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THURSDAY, MAY 29, 2008

MARGIN CALLS

Yahoo plans free real-time stocks

MARKETS • Yahoo! Inc., vying with Google Inc. for the top rank as the most popular U.S. Internet site, plans to offer real-time stock quotes to 19.5 million users of its finance web pages.

Data will be provided by Kansas City, Mo.-based **Bats Trading Inc.** Google and rival websites from **Microsoft Corp.** and **Time Warner Inc.**'s America Online provide quotes with more than a 10-minute delay and charge users for real-time data.

The step may help Yahoo lure users after the Sunnyvale, Calif.-based company lost its ranking in April as the most visited website. Yahoo says it provides more than two billion stock prices a month. The company tapped Bats Trading as regulators review plans by the New York Stock Exchange and Nasdaq Stock Market to sell real-time data to websites.

"Our users will enjoy a better experience when they see a big piece of news and within just a few seconds prices react," said Mark Interrante, general manager of Yahoo Finance. "At this point, 15 minutes is so far off the time scale of people working in the markets that it almost feels like yesterday."

Space beer set for launch

BREWING • It's guaranteed to be a beer that's out of this world.

Sapporo Holdings, Japan's major beer-maker, plans to brew what it described as the world's first "space beer," made from grain descended from barley grown in the Russian unit of the International Space Station in 2006.

"By pursuing the infinite possibility that space has, we wish to present our customers with rich and enjoyable proposals to enjoy a new beer culture," Sapporo said in a statement.

Sapporo plans to launch the beer in November, saying it would produce 630 litres of beer and another 100 litres of barley tea.

"We believe alcohol will make the lives of our customers rich and enjoyable," Sapporo said in the statement.

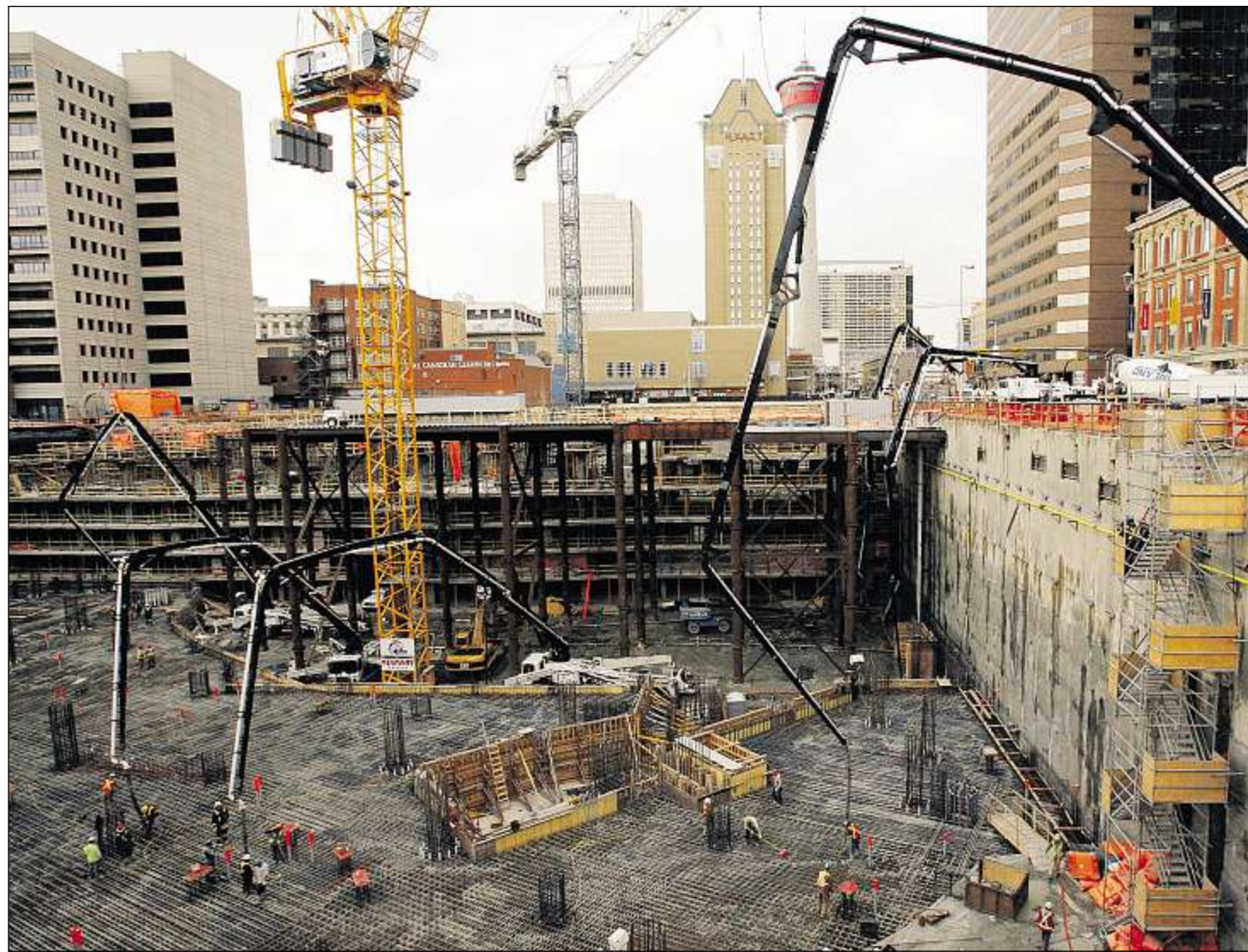
HERALD NEWS SERVICES

HERALD ENERGY



Why Total Canada's Mike Borrell has had to push back the startup date for the Joslyn mine

Page E4



The Bow office tower is one of a number projects that could ease a shortage of downtown commercial space. Calgary's central business district was 42nd on a list of the world's most expensive office markets.

Calgary Herald Archive

Downtown office space nation's most expensive

Calgary second on continent to New York

MARIO TONEGUZZI
CALGARY HERALD

Office space in downtown Calgary is the most expensive in Canada, the second most expensive in North America and ranked 42nd in the world, according to a report by commercial real estate firm CB Richard Ellis.

The Global Market Rents May 2008 report, which looked at office rents and occupancy costs worldwide, said only two Canadian cities — Calgary and Toronto (47th place) — made the top 50 global list of priciest office markets.

The annual study by CBRE said the average office cost in Calgary's central business district, including lease prices, taxes and operating costs for Class A space, is \$68 per square foot. A year ago, Calgary was ranked 33rd in the world with a cost of \$64. It was the highest in Canada then, too.

"The biggest factor (in the cost) is the lack of supply and that's why you see all the new construction — obviously coupled with strong demand, said Greg Kwong, regional managing director for CBRE in Alberta. "That's pretty simplistic but the bottom line is that the oil and gas business just grew exponentially. The oil and gas market can expand rapidly within a year. The real estate market can't react that quickly



“The oil and gas market can expand rapidly within a year. The real estate market can't react that quickly

GREG KWONG,
CB RICHARD ELLIS

because it takes three years to build an office building. So there's a two-year lag there where rents just went through the roof."

While not there yet, supply is starting to catch up to demand, added Kwong.

The CBRE survey compares office operating costs for the 12 months which ended March 31 in 173 major markets around the world.

WORLD'S MOST EXPENSIVE OFFICE SPACE (Price per square foot)

1. London (West End)	\$307.36
2. Moscow	\$238.43
3. Tokyo (inner central)	\$226.00
4. Mumbai, India	\$216.47
5. Tokyo (outer central)	\$179.93
13. New York, Midtown	\$106.13
42. Calgary (central business district)	\$68.00
47. Toronto (CBD)	\$64.07
56. Vancouver (CBD)	\$56.87

Source: CB Richard Ellis

Note: Price includes rent, operating costs and taxes for Class A office space for the 12 months ended March 31 in 173 major markets around the world

London (West End) topped the survey at \$307.36 per square foot, followed by Moscow at \$238.43, Tokyo inner central at \$226, Mumbai, India, at \$216.47, and Tokyo outer central \$179.93.

New York Midtown was the priciest in North America at \$106.13.

Toronto, second in Canada, was \$64.07.

A recent CBRE report said that of the 31.7 million square feet of net rentable area in Calgary's downtown, the overall vacancy rate in the first quarter was four per cent. That's up from 3.4 per cent in the fourth quarter of 2007.

In 2007, 1.5 million square feet of new office space was added to the downtown inventory.

Over 5.6 million square feet of office construction is underway.

The city's growth has outpaced the ability to bring office product to the market, said Bruce Irvine, vice-president

for business development and retention at Calgary Economic Development.

"Vacancy is especially low on A and AA products and that's created an upward pressure on the prices," said Irvine.

"The demand is there because the major elements of the economy are all still extremely attractive. We're seeing businesses expand. We're seeing new investment come into Calgary. A lot of strength in consumer spending, employment and strength in the energy-related sectors and that's consistently... been an attractive piece for Calgary in the last 10 years.

"When you look at a postcard of Calgary's downtown compared to other cities that are about one million people, we actually have a very impressive central business core. This is an office market and that's part of that push on demand."

SEE OFFICE, PAGE E7

Soaring energy prices to stay

Agency sees oil sitting around \$130

DAN HEALING
CALGARY HERALD

Beefed-up energy prices will stay strong this summer, according to the National Energy Board, predicting fair tidings for the oilpatch and storm clouds for consumers of gasoline and electricity.

In a stand-pat outlook for the next six months, the federal regulator said Wednesday crude oil prices will remain around \$130 US per barrel and natural gas prices on the New York Mercantile Exchange will range between \$11 and \$13 US per million British thermal units.

The Canadian electricity supply is expected to be adequate this summer but prices will rise due to more expensive natural gas, especially in Alberta and Ontario, which depend on gas-fired power plants.

Crude oil for July delivery rose \$2.18, or 1.7 per cent, to settle at \$131.03 US a barrel in New York. Natural gas for June delivery advanced 11.5 cents to settle at \$11.916 per mmbTU in New York, up 59 per cent this year.

Jeff Rubin, CIBC World Markets chief economist, who has predicted \$225 oil in 2012, said the NEB forecasts for both oil and gas are "reasonable."

"My forecast would be very close to that. My forecast would be that both of those prices will continue to rise."

He said natural gas will be needed for new power generating plants, while oil, at an average of \$106 US per barrel so far this year, will likely require \$130 for the rest of the year to match CIBC's forecast of \$115 for this year.

NEB oil market analyst Christian Rankin said crude prices will remain high and volatile and gasoline prices, which are lagging the oil price runup, could easily increase.

"The oil market continues to be very tight and supply and demand are very closely matched," he said.

"Global oil demand continues to grow in spite of high prices because most of the demand growth is in the developing world and most of this demand growth is subsidized."

Rankin explained the North American driving season will increase demand, Saudi Arabia is the only real source of spare producing capacity, and investors will continue to buy commodities because they are a hedge against the low U.S. dollar.

SEE ENERGY, PAGE E7

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Netflix, Blockbuster battle for online dollars

Companies race to reposition in changing market

SUE ZEIDLER
REUTERS
SAN FRANCISCO

Like two movies going head to head on opening weekend, **Netflix Inc.** and **Blockbuster Inc.** made rival presentations to investors Wednesday, as each DVD rental company vies to stay competitive in a converging marketplace.

Both companies are repositioning themselves to address the challenges of a maturing video rental business and an evolving online sector with giants such as **Apple Inc.**, **Amazon.com Inc.** and **Microsoft Corp.** moving into the market.

At the Netflix Investor Day in San Francisco, company executives talked broadly about the push to provide online streaming, noting they expected the by-mail business to peak sometime in the next five to 10 years.

"Our key challenge is growing earnings per share and subscribers while funding streaming (online video), which should give us years of subscriber and earnings expansion," said Reed Hastings, chief executive of the Los Gatos, Calif.-based company.

He told investors the company's online investment in 2008 and 2009 is expected to be "fairly inefficient," but noted the reason for higher spending



“Once we're in streaming . . . we can attract well beyond 20 million subscribers worldwide”

NETFLIX CEO REED HASTINGS

was to cultivate better partnerships and content.

Netflix last month warned that gross margins would remain flat for the next two quarters due to higher spending for content for its online streaming service, now offered free to subscribers.

Hastings and other company executives were bullish on the company's long-term position given its successful expansion into the streaming DVD market.

"Once we're in streaming . . . we can

attract well beyond 20 million subscribers worldwide," he said.

Netflix's chief rival, Blockbuster, held its annual shareholders meeting in New York City on Wednesday, where chief executive Jim Keyes said the company is succeeding with turnaround efforts that analysts said boosted profits last quarter.

However, Keyes offered little on the status of Blockbuster's controversial bid to buy **Circuit City Stores Inc.** for up to \$1.3 billion US, and suggested Blockbuster's turnaround does not



“With or without the Circuit City acquisition, we think we have a terrific opportunity to transform these stores”

BLOCKBUSTER CEO JIM KEYES

depend on acquiring Circuit City.

"We are in due diligence . . . (and) we do plan to be responsible with this approach," he said, regarding the Circuit City bid.

"With or without the Circuit City acquisition, we think we have a terrific opportunity to transform these stores."

Dallas-based Blockbuster is the largest U.S. movie rental chain, with about 20 million customers. Netflix is the leader in the movie-by-mail market with about eight million

subscribers.

Netflix shares rose as much as 30 per cent in the first four months of this year on optimism over its subscriber growth and profitable execution, before the stock began to pull back in April on spending concerns. The shares are still up about 18 per cent so far this year.

Blockbuster shares are down about 14 per cent in the year to date after dropping in mid-April when the Circuit City bid was announced. Wall Street generally favours Netflix over Blockbuster, which had to hire a new CEO last summer to turn around losses and is considered to be a brick-and-mortar dinosaur.

Netflix last week unveiled a TV set-top box through a partnership with privately held **Roku** for streaming movies off the Internet, sending Netflix shares 10 per cent higher.

With the Roku deal, Netflix was making good on its promise in April to announce three partnerships similar to a set-top box alliance with **LG Electronics Inc.**, which will also let viewers watch films from the web on TV sets.

Blockbuster has redesigned about six per cent of its stores to emphasize games, electronics sales and DVD sales and is preparing to expand its Movielink web movie service. At the New York meeting, Keyes said the company is working on its own set-top box.

It recently turned a profit on its Total Access online subscription service, which competes against Netflix's movie-by-mail service and retained 3.1 million subscribers.



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FROM E1 OFFICE: Space coming

Irvine added that on the supply side, relief is coming due to the significant amount of downtown office construction either underway or proposed.

That construction is "going to help get us up to a more established and healthy vacancy rate and therefore we're going to see some more normalization . . . in terms of rent — particularly true with the A and AA space," he said.

The CBRE global market rents report also showed that Calgary's suburban office market cost was \$42 per square foot, ranking that market 88th in the world and sixth in Canada. The city's subur-

ban office market experienced the third highest annual percentage growth in Canada at 16.7 per cent, behind Edmonton (22.5 per cent) and Vancouver (15.5 per cent).

A recent Calgary suburban office market report by the CBRE said the overall vacancy rate increased to five per cent in the first quarter of this year from 3.8 per cent at the end of the fourth quarter of 2007.

It also said there is currently 3.7 million square feet of office space under construction in the suburban market.

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Enmax extends offer for Cordero Energy

CALGARY HERALD

City-owned utility **Enmax Corp.** has extended for the fourth time its offer to buy **Cordero Energy Inc.**, having failed to garner enough shares to close the takeover of the Calgary-based natural gas producer.

Enmax said late Wednesday it is extending its \$4.75-per-share cash offer for Cordero to June 13. The original closing date for the approximately \$140-million total offer was Wednesday.

Enmax's ambitions to acquire Cordero, which stretch back to December, have been stymied first by rising natural gas prices and, most recently, by a competing offer by **Ember Resources**

Inc. On Monday Calgary-based Ember said it would offer 2.56 shares for each share of Cordero, an offer that at the time equated to \$5.25 per Cordero share, based on Ember's trading value.

Enmax said it still believes its offer is superior to Ember's and plans to provide shortly a detailed analysis of why its planned transaction is better. Also on Wednesday, Cordero's board of directors reaffirmed its unanimous support of the Enmax offer.

However earlier Wednesday, Ember formally delivered its offer and touted it as better.

"We believe that our proposal is superior to the Enmax offer," said Ember's chairman and chief executive, Doug Dafoe.

MPs vote in favour of renewable fuels bill

AMY HUSSER
CANWEST NEWS SERVICE
OTTAWA

The House of Commons voted Wednesday to pass a bill that would permit the government to regulate gasoline to ensure that it has a minimum percentage of renewable fuel content — a move that could end up building a strengthened biofuel industry in Canada, said the industry's leader.

Bill C-33 would allow the government to ensure all gasoline produced for domestic consumption has an average renewable fuel content of five per cent by 2010 and that diesel and heating oil have an average renewable fuel content of two per cent by 2012. The motion, carried by a vote of 173 to 64, must be debated in the Senate before passing into law.

"This is an important step because what it does is that it allows us to build a production capacity," said Gordon Quaiattini, president of the Canadian Renewable Fuels Association. "Two years ago, farmers couldn't afford to put seed in the ground because they couldn't get a return."

Quaiattini says his organization is expecting a record growing year as farmers react to increasing demand for renewable fuels. "With oil and gas prices at record highs, the case for biofuels — and quite frankly the demand for biofuels — has never been greater by Canadians."

Although only a first step, Quaiattini says if made into law, this mandate will be equivalent to taking a million cars off the road and reducing greenhouse gas emissions by 4.2 megatonnes a year. But critics are concerned that biofu-



Herald Archive, Getty Images

A bill that has cleared the House of Commons gives Ottawa the OK to ensure gasoline has a minimum renewable fuel content.

els are not as sustainable as they are marketed to be because they contribute to the global food crisis. Last October, one United Nations official went so far as to call biofuels a "crime against humanity."

The wheat most commonly used in biofuel production has less protein and more starch content than varieties used for food production. Critics say farmers could end up moving away from growing crops for consumption and focus only on those ideal for renewable fuels, exacerbating food shortages.

Quaiattini says biofuels are not to blame — we have more than enough to both "feed and fuel" the world on the supply side. Instead, he argues high prices are at fault due to rising oil prices, regional droughts and market speculation.

There are currently 20 biofuel plants in operation or under construction in Canada, which will use more than a million tonnes of wheat and nearly 2.5 million tonnes of corn annually.

FROM E1 ENERGY

Rankin said gasoline prices in Canada are 90 per cent determined by the crude oil price, with the rest determined by gasoline inventories in the United States and regional Canadian refinery capacity. All three factors could drive gasoline prices higher.

Last week, the parent firm of **UBS Securities Canada Ltd.** increased its oil price forecast to an average of \$115 per barrel this year, while **Scotiabank** moved its forecast to an average of \$140 US a barrel in the second half.

Natural gas inventories are about 20 per cent lower than last year and four per cent lower than the five-year average, NEB analyst Paul Mortensen noted Tuesday, following a winter that was longer and colder than recent mild seasons.

Combined with the updraft impact of oil prices, Mortensen said prices will remain strong, leading to a recovery in drilling for gas in Canada and the United States this year.

Normally 80 per cent of wells drilled in Canada and the U.S. are gas wells, Mortensen said, but only 60 per cent of the wells drilled in Canada so far this year are for gas.

"Drilling was down quite significantly from its peak in winter 2006," he said, noting current Canadian production has fallen one billion cubic feet per day from last year.

"Drilling activity in the U.S. is just under 1,900 active rigs, and that's the highest it's been in 22 years."

Last week, the Canadian Association of Oilwell Drilling Contractors revised its annual rig count forecast to 18,000 for 2008, down from 19,144 in 2007 and 22,127 in 2006.

Liquid natural gas, or LNG, imports to North America are down, Mortensen said, due to more going to Asia. That will likely switch near the end of summer.

"We're looking for our LNG imports to average 1.9 bcf/d over the summer, significantly down from 2.6 last year."

U.S. production gains will offset lower Canadian and LNG output, Mortensen said.

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