

# Canada's innovation crossroads



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## Innovation is the key

to enhancing our standard of living and building economic prosperity in Canada. As Richard Harris of the C.D. Howe Institute recently argued, "Innovation leads to increased rates of productivity and economic growth." It translates into higher-paying jobs for Canadians, increased economic outputs, and new technologies to improve our citizens' quality of life.

As innovative Canadian businesses, it is time for us to be more vocal in delivering our value message and to encourage governments to live up to their stated goals in enhancing our knowledge-based economy.

The word 'innovation' is often associated with inventions like Thomas Edison's light bulb, or Alexander Graham Bell's telephone. These were major milestones in an innovation process where many small but significant steps culminated to achieve major breakthroughs.

Innovation in the research and development (R&D) of new medicines works in the same way. Thanks to ongoing innovation in healthcare, hospitalizations for conditions like diabetes decreased by 44% between 1983 and 2001. Between 1993 and 2000, deaths attributable to AIDS decreased by 70%. Innovation is about more than just economics - it can also save lives.

But, innovation does not happen overnight, and countries around the world are competing with each other to attract R&D investment and to drive their knowledge-based economies. In 2002, Canada was ranked 15<sup>th</sup> in R&D spending, and the federal government announced *Canada's Innovation Strategy*, with the goal of propelling our country to 5<sup>th</sup> place by the year 2010. However, three years later, an Australian innovation report released in May indicates that Canada's ranking remains unchanged.

The reality is that competition for R&D is a global market, and countries around the world are taking action to build their share of the 21<sup>st</sup> century economy. One only has to look at the recent unveiling of the European Commission's Seventh 'Framework Program.' A bold innovation agenda, it is to be funded by a budget of 73 billion euros during the implementation period of 2007-2013. Among its objectives are to encourage collaboration and information exchange within the scientific community, stimulate basic research, and increase the attractiveness of Europe as a place to invest in R&D. It also represents a strong lesson in how governments can work with research-based industries to drive innovation.

In light of Canada's lagging position relative to competing markets, Industry Minister David Emerson's recent announcement of the government's Commercialization Agenda could not be more timely. Canada is at a crossroads, and must decide immediately whether we are going to be serious about achieving our innovation goals. Despite having both an ambitious strategy, and the capacity to achieve it, lack of political will has caused the initiative to lose momentum. Canada needs to move quickly and decisively to achieve our 2010 targets.

A 2004 study commissioned by the Information Technology Association of Canada (ITAC) found that, in order to achieve the 2010 goals, business expenditures on R&D will need to grow exponentially, from \$13 billion in 2001 to \$32 billion in 2010. The report finds that Canada has enough R&D intensive companies to achieve this goal, but suggests that governments have to move forward more aggressively to create an environment that fosters investment in innovation.

In order to achieve our innovation goals

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here in Canada, the ITAC report argues that a “culture of commercialization” needs to be created where companies can conduct R&D in Canada, confident that they will be able to generate a return on their investment. To do this, governments will need to establish a set of measurable milestones so that Canadians can see the progress we are making. Innovation happens incrementally, and Canada’s innovation goals must be viewed in the same way. We cannot just establish an objective for 2010 and then sit idly by, waiting for it to happen. To succeed, government and businesses must work together to establish and achieve measurable steps from now until 2010.

In Canada, we are one of the nation’s 25 largest R&D spenders, and manufacture more than 100 medicines a year, the vast majority of which are exported around the world. We know that the time has come for governments to work with research-

based enterprises to promote homegrown innovation in Canada. We must create an environment of success, which will culminate in the achievement of our 2010 innovation goals.

The federal government must re-commit to the Innovation Strategy, clearly defining its goals with measurable outcomes and incremental steps on the journey. We, as innovative Canadian companies, must also do our part. We need to clearly deliver our value message and call on governments to take action to ensure that public policy acts as a facilitator of innovation. Only then will Canadians reap the benefits of being leaders in today’s knowledge-based global economy.

We hope that the Minister’s recent launch of the Commercialization Agenda is the first step of this journey and a true measure of Ottawa’s commitment to prepare Canada for the economic challenges ahead. 

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