

of \$500,000 to individual Canadians alone will boost research and development in Canada, as it will encourage investment in small, innovative enterprises whose livelihood is research and development.

In addition to the changes in the capital gains tax, measures affecting pension funds, Registered Retirement Savings Plans, RHOSP's and the Solidarity Fund in Quebec will all encourage greater investment in small and medium-sized technology-oriented businesses. The government will also replace the thoroughly discredited Scientific Research Tax Credits with a system which will see the money put directly into the hands of the companies carrying out research and development.

The controversial Research Tax Credit Program which ran wildly over budget, has been canned. The idea of a program which allowed investors in research companies to trade in the tax credits had some merit, but I fear it was far too open-ended. Instead of the \$200 million cost projected by then Finance Minister Lalonde, officials of the Department of Finance are now estimating its eventual cost will be at least \$1.9 billion, and perhaps as high as \$2.3 billion. For all this money, research and development increased only marginally. Much of the money, now gone, could have been made available for some of the very legitimate concerns that Senator Marsden raised in her able address.

Small technology firms will be the bid beneficiaries of the decision to refund 100 per cent of the tax credit which they earned on the first \$2 million of qualifying R&D each year. This full cash refund will be much more effective than the complicated and often abused predecessor, the SRTC.

The government has also improved the tax definition of R&D. Those of you who have an interest in science and technology will know that, up to now, expenditures had to be "wholly attributable" to R&D. This has been the source of no end of headaches for smaller companies, especially where management personnel is engaged directly in the research and development area. Marketing was also a problem area. The new flexible definition will not only increase the benefit to the taxpayer but will also make business a great deal easier.

Honourable senators should also note that the term "scientific research" has now been replaced by "scientific research and experimental development." This small but vitally important change recognizes the reality of industrial R&D, and emphasizes the need to develop new products and processes. It is the new products and processes that ultimately create the jobs.

Small science and development-oriented firms will also welcome the news that the Minister of National Revenue will be engaging scientific and technical experts to aid the tax auditors. In some cases, the technical experts may be on site to deal directly with the company concerned, and this should help to make research and development claims easier and more efficient.

The cumulative effect of all these and other changes gives an unprecedented boost to private sector research and develop-

ment. There is no question that the effect will be many times greater than that created by the now defunct SRTC.

Honourable senators, there is also no question that there have been cutbacks in government funding of various agencies. The ongoing problem of financial demands from the post-secondary educational institutions increases all the time, and it becomes harder and harder to meet their very justifiable demands. There can be no doubt that a great deal more money could be spent on research and development, and indeed on scientific training and improvements. The question is, of course, where is the money to come from? This is not an open-ended, bottomless pit. It is a finite, financial pool with demands on it from all sectors of society, and although cutbacks have been made in the areas mentioned, there can be no doubt that the commitment to scientific research and development, both to the public and private sector is, as I have said, very much a priority of this government.

Before I close, honourable senators, I should also call your attention to the meeting of federal-provincial and territorial ministers responsible for science and technology, chaired by the Honourable Thomas Siddon, Federal Minister of State for Science and Technology on February 4 and 5 of this year. This was the first meeting of its type ever held in Canada, and I would commend the communiques issued by the participants to the attention of my honourable colleagues who are interested in R&D and the scientific community generally. There was a very strongly worded reaffirmation of a federal/provincial and territorial commitment to the idea of concern which Senator Marsden expressed so well. I will not bother to read it at this time or to quote from it, but I can assure honourable senators that it is a very encouraging document. May I at this time thank honourable senators for their attention. That is the end.

● (1510)

Hon. Royce Frith (Deputy Leader of the Opposition): Honourable senators, Senator Marsden may want to exercise her right of reply on her inquiry, so I shall adjourn the debate in her name.

On motion of Senator Frith, for Senator Marsden, debate adjourned.

NATIONAL DEFENCE

CONSIDERATION OF SECOND REPORT OF SPECIAL COMMITTEE ENTITLED "CANADA'S TERRITORIAL AIR DEFENCE"—DEBATE CONCLUDED

On the Order:

Resuming the debate on the consideration of the Second Report of the Special Committee of the Senate on National Defence entitled: "Canada's Territorial Air Defence", tabled in the Senate on 23rd January, 1985.—
(Honourable Senator Doody.)

Hon. C. William Doody (Deputy Leader of the Government): Honourable senators, I adjourned the debate on this order in case somebody might be interested in speaking further