



**Canadian
Manufacturers &
Exporters**

Canada's Leading
Business Network

**Manufacturiers et
Exportateurs du
Canada**

Le réseau d'affaires
par excellence du Canada

January 9th, 2008

Right Honourable Stephen Harper
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, Ontario
K1A 0A2

Dear Prime Minister Harper,

When you meet with first ministers on Friday to discuss Canada's economic prospects in light of the recent surge in the Canadian dollar, you will have the opportunity to set the course for policy reforms needed to ensure the long-term competitiveness and prosperity of the entire Canadian economy.

Urgent action is needed in support of those industries at the cutting edge of international competition and innovation, but which are nevertheless bearing the brunt of currency appreciation, Canada's manufacturing and exporting sectors. At the same time, the policy reforms necessary to enable these industries to respond to the challenges of currency appreciation are the very initiatives required to sustain long-term economic growth and prosperity in a highly competitive global economy.

Today, our customers and our competitors are located around the world. The competition for investment, for market share, and for knowledge, technology, and skilled workers, is intense. But, Canadians have remarkable assets working in our favour – the richness of our natural resources, a highly educated and highly skilled workforce, our knowledge base, a highly productive business sector, and our well developed logistics, services, and knowledge infrastructure. Our future economic prosperity rests on our ability to grow those assets, to create greater value from them, and to take advantage of new business opportunities both within Canada and around the world.

Manufacturers and exporters are the businesses that convert our country's natural resources, and the knowledge and skills of Canadians into higher-value products and services tradable in global markets. They are Canada's innovative businesses. But, many are now struggling to respond to the short-term challenges of dollar appreciation, rapidly rising business costs, and increasing low-cost competition from other countries.

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In order to survive in the short-term and to grow and prosper in the future, Canada's manufacturers and exporters must innovate. They must become more specialized, customized, efficient, and fast. They need to invest in new technologies, new products and services, new markets, as well as in upgrading the knowledge, skills, and expertise of their workforce. If those investments are to be made in Canada, they require a predictable and internationally competitive tax and regulatory environment, reliable and cost-competitive infrastructure, secure and efficient access to domestic and international markets, and a highly productive and cost-efficient services sector.

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.

We acknowledge the initiatives that governments have already taken at both federal and provincial levels to reduce business taxes, streamline regulations, eliminate inter-provincial barriers to trade, and support investments in infrastructure, innovation, skills development, and new technologies.

But, more concerted action is now required in order to meet the unprecedented challenges of dollar appreciation, escalating energy costs, a weakening US economy, and fierce global competition.

We urge you on Friday to commit to working with first ministers in order to achieve the following seven objectives on an urgent basis:

1. Build the most attractive tax environment in the world for business investment in productive assets, innovation, and skills development. Policy reforms required to do this include:

- Extension of the two-year write-off for investments in manufacturing and processing machinery and equipment for at least another five years;
- Improvements in the Scientific Research and Experimental Development tax credit system to make the credits refundable and reduce administrative uncertainties;
- Extension of tax loss carry-back provisions from three to seven years;
- Introduction of an Employers' Training Tax Credit, creditable against Employment Insurance premiums;
- Immediate elimination of provincial capital taxes;

- Transformation of provincial sales taxes into a value-added tax structure; and,
- The reduction of Canada's combined federal and provincial corporate tax rate to 22% by 2012.

2. Coordinate efforts in support of encouraging business investment in new production facilities, technologies, and innovation initiatives. Federal as well as provincial investments are necessary if Canada is to compete with other industrial economies in securing business investment, product mandates, and industrial innovation activity.

3. Harmonize and coordinate regulations to eliminate unnecessary differences, streamline regulatory requirements, and reduce compliance costs. Government should take every opportunity to create a competitive regulatory environment in Canada by simplifying regulations, building enabling regulatory frameworks for new technologies, 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. Furthermore, we recommend the establishment of a Canadian Competitiveness Commission, based on the Australian model, which would assess federal and provincial regulatory initiatives with respect to their impacts on economic competitiveness.

4. Expedite and coordinate investments in border, 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.

5. Respond to the skills shortages that Canadian businesses are facing by jointly 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.

6. Ensure that federal and provincial investments in innovation, education, workforce development, and public infrastructure generate the greatest possible economic benefits for Canadians. Government procurement should aim to leverage business opportunities and encourage innovation on the part of Canadian industry. Canadian governments would simply be following the lead of every other industrialized country in this regard.

7. Make the investments and expedite the regulatory processes required to ensure that Canadian industry has access to reliable and cost competitive energy supplies now and in the future.

These measures will significantly enhance the business environment for manufacturers, as well as for other business sectors, across 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 with our currency trading at or above par with the US dollar. All Canadians will benefit because their prosperity and employment opportunities depend on both the competitiveness and growth prospects of Canada's manufacturing and exporting sectors.

We aim to maintain a world-class manufacturing and exporting sector in Canada that will enable Canadians to continue to enjoy strong economic growth and high-value, high-paying jobs. We trust that you share that same vision and recognize that a strong and competitive manufacturing and exporting base is an integral part of Canada's economic future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jayson Myers". The signature is fluid and cursive, with a prominent initial "J" and "M".

Jayson Myers
President
Canadian Manufacturers & Exporters