

# Volatile swings in building trends expected

**CONSTRUCTION** | Permit approvals dropped in February, but backlog not affected much

BY DERRICK PENNER  
VANCOUVER SUN

A February plunge in building-permit approvals does nothing to ease the "constant, unrelenting pressure" on B.C.'s construction sector, one industry official said. B.C. municipalities reported approving \$833.5 million in new construction in February, Statistics Canada reported Wednesday, a 22.4-per-cent drop from January. However, January's permits, which hit just over \$1 billion, puts the pace of construction in B.C. 31 per cent ahead of the booming pace for the first two months of 2006.

"I can't tell you what happened in February," Manley McLachlan, president of the B.C. Construction Association, said in an interview. But he expects the overall trend to reflect increasing levels of construction, particularly in the non-residential sector. "We're going to see [volatile swings] more as building owners and developers look at what projects are underway, and when do we undertake these projects in order to make sure they're not jamming up the system." Timing the start of projects will become critical, McLachlan added, so as not to over-tax B.C.'s already stretched construction workforce.

The February dip hit most centres in B.C. Vancouver saw \$428.4 million in permits issued, a 34-per-cent decline from January. Victoria's drop from the previous month was almost 45 per cent to \$66.8 million. Abbotsford saw the biggest month-to-month decline, 41 per cent to \$28.8 million. Those results fit in with the national experience reported by Statistics Canada, which reported that municipalities issued \$4.9 billion in building permits, a 22.4-per-cent drop from January with the decline touching almost all provinces and in both residential and non-residential construction. Some of the decline may be attributable to weather, with the country sliding into a February deep freeze. Douglas Porter, an economist with BMO Capital Markets, said

the underlying conditions for construction are stronger than the 22.4-per-cent February drop in permits suggests, but "the hefty retreat does support the view that housing activity will moderate in the year ahead." Statistics Canada noted the number of housing unit permits issued has been edging down since last summer, following almost uninterrupted growth since the beginning of 2005. However, while Helmut Pastrick, chief economist for Credit Union Central B.C. does expect B.C. to post fewer housing starts in 2007, he is also forecasting that any drop in residential construction will be more than offset by a rise in non-residential building. "Ignoring the month-to-month volatility, the trend is pointing nicely upwards," Pastrick said. And after taking construction

## Building bounce

B.C. saw a January high for building-permit approvals followed by a February low, with forecasters anticipating more of the former than the latter through the rest of the year.

	Feb. 2007*	Jan. & Feb. 2007**
<b>B.C.</b>	\$833 million -22.4%	\$1.9 billion +31.0%
<b>Vancouver</b>	\$428 million -34.4%	\$1.1 billion +40.7%
<b>Abbotsford</b>	\$28.8 million -41.1%	\$77.7 million +82.7%
<b>Victoria</b>	\$66.8 million -19.3%	\$149.6 million +44.9%
<b>Kelowna</b>	\$46.4 million +35.5%	\$80.6 million +26.3%

\* percentage compared to January 2007 \*\* percentage compared to Jan-Feb 2006  
Source: Statistics Canada

inflation into account, he added that "real, non-residential investment is on an upswing [that] I expect to increase this year and very likely next." Pastrick added that a slowing in construction in the rest of Canada might drag on B.C., but

for the most part, his forecast for higher levels of building here "reflects the stronger domestic economy, and my expectation is we will see more of that going forward."

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with file from CanWest News Service

# Gateway urges bid acceptance

\$1.37 billion called 'very, very fair' by income fund CEO

BY MARKE ANDREWS  
VANCOUVER SUN

The CEO of Burnaby-based Gateway Casinos Income Fund is urging unit-holders to accept a \$1.37-billion takeover move by Australia's New World Gaming. Dave Gadhia told unit-holders in a Wednesday conference call that the bid makes good economic sense. "The offer is very, very fair," said Gadhia in a telephone interview. "It is a substantial premium to the market, and it is immediate cash, which is very important. I would say it is exceptional value. Unit-holders are being treated very well here."

New World Gaming, a joint venture consisting of Publishing & Broadcasting Ltd. and Macquarie Bank Ltd., offered \$25.26 per unit in the Tuesday bid. That price was well above Tuesday's closing price of \$20.13. New World Gaming also agreed to buy the fund's convertible debentures. Gateway runs public casinos in Burnaby and Langley, Edmonton, and, through Lake City Casinos, four more in Kelowna, Kamloops, Vernon and Penticton. Gateway managers and certain shareholders also have two other casinos, one in New Westminster, which will be redeveloped, and one in Edmonton. All nine casinos are included in the proposed deal. For the deal to go through, Gateway needs approval from both the B.C. Lottery Commission and the Alberta Gaming and Liquor Commission, as well as from 66.6 per cent of its unit-holders. The company has already received approval from 31 per cent of unit-holders. Gadhia expects the deal to be finalized within three months. Publishing and Broadcasting Ltd., which owns Australia's biggest casino, The Crown, is run by James Packer, Australia's wealthiest person. This is



James Packer owns Australia's biggest casino.

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Packer's first business foray into North America, and his pairing with Macquarie, the largest securities firm in Australia, assures Macquarie Bank access to Gateway's substantial cash flow. Last year, Gateway's revenue increased 30.9 per cent to \$133.3 million from 2005's \$101.9 million. At its seven public casinos, Gateway has 3,004 slot and electronic machines, 124 table games and 17 poker tables. The Palace Casino in Edmonton is the largest facility, with 706 slot/electronic machines, 31 table games and seven

poker tables. Gateway employs 3,000 people. Gambling industry analyst Robert Winslow at Wellington West Capital Markets doesn't see any problems with the deal getting approval. He said Macquarie Bank has become heavily involved in global gambling infrastructure in recent years and obviously likes what it sees in B.C. "The Greater Vancouver area is not nearly as mature a gaming market as Ontario and other parts of Canada, so there's good growth potential," Winslow said in an interview. "When

## The man behind the deal

James Packer, Australia's richest man, heads up Publishing & Broadcasting Ltd., that country's biggest casino owner. Here's a look at the man behind the \$1.37-billion offer to buy Burnaby's Gateway Casinos Income Fund:

**Age:** 40  
Son of the late billionaire media mogul Kerry Packer  
**Title:** Executive chairman  
**Education:** High school certificate (His father reportedly scoffed at the idea of sending him to university — "Why would he want to go to university? To go learn to smoke marijuana?")  
**Marital status:** Married swimsuit model Jodhi Meares in 1999, separated at last report.  
**Net worth:** Reported at A\$7.1 billion (\$6.73 billion Cdn)  
**Point of interest:** Australia media has reported that Packer is pals with Tom Cruise through their mutual interest in Scientology.

Source: Wikipedia

you look at the economy and what's going on in preparation for the 2010 Olympics, people will have a lot of disposable income over the next few years."

Gateway currently has more than \$200 million committed to new casino projects in Burnaby and New Westminster, but Winslow noted that investment will be recovered by Gateway under a provincial capital reimbursement program. "That kind of program is very attractive because it doesn't exist in many other jurisdictions," said Winslow. He added that the Australian interest in the B.C. casino market reflects the recent globalization of the industry. Las Vegas-based Paragon Gaming paid \$42 million last year to buy the Edgewater Casino in downtown Vancouver. mandrews@png.canwest.com with file from Bruce Constantineau

# Beauty salon owners get clipped for tax evasion

BY MICHAEL KANE  
VANCOUVER SUN

**THE COURTS** | The operators of a Chinatown beauty salon are taking a \$740,000 haircut for cheating on their taxes. Johnnie Mar was also given an 18-month conditional jail term and his wife, Kitty Mar, was given six months probation and ordered to perform 20 hours of community service. The West Vancouver couple's bad hair day came on Tuesday when they, and the corporation they control, Kitty's Beauty Supply Ltd., all pleaded guilty to various charges of tax evasion and GST fraud in Robson Square Provincial Court.

The were assessed fines and back taxes totalling \$739,887, plus undisclosed interest and civil penalties. A Canada Revenue Agency investigation uncovered several schemes involving the Mars' business dealings that resulted in the evasion of taxes. Johnnie Mar was responsible for maintaining the books and records of Kitty's Beauty Supply, while Kitty Mar was involved in the day-to-day operation of the beauty salon. CRA investigators found that the corporation has under reported its income over a two-year period to Aug. 31, 2001, by \$573,394, and had not remitted the 70 per cent GST, or \$40,137, on this amount. Johnnie Mar pocketed the unreported corporate income for his personal benefit and only reported an income of \$40,000 to \$50,000 a year on his income tax returns. In total, he failed to report income of about \$612,000 and evaded income tax of \$183,000. Kitty Mar obtained a personal benefit of about \$50,000 from the corporation by having it claim her personal expenses as business expenses. The expenses included trips to a spa in Switzerland, as well as clothing from several upscale retailers. In addition, Kitty Mar used the corporation to claim non-existent business expenses and provided fictitious invoices to a CRA auditor. Johnnie Mar was fined \$137,250 and Kitty Mar was fined \$25,000. Both fines are approximately 75 per cent of the taxes they evaded. They also have to repay the full amount of federal and provincial taxes owing, plus interest and civil penalties which are not public information. "Tax evasion costs all of us," William Baker, commissioner of the CRA, said in a release. "The job of our inspectors and auditors is to ensure all Canadians pay what they owe."

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# Shares of Lundin rise \$1.83, close at \$15.24 on TSX

From CI

Lundin merged with Vancouver-based EuroZinc Mining Corp. last year in a stock swap valued at about \$1.83 billion, creating a mining company that produces copper, zinc and lead. Shares of Lundin (TSX:LUN) rose \$1.83 to close at \$15.24 in Toronto Stock Exchange trading, its biggest gain since June 15. Rio Narcea (TSX:RNG) rose 30 cents, or 6.2 per cent, to \$5.12 in Toronto. It has climbed 78 per cent this year. Each share of Rio Narcea will be exchanged for \$5 in cash, 3.7

per cent higher than Tuesday's closing price, and \$1.03 per warrant, Lundin vice-chairman Colin Benner said Wednesday in the conference call. Another beneficiary of rising interest in nickel was Vancouver junior GGL Diamond Corp., which reported on Wednesday a discovery of nickel mineralization in the course of its diamond exploration activities in the Northwest Territories. GGL shares closed 538.46 per cent higher on the TSX Venture exchange, at 83 cents, a gain of 70 cents. "Investors are getting more

and more concerned that the new supply [of nickel] coming on stream is still some years away," said Raymond Goldie, an analyst at Salman Partners in Toronto. "Even if nickel prices are going lower, that doesn't necessarily mean that the stock prices will go lower." Rio Narcea's Aguablanca mine in Spain, the largest of its kind in western Europe, processes 1.8 million tons of ore a year, yielding 8,000 metric tonnes of nickel and 7,000 tons of copper, Benner said on the call. Lundin, which operates mines in Portugal, Sweden and Ireland, aims to

increase output at Aguablanca to two million tonnes, he said. Lundin mines copper and zinc in southern Portugal. The company expects that increasing the size of its operations on the Iberian peninsula will give it leverage to lower costs charged by contractors, Benner said. Sharing equipment and technical resources will also help cut costs, he said. In a separate agreement, Lundin gave Vancouver-based Red Back Mining Inc. (TSX:RBI) the option to buy Rio Narcea's Tasiast gold mine, located in Mauritania, for \$225 million and

the assumption of \$42.5 million in related debts, Lundin said. Funding for Tasiast was provided by Macquarie Bank Ltd., according to Rio Narcea's website. Lundin got an \$800-million loan from Bank of Nova Scotia for the acquisition, paying "LIBOR plus a moderate percentage," Benner said. The company hired Haywood Securities Inc. as financial adviser, according to a Lundin statement. BMO Capital Markets acted as financial adviser for Rio Narcea. Bloomberg with Vancouver Sun

## Important News Flash!

Vancouver | It was announced today that AuctionMart, North America's biggest online newspaper auction, returns in April with all new merchandise, services, products, trips and more. From cars, boats, golf clubs, hot tubs to vacation packages, spa services, branded items and gift certificates, furniture and bedding everything you need will be available for bidding starting April 18. Bidding in the 6th annual AuctionMart program closes April 18. Full colour AuctionMart catalogues featuring all items available to bid on will be inserted into copies of The Vancouver Sun and The Province on the weekend of April 14 and 15.

Last year's program offered more than \$11 million in merchandise. Don't miss your chance to place a bid on the items you want. Gift certificates, furniture, hot tubs, boats, cars, boats, golf clubs, hot tubs, to vacation packages, spa services, branded items, gift certificates, furniture and bedding everything you need will be available for bidding starting April 18. Over \$11 million in merchandise and services will be available for as much as 50% off retail value!

From cars, boats, golf clubs, hot tubs, to vacation packages, spa services, branded items and gift certificates, furniture and bedding everything you need will be available for bidding starting April 18. Over \$11 million in merchandise and services will be available for as much as 50% off retail value!



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