

This measure embodies half a dozen differing provisions. The Adult Occupational Training Act is affected. In this respect I believe the government is tinkering with the program. There are to be changes to the Family Allowances Act. Well, if you believe in the principle, why freeze the payments at all? My hon. friend from Grenville-Carleton went into some detail concerning that subject and I do not intend to repeat what he said. Information Canada is gone, the Company of Young Canadians is gone and, as far as I am concerned, I cheer their departure. But what will the saving amount to? I clearly recall being involved in a public relations type business when Information Canada was established. I remember the great glee with which its formation was greeted in the public relations industry as all kinds of people got easy jobs—the only real question asked was whether they were members of the Liberal party. It is a cinch that these people are still working.

The subject of the western grains stabilization legislation has been dealt with by a number of my hon. friends and I do not intend to spend more time discussing it. I shall, however, spend some time considering the effect of the cutting out this year of the Industrial Research and Development Incentives Act. This is disastrous. It is monstrously stupid. It is one of the things, I am sure, that the hon. member for Vaudreuil (Mr. Herbert) was thinking of when he made the comment he did in his now famous letter.

The government has failed in its industrial strategy. It has failed particularly in its support of research and development. The industrial climate in Canada is inhospitable. There is an air of uncertainty around future government actions. The net effect is to discourage the imaginative and aggressive use of investment funds available from most domestic and foreign sources.

Let me review the history of the support given to research and development in Canada. In the early 1960's industrial research and development, which had been growing only slowly, began to respond to incentive schemes offered by the federal government of the day. New research laboratories began to open and existing laboratories began to expand. I need not belabour the point that there was a Conservative government in place in the early sixties. Industrial research and development in Canada increased rapidly from the early sixties, when government incentive programs were first established, to a peak in 1967 or 1968.

Beginning in the taxation year, 1962, a general incentive provision was inserted into the Income Tax Act as section 72A for an experimental five-year period. Under this provision companies were allowed to deduct from their taxable incomes a further 50 per cent of all expenditures in Canada which exceeded expenditure in the 1961 base year period and which were allowable under the act. As presented by the minister of finance at the time, the Hon. Donald Fleming, the principal aims of the incentive were to increase industrial research and development expenditures and to emphasize the vital importance of research activities performed in-house or under contract in Canada. It was also intended to strengthen the research and development capabilities of some Canadian com-

### *Restraint of Government Expenditures*

panies in relation to the research activities of their parent companies abroad. The single base year was used to enable corporate taxpayers to earn substantial tax benefits.

The five year experimental period was chosen because, under normal circumstances, experience with the operation of the incentive would indicate fairly quickly how it could be improved. This was also a long enough period to enable companies to plan research and development expenditures sufficiently ahead of time.

● (2110)

Despite advice to the contrary from the Science Council of Canada, the Liberal government dropped the incentive under Section 72A and late in 1966 introduced IRDIA, the Industrial Research and Development Incentives Act, which received Royal Assent in March, 1967. In the literature issued at the time it was described as a grant-based incentives assistance program specifically intended to replace 72A. Later the Science Council once more suggested the removal of IRDIA, replacing it with a tax incentives program similar to that which had been in effect from 1962 through 1966. I repeat that, Mr. Speaker, because it is important to note that what the Science Council wanted to do was replace the act by a different program. What the government is doing now is to remove it completely and replace it with nothing.

Why am I so interested, Mr. Speaker, in the Industrial Research and Development Incentives Act? One of the major users of that act is Northern Telecom. Northern Telecom has a major plant in the city of Belleville. Before my colleagues on the left start to howl too loudly about wanting to nationalize this Canadian company, let me tell them that there are something like 48 jobs that have been terminated in that plant in the last week, and I am concerned about it. Canada is small and is getting smaller in so far as its secondary manufacturing industries are concerned. Manufacturers find it harder to compete now than they did six years ago. Profits are down and, inevitably, so are the research budgets.

Canada has a lamentable record when it comes to industrial research and development spending, lagging behind every major industrial nation. In terms of international comparisons, given the size of the Canadian economy, the effort regarding research and development is going from bad to worse. According to the latest figures I was able to obtain, Canada was seventh, behind a number of other countries. Our spending on industrial research and development, expressed as a percentage of real domestic product, was 0.41 per cent, a quarter that of the United States which was at 1.61 per cent.

Funds spent on electrical products in the field of research and development are second only to funds spent on research and development in the chemical field in Canada. Northern Telecom, a Canadian owned company, produces approximately one half of the shipments of all electrical goods in this particular sector. Again, this Canadian owned company employs about one half of the total number of scientists and engineers specialized in research and development in the electrical industry in Canada. Northern Telecom has a positive