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BUSINESS



TRAVEL ANIMAL FARM

Abandoned as piglets, sisters Judy and Patsy have grown to be 700 pounds apiece, and are fixtures at the Woodstock Sanctuary in New York state **B4**

House found a home in Tim Hortons

Stoney Creek man who leads global coffee giant is farmer at heart

MEREDITH MACLEOD
The Hamilton Spectator

Paul House is fond of saying he's just a peach farmer from Stoney Creek.

He tells that to colleagues, employees and friends. He says it in high-powered board meetings and while making small talk with strangers.

It's true, but House is also CEO of Tim Hortons, Canada's largest food service chain and arguably, the country's most iconic company, whose double double, Timbits and Roll Up the Rim are fixtures in the lexicon.

No matter that the chain brought in \$2.9 billion in revenue in 2011, employs more than 100,000 people in more than 4,000 restaurants, commands 62 per cent of the coffee market in Canada and that House is widely credited with guiding the company's rapid expansion over the last two decades.

House still defines himself as a hard-working farmer.

Yet it's somehow poetic the company has been taken to a worldwide behemoth by someone who grew up where the chain itself was born and raised. Between 2006 and 2011, total revenues grew 61 per cent. House is described by those who know him as a focused, steady hand guiding a train no one envisioned would become a speeding bullet.

Decked out in a bright green T-shirt in honour of Tim Horton's Camp Day, the CEO is smiling and shaking hands in a packed Buffalo location.

For the customers, the draw is Bills receiver Fred Jackson or punter Brian Moorman, who are volunteering behind the counter on this day when coffee proceeds help send underprivileged kids to one of the company's camps.

But for franchisees and staff, the real celebrity is Paul House, making an encore in the top job.

He was the CEO of the company from 2006 to 2008. Then, after a total of 23 years at the doughnut giant, he retired, staying on as chairman. Don Schroeder took over the corner office, but soon fell out of favour



Paul House, a Hamilton native, is taking an encore run at leading Canada's leading food service chain.

JOHN RENNING, THE HAMILTON SPECTATOR

with shareholders and left in 2011.

House was asked to return as interim CEO.

He says he didn't really think twice about it, even though he'll be 69 in the fall. He has plenty to keep him busy, too, including a cottage at Lake Erie, hunting, fishing, traveling and stints on several boards, including Brock University and Pet Valu. But he's a farmer, after all, and they don't retire.

"I love my job. When I did come back to work full time, my daughter said, 'Dad, you treat it like it's your baby. It's time to give it up and enjoy life.'"

But working is what he loves, says the father of a son and daughter and grandfather of three.

"Quite frankly, people who love retirement didn't like working."

House says he'll stay through 2013 and even beyond, if necessary. He's heavily involved in finding or grooming a new CEO.

This man loves everything about Tim Hortons, including its products. He reluctantly confesses to drinking six cups of coffee a day and that he loves all doughnuts, particularly apple fritters and sour cream glazed.

He can't stay out of the restaurants, either. Even in retirement, he dropped by franchises to scope out service and compared it to other food chains. He still does it, checking to see if staff are smiling and how fast cars are zipped through the drive-thru.

"The lifeblood of this business is in the stores," says House. "You can't run a business from the corner office. You have to be out to understand what's going on."

His reconnaissance missions are a bit like the TV show Undercover Boss, where CEOs work incognito beside employees to get a sense of what needs to change.

He chuckles when public affairs director David Morelli offers that the producers of the Canadian version have asked House to be on the show. Tim Hortons staff knew House wouldn't go for it; he's too unassuming and doesn't like attention.

He deftly swipes away any attempt to give him credit for the company's success:

"The hero here is the company, not me" and "No company is built around one person; we have a great

team" among them.

"How privileged I am to run a company this size. I'm thankful for the start (co-founder) Ron (Joyce) gave me. I owe a lot to him," he says.

But House allows that he is proud of how hands-on he is. The chain recently rolled out its double-double drive-thrus, a concept piloted in Hamilton in which there are two ordering lanes that funnel into one lane for pickup.

Staff in a newly opened Toronto location with the new drive-thru were falling over each other in the service area, leading to long lineups of cars. The counters were reconfigured at a cost of \$50,000 and volume immediately doubled.

"People might be surprised that the CEO is involved in that but you have to be. I spent three to four months on the road in the early years. That's where I learned this business."

In those early days, House could concentrate on running the company in the background while Joyce acted as its public face.

But when Joyce sold to Wendy's in 1995, and then exited his role, House was forced to step into the forefront.

He also says he takes pride in seeing those he's hired or hand-picked as franchisees do well.

"That's measurable success, just like farming."

Though leading a multi-billion-dollar company that is subject to constant scrutiny from the public, shareholders and media alike might seem a long way from the anonymity of farming, it's clear House often reflects on his roots.

While cutting the ribbon on a Tim Hortons location in Dubai last fall, he was thinking of his father, who died in 1993, and his mother, who followed in 1998.

"What would they think of me doing this?" House found himself wondering.

"Dad never left Ontario in his life. I was travelling all over Canada and he always wanted to hear my stories."

House grew up on a farm on Queenston Road between Highway 20 and Grays Road, a section unrecognizable as farmland now. In 1960, his family moved to Mount Albion Road and rented farms, primarily growing peaches, cherries and vegetables.

Mother continues // B2

New waterfront eatery hosts job fair

Part of two-restaurant development at Pier 8

Hamilton's newest waterfront attraction is planning a hiring fair.

Sarcoma Restaurant and Bar, which is taking over the old Discovery Centre on the waterfront, will be interviewing potential staff this weekend between noon and 3 p.m. at the restaurant, 57 Discovery Dr.

Resumes can also be submitted online at <http://www.sarcoma.ca/>

The new eatery will offer a 350-seat waterfront patio overlooking Pier 8, a patio bar seating 40, and outdoor stage for live music and five private cabanas.

The planned menu has steak and smoked meats such as brisket. It will change with the seasons.

The new restaurant is owned by three Hamiltonians who, so far, have not identified themselves. They are in the midst of redeveloping 8,000 square feet of interior space and a 12,000-square-foot patio

to create two restaurants at the centre. The other is to feature Italian cuisine in a fine-dining environment.

Sarcoma is one of a number of developments along the waterfront, including an expansion of the existing Williams Fresh Café, an ice cream stand, a display area for the Bay Area Restoration Council and Green Venture.

The federal government closed the Discovery Centre in 2010. The Hamilton Spectator

Battle brewing in toy building sets

MONTREAL A battle could be shaping up in the construction toy aisles as Canadian toy maker Mega Brands takes a run at industry leader Lego by introducing a series of new products appealing to young girls, boys and adult collectors.

North American retailers are cautious about adding untested brands in the face of a weak Christmas buying season and continuing softness early in the year.

But Mega Brands CEO Marc Bertrand said Friday the company has

the products customers are looking for to further expand the construction category, the toy industry's fastest growing segment.

The Montreal-based company is counting on new construction toys, and a resurgence in its stationery and activities business to continue its turnaround. Much of the hope is centred on courting girls with the introduction of building sets based on the iconic Barbie brand early next year. The Canadian Press

STORES FLYERS DEALS COUPONS BROCHURES CATALOGUES CONTESTS

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BUSINESS

MOTHER HIS HERO

CONTINUED FROM // B1

The House home was modest. House, who made \$4.3 million in 2011, did not have running water or indoor toilet facilities until he was 17 and that, he says, drove him to be successful.

A young House worked the orchards and fields and spent weekends at the Hamilton Farmers' Market — a "magical" place, he says.

"It was a wholesale market in those days. The Toronto food terminal was not open then. I always thought I wanted to farm but what I really loved was the retail."

His parents were hard workers and expected the same out of Paul and his older brother Robert. His dad was never happy when his sons returned from the market with unsold produce. His mother, whom he calls his hero and mentor, taught him the value of good customer service.

"She was still going to the market at 72. She was a great retailer. For her, the customer was No. 1."

Even after he was an executive, he would go home for a bacon and tomato sandwich made by his mother. There, he would also get a "cup of tea and a cup of wisdom."

While his father was a pessimist — a general trait of farmers, says House — his mother was an optimist, always finding sunshine. He adopted positivity as his outlook on life, too.

After studying at Saltfleet high school and graduating from Grade 13 at Delta, House earned an economics degree at McMaster. He paid his way through school by working rented farms and driving a catering truck. He then went into a partnership operating two Shell stations in Stoney Creek. He says it was a disastrous financial move and soon sold his stake.

House then became a district manager for Dairy Queen and went on to run the Canadian business. At the same time, he was operating a peach farm in Jordan with his brother.

He met Joyce in 1980 and Joyce convinced House to join Tim Hortons five years later as vice-president of marketing. There were about 200 stores in the chain at the time.

The demands of the job meant House had to step back from farming and he left the venture altogether after his wife died of cancer in 2004. Robert House, a retired high school teacher, still works 30 acres of peaches and Paul House lives nearby on the escarpment overlooking Jordan.

"The house is surrounded by grapevines and that reminds me of my childhood."

His one condition to come back



JOHN RENNINGER, THE HAMILTON SPECTATOR

Paul House, 68, says he's in no hurry to retire. He's a farmer, after all.

for a second stint as CEO was to have a driver. Ian MacRorie, a man with a thick Scottish accent, drives House every day to the company's head office in Oakville or to House's many meetings in a Toyota Sienna van.

The two bicker like old friends, with House teasing him about his parking job in a tight spot.

"He always says he's just a farm boy from Stoney Creek," MacRorie says later.

■ ■ ■

House has one of those kindly uncle faces that looks like he's smiling even when he's not. On this day, he frequently breaks into grins, even though it wouldn't be his first choice to be interviewed. He prefers to fly under the radar and stay out of the media spotlight.

Morelli isn't exactly encouraging when The Spectator asks to do a profile of the boss.

"Hmmm, that could be tough," he says. "Paul doesn't really like that stuff very much. He's pretty modest. But I'll see what I can do."

Somehow, Morelli talks House into it.

But he's clearly not convinced. The CEO whispers to Buffalo franchisee Allanna Beaton that he's nervous.

"He said, 'I have to do an interview today and they're going to ask me questions about me,'" she reports as she sits down with husband David Beaton for a chat with a reporter.

"He's not a camera-ready, flouting CEO," says David.

"He's a people person. He likes being in the trenches."

The Beatons are from Cape Breton Island and after 20 years with

Tim Hortons, they own 18 franchises in western New York.

The state is a strong performer for the chain and here, Tim Horton's name means more than coffee. Horton, who played 22 years in the NHL, was playing for the Sabres when he was killed in a car accident in 1974.

His jersey is retired in Buffalo.

The Beatons have known House for more than 20 years. They say they have felt faith in the direction of the brand under his watch.

"He's a real person with a big heart," says David. "He's humble and he's a great leader. He's a guy when he speaks. He has the power to have people believing in his message."

Allanna, who sits with House on the board of directors of the Tim Hortons Children's Foundation, describes House as a "rock."

"He has the respect of the franchise community. He motivates people to grow."

■ ■ ■

Miles Mattatall practically has Tim Hortons in his DNA. His father Ed bought the first franchise from Horton and Joyce on Ottawa Street North in 1967. Miles was a teenager and helped his father there.

When he was old enough, he ran store No. 7, built beside the memorable Gulliver's Travels restaurant on Queenston Road at Centennial. Both Gulliver's and that Tim Hortons are gone.

But Mattatall and his two sons now own 14 franchises between them in the east end of Hamilton. He met House about 25 years ago, when Mattatall joined the company's advisory board. He's still a member of the 16-person board that



JOHN RENNINGER, THE HAMILTON SPECTATOR

Paul House shuns the spotlight but is no stranger to Tim Hortons' front line.

meets every few months to discuss advertising, products and operational matters.

The two men quickly hit it off.

"He often relates back to his humble beginnings," Mattatall says of House. "When we think of farmers, we think of honest, hard-working people and that's him. He's run the company by working hard and bringing results."

The key has been keeping what's become a long and fast-moving train on the track laid by Joyce, says Mattatall.

For House, that has meant driving consistency into products and service so that the same can be expected from a Tim Hortons in Halifax as Vancouver.

That requires constant vigilance and a deep knowledge of the business from the ground up.

"Early on, he visited franchisees to pick their brains. He wasn't content to learn from head office."

House typically listens at advisory board meetings, only occasionally offering his opinions, says Mattatall. Discussions get heated and House will display his passion for

the business, but never a temper or ego, he says.

"When you listen to him, you grasp his sincerity. There is no hidden agenda. I've never felt he has a motivation other than what he says."

That allows House to gain the confidence of everyone in the chain, from franchisees to executives to directors.

And while it's not his comfort zone, Mattatall says House manages to deftly handle the relentless scrutiny of the brand.

"There was a time when nobody cared, but it's a big national deal now when we change our cup size ... It's a nice position to be in because the customer cares."

While House comes across as easygoing and calm, Mattatall says he lives his work and feels the pressure of running such a big company and finding someone to run it after he finally does retire.

"Sometimes we worry about him because he does worry."

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CANADIAN PRESS FILE PHOTO

Tim Hortons generated \$2.9 billion in revenue in 2011.

Under his watch

Paul House was hired by Tim Hortons co-founder Ron Joyce as vice-president of marketing in 1985.

He was promoted to chief operating officer in 1993, became president in 1995 and CEO in 2006. He was made chairman in 2007.

Some highlights under his watch as president and CEO:

■ The chain overtook McDonalds as largest food service operator in Canada and surpassed sales at the home of the Big Mac in 2002

■ Tim Hortons has expanded to military bases (including Kandahar, Fort Knox, Ky., and Norfolk, Va.), the Dublin Zoo and the Persian Gulf (where the plan is for 120 stores in five years)

■ In 1995, American fast food chain Wendy's bought Tim Hortons but by 2006, the burger chain sold its stake. An initial public offering on the TSX for Tim Hortons was \$27 per share and it's now trading around \$54.

■ The chain expanded into all provinces and territories in Canada in 2010

■ Stores began to accept credit

card payment in 2007 and debit in 2010

■ Beginning in 1996, Tim Hortons began to acquire fast food locations in the U.S. in order to expand, including Hardee's, Bess Eaton and Dunkin' Donuts.

■ The company has begun a massive three-year expansion plan, which includes 600 new stores in Canada, 300 in the U.S., locations in hospitals, universities and airports, expanding its partnership with Cold Stone Creamery and the test of a new cafe/bake shop concept in about 10 U.S. locations, featuring enhanced fixtures and seating and more menu offerings.

■ New menu items such as iced coffee and cappuccinos, soups, chili, sandwiches and breakfast items.

■ The switch from freshly made in-store baked goods to delivery of frozen goods baked in Brantford.

■ Tim Hortons was named by Canadian Business magazine as Canada's best managed brand in 2004 and 2005.

Canadians are worth a lot, but we owe even more

DANA FLAYELLE

Canadian households were worth more in the first three months of this year. But they also owed more. And their disposable incomes didn't rise fast enough to keep pace with their growing debt load.

This widely quoted measure of Canadians' debt loads hit a record high even as policy-makers warned consumers to curb borrowing.

Canadian households' ratio of debt to disposable income climbed back into record territory in the first quarter, Statistics Canada said Friday.

After falling slightly at the end of last year to 150.5 per cent, the ratio rose to 152 per cent in the first quarter, the agency said.

That means that for every dollar Canadian households earned, they owed \$1.52 in debt on average.

The ratio is considered a proxy for consumers' ability to repay their debts.

The data comes a day after the Bank of Canada warned a financial shock wave in Europe could push some Canadian households over the edge if it led to a global economic slowdown and a rise in unemployment.

With record low interest rates set

to eventually climb back to more historically normal levels, central bank governor Mark Carney has been warning Canadian households for some time to rein in their borrowing.

It appears Canadian lenders have been heeding the message, TD Bank economist Diana Petramala wrote in a note to clients.

The rate of household debt growth slowed to 0.9 per cent over the previous quarter. It's now up just 5.8 per cent over last year, the lowest pace since 2001, Petramala wrote.

But incomes grew at an even slower rate, up a "measly 2.3 per cent" over last year, Petramala noted.

"The slowdown in household credit can likely be chalked up to tighter borrowing regulations put in place by the federal government in early 2010 and 2011, rather than households taking a responsible attitude toward debt accumulation," Petramala speculated.

Calling the level of household debt "excessive," she warned Canadians were coming perilously close to the 160 per cent level that pushed many U.S. and U.K. households over the edge.

Canadians can no longer count

on rapidly rising real estate and stock market prices to do the saving for them, she added.

Canadian households' net worth rose to a record \$6.5 trillion, or \$185,800 on average. That's up 1.8 per cent over the previous quarter.

Year over year, net worth rose just 2.6 per cent, the lowest increase since the recession of 2008, Petramala said.

On a positive note, with the debt crisis in Europe continuing to threaten to slow the global economy, Canada's central bank is unlikely to raise its trend-setting interest rate any time soon, said Richard Goyder, vice-president, personal lending, at RBC.

Recent sharp gains in employment — the economy created 140,000 new jobs in March and April — also mean households' disposable income should improve, Goyder said.

"We've seen the levels of personal debt continuing to rise, though the rate of that rise has continued to slow as well. That, combined with the continued delays in rate rises from the Bank of Canada, means the servicing cost of this debt remains very manageable for Canadians," Goyder said.

Torstar News

Manufacturing slows in April, as global headwinds hit Canadian economy

OTTAWA Production at Canada's factories fell for the third time in four months in April in yet another signal the global slowdown is starting to hit the domestic economy.

Statistics Canada reported Friday manufacturing sales declined 0.8 per cent to \$49.1 billion over the month, reversing March gains.

Analysts, who had expected a slight increase, said the soft number suggests the second quarter of 2012 got off to a rocky start after a below-expectations gain of 1.9 per cent in first three months of the year.

Forward looking indicators were not much better, with new orders falling 3.2 per cent and unfilled orders flat.

"(This) does not bode well for overall economic growth," said Diana Ignjatovic, an economist with TD Bank.

"And if (manufacturing) will continue to face a great deal of headwinds in the near term as economic activity around the world has slowed, confidence has soured and the Canadian dollar remains elevated."

Analysts are divided about just how strong 2012 will be. Earlier this week, the Royal Bank said it still expects policy-makers to prevent a

European financial meltdown, paving the way for a relatively robust 2.6 per cent expansion in Canada.

But the Organization for Economic Co-operation and Development has estimated that even without a European crisis, 2.2 per cent growth would be a good performance in Canada given weakness in the rest of the world. Some analysts think Canada will be fortunate to top 2 per cent.

In a speech in Ottawa, Finance Minister Jim Flaherty said Canada is as prepared as reasonable for a shock, although that doesn't mean the country is "immune."

And he said despite critics who blame manufacturing's decline on a strong currency caused by resource exports there is evidence riches from the oil sands are being spread across the country.

The Canadian data continues a string of negative or flat economic readings in the past few weeks, including soft employment numbers in both Canada and the United States.

Friday saw more of the same. Overall U.S. production slipped 0.1 per cent in May, while the factory sector dropped 0.4 per cent and auto production crashed 1.5 per cent.

The Canadian Press