



November 16th, 2018

Western Economic Diversification Canada
c/o: Western Economic Growth Strategy Engagement
Suite 1500, 9700 Jasper Avenue
Edmonton, Alberta
T5J 4H7

Subject: Co.Labs' response to the **Western Canada Growth Strategy (WCGS)**

To whom it may concern,

Co.Labs is Saskatchewan's first technology incubator, which is purpose driven to support early stage technology startups along their journey to commercialization and market expansion. As such, the contents of this response to the WCGS have been created through the lens of further supporting the western economy's diversification, particularly as it pertains to technology commercialization.

In response to the five questions posed in the engagement paper, we have drafted the below comments for your consideration. Thank you for the opportunity to contribute our thoughts on the development of this strategy and we look forward to working with WED as it builds and implements its strategy for western Canadian economic growth.

1) What does a stronger western Canadian economy look like in 10 years from now?

- World leader in digital agriculture, mining, and oil technology (hardware & software).
- Thriving indigenous entrepreneur community in the areas of service and product based technologies and technology enablement innovations.
- Western Corporations in the commodity sector actively disrupting their own markets through new product innovations of which, complement existing commodity products/revenues.

2) What are the best ways to spur new growth in western Canada?

In order for The West to compete effectively for top-tier talent and create technology companies that will scale to \$100+ million in annual revenues, there must be a larger pipeline of early stage ventures.

Therefore, we propose the following initiatives:

- One of the core barriers to the creation of new ventures in our region is access to pre-seed funding as there is a market failure wherein the risk at that stage does not align with early stage angel investors or current federal/provincial government grants.



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Thus, we propose that the government provide non-dilutive funding to early stage startups on a tranche basis along their commercialization journey. This program would provide the necessary capital for startups to test their assumptions with users by way of building a functional prototype or proof of concept. Only ventures that successfully validate and achieve product-market-fit would move on to the subsequent phases of commercialization and ‘unlock’ further tranches of funding. The tranche model ensures value for money on behalf of the tax payer whilst also catalyzing the creation of new technologies by making small bets on ambitious ideas:

- Phase 1: Idea/Prototype Phase - \$3,000
- Phase 2: MVP/Proof of Concept - \$15,000
- Phase 3: Customer Acquisition - \$30,000
- Phase 4: Market Expansion - \$50,000 - \$100,000

This program would complement and expand the prospect funnel for existing funding programs such as NRC IRAP (Youth), NRC CTO, NSERC Engage, Mitacs Accelerate, and Futurpreneur, ultimately leading to a greater number of technology companies in the western provinces, and thereby further diversifying the western economy.

- Another challenge for early stage ventures in The West is managing cash flows as they pertain to access of non-dilutive federal/provincial funding programs. Several these programs require the startup to ‘front-load’ the costs associated with the project, whether that be employee salaries or equipment costs. Thus, if a startup does not have the cash flow available, which we indicated is a current market failure in the aforementioned proposed program, then they cannot access these non-dilutive funds. This leads to underutilization of existing programs and to further access-to-capital challenges for startups in The West.

Thus, we propose that the government alter existing funding programs to provide the first claim period of funds to the startup at the beginning of the project. This would enable startups to manage cash flows without external investment or revenues, both of which are difficult to access for early stage ventures that are in Phase 1 or 2 of the aforementioned proposed program.

- Access to senior talent is an on-going challenge for all technology companies in western Canada, from startups to scaleups. That said, the talent shortage has adversely affected early stage ventures disproportionately compared to scaleups as they do not have the capital to pay competitive salaries for senior engineers and salespeople who are integral to their success.

Thus, we propose that the government provide funding to enable technology companies in The West to hire both STEM and sales/marketing interns. This would result in three positive outcomes:

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- Scaleups: These grants would enable scaleups to hire student interns and offset the costs of training them, thereby making it more attainable to scale their companies in western provinces.
- Startups: These grants would either 1) enable early-stage startups to hire and train junior talent or 2) attract senior talent from larger scaleups as those scaleups would be able to fill those talent gaps with new junior interns and progress them to senior talent positions.
- Students: These grants would enable students to acquire the necessary skills to effectively contribute to fast-growing technology companies in The West and as a result, would enable western technology companies to scale and compete globally.

3) What will help the Indigenous economy continue to grow?

Technology is one of the only sectors that enables a company to be located nearly anywhere in the world and therefor is a well-suited industry for rural and remote communities. That said, it is imperative that the requisite infrastructure and programming be made available to recruit and train both founders and talent for new ventures in these communities.

Thus, we propose that the government support the following initiatives:

- Work with national and provincial telecommunications companies to support the expansion of network infrastructure for remote reserve communities.
- Provide funding and resources to enable existing technology hubs/incubators/accelerators form partnerships with reserve communities and develop programming specifically for those communities through a hub-and-spoke model. This would enable those remote communities to access high caliber and international mentors in the technology sector as well as established and proven programming, whilst also retaining local talent within their communities which in turn will create high paying jobs and grow their local economies.

4) How can we improve economic participation in the west of underrepresented groups, including women, youth and new immigrants?

In order for the western technology economy to truly leverage the potential of underrepresented groups, we must create new programs that specifically support the challenges that these groups face with regards to participation in regional 'tech' communities.

Thus, we propose that the government expand its support and funding for programming related to engaging underrepresented groups within the technology sector. This would include but is not limited to:

- Creation of technology startup and computer programming curriculum for secondary and post-secondary institutions.
- Creation of dedicated programming, mentorship networks, and support for female founders of technology companies.



5) How can governments, industry, and western Canadians work together to grow the regional economy?

In order for the efforts of the WCGS to take long term effect in The West it is imperative that there be a standardized key performance indicator (KPI) and measurement system to determine the performance of regional projects and the organizations that adjudicate them. This would entail creating a transparent measurement framework wherein successful programs and projects adjudicated by non-profits and other organizations would be refunded and those that do not meet their outlined objectives would not.

This will create a market of rapid experimentation by non-profit organizations which is exactly what is needed in order for these types of ambitious projects to have long term implications in the western economy. Tangentially it will also ensure value for money for the tax payer and will enable high performing organizations to take on further projects and initiatives. In a way, the government must view their role as an investor, taking risks on a number of small 'bets' and providing follow-on funding on a tranche basis for those projects and initiatives that produce positive and measurable outcomes.

Regards,

A handwritten signature in black ink, appearing to read "Jordan Dutchak".

Jordan Dutchak
Executive Director
Saskatchewan Collaborates Inc. (Co.Labs)