



INFORMATION TECHNOLOGY
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January 25, 2016

The Honourable Bill Morneau, P.C., M.P.
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Dear Minister Morneau,

I am writing on behalf of ITAC, the Information Technology Association of Canada, to provide you with the views of Canada's information and communications technology (ICT) industry on measures you should consider as you prepare your Budget.

As Canada's national ICT business association, ITAC champions the development of a robust, innovative and sustainable digital economy in Canada. More than 33,500 Canadian ICT firms create and supply goods and services that contribute to a more productive, competitive and innovative society. The ICT sector generates one million jobs directly and indirectly and invests \$4.8 billion in private sector R&D, more than any other sector in Canada. I have framed our views under four themes: Productivity, Infrastructure and Communities, Jobs and Tax Measures to Encourage Innovation.

Productivity

A key strategy for improving Canada's lagging productivity is to accelerate the use of technology across the whole economy. The most trustworthy instrument for spurring technology use is the capital cost allowance (CCA). We believe that changes are needed to the CCA rate for several classes of depreciable assets that relate to communications network equipment, including broadband networks. **We recommend an increase in CCA rates as follows: from current rates to 50% for capital investments in most areas and 100% in those areas identified by Industry Canada as underserved in its Connecting Canadians Broadband initiative.** These changes along with the suspension of the current 'half' year rule will provide communications service providers with planning certainty and will accelerate the pace of connectivity.

We also believe that technology is key to improving productivity, innovation and outcomes in the healthcare system. Government has a key role to play in spurring the adoption of eHealth technology.

So ITAC recommends, either through the recapitalization of Canada Health Infoway or through the creation of a new healthcare innovation agency, that appropriate investments are made to accelerate the use of technology in healthcare.

Infrastructure and Communities

As a digital industry, ITAC believes that a 21st century view of infrastructure must include the digital networks that empower modern commerce and social interaction. Increasingly with the evolution of the Internet of Things, this digital infrastructure will grow in importance presenting economic opportunities for the connected and barriers for the unconnected or underserved.

ITAC therefore recommends the creation of a national discourse on the Internet of Things (IoT) supported by a government funded secretariat to ensure that Canadians have a comprehensive national discussion on IoT and to identify opportunities and policy gaps. This will ensure Canada, which has always been a leader in networked communications, is positioned for leadership in the next stage in the evolution of our digital world.

This leadership requires that all Canadians enjoy access to broadband. ***ITAC therefore recommends that Government consider aggressive investment to drive broadband expansion into rural and remote areas. Additionally, we recommend that government participates in the P3 approach in developing 5G innovation network corridors.*** This would drive R&D, innovation and encourage the emergence of innovative SMEs to develop globally competitive products and services and a vibrant eco-system that promotes collaborative innovation.

Jobs

While Canada continues to face significant rates of youth unemployment, the ICT industry continues to struggle to find the talent it needs to fuel its growth and to fill the demands for ICT professionals throughout the wider economy.

ITAC has two proven programs to encouraging greater participation by Canada's youth in our industry: CareerMash and Business Technology Management (BTM). CareerMash is targeted at school age children to encourage new ways of thinking and planning technology careers. And BTM is a degree program offered by 20 universities that fuses ICT education with business studies. These programs are supported by our industry. Support from Government would enable the national roll-out.

We therefore recommend an investment of \$5 million per year for three years to support a national roll-out of the CareerMash program and allow ITAC to expand the BTM program beyond the current target of 50 post-secondary institutions. Finally, this investment will establish a supporting "accreditation & certification" body to ensure that the learning outcomes are always refreshed to meet the changing needs of the technology sector.

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We also believe there is a need to create a technology sector consultation to address the ongoing issues that contribute to the persistent talent shortage that our industry faces.

Tax Measures to Encourage Innovation

Our industry contains some of the most innovative, R&D intensive companies in the economy. This gives us a particularly clear view of what works among policy measures to encourage innovation.

Therefore ITAC recommends that Government should conduct a study of the impact of changes to SR&ED introduced in the Economic Action Plan 2012 to determine if the changes are producing the desired results and adjust the incentive program to encourage R&D investment accordingly.

We believe that intellectual property is the foundation that creates wealth in the knowledge economy, which essentially trades intangibles. Government needs to have an IP regime, which is at par with other advanced economics – from time it takes for patent approval, to enforcement guideless to economic disincentives for patent infringement.

Government should consider a lower tax rate for revenues generated from Intellectual Properties (IP) than revenues from non-IP revenues. This will create an incentive to Canadian companies to commercialize & develop IP that creates economic wealth and foster an innovation economy.

Share options are also widely used instruments to attract top talent into innovative enterprises. We believe they are key to a company's ability to attract, retain and reward the talent that drives Canadian innovation in a world where fight for talent is intense. Government is currently pondering changes to the treatment of stock options. ***We believe it needs to have a broader consultation with the businesses, especially on technology sector, on how the Option Plans are used; otherwise the unintended consequences will lead talent drain and stifling innovation.***

Minister, I wish you every success with the budget-building task before you. I would be pleased to meet with you at your earliest convenience to discuss these ideas further.

Yours sincerely,



Karna Gupta
President and CEO

cc: The Honourable Navdeep Singh Bains, Minister of Innovation, Science, and Economic Development
The Honourable MaryAnn Mihychuk, Minister of Employment, Workforce Development and Labour
The Honourable Jane Philpott, Minister of Health