Mr. Deputy Speaker: Is it the pleasure of the house to adopt the said motion?

Some hon. Members: Agreed.

Mr. Lambert: No, Mr. Speaker. In the circumstances, and regardless of the hour, there is no particular reason to gallop. In this case the minister, on behalf of the government, is coming before the house with a rather lengthy bill and the house is entitled to a full explanation. Therefore we now call on the minister to make a statement. We are not going to have any more of this nonsense. The jokes are over for tonight.

Hon. C. M. Drury (Minister of Industry): Mr. Speaker, no one is more pleased than I am at being given the opportunity, in spite of the lateness of the hour, to say a few words in support of this bill in which I heartily believe. The purpose of the bill is to provide a new and more effective incentive for research and development in Canadian industry to replace the incentive presently provided by section 72A of the Income Tax Act. This tax incentive is due to expire at the end of the 1966 taxation year.

The impact of science and technology on our economy is reflected in the flow of new products, in more efficient production techniques, in improved services of all kinds, and above all in a steadily rising standard of living. The intensive application of science to industry has also introduced a new and potent force in economic and commercial affairs. With our relatively "open" economy and the progressive reduction of trade barriers throughout the world, Canadian industry will be faced with more intense competition at home and abroad; and that competition is not merely a contest of price. More and more it is becoming a battle of invention and innovation in which scientific superiority and technical excellence are major weapons.

For Canada, the attainment of the desired rate of economic growth will depend to a greater extent than ever before on the expansion of an efficient manufacturing industry: This in turn will necessitate more effective exploitation of new technology. Therefore we must look to research and development to spark the process of industrial expansion and economic growth for the future.

The basic principle underlying the proposed legislation is that economic progress stems from increased productivity which derives in large measure from new and improved technology. Systematic and sustained investment in research and development by industry is no less important to competitive survival than capital investment in new plant. New technology affords wider opprotunities for investment and generates greater productivity, and thus provides the seed for the long-term expansion of firms, industries and nations.

Looking at the structure of our over-all scientific activity we find that industry performed only 36 per cent of the national total as contrasted with 63 per cent for Britain and 74 per cent in the United States. This anomaly in allocation of effort would indicate that insufficient emphasis is being placed on the practical exploitation of science and technology.

This comparison of industrial research activity in other countries demonstrates the necessity for a major expansion in the current level of innovation activity in Canadian industry. On analysis it would appear that a target almost three times the current figure is required to bring Canada more nearly into line with comparable industrialized countries. The attainment of this target within a reasonable period of time would require a virtual doubling of the previous long-term growth rate for industrial research and development.

This then, Mr. Speaker, is the task we face: to create a favourable climate for industrial innovation so as to ensure the rapid and effective exploitation of scientific and technological advances for the benefit of Canada and Canadians. Obviousy, a "quantum jump" in industrial research and development of the magnitude I have suggested requires special efforts on the part of government and industry alike. The general incentive for industrial research and development proposed in this bill will be one of the key measures for implementing government policy in this regard.

We are proposing that the cornerstone of our various programs for stimulating technical innovation should be a general incentive for increased research and development freely available to all companies carrying on business in Canada for the performance in Canada of bona fide scientific research and development likely to benefit Canada. Our primary objective here is to introduce advanced technology and the associated skills into industry where they can be directly exploited for economic ends. To be effective, such an incentive must cover the broad spectrum of innovation activity from basic research to engineering development with the selection and direction of projects being the responsibility of the entrepreneur. Participation in the program is to be open to all