

ITAC ACTI

INFORMATION TECHNOLOGY ASSOCIATION OF CANADA

ASSOCIATION CANADIENNE DE LA TECHNOLOGIE DE L'INFORMATION

ADVOCACY SUMMARY | BUDGET TRACKER | GO FORWARD PLANNING | MARCH 27, 2017

- As the voice of Canada's ICT sector, ITAC's 2016-2017 Government Relations plan focused on one main theme: ICT Fundamentals for Canada's Innovation Agenda.
- Advocating for bold policy changes and investments to be made in four strategic areas (1) Digital Economy, (2) Trade & Competitiveness, (3) Digital Government and (4) Talent & Skills Development, ITAC published four papers that outlined ICT sector issues and recommended solutions that underpin each.
- While many wins took place throughout the 2016-2017 advocacy season, the newly released 2017 Budget realized a significant amount of ITACs recommendations and a breakdown of the current status and go forward direction can be found in the table below.
- **To summarize, ITAC was able to make the following strides and will pursue these matters further:**
 - As part of developing a modern Digital Economy, Budget 2017 invests heavily in smart cities, recognizes that a connected and "smart" infrastructure is the future of Canada, provided funding for e-health and e-learning services and funding to improve and simplify programs that spur technology adoption among SMEs;
 - To fuel Canada's Trade and Competitiveness, Budget 2017 maintained Canada's competitive tax environment, announced a whole-of-government review of business innovation programs (including SR&ED), created Innovation Canada to simplify access to innovation programs, created a new procurement program called Innovation Solutions Canada to leverage public sector procurement to support SME growth and help SMEs find domestic anchor clients, expanded trade agreements in areas that support the digital economy, and announced the development of a new IP strategy to build a modern, robust and pro-innovation IP regime for Canada.
 - To aid in building a modern Digital Government, Budget 2017 saw investments made in the creation of Canadian Digital Services, so that central leadership can be achieved similar to 18F in the US or the UK's Digital Service, realized investments in driving digital experimentation across departments through the Impact Canada Fund and announced legislative amendments that will be made to make the procurement and delivery of IT goods and services to the federal government more efficient.
 - To build our nations Talent and Skills Development strategy, investments were made in Women in ICT, funding was granted to teach digital skills (k-12), strides were taken to improve data collection on labour market information so that informed decisions can be made on further investment areas, and investments made in Canada's Global Skills Strategy.
- **ICT issues that require further advocacy work and discussions within the applicable departments are primary focused on:** cyber security, health innovation, a robust 5G infrastructure that fuels innovation in Canada, greater access to capital for SMEs and Scale Ups along with investments needed to maintain the stability and security of the Government's own critical infrastructure while the modernization and digitization of our public service delivery system is underway.

BUDGET 2017 BREAKDOWN AS IT ALIGNS TO ITAC'S 2016-2017 GR PLAN & ICT ADVOCACY ISSUES		
ITAC RECOMMENDATION	FEDERAL BUDGET RESPONSE	NOTES & NEXT STEPS
Modern Digital Economy Paper		
1.1 Accelerated Capital Cost Allowance Rates for ICT / Digital Categories	Not mentioned in Budget 2017	During advocacy season, ITAC got approval to host an ACCA expert roundtable to further flush out solutions. This is being pursued with the departments of Innovation, Science and Economic Development (ISED) and Finance Canada (FC).
1.2 Enable 5G deployment	Not mentioned in Budget 2017	During the advocacy season, ISED agreed that 5G investments are necessary however only when a national, inclusive, 5G sandbox could be developed. ISED and ITAC hosted roundtables on this subject and will continue to pursue this advocacy issue. There is also the potential to pursue funding through the federal Super Cluster strategy. ITAC will continue to investigate.
1.3 Integrate teleco networks and core supporting technologies, like cyber security protections, into its general definition of "infrastructure."	MODERATE WIN Infrastructure chapter emphasizes connected "smart" infrastructure as future of Canada, but technological infrastructure, like like 5G and cyber security are not mentioned	ITAC is working closely with Infrastructure on Smart City Challenge program development and will continue to press the importance of digital infrastructure for the digital economy.
1.4 Fund e-health Services	WIN Budget announced \$300 million/5 yrs for Canada Health Infoway focused on expanding electronic health records, including a national e-prescription service. The budget also indicates the government has offered provinces \$1 billion over four years to support deployment of home care infrastructure, which could include a range of ICT categories.	ITAC Health to continue working closely with Canada Health Infoway and other health technology organizations. ITAC must also work with the Government of Canada to better define ICT's involvement in the development of a National Health Accord as it will have an innovation agenda within it.
1.5 Integrate e-learning into all federal programs	Not discussed in Budget.	ITAC will continue to engage with government on the benefits of e-learning.

1.6 Create a National Strategy for IoT	WIN \$300 million over 11 years for the federal Smart Cities Challenge .	ITAC is working very closely with Infrastructure and Communities to have members feed into the development and launch of the smart cities challenge – including program design and connecting members with communities to build out proposals. Conversations will continue with ISED, Public Safety and other departments on a broader strategy for IoT adoption in Canada.
1.7 Improve cyber security preparedness across Canadian business.	Not discussed in Budget.	A fulsome cyber strategy is currently being developed by Public Safety Canada as part of the Cyber Security Review. ITAC is engaging with Public Safety Canada on this initiative.
1.8 Help inform and inspire businesses to adopt technologies to improve operations	MODERATE WIN Budget 2017 proposes to create a new \$1.26 billion five-year Strategic Innovation Fund to consolidate and simplify existing business innovation programming , in particular the Strategic Aerospace and Defense Initiative, Technology Demonstration Program, Automotive Innovation Fund and Automotive Supplier Innovation Program.	ITAC will work closely with ISED on the shaping and strengthening of the Tech Demo Program. We will continue to engage the federal government on new programs to drive technology adoption by Canadian businesses, especially SMEs.
Trade and Competitiveness		
2.1 Maintain Canada's Competitive Tax Environment	MODERATE WIN No significant personal/corporate tax changes included in budget.	**NOTE** Multinationals should be aware of new efforts to combat international tax avoidance under the G20/OECD BEPS program (pg. 202 of budget). Changes include requiring large multinationals to file country-by-country reports detailing international distribution of activities by a corporate group and new “transfer pricing” rules. ITAC needs to hear from members if there are issues in these changes that we should be pursuing.

<p>2.2 Incentivize export growth and collaborative R&D. Undertake a holistic review of Canada’s Tax and R&D Framework to ensure it meets the needs of the technology industry</p>	<p>WIN Budget announces: - Whole-of-government review of business innovation programs, including SR&ED. - Creation of Innovation Canada as new single window service to simplify ability to access government innovation supports. - Creation of Strategic Innovation Fund to bundle a range of boutique innovation credits (defense, auto, etc) into a single \$1.26 billion fund that will be accessible to a wider range of industries. *</p>	<p>ITAC is already working with Finance Canada to organize roundtables on ideas proposed in Innovation paper. ITAC will follow up closely with ISED who will lead the creation of Innovation Canada and the creation of the Strategic Innovation Fund. *Note – Budget seems to suggest Strategic Innovation Fund could also be used to attract/incentivize foreign direct investment.</p>
<p>2.3 Support Demand Driven R&D and a competitive business culture</p>	<p>MODERATE WIN - Some of the \$8.1 million allocated to the Impact Canada Fund will foster greater experimentation across the Government of Canada for digital experiments/disruptive technologies. - \$300 million over 11 years allocated to the Smart Cities challenge will foster a competitive business culture.</p>	<p>ITAC will continue to work with the Government to create a business environment that encourages competition and constant innovation. More specifically, a nimble, pro-innovation regulatory environment focused on reducing risk.</p>

<p>2.4 Increase access to capital</p>	<p>WIN</p> <ul style="list-style-type: none"> - \$400 million for the Business Development Bank of Canada to launch a new Venture Capital Catalyst initiative aimed at increasing late stage VC. Leveraging additional private sector resources, the fund could inject \$1.5 billion into Canadian innovation. -A new \$40 million fund for women-led technology firms, announced in November 2016, consisting of both venture and growth capital, and an additional \$10 million to support regional initiatives for women founders. - Continued progress on the 2015 commitment to increase term lending to majority women-owned businesses to at least \$700 million over three years. 	<p>ITAC will continue to work with the federal and provincial governments to increase access to venture and “scale-up” capital for fast-growing firms, including providing new sources of subordinated debt beyond the Business Development Bank of Canada.</p>
<p>2.5 Finalize multinational trade agreements and create interoperable regulatory regimes.</p>	<p>WIN</p> <p>Budget announces \$6 million to Treasury Board Secretariat to pursue regulatory alignment initiatives with key trading partners.</p> <p>Budget discusses potential new trade agreement with China as well as the implementation of CETA agreement with the EU.</p> <p>Budget also details the government’s commitment to an open internet.</p>	<p>ITAC has already been working with Global Affairs Canada on priorities for a Canada-China trade agreement.</p> <p>ITAC has also been invited by Global Affairs Canada to join a confidential “Services” stakeholder group to participate in NAFTA re-negotiations, which could include the creation of a new section on the digital economy.</p> <p>ITAC is continuing to work with multiple federal departments on these issues. ITAC is also collaborating with international partner organizations to drive interoperability through multilateral forums like G20, OECD and APEC.</p>

2.6 Protect Canadian IP creators to combat frivolous or innovation-suppressing intellectual property (IP) litigation	WIN Budget announces the Government will develop a new intellectual property strategy in 2017 to ensure Canada's IP regime is modern, robust and supports innovation.	ITAC will follow up with ISED as Canada's new IP strategy is developed. ITAC will also raise the challenges of predatory IP suits with Global Affairs Canada as part of potential NAFTA re-negotiations.
2.7 Open internal digital trade	The <i>Canadian Free Trade Agreement</i> (replacement for the <i>Agreement on Internal Trade</i>) is mentioned, but no new details are provided.	ITAC is continuing to raise this issue at the federal and provincial levels.
2.8 Broadening trade support programs to help innovative firms find domestic "anchor" clients.	WIN Creation of Strategic Innovation Fund (i.e. strategic procurement) is partially targeted at helping innovative SMEs find first or anchor customers in government.	ITAC is engaging ISED and TBS on the development of a strategic procurement program. ITAC will continue to discuss challenges and opportunities of digital commerce with a range of departments, including during NAFTA re-negotiation discussions.
Digital Government		
3.1 Solve the legacy dilemma and set-aside funds to kick-start digital initiatives to innovate public service delivery.	WIN - Creation of a \$50 million Innovative Solutions Canada to drive strategic and experimental procurement based on the U.S. SBIR model. - \$8.1 million Impact Canada Fund to introduce new challenge and open problem solving approaches to federal procurement. - President of Treasury Board provided funding within ICF to drive experimentation in federal digital services.	ITAC will work closely with Public Services and Procurement Canada and Treasury Board Secretariat to delve further into Innovation Solutions Canada funding, the Impact Canada Fund and how departments will be allocated funds to kick-start digital experiments. Budget also highlights right for federal employees to request more flexible work arrangements, including working mobile or from home, which could create opportunities for the ICT industry. ITAC will also investigate this new announcement.

3.2 Centralize digital leadership to ensure a whole-of-government approach	WIN The budget announces the creation of a Canada Digital Service, informed by the models of the U.S.'s Digital Service/18F and U.K. Digital Government Service.	ITAC will continue to work with Treasury Board Secretariat on the creation of a centralized digital services for the Government of Canada.
3.3 Work to address the government's internal ICT talent gap.	No mention in Budget 2017	ITAC will continue to address the ICT skills gap (and ICT gender gap) within the Government of Canada in the year ahead.
3.4 Modernize procurement, create a single procurement playbook and work with Industry to develop a 21 st Century Procurement Policy	WIN Budget proposes that legislative amendments be made to make procurement and delivery of IT goods and services to the federal government more efficient	ITAC is working very closely with Public Works and Government Services, Treasury Board and Shared Services Canada to modernize the ICT related procurement framework across the Government of Canada. ITAC will however investigate the legislative amendments that were announced. ITAC's highly successful 21 st Century Procurement event on March 9 th 2017 is leading to substantive changes in federal procurement practices and processes.
3.5 Develop a robust engagement process with the ICT sector for technology related initiatives	Not mentioned in Budget 2017	ITAC is presently working with Public Services and Procurement Canada to modernize current industry engagement platforms.
3.6 Create a digital leadership advisory council to support government transformation, modernization and digitization efforts.	Not mentioned in Budget 2017	ITAC is presently working with Treasury Board Secretariat to identify how to best develop this Advisory.
Talent		

<p>4.1 Provide support for programs targeting women to enter ICT</p>	<p>WIN</p> <ul style="list-style-type: none"> - Budget proposes new funding to encourage STEM careers for underrepresented groups, including women and aboriginal populations. - \$40 million fund for women-led technology firms, announced in November 2016, consisting of both venture and growth capital, and an additional \$10 million to support regional initiatives for women founders. - Continued progress on the 2015 commitment to increase term lending to majority women-owned businesses to at least \$700 million over three years. - Budget also highlights the new Canada-U.S. Council for the Advancement of Women Entrepreneurs and Business Leaders. 	<p>ITAC is working closely with ISED and ESDC on new youth engagement initiatives along with Status of Women to support and encourage more women in ICT.</p>
<p>4.2 Support K-12 technology education, including ITAC's CareerMash program</p>	<p>WIN</p> <p>Budget announces \$50 million in new funding to teach digital skills (e.g. coding).</p>	<p>ITAC has already engaged ISED to align CareerMash as a unique and important component of a new youth digital literacy and career strategy.</p>
<p>4.3 Increase investment in experiential learning, digital literacy and upskilling</p>	<p>MODERATE WIN</p> <p>Budget (re) announces \$73 million to support work integrated learning in key sectors.</p>	<p>ITAC is highly engaged with ESDC and is expecting to participate closely in a new work integrated learning program.</p>

4.4 Improve and collect additional labour market data for ICT employment	WIN Budget allocates \$275 million to fund a new organization to identify skills gaps, explore innovative methods of skills development and develop metrics to guide investments.	ITAC will engage with Finance, ISED and ESDC to support the creation of the new organization.
4.5 Make international mobility and temporary foreign worker programs more responsive to the needs of the ICT industry	WIN Budget announces \$7.8 million to create a new Global Talent Stream under the Temporary Foreign Worker program.	This change builds on the Global Skills Strategy announced in fall 2016 that include: - A guaranteed two-week turn-around time for visas for high-skilled individuals and senior managers working in Canada. - An annual 30-day work allowance for foreign employees of a Canadian company or conglomerate to work in Canada.
4.6 Bring tech talent home	Not discussed in Budget	ITAC will continue to encourage the government to develop a strategy and policy mechanisms to facilitate the repatriation of Canadian ICT talent working abroad (and their families).

Other Potential Issues of Interest for ITAC Members:

Accelerated increase in Investment Canada Act Review threshold.	The <i>Investment Canada Act</i> allows the government to review and potentially veto the acquisition of a Canadian company by a foreign buyer above a certain value threshold. The Budget increases the review threshold from the current \$600M to \$1B – two years earlier than was previously planned. This could matter to ITAC members considering Canadian M&A activities.
Affordable Access Program	The Budget proposes to invest \$13.2 M to a new Affordable Access program which will help service providers offer low-cost home internet packages to low-income families.
Super Clusters	The Budget re-announces \$950 million for super cluster development programs. ITAC is working closely with ISED to help members develop competitive proposals for cluster funding.
Growing Canada's AI Advantage	The budget proposes to provide \$125 million to launch a Pan-Canadian Artificial Intelligence Strategy for research and talent focused on clusters in Montreal, Toronto-Waterloo and Edmonton. The Canadian Institute for Advanced Research will administer the funding.