

made when they read the intentions of the government in the budget earlier this year relating to the termination of the IRDIA program.

I would like to refute the argument that the government is not interested in supporting or encouraging industrial research or development and express my support for the termination of this program. This indicates that we are cleaning house, reviewing our legislation, trying to improve the efficiency of our programs and cutting down government expenditures where we can, in this very crucial time of restraint.

**Mr. Bill Kempling (Halton-Wentworth):** Mr. Speaker, I want to make a few comments on Bill C-19, the government's program to restrain government expenditures. I do not think anyone who has a feel for the economy will disagree that expenditures have to be cut back and that government spending is one of the problems we have.

**Mr. Hogan:** I disagree strongly.

**Mr. Kempling:** The thing which bothers most hon. members on this side is the method used to cut back programs and the effect that will have on certain parts of the country. The hon. member for Wellington (Mr. Maine) spoke about the IRDIA program, and as far as that program went, it did a pretty good job. The major beneficiaries of that program were very large corporations which had research and development facilities and which were able to make use of such a program. I do not think very many small companies or medium sized companies in this country really took very much advantage of IRDIA. I am not saying it is the fault of the government that those companies did not take advantage of it. Perhaps the department failed to realize the difficulties which faced small and medium sized companies.

I am looking forward to learning what new programs will be introduced, and I know many people in small and medium sized companies who are very interested in research and development programs. One of the problems is that they do not have the means to accumulate the funds required to carry out a research and development project. I think this is the key to the problem they face. Many small and medium sized companies have the desire to grow into larger companies which would have know-how, which would have market sense, and which would want to sell products, but in fact their problem is cash and cash flow, and I suggest that the Minister of Finance (Mr. Macdonald) and the Minister of Industry, Trade and Commerce (Mr. Chrétien) should consider this proposition seriously.

Small and medium sized companies should be allowed to accumulate a sum of money over a period of three to five years. The mechanism for saving that money is beside the point. That can be worked out; it is a matter of regulation. However, the problem is that they cannot undertake to develop a product to sell in the domestic market because they just do not have the means to accumulate the money required. The only time they really spend money on research and development is when they are at a very high level of earnings. Then if

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the market happens to turn down, the first thing they scrap is any research and development they have undertaken.

I think it would be possible and realistic to put a provision into our Income Tax Act which would allow these small and medium sized companies to accumulate a sum of perhaps \$35,000, \$50,000 or \$100,000 over a period of three to five years with a specific purpose in mind. We must, of course, be sure that they carry it through because if they are going to accumulate money to use for research and development, we want to know it is used for research and development and not for something else.

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This is one of the problems facing the small and medium sized industries in this country and one of the reasons why we do not have a strong secondary industry base. These companies just do not have the wherewithal to undertake realistic research programs. I know this from personal experience with companies I have been associated with in my business life. Periodically someone would suggest that we could make an imported product in this country, but it always came down to a question of where the money would come from for the tooling, etcetera that was required. It becomes a matter of dollars and cents and it is a pretty dismal prospect trying to raise money for an idea in the private sector.

Companies should be allowed to accumulate money in a special fund for research and development so that they would have the opportunity to complete their projects. This would help produce goods for the domestic market and perhaps reduce imports, thereby over time helping our balance of payments position. It would also help build the secondary industry base we so desperately need.

I think we all agree that the effects of government spending are part of the over-all problems which face most countries in the western world, though perhaps they are felt more acutely in Canada than elsewhere. The people of this country are very well aware that we must do something to reduce government spending. The effect on the economy and the business community's lack of confidence in the economy are apparent.

Just last week a company in my constituency gave one year's notice to its employees. They say they are going to pull out of Canada and go back to their home country because they do not like the atmosphere and the economy here. If we made a list of the companies that have decided to pull out of Canada or who are talking that way, it would be quite a significant list.

The lack of confidence in the government and the economy in general is tied to several things, and of course the whole spectre of inflation is at the root of it. People on the street see the government asking everyone to tighten their belts but notice the government does not appear to be tightening its own. As I said earlier, cutting out some of these programs will have a disproportionate effect on certain regions of the country. We have to look at this question because for several years we have been proceeding on the concept of universality, but if we make across the board cuts the disadvantaged areas of the country will be affected very dramatically.