

2023 Pre-Budget Consultation  
House of Commons Standing Committee on Finance

Submitted by:  
BIOTECanada

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## Recommendations

### **I. Strengthen Canada's Biomanufacturing and Life Sciences sector's global competitiveness**

- Establish a departmental lead (Deputy/Senior ADM level accountability) tasked with completing and delivering the Biomanufacturing and Life Sciences Strategy.
- Collect and publish industry data to provide the means for measuring and assessing progress

### **II. Attract Investment**

- Create a dedicated and multi-faceted life sciences venture capital fund (\$500M) with a non-dilutive stream for the creation of early-stage biotech companies
- Establish a globally competitive tax regime through
  - Enhanced SR&ED tax credit
  - Implementation of a Patent Box measure for later stage innovation companies

### **III. Attract Talent**

- Maintain the stock option capital exemption to attract and retain top talent in Canada.

### **IV. Regulatory Expertise**

- Implement modernized regulatory processes that are aligned globally and harmonized to attract technology to Canada and ensure Canada has the regulatory capacity to draw the next generation of technologies into use for and by Canadians.
- Deliver on the implementation of a rare disease strategy. Enable the commitment of \$500 million annually to expand care to patients with rare disease.
- Measure the performance of regulatory process on commercializing new biotechnologies with metrics of how fast Canadian patients can access new technologies relative to other jurisdictions.

BIOTECanada is the national association representing Canada's biotechnology sector. The more than 230 member companies of BIOTECanada reflect the broader Canadian biotech ecosystem which includes large multinational pharmaceutical companies, early stage/start-ups, larger pre-commercial companies, venture capital, universities, incubators, and accelerators found across the country with hubs in every province. The network is an economic catalyst present in every Canadian region, driving the unprecedented solutions required and opportunities ahead. The convergence of biotechnology and other technologies including artificial intelligence, advanced cell and gene therapies, big data, climate mitigating technologies, agricultural innovations, and platform technologies, continue to power the Canadian economy.

Not surprisingly, the pandemic's economic, social and health impact has effectively focussed the attention of policymakers and the public on the strategic importance of building a competitive domestic life sciences industry and biomanufacturing capacity. It is clear, the Canadian biotech sector is having a generational moment on which we should capitalize. Accordingly, the 2021 federal budget dedicated over \$2 billion and launched a Biomanufacturing and Life Sciences Strategy to grow the life sciences sector in Canada and develop domestic biomanufacturing capacity. Combined with other investments in the space, the federal government has invested meaningfully in the life sciences sector. This makes good public policy sense and presents an important and timely opportunity to accelerate the growth of Canada's biotech sector beyond just a biomanufacturing response in a crisis.

Importantly, Canada is building its capacity from a position of strength. Indeed, Canada is well-positioned with two large scale, established commercial facilities in Sanofi (Toronto) and GSK (Quebec City). In addition, Moderna has announced it will establish an mRNA vaccine manufacturing facility in Quebec by the end of 2024. Established Canadian biotech companies including, Resilience (Toronto), VIDO (Saskatoon), Medicago (Quebec City), and BioVectra (PEI and Nova Scotia) also represent significant biomanufacturing assets. All told, there is in place a solid and valuable biomanufacturing foundation in Canada which should be recognized and built upon going forward. Investing more in enhancing this foundation will not only help address the preparedness objective, but if done strategically and for the long-term, it will generate and support the creation and scaling-up of companies in Canada. In addition to existing biomanufacturing and vaccine development capacity, Canada has many strategic core competencies including regenerative medicine, artificial intelligence in the field of drug discovery and development, vaccines, clinical trial expertise, and genomics.

Canada has highly skilled entrepreneurs, investors, global executives, research leaders and clinicians who are creating opportunities for talented young people from within Canada and across the globe. As a result of its strategic strengths, Canada's biotechnology sector has been one of the top economic success stories over the past five years. Momentum continues to build as the sector is attracting record-breaking levels of investment in emerging and established Canadian biotechnology companies.

The COVID-19 pandemic coupled with recent weather-related disasters serve to underscore how vital the biotech sector and biomanufacturing is in terms of providing health innovations such as vaccines and therapeutics, as well as solutions for altering the way society

manufactures, grows, and fuels itself. However, given the experience of the pandemic, Canada is not alone in recognizing strategic importance of a developing a competitive biotech ecosystem. Other nations are moving aggressively to develop strategies to attract investors, talent, and companies. Canada must keep pace with these jurisdictions. Importantly, in addition to important investments in the sector, the federal departments of ISED and Health Canada are working together to develop a national life sciences and biomanufacturing strategy to further enhance Canada's competitiveness.

This is a point in time for Canada to capitalize on the momentum established, measure how we are growing and set the next terms for future success. Canada needs to seize the opportunity to bring the best of Canadian innovation to the world, capture the best talent at home and from abroad, to grow the ecosystem and scale-up companies. In this context, Budget 2023 represents an important and timely opportunity to invest in the biotech and biomanufacturing sector's competitiveness.

In light of the above noted background, BIOTECCanada makes the following recommendations for the Standing Committee's consideration for the 2023 Federal Budget:

## **I. Biomanufacturing and Life Science Strategy Implementation and Measurement**

- Establish a departmental lead (Deputy/Senior ADM level accountability) tasked with completing and delivering the Biomanufacturing and Life Sciences Strategy. Responsibilities would include strategically coordinating and leveraging investments and policies and engaging stakeholders through a permanent table to ensure Canada's effectively addresses current and future health security threats.
- Provide for a national industrial measurement process to mirror the OECD biotechnology key biotechnology indicators so Canada has the data required to measure the industry's growth, investment, employment and impact of the government investments in the sector.

## **II. Attract Investment**

Establish dedicated life sciences funding and non-dilutive funding stream for early-stage companies to build on the momentum and financial success already generated and propel the next generation of biotechnology innovations in Canada:

### **Investment Growth**

- Establish a dedicated life sciences venture capital fund (\$500M) to build on the momentum and financial success already generated and propel the next generation of biotechnology innovations in Canada. With co-investment from the government, institutional investors, and international sources, the Life Sciences Capital Catalyst Initiative (LS-VCCI) will provide the capital required to support the full Canadian life sciences innovation continuum including early and seed stage investments as well as

amplifying the existing venture capital industry. The Venture Capital Action Plan (VCAP) and Venture Capital Catalyst Initiative (VCCI) were proven tools that attracted investment into life sciences that otherwise would not have gone into the sector. These funds were successfully leveraged to grow existing Canadian companies with a goal to create emerging anchor companies. Given the amount of investment capital moving globally towards life sciences, now is an important time to enhance Canada's ability to attract investment.

- The fund must include a separate, non-dilutive capital stream dedicated for early-stage companies to accelerate the creation and support the early development of Canadian biotech companies. This funding will de-risk innovations and attract investment to establish a firm company funding foundation.

### **Competitive Tax Regime**

#### **Enhance the SR&ED tax credit**

- The Scientific Research and Experimental Tax credit has been instrumental in the growth of Canadian biotech companies. In this context, it is critical that Canada's tax regime remains competitive with that of other jurisdictions benefit SMEs. Canada has established itself as a competitive place to invest and drive R&D. This is in part due to the SR&ED Tax Credit program that competes against a multitude of global competitors modeling public policy after what Canada has established. Ensuring the SR&ED remains at the forefront of attracting investment is integral to the goals of long-term economic growth.

#### **Implement a Patent Box Mechanism for Innovation**

- further to the 2022 Federal Budget commitment, BIOTECanada strongly encourages the government to implement a Patent Box measure to provide a competitive tax rate for later stage biotech companies. A patent box mechanism would accelerate company growth, create greater stickiness for Canadian biotech companies, and enhance the sector's competitiveness more broadly.

### **III. Attract and Retain Talent**

Along with investment capital, access to skilled talent and leaders now ranks at the top of the list of priorities to enhance the sectors competitiveness. Not unlike may other economic sectors in the economy, biotechnology requires a highly skilled labour force to drive innovation forward. Again, Canada must be globally competitive to both retain and attract talent to the sector.

- Maintain stock option capital exemption to attract and retain top talent in Canada. Stock options are one of the most important tools for early-stage companies to attract and retain top talent.
- Work with the industry to support the development of C-Suite talent to drive next-generation innovation towards commercialization.

#### IV. **Strong and Agile Regulatory Capacity**

An effective regulatory environment ensures safety while encouraging the development and adoption of innovative new products and services. The speed at which our governments responded to the COVID-19 pandemic, whether to create and launch relief programs, simplify, and shorten procurement processes or expedite clinical trials, shows us that we can and must aim higher. A high performing regulatory system should be predictable, efficient, consistent, and transparent, so as not to present barriers to business investment, innovation and ultimately, economic growth and values improved outcomes that benefit Canadians.

- **Implement modernized regulatory processes** that are aligned globally and harmonized to attract technology to Canada to ensure Canada has the regulatory capacity to draw the next generation of technologies into use for and by Canadians.
- Deliver on the implementation of a rare disease strategy. Enable the commitment of \$500 million annually to expand care to patients with rare disease. The arrival of genetic based therapies, along with improved international data sharing are just two examples of how the underserved rare disease patients can benefit from the best of new technologies. The federal commitment to help fill the existing gap in access to life changing medicines can help to align the best of regulatory and evaluation practices found in Canada and other jurisdictions to serve existing patient needs.
- Measure the performance of regulatory process on commercializing new biotechnologies with metrics of how fast Canadian patients can access new technologies relative to other jurisdictions.