

Agreement (FTA), were determining factors in his decision to locate in Thunder Bay rather than in the U.S. Our objective is to broaden collaboration of this sort into all areas that affect our ability to compete. That is the aim of the prosperity consultations.

Meeting the challenge of keeping Canadian innovation up to world standards was seen as a critical element in our science and technology consultations. Canada's Research and Development (R&D) tax regime is recognized as one of the most generous in the industrialized world, yet only four per cent of Canadian manufacturing firms perform any research at all. Research and development is seen as critical to the competitiveness of all firms, but none more so than the SMEs. Yet these firms have the most difficulty financing it, so partnerships among firms and with academic institutions was suggested as a means of meeting this challenge. To support innovation, especially in SMEs, equity participation and measures to encourage banks to behave more like merchant banks were suggested. I know that many of your agencies are becoming more involved in assisting business acquisition of technology to support innovation.

The Steering Group on Prosperity, and Investment Canada organized consultations about ensuring an adequate flow of investment capital to finance the business development and innovation that we need to secure our future prosperity. Talks with nearly a thousand of Canada's key investment users and providers showed they are concerned about our risk-averse private sector leadership and deep-seated resistance to change.

Canadians are looking for the right kind of incentives and rewards for long-term investment, and for ways of encouraging investors to leave their investments and profits in companies so they can innovate and grow. Changes to the capital gains tax structures to encourage longer-term investment thinking were discussed. Other direct measures to encourage the growth of venture capital markets, merchant banks and small capital markets were suggested.

The development of a knowledgeable, patient and entrepreneurial investor community was seen as critical to taking full advantage of the creative genius we have in Canada. The right investment climate is equally critical to innovation, particularly in the SME sector, the engine of job-creation in the last decade. Let's not forget that from 1979 to 1989 fully 86 per cent of net job creation was produced by firms with under 100 employees -- and 81 per cent of that by firms with less than 50 workers. In this regard, changes to the tax system to encourage investment in innovation were suggested. Moreover, Canadians wanted banking, tax and government aid programs to focus more on making it easier for small business to grow. Many questioned regional development