

The Honourable François-Philippe Champagne, P.C., M.P.  
Minister of Innovation, Science and Industry  
House of Commons  
Ottawa, ON  
K1A 0A6

Dear Minister Champagne,

As members of the Innovation Supercluster Initiative Special Advisor Panel, it is an honour to share with you the results of our review of Innovation, Science and Economic Development's (ISED) Innovation Supercluster Initiative, as you consider what a next phase might look like for the program. Canada stands at a defining moment, where we must transform many of our traditional sectors, and develop entirely new industries in order to compete and grow, or risk being left behind. The Innovation Superclusters Initiative has demonstrated that having big audacious goals, a well conceived national objective, and strong leadership can help drive solutions to big challenges, and continuing to employ this approach for this and other initiatives will be key to positioning Canada for future innovation, competitiveness, and economic growth. The Supercluster program is attracting international attention because of the scale of the program and its ambition to transcend geography and link businesses and participants across the country.

Canada's Innovation Superclusters were given objectives over a ten year timeframe to impact innovation and economic growth, with an initial five years of funding ending in March 2023. The mandate of our Panel was to undertake a targeted review of the Innovation Superclusters Initiative, provide an assessment of the value of the program and, if we found it should continue, consider how a next phase could maximize impact for Canadian companies and Canadians. We came into this process with only a very general awareness of the program's design and accomplishments. As we learned more, we were astonished and excited by how much has been achieved in such a short time, even as the pandemic has caused delays and disruptions to economies around the world. We also heard that our international peers view this program as forward-looking and ground-breaking, and are drawing lessons from it for their own work. The accomplishments of the Superclusters to date exceeded our expectations and we as Canadians can be a little less humble, a little less cautious: it is clear we can collectively take pride in what the Superclusters Initiative is achieving.

To conduct our assessment, the Panel reviewed program documents, held consultations with external experts, and met with Supercluster Chairs and CEOs. We also held a focused session on how Superclusters draw benefits of intellectual property created within projects for revenue generation by Canadian firms in Canada. We found that in a short time, the Superclusters have made a remarkable impact, establishing a robust foundation through developing collaborative networks, building credibility with key actors, and undertaking important projects. Regionally anchored, Superclusters are showing material gains toward developing national ecosystems in their areas of focus, which represent significant economic and strategic opportunities for Canada going forward. We identified the following principles that underlie program success:

- The **scale and ambition of the program are impressive** and are positioning Canada for future gains. In particular, the program addresses a unique gap and is helping Canadian firms to invest in and commercialize technologies and grow to scale.

- The **long-term investment requires courage and foresight but a further five or ten year investment has the potential to generate outside returns**. An international comparison of cluster models emphasized the importance of having a longer-term outlook for the Supercluster model, with built in intervals to adjust and iterate the program.
- The industry-led nature of the program **helps to drive industry investment in innovation and R&D**, demonstrated in the near-term by industry co-investment which is on track to exceed the 1:1 target.
- The model also benefits from an agile approach to implementation, as demonstrated by the speed at which Superclusters participated in the pandemic response. **Each Supercluster can optimize for their respective areas of focus**, using at times different strategies or progressing at different rates.

Looking to this next phase, we have identified several key considerations and recommendations regarding the opportunities available to the program and how the design of the second phase can help to improve Canada's competitiveness and position Canada for the economy of the future.

- Superclusters have a key role to play in **growing and developing Canada's scale-ups into future unicorns**, fostering collaboration and new market opportunities, providing access to resources and talent to help firms to scale, and de-risking adoption of innovative technology.
- Build in a **"home court advantage" that creates favourable conditions and benefits** for Canadian headquartered firms, to maximize value from the program for entrepreneurs who are committed to growing their businesses in Canada. This will lock in long-term benefits related to the creation of IP, jobs, revenue, and reinvestment, and could generate additional support for the program within Canada's innovation community.
- A focus on revenue generated by Canadian headquartered firms will give a **clear marker of success** for the program. A strong baseline has been established in the first phase of the program that demonstrates that it is on track to meet expectations for promoting competitiveness and innovation; increased revenue generation and growth in high-value employment opportunities can be the bellwether that signals that it is meeting longer term goals.
- Sustain and sharpen the program's existing mindset on **commercialization of intellectual property and data to create benefits for Canadians and Canadian headquartered firms**, appreciating that this must be optimized by each Supercluster to fit the context of its sector.
- To better position Canada for the economy of the future, a next phase could **consider giving common missions to all five Superclusters** to further leverage their early success. For example, the Panel sees opportunities across Superclusters in decarbonization/net zero economic transformation and in improving the health of Canadians.
- Recognition of the importance for Superclusters to **understand their current addressable market and look to create/capture future market opportunities for their respective sectors**, including establishing Canada's global advantage in new areas of the economy.
- Incorporate **elements of competition into allocation of funding**, so that the program remains relevant and innovative. Each Supercluster should be required to pitch a 10 year vision with compelling goals and high level plan as well as a detailed plan for the next five years. Funding decisions should consider this vision and performance, among other factors. This may or may not result in the same funding distribution as the initial phase.

- In light of the value of the Superclusters convener role toward commercialization and revenue generation, gradually **increase industry co-investment levels** and reduce in-kind contributions to reduce government funding and diversify revenue sources.
- Superclusters could have increased reach and impact with **greater integration and support from provinces and territories**. As Supercluster priorities are in many cases aligned with provincial interests and priorities, a next phase could generate stronger benefits. For instance, in the field of health, provinces can purchase innovative technologies/solutions that offer improved patient outcomes which are emerging from Supercluster projects. Government procurement at all levels is a critical lever to help companies scale and the program will need to maximize it to achieve the ambitious outcomes it is capable of producing.
- There is a significant role for Superclusters to play in **articulating and addressing skills gaps**, ensuring Canada's workforce is equipped to meet industry's needs and attracting global talent and knowledge.
- A **strong communication strategy** is important for Canadians to understand the impact and value of the program.

Overall, we see many compelling reasons to continue the Innovation Superclusters Initiative both as a way to create benefits for Canadian firms and as a foundation for a longer-term strategic approach to economic growth. It is our collective view that Canada can be proud of what we are accomplishing and confident that we are making a sound investment in our future. Finally, we would like to express our appreciation for the trust shown in us through this mandate and for the opportunity to share our views.

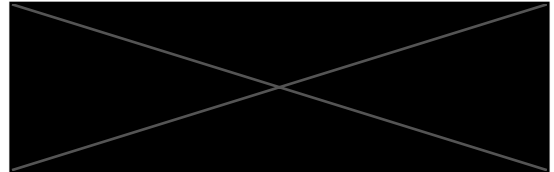
Sincerely,



Armen Bakirtzian



Pierre Boivin



Indira Samarasekera