



Fairfax Financial Holdings Ltd. Looks North for its Latest Potential Investment

Description

Has Prem Watsa lost his marbles?

The CEO and founder of **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)), one of Canada's most followed companies, has taken an interesting turn lately when it comes to the type of opportunities he's entertaining on behalf of shareholders.

First, the company [announced](#) November 10 that it had upped its equity ownership in **Torstar Corporation** ([TSX:TS.B](#)) from 28.9% to 40.6%. Torstar, the parent of the *Toronto Star*, is one of Canada's oldest newspapers.

However, the physical paper is losing ad revenue faster than you can blink an eye and might not survive without some serious work done on the digital side of its business to keep the paper operating.

Not to mention, Fairfax owns almost 41% of the class B non-voting shares, leaving the five founding families who own all the voting shares firmly in control.

Watsa can do anything without their say so.

An investment that's even more perplexing

Fool contributor Susan Portelance recently [discussed](#) the Churchill Rail Line dispute between the federal government and Denver-based Omnitrax, Inc., who bought the Hudson Bay Railway (HBR) in 1997.

The Churchill line runs 627 kilometres from The Pas, Manitoba, north to Churchill on the Hudson Bay. In the spring, the line between Gillam and Churchill was washed out in as many as 19 locations along that stretch, damaging at least five bridges, possibly more.

As a result, Gillam is the final stop on the HBR until it is repaired. The problem is, Omnitrax and the feds can't agree on a financial cost-sharing plan to get the rail line back in working order.

A vital link for those operating businesses in Churchill and elsewhere along the train route, Fairfax Financial, in conjunction with **AGT Food and Ingredients Inc.** ([TSX:AGT](#)) and a consortium of First Nations groups, is working to acquire the railway from Omnitrac and get commerce flowing again.

Why Fairfax?

It does seem like an odd project until you realize that in late August Fairfax invested \$190 million in AGT preferred shares and common stock warrants — AGT produces and sells lentils, peas, chickpeas, beans, and other food ingredients in Canada, U.S., and other parts of the world — that if exercised would give Fairfax 19% of the company.

Vertically integrated, the HBR assets, including the Churchill port, would likely be very familiar to AGT management. If anybody could figure out how to make this work, it would be them.

Quite naturally, AGT called on their Toronto partner to get involved.

“The Churchill rail corridor and the Port of Churchill are important pieces of infrastructure for northern communities and to the economy of Canada,” Fairfax president Paul Rivett said about its involvement. “Partnering with First Nations and communities is the right model for this investment.”

Bottom line on potential investment

I can see at least three reasons why Fairfax would be interested in these assets.

First, infrastructure investments, especially those in hard-to-reach places such as Churchill, have a built-in barrier to entry. You can't just wake up one morning and decide you're going to build a railway to the Hudson Bay.

Second, tourists flock to Churchill to see the polar bears. Adventure tourism is big business — expected to grow on a global basis by almost 50% annually until 2020 — and would give Fairfax part-ownership in Canada's ecotourism.

Lastly, as Rivett mentioned, working with the First Nations is the right investment model, especially when you consider the country is still coming to grips with the poor treatment in the past of our First Nations people.

Call it socially responsible investing.

Frankly, if this gets done, it could be one of Prem Watsa's legacy investments and something he'll be remembered for long after he's gone.

I hope he's gets the ball over the line.

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Date

2025/08/18

Date Created

2017/11/28

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