



February 24<sup>th</sup>, 2010

The Honourable James Flaherty  
Minister of Finance  
Finance Canada  
Minister's Office  
140 O'Connor Street  
Ottawa, Ontario K1A 0G5

Dear Minister:

We are writing on behalf of manufacturers in all sectors across Canada to urge you, as part of the Government's forthcoming budget, to extend the period during which businesses can claim a two-year depreciation rate for investments in manufacturing and processing machinery and equipment for an additional five years.

You first introduced the two-year write-off in your 2007 budget. The eligibility period for companies to claim an accelerated capital cost allowance was extended to the end of 2011 in your last budget.

This tax measure has proved to be critically important for manufacturers that have continued to invest in new, more productive technologies, even in the midst of the most severe recession in industrial markets since the 1930s. Investment in manufacturing and processing technologies has actually increased in proportion to sales over the past three years.

We believe that Canada's tax policy should place a priority on encouraging businesses to invest in productive assets – in research and new product development, in workplace skills, and in the equipment and technologies that are used to produce goods of higher value.

Such investments are more important than ever today in order to boost productivity, improve business competitiveness, accelerate job growth, and sustain economic recovery.

As we look forward over the next five years, it will be the new products and technologies that manufacturers bring to market that will help Canadians address the societal challenges of an aging population, growing demands placed on our health care system, and improved environmental and energy management. Likewise, it will be the adoption of leading-edge manufacturing and processing technologies that will enable Canadian industry to enhance productivity and create the economic wealth and tax base required for sound public finances.

A two-year write-off applied to manufacturing and processing equipment encourages exactly the type of investments that Canada needs to add value to our natural and human resources and generate economic wealth in a global economy. By speeding up the rate of depreciation, it minimizes distortions within the tax system, providing businesses a return on their capital investments that reflects actual pre-tax rates of return.

The two-year write-off accelerates capital investment in both production facilities and equipment. For that reason, it is an important and positive tax measure that will help close Canada's productivity gap with other countries – a policy objective that we know is a priority for you and for the Government.

However, we note that for this measure to be most effective, it is important that businesses have a period of at least five years to take advantage of the accelerated capital cost allowance. Many companies need that time simply in order to acquire regulatory and business approvals, and then to design, install, and finance new production technologies, particularly if large equipment and production systems are being considered.

As manufacturers, we are committed to playing a vital role in Canada's economic future. We are asking you to extend the two-year write-off for manufacturing and processing technologies, thereby continuing to help us build a more productive and competitive economy for all Canadians.

Respectfully,



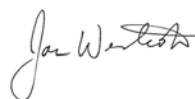
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Association of Equipment Manufacturers



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Canadian Advanced Technology Alliance



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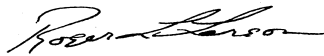
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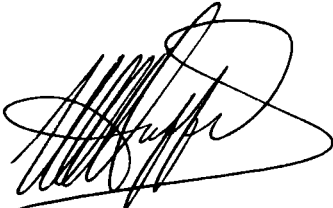
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