

Attention Business, Technology and Economics Editors and Reporters

**Business Research and Development Spending Slumps in 2006
According to Canada's Top 100 Corporate R&D Spenders List**

Toronto - October 22, 2007 – Following two years of modest growth, corporate spending on research and development (R&D) was headed back into a slump in Fiscal 2006. Canada's top corporate R&D companies invested \$11.4 billion in R&D activities in Fiscal 2006, a decline of -3.8% over Fiscal 2005 according to *Canada's Top 100 Corporate R&D Spenders List 2007*, released today by Research Infosource Inc. This spending drop comes after a two-year upturn in R&D spending – Fiscal 2005 (4.9%) and Fiscal 2004 (3.0%).

The top 9 companies maintained their positions this year despite 6 companies reporting decreases in their R&D spending. **Nortel Networks Corporation** continued its hold on 1st place on the Top 100 List with R&D expenditures of \$2.2 billion in Fiscal 2006, while still reporting a decrease in spending (-2.2%). This was a significant improvement however over its R&D spending decrease of the previous year (-11.8%). **BCE Inc.** kept its 2nd place ranking with \$1.4 billion in spending in Fiscal 2006, although reporting a large decrease of -13.0%. **Magna International Inc.** with \$652.1 million in R&D spending maintained 3rd place despite a large drop in spending of -20.8%. **Pratt & Whitney Canada Corp.** came in 4th with \$481 million in research spending with a 1.9% increase over 2005. **ATI Technologies Inc.** (now AMD Canada), which placed 5th overall this year, spending \$458.2 million, reported a very modest R&D growth of 1.5%. **IBM Canada Ltd.** placed #6 with \$360 million in spending, and posted the highest gain among the top 9 contenders of 5.0%. **Alcan Inc.** was #7 with \$249.5 million of spending in 2006, a drop of -9.3%. **Atomic Energy of Canada Limited** maintained 8th place with \$246.1 million, while decreasing their R&D spending from Fiscal 2005 by -6.8%. Rounding off the top 9 placed companies with \$196.2 million in R&D spending was **Bombardier Inc.** also posting a year-over-year decrease in their spending of -7.5%.

Research intensity (R&D spending as a percentage of revenue) continued to soften in Fiscal 2006. Overall research intensity for 94 companies where complete data were available was 3.5%, a drop of -6.9% over the 3.7% in 2005.

"It's disappointing that in a buoyant economy where companies are facing growing competition, that they are cutting back on their innovation spending. The corporate sector is not positioning itself for the future", said Ron Freedman, CEO of Research Infosource Inc.

The Fiscal 2006 results qualified 24 companies for membership in Research Infosource's \$100 Million Club (companies that spent \$100 million or more on R&D in Fiscal 2006). This elite group of companies accounted for 73% of Top 100 spending, or \$8.3 billion, which was a spending drop from 2005 of -3.6%.

This year only 54 companies posted R&D spending increases, down from 69 companies last year. Thirty-four companies lowered their R&D spending and 2 companies had zero growth. The top 4 gainers (companies that increased their R&D spending the most) all posted R&D gains in excess of 100%: Western Oil Sands Inc. (347.2%), BioMS Medical Corp. (232.8%), MEGA Brands Inc. (149.2%) and Resin Systems Inc. (146.4%). Companies reporting gains in excess of 40%: MOSAID Technologies Incorporated (97.3%), Cascades Inc. (71.5%), Penn West Energy Trust (68.4%), Syncrude Canada Ltd. (53.0%), Aspreva Pharmaceuticals Corporation (48.0%) and Petro-Canada (47.8%).

By industry sector, the Communications/telecommunications equipment sector accounted for 26% of total R&D spending in Fiscal 2006, followed by Pharmaceutical/biotechnology sector (17%), Telecommunications services (14%), Aerospace (8%), Energy/oil and gas (8%), Software and computer services (6%), Automotive (6%), Computer equipment (4%), Mining and metals (4%), Forest and paper products (3%) and Electronic parts and components (3%).

Regionally, British Columbia's 12 top 100 companies accounted for \$646.5 million in R&D spending or 6% of the total in Fiscal 2006. This represents a decrease of -2.8%. In the Prairies, 15 Alberta companies spent \$718.4 million for 6% of the total. Alberta was the only province reporting positive spending growth, with a huge increase of 19.3%. Manitoba's single entry on the list spent \$35.7 million in R&D, and declined by -19.5% over last year. The 39 companies headquartered in Ontario accounted for just over half (53%) of all R&D spending with \$6.1 billion in Fiscal 2006, falling by -4.3%. Quebec's 32 companies spent \$3.9 billion in Fiscal 2006, down -6.3% over 2005 and accounting for 34% of total R&D expenditures.

The complete *Canada's Top 100 Corporate R&D Spenders List 2007* is available on the Research Infosource website, **www.researchinfosource.com**. An in-depth *Canada's Top Corporate R&D Spenders Report 2007*, based on over 650 companies, is slated for publication later this year. Research Infosource Inc., a division of The Impact Group, is Canada's source of R&D intelligence. Drawing from an extensive database, Research Infosource Inc. publishes *Canada's Top 100 Corporate R&D Spenders List*, *Canada's Top 50 Research Universities List*, and specialized reports.

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Information:

Ron Freedman, CEO, Research Infosource Inc. (416) 481-7070 ext. 31
Janet Sandor, Director of Communications (416) 481-7070 ext. 25