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BUILDING FAVOURABLE CONDITIONS FOR STPS IN A DIFFICULT ECONOMIC ENVIRONMENT : CITY OF GATINEAU'S EXPERIENCE

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ABSTRACT:

The City of Gatineau, located in Canada's Capital Region, created a 90 acre STP in the late 80s in order to create a suitable environment for the scientific and technological sector that was developing quite rapidly in the area. After an initial success in attracting an anchor tenant, the STP has not developed any significant projects in past twelve years in spite of the emerging telecommunications sector in the neighbouring community of Ottawa.

Gatineau is part of the Canada's Capital region and is, with Ottawa, the fourth largest agglomeration in Canada with 1.1 million people. It is a region that has a very strong government presence with over 80,000 public servants. It has also a very dynamic scientific and technology sector with 70,000 jobs in over 1,000 companies. The region is one of the top regions when it comes to research and development for the telecommunications industry and has the highest concentration in Canada of scientists, engineers and technologists per capita. Most of these resources are, however, located in Ottawa. The Capital Region has also been quite successful in attracting private capital with an average of close to 1 billion dollars US invested in local high technology sector before the technology meltdown in 2001-2002.

The region is also unique in that it encompasses two provincial governments and three levels of local government. The City of Gatineau, located in the province of Quebec, provides the Capital Region with the best tax credit for research and development activities. It was in the hope of attracting many start-up companies with these tax incentives that Gatineau's STP was originally created.

In the past year, many significant elements have also changed the political landscape and have thus affected the environment conducive to the development of the STP: more attractive tax credits programs have been created, an amalgamation process at the municipal level has reduced the competitiveness between communities, the local universities have received additional funding to meet an influx of students and the federal government has created new initiatives for managing and promoting knowledge and innovation in the private sector. These elements have changed the prospective for the STPs in the region.

- In response to all these elements, the newly created Economic Development Corporation has initiated a complete review of its technological and scientific landscape in order to understand the economical, financial, cultural and sociological elements that create a favourable environment for creating an innovative, dynamic and responsive STP in our region.

INTRODUCTION

The cities of Ottawa and Gatineau are joined by the Ottawa River and together form Canada's Capital Region. This region is unique not only in its multiplicity of government strata but also in its ability to create a highly entrepreneurial Technology Cluster which, at one point, rivalled government in terms of the sheer number of employees it created.

This region of 1.1 million inhabitants is thus able to nurture two very strong clusters and create a unique setting where the federal governments' bureaucracy competes with world class technology-based entrepreneurs and companies.

Often quoted as one of the regions where quality of life is amongst the highest in the world, here are but a few of the highlights that distinguish our region:

- The highest per capita number of scientists, engineers and technologist in Canada
- The highest per capita level of income in Canada
- Gatineau is Canada's most bilingual city
- A high concentration of museums, art galleries, theatres, cultural activities & events
- A very educated and young work force
- Access to outdoor activities only minutes away from the downtown core
- State-of-the art attractions
- A great sports area with five professional teams in baseball, hockey, football, soccer and lacrosse.

In spite of being just across the river from Ottawa, the City of Gatineau has not benefited as much as Ottawa in terms of developing its Technology Cluster. As Ottawa's Technology Cluster has over 1 000 companies and 70 000 employees, Gatineau's cluster is only 40 companies and 3 000 employees.

Generally speaking, both communities offer a similar setting in terms of residential and business climate. In fact, the City of Gatineau has many assets that give it a clear and unequivocal advantages for start-up technology based companies. These provincially funded programs combine to offer the following advantages :

- Lower operating costs
- Lower corporate taxes
- R&D programs that provides a tax credit for up to 80 % of costs
- A program that exempts companies from corporate tax, capital tax and payroll taxes for 5 years
- Programs that encourage job creation by providing \$ 15,000 cash for every technology based job created over a 10 year period
- Programs that provide up to 40 % of all equipment purchased required to create technology products.

In addition, the City of Gatineau's is selling its land in the STP at much lower cost than land in Ottawa.

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How is it that this community, in proximity of Ottawa's Technology Cluster, that recruits employees from the same geographic area, has Quebec-based programs that cater to high tech companies and has not been able to build or attract a significant cluster of its own ?

In 2002, the City of Gatineau, fresh from an amalgamation project at the municipal level, created an Economic Development Corporation that is industry-led but with very good links to the municipal government. One of the first objectives of the Corporation was to commission an evaluation of this situation and determine the favourable conditions that would be required to revitalize the STP and build a sustainable Technology Cluster.

Gatineau's STP is located at the northern extremity of the City but only minutes from Ottawa's downtown parliament buildings and economic core. The STP is 370,000 square metres of space dedicated to high tech located in a natural setting of hills, waterways, ski and bicycle trails. Most services required by scientific and technology based companies are available such as underground cabling, alternate source of electricity, natural gas and fibre optic network up to 100 mbps. The STP is protected by zoning regulations that determine tenant qualifications, building and space allocation as well as land use.

Built in the late 80s by the local municipality with the intention that "Build it and they will come", the STP received its first anchor tenant in 1989. Digital Equipment of Canada, then a leading player in the mid-sized central computer business, moved all of its service and technical support facility to the STP from Ottawa's west end where many high technology companies are located. Digital's operation consisted of 300 employees and has been a model for successful integration in our community.

Shortly afterwards, the STP received its second major tenant, a telecommunications start-up company that designed, built and marketing switching equipment for air traffic controller, emergency service centres and telephone back ends. Since 1990, no single construction has taken place in the STP and this in spite of the terrific boom in commercial land development in Ottawa in the mid and late 90s. Ottawa's downtown core has to this day the lowest vacancy rate in Canada but Gatineau has yet to reap the benefits of this situation.

ECONOMIC POTENTIAL AND COMPETITIVE ADVANTAGE

It is without a doubt that Ottawa provides Gatineau with all the qualities of a well developed community that provides the key elements that attracts scientific and technological companies and their highly qualified personnel. Quality of life, richness in terms of scientific and technological opportunities in both public and private sector, high quality infrastructure, capital, professional services and networking opportunities are all elements that drive knowledge based economies and attract highly qualified people.

Gatineau can benefit from all of this by its proximity and can add value by focussing its attention on start-up companies since its Quebec based programs are specifically geared for these.

What was deemed lacking was Gatineau's inability to integrate with Ottawa's technological sector. This explains a great deal of why the STP or the City of Gatineau is not viewed as a community that can sustain a Technology Cluster.

HOW COMPANIES VIEWED GATINEAU

The following are the result of a survey of companies that considered Gatineau and its STP but did not pursue their interest in Gatineau for a variety of reasons.

Figure 1 summarizes the High Technology Cluster that is located in the Ottawa-Gatineau region and its evolution between 1999 and 2002. As can be seen, the Technology Cluster is diverse as it is strong and this in spite of the telecommunications downturn in the late 90s. Although the core of telecommunications and photonic companies are located in Ottawa's west end, the others are scattered across the region.

Figure 1 Ottawa technology Cluster Employment By Sector (1999 versus 2002)

	1999		2002		Change (1999-2002)	
	Employment	% of Total	Employment	% of Total	%	#
Aerospace, Defence, Safety & Security	2,823	4.96	4,931	7.35	75	2,108
Computer Hardware	764	1.34	3,390	5.06	344	2,626
Electro-mechanical technology	361	0.63	940	1.40	160	579
Electro-Optical Technology	6,279	11.03	4,577	6.83	-27	(1,702)
Energy Technology & Resource Management	74	0.13	185	0.28	150	111
Environement & Geosciences	353	0.62	584	0.87	65	231
Industrial Technology Process and manufacturing	769	1.33	2,328	3.47	207	1,569
IT Components, Sub Assembly and Controls	2,496	4.38	1,217	1.82	-	-
IT Systems	12,051	21.16	13,775	20.54	19	1,724
Internet Technology & E-Commerce Specialists	2,450	4.30	4,732	7.06	138	2,282
Medical & Biotechnology	1,489	2.61	2,189	3.26	47	700
R&D Laboratories, testing & Measurement	427	0.75	488	0.73	14	61
Software	5,035	8.84	6,560	9.78	50	1,525
Technomedia	362	0.64	1,374	2.05	-	-
Semiconductor	N/a	N/a	2,818	4.20	-	-
Telecommunications, Satellite & Mobile Communications	20,945	36.78	16,760	25.00	-19	(4,185)
Transportation	226	0.40	132	0.20	-42	(94)
Other	55	0.10	68	0.10	24	13
Total	56,949	100	67,048	100	17.7	10,099

Source: Doyletech Corporation, 2003

Most companies that considered Gatineau were in the early stages of development. This confirms that companies are initially attracted by financial needs especially those in early stages

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of development. Most firms were recommended to consider Gatineau by business people who were aware of Quebec's very lucrative tax credit programs for R&D. Most companies that reviewed the advantages of Gatineau were quite cognisant of the programs and their advantages and were satisfied with the aid provided by local economic development agencies. When asked what was missing, the answers varied but the reasons given were lack of appropriate and timely financing, lack of infrastructure, lack of facilities and/or land.

After financing, most companies listed building and location issues (access, public transportation, parking) as a major preoccupation.

COMPANIES' REQUIREMENTS

When asked about what needs should be addressed in order to consider Gatineau and its STP, the firms mentioned, in the following order of importance, access to broadband telecommunications, meeting and training rooms, incubation space and expansion space and lastly the presence of support agencies.

It was also clear that Gatineau's STP, although well located, suffers from a lack a visibility and a some form of branding consistent with high technology. Networking, linkages, success stories, significant scientific and technological projects were all elements that were deemed lacking as well.

R&D FACILITIES

It was also quite clear that simple economics (lower land costs, tax credits, etc) were not sufficient for start-up companies to decide to locate in our STP. It was also clear that the lack of a well known R&D facility, be it public and or private, was a major disadvantage for the STP.

Whether they used the R&D facilities or simply were interested in the branding or the prestige of being located near an well-known R&D facility, it is clear that such a facility has a tremendous effect from this aspect alone.

CONCLUSION

Gatineau's STP has many qualities that need to be developed extensively in order to attract a Technological Cluster and sustain it. Its proximity to Ottawa Technology Cluster offers a tremendous potential if it could provide a significant and complimentary advantage for start-up companies.

High quality space, specifically designed for start-up companies that need space to grow, supported by well-thought out services that reduce a companies' overhead and provides meeting spaces, board rooms, training centres that facilitate and encourage innovation and growth are the missing elements.

These services, combined with a group specifically designed to create an environment that permeates excellence, dynamism and that encourages networking, linkages is also essential to maintain the STP and sustain it. This element is essential in creating the branding and environment conducive to attracting and retaining companies and research laboratories.

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