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RIDING HIGH

Toronto stock market
hit record levels in 2006
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Apple clears Steve Jobs
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CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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MARGIN CALLS

Alitalia buyer must retain jobs

AIRLINES • Potential buyers for Alitalia must guarantee the airline's 18,000 jobs, national routes and the Italian identity of the Alitalia brand, Italy's Economy Ministry said Friday.

The ministry, in a document published on its website, said expressions of interest for its stake in the struggling flag carrier must be presented by Jan. 29. Buyers must have minimum capital of 100 million euros (\$131.73 million US). The government is seeking an investor or group of investors to buy at least a 30.1 per cent stake in the airline as it sells down its 49.9 per cent share. It has not been determined exactly how great a stake the government will retain.

Alitalia shares closed up 6.15 per cent at 1.05 euros (\$1.38) on the Milan stock exchange.

The Italian government reiterated it would pick the winning bid based on its economic offer and the ability of its industrial plan to "develop and relaunch" the ailing airline.

Texas poised for deregulation

POWER • Texas residents will enter a world with no regulated electric prices Jan. 1 as the state becomes the first in the nation to fully deregulate power prices for residential and business customers.

After 100 years, the state's power companies say consumers will benefit as the last vestige of a regulated rate, known as the "price-to-beat," expires Dec. 31.

However, some regulators and lawmakers remain wary of letting market forces set prices after watching rates climb steadily since 2002 when competition began, a fact blamed on the tripling of natural gas costs after two hurricanes in 2005.

"Having so many providers in the market today will keep prices in check," said Pat Hammond, spokeswoman for Houston-based Reliant Energy Inc., which surpassed Dallas-based TXU Corp. as the largest retailer by load earlier this year.

HERALD NEWS SERVICES

HERALD ENERGY



Alberta's booming oilpatch experienced more overall ups than downs in 2006

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HOT YEAR IN REAL ESTATE



Leah Hennel, Calgary Herald

Realtor Robyn Moser says 2006 was a unique year in Calgary's residential real estate market, but she enjoyed dealing with the challenges.

Housing market caps record-breaking year

Home prices rose at fast and furious pace

MARIO TONEGUZZI
CALGARY HERALD

In the eight years Robyn Moser has been a realtor in Calgary, nothing compares to what she witnessed and experienced in 2006.

"It's been a fairly unique year and not typical of the Calgary real estate market from my experience. It's been fun, though, in regards to just the challenges that have come up in the real estate market," says Moser with Maxwell South Star Realty.

"I would say in the first six months of the year the market peaked in May and then it slowly did a correction in June, July, August, September, October, November.

	CANADIAN HOUSING TRENDS			
	Average resale house price		2006 Projected	
	2007/2006 Projected % Change	2007 Forecast	2006/2005 Projected % Change	2006 Projected
Calgary	10.1 %	\$381,000	38.0 %	\$346,000
Canada	6.5 %	\$293,000	10.5 %	\$275,500

SOURCE: 2007 ROYAL LEPAGE MARKET SURVEY FORECAST

"But what we found at the end of November and in December, sales increased quite a bit."

Moser says buyers "had to be on the ball" early in the year.

"They had to know the house and be willing to move as soon as they were ready. There was a lot of what I would consider risk-taking that buyers did, but they did it because they had no choice," she explains.

Offers with no conditions, for example.

The market was also characterized by bidding wars on hot properties with offers much higher than list prices.

Average house prices in Calgary rose at a fast and furious pace, with eye-popping increases compared to the previous year.

SEE HOUSING, PAGE E5

ENERGY

Surging oil prices lose steam in '06

Unprecedented four-year rally grinds to halt

LISA SCHMIDT
CALGARY HERALD
AND BLOOMBERG

A four-year rally in oil prices came to an end Friday, the last day of commodities trading for 2006, as record-high prices slowed global demand growth and supplies increased.

Oil finished the year roughly where it began, rising one cent to \$61.05 US a barrel in New York. That followed surges of 40 per cent in 2005 and 36 per cent in 2004.

Global demand growth slowed to 1.1 per cent from 1.5 per cent last year and storms spared U.S. Gulf platforms battered by Hurricanes Katrina and Rita in 2005. With the U.S. enjoying a warmer than usual winter, demand has been further moderated.

"I think it's the demand issues on the U.S. side that's really got people a little bit cautious, plus overall inventories are still generally higher at the end of this year than they were at this point last year," said Martin King, an analyst with FirstEnergy Capital Corp. in Calgary.

"It's going to be tough to chalk up another big gain in 2007... in our view it's going to be a sideways year."

The Organization of Petroleum Exporting Countries, producer of 40 per cent of the world's oil, responded with its first output cuts since 2004 in an attempt to maintain prices. Questions about the veracity of that plan remain: New York futures will average \$62 a barrel in 2007 and \$60 in 2008, according to the median forecast of 36 analysts surveyed by Bloomberg.

It was the fifth consecutive year that oil prices, on average, were higher than the year before. Oil prices averaged \$66.25 in 2006, compared with \$56.70 a year earlier and \$41.47 in 2004.

Oil rose to a record \$78.40 in New York on July 14 on concern that fighting between Israel and Hezbollah militants in Lebanon would spread through the Middle East. The conflict ended a month later and oil fell to \$62.91 at the end of September. It hasn't been above \$65 since, as winter in the northern hemisphere, when global demand typically peaks, started milder than usual.

Tensions between the U.S. and Iran, the Middle East's second-largest exporter, eased after an Aug. 31 United Nations deadline to stop uranium enrichment passed without immediate action from the Bush administration. The UN imposed sanctions on Iran's atomic research in December.

"Geopolitics was one of the dominant themes of the year, but the risk premium has declined substantially," said Dariusz Kowalczyk, chief investment strategist at Hong Kong-based securities firm CFC Seymour Ltd.

"The winter is shaping up to be surprisingly mild."

OIL PRICES Close Friday \$61.05 US per barrel in New York



No output was lost to hurricanes in the U.S. Gulf in 2006, for the first year since 2001. In 2005, Katrina and Rita caused outages to peak at 1.1 million barrels a day in September, about five per cent of U.S. consumption. The lack of storms helped U.S. stockpiles stay above average during the year.

"People have to be reminded that we still have too much crude," said Chris Mennis, owner of oil broker New Wave Energy LLC in Aptos, Calif. "We're still over-supplied."

OPEC will reduce production by 500,000 barrels a day from Feb. 1. In October, the group agreed to cut output by 1.2 million barrels a day from Nov. 1.

Global oil demand is expected to rise by 1.5 million barrels a day to 86 million barrels a day in 2007, according to the Paris-based International Energy Agency. But this increased consumption shouldn't burden the market too badly, analysts say, because supplies from non-OPEC countries in Africa, Latin America and the former Soviet Union are anticipated to rise by nearly that much.

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