

YOUR BUSINESS

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HIGH TECH E6

Olivetti triumphs over Telecom

Wins 51% stake in Europe's biggest takeover battle

ASSOCIATED PRESS

ROME — Olivetti agreed to a 51 per cent stake in Telecom Italia SpA Saturday, completing its David versus Goliath at-

tempt for control of the telecommunications giant.

After a three-month takeover battle, Olivetti settled for the narrow majority stake in Italy's biggest phone company — even though the firm had hoped to win 67 per cent of the five-times larger Telecom.

Olivetti, a typewriter and computer maker that has moved into telecommunica-

tions, held a meeting Saturday at its headquarters near Milan, where the company's board approved the deal, Europe's largest-ever hostile corporate takeover.

"The boards of Olivetti and Tecnost have decided to accept the shares tendered in the offer, and Olivetti will go ahead with its industrial plan for TI," Olivetti's chief executive, Roberto Colaninno, said.

Tecnost is the Olivetti unit used as the vehicle for the takeover of the former state-run monopoly.

Champagne flowed at Mediobanca, the merchant bank that backs Olivetti. Applause could be heard coming from inside the usually staid bank.

Moving quickly to take the reins at Telecom, Colaninno

said he will meet his counterpart Franco Bernabe today to ensure a smooth transition.

Thursday, Olivetti had less than 20 per cent of Telecom's shares. But on the final day for securing shareholder backing, most of Telecom's strongest supporters jumped ship.

Olivetti will pay about \$33 billion (U.S.) in cash, bonds and stock for the 51.02 per cent

stake in its bigger rival. Olivetti said it will finance most of its offer with debt, which it plans to repay with Telecom Italia's cash flow and assets.

Yesterday Olivetti confirmed it had ditched plans for a proposed merger of Telecom Italia with Germany's Deutsche Telekom that would have been the biggest in history.



MUSEUM PIECES: Brett Crawford, a dino-technician, puts an epoxy coating on reproduction bones made from castings of real ones.

Company searches for Y2K bugs in buildings

BY MICHAEL MACDONALD
CANADIAN PRESS

In a bland office building north of Toronto, a crack team of millennium bug hunters awaits its next assignment.

But this isn't your usual bunch of code-crunching computer sleuths. The new Y2K squad at Delstar Consulting Services Inc. work in a special niche market: Big buildings.

Armed with screwdrivers, ladders and a database, their goal is to give property managers peace of mind by exposing potential Y2K glitches in commercial and industrial buildings and residential highrises.

Trouble is, these buildings are often overlooked as good hiding places for the millennium bug, company vice-president Rob Watt said.

Indeed, a typical highrise has more than its share of so-called

SIMON WILSON FOR THE TORONTO STAR

Making Jurassic props

A Canadian company has evolved into a world leader in the art of 'cloning' dinosaurs in resin, Fiberglass

BY DONNA GREEN
SPECIAL TO THE STAR

BEAMSVILLE — Peter May doesn't usually make things to fall apart, but his most famous work collapsed spectacularly. May's company made the huge Tyrannosaurus Rex and Alomosaurus skeletons that fell so dramatically in the visitor's centre at the end of the blockbuster movie, *Jurassic Park*.

And have you seen the colossal T-Rex skeleton in the Royal Ontario Museum's new Discovery Gallery yet? That giant's the work of the Beamsville company, too. Research Casting International Ltd. reproduces dinosaur skeletons for museums around the world.

It's a specialized niche, but

Thinking Big

the reason for this company's growth is common to many small businesses — the trend by bigger organizations to outsource. "We are the [dinosaur] technical support for museums," says May, Research Casting's founder and president.

Dinosaurs are big business for more than museums. Along with the prestigious Field Museum in Chicago, McDonald's Corp. and the Walt Disney Co. paid \$8 million (U.S.) at auction for the largest and most complete Tyrannosaurus Rex skeleton ever found, affectionately known as Sue.

Research Casting was hired to come to Chicago and make molds of the skeleton.

Back at their Ontario plant they will fill these molds with resin and fiberglass to reproduce five startlingly realistic-looking skeletons for the owners.

Sue's clones are to be shipped to various locations across the United States and, pending contract negotiations, a team from the compa-

ny will assemble them on site.

Nice work if you can get it, and they get a lot of it. The company is grossing over \$2 million annually and still growing. Only thirteen years ago May, now 43, was assembling dinosaur bones nights and weekends out of a rented garage in Toronto.

His day job was at the Royal Ontario Museum hunting for and preparing dinosaur bones. Trained as a figurative sculptor, he had a knack with ancient fossils and soon other museums wanted him to mount their specimens.

In his first year moonlighting he mounted an Allosaur, a vicious carnivore, and made \$25,000. Now he employs 20 people and gets at least two major commissions a year for mounting, reproducing or sculpting dinosaurs and other extinct creatures.

"We're probably the best at what we do, internationally," says May. "Our market is the world and we set the trend because our work is so specialized."

Before the Asian economic crisis, 70 per cent of Research Casting's work went to muse-

➤ Please see Company, E3



SIMON WILSON FOR THE TORONTO STAR

STAND STILL PLEASE: Dinosaur sculptor Ted Sivell fits textured skin to the foot of Dilodocus being made for the Carnegie Museum in Pittsburgh.

Restaurants risky business, expert warns

If you've ever dreamed of starting your own restaurant, consultant Doug Fisher has one word of advice: Don't.

Restaurants are high-risk businesses, he says. Eighty per cent go bust in the first three years. Only women's clothing stores have as high a failure rate.

So why do so many starry-eyed entrepreneurs think they'll make a fortune selling bagels, burgers or beer?

"It's sexy," says Fisher. "People see themselves standing at the door greeting people, helping them celebrate. And everyone's mother was a good cook."

ELLEN ROSEMAN



The franchise route is safer, he argues.

A high-quality franchise chain like McDonald's, Second Cup or Tim Horton's has the systems to keep you out of trouble. The failure rate is only 5 to 10 per cent.

Fisher's self-published book, *Successful Restaurant Strategies: From Start-up to Franchising* (\$35) is sold at Chapters and Indigo stores and on the Internet at www.amazon.com and www.fhgi.com.

Part of the book's proceeds will be used to start a scholarship program to help students take graduate courses in food service management.

Fisher, 43, has a master's degree in food service management from Florida International University in Miami, and boasts a 15-year track record as a restaurant consultant.

He says that when he meets someone who wants to go into

the business, he spends the first hour urging them to find something easier.

There are challenges that newcomers don't recognize:

■ Margins are tight. The average restaurant has a 9.8 per cent operating profit (and a 4.5 per cent pretax profit), compared to 20 to 25 per cent operating profit for U.S. restaurants. Canada's lower margins are the result of higher labour costs, higher taxes and higher prices on foods controlled by marketing boards.

■ Hours are long. A coffee or doughnut shop opens at 6 a.m., which means you're there at 4:30 a.m. You stay late after

closing to clean up and count the cash. And you work six to seven days a week. "You give up a lot of family and personal time to do it successfully."

■ Capital investment is heavy. You need a restaurant of 2,500 square feet (80 seats) to repay your debts. Space costs a minimum of \$125 a square foot, so you'll pay \$300,000-plus for 80 seats. "You need 130 to 150 seats to make significant money," he says. "It's hard to put together that large an investment."

From what Fisher says, it's easy to see why restaurants fail

➤ Please see Long, E3

embedded chips, tiny micro-processors that may have date-sensitive tasks.

Fire panels, elevators, security systems, programmable thermostats and timers are just a few of the devices checked when Watt's team descends on a building.

"Any of those things potentially could have an embedded chip and a Y2K problem," he said, noting Delstar's secret weapon is a database containing a list of 7,000 devices and their Y2K status.

Audits are aimed at private property managers who cannot do their own research

"All these pieces of equipment are quite sophisticated, unlike in a single-family house where you've got a little furnace and that's it."

Delstar's audits, which cost between \$3,000 and \$5,000 per building, are aimed at private property managers who don't have the time or resources to conduct their own research.

But the president of the Building Owners and Managers Association of Canada, Evan Brewer, insists the Y2K threat really isn't that big a deal.

A recent survey of the association's North American members found less than 5 per cent of their buildings "may have a problem," said Brewer, whose group represents 90 per cent of Canada's commercial real estate industry.

The association's North American membership looks after more than 6 billion square feet of office space.

"Everybody in North America is fairly confident that things are going to be fine," Brewer said from his office in Victoria.

"In Canada, there hasn't been a whole lot of new construction recently. So it's fairly old stock that we have. There's a huge number that would not be affected, even if they did nothing because they have manual systems in place."

Still, the bigger, publicly traded landlords are spending small fortunes on preventing potential Y2K problems.

Cadillac Fairview Corp., which owns the Eaton's Centre

➤ Please see Big, E4

BUSINESS TODAY

Mexico to spur natural gas imports

Elimination of 4% duty good news for suppliers in Canada, U.S.

BY CHRIS KRAUL
SPECIAL TO THE STAR

In a move to hasten the availability of natural gas in a country facing power shortages and worsening pollution, Mexico said it will eliminate a 4 per cent tariff on all natural gas imported from the United States and Canada starting July 1.

Mexico had been expected to gradually abolish the 4 per cent import duty over a three-

four-year period as part of a national effort to introduce more competition in the natural gas industry and make it a more economic alternative to oil.

The move is good news for U.S. and Canadian natural gas suppliers, notably Sempra Energy International, the San Diego based utility holding company with extensive Mexican operations.

"It's really positive. This makes U.S. gas more competitive with Pemex gas," said George Liparidis, senior vice-president at Sempra.

Sempra has recently won concessions to distribute gas in Mexicali, Chihuahua and Torreón, Mexico, and broke ground Thursday on a 30-kilo-

metre, \$35 million (U.S.) gas pipeline from San Diego to Baja California's largest power plant in Rosarito.

With Mexico's electricity demand growing 6 per cent per year, the country is under enormous pressure to add to its electric power capacity or face brownouts over the next five years, officials have said.

At the same time, the industry is under a legislative mandate to reduce pollution by converting its mainly fuel oil-burning power plants to gas.

Those two factors argue for more natural gas, and Mexico's government had set a lofty goal of doubling the country's gas consumption over the next

eight years.

But Mexico's gas delivery infrastructure remains woefully inadequate, partly because the predominance of state-owned oil giant Pemex and the 4 per cent tariff have worked to slow foreign investment in gas.

Mexico has been slow to develop its own extensive natural gas reserves because it lacks capital

Meanwhile, Mexico has been slow to develop its own extensive natural gas reserves, both

because oil is readily available and it doesn't have the capital to develop pipeline and refining networks.

"It's a chicken and egg situation," said Dan Pickering, research managing director at Simmons & Co. investment bankers in Houston.

"How do you create demand for cleaner burning gas when the prices are not competitive and there is no infrastructure?"

So the Mexican government has decided to move up its timetable in hopes of stepping up foreign investment, which will be attracted by the elimination of tariffs, Mexican Energy Secretary Luis Tellez said over the weekend.

With energy shortages on the

horizon, Mexican President Ernesto Zedillo in February proposed a constitutional amendment that would open the door to a restructuring of the electricity market, currently one of Mexico's most closed and inefficient economic sectors.

Tellez said this week he is "60 per cent sure" that the Mexican congress will approve the amendment and a new electricity law that will pave the way to some \$25 billion in foreign and domestic investment over six years.

Much of that money would be spent developing infrastructure for natural gas production and building of gas-burning power plants.

THE LOS ANGELES TIMES



SIMON WILSON FOR THE TORONTO STAR

LIFE-SIZE: Research Casting staff are dwarfed by realistic mock-up of a diplodocus that will be 24 metres long and 6 metres high when the head and tail are attached. From this mock-up a mold will be made to produce light-weight Fibreglass dinosaur 'clones.'

New gas pipeline spanning lower B.C. approved

Province sought, got protection from cost overruns

VANCOUVER (CP) — The B.C. Utilities Commission has approved a \$376-million natural gas pipeline across southern British Columbia on the condition cost overruns won't be borne by ratepayers.

The Southern Crossing pipeline offers the highest potential benefit to BC Gas Inc.'s ratepayers, the commission said in its decision Friday.

The provincial regulatory agency said BC Gas must stand behind its cost estimate and cost overruns above 10 per cent must be paid by the utility's shareholders, not its ratepayers.

BC Gas has until June 15 to

Company finds success 'cloning' dinosaurs

Research Casting

- Established in 1986 in a rented garage in Toronto
- First year grossed \$25,000
- Occupied 1,800 square feet of rented space and had hired five employees by the time it moved from Toronto to Oakville in 1989.
- The firm grew to 10 employees, eventually occupying 11,000 square feet of rented space. In their best year in Oakville, Research Casting grossed \$1.3 million.
- Moved to Beamsville in 1998. Now has 20 employees, occupies 18,500 square feet of space and last year grossed around \$2 million.

Continued from E1

ums in Japan. Now 80 per cent is for North American markets, but May is chiseling away at Europe.

Many North American museums have field staff to unearth precious fossils, but some in Europe still buy from private collectors who may not always be as careful to preserve and document the site where the specimens are found.

By providing realistic and accurate skeletons of a large and growing number of prehistoric animals, May's work takes the pressure off museums to get their own original specimens and so helps to keep sites more intact for future scientific study.

The company also makes full-fleshed, life-size creatures. This week at Research Casting's 18,000-square-foot plant the finishing touches are being put on a life-sized diplodocus

carnegii bound for the Carnegie Museum of Natural History in Pittsburgh to commemorate the 100th anniversary of the creature's discovery this July.

Halved Fiberglass mold casings were strewn about like so many magnified eggshells. Numerous improbable skeletons — other projects on the go — were in various stages of assembly.

Dinosaur parts, including flaps of textured plasticine skin, were everywhere.

The massive diplodocus, a herbivore whose stomach probably wouldn't fit into a single-car garage, stood erect and frighteningly real even with its head and tail still unattached.

From its open neck you could see the metal armature that supports the beast, and the bulky sculpted Styrofoam that fleshes it out.

Steel beams used to move the inanimate creature by overhead crane jutted from under

its belly.

Starting tomorrow, the diplodocus mock-up will be coated with rubber. The flexible rubber mold will be made rigid with a Fiberglass outer jacket and then filled with resin and Fiberglass.

The cast pieces, considerably lighter than the steel and clay model, will be painted and shipped for assembly in Pittsburgh.

Mary Dawson, the curator of vertebrate paleontology at the Carnegie, noted there is a high level of accuracy in the models that Research Casting is building for her.

She says even the textured skin pattern is based on an actual skin sample from the ROM.

"They combine their art with real science and they work closely with scientists to try to make the past as accurate as it can be," says Dawson.

May's goal is to make casts

of every significant paleontological specimen from early fish to recent endangered animals.

The company posts a mold inventory on its Web site (www.recast.com), hoping museums will commission a casting or allow the company to mold a specimen they don't yet have. Because donor museums get a royalty when a reproduction is sold, many are willing to loan Research Casting their specimens.

Smaller museums without a collection can hire one of two travelling exhibits the Research Casting maintains. Museums cover the cost of shipping, insurance and mounting while Research Casting splits the revenue with them.

It's yet another way this company has been able to see an opportunity and adapt — unlike the creatures they now reproduce, which went the way of, well, dinosaurs.

cept the condition. The Southern Crossing pipeline project will provide customers alternative choices of supply to guarantee they have the lowest possible natural gas prices," said BC Gas president John Reid.

"It also gives them additional security of supply in the event of a major interruption on the present single pipeline."

Reid said the project will spend about \$190 million in the province of which \$60 million will be spent in the Kootenay-Boundary-Okanagan region.

\$376 million project will link with existing pipe to carry gas to the Lower Mainland

"The commission has given us the choice of completing the project for the winter season of 2000-2001 or 2001-2002," he said.

"We will spend a few days to determine which is most appropriate to meet the commission's other condition that the company accept all risk for cost overruns beyond 10 per cent."

The 312-kilometre pipeline from Yahk in the East Kootenay to Oliver in the South Okanagan has already received environmental approval from the government. It will primarily follow existing pipeline rights-of-way.

BC Gas said the Southern Crossing pipeline is necessary to meet growing natural gas demand in the province and to meet demand at peak times in winter.

The utility estimates demand for natural gas will increase by 1.8 per cent a year, or 25 million cubic feet a day.

Southern Crossing will link up with existing pipe to carry the gas to the Lower Mainland from Oliver.

BC Gas has also said it needs Southern Crossing to reduce its dependency on Westcoast Energy Inc.'s pipeline that carries gas from northeast British Columbia to Vancouver and the U.S. border.

Westcoast opposed Southern Crossing in favour of a liquefied natural gas plant near Port Mellon on Howe Sound, but that proposal was rejected by the utilities commission.

VANCOUVER SUN

Long hours, thin margins afflict restaurateurs

Continued from E1

so often. Owners go in with too little capital and they're not prepared to spend time building a base of loyal customers.

And don't forget dishonest employees.

Fisher has a fascinating chapter on bar scams, which are easy to implement and hard to prevent.

"Honest bartenders — those who pour full shots for customers, charge the correct amount and place the receipts in the till — are becoming a rare breed," he says. "Generally, bartenders who scam do so with pride and without conscience. They don't only take from their employer, but their customers and co-workers as well."

His advice to restaurant owners: "Inform your staff there are controls in place (even if there are not) and that alone may be your biggest control system."

What are the hot trends in restaurants?

Coffee is a trend, he says, while bagels are a fad. (Trends last seven to 10 years. Fads last

only a couple of years.)

Wraps — a sandwich made with tortillas — are a trend, he says. Asian foods, such as sushi and noodles, are trendy too.

Steak houses — such as Morton's of Chicago or Ruth's Chris, which charge \$30 to \$40 for a hunk of meat — are back in style. Vegetarian restaurants? Forget it. There's no market, in his view.

Non-smoking restaurants? A non-starter. Smokers are good customers: They eat out more, they stay longer, they buy more cocktails.

But cigar bars are out.

His final advice? Get ready for hard times.

"In my career," says Fisher, "I've seen a downturn in the economy every six or seven years, followed by three or four very difficult years."

Determine where you are in the cycle and when the next recession will hit. Then, assess whether you can survive the crunch.

For those who want to start a business, I'll continue this series with a look at bookstores on Wednesday and bed-and-



RON BULL/TORONTO STAR

SURFACE SPARKLE: The restaurant industry has a "sexy" image, but it's a tough way to make a living, says Doug Fisher, reaching for glass at Ruth's Chris steakhouse.

breakfast inns on Friday.

What's your dream business — Web site design, consulting, home day care, catering?

Send me your suggestions

and I'll cover them in future columns.

Ellen Roseman's column appears Monday, Wednesday and Friday.

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