

Suggestions

Acquisition costs should be allowed as deductions in computing taxable income subject to provisions against pyramiding.

Present methods of computing depletion allowances should be changed. Either a lower rate of tax should be charged on profits earned from exploration and production activities or the depletion allowance should take the form of a deduction from the gross profits earned from production.

A decision as to whether the large integrated companies should be allowed to deduct their exploration and development costs from their total revenues from all sources should depend in some measure upon the rate of depletion which may be decided upon.

Secondary Manufacturing Industries

Conclusions

The secondary manufacturing industries produce 22% of the net output of the economy at the present time. This may increase to 25% by 1980. It is expected that these industries will continue to employ about 20% of the labour force over the next 25 years.

Virtually all of the production of the secondary manufacturing industries is consumed in Canada; very little is exported. This situation is not expected to change.

Real output per man hour in Canada is about 35% to 40% below the United States. On the other hand, output per man hour in Canada is considerably higher than the output per man hour in such other countries as the United Kingdom and Western Germany.

The main difficulty in Canada is the much smaller scale of production in this country compared with the United States.

The industries which are most able to utilize mechanized manufacturing techniques are the ones that are most likely to grow and to compete effectively in the future.

Suggestions

Having in mind the increasing need of Canadian secondary industries to mechanize and to keep their plants modern and up to date, such industries should be permitted to write off their capital expenditures on factory buildings and equipment over much shorter periods than at present. In the timing of any such move the level of economic conditions in the country would of course have to be considered.

Large buyers of equipment, such as governments and railroads, should discuss their programmes with suppliers and spread their purchasing more evenly over the years.