



CHAPTER 7: *The R&D Infrastructure*

IN THE FUTURE, the success of any economy will depend on its ability to become increasingly knowledge-intensive. This requires a mix of talented people, innovative ideas, a sophisticated research and development (R&D) infrastructure, as well as an ability to market test and commercialize the fruits of research. Canada is well-positioned in all of these areas. Industry, governments and universities — the three pillars of R&D activity — are working together to ensure that first-class researchers, laboratories and testing facilities are available across a broad spectrum of emerging technologies.

THE FAVOURABLE R&D ENVIRONMENT

The government of Canada has created one of the most supportive R&D environments to be found anywhere in the world. This is in part due to generous tax incentives and in part to highly competitive salary levels for skilled technical personnel.

Many foreign firms have already capitalized on Canada's very conducive R&D environment. In fact, among the major Organization for Economic Cooperation and Development (OECD) countries, Canada has had the highest share of total business R&D expenditures financed by foreign-owned firms. More than half of Canada's top 50 R&D performers are foreign-owned.

Increasingly, multinational enterprises are funding research and locating independent facilities in Canada. The following is a partial list of those with strong R&D capabilities in Canada.

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| ✦ AT&T Global Information Solutions | ✦ Allied-Signal Canada Inc. |
| ✦ Astra Pharma | ✦ Canadian Marconi Co. |
| ✦ Connaught Laboratories | ✦ DuPont Canada |
| ✦ Ericsson Communications Inc. | ✦ General Motors of Canada |
| ✦ Glaxo Canada Ltd. | ✦ Hewlett-Packard (Canada) Ltd. |
| ✦ IBM Canada Ltd. | ✦ Marion Merrell Dow (Canada) Inc. |
| ✦ Xerox Canada | ✦ Siemens Group |

The key attractions of Canada's R&D environment are:

- generous R&D tax incentives allowing immediate write-offs for current and capital R&D expenditures plus tax credits of 20 percent or more;
- significantly lower after-tax costs of performing R&D in Canada compared to other advanced industrialized countries;
- a solid R&D infrastructure that links industry, government and universities in numerous industry-specific networks;
- a well-educated, innovative work-force that costs considerably less than the equivalent in the U.S.; and
- strong protection of intellectual property rights.