The Ottawa Citizen

# DND seeks partners for civilian HQ; Private sector would design, build, finance and manage potential $200M project

Thu Sep 24 2009
Page: D1 / FRONT
Section: Business & Technology
Byline: Bert Hill
Source: The Ottawa Citizen

The federal government is looking for private partners to develop a large new building in the capital region for civilian staff of the Department of National Defence.

It is seeking 72,000 square metres of office and "special purposes" space -- about 750,000 square feet, or the equivalent of 80 per cent of the 26-storey Place Bell building at 160 Elgin St.

The government wants it built on federal land in the "greater Ottawa area" and ready by 2015. A project of this scope would cost more than $200 million and could require a consortium of major private players to finance, build and manage.

Greg Clark, managing director of CB Richard Ellis commercial real estate, said that if the building goes ahead, it would provide a powerful economic boost at a time when new office construction could be slowing.

The company released a report this week showing commercial vacancies jumped across Canada in the latest quarter as a result of the recession. With many new buildings rapidly approaching completion, the vacancy rates could rise and stay high.

"This proposal really demonstrates that Ottawa is different," Clark said. "The federal government brings an element of stability that becomes more significant in challenging times."

The call, which closes Nov. 12, is a request for qualifications from organizations capable of managing the project.

Formal calls for tenders could follow.

Officially, the government is seeking partners to design, build, finance and manage an office and special-purpose building over 30 years under a public-private partnership.

The building would house civilian operations of the defence department. The special purpose space would include a data centre, secure areas, electronic labs, fabrication shops, loading docks and cafeterias.

The government has tried for years to find a way to consolidate DND activities scattered across more than 50 buildings. The tender does not disclose how the project might affect the current DND headquarters building.

One possible site is a 30-acre property on Tremblay Road near St. Laurent Boulevard and the Queensway.

In February, the government bought the former Ontario ministry of transportation works yard for $24.75 million.

Public Works Minister Christian Paradis said then: "This is a great location, close to public transit. It will help us take pressure off the downtown core ... in our strategy of accommodating public servants in the national capital region."

It is not clear how this project fits into the government call for 3.8 million square feet across Ottawa and Gatineau earlier this year.

There has been speculation that DND or other large departments are interested in the Nortel Networks campus on Carling Avenue.

Part of the call appeared aimed at the Nortel site because it sought 2.8 million square feet in one location. The Nortel campus has 2.2 million square feet, but with ample space for future growth.

Nortel responded in January by offering the site. It was using only about half the campus then and has continued to chop staff. The insolvent company has since abandoned hopes to escape bankruptcy protection as a smaller, more competitive player.

Buyers of Nortel assets, such as Ericsson and Avaya, are expected to get rights to take over some Nortel space. But with an 18-per-cent vacancy rate in Kanata, the centre of the tech sector, they would have plenty of other options.

The Globe And Mail

# Waiting for his ships to come in; The CEO of Port Metro Vancouver says container traffic is down 16% and recovery is slow

Thu Sep 24 2009
Page: B3
Section: Report On Business: Canadian
Byline: David Ebner
Dateline: VANCOUVER

VANCOUVER -- If there's an economic rebound, Robin Silvester doesn't see it from his vantage point overlooking Burrard Inlet.

The new chief executive officer at Port Metro Vancouver, one of North America's busiest shipping hubs, is grappling with a sharp downturn in traffic.

Traffic of containers that carry an array of consumer goods and other products is down 16 per cent this year. That's a slight improvement compared with the 20-per-cent drop seen in the first months of 2009, during the worst of the recession, but Mr. Silvester doesn't see activity gaining much steam. The full-year decline is estimated at 12 per cent.

"It's hard to say the green sprouts are for sure," Mr. Silvester said in an interview from his office in downtown Vancouver.

There aren't big signs of recovery elsewhere, either.

The Port of Los Angeles, the West Coast's busiest destination for containers, saw container traffic fall 19 per cent in August compared with the same month in 2008. That is worse than the 16-per-cent decline for the year the port has seen so far.

Other indicators such as the Baltic Dry Index, a barometer of ocean freight rates for bulk commodities, also suggest the trade outlook is tepid. The index is closely correlated with the health of the global economy. After crashing last year, down 94 per cent to a low of 663 points, it recovered to about 4,000 in June.

Since then, the index has slid steadily and now sits around 2,250.

Mr. Silvester became CEO of the Vancouver port in the spring, replacing retiring Captain Gordon Houston. Mr. Silvester's main mission is to "seize the potential of Asia-Pacific trade," the organization said when his appointment was announced. The port is central to Canada's strategy of improving Asia-Pacific trade by spending money on infrastructure in the region.

He is overseeing the effort to make the port more efficient, starting with an injection of $225-million from governments, the port and businesses to build two overpasses for railways to replace level crossings on the North Shore of the Burrard Inlet, as well as improving several roads for truck traffic.

A similar announcement for the southern part of the port region could be made this fall, Mr. Silvester said.

Almost all of the containers that come into Port Metro Vancouver are headed to a domestic destination, rather than the United States, and the port is significantly expanding its capacity. Under construction for more than three years, a third berth at the port's operations in Delta, south of Vancouver, is budgeted at $400-million and will increase Port Metro Vancouver's container capacity by close to 20 per cent.

However, including the expansion, the port is running at only about half capacity for containers.

Exports this year have held up better than imports, with goods leaving Canada down 6 per cent while imports are down 23 per cent.

A much-larger $2-billion container expansion is in the early planning stages but likely won't be built until around 2020, four years later than originally estimated.

Port expansion in Vancouver is difficult because of the geometry of the harbour, the region's terrain and its busy urban environment, said Terence Smyth, a maritime economist at Seaport Consultants Canada Inc. in Vancouver. But those likely won't be a problem for a while.

"The biggest challenge is getting over the massive downturn in traffic this year," Mr. Smyth said.

Mr. Silvester, 41, was previously CEO of a property management company in Australia and also held senior roles at P&O Ports.

In 2008, Port Metro Vancouver had revenue of $140-million and a profit of $40.4-million. The money is pumped back into port facilities. The operation is a standalone corporation overseen by the federal Minister of Transport.

The 2010 Winter Olympics pose a logistics puzzle because of the intense security for the games. But Mr. Silvester said the port has put systems in place to ensure products will move as normal, which he believes should be good for the port's reputation.

One segment where the port does compete with American rivals is in cruises. The Port of Seattle has steadily lured ships to its city, after improving its cruise facilities, because it is easier and cheaper for American customers to fly to Seattle before

embarking on sailings to Alaska. Port Metro Vancouver is losing about 65 sailings next year - a typical year has 250 - but this month Walt Disney Co.'s cruise operation said it would bring 18 sailings to Vancouver for the 2011 season.

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The Ottawa Citizen

# Canada lags in G20 green stimulus; Report cites gaps among top economies

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Section: News
Byline: Mike De Souza
Source: Canwest News Service

Canada is spending less on environmentally friendly stimulus projects than many of its counterparts in the Group of 20 economies, reveals a new United Nations report to be released today.

The Global Green New Deal update for the upcoming G20 summit in Pittsburgh revealed the Harper government was spending the equivalent of about $77 U.S. per person in green stimulus, putting it in ninth place out of 13 countries evaluated. South Korea topped the list in per-capita spending, at $1,238, followed by Australia at $420 and the United States at $365.

In terms of overall percentage of economic stimulus, South Korea is also on top, with 79 per cent of its stimulus going toward green initiatives, followed by China at 34 per cent and Australia at 21 per cent. Canada is spending about eight per cent of its stimulus package on green initiatives, and comes in at 10th place in this category, according to the study.

China leads the G20 in overall green spending with $218 billion in environmentally friendly stimulus, including more than $100 billion dedicated to rail infrastructure.

The worldwide green investments are estimated to be about 15 per cent of the $3.1 trillion in global economic stimulus investments, the report said.

"While encouraging, these commitments are largely concentrated in a few leading members of the G20, and much more is clearly needed to fill large gaps and approach a (recommended) target of one per cent of GDP," said the report, released by the UN Environment Program.

"A common theme, though, appears to be a series of delays in approvals and disbursements, with less than one-quarter likely to be spent in 2009."

The report recommends G20 countries accelerate the pace of their investments in green infrastructure and stimulus, identifying five critical areas: energy efficiency in old and new buildings, renewable energy technologies such as wind power, sustainable transport technologies such as hybrid vehicles or high-speed rail, global ecological infrastructure such as forests, and sustainable agriculture.

"The success of these investments in stimulating a transition to a green economy also depends on integration with accompanying medium- and long-term policy measures," said the report. "Among the most important of these will be a demonstration by world leaders that they can seal the deal (at an international conference) on climate change in Copenhagen."

The report also noted that the G20 countries are responsible for most of the $150 billion to $250 billion in subsidies for the fossil-fuel industry, a major source of greenhouse-gas emissions.

"G20 countries should ensure that investments being made to address the economic crises of today can also contribute to mitigating, and adapting to, the effects of climate change, addressing the scarcity of natural resources, and creating decent employment for the close to two billion unemployed or under-employed people globally."

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Tale of the Green Stimulus Tape

Percentage of stimulus dedicated to green spending:

1. South Korea 79%

2. China 34%

3.Australia 21%

4. France 18%

5. Britain 17%

6. Germany 13%

7. United States 12%

8. South Africa 11%

9. Mexico 10%

10. Canada 8%

11. Spain 6%

12. Japan 6%

13. Italy 1%

Green stimulus per capita:

(U.S. dollars)

1. South Korea $1,238

2. Australia $420

3. United States $365

4. Japan $282

5. Germany $168

6. China $166

7. France $94

8. Britain $84

9. Canada $77

10. Italy $22

11. Spain $18

12. South Africa $16

13. Mexico $7

The Globe And Mail

# Europe, U.S. at odds over bank capital ratios; Split emerges over how much more is needed; European banks could be less competitive

Thu Sep 24 2009
Page: B4
Section: Report On Business: International
Byline: Boyd Erman
Source: With files from Bloomberg

Bank investors may have to live with slower profit growth and policy makers may have to cope with slower economic growth as a result of a global effort to shore up the financial system by requiring banks to hold more capital.

While the idea of increasing capital minimums is agreed on by all - U.S. Treasury Secretary Timothy Geithner calls it "absolutely essential" - a split has emerged between U.S. and Europe on exactly how much more is needed. European banks, which have smaller capital cushions, face a steeper hill to climb that may make them less competitive.

The issue will be one of the most vital and contentious topics up for discussion at this week's Group of 20 meetings in Pittsburgh, and one that has major implications for the pace of the recovery.

Banks conduct most of their business with money borrowed from lenders and depositors. Capital refers to the permanent money from shareholders and profits that they set aside to absorb losses and handle emergencies.

The move to higher capital ratios will put pressure on the expansion of the global economy and on the bottom line of the banking industry. Demanding that banks hold back more money is one of the most fundamental ways to shore up the financial system. But it means banks won't be able to take as much risk because they won't be able to use as great a proportion of borrowed money in their businesses.

The flipside of keeping big piles of cash sitting around, earning low interest rates, and using lower leverage is it's tougher to get high returns for shareholders in good times. Increased capital requirements and lower leverage could cut profitability by a third at Goldman Sachs and Barclays PLC, analysts at JPMorgan Chase & Co. estimated recently.

"Those two factors are negative for banks," said Sumit Malhotra, a banking analyst at Macquarie Capital Markets in Toronto.

They can also be negative for the economy.

At the moment, there's evidence that regulators' demands for more capital may be slowing the recovery. Lending in the U.S. has fallen for five straight weeks, something some bankers and analysts attribute to a move by banks to satisfy regulatory demands for additional capital.

"The simple fact remains that financial institutions cannot take steps to further increase the amount of capital they hold and at the same time lend that capital to businesses and consumers," Stephen Green, the head of the British Bankers' Association, wrote to British Prime Minister Gordon Brown on Monday.

Bank of Canada Mark Carney has also been critical of policies that result in reduced lending to shore up capital at the precise moment the economy needs banks to give freer loans. In a speech this summer, he singled out such regulations as "unacceptable" and pledged that Canada will be a leader in finding a way at the G20 to ensure that capital rules are flexible and don't get in the way of recovery.

The U.S. Treasury has also signalled that it is concerned about finding the proper balance.

"The objective in designing a regulatory capital regime should be to maximize the prospect for financial stability without unduly curtailing credit availability, financial innovation, economic growth or the ability of banking firms to attract private investment," the U.S. Treasury Department said in its proposal for a revamp of the rules, released in advance of the G20.

The effect of whatever the G20 decides may have less effect on both economic growth and bank profits in Canada than elsewhere around the world.

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The Washington Post

# Fed Prepares to End Mortgage ProgramOfficials See Signs of Shaky Recovery

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Section: Asection
Byline: Neil Irwin

The economy has "picked up" in recent weeks, Federal Reserve policymakers said Wednesday, as they indicated that the end is within sight for a massive program to support mortgage lending.

But even as the Fed takes another step to unwind one of its unconventional efforts to boost the economy, the central bank remained cautious in its assessment of the recovery, warning that a weak job market could be a drag for some time. The Fed not only left its target interest rate near zero, as was widely expected, but again asserted that the rate will likely remain at "exceptionally low levels" for an extended period.

The decision of the Fed's policymaking committee gives new insight into the central bank's exit strategy in its expansive interventions in the economy over the past year.

The strategy is proceeding on two tracks: Policymakers are addressing a fundamentally weak economy by leaving the federal funds rate, at which banks lend to each other, very low for a long time. But they are removing their less conventional programs as soon as they feel they can do so without disrupting financial markets.

"They're telling us, 'We'll take out some of our facilities, but we're not even close to raising the federal funds rate,' " said John Silvia, chief economist at Wells Fargo.

The stock market, after initially rallying on enthusiasm for the Fed's decision to maintain low interest rates, ended the day down 1 percent, as measured by the Standard & Poor's 500-stock index.

After its two-day meeting, the Federal Open Market Committee said a program to purchase $1.25 trillion worth of mortgage-backed securities issued by firms like Fannie Mae and Freddie Mac will be allowed to expire by the end of March 2010. The move follows the committee's action at its previous meeting to wrap up a program to buy $300 billion in Treasury bonds by the end of October.

Winding down the mortgage program could prove tricky in that the Fed's buying has accounted for a majority of the purchases in that market in recent months. The central bank is betting that by gradually tapering its purchases, private buyers will return to the market and rates won't rise much. If they are wrong, mortgage rates could spike, endangering a budding recovery in the housing market.

The bond market received the Fed's announcement favorably Wednesday, with the gap between rates on mortgage-backed securities and U.S. Treasury bonds little changed. That suggests that investors stand willing to start buying the mortgage securities as the Fed withdraws, which would prevent a major rise in mortgage rates.

"We're starting to see increased activity from private investors, taking the place of public purchases," said Kurt Karl, chief U.S. economist for Swiss Re. "I think we're in good shape unless something surprising happens."

The Fed's policymaking committee found that "economic activity has picked up following its severe downturn," according to the statement announcing its decision. That assessment was better than what the committee offered in August, when it said only that there was evidence that "economic activity is leveling out." The improved outlook is consistent with Chairman Ben S. Bernanke's comment last week that the recession is "very likely over."

Still, there were plenty of caveats to that more upbeat assessment. "Household spending seems to be stabilizing, but remains constrained by ongoing job losses, sluggish income growth, lower housing wealth, and tight credit," the statement said. It added that businesses are still cutting back on investments and staffing, though at a slower pace than they were before.

Worries about inflation remained remote, as the policymakers viewed price pressure as likely to "remain subdued for some time." But the Fed did emphasize twice in a three-paragraph statement that it views the amount of slack in the economy -- unused productive capacity -- as the key to understanding where inflation is heading.

In other words, Fed leaders think that inflation will stay contained as long as there are vast armies of unemployed workers and the nation's factories are disproportionately idle.

"It could take at least a couple of years before the excess capacity is chewed up," said Sung Won Sohn, an economist at California State University Channel Islands.

The decision was unanimous, continuing a period of unanimity on the committee that dates to March. There had been speculation that one or more presidents of regional Fed banks might dissent, as some have expressed greater eagerness than Bernanke to unwind the Fed's unconventional programs, perhaps even ending the purchases of

mortgage-backed securities before the full $1.25 trillion is deployed.

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