

STI OUTLOOK 2002 - COUNTRY RESPONSE TO POLICY QUESTIONNAIRE

CANADA

1. General framework and Trends in science, technology and industry policy

1.1 Overview and assessment of policies for science, technology and industry

In January 2001, the Government committed itself to further strengthen Canada's investments in science and technology (S&T). The goal is for Canada to become one of the top five countries for research and development (R&D) by 2010. As its contribution to this challenge, the Government will at least double the current federal investment in R&D by 2010.

The government commitment to doubling federal spending on R&D is part of a broad plan which combines innovation, skills and learning, and a promise to ensure that all members of our society are given the chance to realise their potential.

Having set a target of becoming amongst the top five nations in spending on R&D as a proportion of GDP, the federal government is fully aware that by itself, it cannot achieve this objective. The challenge must extend to the private sector, provincial governments and the university community to pull together to meet this target and put Canada at the forefront of those countries making knowledge work for them.

The government's strategy (www.innovationstrategy.gc.ca) is focussed on four inter-related priorities:

- Create and use knowledge strategically to benefit Canadians: promote the creation, adoption and commercialization of knowledge.
- Increase the supply of highly qualified people: ensure the supply of people who create and use knowledge.
- Work toward a better innovation environment: build an environment of trust and confidence, where the public interest is protected and marketplace policies provide incentives to innovate.
- Strengthen communities: support innovation at the local level so our communities continue to be magnets for investment and opportunity.

In the February 2000 Budget, the government introduced tax changes to specifically benefit the fast-growing sectors of the economy (such as microelectronics and computer services). These measures include:

- A reduction of corporate taxes.

- A reduction in the level of capital gains included for tax purposes.
- A tax-free rollover for capital gains on qualified small business investments.
- A deferral of inclusion in income of benefits from employee stock options.

These measures will make investment in growing and start-up advanced technology businesses more attractive.

In addition to these recent budget measures, there is Canada's existing tax treatment of R&D. Approximately, \$1.5B is saved annually by industry as a result of Canadian R&D tax incentives.

In June, 2000, the government announced the creation of the Atlantic Innovation Fund. The Atlantic Innovation Fund will invest \$300 million in the Atlantic region's innovation infrastructure, particularly Atlantic universities and research institutions in order to strengthen the capacity of the region to develop and commercialise new technologies.

In the December 2001 Budget, the government made further commitments to strengthen Canadian S&T, including budget increases for the three granting councils (NSERC, CIHR, NSERC and SSHRC), as well as to the National Research Council to strengthen university research, and to extend the NRC's regional innovation initiative. The December 2001 Budget also allocated \$40 million to extend SchoolNet & Community Access Program to fiscal 2003-04, and \$35million per year for 3 years thereafter, to support broadband expansion, and \$110 million to build CA*net 4, a new generation of Internet broadband architecture. It has also announced funding for the indirect costs of university-led research in amount of \$200M.

1.2 *changes in policy evaluation*

(No such changes in the 1999 -2001 time period.)

2. **Public sector research and public research organizations**

2.1 *major policy changes related to public sector*

In April 2000, the Government created the Canadian Institutes of Health Research (CIHR). The CIHR absorbed the existing Medical Research Council and received new funding which nearly doubled federal investment in health research to \$477 million in 2001-2002. A further increase of \$75 million per year was provided by the Government in the December 2001 Budget bringing the CIHR budget to \$552 million per year.

In the Fall 2000 Economic Statement and Update, the Government announced a \$500 million allocation to the Canada Foundation for Innovation (CFI), and in March 2001 a further \$750 million investment, which raised the total Government investment in CFI to \$3.15 billion, extending its research infrastructure funding programs to 2010. Also announced was a new federal government initiative, the Canada Research Chairs, will fund the creation of 2000 new research chairs in Canadian universities at a cost of \$300 million per year.

The February 2000 budget has provided a permanent increase in the budgets of federal departments and agencies that regulate biotechnology. An additional \$90 million will be invested over the next three years to ensure the safety of all new biotech products before these reach the market. This funding was directed to

six federal departments and agencies to strengthen Canada's biotechnology regulatory capability, and to ensure that these new technologies enhance health and safety, and respect and preserve the environment.

The government continues to pursue and strengthen key (and highly successful) connectedness programs such as SchoolNet and Smart Communities. In the February 2000 budget, the government allocated \$160 million to offer federal services on-line to Canadians, and to stimulate the use of electronic commerce, building on the government's plan to make Canada the most connected country in the world. The Connecting Canadians agenda includes three major initiatives - SchoolNet, the Community Access Program (CAP), and Smart Communities.

The December 2001 Budget also allocated \$40 million to extend SchoolNet & Community Access Program to fiscal 2003-04, and \$35million per year for 3 years thereafter, to support broadband expansion, and \$110 million to build CA*net 4, a new generation of Internet broadband architecture. The December 2001 Budget also allocated \$600 million (over four years) to implement the Government On-Line strategy.

Also in the December 2001 Budget, the Government increased its commitment to university science by raising the budgets of the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council by 7%.

To build and maintain momentum towards achieving an clean and healthy environment, and help meet Canada's climate change objectives, the 2000 Budget provided \$700 million to preserve and improve Canada's natural environment, develop and commercialise new environmental technologies, and respond effectively to the challenges of climate change. Key specific initiatives included the Sustainable Development Technology Fund (an allocation of \$100 million); the Climate Change Action Fund was allocated \$210 million; the Canadian Foundation for Climate and Atmospheric Sciences was allocated \$60 million, and a new federal strategy to protect species at risk of extinction will receive annual funding of \$45 million.

2.2 major initiatives to reform the organisation and governance of universities and public research organisations

The Government (through the Treasury Board) has strengthened its approach to program evaluation. Specifically, all Government funded programs, particularly grants and contributions to non-government organisations and persons, are evaluated on a regular basis. While such regular evaluations are long-standing policy, in 1999, evaluation guidelines have been significantly strengthened and augmented, to improve accountability and the process of gathering data and information for the periodic evaluations by the program managers. Specifically, the effort is to make the evaluation process more relevant for program managers by means of early identification and systematic gathering and monitoring of critical performance measurement indicators throughout the time frame leading up to the next evaluation study by external (third party) experts. Program evaluations are normally conducted with a periodicity of every three to five years.

3. Government support for private-sector R&D and innovation

3.1 *major policy changes intended to enhance the effectiveness of public support for private sector R&D*

As indicated above, in the February 2000 Budget, the Government introduced tax changes to specifically benefit the fast-growing sectors of the economy (such as microelectronics and computer services). These measures include:

- A reduction of corporate taxes.
- A reduction in the level of capital gains included for tax purposes.
- A tax-free rollover for capital gains on qualified small business investments.
- A deferral of inclusion in income of benefits from employee stock options.

These measures are making investment in growing and start-up advanced technology businesses more attractive.

Tax treatment of business R&D

A More Competitive Tax System

Key *corporate tax announcements* from the 2000 Federal Budget are:

- Reduced corporate tax rates to 21 per cent from 28 per cent within five years for the highest taxed business sectors such as high technology, beginning with a drop to 27 per cent effective January 1, 2001. Once fully implemented by 2004, the combined federal-provincial tax rate, including both capital and income taxes, would be reduced from the current average of 47 per cent to 34.6 per cent, a more competitive level vis-à-vis other G-7 countries;
- Allowed a tax-free rollover of capital gains on qualified investments from one small business to another.
- Reduced the amount of a capital gain that is required to be included in taxable income from 75 per cent to 50 per cent.

Tax treatment of business R&D:

- Overall the government assistance for Scientific Research and Development (SR&ED) remains the same. Minor technical changes have been proposed to make the tax system fairer. The budget proposes to treat provincial deductions for SR&ED that exceed the actual amount of expenditure as government assistance for taxation years ending after February 2000.
- The provincial government in British Columbia (B.C.) tabled legislation that will provide a tax credit for corporations carrying on SR&ED after August 31, 1999 but before September

1, 2004. The credit will be calculated as 10% of eligible expenditures incurred in B.C. during the above period.

Direct public funding of business R&D and innovation

Technology Partnerships Canada (TPC) is a technology investment fund established in 1996 to contribute to the achievement of Canada's objectives: increasing economic growth, creating jobs and wealth, and supporting sustainable development. TPC advances and supports government initiatives by investing strategically in research, development and innovation in order to encourage private sector investment, and so maintain and grow the technology base and technological capabilities of Canadian industry. TPC also encourages the development of small and medium-sized enterprises (SMEs) in all regions of Canada. With an initial budget of \$150 million/year in 1996, in 2001 it operates with a budget of \$300 million/year.

TPC supports industrial research and pre-competitive development in:

- Environmental technologies.
- Enabling technologies (advanced manufacturing and processing technologies, advanced materials processes and applications, applications of biotechnology, and applications of selected information technologies).
- Aerospace and Defence.

TPC makes investments in projects that would not otherwise proceed within the desired scope, timing or location. All TPC projects undergo extensive evaluation to determine whether they meet the strategic objectives of the government, including technological and net economic benefits to Canada. TPC supports some of Canada's most dynamic companies so that they can continue to advance their technologies and accelerate the pace of innovation.

In September 1999, the TPC program was restructured to be fully consistent with Canada's WTO obligation. The restructuring of the program resulted in a shift away from assisting specific product development activities to providing industry with more generic or non-product specific R&D assistance. The program became less targeted and less near market and TPC's objectives, eligible activities and assessment criteria were realigned to clearly demonstrate that TPC assistance was not conditional on export performance.

In June 2001, a new policy framework for the shipbuilding and industrial marine industry was announced with access for the development of innovative technologies being provided through TPC.

3.2 major changes in the balance and/or priority of public support of business R&D and innovation

In February 2001, the Government announced that Genome Canada would receive a one-time grant of \$140 million from the government. As part of the existing financial framework, the government had already invested \$160 million in Genome Canada. The additional funding brought the government's financial support to Genome Canada to \$300 million. The December 2001 budget announced a contribution of additional \$ 10 million to the BC Cancer Foundation to support ongoing research at the Genome Sequence Centre (at the BC Cancer Research Centre). Genome Canada is spearheading a national effort to make Canada a world leader in genomics research and will accelerate our investment in ground-breaking research.

Key announcements for investing in research and innovation - the 2000 Federal Budget

- **The Canada Foundation for Innovation** \$900 million over five years through the granting councils to establish and sustain 2,000 Canada Research Chairs by 2004-05.
- **Enhanced Tax Assistance for Students** \$30 million annually towards increased federal assistance to students. To help students acquire knowledge and skills, the budget enhances the Government's assistance for students by increasing from \$500 to \$3,000 the tax exemption for income from scholarships, fellowships and bursaries.
- **Genome Canada** \$160 million in Genome Canada to fund the activities of five genome science centres to be located in Atlantic Canada, Quebec, Ontario, the Prairies and British Columbia.
- **Regulation of Biotechnology Products and Processes** \$90 million over the next three years to ensure that, before reaching the marketplace, biotechnology products are safe for human and animal health and environment.
- **PRECARN** \$20 million in 1999-2000 to support "Phase III" of PRECARN's program for research and development to keep Canada at the leading edge of breakthroughs in advanced manufacturing, mining, environmental cleanup and other activities using applications of advanced information technology.
- **Forestry Research Institutes and Geoscience** \$15 million for Canada's three forestry research institutes – Forintek, the Forest Engineering Research Institute of Canada, and the Pulp and Paper Research Institute of Canada.
- \$5 million a year over three years for geoscience – to improve the quality of information available regarding new mining opportunities.
- **Government On-Line** \$20 million in 2000-01, growing to \$30 million by 2002-03, to enrich Canadian content on the Internet. Initiatives will include the digitalization of collections and exhibitions of the National Archives of Canada, the National Library of Canada and related institutions.

➤ Supporting Small Business

- Reduce the corporate tax rate to 21 per cent from 28 per cent on small business income between \$200,000 and \$ 300,000 effective January 1, 2001;
- Other new tax measures will help small business gain access to the capital they need to expand and prosper. These include: reducing the income inclusion rate of capital gains from three-quarters to two-thirds; and allowing a tax-free-rollover of capital gains on qualified small business investments where they are reinvested in another small business;
- \$80 million injection into the Business Development Bank of Canada to support its financing activities for knowledge-based, export-oriented small businesses; and

- Additional \$54 million over three years for the Community Futures Program, which delivers economic support to small and rural communities across Canada in the form of mentoring services, business counselling, training and loans.

➤ Promoting Environmental Technologies and Practices

- \$700 million between 1999-2000 and 2002-03 to preserve and improve Canada's natural environment, harness new technology and respond effectively to the challenges of climate change. Some key initiatives include:
 - Community Initiatives: \$25 million for the Green Municipal Enabling fund to help communities and municipalities determine the feasibility of and best approaches to renewable energy, building retrofit, water conservation, waste management and urban transit projects;
 - \$100 million revolving fund – the Green Municipal Investment Fund – to support energy, water saving, urban transit and waste management projects;
 - Sustainable Development Technology Fund: \$100 for development and demonstration of new environmental technologies, particularly those aimed at reducing greenhouse emissions;
 - Climate Change Action Fund: \$210 million over three years for facilitating the development of technologies such as carbon storage and alternative fuels;
 - Canadian Foundation for Climate and Atmospheric Sciences: \$60 million to create a network among climate science institutes and universities across Canada;
 - International Environment Initiatives: \$100 million over four years through the Canadian International Development Agency (CIDA) for technology transfer and related initiatives to help developing countries;
 - \$15 million to support the World Bank's Prototype Carbon Fund to reduce greenhouse gas emissions in both developing countries and economies in transition; up to \$20 million to build their capacity to reduce and eliminate their releases of persistent organic pollutants.
- Key announcements for economic and fiscal update are available on the Internet at <http://www.fin.gc.ca/>

Programmes to support R&D and innovation in SMEs

TPC has undertaken initiatives to support SMEs meet the technical and financial challenges they face in bringing a new product, process or service to market. In 1999, TPC entered into a partnership with the National Research Council (NRC) to provide pre-competitive or pre-commercialisation assistance to SMEs through NRC's Industrial Research Assistance Program's (IRAP) national network of Investment Technology Advisors. This IRAP/TPC partnership provides SMEs with access to technical advice, linkages, and up to \$500,000 in contingently repayable financing. The IRAP-TPC program is cost-shared on a 50:50 basis between IRAP and TPC, and has a budget of \$30 million per year.

In April 2001, TPC launched two new initiatives aimed at helping aerospace and defence SMEs better meet the challenges of the global economy; they are the Canadian Aerospace Collaborative Technology

Development Initiative (CTDI). The and the Aerospace and Defence SME Supplier Development Initiative (SDI). Under the former, TPC has earmarked \$9 million for this three year pilot which is aimed at ensuring that new technologies can diffuse rapidly throughout the Canadian aerospace and defence sector. Support is cost-shared with the company on a 50:50 basis; TPC contributions range from \$100,000 to \$1 million per project and unconditional repayment is over 10 years. Under the latter, SMEs in the aerospace and defence sector develop and incorporate world-class business and manufacturing practices and technologies. The SDI a three year pilot program has notional funding of \$30 million over three years. Total eligible costs for projects are not to exceed \$2 million with TPC funding ranging from 40 to 50 percent of eligible costs.

3.3 comparative benefit-cost analysis of different policy measures to support private sector R&D and innovation

Evaluation of R&D Tax Incentives

- The latest report available on the evaluation of R&D Tax Credit is entitled, “The Federal System of Income Tax Incentives for Scientific Research and Experimental Development: Evaluation Report”, December 1997. The report was prepared by the Department of Finance and Revenue Canada and is available on the Internet at <http://www.fin.gc.ca/>
- A key conclusion of the report is that each dollar of tax revenues foregone as a result of the tax incentives generated \$1.38 in additional scientific research and experimental development (SR&ED) spending; in other words, the federal SR&ED tax incentives were found to be cost-effective.

4. Enhancing collaboration and networking among innovation organisations

4.1 major initiatives to promote collaboration and networking among private and public sector organisations

Canada’s Networks of Centres of Excellence are research institutes without walls that link Canada's strengths in areas of importance to partners who can develop commercial opportunities and improve our quality of life.

In fiscal year 1999-2000, a total of 563 companies, 138 provincial and federal government departments and agencies, 46 hospitals, 98 universities, and more than 266 other organisations from Canada and abroad were involved in the NCE program. The active involvement of Canadian industry provides stimulating training environments and employment opportunities for students. In fact, about 90 per cent of network graduates are successful at finding jobs. In 1999-2000, the networks stimulated outside investments of over \$70 million, including more than \$41 million by the participating private sector companies. The networks fall into five general areas: health and biotechnology; information technology; natural resources; infrastructure; and education.

In February, 2000, the Government announced funding of \$52 million over four years for the creation of three new networks of Centres of Excellence:

- Aquanet.

- The Canadian Network for Vaccines and Immunotherapeutics of Cancer and chronic Viral Diseases.
- The Canadian Stroke Network.

On March 12, 2001, the former Minister of Industry, Brian Tobin, announced a further investment of \$73 million over four years to launch and additional four new Networks of Centres of Excellence:

- The Automobile of the 21st Century.
- The Canadian Language and Literacy Research Network.
- The Canadian Water Network.
- The Stem Cell Genomics and Therapeutics Network.

This latest announcement brings the total number of funded active networks to 22.

The December 2001 Budget also announced funding of \$110 million for 3 years to the National Research Council, for support of R&D of leading-edge technologies, and also to expand NRC's regional innovation initiative beyond Atlantic Canada. The NRC has successfully encouraged the development of globally competitive innovation clusters in several communities by working in partnership with other government departments at federal, provincial and municipal levels, universities and the private sector.

The NRC cluster strategies focuses on linking existing local strengths and opportunities in emerging sectors to its core R&D capacities. Community consultations and roundtables with local government, education, and private sector representatives help determine the best path to capitalise on the communities' strengths through R&D, knowledge and information sharing, research facilities, and other local infrastructure development. The NRC's research institutes act as central hubs for technology cluster growth.

The Public-Private Partnership (P3) Office

The Public-Private Partnership (P3) Office is an initiative of the Service Industries Branch of Industry Canada. It was developed to provide stakeholders interested in exploring public-private partnerships as an approach to project development with quick and easy access to the mass of P3 information available on the web. Established in 2001, the Public-Private Partnership (P3) Office is a compilation of a wide variety of information and services on public-private partnerships under one roof.

Initiatives to promote stronger industry/science relations

Technology Roadmaps

Industry Canada acts as a catalyst and facilitator, through increased collaboration, shared knowledge, and new partnerships, in identifying the technologies required to meet future market demands.

- Eight Roadmaps have been completed (Aircraft, Aluminium, Electric power, Forestry, Geomatics, Lumber and Value-Added Products, Metalcasting and Wood-Based Panel Products).

- Four Roadmaps are being developed (Biopharmaceutical, Intelligent Buildings, Medical Imaging, and Photonics).
- Five Roadmaps are under discussion (Logistics, Biomass and Biofuels, Fuel Sources for Fuel Cells, Ocean technologies, and Nanotechnology).

4.2 *major policy initiatives to promote stronger industry-science relations*

The Business Development Bank of Canada (BDC) is an important national institution that focuses on providing financing to fast-growth, high-risk, start-ups and smaller companies that have difficulty obtaining financing from traditional sources. The mandate and function of the BDC was revamped in 1995 and was streamlined and modernized to meet the needs of Canadian SMEs and, in particular, of KBIs, exporters, with specific initiatives for women entrepreneurs, Aboriginals and youth.

The BDC has established seed capital funds across the country with various partners to finance the pre-start-up phase for young companies developing new technologies. This is pre-venture capital financing also provides the management support needed in this development stage. The BDC and its partners have invested a total of \$112.5 million in these seed capital funds.

The BDC has also seen growth in support for venture capital. In 2000-01 the Bank's total venture capital commitment stood at \$296 million, up from \$44 million in 1994-95. Since its inception, BDC Venture Capital has invested approximately \$400 million in more than 300 companies. These are Canada's fastest-growing SMEs, and almost all of them are KBIs.

It is important to note that the BDC is a Crown corporation with a commercial mandate defined by Canadian law to ensure it works at arms length from the government while providing annual accounting to Parliament and the public. As a national institution the Bank functions as a complementary lender to the private sector and fills gaps in the financial marketplace without competing with private financial institutions. The BDC is also responsible for earning a rate of return at least equal to the federal government's cost of funds. Last year a 5-year review of the Bank showed its rate of return to be greater than the government's costs of funds from 1995-2000, and paid a total of \$24.3 million in dividends to the government.

6 International co-operation and globalisation

6.2. *Major policies and government-sponsored programs to foster international collaboration in science*

As already noted in response 2.1 above, in the 2000 Economic Statement and Update, the Government announced an allocation of \$500 million to the Canada Foundation for Innovation (CFI). Of this new funding, \$400 million was to allow the CFI to support the operating costs of new research infrastructure, and \$100 million to support access to infrastructure and international programs elsewhere that provide extraordinary research opportunities for Canadian institutions and researchers. In addition, CFI has allocated \$100 million of existing CFI funds to support the establishment of world-class facilities in Canada to be built in partnership with institutions from other countries.

The Canadian Intellectual Property Office (CIPO) is developing an outreach program that will encourage and facilitate the transfer of intellectual property information and identify key stakeholders and partnerships to increase awareness, knowledge and effective use of intellectual property (IP) in Canada.

Increased use and diffusion of IP information will aim to improve business decisions relating to knowledge assets and a better understanding of the IP system, in view of contributing to the knowledge-based economy and of improving Canada's competitiveness.

7. Industry-related policies

7.3. Services

The Budget Plan 2000 announces reduction in the tax rate of highest taxed sectors to make the economy more internationally competitive. The highest taxed sectors include fast growing service and high-technology firms. The Government's objective is to reduce, within five years, the federal corporate income tax rate to 21 per cent from 28 per cent on business income not currently eligible for special tax treatment. Key features include rate reduction from 28 per cent to 21 per cent for service sector industries (one point reduction effective January, 2001);

Corporate tax rates for the manufacturing sector are already slightly below U.S. rates, and competitive with other G-7 countries;

- Faster rate reduction for small businesses – full seven point reduction to 21 per cent for income between \$200,000 and \$300,000 effective January 1, 2001;
- Adjustment to the capital cost allowance system to better reflect the useful life of high-tech manufacturing equipment.

Once fully implemented, Canada will have a competitive corporate income tax system relative to the U.S.:

- Significantly lower small business income tax rates on income above \$75,000; and
- An average combined corporate income tax rate that is 5 percentage points lower than the average U.S. rate.

7.5. Corporate Responsibility

On November 24, amendments to the *Canada Business Corporations Act* (CBCA) came into force. Several amendments significantly stimulate greater corporate responsibility, primarily by increasing or liberalising the rights of shareholders. Since it has been argued that Corporate Social Responsibility is good for the bottom line, it is therefore likely that wider shareholder participation in the activities of the corporation, especially by institutional shareholders, will influence corporate management to be more cognisant of their social responsibilities when making decisions. The reforms in the CBCA that most specifically deal with shareholder participation are in the areas of shareholder communications and proxy rules, shareholder proposals, and electronic communications.

Shareholder Communications and Proxy Rules

Formerly, the CBCA did not allow shareholders to discuss matters relating to the corporation "under circumstances reasonably calculated to result in the procurement, withholding or revocation of a proxy," unless a proxy circular is sent, at the shareholder's expense, to all other shareholders. This inhibited shareholder communications and the monitoring of corporate performance.

Amendments:

- Increase the rights of shareholders to communicate among themselves as long as there is no solicitation of a proxy, and
- Allow solicitations by public broadcast or publication in prescribed circumstances.

The amendments will facilitate discussions among shareholders in respect of corporate performance and other matters of direct interest to all shareholders. They will eliminate unnecessary obstacles to the exchange of views and opinions by shareholders and others concerning management performance and initiatives presented for a vote of shareholders.

Allowing proxy solicitations by public broadcast or newspaper advertisement in some circumstances will lower the costs of conducting a proxy solicitation to shareholders and others.

Shareholder Proposals

Shareholder proposals are an important mechanism for shareholders to monitor corporate performance and influence corporate behaviour. The former rules did not allow beneficial shareholders (e.g., shareholders who hold their shares through a securities firm and are not registered owners with the corporation) to make proposals.

Amendments:

Liberalise the mechanisms for individual shareholders to submit proposals; and- set minimum share ownership and length of ownership requirements as a prerequisite for submitting a proposal.

The amendment will allow beneficial shareholders to have proposals circulated for consideration at shareholders' meetings. Furthermore, the scope for rejection of a proposal by a corporation will be reduced. Specifically, the amendments eliminate the ability of management to refuse a proposal on the grounds that it is submitted "primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes." A proposal can be rejected only if the corporation can demonstrate that the proposal does not relate significantly to the business or affairs of the corporation, or if the requirements for minimum shareholdings and for the minimum length of time for owning shares are not met.

The minimum share requirements are intended to ensure that proposals are founded on a genuine stake and interest in the affairs of the corporation. At the same time, provisions will allow the pooling of shareholdings to meet the minimum requirements. This will improve the right of shareholders to submit proposals, without forcing them to purchase additional shares. The amendments, taken together, will thereby allow wider participation by small shareholders in corporate decision making.

Electronic Communications

The CBCA did permit corporations to communicate electronically with government. However, it only permitted paper-based communications with shareholders.

Amendments:

- Permit corporations to employ new and emerging technologies to communicate with shareholders, and
- Permit shareholders to participate in a shareholder meeting by electronic means.

This will encourage corporations to employ new technologies thus lowering costs to them and their shareholders.

Paper-based communications will not be eliminated. Rather, the amendments will allow communication to be done electronically if the shareholder consents. Shareholders will have the option of insisting on paper-based communications. Similarly, shareholders will not be able to force the corporation to send information electronically if the corporation wishes to continue using paper.