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Nortel Sale Highlights Need for a National Technology Strategy

TORONTO: Canada's Venture Capital and Private Equity Association (CVCA) today called on the federal government to develop a comprehensive national technology strategy in light of the uncertainties surrounding Nortel.

"To start with, the federal government must satisfy itself that the process of transferring Nortel assets to new ownership is fair, open and transparent." Said Gregory Smith, President of the CVCA. "It must then act to ensure that the maximum net benefit accrues to Canada when the ownership of Nortel and its intellectual property assets are ultimately transferred. A key consideration in determining net benefit would be commitments to high levels of Research and Development (R&D). Large enterprises are vital components of the innovation ecosystem in Canada," added Mr. Smith. "These major firms play an important role in increasing the talent pool, in spinning off new companies and in providing smaller firms with strong partners and markets for their innovative products."

Venture capital providers have been critical to the development of Canada's leading-edge technology firms. However, the venture capital industry is now facing a significant fundraising crisis that is impacting its ability to provide the capital to develop the Nortel's and the RIM's of tomorrow. In fact, venture capital investment is today at a 14-year low. In 2008, only \$1.3 billion was invested by venture capital funds into all technology sectors from information technology to life sciences and clean tech – a 36% drop from the \$2.1 billion invested in 2007.

In January 2009, the CVCA released a report, that was partially financed by Industry Canada, on Canada's venture capital backed technology-rich, high growth and high export companies. The report documented the disproportionately large contribution venture capital backed companies make to the economy. "We need more firms of this sort because of the huge snowball effects they have on the wider economy," said Mr. Smith.

It is time for a determined technology strategy for Canada. In this regard, the government should consider establishing a blue chip, limited-life panel comprised of company executives, university presidents and venture capitalists with the express mandate to devise a road map for Canada's technology industries.

"Such a panel could be tasked with taking a holistic approach to growing our high technology resources – everything from identifying and removing obstacles to commercialization, to fostering angel capital and revamping the SR&ED tax credit program," said Mr. Smith.

CVCA

The CVCA - Canada's Venture Capital & Private Equity Association, was founded in 1974 and is the association that represents Canada's venture capital and private equity industry. Its over 1800 members are firms and organizations which manage the majority of Canada's pools of capital designated to be committed to venture capital and private equity investments. The CVCA fosters professional development, networking, communication, research and education within the venture capital and private equity sector and represents the industry in public policy matters.

Contacts:

Gregory Smith, President, CVCA, 416-903-6171, gregorysmith@cogeco.ca or
gregorysmith@rogers.blackberry.net

Richard M. Rémillard, Executive Director, CVCA, 613-744-8969, rremillard@cvca.ca

Lauren Linton, Director of Marketing, CVCA, 416 487-4299 llinton@cvca.ca

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