ITAC SUBMISSION FOR 2017 ONTARIO 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.

As Ontario's 2016 Budget and the 2016 Throne Speech made clear, the government understands that Ontario future prosperity depends on technology-fueled innovation. With this focus in mind, ITAC is happy to bring forward seven recommendations for how the 2017 Ontario budget can improve the business climate for Ontario ICT firms, and how the ICT industry can help the government meet its stated objectives.

1- Restore Ontario R&D Tax Credits

Over the past several years, business investment in R&D have been falling dramatically across Canada, a trend contrary to most other OECD countries[1]. The ICT industry contributes over 31% of Canada's total expenditure on R&D at over $4.9 billion in 2014, more than any other private sector segment.[2] However, this fell 9% between 2007 and 2014. A range of studies have identified a direct correlation between the amount of business enterprise R&D and the innovative capacity of an economy.

Government plays an important role in encouraging business spending on R&D. However, in the 2016 budget, Ontario reduced its support for business R&D by cutting the Ontario Research and Development Tax Credit (ORDTC) from 4.5% to 3.5% and the Ontario Innovation Tax Credit (OITC) from 10% to 8%. Ontario's R&D support regime now falls far below that of every other Canadian province[3] making Ontario a less attractive place to conduct R&D activities (see fig. 1). These changes were made to offset new investments in academic research at institutions like the Perimeter Institute. While academic R&D and pure science are important, Ontario's future prosperity will ultimately rely on the ability of businesses to turn research and market knowledge into commercially viable products.

Province	R&D Tax Credit
BC	10%
AB	10%
SK	10%
MAN	20%
ON	**8% OITC (Down from 10%); 3.5% ORDTC (Down from 4.5%)**
QC	14-30%
NB	15% (recently increased from 10%)
NS	15%
NFLD	15%

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[1] See Deep Centre, *Innovation Scorecard 2015.* March 2015. http://deepcentre.com/wordpress/wp-content/uploads/2015/03/DEEP-Centre-Canadas-Innovation-Performance-March-2015.pdf

[2] See: https://www.ic.gc.ca/eic/site/ict-tic.nsf/eng/h_it07229.html

[3] Excluding PEI which does not offer R&D supports.

Recommendation 1: *Ontario should reverse the Budget 2016 reductions in the ORDTC and OITC to incentivize industry investment in R&D.*

2- Move from Planning to Implementation Phase of Digital Government Strategy

Ontario has taken some significant strides over the past year on the path to becoming a national leader in digital government. This has included naming Minister Matthews as the Minister Responsible for Digital Government, creating the position of Chief Digital Officer (CDO) (currently under recruitment) and announcing a new Digital Service Office (DSO).

ITAC applauds these moves and we look forward to working with Minister Matthews, the CDO and the DSO to support Ontario's success in digital government. ITAC has been working with the Ontario government for many years to open the lines of communication between government and the innovative companies that supply the technologies that underpin digital services to citizens. While much as been accomplished, there is still a lot of work to be done to ensure ICT procurements are as effective as possible and deliver win-wins for vendors and government. Ontario's RFP process, project management approaches and practices around key performance indicators can make it challenging for vendors to deliver results to government the way they might to clients in the private sector. Ontario's ICT firms also have a wealth of experience delivering digital government projects around the world, which the CDO and DSO should leverage in their strategic planning.

Recommendation 2: *To help advance Ontario's Digital Government agenda, Minister Matthews and Ontario's new Chief Digital Officer and the Digital Service Office should establish regular forums for open communication and strategic advice with Ontario's ICT industry on procurement, project management and digital government best practices.*

3- Increase Scale up Funding Available to Mid-Size Firms

Access to capital is regularly identified as a challenge for fast growing Ontario ICT firms. Capital issues can be especially challenging for mid-sized companies as they work to "scale up." One serious challenge is that Canada's large financial institutions are often not inclined to extend financing to technology firms. When a Canadian company can't access financing in Canada they seek it in the U.S., which sows the seeds for a firm's potential sale or relocation.

For many companies the only avenue for accessing subordinated debt financing in Canada is through the Business Development Bank of Canada (BDC). While BDC does a fine job, Canadian firms would benefit from additional options for subdebt financing.

Recommendation 3: *Ontario should work with the federal government and Canada's financial institutions to expand the mandate of the Ontario Capital Growth Corporation to provide scale up funding and financing, including subordinated debt, to growing Canadian firms as an alternative and compliment to the BDC.*

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4- Support Free Digital Trade Across Canada

This past July, Premiers reached an agreement in principle for the new *Canadian Free Trade Agreement.* The completion of this ambitious agreement was in no small part due to the leadership demonstrated by Ontario and the Chairmanship of Minister Duguid.

Under this new framework for regulatory cooperation, Canadian governments need to work to ensure Canada's domestic market is free of unnecessary barriers to digital trade. Presently provinces, territories and the federal government maintain different rules and approaches to digital commerce which can make it challenging and costly for ICT businesses to operate across the country. For instance:

- The federal government, Alberta and Ontario all maintain (or are developing) separate, unharmonized regulations and processes for data breach notification;
- British Columbia and Nova Scotia have developed separate data residency requirements for particular record types, and;
- Québec recently passed a law to geo-fence particular websites from ISPs in Quebec.

IT and digital service procurement requirements also differ significantly between Canadian jurisdictions, unnecessarily duplicating processes and increasing costs for businesses hoping to sell to multiple provincial or territorial governments.

Recommendation 4: Ontario should continue to show national leadership on the internal trade file and work to ensure that Canada creates a common approach and processes to regulating digital commerce, including in areas related to data residency and security.

Recommendation 5: ITAC recommends Ontario work with industry and federal, provincial, municipal and broader public sector partners under the CFTA to share best practices and develop common requirements and processes for selling digital products and services to government.

5- Provincial Strategy for Smart Cities

Ontario is home to a number of world-leading companies in the internet of things, autonomous devices, and other technologies that help create "smart cities." The deployment of "smart" technologies in our public infrastructure, homes and workplaces will lead to greater economic productivity, reduced carbon emissions and improved quality of life for Ontarians.

Presently a number of Ontario municipalities and provincial ministries are pursuing independent paths to deploying a range of smart city technologies across public infrastructure. While diverse approaches to innovation and experimentation can be beneficial, a strong provincial strategy could help coordinate approaches, identify useful linkages and best practices, and ultimately hasten deployment.

Recommendation 6: *Ontario should work with municipalities and industry to develop a provincial Smart Cities strategy aimed at improving productivity, generating valuable data and reducing carbon emissions.*[4]

6- Support ITAC's Model Guidance Program to Promote ICT Careers - CareerMash

Access to talent is the biggest obstacle facing many Ontario ICT firms. ITAC has been working to address this challenge for several years, including the creation of our Business Technology Management (BTM) program, which is now an active degree program at 19 universities across Canada (with 21 additional programs in development).

Alongside BTM, ITAC's CareerMash program has been working since 2007 to inspire students at the high school level to pursue tech careers through a suite of industry-based interactive resources, , mentorship programs, and events aiming to highlight the broad range of career choices available within the ICT industry. The program is currently impacting over 10,000 high school students annually, mainly in the GTA. Funding for this program, originally provided by FedDev, has been exhausted and additional government support is required for the program to continue. Additional funding could also potentially support a province-wide expansion in program.

Recommendation 7*: ITAC requests the Government of Ontario provide funding support to ITAC's CareerMash program to encourage more Ontario high school students to pursue careers in technology.*

ITAC looks forward to working with the Government of Ontario to advance these recommendations. We would be happy to meet to discuss and provide further clarification at your nearest convenience.

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[4] For jurisdictional comparison, Ontario could look at the Obama administration's White House Smart Cities Initiative which recently doubled its investments in Smart City Projects. See https://www.whitehouse.gov/the-press-office/2016/09/26/fact-sheet-announcing-over-80-million-new-federal-investment-and

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