

# ITAC

INFORMATION TECHNOLOGY  
ASSOCIATION OF CANADA

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ASSOCIATION CANADIENNE  
DE LA TECHNOLOGIE DE L'INFORMATION

## **2015 Federal Pre-Budget Submission**



## **Executive Summary – Recommendations**

- The progress the Government has made toward eliminating the deficit by 2015-16 is commendable and must be the cornerstone of the Economic Action Plan for 2015.
- Trade is the cornerstone of Government policy and is essential to help emerging knowledge-based companies grow their businesses. The excellent progress Canada has made in achieving major, historic trade agreements must be supported by an increase in funding the Trade Commissioner Service and important programs such as Global Opportunities for Associations.
- Our increased focus on global markets must also entail increased focus on global labour markets and appropriate funding for the mechanisms such as the Temporary Foreign Worker program and the International Mobility Workers program to ensure speedy processing of labour market opinions and visa applications.
- Canada must make the improvement of its performance in scientific, technical, engineering and mathematics education a national priority. The Government should invest appropriately for this outcome, including at least \$5 million over 3 years to enable a national roll out of ITAC Talent's Career Mash program. Support for co-ops, internships and other mechanisms to expose students to business culture and life should continue.
- To improve Canada's productivity performance, Canadian business needs to increase its adoption of technology. ITAC believes that a focused advertising campaign sustained over a ten-year period would change business attitudes to these vital investments and cost no more than \$10 million per year.
- ICT is a vital component in improving outcomes in our national healthcare delivery system. Canada Health Infoway (CHI) is a major contributor to this ITAC recommends a recapitalization of CHI in the amount of \$180 million over three years.
- ITAC continues to recommend that the Government study the impact of changes to the SR&ED program and restore some of the lost value from SR&ED by increasing the tax rate to SR&ED qualified pool balances.
- ITAC recommends the creation of not-for-profit national centre of excellence in cyber-security to leverage the capabilities of Canada's private and academic sectors to collaborate on a centre to showcase Canada's leadership in this increasingly important aspect of ICT.

ITAC, the Information Technology Association of Canada, is pleased to submit its recommendation for the Budget Planning Process for 2015.

## **Balancing the federal budget to ensure fiscal sustainability and economic growth**

In any budget process fiscal sustainability and economic growth must be the foundation of sound fiscal management. The progress the Government has made toward eliminating the deficit by 2015-16 is commendable and must be the cornerstone of Budget 2015. To that end, we believe the recommendations that follow are modest and fiscally responsible.

The ICT sector represented by ITAC is one of the largest employment sectors, employing directly and indirectly almost a million people, and it is the largest private R&D contributor. More importantly, ICT is the enabling technology that is used by all industry sectors to improve both competitiveness and productivity. To build a knowledge economy and deliver the promises of DC 150 it is critical that Canada's ICT sector is cultivated and leveraged appropriately.

## **Trade & ICT sector SME's generating economic growth**

**Trade** is a key element of Canada's competitiveness and essential for **helping SMEs scale up**. The Government's initiatives in expanding Canadian access to international markets are important, perhaps even historic in their outcomes. But we must continue to invest to help Canadian business understand the benefits foreign markets hold and to seize the opportunities the new trade agreements can present. Key ingredients are:

- The Trade Commissioner Service, for example, is our front-line support in the penetration of new markets and the Global Markets Action Plan stresses the need to fund TCS appropriately. ITAC works closely with TCS bringing emerging ICT companies into new markets. Our view is that, without committed investment in programs like TCS and GOA, all the potential evident in CETA, the Canada/South Korea Agreement and others will not come to fruition. An increase in TCS funding (25 percent) would demonstrate our firm commitment to actively engage in the markets these agreements open. We also recommend increased funding for GOA (Global Opportunities for Associations) to cover not only travel but also the task of market data and intelligence. This is critical to ensure a success.

- Modern trade agreements wisely address the importance of access to global labour markets. The ICT industry is particularly dependant on access to global talent to meet innovation challenges and to address shortages in our domestic labour market. We believe the government has recognized this reality in recent changes made to the Temporary Foreign Worker program and the International Mobility Worker Program. We must ensure, however, that the access these programs provide is supported by sufficient resources to ensure timely visa application processing and labour market opinions. User fees have been either introduced or increased for these services, and employers will have a higher expectation of service standards. Our increased focus on international markets must also entail increased funding for these vital operations.

### **Skills / Talent Development and Youth employment**

**Education** is important to Canadians. While we are an OECD leader in post-secondary education, we must come to grips with the fact that we are not producing enough engineers, scientists, technologists and mathematicians to guarantee our ability to compete in a knowledge-based economy. Less than 13 percent of Canadian degrees are in the STEM disciplines and less than 9 percent are in engineering. And at a doctoral level, Canada ranked 25th among 36 OECD in science and engineering degrees. We must set clear STEM targets and make achieving them a joint initiative of governments, academe and industry. Initiatives must address:

- ITAC, for example, fully recognizes that the brainpower of highly educated men and women is the ICT industry's primary resource and has taken measures through its recent merger with the Canadian Coalition for Tomorrow's ICT Skills (CCICT) to maintain a persistent and effective dialogue with **young Canadians to encourage the pursuit of studies leading to ICT careers**. In the past, this work has benefited from modest funding support from Government. Funding formally available from FedDev, for example, to support STEM initiatives has ended, but our need for professionals in these disciplines has grown. We strongly urge the Government to support initiatives such as ITAC Talent's Career Mash program. Career Mash is changing the way the ICT industry talks to young Canadians about careers in technology. Using a diverse network of mentors, blogs, video, social media and special events, Career Mash is dispelling the stereotypes that prevent young people from planning for tech careers. The program has

reached more than 10,000 high school students in Ontario with the support of its sponsors including FedDev. Career Mash in Ontario can be replicated nationally for approximately \$5 million per year for three years.

- Additionally, the practice of funding and supporting co-op opportunities, internships and other mechanisms to expose students to business culture and life should continue. We should view programs such as the \$40 million dedicated to the 2014 Economic Action Plan to support up to 3,000 internships in high-demand fields as essential and perennial.

### **Improving the competitiveness of Canadian businesses through research, development, innovation and commercialization**

One of the greatest challenges to our long-range prosperity is our lagging performance in **productivity**, which is closely tied to our economy-wide under-use of technology. This is a problem that ITAC has championed since 1998 and, now supported by eminent economists and organizations such as the Science, Technology and Innovation Council and the Council of Canadian Economies, continues to raise. The Government has also taken measures to encourage more widespread use of technology but our rate of ICT adoption continues to fall short of competitor nations such as the United States. ITAC believes we must make closing the productivity gap a priority. We also believe that measures to do this need not be onerous. What is required is:

- A sustained communications program targeted particularly at small and mid-sized businesses over a sustained period of time would lead to change in the way Canadian business views investments in technology. A focused campaign of this nature sustained over 10 years would cost no more than \$10 million per year.

Health Informatics is one area where Canada can have technologies – but the conditions needs to be created by which the companies can scale globally, reduce the cost of healthcare delivery, which is a burden today, and therefore improve the capacity for research and commercialization. Canada Health Infoway (CHI) is a major contributor to this strategy and plays a vital role in the deployment of IT in healthcare. ITAC has a MOU with CHI to help standardize software through a certification process.

- A recapitalization of Infoway in the amount of \$180 million over three years would allow it to continue to expand the capacity of the sector and help deployment of electronic medical records, bring care closer to home, and improve the patient experience by providing easier access to care.

In terms of innovation, ITAC continues to believe in the importance of tax-based incentives to encourage investment in research and development. Our members continue to stress the importance of SR&ED in their ability to locate research mandates and jobs in Canada. Members also report losses in R&D jobs due to the changes in SR&ED credits announced in 2012. We strongly urge the Government to conduct and publish its own review of the impact of the shift from indirect to direct measures of R&D support. Our recommendation is to restore some of the value lost from SR&ED by increasing the tax rate to SR&ED qualified pool balances from 15 percent to 17 percent or to return capital expenditures for R&D to SR&ED eligibility or both.

### **Increasing digital reach: connecting and protecting Canadians**

Twenty-first century infrastructure includes digital networks. ITAC welcomes the investments the Government has made in bringing broadband to remote regions, noting that the security of our digital infrastructure must also be a concern, just as we concern ourselves with the security of our concrete infrastructures. In addition:

- Government should facilitate the creation of a not-for-profit national centre of excellence in cyber security. The intent would be to leverage the capabilities of Canada's private and academic sectors to come together to build a truly global presence.
- Cutting-edge research is being undertaken, and products and services developed, in laboratories and offices across the country. However, there is no effective public-private-academic entity to ensure results and learnings are shared broadly, that viable discoveries and developments are commercialized, and that scarce resources are not wasted – and opportunities lost – on duplicative efforts.
- Given that such a centre would need no physical premises of its own, ITAC believes this initiative should not cost government more than \$2 million per year for three years.

### **Finally, Improving Canada's taxation and regulatory regimes**

As a business association, ITAC receives regular affirmation of the positive impact that overall corporate tax reform has had on maintaining investment in Canada. And Government initiatives to reduce red tape have created a more positive business environment particularly for small and mid-sized businesses. These are important and commendable achievements of our fiscal planning.

However, sometimes the pursuit of specific public policy initiatives can have the unforeseen consequence of increasing the regulatory burden. The recent introduction of the CASL regulations is an example of this. Though creditable in the intent of the legislation, execution of the regulations has proven to be challenging and the compliance burden has been unduly costly. Our public policy agenda can be better aligned with the objectives of the Red Tape Introduction Action Plan.

The telecommunications regulatory regime in Canada, however, has become politicized and extraordinarily adversarial. This weakens our capacity to build a strong, competitive digital economy in Canada. ITAC believes we should aspire to a more fruitful discourse between industry and government and commits to do whatever we can to foster it.