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Times Colonist • Tuesday October 4 2005

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69.36 **S&P/TSX COMP.** Closed at 11081.19 | 15.82 **TSX VENTURE** Closed at 2174.92 | 33.22 **DOW JONES** Closed at 10535.48 | 3.74 **NASDAQ** Closed at 2155.43

Sears Canada lays off 1,200 workers

Cost-cutting measure expected to save $100 million per year

By Hollie Shaw
CanWest News Service

TORONTO — Sears Canada Inc., on a drive to achieve cost savings of $100 million a year and struggling to increase weak sales at its department stores, laid off 1,200 employees Monday.

The news comes a month after the announced sale of its rich credit card division to J.P. Morgan Chase & Co. Two weeks ago, Sears Canada said it would look to achieve the cost savings while disbursing the bulk of the net proceeds from the $2.2-billion credit card division sale to shareholders through a special dividend.

"Now that we have sold the credit department, we are a company now that is strictly focusing on retail, and we have to align our cost structure with other people that do retail business in Canada," company spokesman Vince Power said. "We want to be a lean company going forward, and we have to align our cost structure with those competitors. There are a lot of new (retailers) coming in to Canada, and established big-box stores — we have to keep our costs aligned to keep competitive with them."

The full-time employees were employed predominantly in Ontario, headquarters to Sears Canada's administrative offices.

Power said the cuts came in the areas of warehousing, logistics and store presentation. The retailer is also consolidating regional buying offices into one department in Toronto, said Power. A buying office in Montreal responsible for women's clothing and accessories will be shut down.

"The (cuts) were substantially in areas that don't serve the customers," Power said. "Customers who go into our stores or who for phone for a catalogue will not notice a difference."

Sears Canada, 54 per cent owned by Sears Holdings Corp., said that it would look at staffing, rationalization of facilities, consolidation of buying offices and other "operational efficiencies" when looking to achieve the $100 million in cost savings.

The dollar value is significant because it covers the amount of annual earnings lost — $95.5 million in 2004 — after the sale of the credit division, a sore point for some analysts who have predicted future earnings instability for Sears without the division's reliable income.

"People are your second-largest cost after you pay your suppliers, so this is not a big surprise," said David Brodie, retailing analyst at Research Capital Corp.

With 40,000 employees across the country, the layoffs constitute less than three per cent of the workforce at Sears Canada.

Under the sale of the credit card division, about 1,000 employees will become J.P. Morgan Chase employees when the deal closes.

The retailer also said it would take a $70-million expense in the fourth quarter related to the cost-cutting initiative "and the separation packages are a part of that," Power said.

Analysts say Sears Canada, whose revenues have been flat for the past five years, has come under increased scrutiny since its corporate parent merged with Kmart last year, and is under extreme pressure to streamline the business.

Despite its lacklustre merchandising performance, Sears Canada's stock has doubled in the past year on speculation that Sears Holdings will buy up the minority stake.

Condominiums still a hot real estate commodity

Prices are on the rise and demand shows no signs of slowing

By Darron Kloster
Times Colonist business editor

Condos in the Shutters Spa and Resort development at Songhees have already been bought and paid for. *John McKay/ Times Colonist*

Another block of lots for condominiums and luxury homes will go up for sale Nov. 12 at Bear Mountain Resort, and director of real estate Dale Sproule fully expects another frenzy.

Like other selling events at the mammoth development in Langford, built around pristine Jack Nicklaus-designed golf courses, the lots will disappear within hours. Locals will snap them up and there will be buyers from Alberta and Ontario, some from the United States, a trickle from Europe.

In the rampage for real estate around Greater Victoria these days, Bear Mountain isn't alone.

At Shutters Spa and Resort construction workers were injecting concrete foundations on Monday, but the 180 luxury condos that will eventually pierce the Inner Harbour skyline over a year from now have long been bought and paid for.

In Sidney, the Pier development is averaging more than $1 million on its 55 waterfront suites. Only a handful are left months after the For Sale sign was hung.

And it goes on around the region — from downtown to Cordova Bay to Sidney — as condo sales are sealed even before the hole is dug.

"What you're seeing is Victoria's secret is out," said Jennifer Podmore, a Vancouver-based real estate consultant. "What Victoria is experiencing is similar to what happened with Yaletown and other places in [downtown} Vancouver. It's a desirable place to live. It has the best weather in Canada. People from all over the world are discovering Victoria."

Condominium prices are on the rise and in demand — as are other real estate assets in the region, according to figures released on Monday.

A study by Royal LePage revealed Greater Victoria higher than any other market in the country for condominium price appreciation in every quarter this year. During the latest three-month period, the average condo price hit $220,000, a 31 per cent increase in value from the same period a year ago. In Vancouver and other major markets, the increase was less than half of that.

Royal LePage also noted Victoria led all other Canadian cities in townhomes, increasing 20.3 per cent in value — from $325,000 to $391,000 — over the last year. The city also trails only Moncton, N.B., in price increases for single family detached homes, increasing 18.4 per cent to a $348,000 average during the July-to-September period.

Multiple Listings Sales for September released by the Victoria Real Estate Board also set a robust scene as condo prices increased on average to $255,000 and townhomes were at $353,255. The average price for a single family home in Greater Victoria was $481,786. Although it was off last month's all-time high of $525,000, September proved second-highest on record. The totals, however, included 14 sales over $1 million.

Judy Gage, general manager of Royal LePage TPM Realty in Victoria, said that while other Canadian markets are watching a real estate bubble, the capital region has too many insular advantages to burst.

"Victoria remains one of the most sought-after locations in the country and its prices still compare favourably with the world's great oceanfront cities," said Gage. "Baby boomers from all over the country have taken a strong interest in the area and many are buying property and renting it out until they are ready for retirement."

Industry estimates indicate out-of-towners are buying about 30 per cent of the real estate here every month. Typically, the buyers are still working in their careers, aged late 50s to early 60s, and setting the scene to retire, said Podmore. Some already own a home, a cottage and, in some cases, a condo for their student children. Most are from the Lower Mainland, Alberta and Ontario. She said buyers from the other provinces are following lower prices in communities further up Island.

But there are more and more Americans coming. Frank Chan, who helped DFH Real Estate team leader Peter Gabey sell out the Shutters development, said sales were made to residents of New York, Las Vegas, Portland, Seattle and parts of New Mexico and Idaho. And we can expect many more.

"They like it here," said Chan, who said the 180 Shutters units sold for between $300,000 and $1.8 million. "They see Victoria as a safe place, clean and green. They view this as not year-round, either.

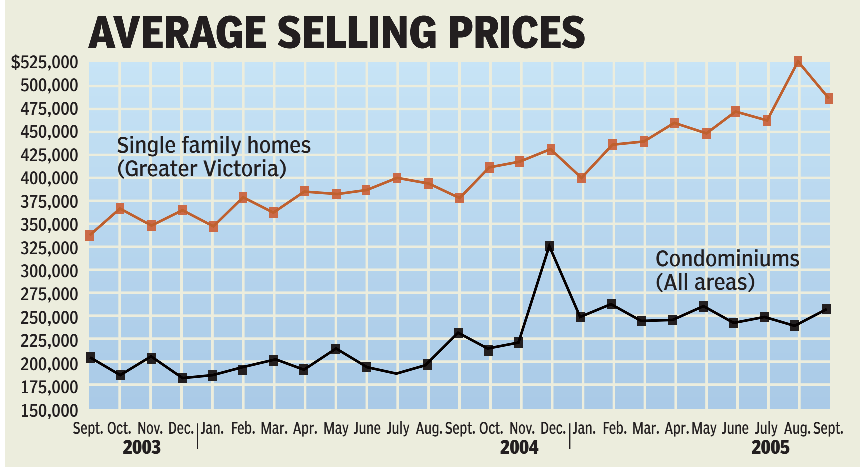
"A lot of people just bought over the phone — sight unseen. That tells you prices are reasonable or better than on the global market."

Sproule said the shift to more U.S. and international buyers will quicken at Bear Mountain as it gears to open its hotel under the Westin banner, which is known all over the world. Bear Mountain has a 10-year plan for more than 3,500 residences. "I think we're going to see a change in who buys out here," said Sproule.

Podmore said the power of word-of-mouth advertising among Americans became very apparent recently with the Belvedere project just underway on Humboldt Street. She said 16 sales over two months were traced directly back to one couple from California.

Gary McInnis, president of the Victoria Real Estate Board, said 714 homes and other properties sold during September. That was down from 753 sales in August, but 10 per cent higher than during September a year ago. The breakdown included 406 homes, 176 condos, 66 townhouses and 13 manufactured homes.

There are 2,436 properties available for sale during September, up slightly from 2,416 in the same month a year ago.



SOURCE: VICTORIA REAL ESTATE BOARD

Telus ads return to Times Colonist

Telus advertisements will again appear in the *Times Colonist* following an order by the B.C. Labour Relations Board released on Monday.

The management of the *Times Colonist* had asked the LRB to rule on its unions' decision not to handle Telus ads following a "hot edict" issued by the B.C. Federation of Labour on Sept. 5.

On Sept. 9, members of the Newspaper Guild and other unions at the paper purported to exercise a collective agreement right to refuse to execute any work coming from or destined to Telus.

The *Times Colonist* went to the LRB and argued that the unions' refusal to handle Telus ads amounted to illegal strike action.

The unions argued that they were exercising their collective agreement rights to refuse to handle material from an employer involved in a lawful strike or lockout.

While the board disagreed with the company's illegal-strike assertion, it did order an expedited arbitration on the matter. Until the matter is settled, the *Times Colonist's* unions are ordered to once again handle Telus advertisements.

In a written decision, Gregory Mullaly, vice-chair of the LRB, concluded "the employer will suffer harm if the unions' members continue to refuse to handle Telus advertisements pending the arbitration of the employer's grievances."

He said the collective agreement language does not clearly and unambiguously give the unions the right to refuse to handle Telus advertisements.

But he suggested that the language could be cleared up through arbitration: "When the board decides to issue an interim cease-and-desist order against a union on the basis that it has not established that its collective agreement clearly and unambiguously gives its members the right to refuse to do certain work, the union should ordinarily be given the option of having the disputed language arbitrated on an expedited basis."

The arbitration should begin by Oct. 11 unless otherwise agreed to by the parties, said Mullaly. The grievances will be heard by an arbitrator agreed to by the *Times Colonist* and its unions or, if that is not possible, one will be appointed on their behalf. The arbitrator will be ordered to issue a decision within 10 calendar days of the hearing, unless the parties agree otherwise.

Automakers report slumping sales

TORONTO (CP) — Sales stalled last month for the Big Three North American automakers as they throttled down employee-discounts-for-all promotions which had turbocharged showroom traffic.

The slump was particularly heavy for the automakers' light-truck segment, as the fading of the highly publicized discounts coincided with even more highly publicized spikes in gasoline prices.

General Motors of Canada said its September sales were down 10.5 per cent from a year earlier at 32,998 vehicles. GM said its car sales slipped 0.9 per cent to 17,737 units while truck sales tanked by 19.6 per cent to 15,261.

DaimlerChrysler Canada reported 16,115 sales. Car sales skidded 17.2 per cent from September 2004 to 3,419, while truck sales — carried by a 34 per cent rise in deliveries of the Dodge Caravan minivan — were down only 1.1 per cent to 12,696 trucks.

At Ford, sales were 15,127 units for September, down 3.8 per cent from a year ago. Car sales were up 37.3 per cent to 4,152, but sales of trucks, including minivans, pickups and sport utility vehicles, sagged 13.6 per cent to 10,975.

The weak results for the domestic giants were in stark contrast with their big Asian competitors.

Toyota Canada reported record September sales of 15,341 units — 214 more than Ford, and up 3.1 per cent from September of last year. In the Toyota brand, car sales rose 12.1 per cent to 11,642 while truck sales plunged 21.7 per cent to 2,897. Toyota's luxury Lexus nameplate showed car sales up 4.4 per cent to 333 and truck sales off 2.5 per cent at 469.