

Aerospace is one of the most R&D-intensive industry sectors in the world. The Canadian industry traditionally invests about 10 per cent of revenue from total sales in R&D. In fact, your industry accounts for over a fifth of the total manufacturing R&D performed in Canada.

That serves as an admirable example to other Canadian industrial sectors. But it is still lower than aerospace R&D in France and the United Kingdom, for example. Aerospace companies in the U.S. invest 17.5 per cent of revenue in R&D.

How are we going to promote more R&D by Canadian industry as a whole? How can we build bridges between the research being done in university, government, and industry labs?

Doing R&D and transforming it into new technology are key elements in a competitive strategy. Equally important is our ability to use new technology.

But here again, the rate of application of new technology to industrial processes in this country is not high enough to keep up with our competition.

How can we enable the small- and medium-sized companies in the sector to rapidly adopt new manufacturing and process technologies?

### Investment

The third issue of competitiveness -- investment -- is equally important to your industry.

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 in Canada?

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.