

Research and Development

It is important for us to refer to the ministry of state summary of federal science activities for 1978-79 and refer to figure 6, federal government expenditures by type of science and performer, to see the effect of the federal government commitment to the make or buy policy, and to contracting out to industry functions which otherwise would be performed in government laboratories. Intramural activities in 1976-77 are shown at \$460.8 million. In 1977-78 they rise to \$511.1 million. In 1978-79 they increase to \$567.1 million. At the same time the research and development expenditures for industry in 1976-77 were \$222.3 million, in 1977-78 \$214.8 million, and in 1978-79 \$217.6 million. With the make or buy policy we still have an increase in intramural activity and a decrease in industrial research and development expenditures by this government.

Another amazing feature of this same report is that the government has spent over \$1 billion on research and development. Where are the results, and what is the direction?

So, how do we stimulate research and development in the private sector of our economy? The Science Council suggests a 25 per cent tax credit on all current and capital expenditures, with carry-forward provisions, in addition to the current shared-cost programs.

The Senate committee suggested that we restore the tax incentive for industrial research and development based solely on incremental research and development expenditures over a base period.

Another representation from the scientific community supported the 25 per cent investment tax credit, increased at the rate of 5 per cent per year until a satisfactory national level of industrial research and development is attained. This body also recommended a moratorium on the capital gains tax for new technology-based ventures for the initial five years of operation. A reduced corporation tax rate for new technology-based industry based on employment growth was also suggested.

The president of Northern Telecom supported a 25 per cent investment tax credit with a ten-year commitment, and the Canadian Manufacturers' Association supported the same 25 per cent tax credit, but with the asset value not reduced for depreciation purposes.

In its great wisdom the government rejected all these recommendations and chose the additional allowance scheme of 1962, featuring the 50 per cent special allowance of a three-year moving average base involving both capital and current expenditures lumped together.

This special 50 per cent allowance was replaced about ten years ago because it was alleged by the government to be of no benefit to new firms and those not in a taxable position which needed the assistance most. Small firms receive less of the benefit than larger ones, because the larger the rate of tax applied to the pre-tax allowance, the greater is the benefit. The tax credit eliminates this type of discrimination by the tax rate against small firms.

It is not enough to point to the failures of the government without offering suggestions, and I do have some proposals to

make. The government must be convinced and clearly indicate to all segments of our economy that it is convinced of the importance of research and development as an essential base for economic advancement, and that it will encourage the transfer of scientific knowledge and technology in a co-operative effort between universities, governments, and industries. It is not convincing when it comes out with a series of ad hoc policies, recycled proposals, and rejected tax schemes. Neither is it convincing when every few days we get another announcement of a new program. What we really need is a coherent, clearly stated national policy underlining a serious commitment to development.

The government must increase its support for basic and applied research and development in Canada, and with our present facilities—starved and dehydrated by government policies—reaching the level of 2.5 per cent of our gross national product that will not be easy, but it should be our goal, and it has been expressed as the goal of this party in this House by our leader.

Some hon. Members: Who?

Mr. Howie: While government has an important continuing role in research and development funding, especially in areas like agriculture, we need a special effort to increase investment in innovation by Canadian industry. The sad fact is that General Motors, IBM, and Ford each spend more on research and development in the United States than do all Canadian companies taken together. A significant increase in the research and development tax deduction must be a first priority.

Since our ability to produce food is a precious national asset and we own one third of the world's fresh water supply, we must give particular priority to strengthening our agricultural research and development program. The federal government spends about one tenth of its research and development funding on agriculture. The Agricultural Institute of Canada has warned us that this situation threatens Canada's position as a major world producer and supplier of food.

As the Science Council of Canada has pointed out, the key to innovation is to build and maintain an effective team of human talent. This involves our universities in an expanded role, and it means developing a special incentive for new employment in industrial research, design, and development.

Our policies too must be more than passive or responsive. They must be geared to promote innovation where Canada is best equipped to compete with the rest of the world and by companies which have a clear and unfettered commitment to Canada's interests. The creative talent is there. What is not there and what must be there is national leadership to match that creative potential with our economic objectives. What we need is a focus of all departments of government on the problem of research and development, and not a cosmetic shotgun approach of recycled ideas.

Mr. Deputy Speaker: Order, please. It being five o'clock, I must at this time interrupt the proceedings to proceed to the