

INSIDE: A sneak peek at the greatest auto show on Earth, E3 ■ Working, E12

BUSINESS

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SATURDAY, JANUARY 12, 2008

THE OTTAWA CITIZEN

SECTION E

Ottawa lost 2,700 jobs last month

First hiring decline in a year, but regional unemployment still down slightly: StatsCan

BY BERT HILL

The Ottawa workforce lost 2,700 jobs in December for the first monthly decline in almost a year, Statistics Canada reported. But strong job growth in Gatineau and more people dropping out of the search for

work sent the unemployment rate in the national capital region down 0.2 percentage points to a record low of 4.5 per cent. The decline in jobs after a year of vigorous growth of 86,000 jobs could be a sign that the rising Canadian dollar —

which has triggered some technology sector layoffs — as well as rising energy costs and a U.S. economic slowdown are starting to bite. Declines in housing starts and sales of resale homes in December are also raising concerns. Job losses in Ottawa were

largely offset by strong job gains of 2,400 in Gatineau. The unemployment rate on the Quebec side of the national capital fell to 4.4 per cent, down 0.6 per cent in one month, and below the Ontario side rate of 4.5 per cent — an unusual occurrence.

The Ontario side traditionally has an unemployment rate up to a full percentage point lower. Despite the decline in jobs, only 31,300 people said they were unemployed in December, down 1,600 from November. The change could reflect people retiring or returning to

school or other non-work activity as well as taking a break from job-hunting. It is the lowest number of unemployed since February 2000, when the job market had 85,000 fewer jobs than today. See JOBS on PAGE E4

Pricey oil drives boost in trade surplus

Canadian exports rise 3.1%, first gain in four months

BY GREG QUINN

Canada's trade surplus unexpectedly widened for a second month in November, as high oil prices led exports to outpace imports.

The surplus widened to \$3.7 billion from a revised \$3.1 billion in October, Statistics Canada said yesterday. Economists predicted the surplus would be little changed from the agency's initial estimate of about \$3.3 billion for October. Exports rose 3.1 per cent, the first gain in four months, and imports rose 1.7 per cent.

Yesterday's figures may limit how much the Bank of Canada cuts interest rates this year to counter the high dollar's drag on factory sales abroad and weak U.S. demand. The central bank will probably ease on Jan. 22 and again in the second quarter, according to economists surveyed by Bloomberg News. Some economists have predicted as many as five rate cuts this year.

It's a healthy report that contrasts with some of the gloom cast by the December jobs numbers. CIBC World Markets economist Avery Sheffield wrote yesterday in a note to clients.

The Canadian dollar closed at 98.07 U.S. cents, down from 99.27 U.S. cents, at Thursday's close.

For the week, the Canadian dollar ended down 0.8 per cent. After three straight months of red-hot growth, the Canadian economy unexpectedly shed 18,700 jobs in December. The median forecast in a Reuters poll was for 15,000 jobs to be created.

The job losses came as the softening U.S. economy, along with the strong Canadian currency, battered manufacturers.

Finance Minister Jim Flaherty said yesterday that the factors leading to the job losses were still in place and further losses in the forestry and manufacturing sectors should be expected.

See TRADE on PAGE E4

BLACK AND WHITE AND HEARD ALL OVER



From left, brothers John, Robert, Glenn McCue and Gregory Shostakovskiy have created software called Audio Pod, which allows audio books to be enjoyed more easily through laptops, phones and other devices.

Entrepreneurs tap into growing audio book market

Electronic bookmark among Ottawa company's innovations

BY JEFF BUCKSTEIN

Ten years ago John McCue began looking for a way to help his mother, Monica, continue her lifelong love affair with literature in spite of her failing eyesight.

Now Mr. McCue's Ottawa firm is ready to market innovative technology that allows users to easily listen to audio books and other spoken word streams on their laptop computers, portable PDAs, or any device that can play an MP3 file. And as a bonus, the software program offers an electronic bookmark system that lets users stop listening and then return to the book exactly where they left off — even on a different device.

That adaptability and ease of use are key signatures of the patent-pending technology offered by Audio Pod Inc., which Mr. McCue, its senior software architect, co-founded with Gregory Shostakovskiy in 2000. Robert McCue and Glenn McCue, John's brothers, are also software architects with the firm.

The technology is "a significant software development that has taken a lot of hours of work," Mr. Shostakovskiy claims proudly. "No one has even been close to anything like this." Because Audio Pod is a pure software design, there is no need for the user to manually download, store and transfer audio content. There are no CDs to manage or files to transfer. It taps into a hot market. According to the Audio Publishers Association, sales of audio books in 2006 in the U.S. alone were estimated at \$923 million, up six per cent over 2005.

"What's wonderful about audio books is that as more

people discover them (they) pass on the word and we continue to grow," says association president Michele Cobb, who is based in North Kingstown, Rhode Island.

This tremendous growth in popularity suits a busy society of time-pressed people who like to read books "and still be able to multi-task," she adds.

The entrepreneurs stress that no matter how large an audio file is, it is accessible in a fast, reliable manner using their technology, and can also easily be bookmarked and whenever the reader chooses.

See AUDIO on PAGE E4

Quebecor set to get help from Brookfield

Asset manager poised to pump millions into struggling printer

BY SEAN SILCOFF AND BARBARA SHECTER

Pierre Karl Peladeau has reached out to mighty Brookfield Asset Management to help his Quebecor World Inc. printing company stave off financial collapse.

Sources close to the situation say that Quebecor Inc., the company controlled by Mr. Peladeau's family, has brought in Brookfield-managed unit Teicup Partners, to inject — along with Quebecor Inc. — a combined \$400 million into Quebecor World, its publicly traded subsidiary.

The investment would be in the form of debt financing with warrants attached that would permit the investment to be transformed into equity in the company. A press release is expected to confirm some or all of the details.

The conditional financing would massively dilute existing shareholders other than Quebecor Inc. It would also pit Mr. Peladeau in what one source portrayed as a high-level game of chess against Quebecor World's banking syndicate, which has imposed a Jan. 15 deadline on Quebecor World to come up with \$12 million in new unsecured financing.

The world's second largest commercial printer has until the end of this month to put in place other refinancing measures, in order to placate its banks.

See QUEBECOR on PAGE E4

INSIDE: A horse is not just a horse, of course

Sharp-eyed investors snap up promising yearlings to breed and sell for the race circuit. E8

The City of Ottawa's wrongheaded ways to boost revenue



MARK SUTCLIFFE

The City of Ottawa is starved for cash, so perhaps it shouldn't be surprising that it's ready to beg, borrow and steal from any potential source of money to feed its empty belly. But the result is an epidemic of short-term thinking that could be very damaging to businesses in the

downtown core. First that city decided to solve some of its financial problems by dramatically expanding its revenues from parking. To pick up an additional \$1 million a year, the city plans to eliminate free parking from downtown streets on weeknights and weekends.

Naturally, the city did it with very little consultation of merchants and business leaders. For downtown stores and restaurants, which already fight an uphill battle against suburban big-box power malls, this is a big setback. Customers used to park for free on evenings and weekends on El-

gin Street, for example. Now they will now not only have to pump quarters into the meter, they may be limited to parking for only one hour. Try having a nice dinner and a bottle of wine and a wander along the neighbourhood shops in 60 minutes or less.

Some business improvement associations are lobbying the city to reverse the decision, but for council to give back a new source of cash is about as likely as Britney Spears getting a Mother's Day card. Council's myopia is now

being extended to the plan for a new Ottawa Congress Centre. In a rare moment of forward thinking, councillors voted just weeks ago to invest \$40 million in a new convention centre that will boost tourism and yield new property taxes in the form of hotels and other businesses that will grow around the facility.

Part of the plan that was approved was to have businesses that would benefit from the new convention centre contribute as much as \$1.5 million per year to the operating costs of the facility.

See SUTCLIFFE on PAGE E9

MARKETS

MARKETS, SPECIALS, LISTINGS, E3-8		
S&P 500	13,632.87	-18.96
Dow Jones	9,962.13	-44.81
Blue Chips	12,098.30	-26.79
S&P 100	1,491.82	-19.11
Nasdaq	2,426.84	-48.88
TSX 30	2,797.78	-18.93
Heading Canada	973.06	-33.88
Bank of U.S.	14,116.78	-277.32
London	6,282.00	-26.79
Hong Kong	26,867.81	-293.85
India (BSE)	99.13	-4.98
Euro Stoxx 50	6,642.00	-46.04
CSI (30 Russia Ind)	52.80	-1.62
Hank (KOSPI)	896.62	-21.89
Silver (ICE)	18,225	-9.90

TSX: Down for second week on concerns about possible economic slowdown in U.S.

E4 THE OTTAWA CITIZEN

SATURDAY, JANUARY 12, 2008

BUSINESS

Audio: 'Free' books, with ads

Continued from PAGE E1

Say, for example, you are in an airport departure lounge in a Wi-Fi hotspot listening to a podcast or audio book of The Godfather. Mr. Shostakovsky says...

The hardest part in developing this technology was devising a way to break up a media stream into a large number of manageable audio chunks that can then be played in perfect sequence...

specific hardware to use the software. The technology can also be applied in the handheld messaging industry, replacing text-dominant messaging with voice, say the entrepreneurs...

selling the technology as intellectual property, licensing it to larger media companies or seeking venture capital funding so the firm, until now self-funded, can extensively market and further develop its product...

Jobs: Slow month after year of growth, analyst says

Continued from PAGE E1

Brian Card, an analyst with the Corporate Research Group, said the capital region, buoyed by strong housing, retail and office building markets as a big ledge against global economic forces...

Technology employment dipped by 300 jobs to 69,000 in November, but up from 68,800 jobs in December 2006. The technology sector had a 14,000-job surge between April and October when it hit a high of 71,200 jobs...

Quebecor: Seen as primed for a merger

Continued from PAGE E1

But the new TriCap/Quebecor Inc. financing is likely to pique the banks as it puts them in a relatively more advantaged position in case of a restructuring, one source said...

and U.S. banking group. "The banks are in an awkward position," TriCap, which specializes in investing in restructuring situations, played a key role in pulling the reins on Stelco out of bankruptcy in 2005...

agreed to pay \$1.1 billion for the steelmaker amid industry-wide consolidation. Those who track Quebecor World have pegged it as an attractive merger target in the printing industry, which has struggled with falling demand and overcapacity in the Internet era...

Trade: 'Rough patch' for some industries

Continued from PAGE E1

"We are going through a bit of a rough patch and we can anticipate that for months now we will see some job reductions in these sectors," Mr. Flaherty said. Prime Minister Stephen Harper is meeting provincial leaders today to discuss aid for exporters. Mr. Harper yesterday announced a \$1-billion aid package for forestry and other "one-industry" towns...

the U.S. rise for the first time in three months in November, to 80.4 billion from 80.8 billion. Energy led the overall gain in Canadian exports, rising 5.4 per cent to \$7.8 billion on higher crude oil prices. Exports rose 2 per cent to \$23.1 billion. Canadian bond prices surged in anticipation of an interest rate cut, and the possibility of more to come after that.

yield fell to their lowest points since September 2005. "The 10-year (bond yield) at 3.8 per cent in my view is unsustainable," said Carlos Leitao, chief economist at Laurentian Bank. "If yields were to stay this low, it would mean that there is a really nasty recession coming down the pipeline, which I don't think is the way we will see it settle down, but we will still see positive growth in Canada throughout the year," said Mr. Leitao.

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