



# **Implementing Canada's Innovation Strategy**

**Ottawa Centre  
for Research and Innovation  
(OCRI)**

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**OCRI**

 *Ottawa*

## Ottawa Centre for Research and Innovation (OCRI)

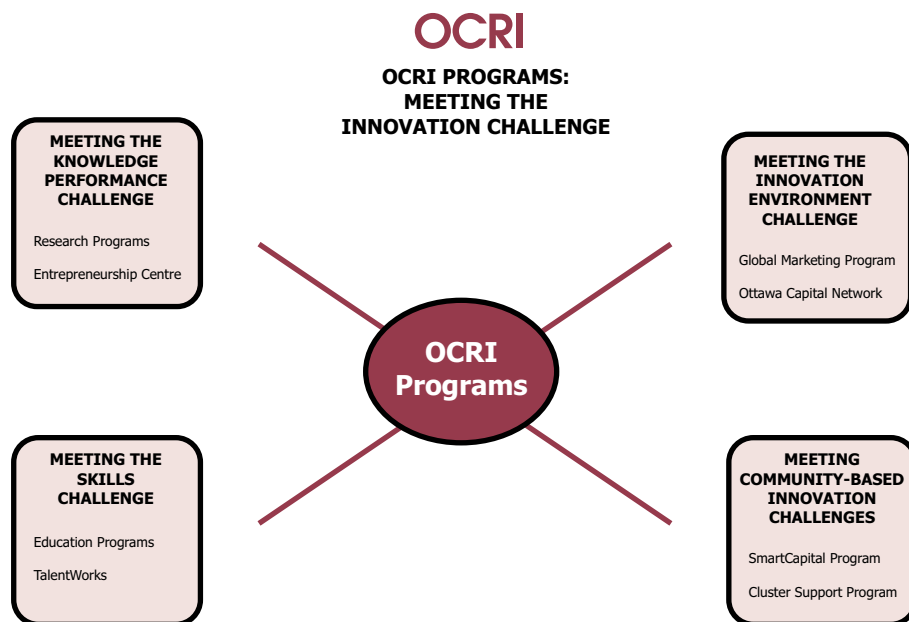
The Ottawa Centre for Research and Innovation is Ottawa's economic development corporation. OCRI is the rallying point for business, education and research organizations to create the winning economic conditions that allow Ottawa's companies to thrive locally and compete globally. With more than 600 members representing all of Ottawa's growth clusters, OCRI promotes sustainable economic development while ensuring a high quality of life. In 2001, the merger of the Ottawa Economic Development Corporation and OCRI brought the external marketing agency for Ottawa, and the program responsible for local business support and development, together with the agency responsible for internal business infrastructure development.

Successfully delivering value locally by connecting people and facilitating collaborative ventures, OCRI currently employs over 100 people and operates with a budget of more than \$10 million. With its international reputation for promoting regional innovation through community collaboration, OCRI is in a position to offer the Government of Canada recommendations on its Innovation Strategy.

Ottawa has become a globally competitive technology cluster. Our success has diversified our economy, enriched the lives of our citizens and contributes to the growth of the new economy in Canada. Innovation, and the winning conditions for innovation are critical to the ongoing prosperity of our region. Our success did not just happen; it was over 50 years in the making. People of vision in government, industry, education and research forged the alliances, faced the challenges and worked together to earn our success. But we are small on the world map. We must constantly work to keep our place on the world stage. The federal government's innovation agenda forms a critical component in ensuring the winning conditions for our future.

OCRI provides a critical bridge between the federal, provincial and municipal governments. We are committed to working with the federal government to ensure the innovation strategy is in line with regional needs and to be its partner for implementation in the Ottawa region.

Figure 1



## Meeting the Implementation Challenge

The Innovation Strategy released by the federal government this past February provides the framework necessary to ensure innovation, growth and development in all parts of our economy.

The national innovation agenda recognizes the role of communities "to accelerate the pace of innovation, attract investment, stimulate job creation and generate wealth" and recommends that the federal government stimulate the creation of clusters of innovation at the community level. To ensure the success of the national innovation agenda, the federal government must innervate a national effort and work hand-in-hand with the community capacity building organizations currently delivering programs supporting the national innovation agenda on a local level.

In Ottawa, OCRI is successfully building broad community collaboration to address the breadth of the Innovation Strategy. Fig. 1 provides a breakdown of OCRI programs currently in place that directly support the goals of the national innovation agenda.

In its role as Ottawa's lead economic development corporation, OCRI, through its members and partners, has access to key decision makers in all aspects of the local economy. Challenges occur when dealing with multiple funding agencies and multiple jurisdictions. Also, sustainability of innovation initiatives is a major and important challenge. Only with a more streamlined approach will Canada attain its goal of strengthening its competitive position in the global economy.

### Recommendations:

1. Innovation occurs at the community level. So too, does implementation. Organizations like OCRI have established relationships within the community and at all levels of government. Canada should leverage the community capacity building of these organizations to assist in the local delivery of projects that support the innovation agenda.
2. Implementation of the innovation challenge will vary by community. Program delivery models must be adaptable and responsive to each community's needs, capacity to compete globally and ability to attract investment. An example of an existing federal program that allows this flexibility is the Program for Export Market Development Investment (PEMD-I).

## Meeting the Knowledge Performance Challenge

To become a world leader in innovation, Canada needs to develop its capacity to create new ideas and bring them to market. OCRI is meeting this challenge in a number of ways. One of OCRI's key strengths is its ability to build strategic research alliances that foster investment in R&D. OCRI's Industrial Research Chair Program, developed in partnership with Communications and Information Technology Ontario (CITO) and the Natural Sciences and Engineering Research Council of Canada (NSERC), is one such alliance that builds on strengths within local universities to achieve the critical mass required for major research endeavors of interest to industry.

Canada has ambitions of becoming one of the most innovative countries in the world; however, international competition for R&D investment is fierce. If Canada is to meet its goal of ranking among the top five countries in the world in terms of R&D research, the federal government must manage knowledge as a strategic national asset. Currently, Ottawa is the strongest centre for R&D in Canada and federal support of our competitive advantages is critical to our long-term success. A key component of our competitiveness is the Scientific Research and Experimental Development (SR&ED) Tax Credit Program. To facilitate the growth of centres of R&D across Canada, the SR&ED program must adapt to the global competitive environment.

Research is just the first step in the process of commercialization. OCRI's Entrepreneurship Centre also provides local residents with the information and tools they need to bring their innovative ideas to market. Since 1995, the Centre has facilitated 3,841 new businesses, 6088 new jobs, \$110 million in capital investments and \$215 million in new sales. Through collaborative programs such as the Ottawa Capital Network, the Ottawa Venture Capital Fair, and Ideaflow, the Centre also assists Ottawa entrepreneurs in their quest for risk capital financing. One of the strongest venture capital centres in Canada, Ottawa has received more than \$2.8 billion in funding since 2000.

One of the greatest challenges a community faces is developing a streamlined approach to commercialization. By facilitating regional efforts, the federal government can help Canadian communities develop their capacity to innovate and to produce globally competitive products and services.

### Recommendations:

- 3) To ensure that Canadian communities become successful centres of innovation, the federal government needs to leverage the commercial potential of research. Immediate action to facilitate the commercialization process includes:
  - Expand federal programs that fund or encourage research to include incentives for successful commercialization.
  - Revise the SR&ED Tax Credit Program as recommended by ITAC, the Conference Board of Canada and CATAAlliance:
    - Clarify the goals and objectives of the program to respond to 21<sup>st</sup> century challenges.
    - Improve the claim process to reduce compliance costs.
    - Introduce refundability for all companies.
  - Renew the \$200M investment made in 2001 to help colleges, universities and research hospitals cover indirect costs associated with federally-sponsored research.
  - Modify the IRAP program to provide more support to bridge the gap between early stage development and commercialization of an innovation. IRAP should also be modified so that it can support the activities of organizations like OCRI to facilitate the flow of capital to SMEs.
- 4) If Canada is to raise venture capital investments per capita to prevailing U.S. levels in the next decade, efforts need to be taken to support venture capital communities across Canada. Industry Canada's Canada Community Investment Plan (CCIP), designed to improve access to risk capital by growth-oriented SME's, must be expanded and adapted to support the needs of larger communities like Ottawa, Toronto, Montreal and Vancouver.

## Meeting the Skills Challenge

To succeed in the global, knowledge-based economy, Canada must be able to produce, attract, and retain a critical mass of highly qualified people. OCRI has already begun to meet the skills challenge with an array of innovative programs that address the needs of learners across the skills continuum.

OCRI, and its partners, have become the recognized leader in developing and implementing innovative educational programs that serve Ottawa's education community. With a diverse portfolio of programs that include: supporting the development of computer and Internet literacy; promoting early literacy; and facilitating successful transitions from secondary school to the workplace, OCRI's education programs benefit students from kindergarten to Ph.D.

Ottawa's TalentWorks program is Canada's most comprehensive regional human resources initiative involving business, government, education, and community partners. Run by OCRI, TalentWorks addresses the needs of both employers and job seekers by delivering customized projects designed to build the local talent pool. The program responds to labour needs across our community, ranging from engineers for our technology companies to electricians in our construction industry.

One of a region's greatest strengths is its intellectual capital. OCRI sees investments in Ottawa's education sector and in our labour pool as investments in our future economic prosperity. By facilitating regional programs that support the growth of a community's intellectual capital, the federal government can ensure that Canada has a sufficient supply of highly qualified people to sustain economic growth and attract foreign investment. The creation of an 'escalator of career opportunity' in a community ensures that all members participate in economic growth.

The federal government needs to focus on branding Canada as a destination of choice for skilled workers. OCRI supports the CATAAlliance recommendation that: "the government monitor carefully the flow of skilled immigrants into Canada, revising its points threshold as required, and refrain from establishing any residency requirements for immigrants."

### Recommendations:

- 5) Canadian communities need access to accurate and timely labour market information in order to understand local needs and respond to local skills challenges. To facilitate this access, the federal government should implement an integrated approach for collecting and disseminating labour market data to support workforce and economic planning at the local level.
- 6) Innovation is about adapting and responding to change. Organizations like OCRI are well positioned to respond quickly to the challenges and opportunities of local labour markets. To facilitate this process, the federal government should consider using OCRI-like organizations as local delivery agents for selected Employment Benefits and Support Measures currently under the mandate of Human Resources Development Canada.
- 7) Labour Market Development Agreements are an important instrument for intergovernmental cooperation, yet Ontario remains the only province without a labour market accord with the federal government. The federal government must reach agreement with the Province of Ontario on Labour Market Development terms and conditions.

## Meeting the Innovation Environment Challenge

To achieve the goal of creating centres of innovation across the country, Canada needs to ensure that communities have the ability to: promote the adoption of innovations; encourage local companies to invest in R&D; and attract the people and capital upon which innovation depends.

OCRI is addressing these challenges with its Global Marketing Program. This program works with the private sector and all three levels of government to attract investment, people, and companies to the region. The lead organization in the branding and marketing of Ottawa internationally, Ottawa Global Marketing has developed the Maintain the Momentum campaign to establish Ottawa as a Global Technology Centre, while increasing the awareness of Ottawa's major attributes among targeted decision makers. This three-year campaign is intended to; provide a coherent brand image to internal and external audiences; foster economic prosperity in the region through the attraction of investment, people and companies; and increase investment from OCRI's private and public sector partners.

Financially supported by three levels of government including The Ottawa Partnership (TOP) and private sector partners, the Global Marketing Program's achievements and growing web of relationships and networks are helping to create the winning conditions that will allow Ottawa to continue to attract international investment. However, the greatest funding resource of this successful initiative, the Program for Export Marketing Development Investment (PEMD-I) is presently funded only to March 2003. By continuing to facilitate regional efforts, the federal government can ensure that Canadian communities are able to become world-class centres of innovation.

### Recommendations:

- 8) Global competitiveness increasingly involves region-to-region activity as opposed to country-to-country. To respond to this changing dynamic, the federal government should:
  - Continue and increase the federal funding to flexible, community-based investment attraction programs. Limits to funding for individual communities must be increased to \$1 million.
  - Modify the Team Canada program to include support for smaller cluster-based regional missions in cooperation with OCRI-like organizations.
  
- 9) Canada can markedly improve its business environment by developing a tax regime that encourages investment in early stage companies:
  - Develop an Investment Tax credit for start up investors (angels).
  - Develop a national investment policy that supports new economy small cap companies.
  - Eliminate capital taxes.

## Meeting Community-Based Innovation Challenges

Communities and regions across Canada need to strengthen their capacity to accelerate the pace of innovation and generate wealth. To strengthen Canada's communities, and improve their global competitiveness, the federal government must facilitate access to innovation in every part of the country.

OCRI's SmartCapital program is building a critical mass of innovation capability in the Ottawa region through a suite of projects designed to expand broadband and Internet access for its citizens, including the those in the large rural area inherited by the new city incorporation. Representing Ontario as one of Industry Canada's Smart Communities Demonstration Projects, SmartCapital is working with over 40 partners to launch online services for the education, government, business and community service sectors.

Supporting the development of globally competitive industrial clusters is also a key priority in Canada's Innovation Strategy. Clusters accelerate the pace of innovation, attract investment, stimulate job creation and generate wealth. Ottawa is home to more than 1,300 companies involved in the sectors of telecommunications, photonics, microelectronics, software and life sciences. Research has shown that these are Ottawa's technology growth clusters, and in response OCRI has developed a cluster-support initiative to provide the necessary long-term infrastructure planning to ensure successful development by identifying which activities drive investment, innovation and growth.

Innovation is about the achievement of excellence. Ottawa is a globally competitive technology cluster, but small in comparison to regions like Silicon Valley. We must continually achieve excellence and re-invent our success. Our research into other successful clusters shows clearly that world-leading research, a large skilled labour pool and access to entrepreneurial capital are necessary but not sufficient conditions to success. All parts of the community must work together to turn challenges into success stories. A globally competitive cluster is achieved not willed. The federal government must support the winning conditions to allow Ottawa and Canada's other global clusters to stay at the forefront of competition.

OCRI agrees with the ITAC position that the goal of creating 10 internationally competitive clusters by 2010 is arbitrary. We cannot dilute scarce resources to unattainable goals. OCRI is firmly committed to the principles of cluster based economic development. We will work with ITAC, the federal government and other concerned organizations to share our experience. Canada must better understand the cluster phenomenon to ensure that the conditions are created to allow our winners to stay at the forefront, while nurturing other regions to create clusters of growth.

By effectively facilitating regional responses to community-based innovation challenges, the federal government will assist Canadian communities, both large and small, exploit their knowledge and expertise and become magnets for investment and growth.

### Recommendations:

- 10) The federal government should accelerate the pace and increase the funding of programs that support its national broadband policy, including access and encouragement of the development of broadband applications and services.
- 11) Successful innovative regions around the world are demonstrating focus based on the principles of cluster-based economic development. The federal government should introduce a cluster-support program that responds to the needs of individual communities.

## IMPLEMENTING CANADA'S INNOVATION STRATEGY

### OCRI

#### RECOMMENDATIONS

#### MEETING THE KNOWLEDGE PERFORMANCE CHALLENGE

3. To ensure that Canadian communities become successful centres of innovation, the federal government needs to leverage the commercial potential of research. Immediate action to facilitate the commercialization process includes:

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- Renew the \$200M investment made in 2001 to help universities and research hospitals cover indirect costs associated with federally sponsored research.
- Modify the IRAP program to provide more support to bridge the gap between early stage development and commercialization of an innovation. IRAP should also be modified so that it can fund the facilitation or matchmaking activities provided by organizations like OCRI.

4. If Canada is to raise venture capital investments per capita to prevailing U.S. levels in the next decade, efforts need to be taken to support venture capital communities across Canada. Industry Canada's Canada Community Investment Plan (CCIP), designed to improve access to risk capital by growth-oriented SMEs, must be expanded and adapted to support the needs of larger communities like Ottawa, Toronto, Montreal and Vancouver.

#### MEETING THE IMPLEMENTATION CHALLENGE

1. Innovation occurs at the community level. So too, does implementation. Organizations like OCRI have established relationships within the community and at all levels of government. Canada should leverage the community capacity building of these organizations as the local delivery mechanism for projects that support the innovation agenda.
2. Implementation of the innovation challenge will vary by community. Program delivery models must be adaptable and responsive to each community's needs, capacity to compete globally and ability to attract investment. An example of an existing federal program that allows this flexibility is the Program for Export Market Development Investment (PEMD-1).

#### MEETING THE COMMUNITY-BASED INNOVATION CHALLENGES

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#### MEETING THE INNOVATION ENVIRONMENT CHALLENGE

8. Global competitiveness increasingly involves region-to-region activity as opposed to country-to-country. To respond to this changing dynamic, the federal government should:
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