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CENTER FOR CANADIAN INNOVATION AND COMPETITIVENESS

An IT Policy Playbook for Canada

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The Canadian economy is shifting faster than its institutions are. This playbook lays out an agenda to address what Canada must fix, build, and scale in order to compete through technology.

KEY TAKEAWAYS

- Canada should treat AI and other emerging tech like infrastructure: something to be built with purpose, integrated into existing systems, and governed with targeted, flexible rules.
- Canadian fintech firms are growing, but they remain constrained by a patchwork of regulation, outdated infrastructure, and weak national coordination.
- Canada needs a structural approach to cybersecurity policy, and it needs privacy legislation that is flexible, risk-based, and built for interoperability with trusted global trading partners in the long term.
- Digital government should provide quick access to services, efficient response to crises, and secure, resilient digital infrastructure that businesses can build on. And digital infrastructure policy should embrace performance over orthodoxy.
- Online safety policy should protect users and hold platforms accountable without stifling innovation or turning content moderation into a blunt instrument. And content policy must support Canadian creators, not tax innovation or subsidize mediocrity.
- Competition policy shouldn't protect the market from size, but rather protect competition where it's genuinely at risk.
- A modern and ambitious IP policy should be about enabling success and not just boosting the number of patent filings.
- Canada needs to reevaluate the structural incentives around innovation. That means designing tax tools that reward growth and aligning public R&D with real outcomes.
- To stay competitive, Canada needs high-standard digital trade rules that enable secure cross-border data flows and global scalability.

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INTRODUCTION

Canada's information technology policy toolkit is overdue for an upgrade. This playbook sets out a practical agenda to both upgrade the core policies and incentives that influence how information technology is adopted and modernize the institutions that govern its use and scale. It focuses on areas where outdated rules and institutional inertia are holding Canadian innovation back, from digital service delivery and data governance to platform regulation and intellectual property (IP). The purpose is to align policy with the demands of a globally competitive digital economy, not through lofty strategies, but rather through concrete, executable reforms.

Our economy runs on information and communication technologies that are changing faster than our institutions are. Much of that change is driven by global systems, from cloud infrastructure to algorithmic e-commerce platforms, that have not waited for domestic policymakers to catch up. The consequences are already visible: a world-class artificial intelligence (AI) research community that struggles to see its work deployed in the Canadian economy, a self-proclaimed digital government that still runs on paper forms, and innovative firms that end up scaling their breakthroughs abroad because domestic systems can't keep up. It is not a lack of talent or ambition holding Canada back. It is a policy environment that too often reacts slowly, governs narrowly, and inadvertently penalizes those who are building for scale.

Getting tech policy right is not about throwing money at the next wave of technological innovation, crossing our fingers, and hoping that it will buoy our economy. It is about making sure Canada is ready to ensure that digital tools are deployed quickly, safely, and at scale. That's what this playbook is for, and why the work starts now.

AI AND EMERGING TECHNOLOGIES

Canada made a smart early bet on AI. But the edge we once had is eroding. The question now isn't whether we lead in academic citations or prototype models. It's whether we can drive real-world deployment over the next four years—on factory floors, in hospitals, across farms and warehouses. That means health systems using diagnostic tools, farms running on precision models, and manufacturers embedding robotics and real-time sensors into their operations. The breakthroughs exist. So does the talent. What's lagging is uptake.

Too often, government treats emerging technologies as risks to manage rather than tools to use. Regulation gets designed around imagined future harms while immediate productivity gains go unrealized. The result is that Canadian researchers are powering global progress while the benefits land elsewhere. If we don't close this gap, public support for research investment will eventually erode.

We need to treat AI and other emerging technologies like infrastructure: something to be built with purpose, integrated into the systems we already use, and governed with targeted, flexible rules. The real choice isn't between caution and ambition. It's between shaping technological change or being shaped by it.

Use Existing Sector-Specific Laws to Manage AI-Related Harms, Not Sweeping New Frameworks

- **How:** Rather than reviving omnibus legislation such as the Artificial Intelligence and Data Act, which seeks to regulate all "high-impact" AI applications under a single, preemptive law, the federal government should to address AI harms through tailored updates to existing legislation and regulatory authorities. Where necessary, modest legislative amendments can clarify jurisdiction or close gaps, but the goal should be integration, not duplication.
- **Why:** Canada already has rules covering safety, fraud, discrimination, and consumer protection. Creating a standalone compliance system for AI would add cost and confusion without improving outcomes. Layering AI oversight onto existing legal frameworks ensures proportional, grounded regulation that keeps pace with real-world deployment.

Align Legislation on AI and Emerging Technologies With International Standards From the Start

- **How:** When developing any new AI or emerging technology policies, Canada should prioritize international alignment with like-minded partners by anchoring its approach in shared principles, such as risk-based governance, transparency, and accountability, while avoiding overly prescriptive or idiosyncratic rules. Engage early in international standards development (e.g., through International Organization for Standardization (ISO)/International Electrotechnical Commission (IEC), Organization for Economic Cooperation and Development (OECD), and G7 processes) and design domestic regulation to accommodate cross-border compliance, particularly with the United Kingdom, United States, and European Union.
- **Why:** Companies building and adopting AI aren't working within national borders. Divergent rules raise compliance costs and limit access to export markets. Canada

doesn't need to mimic the most restrictive regimes. It needs interoperable, principles-based frameworks that enable innovation to scale at home and abroad.

Embed Evidence-Based Oversight Into AI Deployment

- **How:** Require industry regulators (e.g., Health Canada, Transport Canada, Office of the Superintendent of Financial Institutions (OSFI)) to establish post-deployment monitoring frameworks for high-impact AI and emerging technology systems. Coordinate this oversight through the Canadian Artificial Intelligence Safety Institute, ensuring real-world evidence is gathered, potential harms are flagged early, and course corrections can be made without stalling adoption. Treat AI oversight more like pharmaceutical or aviation safety: continuous, evidence-based, and grounded in actual system performance.
- **Why:** Safety challenges with emerging technologies rarely surface in the lab. Rather, they emerge in real-world use. Relying on theoretical assessments before deployment will either miss key challenges or block valuable innovation. A supervised, adaptive monitoring model allows policymakers to target specific harms while still allowing for experimentation, scaling, and learning.

Drive AI Adoption in High-Impact, Low-Uptake Sectors

- **How:** Focus government support on industries where emerging technologies such as AI, robotics, and advanced sensors can deliver transformative gains but face adoption barriers, particularly in industries such as healthcare, agriculture, and manufacturing. Encourage industry-specific sandboxes and pilot projects in collaboration with industry and regulators (e.g., AI diagnostic pilots with Health Canada or Agri-Tech trials with Agriculture and Agri-Food Canada (AAFC)) and launch coordinated cost-sharing programs to accelerate deployment of low-risk, high-reward tools.
- **Why:** These sectors face chronic productivity challenges, labour shortages, and cost pressures, but remain underserved by emerging technologies. Accelerating real-world implementation in these areas not only builds institutional trust and capability, but also ensures that Canada captures more of the economic upside from its own creations rather than only exporting that value abroad.

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FINTECH AND DIGITAL PAYMENTS

The stability of Canada's financial system has long been viewed as a national strength, particularly during global downturns. But that same low-and-slow posture has dragged down innovation and productivity in the sector. Canada trails peers such as the United Kingdom, Australia, and Singapore in rolling out real-time payments, enabling open banking, and scaling fintech solutions. While Canadian fintech firms are growing, they remain constrained by a patchwork of regulation, outdated infrastructure, and weak national coordination.

The 2024 federal budget finally committed to launching the first phase of open banking by early 2026—a welcome step, but years overdue. If execution stalls, the effort risks being buried in red tape. Canada has the talent and market demand to lead in secure, user-driven financial innovation. What's missing is the political will to follow through.

Unlike jurisdictions that have adopted tiered, risk-based regulatory models, Canada still relies on frameworks designed for cheque-based banking and traditional institutions. Without action, fintech companies will continue to grow elsewhere, and Canadian consumers will face limited choice, higher costs, and a financial system that's out of step with the modern digital economy.

Launch a National Fintech Charter With Proportionate Regulation

- **How:** Introduce a federal fintech charter through the Department of Finance or OSFI that allows qualified nonbank financial firms, such as payment platforms, digital lenders, and online investment platforms, to operate across Canada under a unified and predictable regime, with tiered licensing based on risk.
- **Why:** Canada's fragmented, legacy regulatory structure forces fintechs to navigate inconsistent federal and provincial rules, limiting growth and competitiveness. A unified charter would reduce complexity, enable scaling, and support responsible innovation while maintaining consumer safeguards.

Accelerate the Rollout of Real-Time Payments Infrastructure

- **How:** Establish a binding deployment timeline for Payments Canada's Real-Time Rail (RTR) system, with public performance benchmarks and stronger federal oversight to ensure delivery.
- **Why:** Canada is years behind its peers on real-time payments. This delay raises costs for businesses, constrains digital services, and holds back financial innovation. A modern payments backbone is foundational to a functioning digital economy.

Deliver Full-Scale Open Banking, Not More Consultation

- **How:** Move beyond consultation and implement enforceable rules for secure, consumer-authorized data sharing between financial institutions and trusted third parties. Ensure that the framework covers privacy, liability, and system interoperability. With a government commitment now on the books, the priority must shift to implementation.
- **Why:** Open banking can increase choice, reduce costs, and unlock new financial tools for Canadians—but only with decisive rollout. Prolonged consultation has delayed benefits. Now that a framework exists, a keen eye for execution will be key.

Unify and Expand Regulatory Sandboxes for Fintech

- **How:** Build on existing provincial and CSA (Canadian Standards Association) efforts by establishing a pan-Canadian regulatory sandbox framework that brings together securities regulators, OSFI, the Department of Finance, and provincial fintech authorities. This framework should include a single point of entry, formal pathways to licensing, and clear criteria for participation.
- **Why:** Canada's existing sandbox efforts are siloed and focused largely on securities. A unified, cross-jurisdictional sandbox would give fintech innovators the clarity and scale they need to bring new financial products to market safely and efficiently—without duplicating compliance across provinces or regulators.

Additional Reading

- Alan McQuinn, Weining Guo, and Daniel Castro, "Policy Principles for Fintech" (ITIF, October 2016), https://www2.itif.org/2016-policy-principles-fintech.pdf.
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CYBERSECURITY

Cybersecurity is quickly becoming foundational infrastructure for a functioning digital economy. As Canadian businesses, governments, and households become more connected, both the likelihood and consequences of digital threats are growing. From hospitals and utilities to supply chains and small businesses, vulnerabilities can be exploited at scale, with real-world impacts already visible in service disruptions, safety incidents, and financial losses.

Yet, Canada's cybersecurity posture remains uneven. While major institutions tend to have robust systems, many firms, municipalities, and hospitals still operate without clear guidance, consistent standards, or sufficient resources. Fragmented practices and outdated risk assumptions, combined with limited information sharing, leave critical blind spots in a system wherein attackers thrive on speed and coordination.

As emerging technologies and connected devices increase the complexity of digital systems, Canada cannot afford to rely on piecemeal responses. We need more than isolated upgrades. We need structure; clear roles, enforceable accountability, and incentives that shift behaviour. Cybersecurity should be part of the foundation of the digital economy, not an afterthought tacked on after the damage has already been done.

Launch a National Cybersecurity Framework for Risk-Based Resilience

- **How:** Create a nationally recognized cybersecurity framework, led by the Canadian Centre for Cyber Security, that provides tiered, risk-based guidance for organizations of all sizes. Model it after the U.S. National Institute of Standards and Technology (NIST) Cybersecurity Framework, with flexible core functions (identify, protect, detect, respond, recover) and sector-specific adaptations, supported by practical tools for implementation. Integrate the framework into CyberSecure Canada, procurement policies, and innovation programs to incentivize adoption.
- **Why:** Right now, small and medium-sized enterprises (SMEs) don't know whom to call after a breach, and regulators don't speak the same language. Canada lacks a unifying framework that firms and organizations across the economy can use to assess, benchmark, and improve their cybersecurity posture. Existing guidance is helpful, but also fragmented and underutilized. A widely adopted framework would promote baseline practices and help SMEs and critical sectors scale their cybersecurity capacity. It would embed security more deeply into Canada's digital economy without adding unnecessary red tape. It would also align Canadian firms more closely with international best practices, improving trust and competitiveness in global markets.

Create a National System for Cybersecurity Incident Reporting

- **How:** Mandate confidential, standardized reporting of significant cybersecurity incidents to a central authority. The system should define clear reporting thresholds and include legal protections to encourage disclosure. It must also set out protocols for anonymizing or aggregating data before public dissemination. It must focus on enabling situational awareness and coordinated response, not public shaming.
- **Why:** Canada currently lacks a consistent mechanism to collect and act on information about cyberthreats across sectors. A well-designed reporting system would improve national threat detection, accelerate coordinated responses, and allow government and

industry to learn from incidents. But to be effective, it must protect the integrity of investigations, avoid deterring disclosure, and be geared toward resilience, not headlines.

Publish Issue Cybersecurity Guidance for Emerging Tech and IoT

- **How:** Create risk-based cybersecurity guidance for emerging technologies such as augmented and virtual reality (AR/VR) platforms and the Internet of Things (IoT). Focus on lightweight, voluntary standards and best practices for data security, identity verification, secure firmware updates, and privacy protection, especially in consumer, industrial, and health-related deployments.
- **Why:** Emerging technologies and IoT devices are being adopted faster than security practices can keep up, expanding the attack surface across Canadian homes, factories, hospitals, and public infrastructure. Waiting for international consensus will risk leaving Canadian users exposed and Canadian innovators unprepared. Proactive, voluntary guidance would improve security by design, build trust through adoption, and position Canadian firms to compete globally in sectors where embedded security is becoming a differentiator.

Ban Encryption Backdoors to Protect Privacy and Resilience

- **How:** Enshrine in federal cybersecurity policy a clear prohibition on requiring backdoors or government-access mechanisms in commercial encryption technologies, including messaging apps, IoT devices, and cloud infrastructure. Collaborate with industry and civil society to develop lawful access protocols for digital systems that do not compromise the integrity of cryptographic systems or introduce systemic vulnerabilities.
- **Why:** Mandating encryption backdoors would weaken the very foundations of digital security, creating entry points not just for law enforcement, but inevitably for hackers, foreign adversaries, and criminal networks as well. It would undermine trust in Canadian digital services, put sensitive infrastructure at risk, and damage Canada's credibility as a steward of secure digital systems. Public safety matters. But it shouldn't come at the cost of blowing open Canada's digital vault.

Additional Reading

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PRIVACY AND DATA GOVERNANCE

Data now underpins nearly every facet of Canada's digital economy. As businesses increasingly rely on data to deliver services, train AI models, and compete globally, Canadians rightly expect strong safeguards for how their information is handled. Yet, the public debate around privacy too often falls into binary thinking between a laissez-faire data economy and overly rigid regulatory models. The reality is more nuanced. Canada needs a privacy regime that protects individuals while enabling data to flow, be reused, and drive value across sectors.

Global peers are moving quickly to update their data governance regimes, often with very different policy assumptions. The U.S. has taken a light-touch, state-led approach. The EU has leaned heavily into prescriptive compliance models. Canada will be caught in the middle without a clear model that reflects our values, economic structure, and innovation ambitions. Getting privacy law wrong, either by dragging out reform or by overcorrecting into rigidity, would jeopardize not only trust but also our ability to compete in data-intensive sectors such as AI, life sciences, and fintech.

Canada needs privacy legislation that is flexible, risk based, and built for interoperability with trusted global trading partners in the long term—one that differentiates between real threats and low-risk uses.

Enact a Modern, Risk-Based Privacy Law

- **How:** Revise and reintroduce consumer privacy legislation with a risk-calibrated law that distinguishes between sensitive and nonsensitive data and applies stronger protections where genuinely needed. It should also provide flexibility for low-risk or de-identified uses. The law should embed clear oversight mechanisms, enable responsible AI deployment, and ensure that compliance is tied to outcomes, not just procedural checkboxes.
- **Why:** Canada needs an updated privacy regime that protects individuals while enabling responsible data use across sectors. Legislation that is risk based and outcome focused would enhance public trust and align with global norms. At the same time, it must avoid the kind of rigidity that would slow digital progress. Getting this balance right is essential for safeguarding rights without unnecessarily stifling the data-driven services and technologies Canadians increasingly rely on.

Empower Users With Practical Data Portability and Interoperability

- **How:** Introduce portability and interoperability requirements for digital services wherever users face high switching costs, such as on messaging platforms or social networks. These requirements should be scoped to specific contexts where data lock-in creates real friction, and should be developed with clear technical standards, industry input, and privacy safeguards.
- **Why:** Users should be able to move their data and digital relationships without being trapped in a platform they no longer want. Thoughtful data portability strengthens user autonomy and encourages service innovation. It also helps build long-term trust in the digital economy. And when done right, it improves competitive intensity without imposing one-size-fits-all mandates or undermining privacy.

Avoid Data Protectionism Disguised as Privacy Regulation

- **How:** Future privacy rules should protect users and not turn into disguised protectionism. This involves avoiding unnecessary data localization requirements and focusing on measures that genuinely enhance data security and privacy.
- **Why:** Overly restrictive data policies can stifle innovation and limit economic opportunities. By distinguishing between legitimate privacy protections and protectionist measures, Canada can safeguard personal data while fostering a thriving digital economy.

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- Alan McQuinn and Daniel Castro, "The Costs of an Unnecessarily Stringent Federal Data Privacy Law" (ITIF, August 2019), https://itif.org/publications/2019/08/05/costs-unnecessarily-stringent-federal-data-privacy-law/.
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- Ash Johnson and Daniel Castro, "Maintaining a Light-Touch Approach to Data Protection in the United States" (ITIF, August 2022), https://itif.org/publications/2022/08/08/maintaining-a-light-touch-approach-to-data-protection-in-the-united-states/.
- Daniel Castro, "Policymakers Should Distinguish Between Data Protection and Data Protectionism" (Center for Data Innovation, May 2022), https://datainnovation.org/2022/05/policymakers-should-distinguish-between-data-protection-and-data-protectionism.

DIGITAL GOVERNMENT

Despite years of digital ambition, much of government still runs on outdated systems. Federal departments often depend on siloed spreadsheets and aging infrastructure that can't talk to each other, sometimes even resorting to fax machines. Citizens are told to print forms, endure long delays, or navigate slow and confusing websites. Internally, fragmented data and rigid procurement rules slow down progress and drive up costs.

The price of inaction is more than frustration for people waiting in long lines. It means public policies informed by patchy data, wasted hours on manual tasks, and skilled staff stuck maintaining broken systems instead of solving problems. It also means billions in untapped economic value. High-value public data remains locked in PDFs or scattered across hard drives instead of being used to build new technologies. That's a lost opportunity, especially as Canada's digital firms in AI, health tech, and logistics depend on large, usable datasets to test and scale innovations.

Digital government is so much more than one-off government service apps or aesthetic changes. It's about whether Canadians can access services quickly, whether businesses can build on secure digital infrastructure such as digital identification, and whether governments can respond to crises with speed and precision. The longer we delay, the more brittle and expensive these systems become, and the harder it will be to catch up.

Redesign Public Services to Reduce Wait Times

- **How:** Require federal departments and agencies to identify their top five most delayed or cumbersome services and redesign them using digital-first principles. This includes process automation, user-centred design, and integration with digital ID and backend data systems. Set outcome-based service standards (e.g., processing times, digital access rates) and report publicly on progress.
- **Why:** Canadians still wait far too long for essential services such as passport renewals and employment insurance (EI) claims. These delays erode trust in government and create unnecessary administrative drag. Redesigning services for the digital era boosts throughput, improves efficiency, and cuts costs over time.

Build Interoperable Digital ID Across Provinces

- **How:** Offer provinces clear federal standards, integration tools, and alignment incentives to adopt secure, privacy-preserving digital ID systems. Where systems already exist, focus on mutual recognition and interoperability so Canadians can access services smoothly across jurisdictions.
- **Why:** A working digital ID unlocks faster access to health care, banking, and business tools. Right now, Canada's fractured approach drives up costs and limits service reach. Interoperability would reduce friction while preserving provincial autonomy, privacy, and user choice.

Strengthen Open Data Implementation to Support Economic Reuse and Innovation

- **How:** Build on the Directive on Open Government by improving the usability, reliability, and consistency of core datasets. Focus on cleaner metadata, stable update schedules,

and developer-friendly formats such as Application Programming Interfaces (APIs), especially in transport, health, and business activity.

- **Why:** Open data only helps when it's usable. Entrepreneurs and researchers need reliable, standardized access to make use of public information. Better implementation would turn static commitments into active innovation infrastructure, with no new laws required.

Modernize Procurement to Speed Digital Adoption

- **How:** Streamline procurement so agencies can test and scale digital tools more easily. This includes lighter vendor qualification, phased pilot models, and procurement that rewards outcomes rather than lowest bids.
- **Why:** Traditional procurement systems favour large, incumbent vendors and legacy technologies over agile, digital-first solutions. Smarter procurement would lower the barrier for new entrants, help agencies upgrade faster, and support domestic firms. The result: better public services at lower long-term cost.

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- Eric Egan, "Reviving and Reimagining the Federal Data Strategy for Mission Success" (ITIF, June 2023), https://itif.org/publications/2023/06/05/reviving-and-reimagining-the-federal-data-strategy-for-mission-success/.
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DIGITAL INFRASTRUCTURE

Canada's economic and digital future will be bright, but only if it is built upon a foundation of digital infrastructure that is resilient and capable of supporting future demand. From broadband and wireless networks to embedded sensor systems and intelligent edge computing, the physical backbone of the digital economy is rapidly evolving. Though basic access metrics have improved, the deeper challenge is ensuring that Canadian infrastructure is designed to support real-time applications, complex IoT systems, and the data-intensive services that will increasingly underpin modern industry, government, and daily life.

The stakes are rising. As digital systems become more embedded in sectors such as agriculture, manufacturing, energy, and logistics, gaps in connectivity are no longer solely an urban/rural divide issue; they are becoming a drag on productivity, innovation, and national competitiveness. Meanwhile, the future of infrastructure, such as smart cities, autonomous supply chains, industrial Internet of Things, will demand capabilities that Canada's current digital infrastructure was never built to support. If public investment continues to follow outdated templates or is boxed in by rigid technology preferences, these opportunities will pass us by.

A forward-looking approach is needed, one that embraces performance over orthodoxy. Digital infrastructure must be accessible and designed to support the technologies it underpins.

Enforce Technology Neutrality in Broadband and Wireless Funding

- **How:** Reaffirm and enforce technology-neutral criteria across all broadband and wireless funding programs, shared infrastructure, and last-mile coverage. Project evaluation should focus on real-world performance, cost effectiveness, and regional fit, not preconceived notions about which technologies are "ideal." Avoid drifting toward vendor-driven or urban-centric defaults when other solutions may be more practical.
- **Why:** While Canada's Universal Broadband Fund is currently tracking 95.8 percent coverage at the time of this writing, the final stretch will be the hardest and the most expensive. Reaching remote and hard-to-serve communities will require greater flexibility and outside-the-box thinking, including alternatives such as fixed wireless or low Earth orbit (LEO) satellite. Prioritizing genuine technology neutrality will allow these solutions to compete on merit, accelerate deployment, and help close the digital divide sans waste or delay.

Prioritize 5G Rollout in Industrial and Agricultural Zones to Unlock IoT Productivity

- **How:** Leverage federal infrastructure and broadband funding to incentivize faster, standardized permitting for 5G deployment in regions with strong industrial or agricultural potential. Offer priority access or bonus eligibility to municipalities that adopt streamlined antenna permitting bylaws, commit to default approval timelines (e.g., 60 days), and opt into federally designated 5G priority zones. Innovation, Science and Economic Development (ISED) Canada should support implementation by providing model templates, technical guidance, and a national deployment map of eligible corridors, such as advanced manufacturing zones, smart farm regions, and logistics hubs. This would enable scalable deployment without overstepping jurisdiction, using Ottawa's spending power to reward local alignment.

- **Why:** The transformative potential of Internet of Things, from precision agriculture to smart factories, depends on reliable, low latency 5G infrastructure. Yet, rollout is stalled by inconsistent municipal permitting and low private return on investment (ROI) for telecommunications firms in low-density regions. 5G deployment will stall if every antenna requires separate municipal approval. Conditional infrastructure funding can accelerate rollout in underserved regions without overriding local control.

Unlock Smart Cities With a Common Toolkit for Municipalities to Use

- **How:** Develop a federal smart infrastructure toolkit for municipalities that includes a package of open-source tools and procurement templates, along with financing models for IoT-based urban systems. Pair this with technical assistance programs and a knowledge-sharing platform to help communities learn from successful deployments in transit, utilities, emergency response, and public safety while building public understanding for the potential benefits of smart transformation.
- **Why:** Most Canadian municipalities lack the scale or internal capacity to navigate complex digital infrastructure projects on their own. The failure of high-profile smart city proposals in a Canadian context has shown that without transparent governance and public trust, even the most advanced technologies will stall. By lowering administrative barriers, providing shared digital tools, supporting better service delivery, and reducing costs, the federal government can help local leaders adopt smart city technologies more efficiently, while at the same time generating demand for Canadian tech.

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ONLINE SAFETY

The reintroduction of the Online Harms Act (Bill C-63) moved Canada toward an interventionist approach to regulating online content. The bill proposed sweeping obligations on digital platforms to remove certain categories of harmful content, such as hate speech and child exploitation, within tight timelines and under threat of penalties. While these goals are undoubtedly important, the risk is that the framework leans heavily on prescriptive content regulation that forces platforms to rely on blunt moderation tools that can't account for context or nuance without adequate safeguards for free expression and due process or meaningful accountability mechanisms built into platform design. The result of prescriptive content regulation is that satire gets flagged as hate speech, and posts exposing human rights atrocities are taken down for being too graphic.

In contrast, systemic risk-based regulation would require platforms to assess and mitigate harms proactively while preserving lawful expression and avoiding overbroad censorship. This would shift the focus from takedown quotas to process audits, algorithmic transparency, and accountability.

A regulatory model that punishes lawful expression, burdens smaller platforms, and encourages overreaching automated tools will ultimately harm Canadians. A smarter framework would protect users and hold platforms accountable without stifling innovation or turning content moderation into a blunt instrument.

Regulate Systemic Online Harms With a Risk-Based Approach

- **How:** Ensure that a future Canadian online safety regime focuses on platform-level risk assessments, response systems, and audits rather than attempting to define and police harmful content itself. Require platforms to identify and mitigate specific systemic harms such as incitement to violence or child exploitation, while maintaining due process for takedowns.
- **Why:** A risk-based approach allows for targeted interventions that address genuine threats without imposing broad restrictions that can accidentally hinder free expression and progress.

Mandate Transparency From Digital Platforms

- **How:** Require platforms to clearly state their content policies, to explain how they enforce them, and to provide users with a way to appeal moderation decisions. Platforms should be required to release publicly accessible annual reports, including data on how much content was removed, how often users appealed those decisions, and how many of those appeals were upheld.
- **Why:** Policymakers can't regulate what they don't understand. Transparency is the foundation for evidence-based regulation and allows third parties to hold platforms accountable for their actions or inaction.

Design Online Child Safety Rules That Are Proportional and Privacy Safe

- **How:** Design online child protection rules that focus on high-risk services and empower parents rather than mandating identity or age verification for all users. Create an opt-in system for age-gating platforms or services that target minors or have high volumes of

age-sensitive content that requires device operating systems to offer a "trustworthy child flag" for user accounts that signals to these apps and websites that a user is underage, and promote parental control tools and industry-led safety standards for all platforms.

- **Why:** Universal identity checks for online access would undermine privacy and lawful expression while placing unfair burdens on smaller Canadian firms. Broad verification systems risk creating a surveillance-like environment while doing little to improve actual child safety. A smarter, proportionate model would protect kids without forcing the entire Internet to become a digital ID checkpoint.

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ONLINE STREAMING

Canada's cultural policy was built for an analog, broadcast-era media ecosystem. The CanCon framework, originally introduced to ensure a domestic presence in TV and radio, now struggles to keep pace with how content is actually produced and consumed. Streaming services account for a growing share of Canadians' screen time, yet the current approach to regulating them, through the Online Streaming Act (Bill C-11), relies heavily on mandatory financial contributions and outdated definitions of Canadian content that prioritize production inputs over creative leadership or cultural impact.

Mandatory levies on foreign streaming platforms are often passed directly on to consumers and may deter investment in local content innovation. Supporting innovation and consumer welfare means backing digital-first content rather than clinging to outdated broadcasting models. Meanwhile, many Canadian creators working with global platforms struggle to qualify for CanCon designation or public funding, even when their work reaches millions of viewers. This disconnect stifles creative momentum and makes it harder for Canadian stories to break through globally.

Modernizing content policy means recognizing that successful cultural exports now emerge from platforms such as Netflix, YouTube, and TikTok as often as they do from linear broadcasters. A future-facing approach must support Canadian creators where they are, without taxing innovation or subsidizing mediocrity.

Repeal the Online Streaming Act and Reform Cultural Funding

- **How:** Replace the blanket 5 percent levy on foreign streaming services with a more targeted, cost-effective funding approach—one that blends scaled platform contributions with transparent public investment and rewards projects with strong cultural value and global potential. Update the mandate and governance of media funding bodies to ensure support flows toward innovative, audience-driven content rather than outdated broadcasting priorities.
- **Why:** Mandatory contributions will deter investment and lead to increased costs for consumers. Incentive-based policies have been successful in other countries, such as New Zealand, by stimulating the creative industry and boosting the economy without imposing additional taxes on online platforms.

Adapt CanCon Requirements for Canadian Content Creators on the Global Stage

- **How:** Keep core requirements that ensure a significant portion of production and post-production spending happens in Canada, but give projects more flexibility to qualify when they are clearly led by Canadian creators and tell Canadian stories. Introduce an alternative path to certification for productions where Canadian writers, directors, or showrunners have creative control, even if some work is done abroad.
- **Why:** The current CanCon framework was designed for an era of terrestrial broadcasting and fails to reflect how content is now produced and consumed. Without reform, Canadian creators working on globally successful digital content may be excluded from public support or policy benefits, while projects that check the right boxes but lack cultural impact continue to qualify. A modernized CanCon regime would better support innovative creators and help Canadian stories succeed globally while keeping our production ecosystem strong.

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DIGITAL COMPETITION

Canada is under growing pressure to redefine how it governs competition in the digital economy. On one hand, there's political momentum to intervene more aggressively in markets dominated by large platforms. On the other, blunt or ill-fitting regulations risk doing real harm to Canada's already fragile innovation economy. The urge to copy and paste EU-style frameworks ignores Canada's smaller market size and distinct economic priorities.

Canada doesn't have a surplus of dominant digital giants; it has too few globally competitive ones. The problem isn't that domestic champions are overpowered by monopolists, but rather that too many never reach critical mass. Most sectors remain contested, evolving more through rapid innovation than monopoly power. Declining innovation performance has far more to do with a lack of scale and ambition than with over-concentration. Overreach in this context kneecaps the very firms that could grow to become industry anchors by discouraging the investment, acquisition, and integration that is often necessary to scale.

New rules should be grounded in real evidence of market failure, not just the presence of network effects or high market shares. True failure means persistently high prices, reduced output, or suppressed innovation, all of which remain rare in global digital markets.

The goal isn't to protect the market from size, but rather to protect competition where it's genuinely at risk. That means moving beyond ideology, updating enforcement to fit platform dynamics, and focusing on outcomes that serve consumers. Otherwise, competition policy becomes an obstacle to competitiveness.

Focus Antitrust Enforcement on Demonstrable Consumer Harm, Not Firm Size

- **How:** Ensure that the Competition Bureau's digital enforcement strategy is grounded in clear evidence of anticompetitive conduct, such as exclusionary self-preferencing or predatory pricing, rather than firm size or business model. Avoid adopting structural presumptions that treat market concentration or vertical integration as inherently harmful.
- **Why:** Not all large platforms are monopolies, and market concentration in and of itself is not bad for consumers. Focusing on firm size alone risks punishing efficiency and success instead of actual misconduct and may harm users who benefit from integrated services and free or low-cost tools.

Reject Ex Ante "Gatekeeper" Rules; Bolster Case-by-Case Digital Enforcement Capacity

- **How:** Avoid importing the EU-style gatekeeper model, which imposes blanket obligations on firms based solely on size. Instead, strengthen the Competition Bureau's capacity to pursue targeted digital investigations by building internal expertise and improving the Bureau's understanding of digital business models. If existing laws are found lacking, adjust ex post enforcement tools by introducing rebuttable presumptions of harm or streamlining investigatory processes rather than defaulting to rigid preemptive regulation.
- **Why:** The gatekeeper model may sound appealing, but early evidence from Europe shows high compliance costs, limited innovation benefits, and mounting legal uncertainty. Canada should not adopt a framework that preregulates successful firms before any harm is proven.

Update the Competition Act to Reflect Innovation Dynamics

- **How:** Update Canada's Competition Act and enforcement guidelines to reflect how innovation and competition actually unfold in digital markets, including harms that don't show up in prices alone. Encourage the Competition Bureau to incorporate forward-looking indicators such as innovation and research and development (R&D) trajectories into its merger and conduct reviews, particularly wherever early-stage firms or data-rich platforms are involved.
- **Why:** Traditional competition tools focus narrowly on price and output, missing how digital markets evolve and how competition plays out over time. Accounting for innovation effects, both positive and negative, will allow regulators to better distinguish between harmful consolidation and growth strategies that enhance consumer welfare and technological progress. Without this lens, enforcement risks overcorrecting or missing the mark entirely.

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INTELLECTUAL PROPERTY

Canada doesn't need more patent filings for the sake of numbers. It needs more innovators to make deliberate, strategic choices about how to protect what they build. In a tech economy built on intangibles, IP is not a bureaucratic compliance exercise or a means to extract unproductive rents. It's a tool that allows firms to leverage, scale, and build resilience.

Canada needs more of its innovators to make deliberate, strategic decisions about how to protect what they build. From AI models to battery chemistries, value in the modern tech economy is intangible—and far too often, Canadian firms see this value leak away due to weak IP strategies or limited ability to scale protection globally. Newer programs such as ElevateIP are a step in the right direction, but they're not yet backed by a broader shift in policy culture or institutional capacity.

That means three things: helping firms build IP strategies early, supporting high-potential companies as they scale protection internationally, and making sure the rules Canada has on the books are enforced in practice. A modern and ambitious IP policy should be about enabling success and not just boosting the number of filings.

Make IP and Data Strategy Core to Tech Firm Growth

- **How:** Require applicants to federal innovation programs (e.g., Industrial Research Assistance Program (IRAP), Sustainable Development Technology Canada (SDTC), Strategic Innovation Fund (SIF)) to submit an IP and data strategy as part of their funding applications. This strategy should outline how companies plan to protect, share, license, or otherwise manage their core intangible assets, whether through patents, trade secrets, open-source models, or a decision not to pursue formal protection. Even firms that choose not to register IP should be able to justify that decision and show awareness of the risks and alternatives.
- **Why:** Many firms lack the resources or know-how to use it effectively. Far too many enter partnerships or global markets without a plan for how to retain control of what they've built. But rather than trying to pump up numbers of patents, the government should help ensure that firms' IP strategies are aligned with their commercial goals, not left to chance.

Enforce IP Rights to Protect Canadian Innovation

- **How:** Boost the capacity of federal agencies to investigate and act on counterfeiting, privacy violations, and trade secret theft in high-value tech sectors. Improve coordination between enforcement bodies and industry through structured reporting mechanisms and expand access to legal recourse for SME tech firms that lack the resources to defend their IP rights.
- **Why:** When enforcement is weak, it not only fails creators, but it also erodes confidence in the entire IP system. When counterfeit goods cross the border unchecked or stolen trade secrets go unpunished, it sends a signal that Canadian innovation isn't worth protecting. A more assertive, tech-savvy enforcement approach would give Canadian firms that are scaling globally the confidence to invest in protecting and leveraging their IP.

Support Global IP Commercialization for Canadian Firms

- **How:** Expand targeted funding and advisory services for Canadian tech firms seeking to protect and commercialize IP in key global markets. Build on programs such as ElevateIP by prioritizing support for firms with strong growth trajectories in IP-intensive sectors and fund strategic filings, freedom-to-operate analyses, and portfolio management.
- **Why:** High-potential Canadian firms routinely underprotect their IP internationally due to steep costs and limited internal capacity to navigate complex IP systems, leaving them vulnerable in global markets and undervalued by investors. Strategic, outcome-focused IP support ensures that Canada doesn't just generate innovation, but that is also retains the ability to scale it. This is not about subsidizing patents for everyone; it's about ensuring that high-performing firms aren't held back by fixable weaknesses in IP strategy or support.

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R&D AND COMMERCIALIZATION

Canada invests heavily in research but struggles to translate research into commercial impact. The public sector funds a significant share of national R&D, yet private sector investment has stagnated and commercialization outcomes remain uneven. Too often, promising inventions stall in labs, or IP developed in Canada is scaled and monetized elsewhere.

Canada does not lack talent or ideas. Rather, the policy architecture surrounding the innovation ecosystem doesn't sufficiently reward firms and institutions for moving new ideas from lab to market. Moreover, the Scientific Research and Experimental Development (SR&ED) tax credit, Canada's marquee R&D incentive, needs serious modernization. Meanwhile, universities lack enough incentives to prioritize commercialization, and firms that do succeed in building valuable IP face limited support to commercialize it at home.

To fix this, Canada needs to reevaluate the structural incentives around innovation. That means designing tax tools that reward growth and aligning public R&D with real outcomes while making that sure the returns stay in and benefit the Canadian economy.

Update the SR&ED Tax Incentive to Boost Private R&D Investment

- **How:** Restructure the SR&ED tax credit to a quasi-incremental model that incentivizes increased R&D spending year over year. In other words, firms would receive a higher credit rate on the portion of their current R&D spending that exceeds 65 percent of their average spending over the past four years, effectively rewarding them more for increasing their investment rather than simply maintaining past levels. Then, standardize the credit rate across all firms, regardless of size, to eliminate disparities and encourage larger enterprises to invest more heavily in R&D. Eliminate the application process by integrating the credit directly into federal tax filings and allow SR&ED to stack with other innovation programs.
- **Why:** Private sector R&D investment has been declining, placing Canada behind global peers in innovation. The current SR&ED structure disproportionately benefits small firms without sufficiently motivating larger companies to increase their R&D efforts, leading to perverse incentives for firms to stay small and unprofitable, often nicknamed the "Walking SRED." By adopting a quasi-incremental approach and standardizing credit rates, the tax incentive would more effectively stimulate additional R&D activities across the board. Simplifying the process and permitting benefit stacking would make the program more accessible and attractive, thereby fostering a more robust innovation ecosystem.

Incentivize University IP Commercialization Without Micromanaging It

- **How:** Tie a portion of federal research funding in STEM (science, technology, engineering, and mathematics) fields to measurable commercialization outcomes such as start-up creation, licensing activity, or co-developed patents with industry. Encourage diverse models (inventor owned, university owned, hybrid) by rewarding results, not dictating inputs. At the same time, require funded institutions to report consistently on commercialization activity and resource allocation, and support the development of professionalized tech transfer capacity with targeted operational funding and talent incentives.

- **Why:** Canada's universities perform a disproportionate share of national R&D, but much of that output is trapped at the research stage. Institutions lack the necessary incentive alignment and institutional capacity to commercialize. Without broader signals that IP strategy and tech transfer matter, most universities default to the status quo. A light-touch incentive model, backed by consistent reporting and support, can move the system without dictating a single ownership model or eroding institutional autonomy.

Construct a Targeted Patent Box to Boost Domestic Commercialization

- **How:** Implement a preferential tax rate for income derived from IP that is developed and actively commercialized in Canada. Eligibility should require clear evidence of Canadian-based R&D and a credible commercialization pathway instead of passive ownership of IP. The government should move forward with the patent box that it began consultations on in 2024. The design should draw on global best practices and include anti-abuse rules, clear definitions of qualifying IP income, and strong linkages between tax benefits and real innovation activity in Canada.
- **Why:** Empirical research shows that patent boxes that have been introduced in numerous countries around the world induce firms to patent more. However, poorly designed patent boxes that reward paper IP holdings or decouple tax benefits from actual R&D can become vehicles for tax avoidance. But when well implemented, they complement R&D tax credits by incentivizing companies to scale and commercialize innovation domestically. A focused Canadian patent box would reward firms that turn research into revenue here at home, helping anchor high-value economic activity without penalizing global growth or flexibility.

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DIGITAL TRADE

As the global economy becomes increasingly digital and intangible, Canada must ensure that its trade architecture keeps pace, not only to support its own tech firms, but also to maintain relevance in shaping global standards. Natural resources will always anchor Canada's economy. But resilience depends on more. Cloud and software exports are where Canada's next billion-dollar firms will come from.

Digital trade can no longer be described as just a niche. It is the very infrastructure of modern commerce. Yet, Canada's current policy mix was built for an earlier era, focused on moving goods across borders, not data. Meanwhile, other countries have focused far more than Canada has on embedding digital trade rules into new economic partnerships, defining access to markets through their approach to through policies on data flows and digital services, including taxation. If Canada doesn't act, its innovators will face growing barriers abroad, and its position in the global value chain will shrink.

To stay competitive, Canada must champion high-standard digital trade rules that enable secure cross-border data flows and global scalability, while countering rising digital protectionism. Resource exports will remain a cornerstone of Canadian prosperity, but they must be matched by an ambitious strategy for the digital economy. A modern trade framework that supports intangible exports and reduces regulatory friction will be key to both economic diversification and ensuring that Canadian firms can capture more of the value they generate in international markets.

Protect Cross-Border Data Flows in All Trade Agreements

- **How:** Make open, rules-based cross-border data flows a core objective in all future trade negotiations. Avoid data localization mandates unless strictly necessary for national security or legal compliance. Prioritize digital trade chapters that promote interoperable privacy and data rules and guarantee nondiscriminatory treatment of digital services.
- **Why:** Strong digital trade agreements that preserve data flows and reduce regulatory friction are essential for Canadian firms to compete globally in cloud computing, AI, fintech, and creative industries. Codifying these protections in new agreements gives Canadian exporters access to fast-growing markets while reinforcing Canada's role as a trusted, open digital economy, particularly when trade diversification has become a top priority for Canadians.

Tailor Export Promotion to Digital and Intangible Firms

- **How:** Redesign Canada's trade promotion services (e.g., through the Trade Commissioner Service, Export Development Canada (EDC), and Global Affairs Canada) to better serve digital-first businesses, including Software as a Service (SaaS) firms, AI start-ups, and IP-based service exporters. This should include expanding advisory services navigating data compliance and accessing global digital platforms, as well as targeted support for firms commercializing intangible assets abroad.
- **Why:** Traditional export promotion is built around physical goods, not digital services. Yet, Canada's fastest-growing tech firms increasingly compete through software, IP, and digital delivery. Tailoring trade promotion to the realities of intangible exports would help Canadian firms scale, capture value abroad, and compete in markets where regulation, not logistics, is the main barrier.

Eliminate the Digital Services Tax and Implement OECD Digital Tax Rules

- **How:** Commit to eliminating the Digital Services Tax (DST) and implement Pillar One of the OECD/G20 Base Erosion and Profit Shifting (BEPS) framework, which reallocates taxing rights for large multinational enterprises, including digital firms. Accelerate domestic readiness for implementation by ensuring that legislative and administrative systems are in place to operationalize the OECD agreement once finalized.
- **Why:** A unilateral DST may be generating short-term revenue, but it creates long-term uncertainty for digital investment and has already opened the door to retaliatory trade actions. It deters global firms from expanding or investing in Canada, especially in digital services sectors where marginal investment is mobile. Aligning with the OECD-led approach offers a more stable, cooperative path forward that ensures Canada has a fair share of digital economy tax revenues without undermining its innovation or trade interests.

Join the Digital Economy Partnership Agreement to Fortify Canada's Digital Trade Position

- **How:** Join the Digital Economy Partnership Agreement (DEPA) as a strategic priority in Canada's trade diversification agenda. Align domestic regulatory frameworks where needed, particularly around data flows, e-invoicing, digital identities, and AI governance, to meet DEPA's modular standards. Use the accession process to strengthen cross-border digital trade capabilities while maintaining core Canadian values on privacy, security, and interoperability.
- **Why:** DEPA has emerged as the most modern, modular framework for digital trade, with countries such as the United Kingdom, Australia, and South Korea actively moving to join. For Canada, accession would open new digital trade channels and align Canada with like-minded economies while giving it a flexible platform to shape future global rules. In a world wherein both trade diversification and digital competitiveness are critical, joining DEPA would signal that Canada is serious about building an open, innovation-focused digital economy.

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About the Centre for Canadian Innovation and Competitiveness

The Centre for Canadian Innovation and Competitiveness is an Ottawa-based affiliate of the Information Technology and Innovation Foundation (ITIF), the world's leading think tank for science and technology policy. As a separately incorporated and registered charity under the Canada Not-for-profit Corporations Act and Income Tax Act, the Centre's mission is to help policymakers and the Canadian public better understand the nature of the innovation economy and the types of public policies that are necessary to drive Canadian innovation, productivity, and global competitiveness. For more information, visit innovationpolicy.ca.