

Proposed 2014 Federal budget: Stable funding to existing programs and new initiatives with potential impacts yet to be seen

The 2014 Federal Budget, entitled *The Road to Balance: Creating Jobs and Opportunities*, was tabled on February 11, 2014. The following is a brief analysis/summary of budget proposals with relevance to science and innovation. Approval of Parliament is required in order for proposed budget measures to be implemented. Throughout the year, CAP will continue to monitor government measures that affect Canadian physics.

Budget information can be found at <http://www.budget.gc.ca/2014/home-accueil-eng.html> for English or at <http://www.budget.gc.ca/2014/home-accueil-fra.html> for French.

The full budget, in pdf form, can be found in English at <http://www.actionplan.gc.ca/sites/default/files/pdfs/budget2014-eng.pdf> and in French at <http://www.actionplan.gc.ca/sites/default/files/pdfs/budget2014-fra.pdf>.

Four themes are highlighted in the 2014 Federal budget document. These are: Connecting Canadians with available jobs; Fostering job creation, innovation and trade; Developing resources responsibly, conserving Canada's natural heritage and investing in infrastructure and transportation; and Supporting families and communities.

The section of the budget entitled *Supporting Advanced Research and Innovation* is found in the section on *Fostering Job Creation, Innovation and Trade* (Chapter 3.2). Chart 3.25, in the introduction to this section, shows that federally-funded R&D expenditures in Canada's higher education sector have increased since 2006 but it also shows that this growth has slowed recently with funding remaining close to \$3.1 billion from 2010 to 2013. The introduction to this section also contains a statement that government has recently completed consultations on an updated Science, Technology and Innovation Strategy which will be released later this year. There are several announcements in this section with relevance to research in Canada. In this section, the budget proposes to:

- create the *Canada First Research Excellence Fund* with \$1.5 billion in funding over the next 10 years. The objective is to help post-secondary institutions excel in research areas that create economic advantage for Canada. The name for this program is similar to the proposed *Advantage Canada Excellence Fund* proposed by the U15 group and a number of universities in the 2013 budget consultation process. It also seems to have been foreshadowed by the fifth discussion question in the recent Science Technology and Innovation Consultation paper (see http://www.ic.gc.ca/eic/site/icgc.nsf/eng/h_07416.html). The fund will start with \$50 million in 2015-2016 and grow by \$50 million a year until 2017-2018 when it reaches a steady state level of \$200 million annually. The fund will be administered by the Social Sciences and Humanities Research Council on behalf of all of the granting councils and will be available to post-secondary institutions on a competitive, peer-reviewed basis.

- provide an additional \$46 million per year to granting councils with allocations of \$15 million to CIHR for specific initiatives, \$15 million to NSERC, \$7 million to SSHRC, and \$9 million to the Indirect Costs Program (for renovation and maintenance of research facilities, resources for libraries, information technology, management of intellectual properties, and knowledge transfer activities). The existing combined based budget for granting councils is about \$2.7 billion so this measure represents an increase of about 1.7%.
- provide \$8 million over two years to Mitacs to expand its *Elevate* program which supports industry-relevant postdoctoral training. Mitacs will become the sole provider of federal support for industrial R&D fellowships and Mitacs funding will be made available to eligible not-for-profit organizations with economic orientation. The NSERC Industrial R&D fellowship program will be wound down and funding currently devoted to that program will be redeployed within NSERC.
- provide \$10 million over two years in support of research at colleges and polytechnics. This funding will be administered by SSHRC.
- provide \$222 million over 5 years, starting in 2015-2016, to TRIUMF. This will include \$96 million from existing NRC resources. In addition to highlighting TRIUMF's international partnerships, including with CERN, the document also cites commercialization and spin-off companies originating at TRIUMF. The paragraph containing this announcement is entitled *Enabling World-Class Physics Research*.
- provide \$117 million over two years for Atomic Energy of Canada Limited to continue operations of Chalk River Laboratories and to prepare for transition to a Government-Owned, Contractor Operated model. Specific mention is made of medical isotope supply.
- provide \$15 million over three years to the Institute for Quantum Computing in Waterloo. It is stated that this is in support of the Institute's strategic plan to carry out and commercialize leading edge research in quantum technologies.
- provide \$3 million over three years to the Canadian Digital Media Network for creation of the Open Data Institute. The new Institute is intended to be involved in aggregating large datasets, development of interoperability standards, and the development and commercialization of data-driven apps.

Three other initiatives with relevance to science and innovation were also proposed in this section of the budget document. These are a refocusing of the Atlantic Canada Opportunities Agency, the provision of an additional \$500 million over two years to the Automotive Innovation Fund, and the implementation of the Defence Procurement Strategy.

Another area in which budget proposals have relevance to Science and Innovation is through **training**. In the section of the document dealing with Youth Employment, there is a proposal to provide \$40 million for support of up to 3000 internships in high-demand fields. Up to \$30 million of this would be provided to the NRC Industrial Research Assistance Program to support youth internships in small and medium-sized enterprises involved in technical R&D projects.

There were also some proposals that were directed toward improving the climate for new business ventures. One proposal is to provide an additional \$40 million over four years to the *Canada Accelerator and Incubator Program*. This program was launched in September 2013 and is intended to help entrepreneurs create new companies with intensive mentoring and other resources. Another proposal is to replace the *Immigrant Investor* and *Entrepreneur* programs with an *Immigrant Investor Venture Capital Fund* pilot program.

The announcement of funding to TRIUMF to 2020, in effect providing stable funding over a six year window, is significant and has been welcomed positively by TRIUMF administration. TRIUMF is being encouraged to seek additional funding in future budgets. The focusing of industrial postdoctoral support at Mitacs is noteworthy and the redeployment of funding for the existing Industrial Postdoctoral Fellowship program within NSERC supplements the \$15 million increase in overall NSERC funding. The way in which this funding will be applied to NSERC programs is not yet known but CAP, in its pre-budget consultation submission, did recommend an increase of at least \$15 million in funding to the NSERC Discovery Program. Along with the increase in funding to the Indirect Costs Program, these proposals provide welcome stability to existing programs.

The most significant announcement of new funding for research is the *Canada First Research Excellence Fund*. The parameters of this program are yet to be announced and the overall effect on Canada's research landscape of creating another large program, presumably with a distinct administrative structure, remain to be seen.

Overall, the budget is targeted at a return to balanced budgets in 2015. Compared to the 2013 Fall budgetary update, projected revenues are down but this has been offset by lower projected program expenses and public debt charges. The government's plan for a return to balanced budgets, as outlined in the 2014 budget document, is focused on control of direct program spending and strict fiscal discipline on the part of federal departments. In section 4.1 of the budget document, it is stated that government has introduced a freeze on departmental operating budgets for two years beginning in 2014-2015. Other measures described in section 4.1 include a plan to manage public service compensation costs through various measures and a deferment to future years of \$3.1 billion in funding for National Defense capital procurements.

Mike Morrow, P.Phys.
Interim Director of Science Policy
Canadian Association of Physicists