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CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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THURSDAY, APRIL 12, 2007

Housing starts sagging

Drop blamed on major increase the year before

MARIO TONEGUZZI
CALGARY HERALD

Total housing starts in the Calgary Census Metropolitan Area have plunged by nearly 28 per cent so far this year compared with the first three months of 2006.

Data released Wednesday by Canada Mortgage and Housing Corp. show year-to-

date housing starts in the Calgary area at 2,774 compared to 3,844 the previous year — a drop of 27.8 per cent.

Single-detached starts decreased by 31 per cent in the same period — from 2,487 in 2006 to 1,717 this year — and multiple starts dropped by 22.1 per cent — from 1,357 in 2006 to 1,057 this year.

Lai Sing Louie, senior market analyst for the Prairies and Territories region for CMHC in Calgary, said the key reason behind the gap in production between last year and this year is 2006 was “truly an exceptional year for single-detached starts across the Calgary CMA.”

“Single starts through the first three months of 2007 are virtually even with the first

three months of 2005,” said Louie.

“The key message is that when you compare the numbers to a record high, they’re going to be softer.”

He said that compared with last year, housing starts numbers for the first two quarters of this year will continue to be lower, however they should start increasing, perhaps as early as the summer, because of record sales and increasing prices in the resale market.

In March alone, single-family detached starts were 561 this year compared with 790 in March 2006 — a decrease of 29 per cent. Multiple starts, which include semi-detached units and apartments, were 681 in March compared to 880 in March 2006 — a decline of

CALGARY METROPOLITAN AREA HOUSING STARTS

	SINGLE	MULTIPLE	TOTAL
MARCH 2007	561	681	1,242
MARCH 2006	790	880	1,670
% CHANGE	-29.0	-22.6	-25.6
Year-to-date 2007	1,717	1,057	2,774
Year-to-date 2006	2,487	1,357	3,844
% CHANGE	-31.0	-22.1	-27.8

Source: Canada Mortgage and Housing Corporation

22.6 per cent. Total March housing starts this year were off 25.6 per cent from March 2006.

The Calgary CMA encompasses the city, Airdrie, the Municipal District of Rocky View, Irricana, Chestermere, Cochrane, Crossfield and Beiseker.

Don Davies, president of the Calgary Region Home Builders Association, said

“sales are definitely down from 2006.”

He said some of the “pent-up demand” the industry was seeing last year has been met and affordability continues to be an issue.

“We’re into a more normal market — similar to 2005,” he said. “But we still have a strong and healthy market.”

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MARGIN CALLS

Telecom mogul gaining on Gates

WEALTH • That was fast. Mexican telecom mogul Carlos Slim Helu last month blew past U.S. investor Warren Buffett to become the world’s second-richest man with a net worth estimated at \$53.1 billion U.S., according to Forbes magazine.

The publication ranked Slim No. 3 on its 2007 list of world’s richest people released barely a month ago. But Slim is making money faster than the ink can dry, thanks to rising share prices for his telecom holdings America Movil and Carso Global Telecom.

In an article posted on its website Wednesday, Forbes estimates Slim has added \$4.1 billion to his fortune since it calculated his net worth in early February prior to the list’s March 8 release.

Forbes said that Slim surpassed Buffett’s \$52.4 billion fortune on March 29. Slim now appears destined to dethrone Microsoft co-founder Bill Gates, whose has sat atop the list for a record 13 years and whose wealth is estimated at \$56 billion.

MGM joins iTunes parade

MOVIE DOWNLOADS • MGM has become the latest major film studio to offer downloadable movies on Apple’s iTunes Store.

The Metro-Goldwyn-Mayer Studios Inc. deal, announced Wednesday, builds the iTunes catalogue to more than 500 movies. The studio is offering classic movies such as Dances With Wolves, Mad Max and Rocky, and will add other titles to iTunes in coming weeks, the two companies said.

Apple’s online store began offering movie downloads to U.S. customers in September. The Cupertino, Calif.-based company launched the feature initially with films from Walt Disney Co. studios, where Apple Inc.’s CEO Steve Jobs is the largest shareholder, but has since signed deals with other major studios, including Paramount Pictures and Lionsgate Entertainment Corp.

CANWEST NEWS SERVICES

HERALD ENERGY



Oilpatch analysts decry Quebec professor’s calls to nationalize oil industry

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‘WE HAVE COME TO CANADA... TO DIVERSIFY’



Brian Harschnitz, vice-president of operations for Japan Canada Oil Sands Ltd., says the move to Canada was meant to diversify away from Middle East oil.

“Athabasca will represent one of the successes in the overall strategy. Forty-two delineation wells have already been drilled since the winter of 2006 and we plan to drill a similar number next year.”

BRIAN HARSCHNITZ, JACOS VICE-PRESIDENT OF OPERATIONS

Dean Bicknell, Calgary Herald

Japan Canada Oil Sands presses ahead

Company aiming for 35,000 barrels a day of output

ASHOK DUTTA
CALGARY HERALD

Japan Canada Oil Sands Ltd. (Jacos) is pressing ahead with a three-year seismic and delineation program to drill more than 100 delineation wells and shoot over 65 square kilometres of new 3D seismic data at its lease in Athabasca’s oilsands.

The efforts will be the first step toward setting up a commercial venture with capacity of up to 35,000 barrels per day — and which ultimately could help the oil starved industrial

giant meet its demand for energy.

With a GDP growth of 2.8 per cent, Japan imported an average 5.84 million bpd of crude oil in 2006, a number that will only increase going forward.

“We came to Canada as part of Tokyo’s plans to diversify energy sources, which has been 90 per cent dependent on the Middle East for its oil imports,” Brian Harschnitz, Jacos’ vice-president of operations, said on Wednesday.

“Athabasca will represent one of the successes in the overall strategy.”

“Forty-two delineation wells have already been drilled since the winter of 2006 and we plan to drill a similar number next year,” Harschnitz indicated. “Nearly 32 square kilometres of 3D seismic data has also been acquired.”

Jacos plans a staggered total investment of \$50 million in the

initial program, along with its partner Nexen Inc.

At the same, it is pursuing plans to debottleneck its existing oilsands demonstration plant at Hangingstone to increase steam capacity by 10 per cent.

Debottlenecking is when a project is expanded without any major modifications.

For Jacos, the project will include the installation of a 50-million-BTU boiler and modifications to the water system entailing an investment of about \$10 million.

“We have just filed for regulatory approval to install the boiler. The target will be to install the facility by the third quarter,” he said.

Calgary-based Jacos — which in 1978 signed a farm-in agreement with Petro-Canada, Canadian Occidental (Nexen) and Esso (Imperial Oil) — was the first foreign oil

company to gain a foothold in the oilsands of Athabasca. Its current focus, OSL 70, is located 50 kilometres southwest of Fort McMurray and is currently home to a demonstration plant that was started in 1999.

Jacos’ leases, with estimated resources of two billion barrels, are spread over 44,600 hectares and include Hangingstone, Chard, Corner and Thornbury.

Jacos — which is 88 per cent owned by Japan Petroleum Exploration Co., five per cent by Inpex, four per cent by Mitsui & Co. and the remaining three per cent by Japanese institutions — is the operator of the Hangingstone plant.

“Its current output is about 8,000 bpd of bitumen,” he said, adding production from the facility peaked briefly at just over 9,000 bpd in 2005. “The debottlenecking process will increase the steam capacity, but we do not have any plans to cross the

current approved level of 11,000 bpd of bitumen,” Harschnitz said.

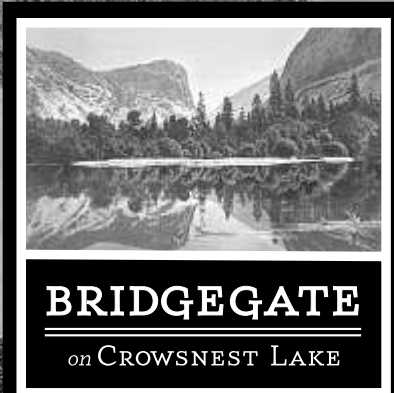
Initially, Jacos’ focus was on delineation of the leases using core drilling holes, acquiring 2D seismic data and piloting activities. During the late 1980s to 1994, Jacos set up a demonstration plant based on the cyclical steam simulated (CSS) process.

“That was suspended in 1994, as low recoveries and steam-oil-ratio (SOR) did not demonstrate economic viability,” he pointed out.

SOR is defined as the number of units of steam required to produce a single unit of oil.

Development and application of cutting-edge technology has been central to Jacos, which has in the past nearly three decades been fine-tuning various bitumen extraction methods.

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