

ment. Part of them relate to purely technological considerations; part of them undoubtedly relate to the general corporate structure and its relationship, parent and subsidiary relationship, with foreign countries. What I can probably safely say is that the incentive programs we have had are losing this earlier effectiveness and we have to put some new thought into this.

Senator Grosart: Is it still the intention to increase federal funding of science activities in industry as against the intramural percentage of around 67 per cent?

Hon. Mr. Drury: It is our intention to get Canadian-based industry to increase its proportion of total resources going to research and development, and part of that will undoubtedly lead to the need for the federal government's funding in whole or in part—well, in part—some of this increase. In some instances it will be the funding of a whole research operation or development operation; in other cases it will be a relatively small part. But until we can get Canadian industry to make use of, usefully make use of, additional resources, it would not be the intention of the government merely to spend for the sake of spending, if I make myself clear. Increased spending should be a result, not a purpose.

Senator Grosart: Is it not the government's policy to increase the capacity of industry to absorb funding for R&D and other science activities? Or are you just going to wait until the industry does it?

Hon. Mr. Drury: The answer is "yes". Unless it can usefully absorb, there is no use spending the money.

Senator Grosart: But, surely, that is what policy for science is all about: the responsibility of the government to see that industry does upgrade its innovative capacity? You yourself have drawn attention to the fact that our deficit on technological exports and imports has increased from \$1.5 billion, back a few years ago, to something like \$5 billion or more today. Is it not government policy to do something about this?

Hon. Mr. Drury: It is, and I think I just said that we are conscious of the fact that our innovative programs are not now producing the same relative results they have in the past. The purpose of the make-or-buy policy is just that.

Senator Grosart: May I ask you how many dollars have been transferred from intramural government science funding through the Make-or-Buy policy into industry? Not the whole business. We have a figure of \$19 million out of a total federal budget of something like \$1.4 or \$1.5 billion. Nineteen million! A large portion of that had not gone to industry at all, as I understand the statement of these transfers in Supply and Services announcements. Now, how much has actually been transferred through the make-or-buy policy into industry?

The Chairman: As compared with the situation before the policy was formulated.

Hon. Mr. Drury: It is a little hard to say how much has been transferred. The answer to this would require an analysis of each outside contract, and a determination of whether it was something new, or whether it actually had been transferred from a previous activity of some government or intramural operation, or an outside operation. I really cannot answer that.

Let me say that with regard to mission-oriented research and development expenditures, in 1970-71 we were spend-

ing \$223 million, roughly, intramurally, and \$10 million in industry. In 1975-76 the figures were \$317 million intramurally, and \$50 million-odd in industry. The intramural figure has gone from \$223 million to \$317 million, and the industry figure has gone from \$10 million to \$50 million.

Senator Grosart: But the percentage is still 14 per cent, which is where it was in 1967. That is, the percentage of the total. I am now quoting from page 7 of the green book.

Hon. Mr. Drury: If you do the arithmetic on the figures that I have just given, expressed as percentages the percentage in industry in 1970-71 was 4.5, and in 1975-76 it is 13.7.

Senator Grosart: What is this in?

Hon. Mr. Drury: Mission-oriented research and development expenditures, intramurally, that is, within the government, as against industry.

Senator Grosart: But the total is still 14 per cent, after ten years. Here is the statement. It is as clear as can be. On page 7 you analyze it and you say exactly what it is. I have given you the figures. Your current in-house figures for 1967, for universities and NPOs—that is, non-profit organizations—is 15 per cent, and for industry, 14 per cent. This is a statement in MOSST's analysis. It is still 14 per cent, which is where it was in 1967, in spite of all of these statements, over and over again, that this is a priority, that this is government policy. I am suggesting to you that the government, having indicated that this is a priority policy, has not been able to break through departmental resistance.

Hon. Mr. Drury: You are ascribing a motive here, and I would take exception to that; but I do acknowledge that in spite of the numbers I have given you, for 1970-71 and 1975-76, as showing an improvement—quite a marked one—there was a decline between 1967 and 1971. The percentages declined, but they are now rising.

Senator Grosart: Not according to the figures in the reference you gave us in "How Your Tax Dollar is Spent". This shows that the total percentage of government funding of science activities in industry is still declining.

Hon. Mr. Drury: You say it is still declining. The proportion of research and development expenditures by the federal government in relation to its total budget has been declining?

Senator Grosart: In relation to its total science budget it is declining. That is the point I am making.

Hon. Mr. Drury: With this I beg to differ. Perhaps I can read to you the percentage of federal government expenditures in industry by year as proportions of the total mission-oriented expenditures.

Senator Grosart: I do not know why you make that distinction. It is not mission-oriented. It is only one part of the total government policy in respect to science. Let me read you this from page 29.

Hon. Mr. Drury: I use the term "mission-oriented". You call it "silly semantics". We do make quite large expenditures, however . . .

Senator Grosart: I did not call it "silly semantics".

Hon. Mr. Drury: — in support of curiosity-oriented operations, most of which go to universities. That has nothing