# TECHNATION CA

## 2021 Federal Pre-Budget Consultations: TECHNATION Submission

## Government must leverage its purchasing power to drive Canada's economic recovery.



Submitted: Friday, February 19, 2021

## 1) **Innovation Adoption Program**

Procurement is one of the biggest and most underrated economic levers of government. Federal purchasing was estimated at **$23 billion** in 2017 – making the Canadian federal government a powerful customer with the ability to shift markets, and launch, grow, or save businesses.

Yet, **Canada's most promising technology start-ups and growth companies do not bid for the more than $6.8 billion spent annually on technology projects**, because processes are too long, costly, complex, and onerous for their business. This is a long-standing and widely acknowledged challenge for Canada's technology sector.

The COVID-19 crisis has accelerated the need for digital transformation across government. Technology solutions continue to be needed to meet demand surges and challenges related to:

- A public sector workforce that must be able to function seamlessly when working remotely;
- Needed government programs and benefits that must be delivered quickly and effectively;
- An inclusive Supply chain;
- Capturing and leveraging health, social and economic data;
- Ensuring cyber security and privacy protection by default; and,
- Providing Canadians with services they need through their mobile phones and computers.

COVID-19 has changed the way that the federal government and the Canadian public thinks about procurement. Governments have streamlined previously complex procedures, and many Canadian entrepreneurs have pivoted their business models to produce 'made in Canada' PPE and other solutions to aid in the health crisis.

Work is underway to reform ICT procurement. Shared Services Canada (SSC) has collaborated with TECHNATION to pilot agile federal procurements that leverage a new government-industry digital marketplace that is open, universally accessible, and can place hundreds of technology solutions at the government's fingertips. This collaborative platform provides the foundation for implementation of this proposal.

Canada's digital economy generates over 1 million jobs, contributes over $120 billion annually to GDP, invests $4.9 billion annually in R&D, and has taken over as the biggest economic sector driving Canadian economic growth. It's the leading creator of high-quality, well-paying middle-class jobs, driving year-over-year job gains and wage growth outpacing other parts of the private sector. It's estimated that every 1 per cent increase in digital adoption, could have a direct $2.5 billion impact on the economy.

An immediate and significant opportunity exists for the federal government to stimulate the economy, ensure the recovery of Canada's technology sector, rapidly adopt technology solutions that are urgently needed, and create a 'new normal' of nimble, agile government procurement integrating cutting-edge innovations into public service delivery, while fueling economic growth.

## Proposal

A national *Innovation Adoption Program* (IAP) should be included as a key pillar of the Government of Canada's economic recovery plan. The Program would involve four main components:

➢ **Defined Needs**: Define public service's top priorities for digital transformation and technology adoption to transform enterprise infrastructure and government services.

➢ **Dedicated Funding**: Dedicate a significant proportion of federal stimulus/recovery funding for the federal government to procure and adopt solutions - including support of innovation in other jurisdictions - needed from Canada's technology sector.

➢ **Transformed Procurement**: Expend these funds through modernized procurement approaches that are agile, streamlined, and accessible to small and medium-sized enterprises (SMEs) with limited available time and resources. Define problems (challenges), not solutions, to empower the problem-solving capacity of the technology sector.

➢ **Executed Projects**: Align economic opportunities that federal purchasing power represents with urgent needs of government for digital solutions to execute virtual-shovel ready projects delivered by technology SMEs across Canada.

A multi-departmental, coordinated approach will help to ensure the success of this proposal.

• **Shared Services Canada**, and the **Treasury Board of Canada Secretariat's Office of the Chief Information Officer Branch**, under the direction of the Minister of Digital Government, can work collaboratively within government and industry to define the public service's most pressing technology needs. They can also seek alignment with the federal government's enterprise approach to digital public sector transformation, as well as other ongoing initiatives.

Areas where Canada's technology SMEs are particularly ready and capable of providing solutions to government include:

o Ensuring the public sector workforce is equipped effectively to work remotely and ensure service continuity in the face of any short and long-term crisis.
o Tackling challenges related to supply chains, health, economic, and socio-economic data, contact tracing, information sharing, and more.
o Improving efficient delivery of government programs and benefits to Canadians.
o Providing Canadians with access to the solutions that they need through their phones, smartphones, and computers.

Examples of 'virtual shovel-ready' projects could include:

o Innovative health technologies supporting the management of COVID-19.
o Digital applications to connect Canadian citizens with government services provided by any of the 101 federal departments, agencies, boards, commissions, and crown corporations (e.g., Employment services).
o Citizen relationship management software and programs.
o Software as a Service (SaaS).

- Big data management and predictive analytics to support health and socio-economic strategy.
- Sharing of source lists with other levels of government to speed up processes and reduce burden on industry.

- **Public Services and Procurement Canada (PSPC)** – Under the direction of its Minister, PSPC can build on recent transformations in federal procurement, which have enabled the government to rapidly access COVID-19 products and solutions and make them available to Canadians, by pursuing a similar approach to technology adoption through the IAP.

  New and promising approaches towards challenge-based and agile procurement can help public servants find fast and reliable solutions, cut through the complexity of available technology offerings, and ensure Canada's technology SMEs have improved access to offer their solutions to government and to Canadians.

- **Innovation, Science, and Economic Development Canada**, **the Department of Finance**, and **Small Business, Export Promotion and Trade** and their respective Ministers can all play a role coordinating the development, execution, and promotion of this program, while ensuring ample engagement with industry to identify 'virtual shovel-ready' projects and innovative solutions to immediate needs that are available in the digital marketplace.

Key components of the IAP's procurement approach should include:

- **Leveraging [CANADA's DIGITAL MARKETPLACE *powered by TECHNATION*](#)** to help shape, promote, and deliver successful procurements.

  Government often doesn't have a clear line of sight into solutions that are coming or currently in the marketplace, impacting challenge or requirements-based competitions. In some cases, it can be difficult to cut through the complexity of hundreds, if not thousands of technology offerings to get a clear picture of what is available in the market to serve a specific need. Or it can be easier to draw up procurements based on what is familiar.

  The Digital Marketplace enables government to easily comprehend and engage with qualified SMEs who specialize in solving the problems they face. Canada's Digital Marketplace is a free, objective, open and universally accessible national dashboard and registry that will place a full suite of technology solutions and capabilities across Canada, at the government's fingertips.

- **Building on recent agile procurement pilot processes and challenge-based procurement approaches** to make IAP procurements more nimble, accessible, and effective.

- **Placing aggressive timelines on IAP procurements**. Procurement processes are too lengthy and costly for many SMEs to see through to the end. Canada's former CIO, Alex Benay, was quoted saying "…it takes three years to create the project requirements, and two years to buy the solution."

- **Signaling the marketplace with a digital roadmap.** Procurement processes are too unpredictable; without clearer medium-term line of sight on where exactly federal technology transformation is headed, and what types of solutions the government plans to buy, it's hard

for technology SMEs to be ready for procurement opportunities. Government can clearly signal the areas in which it intends to buy solutions through the IAP and address this long-standing challenge. If industry knows what the federal government needs and plans to buy, they will adjust as necessary to provide it.

o **Funding serious contenders.** Participating in federal procurement processes, especially late stages of bid consideration, can be extremely costly for technology businesses. The federal government can address this problem and inject capital into the digital economy by funding the participation of SMEs that are short-listed for consideration on an IAP procurement.

o **Addressing known administrative challenges** associated with procurements, including excessive red tape and paperwork, as well difficult requirements like unlimited liability that disincentivize collaboration between the public and private sectors, whilst doing little to protect government.

## 2) Economic Recovery Across the Canadian Economy

Further to our proposed Innovation Adoption Program, TECHNATION recommends the following steps to ensure the viability of economic recovery across industries. These steps will ensure that Canada is positioned for long-term growth and underpins the country's potential to regain its status as a world leader in the digital economy.

### Enabling Technology Adoption across Industries

Canada's decline in competitiveness and technology adoption has been well documented. In 2019, Canada fell two further spots on the World Economic Forum's Global Competitiveness Report to land in 14th position overall, ranking 35th in ICT adoption and 16th in Innovation capability. These are some of the latest data points that demonstrate the consistent decline in Canada's competitiveness status due, in part, to the slow pace of tech adoption across the national economy.

In Budget 2021, the Government of Canada must investigate mechanisms to reverse this trend, which may include capital cost allowances to expand ICT infrastructure and services, targeted grants, and funds available to SMEs across the economy towards tech adoption, similar to programs that already exist on cyber security and green tech, and/or technology adoption guidance, through impartial industry associations and leaders.

### 5G and Connectivity

Modern hyper-connected networks are required for transmitting 5G networks, which are: predicted to revolutionize the way we use and leverage technology; make possible new classes of advanced applications; foster business innovation; and spur economic growth. Canada should not use the COVID-19 crisis as a reason to delay implementation but should work with industry to implement 5G across the country, with emphasis on continuing the essential process of establishing rural connectivity.

TECHNATION commends and encourages the continued effort by the federal government working with provincial governments to expand high speed internet services to rural communities. This is critical for enabling relevant, flexible blended learning models that combine in-class and distance participation. We must continue to identify, fund, and promote remote learning opportunities for individuals seeking tech sector employment to re- and up-skill, while remaining within their communities.

## Interoperability and Trade

The COVID-19 crisis has created the need for increased collaboration across the federation and this crisis is the right opportunity to tear down trade barriers between provinces and territories, especially relating to data sharing and technology barriers. In Budget 2021, the Government of Canada should commit to work with provinces and territories to ensure interoperability of systems, including data policies, between all levels of government and ministries. This includes a commitment to tackling data policy fragmentation that has resulted different privacy policies that will be a challenge for industry to navigate, especially scaling-up SMEs.

## Fair, Efficient, Simple Taxation System

TECHNATION supports this government's efforts to ensure a GST/HST system that is fair, efficient and simple, and recognises the need to update legislation and regulations that takes into account the ongoing digitalisation of the worldwide economy.

In response to the measures discussed in the Fall Economic Statement of November 30, 2020, TECHNATION wrote to Finance Canada to express our broad support for legislation which asks non-resident vendors, which supply digital products or services (including traditional services) to consumers in Canada, to be required to register for the GST/HST and to collect and remit the tax to the CRA on their taxable supplies to Canadian consumers. However, we strongly recommend that Finance Canada use the OECD implementation timeline recommendation of 12 months for the confirmed taxation system on business – to – consumer online sales. This will allow a realistic timeline for our sector to adjust, which is especially important given the complexities of e-commerce compared to traditional retail.

With respect to broader tax measures, including the allusions to a digital sales tax, we have always strongly supported the movement towards a new international tax framework and encourage the Government of Canada to demonstrate multilateral leadership by achieving an agreement at the OECD by mid-2021.

## Supporting Digital Health Information

TECHNATION has consistently advocated for additional allocation of funding to national agencies mandated with or who are involved with Health Tech, including health information and health information management technologies. TECHNATION, via our health division, TECHNATION Health, works collaboratively with such agencies like the Public Health Agency of Canada (PHAC), Canada Health Infoway (CHI), the Canadian Institute for Health Research (CIHR), and the Canadian Institute for Health Information (CIHI) to accelerate the utilization of innovative technologies to improve the Canadian Healthcare System and the health and wellness for all Canadians.

Lessons learned from COVID-19 such as the rapid implementation of virtual healthcare technologies, many of which came from Canada's small and medium enterprises (SMEs), should become the norm in Canada.  A crucial element of this is health care data interoperability of which the federal government can lead the way post-COVID and well into the future.

## Canada's Workforce in the Private and Public Sectors

Canada is home to some of the world's leading post-secondary institutions, and yet there remains a skills gap and a scarcity of talent available to ICT companies in Canada. As part of the COVID-19 recovery process, there is an urgent need for the workforce, both within the public sector and beyond, to be trained to lead our economy and ensure future competitiveness. An effective way to address this urgent need is to fund and invest in innovative Work Integrated Learning (WIL) programs being explored by schools such as Lassonde School of Engineering (Integrated Programs) and Cégep de Sherbrooke (Coexistence travail-études). These programs will allow post-secondary institutions to meet the demand of Canada's tech talent pipeline quicker by putting students into jobs quicker while learning more efficiently.

Over the summer of 2020, the Student Work Placement Program (SWPP) has supported partnerships with over 6,700 employers and 158 post-secondary institutions, leading to the creation of over 15,100 quality work placements for post-secondary students across Canada. The program has reached a significant number of students in under-represented groups with 41.6% of all placements for women in STEM, Indigenous Peoples, Persons with disabilities, recent immigrants and/or first year students. Additional supports had been granted to SWPP by way of a special COVID amendment which is set to expire March 31, 2021. TECHNATION recommends these supports are restored until March 31, 2022 as our industries and workforce are still recovering from the economic impacts of the pandemic.

TECHNATION commends the steps the government has taken over the last number of budgets on training and skills upgrades. An important step in training is to invest in re- and up-skilling the public sector workforce, including through targeted use of current professional development budgets, and incentivizing technological training in the private sector. This will allow our public servants to be ready to use cutting edge technology to better serve Canadian citizens with an advanced modern digital government as well as growing the sheer number of advanced skilled technology professionals in Canada.

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TECHNATION would welcome the opportunity to present its recommendations to the Ministry of Finance and the Standing Committee on Finance.

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## About TECHNATION

We are the industry-government nexus for technology prosperity in Canada.

TECHNATION unites technology, government, and community for Canada's future.

We promote growth by connecting Canadian scale-ups with global tech leaders; engaging the global supply chain; filling the technology talent pipeline; and providing advocacy, professional development and networking opportunities across industry and government.

We develop solutions to achieve both the national and global goals that Canada's $184 Billion technology industry shares with governments of all levels.

Technology prosperity that benefits everyone relies on a strong partnership between the private and public sectors.

For more information visit www.technationcanada.ca