

Interest rate hike predicted

Economists believe Bank of Canada will raise rates a full percentage point or more late in 2010

The Canadian Press

TORONTO — The Bank of Canada repeated its pledge Tuesday to keep interests rates at historic lows until the middle of next year to stimulate growth and a sense of stability in the midst of a slow economic recovery.

But economists are calling for rate hikes as much as a full percentage point or more later next year, and say the bank's commitment to keep its key rates at 0.25 per cent creates a false sense of security in borrowers who have taken on debts larger than they could normally afford.

The C.D. Howe Institute's 12-member monetary policy council's median target for the overnight rate was for one per cent in the second half of 2010.

The council said the central bank should give a strong signal that when the overnight rate moves up, it may be quick and large. They also suggested the bank rein in the housing market by raising the required down payment on government-insured mortgages.

C.D. Howe president and CEO William Robson says a rapid rise in interest rates expected late next year could prove devas-

tating for homeowners who have not evaluated their ability to carry their mortgage at a higher interest rate.

The central bank announced Tuesday the global economy has been slightly more positive than it was at the time of the bank's October pronouncement, but added "significant fragilities remain."

The economy grew less than analysts expected in the third quarter and inflation has been slightly higher than the central bank expected.

Diana Petramala, an economist at TD Bank, said as long as those fragilities remain, the Bank of Canada will not be swayed to move quickly with interest rate hikes.

She said the bank's projection for three

per cent growth in 2010 is slightly more optimistic than TD's forecast of 2.7 per cent growth, adding that she believes the Bank of Canada's first rate hike will not come until the fourth quarter of next year.

Dawn Desjardins, assistant chief economist at RBC Economics, said still volatile markets and global market uncertainties suggest a significant change to the central bank's policy is premature.

Given the still-fragile global economy, she said, Canada's growth rate in 2010 will likely fall short of those recorded during the early stages of past recoveries.

She added that if the economy continues to build momentum by next summer, the bank will likely hike the rate by one percentage point in the second half of 2010.

Enterprise



ROBERT WILSON, RECORD STAFF

Ellen Graf-Martin started her own marketing and communications business after her former employer, R.G. Mitchell Family Books, went bankrupt. Now she's doing exactly what she loves to do in her company.

She became her own boss

Her employer closed last year, forcing her to re-evaluate career plans

By Rose Simone, Record staff

WATERLOO — Ellen Graf-Martin was working from home the day her employer, R.G. Mitchell Family Books, a book retailer and wholesaler that was about to celebrate its 75th anniversary, suddenly went bankrupt and shut its doors.

"It was a shock," recalls Graf-Martin, who was manager of consumer and media relations at R.G. Mitchell's Kitchener office when they closed Sept. 15 last year. "I got a phone call saying: 'We're cleaning out your desk. Tell us what you want us to take.'"

But Graf-Martin was able to do something she had never before imagined — she became her own boss. She started a communications and marketing business, Graf-Martin Communications Inc., which employs her and two staff.

The 33-year-old Waterloo resident says at first starting her own business seemed daunting. Bookkeeping, in particular, was something she had never done before.

But former clients and co-workers, as well as her husband, encouraged her. "Why don't you start your own agency?" they asked. So she began to make some inquiries.

Within weeks, she had contracted a web designer to create a website and a logo. By the beginning of November, the

Graf-Martin Communications Inc.

Phone: 519-342-3703
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 Employees: 3

website was live and by February of this year, less than six months after losing her job, her new company was incorporated.

She learned some basics of bookkeeping and got the person who normally did her taxes to help with reconciling the books.

In March, she hired her first full-time employee, a business graduate from Wilfrid Laurier University who has expertise in marketing and new media. She also has a part-time administration person working for her. Plus, she has a network of contractors who do graphic design, printing and other work.

Graf-Martin is now considering hiring a second full-time employee. She still runs her business from home, but will probably be looking at getting some office space soon.

And her client base is diversifying. She was already doing promotional

work for well-known authors such as Dr. Barry Sears, who wrote *Zone Diet*, and Marcus Buckingham, a career and management guru recently featured on Oprah. She also had well-established relationships with brands such as Big Idea, a faith-based studio behind the Veggie Tales animated series, and Sony Pictures Home Entertainment.

Now her clients include owners of small businesses in Waterloo Region who are looking for reasonably priced marketing profiles and packages.

"We can apply the same principles to very different situations," she says. "That's really exciting for me, because the small business sector is something I have a huge passion for."

Graf-Martin is surprised and pleased at how well things have turned out. "It has been really encouraging," she says.

A year after losing her job, Graf-Martin is doing exactly what she loves to do — understanding the big-picture vision and then pulling together all the details to make it happen.

"The tag line for our business is 'discovering the oak within the acorn.' We work with that small idea that has a lot of potential to grow into a massive oak tree. I love that. That gets me up in the morning," she says.

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Raytheon wins big radar contract

Software will keep air traffic safe by cutting out wind-farm interference

By Rose Simone, Record staff

WATERLOO — As more wind farms are built to generate energy so countries can cut their greenhouse gas emissions, there are concerns about the undesired impact of wind turbines on air traffic control systems.

Now software developers at Raytheon Canada's facility in Waterloo have come up with a solution that will allow more wind farms to be built while keeping air traffic safe.

Raytheon Co. announced this week that it has been awarded a \$6.5-million US contract to install, test and further develop software that will minimize the effects of wind turbines on radar signals.

The contract was awarded by the United Kingdom's NATS, formerly known as National Air Traffic Services.

While Raytheon Canada's parent company in Washington announced the deal, most of the work on the software is being done in Raytheon's plant on Phillip Street, where the company has 334 full-time employees.

Wind turbine blades spin at a relatively high rate of speed, so they create a Doppler effect and a false signature or "false targets" on radar screens, said Brian Smith, general manager for Raytheon in Waterloo.

"Even though the wind turbines are stationary, they give an appearance that you have an aircraft in the area."

Until now, the only viable solution was "sector elimination" to just blank out the area over wind farms. But that creates a black hole or a gap in the coverage, so it's not ideal, Smith said.

Raytheon's technology provides a solution. Its engineers developed software with sophisticated algorithms that can minimize the clutter by carefully looking at the targets, classifying them and separating the false ones from the real ones.

"It is leading edge technology for us," Smith said.

"We are the first radar provider in the world to actually take this software and work on integrating it into our systems."

A demonstration project in the United Kingdom about two years ago showed that the software the company developed does work to mitigate the effects. Now, with this contract, the company is further developing the software and commercializing it.

Raytheon will develop and test the advanced mitigation algorithms on radar systems at airports in the United Kingdom, and do modelling and simulation that will serve as a tool for the rapid development of future improvements.

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Regional housing starts continue to rebound

Record staff

WATERLOO REGION — Led by the construction of single family homes, housing starts rose by 16.2 per cent in Waterloo Region in November compared to the same month last year.

Foundations were poured for 273 housing units in the region, up from 235 a year ago, according to figures released Tuesday by Canada Mortgage and Housing Corp.

November's total was the second highest of the year, trailing only October when 344 homes were started.

More single-detached houses

were started in the region in November than any other month this year, the housing agency said. Ground was broken on 174 homes, up from 166 in November 2008.

Cambridge led the way with 79 starts in the detached category, mostly in the Hespeler area, followed by Kitchener with 48, Woolwich Township with 28 and Waterloo with 11.

"As new home sales have been above starts for most of the year, it was not unexpected to see stronger construction activity in the last two months," Erica McLerie, a senior market analyst with the housing agency, said in a news

release.

"A tighter resale market in the second and third quarters of this year encouraged more home buyers to consider the new home market."

Fifty-six townhouse units were started in the region in November. Thirty-nine apartment units were started, all in one building in the Hespeler area of Cambridge. The semi-detached category was quiet, with construction starting on only four units.

Despite November's encouraging numbers, housing starts are still down for the year. Foundations have been poured for 2,104

units so far this year in the region, a drop of 16 per cent from the 2,505 units started in the first 11 months of 2008.

The figures cover the Kitchener census metropolitan area, which includes all of Waterloo Region except Wilmot and Wellesley Townships.

November's stronger totals were also reflected in national housing start numbers. The seasonally adjusted annual rate of housing starts rose to 158,500 units last month compared to 157,400 units in October.

"Despite a small decline in November's multiple-home con-

struction, overall starts numbers were up due to a solid increase in single starts," said Bob Dugan, chief economist at the housing agency's market analysis centre.

Urban starts were up in Quebec, the Prairies and B.C., but down in Ontario and the Atlantic provinces. The seasonally adjusted annual rate of urban starts in Ontario fell 8.3 per cent in November to 51,100 units.

Housing starts across Canada are still well below pre-recession numbers when starts averaged well over 200,000 units a year on a seasonally adjusted basis, which removes seasonal variations.