

Calgary Herald

Mall opening to test market; CrossIron Mills expected to be swarmed today

Wed Aug 19 2009
Page: A1
Section: News
Byline: Kim Guttormson
Source: Calgary Herald

CrossIron Mills will throw open the doors to 200 stores this morning, at a time when consumers are still wary of how much life is left in the recession -- leading industry watchers to keep a close eye on the megamall's impact.

While officials predict that up to 70,000 people could make the run up Highway 2 to the first new enclosed mall built in the province in 20 years, some analysts believe it will simply draw customers from other shopping centres.

But they also point out that while an economic slowdown isn't the dream time to open a retail outlet, the \$500-million mall is built for the long term in a province whose population continues to grow.

Also in its favour is the fact Albertans still spend more per capita than the average Canadian.

"This is shiny and new," said David Ian Gray, a retail analyst with DIG360, adding the fact the mall contains an outlet component will also be a draw in a softening economy.

"I think people are going to go."

"But while we might see a lot of people go, there might not be a lot of shopping bags coming out. Behind the scenes, for people like me, given the economic situation, it will be interesting to watch," added Gray.

Todd Hirsch, senior economist at ATB Financial, said CrossIron Mills will be a draw, in part because it has a number of stores new to the province.

"But it's really difficult for new retail space, on its own, to encourage more spending," he said. "People are still being cautious with their spending."

He doesn't doubt the mall's sales will be strong, but he said the interesting numbers will be the overall sales in the region.

CrossIron Mills opens with 14 of its 17 anchor tenants filled and in total 200 stores, kiosks and food stands ready to go.

James Moller, the mall's general manager, said the mall is 96 per cent full, because a number of stores are opening on temporary contracts ranging from six months to two years.

"We know people, if the economy has softened a bit, look for outlet shopping," he said. "If people are

looking for value, looking for deals, I think maybe we're hitting it right."

Jennifer Lavigne, manager of Ann Louise Jewellers, said a tour of the mall Tuesday showed every store advertising sales and specials.

As well, many stores -- including hers -- are carrying both their regular product lines and discounted outlet items.

"I think (today) is going to be really, really busy," Lavigne said. "There's a lot of anticipation. It's going to be a madhouse."

Gray cautioned the opening days of the mall could set the tone for shoppers who don't venture out in the beginning.

"They want to build momentum," he said. "I think a concern for (them) would be if the story comes out that traffic is a nightmare."

Located just north of Calgary near Balzac on the Queen Elizabeth 2 Highway, the mall isn't accessible by public transit and therefore customers will be arriving by car.

With as many as 40,000 vehicles expected to turn into the CrossIron Mills' parking lot today -- the average summer traffic on that stretch of highway is just over 63,000 vehicles--a number of steps are being taken to mitigate the impact.

Moller said employees are being encouraged to carpool or use the shuttle buses provided to reach the mall and any staff spots not filled will be used for customers, in addition to the 6,300 stalls available in the regular lot. About 40 parking aides will be on site to find empty stalls and make sure only one is used per vehicle. The mall also has hired about a dozen RCMP officers, through the County of Rocky View, to direct traffic, as well as traffic consultants to monitor the intersections.

The RCMP will be in place for the first week and likely the following two weekends.

"We'll be directing traffic," RCMP Sgt. Patrick Webb said, adding they would also act as the first response to any accident or theft until members from the Airdrie detachment arrive. "The reason we're there is to make sure any opportunity to keep things moving better is acted on."

Ted McCauley, Rocky View's manager of protective

services, said the county's peace officers will also be stationed near the mall.

The biggest congestion is likely to occur when consumers leave the mall and try to turn left onto Highway 2.

McCauley said a new ramp off the northbound highway onto Highway 566 should be completed by mid-October, with an overpass at the south end of the mall on track to be done next year.

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The Toronto Star

Same-store sales plunge 8.5%

Wed Aug 19 2009

Page: B04

Section: Business

Byline: MAE ANDERSON

Source: Associated Press

Illustrations: AP file photo Despite gaining market share in the second quarter, Home Depot, the largest U.S. home improvement retailer, reported its profit dropped 7 per cent but still beat some Wall Street expectations. Hurricane repairs helped.

Home Depot Inc. said yesterday its fiscal second-quarter profit fell 7 per cent, as consumers continued to shy away from bigger purchases but cost-cutting and improvements in hard-hit U.S. areas helped the company beat some expectations.

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The home-improvement leader said total transactions in the United States increased year-over-year for the first time in five years, with same-store sales rates improving in Florida and California, two of its most important - and troubled - markets. It lifted its guidance for full-year earnings from continuing operations. Chairman and CEO Frank Blake said Home Depot grabbed market share from rivals but its same-store sales remained negative in all regions except those experiencing hurricanes last year. He said it might return to positive same-store sales in the second half of 2010.

Home Depot earned \$1.12 billion (U.S.), or 66 cents per share, for the three months to Aug. 2. That's down from \$1.2 billion, or 71 cents, in the year-ago quarter.

Excluding charges related to closing Expo Design Centre, profit was 67 cents per share, topping analysts' estimate of 59 cents. Quarterly results included a tax benefit of about \$50 million that boosted earnings about three cents per share. Total operating expenses fell 8 per cent to \$4.56 billion.

Revenue dropped 9 per cent to \$19.07 billion from \$21 billion, falling short of the \$19.23 billion analysts expected. Paint, outside garden products building materials, flooring and plumbing performed better than average Home Depot said good California weather drove garden sales, despite high unemployment and foreclosures in the area. Foreclosed homes being put back on the market are driving sales of things such as paint and carpet upgrades.

Customers continued to shy away from big-ticket buys. The number of average purchases of \$900 or higher fell in double digits year-over-year.

Same-store sales at stores open at least a year, a key measure, slid 8.5 per cent. At U.S. stores, the drop was 6.9 per cent. Home Depot lifted its 2009 earnings forecast from negative 7 per cent to between flat and up 7 per cent, with adjusted profit likely to fall 15 to 20 per cent.

Its shares closed up 82 cents to \$26.93, a day after losing \$1.03 when its biggest rival Lowe's posted a 19 per cent drop in net income.

Boutique aimed at urban trendsetters; Bid to become top 'cheap chic' clothing brand

Wed Aug 19 2009

Page: FPI

Section: Financial Post

Byline: Hollie Shaw

Source: Financial Post

Illustrations: Color Photo: Peter J. Thompson, National Post Files / LOBLAW TAKING JOE FRESH TO STREETS: Loblaw's Joe Fresh Style will soon be available on Toronto's trendy Queen Street West.

Loblaw Cos. is taking its Joe Fresh Style brand to main street, signing a deal to open an 8,000-square-foot boutique on Toronto's trendy Queen Street West strip.

This marks the first time the grocer has showcased its hit apparel line on a major retail strip and is a further indication it is vying to become the country's biggest "cheap chic" clothing brand. Seizing an opportunity when Home Depot Inc. pulled out of a planned urban development deal with RioCan Real Estate Investment Trust in January, Loblaw is aiming to capture the car-free urban demographic who like fast fashion, but are unlikely to travel to the retailer's largely suburban Superstore locations. Rivals H&M, Le Chateau, Urban Outfitters and American Apparel have stores nearby on the street, which remains a popular destination in the city for youth fashion.

"[This] allows us to stream inventory to have more fashion-forward items in this location," says Liz Margles, vice-president of marketing for Joe Fresh. "[The Queen St. location] automatically elevates the credibility of Joe as a fashion brand because your neighbours are those brands," Ms. Margles said. "And the storefront also acts as a huge billboard for the brand in itself."

The project, which includes a 45,000-square-foot Loblaw's supermarket on the second floor and a 29,000-square-foot Winners on the third floor, is scheduled to open in 2011, and Loblaw will look at other opportunities for similar urban expansion. Montreal and Vancouver "are the two cities that jump to the fore," Mr. Margles said. "The afford-ability of the real estate also has to make sense."

Since it debuted at Loblaw Superstores three-and-a-half years ago, Joe Fresh has made a quick ascent to become the second-biggest clothing brand by unit sales in Canada, according to market researcher NPD Group, for the year ending June 2009. And despite the recession, Loblaw is still on track to hit a target of \$1-billion in annual Joe Fresh sales by the end of 2010, Ms. Margles said.

Joe Fresh, which is sold in 300 of the retailer's stores, is also sold in two standalone Toronto locations adjacent to Loblaw stores that are not on major urban retail strips. Retail consultant Richard Talbot, owner of Talbot Consultants International, said a drive to occupy urban street space likely came from savvy Club Monaco founder Joseph Mimran, the creative mind behind the Joe Fresh label.

The development shows Loblaw "has really put their money behind [Joe Fresh]," Mr. Talbot said. "I think they are going to try and fight it out and really test the brand against the others." The concept works well with food, he said, because Canadians venture to the grocery store an average of 1.8 times a week, much more often than they do to the mall, which they might visit once a month.

The cross-merchandising of food and fashion is very common in Europe, with U. K. grocery chains such as Sainsbury, Tesco and Wal-Mart-owned Asda selling three-piece suits and pyjamas a few aisles over from the Marmite. Wal-Mart has also deployed the strategy in the United States and Canada at its supercentres.

In the meantime, Canadian urban cores are in a state of revival and need more food stores, Mr. Talbot said. "When [grocery chains] moved out to the big megastores in the suburbs, what they basically did was abandon the downtown cores and there are very few options to buy fresh food in urban centres that is not the higher-end specialty product," he said.

While Canadian Tire, which has put 48 of the 375-store Mark's Work Wearhouse chain inside its retail outlets since acquiring the casual and workwear clothing retailer in 2002, don't expect Joe Fresh to venture far from the grocery fold.

"At one location, you get impulse buys on both sides [food and fashion]," Ms. Margles said, adding the retailer tries to time new Joe Fresh items with customer shopping patterns. "If you are in there once every week or 10 days, you will see something new, and that, we believe, distinguishes us from any other apparel retailer."

LOBLAW COS. LTD.

Ticker L/TSX

Close \$33.03, up 45¢

Volume 335,990

Avg. 6-month vol. 368,814

Rank in FP500 4 (Parent company George Weston)

The Toronto Star

Chain repair shops grab market share from auto dealers; Greater customer satisfaction helps independents, small outfits ratchet up business by 2 per cent this year

Wed Aug 19 2009

Page: B01

Section: Business

Byline: Tony Van Alphen

Source: Toronto Star

Illustrations: Pawel Dwulit Toronto Star Peter Haeefe, owner of a NAPA Autopro shop on Warden Ave. in Scarborough, says he promptly resolves all complaints. Pawel Dwulit Toronto Star NAPA Autopro mechanic Roy Yu works on a car in Scarborough yesterday as a new survey ranked the chain tops for customer satisfaction.

Peter Haeefe simply pays attention to customers at his NAPA Autopro repair garage in Scarborough.

And it works. His shop and the Autopro service chain have raced past their rivals to provide the best customer satisfaction among repair centres in Canada, according to a comprehensive industry study.

J.D. Power and Associates, a leading market research firm, said yesterday NAPA Autopro posted the top scores in its annual study of service satisfaction at 35 repair chains and dealerships plus hundreds of independent neighbourhood shops.

Autopro, which finished third in J.D. Power's annual customer satisfaction index in 2008, jumped ahead of OK Tire, the previous leader, and PetroCan's Certigard, another high-scoring chain of repair shops.

"We really try to do a good job for the customer," said Haeefe, who has owned his Autopro shop near Ellesmere Rd. and Warden Ave. for 15 years. "It keeps them happy - and coming back."

Haeefe, who operates eight service bays at his shop, added that Autopro's continuing training and prompt responses to complaints also help.

"We make sure they get properly resolved," he said.

The J.D. Power study followed responses from 14,388 vehicle owners to a series of questions about their experiences between April and June in a market that generates more than \$11 billion annually in Canada.

Owners of 3- to 12-year-old vehicles were asked about how their disabled auto got to the shop and were questioned about the facility, service adviser performance, work quality and the return of the vehicle.

J.D. Power's study concluded Autopro, which operates 600 parts and repair stores in Canada, including more than two dozen in the GTA, performed well in all categories. Pennzoil and Jiffy Lube also finished near the top of the J.D. Power index, along with Autopro, OK Tire and Certigard.

As a group, independent repair shops achieved average scores near those of the industry leaders.

The chains that posted the poorest satisfaction scores included Costco, Wal-Mart, Ford Fast Lane, Canadian Tire, and Volvo and Mazda dealers.

Officials for Canadian Tire and Wal-Mart could not be reached for comment.

In the past, Canadian Tire has said the company conducts a huge volume of repairs, which makes it difficult to maintain proper service levels. But the retailer said it was investing more in training and development to improve services.

Among new dealerships, only Acura and Hyundai posted satisfaction scores above industry average.

The study showed dealerships continue to lose business to repair chains and independent shops, which increased market share by 2 per cent to 59 per cent.

"While a two-percentage-point shift may not seem substantial, this equates to more than \$220 million in lost revenue annually for dealers," said Darren Slind, who leads J.D. Power's auto practice in Canada. "Given declining new-vehicle sales, which are down more than 16 per cent in Canada so far this year, dealers must rely more than ever on their service and parts operations."

J.D. Power said the results revealed that dealers performed well in the quality, convenience, comfort and cleanliness categories, but customers placed a higher priority on people, processes and service.

The study indicated more than half of vehicle owners left during the repair so they didn't experience in-store advantages, Slind noted.

J.D. Power said the study also revealed that average spending on auto repairs will slide by about 7 per cent from \$920 in 2008 to \$856 this year because of the recession.

The research firm said the proportion of customers who acknowledged going to the cheapest outlet had grown from 17 to 23 per cent.

"In a difficult economy, vehicle owners seem to be delaying what they perceive to be non-essential

maintenance or seeking out the lowest cost option,"
Slind said.

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The Daily Telegraph

Pension Corp eyes flotation in 2010

Wed Aug 19 2009
Page: 008
Section: City
Byline: Garry White

PENSION Corporation, the insurer of pension fund payments founded by venture capitalist Edmund Truell, may list in the UK next year.

The group was established in 2006 and it manages pounds 5bn of assets, but it plans to raise more money to insure pension funds' future liabilities.

The Pension Protection Fund recently estimated that the collective deficit of all the UK's 6,400 final salary schemes stood at pounds 158bn, with about 87pc of the funds in deficit.

Former employees are living longer and the collapse in financial markets has prompted some pension funds to seek protection against market volatility. Companies such as Cable & Wireless have recently insured their pension payouts and BP said earlier this year that it was closing its final salary pension scheme to new employees. Half of British companies with final salary pension schemes are expected to close them to all employees by 2012.

"The amount of capital required to solve the UK's pension problem is just gargantuan," Mr Truell told Bloomberg, "and you can only begin to get that sort of money from public markets."

More insurers like Pension Corporation will have to raise capital if they wish to meet a long-term rise in demand for bulk annuities, according to Guy Coughlan, managing director of JP Morgan Chase's pension advisory group.

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The New York Times

Manhattan Hotels Fill Rooms at Rock-Bottom Rates

Wed Aug 19 2009

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Section: Business/Financial

Byline: TERRY PRISTIN

Illustrations: PHOTOS: Sweeping views, above, at the Ink 48 hotel on 11th Avenue at 48th Street. The Surrey on East 76th Street, below, is reopening after a renovation. (PHOTOGRAPHS BY CHESTER HIGGINS JR./THE NEW YORK TIMES) CHART: Lower Prices and Profits: Occupancy for hotel rooms has shown only a slight decline from July 2008 to July 2009, but daily rates and revenues have declined sharply. (Source: Smith Travel Research)

No other sector in commercial real estate is suffering as badly right now as the hotel industry.

In June, the average occupancy rate nationwide was 54.6 percent -- by far the worst performance since Smith Travel Research of Hendersonville, Tenn., began keeping track in 1987. Distress is rampant, with increasing numbers of hotel owners surrendering control of their properties to their lenders.

As often happens, however, the Manhattan hotel market is a special case. Hotels in Manhattan also lost business in the financial crisis. But in April, rooms began filling up, sending the occupancy rate back over 80 percent. In July, 83.3 percent of the rooms were filled, a 5.6 percent decline since last year but still the highest occupancy rate in the nation, preliminary Smith Travel data shows.

But to attract business, Manhattan hotel operators have slashed room rates by nearly one-third since last year, to an average of just under \$200 a night. "I know I could come across sounding like the convention bureau, but New York really is a good buy right now," said John A. Fox, a senior vice president at the New York offices of PKF Consulting, a national research and hotel advisory firm.

Though bargains can be had all over the country, the national decline in room rates from June 2008 to June of this year was a much more modest 9.7 percent. Analysts say that is because room rates in most places never soared the way they had in Manhattan. Nationally, the average rate was \$96.77 a night in June.

Manhattan's discounted rates are proving a great deal for visitors but are taking a huge bite out of hotel revenue. Revenue per available room, the standard industry measure, has fallen by one-third, Smith Travel and PKF data show. Industry specialists say a decline in room rates results in a correspondingly larger drop in profits because hotels have so many fixed costs.

In New York, as elsewhere, luxury hotels have been affected by the outcry last fall when American International Group, the insurance giant that had to be rescued by the government, spent more than \$400,000 on a corporate retreat at an Orange County, Calif., beach resort.

Since then, business executives have been reluctant to book rooms at hotels whose names evoke images of self-indulgence, analysts and brokers say. "What's

really scaring people is the prospect of getting dragged in front of a Congressional hearing," said Bradley W. Burwell, a senior associate at CB Richard Ellis Hotels. Last month, the St. Regis Monarch Beach Resort, the site of the A.I.G. retreat, was turned over to its mezzanine lender, Citigroup.

Some hotel specialists said the so-called A.I.G. effect influenced the rate-cutting in Manhattan. President Obama singled out Las Vegas, and did not mention Manhattan, when he decried corporate junkets "on the taxpayers' dime" earlier this year. Yet Manhattan hoteliers interpreted his remarks as applying to all high-end hotels, said Mark V. Lomanno, the president of Smith Travel Research. "They completely panicked," he said. "They said, 'We just have to get the hotels filled.'"

Drastically cutting room rates is a short-sighted strategy, Mr. Lomanno said. "I understand why it happens emotionally, but statistically speaking, they leave a lot of money on the table," he said. "Of course, they need to lower their rates some, but the level of discounting is far above what they need to do."

Rather than adding to the demand for hotel rooms, the bargain rates simply encourage people who already planned to travel to choose a different destination, he said.

One problem for New York, Mr. Lomanno said, is that in many cases, the discounted rate is now lower than previously negotiated corporate rates. He said corporate meeting planners were already beginning to demand further reductions.

Hotel specialists say that it could take years for room rates to reach their former level, which, of course, is good news for travelers. "Once you get a \$149 rate in Manhattan, it will be difficult to charge \$349 for that room next year," said Thomas P. McConnell, a senior managing director at Cushman & Wakefield.

Keeping occupancy high may have helped most New York hotels from experiencing the defaults that are occurring elsewhere -- at least so far. "When you're filling 84 percent of your rooms, you should be generating enough cash flow to cover your debt service," said David Loeb, a managing director at Robert W. Baird & Company, a financial services firm based in Milwaukee.

Around the country, owners of more than 1,000 noncasino hotels, including some well-known properties on the West Coast, have defaulted on

\$16.8 billion in loans, and many more are expected to follow suit, according to Real Capital Analytics, a New York research company. The distressed properties include the W Hotel in San Diego and two prominent San Francisco hotels: the Renaissance Stanford Court and the Four Seasons.

But a few Manhattan hotels have also run into trouble. Among them are the Dream Hotel, a 220-room luxury boutique hotel on 55th Street between Broadway and Seventh Avenue. In April, the owners, Hampshire Group and a partner, notified their mortgage servicer that they were unable to continue making payments on their \$100 million securitized mortgage, said Frank Innaurato, a managing director at Realpoint, a credit ratings agency in Horsham, Pa.

In December, Horizen Global, which was developing the Vu Hotel, a boutique hotel with sweeping views of the Hudson River, on 11th Avenue at 48th Street, lost control of the property to its construction lender, U.S. Bank. Renamed Ink 48 -- a reference to the building's former role as a printing house -- the hotel is scheduled to open in September, 18 months behind schedule. Despite its untested location, Kimpton Hotels and Restaurants, the managers of the hotel, had set rates at \$429 a night. But for now, the hotel will offer an introductory rate of about \$223, said Jorge E. Trevino, a vice president.

Though hotel projects that were not under construction last fall have been postponed indefinitely, several new hotels are expected to open in the next few months, including the 220-room W Hotel on Washington Street, in Lower Manhattan.

The Surrey hotel, on 76th Street at Madison Avenue is reopening later this year after undergoing a top-to-bottom renovation that added 58 rooms, for a total of 190, said Ellen Brown, an executive vice president of Denihan Hospitality Group, the hotel's owner. She said that given travelers' skittishness about luxury brands, the upscale Surrey is likely to benefit from not having an instantly recognizable name like Four Seasons or Ritz-Carlton.

As they cope with lower revenue, hotel operators are trying different strategies for holding down costs. Hersha Hospitality Group, which owns or manages 10 hotels in New York under brands like Hampton Inn and Candlewood Suites, no longer places newspapers outside the door and now offers breakfast from 7 a.m. to 9:30 a.m., instead of 6 a.m. to 10:30 a.m., said Neil Shah, the president. "We're doing things on the margin to keep down costs," he said.

Hotel owners have to find ways to trim expenses without alienating customers, said Ms. Brown, whose company also owns or manages eight other hotels in Manhattan, including the Benjamin Hotel on East 50th Street.

"Guests can be very forgiving of a hotel room that has not been recently renovated as long as it's clean, and as long as the service is good," she said. "Obviously it's hard right now to keep your guests happy. It's tough for every hotel manager in this

environment."

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The Washington Post

Tishman Said To Seek New Loan Terms on D.C. Properties

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Page: A12
Section: Asection
Byline: Dana Hedgpeth

A partnership that owns a large portfolio of Washington area office buildings is not meeting certain provisions of the debt agreement on the properties and is in talks to restructure the loan, according to a source familiar with the negotiations.

The partnership is led by Tishman Speyer Properties, a New York-based commercial real estate company. Tishman and its partners paid \$2.8 billion in late 2006 to acquire the portfolio of roughly 20 buildings from the Blackstone Group, a New York private-equity firm.

Tishman struck the deal when there was plenty of easy credit. Like many other real estate investors at the time, Tishman put a large amount of debt on the properties, according to the source, who spoke on the condition of anonymity because he was not authorized to speak publicly on the matter.

As the commercial real estate market has crumbled, with rising office vacancies and falling rents, many investors are finding that they overpaid for properties and are now having to pay off and refinance the loans. Tishman, the source said, has violated certain debt covenants with its lenders.

Rick Matthews, a Tishman spokesman, said: "We have confidence in the long-term value of the portfolio. We are working with our lenders to achieve a reasonable resolution to the current situation."

In May, Standard & Poor's lowered its credit rating on Tishman's Washington portfolio, citing "declining asset values and slower than anticipated leasing progress."

The properties in question were once owned by CarrAmerica, a District-based developer that was purchased by the Blackstone Group in July 2006 for \$5.6 billion. Blackstone sold the Washington portfolio to Tishman months later.

CarrAmerica came out of the company originally founded by Oliver T. Carr Jr., once one of the best-known developers in the District. His firm built several large office buildings along Pennsylvania Avenue NW and refurbished the landmark Willard Hotel. Other projects included 1800 M Street NW; the mammoth International Square in the 1800 block of I Street NW; and Terrell Place at Seventh and E streets NW, near the Verizon Center.

Tishman Speyer also owns New York's Rockefeller Center and the Chrysler Building.

The Wall Street Journal reported Tishman's difficulties with its Washington properties on its Web

site Tuesday night.

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Are you feeding staff morale?; 'Talent is hard to keep but we're not losing people'

Wed Aug 19 2009

Page: FP10

Section: FP Careers

Byline: Daryl-Lynn Carlson

Source: Financial Post

Illustrations: Color Photo: Aaron Lynett, National Post / Mike Wessinger, president of PointClickCare.com(left), with his brother Dave Wessinger, chief technology officer, serve themselves lunch. Mike Wessinger says the cost of serving lunch to staff daily along with other perks is a small price to pay for the company's zero turnover rate.

In the current environment of workplace cutbacks, layoffs and worries about job stability, at least one company has managed to maintain a high level of morale among its 170 employees.

Mississauga, Ont.-based PointClickCare.com, provides employees with a healthy lunch every day, allows them to take a break to get a massage from a certified therapist, or even nap in a "quiet room" if they want. It's all part of the the health-care software company's philosophy that success is measured by employee loyalty. "We think our employees are the absolute key to our success," says Mike Wessinger, president of PointClickCare.com. The company is doing well enough that it has not had to consider staff reductions, although Mr. Wessinger says even if it wasn't doing well, layoffs would leave managers stuck recruiting and training top talent to rebuild staff numbers once the economy recovered.

He says lunch costs about \$10 a day for each employee, an expense he says is "either neutral or it saves money in the long run.

"If somebody crosses the street [to take another job] for an extra \$5,000 in salary and it takes somebody else seven months of ramp-up time to replace that person, what does that cost?" he asks.

Other perks at the company include social events such as bowling during the workday, where executives take time to interact and get to know the staff.

The effort has translated into a turnover rate of zero. "Technical talent is really hard to keep, but we're not losing people," Mr. Wessinger says.

It's an achievement the company is proud of in an economic climate that has fostered trepidation and self-preservation at many workplaces.

A global survey by management consultancy RogenSi found while employees are passionate about their work, they have little confidence in their leaders. "In some organizations, they have seen their colleagues being laid off," says Alex Jakobson, director of RogenSi's North American operations in New York. "The leaders are perhaps focusing more on the business than the people."

Most notably, the survey found of the 2,000 employees polled for the Global Mindset Survey,

those in Canada had the least confidence in their company's plan to weather the economic downturn without significant cuts, and salespeople were particularly pessimistic.

Employees between the ages of 25 and 35 have the least loyalty when they are in workplaces suffering from low morale "and they have less to lose" calling it quits and moving on, Mr. Jakobson says.

The survey was conducted to assess the affects of economic pressures on workplace morale and employee engagement in the context of RogenSi's Exceptional Performance (EP) training program. The program was designed to build mental toughness among workplace leaders in challenging times.

Alan Farnsworth, a senior vice-president at Rochester, N. Y.-based Bausch & Lomb, retained the consultant to help boost morale at the company's customer service and information technology departments before the recession took hold.

"I was concerned about a defeatist attitude that was creeping into my leadership team, a bit of a sense of helplessness and blaming external circumstances for not accomplishing the objectives we set out," he says.

The program taught managers to seek "positive solutions to problems and get out of that negative spiral of 'blame and complain,'" he says. It revitalized the workplace.

He contends that it is imperative weaknesses in leadership be resolved quickly to preserve the morale of an entire workplace.

A National Employment Survey recently conducted by employment law firm Rubin Thomlinson LLP found 70% of Canadian workplaces polled were experiencing depleted levels of morale.

"What [the survey] highlighted is you think about the people who have been laid off from their jobs and the life-altering experience it is, but you should think about the people who are left behind and are traumatized watching colleagues getting walked out the door," says Janice Rubin, a founding partner of the firm.

Benefits such as those offered at PointClickCare.com become vital for employers to maintain morale during recessionary times. "Now's not the time to cut out every group or social event but

maybe do something more low key," Ms. Rubin says. The survey, which had a 5% response rate from the 4,000 employers sent the questionnaire, shows that more than half of the respondents had reduced their complement of staff in the past 12 months. Ms. Rubin says the purpose of the survey was to ascertain the long-term effect of layoffs and workplace cost reductions.

"The story behind the numbers is a human story," she says.

"If the recession continues and uncertainty in the workplace remains, we will likely see employee burn-out, an increased number of stress leaves, workplace harassment issues and more mistakes being made."

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Recovery to be long, difficult, IMF says; 'Deep scars'

Wed Aug 19 2009

Page: FP1

Section: Financial Post

Byline: Paul Vieira

Dateline: OTTAWA

Source: Financial Post

Illustrations: Color Photo: Bloomberg News Files / OLIVIER BLANCHARD OF THE IMF: "The world is not in a run-of-the-mill recession."

There is, indeed, a recovery underway, but it will be long and difficult, and require a massive rebalancing in the global economic landscape -- otherwise, growth is likely to be "anemic" for years to come, warns the chief economist for the International Monetary Fund.

"The world is not in a run-of-the-mill recession," said Olivier Blanchard in an article to be published today. "The turnaround will not be simple. The crisis has left deep scars which will affect both supply and demand for many years to come."

Whether intentional or not, Mr. Blanchard's analysis throws cold water on those who say the economy is about to rebound quickly from one of the deepest recessions since the Second World War. Investors have banked on a solid recovery as North American markets have gained as much as 50% from lows set last March.

While the Bank of Canada said last month it believes economic growth is set to return in the current quarter, both Stephen Harper, the Prime Minister, and Jim Flaherty, the Finance Minister, have been wary of declaring the recession over, warning any recovery is "fragile."

The IMF has projected the global economy will shrink 1.4% this year, but expand 2.5% in 2010. Nevertheless, economists consider global growth of less than 3% to be a recession.

The IMF economist said parts of the financial systems in advanced economies remain "broken" and will take a "long time" to be repaired. Further, higher income taxes are inevitable as governments look to pay down the large amount of debt accumulated to rescue financial institutions and stave off a possible depression.

Mr. Blanchard said the large dollops of stimuli policymakers injected in global economies was the proper policy to pursue. But the stimuli must eventually be phased out and replaced by household spending and business investment. The big concern, though, is that spending by U. S. households -- one of the major growth engines in recent decades -- will be stagnant as Americans are likely to save more and spend less "at least until they forget the lessons of the crisis," Mr. Blanchard wrote.

U. S. business investment is also expected to remain weak, as credit conditions remain tight and the housing industry becomes a shadow of its former self.

With U. S. household and business spending on hold for the time being, Mr. Blanchard said the global economy will need China, as well as other Asian states, to convert from a nation of savers to a nation of spenders. China has built up a massive current-account surplus as a result of U. S. consumers gobbling up Chinese-made goods, with the help of borrowed money.

China has a large pool of savings because the country's social infrastructure is deemed weak and forces its residents to hoard cash in the event of a job loss and unexpected health-care costs.

"A decrease in China's current-account surplus would help increase demand [for U. S.-made goods], and sustain the U. S. recovery," Mr. Blanchard said, adding the health of the U. S. economy remains key to a global turnaround.

If, however, China and other Asian states are unwilling to reduce their current-account surpluses, and the U. S. net exports do not "substantially" improve, then the U. S. economy faces an "anemic" recovery, the IMF economist said. As a result, pressure may mount for fiscal stimuli to continue -- leading to concerns about Washington's ability to pay the interest on its treasury bonds, and potential volatility of the U. S. dollar. "An understanding of the issues and the dangers, and some co-ordination across countries, is likely to be as crucial during the next few years as it was during the most intense part of the crisis," Mr. Blanchard said.