

2024 Pre-Budget Consultation

Submitted by:

BIOTECCanada

BIOTECCanada is the national association representing Canada's biotechnology sector. The more than 240 member companies of BIOTECCanada 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.

RECOMMENDATIONS

1. Enhance the global competitiveness of Canada's regulatory policy environment:

- Provide Canadians with access to next generation biotechnology innovation and ensure Canadian biotech companies can scale and anchor their operations in Canada by:
 - Pursuing an ambitious approach to the modernization of Canada's regulatory policy environment
 - Align the regulatory approach globally to attract technology to Canada to ensure "system ready" adoption of new mRNA, cell and gene therapy products including vaccines and medicines to prepare Canada to respond to future emergencies and ensure the next generation of technologies are available for Canadians.
 - Create a competitive regulatory environment to attract global biotech companies as investors/partners in the ecosystem and as providers of next generation of therapeutics for Canadians.

2. Grow the biotech ecosystem and establish long-term Canadian-based investment pool

i) Accelerate company creation and growth

- Increase non-dilutive life science funding through existing programs such as IRAP with \$250M in a 1:1 matching program against external capital raised, with annual and lifetime caps of \$1M and \$5M per company.

ii) Competitive Tax Policy

Establish a globally competitive tax regime for research and development intensive companies to compete with similar R&D tax incentives in other jurisdictions by:

- Increasing the SR&ED enhanced investment tax credit rate for the life science sector to >44% and recognize the different ownership structures of early-stage life sciences companies in order to incentivize research and development in Canada
- Implementing a Patent Box measure for later stage innovation companies

iii) Establish long term Canadian-based investment funding for life sciences:

- Build a competitive Canadian investment pool to capitalize on and support the scaling up of the companies emerging from the biotech ecosystem, the government should invest \$350 million to establish the *Life Sciences Venture Capital Catalyst Initiative (LS-VCCI)*, a life sciences venture fund of funds. With a 2 to 1 investment match from private sector, the \$350M foundational investment would bring the total investment envelope to \$1 billion to be created and deployed over 10 a year horizon (@ \$100 million year).

3. Lead public health efforts to protect the health of Canadians:

- Address the existing public health immunization gap to ensure all Canadians have access to equivalent care with an investment of \$300 million

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.

Early in the pandemic, governments found themselves trying to solve for a health crisis for which there was no proven playbook. Three years later, all governments and policymakers, including those in Canada, are now taking steps to avoid being caught in a similar position and prepare for the possibility of future pandemics or another global health emergency. As a result, Canada's biotech sector (and the world's more broadly) is having a generational moment on which Canada can capitalize.


It is not possible to predict what or when the next challenge will be. Correspondingly, it is impossible to know what solutions will be needed. In this context, when considering how to prepare for the next crisis, the more strategic approach for Canada is to build its life sciences and biomanufacturing sector broadly so it can offer potential solutions for the next crisis while also acting as an economic driver during non-crisis periods. Both objectives can be met by focusing on creating a competitive environment which generates ideas and attracts the investors, partners, and talent required to turn ideas into companies and scale them to become Canadian anchor companies.

Canada is building its capacity from a position of strength. Indeed, Canada is well-positioned with a vibrant ecosystem founded on a global reputation for excellent scientific research. As a result, Canada is home to an ecosystem which includes hundreds of early-stage biotech companies, a strong global pharma presence supporting a national clinical trial network, which in turn provides investors and partners for Canadian biotech companies. The sector's strategic competencies include regenerative medicine, artificial intelligence in the field of drug discovery and development, vaccines, clinical trial expertise, and genomics. It is urgent the government seize the industry's generational moment and invest in the existing ecosystem to grow Canada's capacity to deliver health solutions for Canadians and others globally.

Beginning with the 2021 federal budget, the government made significant investments into building on the domestic life sciences ecosystem and enhancing Canada's biomanufacturing capacity. These investments and the corresponding life sciences and biomanufacturing strategies will accelerate the growth of Canada's biotech sector beyond just a biomanufacturing response in a crisis.

Importantly, with the implementation of the federal biomanufacturing strategy, linking both ISED and Health Canada, change has begun to address the barriers hampering the growth and competitiveness of Canadian life science SMEs. With the recent creation of a dedicated senior level role (ADM Biomanufacturing Life Sciences at ISED), specifically mandated to build the sector, combined with the deployment of the last of the federal commitments through programs including SIF and VCCI, which have attracted record levels of private investment.

Every other leading economic jurisdiction in the world is also investing heavily into their domestic life sciences sector's as they too understand the vital role biotechnology innovation is playing in the global economy. Globally, the competition for biotech ideas, companies, talent, and investment has never been more intense. Accordingly, it is imperative Canada be aggressive and ambitious to establish a globally competitive environment that will:

1. Create, scale, and retain Canadian biotech companies;
 2. Attract global commercial biotech companies; and,
 3. Grow Canada's domestic life sciences investment pool;
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Budget 2024 Objectives and Recommendations

1. Enhance the global competitiveness of Canada's regulatory policy environment

Canada's biotech ecosystem has experienced significant growth in recent years as investors recognized the strategic value of biotech innovation to societies around the world looking to protect their populations from future pandemic-like health challenges. A modern and agile regulatory system is increasingly important for not only the treatments and therapeutics coming from global companies but also for the advancement of Canadian-based biotechnology companies. Now is a critical time for Canada's regulatory system to recognize emerging technologies and take steps to establish an equally advanced regulatory oversight capacity. A modernized and agile regulatory capacity stands to not only offer Canadians better healthcare options and make Canada a global regulatory leader and destination for new technologies.

Recommendations:


- Provide Canadians with access to next generation biotechnology innovation and ensure Canadian biotech companies can scale and anchor their operations in Canada by:
 - Pursuing an ambitious approach to the modernization of Canada's regulatory policy environment
 - Align the regulatory approach globally to attract technology to Canada to ensure "system ready" adoption of new mRNA, cell and gene therapy products including vaccines and medicines to prepare Canada to respond to future emergencies and ensure the next generation of technologies are available for Canadians.
 - Create a competitive regulatory environment to attract global biotech companies as investors/partners in the ecosystem and as providers of next generation of therapeutics for Canadians.

2. Grow the biotech ecosystem and establish long-term Canadian-based investment pool

i) Accelerate company creation and growth

Building on existing investments and the healthy Canadian biotech ecosystem, now is the time to grow the number of companies, accelerate the scaling up of existing companies, and establish long-term Canadian-based investment.

To accelerate the creation and support the early development of Canadian biotech companies, Budget 2024 should increase the availability of non-dilutive funding by seeding a \$250M fund to be administered through an enhanced IRAP mechanism under the new Canadian Innovation Corp (CIC). This funding will de-risk innovations and attract investment to establish a firm company funding foundation.



Recommendation:

- Increase non-dilutive life science funding through existing programs such as IRAP with \$250M in a 1:1 matching program against external capital raised, with annual and lifetime caps of \$1M and \$5M per company.

ii) Competitive Tax Policy

The federal SR&ED program has been a significant competitive advantage for many early-stage biotechnology companies for which scientific research and development is their primary 'commercial' activity. Currently, only companies headquartered in Canada are eligible for SR&ED tax credits which is a significant barrier to attracting research and development from non-Canadian based companies who could expand research and development activities into Canada. This limitation has also driven expertise and investment out of Canada. The intent of the SR&ED program should be to incentivize investment in research and development in Canada, regardless of the company's and/or investor's country of origin. Ultimately the benefits of increased R&D activities undertaken by non-Canadian companies will greatly enhance innovation in Canada and make Canada more globally competitive.

Establish a globally competitive tax regime for research and development intensive companies to compete with similar R&D tax incentives in other jurisdictions by:

- Increasing the SR&ED enhanced investment tax credit rate for the life science sector to >44% and recognize the different ownership structures of early-stage life sciences companies in order to incentivize research and development in Canada
- Implementing a Patent Box measure for later stage innovation companies

iii) Establish long term Canadian-based investment funding for life sciences**Recommendations:**

- As these companies grow, a large domestic pool of venture capital must be available. The Budget should build on the success of the VCCI I & II by leveraging market forces to establish a similarly designed dedicated \$1 billion life sciences venture capital fund, funded by 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.
- Build a competitive Canadian investment pool to capitalize on and support the scaling up of the companies emerging from the biotech ecosystem, the government should invest \$350 million to establish the *Life Sciences Venture Capital Catalyst Initiative (LS-VCCI)*, a life sciences venture fund of funds. The investment would mirror the principles already established by the Venture Capital Catalyst Initiative (VCCI) including the requirement for a 2 to 1 investment match from other private sources. By so doing, the \$350M foundational investment would bring the total investment envelope to \$1 billion to be created and deployed over 10 a year horizon (@ \$100 million year).

3. Lead public health efforts to protect the health of Canadians

Canada achieved one of the highest COVID vaccine coverage rates globally throughout the global COVID19 pandemic. This is an achievement not to be taken for granted. Canada needs to keep building on this success and ensure Canadian immunization rates are effective in keeping Canadians safe and healthy. Provincial and federal governments, working alongside public health officials, can increase access to vaccines to help reduce health care costs, keeping Canadians healthier today and for the long term. Countries, including Canada, found serious gaps in capacity, supply and public health medical expertise required to build a response plan. The Canadian government moved quickly to start to address those gaps. This is particularly relevant when considering the highly effective immunization needs of Canadian society as it emerges from this current pandemic while establishing robust public health practices for ongoing protection to many existing debilitating illnesses.

The Public Health Agency of Canada is critical to the success of national immunization program development, vaccine evaluation, and ultimately ensuring Canadians of all ages have access to the best public health immunization regimes possible. As evidenced throughout the pandemic, there is a need for improved messaging and information for Canadians to determine their comfort with public health requirements. We know there is now a deficit of immunization uptake as a result of the pandemic. The Organization for Economic Cooperation and Development (OECD) reported that while Canada was above average for flu immunizations, Canada was below average for pediatric immunizations.¹ A recent report from Stats Can ² identified the continued immunization gaps throughout Canada in children in the current access system to today's vital vaccines. As Canada embarks on the next phase of public health preparedness these vaccine coverage gaps will need to be addressed.

Recommendation:

- Address the existing public health immunization gap to ensure all Canadians have access to equivalent care with an investment of \$300 million

References:

[Routine vaccinations | Health at a Glance 2021 : OECD Indicators | OECD iLibrary \(oecd-ilibrary.org\)](#)

[Childhood National Immunization Coverage Survey, 2021 \(statcan.gc.ca\)](#)

