

Supply

my which provided, either through the Income Tax Act or other legislation, the necessary tax incentives and subsidized programs to Canadians so that they could use their imaginations and energies to take control and exercise substantial control of major parts of Canadian industries.

● (1700)

Mr. Orlikow: Mr. Speaker, the Hon. Member says that in recent years we have had an increase in Canadian control of business and industry. I urge the Hon. Member to look at the automobile, rubber and mining industries, which have the largest manufacturing plants in this country and he will see that, despite everything he says the former Liberal Government helped to accomplish, foreign investors still hold the major, indeed, in some cases, 100 per cent, control of those industries.

Mr. Gauthier: Mr. Speaker, with respect to the point raised by the Hon. Member for Winnipeg North (Mr. Orlikow), of course I was not around in 1945 either, but I take it the father of FIRA was the Hon. Member for Windsor West (Mr. Gray). I think it is recognized by well informed people that he did play a very important role in getting the FIRA Bill before the House when he was Minister without portfolio, and that eventually he got FIRA into law in 1971-72.

From the comments just made by the Hon. Member for Winnipeg North, we would be led to believe that Canadian ownership has not improved. I think we should look at the facts, Mr. Speaker, and at a recent poll which I am sure the Hon. Member for Laurier (Mr. Berger) has seen, which suggests that the majority of Canadians are no longer worried about foreign investment in Canada. Before this Government starts to snap its suspenders and crow about all of this, it had better be understood why Canadians say they are not worried. The reason is that FIRA—and that is the Foreign Investment Review Act—notwithstanding the vendetta of the Conservatives with respect to it, changed the composition of investment in this country. For example, in 1974, foreign ownership in Canadian manufacturing was at 61 per cent; in 1980, that figure dropped to 53 per cent, and it has fallen further since. The same can be said for the petroleum and natural gas sector. It was 76 per cent in 1970, 51 per cent in 1980, and it is now even lower. I could go on to show the House the importance to the Canadian economy of the Foreign Investment Review Act.

The Hon. Member for Laurier did mention tax incentives. There have been comments made today in the House about Mitel. God knows, we in the Ottawa area find that company important to us. It has created thousands upon thousands of jobs and has been a good economic generator in the region. We do not think that Mitel should close. However, would the Hon. Member set the record straight? He knows about research and development. He is our critic, our official spokesperson, in this area. He knows, as do all honest Hon. Members of this House, that \$20 million was given to Mitel under the special electronics program in 1980 by the former Liberal Government and that \$9.9 million in research and development grants was given to Mitel in 1982. He knows that a \$5.5

million grant to upgrade the Ottawa facilities was given to Mitel in 1983. I was part of that. A group of companies in the Kanata region called the Kanata High Tech Training Centre, I believe, received \$3 million to improve its management services and capacity.

Since we have had the economic statement of the Minister of Finance (Mr. Wilson) who imposed a moratorium on the tax credits for research and development, does the Hon. Member believe, for example, that there has been a loss to the Government in revenues of \$1.6 billion? Does he believe that the Government helped Mitel by taking away the research and development tax credits?

Mr. Berger: Mr. Speaker, the Hon. Member raises a very interesting question. The Government placed that moratorium on the scientific research tax credit because it claims that through what are called "quick flip" transactions, there was a substantial drain on the public purse. However, if one really understands and looks at that mechanism, one sees that it is indeed possible that this was not a drain on the public purse. These are tax incentives which the Government would have given anyway. There was, perhaps, just a change in the timing. These tax incentives were taken by companies in 1983, 1984 and 1985, rather than having them claimed by these companies in coming years.

Perhaps I should explain myself. The scientific research tax credit was introduced because there are a number of companies which are in a non-taxable position. A company has to earn profits to be able to take advantage of a tax credit. It so happens that there are many young companies in their formative years—indeed, many high-tech companies—which are not in a taxable position and, therefore, cannot take advantage of tax incentives under the Income Tax Act. So the scientific research tax credit was introduced by the previous Liberal Government in order to allow these young innovative companies to transfer tax credits, which they could not otherwise claim, to investing companies. They would do it by issuing a debt instrument to these companies, or by issuing shares, and then the investing company could claim the tax credit. The investing company would give money to the research company and this would give this research company the money to enable it to undertake the research. The tax credit, which the research company could not claim, was transferred to the investing company which, obviously, is in a taxable position. So really what one had, Mr. Speaker, was a transfer of a tax incentive from a research company to an investor. One cannot, therefore, entirely conclude that this was a drain on the Treasury. It was perhaps just a difference in timing. Probably a great deal of research was undertaken in Canadian companies as a result of this initiative. A moratorium was placed on it by the Government in November. Obviously, we are all waiting with bated breath for next Thursday night to see if there are any other solutions to be offered by the Conservative Government.