Defence Industry Research Program; DIP, the Defence Industrial Program, industrial design assistance programs and programs to enhance productivity. They are considerable in number.

I should also like to remind the House of the provisions of the existing Income Tax Act, section 37(1)(b), which allow the manufacturer to write off his capital equipment purchased for research purposes in one year. There are other measures I could mention, but I shall mention only two. The first is incentive grants under DREE, which are aimed at assisting industry to establish itself in areas of slow growth. The second measure, which is very successful and popular, is the in-plant training program sponsored by the Minister of Manpower and Immigration (Mr. Mackasey). This program has allowed many Canadians to learn skills within a plant to the full advantage of the plant or the firm, and the employee.

There were three particular measures mentioned by the Minister of Finance in his budget which will provide additional stimulus to new technology and innovation. I refer to the proposed two-year write-off provision with regard to machinery and equipment used in manufacturing and processing, and to the reduction in the corporate tax rate which will enable otherwise marginal projects to get off the ground and to offer a possible profitable return where none existed before.

I refer, thirdly, to the decision of the Minister of Finance to remove the 12 per cent federal sales tax on purchases of scientific research and development equipment used in the testing and development of new products and processes. Based on current expenditures by Canadian industry on research and development equipment, this is equivalent to a saving of approximately $4 million annually. I am confident that this saving will represent an increased expenditure in research and development activities by all firms, to the long-run benefit to all Canadians.

It has been claimed by some opposition spokesmen that these measures will result in higher profits for the few, at the expense of the many. I think it is worth noting that there is no better guarantee of increasing jobs than a profitable, growing business. Businessmen commit their capital funds, whether they be for new machinery, new plant or research and development, when there is a chance to make a profit. That is precisely why the Japanese have spent so heavily on research, development and innovation. Obviously, the critic of the NDP, the hon. member for Waterloo (Mr. Saltsman), understands the meaning of the profit and loss system. I believe he is an entrepreneur. His leader gives no indication that he understands how the system works.

I should like to comment on one or two aspects of the government's policy on foreign ownership and, more particularly, the implications surrounding the acquisition of control of Canadian business enterprises. The takeover review policy is aimed at prohibiting the takeover of control of a Canadian enterprise when there is no significant benefit to Canada. In my view, these measures go hand-in-glove with the general thrust of the budget provisions aimed at strengthening and developing our secondary manufacturing and processings industries and, in particular, strengthening their innovative capacity. The takeover control measures are an essential element in the development of distinctive competence by Canadians in new technology and high technology industries.

A particularly important part of the Minister of Finance's budget was his decision to reduce the corporate tax rate on the manufacturing and processing profits of small firms from 25 per cent to 20 per cent. It is among the smaller firms that entrepreneurial activities are often most pronounced, and there is very good reason for this. The larger the corporation, the more difficult it is to innovate. The larger the firm, the more bureaucratic it becomes and the more it struggles with the problem of how to organize for innovation. That is why small, high-technology Canadian firms are a prime takeover target for foreign corporations. It is not the only reason, but it is often the principal one.

There are a number of other reasons why a foreign corporation may wish to acquire a Canadian corporation. It may be to eliminate a competitor, or perhaps to obtain a marketing arm for a product which a foreign corporation wishes to introduce into the Canadian market. It may be to obtain a source of supply which it does not now have. It may be to broaden the product line by acquiring new technological expertise, or it may be to update its own technology with the latest innovation. If it is the latter reason, that is, to broaden product lines through new technology or update its own innovation, and if the result is at the expense of future Canadian growth, that seems to me a reason for real concern, a concern held by all members on this side of the House. That, in my view, is one of the key features of the new bill on takeovers which reinforces the budget support for competitive, growing industries.

I should like now to spell out some of the specific ways that the budget proposals and the takeover policy interact and reinforce one another. The low rate of tax, which was 25 per cent and is reduced in this budget to 20 per cent on the first $50,000 of taxable income which can be accummulated up to $400,000, is a two-edge sword. I am not sure that opposition members appreciate the two edges. First, it encourages young and growing, innovative companies. I think probably they have not seen that. I am not sure they have seen the second, because it applies only to Canadian-controlled companies.

• (2120)

The benefit is not available to foreign-controlled companies. Secondly, if the foreign-controlled corporation were to purchase a small Canadian firm, not only would it lose the low rate of tax but it would have to pay a penalty equivalent to the amount of the benefit the small firm had earned during the period of the tax incentive. That in itself is a significant encouragement to the Canadian-controlled corporation.

The Minister of Finance in his speech on budget night also referred to the tax deductibility of the interest on funds used to purchase another corporation. This interest deductibility applies now to Canadian corporations which would be interested in making a purchase of another Canadian corporation. It places them now on all fours with United States corporations.