



INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA



ASSOCIATION CANADIENNE
DE LA TECHNOLOGIE DE L'INFORMATION

ITAC Industry Insider Newsletter

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Liberals hold minority government: the impact on the Canadian tech industry

Prime Minister Justin Trudeau and the Liberal Party of Canada were re-elected to govern on October 21, 2019. It is our goal to continue to work collaboratively with Parliament to:

- Grow Canada's Digital Economy;
- Advance the technology posture of our public sector institutions to deliver digital services and smart cities to Canadians;
- To collaborate on the responsible development of our technologies; and
- To advance transformation efforts to make Canada one of the most technology enabled economies in the world.

It's important to note that Justin Trudeau's Liberals will form a minority government despite the fact that Andrew Scheer's Conservatives won the popular vote (34.4 per cent). The Conservatives won only 121 seats, while the Liberals took almost half the seats with less than a third of the votes (33.06 per cent). This means Prime Minister Justin Trudeau will have to seek support from other parties to pass policies and likely to look for support from the New Democratic Party. Jagmeet Singh's NDP is expected to hold the balance of power with 24 seats.

Early indications from Prime Minister Trudeau are that Cabinet is expected to be sworn in on November 20, 2019. We should expect certain Ministers to retain their portfolios, while there may be a significant shift in others. For example, Ralph Goodale lost his seat, after 26 years as an MP, and will not return as Minister of Public Safety.

What a Liberal minority government means for ITAC

While the election campaign was spent pointing out the key differences between political parties on issues including climate change and energy, the major parties largely align on issues pertaining to the ICT sector. Those issues include: data and privacy, including the powers of the Privacy Commissioner; taxation, including a version of a digital sales tax (DST) and broader tax reform; immigration, specific to skilled workers and foreign credential recognition; and broadband and communications, including cellphone bills and rural broadband deployment.

This Liberal government will not likely move forward with the implementation of new ideas on innovation and skills until the next budget, expected in late winter/ early spring.

In a minority situation, the budget will be negotiated heavily by the Liberals with other parties.

Data and Privacy

ITAC does not expect changes to data and privacy laws to begin in earnest until Spring. ITAC will engage with a new Innovation, Science and Economic Development Canada (ISED) Minister and staff to begin inquiring about forward plans on data and privacy issues in the coming weeks.

It is worth noting that changes in privacy policy often take significant time to shift. Data Breach Notification Requirements were first reviewed and recommended by ETHI Committee in 2006; these came into force in 2014.

The Liberals also suggested that internet platforms should be required to remove certain content, including hate speech, within 24 hours or face penalties.

Taxation

The Liberal, Conservatives and NDP all promised a three per cent value-added tax on large online firms with at least \$1 billion in worldwide revenue and more than \$40 million (\$50 million in the Conservative plan) in Canadian revenue. Both the Liberals and Conservative platforms did note that they are committed to work with the Organisation for Economic Co-operation and Development (OECD) on the digital sales tax (DST).

The closing of tax loopholes and changes to Restricted Stock Units (RSUs) or stock options as untaxed income will likely be studied. The Liberal government had already imposed a \$200,000 cap for options issued after Jan. 1, 2020. ITAC may seek to push that threshold of \$200,000 higher due to the potential impact on attracting talent. Changes to the Scientific Research and Experimental Development (SR&ED) Program system may also be in play.

Action: ITAC will engage with the Department of Finance in the coming weeks to begin inquiring about forward plans on taxes including the DST, and to ensure changes do not negatively impact the growth of Canada's Digital Economy.

Immigration, Talent and Skills

The Liberals launched the Global Skills Strategy in June 2017, a major change to the immigration system. The program offers faster application-processing, as well as a new stream for highly-skilled tech workers.

There is a movement to focus certain immigrants into smaller communities to satisfy the job market as 80 per cent of immigrants settle in Canada's largest urban centers. This may provide support for innovation in smaller communities and clusters.

ITAC does not expect any significant changes to immigration policy noting the success of recent changes to the system.

The Liberal proposal to move forward with the Canada Training Benefit could be an important program for ITAC members to support the re-skilling and upskilling of prospective employees. This program, announced in 2019, provides an annual tax credit and employment insurance (EI) payout from the federal budget for workers who take time off for education. The EI support may allow for facilitated labour movement from affected sectors (including those that may be impacted by automation), to transition out of those sectors into growth sectors, including ICT.

Action: ITAC continues to influence decision making at Employment and Social Development Canada (ESDC) and ISED and will also underline the need for re-skilling and up-skilling of public sector tech workers and bureaucrats. This skills upgrading will support demand and access of new technologies to enable governments to digitally transform and deliver digital services to Canadians.

Broadband and Telecommunications

The Liberals and NDP proposed to reduce monthly cellphone and wireless bills. (Liberals noted a decrease by 25 per cent in the next two years). The data used for the Liberal proposal was from 2018 and recent data suggests that cell phone rates in Canada have decreased by 30 per cent since that time.

Both the Liberals and NDP proposed a price cap on wireless and broadband plans based on the average of what consumers in OECD countries pay. ITAC is not certain this is feasible as a result of the breadth of Canada's geography and the advanced levels of our current telecommunications infrastructure.

They may wait to see a conclusion to the CRTC's MVNO (mobile virtual network operator) process which ends in January 2020. There is also a report expected from the Broadcasting and Telecommunications review in January along with a forthcoming 3500 MHz spectrum auction that will support 5G.

ITAC doesn't expect any significant changes in the deployment of Broadband programming.

Canada should instead continue to focus efforts in this arena on a forward plan to roll out 5G networks and support 5G R&D and innovation.

ITAC will continue to keep its members informed of any changes going forward.