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Focus on CECRs

CCR study demonstrates economic impact as it seeks CECR funding renewal

The Centre for Commercialization of Research (CCR) is using a new report to demonstrate its considerable economic impact and financial leverage as it seeks renewed funding to expand into a national network. The report shows that the CCR — a Toronto-based Centres of Excellence for Commercialization and Research (CECR) and one of 11 funded when the program was launched in 2007 — has made significant contributions to GDP growth and leveraged funding from other sources far and above the government support it has received.

Four years through its initial five-year funding mandate, it's estimated that the \$12.9 million CCR has spent has been more than offset by direct taxes paid by companies which CCR has supported, as well as contributing \$42 million to GDP for a leverage of federal support of 3.26 to 1.

"That's pretty strong. It's at the top of the scale one could hope for and at no cost to the taxpayer," says Dr Mario Thomas, CCR's managing director and senior VP strategy, programs and partnerships of the Ontario Centres of Excellence (OCE). "The follow-on investment is even more consequential with a leverage of 26 to one."

The \$9 million CCR has provided to firms in pre-seed capital has generated more than \$250 million in follow-on financing (\$140 million in FY11-12 alone), 95% of which was provided by angel investors. Thomas credits CCR's suite of commercialization and business mentoring services for helping companies to de-risk their technology, thereby creating attractive investment prospects at an early stage.

"We've helped to attract this follow-on investment which is absolutely phenomenal," he says. "The cause of failure of early-stage companies is rarely technological. It's usually lack of business capacity and we provide these services and seed funding. We risk reduce companies for investors."

As part of the first cohort of funded CECRs, CCR is eligible for additional funding or an extension to their funding period. A competition for that funding is now underway. CCR officials have already met with the CECR expert panel which assessed CCR according to its business plan for the next five years, benefits to Canada and track record to date. The panel reports to the Private Sector Advisory Board (PSAB) which will forward its recommendations to the NCE steering committee.

Each applicant will be judged on its viability to become self-sufficient by the end of CECR support, with funding granted to a maximum of 50% of applying CECRs. But Thomas says any expectation that CCR could continue without some level of government support is misplaced.

"We're working so early in the innovation space that not even the bravest, most risk-taking financial angels will play, never mind the venture capitalists," he says. "In the very early stages of innovation, there needs to be government policies to support these kinds of activities ... There have been billions invested in R&D with dribbling funding to commercialization. There needs to be a balance and more emphasis on the business."

For its proposed second five-year funding tranche, CCR plans to expand into a national network from its current focus on Ontario where it operates as an offshoot of OCE. This would allow it to build upon the report's recommendation to "continue to adopt a network-centric approach to commercialization support, expanding its Embedded Executives and Facilitated Access to Capital Services through strategic partnerships with regional innovation partners".

"Over the next five years, our business plan is to scale CCR across Canada," says Thomas. "We have partners already signed up in western Canada, Quebec and Atlantic Canada and they will provide matching funding of CCRs dollars. This is the network-centric approach."

"The \$15 million we received from the Networks of Centres of Excellence is not enough to have a significant impact but five times that much has a real impact," he adds. "We'd like to develop a CCR label that we give to companies to show investors that they have been de-risked"

In 2011, CCR scored a world's first with the establishment of the International Commercialization Alliance (ICA) which examined global best practices so that publicly funded commercialization entities can develop new and more effective ways to deploy their commercialization know-how and resources to make companies investment-ready (R\$, October 31/11).

CCR's leadership in establishing the ICA places it in a good position to respond to the report's recommendation that it "expand the global networking component of its offering".

DIRECT ATTRIBUTION

The economic impact report was prepared by Nordicity and The Evidence Network (TEN), with the latter providing the methodology to single out and directly attribute CCR's impact on a firms out of several inputs affecting its performance. Nordicity then employed TEN's methodology to gauge CCR's economic impact.

CCR was TEN's first North American client, which has now conducted three annual impact studies for the organization. That data were invaluable in determining what economic impact is directly attributable to CCR's activities.

"The report's biggest finding is that companies that benefit from CCR services together with the availability of its seed funding make a huge difference with respect to companies," says TEN president Dr Brian Barge. "The report reflects three years of data so retrospective bias does not apply here because we did the previous data."

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| CCR ECONOMIC IMPACT |
|---|
| More than \$3.25 created for every \$1 invested in CCR |
| CCR intervention generated 840 jobs and created \$42 million in GDP CCR-supported companies generated 16,300 jobs and \$740 million in GDP between FY09-10 and FY11-12. |
| CCR-supported companies spent \$150 million on R&D CCR-supported companies attracted more than \$250 million in follow-on financing |
| Companies that received business support services combined with funding attributed greater market performance impact to CCR Approximately half of CCR-supported companies were already revenue positive in 2011-12 and earned an estimated \$170 million |

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