BUDGET SUBMISSION FOR 2017 BUDGET

As Canada's national Information and Communications Technology (ICT) business association, the Information Technology Association of Canada (ITAC) champions the development of a robust and sustainable digital economy in Canada.

More than 36,000 Canadian ICT firms create and supply goods and services that contribute to a more productive, competitive, and innovative society. The ICT sector generates over one million jobs directly and indirectly and invests $4.9 billion annually in R&D, more than any other private sector in Canada.

INTRODUCTION

ITAC has **made 7 recommendations** based on the 4 themes put forth by ITAC's Tax & Finance Committee after a broad consultation with members. These seven recommendations have been organized under the four themes of Digital Government, Digital Economy, Talent, and Competitiveness which is consistent with the Ministerial mandate letters.

DIGITAL GOVERNMENT

ITAC has long been an advocate for improving Canada's procurement policies in order to deliver the best services to Canadians via cutting edge digital solutions. We believe that outcome-oriented procurement policies will provide Canadians with the most choice for the lowest price, while fueling the growth of our domestic technology sector.

We also know that sound procurement policies allow access to companies of all sizes and present the most innovative solutions to the Government's challenges. From harnessing the benefits of cloud computing to leveraging best practices in cyber security, the Government must ensure that the IT strategies and plans consider lessons learned from industry by engaging them in meaningful and formative consultations.

DIGITAL GOVERNMENT RECOMMENDATION 1:

Creation of a Digital Leadership Advisory Council and Digital Service Canada

The governments of the United States, United Kingdom, South Australia, and others have realized the benefits which a central authority on digital service delivery affords to their citizens. These governments have created Digital Services in order to maximize efficiency, save taxpayer dollars, and reduce wasteful duplication.
By contrast, Canada continues to use a decentralized approach to delivering digital services to Canadians. This system is confusing to the public and to industry as it is unclear who is accountable for what project. A decentralized approach also makes it difficult for industry to present fresh ideas and offer improved ways of delivering services digitally to Canadians. This in turn leads to less choice and higher prices for the Government.

Creating Digital Service Canada would see better service delivery and value for citizens while increasing transparency and cooperation with industry. This would be a legacy item for the Prime Minister and his Government while echoing his message from the World Economic Forum that Canada has a knowledge-based economy built on the foundation of the digital revolution.

Forging a successful Digital Service in Canada will require gaining insight from those who have experience with the Digital Services of other countries.

This is why ITAC recommends the creation of a Digital Leadership Advisory Council (DLAC) comprised of academic, government, and industry experts. This Council would discuss the mandate priorities for a Digital Service Canada, identify major projects, and set a clear path forward.

The budget for creating a DLAC and Digital Service Canada will depend on the scope of both projects. A re-profiling of existing resources should be considered.

DIGITAL ECONOMY

Canada has some of the most challenging geography on the planet in which to deploy digital infrastructure. As a result, Canada has fostered some of the most innovative telecommunications companies in the world.

Network infrastructure is the interactive backbone which supports and connects all sectors of the economy, while delivering social benefits such as e-learning and telehealth. Without this infrastructure, there would simply be no modern Canadian economy.

RECOMMENDATION 2:
Change Capital Cost Allowance Rate (CCA) to incent companies to deploy digital infrastructure

The Government clearly understands the linkage between technology investment and productivity growth. This idea underpins the 2007 introduction of an accelerated capital cost allowance to encourage investment in machinery and equipment used in manufacturing and processing. The same logic should apply to all participants in the economy seeking to boost productivity and spur innovation through the broader adoption of technology.

Capital cost allowances generally favour adoption of information and communications technology, but ICT is spread across a broad swath of investment classes and understanding the allowance for a full package of ICT tools from servers to applications can be challenging - particularly for small businesses. Rationalizing and standardizing CCA for ICT classes of assets would help to encourage technology adoption.

A targeted tax credit which encourages companies to invest in digital and network infrastructure will not only help Canadian businesses to scale and compete globally, but it will unleash socio-economic benefits to Canadians across the country.

ITAC recommends that the Government standardize and increase the CCA – from current rates to 50% for ICT classes of assets including those that relate to communications networks equipment and broadband networks. This will accelerate the rate at which the private sector invests in digital infrastructure and fuels Canada's digital economy.

RECOMMENDATION 3:
Develop partnerships, funding vehicles, and policy initiatives to enable 5G technology in Canada

Next generation 5G technology offers transformational opportunities for Canada. 5G will propel research, power smart cities, produce immense quantities of open data, and usher in a new wave of telecommunications expertise.

As other countries begin testing new technologies to enable 5G, Canada has an opportunity to become a world leader and to develop the best 5G companies, researchers, and talent in the world.

ITAC recommends that the Government seek out industry and government partners in order to develop the talent, funding vehicles, and policies necessary to enable 5G in Canada.

RECOMMENDATION 4:
Fund telehealth services in both urban and remote communities

With the proper digital infrastructure and broadband networks, communities across

Canada can access the socio-economic benefits of the digital economy.

One of the most transformative ways in which technology can impact our communities is through telehealth. Telehealth benefits urban Canadians by offering a convenient and efficient alternative to traditional touch points with medical practitioners. This increases the likelihood of frequent check-ins with doctors and is a powerful way of bolstering preventative medicine. Telehealth is particularly important for Canadians who are using homecare or who have mobility challenges.

For Canadians who live in rural and remote communities, including First Nations and Indigenous populations, telehealth bridges an important gap and brings medical practitioners into underserviced areas. For many communities, telehealth may be one of the only means of quickly contacting a medical professional. Telehealth also presents a huge opportunity in the mental health arena where many communities are critically underserved.

An investment of $30 million over 3 years to Canada Health Infoway will help to ensure that telehealth delivers preventative and therapeutic benefits to Canadians in all communities.

TALENT

Canada faces significant rates of youth unemployment which, according to Statistics Canada, have not yet rebounded to pre 2008 recession levels. At the same time, the technology sector has a growing skills gap with over 200,000 vacancies expected by 2020.

The Prime Minister clearly understands the potential of youth and technology. ITAC would like to recommend some concrete measures which would see Canadian youth fill the skills gap and use their innovative ideas to power our modern economy. These measures compliment the Youth Employment Strategy and this Government's focus on youth and jobs in Science, Technology, Engineering and Mathematics (STEMs).

TALENT RECOMMENDATION 5: Fund *CareerMash* and get more high school students ready for technology jobs

Digital skills are increasingly vital for everyone's lives. It's estimated around 90% of all jobs over the next 20 years will require some level of digital skills, so we need to make sure they're at the heart of our education system.

ITAC's *CareerMash* program has a proven track-record of successfully getting high school students to enter the technology field. To date, we have reached over 80,000 students and inspired them to develop the

digital skills required by tomorrow's employers.

Funding of $2.5 million over 5 years will expand the CareerMash program nationally and help combat youth unemployment across Canada.

TALENT RECOMMENDATION 6: Fund experimental learning opportunities within the technology sector

With the pace of today's technological advancement, it can be challenging for industry to find the skilled employees they need. Educational institutions also struggle to create curriculums that keep pace with industry's needs.

A powerful tool to combat this knowledge gap and to boost the employability of our domestic workforce is through experimental learning opportunities such as co-ops and paid internships.

These opportunities pair industry with young talent and ensure they have the right digital skills to succeed.

Funding of $7 million over 5 years will allow ITAC to develop a broad and inclusive experimental learning program. This program would include uniform standards and a contact point between educational/training institutions and industry partners.

COMPETITIVENESS

Canadian businesses struggle every day to retain staff, grow, and secure new mandates. One of the most critical factors which influences their competiveness is our domestic tax system.

Canadian businesses continue to innovate and invest in R&D in part due to the tax credits available to them. However, it has been several years since Government and industry have reviewed the incentives available to R&D developers in order to identify missed opportunities for fostering growth and spending within private industry.

COMPETITIVENESS RECOMMENDATION 7: Hold a holistic consultation on taxation and innovation

2012 marked the first year that Canada dropped out of the ranks of the top ten R&D performing countries in the OECD.

While Canada continues to be the leader in private sector research and development, R&D spending in ICT has dropped 8.5% since 2007. The Government has utilized SRED as its primary tax incentive for decades. Though this credit has changed in form several times over the years, a holistic review of what the technology industry needs in order to increase their R&D spending has not been forthcoming.

The Government should launch a comprehensive consultation on the tax conditions which foster R&D spending and innovation in Canada. This consultation should include a consideration to create a new tax credit which would supplement SRED and increase Canada's international reputation as a global leader in R&D.

IN SUMMARY:

ITAC's recommendations for the 2017 Pre-Budget Consultations are:

1. Creation of a Digital Leadership Advisory Council and Digital Service Canada
2. Changes to the Capital Cost Allowance Rate
3. Enable 5G technology in Canada
4. Funding for telehealth in urban and remote communities
5. Funding for *CareerMash*
6. Funding for experimental learning opportunities
7. Consultation on innovation and taxation

For more information, please contact:

Kelly Hutchinson
Vice President, ITAC
220 Laurier Avenue West, Suite 1120
Ottawa, ON K1P 5Z9
613. 238.4822 X 2239
khutchinson@itac.ca