Initial consultations with industry representatives have highlighted concerns about the definition of R&D for tax purposes. It has been suggested that the term itself be changed from "scientific research" to "research and development" thus emphasizing the equal weight given to the development aspects of the R&D process. The possible restrictive nature of the current requirement that expenditures be *wholly* attributable to research may warrant re-examination. Further, within the context of the general definition of R&D, the meaning of development with respect to software for commercial exploitation should be clarified.

A resolution of the R&D definition and SRTC application issues would help provide industry with confidence in the stability of the tax system, thereby contributing to a favourable investment climate. A number of other issues may be worth considering at the same time:

- How to promote the R&D efforts of the small business sector, particularly when these firms are in their start-up stage.
- As mentioned earlier, there is a rapidly growing number of cooperative industrial research ventures in other industrialised nations pursuing long-term projects. Are there ways to facilitate more such initiatives by Canadian business?
- Any possible implementation of selected issues to improve the R&D investment climate would have to be made in the context of fiscal restraint.

ii) Grant Programs

While tax incentives are primarily used by larger firms with well established cash positions, grant programs stimulate small businesses not yet earning the profits to which incentives can be applied. Grant programs also encourage large established firms that need to innovate to remain internationally competitive.

As approximately one-third of all Canadian private sector jobs are found within the small business sector, grant programs are an essential element in maintaining and increasing national employment levels. For example, the $41 million in 1983-84 IRAP expenditures is expected to help generate between 7,000 and 10,000 person years of employment. In an overall review of government support programs, the Wright Task Force highlighted the effectiveness of the administration of IRAP.

Small businesses are located throughout the country, so grant programs geared towards them have a positive regional impact. Consideration could be given to coordinating the administration of all government support programs to industry, at least for the lower scale grants, and administering them through regional offices, such as the Provincial Research Organizations. A decentralized, computer-linked system would bring the decision-making level closer to the actual level of funds disbursement. This would be of benefit to the applicant industries.

The specific government programs are:

I.R.D.P. — Industrial and Regional Development Program

I.R.A.P. — Industrial Research Assistance Program

P.I.L.P. — Program for Industry/Laboratory Projects

D.I.P.P. — Defence Industry Productivity Program

P.E.M.D. — Program for Export Market Development

Both the Lamontagne Senate Report, A Science Policy for Canada and the Report of the Task Force on Federal Policies and Programs for Technology Development (the Wright Report) recommend that an overall critical review of government grant programs be conducted in order to simplify application processes and shorten response times. The ultimate objective of such a review might be the most effective delivery of R&D and innovation incentives to industry. One concern of this review might be the level of export activity generated by each program.