



Can Canadian companies innovate?

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In a period of short-term-thinking minority Parliaments in Canada, it is worthwhile taking a moment to recognize a government initiative that fits decidedly outside this new normal. Launched on October 14th, 2010 by the Harper government, the Research and Development Review Panel – the Expert Panel – is seeking input from Canadians on how the federal government can encourage the private sector to do more research and development.

While this review hasn't received a great deal of public attention since its launch, it is a policy initiative that should not be ignored.

Innovation in the private sector is a big deal. The OECD points out that investments in technology can offer solutions to policy challenges facing governments around the world such as demographic changes, food supply and health issues. Innovation also helps to ensure Canada's long term economic growth.

Sadly, Canada's innovation record isn't pretty. As the Expert Panel notes, private sector research & development in Canada falls short when compared to our trading partners. Canada continues to lag behind other countries in business R&D expenditures . Canadian companies will engage in research, but hardly ever development. This poor performance is believed to be a significant factor contributing to the country's weak productivity growth.

As a result, the federal government has directed the Expert Panel to review current federal programs meant to encourage and support business R&D, then produce a report card. This report card approach has its own challenges. Based on Canada's past poor performance, the federal government should receive poor marks from the private sector, and subsequently hide its report from mother or feed it to the dog.

But the feds believe they have the right amount of money in the system. And the OECD tends to agree. For that reason, the Expert Panel is to assess the grades given, then recommend ways to re-arrange programs without adding to or subtracting from the current envelope of cash.

For example, SADI, the aerospace and defence program, could be declared successful while ACOA's Atlantic Innovation Fund could be declared unworthy and eliminated.

The real question becomes: is the federal government spending in the right places?

Essentially, the panel could be put in a position where it has to pick winners and losers. And this approach should, in itself, give the private sector reason to pause. Governments make lousy bookies – they don't do well picking winners.

Nevertheless, since the current suite of programs isn't working as it could, and the private sector can expect changes. Companies that receive funds from the government should be going to great lengths to make submissions to establish the importance of these programs.

However, there is reason to be hopeful that the panel will go beyond its mandate.

First, the panel is chaired by Open Text's Tom Jenkins. This is not his first rodeo – he was a member of the Competitiveness Review Panel. Mr. Jenkins is seen as fiercely committed to achieving results. He has the ear of Ministers Jim Flaherty and Tony Clement, and is genuinely interested in the subject matter.

Second, the consultation paper talks about gaps in policies, not just failures in programs. Firms that invest in R&D are better able to compete in global markets. For the most part, trade is governed, not subsidized. Ottawa is responsible for policy frameworks like trade agreements and the Competition Act, which is meant to drive innovation. The expert panel seems to want to talk about these policies and how they can be improved.

Third, the consultation paper also talks about the need for talented, entrepreneurial people and the collaboration of the higher education sector. Dragging Canadian private sector R&D models into the 21st Century is important for Canada's universities, granting councils and scientists just as much as it is for multinationals, SMEs and investors. While basic R&D and government in-house research is

outside the scope of the Review, publicly funded programs that touch the privately funded space are included.

Jenkins seems to be looking for actionable ideas from the private sector, above and beyond the review. Further, these ideas should not just come from companies. The challenge for the Expert Panel will be to select the right mix of policy instruments to both encourage and incent Canadian companies to invest in innovation.

The panel is calling for submissions by Feb. 18, 2011.

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