

Canada developing strong e-business infrastructure, but government and industry must address areas of weakness to maintain global competitiveness

Canadian e-Business Initiative delivers report on status of national digital economy

OTTAWA, ON - May 1, 2003 – If Canada is to remain globally competitive, business and government at all levels must continue to build an environment that fosters e-business solutions and infrastructure, says the Canadian e-Business Initiative (CeBI), in its report, *Fast Forward 4.0*, released today.

CeBI reports that Canada's digital economy infrastructure and environment is strong and progressing. Canadian consumer and business Internet connectivity is among the highest in the world. The venture capital environment has proven resilient to the downturn in the economy and the tax and regulatory environment is improving.

Fast Forward 4.0: Growing Canada's Digital Economy offers an in-depth look at the state of e-business nationally. It is an e-report card, which, for the third year in a row, grades Canada's overall performance in promoting the growth of e-business and the digital economy and highlights the priorities for future action by government and the private sector.

Moreover, a related report also released today by CeBI, that compared Canada's e-business adoption within SME versus three leading European countries and the United States (*Net Impact Canada: The International Experience*), revealed that Canada compares very favorably in terms of overall SME adoption and even leads in key areas such as e-government.

However, while fundamentals are strong, there remain key elements of Canada's e-business infrastructure which must be addressed and improved in order for Canada to ensure its global competitiveness. While the SME sector accounts for 60 per cent of Canada's economic output, 80 per cent of overall national employment and 85 per cent of all new jobs, overall Internet business solution (IBS) adoption among the smallest firms (less than 50 employees) continues to lag globally. Moreover, 28.4% of Canadian firms have no plans to implement an IBS within the next three years. The ability of SMEs to embrace the e-economy is negatively affected by a lack of skilled e-talent, a shortage of time and money, and for many SMEs, there is a lack of scalable and SME-tailored e-business solutions.

Despite a legal and policy environment favorable to privacy and security, the commitment to online privacy and security practices among mainstream businesses remains low.

Also, Canada's strong economic performance is not well understood internationally. Studies of U.S. business show investor and general public perceptions of Canada's economy as primarily resource-based and that "Canada's innovation image is weak" Image and perception, rather than performance, are a major hindrance to attracting additional investment and skills to the Canadian market.

“These Fast Forward 4.0 findings clearly illustrate that governments and business in Canada must work to address the weaknesses which are holding us back from creating a dynamic, robust and productive e-business climate,” said Pierre Paul Allard, President of Cisco Systems Canada Co and Co-chair of the Canadian e-Business Initiative. “We need a common understanding of strong, positive benefits of IBS adoption at all levels in order to push our economy forward.” SMEs are operating in an environment that is missing consistency, resources and the stimulants needed to foster continued growth. The report acknowledges these obstacles and offers solutions to overcome the hurdles.

Recommendations in the Fast Forward report include legislative change and an increased effort by government, industry associations and large firms to enhance SME e-business preparedness and to meet privacy and security obligations.

“E-commerce solutions mean greater cost effectiveness for, and increased innovation by Canadian businesses,” said Allan Rock, Minister of Industry. “The Canadian e-Business Initiative is helping to ensure that more and more businesses, large and small, realize the benefits e-commerce can have on their bottom lines.”

On a global front, CeBI recommends the federal government extend the capital gains tax break to professional investors and institutions, so they can re-investment in e-business and offer greater impact. As well, the report suggests the federal government should implement the announced changes to the rules governing qualified limited partnerships immediately. Finally CeBI recommends Canada needs to be aggressive and coordinate a marketing campaign for the digital economy that highlights the country’s connectivity, education levels and technological capabilities.

“After reviewing the research, it was apparent what Canada’s strengths and weaknesses are from an e-business perspective,” said Nancy Hughes Anthony, President and CEO of the Canadian Chamber of Commerce and Canadian e-Business Initiative co-chair. “Our challenge was getting to the core of these issues and offering solutions that would benefit all parties involved. We believe that the recommendations that have been developed, if implemented, can quickly put Canada back into the lead of the global digital economy.”

CeBI also recommends that both government and the private sector need to work with numerous stakeholders to foster an improved environment for e-business growth. These public/private partners need to work with educational institutions to deliver affordable programs for students and extension programs for SMEs on Internet Business Solutions. They also need to commit to meeting the skills needs of SMEs by expanding in-house training programs, and suggests working with industry associations to design tools that can target various sectors and smaller firms that lag in e-business adoption. CeBI also acknowledges that IBS vendors must co-operate with industry associations and industry leaders to develop standardized, sector-wide digital exchanges that are scalable for use by SMEs.

About CEBI

The Canadian e-Business Initiative is a private sector-led initiative that aims to further Canada's e-business success by focusing on productivity, leadership and innovation. Find out more at www.cebi.ca.

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