

## Standing Committee on Finance (FINA)

### Pre-budget consultations 2012

## MERCK CANADA INC

### 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?*

Merck Canada commends the Federal Government for its continued focus on economic growth and prosperity, particularly in light of the challenging global economic environment in recent years. As an innovative healthcare solutions company, Merck is well-positioned to contribute to these objectives. Our ability to conduct research and partner with other Canadian institutions and firms depends on fostering an environment that promotes the timely development, commercialization and adoption of new products and services in our healthcare system to the benefit of Canadians. Efforts to expand free trade further are critical to Canada's long-term prosperity because they allow us the chance to align our business climate with those of our key trading partners. On a level playing field, Canada can compete and win against any nation. In order to maximize our contribution to Canada's future economic growth and prosperity, Merck recommends the following priority measures for the Government's recovery and growth agenda: Intellectual Property. Canada has to bring its intellectual property regime to global standards through the ongoing Comprehensive Economic and Trade Agreement (CETA) negotiations with Europe, including an effective right of appeal for innovators in patent disputes, harmonizing data protection levels to 10 years, and introducing a system of patent term restoration. These are key barriers to Canada attracting its fair share of investments on the global stage. Vaccine Funding . Vaccines are a proven, cost-effective investment for the health of all Canadians – an important factor in ensuring economic performance and labour market participation. Notwithstanding funding gaps persist translating into missed opportunities for better health outcomes for Canadians. A permanent mechanism of \$100 million annually for NACI (National Advisory Committee on Immunization) recommended vaccines is required, building upon past Federal leadership and commitment to preventative medicine. Advance Regulatory Modernization. Merck strongly supports the continued implementation of the Government's regulatory modernization agenda, particularly as it relates to therapeutic products. Canada's regulatory regime is a key enabler for the life sciences industry to commercialize our innovative products. The Food and Drugs Act and related regulations should facilitate the efficient and appropriate review of medicines and vaccines in reflection of global best practices.

#### 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?*

Merck is a leading member of Canada's wider life sciences "ecosystem" which includes a footprint of more than 40,000 highly-skilled, knowledge based jobs. This includes strong and growing linkages with academic and other research institutions, early-stage biotechnology firms, contract research organizations, foundations, and other sources of capital and medical ingenuity. Our industry is among the most research-intensive in Canada, and unique in its ability to connect innovative science with improving health outcomes. Our system-wide value and economic contribution is best demonstrated

when the outputs of our research are made available and used appropriately by those that can benefit from them. At the same time, the fundamental business model of our industry continues to evolve. Increasingly, firms such as Merck are looking outside of their organizations for investments and partnerships to develop and commercialize new innovative products. For example, Merck was proud to announce investments totalling \$40 million in new venture capital funds in Quebec alone over the past twelve months. These investments will directly support entrepreneurship and job creation in the high-value life sciences sector. Merck and other members of the domestic life sciences sector are working every day to win investments for Canada. Competition is fierce and growing as other jurisdictions develop and implement aggressive life sciences economic development strategies. Globally, Canada represents over 2% of industry sales but only attracts about 1% of available R&D investment dollars. To ensure Canada's fair share of those critical research mandates, there are a number of public policy opportunities to strengthen the business environment and support further investment and job creation. In particular, enhanced intellectual property, funding for NACI recommended vaccines, and a continuation of regulatory modernization (as discussed in our response to Question #1) will each make a tangible difference in Canada's competitiveness on the global stage. With respect to international trade, the Government should continue to aggressively pursue its global trade agenda, including completing a CETA agreement with Europe as soon as possible that includes enhanced intellectual property provisions. A similarly pro-innovation approach should be taken within the Trans-Pacific Partnership (TPP) and any other bilateral negotiations in the future.

### **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?*

In no area of government or public policy is the challenge of demographic change more evident than in healthcare. Canadians remain rightly proud of their healthcare system and its ability to meet medical needs and deliver high-quality individual and population health outcomes. Canadians also expect that all parts of the system work together to ensure that genuine sustainability is achieved: the highest-quality, accessible care with the most efficient use of resources. At the same time, pressures on health resources are likely to increase as our population ages. Innovative medicines and vaccines from Merck and other leading life science companies allow us to better manage and prevent chronic disease, including for the elderly who often suffer disproportionately from these conditions. For example, one in three Canadians will develop shingles in their lifetime, and 50% of cases occur in people aged 50 or older. For a number of diseases and conditions, there are effective solutions and technologies available. Investments that reduce the burden of illness on our healthcare system now and into the future should be prioritized in order to ensure the system's long-term stability and quality. There is a specific and urgent opportunity for Federal leadership in the area of support for vaccines. The value of vaccines has been widely established and central to public health policy around the world. These basic preventative interventions decrease the need for avoidable and more expensive forms of treatments (such as hospitalization, emergency room visits, and physician visits). In Canada, there are many effective but currently unfunded vaccines approved by Health Canada and endorsed by the National Advisory Committee on Immunization (NACI) for conditions including shingles, gastroenteritis and Male HPV-related diseases. Accordingly, Merck recommends that the Government make a strategic investment in improved health outcomes and reducing avoidable health costs by implementing a permanent mechanism to fund the timely adoption of vaccines recommended by NACI. Federal funding is required for this mechanism at the level of \$100 million annually.

#### **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 has had productivity challenges in recent years. As the OECD has pointed out, Canada's overall productivity has stagnated and actually fallen since 2002, while the United States has increased by 30% over the past twenty years. One key contributor to this gap has been poor performance at commercializing innovations in the marketplace in order to realize the benefits from their adoption. Valuable technologies are available but underused or unavailable, especially in the context of our health system. Workforce productivity is a key competitive driver and fundamental to Canada's economic performance and future prospects. Keeping our workforce and population healthy is an economic imperative if we are to improve Canada's productivity record. High-quality healthcare must be accessible when it's required. Avoidable illnesses and conditions compromise the ability of the system to deliver world-class healthcare in a sustainable manner over the long term. Illness – especially chronic disease – is a major drag on our economy, calling into the focus the need to invest in healthcare interventions that support a productive labour force able to make a full contribution to economic activity in Canada. This can also reduce the burden on other parts of the healthcare system, which will become increasingly important as the Canadian population ages (see our response to Question #3 in this regard). Vaccines are an investment in prevention and the avoidance of higher-cost treatments in the future. Previous Federal efforts in this area have been successful – but there is a current gap between the number of Health Canada approved and independently recommended vaccines and the financial infrastructure to ensure their use in our health system. Federal leadership in facilitating access to cost-effective immunizations would ensure that the Canadian workforce is healthier and able to work, produce, and invest. Merck is recommending a renewed Federal commitment to immunization support at the level of \$100 million annually, in the context of establishing a permanent public vaccine funding mechanism linked to the independent recommendations from the National Advisory Committee on Immunization (NACI).

#### **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?*

None.