

and it seemed to me that this was a better based scheme than the present one of grants in aid.

**Senator Lang:** If we revert to the general tax incentive that we had in the Income Tax Act a few years ago and with the proviso that any company claiming those deductions could not patent the results of the research done, what effect would that have on companies taking advantage of that setup?

**Mr. Mackenzie:** I think it would kill them.

**Senator Bourget:** From the example you have given us, when you took over the research, the preliminary research made in the United States, did you act to bring in researchers from the United States to Canada to help develop this project?

**Mr. Mackenzie:** No. It was done very largely by people already on our staff. I do not mean that there was not an exchange between people, but the group we had in Edmonton was recruited—I cannot think of anybody who was not a Canadian.

**Senator Bourget:** Did you find it difficult to get good trained men for research?

**Mr. Mackenzie:** It is difficult but it is possible. We were very fortunate because we got off on a very good foot. When Dr. C. J. Mackenzie retired as chairman of the National Research Council, I persuaded him to join Chemcell and his mere presence there attracted a lot of good people to it. This is what attracts good research people—to be working with people who are knowledgeable in this field. He had retired from the Research Council activities but he then devoted a lot of time to building up our little research organization in Edmonton. It was small but very very good.

**Senator Bourget:** Did you send them to the United States or somewhere else to get better trained?

**Mr. Mackenzie:** We did not send them to universities. There was a continual interchange in the research establishments of the same nature in the United States, people going backwards and forwards all the time, exchanging notes. But these were all qualified people who had Ph.D.'s and so on; they were not people going back to university.

**Senator O'Leary (Carleton):** Do American companies as a rule supply scientific informa-

tion to subsidiaries in Canada? Is this the rule or are there exceptions?

**Mr. Mackenzie:** I suppose there are exceptions but certainly in my experience a great many companies have this access to the research of their parent company.

**Senator O'Leary (Carleton):** If they became competitors of the parent company in world markets, would that rule still apply?

**Mr. Mackenzie:** What they do with the product is probably a different field, but on the question as to whether they have access to the information, I would say most of them have access to the information.

**Senator Grosart:** In the Edmonton case, you told us that the parent company or the international company took over the American market, for obvious and understandable reasons. What is the position about the 30 or 40 other markets that you mentioned? Are they not likely to say that the American branch or the American plant will take over, if conditions are favourable to those 30 or 40 markets, from the Edmonton plant? Is this so?

**Mr. Mackenzie:** I suppose these things could happen. I do not think they are likely to happen, because there is a very substantial investment in this plant in Edmonton and it is in everyone's interest to keep it viable and profitable. It would not make any sense if the parent company took all this business away. Chemcell has Canadian shareholders as well, it is not 100 per cent American owned. We lost the American business because the parent decided to put in their own plant. If they had not, someone else would have done so.

**Senator Bourget:** Are you producing the same product at a cheaper price than is the United States?

**Mr. Mackenzie:** I do not know if it is cheaper but there is a tariff in the United States, a tariff of 12 per cent I think. We still have these worldwide sales to 35 or 40 countries and we have every reason to suppose that they will continue, based on the economics of the situation.

**Senator Grosart:** What troubled some of us is that it seemed obvious that the decision will be made in relation to the interests of the international companies as such rather than in the interests of Canada.

**Mr. Mackenzie:** This is an ever present worry but it is something that comes with the