

BIOTECH ESSENTIAL TO ECONOMIC RECOVERY

Ottawa (December 15, 2008) – Canada’s biotechnology CEOs are calling for an economic stimulus package that includes targeted measures designed to protect \$1.7 billion of annual spending and preserve high-value “21st century” jobs in Canada in the face of a severe economic times. These measures include a one-time cash refund on tax losses, an exemption from capital gains tax on the next two years’ of investment, and changes to the Scientific Research and Experimental Development (SR&ED) credit program to support the sector during the economic downturn.

“We are asking for immediate targeted measures in order to protect Canadian world class technologies from competitors in the US, the UK and other countries, where governments are making significant commitments to protect their biotechnology industries in recognition of their social and economic value,” said Rainer Engelhardt, Chair of the Board of Directors of BIOTECCanada and CEO of Eulytica Biologics Inc., Ottawa. “Ultimately, our goal is to get through this downturn and have the high value jobs inherent to this industry stay in Canada.”

BIOTECCanada’s proposed economic stimulus package includes three key measures. A one-time redemption for unused tax losses would be available to SMEs with revenues less than R&D expenses and be limited to the lesser of \$20 million or twice a company’s annual R&D expenditure. An exemption from capital gains tax is proposed for investors making new direct investments in 2009 and 2010. Both measures require companies to reinvest in Canada. Changes to the SR&ED program to process refunds quarterly rather yearly and an expansion of program eligibility to all firms engaged in research and development in Canada will create a competitive stimulus to support more domestic jobs and investment.

“With limited sources of financing available for the industry, many Canadian biotech companies are wondering where their next six months of operating cash are going to come from and need the Canadian government to take immediate action,” said Andy Sheldon, President and CEO of Medicago Inc., Québec City. “For the industry to survive, we need a commitment from our government to facilitate investment and provide short term relief.”

Without an immediate cash infusion and tax support, \$1.7 billion in annual R and D spending, thousands of Canadian jobs and even Canada’s long term economic prosperity are at risk according to Canada’s national biotechnology trade association, BIOTECCanada.

“Canadian governments have done the right thing in supporting major investments in post-secondary education and basic research because that research ultimately saves lives. As Canadians and as entrepreneurs we want to see that investment bear fruit,” said Gordon McCauley, President and CEO of Allon Therapeutics Inc., Vancouver. “Our recommendations are targeted measures aimed at protecting these investments, in order to spur Canada’s economic recovery, and get these advances in the hands of physicians and patients.”

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“This sector also looks to US capital to raise financing, but those sources are completely closed right now,” said Yves Rosconi, President and CEO of Theratechnologies Inc., Montreal. “A capital gains exemption would allow companies to raise new money here, and to keep our scientists and research expertise in Canada.”

“Research and development is at the core of the biotech business,” said Peter Matthewman, President of Performance Plants, Saskatoon. “A tax loss credit and more timely SR&ED refunds will make an immense difference for firms working to commercialize and bring Canadian products to the global marketplace.”

Canada’s biotechnology industry is vital to the immediate and future well-being of Canada’s economy. Over 550 companies from an array of sectors including health, agriculture, industrial manufacturing and resources make up the sector. The products and processes of biotechnology companies are the building blocks of a broader bio-based economy worth \$ 78.3 billion (6.4 per cent of Canada’s GDP). This is similar in size to the automotive and other primary Canadian industries. One million Canadian jobs are the result of biotechnology research, development and commercialization. To keep research jobs and innovation in Canada, we must create incentives for new investment into Canada’s science and technology companies.

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Backgrounder attached.

ABOUT BIOTECanada www.biotech.ca

BIOTECanada is dedicated to the sustainable commercial development of biotechnology innovation in Canada. It is the national industry-funded association with over 230 member companies representing the broad spectrum of biotech constituents including emerging and established firms in the health, industrial, and agricultural sectors, as well as academic and research institutions and other related organizations.

