to assist new industries in areas where there is a substantial degree of unemployment over the years; (2) to aid the development of new products from processing operations not hitherto carried on in Canada; and (3) to encourage the production of new types of goods. Corporations whose applications are approved will be allowed double capital cost allowances in one of the first three years in respect of the assets.

These measures, in the Association's opinion, constitute a step in the right direction, but they appear not to provide an adequate inducement to bring about the desired results. It is submitted that, if there is to be an effective incentive, the accelerated capital cost allowances should be brought up to the level of the accelerated capital cost allowances which were introduced in 1951 at the time of the Korean War, under which it was usually possible to write off assets in four years.

Most of the leading European industrial countries with which Canadian manufacturers must compete provide higher capital cost allowances. For instance, in the United Kingdom, in addition to investment allowances, machinery in the year of acquisition receives an "initial allowance" of 10 per cent and 15⅝ per cent regular depreciation.

France permits a double depreciation allowance in the first year which on ordinary machinery amounts to 30 per cent. In addition, it provides an initial allowance of 10 per cent for new investment and permits the revaluation of property to compensate for past inflations.

In Germany, while the basic rate of 10 per cent is common for straight line depreciation, under a decline balance formula this may be increased to 25 per cent in the first year and about 58 per cent of the cost in the initial three years.

Italy provides accelerated depreciation in the form of an "initial allowance" of 40 per cent which may be spread over the first four years of the life of the asset in addition to regular depreciation.

The Association feels that if Canada were to adopt adequate additional capital cost allowances we could reasonably expect to achieve the stimulating effect on the economy which similar measures have accomplished in European countries.

Investment Allowances:

3. It is recommended that Canada adopt the United Kingdom practice of granting investment allowances as an inducement to capital investment, such allowances to be in addition to the present capital cost allowances.

The United Kingdom provides an investment allowance of 20 per cent on new machinery and plant in the year of acquisition which is deductible from taxable income. This is over and above both the regular depreciation, which on machinery would generally amount to 15⅝ per cent, and an extra 10 per cent "initial allowance" in the first year. Belgium and the Netherlands also have investment allowances. In Belgium special investment allowances of up to 30 per cent for new ventures or very large expansions of existing plants have been granted.

These investment and other allowances appear to have done much to bring European manufacturers to their present efficient state. If corresponding allowances are made available in Canada they should, in the Association's view, provide an effective stimulus to the economy and increase employment.

Incentives for Exports:

4. It is recommended that as an incentive to the export of goods manufactured in Canada exporters receive more favourable tax treatment for increased exports, either by the application of a lower income tax