

**ASD Convention 2009**

**Managing innovation in challenging times**

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*Helsinki, Friday 2 October, 16:45*

Good afternoon Ladies and Gentlemen, dear Colleagues, dear Friends.

Allan, thank you for your kind introduction.

As President of our association you have done an outstanding job in what has been a turbulent period, both for our industries and for the global economy at large.

You have been extremely generous with your time and formidable energy, acting tirelessly as a vocal spokesman for our industries, raising the profile of ASD at a time when its role and relevance were more important than ever.

On behalf of everyone in this room, thank you for what you have done and I am looking forward to continue to see you around in the months to come.

Five years ago, in Gothenburg, I became president of ASD for the first time. Now a second term has come. I am very mindful of this honour and grateful for the trust that you have placed in me. Thank you all.

The next twelve months will be extremely important and challenging for our industries, as we will continue to navigate through complex economic conditions.

On the civil side of our business, our companies have to cope with the difficulties faced by their main customers, namely airlines, which for most of the year have been hit by a sharp decrease in income.

This has resulted in fewer aircraft orders and even in the postponement or cancellation of some existing ones.

Order cancellations and deferrals are likely to continue occurring over the winter, as airlines keep struggling for cash.

For our defence business, the impact of the crisis has been somehow damped by the stability of governments' budgetary commitments. However, governments should start to reduce public spending in order to face increasing budget deficits and public debts. Therefore the case for more investment in defence has certainly become increasingly difficult to make.

Nevertheless, we should have good reasons to be optimistic about the medium to long-term future of our activities.

Some signals of recovery are in fact already visible today:

- growth has been recorded in countries such as France, Germany, Italy and Japan
- business confidence has edged up across the industrialised world and so have industrial output and world trade
- OECD econometric models' point to an earlier recovery than envisaged a few months ago
- the European Commission forecasts that the recession will be over by the end of this third quarter

- Ben Bernanke announced, as early as mid-september, that the recession was likely to be over in the US.

At the very end, recovery there will be, and our industry will come out strong again.

In the European Union, the next twelve months will be marked by political developments of the highest importance.

When the Treaty of Lisbon will hopefully enter in force, on January 1<sup>st</sup>, 2010, the European Union will be equipped with an improved, smoother decision-making system, instrumental to strengthen its position in the world.

Some areas of direct interest to our industries will gain greater importance in the new EU political landscape.

Security and Space will fall under the co-decision procedure, which will facilitate decision-making because the qualified majority voting, and not the unanimity will be required.

As for Defence, the Member States will be allowed develop a so-called “structured cooperation” that could pave the way to a common policy.

Aeronautics, Space and Defence are crucial sectors for Europe. They strongly contribute to the attainment of many of Europe’s key socio-economic goals, by:

- ensuring sustainable mobility
- providing highly-skilled jobs

- fostering Europe's knowledge economy through massive R&D investments.

Our industries help Europe achieve and maintain technological excellence. They provide the capabilities that Europe needs to protect its citizens, preserve its strategic autonomy and play its full role in today's world.

However, our industries increasingly fail to receive the attention they deserve from European authorities.

It will be particularly crucial to convince them to increase investment in our sectors, and in particular to raise their level of financial support for R&D activities.

To that end, ASD will lobby to ensure that the funding allocated to our industries, in particular to the European Aeronautics, is raised within the framework of the second half of the Seventh Framework Programme for Research.

We have received some encouraging signals pointing to the importance that the new European Commission will give to research and innovation.

The President of the European Commission, Mister José Manuel Barroso, has decided to appoint a Chief Scientific Advisor who could act across the Commission's various departments. It will now be our task to ensure that this renewed interest in R&D and innovation is directed towards our sectors.

ASD will have further priority actions to undertake over the next year. Let me mention just some indicative areas to be addressed from now:

- preparation of next Framework Program
- actions in favour of SMEs
- innovative solutions in Aeronautics, and in particular for Unmanned Aerial Systems for military and civil applications
- support of Space for defence/security, EU border controls and Civil Protection
- protection of civil infrastructures

The recognition by EDA and the European Commission of our industries' advice in these sensitive topics is welcomed and appreciated.

We will closely monitor the implementation process of the EU Defence Package, aimed at paving the way for achieving the target of a European Defence Equipment Market.

We will do our best to ensure that the six countries which represent the bulk of defence trade inside the EU (namely the UK, France, Germany, Italy, Poland and Sweden), take the lead in the implementation of the Intra-Community Transfers Directive.

In the area of Security, ASD will continue its monitoring and lobbying around the 'Stockholm Programme', which will define for the period 2010–2014, the framework for EU cooperation in areas such as police and customs, rescue services, criminal and civil law cooperation, asylum, migration and visa policy.

The Programme will ultimately be adopted by EU Heads of State and Government when they meet in Stockholm in December 2009.

Our highest priority remains an increased financial support and improved administrative procedures for R&D of European security systems and services.

Starting from 2014, the next Framework Programme should provide an annual budget larger than one billion euros to security research, focused on system approaches, demonstrations, fast track technology developments, interoperability.

We will actively plead in favour of the adoption of realistic complementary policies that will allow EU Member States to shape the desired European Defence Technological & Industrial Base.

In the Space domain, I would like to draw your attention on the issue of the set-up of the initial operations of the GMES programme. Europe has decided to develop its own operational Earth observation capacity. Establishing such a system represents a strategic choice, with a lasting impact on the further development of the EU.

R&D aspects of GMES are currently financed; enabling operational services over the period 2011–2013 is the next challenge.

Investment is needed to roll out products based on prototypes developed in the previous research activities in order to meet the demand. It is of crucial importance that the R&D funds be supplemented by additional non-research funds under the proposed Regulation to be voted next year by the European Parliament

Ladies and Gentlemen, dear Friends, we all compete to increase our market share and develop ever more technologically advanced-products, and we are aware of the virtues of partnership:

- partnership among ourselves, to join forces on issues of common interest;
- with our governments, which shape the environment where we can operate and succeed;
- and with our American friends and colleagues.

It will be my role and duty, as President of ASD, to bring these partnerships to new heights, to ensure that this great organisation continues acting, more efficiently and cohesively than ever, as the collective body and common voice of our industries

Thank you.