress. Bucking this trend are fast-food chains that offer drive-thru/walk-up options – with massive investments now in play for ones that don't. The carnage in the high-end restaurant segment has been extensive. Owners have attempted to redesign their internal space, and have experimented with additional charges for things like table time. Most are still struggling to come up with models that can work using 30-50% less staff.

Air travel is still down 40% from pre-crisis levels. American Airlines sought Chapter 11 protection in mid July, becoming the largest bankruptcy of the crisis; bailout provisions were not timely/sufficient (AA became the sacrificial lamb, just like Lehman in the 2008 GFC). Some regional players (Southwest and others) could benefit from the crisis – they have been aggressive in expanding routes and acquiring planes on the cheap. There is still going to be a lot of fall out.

An even worse situation exists with the cruise industry. Carnival Cruise Lines is in dire financial shape and is trying to sell off half of its 100-vessel fleet. Bookings are down 70%, despite a massive effort to reassure travellers that VCLEAN 2020 standards have been exceeded. No one wants to cruise anytime soon.

Airbnb and related gig economy businesses were implicated in many outbreak clusters and transmission occurrences, eroding consumer confidence and trust in the ability of these platforms to meet new cleanliness/safety standards. Many of these businesses are struggling to return to their pre-crisis usage levels. Hotels now maintain a higher trust factor over Airbnb-style accommodation (some hotels played a vital role in the crisis).

The not-for-profit segment has also experienced severe challenges. Many non-profits are fighting for their lives, not having benefited much from government stimulus. Luckily, philanthropy has surged by as much as 30% to try and fill the hole created by many months of low funding and volunteer participation. There are also many fundraisers and benefit concerts/events to recognize and thank front-line health care workers, to support those who've lost their jobs, and not surprisingly for food banks that played such a vital role in the crisis. The on-line concerts that became so popular during quarantine, have now expanded and become a regular fundraising/entertainment feature on social media.

Perhaps one of the biggest silver-linings of the crisis has occurred in the entertainment space. Months of quarantine and stay-at-home energy has been released in a massive outpouring of new movie/book ideas and new online entertainment options. This response from the creative class of writers, movie makers, musicians and entertainers is similar to that which followed the 12,000-person Hollywood writer's strike in 2007. As well, many more performers are now marketing their material through newly established online platforms build during self-isolation. Content wars between major studios have raged, and the industry is still buzzing from Disney's acquisition of Netflix three weeks ago. Amazon will likely make the next move.

On the geopolitical front, it's now unlikely that Trump will be re-elected to a second term. Looking back, many Americans have become very disappointed with the inept federal government response/leadership related both to preparedness, and the crisis itself. Further, it is now clear that many of worst-affected states from the C-19 crisis were in areas where Trump's base was the strongest. Polling now

suggests that many Republican voters will opt to not vote in the upcoming election. Trump himself has refused to do any more mass public rallies due to the attendance of protest groups in large numbers.

As a fallout from events in China, there is much civil unrest stemming from the early suppression of C-19 facts/events. This is largely being expressed on line, and has been difficult for authorities to control; many instances of state information channels being hacked. Hong Kong businesses are particularly enraged, building on some of the issues over the past year. There are rumours of high level leadership discussions between major HK banks/financial institutions and the Taiwanese government. Quieter still, are the rumours of US and Japanese encouragement behind these talks.

## **It's now March 2021**

Seven weeks ago, the FDA approved a C-19 general-population vaccine developed by Gates-GSK. Production and distribution has been ramping up in centres around the world, but it's still unclear how people will get it, how much it will cost, and what the global immunization plan looks like. The approval announcement came just a few weeks after the C-19 global death toll surpassed one million.

Many governments are now developing systems to identify/verify citizens who have been vaccinated, generating concerns of potential discrimination and class inequity. For example, it is expected that, at some point, the FAA will require all air passengers to demonstrate that they have been vaccinated as a precursor to check-in/boarding any international flights to and from the US. It is likely that other agencies will develop similar requirements, including immigration/border authorities, school administrations, requirements for public office, etc. Businesses already concerned with monitoring the C-19 risk profile of their customers (eg. tourism and entertainment industries) are also likely to reinforce their current practices by adopting similar measures.

Federal governments in both Canada and the US have moved swiftly to introduce new domestic measures in response to strong popular demand to address the systemic weaknesses laid bare by the C-19 crisis. Socialist policies that never would have received broad support in the US, are being discussed, with new legislation pending. Canada has already implemented several key measures, including a 50% hike in the minimum wage, and a food security tax. Both countries have already rolled out requirements for in-country sourcing and production for a broad range of commodities and finished goods. This has revitalized some aspects of the domestic manufacturing sector, and has also brought about the rethinking of global supply chains as it applies to security and health. Almost every trade agreement is slated for renegotiation, with clear choices being made regarding self-dependence vs. interdependence.

On the US political front, President Biden has proposed dramatic cuts in military spending to offset the investments in health care, economic recovery, and funding for international pandemic response. In recognition of the vital role played by the US Army Corps of Engineers (USACE) in the C-19 response, some DOD funding will be redirected to stand up a new USACE division to respond to biothreat mitigation on both domestic and international fronts. Vice-President Klobuchar (who lost a family member to C-19) is taking the lead on sweeping new health care legislation that doesn't quite promise health care for all, but would universally cover urgent care and heavily regulate the insurance industry to limit profits and incentivize progressive/preventive care measures – essentially an enhancement to Obamacare. These policy/legislative initiatives (among others) are likely to pass easily, given that both the senate and house are now controlled by the Democrats.

Secretary of State Warren is working with partners in Japan and Germany (who both weathered the crisis well) to build an international coalition for a UN-sponsored global pandemic response secretariat, supported by international treaties that strengthen the UN's ability to enforce travel bans, lockdowns, and emergency measures. The Chinese government is not supportive of this approach.

The 2021 Olympics have been rescheduled for this summer, but approximately 35 countries have indicated that they will not be participating. China announced four days ago that it will not be participating either. Chinese-Japanese political relations have deteriorated rapidly since the discovery of confidential Hong Kong Independence Summit talks three weeks ago in Okinawa. Several HK banking executives have made public statements openly critical of the senior government leadership and policies that are frustrating their abilities become global banking superpowers (these banks have done very well post-crisis!).

China is also still upset that the Nobel Prize in Medicine in 2020 (announced last fall), was awarded posthumously to Dr. Li Wenliang, the doctor from Wuhan, China that tried to warn the world about C-19, and then died from the disease after attempts by government authorities to silence him. This posthumous award represents a departure from Nobel's stated policy, since 1974, to recognize only living recipients.

Despite the ongoing friction involving China, there is much hope for what can be accomplished at a specially announced G20 meeting next month. In addition to the topics of global health security and associated trade impacts, leaders are expected to also discuss a range of finance issues like the establishment of global resiliency funds, and tighter regulation of "robo-trading" in the stock market.

Other post-C-19 impacts continue to unfold:

On the air travel front, business has now reached about 77% of pre-crisis levels. Major airports around the world have installed UV-C disinfection systems and are employing them for randomized screening. Temp screening is now employed for

all gate entry (w/ instant testing for anyone suspect). The airline industry has adopted its own version of VCLEAN 2020, developing stringent new procedures for aircraft disinfection, baggage handling, and passenger management. The cost of air travel has increased significantly.

In telecom, 5G investment/adoption is much greater than originally forecast, driven by aggressive consumer demand for on-line commerce and entertainment. Who didn't wish they had more bandwidth and online access during the C-19 crisis? A sudden and permanent shift has occurred, well beyond any expectation, and consumers are willing to pay for it.

Product innovation to address the C-19 market has introduced everything from instant viral breathalyzer tests, vapable prophylactics (yes, with added THC), an inhaler-pill combo that neutralizes the virus for newly-exposed individuals (kind of like a morning after pill.), and even a chemical drink additive that makes your pee turn blue if you're C-19 positive.

Tesla now offers an in-car viral sanitizing upgrade for new and existing vehicles. It comprises leading edge filtration tech coupled with an intense UV generator. New anti-viral resurfacing for the steering wheel, door handles, and screen is also available.

The coolest innovation is from a Bezos-backed start-up called ViralVisual - eyeglasses that pair a scanning laser and filtered lenses that are tuned to let the viewer "see" C-19 aerosol and surface traces. Absolutely freaky - the videos of what a Covid-19 sneeze looks like went viral (figuratively), and so did the one of an Airbnb in Jamaica (yuck). It's expensive gear, but geared to a wealthy and paranoid audience - also used by health officials, inspectors, cleaners, and aid providers in developing countries. Some high-end stores/restaurants use them to prove their cleanliness to customers. The technology can be used widely for less portable scanners.

Commercial construction has slowed as many stores/offices have rationalized their real estate footprint. This has negatively impacted new project decisions and capital spending for new office/commercial/retail space. Two new trends have developed that could affect things positively - office building retrofits to accommodate upgrades that meet VCLEAN 2020 standards, and a broad-based wave of Chinese real estate investment - aggressive in comparison with any other time.

Hospital delivery rooms have experienced a 24% y/y spike since January 2021, and sales of baby products/services have surged noticeably in past weeks due to the quarantine "honeymoon effect". Other aspects of hospital/doctor visits have evolved very differently. Newly regulated tele-health protocols now allow over 42% of doctor patient interactions to occur virtually. Emergency room visits have decreased by 35% as many urgent care needs can also be handled in this manner.

This has dramatically shifted the cost profile for service delivery in both the US and Canada – paving the way for broader coverage for the massive uninsured population in the US.

Healthcare within the seniors/retirement industry is still very much in disarray, although new regulatory controls in both countries have clamped down on negligent practices and mismanagement uncovered over the past year. A decision is expected this week in the \$352M class action suit against Formation Capital, the private-equity backers for a number of facilities that suffered high incidences of C-19 death due to poor care decisions.

Although very much front and centre in the media these days, there are still no generally accepted solutions to address the health risks revealed by urban homelessness, despite significant increases in funding for new programs at the municipal and provincial/state levels. A whole new conversation has now begun, however, reinforced by a joint effort in private and public philanthropy. The constant repetition of the words “We are all in this together”, is actually starting to sink in.

On a final note, a social media campaign rumoured to be backed by Bezos-Bloomberg is having success in the promotion of a “Dump Trump” global boycott of all Trump hotels, resorts, and casinos. Four more properties have entered bankruptcy protection in the last month, with many others severing their relationship with the Trump family. Six days ago, Melania filed for divorce.

# LEADERSHIP

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Shayne is a semi-retired business executive, having spent 30 years in the engineering consulting industry. He first became a PEO member over 15 years ago, and is now a member of PEO's Global Leadership Group, led by Marc Guay. He now resides with his family in Pasadena, CA, but remains a passionate Canadian.