

## Corporate Research and Development Spending Declines by 3% in 2007 According to Canada's Top 100 Corporate R&D Spenders List

Toronto - October 23, 2008 – For the second year in a row, corporate research and development (R&D) spending fell among Canada's Top Corporate R&D Spenders, from \$10.6 billion in fiscal 2006 to \$10.3 billion in fiscal 2007. This represents a drop of -3% according to *Canada's Top 100 Corporate R&D Spenders List 2008*, released today by Research Infosource Inc. ([www.researchinfosource.com](http://www.researchinfosource.com)). In fiscal 2007, 61 firms increased their R&D spending while 37 posted declines.

Despite posting declines in R&D spending in fiscal 2007, Nortel Networks down -15.8% and BCE down 13.6% held onto the top 2 spots on the top 100 list. Magna International held onto 3<sup>rd</sup> place with an increase of 11.3% and Pratt & Whitney Canada remains in 4<sup>th</sup> with a drop of -7.7%. IBM Canada moves up a spot rounding out the top 5 with an increase in R&D spending of 4.7%.

"R&D spending in Canada is heavily influenced by Nortel Networks and BCE and both posted sharp declines in 2007", says Ron Freedman, CEO of Research Infosource. "Removing these firms from the equation, R&D spending grew by 3.3%. However, if we correct for inflation, spending remained flat over the period."

Companies lowered their R&D spending despite increases in revenue. While revenues grew by 9.2%, research intensity (R&D spending as a percentage of revenue) dropped by -12% from 3.6% in fiscal 2006 to 3.2% in 2007.

Only 19 companies made Research Infosource's \$100 Million Club, an elite group of firms that spent \$100 million or more on R&D in fiscal 2007. This is a drop from the 24 companies on the list last year. Club members accounted for only 67% of total Top 100 R&D spending in 2007, compared with 72% in fiscal 2006. These large R&D spenders posted a significant -10% drop in spending, compared with a healthy jump of 15.3% for companies spending less than \$100 million.

<b>\$100 Million Club</b>		
<b>Rank 2007</b>	<b>Company</b>	<b>R&amp;D Expenditures 2007</b>
1	Nortel Networks	\$1.85 billion
2	BCE	\$1.26 billion
3	Magna International	\$725.5 million
4	Pratt & Whitney Canada	\$444 million
5	IBM Canada	\$377 million
6	Atomic Energy of Canada	\$289 million
7	Research In Motion	\$254 million
8	Alcatel-Lucent	\$236 million
9	sanofi-aventis Group	\$207.2 million
10	Apotex	\$181.8 million
11	AbitibiBowater	\$180 million
12	GlaxoSmithKline Canada	\$178.5 million
13	Bombardier	\$149.4 million
14	Ericsson Canada	\$147 million
15	Cognos	\$145.8 million
16	Biovail	\$127 million
17	Pfizer Canada	\$114 million
18	Merck Frosst Canada	\$110 million
19	Hydro-Québec	\$100 million

## Regional Picture

Looking at the numbers by region for fiscal 2007, British Columbia's 12 companies spent \$625.2 million on R&D, a -3.3% drop over last year. In Alberta, the 11 companies on the Top 100 list spent \$512.6 million, a decrease of -11%. In Ontario, 39 companies spent \$5.6 billion, a small increase of 1.2%. Removing Nortel from the mix, gives them a significant jump of 12.4%. Together the 31 Quebec-based companies for which we have complete data showed a decline of -8.2%, in R&D spending for fiscal 2007.

## Industry Sectors

Looking across industry sectors, information technology companies, dominated Top 100 spending in 2007, accounting for 51% of Top 100 spending, a drop from 53% of the total the year prior. The communications/telecom equipment accounted for 27% of the total, down from 28% in fiscal 2006. Standouts were Research In Motion, where R&D spending jumped 42.0% in fiscal 2007, and Alcatel-Lucent, where spending increased by 26.1% over the period. However, if Nortel Networks' result is omitted, this sector accounted for 11% of total spending in fiscal 2007, versus 9% in fiscal 2006. Three companies in telecommunication services accounted for 13% of Top 100 spending, down from 15% of the total in 2006. Taking up the slack were 32 companies in the pharmaceutical/biotechnology sector, which accounted for 19% of total spending in fiscal 2007, compared with 18% the prior year.

## Gainers and Losers

Natural resource companies were well represented among the 10 companies that had the strongest growth in R&D spending. Penn West Energy Trust led the pack with a 435.1% gain in spending. Teck Cominco (88.2%) and Petro-Canada (52.9%) also fared well. So too did a number of information technology firms, led by Corel Corporation (63.7%), Sandvine Corporation (57.9%), and MOSAID Technologies (52.3%). Medicago Inc. (128.4%) led companies in the Pharma/biotechnology sector in growth. A number of household names suffered substantial declines in R&D spending in fiscal 2007, which is worrisome. EnCana and Tembec both reduced their spending by more than 40%, whereas TELUS, Suncor Energy and Axcan Pharma all had declines of over 30%.

The complete *Canada's Top 100 Corporate R&D Spenders List 2008* is available on the Research Infosource website, [www.researchinfosource.com](http://www.researchinfosource.com). 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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