

The third component of competitiveness is equally important to your industry: investment. Lower cost of capital investment means that companies can afford a longer time horizon for payback on their investments, including investment in R&D. What can be done to increase the availability of investment capital?

For Canadians, part of the solution is to gain control over government spending. Our companies are competing in the capital markets with a federal government that must finance a \$400-billion national debt -- a debt run up by governments that thought they could spend their way to prosperity. That is one major reason why the government places such a high priority on deficit reduction. We're getting there. Government operations now run in the black. This year, our operating surplus will be \$12.7 billion, compared to the \$16-billion operating deficit we inherited in 1984. That is a \$28.7-billion turnaround. Only the interest on the national debt causes our deficits. Next year we will get the deficit below \$25 billion for the first time in a decade.

The government is steadily reducing its heavy demands on the capital markets. In the long term, this should make investment capital easier to obtain for all of you.

But with or without the competition from the government for capital, software developers, in particular, have a tough time finding institutional financing. You face all of the problems encountered by technology-based companies. Competition is growing. You need to finance R&D on a continuing basis. You have a limited window of opportunity within which to reach the market. From a lender's perspective -- whether here in Vancouver, in San Francisco or in Osaka -- these present problems. They are looking for collateral in terms of tangible assets. How do you obtain collateral for your most valuable assets of all: your ingenuity, your creativity, your people and your drive?

The challenge you all face, every day, is making the financial community as familiar with the strengths and opportunities of your sector as they are with the risks. And how can companies like yours tap into opportunities for equity financing? Financing that can lead to strategic partnering on many levels. Financing that gives an opportunity to obtain more than just capital: financing that can secure the technology of a foreign investor, or the new markets of a partner.

Helping business to develop new partners is the purpose of the federal government's Investment Development Program. This program recently launched a software products project specifically designed to foster the creation of partnerships between Canadian and international companies.