



Innovation, Investment, and Global Mandates

A Public Policy Forum Roundtable Summary

On November 10, 2011, the Public Policy Forum convened 35 private and public sector leaders to discuss how business can work with governments and other partners to bring more mandates and investment to Canada. Participants reviewed a recent Public Policy Forum discussion paper, (see link) and offered the following observations:

Successful business cases that attract mandates are company and sector specific

- A range of issues impact the quality of a business case (e.g. access to capital, market access and price, cost structure). These factors vary from firm to firm and industry to industry. Supporting a business case requires significant company and industry specific knowledge (by public servants and others); generic knowledge and generic government programs are often insufficient.
- Governments can help drive business competitiveness by developing sector specific support and improving coordination, speed, and transparency in these programs.

The availability of strong, highly skilled people is a leading investment driver

- Although Canada produces many skilled graduates (e.g. engineers), countries with larger populations (e.g. India and China) are often able to generate very competitive employees at a much lower cost.
- To retain an advantage over competitors, Canada must continue to develop its employees in Canadian-based operations through training and other educational initiatives.
- Firms are critical to helping build human capital; MNEs are often relatively strong due to international competition and standards from within their firm. Retaining skilled workers when acquiring new assets is also critical to firms.

Government incentives can be highly influential and should be properly designed to drive investment

- Many governments are 'throwing everything but the kitchen sink' at attracting investment. In order to remain competitive, Canada must continue to build on its strengths (corporate taxes, transparency), examine the business case for support in areas, industries and sectors in which we are competitive.
- To attract global mandates, federal departments must be well-coordinated internally first before expanding coordination with provincial and other level of governments. Smart procurements could be used effectively to win mandates.
- Some leaders are concerned that Canadian governments are overly focused on SMEs, at the expense of relatively strong MNEs.

- Some private sector leaders believe that the Scientific Research and Experimental Development (SR&ED) tax credit benefits their company but does not influence their decision making. Participants cited four specific challenges with the current SR&ED framework:
 - Credit is applied 'below the line' so it does not enter into the business case.
 - Limited pre-approval means that companies cannot 'count on it'. Some may not apply for the SR&ED tax credit or include it as a factor in their business case.
 - For US based companies, SR&ED credits reduce Canadian taxes, but the credits are not recognized by US authorities; some roundtable participants suggested that approaches be considered to address this issue.
 - The credit is complex and expensive for companies (even MNEs) to administer.

When considering investment, businesses build on existing strengths, including strong industrial clusters

- Governments should work with companies that have a strong investment presence in the country; often a company will direct more investment into countries or areas in which it is well established.
- Being close to a strong cluster or ecosystem benefits business by providing access to resources, infrastructure, expertise and SME strength – alignment is critical.
- Governments can help build a healthier and more innovative business environment by using their procurement processes to better support innovation.

Relationships are critical in driving investment

- Champions inside companies play a key role in where investment flows; companies with fragmented leadership across business units in a country may find it difficult to develop a coordinated strategy to attract mandates.
- Government champions of investment (e.g. Minister/DM/ADM) are equally important:
 - In some jurisdictions, such as Singapore, Germany, and some US states, political leaders and other senior public officials have lead roles in securing investment.
 - Marketing Canada as a 'good place to do business' is an important element for drawing investments.
 - When senior government officials court international investment and open doors for multi-national companies, investment is more likely to follow.

Thank you to our partner:



Industry Canada Industrie Canada