

Supercash for Superclusters: Government of Canada Commits \$950M in Funding to Five "Superclusters" Representing 450 Canadian Entities

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On February 15, 2018, the Government of Canada announced the five winning industry consortiums (each, a “supercluster”) which will receive \$950 million in government funding over five years under its Innovation Superclusters Initiative (ISI). The winning superclusters each represent a separate industry and were selected from the country’s five main regions, namely: British Columbia, Ontario, the Prairies, Quebec, and Atlantic Canada.

Background of the ISI

The ISI was launched on May 24, 2017, as part of the Government of Canada’s multi-year Innovation and Skills Plan in order to spark growth and help Canada realize its potential as a global leader in innovation. This was accomplished by encouraging the development of “superclusters”, which are industry-led, not-for-profit entities that have been formed to represent clusters of businesses, research institutions, and other innovators in regional and industry specific areas. These superclusters are expected to demonstrate private sector commitment of industry clusters by matching the funds requested of the ISI on a dollar-to-dollar basis and through meaningful involvement in their governance. In a news release issued February 20, 2018, the Minister of Innovation, Science and Economic Development stated that the Government is investing in this program “so that tomorrow we will be more than 50,000 jobs richer and benefit from an even stronger economy.”

Membership Structure and Benefits

As part of the application process, each supercluster was required to create a Membership Structure and accompanying Membership Agreement to formalize the community of innovators that will participate in or benefit from the supercluster’s activities. The Membership Structure clarifies the terms relating to how members could join, benefit from the projects organized by the supercluster, and all other material terms essential to its operations. While the superclusters were each given independence over their respective membership structures, it was also encouraged that firms of all sizes would have access to membership. However, the benefits of these superclusters are expected to extend far beyond their members to both non-members and the national network. This is because the superclusters were also required to outline methods of supporting the broader objective of cluster development by providing direct and indirect benefits to non-

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members. It is also expected that the ISI-funded activities and projects that will be available through the membership structure will also be open to interested organizations throughout Canada. Further information regarding the requirements under the application process can be found in the Government of Canada's Innovation Superclusters Program Guide.

The Five Selected Superclusters

The five Canadian superclusters that were selected cover approximately 78 percent of Canada's economy and represent more than 450 businesses, 60 post-secondary institutions and 180 other participants. A brief description of each of the winning superclusters can be found below.

- The AI-Powered Supply Chains Supercluster (SCALE.AI) is based in Quebec and aims to bring the retail, manufacturing, transportation, infrastructure, and information and communications technology sectors together in order to build intelligent supply chains through artificial intelligence and robotics. Their industrial partners have committed to \$700 million in collaborative and incremental innovation projects over the next five years and feature over 120 industrial and enabling member intuitions;
- The Advanced Manufacturing Supercluster is based in Ontario and proposes to build next-generation manufacturing capabilities and incorporate technologies like advanced robotics and 3D printing by focusing on training and technology adoption. This supercluster features over 130 member entities and includes the major technology hubs of Communitech and MaRS Discovery District;
- The Atlantic Canada-based Ocean Supercluster seeks to use emerging technologies to strengthen Canada's ocean industries, such as marine renewable energy, fisheries, aquaculture, oil and gas, defence, shipbuilding, and transportation. The supercluster is co-led by Emera Inc. and Clearwater Seafoods Inc. and features involvement from Dalhousie University, PAL Aerospace and many other corporations;
- The British Columbia-based Digital Technology Supercluster consists of more than 200 companies and 25 academic and research institutions, including Microsoft, Telus, and Shoppers Drug Mart. The supercluster has committed to invest more than \$500 million and seeks to use cutting-edge applications of augmented reality, cloud computing and machine learning to improve service delivery in the natural resources, precision health and manufacturing sectors;
- The Protein Industries Supercluster is based in the Prairies and seeks to build on Canada's global reputation as a leader in agricultural production by using plant genomics and novel processing technology to increase the value of key Canadian crops, such as canola, wheat and pulses that are coveted in high-growth foreign markets. In addition, the supercluster seeks to satisfy growing markets in North America and Europe for plant-based meat alternatives and new food products.

How to Access the Supercluster Funding

The winning superclusters will use their ISI funding to design, select, and carry out projects to advance the

activities outlined in their respective Contribution Agreements with the Government. The allocated ISI funds can be used to cover the superclusters' costs or be redistributed to both members and non-members through "calls for projects," competitions, contracts, or other appropriate mechanisms. The superclusters will set out these initiatives and their associated budgets in annual corporate plans and will be approved by their Board of Directors. Since the ISI-funded projects and initiatives are expected to strengthen regional expertise, the activities are expected to be concentrated within the supercluster and will also generally be undertaken in Canada.

As the selected superclusters are independently-operated, interested corporations and institutions must contact the superclusters directly to understand the requirements and application process under their unique Membership Structure.

Please contact the author, Noble C. Chummar at Cassels or any member of our Private Equity team for more information or assistance in accessing the ISI funding or supercluster membership.

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