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 Page D11

CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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DEBORAH YEDLIN
 It's time for Teck to rise to occasion

The current situation unfolding at **Fording Canadian Coal Trust** could very well serve as an inflection point in the history of Canada's mining industry.

In the last two years, Canadians have watched foreign companies pay up for the value they see in our mining assets, snapping up names synonymous with Canadian corporate history.

There's no escaping the fact that in today's global economic reality, bigger is better — especially in the world of mining as companies the likes of Australia's BHP Billiton, Companhia Vale Rio Doce (CVRD) of Brazil, Switzerland's Xstrata have been on buying sprees the last few years. They have wisely dispensed with any sort of adjective describing the type of mining that they do — just that they are mining companies operating around the world.

Why this is relevant in the context of Fording is simply that its board of directors announced last week it was instituting a process to examine all strategic options aimed at maximizing shareholder value.

What this means is that Fording is essentially in play because it has retained investment bankers and legal counsel to help them through the process.

The most logical buyer is **Teck Cominco Ltd.** because it owns 40 per cent of the Elk Valley Coal Partnership — Fording's key asset — and is also the managing partner.

The question is whether Teck will rise to the occasion and bid a global price for Fording's world-class coal assets. There is also a school of thought suggesting Teck will also buy Westshore Terminals Income Fund, which happens to hold a 9.1 per cent interest in Fording, in order to marry the Fording's production with Westshore's coal transportation infrastructure.

Teck, some might recall, did get into the bidding for Inco in 2006 but didn't quite make the cut. Inco was eventually sold to the Brazilian mining giant, CVRD, for \$19.4 billion. It wasn't the only mining company to disappear in the last while. As Inco went, so too have Falconbridge and Alcan.

SEE YEDLIN, PAGE D12

A BREATHERS FOR HOUSING SECTOR



Steve Plett works at an under-construction Calgary home. A pause in new construction will help manage the supply, says an analyst.

New home starts fall to half of last year's

48% drop over previous November

MARIO TONEGUZZI
 CALGARY HERALD

Housing starts in the Calgary Census Metropolitan Area plunged by more than 48 per cent in November compared with a year ago when they set a blistering record pace, according to data released Monday by the Canada Mortgage and Housing Corp.

The CMHC said the overall drop consisted of a 76 per cent plunge in the multi-family sector and an 18.6 per cent decline in single-family homes.

"Single-detached starts continued to be weaker while multi-family starts plunged this month after three consecutive months of high production," said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

Total housing starts in November were 776 units com-

pared with the 1,497 units that were started in November 2006. Single-detached starts fell from 726 units in 2006 to 591 this November while multi-family starts plunged from 771 a year ago to 185 this year.

"November represents the 11th consecutive month that single-detached starts have been lower than the same month a year earlier," said Louie. "Single-detached starts are expected to remain lower this year and are projected to reach 8,000 units by year-end, down 24 per cent from last year's record."

Louie said some builders are offering incentives because they want to move their inventory and because of that level of existing inventory, they have slowed down new home construction.

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

The continuing decline in housing starts this year compared with last year has to be kept in perspective considering the red-hot pace homebuilders were on in 2006, said Deep Shergill, president of the Cal-

CALGARY CENSUS METROPOLITAN AREA HOUSING STARTS

	SINGLE	MULTIPLE	TOTAL
November 2007	591	185	776
November 2006	726	771	1,497
% Change	-18.6	-76.0	-48.2
Year-to-date 2007	7,385	5,519	12,904
Year-to-date 2006	9,831	5,716	15,547
% Change	-24.9	-3.4	-17.0

Source: Canada Mortgage and Housing Corp.

gary Region Home Builders Association.

"We've had a cooling trend going on through the summer here. Inventory was quite flush with homes up for sale and available immediately. That was something that was not unexpected," he said.

Shergill said the fact single-detached starts have declined for 11 consecutive months year over year should not be a surprise to anyone considering the 2006 housing starts were compounded by the sales in 2005 "which happened in a wholesale fashion plus the sales continuing through to 2006."

"Two thousand and six was really a record year. Really, the numbers I would like to see is how we compared to the last 10 years and we're still up... Really,

is this the odd year or was last year the odd year?" said Shergill.

"The number of apartment condominium units under construction is at a record high (7,069 units) so a pause in new construction will help to manage the supply," said Louie.

"Nevertheless, a strong December should push annual multi-family starts above the 6,000 unit level for the second consecutive year."

Louie said there are currently 9,574 multi-family units and 5,598 single-detached units under construction in the Calgary CMA. Provincially, starts in Alberta's seven largest centres totalled 2,453 units in November, down over 38 per cent from a year earlier.

SEE HOUSING, PAGE D12

MARGIN CALLS

Newfoundland \$1B in the black

SURPLUS • Buoyed by high oil prices, a revenue deal with Ottawa and a red hot offshore industry, Newfoundland and Labrador is posting a projected surplus of close to \$1 billion, the province's finance minister said Monday.

At \$881 million, that's triple the forecast for 2007-08 made in April when Tom Marshall predicted the province would be \$261 million in the black.

Marshall said the change is due to much higher oil prices, increased production from the offshore, higher royalties for the White Rose project and higher than expected mineral prices.

The province's improved financial position over the past couple of years is also largely a result of the renegotiated Atlantic accord, which gave the province a greater share of oil revenues.

Marshall said the government will use much of the money to pay down debt, as well as address infrastructure needs.

Fraud plot used domain names

INDICTMENT • A former Microsoft Corp. program manager was indicted for allegedly stealing \$1 million from the company through a billing scheme she used when buying and maintaining Internet domain names.

Carolyn Gudmundson, 44, who worked in Microsoft's MSN division from 2000 to 2004 acquiring, renewing and retiring domain names for Microsoft and Expedia Inc., altered credit card receipts to boost her reimbursements, the Seattle U.S. Attorney's office said in a Dec. 7 statement.

She also submitted invoices to Expedia for domain names she hadn't paid for and induced an employee from an outside company that negotiates the purchase of domain names to send her payments to reimburse for purchases purportedly made in his name, the statement said.

"Gudmundson fraudulently made more than \$1 million with this scheme," the statement said.

HERALD ENERGY



Petro-Canada firms up Libyan connections with deal to redevelop, explore oilfields

Page D4

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FROM DI

HOUSING: B.C. now 'housing construction hot spot'

Nationally, urban starts in November totalled 17,077 units, a decrease of about five per cent from November 2006.

tially unchanged from 227,600 units in October. "Housing starts remained strong in November and are consistent with our new home construction forecast for 2007," said Bob Dugan,

ket Analysis Centre. "The strength in November is attributable to the good performance of single-detached home starts, which reached their highest level since March 2006."

starts, Robert Hogue of BMO Capital Markets said in recent months momentum has shifted from Alberta to B.C. as Western Canada's "housing construction hot spot."



Housing starts remained strong in November and are consistent with... our forecast for 2007

BOB DUGAN, CMHC



Dick Haskayne

FROM DI YEDLIN: Big demand for coal buoys Fording

These developments have made Fording's former chairman, Dick Haskayne, rather grumpy. Haskayne, for those needing a refresher, was the company's chairman until 2003 and one of the driving forces in the creation of the current Fording.

Fording Inc. was spun out on its own in 2001 when the holding company, CP Ltd., was broken up into five separate, publicly traded entities. It was perceived as the weak sister of the lot because it was in a decidedly unappealing business: coal mining.

But no one foresaw the surge in the global economy, which has resulted in huge demand for what Fording produces — metallurgical coal used in making steel.

In late 2002, Fording became the subject of a hostile takeover battle launched by Sherritt International with support from the mammoth pension fund, Ontario Teachers. After four months of strong rhetoric and lots of activity on the part of arbitrageurs, Haskayne helped stickhandle a deal that brought four parties to the table — Sherritt, Ontario Teachers, Westshore and Teck — to create the current corporate entity that ranks as the world's second largest producer of metallurgical coal.

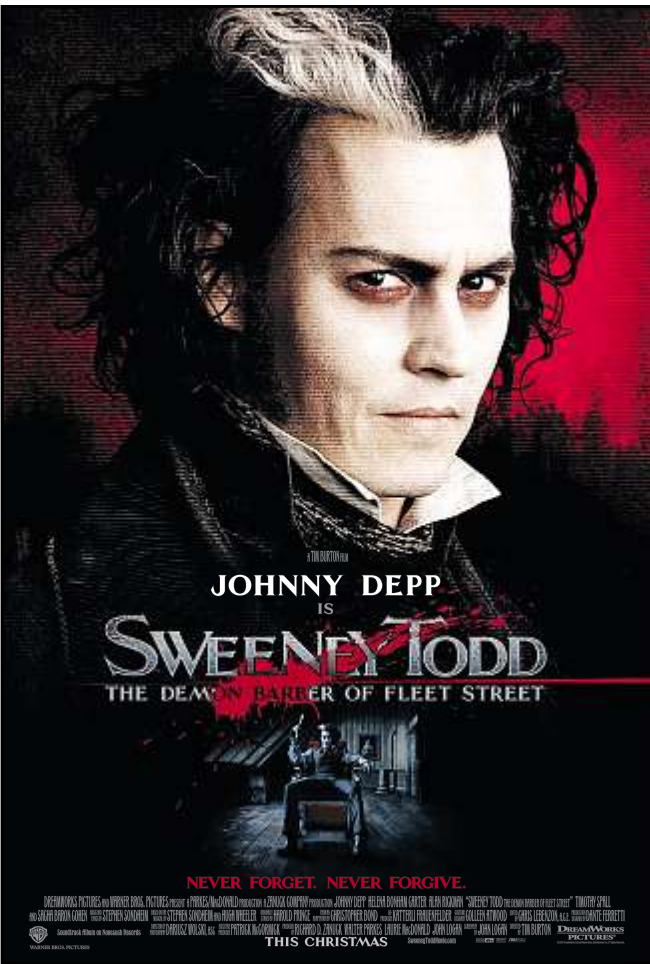
Ontario Teachers held its 19.95 per cent stake until last September, selling it to Teck for \$600 million with the proviso that, if Teck bought the remaining interest in the trust at a price greater than \$36 per unit, it would be topped up for the difference. That deal brought Teck's economic interest in the Elk Valley assets to 52 per cent.

It's entirely possible the disappearance of a large shareholder in the form of Ontario Teachers might have started the current ball rolling. What bothers Haskayne, and others, is the prospect of Fording disappearing into the hands of yet another foreign mining company that understands the value of its rich, royalty-free, coal assets while its Canadian peers get left behind, fretting about overpaying and ignoring the big picture.

Haskayne knows of what he speaks. He was chair of MacMillan Bloedel when it was sold to U.S.-based Weyerhaeuser. On the flip side, he was instrumental in two other transactions that transformed four Canadian companies into two strong, continental energy players: the merger of Nova Corp with TransCanada in 1998 and the creation of EnCana Corp through the merger of PanCanadian Petroleum and Alberta Energy Company in 2002.

It would warm his heart to see a diversified, global mining giant created in western Canada. Will Fording turn into the next Inco? Will Teck take a leap of faith, pay up for what are indisputably legacy assets and join the ranks of the global mining fraternity? Or will it drop the ball — which is arguably what happened in its \$20-billion bid for Inco in 2006? All that's left to say is: stay tuned.

If Fording's last corporate rebirth was any indication, this round should be even better because the last deal made the assets — and therefore the company — much more interesting to a potential bidder. Hopefully, that bidder is headquartered in Canada.



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