

Analyst predicts gold price of \$600 US an ounce

PRECIOUS METAL | A number of factors cited including increasing demand, shrinking supplies

BY DERRICK PENNER
VANCOUVER SUN

Gold received an early New Year's boost from a research forecast by BMO Nesbitt Burns predicting that the precious metal could see prices as high as \$600 US per ounce by the end of 2006. Between hedging against continued U.S. dollar declines and the risk of inflation, rumours that central banks will increase their gold reserves, and supplies shrinking

at the same time demand is ballooning in major consumption markets such as India and China, BMO Nesbitt Burns senior economist Bart Melek thinks there is significant room for gold to go up. Gold lost a bit of ground in Thursday trading, closing down \$7.60 at \$526.30 US on the New York Mercantile Exchange. Earlier this week, Melek noted, gold hit a new 24-year high of \$536.10, and said "stay tuned for more." Melek added that it isn't just

one factor driving the market, it is a combination, starting with fears that moves to continue financing the growing U.S. current-account deficits will cause the American dollar to weaken further. "It's not that I'm expecting the U.S. dollar to tank," Melek said, "but I think that in terms of major global currencies, it will weaken somewhat as the [U.S. Federal Reserve] stops its tightening" of interest rates. On the physical supply side, Melek added that mining outputs of gold are shrinking at the same time central banks have stated they will limit their gold sales after years of liquidating their

reserves, which "stresses the market balance." "We're increasingly having to use so-called secondary markets, scrap markets, to get the gold," he said. And to top it all off, Melek noted that demand out of India and China, where gold is used as a common store of wealth, is soaring as the ranks of their middle classes swell. "I don't think [\$600 is] a particularly aggressive forecast," Melek said. Jim Mustard, senior mining analyst and vice-president of Haywood Securities Inc. in Vancouver, said the desire to hedge investment portfolios against the

weakening U.S. dollar seemed to be the biggest factor driving gold prices through most of 2005. However, Mustard added that that seems to be shifting more toward the supply-and-demand dynamic. Mustard noted that rumours that central banks will increase the amount of gold in their currency reserves will also affect markets. "Russia has expressed the intent to increase the percentage of gold in its reserves from roughly five to 10 per cent," he said. "Certainly, those types of statements have a huge impact. Whether they actually follow

through ... is another question." Mustard said that much like the "peak oil" theory, there are similar "peak commodity" concerns among analysts. The concerns are not that supplies are actually declining, but there are shortages as the exploration and development of new resources can't keep up with demand. "I'm certainly very bullish on the commodity space in general," Mustard added. "Given the demand issues and structural deficit and continued concern over the U.S. dollar, yeah there still will be continued migration into gold-backed securities." depenner@png.canwest.com

Ladysmith looks to be contender on the waterfront

DEVELOPMENT | Town wants bids for property

BY DERRICK PENNER
VANCOUVER SUN

The small Vancouver Island town of Ladysmith envisions turning its undeveloped waterfront into a community of up to 1,000 homes, commercial development and parks that tie into its existing downtown, and is now embarking on a search to find a developer who wants the job of building it.

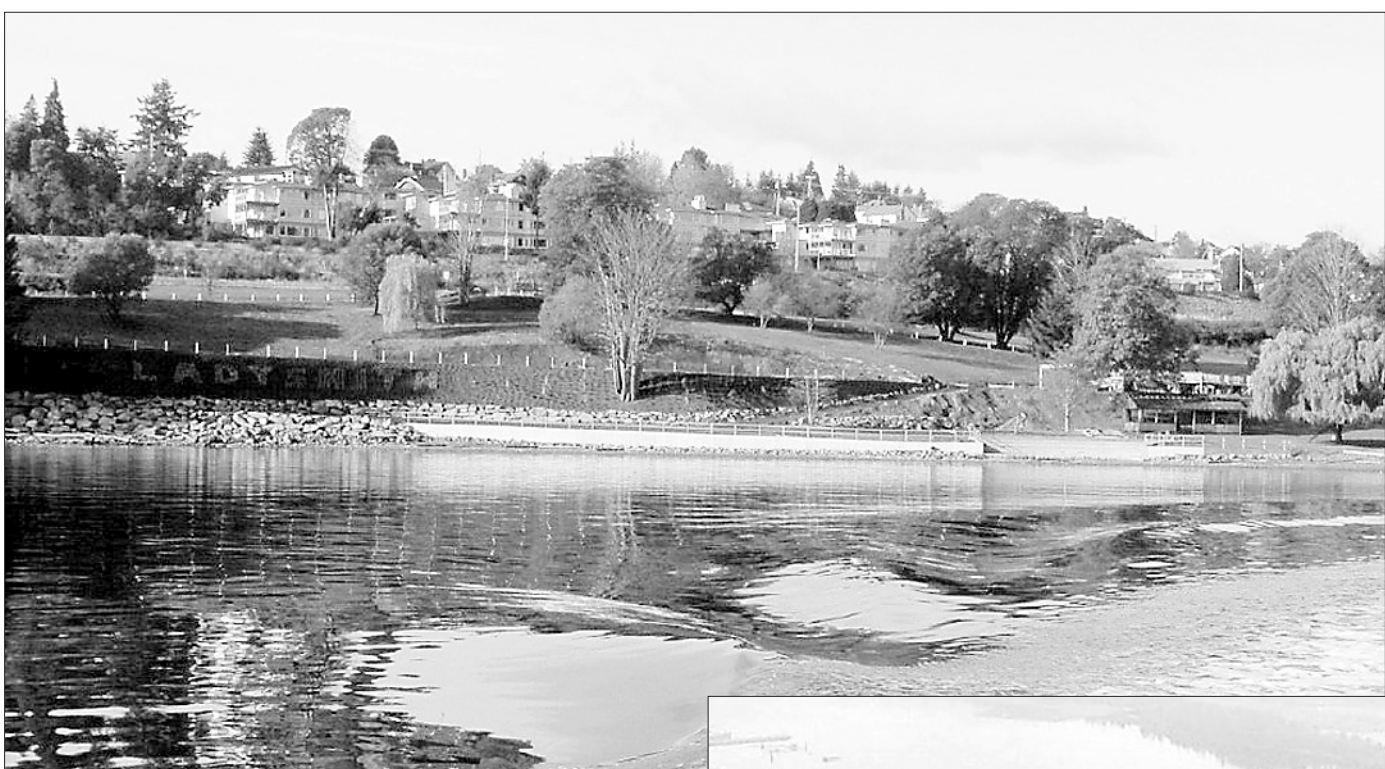
On Thursday, Ladysmith put out a call for developers interested in buying and developing the 40-hectare strip of vacant land along the town's shore on the east coast of Vancouver Island.

In a press release, the town noted that the development will be a partnership with the provincial government.

Gary Pooni, an associate with Ladysmith's consultant, Brooke & Associates, said the town owns some 9.2 hectares of the upland portion of the area to be developed and the province owns the balance, including the waterfront lots.

Bruce Anderson, Ladysmith's manager of development services, called the development "integral to the future of Ladysmith," and a project that the town has been trying to advance for the past decade.

For the last couple of years, it



The town of Ladysmith and the provincial government are opening up this kilometre-long section of Ladysmith waterfront for development. The two governments have put out a request seeking developers interested in buying and developing the site as a community of up to 1,000 homes with hotel, retail and marina amenities.

has been listed on the provincial government's "Major Projects Inventory" as the Slack Point mixed-use development.

"What the town has been trying to do is see the re-use and re-development of the harbour and waterfront," Anderson said. "Right now, the town is separated from the water's edge by the highway that runs through town."

Anderson said, historically, the foreshore has had industrial uses. Coal from the nearby Wellington mine was loaded there for shipping during the early part of the 20th century. It was also home to a Comox Logging and Railway Co.'s machine shop some 40 years ago.

For decades, however, it has been mostly vacant.

Pooni said the town and province will go through a two-stage process to identify a devel-

oper that will take over the property. First is the call for expressions of interest.

The town and province pick a list of developers that they will ask to submit full proposals that incorporate all the elements the town wants to see — 900-1,000 residential units, 90,000 square feet of commercial space, 100,000 square feet of hotel and commercial space, community amenities, a marina, and supporting businesses.

A winning proposal will be picked from that list, with which the town and province will negotiate a possible purchase or lease arrangement.

Anderson said the town does expect to receive revenue from the development of its foreshore land, but has not set any expectations.

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Snow coach to connect 100 Mile with Vancouver

BY BRUCE CONSTANTINEAU
VANCOUVER SUN

TOURISM | Public and private partners in the Cariboo region of B.C. have joined forces with Pacific Coach Lines to launch a new weekly Vancouver-to-100-Mile-House bus service in an effort to attract Lower Mainland tourists to Cariboo resorts.

Resort operators hope the new transportation link will fill a void left when BC Rail closed down the Cariboo Prospector passenger rail service to the region in October of 2002.

"The train service was one of the most critical transportation arteries we had, and when we lost it the effect was instantaneous and dramatic," Hills Health Ranch owner Pat Corbett said in an interview. "It cost our operation about \$500,000 a year [in lost business]."

The new bus service will begin next Friday, with a luxury coach leaving Vancouver around noon and arriving in 100 Mile House about five or six hours later. The bus will return to Vancouver on Monday.

100 Mile Development Corporation — an arm of the District of 100 Mile House — has contracted PCL to operate the service for one year, with a renewal option. Corbett said 10 Cariboo resorts will contribute about \$60,000 to help market the new Cariboo Snow Coach service.

100 Mile House Mayor Donna Barnett said the new service will target Greater Vancouver and Fraser Valley tourists.

"Losing the train has had a very significant impact on many resorts around here but people haven't just sat around and cried about it," she said in an interview. "You can sit and complain or you can do something about it. I think we've come up with a great initiative." bconstantineau@png.canwest.com

Higher pension premiums will negate pay hikes



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COLUMNIST

The theory is that on April 1 public servants in B.C. will, if their unions reach a quick deal under Finance Minister Carole Taylor's new wage guidelines, see their first raise after a two-year freeze.

But that's the date of April Fools, and the cruel joke is likely to be that — quick contract or not — up to 51,000 government work-

ers won't "see" their long-awaited raises at all. Or, at least, they won't see enough extra money to notice.

The trouble is that the very day those raises become theoretically possible is also the day that, for one of four large government pension groups, their premiums will soar sharply. And the higher deduction from their paychecks is likely to cancel out most if not all of the higher pay.

Taylor has earmarked \$5 billion for wage settlements with government unions over the next five years, plus an additional \$1 billion that's available in one form or another to unions that sign deals before March 31.

If all of that money were to be divided into equal raises for all unionized government workers, it would provide each with a 2.5-per-cent increase for each of the next four years.

But that's unlikely. Some government workers, hospital tradesmen for example, make a strong case that their wages must rise more than the norm to staunch the flow of workers to private-sector jobs that pay up to \$10 an hour more. Other groups of workers have taken on more duties for no extra pay. And both new training costs and any improvement to benefits will be covered by that pool of money.

So odds are most of the first-year increases will be more modest — say about two per cent.

But the premiums for the Public Service Pension plan — the one that covers most employees who work directly for the province, or for several of its Crown agencies — are poised to go up 1.88 per cent. Ouch!

There's nothing nefarious — or even surprising — in the premi-

um hike or its timing. Long-standing practice requires these pension plans to be re-evaluated every three years. If an unfunded liability is building up, premiums automatically go up, split between the employer and the workers according to a pre-agreed formula.

The province's huge municipal pension plan, which includes non-medical health-care workers and non-teaching school employees and which is 20-per-cent bigger than the other three government plans combined, imposed a 0.99-per-cent increase on its members last July. Last September, the smallest plan, the 10,700-member one for college instructors, increased the employees' premiums by a whopping 2.2 per cent. And last July, the contribution rate went up by 0.55 per cent for B.C.'s 47,000 teachers.

Those increases were necessitated in part by big losses on investments in 2001 and 2002, but other factors are also at play. The higher premium for the college fund, for example, includes improvements in benefits. And the new rates also reflect changes in assumptions about such things as likely inflation rates and life expectancies in years to come.

And public employees, even those who see their raises eaten up by higher premiums, still have good reason to feel good about these plans. For one thing, the benefits are better than most in the private sector — defined benefit plans with inflation protection that will provide, when combined with Canada Pension, payouts based on two per cent of a worker's best earnings for each year of contributions.

And for another, the govern-

ment has said, in answer to my specific question, that it won't try to take the money for the higher employer's premiums from the \$5 billion that Taylor earmarked for public services raises.

Taylor did, however, say that the \$1 billion that's available as a bonus for contracts signed before March 31 could be used to address unfunded pension liabilities.

The \$1 billion isn't enough to wipe those liabilities out, but it could cover about half of the combined forecast shortfall in the four plans. That — if the contracts are negotiated by the tight March deadline, and if that's the way the government unions choose to spend the bonus money — could mean the cheques in April's pay envelope will actually be a little bigger than they've been for the last couple of years. dcayo@png.canwest.com



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