

**Mr. Mackenzie:** That is the way the game is played. That is the system we operate under.

**The Chairman:** I suppose the only way is through the licensing of patents.

**Mr. Mackenzie:** But that gets into the whole area of patents which is a complex subject.

**Senator O'Leary (Carleton):** If the Government of Canada is going to go in for industrial scientific research and the result is that some large competitor puts another competitor out of business, I don't see any results for Canada in that. I would not want to be a party to enabling some rich company to get even richer because of its industrial research.

**Mr. Mackenzie:** I don't think the objective is to put some other company out of business.

**Senator O'Leary (Carleton):** But it happens, and it could happen. If the fruits of industrial research are merely to build up some powerful company to make it more powerful, I submit that in my opinion that is not good enough. We should not concern ourselves with that.

**Mr. Mackenzie:** I would not use the word "merely". That is not the important purpose.

**Senator O'Leary (Carleton):** But it could be one important result. Is there any way of guarding against that?

**Mr. Mackenzie:** In a competitive situation?

**Senator O'Leary (Carleton):** We have done a lot about other competition. In fact in the last 30 years we have done nothing else but try to destroy competition. Why stop there? This is a very important field so far as the nation is concerned; industrial research affects our export trade and world trade. Are you telling me that this is the way the game is played? If some huge firm like Alcan or International can by industrial research put their competitors out of business, you say that is O.K.? You say it is the way the game is played?

**Mr. MacKenzie:** Senator O'Leary, I don't know that I said exactly that. I said there could be some casualties in this.

**Senator O'Leary (Carleton):** And we take no steps to protect ourselves against such casualties? Are there any steps we could take? I don't believe there are.

**Mr. Mackenzie:** I don't know of any I would recommend. There are certain built-in provisions in the laws to try to deal with the

situation. But your approach presupposes that the objective of these large companies is to put little people out of business. This is not the objective.

**Senator O'Leary (Carleton):** But they might be big people. They might try to put Consolidated Paper or Fraser out of business or put them in the position where they wished to God they were not in business.

**Senator Grosart:** You say industrial research is a function of big business. I would say that perhaps this is the point Senator O'Leary is making, that if we are going to put public money into creating a bigness, and tax incentives involve public money, that can be deleterious to other citizens or companies, legal citizens, isn't there some way or some means of dealing with this? If a decision is made to go ahead with any particular kind of industrial research and claim public payment for it, which is what a tax incentive scheme is, isn't there a great danger here?

**Mr. MacKenzie:** It seems to me it is not a question of whether we like it or whether we do not like it. The facts of life are that the major research efforts in this day and age are likely to be undertaken by the larger companies. One obviously does not want to do anything to prevent a smaller company growing to the point where it can play in that league, but I think you will have to admit that the bulk of this major industrial research effort is by larger companies. It is not a question of whether they are Canadian or American companies, and if you accept that, then it seems to me the system ought to be to encourage these companies to do it by a tax incentive program that is open to everybody.

**Senator Grosart:** But is it open to everybody? First of all you have to find the capital, and big companies have the capital. This may not be the case with small companies.

**Mr. Mackenzie:** Well, everybody that is qualified to get in and play in that league.

**Senator Grosart:** But is there not a big difference between that and the situation in the United States where, for example, under NASA they say to a small company "Here is the money to do some particular research." The big companies already have the capital which they can spend and then claim. There must be many small companies who cannot do this, and this is my concern.

**Mr. Mackenzie:** Let me make it clear that I am talking here about one part of the Gov-