

April 15, 2020

Re: Saving Canada's Startup Ecosystem

Dear Ministers Ng, Joly and Bains,

We applaud your strong commitment and actions to support Canada's small and medium-sized businesses and their workers during this challenging time.

On behalf of 28 leading innovation hubs across the country supporting more than 5,600 technology firms, we are writing to you to urge the federal government to take immediate steps to bolster Canada's startup ecosystem. While the federal and provincial governments have introduced important measures to backstop the broader economy amid the health crisis, many early stage tech companies remain at risk of collapse in the coming months.

Such a reversal would be truly unfortunate given the difficult work and substantial investments that have gone into building a robust pipeline of high-growth firms in this country over the past decade.

As you consider additional steps to help the economy, we believe the following measures would stabilize Canada's startup ecosystem and contribute to a stronger recovery:

- Ease eligibility requirements, in particular for pre-revenue startups, to enable greater access to announced measures such as the Canada Emergency Business Account, the Business Credit Availability Program and the Canada Emergency Wage Subsidy.
- Provide rent relief for startups affected by COVID-19.
- Increase funding for NRC-IRAP and the Regional Development Agencies to support startups and the ecosystems they operate within.
- Leverage the Canadian Digital Media Network (CDMN) to provide frontline services to startups and to convene regional resources to support companies.

Canada's Startup Ecosystem is a Success Story

Thanks to the concerted efforts of entrepreneurs, governments and innovation hubs, Canada's startup ecosystem has gone from strength to strength in recent years. This has contributed to making the tech sector the fastest growing segment of the Canadian economy. Today, tech-based companies provide over 800,000 good-paying jobs for Canadians, drive innovation in the economy, and act as a magnet for global capital and talent.

Simply stated, Canada's future prosperity rests on maintaining a steady stream of startups with the potential to transform industries and serve as the next generation of anchor companies for our economy.

Our mission at CDMN is to make this imperative a reality. Each year, our innovation hubs help more than 4,600 startups access talent, investment capital and market opportunities at home and around the world. Through the Network, we collaborate and leverage each other's strengths to accelerate the growth of our clients.

Canada's Startups Are in Trouble

For many of the startups that we work with, the pandemic is having a severe negative impact on their continued viability. As we are seeing in other industries, the sharp decline in economic activity has led to the drying up of sales and revenue for a significant number of our clients. Moreover, startups, which typically live from one funding round to the next as they prioritize growth, are finding it increasingly difficult to raise capital in an investment climate marked by heightened caution. As a result, some firms have already laid-off workers, and many more have set in motion plans to do so.

The demand for the mentoring and services of innovation hubs has never been greater. We are doing all we can to help startups see the crisis through. Areas where we are providing support include managing cash flow, drawing up new business strategies and finding new sources of capital.

Moreover, nearly all of us are providing direct aid by waiving or deferring rental payments for the startups that lease office space from us -- a significant cost for them -- helping to prop up the cash flow of these companies. At the same time, as necessary as this support is, it also places our innovation hubs in a difficult financial position by depriving us of a crucial source of revenue for sustaining our operations.

More than anything else, what concerns us is the toll the crisis is taking on the mental health of the workforce of these startups, with many founders grappling with losing their companies, livelihoods and employees.

Government Action is Required

Not all businesses will, or are entitled to, survive the downturn. But Canada cannot afford to allow otherwise sound, promising startups to disappear because of this exogenous shock. These companies need a lifeline; the hollowing-out of Canada's startup ecosystem would represent a tremendous setback for our tech sector, as well as for the long-term prospects for the economy.

It's up to all of us to prevent a bad outcome.

Thank you for your consideration. As always, we stand ready to support you in whatever way we can.

Should you have any questions or would like to discuss this letter further, please don't hesitate to contact us.

Sincerely,

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