

## Abstract:

# BCTIA Submission to Government of Canada Digital Economy Consultations

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To build a digital economy in Canada, two consistent inter-related issues continue to confront technology innovators – **talent** and **capital**. At this time, Canada has neither the depth of talent nor capital required to grow the ICT sector to a significant self-sustaining level.

As part of its digital economy strategy, the Government of Canada must recognize that Canadian technology companies are not only competing globally for market share, they are competing for talent and capital.

This inter-reliance on talent and capital can be seen in the three major findings and recommendations of the BCTIA's submission:

1. Canada needs to improve its commercialization outcomes
2. Canadian ICT companies' access to foreign capital pools is critical
3. Canada needs to compete in a global talent market

### Canada has a Commercialization Issue, not an Innovation Issue

Canada produces some of the best R&D in the world. The challenge is that most Canadian technology companies view the US as part or all of their domestic market. However, the reality is many lack the expertise or ability to scale to effectively sell in the US let alone other markets. Improving commercialization and export capabilities requires a combination of capital and seasoned executives willing to take on the world.

### Accessing Foreign Capital for Growth

Canada's venture capital pool remains small, resulting in the need to access larger rounds of funds abroad. Despite recent actions surrounding Section 116 of the Federal Income Tax Act, access to foreign investment continues to be a key issue.

- Industry and Government need to do more to help companies get 'investment ready' and better attract foreign investors (either VC's or Strategic Investors).
- Policies that penalize companies for accepting foreign investment must be reviewed and unnecessary barriers to foreign investment in Canadian Venture Funds removed. Canada must simplify and clarify the tax situation to allow foreign investors to invest in Canadian Limited Partnerships on a level playing field.
- Foreign venture capital investment needs to be encouraged through co-investment programs similar to the BC Renaissance Fund, delivered by the Government of British Columbia.

### Competing in a Global Talent Market

The world recognizes Canada's capacity for growing talent. We need to do more to retain that talent, to

leverage it when it moves abroad, and to use our environment to attract the world's best and brightest to Canada.

- Canada needs to ensure that when ex-pats wish to bring their expertise home there aren't barriers (such as significant duties) to discourage them.
- Canada needs to implement immigration policies that expedite the entry of highly skilled foreign nationals; and encourages international students, to remain in Canada once completing their studies.
- Start-up and emerging technology companies require top talent but struggle with the ability to pay fair market compensation, frequently relying on equity-based compensation packages as a solution. The recent changes made by the Government of Canada to stock compensation have created a significant barrier for the attraction of such talent by SMEs and should be revisited.

*For more information or elaboration on the content provided, please review the full submission document or contact Pascal Spothelfer, President and CEO of the BCTIA at 604-602-5230 or [pspothelfer@bctia.org](mailto:pspothelfer@bctia.org).*