

EVIDENCE

Ottawa, Thursday, April 21, 1988

[Text]

The Standing Senate Committee on National Finance met this day at 11.00 a.m. to examine the Main Estimates laid before Parliament for the fiscal year ending March 31, 1989.

Senator Fernand-E. Leblanc (*Chairman*) in the Chair.

The Chairman: Honourable senators, our first witness this morning is Mr. Alan Cobb from the Minister of State for Science and Technology. Mr. Cobb, you may proceed with your opening statement.

Mr. A. L. Cobb, Director General, Universities and Research Councils Branch, Ministry of State for Science and Technology: Mr. Chairman and senators, I am not sure that I will entertain you, but I will do my best to inform you. We at the Ministry of State for Science and Technology are pleased to be your first witnesses as you examine the federal government's matching policy for the funding of university research. Ours is a policy ministry as opposed to an operating department, and I shall therefore restrict my opening remarks to an explanation of the matching policy, its financial provisions and the overall results of the program to date in its first year. I shall leave the more detailed explanation of how the policy is implemented to the three research grant councils who will be appearing before you at a later time, but I will do my utmost to answer any questions you might have.

The matching policy for university research was introduced in the February-1986 federal budget as part of the first-ever five-year financial plan for the three research granting councils. Under this financial plan, the base budgets of the three councils were increased above previously approved levels, with the result that their total base budget, or base funding, was established at the 1985-86 level in current dollars through to the fiscal year 1990-91. The total base budget allocated in that announcement in the federal budget of 1986 amounted to just over \$2.7 billion for the five-year period.

At the same time, the federal government introduced a new policy to match private sector contributions to university research with equal funding to the three research granting councils. To support this matching policy the government committed itself to an additional \$369 million over four years to 1990-91. Since the matching policy and the associated funding were to come into effect only on April 1, 1987—that is, just over one year after it was announced in February 1986, the budget provided a one-time bridging allocation of over \$25 million for the 1986-87 fiscal year.

As recently as last August, the government announced a further \$11 million increase in the matching ceilings for the year just passed as one of the first initiatives under InnovAction, the Canadian strategy for science and technology. As a result of

[Text]

that latest increase, the new four-year maximum for the matching grants policy is \$380 million. It is divided annually with \$44 million for last year, the first year of the policy, \$69.7 million for this year, and \$110.3 million for next year. In the final year of the five-year plan, \$155.7 million is allocated. These amounts for the matching policy are in addition to funding provided to the base budgets of the granting councils. Last August the government announced an additional \$7 million for the National Sciences and Engineering Research Council to support microelectronics research in universities as part of the earlier-announced federal microelectronics strategy.

To summarize the financial context, the total funding for university research channelled through the three research granting councils for the five-year period to 1990-91, including the private sector contributions under the matching policy, amounts to just over \$3.4 billion. This is an increase of over \$1 billion, or more than 50 per cent, compared to the previous five-year period from 1981 to 1985. The matching policy provides the opportunity for future growth in the funding available to the councils to support university research. In fact, when the base budgets and the \$380 million in federal matching policy funds are added, the councils' budgets will increase by an average of more than 5 per cent per year over the five-year period of the financial plan. University research will benefit further from the \$380 million or more that the private sector will contribute to universities that also triggered the federal matching funds. I might add that the federal government, mainly through the three research granting councils, provides about 60 per cent of all external funding of sponsored research at universities. The universities, in turn, perform about 25 per cent of all the research conducted in Canada.

Senator Stewart (*Antigonish-Guysborough*): Are we talking constant dollars here?

Mr. Cobb: They are current dollars.

Senator Stewart (*Antigonish-Guysborough*): So we have to discount these percentage increases to the extent of inflation?

Mr. Cobb: Yes.

Senator Stewart (*Antigonish-Guysborough*): In other words, what appears to be an increase may in reality be a level situation or, indeed, a decrease?

Mr. Cobb: Depending on the level of inflation, that is correct.

Senator Hicks: And 5 per cent would be the critical inflation rate? If the inflation rate was more than 5 per cent per year, the real dollar value would actually decline, would it not?

Mr. Cobb: That is correct. I would draw to the attention of senators the forecast of the Minister of Finance in respect of future projections for inflation rates.