

TODAY  
IN BUSINESS:

COAL GETS WHIPPED

Exec says environmentalists  
unfairly target coal industry  
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FLYING HIGH

WestJet sets load factor record  
for ninth straight month  
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## CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY

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THURSDAY, OCTOBER 4, 2007

MARGIN  
CALLSBiotech foods  
are hot potatoes

**AGRICULTURE** • Europe's environment chief faces a showdown this month with his colleagues in the EU's executive commission over biotech foods and crops, officials say.

The root cause is a potato. Since July, the biotech industry has been waiting for the Commission to authorize an application by German chemicals group **BASF** for a genetically modified potato for use in industry rather than as food.

The application for a potato, engineered to yield high

amounts of starch has triggered controversy

far exceeding the usual European consumer wariness over genetically modified foods. If passed, it will be the first genetically modified product to be passed since 1998 to be grown on European farms. The vegetable is not intended for human consumption but rather for use in industries such as papermaking.

— Reuters

Male use studied  
for vaccine

**PHARMACEUTICALS** • Merck & Co.'s Gardasil, the first inoculation against a cancer for women, may become the bestselling vaccine in history as the drugmaker prepares to expand its use to men.

The product may generate as much as \$1.4 billion in its first full year on the market as governments endorse it for preventing cervical cancer caused by the sexually transmitted human papillomavirus.

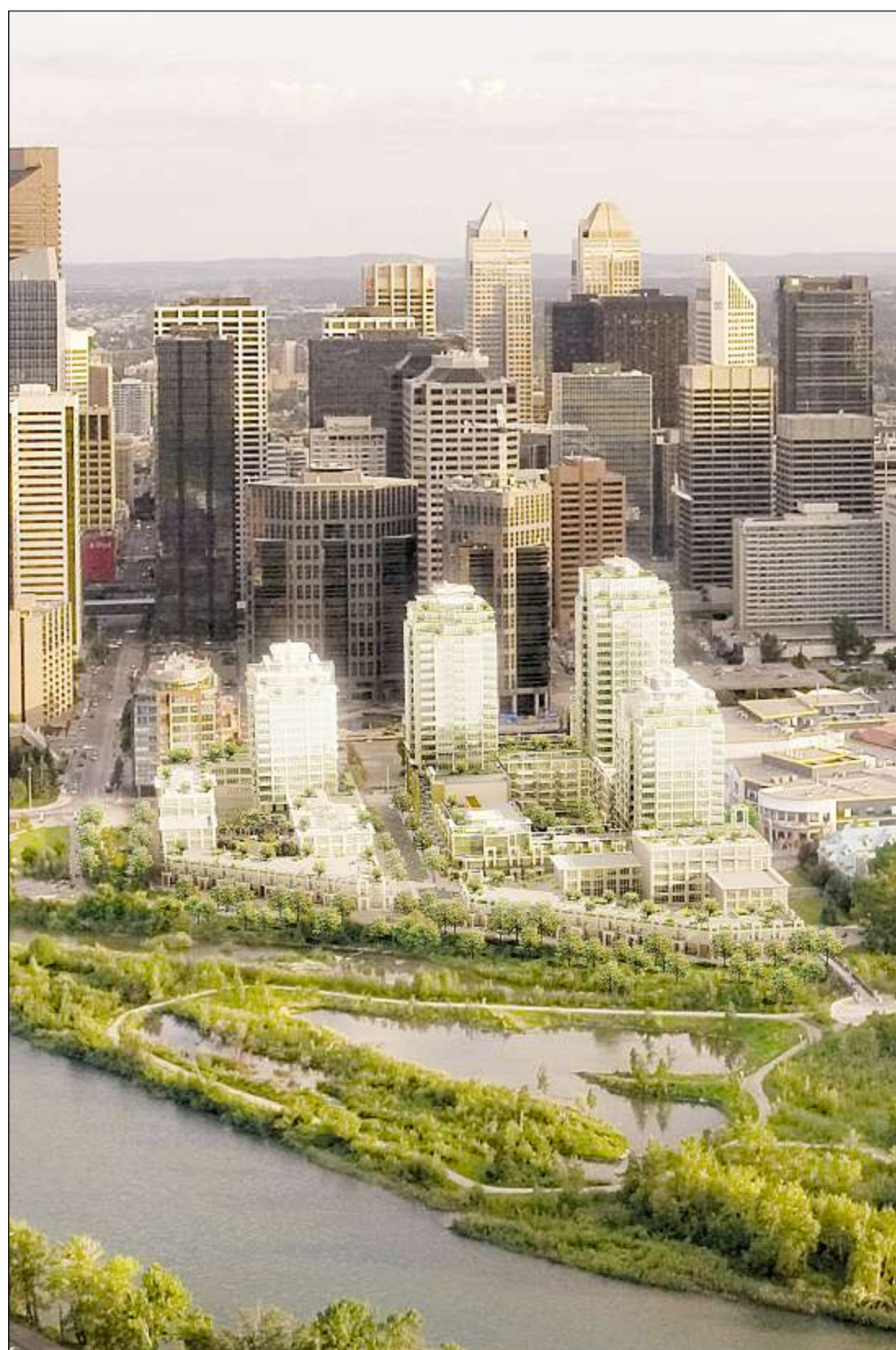
Whitehouse Station, N.J.-based Merck is now conducting studies in males to prove the vaccine can also prevent infections in men.

Merck shares have gained more than 50 per cent since the vaccine received U.S. approval in June 2006, and more gains may come as revenue increases. Gardasil use is rising faster than any new vaccine, and giving it to young men as well as women may push annual sales potential above \$10 billion, says Lisa Kelly, an analyst at Wood Mackenzie Consultants Ltd. in Edinburgh.

— Bloomberg

HERALD  
ENERGY

Enmax unveils  
Canada's  
largest  
wind farm  
Page D4



Courtesy, Anthem Properties

This conceptual picture shows what Eau Claire will look like after Anthem's Waterfront condos are completed. The first phase of the project virtually sold out last weekend.

Buyers clamour for piece  
of new condo tower

Prices range from  
mid-\$300,000s  
to \$1 million

MARIO TONEGUZZI  
CALGARY HERALD

**D**owntown luxury condominiums that are not ready for occupancy for another two years virtually sold out last weekend in one Eau Claire highrise — the first phase of a massive residential development.

It is a sign of how popular the market — and the location — has become.

Eric Carlson, president and CEO of **Anthem Properties**, said the interest in the Waterfront luxury community on the Bow River, along Riverfront Avenue just east of the Eau Claire Market, has been extremely strong.

"We were blown away by the support in the market for that first building (a 23-storey tower called One Waterfront)," said Carlson.

The entire Waterfront project is 5.2 acres on three develop-



“Because of the wealth generation in home equity in the last couple of years, people have the means to sell their existing residence and move into a higher-end condo if they so choose to.

LAI SING LOUIE,  
SENIOR MARKET ANALYST

ment sites, with the first site including three towers at 25, 23 and 16 storeys connected by various podiums from three to seven storeys.

The residential component of the project consists of highrise and midrise condos as well as

lowrise lofts and townhomes.

There will also be 23,500 square feet of retail space. The entire project will have just over 1,000 residential units.

"We basically sold (the first building) out," said Carlson, of the 170-plus residential unit tower.

Prices range from the mid-\$300,000s to \$1 million.

The first building is scheduled to be completed Nov. 1, 2009, said Carlson.

Today, the Waterfront Discovery Centre officially opens to the public at 104 2nd St. SW, and names of potential buyers will be taken.

"We still need to finalize a few things before we take the next building to the market, which we expect to do later in the fall," said Carlson.

"Calgary is growing like crazy and you're getting people from other parts of the country and the world working here, who are more used to urban living. So the idea of not living in the suburbs appeals to a bigger percentage of the population now than 10 years ago."

SEE CONDOS, PAGE D6

Petro-Can,  
Talisman  
join royalty  
hike fight

Ex-CEO Buckee  
warns company  
may cut spending

LISA SCHMIDT  
CALGARY HERALD

**T**wo more major petroleum producers are warning proposed changes to the province's royalty system would reduce oil and gas investment in Alberta and ripple through the economy.

**Talisman Energy Inc.** may cut another \$500 million in spending in Alberta if the province goes ahead with a proposal to increase royalty rates, its former chief executive Jim Buckee said Wednesday.

**Petro-Canada** chief executive Ron Brenneman said the recommendations are based on flawed analysis and suggested there's room for compromise.

"There is room for increasing royalties if you think about prices above what we're experiencing today," he said in a conference call with reporters.

"But the reality is in this basin today, the industry is pretty much tapped out in terms of investment economics."

A government-commissioned report found last month that Albertans are not getting their "fair share" from oil and gas development in the province. It recommended increasing royalty and tax rates about 20 per cent — or \$2 billion a year — at current prices, which has sparked outrage from industry, which is countering with a noisy opposition campaign.

Premier Ed Stelmach is slated to respond to the report as early as next week. A spokesman for the premier said the government is receiving a wide range of feedback on the issue.

"(The premier) is aware of the concerns of industry and he is aware of the concerns of Albertans and he is hearing it all," said Tom Olsen.

"But he will stick to his original intent which was — and is — to make sure Albertans get their fair share of a resource that they own."

The industry warnings follow an earlier threat by **EnCana Corp.**, the country's largest petroleum producer, which said last week it would cut \$1 billion of spending in Alberta if the province adopts the report in full.

Bill Hunter, the panel's chairman, said the recommendations were prepared with the industry's own data and experts. He said suggestions by companies like EnCana, which noted it had enjoyed a string of

its "six best quarters" during its presentation to the panel, will now cut spending in Alberta are difficult to comprehend.

"So all of a sudden because of a royalty report, the whole thing is going to go to hell in a handbasket? I don't understand," said Hunter.

"I'd be very interested to hear from their own shareholders about wanting to walk away from the safest place in the world to invest in."

Buckee, who retired as head of Talisman last month, said the report's recommendations are based on bad data, especially on natural gas drilling, where the actual costs are much higher than the panel's assumptions.

Talisman has already chopped \$500 million in planned spending for next year due to low natural gas prices, he noted.

"The decisions being made now affect the investment re-



Calgary Herald Archive

Ron Brenneman

quired to make future natural gas discoveries," Buckee wrote in a letter to the premier released Wednesday.

"You can't get royalties from wells that are not drilled."

Petro-Canada is spending about \$2 billion in Alberta this year, but couldn't yet say how the changes, if implemented, would impact its capital budget next year.

Brenneman acknowledged the system should "share the upside" with Albertans through higher royalties when prices are high.

"But right now, at current prices, investment can't tolerate much higher royalties," he said.

Any changes should be phased in and also consider oil and gas resources, especially conventional gas, as they are becoming harder and more expensive to find, he said.

However, Brenneman said a proposal to raise oil sands royalty rates and add a tax on production are "very draconian" and should be scrapped. He said it was too early to determine what the changes would mean for the company's planned \$26-billion Fort Hills oil sands project.

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FROM D1

# CONDOS: Market solid as homeowners consider higher-end properties

There is significant demand for higher-end product in the condo market from those who prefer the condo lifestyle, said Lai Sing Louie, senior market analyst in Calgary for the Canada Mortgage and Housing Corporation.

"Because of the wealth generation in home equity in the last couple of years, people have the means to sell their existing residence and move into a higher-end condo if they so choose to," he said.

In early June, 40 luxury condominiums being constructed in the heart of

downtown Calgary sold in one day at the Le Germain Calgary development, across the street from the Calgary Tower. They ranged in price from \$840,000 to \$3.5 million. The \$100-million project includes a boutique hotel, office space and luxury condos.

The 20-storey development will

be on the northwest corner of 9th Avenue and Centre Street South.

The 40 luxury condos will be above two separate buildings for the 150-room boutique hotel and office tower. The three components will join in a bridge formation, creating an open breezeway in the centre. Work has begun on the site and completion is set for the end of the summer of 2009.

MLS condo sales in the city year-to-date are higher than they were at the same time a year ago, said Ron Stanners, president of the Calgary Real Estate Board.

Up until the end of September, year-to-date condo sales are up by 1.86 per cent to 6,850 units compared with 6,725 sales for first nine months of 2006.

In 2007, year-to-date average sale price was \$316,188 — an increase of 22.32 per cent compared to the \$258,496 year-to-date figure at the end of September 2006.

Currently, for the month of September, the average condo sale price was \$321,614 — a 9.84 per cent hike from September 2006's \$292,796.

So far this year, 19 condos in the re-sale market have sold for more than \$1 million.

"We had anticipated at the beginning of the year that the condominium market would become a larger portion of the marketplace maybe as much as 31 or 32 per cent," said Stanners. "And I think it's likely moved there. I don't know exactly what the numbers are. We won't do that until the end of the year, but likely in that range."



Ron Stanners

# Bank takeovers seen as bargain

## Strong loonie makes acquisitions more attractive

SEAN B. PASTERNAK  
BLOOMBERG

Canada's banks will make more foreign acquisitions to take advantage of the stronger Canadian dollar, analysts and investors said, after the industry spent \$10.5 billion yesterday in its biggest-ever shopping spree abroad.

**Toronto-Dominion Bank** agreed to buy New Jersey's **Commerce Bancorp Inc.** for \$8.3 billion, making it the seventh-largest North American bank by branches.

**Royal Bank of Canada**, the country's biggest bank, will pay \$2.2 billion for **RBT Financial Holdings of Trinidad and Tobago**, doubling its Caribbean network.

Canada's five largest banks, including **Bank of Nova Scotia**, **Bank of Montreal** and **Canadian Imperial Bank of Commerce**, have been looking abroad to expand because they're blocked by the federal government from merging.

With the Canadian dollar at a 31-year high, foreign takeovers are a bargain.

"Canadian banks are using the dollar at parity to buy assets cheaply," said Andrew Martyn, who helps manage the equivalent of about \$475 million at Toronto-based **Davis-Rea Ltd.** "They're going to continue going south for acquisitions, as there's almost nothing left in Canada."

Canada's currency reached equal value with the U.S. dollar for the first time in three decades on Sept. 20 and has been trading above par in recent days.

In addition, Canadian banks haven't been hurt as much as U.S. banks by rising defaults of subprime loans because they offer fewer high-risk mortgages, analysts said.

"U.S. banks are probably facing another four to eight quarters of pain," said Paul Hand, managing director of equity trading at **RBC Capital Markets**. "Their willingness to enter into deals has increased."

Canada's financial companies have disclosed \$15.7 billion of acquisitions of foreign-owned financial companies this year, more than double the \$7.6 billion reported in all of last year, data compiled by Bloomberg show.

John Aiken, an analyst at **Dundee Securities Corp.**, wrote yesterday in a note to investors that he "would not be surprised to see other Canadian financial institutions make large acquisitions in the near term."

"With the dollar being the way that it is, there's no question that Canadian banks can take advantage of this," said Jacob Jegher, an analyst at Boston-based research firm **Celent**. "There's still some banks there that haven't made a move yet, and they're going to



JB Reed, Bloomberg

More foreign banks may follow in the footsteps of Commerce Bank, being taken over by Canadian banks taking advantage of a soaring loonie.

be feeling the competitive pressures."

Jegher said Bank of Montreal, which has operations in the Chicago area through its **Harris Bank** unit, is one of the more likely acquirers. Harris Bank was one of several companies approached by Minnesota-based **TCF Financial Corp.** to make a takeover bid, Crain's Chicago Business reported last month.

Ralph Marranca, a spokesman at the Toronto-based bank, said the bank always looks at potential acquisitions.

He declined to be more specific.

Canadian banks have been banned from merging since 1998, when then-finance minister Paul Martin, blocked two proposals on concern they would lead to a concentration of "economic power in the hands of an even smaller number of very large institutions."

Jim Flaherty, the current Finance Minister, has said that re-examining the issue isn't a priority for the ruling Conservative government.

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