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ACQUISITIONS

Billionaire Carl Icahn pushes Yahoo to reopen buyout talks

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MONEY • ENERGY • TECHNOLOGY • WORK

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FRIDAY, MAY 16, 2008

## MARGIN CALLS

### Toilet seat-maker faces legal stink

**COURT** • Industry giant Bemis Manufacturing Co. isn't about to take toilet seat misrepresentation sitting down.

The Wisconsin-based firm, the self-described world's largest manufacturer of toilet seats, is suing a small Canadian company over what Bemis says is patent infringement and false advertising.

Among the issues: the descriptions by Centoco Plastics Ltd. of its model numbers 700 and 900, a pair of relatively inexpensive seats fashioned from moulded wood and plastic.

Centoco, Bemis alleges in a suit filed recently in U.S. federal court, has claimed in its advertising "that Centoco toilet seats were superior or equal to Bemis toilet seats."

Bemis says the Canadian firm hasn't backed that up, and that, in fact, Centoco's seats are inferior to Bemis products.

Further, Bemis alleges, Centoco claims that the 700 and 900 are made of moulded wood when they actually "contain only five per cent to 20 per cent wood."

### Cellular 'wallets' popular by 2012

**TECHNOLOGY** • The new technology that enables small payments from mobile phones by just flashing the handset is likely to reach masses only around 2012, when one phone in five sold will be equipped with the technology.

Consumers will be able to use a phone as a wallet or as an access card simply by waving it over a wireless reader — and in some cases punching a PIN into the phone — similar to how travellers in Tokyo and London access public transport.

The technology is ready and Nokia has introduced four products using it — but the limited offering and high costs are hampering the take-up.

"When the 20 per cent level is reached, it starts to feed itself. That is the critical point," Jukka Suikkanen, R&D manager at top Nordic telecom operator TeliaSonera, told an industry seminar in Helsinki.

Research firms Strategy Analytics and ABI Research have forecast the 20 per cent penetration would be reached in 2012.

## HERALD ENERGY



Why Calgary oilpatch veteran Clay Riddell sees opportunity in fighting emissions

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# Housing gains take breather

Resale prices forecast to rise 3.6 per cent

MARIO TONEGUZZI  
 CALGARY HERALD

Average prices for resale homes in the Calgary area will moderate in 2008 and 2009 compared with the blistering pace they set for the past three years, says a new housing market forecast.

The average MLS residential

sale price in the Calgary region is forecast to increase by 3.6 per cent this year and another 4.9 per cent in 2009, according to Canada Mortgage and Housing Corp.

Lai Sing Louie, senior market analyst in Calgary for the CMHC, said year-over-year average price increases were 12.5 per cent in 2005, 38.2 per cent for 2006 and 19.5 per cent for 2007.

Resale market conditions during the first quarter of 2008 have favoured buyers and resale supply has increased to a record high while demand has been cut by over a third, said Louie.

"The outlook for this year is

for market conditions to continue favouring buyers until supply is brought down to be more aligned with demand," said Louie.

"This will be a very challenging year for housing market participants as the marketplace has become more competitive."

The CMHC's Spring 2008 Calgary Housing Market Outlook, released Thursday, said the average residential price for a resale home in the Calgary census metropolitan area will hit \$429,000 this year, increasing from \$414,066 in 2007.

SEE HOUSING, PAGE D3

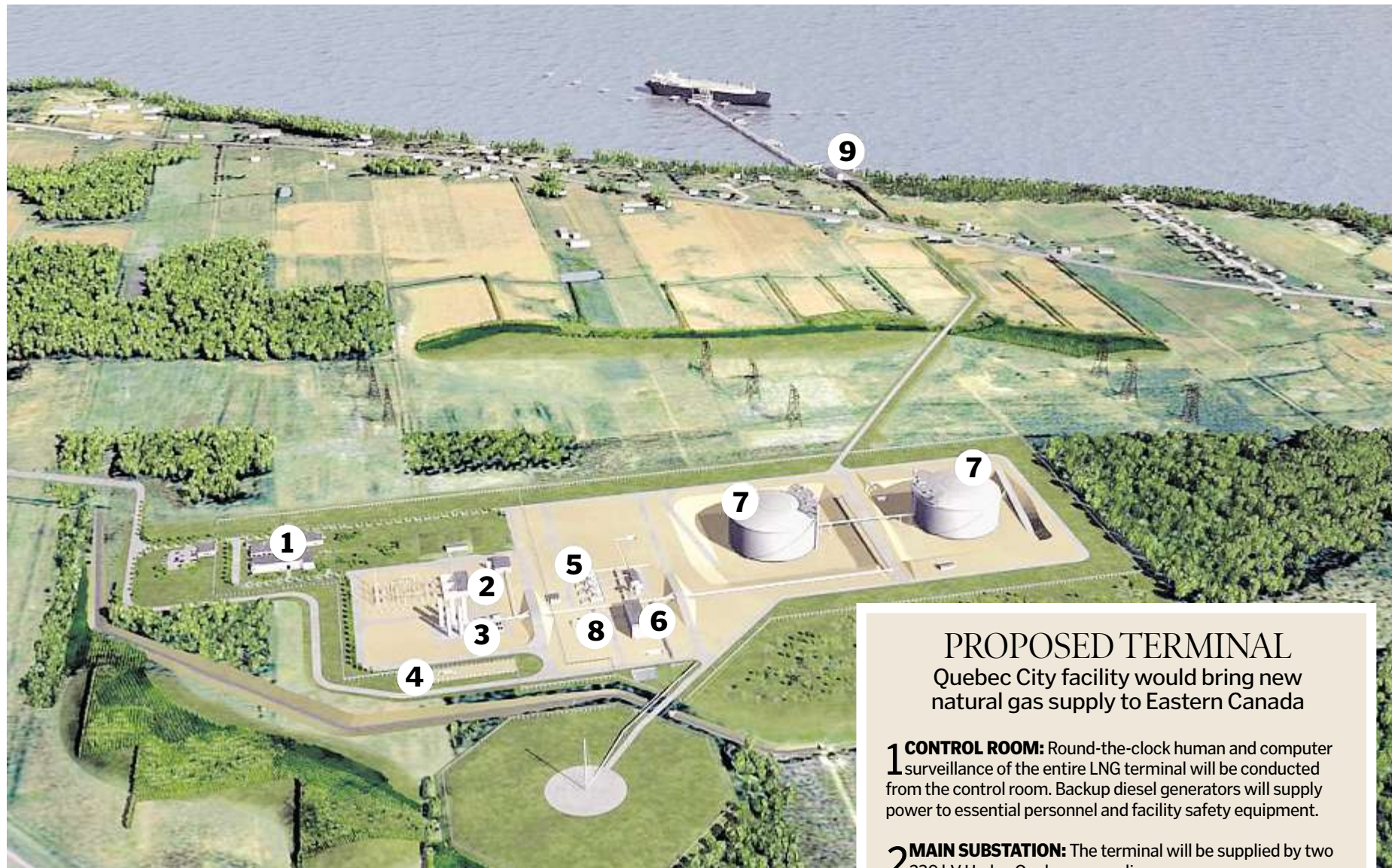
## MARKET OUTLOOK

	2007 ACTUAL	2008 FORECAST
<b>TOTAL HOUSING STARTS</b>		
Alberta	48,336	37,250
Calgary CMA	13,505	12,500
<b>TOTAL MLS SALES</b>		
Alberta	71,430	61,250
Calgary CMA	32,176	26,000
<b>AVERAGE MLS PRICE</b>		
Alberta	\$356,235	\$369,000
Calgary CMA	\$414,066	\$429,000

Source: Canada Mortgage and Housing Corp.



## PARTNERS TARGET EASTERN CANADIAN LNG MARKET



### PROPOSED TERMINAL Quebec City facility would bring new natural gas supply to Eastern Canada

**1 CONTROL ROOM:** Round-the-clock human and computer surveillance of the entire LNG terminal will be conducted from the control room. Backup diesel generators will supply power to essential personnel and facility safety equipment.

**2 MAIN SUBSTATION:** The terminal will be supplied by two 230 kV Hydro-Quebec power lines.

**3 NITROGEN PRODUCTION UNIT:** Nitrogen will be used primarily to adjust the energy value of the natural gas released into the transport network. It will be manufactured onsite from three cryogenic air fractionation units that produce 99.99 per cent pure nitrogen gas.

**4 GAS LINE LOADING STATION:** When the gas leaves the metering station, it will be released into the transport network via the gas line loading station.

**5 VAPORIZERS:** Submerged combustion vaporizers will progressively heat the LNG to return it to a gaseous state. This technology consists of circulating the LNG through coiled pipes entirely submerged in warm water.

**6 BOILOFF GAS COMPRESSORS:** Despite the high quality of insulation materials, a minimal amount of heat reaches the equipment that contains the LNG, causing slight evaporation of the LNG.

**7 FAIL-SAFE DOUBLE-WALLED LNG TANKS:** Measuring 90 metres in diameter and 46 metres high, the two tanks can each hold 160,000 cubic metres of LNG at -160 C and virtually atmospheric pressure.

**8 MEASURING STATION:** On leaving the vaporizers, the natural gas will be routed to a commercial measuring station to determine the volume and composition of the gas released into the transport network.

**9 SHORE FACILITY:** The shore facility will be built on a rock platform. It will primarily be made up of the LNG pressurization pumps that force the LNG toward the tanks when tankers are unloaded.

# Enbridge, Gazprom reach natural gas deal

Russian giant to feed Quebec terminal

SHAUN POLCZER  
 CALGARY HERALD

Enbridge Inc. appeared to succeed where others have failed by securing a Russian gas source for the proposed Rabaska liquefied natural gas terminal in Quebec.

Enbridge, along with partners Gaz Metro and Gaz de France, on Thursday announced that gas giant Gazprom has agreed to supply 500 million cubic feet per day to the \$800-million terminal east of Quebec City in exchange for an equity stake in the project.

Financial terms were not disclosed, but the deal marks the Russian giant's first significant investment in North America.

"The Rabaska LNG project will deliver the critical infrastructure needed to bring an important new source of natural gas supply to Ontario and Quebec," said Stephen Letwin, Enbridge's executive vice-president of gas transportation and international operations.

"Gazprom's involvement . . . gives strong momentum to advancing this project."

Enbridge said the gas would flow through Quebec to Ontario, where it operates Canada's oldest natural gas distribution company, based in Toronto.

The gas would come from the Shtokman gas field near Murmansk when the project comes onstream in 2014. The

field is reportedly the largest natural gas field in the world, with reserves of 135 trillion cubic feet.

"The development of new markets and products is key to Gazprom's global energy strategy," Alexander Medvedev, Gazprom's deputy chairman, said at a news conference in Quebec City.

"Delivering LNG produced at Shtokman to new Atlantic basin gas markets is keenly important to us, and Quebec and Ontario are attractive markets."

With power demand growing at two to three per cent per year, natural gas demand is expected to follow suit.

Enbridge said the deal secures new gas supplies at a time when western Canadian production is declining.

SEE ENBRIDGE, PAGE D6

SKI PASS SALE 2008/2009 RCR SEASON'S PASS MEMBERSHIP SALE

# EARLY BIRD SALE ENDS JUNE 13<sup>TH</sup>

Prices do not include taxes. Some restrictions apply.

SALE PRICES (Until June 13th)	Adult	Student/Senior	Youth (13-17)	Child (6-12)	Family	Midweek (Mon.-Thurs.)	Student Add-On	Priority Parking
REGULAR SEASON PRICING	\$899	\$719	\$629	\$299	\$2099	\$719	\$299	\$479
2007/2008 REGULAR SEASON PRICING	\$1299	\$1299	\$909	\$429	\$3029	\$1039	\$429	NEW!

SALE PRICES (Until June 13th)	Adult	Student/Senior	Youth (13-17)	Child (6-12)	Family	Midweek (Mon.-Thurs.)	Student Add-On
REGULAR SEASON PRICING	\$449	\$359	\$319	\$149	\$1049	\$359	\$149
2007/2008 REGULAR SEASON PRICING	\$559	\$449	\$389	\$189	\$1299	\$449	\$189

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# IN BRIEF

From Herald News Services

## Air Canada lowers surcharge to match WestJet

**ECONOMY** • Air Canada has lowered its fuel surcharges for most flights and created a base fee for flights to the United States, days after competitor WestJet announced similar but smaller fees.

The two airlines now have identical surcharges for domestic flights, costing travellers between \$20 and \$45 depending on the distance. "We've always said that prices are dynamic and keep changing, and we've said that we will monitor the market to ensure that we remain competitive," Air Canada spokesman Peter Fitzpatrick said Thursday. "The cost of fuel and airfares and surcharges are all expected to remain dynamic."

"The change comes less than a week after Air Canada announced the creation of the surcharge to deal with the dramatic rise of jet fuel prices. Last Friday, the airline said it would impose fuel surcharges of \$20, \$40 and \$60 on travellers for domestic and trans-border flights, depending on the distance.

## Ex-have-nots now prospering

**ECONOMY** • Newfoundland and Labrador and Saskatchewan "have stepped into a new era of prosperity," Statistics Canada said in a report Thursday.

"The ongoing commodity boom, starting in 2002, offered a unique opportunity for these two provinces to tap into their natural resources as never before," the federal agency said.

Export growth, most notably of crude oil, is cited as a main reason for economic success in these regions.

## Shell joins carbon project

**ENVIRONMENT** • Royal Dutch Shell PLC, Europe's largest oil company, has joined the International Energy Agency's carbon capture-and-storage research project in Canada.

Shell agreed to co-sponsor the research along with Chevron Corp., OMV AG, Saudi Arabian Oil Co., Apache Corp. and EnCana Corp., The Hague-based company said Thursday.

The \$80-million IEA study is one of the world's largest carbon-storage research projects.

## Suncor Energy to shut upgrader

**OILSANDS** • Suncor Energy Inc. said Thursday it is poised to begin a 30-day maintenance shutdown on one of its two upgraders, cutting output at the oilsands project to 200,000 barrels per day.

Suncor, Canada's No. 2 oilsands producer, said the shutdown will begin Friday. A second upgrader at its project site near Fort McMurray will continue to operate.

## Teck settles pollution suit

**MINING** • Teck Cominco Ltd., the world's second-largest zinc producer, settled a lawsuit with Inuit villagers over water pollution at the Red Dog mine in Alaska.

The terms of the settlement with residents of Kivalina, a village 80 kilometres from the mine in northwest Alaska, weren't disclosed.



Canadian Auto Workers president Buzz Hargrove calls labour deals with GM and Chrysler "a win-win situation in difficult times."

Canwest News Service

# Auto workers reach deal with Chrysler and GM

## Agreement freezes wages for three years

GRACE MACALUSO  
CANWEST NEWS SERVICE  
WINDSOR, ONT.

The Canadian Auto Workers union reached master agreements with both Chrysler and General Motors on Thursday.

Both Chrysler and GM agreed to match the wages and benefits in the three-year contract agreed to by Ford of Canada in master bargaining with the CAW, said union president Buzz Hargrove.

"This really is a win-win situation in difficult times," Hargrove told a news conference in Toronto. "It was tough bargaining for me. It's been an incredible ride as this is my last set of negotiations as leader of the union. I've reached my manda-

tory retirement age under our constitution."

He said confirming the Windsor, Ont., Chrysler minivan plant as the lead producer of the vehicle in North America was good news for a city reeling from GM's recent announcement to close its transmission plant in the second quarter of 2010, killing 1,400 jobs.

The negotiations produced a closure agreement for Windsor's GM workers, although Hargrove would not disclose specific details.

"We got retirement incentives, we got buyouts, we got a grow-in, pro-rated pensions, all of the things you can do to protect people who are caught through no fault of their own in what's a tragedy happening to our industry in Canada," Hargrove said.

"Overall, this is a good agreement that keeps alive as many jobs as we could," he said of the GM deal.

He said the three-year agreement mainly follows the same pattern as the deal ratified with Ford Motor Co. on May 4. It

"This is a good agreement that keeps alive as many jobs as we could"

CAW PRESIDENT  
BUZZ HARGROVE

freezes wages for three years but includes some cost-of-living increases in the second and third years for the roughly 13,000 GM workers represented by the CAW at several Ontario plants.

The deal also gives a reprieve to 900 workers set to be laid off at GM's Oshawa, Ont., truck plant in September.

"We were able to convince General Motors to keep the second shift alive," Hargrove said. "The plant will work two shifts on and two shifts off until September of 2009, and we will be, of course, studying it as we go along in hopes that the market for half-ton trucks bounces back."

The Oshawa truck plant will soon begin producing hybrid

versions of the Silverado and the Sierra. The union is hoping the more fuel-efficient vehicles revitalize sales.

Hargrove also said the union was given a commitment by GM it will produce another vehicle at its Oshawa Flex operation, where it now assembles the Camaro and the Camaro convertible.

The company also committed to producing a six-speed transmission at its St. Catharines, Ont., engine plant, and agreed to produce its next-generation V-8 engines at St. Catharines and Oshawa.

The Chrysler agreement includes a promise to bring a new generation of passenger sedans to the Brampton, Ont., facility, Hargrove said and repeated the union reached agreement on the broad terms of a contract deal with Chrysler.

"We have an agreement in principle on all the outstanding issues," he said.

"Our people are working on the language."

WITH FILES FROM REUTERS

## BUYOUTS

# Icahn pushes Yahoo on deal

## Billionaire wants merger with Microsoft

REUTERS  
NEW YORK

Financier Carl Icahn launched a proxy battle Thursday to force Yahoo! Inc. to reopen buyout talks with Microsoft Corp., saying the Yahoo board acted "irrationally" in refusing its \$47.5-billion US offer.

Icahn harshly criticized Yahoo for the breakdown in talks, saying he has accumulated 59 million shares and options in Yahoo and assembled a 10-member dissident board slate for election at Yahoo's annual meeting on July 3.

In an open letter to Yahoo chairman Roy Bostock, Icahn wrote the board "acted irrationally and lost the faith of shareholders and Microsoft. It is obvious that Microsoft's bid of \$33 per share is a superior alternative than Yahoo's prospects on a stand alone basis."

But the New York-based billionaire left the door open for a settlement instead of a full-blown proxy battle in which both sides typically spend millions of dollars and unleash a barrage of attacks against each other. Icahn urged Yahoo to "move expeditiously to negotiate a merger with Microsoft, thereby making a proxy fight unnecessary."

Icahn's move garnered public support from at least one other large investor. Paulson & Co., a \$30-billion hedge fund that raked in billions of dollars betting on the credit meltdown, disclosed Thursday it has amassed a 3.4 per cent Yahoo stake worth \$1.44 billion US.

"We intend to support the Icahn slate but sincerely hope Yahoo will negotiate an agreement with Microsoft, thereby making a proxy fight unnecessary," said Paulson.

On Thursday, Microsoft spokesman Frank Shaw repeated the same line it has used since the talks ended. "The company has moved on," he said. Yahoo declined to comment.

Two weeks ago, Microsoft walked away after negotiating for three months in hopes it could clinch a deal that would catapult the software giant into a top provider of online commerce and services.

Microsoft's final \$33-per-share offer wasn't enough to sway Yahoo co-founder and chief executive Jerry Yang, who wanted \$37 per share. Shares traded at around \$19 prior to the Microsoft bid.

On Thursday, Yahoo shares closed up 61 cents, or 2.3 per cent, at \$27.75, while Microsoft stock was up 52 cents, or 1.7 per cent, at \$30.45, both on the Nasdaq



Carl Icahn

## FROM DI

# HOUSING: Market not overbuilt, economist says

The average price is forecast to climb to \$450,000 next year.

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

The CMHC said MLS sales will decline by 19.2 per cent this year from 32,176 in 2007 to 26,000, but sales will rebound in 2009 with a 2.9 per cent increase to 26,750.

Also, new listings in the resale market are expected to rise by 14.4 per cent this year to 62,000 from 54,202 in 2007. But they will drop by 9.7 per cent in 2009 to 56,000.

Louie said the rate of employment growth in the Calgary area has slowed.

"We're still looking at an economy that is creating jobs and expanding, but not like it has in the past," said Louie, adding there are also weaker net migration levels to the city, lessening demand in the

housing market.

Also on Thursday, Scotia Economics released a report saying there is now convincing evidence that Canada's housing market has "come off the boil" with the cooling in overall activity most notable in many of Canada's hottest urban housing markets in recent years, including Calgary and Edmonton.

"Both centres have officially moved into buyers' territory as soaring prices weaken demand and fuel new listings," said the report authored by Adrienne Warren, senior economist with Scotia Economics.

"More generally, however, economic conditions continue to favour the resource-rich markets in the West over manufacturing-dominated centres in Central Canada. Regina and Saskatoon are currently in the strongest sellers' position nationally, supported by good affordability, rising population inflows and tight supply."

But the report says the risk of a

major correction is still low. According to the report, Canada's recent record of home price appreciation, averaging an annualized 10 per cent from 2002 to 2007, was unsustainable, and a return to more historical norms is a welcome development.

The CMHC is also forecasting single-family housing starts to drop by 29.3 per cent this year to 5,500 units compared with 7,777 in 2007 and multi-family starts to rise by 22.2 per cent to 7,000 units from 5,728 last year. But the forecast has single-detached starts up by 1.8 per cent (5,600 units) in 2009 and multi-family starts dropping by 57.1 per cent (3,000) in 2009.

The forecast is for the average price of a new single-detached home to increase by 15.9 per cent this year (\$550,000) and another 2.5 per cent (\$564,000) next year.

"Weaker net migration, rising inventories, competition from the resale market, and rapid price escalation from previous

years will be the dominant factors pushing starts lower," said Louie.

The Scotia Economics report said that the faster and longer home prices climb, the greater the risk of an eventual price correction. Canada's last two major housing booms of the 1970s and 1980s were both followed by some degree of real price stagnation or decline, an essential ingredient to restoring affordability and generating renewed pent-up housing demand.

Warren also said that Canada's real estate market is not overbuilt. While inventories of unsold homes are trending higher, the number of unabsorbed units, including condominiums, remains well below prior cyclical peaks in most major centres. Tighter lending guidelines and high construction costs have likely contributed to a more cautious approach among builders.



Lai Sing Louie, senior market analyst in Calgary for the Canada Mortgage and Housing Corporation.

Leah Hennel, Calgary Herald