

Business Edge

News Magazine

ONTARIO

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in U.S.
a cinch
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Confidence
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Commercial office market set to weather downturn

But Toronto, Calgary may be in for a rougher ride

By David Hatton
Business Edge

Bucking the bad news trend, Canada's commercial office market recorded strong numbers the past few years and remains well positioned for the next 12 to 18 months as the country heads into a recession, according to industry executives.

But a new report from Colliers International cautions there may be two exceptions – Calgary and Toronto. "Overall performance of the Canadian office market has been strong the past few years. Vacancy rates have been at historical lows and average rents have been fairly high across the board," says Ian MacCulloch, Colliers' vice-president of research for Canada.

"Calgary and Toronto could be a whole different ball game, though. There are a number of things happening in both those cities that will be interesting to say the least."

Jamie Ziegel, senior managing director of capital markets for Cushman & Wakefield LePage Ltd. in Toronto, said this recession will be different from the last one that affected the industry in the early '90s.

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NEWSSTAND \$2

Steward-in-chief



Brennan O'Connor, Business Edge

CAW boss navigates new jobs reality

New Canadian Auto Workers union president Ken Lewenza has had his work cut out for him on his first few months on the job as the union deals with layoffs amidst a global recession. Lewenza, shown here touring the Bombardier aircraft plant in North York that employs 2,900 CAW members, talks about his union's future in **20 Questions** on **Page 8**.

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The global reach of cybercrime was a wakeup call to participants at the International Conference on Cybersecurity, says columnist Tom Keenan.

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Study touts infrastructure investment

The Canadian Press

A new study suggests the federal strategy of responding to troubled economic times by fixing the country's crumbling infrastructure is cost-effective.

Analysts have long contemplated why productivity growth was much higher before 1980 than afterward.

A Statistics Canada study says a substantial portion of the difference came from the much higher growth in public infrastructure before 1980.

The agency says roughly half of the total growth in multifactor productiv-

ity in the private sector between 1962 and 2006 was the result of growth in public infrastructure such as roads, bridges and sewer systems.

The study found the largest contributions to productivity growth occurred during the 1960s and early 1970s, when infrastructure contributed up to 0.4 percentage points to average annual productivity growth.

Its contribution to productivity averaged only 0.1 percentage points a year during the 1980s and 1990s, as decades of cross-country highway expansion came to an end.

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Housing market slide a long-term prospect

By Monte Stewart
Business Edge

Canada's slumping housing market will get worse before it starts to get better around the end of this year, say residential real estate industry leaders.

"We're certainly going to see a slower period over the entire country in 2009," says Calvin Lindberg, president of the Canadian Real Estate Association (CREA).

"I don't think we're going to turn things around quickly. We're certainly part of this whole world financial situation that's going on . . . but I also don't see things absolutely tumbling as far as prices go in real estate."

Toronto-based Royal LePage Real Estate Services is predicting a three percent drop in average house prices across the country. The company forecast says "emotional reaction to recent economic and political instability" dampened consumer confidence during the latter part of 2008, causing a slowdown in house sales activity.

However, Royal LePage also predicts that "a more rational understanding of the issues" and government corrective measures will cause activity to increase in the latter half of this year.

Royal LePage foresees only modest price and unit sales corrections.

The national average house price is expected to dip slightly to \$295,000 from \$304,000 in 2008, which fell marginally from \$307,265 in the peak year of 2007.

"While Canada's housing market is anticipated to continue to move through a period of adjustment over the next six months, we should expect modestly lower home prices, not a U.S.-style collapse, which was brought on by a structural failure of the entire American credit system," Royal LePage CEO Phil Soper said in a statement.

"Most consumers are not aware that nationally, Canadian housing market activity peaked in 2007 and has been adjusting lower since. We are well into this inevitable cyclical correction."

In mid-sized cities where prices remain below the national average, such as Regina and Winnipeg, prices are expected to increase moderately. Regina's average price is expected to rise six percent to \$243,300 while the Manitoba capital is predicted to see a four-percent boost to \$204,900.

"The Manitoba market - the Winnipeg market in particular - is really not performing all that badly," says Lorne Weiss, a Winnipeg realtor and CREA director. "In fact, it's performing quite well in comparison to other markets in Canada."

"We're not seeing the significant drops in pricing that we've seen in other parts of the country - although we are seeing a significant increase in inventory. Certainly, the supply and demand ratios have changed."

Weiss and other realtors across the

Average Housing Prices

MARKET	2008 Forecast	2008 Projected	08/08 % Change	07/08 % Change
Halifax	\$234,300	\$232,000	+ 1.0%	+ 7.2%
Montreal	\$251,400	\$257,000	- 1.0%	+ 4.3%
Ottawa	\$291,000	\$291,000	0.0%	+ 6.6%
Toronto	\$304,000	\$280,000	- 4.0%	+ 0.8%
Winnipeg	\$204,900	\$197,000	+ 4.0%	+ 20.5%
Regina	\$243,300	\$229,500	+ 6.0%	+ 38.6%
Calgary	\$407,000	\$405,000	+ 1.0%	- 1.8%
Edmonton	\$338,000	\$300,000	0.0%	+ 1.7%
Vancouver	\$540,100	\$493,500	- 9.0%	+ 4.0%
Canada	\$295,000	\$304,000	- 9.0%	- 1.1%

- Source: Royal LePage Real Estate Service



country say they will have to ensure that properties are priced properly for quick sales.

The steepest price decline is forecast for Canada's most expensive city, Vancouver - "a natural cyclical reaction to an extended period of high price appreciation," says the Royal LePage report. Prices in the West Coast city are forecast to plummet nine percent.

"I work in the West Vancouver market and we've kind of led the charge (in price reduction)," says CREA boss Lindberg, a sales agent. "We started to back off in April and May and some other areas of Canada didn't really start to see it until the fall."

Gregory Klump, the Ottawa-based CREA's chief economist, says B.C. and Alberta, which saw booming prices a couple of years back, will experience the sharpest sales and price declines this year.

"There's been a very sharp downturn in consumer confidence (in B.C.), as there has been in other provinces," says Klump. "It's just a remarkably quick decline in the recent months in sales activity."

Klump says homebuyers are questioning whether now is a good time to make a major purchase and wondering about their job security.

"Those markets that had a remarkably fast rise in prices, and I'm thinking specifically here of British Columbia and Alberta, are facing a correction," says Klump.

According to the Calgary Real Estate Board, single-family home sales slowed dramatically at the end of 2008. In December, Calgary's metro sales fell 47 percent to 449 from 837 in the same month a year earlier.

Between November and December of last year, single-family home sales in the Stampede City dropped 33 percent to 670 from 846.

Annual single-family home sales went down 27 percent to 13,455 from 18,438 in 2007.

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HOUSING from Page 3

Increase in supply likely to reduce Toronto residential prices

"Overall, I think 2008 was a reasonable year for real estate in Calgary," Calgary Real Estate Board (CREB) president Ed Jensen said in a report.

"Currently, there are still great opportunities available to the buyer, but how long that will last remains to be seen. Consumers are sitting tight at the moment, watching their dollars and the media at the same time."

Charlie Ponde, president of the Realtors Association of Edmonton, has released a forecast that predicts

the average house price in the Alberta capital will hover around the 2008 figure of \$350,000 by year end. Ponde expects the average price of an Edmonton condo to fall five percent to \$222,500 as inventory increases.

"Buyer reluctance will continue through the first part of the year, but confidence will return in the latter part of the year and sales will pick up," said Ponde in a news release.

The outlook is even less bright in Ontario.

Brian Walker, immediate past-president of the Ontario Real Estate Association, who owns an agency in Richmond Hill, says declines last September were the most dramatic that he has seen in his 30-year career.

However, he adds, U.S. economic factors are influencing the Canadian real estate market, but Canada will fare better because interest rates and unemployment are relatively low.

"(People) need to live somewhere," says Walker. "If I was in Windsor (the heart of the struggling Canadian auto industry), I would be a little bit worried, but I don't see massive job loss in the (Greater Toronto Area)."

In Toronto, an increase in supply appears likely to reduce prices. Canada Mortgage and Housing figures show

total new-home starts jumped 26.8 percent in the country's largest market in 2008, to 42,212 from 33,293.

A record 23,930 Toronto apartment starts spelled a 130.9-percent increase over the 10,380 in 2007. Including apartments, rowhouses (5,280) and semi-detached units (2,864), new-condo supply rose a whopping 137 percent.

CREA chief economist Klump says when the economy begins to rebound in the third quarter of 2009, so too will inflation, and real estate generally does well in an inflationary environment. "So the price declines are not expected to last."

— with files from *The Canadian Press*
(Monte Stewart can be reached at monte@businessedge.ca)

CREA expects rookie realtors may re-evaluate careers

By Monte Stewart
Business Edge

As Canada goes through a winter of economic woes, the blooms are starting to fall from the rose-coloured glasses of rookie realtors.

"The expectation is that people will be getting out" of the home-selling business, says Beth Crosbie, who heads a Canadian Real Estate Association (CREA) taskforce that is attempting to help younger realtors survive startup difficulties.

Crosbie says CREA had approximately 100,000 members last year and is expecting 97,000 this year, but is contemplating a contingency plan to handle a decline of 5,000 to 15,000 members. While the full impact has not yet hit, the number of new licensees is starting to decline across the country.

In the past few years, newcomers entered the business in hope of capitalizing on a hot market. Now, with constant public focus on the recession, interest in a real estate career is cooling.

"We're definitely seeing some drop-off in (new licensees)," says Crosbie. "Most areas of the country aren't seeing numbers getting out in any big amount. However, we're all expecting it. That's only a matter of time."

"Particularly, western (real estate) boards that have been really heavily hit with price drops are budgeting in (lower) numbers."

The CREA taskforce is attempting to gather more information about the methods and challenges of new realtors and how they use social-networking technology, such as Facebook and YouTube, to reach customers.

"There's a recognition that our next-generation realtors operate on a very different level than we do," says Crosbie. "They're far more into social networking and internet use. All of that is second nature to them... They have a different set of expectations and how they deal with people and how they social-network."

"This is an effort to bring them in, because they're our future leaders, and we want to make sure that the association is providing them with the right tools and services for their style of work."

But, she adds, younger realtors may not suffer as much financially in today's tough market, because they have reduced expenses by using the internet more and paper less often.

CREA, which represents realtors across the country, does not track realtor exits and entries according to age and experience. New licensees usually represent the best indication.

"In the last five years, we've seen unaccountable (high) numbers coming into the business," says Crosbie.

Many realtors have obtained their licences after retiring from, or reducing the amount of time they spend on, other careers. Crosbie expects most departures will comprise young realtors who do not have the networks they need to develop sales and older people who are trying to supplement their income.

Many younger realtors don't understand the volume of work required to make a career successful, says Tanya Rocca, 30, a Burlington-based realtor who teamed up with her sister Cathy, 36, when they both obtained their licences three years ago.

"The market that we're coming into is going to weed out a lot of what we coin as 'part-timers' or people who are just coming in because they see... an easy, get-rich-quick potential," says Tanya, whose brother is also a realtor in Toronto.

Most new realtors, Tanya adds, last an average of six months because they don't understand that being a realtor, an independent contractor, is like owning a business.

"The reality is, the (licensing) courses are just the beginning," she says. "It's a matter of developing a business. A lot of people don't have the persistence."

See EXCEPTION

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EXCEPTION from Page 4

Hard work ahead for young realtors

Kate Burkard, 29, a Vancouver-based realtor and co-owner of a boutique agency, Blu, says the market has totally changed since she entered the industry six years ago after working in the fine-dining service sector.

"It's tough," says Burkard. "It's a totally different game than when I first started. You've got to work a bit harder and learn a bit more about how it all works."

Burkard, a member of the nine-member CREA young-realtor taskforce, considers herself an exception to other newcomers in that she has co-owned an agency for about half of her career with Shawn Lee and Neal Uchida, who all have the same level of experience.

But some of her peers have not been so fortunate. Many realtors, she says, entered the business looking to strike it rich early, only to suffer.

"I know a bunch of offices have closed down," says Burkard. "I know a lot of realtors are going to discount brokerage houses. It's a tough business if you've got overhead and you haven't closed anything in four or five months and you don't have any savings. It's an expensive job to be in if you're not selling."

But Burkard, who specializes in selling lofts, does not see the downturn as a total turnoff. She predicts the bad times won't last much longer, and believes a slower market actually spells a "normalized" market.

"For any realtor, it's kind of a good thing when it's not as crazy," she says. "You can do your job, really, for what it is. It's stabilized, so it's a little bit healthier."

Veteran Calgary realtor Colin Sloan says he's doing well in this type of downturn, which he has seen before. He advises realtors to make sure that list prices are reasonable, buyers have the financial means to purchase a home, and both buyers and sellers are motivated.

"That means they have a definite reason to sell or a definite reason to buy," says Sloan.

Sloan suspects some Calgary realtors have returned to previous careers, while he has seen a few others retire by choice, not due to market conditions. But he has not yet noticed a large increase in realtors leaving the industry.

"In the last five years, because of the upward-trending market, there were a lot of new realtors who got into it," said Sloan. "Whether or not they stay, you'll find that out in the next year or two."

(Monte Stewart can be reached at monte@businessedge.ca)

Ontario dodges recession - for the time being

The Canadian Press

Ontario's economy managed to skirt a recession with a slight bounce in the third quarter amid warnings that a contraction is looming due to rising unemployment and difficult global conditions.

The province's gross domestic product grew by 0.1 percent in the July to September period, following a 0.2 percent increase the previous quarter - a small boost that means the province continues to avoid a technical recession.

"This is a very glass half-full, half-empty sort of outcome," said senior TD Bank economist Craig Alexander.

"What it tells us is the Ontario economy was very weak but it did manage to avoid a contraction."

From a worker point of view, there is still reason for concern.

Jobless numbers released recently show Canada shed 34,400 jobs in December as the unemployment rate jumped three-tenths of a point to 6.6 percent.

In Ontario, the unemployment rate rose to 7.2 percent from 7.1 percent the month before.

"There's been a lot of challenges from an industry point of view with significant job losses in manufacturing," Alexander said.

The unemployment rate "is running sixth-tenths of a percentage point above the national average, and what that tells you is that Ontario is feeling the brunt of the economic weakness."

TD is forecasting flat growth for the province in 2008 and a 0.5 percent drop for the fourth quarter. For 2009, Alexander expects Ontario's economy to shrink by 1.8 percent.

"We will see the Ontario economy

experiencing a contraction because the Canadian economy overall is in the midst of a recession," he said.

Ontario Finance Minister Dwight Duncan wasn't immediately available to comment on the numbers, but has said he is more worried about a long period of slow growth than a recession.

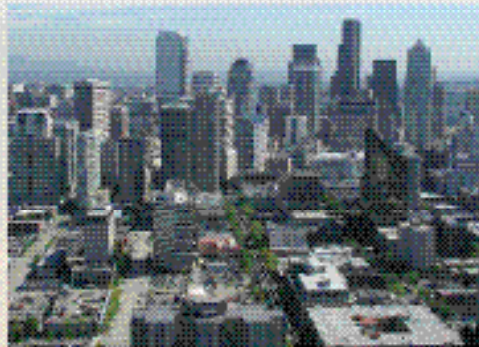
Premier Dalton McGuinty has warned of tough times ahead as the province faces its first deficit in years and struggles to work its way out of its newly acquired have-not status.

Massive job losses in Ontario's key manufacturing sector and dwindling revenues have left the province starting down a \$500-million deficit, which could balloon amid a bailout package for struggling automakers.

In the third quarter, the Canadian economy grew by 0.3 percent and the U.S. economy declined 0.1 percent.

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- Warren Buffet on CNN Money

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In both Chinese and
Japanese, "Crisis" is written
with two symbols, the first
meaning "Danger" and the
second "Opportunity"

EXPECTATION from Page 1

'Good time to renegotiate rents' in Toronto

The effects of that recession were mitigated by "a lot of dot-com entrepreneurs then who were leasing large amounts of space with the expectation that their business would take off overnight. The banks were financing them and landlords were more than willing to give them space," he said. "This time, it's more the institutional investors and large pension funds that are calling the shots."

MacCulloch said Vancouver is holding up well because of office space leased for the coming Olympics, even though that could mean a flood of new inventory could come on the market mid to late next year.

Ziegel cautioned it's been difficult to track how much Vancouver space has been leased because of the Olympics.

"The challenge is you have so many different agencies that are involved, so nobody really knows how much of that space is for the Olympics," Ziegel said. "That should still carry them over into early 2011 when people will at least have a better idea of where the economy is going."

Commercial vacancy levels in Vancouver dropped from 4.7 percent in the fourth quarter of 2007 to four percent during the third quarter of 2008, with marginal rents increasing to \$24.50 per square foot for the same period. And an emerging sublet market with no new projects planned until at least 2012 could put downward pressure on rents.

Industry observers note the Edmonton market is stable, with about 780,000 sq. ft. of office space under construction late last year. Activity is still moving forward on schedule at locations including the Epcor Tower and the Professional Building. Average rents are expected to hover about \$32 per square foot with a low vacancy rate of 3.8 percent as of last September.

But analysts are casting nervous glances at the price per barrel of oil, especially when Calgary is mentioned.

"Edmonton is not as affected by the oil and gas sector as Calgary, even though you will see some indirect effect," said McCulloch. "Calgary will absolutely see a softening of demand."

The dollar value of commercial real estate deals signed in Calgary in the first three quarters of last year was \$2.9 billion, according to a report from Avison Young – up \$118 million, or about four percent, from the same 40-week period in 2007.

However, the number of deals involved was lower, according to figures in Avison Young's *Fall 2008 Calgary Investment Review*, which showed 196 transactions for all six asset classes during the first nine months of 2008. That's compared with 296 sales a year before.

Ziegel said Saskatoon and Win-



Illustration courtesy of Brookfield Properties

Brookfield's Bay Adelaide Centre in Toronto could feel economic pinch.

nipeg are also doing well, despite last year's volatile commodity sector. "They're doing fine and should continue to perform well in 2009," he said.

A Colliers report showed \$327 million worth of commercial deals were signed in Winnipeg during 2008, less than half of the \$700-million record set in 2007.

Local news reports pointed out the

2007 numbers were bolstered by a number of sales in the \$50-million-plus range, including the Sun-X Industrial Portfolio (\$180-\$200 million) and the Commodity Exchange Tower/Winnipeg Square (more than \$100 million).

But Toronto could be a different picture. Most of the downtown office space is in the city's financial district, which has already been affected by a

Commercial rent

Average commercial rents in major cities for Q4, 2008, per sq. ft.

- Vancouver \$24.50
- Edmonton: \$32
- Calgary: \$48
- Toronto: \$22.90
- Ottawa: \$17.23

Source:

Colliers International

struggling national economy and fallout from the U.S. housing and credit crisis.

New office space under construction, including the Bay Adelaide Centre, Telus Tower and RBC Centre, is expected to finish within the next couple of years, which will drive market activity by increasing supply.

"This is a good time to renegotiate rents if they become due," said Ziegel. "It's lots of opportunity for tenants right now if they are in that kind of position."

Garry Lander, chair of the Toronto Real Estate Board's commercial division, admitted the last part of 2008 was "challenging," even though numbers increased slightly.

Vacancy rates have been on the decline for the past year, going from 5.6 percent in the fourth quarter of 2007 to 4.5 for the same period in 2008. At the same time, rents continued to climb from \$21.36 to \$22.90 per square foot in the same time frame.

"For 2009, we believe what's happening in the United States will happen to us. It's going to be a tough year for sure," said Lander.

Predictions over how long Canada's commercial real estate market will feel the chill were mixed.

"I don't think anyone really saw this coming," said Colliers International's MacCulloch.

"Landlords are all going to be competing against each other. They haven't been offering any unusual or creative incentives yet, but that might come soon. It's going to be a year before things will turn around, possibly much more. It's hard to tell."

At Cushman & Wakefield LePage, Ziegel agreed. "We are in tough economic times, so it's certainly hard to tell. When the market does start to turn around, though, it's going to happen very quickly," he said. "We're in the information age, and news travels very quickly."

In Toronto, Lander said he was hoping the economy would start to recover by early next year. "Everyone is just watching and waiting right now," he added. "We really aren't sure what to expect."

(David Hatton can be reached at hatton@businessedge.ca)

Nortel faces hurdles in bid to become viable

The Canadian Press

Nortel Networks Corp. (TSX:NT) will probably survive its time under bankruptcy protection, but it faces several huge hurdles on the way to becoming a viable company again, and whatever emerges from the wreckage will be a shadow of its former self, analysts say.

In the days following the telecommunications equipment manufacturer filing for bankruptcy protection in both Canada and the United States, Canadians are pondering the future of the company that was once the country's most famous stock.

Whatever happens to Nortel in the long run, the process of getting there isn't going to be pretty, said Andy Woyzbun, lead analyst at Info-Tech Research Group.

Woyzbun, who advises customers of information technology companies such as Nortel, said one of the biggest challenges the company faces now is attracting new clients.

"I think that it would have been a challenge in a normal economy. It becomes extremely difficult in this economy," Woyzbun said in an interview.

He said existing Nortel clients – primarily phone companies and businesses or public-sector organizations with their own phone systems – will probably continue to buy from the company, but even purchases from old clients will shrink due to the recession.

"What I would be concerned about is if you're starting from scratch, buy-

Quotable

"They're not going bankrupt because of their products or their industry or management decisions, although all of those contributed. Nortel was a leaky boat that got hit by a hurricane."

– Duncan Stewart, of DSAM Consulting

ing new, and Nortel is on your potential vendor list. You'd better have a pretty good reason why the Nortel product is superior than anything else before I would buy it," Woyzbun added.

Duncan Stewart of DSAM Consulting said he doesn't believe customers should worry too much, because even if Nortel goes out of business entirely, someone will buy up its divisions and continue to support the products.

He said what Nortel does is "interesting enough and profitable enough" that it's "not going to go away."

But it's not nearly as certain whether Nortel itself will continue to

exist, at least not in its current form.

The company has been struggling with its balance sheet for years, and these issues have only been exacerbated by the current economic climate, Stewart said.

Nortel currently has approximately \$4.5 billion in debt, \$2 billion in pension obligations, and \$2.3 billion in cash and restricted cash.

However, approximately \$400,000 of that cash is tied up in a troubled U.S. money-market fund and as much as \$1 billion could be tied up in a joint venture with LG, Stewart said.

"They're not going bankrupt because of their products or their industry or management decisions, although all of those contributed," Stewart said. "Nortel was a leaky boat that got hit by a hurricane."

Stewart predicted the company will sell itself off piece by piece until what's left is a small but streamlined version of the once-colossal tech company, which has already trimmed itself down to less than one-third the workforce it had at its peak in 2000.

"What happens is, Nortel sells one division, sells another division, renegotiates its debt, renegotiates its pension obligations, restructures itself and is a \$1-billion to \$2-billion enterprise data company – a phoenix rising from the ashes," Stewart said.

Woyzbun said the real danger is the company will stop spending on research and development in the meantime, making it an irrelevant player in an industry that must

constantly innovate.

"Nortel works in an industry that survives through technical innovation," Woyzbun said. "My suspicion is that they've taken and will continue to take big bleeding chunks out of their R&D capacity. . . . They're not going to eliminate their sales organization, they're not going to eliminate all of their manufacturing capabilities, so what's discretionary? R&D."

Shares in Nortel once traded for as much as \$124.50. They are now a penny stock.

Long-suffering Nortel has been trying to restructure for more than three years and becomes the first major North American technology company to be forced into bankruptcy protection by the global downturn and credit market crunch.

North America's biggest maker of telecom gear has faced a variety of troubles since the telecom bubble burst eight years ago – including accounting problems that devastated its stock and led to criminal charges against former executives.

The company directly and through joint ventures employs about 30,000 people around the world, including 5,800 at Canadian operations in Ottawa and Toronto.

Nortel once had more than 95,000 employees and a stock market value of C\$366 billion on the Toronto Stock Exchange, making it Canada's most valuable company. One day after filing for bankruptcy, the company was worth just over \$64 million.

Auto sales slump should stabilize at end of '09: economist

The Canadian Press

A new report predicts a double-digit drop in global auto sales on a year-to-year basis will continue through the first half of 2009.

Scotia Economics says, however, that it expects purchases to stabilize in the second half, limiting the slump to an average of eight percent for 2009.

Senior economist Carlos Gomes says the falloff will be steeper than the five-percent average drop in 2008 – the first downturn since 2001.

He says actions taken by central banks around the world and stimulus packages being introduced by many governments should lead to some stabilization in vehicle purchases.

Gomes notes vehicle sales held up better in Canada through October, but are now being pulled lower by the global financial crisis.

He says purchases fell 21 percent year-over-year in December, leaving full-year 2008 sales at 1.64 million units – virtually unchanged from 2007.

However, Gomes expects sales in 2009 to fall to 1.475 million units,



File photo by Ken Kerr, Business Edge

Canadian sales of North American-made vehicles, including Ford, declined by 7.9 percent in 2008 while foreign sales rose 6.3 percent.

the lowest level since 1998.

Foreign automakers sold 51.2 percent of vehicles in Canada last year as all three North American automakers saw their share of the market shrink.

For the full year, the Detroit Three's

Canadian sales declined by 7.9 percent to 787,378 vehicles. Foreign automakers' sales rose 6.3 percent to 848,608.

Meanwhile, a survey by international accounting and consulting firm

KPMG found that nearly half of senior automotive executives believe the industry will be beset by declining revenue growth for the next five years.

The annual survey of global executives found that 77 percent of respondents expect a dramatic increase in insolvencies, up from 36 percent last year.

Respondents also said they are anticipating more restructurings and M&A activity in the industry.

"Prior years' KPMG surveys saw modest improvements in optimism for the future. However, the 2008 survey saw a change for the worse as global economic instability intensified during the second half of 2008," said Doug Dawdy of KPMG.

"The short-term impact of this instability on the global auto sector is declining revenues and profitability, which can result in increased insolvencies. As such, distressed M&A activity in the sector is inevitable."

Executives said alternative fuels, fuel efficiency, new technologies and emerging markets in the developing world present the chief opportunities for the auto industry over the next three years.

20 Questions



Brennan O'Connor, Business Edge

New CAW president Ken Lewenza checks out a DHC-8-400 jet at Bombardier's North York plant, which employs 2,900 CAW members.

CAW boss stands firm on job protection

Union chief blames global financial chaos – not workers' wages – for crisis

By Monte Stewart
Business Edge

Ken Lewenza is still adjusting to all the traffic in Toronto. But the new president of the Canadian Auto Workers union, who has relocated to Canada's largest city from his hometown of Windsor, would be ecstatic to see more cars come out of assembly plants in southern Ontario – and car parts emerge from other facilities across the country.

Lewenza, who replaced the retired Buzz Hargrove in September, is the new voice of Canada's auto sector at what is likely the most troubling time in its history.

The Canadian Big Three and Detroit Three automakers (General Motors, Chrysler and Ford on their respective sides of the border), as well as politicians, are calling on him for help in saving the industry.

But, in no uncertain terms, Lewenza is resisting. The sector is in trouble through no fault of the CAW, he says.

"This isn't a labour-cost problem," says Lewenza, noting that even Toyota, which has been the most successful auto manufacturer in the last 10 years, is laying off tens of thousands of workers and temporarily shutting down plants. "Surely to God, it's a global financial crisis and it's got nothing to do with wages and benefits."

The CAW provided multiple concessions to help the Canadian sector compete with its main rivals from Germany, Japan and the U.S. before the global financial crisis struck, he adds.

1. What are your parents' backgrounds?

"My father was a Chrysler employee. Prior to his death, he spent 30 years at Chrysler, quite a bit of that time as a workplace steward. Unfortunately, he retired after 30 years and he eventually had a stroke and passed away at age 57. So I've kind of followed my father's footsteps in terms of leadership positions, but he never ran for a position higher than steward. The longest job my mother ever had was in a catering business, because she was a mother of eight. I've got three brothers and four sisters, all of us are within a year and a half of each other. We came from a three-bedroom (home in a) working-class neighbourhood. I tell people it's almost unimaginable today that you would share a bedroom with three brothers – but we did, and we succeeded."

2. How many auto plants were in Windsor when you were growing up?

"Well, I can't tell you the exact number, but in Local 444, where I came from, the Chrysler facility had five major plants. It was the No. 1

employer when I was growing up . . . Ford had a huge presence, General Motors had a huge presence and, obviously, the (parts) supply chains had a huge presence there. The community was an industrial manufacturing community. That was the economy – blue-collar work."

3. How did the industry shape your early life?

"In Windsor, everything was associated with the auto industry. When the new Firebirds and Camaros came out, they were the topics of discussion. It was cars, cars, cars."

4. What was your boyhood dream?

"I don't know that I ever had a boyhood dream. I was maybe a little rebellious, maybe a little bit immature during my high-school days. Maturity came pretty quick when I was 16. I just turned 17 when my girlfriend at the time had a baby. To tell you the truth, there wasn't a lot of time to be fantasizing about any dreams."

5. How did being a teenage father affect your life as a whole?

"When I look back today, I think it was a huge advantage . . . My wife was a year younger than I was. Her parents, which would be my in-laws, were very supportive. My ability to enjoy my friends and go out and do things that I liked to do wasn't handcuffed, because my in-laws were very much excited about being part of my

son's life. I'm sure I was nervous at the time, but you go from nervousness to being a parent. I would suggest that it was a good time in my life."

6. How did you end up working at Chrysler in 1972?

"I was working for a minimum-wage job (at a fire-prevention equipment company) for a very good guy in Windsor that gave me a job. I desperately needed a job, obviously. Then, at age 18, I got a call from my dad – and this is how it worked back in those days – that said: 'Chrysler's hiring. Why don't you walk down to the Chrysler employment office and put in an application?' That's what I did, and I was hired almost instantly."

7. How did you get involved with union leadership?

"I think everybody was a union member in Windsor. I grew up in a union culture. As a young kid, I went to membership meetings with my father. So, when I went to Chrysler, I had a pretty good understanding of the union and what the union stood for. Back in those days, it wasn't unusual that union buddies would be at the house on a regular basis. Even at a young age, you'd kind of grasp what they were talking about in terms of workplace issues. I didn't plan on following my father's career."

See 20 QUESTIONS

Page 10

Advertising Feature

U.S. investing is a cinch with Jaymor

Use Jaymor's expertise to take advantage of real-estate slump

Canadian investors seeking an intelligent strategy for taking advantage of drooping U.S. real estate prices owe it to themselves to get to know Fabrizio (Fab) Lucchese of Richmond Hill, Ont.

Approachable and knowledgeable, Lucchese knows the U.S.



Fab Lucchese, the Jaymor Group, to those still unacquainted with this rising Canadian real estate investment team.

Jaymor boasts more than \$500 million in assets and has applied its know-how and experience to the structuring of numerous tax-advantaged projects that have helped more than 2,000 passive investors to diversify their portfolios while minimizing their tax payouts.

As Jaymor's active operating partner and president, Lucchese has repeatedly demonstrated that the syndicated purchase of carefully selected rental properties can bring investors reliable returns and tax advantages, combined with only moderate risk and limited liability.

Jaymor operates via a highly successful formula that has made buckets of money for investors, most of whom have never regretted their decision to enter into a syndicated purchase agreement. At the moment, Lucchese is directing his energies towards the soft real estate market south of the border.

"Everybody knows the U.S. economy will turn around at

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some point," says Lucchese. "That makes real estate a quality investment for the long term. But it makes no sense for risk-averse buyers to go down there on their own, to take their chances, unaided, in an unfamiliar market. If they partner with Jaymor, which has an outstanding track record in these areas, they have a much greater opportunity to profit from the experience."

With Jaymor, you're able to participate in the purchase of lucrative U.S. rental properties, each managed by the company's own U.S.-based property management subsidiary, while leaving all the administrative and management headaches to Lucchese and his competent, trustworthy team. "Most recently, we've been concentrating on the state of Texas, where we're finding a number of outstanding opportunities," Lucchese continues.

In most cases, Jaymor conducts its real estate

purchases this way:

Passive investors are invited to come aboard and join a limited partnership that has purchased under-managed, undervalued properties in carefully-targeted neighbourhoods of a promising city such as Houston or Dallas. Jaymor has done equally well in other American states, including Florida and North Carolina.

As a matter of policy, the company targets revenue-producing residential properties, most of which are low-rise, multi-family dwellings in under-rated neighbourhoods, where property values seem destined to appreciate over the medium to long term. Where necessary, renovations and other improvements will take place.

But there's much more to Jaymor than the acquisition of rental properties and the syndication of limited partnerships. This is no one-trick pony.

Since incorporating almost two decades ago, Jaymor has rap-

idly evolved into a fully integrated real estate team, operating its own property-management

subsidiaries and branching out as an outstanding real estate developer in its own right, with active real estate developments in Ontario and the U.S.

"Jaymor operates on its own unique model," says Lucchese. "We've worked hard to differentiate ourselves from the competition. Here's a good example: Unlike others, we don't look for money from investors in order to finance the acquisition of an asset. As a rule, we buy the asset first and invite the investors to participate after the fact. That reduces risk for our investors.

"We identify the asset, proceed with due diligence, raise the cash to finance the purchase, and then acquire the property long before our investors get involved," he says.

Each Jaymor acquisition is structured in such a way as to provide Canadian investors with a highly attractive package of tax deductions throughout the first five years of ownership.

"Those investors who borrow 100 per cent of the stake required to participate in our process have been thrilled to discover that there's enough short-term cash flow and tax savings involved to put them significantly ahead of the game during the early phases of our limited partnership agreement," Lucchese says.

"And once we're able to turn a property around, generally within three to five years, we offer our investors a chance to take some equity off the table via refinancing. After five to 10 years, most of the initially attractive tax advantages are gone, but now we're looking at disposition for a final return to investors."

Does it work? And how. In 19 years, Jaymor has never lost on an investment deal and has never been foreclosed upon. Nor has any investor ever lost a dime.

This is a credible, efficient, well-respected team that is well worth a closer look.

For additional information,

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20 QUESTIONS from Page 8

Leader seeks sector 'investment', not bailout

"But in 1975, three years after I was hired, my friend got elected steward and he offered me his alternate's position. Back in those days, if a full-time steward took a day off, you functioned as the steward. Then in 1978, I actually ran for the full-time steward's position. I was 23 when I got elected and I was elected every three years after that to multiple positions."

8. How has your life changed since you became national president?

"It's changed significantly, because I left a community that's very dear to my heart. Not just growing up there, but the CAW in Windsor and Essex County is a significant force on social issues, on political issues, on being part of the economic and social fabric of the community. What I think is much different in a smaller community is our ability to come together, even when we have differences of opinion, for the best of the community. I always enjoyed that in Windsor... Toronto is challenging, to be honest with you. The reality is, I'm not used to the traffic. In Windsor, you can go from one end of the city to the other in 15-20 minutes at the most, or from one little town to another within 40 minutes. Toronto is obviously a little bit different in terms of the population density. But what I'm learning is, the job that I had at Local 444 is not much different than at the national level – except at the national level, you're more accountable to members in sectors of the economy throughout Canada."

9. Did you feel like you had to hit the ground running after you were acclaimed as president?

"Oh, there's no question. Buzz (Hargrove) was a progressive, challenging, controversial leader with great integrity. You don't get that reputation by not having the energy and determination, and the will to do whatever you can and put in as much effort as you can. Replacing that kind of a guy could be daunting under the best circumstances. This is the first real recession in the last two decades, and a recession that's much different than any of the past. The jobs we're losing today are most likely gone forever as a result of the manufacturing sector in decline and the incredible pressure in the auto industry, which is having a spinoff effect on all of the autoparts sector that we represent. But I think our union culture over the last 20 years has positioned us (well) because of our diversity. When we formed the CAW, we had 80,000 mostly industrial workers in our union, which was auto and aerospace concentration. Today, we have 225,000 members in gaming, in retail, in health, in fisheries, in mining. Every sector of the economy is now represented by the union. Even though we're going through some challenging times, we have the strength of staying together."

Ken Lewenza

- **Title:** President, Canadian Auto Workers Union.
- **Born/raised/age:** Windsor/54
- **Education:** Lewenza attended school until Grade 11, when he quit because he was about to become a father.
- **Family:** Lewenza lives with his partner, Laurie Dritton. He has two sons, aged 37 and 33, from a previous marriage and two grandchildren.
- **Career:** After leaving high school, Lewenza worked for a fire-equipment business in Windsor for two years and then landed a job as a muffler installer at the Chrysler auto plant. In 1978, he was elected as a CAW Local 444 steward in the chassis division. He moved on to full-time union roles of committee person, chairman and vice-president. In 1994, he became president of the local. He also served as president of the CAW Council, which the union describes as its parliament. He was acclaimed as the CAW's national president last September, replacing Buzz Hargrove. Lewenza has chaired the CAW's master bargaining committee during the last five rounds of contract negotiations with the Big Three automakers – Ford, General Motors and Chrysler.
- **Moonlighting:** Lewenza serves as an executive vice-president with the Canadian Labour Congress. He has held board positions with the Windsor and District Labour Council, Motor City Credit Union, Guardian Board of Windsor, Community Development Group, Hotel Dieu Hospital Board, the AIDS Committee of Windsor and the United Way of Windsor-Essex County. He withdrew from the community boards last fall when he moved to Toronto to become national CAW president.
- **Passions:** Union and family.



Ken Lewenza

10. What do you see as the main challenges in your new role?

"Jobs. The Canadian economy.

Positioning ourselves for future investment to make sure that we secure some manufacturing in Canada. For the last

decade at least, we've seen huge shrinkage in the auto industry. We've been telling government for at least 10 years that we need reciprocal trade agreements where, if people want access to our market, they've got to give us access to their market. If you don't have those kinds of reciprocal trade agreements, there goes our industrial base in Canada."

11. What role can the CAW play in assisting, or for lack of a better term, bailing out the auto industry?

"We can play an increasingly important role. First of all, I don't use the term bailout. I see it as an investment. We predicted that market forces – as a result of transplant vehicles from Japan and Korea and other manufacturers coming into the North American market – would eventually impact the Detroit Three. We argued in Canada during the Auto Pact days in 1968 that the only agreement you could have, really, with trading nations that manufacture automobiles is: 'If you sell 'em (here), you have to build 'em (in Canada).' Companies like Toyota and Honda came to North America on that kind of a premise... But 30 percent of the vehicles that are sold in Canada are still built offshore whereas, in total, less than five percent of the vehicles that we build in the United States and Canada are sold offshore."

See TURNAROUND

Page 11

Advertisement

Growing your business in a challenging climate – Part II

By Rob Driscoll
Business Edge Publisher

The response to our "Growing Against the Grain" program, in which we work closely with owners/decision makers to help grow their businesses, has been nothing short of inspiring.

It seems there is no shortage of local entrepreneurs who look at this challenging economic climate as a good opportunity to earn market share. Several companies have signed up for Growing Against the Grain (GATG) while others have asked for more details on how the program works.

To help you better understand, I will take you through the process using the experience of one of our early GATG participants, Eileen Ashmore of E.M. Ashmore & Associates.

When Eileen first contacted me, we had a good chat about her business and her objectives for 2009. She felt that, more than ever, business owners could benefit from her expertise in strategy, planning and coaching, and that it was time to get more aggressive in her marketing to assist clients in moving forward in 2009.

Eileen appreciated the fact that Business Edge News Magazine is delivered to an unrivalled 63,000+ local businesses and wanted to have a regular presence in the publication, but noted that she didn't have a large

advertising budget. So we came up with a campaign in which she would have a small ad (business-card sized) in all 26 issues throughout 2009, which would cost less than \$1,000 per month.

Then Eileen showed us an ad concept she had been working with. My colleague Allie Montgomery (winner of the prestigious White Hat award for excellence in customer service) and I reviewed the message and offered suggested revisions. Eileen liked the changes, added another of her own, and then we had our wonderful designer Carrie Poyser lay out the ad in two different styles.

We also contracted national-award-winning photographer Larry MacDougal to do a photo shoot with Eileen at no extra cost to her.

The net result is a well-designed advertising campaign that we are confident will increase brand awareness and generate substantial business.

For more information on the Growing Against the Grain program, contact me any time at 866.216.3343 ext 25 or rob@businessedge.ca.

be
Business Edge

TURNAROUND from Page 10

Trade reciprocity sought for auto industry

“So there’s still this disparity in terms of reciprocal trade agreements. When the global financial crisis hit, it really undermined the turnaround plans of the Detroit Three, because they were restructuring. We worked with the Detroit Three. We protested against job losses. But at the end of the day, the market forces substantiated the companies’ downsizing, and we worked with the employers to restructure. We provided enhanced retirement benefits. We allowed junior people to sever their employment to go to other occupations. We did everything we could to minimize the pain. On top of that, we recognized that productivity in our workplaces – and I’m talking 10 years ago – wasn’t leading the industry. So we focused our attention on working with the companies to improve productivity. Today, all of our Canadian plants are at the top, if not the best, in their categories . . . When we talk to the government, we say that we’re doing the things that are important in terms of turning the industry around, but you’ve got to help us on this reciprocal trade stuff.”

12. Would the CAW consider using some of its pension fund or other money to assist the Big Three automakers?

“We don’t control our pension fund. Our pension funds in the Detroit Three are totally controlled by the corporations. There’s funding regulations in Canada. As a result of this financial crisis, we’ve indicated to government that we would work with the employers and regulatory bodies around pension-funding requirements to give the companies more time to fully fund the programs and spread it out, instead of over three years, maybe five years, six year or seven years. We told government we were supportive of that, providing there was a guarantee that our pensions were protected.”

13. What’s your position on wage rollbacks?

“We’re resisting. Both the federal government and the (Ontario) government have both put us on notice that they expect to see us do something to continue to reduce the costs of the Canadian Three. Our competitors are Germany, Japan and the United States. I can assure you, as national president, that we won’t do anything that puts us at a disadvantage against those competitors. The reality is, today we’re very much competitive with industry standards. That race-to-the-bottom theory is just not something that we’re going to accept.”

14. How will you avoid conflicts with CAW members who work at autoparts plants that may not benefit if you help large

Canadian Auto Workers

- **Brass:** Ken Lewenza, president; Jim O’Neil, secretary-treasurer; Jean-Pierre Fortin, Quebec director.
- **Profile:** The CAW, one of Canada’s largest private-sector unions, began in 1937 as the Canadian region of the U.S.-based United Autoworkers Union. In 1984, the CAW split from the UAW in a bid to negotiate its own contracts. The CAW has since merged with several smaller unions, including the Fishermen, Food, and Allied Workers and the Canadian Brotherhood of Railway Transport and General Workers. Today, the CAW’s 261,000 members include workers in many sectors.
- **Stats:** The CAW has 225,000 members in automotive, aerospace, forestry, gaming and a variety of other sectors.
- **Structure:** The CAW is governed by an elected National Executive Board that oversees union councils and locals.
- **Website:** www.caw.ca
- **HQ:** 205 Placer Court, Toronto, M2H 3H9
- **Phone:** (416) 497-4110

automakers?

“The autoparts sector, even outside of the global financial crisis, is going to have to restructure. There’s going to be less Tier I autoparts suppliers. You can’t build five million less vehicles and assume it’s business as usual in the autoparts sector. The pressure on the autoparts sector has already been horrendous, because of the restructuring of the Canadian Three. They have downloaded the cost to the autoparts sector for the last two years. We have worked incredibly hard – creatively, innovatively – to improve productivity and we’ve made little or no gains in the autoparts sector in the last couple years. We’ve been, in most cases, just holding on and, in some cases, making major compromises. We’ve already had to do some very creative bargaining. We’ve resisted direct wage cuts, but wage freeze and cost of living protection and those issues that were culturally important to us have not been attainable in the last couple years. Quite frankly, we’re working our asses off to keep our autoparts suppliers in business . . . In manufacturing in general, our culture today is to reduce the pain to our members.”

15. So, in the event of a bailout, there’s no conflict of interest between CAW members who work at Big Three automakers and parts plants?

“No. Our relationship with the Canadian Three strengthens our combined relationship with the autoparts sector.”

16. What is the CAW doing to ensure its members are heard by politicians?

“The workers didn’t create this global financial crisis, so we have been very forceful in demanding government action. We were one of the first unions, if not the first union, that came out and was incredibly aggressive against (federal Finance Minister) Jim Flaherty and (Prime

Minister) Stephen Harper’s economic statements. (They) attacked collective bargaining, attacked pay equity, attacked political-party funding but didn’t talk about the core economic challenge that we were facing. In fact, it was totally ignored. We played a fairly significant role, in collaboration with the Canadian Labour Congress, to come together for the benefit of the economy – not for the good of the New Democratic Party or the Liberals or the Bloc (Quebecois) . . . We were able to bring Gilles Duceppe, Jack Layton and Stephane Dion together . . . Some people called it a crisis. I called it democracy.”

17. What do you say to people who say that Ottawa shouldn’t provide bailouts?

“Governments in every province in Canada, and every state in the United States, provide some incentives for investment. That’s what economic

development is all about. That’s what the collective tax base allows us to do – reach out to whoever wants to do business and provide some opportunities. If we can’t support the key industries in Canada, then what can we support? Every single country that manufactures automobiles has recognized automobile manufacturing as a key industry, and is now supporting their industry.”

18. How do you manage your diabetes and high blood pressure during these stressful times?

“Through medication. I’ve been lucky. My life turned around three years ago when I changed doctors. The doctor said to me when I walked into his office: ‘Mr. Lewenza, I’m not a treating doctor. I’m a preventative doctor, and I’m going to get your diabetes and high blood pressure in order. You’re going to have to take some medication and you’re going to have to watch yourself a little bit.’ I’ve got everything in order.”

19. What do you want your legacy to be with the CAW?

“Legacy doesn’t mean anything to me. If I last one more day on the job or 10 more years on the job, the only legacy I want is for people to recognize that I worked my ass off for the union and for the members.”

20. What will you do when you’re not president of the CAW anymore?

“I’ll be retired. There’ll be no second career . . . I’d like to think that I’d go back to Windsor and Essex County and do some fun-filled community services.”

(Monte Stewart can be reached at monte@businessedge.ca)

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'Green' advocates see silver lining in uncertain times

The Canadian Press

It's easier being green these days than one might think, say renewable energy companies, which have honed in on some lucrative opportunities amid the wreckage of the global economic crisis.

"We're in the middle of the largest construction build in the history of our company," said Kent Brown, chief financial officer of Canadian Hydro Developers Inc. (TSX:KHD).

The Calgary-based company currently has seven wind plants, 12 hydroelectric plants and a biomass plant, with several more projects in the pipeline.

"We're in the process of doubling the size of our company within the space of a year. Anything you can think of, it's doubling," said Brown, whose firm employs 140 people across Canada.

The silver lining of the downturn, at least for the green technology sector, is that it will likely prompt governments in both the U.S. and Canada to spend big bucks on infrastructure.

U.S. President Barack Obama recently laid out details of a proposed US\$775-billion economic stimulus package, which would include a doubling of U.S. alternative energy production over three years.

And Prime Minister Stephen Harper said the budget on Jan. 27 will include "extraordinary measures," which could also entail big infrastructure spending.

"You really hit a home run if governments are looking for this on all fronts. It's electricity, it's infrastructure, it's jobs, it's investment and it's green," said Brown.

But others are not so upbeat.

Venture capital investments in Canadian clean technology companies dropped from \$244 million in the fourth quarter of 2007 to \$25 million in the fourth quarter of 2008, according to data from San Francisco-based Cleantech Group LLC.

"Capital flows are becoming more scarce and investors are becoming more conservative," said Brian Fan, senior director of research for the firm, which promotes environmentally friendly investing.

Vancouver-based Westport Innovations Inc. (TSX:WPT), whose technology allows medium and heavy-duty vehicles to run on clean-burning fuels, has not been affected much by the economic downturn yet, chief financial officer Elaine Wong says.

"A lot of our products today are sold to municipalities, governments and so we're not seeing any slowdown in demand for that," she said.

"If anything, with the fiscal stimulus packages that President Obama and even the guys in Ottawa have been talking about, we're optimistic."

There has been a big push south of the border, spearheaded by former oilman T. Boone Pickens, to reduce

U.S. dependence on foreign oil by adopting natural gas as a transportation fuel.

Pickens is Westport's biggest shareholder with a 12-percent stake.

Plummeting oil prices have taken the shine off the alternative energy sector, with the price of a barrel of crude falling from US\$147 per barrel to under US\$40 in a matter of months.

But Wong sees that trend as short-lived, which will restore the attractiveness of alternative sources down the road. "This crisis is going to end. And when it ends, we suspect that oil prices will spike back up," she said.

Customers tend to opt for environmentally friendly energy only if it comes at a similar or lower price than traditional types, said Rod Bryden, CEO of private Ottawa-based firm Plasco Energy Group Inc.

Plasco converts solid municipal, industrial and commercial waste into energy. Since waste removal is something municipalities have to pay for no matter what, they have taken well to Plasco's offering.

"The level of interest from communities in getting optimum value from their waste is at least as high, perhaps somewhat higher than it was prior to the September financial markets crash," Bryden said.

Plasco is set to build commercial-scale facilities in Ottawa and in Alberta's Red Deer County.

A prospective investor in Toronto-based Morgan Solar Inc. told the start-up's business development director Nicolas Morgan his company "might

even be a safer bet for his money than a bank."

"I actually feel a little bad saying this, but the economic downturn hasn't really affected us at all," said Morgan, who is working with his business-savvy father and "engineering prodigy" brother on cheaper, more efficient solar panels. We're not having people back out. Everyone who was interested is still interested."

Morgan Solar is currently a "small shop" with a handful of engineers and

business staff, but the firm plans on hiring between 40 and 50 people by the end of the year.

"Economic uncertainty is an opportunity for really good value propositions and really well thought-out business plans," said Morgan, who said the clean-energy angle is not the only reason his business has been successful so far.

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Mansfield David and Michele Officer of Complete Mailing Service.



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be in need of more space. Naturally, that makes us all feel good. We have to believe that we're doing our jobs the right way. For us, that's the only way."

Since Mansfield and his partner, Michele Officer, founded the company 19 years ago, growth has been the whole story. They hit the ground running and have never looked back.

Over the years, they have also developed a philosophy that speaks volumes about the way they do business.

"We believe in taking care of our customers. If we don't, somebody else will take care of them," shrugs Mansfield, who has adopted the words as a corporate mission statement.

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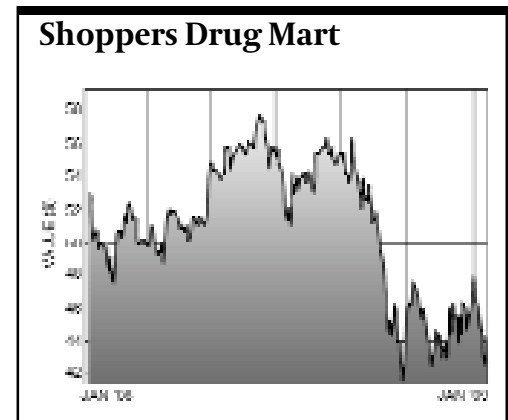
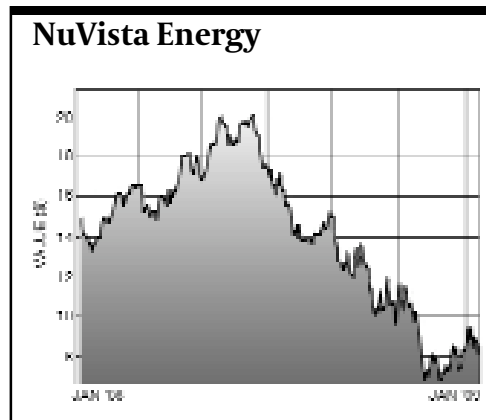
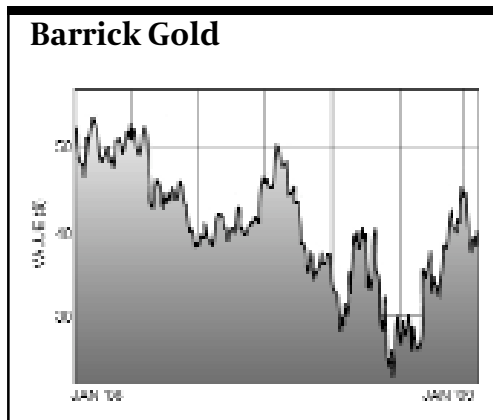
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Financial Edge



Healy's defensive posture earns top ranking Barrick Gold, Loblaw picks help veteran analyst survive wild market ride

By Fern Brooks
Business Edge

Twelve veteran stock market analysts.

Dozens of stock picks running the market gauntlet.

Now, throw in a year that saw the TSX set a record closing high just above 15,000 in June, then crash in the fall for the worst declines in history, torpedoed by the credit crunch and the commodity selloff – particularly oil, which roared to US\$147 in July, then collapsed as quickly as it rose.

Not surprising then that ALL of the *Business Edge Pro's 3 Stars* guest analysts ended in negative territory for 2008.

As three-time *Business Edge* Stock-Picker of the Year **Josef Schachter** so succinctly put it in an interview last October: "We're all in the doghouse."

(The pain was personal for Schachter: **Oilexco**, which had helped propel the oil and gas specialist to the top 3 Stars spot in 2007, was facing delisting from the TSX, dismemberment or a company takeover this year, a victim of the freeze in the credit market.)

In deciding our top stock-picker for 2008, we looked at their 3 Stars track records: We compared the daily closing prices when they chose their companies to market closing prices on Dec. 31, 2008.

This admittedly unscientific survey was designed to reflect what would have happened if investors had held the picks up until the last day of 2008.

In a year of savage market massacres, when the S&P/TSX Composite Index lost 36 percent of its value or about \$700 billion, six of our pros beat or matched the index.

Quotable

"I think the market has discounted 'a' recession, but I don't think it has discounted 'the' recession. (There are) various people in the U.S. now saying the recession is going to be worse and deeper this year. I have been there for a long time with that kind of forecast. The real issue is whether it can turn around in 2009. That's the big unknown."



– **Ross Healy**,
CEO of Strategic
Analysis Corp.

Pro's 3 Stars

Our winner for 2008?

Ross Healy, CEO of Toronto-based **Strategic Analysis Corp.**, ended the year at -11 percent, thanks largely to **Barrick Gold** (TSX:ABX). The stock figured in all three of his 2008 appearances in Pro's 3 Stars and ended the year averaging +44 percent for Healy. The gold sector itself, on the other hand, ended 2008 flat.

Healy's tally was also boosted by **Loblaw Companies** (TSX:L), a consumer staple, at +5 percent. Typically considered recession-proof, consumer staples was a sector that saw one of the softest drops on the TSX, down roughly 12 per cent on the year.

A top-three finisher in previous years, Healy professed ambivalence

when informed of his winning status. "I don't know whether this is a good thing or a bad thing.

"I mean, it's good to win, but that means people's expectations get raised that much more."

Healy added he had expected 2008 to be a tough year, "so I went with things I thought were going to be defensive."

That strategy didn't always work for him – his worst pick was **Canadian Tire Corp.** (TSX:CTC), which ended down 44 percent. "That was a stock we ultimately abandoned."

Caution remains Healy's mantra going into 2009.

"I think the market has discounted 'a' recession, but I don't think it has discounted 'the' recession. (There are) various people in the U.S. now saying the recession is going to be worse and deeper this year. I have been there for

a long time with that kind of forecast. The real issue is whether it can turn around in 2009. That's the big unknown."

Consequently, he is still recommending Barrick as gold insurance for portfolios while tapped-out consumers south of the border retrench and rebuild, and the U.S. federal government deals with balance-sheet issues. "It's one of our key stocks this year."

Edge readers will be happy to learn that the 43-year investment industry veteran has no plans to retire soon. "This is the most interesting environment I have ever been in. Manoeuvring through these markets keeps my mind sharp."

In second spot for the 2008 Stock-Picker of the Year contest was 3 Stars newcomer **Gary Aitken**, chief investment officer of **Bissett Investment Management**, at -17.5 percent. His top pick was oil and natural gas junior **NuVista Energy** (TSX:NVA), which brought him a +7 percent return.

In third spot was **Daniel Bain**, president and chief investment officer of **Thornmark Asset Management**, at -25 percent. His top pick was another consumer staple, **Shoppers Drug Mart** (TSX:SC), which garnered him a +5 percent return. Bain was also an *Edge* Top 3 finisher in previous years.

Many thanks to all the analysts who spent time in 2008 discussing their stock picks for the benefit of our readers.

Let's all hope for better numbers this year.

– with files from *The Canadian Press*
(This feature is provided for informational purposes. Investors are advised to do their own research or consult a qualified investment professional before making investment decisions.)

NovaGold reassures investors over review

(Street Life is a regular feature that profiles what's playing in the stock market.)

By Nicole Strandlund
Business Edge

ACT I: WARRANTED ATTENTION

- **The Player:** NovaGold Resources Inc. (TSX:NG)
- **Action:** Up 90 percent in a month (from \$1 Dec. 12, 2008)
- **Recent Price:** \$1.90
- **52-Week High/Low:** \$12.06/\$0.475

When you ask for help, people are going to believe you need it.

NovaGold Resources Inc., a precious metals company based in Vancouver, announced plans earlier this month to sell approximately 30 percent of its outstanding shares to New York-based private company Electrum Strategic Resources LLC, plus another 16 percent in warrants. According to TSX rules, NovaGold would need shareholder approval for such a deal (which being in excess of 25 percent of the company, materially affects NovaGold control).

But forget approval; NovaGold's board has concluded the company is in serious financial difficulty and this transaction is reasonable. So NovaGold applied to the TSX for "financial hardship exemption" under Section 604(e) of the TSX Company Manual, meaning shareholder approval wouldn't be needed.

But what's that? Relying on the financial exemption section means the TSX triggers a delisting review? NovaGold is telling investors – who pushed the stock down to \$1.90 from \$2.13 on the news – not to worry.

The delisting review is merely a formality, and following the closing of the financing (expected later this month), NovaGold will be stronger and in compliance with all TSX listing requirements.

ACT II: "EYE DUE"

- **The Player:** QLT Inc. (TSX:QLT)
- **Action:** Up 10 percent in a month (from \$2.68 Dec. 12, 2008)
- **Recent Price:** \$2.94
- **52-Week High/Low:** \$4.85/\$2.13

Patents can be a pain in the eye.

This week QLT Inc., a biopharmaceutical company based in Vancouver, learned the United States Court of Appeals sided with the original court judgment (against QLT) in a patent dispute. In the suit, Massachusetts Eye and Ear Infirmary (MEEI) sought damages from QLT for unfair trade practices regarding a U.S. patent and MEEI's research results related to QLT's Visudyne product.

In the original 2007 judgment, QLT was ordered to pay MEEI damages equal to 3.01 percent on past, present and future worldwide net sales of Visudyne plus interest and certain legal fees.

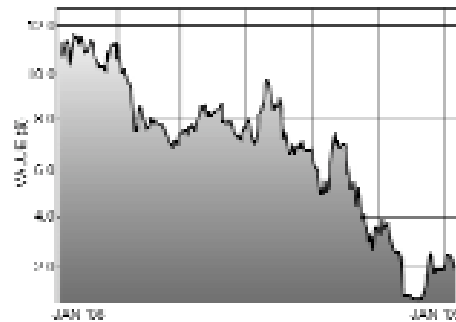
Net sales for Visudyne, which treats wet age-related macular degeneration, pathological myopia (nearsightedness) and histoplasmosis (a fungal eye infection), were around \$2.6 billion by Dec. 31, 2008, which means QLT owes (to date) roughly US\$113 million.

QLT is considering options for further appellate review.

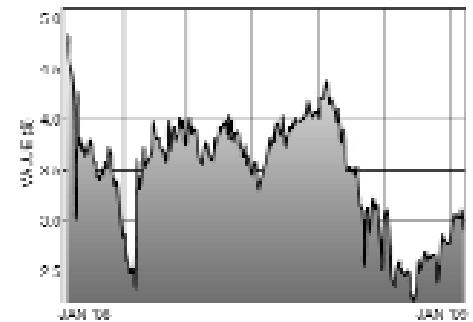
ACT III: THE SHRINK SHOP

- **The Player:** CGI Group Inc. (TSX:GIB.A)
- **Action:** Up 10 per cent in a month (from \$8.80 Dec. 12, 2008)
- **Recent Price:** \$9.69
- **52-Week High/Low:** \$12.02/\$8.30

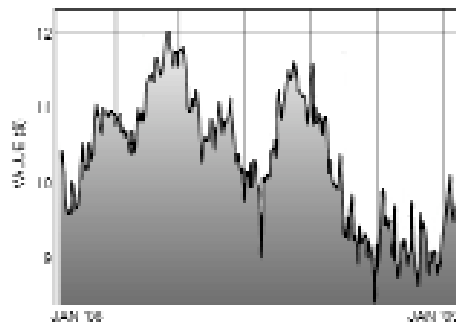
NovaGold Resources Inc.



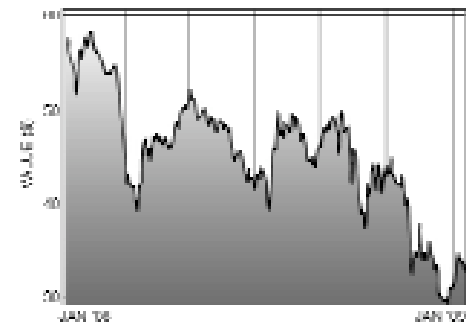
QLT Inc.



CGI Group Inc.



Bank of Montreal



Street Life: Analysis

Just as a plumber profits most when a toilet is plugged, companies that help others streamline do well in an economic downturn.

Montreal-based CGI Group provides IT and business-process services, and recently announced US\$320 million in new, upgraded or expanded contracts in calendar 2008.

"As governments of all sizes brace for tough times, it's clear they recognize the need to get the very best from their financial systems by reducing costs, increasing efficiency and establishing greater accountability," said Pat Colacicco, VP of CGI's AMS Advantage group in a media release. (AMS Advantage aims to improve efficiency and costs in government processes.)

New AMS customers include the California Department of Transportation and the City of Cleveland. Upgrade clients in 2008 include the City of Los Angeles, and Springfield, Ill., and contract extension clients include the City of New York and Baltimore County Schools.

CGI's fiscal 2008 revenue was \$3.7 billion and at Sept. 30, 2008, CGI had \$11.6 billion in backlog orders.

ACT IV: BUYER'S MARKET

- **The Player:** Bank of Montreal (TSX:BMO)
- **Action:** Down two percent in a month (from \$33.58 Dec. 12, 2008)
- **Recent Price:** \$32.81
- **52-Week High/Low:** \$58.78/\$28.89

\$58.78/\$28.89

Celebratus emptor (buyer celebrate) – there are deals to be had.

American International Group Inc. (AIG) needs to raise funds to repay \$152 billion in U.S. government bailout loans, and offered AIG Life of Canada up for sale. Bank of Montreal (BMO) will be buying AIG Life, based in Toronto, which sells insurance and retirement savings products. In the transaction, expected to take place over the next six to 12 months, BMO will take on AIG's 300 employees and 400,000 customers, and create a new company called BMO Life Insurance Co.

AIG has already received a first round of bids for its aircraft leasing unit and is expected to try and sell its asset management business as well.

AIG stock (NYSE:AIG) has fallen 14 percent in a month (from US\$1.80 Dec. 12, 2008 to US\$1.54 Jan. 12, 2009), while BMO's TSX shares have fallen two percent in that same month (from \$33.58 Dec. 12, 2008 to \$32.81 Jan. 12, 2009.)

NOTE: The above is not intended as investment advice to buy or sell any mentioned securities. Investors should do due diligence before investing. Quotes are based on results through Jan. 12, 2009.

(Nicole Strandlund can be reached at nicole@businessedge.ca)

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Commodity price freefall leaves economy in tatters

Dampened U.S. resource demands are making bad situation worse

By Julian Beltrame
The Canadian Press

Canadians have long ceased being primarily hewers of wood and drawers of water, but there is growing appreciation among economists that resources remain the driving force behind both the current economic slump and prospects for a recovery.

TD Bank's Don Drummond, one of the country's leading private-sector economists, says he has little doubt that Canada is undergoing a commodity-price recession.

"We have hopelessly underestimated the importance of commodity prices for the Canadian economy," Drummond said in an interview.

"We underestimated the lift it gave when they were going up and we've underestimated the hurt it's going to cause on the way down."

His assessment came as Nortel Networks Corp. (TSX:NT), once the star of a Canadian high-technology industry that many thought would assure economic strength into the future, filed for bankruptcy protection in the United States and Canada.

The Toronto-based company didn't announce any new job cuts last week, but court documents reveal its global workforce has shrunk from above 90,000 employees in 2000 to about 30,000 direct and indirect jobs worldwide.

Drummond's view on commodities is supported by the latest Conference Board report, which also largely blames tumbling commodity prices on everything from copper, zinc, potash and most critically oil, for plunging Canada into recessionary times.

The Conference Board acknowledged that dampened U.S. demand also continues to hurt Canada's other exports but added: "The new and perhaps more significant factor dragging Canada into recession is the impact that much lower commodity prices are having on real income," added Pedro Antunes, an economist with the Ottawa-based think-tank.

The analysis suggests Canada's economy will be largely dependent on a global and U.S. economic recovery that restores demand, and boosts prices, for Canadian exports of raw and refined resources.

With commodity prices expected to remain weak next year, the Conference Board says Canada will record three quarters of negative growth, or shrinkage, ending in June 2009.

The technical definition of a recession is two consecutive quarters of

contraction. Many observers believe Canada began a recession in October after the economy grew in the July-September quarter.

The Conference Board now expects the Canadian economy will decline by 0.5 percent and shed 175,000 jobs - 91,000 in the battered manufacturing sector.

Even massive fiscal spending expected in both Canada and the United States won't avert the downturn in 2009, the report states.

After slowly gaining for the past six years, world prices for most commodities that Canada has in abundance spiked last summer. Today, commodity prices are less than half what they were last June.

The falloff of oil is particularly dramatic, commanding a record US\$147 a barrel in July, then taking a nosedive to current levels below US\$40.

Drummond says the Canadian economy turned sharply downward in November, when most indicators - retail sales, house sales and prices, auto sales, employment, exports - that had been holding steady before that time suddenly fell.

Commodity companies represented more than 50 percent of the value of the Toronto Stock Exchange in June, he points out. Since then, the TSE has lost almost half its value, digging a hole in Canadians' pocketbooks and curtailing spending.

Antunes also calls the loss in national income from lower commodity prices as critical to Canada's economic prospects.

The Conference Board predicts Canadian exports will fall \$13 billion in volume terms this year, but if price effects are included - the value they command on the world market - Canadians will lose out by \$50 billion.

Much of that wealth would have gone to the sectors that extract and export natural resources, but the wealth also filters through the economy generally. Higher corporate profits generate more tax revenues for governments, and more investments through expansion create more jobs and higher wages.

Antunes predicts a true recovery in Canada won't occur until 2010, after a U.S. and global economic turn-around begins to increase demand for Canada exports and restores confidence.

Meanwhile, both the U.S. and Canada will suffer through a tough 2009. The Conference Board forecasts the U.S. economy will shrink three times as much as Canada's does, by 1.7 percent, despite the Barack Obama stimulus, estimated at US\$775 billion.

January 23, 2009

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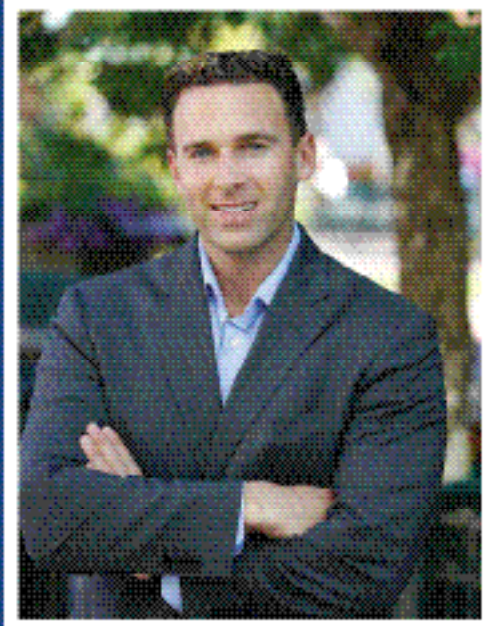
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Business Edge News Magazine sends a special thank you to sponsors Foundation Capital and ActionCOACH Canada for their support of the event and to our guest speaker, Canadian war hero Warrant Officer Patrick Tower, for his inspiring insights on leadership.



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Military leadership translates to workplace

Mission success is the same, whether on battlefield or in front office

By Tess van Straaten
Business Edge

From the front lines to the front office, leadership is all about getting things done.

And military leadership strategies are undoubtedly the most proven and effective forms of leadership in existence, says Patrick Tower, a warrant officer with the Princess Patricia's Canadian Light Infantry in Alberta.

"The common goal is mission success," says Tower. "To achieve that, you not only have to unite a team, but you also have to inspire and influence peak performance, under severe stress and often facing grave danger."

It's something Tower is all too familiar with after his nearly two decades in the Canadian Forces.

A highly decorated combat veteran with tours in Bosnia and Afghanistan, Tower's leadership skills have been put to the test under the toughest of conditions.

Facing intense enemy fire in Afghanistan that killed several soldiers and his platoon commander, Tower – who wasn't the next highest-ranking soldier – took over the mission and led his unit to victory.

Defeating the enemy and saving countless lives in the process, Tower became the first Canadian recipient of the Star of Military Valour, an award second only to the Victoria Cross for gallantry in battle.

While playing down his heroic efforts, Tower recalls that all the leadership principles that had been ingrained in him for 19 years by his commanders came out that day.

"Those principles make us focus on the mission – that's our No. 1 priority – and the next priority is to take care of our people, so even in situations of extreme stress like that, we know what to do."

While commanding corporate Canada may be less "do or die", today's volatile business market is making the workplace increasingly combative.

Economic woes, higher stress levels and slashed spending mean now, more than ever, good leaders can determine business success or failure.

"Anyone can lead people when they're happy, have no stress and have job security," says former soldier and Kingston-based author and leadership expert Tom Hoppe.

"It takes a true leader to lead people when they're about to be downsized,



Photo courtesy of Patrick Tower

Warrant Officer Patrick Tower, on patrol with the Princess Patricia's Canadian Light Infantry in Afghanistan, says good leaders can inspire and influence peak performance under severe stress.

have stress at home, or when morale is low. Because when times are tough, leading from authority never works."

Hoppe's leadership style – based on respect instead of rank – stood up to enemy forces while commanding patrols in Bosnia in 1994.

After risking his own life to save three children pinned down by sniper fire, Hoppe became Canada's most decorated soldier during one tour since the Korean War.

In his new book, *HOPPE: A Journey of Leadership*, the former Canadian Forces sergeant talks about his military experience – good and bad – and how its leadership lessons can be applied to all workplaces.

"People always ask me how you can use military leadership in the business world, because in the military, if you tell someone to do something, they'll do it," says Hoppe.

But history has shown that many people would rather go to jail than follow a bad leader into battle, he says, and the same can

time. All that costs the bottom line."

While it's hard to quantify, Hoppe, who earned an MBA after retiring from the military in 2002, has found that bad leadership takes at least 10 to 15 percent off the bottom line in hidden costs.

Whether it's higher turnover, increased absenteeism or less productive employees, a bad boss can be bad for business.

"It's so simple, but it's a hard thing to see because it's intangible," Hoppe says.

"Unless you sit down and try to figure out how much it costs when you lose someone and have to replace them, and then the new person's productivity drops because the boss is still the problem, you don't see how much it's costing you to have poor leaders."

With an even higher cost for poor leadership on the battlefield, it's no wonder that the army has trained more leaders than all other organizations combined. It's an investment in people that soldiers say Corporate Canada could learn from.

See @WORK

Page 19



Patrick Tower



Tom Hoppe

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@WORK from Page 18

Front-line managers need to lead their teams

"In the military, everyone goes through leadership training and mentoring so that we can see who would make good leaders. Then we (groom) those people to move up the ranks," Hoppe says.

"In the civilian world, there are more people getting promoted just because they put in their time, instead of assessing whether they'd be a good leader."

Another common mistake many organizations make is failing to recognize the importance of what Hoppe calls "front-line leadership."

Researching his master's thesis, he found that the information available

on leadership was at the executive level.

"Most, if not all, of it was focused on executives, while anything on the front lines was considered 'management' and not leadership," Hoppe notes. "A front-line manager must be able to make decisions – not just manage, but lead their team. So I would argue that leadership is at all levels. The responsibilities may change, but the key principles are the same."

Those battlefield-tested leadership principles include putting your followers first, understanding your people and promoting their welfare, learning from mistakes and not

repeating them, being a good listener, doing what you say you'll do, asking for help when you need it, and always leading by example.

"Leading by example is probably the most important, because if you're doing what you ask people to do, they'll be more likely to do it," adds Tower, who is still serving in the military but recently launched The Tactical Synergy Group, a Calgary-based leadership training company.

"Set the example you want to see, share in the hardships when times are tough, and you'll have a lot more success."

It's an approach Calgary businessman and former soldier Daniel Clayton has used to his advantage. After being wounded by a roadside bomb in Iraq in 2005, the British ex-pat moved to Canada and launched successful security and risk-consulting companies.

"Pretty much everything I learned in the military, I applied to business," says Clayton, who recently sold his company to Vancouver-based Paladin Security. "My training taught me a lot about trust and discipline."

As he has climbed the corporate ladder, Clayton has also learned that not all aspects of the military mindset transfer from the battlefield

to the boardroom.

"It's taken me a long time to adjust to the fact that if I ask someone to do something, I have to tell them why I want them to do that," says Clayton.

"Employees want to understand the bigger picture, where in the military, if you ask someone to do something, they usually won't question it."

Another troop-tested tactic that doesn't work in more relaxed civilian workplaces is trying to break people down, like in basic training, to build a stronger team.

"Yelling and screaming at people to do things doesn't achieve results and I've seen that in corporations," Hoppe notes. "You can only yell at someone so much before they give up and then the leader has to resort to good leadership skills."

Whether you're leading one person or an entire organization to victory, experts say it's also important to remember that being a good leader takes time.

"You can't just wake up one day and be a good leader," Hoppe says.

"Leadership takes time to build and when difficult times are ahead, the leader that's put in the work to know their people will win."

(Tess van Straaten can be reached at tess@businessedge.ca)

Exporter confidence sinks to new lows

The Canadian Press

A new survey finds the confidence of Canadian exporters falling to the lowest level in at least nine years due to fears the global economy will continue to worsen.

The Export Development Canada survey shows that a large majority of exporters now expect the global economy and markets for their products to deteriorate further this year.

The number who say they expect

sales for their products internationally will worsen or remain the same jumped to 62 percent, the highest level ever recorded.

Confidence by exporters plunged five percentage points to 61 on the EDC index, the worst since the Crown corporation began the semi-annual survey. And in a departure from the norm, the share of exporters identifying the U.S. as their top riskiest market rose dramatically and now is considered less dependable than Asia.

Advertising Feature

Medpoint - the best investment you can make

It may be the best investment you can make, though it will never show up in your portfolio. It doesn't involve stocks or bonds, mutual funds, real estate or anything similar. But what it does share with these investments is the promise of a dividend; a pretty substantial one, too – your good health.

As almost any physician will tell you, the most effective way to avoid disease and premature aging is through maintaining optimum health and fitness.

A regular check-up is certainly the best place to start, but that can be a problem if you don't have a family doctor. Even if you do, OHIP covers only certain things, and busy family practitioners simply may not have as much time to devote to your care as you (or they) would like.

London's Medpoint Health Care Centre offers an effective alternative for people who do understand the value of investing in good health and are willing to pay for a complete health evaluation but don't want to have to travel to one of the many U.S. clinics that offer

such services to Canadians.

Medpoint's Comprehensive Annual Health Assessment begins by compiling a detailed report of your health history and goes on to include a complete physical – plus a lot more. Patients undergo a battery of tests including blood, urine, vision, hearing, bone density, lung and cardiac function, gait analysis, strength, flexibility and general fitness.

There are also additional tests and consultations relating to health concerns specific to women and men, and Medpoint can provide you with customized dietary and fitness programs as well.

If necessary, referrals are provided to specialists, whose reports become part of your Medpoint evaluation. Any additional tests which may be required will also be arranged for you and may include such things as X-rays, ultrasound, mammography, CT scans, MRI scans, colonoscopies and so on.

The final results of the entire CAHA process and any offsite testing are presented in the form of a detailed report which your Medpoint physician then dis-

cusses with you. Any further or follow-up care can be arranged at that time.

"As a heart attack and bypass survivor concerned with maintaining good health, I was intrigued by the Medpoint program," said one recent customer. "So, I signed up and went through the process under the watchful eye of Dr. Sylvia Murchison. I have to tell you, Medpoint delivered everything they promised. The service was prompt and attentive and Dr. Murchison was as friendly and thorough as you could want a physician to be.

"Several other trained professionals were involved in the various areas of testing, too, and they were, without exception, encouraging and forthcoming when I asked them to explain the different procedures. It was a busy morning, but I never had any sensation of being hurried or rushed. The surroundings were nicely appointed, too, which added to the sense of being pampered.

"My journey through the Medpoint system was a positive experience and a very good investment in my own future. I could have

taken a couple of days off work and travelled to the U.S. for a similar evaluation, but I couldn't spare the time and frankly, the cost would have been far more than the Medpoint fee (which covers those parts of the process not paid for by OHIP). I appreciate a good investment, but I don't like to overpay.

"Instead it took me a couple of hours and \$600, and I now have a complete report on my current health status that I can share and discuss with my busy family doctor. (I'm lucky to have one, but if I didn't, Medpoint could help me there, too. They also operate a Walk-In Clinic that offers online appointment booking up to 24 hours in advance, with all costs covered by OHIP). If investing in your health seems like a good idea to you, take a look at Medpoint. Their promotional materials talk a lot about providing quality service and promise to "set a new standard in the field of health-care delivery".

"In my experience, they deserve full credit for doing exactly that."

Medpoint can be reached at **519-432-1919** or at

Opinions

Are economic analysts jumping the shark? You don't have to go back to Great Depression to see worse conditions

The new year is less than a month old, but to judge from the headlines a lot of people are already throwing in the towel and declaring 2009 an economic write-off.

Here's a small sample of the bad news from a single edition of one newspaper last week: Value of mergers and acquisitions drops sharply; Canadian new-home prices fall for second straight month; Tourism spending down in Canada; Business sentiment at record low, says Bank of Canada.

The prevailing thinking was nicely captured in the question one national newspaper put to a series of business leaders a couple of weeks back: Have you ever seen the economy in worse shape?

Excuse me for being contrarian, but the Canadian economy has been through much worse and you don't have to go back to the Great Depression of the 1930s to find evidence of that.

Rewind the tape to 1981-82. Canadians were paying 15 to 20 percent interest on borrowed money. The unemployment rate was more than 10 percent and inflation was hovering at or above the double-digit mark. The misery index – something economists calculate by adding the rates of inflation and unemployment – hit 25 percent. Today, it is less than 10 percent.

Economists are united in their belief that Canada has followed the U.S. into recession. What distinguishes this downturn from others is its sudden and spectacular onset last fall.

It was triggered by the sub-prime mortgage crisis south of the border, the collapse of several huge Wall Street investment banks and the accompanying panic that drove investors from equity markets around the world. Global stock market indices plummeted 34 percent in the fourth quarter of 2008 while the TSX fell 39 percent.

Canada's unemployment rate jumped from six percent to 6.6 with the job losses of November and December. That is undoubtedly a sharp rise, but it needs to be put in perspective. "The level of unemployment relative to the last 10 years is still quite good," notes Dale Orr, chief

economist and managing director of IHS Global Insight in Toronto. "In the early '90s it was up to 11 percent and the average for the past 10 years was 7.3 percent."

Opinion



D'Arcy Jenish
Business Edge

Canada's bank economists, a generally sober and prudent lot, are predicting that this country will remain in recession for the first three quarters of this year and then begin to expand, albeit slowly. They are also forecasting that the economy will be in growth mode again next year.

Orr says the unemployment rate will likely hit eight percent by yearend or early in 2010 while Royal Bank economists think the jobless number will peak

at 7.4 percent next year. Those are national averages, which conceal the fact that some parts of the country will be hit harder than others.

"Ontario and Quebec have the weakest economies and the most rapidly rising unemployment rates," says Orr. "Alberta is cooling off from a level that was really crazy. Employers couldn't find people to work there."

Demand for new and existing homes is also tapering off. Canada Mortgage and Housing Corp. predicts that housing starts will fall to 177,975 this year, a drop of 16.1 percent from 212,200 last year. Likewise, sales of existing homes will slump 4.2 percent to 433,375 from 452,225 in 2008.

But these declines should be seen as a necessary and healthy correction in the market rather than a catastrophe.

Housing starts in 2008 exceeded 200,000 units for the seventh consecutive year, the first time that has occurred since the 1970s. As well, demand has exceeded supply since 2002, creating a seller's market in which prices increased from nine percent to 11 percent annually.

Housing prices were down 10 percent in October from a year earlier – bad news for aging Boomers hoping to cash in, but a good thing for first-time buyers.

These turbulent times are producing a couple of other dividends that will benefit the average person. Energy prices have taken a nosedive since peaking in mid-2008 and, according to the Royal Bank, the rate of inflation is expected to hover between 0.5 percent and two percent this year, down from 3.5 to 5.5 percent last summer.

This year may yet turn out to be a disaster economically.

Or it may be a mere dog's breakfast. So far, the signs are anything but clear.

You'd never know that though when you open a newspaper, turn on the TV news or listen to the political opposition in Ottawa.

(D'Arcy Jenish can be reached at jenish@businessedge.ca)

Cartoon Corner



Feds must pay attention to tourism interests

By Christopher Jones
For Business Edge

These are not the best of times for Canada's tourism industry.

Surveying the economic landscape in early 2009, those in the business of tourism cannot help but be alarmed about the prospects for our sector in the short and medium term.

Plummeting consumer confidence, stock market turmoil, tightening credit, business failures and reduced headcounts all point to seriously weakened demand for business and leisure travel.

The telltale signs are everywhere. Hotel occupancy rates are down significantly; offsite meetings and retreats, especially in resorts, are being scaled back; advance bookings by U.K. residents for winter ski vacations here are down 30 percent; and lodges and outfitters in Northern Ontario are experiencing dramatic drops from the border state, blue-collar workers who are their traditional target market.

The deterioration is pervasive as businesses and governments seek to reduce travel expenditure, and individuals stay closer to home, leery of taking on additional debt and cocooning themselves with family.

Although the industry had warned of this "crisis" scenario in June with the release of the *Report on Canada's Tourism Competitiveness*, there is little consolation for those who saw it coming. Travel remains a discretionary activity that can be readily cut

Guest Opinion

back in tough times such as these.

A crisis, however, can have transformative dimensions, some of which may prove to be benign, providing that key government and industry players respond appropriately and with a view to the longer-term prosperity of the sector.

It is critical that Canada's government does not ignore tourism interests as it contemplates stimulatory actions in the short term to kick-start demand in the economy.

Tourism, after all, employs 1.6 million Canadians directly and indirectly, and has a proven capacity to deliver job creation and earn foreign currency. Moreover, there are 180,000 tourism-related businesses in Canada, of which 79 percent are small and medium-sized.

These businesses, as the secretary general of the United Nations World Tourism Organization (UNWTO) has recently stated, are no less worthy of economic support than firms in traditional Canadian resource sectors.

Perhaps a more compelling reason to aid the sector at this time is the recognition that there are profound demographic and economic changes afoot that, post-crisis, will usher in a new global travel economy.

Canada needs to position itself now to capitalize on these game-changing trends and not be merely a spectator when the present financial crisis sub-

sides and the economic pendulum inevitably swings back.

The most profound of these is the rise of nascent middle classes in emerging market economies such as Brazil, India, China and Russia. As citizens of these countries acquire more rights and increased disposable income, their curiosity and desire to explore the world will rise proportionately.

At present, Canada does not engage in tourism marketing and promotional activities in most of these countries, confining ourselves instead to a presence in the traditional, mature source markets of the United States, Japan, Germany and the U.K., to name a few.

The tourism sector urges Finance Minister Jim Flaherty to enable the Canadian tourism brand to be marketed to the citizens of emerging market economies by enhancing the resources available to the Canadian Tourism Commission. The recent success in marketing the welcoming, safe and high-quality Canadian destination brand in Mexico should be replicated in other large industrializing countries.

Secondly, if our simultaneous energy and environmental crises tell us nothing else, they inform us that we will need to do some things quite differently to assure ourselves an economic future in the medium term.

According to the UNWTO, spending by tourists abroad averages US\$2.35 billion a day, making it the world's largest industry. Tourism is

only two percent of GDP in Canada whereas it is six percent in France and 11 percent in Thailand.

Canada is ideally placed to market its intrinsic green assets of unspoiled, iconic parks and protected areas, natural beauty and abundant wildlife to the emerging, sustainably oriented and ethically minded international traveller. It is our ace-in-the-hole and we need to do more to market it strategically in the future.

Canada's tourism industry strongly urges Flaherty to develop a dedicated tourism infrastructure/ product fund to invest, on a matching basis with the provinces and the private sector, in the refurbishment of Canada's tourism assets and facilities.

Many of these sorts of authentic, sustainable destinations attract a large quotient of higher-yield guests willing to pay for quality cuisine, spas and other amenities. The return on investment from this kind of tourism activity should thus provide government with the rationale and confidence to proceed in this direction.

Canada needs to give the international traveller new and compelling reasons to come here for the first time or to rediscover our country.

In doing so, we would be building on our intrinsic advantages and contributing to a low-footprint economic activity that is likely to grow ever more important in global terms in the course of this century.

(Christopher Jones is vice-president of public affairs for the Tourism Industry Association of Canada)

Discovering how the rich reached that station

By Terri Schlichenmeyer
Business Edge

The sign said "Open Today!" and you couldn't resist. So what possessed you to go through a for-sale house that you could never afford?

Curiosity, sure. But maybe it was a little bit of what-iffing that led you to peek into cavernous closets and run your fingers over marble baths, rare-wood mantles and imported countertops.

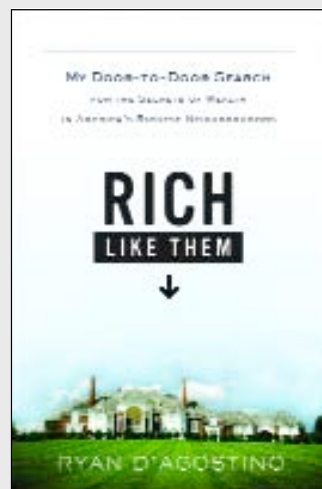
What if? What would it be like to live there? To have money like that?

Author Ryan D'Agostino wondered the same thing, and in his new book *Rich Like Them*, he knocked on a few doors – literally – and asked.

Whenever he and his wife went out of town, D'Agostino says they made a point of taking walks in luxurious neighbourhoods. They loved looking at the immaculate grounds and imagining the lives of those who lived there.

One day, curiosity got the better of D'Agostino, an editor at *Esquire* magazine. He purchased a list of the 100 wealthiest ZIP codes in the U.S.,

Business Books



Rich Like Them, by Ryan D'Agostino; c.2008, Little, Brown; \$28.99, 256 pages.

based on median household income, net worth and home value.

Then, with his trusty reporter's notebook in his pocket, and comfortable shoes on his feet, he stepped into some of the richest enclaves in the U.S.

Not everyone agreed to speak to him. D'Agostino says he was sometimes met with silence and security guards often turned him aside. But when he found people who would talk, he learned lessons of a lifetime.

Always – always – keep your eyes on your goal, even when on vacation. Never miss a chance for opportunity. Remember that you have to see the dots to connect them. Follow through with your connections. Understand that there are risks in everything, study the risk before leaping, and know that sometimes doing nothing is a risk itself. Stick to your plans but know when something isn't working. Never let failure be an option. Remember that you can't do business with yourself. Work hard, and if you look forward to going to work, that's even better. Be humble.

What a refreshing business book!

D'Agostino took a simple concept (find people with money and ask

them how they got it) and created something that seems like a blueprint for wealth, not only of the monetary kind but of that for the soul.

I was struck by several things here. Firstly, in this wacky world, that D'Agostino found so many people who invited him, a stranger, into their fabulous homes.

Secondly, he often steps aside to let stories speak for themselves. The titles of the mini-chapters practically beg you to read further and D'Agostino is quick to refresh your memory if he refers to someone from another chapter.

Thirdly, I loved how D'Agostino conveyed a sense of contentment. While almost every one of the subjects in this book admitted to working hard, they all seemed so Zen-like with their lives now.

Just reading these stories inspired me.

If you're ready for a new start in the New Year, pick up this book and get energized. *Rich Like Them* is filled with a wealth of great motivation for you.

(Terri Schlichenmeyer can be reached at schlichenmeyer@businessedge.ca)

Technology Edge



Cybercrime's global reach affects us all

NEW YORK

It's hard to imagine a safer place than the International Conference on Cybersecurity, held earlier this month at Fordham University in New York City.

A New York Police Department mobile command post bus was parked outside; uniformed officers

searched every bag of every participant; and serious-looking FBI agents sporting earpieces guarded the doors to the sessions. A hilarious side effect was that almost nobody tried to break the "no food or drinks" rule in the auditorium. Sneaking in a shot of joe just didn't seem worth tangling with a beefy Fed. I got stopped just because my conference badge had flipped around the wrong way.

Anyway, nobody needed coffee to stay awake, as speaker after speaker revealed new and frightening facts about the global reach of cybercrime.

This event marked the first such collaboration between the Federal Bureau of Investigation and a university, driven by a growing awareness of the serious threats to business, military, and even personal computers in North America.

Shawn Henry, Assistant Director of the FBI's cyber division, said the U.S. government now considers cybercrime the most critical threat "after a weapon of mass destruction in one of our cities." To emphasize this commitment, 22 federal departments and agencies have been told to work together on a comprehensive national cybersecurity initiative, some of whose details remain classified.

Sandra Sanar-Johnson, senior executive at the spooky U.S. National Security Agency, described cyberwarfare attacks against government and business computers in Estonia, and more recently in Georgia, as well as cyberfrauds such as a phishing scheme in Romania that just saw 40 people arrested.

"Rather than employing foot soldiers and thugs to intimidate, they recruit young hackers," she said, adding, "we are in a world where technology moves much faster than the government typically moves."

Appearing rather nervous, because "I almost never do unclassified briefings," Sanar-Johnson said the U.S. government takes cybercrime and cyberwarfare so seriously that they're

reaching out to anyone who can help. The 200 or so computer security experts attending the conference from 37 countries seemed to agree that urgent action is required.

So does Google. That company was a major sponsor of the conference, providing a room with lava lamps, toys and candy. This allowed stressed-out security and intelligence types to

stretch out in colorful beanbag chairs as they received security alerts on their BlackBerrys.

One participant, whose firm operates a socialcasting (media sharing) site that's popular in the Middle East, learned just before he spoke that a major denial-of-service attack had just been launched against his company's computers.

Adam Swidler, a senior product marketing manager at Google, reported that his company is a major target for cyberattacks,

because "we're more than just scrutinized more often than anyone else, we're attacked more often."

In a private conversation later, he acknowledged that Google has suffered outages to Gmail and other services, but argued that its track record is better than competitors and that "when we go down, everybody knows about it."

Swidler urged companies to consider cloud computing solutions,

which of course Google's enterprise division is happy to sell you.

Although farming your data out to remote computers might seem risky, he said it's actually safer, because Google hides it in very secure places.

Eastern Europe is apparently a cesspool of computer fraud, child pornography and hacking, and merited its own session at the conference.

Agent Darren Mott of the FBI computer intrusion unit reported that cyberevil is radiating out from Russia into neighbouring countries.

Mott says the highly publicized takedown of the Russian Business Network, which provided internet hosting for many criminal sites, may have been something of a false victory. "The RBN gets all the news," he laughed, "but it was only one of about 20 'bulletproof' internet service providers in Russia." He suggested the bad guys may have offered it up as a sacrifice to take the pressure off their other illegal operations.

Speakers referred to the catastrophic events of 9/11 and suggested that terrorists could cause even more havoc with computers than by flying planes into buildings.

Targets could range from banking and business computers to the supervisory control and data acquisition (SCADA) systems that run power grids and other utilities.

Evan Kohlmann, a senior investigator at Global Terror Alert in Washington, D.C., showed how Islamic terrorist groups are using the internet to

recruit, organize, and fund their operations.

He displayed chilling chat posts from terrorists such as Abid Hussain Khan, now serving a 12-year prison term in the U.K. Khan wrote that "attacks are permissible throughout this world, so the world is a battlefield in my vision, everything, almost, is a target."

One of the most unlikely speakers in this mainly male group of intelligence gurus was Shannen Rossmiller, a Montana mother of three and former judge, who is self-taught in Arabic.

Motivated, she says, by patriotism, she creates fictitious terrorist identities and role-plays them in online discussion groups. To date, her radical Muslim male characters and online stings have resulted in 214 cases of actionable intelligence. These include the case of United States Army v. Spec. Ryan Anderson, who received five life sentences for attempted espionage and providing material support to a terrorist group during time of war.

The overwhelming impression left by this conference is that we are, indeed, locked in a nasty and continuous cyberwar, and that the bad guys only need to find one vulnerability while the cyberdefenders need to plug all the holes.

(Tom Keenan is a professor at the University of Calgary and an expert on technology and its social implications. He can be reached at keenan@businessedge.ca)

Future/ Present



Tom Keenan
Business Edge



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Shoppers Drug Mart names CFO, executive VP

Business Edge

Shoppers Drug Mart Corp. (TSX:SC) says that **George Halatsis**, its executive VP and CFO, has left the company. **Bradley Lukow** has been named executive VP and CFO. Lukow, a CA, joined the company in 1994. Shoppers Drug Mart is the licensor of more than 1,120 full-service retail drugstores across Canada. Its head office is in Toronto.

Husky Injection Moulding Systems has named **George Halatsis** to the position of VP of finance and CFO. He replaces **Daniel Gagnon**, who is pursuing other opportunities. Halatsis was most recently executive VP and CFO at Shoppers Drug Mart Corp. Husky supplies injection-moulding equipment and services to the global plastics industry. Its head office is in Bolton.

Andina Minerals Inc. (TSXV:ADM), a junior Toronto miner with operations in Chile, says veteran mining executive **George Bee** will become the company's new president and chief executive. Bee joins Andina from Aurelian Resources, a junior recently acquired by Kinross Gold where he was COO. Bee replaces **Carl Hansen**, who will remain on Andina's board until the end of February to help with the transition. Andina's head office is in Toronto.

Belzberg Technologies Inc. (TSX:BLZ) has named **Judith Robertson** president and CEO. She succeeds **Sidney Belzberg**, who remains on the board of directors of the company he co-founded in 1993, which owns broker-dealer **Electronic Brokerage System**. Robertson was formerly CEO of Markets Inc. Belzberg provides technology-based brokerage services, trading equities and options

Moving On

through its wholly owned, self-clearing broker-dealer, Electronic Brokerage Systems. Its head office is in Toronto.

Redline Communications (TSX:RDL) has hired **David Andrews** as CFO. Andrews most recently was CFO of Sun Microsystems of Canada Inc. He succeeds interim CFO **Nancy Orr**, who will remain a board member. Redline provides fixed and mobile standards-based wireless broadband solutions. Its head office is in Markham.

Iamgold Corp. (TSX:IMG, NYSE: IAG) has appointed **Brian Chandler** as senior VP of African operations. Chandler, a professional engineer, has been a consultant to Iamgold over the past eight months. IMG is a mid-tier gold miner with mines on three continents. Its head office is in Toronto.

Toronto-headquartered **High River Gold Mines Ltd.** (TSX:HRG) says that **Don Whalen**, executive VP, and **Mike Kelly**, executive VP and COO, have left the company. CEO **Nikolay Zelenskiy** has taken over the COO duties until Kelly is replaced. High River said it is "in discussions relating to additional debt or equity financing arrangements to meet its financial obligations." High River is an unhedged gold company with producing mines, mines under development and exploration projects in Burkina Faso and Russia.

Coalcorp Mining Inc. (TSX:CCJ) has named **Joseph Belan** as interim chief executive while the company rationalizes its business, and promoted

Liliana Aleman from deputy chief financial officer to CFO. Belan is a member of the board of directors and was a managing director of Pala Investments AG, from which he is taking a leave of absence. **Luis Urdaneta**, CCJ's previous CEO, will serve as a special adviser for a transitional period. Coalcorp is a coal mining, exploration and development company. Its head office is in Toronto.

Groupworks Financial Corp. (TSXV:GWC) of Markham has announced a deal valued at \$6.25 million to take over People Corp., a Winnipeg-based provider of corporate personnel services. As part of the agreement, People Corp. CEO **Laurie Goldberg** will become CEO of Groupworks, whose current president and CEO, **John Gallivan**, will continue as president. Groupworks said the transaction will "strengthen Groupworks' position as the leading consolidator of the independent benefit and pension advisory firms in Canada."

Mike Kilbourne has been appointed president of **White Pine Resources Inc.** (TSXV:WPR). Kilbourne brings more than 20 years of exploration and mining experience throughout North America. White Pine is a mineral exploration company with properties located on and around the "Ring of Fire" in Northern Ontario near James Bay. Its head office is in Toronto.

Victoria Gold Corp. (TSXV:VIT) has appointed **John McConnell** to the position of executive VP. McConnell, a mining engineer, was most recently COO of Strategic Resource Acquisition Corp. Victoria Gold's corporate office is in Toronto.

FTI Foodtech International Inc. (TSXV:FTI) has hired **Greg Borsk**, CA,

of Pine Point Capital Advisors Inc., as its new CFO. **Gary Hullah**, the former CFO, remains as VP and a director. FTI is a Toronto company that has acquired new food products and technologies for licensing or sale.

Strategic Resource Acquisition Corp. (NEX:SRZ.H) says that **John McConnell** has resigned as COO. The Toronto-based company has a zinc mine and mill complex at Gordonsville, Tenn.

Delta Media Inc. has appointed **Bernard Gauthier** as its CEO, succeeding **Tim Kane**, who remains chairman. Gauthier has been with the Ottawa-based public relations firm since 1994 and was most recently managing partner.

The **Neatfreak Group** has appointed **John Collins** as a partner and chief marketing officer. Collins brings more than 25 years of experience in global strategic brand marketing and executive leadership. Neatfreak, previously known as Varimpo/dba Simply Storage USA, is a diversified consumer products company that specializes in home organization. It has offices in Mississauga, Long Valley, N.J., and China.

CEO **Stephen Dupuis** has been appointed president and CEO of the **Building Industry & Land Development Association** (BILD). Dupuis joined the Greater Toronto Home Builders' Association in 1988 and has served on the executive of the association's successor organization, BILD, from the outset. BILD has more than 1,500 member companies.

— with files from
The Canadian Press
(Email notices and photos at least two weeks before publication date to murdoch@businessedge.ca)

Coming Events

- **Understanding How the Buy-Side Makes Decisions** (Jan. 27, noon) – Canadian Investor Relations Institute panel. Location: Albany Club, 91 King St. E., Toronto. Cost: Ontario chapter members \$45, others \$55. Info/register: www.ciri.org
- **Privacy by Design** (Jan. 28, 7:30 - 11 a.m.) – Key speaker: **Ann Cavoukian**, information and privacy commissioner of Ontario. Location: Toronto Board of Trade downtown centre, 77 Adelaide St. W. Cost: BOT members \$70, others \$85. Info/register: www.bot.com
- **Eastern Ottawa Chamber of Commerce** (Jan. 29, 11:30 a.m. - 1:15 p.m.) – Panel discussion on the economy. Location: Pine View Municipal Golf Course Club House, 1471 Blair Rd. Cost: Members \$25, others \$30. Info/register: www.easternottawa.ca

- **Effective Selling in Tough Times** (Feb. 3, 5:30 - 7:30 p.m.) – Facilitator: **Tim Rooney**, president of Rooney Earl & Partners. Location: Markham Executive Offices, Liberty Building, 3601 Highway 7 East. Cost: \$10. Info/register: Don De Los Santos at 905-248-2737 or go to www.msbec.markham.ca
- **Research Briefing** (Feb. 4, 7:30 - 9:15 a.m.) – Topic: Mindtraps – How Other Players Can Suck You into Making Bad Decisions. Speaker: **Niall Fraser** of Open Options Corp. Location: The National Club, 303 Bay St., Toronto. Cost: Strategic Leadership Forum members \$48, others \$75. Info/register: Email margo.street@slftoronto.com or go to www.slftoronto.com
- **Toronto Board of Trade** (Feb. 5, 7:30 - 9 a.m.) – Speaker: International

- Trade Minister **Stockwell Day**. Location: Toronto Board of Trade downtown centre, 77 Adelaide St. W. Cost: BOT members \$65, others \$75. Info/register: www.bot.com
- **Empire Club** (Feb. 5, noon) – Panel discussion: How to Create a Culture of Innovation. Location: Fairmont Royal York Hotel, 100 Front St. W., Toronto. Info/register: www.empireclub.org
- **Toronto Board of Trade** (Feb. 9, 7:30 - 9 a.m.) – Speaker: MPP **David Caplan**. Location: Toronto Board of Trade downtown centre, 77 Adelaide St. W. Cost: BOT members \$65, others \$85. Info/register: www.bot.com
- **International Leaders Breakfast Club** (Feb. 10, 7:30 - 9 a.m.) – Speaker: Ontario International Trade Minister **Sandra Pupatello**. Location: 250 Yonge St., 35th floor. Cost: Greater Toronto Marketing Alliance partners

- \$25, others \$35. Info/register: www.greatertoronto.org
- **Canadian Club of Ottawa** (Feb. 10, noon) – Speaker: **Huguette Labelle**, chancellor of the University of Ottawa. Location: Fairmont Chateau Laurier, 1 Rideau St. Cost: Members \$40, others \$50. Info/register: www.canadianclubottawa.ca
- **CME Smart Program** (Feb. 10, 5:30 - 8 p.m.) – Canadian Manufacturers and Exporters 20/20 Smart Sessions. Location: Holiday Inn, 7095 Woodbine Ave., Markham. Cost: Manufacturers free, service providers and consultants \$50. Info/register: <http://cme-smart.ca/markham>
(Email your events at least two weeks before publication date to murdoch@businessedge.ca. For online listings of events, visit our website at www.businessedge.ca)

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