



**CANADIAN
MANUFACTURERS
& EXPORTERS**
NEW BRUNSWICK DIVISION

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New Brunswick Budget Gives Some Breathing Room

The provincial budget has given New Brunswick manufacturers some breathing room to deal with margins that are being constricted due to rising energy prices, higher exchange rates and crushing global competition. The Canadian Manufacturers & Exporters' (CME) New Brunswick Division commended government for taking action by capping the electricity rate increase for 2006-'07. CME also applauds the Province for its commitment to make New Brunswick "the Investment Province", with the lowest tax burden east of Alberta.

CME is the voice of New Brunswick manufacturers, representing operations that account for an estimated 75% of provincial output. Manufacturing is a key part of the Province's economic and social fabric. The sector accounts for over 15% of New Brunswick GDP and the majority of our exports, which generate real wealth for the province. Manufacturers also directly employ about 7% of New Brunswick's workforce and many more have jobs providing supplies and services to the sector.

A proposed 13% electricity rate hike for the coming year, on top of a 6% last year, threatened the very viability of the provincial manufacturing sector. With electricity comprising 10% to 20% of the operating costs for most manufacturers, and as high as 80% for at least one CME member, the rate increase had major implications for the competitiveness of manufacturers. Dave Plante, vice president of CME-New Brunswick said, "While manufacturers would have preferred a little lower cap, we do recognize that we have to deal with the utility's debt responsibly over the longer term".

The budget also provided the beleaguered forestry industry some relief by providing a new (50%) investment tax credit against property taxes for manufacturing & processing equipments purchased by 200 companies in the sector. This is in addition to the phase out of the capital tax by 2009 for all manufacturers that was announced in the Forestry Action Plan released last December. As well, provincial corporate and small business income tax rates were lowered by a point and are now at 12% and 1.5%.

CME-NB also commends the provincial government for reducing net debt by \$139 million over the past 6 years, all the while reducing income taxes. The 2006-'07 budget projects a \$22 million surplus. Net debt, however, will actually rise \$87 million due to losses in Crown Corporations. Mr. Plante said this wasn't worrisome as measures had to be taken to ensure the long term sustainability of the economy and the deficit wasn't indicative of a trend.