



Attention: Business, Technology, Science and Economics Editors and Reporters

R&D in Canada in Decline According to New Study

Toronto – March 14, 2005 – Today, The Impact Group released *The Demographics of Industrial Research in Canada 1994-2000*. This in-depth study of Canadian industrial R&D performance over a 7-year period shows that industrial R&D is eroding in Canada.

While the amount of money devoted to R&D in Canada nearly doubled from 1994 to 2000, the total number of companies performing research remained essentially static. In total, there were 11,132 companies performing R&D in Canada in 1994 and 11,437 in 2000. During a period of unprecedented economic growth, 9 out of 10 provinces showed a decline in the number of industrial R&D performers. Only Québec showed a net gain, increasing the number of companies performing R&D in that province by 21.7%. Looking at a regional picture, Western Canada lost 32.7% of its performers, Atlantic Canada was down 22.2%, and Ontario lost 14%.

Across 46 industry sectors, only 16 increased the number of companies performing R&D, while 30 showed a decline. The 16 posting an increase are both from the hi-tech as well as more traditional sectors: Computer and related services, Scientific and professional equipment, Textiles, Other services, Aircraft parts, Electronic parts and components, Motor vehicle parts and accessories, Rubber products, Other utilities, Pharmaceutical and medicine, Machinery, Agriculture, Other transportation equipment, Electrical power, Logging and forestry, Primary metals (non-ferrous).

Not all companies perform R&D on a consistent basis. From 1994 to 2000 a total of 25,161 companies performed research. Of that group only 9.4 % of companies did research all 7 years, while 34% engaged in R&D activities for only one out of the 7 years. These figures indicate that R&D is an on-going activity in relatively few firms.

Counting the number of companies performing R&D in Canada, the majority are small firms (less than 100 employees). In 1994, 87% of all R&D performers were small companies and by 2000 it was 85.8%. Medium sized firms (100-499 employees) accounted for 8.6% in 1994 and 10.2% in 2000. The large companies (500 or more employees) decreased from 4.4% in 1994 to 4% in 2000. This small drop is significant as large firms spend the lion's share of R&D dollars. Gaining or losing one large R&D performer has a much greater impact on overall trends and can mask underlying dynamics.

"During the 1990's the policy and business communities delighted in the growth of R&D spending, but failed to notice a pernicious erosion of the base of R&D performers", says Ron Freedman, author of the study. "A healthy economy needs increasing innovation in all sectors. Our data suggests that two thirds are in decline. To reverse this slide we need to reexamine our current federal and provincial innovation policies and programs."

The Impact Group, one of Canada's leading consulting firms, helps organizations concerned with science, technology, and innovation perform in today's knowledge economy. The Impact family of companies includes Research Infosource Inc., publishers of *Canada's Top 100 Corporate R&D Spenders List*, *Canada's Top 50 Research Universities List*, and specialized reports and Research Money, a subscription-based business intelligence newsletter focusing on R&D in Canada. The study was funded by a consortium of federal and provincial government departments and agencies concerned with innovation and research. It is a quantitative analysis of trends in industrial research performance based largely on data from Statistics Canada. More information and a table of contents are available on www.impactg.com.