

YOUR BUSINESS



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the markets

Don't panic, but take a look at your portfolio



DON MACDONALD

"Investors may miss a great opportunity to position their portfolio for the future."

The stock market has rarely provided a better lesson on the hazards of panic selling than it did last week.

First the markets plunged on fear the credit crisis was getting out of control following the failure of investment bank **Lehman Brothers** and the government bailout of insurance giant **AIG**. Talk of bank failures, a market crash and economic depression is enough to give anyone the jitters.

But then the U.S. government fought back with a rescue package aimed at containing the crisis and stabilizing markets. North American markets rocketed higher in an exuberant rally that actually left them higher at week end than they were when it began.

Of course, we have no way of knowing whether this is the beginning of a sustained recovery or just another sucker rally that will peter out when people wake up to realize there are still deep financial and economic problems out there.

But for now, at least, many investors and investment advisers will be congratulating themselves for sitting tight and doing nothing when things looked their grimmest during the crisis.

Author Warren MacKenzie argues that's wrong thinking. Too many people stand paralyzed like a deer in the headlights when the market is falling, he says. By doing nothing, these investors may be missing a great opportunity to position their portfolio for the future.

MacKenzie, author of the book *The Unbiased Investor* and president of Toronto-based Second Opinion Investor Services, offered five positive steps investors can take when markets are dropping.

1. Review current holdings. Many people don't have a good idea of what's in their portfolio in the best of times. A downturn is a good time to have a look to see how the asset mix and sector concentrations have changed. "It's important to know what you have because that's the only way you can make a change with confidence. Otherwise you get paralyzed," said MacKenzie, whose firm performs independent reviews of portfolios.

2. Re-evaluate your investment and financial plan. The market correction might require a change to your investments. Now that your portfolio may be down 10, 15 or 20 per cent, perhaps you might want to adjust your asset mix, investment strategy or find a new adviser. MacKenzie gave the example of a person nearing retirement who may decide to work a couple of extra years after reviewing his financial plan. Those who have just retired may want to cut back on expenses for a time.

3. Rebalance to reflect your long-term asset mix. It's not an easy psychological feat to buy stock in a falling market. But the market correction may mean your weighting in stocks has fallen well below your target. "If it's out of whack by five per cent, that's an opportunity to rebalance and in the process you're buying something that's low and selling something that's high."

4. Harvest tax losses. You may want to sell losing positions and take a tax loss that can be applied against capital gains from the last three years. You could even trigger a tax loss by replacing a beaten-down stock with another from the same sector. For example, exchanging one bank for another.

5. Look across the valley. "People panic and get emotional. But unless we have chaos and a complete breakdown, markets will come back. It's a time to be rational and realize that this hurts. But don't give up because it might be a good time soon to buy again."

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the entrepreneurs



With Mario Boulet, (left) an R&D technician holding the semi-dry sludge as it appears before combustion, Paul Herrbach, Chairman of the Board of Fabgroups Technologies Inc. of St. Laurent, pours what remains after a process called plasma-assisted sludge oxidation at its Valleyfield plant.

OXIDATION TECHNOLOGY can turn sewage waste into clean energy

The power of sludge

STEPHANIE WHITTAKER SPECIAL TO THE GAZETTE

It's not every day that people get excited about watching sewage being treated. But there was plenty of excitement last week among a delegation invited to visit a Salaberry de Valleyfield plant, which is the first to use a process that oxidizes sewage, rendering it into an inert and environmentally benign, sand-like substance.

Montreal-based Fabgroups, a company that specializes in custom metal fabrication, has added the technology, called "plasma-assisted sludge oxidation," to its original vocation of producing metal products for the petroleum industry.

PASO not only eliminates the need to bury sewage sludge in landfill, but can also harness the heat created by the process to run electrical turbines or produce steam.

And although the demo plant, built adjacent to Valleyfield's conventional sewage treatment plant, has been operating in test mode for only a few months, Fabgroups has already played host to potential customers from outside Canada who want to buy the technology. In fact, a delegation of engineers and municipal officials from Charleston, S.C. were among the visitors last week who watched sewage sludge being oxidized in a giant kiln in the Valleyfield plant.

Paul Herrbach, the founder and owner of Fabgroups, says he decided to take his company into the sewage treatment business because "we were tired of fighting the competition of metal companies in Korea and India. We needed proprietary products that we would be able to manufacture and sell at a reasonable profit."

Fabgroups was founded as a pro-

ducer of metal equipment in the early '90s and gradually grew through acquisitions to encompass three plants: one in Valleyfield, one on Montreal's South Shore and another in Toronto. The company builds custom metal products. "We'd been looking at various other technologies," said Patricia Herrbach, the founder's daughter who is Fabgroups' human resources director. "Metal fabrication had become competitive in the global economy and we were feeling the pinch."

The company learned about the PASO technology serendipitously through an employee five years ago. It had been developed by Hydro-Québec's research and development arm; the utility owns the patent on the technology and has licensed Fabgroups to develop and market it.

In the Valleyfield PASO prototype, raw sewage is fed into the system where the first step is the removal of 30 per cent of the water, rendering it into a clay-like sludge. "It's forwarded into a catalytic converter (a large kiln) and exposed to a beam of plasma gas," Paul Herrbach said. "The plasma passes through an electrical arc and it catalyzes the sludge to start a thermal reaction."

Herrbach says the process causes a release of energy as electrons in the substance are knocked out of orbit, which renders them unstable. "They become unstable predators and they oxidize the organic material. As positively charged particles are looking for negatively charged particles, it creates a favourable condition for the carbon in the sludge to oxidize." The temperature in the kiln reaches between 600 and 700 degrees Celsius as the sludge burns. The process takes an hour and 20 minutes.

Fabgroups manufactures all the large metal equipment, including the kiln.

While the city of Valleyfield produces 8,000 tons of sewage sludge per year, the facility is capable of treating four times that amount.

Benoit Paré, Fabgroups' president and CEO, says what makes the PASO technology so environmentally attractive is that it leaves very little residue (about five per cent of the original sludge volume) and there is no need to bury organic sludge in landfill, where it produces greenhouse gas. "You'll see a trend in Que-

"You'll see a trend in Quebec in which landfill sites are closed down."

BENOIT PARÉ, FABGROUPS CEO

bec in years to come in which landfill sites are closed down," he said. "This process reduces waste at source."

Moreover, he said, the heat produced by the process can be captured and used to heat buildings or drive turbines for electricity, although the company has not yet added that function to the Valleyfield demo plant.

The technology also prevents the escape of any byproduct of the combustion. "It releases less CO₂ than a backyard composter," Paul Herrbach said.

New York businessman Paul Rodzianko was one of the visitors who travelled to Valleyfield to see the new technology in action with an eye to investing in the company. "I think this has significant poten-

tial," he said. "How significant? It's early days yet but this is like the early version of (Microsoft) Windows. It's clear that there will be several subsequent versions and it doesn't take much to visualize two or three steps beyond that. There's a huge market in Canada and the U.S. and this technology could be spread around the world."

The Valleyfield prototype was developed and built for \$6 million; \$2 million of that sum was a subsidy from Natural Resources Canada and the remainder was self-financed by Fabgroups.

Patricia Herrbach said the company took the concept to various water treatment industry trade shows. "And since then, people have been hounding us. They've been calling us to find out if we're ready to sell it yet," she said.

Several visitors from the city of Charleston visited the facility to learn how the technology could be used in their municipality. Jake Earle, plant engineer in the environmental resources department of the Charleston water system, says his city currently trucks sewage sludge to a landfill site at a cost of \$27 per ton. Annually, it costs \$500,000.

"By all accounts, this could reduce greenhouse gases from landfill and it would pay for itself over time," he said.

He said it costs about \$500,000 in energy costs to run Charleston's sewage treatment plant, which could be reduced through the capture of the heat energy that the PASO system produces.

Paré says the next step is to take the proposal to the financial community to get financing. "It's an attractive business proposition."

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