House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** ITAC Information Technology Association of Canada

or

( ) **an individual** **Name:** _____

Topic: Financial services and other financial issues

*Recommendation 1: Please provide a short summary of your recommendation.

Accelerate the pace of the Canada Venture Capital Action Plan. ITAC applauded the announcement of the $400 million allocation for venture capital in the 2012 Budget and supports the wise decision to leverage this money into a much larger fund. However, the process to find partners and begin placements is taking a very long time. The VC industry meanwhile continues to hold its breath waiting for the action plan to unfold and VC funding to all sectors is at an all time low.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount $400m (Budget 2012)

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

Budget 2013 signaled the end of Federal Government participation in Labour Sponsored Investment Funds, which have been one of the few sources of investment opportunity for Canadian companies. This, combined with the deliberate pace of the Venture Capital Action Plan, has created a very difficult environment for companies seeking funding.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The VC industry and emerging companies in ICT and other knowledge-based sectors.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Putting the Canada Venture Capital Action Plan in action as soon as possible will help to ensure the next generation of world leading Canadian technology will find the capital they need to grow in Canada.

Topic: Innovation and commercialization

Recommendation 2: Please provide a short summary of your recommendation.

Adjust the measures introduced in Budget 2012 and implemented in January 2013 that adversely and prejudicially impact research and development performers in Canada by increasing the tax rate to SR&ED qualified pool balances from 15% to 17% or return capital expenditures for R&D to SR&ED eligibility or both.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount $150 million

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The changes implemented in January 2013 will reduce SR&ED claims by approximately $300 million by the end of 2013. Meanwhile, the roll-out of direct measures to support innovation and commercialization are proceeding through the consultation phase with implementation of major funding initiatives unlikely before well into 2014. The Government's expressed intention in Budget 2012 and reaffirmed in Budget 2013 is the creation of value-added jobs through innovation. Restoring some of the former value of SRED credits will ensure this outcome.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

The R&D performing business community particularly large companies who anchor Canada's R&D clusters.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

$300 million drawn from the SR&ED program in 2013 represents about 2,000 high paying jobs. An adjustment to the reductions in the value of SR&ED would help ensure job retention while still providing sufficient resources for the announced direct measures to encourage innovation and commercialization.

Topic: Innovation and commercialization

Recommendation 3: Please provide a short summary of your recommendation.

Develop a sustained campaign to address Canada's laggard productivity performance, with a focus on accelerating the use across the economy of productivity-enhancing technology including ICT.

Canadian companies continue to under-invest in productivity enhancing technology in comparison to their counterparts in the United States. Canada's current rate of ICT investment per worker is currently at 53% of the United States.Budget 2013 extended the 50% straight line depreciation on manufacturing equipment leaving ICT categories unaddressed. A communications plan would be an alternative to ACCA.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

other: please provide your estimated amount | 20m to 400m

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

General Revenues...options range from tax treatment to encourage ICT adoption (ACCA) to a sustained communications plan costing tens of millions annually

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

All Canadian businesses especially SMEs would benefit from persistent communication about the productivity enhancing benefits of technology.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Government championship of the productivity issue would finally begin to address a long-standing economic challenge to Canada's future prosperity. State of the art technology adoption in Public Service (through SCC) will significantly reduce the IT spend in the Federal Government. Similarly, new technology adoption in the private sector will improve efficiency which in turn will stimulate overall competitiveness and economic performance.

Please use this page if you wish to provide more explanation about your recommendation(s).

Additionally ITAC supports the request for funding of Canada Health Infoway of $180M over 3 years. As Canada's Health ICT industry matures, Canada Health Infoway's continuing leadership is increasingly important. For example, the industry currently views standardization and certification of suppliers as critically important to the competitiveness and export readiness of these firms and Infoway support is vital to this process.

We also recommend increased support for services to foster the early stage entry of Canadian companies into international markets. Programs such as the Trade Commissioner Service and the GOA program to fund association activities to promote export readiness delivered by DFAIT as well as continuing support for the work of Export Development Canada are critically important to the formation of Canadian companies. This is especially true for Canadian companies in the technology sector who recognize that the domestic market in Canada is to small to sustain their growth.

*Please note that at least one recommendation must be provided