

BUDGET 2017-18 **“FIRST PERSPECTIVES”**

This afternoon at 4:29 pm, Minister Morneau delivered the Trudeau government's second budget.

The government has been telling ITAC for the past year that this would be an 'innovation budget', and your association has been working hard over the past year to advance the ideas and perspectives of our members to help grow the technology sector in Canada. We can see many of these recommendations directly reflected in the budget, representing big wins for ITAC and Canada's technology sector.

While the budget is quite dense, especially for our sector, some key highlights include:

- A major new **Innovation and Skills Plan** aimed at generating data on skills gaps, funding innovative training to drive key sectors (including digital industries) and supporting workplace learning opportunities.
- **Rationalization and review of a range of existing innovation funding programs** (including tech demo and SR&ED) to simplify and streamline processes and ensure they are targeting high-growth businesses.
- A new **strategic procurement initiative** based on the successful U.S. SBIR program, and potential **legislation** to support more efficient government **procurement of information technology**.
- Specific funding commitments for the **Smart City Challenge** (\$300M), growing **Canada's AI industry** (\$125M) and increasing **late-stage Venture Capital** (\$400M).
- **Funding for digital experiments** in Government of Canada to support Treasury Board Secretariat's mandates.

Additional details on these and other programs are below. ITAC will be reviewing the budget over the coming days and weeks and will engage both our members and senior government leaders to ensure our industry's voice is heard as these programs get implemented.

A lot of hard work has been done by ITAC members over many years to move Canada's ICT industry to the top of Canada's political agenda, so on that front today is a huge win.

If you have any questions on any of the issues below, please contact Kelly Hutchinson at khutchinson@itac.ca or David Messer at dmesser@itac.ca.

KEY ITAC HIGHLIGHTS OF BUDGET 2017

Talent and Skills

- **NEW Canada Innovation and Skills Plan**
 - Plan will target six industries, including digital, advanced manufacturing, health/bio sciences and clean resources.
 - Goal to *double* the number of high-growth companies in Canada, especially in digital, clean tech and health tech sectors by 2025.
 - Action areas include:
 - \$300 million (by 2019) to fund a new organization to identify skills gaps, explore innovative methods of skills development and share information and analysis to help guide investments.
 - Re-announced \$73 million to support work integrated learning in STEM (*ITAC is working closely with ESDC on this program*).
 - \$7.8 million to create a **Global Talent Stream** under the **Temporary Foreign Worker Program**.
 - This will build on the **Global Skill Strategy** initiatives announced in fall 2016.
 - \$50 million to support digital skills training programs
 - ITAC has been strongly advocating across departments for new funding for talent development programs including ITAC's CareerMash and Business Technology Management (BTM) programs.

Streamlined / Strategic Innovation Funding:

- **NEW Innovation Canada**
 - The creation of a new organization (under Innovation Science and Economic Development Canada) that will simplify and coordinate support for innovation across the government, to eventually serve as a single-window for all innovation funding programs.
- **Whole-of-Government Review of Business Innovation Programs**
 - Review will aim to ensure programs are simple, effective and meet the needs of innovators. Will include programs from all relevant departments, **including Scientific Research and Experimental Development** program.
 - ITAC's 2017 pre-budget submission and *Trade and Competitiveness Innovation Paper* recommended a review of Canada's tax and business innovation programs.

- **NEW Strategic Innovation Fund**
 - Several existing innovation funds (e.g. aerospace and defense, automotive innovation) will be rolled into a single **Strategic Innovation Fund** to simplify the application process and that will be able to support additional dynamic and emerging sectors.
 - The fund will have access to funding of \$1.26 billion over five years.

- **NEW Venture Capital Catalyst**
 - The Business Development Bank of Canada will have access to \$400 million for a new Venture Capital Catalyst fund that will increase late-stage VC. With funds leveraged from the private sector this could inject \$1.5 billion into Canada's innovation capital market.
 - ITAC's *Trade and Competitiveness Innovation Paper* advocated for increased VC available to late-stage companies.

- **Smart City Challenge**
 - The budget specified that the government will commit \$300 million over 11 years to support the Smart Cities Challenge.
 - ITAC is actively working with the Infrastructure and Communities Canada to make sure Canada's ICT industry is involved in designing the structure of this program.
 - The \$300M envelope is also higher than we had been expecting - a great win for our industry.

- **NEW Growing Canada's AI Advantage**
 - The budget proposes to provide \$125 million to launch a Pan-Canadian Artificial Intelligence Strategy for research and talent focused on clusters in Montreal, Toronto-Waterloo and Edmonton.
 - The Canadian Institute for Advanced Research will administer the funding.

Procurement Modernization & Digital Government Services

- **NEW Strategic Innovation Procurement**
 - Announces \$50 million to launch *Innovative Solutions Canada*, as new strategic procurement program modeled on the U.S. Small Business Innovation Research (SBIR) program.
 - Departments will allocate a portion of their funding towards early stage R&D, late-stage prototypes and other goods and services from Canadian innovators and entrepreneurs.

- **NEW Impact Canada Fund**
 - \$8.1 million over 5 years the Impact Canada Fund, to introduce a new mission- or "challenge"-based approach for the federal

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government and help focus and accelerate efforts toward solving Canada's big challenges.

- **This initiative will also help advance the President of the Treasury Board's mandate commitment to devote a fixed percentage of government program funds to experimentation. Digital services and leadership around such is something ITAC is closely collaborating with TBS on!**

- **Procurement Modernization**

- Budget 2017 proposes that legislative amendments be made in order to make procurement and delivery of information technology goods and services more efficient. – Big win for ITAC!
- Budget commits \$3 million per year to provide clarity to businesses and to ensure that procurement continues to be fair and transparent to both Canadian businesses and taxpayers.

Health Innovation

- \$53 million over 5 years with \$15 million ongoing to address health data gaps to support improved decision making and to strengthen the reporting on health system performance.
- \$300 million over five years will go to Canada Health Infoway to expand e-prescribing and virtual care initiatives, supporting the continued adoption and linking of electronic medical records.

Additional General Business Environment Changes:

- The Budget proposes to **expand maternity leave eligibility** for up to 12 weeks before a woman's due date (up from the current 8).
- This increase will be offset by an **increase in EI premiums** starting in 2018.
- ITAC will be reviewing the budget for additional potential tax/finance impacts.