TECHNOLOGY Author and activist Cory Doctorow talks about the growing battle over digital ownership **SHANE DINGMAN, PAGE 7**

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SECTION B

Report on Business

EDITOR: PAUL WALDIE

ENERGY

Oil patch readies for more cuts

Reports to begin rolling out this week with after-tax industry cash flows expected to shrivel to levels not seen since the late 1990s

JEFF LEWIS
CARRIE TAIT CALGARY

Canada's energy industry is bracing for more budget cuts and possibly another wave of layoffs even as crude prices edge up from multiyear lows.

Major oil and gas companies will begin rolling out financial results this week that will reflect the first full quarter of severely depressed oil prices, triggering what could be a third wave of cutbacks in a sector rocked by one of the worst downturns in years.

The sharp plunge in U.S. and world oil prices since last summer has wiped billions of dollars from capital budgets, hammered corporate profits and led to thousands of job cuts in Alberta's dominant industry. Investor dividends have been chopped and growth prospects in the oil sands have been thrown into neutral, as long-term projects get shelved.

Industry cash flow after taxes is expected to shrivel this year to levels not seen since the late 1990s, reflecting sinking commodity prices and soaring costs in a region once viewed as a key driver of North American oil production growth.

"We think there's more room to go down," said Peter Tertzakian, chief energy economist at ARC Financial Corp. in Calgary. "It's not going to be a significant step down in [capital expenditures] this time around, but I think you will see some more budget pullbacks."

Alberta and other energy-producing regions are feeling the brunt of the months-long oil rout, despite signs that crude prices are firming up.

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The under-construction Tour des Canadiens is adjacent to the Bell Centre. The tie-in with Montreal's beloved hockey team was attractive to buyers – all units sold in a matter of months. CHRISTINNE MUSCHI FOR THE GLOBE AND MAIL

REAL ESTATE

Sports-themed condos score big with fans

As Canada's condominium market matures, developers find new ways to set themselves apart

TAMSIN McMAHON
REAL ESTATE REPORTER

As die-hard Montreal Canadiens fans, Lina Cosentini and her husband, Peter, own season tickets, time their winter vacation to coincide with Canadiens games in Florida and watch games at home on arena seats salvaged from the old Montreal Forum.

So when Ms. Cosentini's brother-in-law mentioned there was a Habs-themed condo project going up next to the Bell Centre in downtown Montreal, it didn't take her long to decide she had to buy.

"This is part of history," Ms. Cosentini said. "I just had to be a part of it, especially because we love, love the Habs."

The condo is part of a mixed-use development partnership between the Canadiens hockey club, builder Canderel Group of Companies and Cadillac Fairview Corp., the real estate arm of Ontario Teachers' Pension Plan. Dubbed Tour Des Canadiens, it trades heavily on Montrealers' passion for the storied NHL franchise.

Canderel launched preconstruction sales at a private event for season ticket holders at centre ice of the Bell Centre. Habs legend Guy Lafleur signed on as the project's spokesman and the builders wooed buyers with the promise of advanced access to game tickets, exclusive viewings of practice sessions and a private skate on the ice.

In a city already saturated with condo projects, the Canadiens tie-in helped draw nearly 600 people to the builder's two-day sales launch.

Condos, Page 10

GROCERS

Sobeys boosts East Coast footprint with Co-op deal

MARINA STRAUSS
RETAILING REPORTER

Sobeys Inc., the country's second largest grocer, is poised to gain more clout in its key Atlantic Canada market thanks to a proposed supermarket deal announced over the weekend. But the move comes amid concerns of growing consolidation in the grocery sector.

Sobeys, owned by Empire Co. Ltd. of Stellarton, N.S., sealed an agreement Saturday to buy most of the corporate food and gas retail stores and wholesale assets of Co-op Atlantic. Co-op is a network of about 170 supermarkets and convenience stores that operate under the banners Valufoods, Village Mart, Co-op and Rite Stop.

While only about 10 stores would probably change hands, the deal could bolster Sobeys' position by making it a bigger supplier to grocers in the region, giving it more influence in determining pricing and product offerings. The value of the deal has not been disclosed.

Smaller grocers have already raised concerns that the market is being reduced to fewer key players, making it tougher for independents to operate. Independent grocers have called on Ottawa to introduce a code of conduct to limit the control big companies can exert in a market that consists of fewer players. They have pointed to Britain and Australia as countries that have adopted codes of conduct.

"Any acquisition that continues the trend of retail consolidation is worrying, especially in the Maritimes where consolidation eliminated a lot of independents from the market," said Gary Sands, vice-president of the Canadian Federation of Independent Grocers.

Metro, Page 10

Habs fan Lina Cosentini jumped to buy into the Tour Des Canadiens in Montreal. CHRISTINNE MUSCHI FOR THE GLOBE AND MAIL

FROM PAGE 1

Condos: Partnering with teams offers 'extra cachet'

A project of that size could typically expect to take six or seven years to sell out in Montreal's soft market, said Canderel's vice-president of sales and marketing, Riz Dhanji, but Tour Des Canadiens sold out its 500 units in a matter of months and eventually added two extra floors.

"They say in Montreal that the first religion is the Catholic church and then there's the Canadiens," Mr. Dhanji said. "At least 50 to 60 per cent of the sales process was due to the brand. A lot of people bought because they wanted to be close to the Canadiens."

As Canada's condo market is starting to mature, several cities are seeing a wave of sports-themed condo projects as developers look to distinguish themselves amid a glut of new supply.

Some are jumping at the chance to tap into a wave of new downtown arena construction. Local sports franchises are likewise looking for new ways to exploit both their brands and their real estate holdings through mixed-use developments.

In Edmonton, the Katz Group, run by billionaire Oilers owner Daryl Katz, is planning a massive downtown development complete with an arena, hotels, offices and two residential towers.

Developer Urban Capital is building a condo project across from Winnipeg's MTS Centre, home of the Jets.

Ottawa is reviving its CFL franchise, the RedBlacks, with the help of a new condo project being built by Minto Group Inc., whose executive chairman, Roger Greenberg, is a partner in RedBlacks owner Ottawa Sports and Entertainment Group. The condo tower, set to be completed later this year, lured buyers with suites looking out over the end zone of the new TD Place stadium and a communal lounge built in the style of a private corporate box at a stadium.

While the project also offered buyers suites with a picturesque view over the Rideau Canal, it was units with the stadium field views that sold out first, said Minto senior vice-president Brent Strachan. Sports-centred amenities helped the company drive sales among football fans at a time when Ottawa's condo market is slowing.

"You can't just go start a new condo project and expect it to sell out," Mr. Strachan says. "If you have a great project in a great neighbourhood, it will do well. Where people see the value and they see the opportunity, the market is there."

When Maple Leaf Sports and Entertainment, owner of the Toronto Maple Leafs, was looking to expand its sports empire in the vacant space around Toronto's Air Canada Centre a decade ago, sports stadiums were typically stand-alone buildings in neighbourhoods that were largely dead outside of game day, and Toronto city planners initially were against the idea of a mixed-use community so close to the arena.

"At that time there wasn't a lot of high-rise development" in the area, said Barry Fenton, CEO of Lanterra Developments, which partnered with MLSE and Cadillac Fairview to develop the site. "By having MLSE as our partners, there was an extra cachet to us being successful in the projects."

The area eventually became Maple Leaf Square, a massive mixed-use community featuring condos, hotels, offices and retail space, along with a popular MLSE-owned sports bar.

In Montreal, Tour Des Canadiens is largely modelled after Maple Leaf Square, including a plan by the Canadiens to open a flagship sports bar and retail shop.

For Ms. Cosentini, who plans to use her 21st-floor one-bedroom unit as a weekend getaway, the project's main allure is the chance to watch a live game and then be home in minutes to catch the highlights on TV. Or perhaps even catch a glimpse of her hockey idols in the flesh. "Maybe Guy LaFleur will be living next door and I can borrow a cup of flour every once in a while," she said with a laugh.

FROM PAGE 1

Jobs: Indirect employment losses far exceed direct oil and gas cuts

Unemployment in the province, for years among the country's lowest, has ticked up to 5.5 per cent, well under the national rate of 6.8 per cent, but a marked change from recent years. Jobless claims in the province shot up 29.4 per cent in February – the second consecutive month with an increase of more than 20 per cent and the largest jump since the depths of the 2009 recession, according to Statistics Canada.

Alberta faces a cash crunch of as much as $7-billion, and has announced plans to slash about 1,700 jobs in health care. In the oil patch, cuts that started with contractors and crews on drilling rigs have spread fast to white-collar jobs in head offices as producers dig in for a prolonged slump. It adds up to an abrupt slowdown after years of torrid growth, as energy firms struggle to claw back costs to stay competitive in one of the world's most expensive crude oil plays.

"If things continue or they deteriorate from here, I think we may go into another wave of cuts and adjustments in the market," said Brian Reidy, managing consultant in the Calgary office of professional services firm Towers Watson, which advises large oil companies on staffing.

Big oil and gas companies have shed thousands of positions from industry payrolls in recent months, but those numbers don't reflect the spillover effects on companies that supply the industry with everything from drilling equipment to catering services. A 41-per-cent drop in drilling activity across Western Canada this year is forecast to eliminate an estimated 3,400 direct jobs, for example. But the wider impact could see another 19,500 indirect positions axed, as fewer workers visit restaurants and hotel stays drop.

The skid in oil prices began last June as soaring U.S. shale output combined with lacklustre economic growth in key markets such as China and Europe. The rout accelerated in November after members of the Organization of Petroleum Exporting Countries stood pat on production quotas. It has since spread through all quarters of the fossil fuels sector, hitting capital plans and employment levels from the oil sands to shale deposits and the icy waters of the Beaufort Sea.

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>
> **Brian Reidy**
> *Towers Watson managing consultant*

More jobs could disappear as corporate spending shrivels. As of the end of the first quarter, 47 Canadian energy firms are expected to spend a collective $38.7-billion this year, down 30 per cent or $16.4-billion from $55.2-billion in 2014, according to data compiled by investment dealer Macquarie Group Ltd.

The eight largest companies – including oil sands powerhouses **Suncor Energy Inc.**, **Cenovus Energy Inc.** and **Canadian Natural Resources Ltd.** – make up the bulk of the cuts in terms of dollars. Their combined spending will drop to $26.9-billion this year, down 25 per cent, or $8.9-billion, from $35.9-billion last year, according to Macquarie. All of them sport slimmer budgets compared with last year.

The raw budget figures do not capture the financial panic that has gripped the industry. Budgets for 2015 have been nothing more than drafts, as gyrating crude prices force companies to make revisions on the fly.

"Everybody's uncertain," said Jim Fearon, vice-president with industry recruitment firm Hays Oil & Gas. "They're positioning themselves in a way that they've got control of their spending, that they've got their head count and their staffing needs at a level that they need to execute the projects that they deem essential," he said. "It's really a sort of preparation of the business to see what happens next."