Written Submission for the Pre-Budget Consultations in Advance of the 2022 Federal Budget

Aerospace Industries Association Canada (AIAC)

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"At national levels in developed countries, the aerospace industry is considered as a highly strategic sector. A solid national aerospace industry is therefore a symbol of strength."[1]

Aerospace is a unique and strategic industry. Its role in national security, special defence trading relationships, the exceptionally long product and investment timelines and the broad societal impacts and applications of its space, defence and aviation innovations, have always required a close partnership with government.

Aerospace's innovation intensity and its STEM employment are three times higher than the Canadian manufacturing average. Canadian aerospace is the definition of an innovative industry and has the capacity not only to bolster our economic recovery but to help deliver on fundamental national objectives.

The spillovers and benefits from public support of aerospace R&D are ubiquitous. From cellular technology to GPS to robotics to our ability to monitor, measure and respond to climate change, aerospace is always on the cutting edge of technological innovation and invention. A strong aerospace industry supports a strong economy, strong communities and a strong, competitive and global Canada.

Canada needs a long-term national aerospace strategy that renews the government-industry partnership, leverages our competitive advantages and positions us to lead in the aerospace sustainability revolution.

Recommendation I: That the government work with industry and stakeholders to develop a long-term national aerospace strategy, that positions Canada to contribute its utmost to solving the global generational challenges we are facing. They key components would include:

a) Aerospace Sustainability Technology Roadmap

b) Defence Industrial Strategy

c) Advanced Air Mobility (AAM) Strategy

d) Space Policy and Plan

e) Workforce and Skills Development Programming

f) SME Supply Chain Resilience and Competitiveness Plan

Recommendation II: That the government make critical investments in Canada's Aircraft Certification and Regulation (TCCA) and in the proposed NRC National Centre for Flight Research, as critical steps in advancing aviation competitiveness, sustainability and innovation.

Recommendation III: That the government exclude aircraft from the Tax on Manufacturing proposed in Budget 2021 and that implementation be delayed until the impacts for industry can be more accurately assessed.

Recommendation IV: That the government adjust its investment programs to take into account the needs of the industry, in particular by reviewing the Strategic Innovation Fund (SIF) and the Aerospace Regional Recovery Initiative (ARRI) as well as provide a better coverage to aerospace through the Hardest Hit Business Recovery Program.

[1] (PDF) Aerospace Clusters and Competitiveness Poles: A France-Quebec Comparison (researchgate.net)

Introduction:

On behalf of our members representing 95% of aerospace activity in Canada, AIAC is pleased to submit our comments ahead of Budget 2022.

These are difficult times for Canadians and the economy. Aerospace has been one of the hardest-hit industries through the pandemic, as acknowledged in Budget 2021. Since April, government research by Innovation, Science and Economic Development (ISED), through a partnership with AIAC, revealed **that Canadian aerospace lost almost 30,000 jobs in 2020 alone and the sector's contribution to Canada's GDP declined by $6.2B[2].**

World passenger travel declined 60% in 2020, and 50% in 2021 over 2019 (ICAO). Global aircraft deliveries/demand declined 59% through the pandemic (Roland Berger). The consensus estimate is that global civil aircraft production will not return to 2019 levels until 2025 at least.

For many companies across the aerospace value chain, particularly our SMEs, recovery is a long way off.

A strong national aerospace industry has arguably never been more important to Canada's strength, security and global position. It is also integral to the resilience and durability of our supply chains and a key contributor to our export capacity.[3] [4]

The Global Landscape

The global aerospace and defence market is realigning dramatically to face new challenges and opportunities. At this time of economic and geopolitical uncertainty, Canada must secure and grow its aerospace industry in a fiercely competitive international market. After years of slippage in our international ranking, we need a bold, future-facing plan, rebuilt on government-industry partnership, or risk ceding our leadership in key aerospace sectors such as civil flight simulators in which we rank first in the world, civil engines and business aircraft in which Canada is also a world leader.

Against this backdrop of new threats and realignments, aerospace itself is entering a transformational era, defined by the global sustainability imperative. Several top (and aspiring) aerospace countries have developed sector recovery and growth strategies with sustainability pillars, to capitalize on the multi-trillion-dollar intersection of aerospace and clean-tech.

Canada has a generational opportunity to centre its national aerospace future around sustainability, across not only aviation but also defence and space. Taking a holistic approach, one that looks at net zero

[2] Still, Canadian aerospace contributed $22.3 billion to the Canadian economy in 2020 and supported over 206,000 jobs in every region of the country. Ibid.

[3] According to the 2020 ISED report, Canada's aerospace manufacturers export 75% of Canada's aerospace products to 186 countries on 5 continents.

[4] According to USTR 202 Report: U.S. and Canadian aerospace supply chains are highly integrated. Canada consistently ranks among the top five export markets for U.S. aerospace goods and received US$9.1 billion worth of exports in 2019 (approximately 60% of total sector exports to Canada). Canada exports more than half of its aerospace exports are to the United States. https://www.trade.gov/country-commercial-guides/canada-aerospace-and-defense.

innovation trajectories to reduce emissions -- as well as the contributions of these innovations to broader climate solutions including greener manufacturing capabilities and technologies -- will be instrumental in re-establishing Canada's leadership over the next 30 years.

Concerted national investment in clean-tech innovation, building on our clean energy expertise, will only enhance our voice on the world stage, in leading by example. We are well-positioned to be a leader in aerospace sustainability. The government has already taken a whole-of-nation approach to climate solutions, set clean-tech innovation as a national goal and has implemented carbon pricing and other regulatory mechanisms to promote change.

Canada needs a long-term national aerospace plan that renews the government-industry partnership, leverages our competitive advantages and positions us to lead in the aerospace sustainability revolution.

The UK offers a striking example of how a strategy spearheaded by both government and industry and built on multi-stakeholder engagement, can drive growth.[5] The UK has also clearly defined its sustainability ambitions with a number of programs such as FlyZero, the Decarbonization Roadmap, the Defence Climate Change and Sustainability Strategic Approach.[6]

Canada's aerospace industry has several priorities coming out of the pandemic, necessary to the competitiveness of this strategic industry and its ability to help drive economic recovery.

I **Canadian Aerospace Strategy**: The top priority for Canada's aerospace industry is a comprehensive, forward-looking national strategy that includes specific measures for civil, defence and space.

After comprehensive review and engagement, the Standing Committee on Transport, Infrastructure and Communities called for a national aerospace strategy in its report of the impacts of COVID-19 on Canada's air transport sector in the last Parliament.

Industry and AIAC set out high-level strategic thrusts in its grassroots Vision 2025 initiative with recommendations for small businesses, growing and upskilling the labour market, creating opportunities in innovation and sustainability, maintaining TCCA's global status, maximizing Canada's leadership in space, and ensuring national defence procurement drives new industrial growth. The vast majority of Canadians also support government action to keep the industry competitive, according to a Nanos poll commissioned by AIAC[7].

We are grateful for the much-needed aerospace funding contained in Budget 2021. Funding, though, does not constitute a long-term strategy.

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[5] In 2010, the Aerospace Growth Partnership (AGP) was established as a strategic partnership between the UK Government, industry and other key stakeholders, to secure the future of the UK aerospace industry. The 2018 Aerospace Sector Deal was developed jointly by industry and government to define the shared strategy, priorities and projects. From 2010 to 2018, the UK aerospace industry's annual turnover increased an incredible 60%. Presently, theirs is the #2 aerospace industry.

[6] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/973707/20210326_Climate_Change_Sust_Strategy_v1.pdf

[7] The full Nanos report can be found here.

Other competitors and would-be competitors have implemented national strategies with clear goals to guide their industries in a rapidly changing marketplace and position their nations for a vastly different future. This national investment in foreign competitor products leave Canadian companies at a significant disadvantage. Increase in national R&D funding is essential for Canadian industries to grow and remain globally competitive.

Canada must do the same.

Based on Vision 2025's national consultations and the experience of other aerospace nations who have implemented aerospace strategies, there are key building blocks or components to a clear and effective strategy that will benefit Canada:

1. **Sustainability Roadmap(s):** To ensure it is keeping pace with the changing aerospace market, Canada needs an Aerospace Sustainability Technology Roadmap. The UK's *Accelerating Ambition* strategy offers a good example.[8]

   Work has begun to renew **Canada's National Action Plan to Reduce GHG Emissions from** Aviation, which may include a Net Zero Roadmap, aligned to Canada's commitment to the https://ukcop26.org/cop-26-declaration-international-aviation-climate-ambition-coalition/. This is a welcome development and AIAC is actively engaged with Transport Canada. At the same time, Canada has the opportunity to set itself apart from other nations with a focus on the entire aerospace ecosystem including Defence and Space in its sustainability policy framework.

2. **Advanced Air Mobility (AAM) Strategy:** A critical milestone in Canada's aerospace sustainability, technology and innovation ambitions will be the space we carve for Canada in the emerging Advanced Air Mobility market. This aerospace capability has vast potential application. It leverages DND's remotely piloted aircraft systems project but is a much broader and more significant pathway to the future of aerospace. Canada's future manufacturers will emerge in this space, benefitting the entire Canadian aerospace supply chain and attracting new young talent to the industry.

   AAM represents an emerging sector with a wide range of commercially-oriented platforms. There is considerable Canadian expertise in the sector. R&D investment in this area would bolster Canadian industry. Global R&D is accelerating dramatically as governments and private capital get on board. In not looking and planning forward, Canada risks falling behind.

3. **Canadian Defence Industrial Strategy:** A defence industrial strategy is critical on many fronts to outline clear goals for procurement policy, sustainability and the scaling of Canadian capabilities.

   A Defence Industrial Strategy would determine opportunities for certain capabilities to promote in Canada and could also help to better define the role of defence in climate adaptation and response, as well as in solutions through R&D and innovation, driving new industrial capabilities

[8] https://www.ati.org.uk/events-media/news-blog/ati-launches-new-uk-aerospace-technology-strategy/
Accelerating Ambition sets out the challenges, opportunities and priorities for UK aerospace research, with a focus on reducing the environmental impact of aviation and raising the competitiveness of the UK sector

and commercial mechanisms to market and sell Canada's defence and security exports around the world.

Here at home, Canada can leverage defence procurement to promote local innovation. This requires a more upstream approach and partnership model to build Canadian capabilities.

The Canadian government should engage in proactive and strategic consultations with its industrial base and consider where appropriate, to co-develop technologies to meet its defence needs and promote exports in the same way it is done elsewhere. In several jurisdictions (U.S., Europe, Brazil and others), governments consult with their domestic industrial base to co-develop products and frequently act as the first buyer, enabling firms to use the procurement as a reference project and calling card to export.

The LANCA program recently launched in the UK is a good example of this kind of partnership. "The Lightweight Affordable Novel Combat Aircraft (LANCA) concept looks to offer increased capability, protection, survivability and information when deployed alongside combat aircraft. It could even provide an uncrewed combat air 'fleet' in the future. [It] also aims to deliver dramatic reductions in traditional cost and development timelines for combat air systems."[9]

As other nations have done with their strategies and cascading programs, Canada can build and retain critical capabilities while bolstering its international collaborations and set priorities for international cooperation. Immediate priorities include:

a) **NORAD:** The US position on NORAD is clear: Threats to continental security are more complex and multi-faceted than they have ever been, and the strategic environment requires a comprehensive approach. Historically, Canada has deferred to US decisions on continental security. However, with developments over the past 5-10 years and a growing US proclivity toward protectionism with "Buy American" policies cropping up across critical Canada-US supply chains and procurement, Canada can no longer afford to outsource its sovereignty in critical areas.

   NORAD modernization offers a clear opportunity, if not obligation for Canada to get ahead in its planning and align its policy to its own national security and industrial objectives, and to ensure Canadian capabilities are bolstered through the initiative.

   Canada could follow the US lead in carving out the technologies that it can lead from a R&D perspective, seizing the opportunity to leverage the development of these projects to meet the broader goals of industrial scaling, innovation, R&D, skilled jobs and economic activity. This approach will also foster national innovation ecosystems and support national objectives such as domestic IP development and protection.

b) **A Canadian DARPA (Defence Advanced Research Projects Agency) or ARPAC** (Advanced Research Project Agency of Canada)**:** The government and Minister Champagne have expressed support and begun private consultations on the establishment of a DARPA like

[9] https://www.raf.mod.uk/what-we-do/team-tempest/lanca/

agency to focus on sectors like aerospace, in which Canada has a competitive advantage, designed to scale up and commercialize research.

In aerospace, where massive investments are deployed in a very long development process, public support and engagement provides much needed stability to bring transformational projects and products to fruition and to market, thus linking public R&D to industry to ensure technology advances transition into products and services, and leveraging ITB obligations with the deployment of related investments facilitating such transformational projects/products.

This is a critical initiative which could streamline procurement. At the same time, it is important that the creation of an "ARPAC" does not stall existing and imminent strategic procurements, in which industry and supply chains are already invested and/or looking ahead to, such as NORAD modernization. CARPA must be an enabler for critical thought and innovation.

c) **NATO Centre of Excellence on Climate and Security**: Industry looks forward to the final steps in design and negotiation for this Centre of Excellence, and to working with the government on this important transatlantic project. As stated throughout, Canada has a unique opportunity to ensure a holistic approach to aerospace sustainability with defence as a vital pillar, and to establish our national leadership on the global stage.

d) Multi Mission Aircraft – This program, identified in *Strong, Secure and Engaged*, has the opportunity to make a significant long-term impact on the Canadian aerospace industry.

Canada should be leveraging our national capability in mission systems, as well as our ability to design, develop, build and certify aircraft and their integration, the ability to design, develop, integrate and certify aircraft as noted by the Prime Minister in his July 15, 2021 address[10] and the expertise that Canada has in AI, digital and quantum domains provide an excellent foundation for this program.

4. **Canadian Space Policy:** To ensure Canada continues to contribute to the society-wide benefits of space research and innovation at home and globally, Canada needs a clear **Space Policy** that sets out national objectives as well as a roadmap to maximize our hard-won leadership.

The UK offers a striking example of how a multi-sectoral strategy, spearheaded by government and industry, can drive growth. The UK space industry – by virtue of a national Space policy that set out to capture 10% of global market share – has tripled in size since 2000, outperforming the global space economy, and enjoying a 5.1% share of the total market (equivalent to $24bn). [11]

[10] https://pm.gc.ca/en/news/speeches/2021/07/15/prime-ministers-remarks-announcing-new-investments-strengthen-canadas

[11] The benefits of the UK's broader aerospace strategy are also evident. In 2010, the Aerospace Growth Partnership (AGP) was established as a strategic partnership between the UK Government, industry and other key stakeholders, to secure the future of the UK aerospace industry. The 2018 Aerospace Sector Deal was developed jointly by industry and government to define the shared strategy, priorities and projects. From 2010 to 2018, the UK aerospace industry's annual turnover increased an incredible 60%. Presently, theirs is the #2 aerospace industry in the world. An aerospace strategy goes beyond funding and discrete regional projects.

From the earliest days, Canada was a pioneer and trailblazer in Space when it was both novel and aspiring. Today, the development of space capabilities and innovation is a critical need. Doing things in Space is no longer a value-added activity, given the absolute reliance we have on space-enabled services to connect us globally, keep us safe while moving about our daily lives and engaging in commerce, while monitoring and acting on climate and environmental changes that can only be done from Space.

Space-based systems provide the persistence and continuity of service no other systems offer. Investing in something so essential for so many is not only a small price to pay, but a sensible business case to make given the value and importance we place on it everyday. Canada must ensure it has a voice in the way space is governed by employing a deliberate strategy that:

- Looks to the future;
- Prioritizes the areas and markets it wants to lead;
- Ensures it has the assets, *structures and stable funding,* to achieve and deliver for its citizens; and
- Is *Whole of Nation comprising leading advocates in industry, academia and government to inform, guide and ultimately institutionalize Space as a national imperative*.

A Canadian Space Policy will:

- Examine the approaches other like-minded nations have with respect to funding and investment priorities for Space R&D; Understand how public procurement programs can be accelerated or brought forward to support jobs and cash flow and promote transparency;
- Evolve business support measures to incentivize large OEMs to work with SMEs;
- Establish global trusted partnership resource sharing agreements to ensure continuity of operations/services during periods of unanticipated market fluctuation.
- Examine ways to secure and grow National supply chains for space initiatives in all market conditions.
- Establish a government reward-based funding model that could drive R&D space innovation and employment within Canada through international investment (via NATO allies/Five Eyes) and international partnerships with Canadian companies/agencies.

5. **Workforce and Skills Development Programming:** Canada's aerospace industry has one of the most skilled workforces anywhere in the world. We need to support these workers and grow the workforce through **skilled labour programs**, partnerships with post-secondary institutions, industry-government collaboration and cooperation with Employment and Social Development Canada and across government (and with provincial governments) to ensure we have the workers for high-paying, value-added jobs.

Encouraging and supporting STEM mentorship and internship programs in aero and space fields is needed, if Canada wishes to both attract and retain the best and brightest talent. The ability to attract STEM employees will be essential to ensure aerospace remains viable and long-standing. These initiatives must also look beyond today's needs toward the innovations of the future, such as AAM (detailed above).

Canada lost almost 30,000 aerospace and related jobs through 2020 alone. Unlike other industries, aerospace companies do not compete against one another, nations compete against nations due to the highly strategic and critical nature of the industry. Left too long, lost aerospace jobs will migrate to more committed aerospace nations. We must make every effort to keep those jobs in Canada. We need to better understand where these jobs went.

This is particularly important to meet aerospace's sustainability imperative simultaneously with Industry 4.0 needs, which will require new skills and training, the inclusion of new industries and players – think of Amazon Prime Air entering the aerospace sector for example – and new approaches. To facilitate this, a visioning and skills mapping exercise would be a critical foundation and first step, in collaboration with governments and existing organizations.

6. **Supply Chain Resilience and Competitiveness Plan** including SME Upscaling Initiative: Government has tended to lean into big companies and big projects, and this has been invaluable is sustaining progress. At the same time, the rest of the supply chain has had challenges in accessing funding, even the most recent ARRI (see below). Ensuring a focus on SMEs will be essential to the success of any national strategy, including a national scale-up program, digital transformation initiative, and an effort to simplify government procurement for SME's.

   This should include a different risk approach to working with and funding SMEs, with government leading the way. Risk "insurance" funded by government will help to support SME growth. Without it, SMEs will continue to face incredible challenges in accessing the capital necessary to scale up. If SMEs cannot scale up they are in turn limited in joining OEM-led supply chains around larger projects.

   Such a program could also help to address broad range of needs for those SMEs who are committed to advancing their position within the supply chain. This includes modernizing/expanding their capabilities, increasing their capacity, upskilling their workforce and/or digitalizing their infrastructure all of which require considerable investment.

7. **Canadian Aerospace Diversity Charter**: Industry will lead in developing a Diversity Charter to ensure the industry is accessible to all, and benefits from a multitude of perspectives. This kind of commitment – and a clear plan – to increase diversity and gender equality in the aerospace sector, will also help to attract young and diverse talent.

   As a recent Oliver Wyman study on Advancing Women in Aviation documented, aerospace and aviation particularly "continue to face challenges in attracting and retaining diverse employees. And below the surface, a wider gap exists: A substantial lack of women in leadership positions – an alarming situation that has persisted for far too long." As one respondent in the study noted: "The

aviation industry is not sustainable if more than 50 percent of the population doesn't see aviation as a successful career."[12]

II Critical Investments: Aircraft Certification and NRC Centre for Flight Research

a) **Investment in Canada's Aircraft Certification and Regulation:** TCCA's reputation as a leading civil aviation regulator is an important competitive asset. TCCA's regulatory approvals are recognized internationally as the gold standard for aircraft certification and airworthiness, facilitating Canadian trade and export opportunities. However, the certification branch is not keeping pace with growth of the country's aerospace industry. Ongoing budget restrictions often preclude strategic recruiting practices of the required highly specialized technical resources required, such as the anticipatory staffing of valuable industry personnel when they express an interest in joining TC. Attrition rates of highly experienced personnel is a major concern, and lack of budget often means backfilling of these positions is not possible.

   Transport Canada's international engagement and standing is critical, and plays an essential role in market access for Canadian products.

   The development of new and updating of existing regulatory materials to support the certification of aeronautical products is another key area to allow TCCA to support a growing industry that is generating fast changing technologies. This will be particularly urgent as new sustainable fuels, engines, components and technologies are commercialized to achieve net zero commitments.

   Sufficient budget to permit recruitment to support these Standards related roles are equally important. Similarly, bilateral airworthiness and maintenance agreements that allow trading partners to recognize Canadian certifications and approvals are increasingly important. These agreements are critical facilitators of civil aviation trade between states and ensure that Canadian manufacturers can secure and maintain leading positions in key foreign markets. Additional financial support is necessary to sustain and hone this national advantage.

b) **Government Support for the NRC Centre for Flight Research**. The NRC is an important partner in the aerospace ecosystem. The NRC has been vital in mapping the spectrum of initiatives across Canada relating to sustainability and net zero flight, aerospace skills training and education and commercialization of new technologies. The proposed Centre will continue to be a partner in a national aerospace strategy and its development, while also building a new, collaborative approach to enable innovation, collaboration, and efficiency with a national-level mandate for flight research. Many climate change initiatives involve flight research and this should be nationally coordinated and enabled. AIAC strongly endorses the NCFR as an important pillar in the aerospace ecosystem of the future.

[12] **Oliver Wyman. 2021.** Startling Gender Gap At The Top Reflects Aviation Industry's Systemic Failure To Advance Women Leaders.

III Budget 2021 Tax on Manufacturing

AIAC and its members are opposed to the imposition of an additional tax on aircraft, particularly at this difficult time. In the face of the challenges noted above, the government seems committed to moving forward with an excise tax that will effectively tax Canadian aerospace manufacturing, supply chains and jobs. This will technically amount to a claw-back of the $2 billion in aerospace funding announced in Budget 2021, as industry will pay the tax.

Aircraft for business use have not been exempted from the tax, despite the fact they are a necessary tool for business in a vast country like Canada, and that business jets are a distinct competitive advantage on the global stage for Canada's struggling aerospace industry.

As designed, the tax will have devastating impacts on manufacturers, operators, distributors and suppliers, costing close to $1B in lost revenue and over 1,000 direct value-added Canadian jobs, mostly in Ontario and Quebec. Some manufacturers project as much as a 50% reduction in demand for business aircraft as a result of the tax's announcement, with orders already slowing and creating uncertainty for businesses.

Canada is a world leader in the design and manufacture of business jets, including helicopters, turboprops and jets and the associated supply chains for parts, systems and services. and in fact, very few of these aircraft are for personal use. In a country the size and geography of Canada, they are essential to business operations and connectivity, and to the transportation of employees for sales, marketing, training and many other functions.

Canada's expertise and leadership in these smaller aircraft helped to buoy against the even steeper declines seen globally through the pandemic. Some of our competitors saw greater revenue losses with the plummet in production of large aircraft. Canada's strength in business aircraft can help to provide solid foundation for recovery and jobs.

There is overwhelming public consensus that companies that manufacture products in Canada are of critical importance to the country's economic recovery.

No other jurisdiction imposes such a tax penalizing their own domestic aerospace industry. Indeed, most other top aerospace nations subsidize their industries. The US currently provides tax breaks for individuals and corporations purchasing private and business aircraft. Our loss will be a gain to US aerospace and other competitor nations

Business aircraft for business use should be excluded from the scope of the tax. Canadian firms should not be at a disadvantage relative to international competitors in terms of accessibility to business aviation. Mechanisms exist to only tax personal usage of aircraft by relying on existing mechanisms that would be much less detrimental to the Canadian aerospace industry and ultimately the workers that make up this innovative industry.

This tax is flawed. It will hamstring a national strength that could otherwise buoy an industry still working toward recovery. It will act as a disincentive for Canadian firms to buy from Canadian aircraft manufacturers and place and register their aircraft in Canada – putting us squarely at odds with our national interests. It will be Canadian businesses and workers who pay, not wealthy individuals.

Finally, the opportunity cost of implementing the manufacturing tax will be investments and advances in green innovation and net zero flight, where Canadian business aircraft have made important strides.

IV Review of Pandemic and Government Funding Programs for Aerospace

On behalf of its members, AIAC appreciates the funding and support of the federal government throughout COVID. Programs like CERS and CEWS have been a true lifeline for many aerospace companies and workers. Funding through SIF and ARRI in Budget 2021 are also much appreciated as they acknowledge the hardships of the pandemic for aerospace as well as the strategic nature of the industry. There are, however, some challenges with support programs that warrant a closer look, particularly as Omicron stretches out the industry's recovery timelines. Generally, new programs are more complex, revolving around payroll vs revenue reduction.

- **Budget Funding Review: SIF and ARRI** - The Canadian aerospace industry appreciates the critical funding through SIF and the Regional Development Agencies (RDAs) to support the aerospace industry's recovery and transformation, and the recognition of aerospace as a strategic, national industry. AIAC has worked with all members of Parliament to ensure the best uptake of these funds from coast to coast to coast.

  However, there are some challenges to accessing these funds.

  SIF remains very cumbersome and complex. Larger firms have the internal resources or the ability to engage consulting firms to assist with the demands, but consortium or partnership of smaller firms that don't have the internal resources find the program out of reach. The long timelines and delays can sometimes render the program uncompetitive.

  Even ARRI, designed specifically for SMEs, we continue to hear of a challenging process for those very companies to access. The administrative requirements are difficult, especially at a time when these SMEs are least able to take on more debt. Those aerospace SMEs who have survived the pandemic to date have depleted their cash reserves making the high percentage of repayable capital very difficult. SMEs do not have the same access to capital that other companies do; a reasonable non-repayable portion might incentivize greater uptake.

- A review of SIF and ARRI uptake as well as the challenges across RDAs with a view to assessing these against government and industry goals, as well as an analysis of the challenges and structure of the fund, would be helpful. **Better coverage through the Hardest Hit Business Recovery Program:** As outlined above, Canada's aerospace businesses and workers are still struggling toward recovery. Our workers constitute one of the most skilled workforces in the world and they are still in need of support.

  While the **Hardest Hit Business Recovery Program is appreciated**, many SMEs in the aerospace sector are finding it challenging to qualify for the level of support that would help them to stay afloat through to real recovery. The criteria, eligibility requirements and

subsidy rate structure of the Hospitality and Tourism Recovery Program are far more favourable and should apply for aerospace companies facing the same conditions.

Conclusion

Again, AIAC thanks the opportunity to provide input to the Budget planning process and to lay out these priorities. Now is the time to consider the most effective and ready ways to accelerate economic recovery and provide jobs for Canadians who need them, restoring stability to Canada's middle-class workforce. Aerospace has a bright and innovative future ahead, and the industry is ready to work with government and stakeholders to help drive economic growth, jobs and innovation for generations to come.