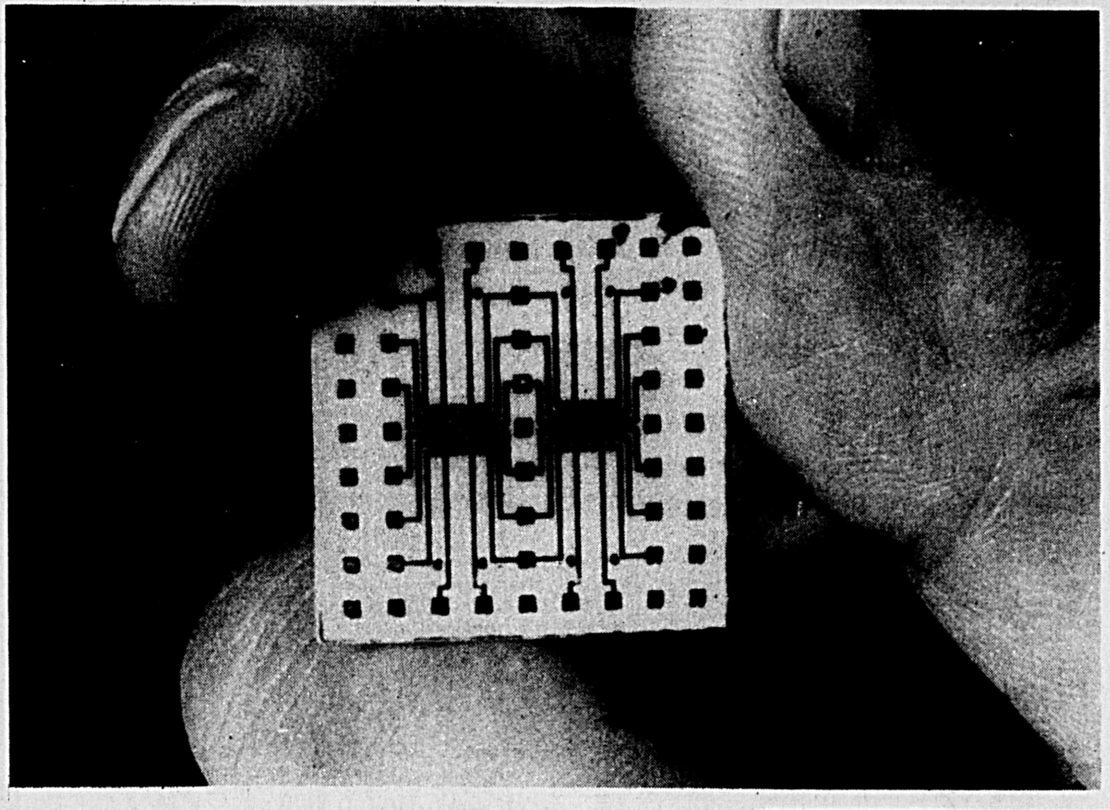
# Business



***Superconductor***

An IBM scientist displays a ceramic chip patterned with high-temperature superconducting wires produced by a new IBM plasma spray technique. Such wires might be used to connect logic and memory chips in computers. IBM said its researchers believe their "spray paint" technique is the first to coat complex shapes such as wires, holes and tubes with so-called high-temperature superconducting materials, which really become superconducting at about 321 degrees below zero.

## $86 million loss at CNR

MONTREAL (CP) — Canadian National Railways lost $86.3 million in 1986, largely because of its Newfoundland rail operation and the sale of its money-losing trucking business, the federal Crown company's annual report reveals.

CN Rail fared poorly, and president Ron Lawless restated the company's case for major reductions in the size of its rail network.

Ninety per cent of rail revenues are being generated by one-third of the rail system, Lawless said, and "reason and responsibility dictate that we apply to reduce its size and develop alternative services which will be more effective."

CN officials want to drop thousands of kilometres of unprofitable lines during the next several years. They would uses trucks to carry freight between rail terminals and cities along the affected lines.

CN made a profit of $117.6 million in 1985, and Lawless has predicted a 1987 profit of $75 million to $90 million.

## Streetfront stores gain on big guys

Financial Times

TORONTO — Big is still beautiful when it comes to shopping centres.

Industry majors like Trizec Corp. Ltd. and Cadillac Fairview Corp. Ltd. continue to prove that by erecting new 50- and 75-acre sites in the expanding suburbs of Canada's larger cities.

But small is becoming just as beautiful for retailers able to get into one of a growing number of streetfront stores along a trendy block or two of town.

Not only do the new streetfront strips produce as much or more profit. Seymore Obront, a Toronto retail broker, argues that they don't involve as much outlay and don't tie retailers to the hard and fast rule of most malls that they sell just one product line.

Obront isn't suggesting that the move to trendy retail strips will seriously hurt Canada's major shopping centres. "The lineups to get into major malls are just as big today as they ever were," he says.

But new forces are at play that at least challenge their dominance, he told a commercial real estate conference in Toronto. And the trendy streetfront store is one of them.

"With substantially lower rentals, no common area charges and a straight shake on taxes, we expect more and more will be built over the next few years." By 1992, he figures the number of upscale streetfront retailers will double and, in some cities, triple.

Obront's observations aren't academic. As president of Snowcap Investments Ltd., one of the country's leading retail brokers, his job is to negotiate the best locations and prices with landlords for a stable of 56 retail merchants, among them A and A Records, Baskin-Robbins Ice Cream, W.H. Smith Canada Ltd. and Hallmark Cards Inc.

Like any good tenant negotiator, he not only complains about heavy shopping centre charges for merchants, but about what retailers get for their rent dollar. In many cases, he says a merchant could wind up in a mall that once was successful but now has become boring, or one with a circus-like atmosphere that attracts as many tourists as it does shoppers.

"Take the Ghermezians' West Edmonton Mall, for example. It's phenomenal. But few of the tourists who spend money there do so on department store merchandise. The parking lot can be jammed, Fantasy Land filled with tourists and the food concessions struggling to cope with demand. But that doesn't guarantee anything more than very average activity in the stores."

In Toronto or Vancouver, on the other hand, he says, a trendy storefront that can be had for $50 a square foot would cost $65 or more in basic rent in a mall. On top of the $65, however, would be tax and common area charges that could push the overall cost for accommodation to 50 per cent or more than the retailer might pay on the street.

That, in most cases, works out to a profit increase for the streetfront operator of between two and three percentage points, Obront suggests. But the greatest benefit of all is not being tied to one line of product. "If sweatshirts are selling, you can sell sweatshirts. Or if costume jewelry is selling, you can sell costume jewelry. You can't do that in a mall."

Almost every large centre in Canada now has trendy streetfront strips. Calgary, Obront says, is an exception. But in Toronto, one of several examples is Cumberland Court, a collection of 30 stores and offices in the Bloor and Yorkville area. In Vancouver, it's downtown Robson Street. Montrealers have stretches of Laurier Avenue and St. Denis Street dedicated to upscale shopping and Halifax has its Spring Garden Road.

Two factors explain their recent growth, Obront says. First, the neighborhood: it might contain an art gallery or some high-priced downtown condominiums that could help draw big spenders. The second is a combination of "incredibly high" rent structures in many regional malls and a lack of suitable shopper traffic there.

Obront's view is that recent trends in large regional malls have been to more boutiques, specialty-use and high-end retailers. "Since they generate relatively high sales and their owners have been willing to pay just-as-high rents, they've become the superstars of retail. In many ways, they're like the all-star running back or wide receiver in football.

"And they're just one segment of a retail industry that has been so successful in recent years that it's led to more demand for space in a limited-sized market. The upshot is that today's lease renewal rates seem to bear no relationship to mall sales. As the negative impact of all this becomes apparent, major regional chain operators will either have to accept some serious erosion in their profits or seek alternative real estate solutions."

The shopping centre industry isn't taking all this lying down. Cadillac Fairview vice-president Peter Picherack suggests that any rise in merchant costs in recent years may, at least partially, be due to the cost of mall operators having to meet the rising demands of negotiators like Obront.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**LIQUOR PRIVATIZATION**

# There is another way!

**The Government of British Columbia is seriously considering selling Government Liquor Stores to private business and allowing beer and wine in grocery stores.**

British Columbians should take a hard look at the price they will have to pay for liquor privatization before any final decisions are made. This year, B.C. will spend an extra 2 billion dollars for more police, more health problems, and more time off work. We already have the worst record in Canada for the numbers of teenagers who regularly drink alcohol. Greater access to alcohol will mean more costs for the ordinary tax payer of B.C.

Public hearings have begun on liquor policy and privatization in most major communities throughout the province. The government is hearing submissions from the general public on greater access to alcohol through corner stores and super markets.

There is an alternative to making beer and wine available in corner stores that is safer and means fewer problems and lower costs for everyone.

1. The government should expand hours of operation at existing stores and make them more flexible. The 6:00 pm closing, five nights a week in most stores, is outdated.
2. The government should make in-store improvements to service and convenience. This includes cold beer, beer only express lines and better displays.
3. The government should open more specialty stores throughout the province.
4. The government should undertake an indepth study of customer needs, in order to make further improvements in service.

B.C. can't afford the cost of liquor privatization. The disadvantages of privatization substantially outweigh any potential benefits. Privatization would reduce the ability of the government to control access to alcoholic beverages at the same time as it reduces revenue from the sale of these beverages.

**There is another way!** BCGEU