

Intelligence MEMOS



From: Grant Bishop
To: Canadians concerned about innovation
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Re: **INNOVATION MINISTER IGNORES COMPETITION POLICY AT CANADA'S PERIL**

In February, the federal Minister of Innovation, Science and Economic Development (ISED) released a report that aims to [lay out Canada's plan](#) for addressing “areas of weakness along the innovation continuum” through “building innovation ecosystems, commercializing ideas and starting-up companies, to exporting and scaling-up globally competitive companies across all sectors of the economy”.

Yet, not once in its 100 pages does the report mention the role of competition policy. Amid its dazzling graphics and touting of Ottawa's \$950-million investments in Superclusters, Canada's Competition Bureau (which reports to the ISED Minister) is never referenced.

This is a startling omission. Other advanced economies are scrutinizing the adequacy of competition laws and antitrust enforcements in the face of concerns about growing market concentration in key network sectors – and particularly the risks of dominance by multi-sided platforms (like Facebook, Amazon and Google).

In the United States, the Federal Trade Commission embarked last year on an ambitious set of [public hearings](#) to examine the need for new antitrust approaches. The United Kingdom launched an independent examination the [role of competition in the digital economy](#). The European Commission will soon be publishing a report on the [implications of digitization for competition policy](#).

In Canada, previous expert reports have highlighted the central importance of competition policy to innovation. These include ‘Red’ Wilson's 2007 [Competition Policy Review Panel](#) (which emphasized “competition is the strongest spur to innovation and value creation, which leads to a higher standard of living for all,”) the Council of Canadian Academies' 2009 [Panel on Business Innovation](#) (which concluded that the “state of competition in a firm's market will thus often be the deciding influence on its choice as to whether or not to employ innovation as a core strategy”) and Paul Jenkins' 2011 [Review of Federal R&D Support](#) (which highlighted the need for a complementary focus on competition policy to boost business R&D, with competitive intensity as the “mother” of innovation).

However, since ISED's flagship innovation report neglects any mention of competition policy, it is unclear that there is sufficient appreciation of competition's role as a driver of innovation. Rigorous competition matters for spurring innovation and boosting productivity.

Indeed, as [recently observed](#) by the C.D. Howe Institute Competition Policy Council (composed of leading competition law practitioners and scholars), while ISED's budget in 2018/19 will be more than double its 2015/16 spending, the Competition Bureau's budget continues to dwindle. Compared with a budget for competition law enforcement of \$47.7 million in 2015/16, ISED's planned spending for “competition enforcement and promotion” will be further cut from \$39.2 million for 2018/19 to \$38.6 million estimated in both 2019/20 and 2020/21.

Interestingly, the House of Commons Committee on Access to Information, Privacy and Ethics has raised concerns about the role of competition enforcement. In December, the committee released its report, “Democracy Under Threat: Risks and Solution in the Era of Disinformation and Data Monopoly”, which [highlighted the Competition Bureau's](#) important work on questions of dominance in “big data” and the potential impacts on innovation. It [recommended](#) that the government investigate possible economic harms from data monopolies and assess whether we need updates to Canada's *Competition Act*.

The Bank of Canada is also tuned in to the importance of competition policy to innovation and economic growth: A [recent speech](#) by Senior Deputy Governor Carolyn Wilkins argued for modernizing competition law to address risks to innovation from market dominance over user data.

In an era of emergent “digital disruptors” and potential market dominance by the so-called FANGs, Canada's government needs to be more alert to competition policy. ISED's innovation report emphasizes the government's investments in Superclusters, entrepreneurial bootcamps and “concierge” portals for foreign investors. Perhaps investigating cartels, efficiently reviewing mergers and crunching data to assess anti-competitive effects is less glamorous stuff. But the federal government must give competition policy more attention than it is receiving.

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