Standing Committee on Finance (FINA)

Pre-budget consultations 2012

BIOTECanada

Responses
1. Economic Recovery and Growth *Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*
BIOTECanada has decided to answer questions three, four and five.
2. Job Creation *As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*
BIOTECanada has selected to answer questions three, four and five.
3. Demographic Change *What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*
It is estimated that over the next decade, the Canadian economy will need upwards of a million new workers to replace those leaving the workforce as a result of attrition brought on by an aging population. While a number of the resource sectors are the hardest hit by this shortage, the biotechnology sector is also experiencing a skills shortage, particularly in relation to qualified research and business professionals, which is constraining the industry's growth potential. Correspondingly, BIOTECanada has made it a goal to develop, attract, and retain world-class talent in biotechnology research and commercialization of innovation. In order for Canada to attract and retain the best and brightest minds, the industry recommends: -Canada's youth be exposed to the fundamentals of biotech and life sciences with experiential learning opportunities throughout the K-12 curricula; -support graduate business schools in educating industry experts in fundamental business principles and assisting entrepreneurs in developing business plans, market opportunities, and production facilities for new bio-based products; and, -provide incentives for the best and brightest business professionals and researchers to commercialize science and technology research in Canada.
4. Productivity *With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*
Canada's biotech industry is an $87 billion per year industry representing 7% of national GDP. The bio-economy as a whole represents an employment network of 1 million. Through its diverse products and process developments, Canada's biotech sector has become an essential added value component to a range of industries that form the foundation of the Canadian economy. Indeed, the industry has become

an essential component of the transformation and redefining of several economic cornerstones including forestry, energy, aerospace and other manufacturing industries, which has brought about what is now commonly referred to as the 'bio-economy.' With an annual growth rate of 12% over the last four years, the bio-economy has helped stabilize the economy and will be a central part of the economic recovery and growth over the long term. As the global bio-economy returns to strength, Canada's biotechnology and life sciences industries will increasingly become an essential element of Canada's manufacturing sector's ability to increase its productivity. Canadian biotech companies are providing value-added solutions in healthcare, energy, environment, and advanced manufacturing. In addition, a number of traditional industries including mining, forestry, oil and gas, and agriculture, are integrating biotechnology and bioprocessing to boost commercial productivity. In order to continue increasing productivity in Canada, the bio-economy should be viewed as a primary driver of productivity and value-add benefits. However, recognizing the biotechnology sector's economic reach covers such a wide array of economic sectors and industries, the industry recommends: -the federal government begin the process of formulating a national bio-economy strategy with specific tools to keep Canada internationally competitive and ensure the next generation of biotechnology goods and services are commercialized within our borders.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

The industry commends the government for its sound fiscal management through what has clearly been one of the most challenging economic periods this economy, and the global economy more broadly, has ever faced. The government's strategic and balanced approach of controlled spending and transformational investments has paid significant dividends for the economy. It is very clear that the Canadian economy was not as hard hit as were some of the other G-8 nations, and as a result, Canada is in a much better position to rebound quickly once the global economy begins to recover, positioning Canada ahead of many competing nations. Specifically, over the last budget cycle, the Government of Canada has introduced a number of key measures that the industry believes will sustain and grow the biotechnology and life sciences industry in Canada. The lowering of corporate tax rates, investing $400 million in the venture capital market, and making more money available for the Industrial Research Assistance Program (IRAP) are several examples of the measures the federal government has taken to grow Canada's innovation economy. Looking ahead, access to capital continues to be central to the biotechnology sector's ability to undertake research and bring new products and processes to commercial development. Capital will always gravitate to where the returns on investment are the greatest. Recognizing this, a number of countries have implemented aggressive investment strategies that are providing their respective biotechnology sectors with a competitive advantage in accessing capital. If Canada is to remain competitive in this regard, the Canadian Government must keep step with what other countries are doing to spur the commercialization of their biotech and life sciences technologies. In April 2012, the Obama administration launched the National Bio-economy Blueprint, a national strategy to increase research capacity, cut regulatory hurdles, and identify opportunities where the U.S. can be competitive. Similarly, the European Commission recently adopted a bio-economy strategy with a clear focus on innovation for environmental sustainability. In light of these landmark strategies to grow the bio-economy in leading industrialized nations, Canada is clearly facing competitive international pressures to keep pace. Ultimately, Canada's industrial biotechnology companies are commercializing solutions to address existing and emerging global issues including, but not limited to, the need for renewable energy sources, issues of climate change, and environmental degradation. In doing so, investing in Canada's clean-tech sectors provides opportunities for significant

long-term job creation, a realization of new wealth and economic growth, and a distribution of economic opportunities across Canada, with a significant emphasis on regions of the country that have traditionally played second tier to core manufacturing. The Government has taken significant steps to ensure that Canada's tax system remains competitive with those found in other jurisdictions. Indeed, Canada's SR&ED program is one of the most effective tax credit programs in the world and is a catalyst of risk capital formation from foreign sources. Leading industrialized countries including Australia and France have recognized the spin-off benefits of investing in R&D tax credits and have recently made significant improvements to their respective programs. In order to ensure Canada retains a competitive edge in attracting foreign direct investment and growing domestic research and development capacity, the SR&ED program should be examined with an eye to ensuring that it remains a global leader. In addition, the SR&ED program supports downstream sectors in the R&D value chain including manufacturers of plants, machinery, equipment, and raw materials processors. Increasing the eligibility criteria of SR&ED will boost the competitiveness of attracting risk capital from foreign sources and will have a significant positive impact on supporting sectors of the innovation economy. To improve access to capital and increase investment, the industry recommends: -the federal government formulate a national strategy with specific initiatives to grow the bio-economy in Canada; -increase the eligibility criteria of the SR&ED program to boost Canada's competitiveness in attracting foreign risk capital and positively impact other sectors of the economy; and -develop and implement funding tools that will help bridge the gap between research and commercialisation in the innovative energy and cleantech sectors, such as Sustainable Development Technology Canada (SDTC).