



NEWS RELEASE

CANADIAN COUNCIL OF CHIEF EXECUTIVES ♦ CONSEIL CANADIEN DES CHEFS D'ENTREPRISE

COMMUNIQUÉ

**OTTAWA
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***FEDERAL BUDGET DELIVERS ON ALL FRONTS,
SETS NEW COURSE FOR COMPETITIVENESS,
BUSINESS LEADERS SAY***

The 2006 federal budget sets an important new course toward a more competitive and prosperous Canadian economy and should be welcomed by all political parties, says the *Canadian Council of Chief Executives* (CCCE).

“This budget delivers on all fronts,” said CCCE Chief Executive and President Thomas d’Aquino. “It brings Canadians meaningful tax cuts with suggestions of more to come. It brings runaway spending under control. New spending is concentrated on critical areas such as skills development, border infrastructure and security, and is focused on delivering better value for money. The federal debt is being paid down faster than anyone expected.”

The CCCE, a non-partisan and not-for-profit organization composed of the chief executive officers of 150 leading Canadian enterprises, especially welcomed the budget’s commitment to developing a comprehensive, results-focused competitiveness agenda. In February 2006, the CCCE released a major paper, *From Bronze to Gold: A Blueprint for Canadian Leadership in a Transforming World*, which laid out a broad framework of potential avenues for improving Canada’s competitiveness and prosperity.

“We look forward to working closely with the government over the next year to shape a business environment that will inspire Canadian enterprises from coast to coast to ‘go for the gold’ in global markets and will ensure growing prosperity and well-being for all Canadians over the next generation,” Mr. d’Aquino said.

The 2006 budget establishes a strong fiscal foundation for an ambitious competitiveness strategy. The CCCE has expressed serious concern in recent years about the unsustainable pace of federal spending growth, and

the budget responds with both an immediate search for savings and a commitment to fundamental review of the government's expenditure management system.

The new spending included in the 2006 budget is focused on priorities that will contribute to competitiveness, including skills development, transportation and border infrastructure and national security. "The government is spending money where it matters and is determined to deliver value for money," Mr. d'Aquino said.

The CCCE also welcomed the additional \$8 billion allocated to debt reduction at the end of the 2005/06 fiscal year, and the budget's projection of reaching a 25 percent debt-to-GDP ratio by 2013/14, a year sooner than previously planned.

"While building on a prudent fiscal foundation, the hallmark of this budget is its clear commitment to lower taxes for all Canadians. Tax policy is the most powerful tool that governments have to encourage investment and job creation in Canadian communities, and this budget delivers more than two dollars in tax cuts for every dollar of new spending," Mr. d'Aquino said.

The budget provides welcome confirmation of the important cuts in corporate income and capital taxes announced by the previous government, but it also points to a more aggressive tax strategy moving forward.

"The single most important policy shift signalled in this budget is the recognition that Canada needs to establish meaningful overall corporate tax advantage over the United States, and that tax policy at both the federal and provincial levels should focus on the marginal effective tax rate on investment, not just the statutory corporate income tax rate," Mr. d'Aquino said.

The CCCE agrees that provincial governments have an important role to play in shaping a Canadian tax advantage. As the budget recognized, the most urgent priorities are the elimination of all capital taxes and of provincial retail sales taxes on business inputs.

"Tax policy is not the only area in which the federal and provincial governments need to collaborate in making the Canadian federation work better," Mr. d'Aquino said.

From Bronze to Gold highlighted the need in particular for a fundamental review of fiscal arrangements between the federal and provincial governments that would provide clearer accountability for taxation and spending. It also called for reduction of barriers to internal trade, increased labour mobility and greater regulatory cooperation, including establishment of a single regulator for securities markets, all topics addressed by the 2006 federal budget.

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The CCCE's member chief executives lead companies that collectively administer close to \$3 trillion in assets, have annual revenues of more than \$650 billion, and are responsible for the vast majority of Canada's exports, investment, research and development, and training.

In addition to Mr. d'Aquino, the members of the CCCE's Executive Committee are: Chairman Richard L. George, President and Chief Executive Officer of Suncor Energy Inc.; Honorary Chairman A. Charles Baillie; and Vice-Chairmen Dominic D'Alessandro, Paul Desmarais, Jr., Jacques Lamarre, Gordon M. Nixon and Hartley T. Richardson, the chief executives respectively of Manulife Financial, Power Corporation of Canada, SNC-Lavalin Group Inc., Royal Bank of Canada and James Richardson & Sons, Limited.

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Contact:

Ross Laver
(613) 238-3727
ross@ceocouncil.ca