

House of Commons Parliamentary Committee on Science & Research

Speaking notes: Timothy Hannigan

Date: November 17, 2025

Topic: how to best promote and grow private sector investment in research and development in Canada.

Comments:

Thank you chair and members of the committee. I'm an Associate Professor and hold the Thivierge Chair in Canadian Business at Telfer School of Management, University of Ottawa. I was previously at the Alberta School of Business. Let me start with an important definition: an entrepreneurial ecosystem is a set of interdependent actors and factors coordinated to enable productive entrepreneurship within a particular territory.

Now, to my central point here today. The federal government needs to take high-growth entrepreneurship as seriously as it takes innovation policy. Canada excels at research but struggles to build ecosystems that capture the value we create. This isn't a university failure—our researchers are doing exceptional work. The gap worth addressing here at the federal level is in ecosystem infrastructure and coordination. Why does this matter for private sector R&D? Companies locate research and development facilities where they see thriving ecosystems—access to talent, acquisition targets, and collaborative partners. When our ecosystems weaken, we don't just lose startups; we lose the corporate R&D investment that sustains long-term innovation capacity.

I have three core recommendations.

First, create federal oversight of entrepreneurial ecosystem health across regions. Right now, regional ecosystems boom and bust with little federal visibility. Just as the Bank of Canada monitors financial system stability, the federal government should track venture capital flows, startup survival rates, talent retention, and collaborative research between academics and other ecosystem actors. When ecosystems show stress—like we saw in Alberta—coordinate response before collapse. This isn't top-down management; it's early warning and coordination.

Second, embrace what HIBAR research calls the integration of basic and responsive research—investing in research excellence AND entrepreneurial ecosystems as mutually reinforcing activities. This means when we fund AI research, we simultaneously fund the partnerships between university and industry, venture capital capacity, and anchor customers. We've seen success with initiatives like Creative Destruction Lab—which has expanded from Toronto to Vancouver, Calgary, Montreal, and Halifax. A \$25 million federal investment in 2018 has generated billions in equity value. We need far more parallel path investments.

Third, create a Federal Scale-Up Procurement Fund: Provide \$500,000 to \$5 million contracts over 18-24 months, deployed strategically to regions showing ecosystem stress—addressing the customer gap that often imperils many promising startups.

Let me illustrate these issues with Alberta's AI ecosystem. Canadian AI research has been world-leading. Richard Sutton from the University of Alberta won a Turing Award. Leading AI researchers chose Canada for our support of research excellence and collaborative university culture. CIFAR and Canada's Pan-Canadian AI Strategy have been successful policy initiatives.

Around 2017, Alberta appeared to have all the ingredients for success. A 30% investor tax credit attracted capital. University of Alberta graduates were launching AI startups. Google's DeepMind chose Edmonton for a research lab. The Alberta Machine Intelligence Institute connected these elements. On paper, this looked like a thriving AI ecosystem.

However, by 2023, this ecosystem was bruised. Google folded the DeepMind lab. The province rescinded the tax credit. While startups like AltaML, DrugBank and Granify showed some traction, there were no clear scale-ups like Shopify. Local initiatives like Startup TNT briefly thrived—becoming one of Canada's largest pre-seed investors by 2023—but without sustained federal support, investment activity has fallen dramatically. Alberta's access to venture capital was severely limited by Canada's small VC sector and geographic concentration in Toronto and Vancouver.

What happened? Human capital proved necessary but not sufficient. Shifting provincial policy undermined foundations. But the critical failure was lack of local customers—Alberta businesses wouldn't take risks on local AI startups, and limited venture capital meant companies couldn't bridge to larger markets.

This ecosystem weakness directly deterred corporate R&D investment. When Google's DeepMind closed its Edmonton lab, that was a loss of private sector R&D spending. Established companies locate R&D facilities where they see thriving ecosystems. By letting ecosystems collapse, we signal to the private sector that R&D investment in Canada carries too much risk.

There is a pattern of Canadian technological strength not taking root and scaling as it could. This is what my three recommendations aim to address.

In closing, Canada's pattern of technological strength failing to scale is not inevitable. With federal oversight of ecosystem health, parallel investment in research and commercialization infrastructure, and strategic procurement that creates anchor customers, we can build the conditions for sustained private sector R&D investment. The question isn't whether Canada can produce world-class research—we do. The question is whether we'll build what HIBAR research calls 'integrative structures'—ecosystems enabling academia and industry to pursue knowledge creation and societal impact simultaneously.

Thank you.
