



Mr. Flaherty does not care

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I disagree with Diane Francis's view that the Tory income trust policy is flawed. The federal income trusts policy decision is the right one for seniors and the Canadian economy.

On May 3, 2006, the Canadian Accounting Standards Board decided income trusts were being marketed on inaccurate and potentially misleading cash yields

Some 46 business income trusts have been torpedoing an average of close to 50% in the market, losing seniors and other conservative investors billions of dollars in a time of economic prosperity. My research report, *Income Trusts: Heads I Win, Tails You Lose*, dated Oct. 18, 2006, concluded that the business income trust market was 39% to 53% overvalued relative to publicly traded corporations before the Tory income trusts decision.

I attribute the significant overvaluation of income trusts mainly to (a) the inaccurate and deceptive high cash yield valuation methodology promoted by the financial and income trust industries; and, (b) to the mispricing of income trusts because virtually all equity research does not do pre-tax equivalent valuation comparisons between income trusts and publicly traded corporations on the typically used financial valuation variables of P/Es, P/CFs, P/EBITDAs, P/Ss, and P/BV.

At the end of the four-year grandfathering period, there is no rationale for the premium pricing of income trusts relative to corporations to remain. The problem with extending the grandfathering period would be that the "greater fools" would be enticed back into the market for the dumping of overvalued income trusts caused by overvaluation of income trusts, the accounting mess and the inaccurate, inflated and misleading cash yields.

It is coming to light that the seniors' letter-writing campaign leading up to the last election was highly orchestrated by the financial industry selling the product to seniors on the deceptive yields. The CARP-50 Plus Association is leading a current letter-writing campaign that has conflicts of interest with the CARP/FiftyPlus.net International exclusive marketing arrangements with the CIBC Wood Gundy and

the Investment Planning Counsel, owned by Investors Group.

The Canadian public losing money on income trusts has to get beyond blaming the government and spread the blame to where the blame belongs: the income trusts, financial, accounting and securities legal industries who made billions of dollars while selling a product to seniors on an inaccurate, inflated and misleading cash yield; and the provincial securities regulators and the self-regulators of the IDA, MFDA and the Canadian Accounting Standards Board, who all turned a blind eye to the misrepresentations being made to seniors.

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