



November 7, 2014

The Honourable Joe Oliver
Minister of Finance
140 O'Connor Street
Ottawa, Ontario K1A 0G5

Re: Permanent Accelerated Capital Cost Allowance

Dear Minister:

We are writing as members of the Canadian Manufacturing Coalition. We represent all industries within Canada's important manufacturing sector, as well as resource, technology, and service industries that depend on a competitive and profitable manufacturing base in Canada. Together, our members employ nearly two million Canadians and represent an estimated 100,000 companies across the country. Millions more Canadians work in sectors that service the manufacturing sector.

Our organizations have been strong advocates and enthusiastic supporters of the Government's Accelerated Capital Cost Allowance (ACCA) for investments in manufacturing and processing machinery and equipment (Class 43 assets) that was introduced in 2007 and then extended for two-year periods in the 2009, 2011, and 2013 budgets. As you are aware, and have remarked on many occasions, this accelerated rate of depreciation has helped to buoy investments in manufacturing technologies during a period of severe economic challenge.

The ACCA has been a very important incentive that has helped manufacturers increase investments in advanced manufacturing technologies and secure investments in new and existing product mandates in Canada. The tax measure has clearly had a positive impact.

As Budget 2014 pointed out, "Investment by manufacturers in machinery and equipment has been particularly strong, outpacing that in the United States over the recovery, after lagging in prior years. Modern and up-to-date capital equipment increases the productivity and competitiveness of Canadian companies, which enables them to create jobs and raise living standards."

The current 50 per cent straight-line depreciation rate for manufacturing and processing machinery and equipment is set to expire at the end of 2015. We are concerned that if this happens and the capital cost allowance returns to the 30 per cent declining balance rate that was previously in effect, effective tax rates on manufacturing investments will significantly increase. This would have a seriously negative impact on investment intentions, innovation and productivity performance, as well as our ability to attract and retain new product mandates. Jobs in Canada's critical manufacturing sector are at stake, as are those in many of the other business sectors that depend on manufacturing across the country.

We are aware that cost considerations have meant that the Government has been able to extend the ACCA for only short periods of time. However, two-year extension periods have diluted the value of the tax measure for many manufacturers considering major investments in expansion or in new production facilities in Canada because the timeline for planning, approval, order, delivery, installation, and start-up frequently extends beyond two years.

For these reasons, we recommend that the 50 per cent straight-line depreciation rate for investments in Class 43 assets be made permanent.

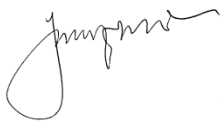
Canada's tax treatment of capital investments in manufacturing and processing machinery and equipment should be at least as competitive as that in the United States. If the Government reverts to a declining balance basis for calculating the CCA for Class 43 assets, the rate of depreciation should not be allowed to fall below 45 per cent.

The ACCA has been the most important policy measure that the Government has undertaken in support of Canada's manufacturing sector which remains fragile following the recession, slow recovery, and rapid appreciation of the Canadian dollar. We collectively urge the Government to reaffirm its commitment to this vital sector of the Canadian economy by setting the CCA for Class 43 assets at a competitive level and making it a permanent part of Canada's tax system.

Sincerely,



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



James Quick
President & CEO
Aerospace Industries Association of Canada



Jerry Engel
President
AMC – Agricultural Manufacturers of Canada



Howard Mains
Canadian Public Policy Advisor
Association of Equipment Manufacturers



Marco Studer
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Canadian Fuels Association



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Ron Watkins
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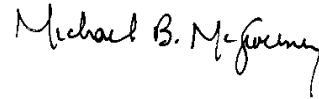
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