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Introduction: Financing Innovation in the Private Sector

Michael Robinson*

I am Michael Robinson from the Fasken Campbell law firm in Toronto, and I have been asked to preside over this morning's session. Before getting to this program, I would like to mention one thing, a bit of a plug. Yesterday, Alan Nymark, the Canadian government representative, talked about public funding and that there was an important new book by Sylvia Austria and Richard Nelson. He mentioned the title called *Technonationalism and Technoglobalism, Conflict and Cooperation*. He said that it was forthcoming. Well, it is more than forthcoming. It is here. Sylvia sent me a copy a couple of weeks ago, and I have been reading it. It is very, very interesting, and I recommend it to you. It is from the Brookings Institution in Washington.

About half of my practice now is acting for developers of international infrastructure projects, and they are always broke. We rarely can find any development money in Canada. I am interested to hear if Mary Macdonald can tell me whether there is some now. Or if not, Bob Pavey will hopefully tell me where it is in the United States.

I did re-read my 1989 paper and Mary's paper in the materials, which, by the way, lacks a date. This came out in 1991. This is an outstanding bit of research that Mary did for the federal government. I recommend it to you, and she is going to orally update it here. It lists the problems and makes some recommendations for venture capital funding in Canada.

Mr. Nymark told us that the subsidies are gone in Canada. Many of the programs are either gone or gutted. We certainly need private venture capital, and the need is more intense than it was six years ago.

I had an alphabet soup of programs in my 1989 paper that were available in Canada, and it is fascinating, most of them are now gone. The lifetime capital gains exceptions, it was half a million. It dropped to 100,000. Now it is gone.

Mary Macdonald can correct me, but I think the SBIC's are gone, small business investment corporations. The national research council is a shadow of its former self. The department of regional industrial expansion and the industrial regional development program are dry. And RIDP are gone. The defense industry productivity program is gone. The industry energy research development program is gone. I think the

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Canadian Patents and Development Corporation is gone. Ontario Small Business Development Corporation is gone. Ontario Technology Fund is just about broke. Innovation Ontario I think is still around, and doing a little bit of stuff, but it is a bit of a sad story in Toronto. And Mary Macdonald can follow up on what Alan Nymark was saying, namely that we are going to need some creative new ideas in Canada to substitute for the federal support/subsidy schemes that are gone.

Mary Macdonald and Bob Pavey have flipped, and the good news comes first. Mary Macdonald says the Canadian news is not going to be that bad, but the general impression is that all of the money is south of the border for venture capital. Mary is going to correct that notion. But, just in case it is bad news, Robert Pavey will go first with the American good news.

Bob Pavey is a general partner of Morgenthaler Ventures based in Cleveland where his responsibilities include analysis of investment opportunities, making of investment commitments, and participation in portfolio companies as an active investor, often as a director. Mr. Pavey has served as past president and chairman of the National Venture Capital Association. He is also served on the American Council for Capital Formation Board of Directors. His degrees are an M.B.A. from Harvard, an M.S., metallurgical engineering from Columbia, and a B.S. in physics from the College of William and Mary. So he has the technical background, as well as a business background. He has a new fund about to come out, and maybe he will tell about that as well as the other materials.