

Canadian Manufacturing Coalition

October 9, 2007

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

Dear Prime Minister,

We are writing as the representatives of Canada's leading value-adding industries to acknowledge the initiatives that your government has taken in support of Canadian manufacturing. We now urge you to go further by making manufacturing a priority in the upcoming Speech from the Throne, and implementing on an urgent basis the 22 recommendations unanimously agreed to by all parties in the report on manufacturing competitiveness tabled earlier this year by the House of Commons Standing Committee on Industry, Science, and Technology

Manufacturing is the business that converts our country's natural resources, and the knowledge and skills of Canadians into higher-value products and services tradable around the world. It is important for the future prosperity of each and every Canadian.

However, Canada's manufacturing industries are under risk. Like our counterparts around the world, Canadian manufacturers must respond to the globalization of markets, the rise of newly industrialized powerhouses like China, India, and Brazil, and shortages of skilled workers. But, our companies must do so while responding to a 60% appreciation of the Canadian dollar, escalating commodity and energy costs, and now weakening demand in our major market, the United States. These challenges require urgent action by manufacturers and governments alike.

How Canadian manufacturers meet these competitive challenges will have far-reaching effects on the Canadian economy. Manufacturing is the largest single business sector in Canada. We account for 15% of Canada's GDP. Because our sector is such an important customer for Canada's farmers, miners, foresters, and energy producers, for our utilities and construction sectors, and for our transportation, warehousing, communications, technical, business, and financial services industries, every dollar of manufacturing output in Canada creates over three dollars in total economic activity.

c/o Canadian Manufacturers & Exporters
Suite 1500, 1 Nicholas Street – Ottawa, Ontario K1N 7B7
Telephone: (613) 238-8888 Fax: (613) 563-9218

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Two million Canadians are employed in manufacturing – down from a peak of 2.3 million only four years ago. They are employed in skilled, high-paying jobs. And, many high-paying jobs in other business sectors are also directly tied to manufacturing.

Manufacturing is at the forefront of international competition. Approximately 60% of the goods manufactured in Canada are exported; over half of what we produce is exported into or through the United States.

Manufacturing is at the forefront of innovation and technological change. Our industries account for more than three-quarters of all private sector investment in research and development activity in Canada. Our companies are the businesses that bring new products to market.

Manufacturing is an important contributor to national security and the ability of Canada to defend our sovereign interests. Ensuring the security of our supply capabilities is crucial to meeting both objectives.

It is also important to recognize, that through our efforts to improve both products and processes, manufacturers have cut their greenhouse gas emissions by 9.3% between 1990 and 2005, while at the same time increasing production by more than 50%. The record clearly shows that productivity enhancement, capital replacement, and investments in new technologies go hand-in-hand with improved environmental performance. We share your government's priority for taking action to protect Canada's environment.

Canada's manufacturers must be world-class to compete and grow in today's global markets. We must boost productivity by becoming more efficient, introducing new and improved products and processes, managing supply chains more effectively, and investing in new technologies. We must innovate to provide customers with the products and services that meet their needs, solve our own business problems, enter new markets, and meet the requirements of public regulation and shareholder expectations. We must ensure that the workforce is adequately equipped with the skills, experience, and expertise we require to achieve results quickly and at competitive costs. And, we must take advantage of new business opportunities in domestic, North American, and international markets.

We recognize that the onus is on each and every business to compete and win. But, governments also have a critical role to play in ensuring a business environment that enables Canadian industry to retain and attract investment, and make the crucial improvements they require to remain competitive and grow in global markets.

The House of Commons Industry, Science and Technology Committee, chaired by James Rajotte, tabled 22 unanimously supported recommendations aimed at improving the competitiveness of Canadian industry. Your government responded favourably to those recommendations.

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This year's budget introduced a two-year write-off for investments in manufacturing and processing machinery and equipment, as well as accelerated depreciation rates for investments in manufacturing facilities, computer equipment, and certain energy technologies. You renewed your commitment to more efficient regulations. You emphasized the importance of innovation in your report on Science and Technology. And, you made significant new investments in logistics and border infrastructure. These provisions are valuable for Canadian industry. They are already making a difference in helping manufacturers improve competitiveness.

We now urge your government to *fully* implement all of the 22 recommendations of the House of Commons Industry Committee.

The following ten-point plan outlines the Canadian Manufacturing Coalition's immediate priorities for action in support of Canadian manufacturing:

1. Allow companies to take advantage of the two-year depreciation for manufacturing and processing machinery and equipment for a period of at least five years as recommended. Many firms have investment planning processes that require several months to determine capital allocations and the most attractive or competitive investment opportunities. They must then secure regulatory approvals. Some companies rely on customized machinery and equipment for their operations. Lead times from equipment suppliers are lengthy. And, it requires additional time to install the equipment and put in operation. In short, the 21-month timeframe that Budget 2007 allowed companies to take advantage of this accelerated write-off was too short to provide an effective incentive for investment.
2. Make Scientific Research & Experimental Development Tax Credits refundable and improve the consistency of SR&ED administration. The benefits of the tax credit should be extended to companies operating in Canada which, because they are either currently facing a downturn in profits, investing in R&D ahead of their earnings performance, or having to consolidate corporate earnings for foreign tax reporting purposes, are not currently able to take advantage of this important tax measure. At the same time, consistent interpretation of eligible expenses would considerably enhance the impact of this tax incentive, particularly on the part of small and mid-sized firms whose future depends on innovation.
3. Introduce an Employers' Training Tax Credit to encourage businesses to increase investments in maintaining and upgrading the skills and capabilities of their workforce.
4. Take every opportunity to create a competitive regulatory environment in Canada by simplifying regulations, building enabling regulatory frameworks, reducing the cost of regulatory compliance, eliminating duplication and inconsistencies in regulatory requirements, and eliminating regulatory restrictions on trade and labour mobility across Canada. Clear timetables for regulatory reviews should be established in order to provide greater certainty for investment.

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5. Ensure that Canada's trading partners fulfill their obligations under our existing trade agreements. Canada's trade rules must be effectively enforced and the cost burden of enforcement should not be borne by Canadian companies. The Industry Committee recommended that our trade laws and their application should be reviewed, including their consistency with our major trading partners. We also urge you to adopt and implement the unanimously supported recommendations of the Eighth Report of the House of Commons Industry, Science and Technology Committee, to prohibit trade in counterfeit, pirated, and fraudulently marked goods in Canada. In addition, Canadian companies need to have better access to the Canadian International Trade Tribunal in order to respond to unfair trading practices. And, CITT decisions with respect to anti-dumping, countervail, and safeguard measures should be observed and effectively enforced.

6. Pursue and conclude multilateral, regional, and bilateral trade and investment agreements that can guarantee effective access into international markets for Canadian exporters through the elimination of both tariff and non-tariff, regulatory barriers to Canadian exports and investment, and ensure fair resolution of trade and investment disputes.

7. Respond to the skills shortages that Canadian businesses are facing by encouraging closer collaboration between industry and our universities and colleges with respect to both research and education, speeding up entry procedures for temporary foreign skilled workers, and helping Canadian workers enter productive employment in labour markets across the country.

8. Expedite investments in borders, security, and transportation infrastructure based on a national logistics strategy aimed at ensuring the efficient flow of goods between Canada and our largest trading partner, the United States, while making Canada the preferred logistics hub for trade between North America and the rest of the world.

9. Use government procurement to leverage business opportunities and encourage innovation on the part of Canadian industry. Your government would simply be following the lead of every other industrialized country in this regard.

10. Play a leadership role in making the investments and expediting the regulatory processes required to ensure that Canadian industry has access to reliable and cost competitive energy supplies now and in the future.

With respect to longer-term priorities, the tax burden that Canada places on business investment, which is acknowledged as one of the highest in the world, must be reduced if we are to attract and retain high-value business activity and high-paying jobs in the future.

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We urge your government to work constructively, together with the provinces, to ensure more competitive tax treatment of business investment in Canada, by lowering the combined tax rate paid on business income to 22% within three years. The federal general corporate tax rate should be reduced to 15%. We are also urging provincial governments, where applicable, to eliminate capital taxes and harmonize provincial sales taxes with the GST.


These measures will significantly enhance the business environment for manufacturers, as well as for other industries, in Canada. They will encourage the growth of value-adding businesses and enable companies to make the changes they require to compete and win in global markets. All Canadians will benefit because their prosperity and employment opportunities depend on both the competitiveness and growth prospects of Canada's manufacturing sector.

We share a vision of a world-class manufacturing sector in Canada that enables Canadians to enjoy strong economic growth and high-value, high-paying jobs. We trust that your government shares that same vision and recognizes that a strong and competitive manufacturing base is an integral part of our economic future.

Sincerely,




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



Peter R. Smith
President and Chief Executive Officer
Aerospace Industries Association of Canada



Neil Fyfe
President
Association of Independent Corrugated Converters



Christian L. Van Houtte
President and Chief Executive Officer
Aluminum Association of Canada

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T. Howard Mains
Canadian Public Policy Advisor
Association of Equipment Manufacturers



Gerry Fedchun
President
Automotive Parts Manufacturers' Association

Betsy Bascom
Vice President, Business Development
Biotech Canada



Bradley Miller
Director, Communications & Government Affairs
Business and Institutional Furniture Canadian
Manufacturer's Association



Barry Gander
Executive Vice President
Canadian Advanced Technology Alliance



Rick Culbert
President
Animal Health Institute



Timothy I. Page
President
Canadian Association of Defence and
Security Industries



Jay Nordenstrom
Director, Government and Industry Affairs
Canadian Association of Railway Suppliers

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Richard Paton
President and Chief Executive Officer
Canadian Chemical Producers' Association



Shannon Coombs
President
Canadian Consumer Specialty
Products Association

Steve Purwitsky
Executive Director
Canadian Corrugated Case Association



Roger Larson
President
Canadian Fertilizer Institute



Judith Arbour
Executive Director
Canadian Foundry Association



Serge Lavoie
President and Chief Executive Officer
Canadian Plastics Industry Association



Bob Elliott
President
Canadian Printing Industries Association



Ron Watkins
President
Canadian Steel Producers Association

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Horst Schmidt
President
Canadian Tooling & Machining Association



Mark Nantais
President
Canadian Vehicle Manufacturers' Association



Pierre Boucher
President and Chief Executive Officer
Cement Association of Canada



Milos Jancik
President and Chief Executive Officer
Electro-Federation Canada



Nancy Croitoru
President and Chief Executive Officer
Food and Consumer Products of Canada



Avrim Lazar
President
Forest Products Association of Canada



Bernard Courtois
President
Information Technology Association of Canada



Jacquie Laroque
External Affairs
Glaxo Smith Kline



M. Robert Weidner
President and Chief Executive Officer
Metals Service Center Institute



David Skinner
President
NDMAC – Advancing Canadian Self-care

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Robert Kirk
Director
Printing Equipment & Supply Dealers'
Association of Canada



Gordon Peeling
President and Chief Executive Officer
Mining Association of Canada



J. Clifford Mackay
President
The Railway Association of Canada



Glenn Maidment
President
The Rubber Association of Canada