

December 5, 2011

The Honourable Gary Goodyear, P.C., M.P.  
Minister of State, Science and Technology  
Industry Canada  
C.D. Howe Building  
235 Queen Street  
Ottawa, Ontario K1A 0H5

Dear Minister Goodyear,

**Re: Response to Expert Panel Report on Federal Support to R&D**

We would like to congratulate the government on having convened the recent "Review of Federal Support to Research and Development." We appreciate this valuable process as Canada seeks to address its short- and long-term economic goals.

The recommendations presented several options for the federal government to help the growth and global competitiveness of innovative technology companies in Canada. We were pleased to see the panel confirm the need for funding for commercialization and risk capital, call to simplify the Scientific Research and Experimental Development (SR&ED) tax credit, and establish a procurement strategy to introduce innovative products into the Canadian marketplace. These are of particular interest to our group of emerging technology companies seeking high growth, increasing employment in the knowledge sector, and creating wealth for Canada by selling innovative products to the global marketplace.

We were pleased to present our recommendations to the panel during its consultations. The pre-commercial element of our industry remains singularly focused on the need to attract a minimum of \$1-\$1.5 billion of private investment annually to keep Canadian products in development and the intellectual capital driving it here in Canada.<sup>1</sup>

As cited in the Panel Report, Canada does a good job of initiating start-up companies and technologies into the development cycle but our capital markets are unable to support growing many of these operations into full commercial enterprises. The lack of capital that has plagued the technology industry over the last three years is preventing Canadian technology companies from rapidly and effectively advancing highly promising R&D. As a result, they fail, or are sold early in their life cycles to large international companies and often at low prices, never realizing the fruits of industry leadership. In effect, the billions of dollars in R&D invested by companies each year are becoming a *subsidy* to international businesses that acquire the most promising of these capital-starved, but R&D-rich Canadian companies often at much lower valuations. Ensuring the biotechnology industry has the tools to raise the required funding to sustain operations here remains our key goal.

Access to capital can be improved with existing programs quickly and efficiently. For example, enabling the SR&ED program to provide refundable credits to all SME's, irrespective of ownership structure, to keep their R&D programs in Canada represents an easy first step.

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<sup>1</sup> Burrill & Co, BIOTECanada.

Moreover, the government can expand the Flow-Through Shares program to attract much needed investments into our industry. Your government is to be congratulated on its recent expansion of the same program of Flow-Through Shares program to include clean-technologies, to encourage the same private capital that will flow to the life sciences if investors are not disenfranchised. Similarly, we recommend you consider other solutions, such as the following, to help improve Canadian capacity to compete for investment in the global market by:

- creating a life sciences concentrated fund-of-funds, deployed through the BDC, of a value that reflects the needs of innovative life sciences companies regardless of stage of development; and
- creating a national angel tax credit program, similar to the successful Small Business Venture Capital Tax Credit in B.C., to directly encourage investors to invest in emerging life-sciences companies. Such encouragement would result in companies retaining operations in Canada and catalyzing their growth.

Attached is an outline of the direct and indirect programs innovation-driven countries have been adopting since the economic downturn in 2008. It showcases the competition faced by Canada in the global environment for bio-economy development. Canada can capitalize on its vision to secure its innovative economy with the right tools and prevent the loss of innovative companies to other jurisdictions.

Private investment will respond to policies at the federal and provincial levels to foster and promote the life sciences. Countries seeking growth in their economies from innovative entrepreneurship require a comprehensive set of direct policy initiatives available throughout the full lifecycle of commercial development. Innovative companies encouraged to thrive will provide the required returns to their investors and directly to the countries in which they operate.

We look forward to working with you as your government develops its response to the panel recommendations.

Yours Sincerely,



Peter A. Brenders  
President & CEO



Anthony Giovinazzo  
Chair, Emerging Companies Advisory Board

c.c.: The Right Honourable Stephen Harper, P.C., M.P. - Prime Minister of Canada  
The Honourable Jim Flaherty, P.C., M.P. - Minister of Finance