

Information Technology Association of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Canada's relative strength compared to other economies presents opportunities to invest for leadership in the 21st century digital economy and ensure we establish the appropriate infrastructure for our own digital economy. Ensuring that Canadians everywhere have the infrastructure, tools and knowledge to capitalize on the productivity enhancing innovations of the digital revolution requires prudent investment, but investment nonetheless. We cannot build for the future without being prepared to invest. Canada needs to make the appropriate investments while continuing its course of fiscal balance and maintenance of a competitive corporate tax regime. Major new sources of revenue such as the impending auction of the 700Mhz radio spectrum may provide the latitude for investments to continue to roll out our broadband networks, encourage the use of productivity-enhancing technology tools or to stimulate R&D investments. ITAC believes that it is imperative to keep a clear perspective on the future while dealing with our present fiscal realities. As a relatively small domestic market, we are dependent on exports and foreign investment for economic viability, especially in the technology sector. Measures to showcase Canada's excellence in gaming, digital media and mobile applications are needed. Canada needs to reinforce the work done by international trade officers to promote international commerce and investment.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The information and communications technology industry which ITAC represents employs nearly 600,000 Canadians in all parts of Canada. Our workforce fits the "knowledge-worker" archetype of highly educated, well compensated employees. (Our average wage rate is 50% higher than the Canadian economy). As the most R&D intensive industry in the Canadian economy, many employees in ICT are engaged in research and development. There is fierce competition globally to attract R&D activity in both developed and developing nations around the world with jurisdictions at all levels offering a broad array of direct and indirect incentives to encourage R&D activity and to bring R&D jobs to their locale. Many jurisdictions offer tax holidays and other measures in addition to marginal effective tax rates competitive with Canada's. Few however, have wage rates as high as ours. Canadian R&D performers depend heavily upon the advantages offered by Canada's Scientific Research and Experimental Development (SR&ED) tax credit to compete for and win the opportunity to fulfil research mandates here. The 2012 Economic Action Plan expresses the Government's commitment to create value-added jobs through innovation and contains many positive measures to do this. It also contains significant changes to SR&ED. R&D performers in our industry estimate that these changes will profoundly affect their ability to retain and grow high value R&D jobs in Canada. In spite of bringing these concerns to the attention of Finance Canada, we have been told that the Government will move

forward in its intention to implement these changes. ITAC strongly recommends that the Government of Canada closely monitor the impacts of these changes to Canada's R&D workforce and be prepared to make the adjustments necessary to protect and grow knowledge intensive jobs in Canada through effective direct and indirect incentives for R&D investment including an appropriately designed SR&ED.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Measures taken by the CIC and HRSDC to facilitate the recruitment of foreign and business owners are excellent examples of progressive public policy to address chronic skills shortages in sectors such as ICT. ITAC strongly supports the strategy of looking to skilled immigrants as a means of addressing Canada's aging workforce and chronic skills shortages in the ICT labour market. We also support measures taken by HRSDC to review and improve the process for collecting labour market information. This will help to ensure that employers in labour markets chronically affected by under-supply, such as ICT, can manage this vital resource more effectively. Measures are also needed to increase the pipeline of next generation knowledge workers with a strong science and technology background. Canada is a mid-tier performer in its creation of engineers and scientists and other STEM professionals. We need a concerted program to improve this. We can also do a better job to leverage the large diaspora population to increase our supply of knowledge workers. The ageing of the Canadian population is a serious challenge to the delivery of federal government services. The retirement rate of the public service has risen to nearly 4%. This combined with "rust out" of legacy ICT systems should provide and impetus to accelerate the modernization of government technology infrastructure and to more widely use common approaches and strategies to address common needs. With a greater focus on innovative technology and sharing and consolidating resources, the Government can meet its own demographic challenges to service delivery with greater confidence. Some of the greatest pressures imposed by our ageing population will be felt in the healthcare delivery sector. Demographics simply add more urgency to the need to improve the efficiency of our health care system through appropriate investments in ICT systems and technology for the health sector. ITAC welcomed the creation of Shared Services Canada, and advocated for permanent funding for the Canadian Innovation Commercialization Program. Innovative measures of this nature will not only address the demographic challenges, they will ultimately create better efficiencies and reduce the cost of service delivery.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Canadian companies continue to under invest in productivity enhancing technology in comparison to their counterparts in the United States. ITAC has been tracking this data for a decade and the gap in technology use is growing rather than diminishing. Canada's current rate of ICT investment per worker is currently at 53% of the United States. Canada has experimented with measures to increase the rate of ICT adoption, most notably with the 100 per cent CCA rate for computer hardware and systems acquired in 2009 and 2010. We welcomed this measure at the time but its efficacy was diminished by the real impacts of the global financial crisis prevailing then. The crisis generally dampened appetite for new investment and left a large number of companies in a tax position where the CCA write-off had no impact because they were not in profit or tax paying. ITAC believes that Canada must take its productivity gap seriously and take strong measures to communicate its intentions to do so all participants in the economy. At a time when manufacturers are calling for a permanent accelerated

capital cost allowance treatment on manufacturing equipment, similar measures applying to information and communications technology and services should be implemented as well. We also continue to hold the view that an accelerated capital cost allowance on the purchase of broadband equipment is also essential. It will provide the twin virtues of accelerating broadband deployment across Canada while at the same time bringing access to productivity-enhancing web-based technology tools to Canadians in all parts of the country. Additionally the government need to invest to communicate the benefits of business investment in productivity enhancing technology We cannot overlook the possibility that a fundamental cautiousness in Canadian business culture contributes to our relatively low rate of technology use. Strong, persistent messages from government about the need to make this investment may be necessary in the short term to overcome this. A public policy statement to support direct or indirect measures to encourage investment in upgrading technology would address this.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?