

Tax changes urged to ignite biodiesel plan

ENERGY | Head of Canadian Bioenergy says 'we have to be competitive with the States'

BY MARKE ANDREWS
VANCOUVER SUN

The chief executive of a North Vancouver company that plans to build a biodiesel refinery welcomed Wednesday's federal government announcement to support the industry, but feels it won't be effective within the current tax structure.

"This is good news, but there isn't enough information on the fiscal side to confirm that we'll be competitive with the United States in particular, and the international markets in general," said Doug Hooper, CEO of Canadian Bioenergy Corp., which plans to

build a plant in Edmonton that will make biodiesel fuel, a blend of diesel and renewable, natural resources such as canola oil.

"We have to be competitive with the States, which has a federal tax credit, state tax credits, property tax relief and procurement mandates in some states," said Hooper, adding that Canada lacks these measures. As a result, the oil can be produced in the U.S. for 30 to 40 cents a litre less.

Environment Minister Rona Ambrose announced Wednesday that the government will require that five per cent of gasoline be made up of renewable

content (mostly ethanol from grain alcohol) by 2010, and two per cent of diesel fuel and heating oil be of renewable resources by 2012.

To spur these moves, the government also announced it will provide \$200 million in incentives for renewable fuels production, and another \$145 million for research and development.

Fiscal details, which may include tax incentives, would be part of the federal budget, to be announced in February.

Canola makes up about 70 per cent of the biodiesel supply, animal fat about 20 per cent, and the rest comes mostly from soy crops. Most canola is grown in Western Canada, including the Peace River area of B.C.

Hooper said the two per cent minimum target, which could be

in place as early as 2010, gives the biodiesel industry a "market definition" of 600 million litres, which he termed "a healthy start."

Hooper believes the industry will build output to 1.5 billion litres by 2015.

The measures announced Wednesday hinge on the passing of the government's Clean Air Act, which has been attacked by critics for not doing enough to reduce the country's greenhouse gas emissions. All three opposition parties have stated they will vote against the minority government's Clean Air Act, which was introduced when the government stated that the emission targets of the Kyoto Protocol were unrealistic.

The Kyoto Protocol emission reduction targets have been fol-

lowed closely by European nations, but not by Canada, which is currently about 30 per cent above the Kyoto emission standards.

But there is continuing debate about whether biofuels produced from food crops provide real environmental benefit, after the energy and chemicals used in their production are considered.

"The environmental benefits of this program are going to be negligible," Dave Martin of Greenpeace said in an interview.

"We're looking at no more than a half of one per cent reduction in total [greenhouse] emissions. If we were honest, this is more of an agricultural subsidy than a meaningful climate-change program."

J.P. Jepp, environmental policy analyst with the Pembina Insti-

tute in Alberta, said the climate benefits of the biofuels program are modest. "To wrap this into climate change might be a stretch."

Jepp said the real benefits lie in cellulosic biofuel, made from waste products like wood chips and straw rather than food crops. He said Ottawa's \$145-million allocation for research and development could help bring cellulosic ethanol to market.

Barb Isman, president of the Canola Council of Canada, said the announcement is good news, but that the budget will tell the real tale. A competitive tax structure, and a system that allows farmers to have access to capital are still required to make the industry viable.

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With a file from Canadian Press

House buyers take their time

BY DERRICK PENNER
VANCOUVER SUN

More buyers are balking at Vancouver's high real estate prices in a market where housing is at its least affordable level since the early 1990s, RBC Economics reports.

RBC Economics released its third-quarter housing affordability index Wednesday which showed Vancouver's affordability rating decline for the fourth straight quarter.

The index shows that it would take 75 per cent of Vancouver's pre-tax median household income of \$54,320 to pay for the mortgage, taxes and utilities on a standard two-storey single-family home, compared with 73 per cent in the second quarter.

For a single-family bungalow, the index rating is 70 per cent, compared with 68 per cent in the second quarter, on townhouses the index rating is 51 per cent of median income compared with 50 per cent and on standard condominiums, it is 35 per cent compared with 34 per cent in the second quarter.

"It's really splitting hairs to see the difference between [the early 1990s] and now," Derek Holt, RBC's assistant chief economist said in an interview. "We're roughly in line with the affordability calculations of back then."

Holt added that in the third quarter, a slight decline in average monthly income and higher utility costs drove the erosion in affordability. In previous quarters, he said, rising prices and interest rates took the biggest bite out of people's ability to buy.

And more buyers are starting to sit on the sidelines waiting to see what will happen to prices in the coming months.

"They're waiting for prices to come down," Sherman Quon, a realtor with Sutton Group West Coast Realty in Vancouver said. "That's the consensus among buyers, and ... some sellers realize that the good times were earlier in the year and are not getting the prices [that



... were realized earlier in the year.]"

Derek Love of Coldwell Banker Love Realty in Burnaby said well-priced listings in good neighbourhoods are selling with multiple offers, "which tells us demand is still there," but panic has definitely left the market.

Buyers can take more time to review listings, and deals tend to take a day or two to negotiate with four or five counter-offers before settling rather than selling instantly.

"Before it was sellers' terms, sellers' price, seller, seller, seller," Love said.

Now, he added, buyers have more time to consider their offers, and sometimes they're walking away from offers that are not accepted.

Love said some buyers have read media reports suggesting that the real estate market may have peaked, and "are sitting back and saying 'I'm going to wait and see what happens.'"

That coincides with Holt's observation that the pace of deteriorating affordability has started to slow "signalling a turning point in the market."

Sales in Vancouver have slowed, Holt said, which points toward the accumulation of housing inventory, which makes it reasonable to expect price gains to cool in 2007.

"A sign of a need for that [cooling] is

qualifying incomes," Holt said.

He added that the income bar that buyers must clear to buy a standard two-storey home was 20-per-cent higher at \$127,265 in the third quarter compared with the same quarter of 2005. In the meantime, real incomes have only gone up four per cent.

However, buyers shouldn't expect the deflation of prices that followed the Vancouver market's peak of the early 1990s, because the economy is much stronger than it was then.

Carol Frketic, regional economist for Canada Mortgage and Housing Corp., said Vancouver's economic growth will support continued expansion of the housing market next year, although prices will rise closer to six per cent and not the 16 to 20 per cent seen in 2006.

Holt added that there is a higher risk for price declines in B.C., though declines would be modest.

"If you are in it for the right reasons, buying for the long-term for shelter, [real estate] is still an attractive option," Holt said.

"If you're looking to make a short-term speculative quick buck in this sort of market, you might want to rethink that strategy. It's a whole set of risky conditions now."

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Where have all the American tourists gone?

The number of U.S. visitors to Canada in October was the lowest since 1972

BY BRUCE CONSTANTINEAU
VANCOUVER SUN

U.S. travel to Canada fell to an all-time low in October due to an ongoing decline in same-day car trips, Statistics Canada reported Wednesday.

The federal agency said the total of fewer than 2.3 million overnight and same-day trips was the lowest level recorded since record-keeping started in 1972.

The number of overnight trips — about half the total — was up marginally from the same month last year, but the number of same-day car trips to Canada dropped by more than nine per cent.

Tourism officials cite border hassles, fuel prices, a higher Canadian dollar and confusion over passport requirements as major factors in the continuing decline in U.S. tourism traffic to Canada in recent years.

"We're very concerned because it's the largest international market for us and we'll continue to focus our marketing efforts there," Tourism BC president Rod Harris said in an interview. "U.S. visitors are critical for building the business."

He said the decline in same-day car trips hurts the B.C. retail industry more than it hurts tourism, although Central Canadian attractions such as Niagara Falls do attract a lot of U.S. daytrippers.

Tourism BC figures show B.C. has fared better than the rest of Canada in attracting U.S. overnight visitors this year. The number of American visitors to the province during the first nine months dropped by 3.4 per cent to 2.8 million while the Canadian

total fell 5.4 per cent to 11.3 million.

"But that still doesn't take away from the fact that our single largest international market is not showing the kinds of growth rates we experienced in the past," Harris said. "Obviously our focus has to be on reclaiming ground in the U.S. market."

Vancouver Coast & Mountains tourism region president Kevan Ridgway said the number of Americans visiting B.C. for short stays appears to be falling, particularly in urban centres, but the number coming for longer visits of five days or more seems to be holding up well. Leisure travel from the U.S. appears to be falling but business travel has gone up, he said.

Ridgway said his organization will visit tour operators and travel agents in Oregon and California early next year to try to attract more long-haul U.S. visitors who tend to stay longer and spend more than shorter-haul tourists.

"We're not going to lose our focus on Washington state, which is primarily a drive market, but we do want to increase our focus on places like Northern California, which is a fly market," he said.

StatsCan said travel from eight of Canada's top 12 overseas markets rose in October, when compared with September levels. Mexico led the increase, with 7.2 per cent more travellers (18,000) while China had the biggest decline — down 12.3 per cent to 12,000.

The U.K. (76,000), France (31,000), Japan (30,000) and Germany (25,000) were the top four overseas markets for the Canadian tourism industry in October.

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Christmas shoppers carry loads of anger, stress

Stores devise various strategies to cope with mad multitudes

BY LAUREN VILLAGRAN

NEW YORK — 'Tis the season to be ... angry?

The countdown to Christmas has dwindled to the single digits: As the mall crowds have worsened, so has the stress on shoppers faced with a creeping deadline to buy gifts — and they're increasingly taking that stress out on salespeople.

Now merchants from toy sellers to electronics chains have buckled down to deal with irate shoppers. Their strategies vary but the goal is generally the same: to keep customers happy (and from wrestling each other in the aisles) and employees safe.

"We've all done it: I know I've lost my temper, and everyone else has probably done it," said Ernest Speranza, chief marketing officer of KB Toys.

"At this time of year, people start out with all the best intentions. They're busy buying toys for a young child. They're happy about doing that. Then they get caught up in the frenzy ... and

a nice experience now starts to spiral out of control."

With shoppers procrastinating even more this year than last year, according to reports, retailers are bracing for an even bigger rush this weekend — and doing what they can to manage the mad multitudes. Stores have beefed up security and coached their employees in anger management.

They're taking the hottest items off the shelves to avoid fights in the aisles. While retailers are reluctant to say how much they're spending to manage the mayhem, they do say the measures are worth it to keep their customers happy, employees sane and stores safe during the busiest time of the year.

Shoppers have become angrier, suggests a recent study by ComPsych Corp., a provider of employee assistance programs. This year, ComPsych has seen a marked increase in the number of acute-stress counselling sessions it provides to retailers related to customer abuse. The number rose 13 per cent in 2006 following a 65 per cent jump last year.

"During the holiday season, [retailers] bring on people who are less familiar with where products are, how stores operate," said Richard Chaifetz, chair-

man and chief executive of ComPsych. "Shoppers are agitated. Put those together and you create a combustible environment."

On the corner of 34th Street and Seventh Avenue in New York, Melanie Marquez took a deep breath as she set down two handfuls of red and white Macy's shopping bags. She had just been shopping at the flagship store of Federated Department Stores Inc.

Marquez, 47, said she made her way to the front of the Macy's checkout line only to find that the register didn't recognize the discounts she expected on a set of towels. After leaving the line to search for the proper sales ticket, Marquez waited another hour to save about \$14 on a receipt that totalled \$450 — that, after putting up a fight.

"Poor Macy's," she said. "You have to be mean to them." People are "pushy and rude," said 18-year-old Cheryl Warshauer, while shopping in New York. "I try not to be. But they're all so pushy, you have to be pushy back."

This season, fewer retail workers will bear the increased aggression. According to the Bureau of Labor Statistics, the number of people employed in

the retail sector slipped in November, compared to the same month last year. Meanwhile, workers employed by general merchandise stores has dropped to the lowest number since 2002.

To diffuse an incendiary situation before it sparks, KB Toys' Speranza said the chain has stopped putting the hottest toys on the shelves altogether. Fisher-Price's T.M.X. Elmo — one of this season's most fought-over items — didn't make it on to shelves until just this week, he said.

Instead, KB Toys created a waiting list and called customers one by one as shipments arrived.

Meanwhile, Toys "R" Us Inc. said it puts hot products on display but tries to be sure supply meets demand, said Ron Boire, president of Toys "R" Us in the U.S. Still, there have been periodic shortages of T.M.X. Elmo, Nintendo's new Wii gaming console and Sony's Playstation3, he said.

To keep customers under control — lest a stressed-out shopper become a violent shopper — Boire said the chain beefs up security during the holidays, including hiring plainclothes officers to police its aisles and checkout lines.

Associated Press



FRANK FRANKLIN/ASSOCIATED PRESS

Stressed-out shoppers pass Macy's in New York as they enter the home stretch of the Christmas holiday shopping season.