



February 15, 2013

The Right Honourable Stephen Harper, P.C., M.P.
Prime Minister of Canada
80 Wellington Street
Ottawa, ON K1A 0A2

Dear Prime Minister:

We are writing on behalf of all manufacturers across Canada, the 1.8 million Canadians they employ, and the millions of Canadians whose jobs depend on a competitive and expanding manufacturing sector.

We want to commend you and your Cabinet colleagues for focusing attention on manufacturing in Canada. You clearly recognize the importance of manufacturing as an anchor of value creation in the economy. Our manufacturers are at the forefront of innovation and international competition. They account for most of Canada's exports, most of the research and development activity undertaken by Canadian business, and most of the new products commercialized in Canada and in international markets. Manufacturers transform and add value to Canadian resources. They are also the customers that create high-paying jobs in a wide variety of other business sectors, ranging from resource extraction, construction, and utilities, to new information, bio-, nano-, and clean technology industries, pharmaceuticals and life sciences, defence and aerospace, to logistics, transportation, distribution, research, engineering, software, finance, and other business services.

Prospects for the Canadian economy depend on the state of manufacturing. More specifically, our future prosperity depends on the ability of Canada's manufacturers to compete and grow in a world of intense international competition, new and changing market demands, increased protectionism and a higher frequency of unfair trade, a high Canadian dollar exchange rate, volatile energy and commodity prices, and rapidly accelerating technological change. In order to succeed, they will need to compete on value rather than cost, to innovate by way of specialized products and services that differentiate them from commodity producers, and to draw on the best ideas, skills, and technologies that the world has to offer.

It is up to individual businesses to make and act on the decisions they need to compete and win in global markets. We believe, however, that government has an important role to play in ensuring a business environment that encourages manufacturing investment in Canada, lowers the cost of doing business, and leaves more money in the hands of those companies that are making productive investments in new and improved products, processes, technologies, and workforce skills.

Your Government has already implemented a number of policy measures that benefit Canada's manufacturing sector and that have helped manufacturers recover from the worst downturn in world markets since the 1930s.

Lower corporate tax rates leave more money in the hands of business and help attract and retain investment and product mandates in Canada. Our analysis shows that had federal tax rates not been reduced, Canada's unemployment rate would have exceeded 9% during the recession; today our

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unemployment rate would be higher than that of the United States and about 200,000 fewer Canadians would be employed.

The second very important tax measure that your Government introduced in 2007 is the Accelerated Capital Cost Allowance (ACCA) for investments in manufacturing and processing machinery and equipment. The ACCA increases cash flow for manufacturers investing in new production technologies. It increases the rate of return on these investments by 10.4% during the first three years after the equipment is purchased and put in place. It creates an incentive because manufacturers will lose these tax savings if they do not continue to invest. It also makes Canada a more attractive location for direct investment. In fact, annual investment in industrial machinery and equipment has risen 12% since 2007 and by a full 37% since 2010.

We also want to commend your Government for renewing your contribution to the Auto Investment Fund, streamlining entry procedures for skilled immigrants, negotiating an ambitious Comprehensive Economic and Trade Agreement with Europe and securing Canada's participation in the Trans Pacific Partnership, extending the domestic financing powers of EDC, expediting regulatory approvals, and championing the Border Action Plan and Regulatory Cooperation Council and pushing forward on the construction of a new Detroit River international crossing with the United States. All of these initiatives will make a positive difference for Canadian manufacturers and we strongly support their implementation as soon as possible.

These steps and other measures that we urge you to consider should provide the basis for an advanced manufacturing policy that will benefit industry sectors and Canadians across the country. That policy should recognize the importance of manufacturing as an engine of value creation. It should take the technology-intensive and internationally integrated nature of manufacturing into account. It should acknowledge the fact that it will be manufacturers that bring the new technologies to market that will allow us to solve the challenges of an aging population, lagging productivity performance, environmental sustainability, and food, water, and energy security. It should be built on a vision that positions Canada as a preferred location for manufacturers to invest, export, innovate, employ, and grow. And, it should support the manufacturers that are making investments in innovation, skills, and new technologies.

To that end, we ask your Government in its next budget to:

- Extend the ACCA for investments in manufacturing and processing machinery and equipment for another five years, giving companies enough time to plan, secure regulatory approvals, procure, and install equipment that is part of large capital expansion projects;
- Increase the capital cost allowance for railroad rolling stock from 15 to 30 percent to harmonize depreciation rates across all modes of transportation;
- Create a fund to help Canadian manufacturers secure strategic investments and product mandates;
- Implement the recommendations of the Emerson report on aerospace/space and the Jenkins report on defence, and consider extending their applicability to other sectors of manufacturing where appropriate;
- Increase direct funding to manufacturers for purposes of new product development, demonstration, and commercialization;
- Support investments in emerging clean tech and biotech industries through continued funding of Sustainable Development Technology Canada and Genome Canada; and,
- Introduce a workplace training tax credit creditable against Employment Insurance premiums.

More broadly, we also urge your Government to:

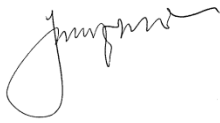
- Conclude comprehensive economic and trade agreements with the European Union and the Trans Pacific Partnership that deliver net positive benefits for Canada's manufacturing sector;
- Enforce WTO-agreed rules to strengthen market-based international trade backed by a strong trade remedy system in Canada;
- Go further in eliminating interprovincial barriers to trade and labour mobility, and in liberalizing markets within Canada;
- Accelerate progress in implementing the Beyond the Border and Regulatory Cooperation Council Action Plans and press President Obama to encourage similar impetus in the United States;
- Take a more active role in the direct funding and encouragement of education and training for an advanced manufacturing workforce;
- Ensure federal procurement activity increases opportunities for Canadian manufacturing and innovation;
- Strengthen efforts to ensure open, reciprocal access to government procurement markets in both Canada and the United States;
- Ensure Canada's export control regime provides Canadian firms with a competitive environment;
- Improve the administration of the Scientific Research and Experimental Development Tax Credit in order to ensure that technical interpretations of eligible activity by the Canadian Revenue Agency accurately reflect the innovation requirements of manufacturers and to free up the sleeping money in the form of the \$6.8 billion of accumulated unused tax credits currently held by Canadian industry;
- Introduce a Regulatory Modernization Act requiring federal regulators to adopt best practices in regulatory management and cooperation;
- Develop national standards for environmental regulations and stewardship programs across Canada;
- Continue to support the regulatory approvals and infrastructure development required to ensure access to international markets for Canada's energy and natural resources and a reliable and cost competitive supply of energy and feedstock for manufacturers and processors in Canada; and,
- Work with the U.S. government to develop harmonized, balanced and practical regulations for ballast water systems on ships operating within the Great Lakes/St. Lawrence Seaway system.

We look forward to working with you and your Government in building a stronger, more competitive manufacturing sector in Canada that will continue to ensure high value, high-paying jobs for Canadians.

Sincerely,



Jayson Myers
President & CEO
Canadian Manufacturers & Exporters
Chair, Canadian Manufacturing Coalition



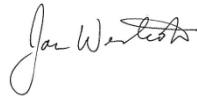
James Quick
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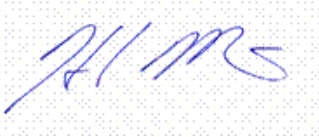
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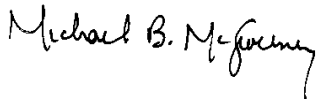
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cc: Conservative Caucus