

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

BUSINESS

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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 85,000 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

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 90.97 U.S. cents, down from 90.27 U.S. cents, at Thursday's close.

For the week, the Canadian dollar ended down 1.8 per cent. After three straight months of no-hat 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.

Quebecor set to get help from Brookfield

Asset manager poised to pump millions into struggling printer

BY SEAN SILCOFF AND BARBARA SPECTER

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 Tri-cap 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.



MARKETS

MARKETS, SPECIAL: LISTINGS, E5-F

S&P 500	11,632.87	-18.86
Dow Jones	9,062.13	-86.13
Nasdaq	2,491.82	-19.11
TSX 30	5,439.84	-68.66
TSX 60	2,787.78	-19.51
Heading Canada	973.50	-13.88
Heading U.S.	14,118.79	-272.12
London	5,282.00	-26.70
Hong Kong	26,847.51	-293.85
Bombardier (TSX)	99.13	-4.98
Bank of Montreal (TSX)	6.6642	-0.0048
Gold (U.S. \$)	92.80	-1.42
Silver (U.S. \$)	886.40	-12.80
Oil (WTI, U.S. \$)	18.225	-0.90

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

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 the 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.

But that wasn't enough for some councillors. Now they want hotels to pay for the city's portion of the construction cost.

Tourism is big business for Ottawa, but you wouldn't know it by the City of Ottawa's attitude toward the industry. Because federal agencies like the National Capital Commission invest in bringing visitors to the capital, the city has had virtually a free ride for years. While other cities invest money in tourism promotion, Ottawa has historically given a

pinpoint.

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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, "You push a button, the content starts playing and you listen for maybe 40 minutes. Then your flight is called and you may lose your wireless Internet service while airborne. But even without a wireless connection, Audio Pod's technology will allow you to pick up that story again on the plane exactly where you left off."

This is possible because Audio Pod's memory manager retains the content and is able to deliver it to the user seamlessly, even on a different device. The technology is digital because it utilizes a digital representation of the audio stream. This virtual approach eliminates the delays associated with mass downloads that could easily take eight to 10 hours for larger books, and it also eliminates the network dependence used by streaming technologies.

This is different than an optical reader, which is an e-book display device that a user must read in the same way that a paperback book is read. Instead, the Audio Pod provides audio as though an individual was lis-

tening to the radio. 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. But the successful result provides users with a seamless audio experience for bookmarking and memory management in a way that allows the delivery of many, many media streams through very small devices using limited network resources," says Mr. McCue.

He views this as an entirely new business model for the publishing industry. Traditionally someone who wished to read a book either had to go out and buy it, receive it by mail or download it, but "the technology we have can also support a subscription model, whereby the customer could access the right to a library — one hundred, one thousand, five thousand books — whatever it is," Mr. McCue explains.

"Then once a month, he pays his subscription fee and gets unlimited access to whatever content he wants without having to buy a specific book."

In fact, users can switch between several books contained on a central server without ever having to manually load or reload content.

Nor do they have to purchase

specific hardware to use the software.

The technology can also be applied in the handheld messaging industry, replacing text-based messaging with voice, say the entrepreneurs. Attachments, such as photos, can be retained in content with the audio stream, providing multi-media messaging. This content can also be passed electronically through e-mail, for instance, to another person who is able to enter the media stream in the exact same spot as the original user.

Users simply "drag and drop" an Audio Pod bookmark, which contains the information needed to find and play the media stream, to an e-mail message and send it off. No content is copied during this process. The receiving person can, in turn, drag and drops the bookmark to his player, and the audio book will play from that exact point.

Moreover, "you can do that without violating copyright because you're sending the book rather than the content," says Mr. McCue.

"The bookmark doesn't point to the content. It points to the virtual media stream which is used to represent the actual content."

The entrepreneurs are examining various possibilities for their startup. Options include

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.

One potential appeal to publishers is that they might be able to offer free content, with the caveat that users accept occasional advertisements on screen, similar to the approach used by Google.

This type of advertising could "generate sufficient revenue not only to pay for the content being delivered to the user, but also to generate a 'substantial profit,'" says Mr. McCue.

Audio Pod's technology has been demonstrated to audio book publishers in New York City, Los Angeles and Grand Haven, Michigan. The entrepreneurs are aiming initially at the United States market, but are open to providing audio book content in other countries, says Mr. Shostakovsky.

"It could be that somebody comes in and would like our technology to dictate in different languages," he says.

That would definitely be possible because "a bit's a bit and a byte's a byte. It can move spoken word content in any language in the world. And this technology has a global market reach."

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 has strong housing, retail and office building markets as a big hedge against global economic forces.

"We had record new home sales of almost 6,000 last year and that will drive growth well into the new year. Retail sales are strong, mail vacancies are down and expansion plans are healthy."

He said the Ottawa region continues to benefit as public servants retire on healthy pensions and new people are recruited to fill demand for more services. He said the federal government has tender calls out for 15 million square feet of new space.

Vince Ferraro, a Statistics Canada analyst, said the unemployment rate of 4.5 per cent was the lowest since the agency started keeping records of regional numbers in early 1970.

The previous record set of 4.7 per cent was first set in December 1988 and matched again in November. Mr. Ferraro said it was too early to read much into the job losses in Ottawa and modest overall capital region de-

cline of 300 jobs. "We had a flat end to a year of solid job growth."

He said gains in public administration, professional, scientific and technical jobs and construction were offset by job losses in manufacturing, transportation, health care and accommodation and food.

Technology employment dipped by 300 jobs to 60,000 in November, but up from 60,800 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 — just short of the peak set during the technology boom in 2000.

Small and medium-size companies drove most of the gains, offsetting job cuts at giants like Nortel and Alcatel-Lucent.

But the rich Canadian dollar has triggered layoffs at Tundra and had pinched results at many other companies. In addition, weak venture capital funding is slowing creation and growth of new companies.

The week-over increase was reflected across Canada. The national economy shed 47,900 jobs in December, though the unemployment rate stayed steady at 5.9 per cent.

WITH FILES FROM CANWEST NEWS SERVICE

Quebecor: Seen as primed for a merger

Continued from PAGE E1

But the new TriCap/Quebecor financing is likely to pique the banks as it puts them in a relatively more advanced position in case of a restructuring, one source said. If the banks reject the financing and force the company into credit protection, not only could they lose more than two-thirds of the \$750 million in bank credit lines extended to Quebecor World, which is unsecured, but also face investor lawsuits.

The bid is in their court, one source familiar with the scenario said of the Canadian

and U.S. banking group. "The banks are in an awkward position."

TriCap, which specializes in restructuring situations, played a key role in pulling together Steko's out of bankruptcy in 2005. There are parallels between the situation at Quebecor World, and Steko, which both battled high debt and a pension shortfall. Steko was forced into creditor protection in 2004 and was rescued with the help of TriCap the following year.

TriCap saw its investment of less than \$50 a share reap a reward of \$850 last year when United States Steel Corp.

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. However, a highly levered balance sheet makes it an unattractive target and sources familiar with the situation say suitors such as R.R. Donnelley & Sons would likely wait to make a move until after Quebecor World's finances are repaired.

FINANCIAL POST

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 hurt by plant closures resulting from the slowing U.S. economy and the high Canadian dollar.

Canada's trade surplus with

the U.S. rose for the first time in three months in November, to \$6.4 billion from \$6.08 billion.

Energy led the overall gain in Canadian exports, rising 5.4 per cent to \$7.8 billion on higher crude oil prices. Energy imports rose 21 per cent to \$7.3 billion.

Two-way trade in automobiles also rose, with exports rising 1.5 per cent to \$6.3 billion and imports growing 1.9 per cent to \$6.7 billion.

Canadian import prices surged in anticipation of an interest rate cut, and the possibility of more to come after that.

Two-year and 10-year bond

yields fell to their lowest points in three months in November.

"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

case. The economy is set to slow down, but we will still see positive growth in Canada throughout the year," said Mr. Leitao.

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