

Income Tax Act

correct errors, change the decision-making base and encourage companies in the private sector to create holding companies and trust companies to take advantage of some careless loophole such as the one the drafters of the last mini-budget put into place, all of which creates tremendous waste and loss of working capital in the business sector, and all because of bad drafting, bad legislation and more ad hockery. That is the problem we are facing in Canada today.

I was rather surprised and pleased when the budget statement came down on April 10 and I saw that the government was finally going to do something about research and development costs. In that budget statement the minister said:

The effect would be to reduce a company's after-tax cost of each additional dollar spent on R & D to as low as 20 cents.

Then the statement goes on to say in the next paragraph:

Because of the incremental nature of the new incentive, its impact on tax revenues will depend upon the extent to which industry responds. However, it is estimated that in the initial years the reduction in federal revenue will be about \$50 million a year.

I know you cannot say somebody has deliberately misled the Canadian people or members of this House, Mr. Chairman, but if this is not misleading then the advisers and the people working with sharp pencils behind the ministers had better sharpen up. Because there is no way you can find anything through an in depth analysis of this part of either the minister's statement or that other program announced by the Minister of State of Science and Technology, that will support this statement about reduced revenue of about \$50 million a year.

I know the minister too well to suggest other than that he meant this sincerely, but he had better do something about the people behind him who are giving him that kind of advice and figures on that subject. Because there is nothing one can find through an analysis of the situation that would lead to that kind of a conclusion.

I am just searching here for a few figures I should like to point out. First of all, I should like to pose this question. On what basis does the minister think the new incentive is going to produce a higher growth rate than the 10 per cent per annum that is in place? I would like to ask why the government killed IRDIA, a program that was in place, had had good experience, and was showing a good growth pattern in Canada. What was it that caused the government to get this thing finally through all its birth pains and then to abort it absolutely just as the industry was finally learning how to use it, even though there were some faults, and the Department of Industry, Trade and Commerce was starting to work in some modifications? Why was it all of a sudden completely aborted?

This seems to be the pattern of this government. It goes out into the world and up into the north with programs, and just as they get going the government pulls the rug out from under them and starts something new, so that there is a totally endless wave of confusion on the part of the public. Is that policy deliberate? If it is, it is causing an awful lot of dry rot in the economic hull of this country.

An hon. Member: That is not what the Gallup poll is saying.

[Mr. Huntington.]

Mr. Huntington: We talk about being an industrial country. I have a table here which indicates to me that when we make a comparison of the research and development effort in Canada with other OECD countries we are fourteenth on the list. We rank behind Italy, Finland and Denmark. Only behind us do we find Ireland and New Zealand. What is wrong? Something has to be wrong when we consider the resources and the people we have. We used to be expansionary, we used to be growing and we used to be hard working. What has happened to these characteristics that delivered us to one of the most enviable standards of living in the world?

An hon. Member: A bad opposition.

Mr. Huntington: You are on your butt again. I saw you up on your feet this afternoon for the first time since I have been sitting in this House.

An hon. Member: What is your definition of "butt"?

Mr. Huntington: You just talk from the seat of your pants all the time.

The Deputy Chairman: Order, please. I would invite the hon. member to address the Chair.

Mr. Huntington: Thank you, Mr. Chairman, for asking the hon. member to get back under control so we can carry on with the debate.

If we look at industrial research expenditures from 1963 to 1977 we will find that, as a percentage of gross national product, in constant terms we peaked out in 1965 at 0.52 per cent. In constant dollar terms in that year we spent \$363.3 million. Then from 1965 on there was a steady decline, right down to 1977. As a percentage of gross national product that year—that is, last year—we only spent 0.4 per cent of gross national product on research and development. We have seen a stagnation in respect of research and development funds from 1971 right through to 1977 in real terms, going from \$467.5 million in 1971 to \$497.9 in 1977.

There have been three opposition days in this House in the life of this parliament in reference to that very subject, and we did not get one ounce of effort until we reached the pre-election days. Just how honest are the statements of the Minister of Finance? How much truth is in the statements of the Minister of Finance and the statement of the Minister of Science and Technology in the presentation that they have given the House and the people of Canada in this area? I will tell you, Mr. Chairman, how honest and truthful these statements are. We have been led to believe that this is a great program with a great bonanza for the small business sector and the industrial sector of Canada. But as I examine it and as I am advised on this subject, if we look at the large firms and at the standard deductions, R and D cost a large firm 58 cents for every dollar spent on research and development in 1976; in 1977, with the investment credit of 5 per cent, the amount was reduced to 55.1 cents for each dollar spent on research. In 1978 the government came through with a 50 per cent additional allowance, which reduced the cost of each dollar for