

Income Tax

and capital expenditures on scientific research will be a prepayment of tax payable. It will be a deduction from tax that is owned to the government. This is a very good, positive, concrete move, that is estimated to be worth \$35 million to \$40 million in this current fiscal year.

The reason I feel it is such a good move is that primarily it means there will be less government involvement and interference. This is to be admired. We have heard comments from both sides of the House, as well as across the country, on the problem of government interference. This gives industry the advantage of making the decision on what it wants to do and when. They are best fitted to make these kinds of decisions. It also avoids the bureaucratic involvement and the delays associated with this.

I wish to contrast this investment tax credit with another piece of good legislation that has gone through recently, but had handicaps because of the bureaucratic involvement. I refer to the Enterprise Development Program. The minister said it would be less cumbersome, there would be less paperwork, and it would be easier to administer. As far as the simplification of dealing with all the government alphabet programs is concerned, it was certainly a move in the right direction.

Unfortunately the bureaucrats in the department have managed to do a complete inversion and have made this simplification into a multiplication of paperwork and of the bureaucracy involved. They have managed to effect results contrary to the intentions of the government. It will be very advantageous if we can manage to avoid government involvement in the decision-making process as much as possible, leaving industry to make the decisions it is best able to make. For this reason I commend clause 61 of Bill C-11 and encourage the government to proceed more in this direction than in the direction evidenced by the Enterprise Development Program.

There is no question that to increase the number of jobs in this country in the long term, we need more industrial research and development. It has been well shown recently that high technology industry creates many more jobs than a low technology, more mature type of industry. I refer here, for example, to the textile industry and the footwear industry where increased involvement with technology in recent years has been minimal, as has been the creation of new jobs.

In high technology areas, especially in the electronics sector, we have seen very small companies increase in size quite dramatically in the last few years, with a consequent increase in the number of jobs available. There are several studies to verify the comment that it is the high technology industry which is creating the most jobs. Therefore as a government we should be doing more to encourage industrial research and development, especially in the high technology area of industry.

There are two areas which we can use to tackle this objective. One is in the small Canadian-owned and controlled companies involved in high technology. I refer to the electronics industry as a good example of this. Relatively good

[Mr. Maine.]

progress has been made in encouraging some of these companies.

The "unsolicited proposal aspect" of the "Make or Buy" government program should be increased. At present it receives \$12 million per year funding. It has demonstrated beyond any criticism that it has been very successful. We need more of that type of encouragement to increase the results and effectiveness.

If I am criticized for advocating more government spending, I would say it should not increase spending but divert money to this area which is very effective in creating jobs. Not only will it have the effect of creating high technology jobs, but in the long term there will be a much larger increase in jobs created for the technology applied to products by these companies.

If we really want to make a serious dent into the industrial area in this country, we have to tackle the large industries which make up the bulk of the industrial sector of the economy. When we talk about the large industries in this country, the ones which really have some effect on the economy, whether we like it or not, we are talking about multinational corporations. A large number of these multinationals are U.S.-based. We have to seek the reason why there is not more industrial research and development being done in Canada by these companies. We need to consider what we can do to encourage an increase in research and development in Canada by these companies. It is in this vein that I wish to draw the attention of the House to an article I came across earlier this year in *Forbes Magazine*, the issue of December 15 last. I think it explains very well why we do not see more industrial research and development being carried on by subsidiaries of large U.S.-based multinational corporations.

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This article was written at a time when a change was proposed by the U.S. Treasury to increase the amount of money U.S. corporations were repatriating from foreign countries where their subsidiaries were operating. Let me briefly give a resume of the change which was proposed by the U.S. Treasury. Essentially U.S. companies could deduct the cost of research and development done in the United States against the cost of operations in foreign countries as a legitimate cost of doing business there. Applied to Canada, this meant Canadians were paying for research to be done in the United States by U.S. corporations and citizens. So why should these multinationals do research in Canada? They are already getting paid by Canada for doing it in the United States. There is no incentive at all for them to adopt a practice of spending money and doing research anywhere other than in the United States. This, of course, creates high technology jobs for their own university graduates. It is of no help to Canada, however, which also wants jobs for its university graduates in these high technology fields. The change which the U.S. Treasury proposed was to increase the amount of money which U.S. companies could repatriate from U.S. subsidiaries in foreign countries.