



RESEARCH & INNOVATION INVESTMENT SUMMARY

Prepared by: Robert Merson, April 7, 2022

Research and innovation were not the priority focus for this year's federal budget. Many of the programs highlighted in this year's budget, were previously announced in the 2021 federal budget. To refresh your memory on the major research and innovation invests that were announced last year, please refer to the 2021 Federal Budget Summary.

<https://www.mersoncorp.com/mci/wp-content/uploads/2021/04/BUDGET-2021-HIGHLIGHTS-ON-INNOVATION.pdf>

There was very little mention of the life science sector, beyond the previously announced programs from 2021, where biomanufacturing was a significant point of investment.

The most notable announcement this year was the investment of \$1 billion over five years for the creation of a new federal innovation and investment agency. Minimal details were provided about the agency, however innovation in local defence manufacturing industries was mentioned.

Intellectual property support also a major focus for federal investments this year. A total of \$96.6 million over five years was committed for supporting programs such as:

- A new national lab-to-market platform for graduate students and researchers;
- Support for the CanExport to help Canadian businesses secure their intellectual property in foreign markets; and
- Ongoing funding for ISED to “launch a survey to assess the government’s previous investments in science and research, and how knowledge created at post-secondary institutions generates commercial outcomes”.

The budget also provided \$159.6 million to support programs that would protect Canadian research from foreign threats.

Canada's Innovation Superclusters were supported with an additional investment of \$750 million over six years, which will be distributed through a competitive process.

In summary, this was not an exciting year for research and innovation investments.

Direct highlights from the budget are included below.

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CANADIAN FEDERAL BUDGET – 2022



Excerpts on Innovation from the Canadian Federal Budget 2022 (Chapter 2)

Compiled directly from budget (Source: Department of Finance, Budget 2022)

Highlights and section title edits by R. Merson

Highlights from “Supporting Economic Growth and Stable Supply Chains” (Section 2.2)

Creating a Canadian Innovation and Investment Agency

Budget 2022 announces the government’s intention to create an operationally independent federal innovation and investment agency, and **proposes \$1 billion over five years, starting in 2022-23**, to support its initial operations. Final details on the agency’s operating budget are to be determined following further consultation later this year.

Review of Tax Support to R&D and Intellectual Property

The Scientific Research and Experimental Development (SR&ED) program provides tax incentives to encourage Canadian businesses of all sizes and in all sectors to conduct R&D. The SR&ED program has been a cornerstone of Canada’s innovation strategy. **The government intends to undertake a review of the program**, first to ensure that it is effective in encouraging R&D that benefits Canada, and second to explore opportunities to modernize and simplify it. Specifically, the review will examine whether changes to eligibility criteria would be warranted to ensure adequacy of support and improve overall program efficiency.

As part of this review, **the government will also consider whether the tax system can play a role in encouraging the development and retention of intellectual property stemming from R&D conducted in Canada**. In particular, the government will consider, and seek views on, the suitability of adopting a patent box regime in order to meet these objectives.

Cutting Taxes for Canada’s Growing Small Businesses

Budget 2022 proposes to **phase out access to the small business tax rate more gradually**, with access to be fully phased out when taxable capital reaches \$50 million, rather than at \$15 million.

Growing Canada’s Health-Focused Small and Medium-Sized Businesses

The Coordinated Accessible National Health Network (CAN Health Network) brings together hospital networks and health authorities in nine provinces to procure innovative health care solutions, including investing in made-in-Canada technologies. This model shows potential to help deliver better care to Canadians, help our health technology businesses grow and create good middle class jobs across the country.

Budget 2022 proposes to provide **\$30 million over four years**, starting in 2022-23, to build upon the success of the CAN Health Network, and expand it nationally to Quebec, the territories, and indigenous communities.

Supporting Canada’s Innovation Clusters

Budget 2022 proposes to provide **\$750 million over six years, starting in 2022-23**, to support the further growth and development of Canada’s Global Innovation Clusters. Building on their success to date, these clusters will expand their national presence and will collaborate to deepen their impact, including through joint missions aligned with key government priorities, such as fighting climate change and addressing supply chain disruptions. To maximize the impact of this funding and to ensure it corresponds with industry and government needs, it will be allocated between the five clusters on a competitive basis.



Highlights from “Investing in Intellectual Property and Research” (Section 2.3)

Building a World-Class Intellectual Property Regime

To build a world-class intellectual property regime, Budget 2022 proposes to build on previous investments and provide \$96.6 million over five years, starting in 2022-23, and \$22.9 million ongoing, as follows:

- \$47.8 million over five years, starting in 2023-24, and \$20.1 million ongoing to Innovation, Science and Economic Development Canada to **launch a new national lab-to-market platform** to help graduate students and researchers take their work to market;
- \$35 million over five years, starting in 2022-23, to Global Affairs Canada for the CanExport program to **help Canadian businesses secure their intellectual property in foreign markets**;
- \$10.6 million over five years, starting in 2022-23, and \$2 million ongoing to Innovation, Science and Economic Development Canada to **launch a survey to assess the government’s previous investments in science and research, and how knowledge created at post-secondary institutions generates commercial outcomes**;
- \$2.4 million over five years, starting in 2022-23, and \$0.6 million ongoing to Innovation, Science and Economic Development Canada to **expand use of ExploreIP, Canada’s intellectual property marketplace**, so that more public sector intellectual property is put to use helping Canadian businesses; and
- \$0.8 million over five years, starting in 2022-23, and \$0.2 million ongoing to Innovation, Science and Economic Development Canada to **expand the Intellectual Property Legal Clinics Program**, which will make it easier to access basic intellectual property services.

Securing Canada’s Research from Foreign Threats

To implement these guidelines fully, Budget 2022 proposes to provide \$159.6 million, starting in 2022-23, and \$33.4 million ongoing, as follows:

- \$125 million over five years, starting in 2022-23, and \$25 million ongoing, for the **Research Support Fund** to build capacity within postsecondary **institutions to identify, assess, and mitigate potential risks to research security**; and
- \$34.6 million over five years, starting in 2022-23, and \$8.4 million ongoing, to enhance Canada’s ability to protect our research, and to **establish a Research Security Centre** that will provide advice and guidance directly to research institutions.

Hiring More Leading Researchers

Budget 2022 proposes to provide \$38.3 million over four years, starting in 2023-24, and \$12.7 million ongoing for the federal granting councils to **add new, internationally recruited Canada Excellence Research Chairs** in the fields of science, technology, engineering, and mathematics. This will support a further 12 to 25 new Canada Excellence Research Chairs—reinforcing Canada’s competitive advantage as a destination of choice for world-class researchers.

Funding for Black Researchers

Budget 2022 proposes to provide \$40.9 million over five years, starting in 2022-23, and \$9.7 million ongoing to the federal granting councils to support **targeted scholarships and fellowships for promising Black student researchers**.

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Summary Investment Tables

(Chapter 2 from Budget – Full Section Table for Reference)

Chapter 2

A Strong, Growing, and Resilient Economy

millions of dollars

	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
2.1. Leading Economic Growth and Innovation	0	11	364	410	435	440	1,660
Launching a World-Leading Canada Growth Fund	0	10	300	400	400	400	1,510
<i>Less: Funds Sourced From the Fiscal Framework</i>	0	-10	-300	-400	-400	-400	-1,510
Creating a Canadian Innovation and Investment Agency	0	1	199	250	275	275	1000
Cutting Taxes for Canada's Growing Small Businesses	0	10	165	160	160	165	660
2.2. Supporting Economic Growth and Stable Supply Chains	0	187	644	734	737	726	3,029
Canadian Critical Minerals Strategy – Infrastructure Investments	0	0	214	214	214	214	857
Critical Mineral Exploration Tax Credit	0	65	45	110	90	90	400
Canadian Critical Minerals Strategy – Integrated Data	0	8	15	18	18	18	77
Canadian Critical Minerals Strategy – Strategic Innovation Fund	0	0	0	17	44	101	162
Canadian Critical Minerals Strategy – Technology Research, Development, and Deployment	0	20	20	35	35	35	144
Canadian Critical Minerals Strategy – Centre of Excellence on Critical Minerals	0	0	0	4	4	4	11
Canadian Critical Minerals Strategy – Support for Northern Regulatory Processes	0	5	5	5	5	5	25
Canadian Critical Minerals Strategy – Global Leadership on Critical Minerals	0	8	13	13	13	13	62
Better Supply Chain Infrastructure	0	63	161	138	134	109	603
<i>Less: Funds Sourced From Existing Departmental Resources</i>	0	-2	-4	-4	-4	-4	-19
Strengthening Canada's Semiconductor Industry	0	3	3	18	18	0	40
Growing Canada's Health-Focused Small and Medium-Sized Businesses	0	10	10	5	5	0	30

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	2021- 2022	2022- 2023	2023- 2024	2024- 2025	2025- 2026	2026- 2027	Total
Supporting Canada's Innovation Clusters	0	8	162	162	163	142	637
2.3. Investing in Intellectual Property and Research	0	45	56	77	83	89	350
Building a World-Class Intellectual Property Regime	0	9	13	20	25	30	97
Securing Canada's Research from Foreign Threats	0	29	31	32	33	34	160
Hiring More Leading Researchers	0	0	0	13	13	13	38
Funding for Black Researchers	0	4	8	9	10	10	41
Funding the Canadian High Arctic Research Station	0	3	3	2	3	3	14
2.4. Driving Investment and Growth for Our Small Businesses	0	0	0	0	0	0	1
Strengthening Canada's Trade Remedy and Revenue Systems - Trade Remedy Counselling Unit	0	1	1	1	1	1	5
Strengthening Canada's Trade Remedy and Revenue Systems - Clarifying Liability for Amounts Owed on Imports	0	0	-1	-1	-1	-1	-4
2.5. Supporting Recovery and Growth in Affected Sectors	0	95	348	10	14	14	482
The Next Steps Towards High Frequency Rail	0	74	323	0	0	0	397
Investing in VIA Rail Stations and Maintenance Centres	0	0	4	10	14	14	43
Supporting the Prince Edward Island Potato Industry	0	10	10	0	0	0	20
<i>Less: Funds Sourced From Existing Departmental Resources</i>	<i>0</i>	<i>-1</i>	<i>-1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-2</i>
Support for Canada's Tourism Sector	0	13	12	0	0	0	25
Chapter 2 - Fiscal Impact	0	339	1,412	1,232	1,270	1,270	5,522
Moving on Canada's Infrastructure Investments – Investing in Canada Infrastructure Program Reprofile	-127	-201	-761	-1,226	-1,956	-2,072	-6,342

Note: Numbers may not add due to rounding.