

Central bank urged to cut rates again

Private sector economists call for further half-point trim

BY ERIC BEAUCHESNE

The Bank of Canada should cut interest rates to a record low next week to stimulate the economy, a panel of private-sector economists said Thursday as evidence of a deepening recession — globally and in Canada — mounted, including a major drop in Canadian home sales and home prices.

The C.D. Howe Institute panel called for a further half-point cut in the bank's trendsetting target rate to one per cent. One of the 10 members called for a full-point reduction, and another for a whopping 1.25-point drop to just

0.25 per cent.

The half-point recommended by the panel would likely trigger a matching cut in the chartered banks' blue-chip prime rate — to which business and consumer floating-rate loans, including mortgages, are tied — to three per cent from an already all-time low of 3.5 per cent.

The need for further housing-market stimulus was highlighted by the Canadian Real Estate Association, which reported that home sales in December fell 1.8 per cent from November to their lowest level since 2000.

The average price of a home

plunged 11 per cent from a year earlier in December and was down for the year as a whole, ending the nine-year housing boom of steady price gains.

"Average prices will remain under pressure during the Canadian economic recession," warned association chief economist Gregory Klump. "There has been a fundamental shift in consumer confidence, with job insecurities prevailing in every region of Canada. That is unlikely to change until the worst of the recession is behind us."

The industry association appealed to the federal govern-

ment to include measures in its Jan. 27 budget to stimulate housing, including an increase from \$20,000 to \$25,000 in the amount homebuyers can draw tax-free out of their RRSPs for a down payment, and expanding the provision to include more than just first-time home purchasers.

However, association president Calvin Lindberg cautioned that "moderating home prices in Canada should not be confused with the downturn in the U.S. housing market" that pushed that giant economy, and in turn the global and Canadian economy, into recession.

The U.S. recession is still deepening, reports suggested Thursday. "Consumer sentiment

reached a six-year low as Americans continued to be rocked by increasing job losses, poor holiday-shopping season reports, and the ongoing inability of the government and the private sector to stabilize the economy," RBC said in a report based on a survey of U.S. consumer attitudes and spending.

Considering the U.S. consumer accounts for 70 per cent of that economy's GDP, and the U.S. accounts for 75 per cent of Canadian exports, that doesn't bode well for Canadians, either. The mood of Canadian exporters has also hit an all-time low. But it was concerns about domestic sales prospects that weighed most heavily on exporters, Export

Development Canada chief economist Peter Hall said Thursday in releasing results of the fall survey on the confidence of exporters. Just 28 per cent — the lowest share ever by a wide margin — expected a near-term increase in domestic sales, only 12 per cent expected an improvement in the domestic economy, and a record high 57 per cent expected a further deterioration.

"Over the past five years, exporters were able to count on a strong domestic market to tide them through the relentless rise in the Canadian dollar," Hall said. "Last fall, that upbeat view of the domestic scene soured considerably."

Canwest News Service

Developer hopes to sell 375 ready-for-occupancy units in one day



The announcement was a broker-and-builder affair. That's Cameron McNeill, president of Mac Real Estate Solutions, on the left and Chris Evans of Onni on the right. They've scheduled the sale for March 7.

Condo fire sale offers discounts

BY BRIAN MORTON
VANCOUVER SUN

In what's being marketed as a real estate liquidation sale, the Onni Group of Companies is offering 375 Metro Vancouver condos valued at \$150 million at prices it says are discounted by up to 40 per cent from those originally advertised.

Onni executive vice-president Chris Evans said Thursday Onni was facing high costs in carrying the units under current financing terms. "It made sense to sell our remaining inventory."

As well, Evans said in an interview, the sale makes sense because of the slowing real estate market.

"No one could ever have imagined the real estate market would drop as much as this. This is a reaction to the market that's slowing."

The sale represents all the company's remaining inven-

tory in projects completed over the past 12 months, Evans said. "And this is not a pre-sale. Every home is completed, brand-new and ready to move into."

The one-day sale will take place on March 7 and the units will be sold on a first-come, first-served basis, he said.

The sale includes condominiums in Richmond (Flo); Port Moody (Suter Brook — Aria 1 & 2, Room Loft Living and Libra); New Westminister (Victoria Hill and The Point); Port Coquitlam (South Verde); and Surrey (Escada).

Examples of the prices include:

- **Richmond:** A 900-square-foot two-bedroom unit originally priced at \$472,900, or \$525 per square foot, is now approximately \$360,000, or \$400 a square foot.
- **Port Moody:** A 1,106-square-foot two-bedroom-and-den originally priced at

\$453,900 is now approximately \$340,000.

A 655-square-foot studio originally priced at \$319,900 is now \$240,000, and a 990-square-foot wood frame two-bedroom originally priced at \$419,900 is now approximately \$315,000.

- **Surrey:** An 1,100-square-foot two-bedroom and den originally priced at \$360,900 is now \$260,000.
- **New Westminister:** A one-bedroom originally priced at \$270,000 is now approximately \$215,000.
- **Port Coquitlam:** A 1,000-square-foot two-bedroom originally priced at \$389,900, or \$390 a square foot, is now approximately \$280,000, or \$280 a square foot.

However, Evans said some of the units were selling at the original prices. "There's some demand for homes. The catch is that people are looking for a great deal.

"This is a rare opportunity to afford a home you thought you never could. This is an extraordinary time in the marketplace," he said, citing the combination of dropping prices and lower interest rates.

University of B.C. urban economist Tsur Somerville said the Onni sale is essentially a marketing tool.

"Technically, this isn't a liquidation sale," said Somerville. "That implies that they're going out of business. It's a marketing tool. When sales are low and there's existing product, you want to get people to your site."

"It also signals they don't think the market is turning around any time soon."

Somerville said he hadn't heard of anything else like the Onni sale yet.

"I know of developers who are quietly marking down," he said.

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Bankruptcies devastate logging communities

92 contractors, suppliers have lost jobs in Kootenays

BY GORDON HAMILTON
VANCOUVER SUN

When Pope & Talbot went broke in 2007, Kootenays contract logger Larry Cameron lost more than a job.

His company, which provided a livelihood for the Cameron family, also went broke.

Next, in the Pope & Talbot bankruptcy hearings, his company lost its Bill 13 logging rights under provincial legislation that guaranteed an annual harvest. Finally, as an unsecured creditor, Cameron lost \$91,000 owed by bankrupt Pope & Talbot for logging already done.

Cameron, his son and son-in-law were forced to leave the town of Nakusp in search of work elsewhere, leaving Cameron's daughter, Crystal Larder, at home with three kids and a telephone that didn't stop ringing as their own creditors started closing in.

The family was one of 92 contract loggers and suppliers in the Kootenays who lost their jobs and an estimated \$4.1 million that Pope & Talbot owed them when it shut down.

Wayne Lintott, general manager of the Interior Logging Association, said what happened to the Cameron business has been repeated dozens of times in the wake of the Pope & Talbot bankruptcy.

"It's been devastating," he said. "Most of the contractors are trying to find work elsewhere. There's a little work being done here [for Interfor, which bought the forest licences on condition that the court cancel the Bill 13 rights]. Some have gone to Alberta; some have pulled the pin and said, 'I'm out of here, right out of the industry.'"

The devastation caused when a major forest licensee fails was front and centre at the annual Truck Loggers Association meeting in Vancouver after Premier Gordon Campbell promised the government intended to introduce legislation to protect contract loggers from non-payment of money owed by licensees.

With the forest economy in a tailspin, only 15 per cent of the TLA contractors are working. And those who do work frequently are not paid by licensees, TLA president Tom Olsen said.

Crystal Larder brought the issue home Thursday when she confronted Forests Minister Pat Bell during one TLA session over yet another indignity to the family. A deal promised by the minister in an Oct. 14 news release had not been delivered.

The deal, according to a ministry news release, pledged that receiver PricewaterhouseCoopers would pay \$4.1 million to the

92 contract loggers and suppliers who worked for Pope & Talbot in exchange for the province releasing 4,300 hectares of private lands from tree farm licences.

Once the lands were out of the government-regulated licences, they could be sold, adding millions to Pope & Talbot's assets.

But that money has not come through and further, PWC was charging the contractors set-offs, claiming they owed PWC money.

"You announced 100-per-cent payment to 92 contractors within 45 days," Larder said to Bell. "That has not happened. The rules seem to be changing now that they've got the money they want. I want to know what you are going to do about it."

Bell said he was made aware of the issue one week ago and had dealt with it.

"We had assurances from PricewaterhouseCoopers that everyone would be paid prior to Christmas. It was a formal agreement and frankly I consider PricewaterhouseCoopers to be in a bit of a breach of the agreement."

"I am not happy about that at all," Bell said. "I would use the word 'pissed' but I am not sure I am allowed to do that."

Bell said PWC has agreed the money will be paid by the end of January. "The agreement was very clear, full payment."

PricewaterhouseCoopers disputed Bell's recollection of the agreement, saying there was no deadline for payment and any delays were at the government end, not the receiver's.

It took 20 months to have the lands removed from the tree farm licence, said Mike Vermette, receiver in the Pope & Talbot insolvency.

He also said that since the creditors were unsecured, the number of creditors to be included in the agreement had to be further defined.

As a result, PWC expects creditors included in the agreement will receive 98 cents on the dollar.

PricewaterhouseCoopers vice-president Michael Armstrong added that the delay was the result of the economic collapse that disrupted the land sales program the receiver was conducting.

"The payment was to be based on land sales that occurred," he said.

It took nine months to have the land removed from the tree farm licences and in that time, some of the buyers had walked away, Armstrong said.

"Some of the deals didn't close, some of the buyers walked away so then we had to do new deals," he said.

"The cheques will be issued this week or early next week."

Larder later said she was surprised at the quick response she received. "I heard far more than I expected today," she said later.

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New-vehicle sales drop is steepest in B.C.

Dealers expect a tough year in 2009

New-vehicle sales fell a precipitous 14.3 per cent in British Columbia from November 2007 to the same month last year, Statistics Canada reported Thursday, the steepest year-over-year percentage drop in the country.

The numbers follow on a nine-per-cent year-over-year decline reported for B.C. in October. From October 2008 to November 2008, sales dropped 4.3 per cent.

Sales across the country fell

four per cent from November 2007 and seven per cent from October, "the largest monthly decline since August 2005," the federal agency said.

Blair Qualey, president and CEO of the New Car Dealers of B.C., said the slump in B.C. sales started in the summer, following a period of near-record sales.

"Last year will turn out to be the second- or third-best year for auto sales in the country," Qualey said. "Some of our members had some of the best weekends ever at the end of the year."

The federal agency said sales declined in nine provinces as the

economic downturn cut demand. Preliminary industry figures indicate that new-vehicle sales were down about 15 per cent in December, it said.

"Quebec and Ontario were the largest contributors to the decline in sales at the national level. The strongest decreases were observed in Newfoundland and Labrador, Quebec and New Brunswick. These three provinces had posted strong increases at the beginning of 2008, but have since given back those gains."

P.E.I. was the only province to post an increase — though only

marginally — in November.

Qualey said dealers feel that "this is another bump in the road. We went through this in the '80s, we went through some of this stuff in the '90s."

That said, he expected things to be tough economically for many consumers in 2009.

"It's not the same world for the auto sector. People are examining their spending and borrowing habits," Qualey said.

Passenger car sales fell 9.6 per cent to 64,887 units across Canada in November.

Vancouver Sun, with Canwest News Service

SURVEY OF SAVINGS RATES

Figures effective January 15	TERM DEPOSITS		GICs			Prime
	30 Days	90 Days	1 Year	3 Year	5 Year	
Bank rate 1.75						
Bank of Montreal	1.000	1.000	1.200	2.250	2.600	3.500
Canadian Western Bank	1.100	1.100	2.370	3.520	3.770	3.500
Canadian Western Trust	0.250	0.250	1.450	2.500	2.850	3.500
C.I.B.C.	1.000	1.000	1.200	2.250	2.600	3.500
Citizens Bank	N/A	N/A	2.100	2.000	2.350	3.500
Coast Capital Savings	2.000	2.000	2.500	3.500	3.800	3.500
Concentra Financial	1.000	1.000	1.200	2.250	2.600	3.500
Evison Financial	1.000	1.000	1.500	2.250	2.600	3.500
HSBC Bank of Canada	1.000	1.000	1.200	2.250	2.600	3.500
London Life	N/A	N/A	1.125	2.625	2.625	N/A
North Shore Credit Union	1.000	1.000	1.800	2.150	2.750	3.500
Peoples Trust	1.100	1.200	2.200	2.400	2.600	3.500
Prospera Credit Union	0.650	0.650	1.200	2.250	2.600	3.500
Royal Bank of Canada	0.850	0.850	1.150	1.900	2.200	3.500
Scotia Bank & Trust	1.000	1.000	1.200	2.250	2.600	3.500
Standard Life	0.950	1.100	1.800	2.700	3.000	N/A
TD Canada Trust	1.000	1.000	1.200	2.250	2.600	3.500
Van City Credit Union	0.600	0.600	1.900	2.250	2.600	3.500
Westminster Savings CU	1.000	1.000	1.900	2.250	2.600	3.500

RATES & RETURNS Jan. 16, 2009

MUTUAL FUNDS (at Dec 31, 2008) Past performance*	
Bond funds	
(Canadian core fixed income):	
1-year	3.40%
3-year	2.30%
5-year	3.70%
10-year	4.40%
Short-duration fixed income:	
1-year	5.10%
3-year	3.60%
5-year	3.00%
10-year	3.70%
Balanced funds:	
1-year	-20.10%
3-year	-3.90%
5-year	3.00%
10-year	3.70%
Equity funds:	
1-year	-31.10%
3-year	-6.90%
5-year	1.10%
10-year	4.00%
International equity funds:	
1-year	32.60%
3-year	-8.00%
5-year	-1.00%
10-year	-1.60%

*Returns are an average of past returns and are not necessarily indicative of future performance. Source: PALtrak 98 (Morningstar Canada)/Canex, Toronto
Table compiled by Clay Gillespie, Rogers Group Financial Advisors Ltd. (Tel: 604-737-6753)

MORTGAGE RATE SURVEY Jan. 16, 2009

Variable (closed)	1 YR.	3 YR.	5 YR.
3.50%-5.00%	4.50%-6.00%	4.75%-6.45%	4.79%-6.95%

See Saturday Westcoast Homes Section for a detailed survey of mortgage rates. E&OE

TERM DEPOSITS AND ANNUITIES			
TERM DEPOSITS		ANNUITIES PER LIFE	
30-day	0.50-1.00%	\$50,000 buys (per month):	
90-day	0.65-1.75%	Age 65 69	
GICs		Male	\$317-\$344 \$356-\$387
1-year	1.00-2.40%	Female	\$286-\$312 \$318-\$342
3-year	1.50-3.55%	Joint	\$256-\$281 \$280-\$302
5-year	1.50-4.00%		

Rates are subject to change without notice. Required minimum deposit amounts will vary by institution.

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