**Executive Summary**

This study was carried out with the view to assessing the prospects for Canadian aerospace firms to increase their involvement in current and future Airbus Industrie (AI) programs. Historically, Canadian firms have been stifled by the complex structure of AI and discouraged by the perception that "European Content" was one of the critical factors in bid evaluations. The Canadian sector's performance in Airbus programs, particulary at the second and third tiers, is manifested through these assertions.

- *The reality is that the current AI structure, with all its complexities, has served as a crucial instrument in Europe's quest to meet the technological challenge to manufacture large civil aircraft. Although there has been a great deal of discussion regarding the adoption of a more conventional "prime contractor" model, the anticipated difficulties associated with this proposition will prevent drastic changes to the status quo in the short and perhaps medium terms.*

- *Firms seeking to do business with the Airbus consortium for the first time, therefore, require a road map to help navigate through the manner in which it currently functions. Accordingly, a significant portion of this report provides practical information to assist firms to get to the relevant procurement decision makers. While cross Atlantic rivalry has resulted in some internalization of inputs, the value of US content in Airbus programs remains more or less equal to that of Europe.*

Discussions with each of the Airbus partners also failed to uncover any specific "European content" requirements, and moreover, the Airbus partners appear to be pushing to become increasingly transparent. The prospects of increased involvement in Airbus programs by the Canadian sector over the short and medium term will depend largely on its ability to respond to the present real "commercial challenges" facing Airbus and its existing supplier network brought about by the environmental changes facing the industry at large. Innovation and proactiveness will continue to be essential ingredients for successful suppliers.

Over the longer term, indeed, the Airbus case also presents some interesting lessons to the Canadian sector and to policymakers. The high cost of program development is transforming the traditional role of suppliers into partners which can offer fully integrated systems and can bear an increasing portion of program risk. Accordingly, we can expect to see much smaller and strategically selected supplier networks in future programs.

The Canadian sector is challenged to respond to these emerging trends by building on its leadership positions in selected market niches. Broadening system capabilities can be accomplished through joint ventures, strategic alliances, or other forms of industrial collaborations. To this end the Canadian sector can learn from the "Airbus model", which is arguably the linchpin of successful international industrial collaborations. The historical perspectives presented are aimed at providing insights on the management of international collaborations and to offer more knowledge about Airbus and the industrial partners as potential significant customers.

The Airbus initiative would also not have been possible without extensive backing from the governments of the participating industrial interests. Emerging trends facing the supply chain of aircraft manufacturers, more than ever, require that they have access to low cost risk capital. Canadian policy makers face a universal dilemma of deciding whether to continue to support its sector, and if so, how to steer its limited resources and policy tools in a manner which will best help the sector to reorganize itself to meet the future challenges.