

OPTONIQUE

Quebec Photonics Cluster



2021 Federal Budget *Highlights*

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Chapter 2: Seeing Canadians and Businesses Through to Recovery

2.1 Protecting Jobs and Supporting Businesses

Extending the Canada Emergency Wage Subsidy (p. 83)

The wage subsidy program is currently set to expire in June 2021.

- Budget 2021 proposes to **extend the wage subsidy until September 25, 2021**. It also proposes to **gradually decrease the subsidy rate, beginning July 4, 2021**, in order to ensure an orderly phase-out of the program as vaccinations are completed and the economy reopens.

Extending the Canada Emergency Rent Subsidy and Lockdown Support (p. 84)

The rent subsidy provides eligible organizations with direct and easy-to-access rent support. Lockdown Support provides organizations eligible for the rent subsidy with additional support if they are subject to a lockdown or must significantly restrict their activities under a public health order. The program is set to expire in June 2021.

- Budget 2021 proposes to **extend the rent subsidy and Lockdown Support until September 25, 2021**. It also proposes to **gradually decrease the rate of the rent subsidy, beginning July 4, 2021**, in order to ensure an orderly phase-out of this program as vaccinations are completed and the economy reopens.

Extending the Canada Emergency Business Account (p. 85)

In December 2020, the government increased the value of the loan from \$40,000 to \$60,000 to help small businesses bridge to recovery. If a business repays their loans by December 31, 2022, up to a third of the value of their loans (meaning up to \$20,000) will be forgiven. In further recognition of the ongoing pandemic, the government recently extended the application deadline for CEBA to June 30, 2021.

- Budget 2021 proposes to **extend the application deadline** for similar support under the Regional Relief and Recovery Fund and the Indigenous Business Initiative **until June 30, 2021**.
- Budget 2021 proposes to provide up to \$80 million in 2021-22, on a cash basis, for the Community Futures Network of Canada and regional development agencies, and to shift remaining funds under the Indigenous Business Initiative into 2021-22, to **support an extended application deadline for the Regional Relief and Recovery Fund and Indigenous Business Initiative until June 30, 2021**.

Chapter 3: New Opportunities for Canadians

3.3 Investing in Skills, Training, and Trades

Helping Employers Train and Recruit Workers (p. 112)

Certain sectors like health, clean tech, and construction have grown and are struggling to find workers with the right skills to fill jobs. The government is taking action to help employers train and reskill people and help the workforce grow and meet demand.

- Budget 2021 proposes to provide \$960 million over three years, beginning in 2021-22, to Employment and Social Development Canada for a **new Sectoral Workforce Solutions Program**. Working primarily with sector associations and employers, funding would help **design and deliver training that is relevant to the needs of businesses, especially small and medium-sized businesses, and to their employees**. This funding would also help businesses recruit and retain a diverse and inclusive workforce.

Helping Workers Transition to New Jobs (p. 114)

To help Canadians find new jobs as quickly and as easily as possible, workers need to be able to rapidly adapt and upgrade their transferable skills for newer industries.

- Budget 2021 proposes to provide \$250 million over three years, starting in 2021-22, to Innovation, Science and Economic Development Canada for an **initiative to scale-up proven industry-led, third-party delivered approaches to upskill and redeploy workers** to meet the needs of growing industries.

Chapter 4: Helping Canadian Businesses Grow and Succeed

4.1 Helping Canadians Get Back to Work

Opportunities for Businesses and Young Workers Through Mitacs (p. 130)

Mitacs is a not-for-profit organization that connects young workers with innovative businesses for research and training opportunities. Mitacs focusses on supporting research-based innovation in industry and developing a talent stream of highly educated students and graduates through its internship programs. These students bring cutting-edge scientific and technical knowledge from universities and colleges that will strengthen the innovation capabilities of industry. This combination of innovation and skill development for the next generation of leaders will help drive growth now and ensure long-term competitiveness and prosperity.

- Budget 2021 proposes to provide \$708 million over five years, starting in 2021-22, to Mitacs to **create at least 85,000 work-integrated learning placements that provide on-the-job learning and provide businesses with support to develop talent and grow**.

4.2 Helping Small and Medium-sized Businesses Recover and Grow

Helping Small and Medium-sized Businesses Move into the Digital Age (p. 131)

- Budget 2021 proposes to provide \$1.4 billion over four years, starting in 2021-22, to Innovation, Science and Economic Development Canada, to:
 - Work with organizations across Canada to provide **access to skills, training, and advisory services** for all businesses accessing this program.
 - Provide microgrants to smaller, main street businesses to support costs associated with technology adoption.
 - Create **training and work opportunities for as many as 28,000 young people to help small and medium-sized businesses across Canada adopt new technology**.

- Budget 2021 proposes to provide \$2.6 billion on a cash basis over four years, starting in 2021-22, to the Business Development Bank of Canada to **help small and medium-sized businesses finance technology adoption.**

Helping Businesses Seize New Technological Opportunities (p. 133)

Small and medium-sized businesses sometimes require unique technological or process solutions for their businesses that cannot be achieved through the purchase and installation of available “off-the-shelf” solutions. These businesses can seize new opportunities by applying new research and technologies or developing them into useful new products and services. This real-world innovation and technical development helps businesses grow and become more competitive.

To support applied research and development projects led by Canadian businesses in collaboration with colleges, CEGEPs, and polytechnics:

- Budget 2021 proposes to provide \$46.9 million over two years, starting in 2021-22, to **support additional research partnerships between colleges, CEGEPs, polytechnics, and businesses** through the Natural Sciences and Engineering Research Council’s College and Community Innovation Program.
- Budget 2021 proposes to invest \$5.7 million over two years, starting in 2021-22, to provide more businesses with **access to the National Research Council’s Industrial Research Assistance Program’s Interactive Visits, where firms can access equipment, facilities, and expertise at college-affiliated Technology Access Centres.**

Supporting Business Investments (p. 134)

For Canada’s economic recovery to take root, businesses will need to invest in new technologies and move forward with capital projects.

- Budget 2021 proposes to **allow immediate expensing of up to \$1.5 million of eligible investments by Canadian-controlled private corporations** made on or after Budget Day and before 2024. Eligible investments will **cover over 60 % of capital investments** typically made by Canadian-controlled private corporations.

Enhancing the Canada Small Business Financing Program (p. 134)

To make sure small business and independent entrepreneurs can access the capital they need to recover, innovate, and grow in the long-term:

- Budget 2021 proposes to **improve the Canada Small Business Financing Program** through amendments to the *Canada Small Business Financing Act* and its regulations. These proposed amendments are projected to increase annual financing by \$560 million, supporting approximately 2,900 additional small businesses. They include:
 - Expanding loan class eligibility to include lending against intellectual property and start-up assets and expenses.
 - Increasing the maximum loan amount from \$350,000 to \$500,000 and extending the loan coverage period from 10 to 15 years for equipment and leasehold improvements.
 - Introducing a new line of credit product to help with liquidity and cover short-term working capital needs.

Preparing Canada's Aerospace Sector for Recovery (p. 135)

In 2019, aerospace contributed more than \$28 billion to Canada's GDP, directly and indirectly supporting 234,500 jobs. As one of the most research-intensive manufacturing industries, aerospace is an important driver of Canada's innovation economy. Highly dependent on purchases from airlines hit hard by the pandemic, the sector is facing reduced demand and a longer path to recovery, relative to other sectors of the economy.

- Budget 2021 proposes to provide \$250 million over three years, on a cash basis, starting in 2021-22, for the regional development agencies to deliver an **Aerospace Regional Recovery Initiative**, which would **support small and medium-sized firms in improving productivity, strengthening commercialization, and greening their operations and products.**

4.3 Investing in Canada's Entrepreneurs

Supporting Entrepreneurs, Including Equity Deserving Entrepreneurs (p.136)

To help simplify and streamline the government's support programs, and to help equity deserving entrepreneurs access funding and capital, mentorship, financial planning services, and business training, the government will launch the Small Business and Entrepreneurship Development Program.

- Budget 2021 proposes to provide up to \$101.4 million over five years, starting in 2021-22, to Innovation, Science and Economic Development Canada for the **Small Business and Entrepreneurship Development Program.**

Expanding the Industrial Research Assistance Program (p. 139)

Canada's most innovative small and medium-sized businesses have an outsized impact on job creation and economic growth. But they need access to expertise and capital to grow. For several decades, the National Research Council's Industrial Research Assistance Program has provided expertise and capital and has helped business to scale up.

- Budget 2021 proposes to provide \$500 million over five years, starting in 2021-22, and \$100 million per year ongoing, to **expand the Industrial Research Assistance Program to support up to 2,500 additional innovative small and medium-sized firms.**

Investing in Canadian Innovators Through a Renewed Venture Capital Catalyst Initiative (p. 139)

Venture capital financing takes educated risks on great ideas and smart people, giving young companies the opportunity to take their ideas to market, and grow. A healthy venture capital network allows businesses and entrepreneurs to scale up, create well-paying Canadian jobs, invest in innovation, and be globally competitive. To increase venture capital funding and support the continued growth of Canada's innovative companies:

- Budget 2021 proposes to make available up to \$450 million on a cash basis over five years, starting in 2021-22, for a **renewed Venture Capital Catalyst Initiative that would increase venture capital available to entrepreneurs.** \$ 50 million of this amount would be dedicated to support venture capital investments in life science technologies.

4.6 Investing in World-leading Research and Innovation

Supporting Innovation and Industrial Transformation (p. 146)

Since its launch in 2017, the Strategic Innovation Fund has been helping businesses invest, grow, and innovate in Canada. Through its efforts to help businesses make the investments they need to succeed, the fund is well-placed to support growth and the creation of good jobs across the Canadian economy—both now and in the future.

- Budget 2021 proposes to provide the Strategic Innovation Fund with an incremental \$7.2 billion over seven years on a cash basis, starting in 2021-22, and \$511.4 million ongoing. This funding will be directed as follows:
 - \$2.2 billion over seven years, and \$511.4 million ongoing to **support innovative projects across the economy—including in the life sciences, automotive, aerospace, and agriculture sectors.**
 - \$5 billion over seven years to **increase funding for the Strategic Innovation Fund's Net Zero Accelerator**, as detailed in Chapter 5. Through the Net Zero Accelerator the fund would scale up its support for projects that will help decarbonize heavy industry, support clean technologies and help meaningfully accelerate domestic greenhouse gas emissions reductions by 2030.

With this additional support, the Strategic Innovation Fund will target investments in important areas of future growth over the coming years to advance multiple strategic objectives for the Canadian economy:

- \$1.75 billion in support over seven years **targeted toward aerospace** would be in recognition of the longer-lasting impacts to this sector following COVID- 19.

Renewing the Pan-Canadian Artificial Intelligence Strategy (p. 148)

Artificial intelligence is one of the greatest technological transformations of our age. Canada has communities of research, homegrown talent, and a diverse ecosystem of start-ups and scale-ups. By leveraging our position of strength, we can also ensure that Canadian values are embedded across widely used, global platforms.

- Budget 2021 proposes to provide up to \$443.8 million over ten years, starting in 2021-22, in support of the Pan-Canadian Artificial Intelligence Strategy, including:
 - \$185 million over five years, starting in 2021-22, to **support the commercialization of artificial intelligence innovations and research** in Canada.
 - \$162.2 million over ten years, starting in 2021-22, to help **retain and attract top academic talent across Canada**—including in Alberta, British Columbia, Ontario, and Quebec. This programming will be delivered by the Canadian Institute for Advanced Research.
 - \$48 million over five years, starting in 2021-22, for the **Canadian Institute for Advanced Research to renew and enhance its research, training, and knowledge mobilization programs.**
 - \$40 million over five years, starting in 2022-23, to provide **dedicated computing capacity for researchers at the national artificial intelligence institutes** in Edmonton, Toronto, and Montréal.
 - \$8.6 million over five years, starting in 2021-22, to **advance the development and adoption of standards related to artificial intelligence.**

Launching a National Quantum Strategy (p. 149)

Quantum technology is at the very leading edge of science and innovation today, with enormous potential for commercialization. This emerging field will transform how we develop and design everything from life-saving drugs to

next generation batteries, and Canadian scientists and entrepreneurs are well-positioned to take advantage of these opportunities. But they need investments to be competitive in this fast growing global market.

- Budget 2021 proposes to provide \$360 million over seven years, starting in 2021-22, to **launch a National Quantum Strategy**. The strategy will amplify Canada's significant strength in quantum research; **grow our quantum-ready technologies, companies, and talent**; and solidify Canada's global leadership in this area. This funding will also establish a secretariat at the Department of Innovation, Science and Economic Development to coordinate this work.

Revitalizing the Canadian Photonics Fabrication Centre (p. 149)

Canada is a world leader in photonics, the technology of generating and harnessing the power of light. This is the science behind fibre optics, advanced semi-conductors, and other cutting-edge technologies, and there is a strong history of Canadian companies bringing this expertise to the world. The National Research Council's Canadian Photonics Fabrication Centre supplies photonics research, testing, prototyping, and pilot-scale manufacturing services to academics and large, small and medium-sized photonics businesses in Canada. But its aging facility puts this critical research and development at risk.

- Budget 2021 proposes to provide \$90 million over five years on a cash basis, starting in 2021-22, to the National Research Council to **retool and modernize the Canadian Photonics Fabrication Centre**. This would allow the centre to help Canadian researchers and companies grow and support highly skilled jobs.

Supporting the Innovation Superclusters Initiative (p. 151)

Since it was launched in 2017, the Innovation Superclusters Initiative has helped Canada build successful innovation ecosystems in important areas of the economy. Drawing on the strength and breadth of their networks, the superclusters were able to quickly pivot their operations and played an important role in Canada's COVID-19 response.

- Budget 2021 proposes to provide \$60 million over two years, starting in 2021-22, to **the Innovation Superclusters Initiative**.

Promoting Canadian Intellectual Property (p. 151)

Building on the National Intellectual Property Strategy announced in Budget 2018, the government proposes to further support Canadian innovators, start-ups, and technology-intensive businesses. Budget 2021 proposes:

- \$90 million, over two years, starting in 2022-23, to **create ElevateIP, a program to help accelerators and incubators provide start-ups with access to expert intellectual property services**.
- \$75 million over three years, starting in 2021-22, for the **National Research Council's Industrial Research Assistance Program to provide high-growth client firms with access to expert intellectual property services**.

Capitalizing on Space-based Earth Observation (p. 152)

To maintain Canada's capacity to collect and use important data from satellites, Budget 2021 proposes to provide:

- \$80.2 million over eleven years, starting in 2021-22, with \$14.9 million in remaining amortization and \$6.2 million per year ongoing, to Natural Resources Canada and Environment and Climate Change Canada to replace and expand critical but aging ground-based infrastructure to receive satellite data.

- \$9.9 million over two years, starting in 2021-22, to the **Canadian Space Agency to plan for the next generation of Earth observation satellites.**

Science and Technology Collaboration with Israeli Firms (p. 152)

Collaborating with global innovation leaders allows Canadian companies to leverage expertise to create new products and services, support good jobs, and reach new export markets.

- Budget 2021 proposes to provide additional funding of \$10 million over five years, starting in 2021-2022, and \$2 million per year ongoing, to **expand opportunities for Canadian SMEs to engage in research and development partnerships with Israeli SMEs** as part of the Canadian International Innovation Program. This will be sourced from existing Global Affairs Canada resources. The government also intends to implement an enhanced delivery model for this program, including possible legislation.

4.7 Supporting a Digital Economy

Establishing a New Data Commissioner (p. 154)

Digital and data-driven technologies open up new markets for products and services that allow innovative Canadians to create new business opportunities—and high-value jobs. But as the digital and data economy grows, Canadians must be able to trust that their data are protected and being used responsibly.

- Budget 2021 proposes to provide \$17.6 million over five years, starting in 2021-22, and \$3.4 million per year ongoing, **to create a Data Commissioner.** The Data Commissioner would **inform government and business approaches to data-driven issues** to help protect people’s personal data and to encourage innovation in the digital marketplace.
- Budget 2021 also proposes to provide \$8.4 million over five years, starting in 2021-22, and \$2.3 million ongoing, to the Standards Council of Canada to continue its work to **advance industry-wide data governance standards.**

Chapter 5: A Healthy Environment for a Healthy Economy

5.1 Growing Our Net-zero Economy

Propelling Clean Tech Projects (p. 161)

Canadian companies frequently report facing challenges in scaling up in Canada’s small domestic market and accessing sufficient patient growth capital. Transformative clean technology projects, particularly large ones, often require investment at a scale and time horizon outside of the scope of traditional project financing. To support large-scale clean technology projects:

- Budget 2021 proposes to make up to \$1 billion available on a cash basis, over five years, starting in 2021-22, to **help draw in private sector investment for these projects.**