BUSINESS

Economy House GOP leaders may link 'Obamacare' attack to bill **B3**

Energy Power plant proposal will not kill coal: Obama officials **B4**

Technology Whale-spotting app aims to reduce collisions with ships **B5**

MARKETS REPORT

TSX **97.29 to 12,931.40** YTD +3.9%	**DOW** **147.21 to 15,676.94** YTD +19.6%	**Nasdaq** **37.94 to 3,783.64** YTD +25.3%	**Gold** **56.20 to 1,363.80** YTD -18.6%	**Dollar** **0.70 to 97.83** YTD -2.7%	**Crude** **0.38 to 108.45** YTD +18.1%
Nasdaq Global **9.123** 1,438.2	**S&P 500** **20.76** 1,725.52	**S&P/TSX-60** **3.84** 741.45	**TSX Venture** **17.37** 952.70	**Natural gas** **US$3.732** 0.019/MMbtu	**Euro** **$0.0018** US$1.3503

SECTION B / THURSDAY, SEPTEMBER 19, 2013 TELEGRAPHJOURNAL.COM

Province should move ahead with shale gas: PotashCorp GM

Energy Manager says the industry needs to have 'transparent regulations' to move forward in province

JENNIFER PRITCHETT
TELEGRAPH-JOURNAL

SAINT JOHN – Stewart Brown, general manager for PotashCorp in New Brunswick, says the province needs to develop industry standards to move forward with shale gas exploration as a way to grow the economy.

"We've got a resource that's available in the province; we have companies that can extract it safely, environmentally responsibly and we need to have clear and transparent regulations so that those companies can move ahead and we don't have that yet," he said in an interview.

Speaking at a Saint John Board of Trade luncheon on Wednesday, Brown described the PotashCorp operation's reliance on natural gas and the need for local sources of the energy source in order for it to remain competitive. Energy represents about one-third of the company's costs.

"The ongoing development of natural gas is going to have a significant impact on our cost if it doesn't come forward on a timely basis," he told the Board of Trade.

"Today, our natural gas requirements are getting met from McCully (field near Sussex) – going forward three to five years out, we're going to have significant problems."

In fact, Brown said the $2.1-billion PotashCorp expansion to open a new mine at Picadilly, of which he spoke at length during the luncheon, probably wouldn't have happened had the company not had access to locally produced natural gas from Corridor Resources Inc.'s nearby McCully Field.

"The availability of local natural gas in the Sussex area through the McCully Field was certainly a big reason why that investment decision was made and if it wasn't

PLEASE SEE → ENERGY, B2

Flaherty extends tax break, says it helps Canada compete

DIANA MEHTA
THE CANADIAN PRESS

BRAMPTON, Ont. – Manufacturers can continue to write off investments in new equipment and machinery more quickly under a two-year program extension announced Wednesday by Finance Minister Jim Flaherty.

Details on extending the accelerated capital cost allowance program to 2015 were released by Flaherty at an auto parts plant in Brampton, Ont, as a crowd of uniformed workers looked on.

The extension was first announced in March in the federal budget.

"It matters and it works for manufacturers and processors in Canada," Flaherty said of the extended program. "It makes our business more competitive which is very important in the world market."

The measure, which involves a straight line 50 per cent depreciation rate instead of a declining one, has been used by about 25,000 businesses in Canada to buy new machinery, said Flaherty.

The minister pointed to growing investment in machinery and equipment by Canadian manufacturers, which went up 11.1 per cent in 2010 and was up 24.8 per cent in 2011.

The head of the Canadian Manufacturers and Exporters association said the tax break extension gives companies help with the capital they need to invest in improvements.

"The measuresnot only makes Canadian manufacturers more cost-competitive but their future is going to depend on the investments they make in new products, new markets and new technology," said Jayson Myers.

Earlier this week, Statistics Canada reported that Canadian manufacturing rebounded in July with a gain of 1.7 per cent, giving hope that the third quarter started off strong after a weak end to the second quarter.

PLEASE SEE → FLAHERTY, B2

Fed holds off slowing bond purchases

Finance Stock markets soared to record levels after chairman's announcement

U.S. Federal Reserve chairman Ben Bernanke's news conference is on a television screen on the floor of the New York Stock Exchange on Wednesday, June 19. The Federal Reserve has decided against reducing its stimulus for the U.S. economy. PHOTO: RICHARD DREW/THE ASSOCIATED PRESS

THE ASSOCIATED PRESS

WASHINGTON – In a surprise, the U.S. Federal Reserve has decided against reducing its stimulus for the U.S. economy because its outlook for growth has dimmed in the past three months.

The Fed said it will continue to buy $85 billion a month in bonds while it awaits conclusive evidence that the economy is strengthening. The Fed's bond purchases are intended to keep long-term borrowing rates low to boost spending and economic growth.

"Conditions in the job market today are still far from what all of us would like to see," chairman Ben Bernanke said at a news conference shortly after the statement was released.

Stocks spiked after the Fed released the statement at the end of its two-day policy meeting. The Standard & Poor's 500 index and Dow Jones industrial average jumped to record highs. The Dow was up more than 100 points shortly after the statement was released.

In the statement, the Fed said that the economy is growing moderately and that some indicators of the job market have improved. But it noted that rising mortgage rates and government spending cuts are restraining growth.

The Fed repeated its plan to keep its key short-term rate near zero at least until unemployment falls to 6.5 per cent from the current 7.3 per cent. In the Fed's most recent forecast, unemployment could reach that level as soon as late 2014.

The Fed's short-term rate indirectly affects many consumer and business loans.

"We're in a slow-growth economy with high unemployment and low inflation," said Greg McBride, senior financial analyst at Bankrate.com. "There's no specific catalyst for the Fed to remove stimulus."

The Fed was widely expected to scale back its bond purchases. But long-term rates on mortgages and some other loans have jumped since May, when Bernanke first said the Fed might slow its bond buys later this year. Bernanke had

PLEASE SEE → FINANCE, B2

BlackBerry plans to lay off as much as 40 per cent of its workforce: report

THE CANADIAN PRESS

TORONTO – BlackBerry could lay off as many as 5,000 employees in the coming months in an effort to return the smartphone maker to profitability, according to a media report.

The Wall Street Journal says executives are preparing to reduce the company's staff by as much as 40 per cent before the end of the year, citing people familiar with the matter.

BlackBerry declined to directly address the reported number of potential layoffs.

"Organizational moves will continue to occur to ensure we have the right people in the right roles to drive new opportunities in mobile computing," spokeswoman Rebecca Freiburger said in an emailed statement.

BlackBerry chief executive Thorsten Heins is moving ahead with a three-stage plan designed to make the struggling Waterloo, Ont.-based company profitable again.

In the most recent quarter, BlackBerry posted an $84-million loss as it faced costs from the launch of its new devices and underwhelming shipments to stores.

The latest financial results will be released on Sept. 27.

BlackBerry had 12,700 employees worldwide at the start of March, though the company has been trimming its operations over the past few months. In July, the company gave layoff notices to 250 workers at its product testing facility in Waterloo, and followed up with cuts of about 60 employees, mostly in its sales department, earlier this month.

Throughout the summer it also

PLEASE SEE → JOBS, B2

BoC sees more confidence in economy: Poloz

THE CANADIAN PRESS

VANCOUVER – The Canadian economy is approaching a tipping point amid improved confidence among businesses and signs of stronger foreign demand, Bank of Canada governor Stephen Poloz said Wednesday.

"The bank expects that strong increases in U.S. business and residential investment will particularly benefit the sectors of Canada's export market that have lagged so far, notably machinery and equipment and wood products," Poloz said according to remarks prepared for a speech at the Vancouver Board of Trade.

However, Poloz added that the Canadian economy should be able to support stronger growth without stoking inflation – the key factor on the central bank's interest rate decisions.

The Bank of Canada has maintained its influential overnight interest rate at one per cent since September 2010, although it has indicated that the rate will go up

PLEASE SEE → BOC, B2

Deputy governor Tiff Macklem, left, listens to Bank of Canada governor Stephen Poloz respond to a question following an interest rate announcement in July. PHOTO: THE CANADIAN PRESS

BUSINESS

Fed lowered economic growth forecast for this year and next due to interest rate concerns

FINANCE ← B1

cautioned that any reduction in purchases would hinge on the economy showing steady improvement.

David Robin, an interest rate strategist at Newedge LLC, said Fed policy-makers were surprised by how fast interest rates rose after they raised the possibility of scaling back the bond purchases. They likely worried that rates would rise even more, and jeopardize the economy, if they reduced the bond-buying.

At his news conference, Bernanke said there's "no fixed schedule" date or "magic number" for when the Fed will slow or end its bond purchases.

In its statement, the Fed said the rise in mortgage and some other loan rates in recent months "could slow the pace of improvement in the economy and labour market" if they're sustained.

Bernanke also said the Fed is concerned that looming fights between Congress and the White House over the budget and taxes could slow the economy. Unless Congress can agree to fund the government past Oct. 1, a government shutdown will occur.

The government is also expected to reach its borrowing limit next month. Unless Congress agrees to raise the limit, the government won't be able to pay all its bills.

"This is one of the risks we are looking at," Bernanke said.

The Fed lowered its economic growth forecasts for this year and next year slightly, likely reflecting its concerns about interest rates. It predicts that the economy will grow just two per cent to 2.3 per cent this year, down from its forecast in June of 2.3 per cent to 2.6 per cent growth.

Next year's economic growth will be a barely healthy three per cent, the Fed predicts.

The Fed's policy-makers expect the unemployment rate to fall to between 7.1 per cent and 7.3 per cent by the end of 2013, slightly below its June forecast of 7.2 per cent to 7.3 per cent. It predicts that unemployment will fall as low as 6.4 per cent next year, down from 6.5 per cent in its June forecast.

The Fed's policy statement was approved on a 9-1 vote. Esther George, president of the Federal Reserve Bank of Kansas City, dissented for the sixth time this year. She repeated her concerns that the bond purchases could fuel high inflation and financial instability.

The decision to maintain its stimulus follows reports of sluggish economic growth. Employers slowed hiring this summer, and consumers spent more cautiously.

Super-low rates are credited with helping fuel a housing comeback, support economic growth, drive stocks to record highs and restore the wealth of many Americans. But the average rate on the 30-year mortgage has jumped more than a full percentage point since May and was 4.57 per cent last week – just below the two-year high.

Investors had bid up those loan rates on expectations that the Fed would reduce its stimulus as early as this month.

John Canally, investment strategist at LPL Financial, suggested that financial markets had overreacted in anticipation of reduced bond purchases.

Higher rates "started to impact the real economy, and (the Fed) got a little bit concerned."

Economists suggested that the Fed will still eventually scale back its bond buying, perhaps before year's end.

"Tapering will come sooner rather than later, assuming that the economy co-operates," Sung Won Sohn, an economist at California State University Channel Islands, wrote in a research report. "The economy is steady, though not strong, and is moving in the right direction

The unemployment rate is now 7.3 per cent, the lowest since 2008. Yet the rate has dropped in large part because many people have stopped looking for work and are no longer counted as unemployed – not because hiring has accelerated. Inflation is running below the Fed's two per cent target.

The Fed meeting took place at a time of uncertainty about who will succeed Bernanke when his term ends in January. On Sunday, Lawrence Summers, who was considered the leading candidate, withdrew from consideration.

Summers' withdrawal followed growing resistance from critics. His exit has opened the door for his chief rival, Janet Yellen, the Fed's vice-chair. If chosen by President Barack Obama and confirmed by the Senate, Yellen would become the first woman to lead the Fed.

Firms cautious about investing

BOC ← B1

at some time.

However, with Canada's inflation rate near the low-end of the central bank's target range of between one and three per cent – ideally close to two per cent – economists have said Poloz isn't under pressure to hike the key rate.

"When the bubble burst in 2008, we were left with a crater, which is where we now find ourselves," he said.

"If you look carefully at a pot of simmering spaghetti sauce, under every bubble there is a crater that's equal in size. So a seven-year bubble, a seven-year crater.

Central banks have been filling that crater with liquidity, so we can row our boats across it. We need to make sure we're getting to shore and not just hitting a rock."

He noted Canadian businesses have so far been cautious about investing until they see more concrete signs of stronger demand, but he observed that recent surveys have suggested business sentiment has shown some improvement and he's watching closely to see if the trend continues.

"The bank's interviews with Canadian business leaders for our autumn Business Outlook Survey are being conducted right now," he said.

"I am looking forward to learning about their views and perspectives – and if and how they may be changing."

Poloz was buoyed by the sign that the number of Canadian companies was growing, something that was stagnant in the wake of the financial crisis and recession.

He said there were some 40,000 more firms with at least one employee than there were this time last year and the pace of growth was stronger than would be expected in normal, non-recessionary times.

Poloz also said long-term interest rates have recently begun to return to more normal levels, consistent with a strengthening of the U.S. economy.

Expectations are the U.S. Federal Reserve will start slowing its extraordinary monetary stimulus, signs the underlying momentum of the U.S. economy is expected to hold.

Canadian economic growth is expected to pick up in the third quarter following a weaker-than-expected second quarter that was hit by flooding in Alberta and a construction strike in Quebec.

In its July monetary policy report, the bank forecast growth averaging 1.8 per cent this year thanks to a stronger first quarter. It sees growth of 2.7 per cent in 2014 and 2015.

Stewart Brown, general manager of PotashCorp's New Brunswick division, speaks to the Saint John Board of Trade for their distinguished speaker series at the Delta Brunswick Hotel on Wednesday. PHOTO: KÂTÉ BRAYDON/TELEGRAPH-JOURNAL

GM envisions long-term growth for potash market

ENERGY ← B1

available, I'm not sure that investment would have been made at that time," he said.

If shale gas exploration doesn't move forward, Brown said, it could result in higher energy costs for consumers such as PotashCorp.

"We need to continue to add to the resources there or have the ability to bring natural gas through the distribution system to the operation," he said.

Furthermore, Brown said that with the forestry and mining sectors not employing as many people in New Brunswick as they once did, there needs to be more emphasis on developing the province's natural resources.

"If natural resources are extracted responsibly, it would be good for the economy," he said.

Brown also addressed the uncertainty of world market prices for potash. He said going back to 2007 and 2008, the demand was such that there wasn't enough supply to satisfy that demand.

"If you look at the long-term market conditions, the expectation is that there will continue to be growth because there's going to continue to be a requirement for fertilizers in order to grow the food supply for the expanding population," he said. "So as a company, we would not invest the kind of capital that we have invested unless we could see the opportunity going forward to supply."

The idea, he said, is for PotashCorp to continue with the expansion in New Brunswick since 2008 in order to meet the demand for potash in the coming years.

"The expectation is that growth will continue and we want to make sure that we're in a position as the growth in the market occurs, we have the ability to satisfy that marketplace," he said. "We will only produce what is required to be produced based on market conditions."

BlackBerry unveils latest device

JOBS ← B1

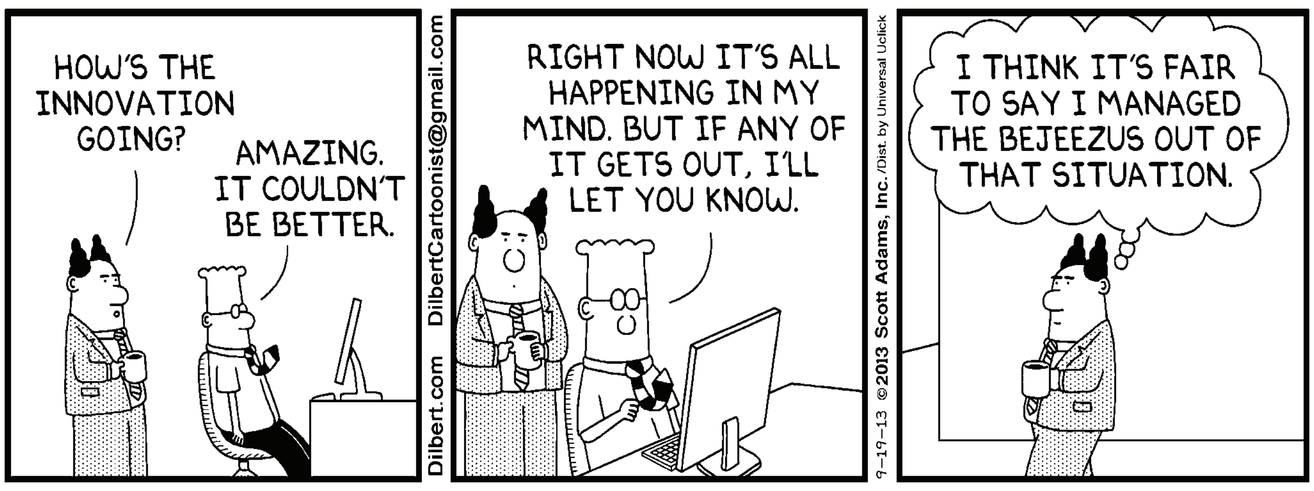
saw the departure of several mid-level executives who were responsible for the launch of the new BlackBerry operating system and the PlayBook.

Those reductions came on top of the 5,000 jobs the company has cut since it launched a restructuring effort last year.

On Wednesday, BlackBerry unveiled its latest device, a larger smartphone called the BlackBerry Z30, which serves as a midpoint between a phone and tablet. The Z30 comes with a five-inch screen, improved battery life and faster processor than the models released earlier this year.

Dilbert

by Scott Adams



Economy dropped 0.5% in June

FLAHERTY ← B1

Manufacturing sales totalled $49.5 billion for the month, better than economists had expected, with Ontario leading the way.

The economy had taken a 0.5 per cent dive in June as it was hit by the floods in Alberta and a construction strike in Quebec.

The drop was the biggest monthly step back since the recession and dragged down quarterly growth to 1.7 per cent.

However, Statistics Canada reported Tuesday that manufacturing sales picked up in July to total $49.5 billion as gains were recorded in 15 of the 21 industries tracked and six provinces.