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TODAY
 IN BUSINESS:

REAL ESTATE
 Price growth for new homes
 in Calgary takes a breather
 Page D3

RETAIL
 Canadian Tire leads
 Thursday's earnings parade
 Page D6



CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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Calgary catches condo fever

Multi-family starts more than triple in October

MARIO TONEGUZZI
 CALGARY HERALD

The number of multi-family housing starts in the Calgary area more than tripled in October compared with a year ago, according to data released Thursday by Canada Mortgage and Housing Corp.

The increase in multi-family starts was a result of a number of new foundations poured for apartment condominium projects, primarily on the east and southeast side of the city, said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

In October, there were 644 multi-family starts in the Calgary Census Metropolitan Area, a 206.7 per cent increase from October 2006's 210 units. The pace of activity in that sector pushed total housing starts for the month to 1,324, a 31 per cent hike from last year's 1,011 units.

"Similar to last month, the production of multi-family starts was more than high enough to offset a decrease in single-detached starts," said Louie, adding the multi-family market is expected to continue to be strong for the rest of the year.

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

"The price advantage of new multi-family apartment style living versus a single-detached home is a factor," said Louie. "There's some product coming out at \$225,000 for a one-bedroom, 500-square-foot (unit). That affordability factor will

keep the demand there high."

As will the lifestyle factor, with some people preferring to spend less time maintaining their homes and being able to come and go when they like, added Louie.

Single-detached starts declined by 15.1 per cent during October to 680 units compared with 801 units in October 2006. Year-to-date, single-detached starts are down 25.4 per cent from the record pace of last year.

"Increased competition from the resale market and a record-setting performance in the previous year have contributed to a lower level of single-detached starts this year relative to the previous year," said Louie.

As of Thursday, the Calgary Real Estate Board website was showing 5,353 active listings for single-family homes in the city.

Many of the multi-family residential projects take longer to go through the approval process before construction, said Deep Shergill, president of the Calgary Region Home Builders Association. "All of those started much later than all of the single-family homes that we sold and got into the ground."

He said builders hit the maximum capacity that they could deliver with single-detached homes and in some cases had gone beyond that.

"Most of the builders had to cut back what they could sell at the same time the market cut back on what they wanted to buy. So, there's a little bit of an adjustment in supply and demand on the single-family side," said Shergill, adding multi-family starts range from the first-time-buyer range to the high-end with luxury downtown condominiums.

Year-to-date, multi-family starts are 7.9 per cent ahead of last year, but the decline in the single-detached market has dragged total housing starts down, with a 13.7 per cent drop compared with the first 10 months of 2006.

SEE CONDOS, PAGE D5

SHED REGIONAL MENTALITY, CANADIANS URGED



Patricia Croft, chief economist for money management firm Phillips, Hager and North, says Canada risks losing its relevance on the global financial scene.

Global market beckons for those who think big



DEBORAH YEDLIN

Size matters in the global economy. That was the clear message at business forum held by national law firm Borden Ladner Gervais in Vancouver earlier this week.

Speaking to a room full of Vancouver's business elite, Royal Bank chief operating officer Barb Stymiest took the audience through myriad statistics leading to an irrefutable conclusion that Canada's business and political leaders must think on a global level, not a regional one, if the country is to be a player on

the world stage.

Stymiest's comments were echoed by Patricia Croft, the chief economist for money management firm Phillips, Hager and North.

"There's a long-term secular trend towards globalization, overlaid by the bull market for commodities... where no one country is a buyer," she said.

This shift is manifesting itself in what many people call the "hollowing out" of Canadian companies as icons the likes of Abitibi, BCE, Alcan, Inco, Falconbridge, Hudson's Bay and others have disappeared into foreign or private hands.

The trend is worrisome from an investment standpoint, says Croft, as there are a smaller number of large companies listed on the TSX for investors to take meaningful positions. Canada makes up only two per cent of the world's capital markets and when a number of larger players disappear, it makes us even less relevant in

the global financial context.

Even more disconcerting is that in 2006, Canada sold more public companies relative to total market capitalization than any other market in the world.

"It's not a race we want to lead," said Stymiest. And she's right.

What needs to happen — and should happen with a stronger currency — is that Canadian companies need to shift gears in how they perceive themselves.

Here's another reason for government and business to think big.

There is a growing school of thought that what happens now is going to set the stage for the next century of economic development, much like the Industrial Revolution did in the 19th century.

A great example is the purchase of nickel mining giant Inco by the Brazilian mining conglomerate CVRD.

SEE YEDLIN, PAGE D5

MARGIN CALLS

Investors bet on oil surge

SPECULATION • Online bets on rising oil prices have soared as investors, from tax drivers to financial professionals, expect the upwards trend to continue, a director of a spread betting company said on Thursday.

"People are loving it, the markets are moving in one direction and one direction only," said Angus Campbell, head of sales at Capital Spreads, a London-based spread betting company.

"You don't have to do much research, just buy oil." Although the average client is a male in his 40s and such spread betting took off among employees of London's City financial district, Capital Spreads' books now include people from all walks of life, Campbell said.

"We've seen the profile of spread betters change to more general people," he said.

Natural gas, however, is not as popular as clients tend to choose commodities, equities or indexes with an upwards trend, Campbell said.

Latest Elmo has the hiccups

TOYS • The latest Elmo incarnation was unveiled Thursday — a new version of last year's hit T.M.X. Elmo that allows kids to induce a case of the hiccups or a laughing fit to the tune of She's a Maniac.

Fisher-Price Inc., a unit of the world's largest toy-maker, Mattel Inc., said T.M.X. Elmo eXtra Special Edition would hit U.S. shelves on Nov. 13, relatively late into a holiday season that has so far lacked a dominant toy.

This year's Elmo, which will retail for about \$39.99 US, includes "hidden silly surprises" that can be unlocked when the consumer plays with him and poses him in a particular sequence.

The special features include a tickle sequence that will cause Elmo to fall to the ground laughing and kicking.



HERALD ENERGY



UTS chief Will Roach bucks trend of rising oilsands costs
 Page D4

HOUSING STARTS (Calgary Census Metropolitan Area)			
	SINGLE	MULTIPLE	TOTAL
OCTOBER 2007	680	644	1,324
OCTOBER 2006	801	210	1,011
% CHANGE	-15.1	206.7	31.0
YEAR-TO-DATE 2007	6,794	5,334	12,128
YEAR-TO-DATE 2006	9,105	4,945	14,050
% CHANGE	-25.4	7.9	-13.7

SOURCE: CANADA MORTGAGE AND HOUSING CORP.

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ENVIRONMENT

Emissions decline only short-term result, warn analysts

KATHRYN YOUNG
CANWEST NEWS SERVICE

Greenhouse gas emissions from the largest of Canada's industrial emitters decreased by 2.3 per cent between 2005 and 2006, Statistics Canada reported Thursday, but this positive short-term result is merely a blip in a poor long-term trend, analysts warn.

Emissions from mining, and oil and gas extraction rose 8.9 per cent but those were offset by reductions from electrical utilities, manufacturing, air transportation, waste management and health care, said the report on industrial facilities that emit 100 kilotonnes or more of greenhouse gases each year.

"We're talking big plants here," said Lo Cheng, chief of reporting and outreach in Environment Canada's greenhouse gas division, which works with Statistics Canada to collect the data. "The biggest emitters are reporting that their emissions are going down."

Alberta reported an increase of 5.8 per cent and Quebec was up a modest 0.9 per cent, but all other provinces showed reductions in greenhouse gas emissions. New Brunswick posted the largest reduction at 19.2 per cent, followed by Manitoba at 13.4 per cent and

British Columbia at 10.6 per cent. These emissions represent about one-third of Canada's total greenhouse gas emissions, which levelled off between 2003 and 2005 at 747 megatonnes of carbon dioxide equivalent, said Cheng.

She cautioned these positive short-term results are part of a long-term trend that is "not very good." Between 1990 and 2005, total greenhouse gas emissions rose 25.3 per cent and were 32.7 per cent above Canada's Kyoto accord target of 563 megatonnes.

"It's very hard to analyze short-term trends," Cheng said. "It's the long-term trend that you should be looking at."

Clare Demerse, climate change policy analyst with the Pembina Institute, said the federal government does not have policies for heavy industry that will counteract the upwards trend. Ottawa's regulatory proposal, to start in 2010, uses intensity-based emissions targets. For example, if the emissions per barrel of oil produced went down, but an oil company produced four times as many barrels, overall emissions would still rise.

"They could hit their targets under this proposal and still triple their emissions by 2020," Demerse said. "We need dramatically stronger policies."

Execs dealt hefty penalties in Blue Range debacle

CEO and CFO to pay over \$1M in fines

DINA O'MEARA
CALGARY HERALD

The Blue Range Resource Corp. corporate misconduct saga came closer to an end Thursday when the Alberta Securities Commission issued bans against the company's senior executives, and ordered them to pay more than \$1 million in costs and penalties.



Gordon Ironside

Ironside was permanently banned from holding any position as an officer or director of any issuer, and fined a \$180,000 administration fee.

Robert Ruff, former Blue Range chief financial officer, faces a more lenient 10-year ban, and a \$50,000 penalty.

The two also were ordered to pay \$850,000 to cover the costs of the lengthy ASC investigation and hearing — the longest

in the commission's history.

"Their actions were contrary to the most basic standards that the public expects — and that we demand — of CEOs and CFOs," the commission said in a statement.

But the Blue Range debacle isn't over for Ironside, who plans to appeal the original December 2006 decision, the Calgary Herald learned.

Both Ironside and Ruff were embroiled in misrepresentations of the oil and gas company's production and reserve volumes to security holders, analysts and the public for years, actions which were uncovered when Blue Range was sold to Big Bear Exploration Ltd. in an unfriendly takeover in 1999.

In its decision Thursday, the commission said, based on Ironside's previous actions and "continued justifications and deflections," there was "a very serious risk that he would engage in similar unacceptable conduct."

Ironside, a consultant in the oilpatch since being barred from acting as a director or officer in 2002, told the Calgary Herald the sanctions would have no relevance if overturned in an appeal.

"I have a decision and my decision that I made last January was to appeal the merits of the (ASC) decision," he said.

"We may add to my appeal, but we'll make sure that we're

in the position to protect my interests."

Immediately following the December ASC decision, Ironside filed a notice of appeal, and will be submitting formal information to the Alberta Court of Appeal in the near future.

"I'm relieved I now know the consequences of their decision, and I know the consequences of a process that is almost 10 years old," Ironside said.

The sanctions followed almost five years and 20,000 pages of transcripts of hearings leading to the December 2006 ASC decision finding Ironside and Ruff guilty of breaking securities rules. The pair contravened security law by issuing financial statements which didn't meet proper accounting standards, overstating production and reserve volumes, and failing to disclose material risk exposure.

Further proceedings this year included oral and written arguments around proposed sanctions.

Thursday's strong penalties reflect the seriousness of the misconduct and sends a message to corporate executives on the importance of reliable disclosure of material information to the market, the commission said.

Ironside and Ruff have 30 days to appeal the decision.

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FROM DI CONDOS: Affordability 'eroding' in West

Provincially, starts in Alberta's seven largest centres totalled 3,220 units in October, up almost 22 per cent from a year earlier. Nationally, urban starts in October totalled 16,057 units, a decrease of about nine per cent from October 2006.

The CMHC said the seasonally-adjusted annual rate of housing starts across the country was 219,500 units in October, down 22 per cent from 281,300 units in September.

Despite the national decline, residential construction activity will remain strong throughout next year with the trend decreasing gradually between now and the end of the year, said Bob Dugan, chief economist at the CMHC's Market Analysis Centre.

Beata Caranci, director of economic forecasting with the TD Bank Financial Group, said in a commentary that the new home construction market is not one "on wobbly legs" but home affordability is eroding across the nation, "especially in the western provinces where it has become commonplace to see double-digit annual price gains in the new and resale markets."

MTONEGUZZI@THEHERALD.CANWEST.COM

FROM DI YEDLIN

The key difference here is that CVRD operates as a mining conglomerate whereas Inco thought of itself as a mining company. The same is true for the graphics chip maker ATI, which was sold to MDS — a chip maker.

There is no reason why Inco, or any other Canadian company in a niche market, shouldn't look at themselves in a broader context on the global stage.

While there are a few examples of Canadian entities making bold moves beyond the borders — such as Thomson Corp. buying Reuters, TD Bank buying Commerce Bancorp or Manulife buying Boston-based John Hancock Financial Services and Power Financial buying Putnam Investments — there simply aren't enough.

It was big news when TransCanada Corp. announced it was merging with Nova Corp. in late 1997, but as big as that deal was, it was still regional. When Encana was created in 2002, it was the biggest merger in oilpatch history. Even though it too was regional, the deal created a new company that was also the largest, independent natural gas producer in North America.

Other Canadian energy companies are active beyond Canada's borders — Talisman, Nexen, Canadian Natural Resources, Petro-Canada — but not in a dominant, Big World way. We need more companies thinking along those lines.

The higher dollar not only presents an opportunity for companies to make acquisitions that are cost-effective and therefore accretive to shareholder value, it's also a golden opportunity for companies to re-tool, become more competitive in the global economy and boost Canada's productivity in the process.

But there also needs to be some policy changes along the way to make things happen.

The federal government recently announced it is moving tax rates to 15 per cent by 2012; tax experts such as Borden Ladner's Bruce Sinclair are of the view that if the 15 per cent rate is good enough for 2012, why isn't it good enough for today? The argument for dropping rates faster is easy: the high tax rates are compromising the ability of Canadian companies to truly benefit from the advantages offered by the stronger currency. It would have been better for the Canadian economy for the government to think along these lines, instead of going for the quick-fix measure of cutting the GST.

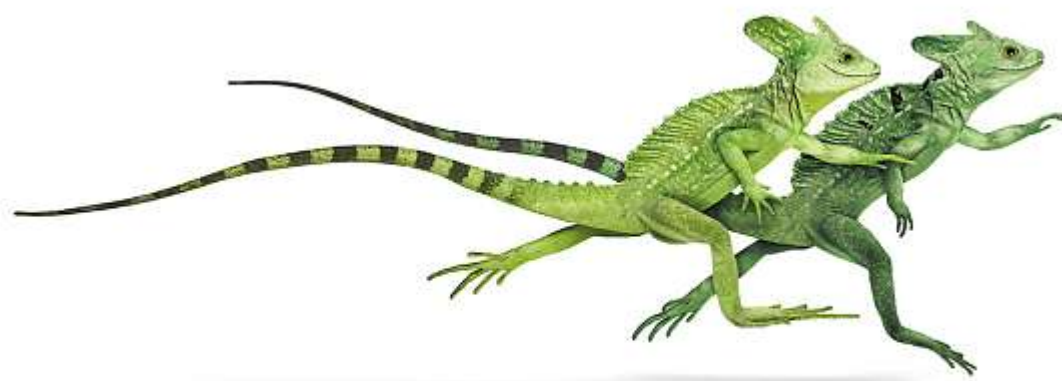
Another gap is the fact Canada is not a major player in the realm of private equity around the world. We're good at base hits, but not home runs.

Both Croft and Stymiest pointed out that the private pools of capital, run privately and by sovereign entities will exert a greater influence on the global economy in the coming years. Canada needs to think about how it can be more effective in this game too. While the 'usual suspects,' such as the Caisse de Depot et Placement, Ontario Teachers Pension Fund, Ontario Municipal Employees Retirement System and British Columbia Investment Management Corporation, are actively looking for investments around the globe, Croft points out that the collective value of state-owned pools of capital will top \$10 trillion in the coming years.

There's a great line in one of the Peanuts comic strip where Lucy admonishes Charlie Brown, telling him that he is doomed to be a follower. Canada too — if it doesn't seize the moment — will be destined to be a follower in the context of the global economy without some fundamental changes in policy and attitude that contribute to encouraging risk and reaping the rewards that go with it.

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