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## Economic and Fiscal Update – What to Expect

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On November 23rd, the Minister of Finance will be presenting the Government's Economic and Financial Update. This document usually lays out where the Government is at and the likely issues that might be addressed in the Budget presented the following spring.

Although this update is expected to cover a broad range of issues, we expect that it will provide further clarification of the Government's science and technology agenda. You may recall that the 2006 Budget tasked the Minister of Industry (Mr. Bernier) and the Minister of Finance (Mr. Flaherty) with reviewing Canada's science and technology policies. This review has been underway since that point in time and has included the Council of Canadian Academies Survey released recently and posted on the CFBS web site Policy pages under the title "Science Under Review".

The review is not a simple matter given the large number of federal agencies involved in carrying out and/or funding science related or R&D activities within their organizations or in the private and academic sectors. The analysis is not complete. As well, Treasury Board has a study underway related to government laboratories and discussion on the Federal Government's current and future science needs is underway. With all of this activity, one should expect change, albeit reasonably measured and probably over a fairly long period of time. There appears to be a good understanding of the need for both basic and applied research, but at the same time need to demonstrate that such research meets the Government's expectations regarding clear objectives, accountability and results.

Part of the challenge relates to sustaining the level of growth since 1997 in federal contributions towards R&D. I recently met with Guy Bujold, Assistant Deputy Minister, Science and Innovation Sector, Industry Canada, who noted that "We lead the G7, and rank second in the Organization for Economic Cooperation and Development, in terms of higher education expenditures on R&D as a share of GDP, or HERD, and we perform well on output measures, including the quantity, quality and relevance of the academic research we produce. However, there is still more work to be done to enhance Canada's productivity, competitiveness and prosperity."

For instance, I believe we're all aware that one area where Canada does not lead is in research supported by industry. While this may reflect the realities that we depend heavily on our natural resource base and that much of our industry are "branch plants", the Federal Government's expressed concern over this lack of research carried out in Canada by both Canadian and foreign companies doing business in Canada resulted in the Rotman report that suggested encouraging development and access to highly qualified personnel that can deliver the need for individuals to create and produce new products in an efficient manner  
<http://www.strategis.ic.gc.ca/commercialization>.

In terms of sustaining Canada's investment in research, we must remember that every comparable country is rapidly ramping up their science related efforts. The recent article in the Economist (October 7, 2006) entitled "The Battle for Brainpower" make very clear the challenge Canada faces.

While the Update is being tightly held until it is released next Thursday, the Minister of Finance has made a number of comments that suggest the Government will be proposing changes to transfer payments related to secondary education (conditional of course on provincial agreement). As well, some tax relief/tax credits or other kinds of assistance can be expected as encouragement for industry based R&D. One can also expect general comments on the Federal Government's direct involvement with R&D activities and funding although we will have to wait for the 2007 Budget for details. We can expect the Standing Committee on Industry, Science and Technology to weigh in on the commercialization issue and thus provide another opportunity for input.

My experience with these kinds of policy documents is that they can be very general. In talking to research managers within the Federal Government, their advice has been to read the document carefully and if it is not clear, ask for clarification before the next steps leading to the 2007 Budget get cut into stone. We will provide access to the Update as soon as it's available and would appreciate your reading it and advising us of issues that are not clear. We will seek clarification as rapidly as possible.

As a matter of interest, the House of Commons has apparently agreed to adjourn from November 29th through to December 4th, 2006, due to the Liberal leadership convention. And I suspect that the session will likely adjourn soon thereafter for the Christmas break so you may have an expanded opportunity to meet with your Member of Parliament when they return to their riding. Please take the opportunity to meet with them or their staff regarding the value of your research activities and how your efforts fit into resolving the challenges facing Canada.