

Canadian Challenger, the new helicopter plant and so on. In the process, we have denied small business and entrepreneurs the type of tax based incentive system that would induce individuals to share in the risk that is natural in any research and development initiative. A lot of smaller scale ventures encouraged by a very rewarding income tax system will lead to much less wastage of limited public revenue than a few large-scale losers that are now hanging like a millstone around the necks of future generations of Canadians.

So we have to find ways to increase the inducement for the private sector to do more research and development in Canada. Out of the 1.3 per cent of our Gross National Product which we invest in research and development, the private sector commitment is about one-half, between .5 and .7 per cent, compared, as I indicated earlier, with 1.6 to 2 per cent of GNP in other major industrialized nations.

● (1620)

I have with me, Mr. Speaker, a table indicating how the government support for research and development breaks down. I would like to read a couple of those figures to the House for interest's sake. The in-house research of the federal Government consumes about \$1 billion of expenditure per year out of a total of the \$5 billion national commitment to R and D. The grants in aid which are directed toward that very important fundamental research in universities amount to about \$440 million. But the industrial support for research and development in the private sector takes the form of the NRC industrial programs sponsored by the National Research Council, the Enterprise Development Program offered by IT & C, and the R and D tax credits contained within the Income Tax Act. All of these in total only amount to some \$360 million. Thus we are spending three times as much on government laboratories as we are on private sector R and D in the country.

And, we wonder why there are no opportunities for the young engineering and science graduates and the young people with Masters and doctoral degrees. Why are they not working in the private sector? It is because we have created a self-perpetuating life in the academic sphere and in government laboratories, instead of cultivating the instinct to take all of that brilliant knowledge that evolves out of our academic institutions to be translated into real and meaningful devices and products that the world requires. That is the challenge that faces Canada, Mr. Speaker. We must create a tax climate so that those ideas are drawn out of the universities and encouraged to flow rapidly through a process of evolution, proof-testing and comparison with other products to evolve eventually into world-class competitive products which can be sold more cheaply and which are of at least as high a quality as those produced in any other country in the world. That is where we are failing and that is where the initiatives presented in this proposed amendment to the Income Tax Act falls sadly short of what is required.

Finance Department officials have estimated that the additional impact of the R and D tax credits and the flow-through

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provisions contained in Bill C-2 will generate at best about \$100 million of additional tax expenditure over the present \$225 million of tax expenditure which is going into R and D. That \$100 million of additional tax expenditure by the Government is only one-tenth of what it spends on all of the government laboratories and it is only one-fiftieth of our total R and D commitment of \$5 billion, which is still only half of what it should be. What the income tax amendment to the R and D tax credits does is to increase the incentive to do research in the private sector by something in the order of one one-hundredth of what is required. The amendment is only 1 per cent as powerful and significant as what is required to get the private sector really rolling along and doing much more research and development in the country.

If we followed through with the complexity of the means of claiming the R and D tax credit, the complexity of an investor investing in the flow-through shares that are provided for in this Bill and the cost of accountants, lawyers and tax experts for determining whether or not a company could qualify for these initiatives, and then looked at the pitiful size of these benefits, we would have to conclude that there really is not very much in this amendment. In fact, as a result of the rescinding the old incremental tax provision which allowed some rapidly growing high-tech companies to claim a super depletion allowance which was more than the cost of their R and D investment, many of the most rapidly growing high-tech companies will receive lower benefits under this Bill than they would have under the old system.

In a moment I will conclude my comments, Mr. Speaker, and I hope that we will deal with this matter in greater detail at committee stage. But in concluding, I would just like to reiterate that if R and D performers think they are going to get a 20 per cent or 25 per cent tax credit out of these measures, they will find that they are only getting half as much as they think they are after they have diminished their normal deduction for expenditures on R and D. Here once again the Government is promoting a deceit. The Minister of Finance is going across the country saying that we are doing all of these great things for R and D when in fact our national commitment to encourage and support R and D in the private sector is between one-fiftieth and one one-hundredth of what it ought to be if Canada is to get on that great golden wave of opportunity and not be left behind by the other rapidly developing industrialized nations around the world.

Mr. Cullen: Mr. Speaker, I listened very carefully to the Hon. Member and I heard him use the expression: "The amount is pitifully small". Some of the figures he was quoting were not what I would interpret as being pitifully small, particularly as they affect the taxpayer. I heard him mention figures like \$5 billion. I am wondering if the Hon. Member can tell us, from his research, what the over-all global amount is that is being spent on R and D. I am not referring to percentages but to a global figure.

Mr. Siddon: Mr. Speaker, I would be happy to do that. In fact, in the present fiscal year, Canada is committing about \$5