



# 2021 Federal Budget:

## Canadian Chamber Policy Wins

April 2021

On April 19, the Government of Canada announced its 2021 Federal Budget, offering the clearest picture of federal finances and Canada's economic recovery plan in over two years. Budget 2021 includes a number of announcements to support business, economic growth and job creation, as well as others that will be relevant for Canadian business. The Canadian Chamber was active in the lead-up to the budget advocating on behalf of our members. Below are the policy wins for businesses.

### Extension of Business Supports:

- Budget 2021 proposes to extend the wage subsidy until September 25, 2021, with the option to extend it until November 20, 2021 if required.
- Budget 2021 proposes to extend the rent subsidy and *Lockdown Support* until September 25, 2021 with the option to extend it until November 20, 2021 if required.
- Budget 2021 proposes to introduce the new *Canada Recovery Hiring Program* for eligible employers that continue to experience qualifying declines in revenues relative to before the pandemic. The proposed subsidy would offset a portion of the extra costs employers take on as they reopen, either by increasing wages or hours worked or hiring more staff.
- Budget 2021 proposes to provide up to \$5 million over two years, starting in 2021-22, to Statistics Canada to work with partners to enhance the availability of business condition data, better ensuring that the government's support measures are responsive to the needs of Canadian businesses and entrepreneurs.

### Workforce Supports:

- Budget 2021 proposes new investments totaling up to \$30 billion over the next 5 years, and \$8.3 billion ongoing for *Early Learning and Child Care* and *Indigenous Early Learning and Child Care*, including:
  - A 50 per cent reduction in average fees for regulated early learning and childcare in all provinces outside of Quebec, to be delivered before or by the end of 2022.
  - An average of \$10 a day by 2025-26 for all regulated childcare spaces in Canada.
  - Ongoing annual growth in quality affordable childcare spaces across the country, building on the approximately 40,000 new spaces already created through previous federal investments. This includes a focus on workforce development.
  - Meaningful progress in improving and expanding before- and after-school care in order to provide more flexibility for working parents.

- 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.
- Budget 2021 proposes to invest \$298 million over three years, beginning in 2021-22, through Employment and Social Development Canada, in a new *Skills for Success* program that would help Canadians at all skills levels improve their foundational and transferable skills.
- Budget 2021 proposes to provide \$55 million over three years, starting in 2021-22, to Employment and Social Development Canada for a *Community Workforce Development Program*. The program will support communities to develop local plans that identify high potential growth organizations and connect these employers with training providers to develop and deliver training and work placements to upskill and reskill jobseekers to fill jobs in demand.
- 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.
- Budget 2021 proposes to provide \$470 million over three years, beginning in 2021-22, to Employment and Social Development Canada to establish a new *Apprenticeship Service*. The *Apprenticeship Service* would help 55,000 first year apprentices in construction and manufacturing Red Seal trades connect with opportunities at small and medium-sized employers.

## Regulation and Interprovincial Trade:

- Budget 2021 proposes to allocate \$21 million over three years, starting in 2021-22, to:
  - Work with provincial and territorial partners to enhance the capacity of the Internal Trade Secretariat that supports the *Canadian Free Trade Agreement* in order to accelerate the reduction of trade barriers within Canada.
  - Advance work with willing partners towards creating a repository of open and accessible pan-Canadian internal trade data to identify barriers, including licensing and professional certification requirements, so that we can work together to reduce them.
  - Pursue internal trade objectives through new or renewed discretionary federal transfers to provinces and territories.
  - To maintain momentum on strengthening Canada's regulatory systems, Budget 2021 proposes to provide up to \$6.1 million over two years, starting in 2021-22, to renew the *External Advisory Committee on Regulatory Competitiveness* and to continue targeted regulatory reviews.
- Budget 2021 proposes to invest \$1.9 billion over four years, starting in 2021-22, to recapitalize the *National Trade Corridors Fund*.

## Transportation:

- Budget 2021 proposes to provide \$4.4 million in 2021-22 to Transport Canada and VIA Rail Canada to support the *High Frequency Rail Project* in order to advance due diligence and to de-risk the project.
- Budget 2021 proposes to provide \$491.2 million over six years, starting in 2021-22, to VIA Rail Canada for infrastructure investments that would support the overall success of the high frequency rail project. These investments will provide a step towards high frequency rail in the corridor.

## Technology Adoption and Innovation:

- The *Canada Digital Adoption Program* dedicates \$4 billion to separate programs for Innovation, Science and Economic Development Canada and the Business Development Bank of Canada in order to produce a 'Canadian technology corps' that can work with our small and medium sized enterprises and assist with technology adoption. The Canadian Chamber has been fervently advocating for *Digital Main Street* and developing the digital skills of the Canadian workforce of the future, as well as tech adoption and digitalization for SMEs, so this is a significant win.
- Budget 2021 proposes to provide a total \$2.2 billion over seven years towards the domestic bio manufacturing and life sciences sector. The Canadian Chamber provided a submission to the government's bio manufacturing consultation and reached out to Minister Champagne in an effort to advocate for the importance of growing this sector in Canada.
- Budget 2021 proposes to provide an additional \$1 billion over six years, starting in 2021-22, to the *Universal Broadband Fund* to support a more rapid rollout of broadband projects in collaboration with provinces and territories and other partners. The Canadian Chamber put together a statement on expanding the *Universal Broadband Fund* and met with Minister Monsef and Minister Champagne to advocate for this additional funding.
- 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. The Canadian Chamber advocated for an expansion of venture capital programs to grow new companies and increase innovation and entrepreneurship in Canada as part of our *Roadmap to Recovery*.
- 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 (AI) Strategy*. Since May 2020, the Chamber has been a member of the Government of Canada's Advisory Council on Artificial Intelligence Public Awareness Working Group that launched a series of virtual workshops in March 2021 to better understand the public's perception of AI. Data gathered from these workshops will be included in a final report by the Public Awareness Working Group that will be submitted to Minister Champagne.

- Building on the *National Intellectual Property Strategy* from 2018, Budget 2021 dedicates \$90 million over two years to create *ElevateIP* and \$75 million over three years for the National Research Council's *Industrial Research Assistance Program*. These programs will provide start-ups and high-growth firms access to expert intellectual property services. The Canadian Chamber advocated for support for intellectual property protection for scale-ups and start-ups in our *Roadmap to Recovery* and pre-budget submission.
- Budget 2021 proposes to provide \$4.1 million over five years, starting in 2021-22, and \$1.0 million ongoing, for Public Safety Canada to continue the cyber security and cybercrime survey program. Cybersecurity was a focus of the Canadian Chamber's pre-budget submission and the Chamber has been engaged with the Canadian Centre for Cybersecurity (CCCS) and ISED on this topic since June. The Canadian Chamber is also a member of the Canadian Centre for Cybersecurity's SME national working group.
- Budget 2021 proposes to provide \$1.4 billion over 4 years to help mainstreet businesses expand their customer bases online, access support to digitize and take advantage of e-commerce opportunities. Eligible businesses will receive microgrants to help offset the costs of going digital – and support to digital trainers from a network of up to 28,000 well-trained young Canadians.
- Budget 2021 proposes to provide \$2.6 billion over 4 years for businesses who require more comprehensive support to adopt new technology, especially “off-main street” businesses such as small manufacturing and food processing operations. Support for these businesses will emphasize advisory expertise for technology planning and financing options needed to put these technologies to use.

## Climate Change:

- \$5 billion over seven years to increase funding for the *Strategic Innovation Fund's Net Zero Accelerator*. This will support projects that will help decarbonize heavy industry, support clean technologies and help meaningfully accelerate domestic greenhouse gas emissions reductions by 2030. This was in response that we needed to adhere to revenue recycling model to support energy intensive industries covered by the *Output Based Pricing System*.
- Budget 2021 proposes to introduce an investment tax credit for capital invested in CCUS projects with the goal of reducing emissions by at least 15 megatonnes of CO<sub>2</sub> annually. This measure will come into effect in 2022. It is the intent that enhanced oil recovery projects would not be eligible for this credit. This was a product of extensive advocacy on the need for Canada to use its tax system to incentivize carbon capture utilization and storage to restore Canada's competitiveness against the U.S.'s 45Q. We are pleased to see it further complemented by federal funds of \$319 million to advance the technology. In combination, this should help Canada regain its lead on this technology.
- The Canadian Chamber advocated for the reintroduction of the home retrofit program in its pre-budget submission, but also as part of our advocacy to in our roadmap to recovery. The home renovation program can create internal demand for Canadian forestry, help homeowners and landlords avoid their exposure to the carbon tax and create meaningful emission reductions. The budget added to this win by expanding the measures announced in

the Fall Economic Statement, and adding interest free loans up to \$40,000 for retrofits for landlords and homeowners.

- In support several policy resolutions related to improving Canada's climate resiliency passed in 2018 and 2019, we have advocated for funds to support the adaptation of municipalities and remote and indigenous communities to climate change impacts. Budget 2021 allocates 1.4 billion over 12 years to climate adaptation with 10% of this funding envelope dedicated to remote, rural, and indigenous communities.
- Budget 2021 proposes to provide \$9.6 million over three years, starting in 2021-22, to create a *Critical Battery Minerals Centre of Excellence* at Natural Resources Canada. The centre would coordinate federal policy and programs on critical minerals, and work with provincial, territorial, and other partners. The centre would also help implement the *Canada-U.S. Joint Action Plan*. An additional \$ 36.8 million will be provided over three years to Natural Resources Canada to build critical battery and mineral processing expertise.

### Taxation, Financing & Economic Data:

- Budget 2021 temporary accelerates and increases deductions of capital cost allowances.
- Budget 2021 proposes various ways of enhancing the use of electronic communication for filing processes.
- Budget 2021 offers incentives to support worker retention and hiring.
- Budget 2021 extends various emergency support programs for Canadian business.
- Budget 2021 provides forward guidance on Canada's fiscal position.
- Budget 2021 introduces various measures to enhance the collection of economic data through Statistics Canada and its partners.
- Budget 2021 proposes to improve the *Canada Small Business Financing Program* through amendments to the *Canada Small Business Financing Act* and its regulations. Amendments will 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
  - expanding borrower eligibility to include non-profit and charitable social enterprises, and
  - introducing a new line of credit product of up to \$150,000 to help with liquidity and cover short-term working capital needs.

### Support for Hardest Hit Sectors:

- Budget 2021 proposes to invest \$1 billion to support Canada's tourism, major and local festivals, and cultural events sectors through the following:

- \$200 million through the regional development agencies to support major festivals.
  - \$200 million through Canadian Heritage to support local festivals, community cultural events, outdoor theatre performances, heritage celebrations, local museums, amateur sport events, and others.
  - \$100 million to Destination Canada for marketing campaigns.
  - \$500 million *Tourism Relief Fund*, administered by the regional development agencies. The Fund will support investments by local tourism businesses in adapting their products and services to public health measures and other investments that will help them recover from the pandemic.
- Budget 2021 proposes to invest an additional \$430 million in additional supports for the heritage, performing arts, sports, musicians and music venues, and cultural spaces.

### International Trade:

- Budget 2021 increases funding for Global Affairs Canada's trade control group, which will help facilitate companies' receiving export permits in a more timely manner and increase.

### Immigration:

- Budget 2021 proposes to invest \$428.9 million over 5 years to develop and deliver an enterprise-wide digital platform that would gradually replace the legacy *Global Case Management System*. This will enable improved application processing and support for applicants, beginning in 2023.
- Budget 2021 notes that Canada's immigration system is critical to supporting the economic recovery, which is why IRCC announced an introduction of time-limited pathways to permanent residence for foreign nationals already in Canada.