

# Flaherty rejects calls to stall plan to tax income trusts

OTTAWA | Finance minister expects a vote in the House this week

BY DOUG ALEXANDER and THEOPHILOS ARGITIS

TORONTO — Canadian Finance Minister Jim Flaherty said his plan to tax income trusts will probably come to a vote in Parliament this week, after he rejected calls from industry to delay the measures.

The vote will be on a motion filed Oct. 31 that would allow the government to start collecting the tax next year from new trusts, should any be formed. Existing trusts won't have to pay the taxes until 2011.

Flaherty said he has no plans to delay the measures, after a

new coalition of trusts Monday urged the government to consult industry before implementing the tax. The Standard & Poor's/TSX Capped Income Trust Index has declined 11 per cent since the announcement, erasing about \$22 billion in market value. The index rebounded in the last two trading sessions.

"I expected that there would be quite strong opposition in some areas," Flaherty told reporters in Toronto. He said it was "necessary for fairness and for the safety of the Canadian economy."

An industry group is working to mount pressure on the government. The Canadian Association of Income Funds has set up a website calling on investors who own the securities to e-mail lawmakers demanding that trusts not be taxed. And a group of Canadian energy trusts Mon-

day asked Flaherty to hold more consultations before pushing ahead with the tax.

The government's action threatens billions of dollars of investment in the oil industry, and income for thousands of investors, said Gordon Kerr, chief executive officer of Enerplus Resources Fund and an executive member of the Coalition of Canadian Energy Trusts.

"In the past five years, more than \$10 billion of capital has been invested into the development of oil and gas in Canada by these trusts," Kerr said in Calgary.

The plan imposes taxes on income trusts for the first time, and effectively raises dividend tax rates for pension funds and foreign investors that own trusts.

The lobby efforts to change Flaherty's mind are unlikely to succeed, said Bill Holland, chief

executive officer of CI Financial Income Fund, a mutual fund firm that converted to a trust this year. CI will revert to a corporation in 2010, he said.

"It's over. It's dead," Holland said of the income trust sector. "There is no hope. They are perfectly resolute."

BCE Inc. and Telus Corp., Canada's largest telephone companies, also have indicated they will re-examine their plans to convert to income trusts. Flaherty cited the two companies' income trust plans as triggers for the Oct. 31 announcement.

Prime Minister Stephen Harper's minority government has enough support from opposition parties to push the tax changes through if the Bloc Quebecois and New Democratic Party follow through on assurances they'll support the measure.

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## EnCana drops plan to convert into \$20-billion trust

BY IAN MCKINNON

CALGARY ASSETS | EnCana Corp., Canada's largest natural-gas producer, considered converting some assets into an income trust worth \$20 billion to increase shareholder value.

The plan was scrapped after the Canadian government last week announced plans to tax trusts for the first time, Chief Executive Officer Randy Eresman, 48, said Monday in Calgary during a company-organized conference for analysts and investors.

"Within Canada, we have a number of legacy assets that could easily get to that size" of \$20 billion, he said during a briefing for reporters at the conference. He declined to identify which assets were considered for the trust.

Work on the plan began about 18 months ago under

former company head Gwyn Morgan, and EnCana applied more than a year ago for an advance ruling from Canada's tax agency to allow the conversion, Eresman said. The company pulled the request after the Oct. 31 announcement about the tax.

Oil and gas wells owned by trusts were valued by investors as much as 45 per cent higher than when the same assets were held by producers, EnCana Chief Financial Officer Brian Ferguson said at the briefing.

The higher value for trusts meant a reorganization of some assets "was one of the things we absolutely needed to look at," Eresman said.

Shares of Calgary-based EnCana rose \$1.17, or 2.2 per cent, to \$55.42 in Toronto Stock Exchange trading.

The stock has risen 5.4 per cent this year.

Bloomberg

## Fitness trainer launches website for fitness fanatics

WORKOUTS | Michelle Ng says 'you can track the kind of workout you've created'

BY PETER WILSON VANCOUVER SUN

Vancouver fitness trainer Michelle Ng — who also just happens to have a marketing diploma from BCIT — wants her new exercise website to become the hardbody equivalent of MySpace or YouTube.

As part of this she's letting users take the newly launched Web 2.0-style site, Gimme20.com, to the gym, where they can use Internet browsers on their cellphones to enter their exercise stats while they workout.

"You've got the ability to track the kind of workout you've created," Ng said in an interview. "This is for the kind of people who follow a plan from exercise to exercise when they're doing a workout."

Gimme20.com also has sample workouts on the site to inspire users, said Ng.

"And you can talk to other people on the site and say I'm looking for a good back exercise and I want to work this muscle," said Ng, who, in less than a month, has seen 500 people sign up for the site.

"We want to get the numbers higher, so it won't look boring and that there's no one communicating."

Ng — who also has her own training business, Fitness Body Evolution — said new features will be added soon, including one that allows users to put Gimme20 on their MySpace home.

As well, she wants to add an e-mail element that would have the site send users a reminder about what exercises they are supposed to do that day.

"And we want to put it on iPods and have a bit of a music thing on the site, so people can download it on to their MP3 players or iPods."

Ng hopes that other fitness trainers will have their clients use the site and she would also like to see communities forming.

"So if you're from Vancouver and you can say, okay, I'm starting a hike at the Grouse Grind, who wants to join me." There's a social element as well.

"You could date there if you wanted to," said Ng, with a laugh. "I've been getting some e-mails myself."

So why did Ng get in to this field? "I wanted a business where I could just go and check my computer every once in a while and then go and sit on the beach. So we came up with this concept."

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Michelle Ng has established a website that allows fitness enthusiasts to use Internet browsers on their cellphones to enter exercise stats while they work out.

## Prince George aims to benefit from Prince Rupert port

Study finds biggest advantage would be creation of an intermodal shipping hub

BY FIONA ANDERSON VANCOUVER SUN

The city of Prince George is aiming to become an intermodal hub for goods being shipped to Asia through Prince Rupert, which would create jobs not only in Prince George, but also throughout northern B.C.

A study commissioned in part by Initiatives Prince George, the city's economic development branch, found that the biggest opportunity for northern British Columbia from the new container terminal in Prince Rupert would be through the back haul or export industry.

Transpacific container traffic is predicted to reach 23.3 million TEUs eastbound and 10.2 million TEUs westbound by 2015, the report by InterVISTAS Consulting Inc. said. That imbalance means more than half of the containers have to be shipped back empty, which translates into lower outbound rates for containers.

An intermodal facility that could transfer goods from trucks into containers to be sent by rail to Prince Rupert and overseas could capitalize on those cheap rates, the study said.

And Prince George's proximity to roads and railways, as well as to forest companies that now export their goods to Asia through Vancouver, makes it a perfect location, said Katherine Scouten, manager of corporate affairs with Initiatives Prince George.

"Over 40 per cent of the province's pulp and lumber going to Asian markets originates [within] a three- to five-hour drive [from Prince George]," Scouten said.

The study predicted that the creation of a rail and road intermodal facility in Prince George could support about 75 to 100 jobs in the immediate area and another 340 jobs around the region, generating \$44.2 million in direct and indirect wages, \$35 million in gross domestic product and \$84 million in output.

The facility would also give local manufacturers better access to international markets, Scouten said.

Scouten and her organization will now be marketing the idea to investors and developers.

"We need to engage business on this right from the forest industry to transportation logistic companies who don't even know where Prince George is," Scouten said.

Earlier this year, Kamloops announced it was launching a study into its potential to become the province's first inland port for handling container traffic through the development of an intermodal facility. And the town of Ashcroft said it too was looking into the possibility. But Scouten says Prince George would not be competing with those towns, which would be looking for traffic from Vancouver, not Prince Rupert.

The Port of Prince Rupert is set to open phase one of its new container facility in late 2007 so there is a bit of a push on, Scouten said.

But any plan will have to involve CN which operates the rail line between Prince George and Prince Rupert.

And so far the rail company, which commissioned the study along with Initiatives Prince George, the Port of Prince Rupert and the province, among others, has not made a final decision.

"But it is under active study," CN's senior manager of public affairs Jim Feeny said.

This month CN is opening an intermodal facility in Edmonton that will be geared toward the export of higher value crops that could end up being shipped through Prince Rupert, Feeny said.

"There is quite a lot of potential in northern B.C. and northern Alberta being driven by the development at Prince Rupert, which we're a big part of," Feeny said.

When it opens, the Port of Prince Rupert will have the capacity to handle the equivalent of 500,000 twenty-foot containers (or TEUs). When phase two is completed in 2010, the port will be able to process as many as 1.5 million TEUs annually.

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## How a slowdown in the U.S. could affect Canada

Economists mull the bursting of the U.S. housing 'bubble'

BY ERIC BEAUCHESNE

OTTAWA — Don't underestimate the impact of the bursting U.S. housing bubble and the ensuing slowdown of that giant economy, a senior Canadian government economist warned exporters Monday.

"Economic bubbles burst so quickly that the effect is hard to predict," Export Development Canada chief economist Stephen Poloz said in releasing the federal trade promotion agency's latest economic forecast. "The world economy is more resilient today than in the past, and is bet-

ter able to weather weaker conditions but it would be a mistake to underestimate the potential impact of the recent slowing."

The warning was issued as Bank of Canada governor David Dodge, in a separate address in Sydney, Australia, reiterated the impact of the U.S. slowdown on Canada's economy would be shallow and short-lived.

"Slower U.S. growth has clearly caused Canadian GDP growth to fall short of expectations ...," Dodge said. "But it's important to think of this as a mild, and likely very short-lived, cyclical slowdown for Canada."

However, Dodge also cautioned the major risk to the Canadian economy is that the U.S. economic slump and its impact here is greater than the bank is now anticipating.

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DAVID DODGE, Governor of the Bank of Canada

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And Poloz warned the slowdown in the U.S. will also hit Canadian exporters indirectly.

"Slowing global economic growth will increase the pressure on Canadian exporters in the coming months," the export promotion agency said in its semi-annual Global Export Forecast, adding those pressures should ease in the second half of next year. "The U.S.

economy is at the centre of weaker global performance.

"The fallout from the burst U.S. housing market bubble is spreading rapidly to other economies."

The acceleration of globalization in the past decade has increased the speed at which the slowdown in the U.S. is spreading to other economies, it noted.

Here, the impact is already

being felt, it said.

"Lumber shipments are sinking, and sawmill closures are manifold," it noted. "Merchandise exports are waning, and many prices are in retreat."

EDC forecast U.S. growth will slow to 2.2 per cent in 2007, its weakest performance since 2001, and down by over one percentage point from this year. And there is a 25 per cent chance the U.S. economy will slip into recession, which it noted would add to weakness north of the border.

Even if the U.S. avoids recession, the world economy will also slow considerably, as will Canada's, it said, forecasting global growth will slow to 4.0 per cent next year, down from 4.8 this year, and Canadian growth to 2.4 from 2.8.

Meanwhile, it forecast global growth will be four per cent next

year, the weakest in four years.

While that's a reasonable pace, growth will be unbalanced, led by emerging economies while the manufacturing sectors in large developed economies like Canada's bear the brunt of the slowdown, Poloz said.

Globally, exports of goods and services will fall a modest one per cent.

There will be a mild decline in energy and metals exports, reflecting weaker prices, while there will be steeper declines in manufacturing, where auto-sector exports will drop six per cent, and in consumer goods and in forestry, each of which will suffer seven per cent drops.

The Canadian dollar is expected to ease to the 82 to 84 cents US range by the end of 2007.

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