

BUSINESS & TECHNOLOGY

Editor: Robert Bostelaar, 613-596-3703 • business@ottawacitizen.com

WEDNESDAY, SEPTEMBER 12, 2012

BREAKING BUSINESS NEWS AT OTTAWACITIZEN.COM

THE OTTAWA CITIZEN, SECTION D



Paying the price

It makes no sense financially to fight a parking ticket, D4

Trade deficit highest since 1971

\$2.34B shortfall comes as 'fragile' world economy threatens to slide into recession

GORDON ISFELD

Canada's darkening trade picture is again raising warning flags over the country's elevated currency and lagging productivity as the global economy threatens to slide back into recession. The trade deficit jumped to

\$2.34 billion in July, the highest level since 1971, when Statistics Canada began compiling such data, with both exports and imports declining during the month, the agency said Tuesday.

The July shortfall — reflecting a “broad-based weakness” in the economy, according

to one economist — was up from a revised \$1.93 billion a month earlier, and narrowly eclipsed the previous high of \$2.33 billion recorded in September 2010.

The number was also well off the \$1.45-billion deficit expected by economists, and was blamed mainly on sur-

prisingly large declines in energy exports and imports — in terms of both prices and volumes.

Finance Minister Jim Flaherty, speaking in St. John's following the release of the trade data, said the global economy “remains frustratingly fragile.”

“Any potential offshore setbacks could generate serious adverse impacts on Canada,” he said in a speech to the St. John's Board of Trade.

“For example, growth in a number of emerging market economies is slowing, and concerns are growing about the capacity of the U.S. to balance the necessary fiscal consolidation while sustaining economic growth,”

Flaherty said.

“But the major immediate threat is the enduring sovereign and banking crisis in Europe, which has pushed some countries back into recession.

Overall, Canadian exports were down 3.4 per cent to \$37.7 billion, as volumes declined two per cent.

See DEFICIT on page D8

Housing starts drop in August, up for year

Multiple-family homes hit hardest

VITO PILIECI

The number of new homes started by Ottawa builders fell in August, due largely to a slowdown in condominium construction, according to Canada Mortgage and Housing Corp.

The federal agency said a total of 374 new units were started by builders in August, a 42.5-per-cent drop from the 650 units started in August 2011.

“Following a very strong second quarter and relatively slower demand for new homes at builders' sales offices, new construction in Ottawa moderated,” said Sandra Pérez Torres, senior market analyst with CMHC. “The decelerating trend is expected to continue until the end of year for all housing types.”

Year-to-date, Ottawa builders are well ahead of where they were at this time last year. Builders have started construction on a total of 4,459 new homes in the first eight months of 2012, a 29.3-per-cent increase over the same time frame last year.

The biggest drop in August was in multi-family dwellings, including condominiums. Developers, already with several projects underway, are scaling back on new construction in the face of continuing federal government layoffs that aren't expected to be complete until next year. Builders began 203 new multiple dwelling units, a 53.3-per-cent drop compared with the 435 units started during the same month last year.

The number of single-family homes started also dipped, although not as drastically, according to CMHC.

Builders began construction on a total of 171 single units, a drop of 20.5 per cent from the 215 units started in August 2011. Nationally, the pace of housing starts picked up in August, boosted by big multiple-unit projects in Toronto, even as other areas of the Canadian real estate market showed signs of cooling.

See HOUSING on page D8



BRUNO SCHLUMBERGER/OTTAWA CITIZEN

Krish Suthanthiran, president of Best Theratronics, says he will likely build a new 600,000-sq.-ft plant in the U.S., perhaps in Indiana, where there are more flexible labour laws and governments are more receptive than in Canada. The plant would employ up to 1,000 workers.

Tech entrepreneur battles government 'indifference'

Best Theratronics owner looks south to build manufacturing plant



BERT HILL
WORKING CAPITAL

It's tough building new technology companies. Just ask Krish Suthanthiran, the 65-year-old whirlwind entrepreneur

transforming Kanata medical gear manufacturer **Best Theratronics**.

He is unhappy with what he sees as indifferent government responses in Canada to plans to build a big manufacturing plant for his **Best Medical International** group of companies.

But his biggest problem is a battle with a big U.S. bank over the financing of his private biomedical empire, which has sales of more than \$100 million annual-

ly. Just last week he appealed to President Barack Obama to intervene in a discrimination and defamation case in which he is seeking \$1 billion in damages.

In Canada he said the federal government cares only about balancing the budget, while the Ontario government put a mortgage on his expansion plans for new cancer-treatment products in Kanata. Suthanthiran said the operation is growing, with more than \$5 million

being invested in equipment and renovations as production increases to fill customer orders of \$30 million to \$40 million. He hopes to add a second production shift next year. “Our product developments are in high gear. We are spending nearly \$10 million U.S. and more than 50 high-tech employees are working in these programs. We have added more than 125 employees (for a total of about 180) at Best Theratronics since I purchased it

four years ago.”

But a big new 600,000-sq.-ft plant will likely be built south of the border where governments are more receptive.

He is now looking to Indiana and other U.S. states with flexible labour laws to build a plant with up to 1,000 employees.

“I am thinking of sending an open letter to Dalton McGuinty to tell him not to play games if he expects to attract technology manufacturing jobs,” he said.

See WORKING on page D2

10 million iPhones expected to be sold in 2 weeks

Analysts predict one of the biggest consumer-electronics releases in history

ADAM SATARIANO

SAN FRANCISCO • Apple Inc.'s debut of its redesigned iPhone will test anew its high-stakes strategy of once-a-year upgrades for a product that accounts for about 70 per cent of the company's profits — and is forecast to sell up to 10 million iPhones by the end of September.

The new phone, to be introduced Wednesday by chief executive officer Tim Cook, will probably have a new hardware design, including a bigger screen and thinner body, as well as new mapping software and compatibility with speedier next-generation data

networks. Analysts predict the iPhone may be among the biggest consumer-electronics releases in history. Still, Apple's reliance on the device leaves Cook little margin for error.

“The iPhone is the make-or-break product for Apple,” said Sarah Rotman Epps, a San Jose industry analyst at Forrester Research. “Apple has the undeniable lead, but to stay on top they need to keep innovating.”

Apple could sell as many as 10 million of the devices by the end of September alone, according to Gene Munster, an analyst at Piper Jaffray Cos. By contrast, it took Samsung Electronics Co. about 50 days

to sell 10 million of its flagship Galaxy S III smartphones.

“Until they do something really unimpressive, which I don't see happening this time around, Apple has a serious hit on its hands,” said Ramon Llamas, senior research analyst at IDC.

Almost one year removed from the death of Apple co-founder Steve Jobs, the newest iPhone faces a growing army of competitors looking to grab a piece of the smartphone market that Bloomberg Industries estimates was worth \$219.1 billion last year. Samsung, Google Inc.'s Motorola Mobility, Nokia Oyj and HTC Corp. are among those taking

aim at Apple by introducing dozens of new devices each year, instead of just one.

The new iPhone will be Apple's first change to the handset's hardware design since 2010, raising anticipation among customers who have been holding off on buying a new smartphone.

The company garnered 43 per cent of its \$108.2 billion in sales last year from the iPhone. And because wireless carriers such as AT&T Inc. and Verizon Wireless subsidize the roughly \$620 Apple gets for each iPhone sale, the device accounts for about 70 per cent of its profits, according to Sanford C. Bernstein & Co.



ROBERT GALBRAITH/REUTERS/FILES

Apple Inc., headed by CEO Tim Cook, is expected to reveal its iPhone 5 on Wednesday.

THE MARKETS

MARKET/STOCKS: D5
MUTUAL FUNDS: D2

S&P TSX	12220.45	+5.02
S&P TSX 60	699.80	+0.01
Dow Jones	13323.36	+69.07
S&P 500	1433.56	+4.48
Nasdaq	3104.53	+0.51
TSX-VE	1274.60	+3.89
Nasdaq Can	N/A	N/A
Tokyo	8807.38	-61.99
London	5792.19	-1.01
Hong Kong	19857.88	+30.71
Dollar (U.S.€)	102.7538	+0.4520
Dollar (euro)	0.7991	-0.0028
Oil (W. Tex Int)	97.17	+0.63
Gold (U.S.\$)	1734.90	+3.10
Silver (U.S.\$)	33.56	-0.12

TSX: Markets await economic moves by U.S., China

BUSINESS & TECHNOLOGY

U.S.-based Nordstrom to announce Canadian stores

TORONTO • Nordstrom is the latest U.S. retailer planning to set up shop north of the border. Officials from the department store chain and Cadillac Fairview are scheduled to announce Canadian store plans at a media briefing in Toronto on Thursday.

The announcement will relate to Nordstrom's entry into the Canadian marketplace and will identify store locations in Cadillac Fairview shopping centres nationally. According to previously published reports, the Seattle-based retailer is expected to open in four locations, including a trio of prime Sears Canada locations set to be shuttered this fall.

Sears Canada announced in March it would sell back leases for three of its stores to its landlord, Cadillac Fairview, for about \$170 million. High-profile locations at the Pacific Centre in Vancouver, Chinook Centre in Calgary and Rideau Centre in Ottawa are set to close by the end of October. It announced a further closure, at the Deerfoot Mall in Calgary in July.

Nordstrom Inc. president Blake Nordstrom is set to join Cadillac Fairview president and CEO John Sullivan and Wayne Barwise, executive vice-president of development at Cadillac Fairview, at the media briefing on Thursday. Canadians can currently purchase goods direct from Nordstrom's website, with shipping fees that include the cost of duties at checkout.

Meanwhile, Texas-based Michaels said Tuesday it is opening stores in suburban Quebec locations in Gatineau, LaSalle, Lachenaie, St-Jean-sur-Richelieu, St-Jerome, Vaudeuil-Dorion and Laval.

THE CANADIAN PRESS

Working: Banks are another issue

Continued from page D1

Suthanthiran said Best Theratronics has received only \$800,000 of \$1.2 million in funding Ontario announced last year toward the \$8-million expansion plan, "and the worst part is the Ontario government has a second mortgage on our building for \$1.2 million."

He said both levels of Canadian governments should embrace technology that creates jobs and delivers solutions to rapidly rising health care costs.

Best Theratronics is building radiation equipment that treats cancer at a significantly lower cost than competitors, he said.

While U.S. governments are helpful, the banks are another issue.

Suthanthiran is suing the Wells Fargo Bank on grounds the bank allegedly discriminated against his companies by pulling commercial mortgages on some of his extensive real estate holdings.

Born in dirt-poor southern India, Suthanthiran came to Carleton University in 1969 as a penniless 22-year-old graduate student with a passion to build a successful biomedical business that would help fight the cancer which had taken his father's life.

After less than three years in Canada, his ambition took him to the Washington area, where he pursued advanced education and budding business interests.

With a remarkable energy, he built a successful group of private companies funded by shrewd investments in real estate in the Washington region.

The strategy worked for many years. Unlike other startup entrepreneurs, he avoided dependence on fickle venture capitalists, unpredictable stock markets and nervous shareholders in small public companies.

But he may have been hit hard by the sharp decline in U.S. real estate values and a banking sector that has rediscovered conservative lending practices after the 2008 crash exposed billions of dollars in bad deals.

Suthanthiran said his private company is doing well despite the court fight.

"This is a very busy time for us. We are involved in bidding on \$1 billion in business around the world."

He said that he still has ample resources to fund operations.

"I will be selling \$10 million in properties over the next four to six months," he said, and other real estate deals will generate \$5 million in annual revenues for the foreseeable future.

He specializes in buying assets that nobody else considers valuable. He spent only about \$15 million for Theratronics businesses in Canada and Belgium that Nordion cast off.

More recently, he bought an empty hospital in a small city in western Pennsylvania that he plans to turn into a cancer treatment facility over several years.

His interests go far beyond medical technology. He bought an abandoned mining town north of Prince Rupert, B.C., to turn into a resort and movie set.

In the fight with Wells Fargo, which Suthanthiran first publicly disclosed in press releases

and on the BMI website, the company said it made loan payments faithfully as well as almost \$3 million in early payments, higher interest, legal fees and other charges.

It said the bank is "now holding nearly a few hundred million dollars U.S. as collateral for a \$10-million loan."

It said the bank "is preventing TeamBest from conducting its business, expanding and developing unique and innovative products."

Wells Fargo spokesman Ancel Martinez said in an email that the bank has won dismissals in U.S. federal court against several BMI suits and "believes these remaining alleged causes of action are entirely without merit and will ultimately be dismissed."

Martinez said the bank legally exercised rights under loan agreements and "successfully defended its loans and judgments, obtaining a final judgment (in state courts) upholding its rights to recover the outstanding loan amounts owed by BMI and the other affiliates obligated on the loans."

C-Com Satellite of Ottawa said it received multimillion-dollar orders in a partnership with Romantis Group, a European company that provides satellite routers to manage C-Com's portable satellite receivers in disaster recovery, military and other missions.

Fortress Paper said power generation at the Thurso pulp plant will begin in January. The Thurso mill operated at 83 per cent of targets in August, producing specialized pulp used in diapers and related super-absorbent products.

The plant was shut for four days for boiler repairs and will go into its first maintenance shutdown later this month.

Fortress shares, which were trading at \$40 in February, have fallen below \$16 because of troubles at a European security-paper production operation.

Descartes Systems Group, a Waterloo maker of trucking industry software that has Ottawa operations, said profits dipped four per cent in the latest quarter on higher acquisition costs.

Sales rose six per cent to \$30.5 million, which was slightly below analyst expectations. Cabela's, a big U.S. hunting, fishing and outdoor equipment seller, is the latest new customer.

Longtime EMC chief executive Joseph Tucci won't be leaving soon. He has a negotiated a contract extension to 2015 at the big Massachusetts data-centre software player that also controls VMware. Tucci, who took the top job in 2001, will eventually give up CEO duties and concentrate on the chairmanship. EMC has Ottawa operations.

MDS Aero Support Corp. of Ottawa and Plaintree Systems of Armprior are finalists in the Business without Borders HSBC International Business Awards. MDS makes aircraft gas turbine test systems and Plaintree makes aircraft technology and building systems. They are among 11 Canadian companies in the contest.

bert7hill@gmail.com

MUTUAL FUNDS TOP 200 CANADIAN FUNDS

Table listing mutual funds with columns for fund name, category, and performance metrics. Includes funds like AGF Management CS, IG/Allegro, nNB Mortgage, and others.

Table listing mutual funds with columns for fund name, category, and performance metrics. Includes funds like nTDCfGrthPt, TD Inv Series, nCdn Blue Ch, and others.

Table listing mutual funds with columns for fund name, category, and performance metrics. Includes funds like GWL 75/75, LLM 75/100 (PS1), and others.

Employment Opportunities advertisement for Ottawa Citizen. Includes contact information for Nancy at nradotic@ottawacitizen.com and phone number 613.726.5986.

Facebook advertisement for The Centurion Conference and Event Center. Seeking an Executive Sous Chef with excellent cooking skills and leadership experience.

Facebook advertisement for Connect Hearing. Promoting hearing services and featuring a photo of a person's hands on a keyboard.

Connect Hearing advertisement. Includes contact information, a list of services, and a 'Great Place to Work' award badge.

The Brick advertisement. Recruiting a Director of Stores for East Ontario & Quebec. Includes job description, primary responsibilities, requirements, and contact information.

Chief Administrative Officer advertisement for the City of Cornwall. Includes job description, requirements, and contact information for Mr. Dail Levesque.