

Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

By: Life Sciences Ontario

List of recommendations

Recommendation 1: Improve access to capital

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Recommendation 3: Streamline regulatory processes and reduce red tape

Introduction

On behalf of Life Sciences Ontario (LSO), thank you for the opportunity to participate in the 2020 federal pre-budget consultations.

LSO is a not-for-profit organization that represents and promotes Ontario's vibrant and diverse life sciences sector. Members of LSO include life sciences companies, entrepreneurs, members of academia, and service providers from many different areas of the life sciences ecosystem, including biopharmaceuticals, agriculture, agri-food, the bioeconomy, medical devices, animal health, environmental technologies, and more. Ultimately, our mission is to encourage commercial success throughout this diverse sector by collaborating with governments, academia, industry and other life sciences organizations in Ontario and across Canada.

Ontario is currently home to one of the largest life sciences clusters in North America. The sector supports a thriving research and innovation ecosystem, contributes \$58 billion to Ontario's GDP, and provides almost 200,000 direct and indirect jobs for Ontarians. About 1-in-13 jobs in Ontario are in life sciences or supported by its activity, and job wages in the sector are almost 25 per cent higher than the provincial average.¹

The life sciences sector has significant potential to grow our national and provincial economies, while tackling some of society's biggest challenges – from supporting the sustainability of our healthcare system to facilitating Canada's transition to a low carbon economy. But the sector is not achieving its full potential. Action is needed to address the current challenges facing the life sciences sector, while creating the right conditions for sustained growth.

To that end, LSO is pleased to submit the following recommendations aimed at accelerating the growth of Canada's life sciences sector.

Recommendation 1: Improve access to capital

Life sciences companies require access to capital throughout all stages of the business lifecycle, from early start-up through to commercialization. However, there is broad consensus that many companies, particularly small and medium sized enterprises, face major challenges accessing the capital they need to scale-up and successfully commercialize their innovations. Unfortunately, this is one of the major reasons why many promising companies with high growth potential decide to emigrate to other jurisdictions or seek acquisition by foreign enterprises. Canadian life sciences companies require better access to capital to give them an opportunity to grow and develop into

¹ Deloitte. *Accelerating Prosperity: The Life Sciences Sector in Ontario*. February 2019:
https://lifesciencesontario.ca/wp-content/uploads/2019/03/LSO-Economic-Study_Final-Report_28FEB2019.pdf

anchor firms for the domestic life sciences sector, thereby ensuring that Canadian jobs, innovations, and other socioeconomic benefits stay at home.

Potential policy options to ensure life sciences companies have better access to capital include:

- Expanding eligibility for the Scientific Research and Experimental Development Tax Incentives (SR&ED) credit – currently many Canadian-based companies are ineligible for SR&ED simply because they are listed on a public stock exchange
- Financial support to life sciences firms to fund R&D activities. This can be done through the development of a Small Business Innovation Research (SBIR) program, as used in the United States
- The creation of a dedicated envelope within the Venture Capital Catalyst Initiative (VCCI), available through the Business Development Bank of Canada (BDC), to support venture and private equity capital funds that are specifically focused on life sciences companies
- Reducing barriers and increasing incentives for Canadian life sciences companies to pursue dual listing on the TSX and U.S. stock exchanges
- The expansion of the federal flow-through shares regime to the life science and clean tech sectors
- Incentivize public systems to invest in innovations (the recently-announced CAN Health Network is a step in the right direction²)

Recommendation 2: Develop and attract talent

Access to talent is vital to the growth of the life sciences sector. However, many life sciences start-ups are struggling to find experienced executives with expertise in commercialization of products and other areas.³ Meanwhile, many young science graduates lack the training and experience needed to enter the private sector. In Ontario, this has created an 18% percent unemployment rate for these young and talented, yet inexperienced individuals.⁴ Our country needs to equip young graduates with the skills needed to thrive in the life sciences sector and integrate them into the workforce, while also attracting top executive level talent from home and abroad to be able to compete globally in the coming years.

Potential policy options to develop and attract talent include:

² <https://www.canada.ca/en/innovation-science-economic-development/news/2019/07/minister-ng-announces-investments-to-scale-up-canadian-companies.html>

³ Deloitte. Accelerating Prosperity: The Life Sciences Sector in Ontario. February 2019: https://lifesciencesontario.ca/wp-content/uploads/2019/03/LSO-Economic-Study_Final-Report_28FEB2019.pdf

⁴ Deloitte. Accelerating Prosperity: The Life Sciences Sector in Ontario. February 2019: https://lifesciencesontario.ca/wp-content/uploads/2019/03/LSO-Economic-Study_Final-Report_28FEB2019.pdf

- Financial support for mentorship programs for young graduates
- Expansion of wage subsidy programs such as “Career Focus”, administered by BioTalent Canada, for young scientists
- Reduce administrative barriers to hiring highly skilled foreign talent and strengthen system for foreign credential recognition

Recommendation 3: Streamline regulatory processes and reduce red tape

Government policies and regulations can have a major impact on the growth and competitiveness of the life sciences sector. Companies need a predictable, efficient, and stable policy environment that supports their business activities.

However, there is broad consensus that Canada’s regulatory environment is difficult to navigate, duplicative, costly, and presents significant hurdles for the rapid adoption of innovations. This is having a tangible impact on the international competitiveness of Canadian life sciences firms.

Recognizing that the life sciences represent an enormous economic opportunity for Canada, the federal government’s Health and Biosciences Economic Strategy Table (HBEST) has set its sights on doubling the size of the sector by 2025.⁵ But to realize this potential, we must align our public policies and avoid unnecessary regulation and red tape.

In this context, a pressing concern for the entire life sciences ecosystem, particularly in Ontario, is the federal government’s proposed changes to how the federal drug pricing watchdog, the Patented Medicine Prices Review Board (PMPRB), determines excessive prices for pharmaceuticals. This emerging piece of red tape threatens to undermine provincial and federal life sciences growth strategies while drying up industry investments and access to capital for the sector.

There is an opportunity to produce immediate gains for the sector by streamlining regulatory processes and reducing red tape. This should be pursued by ensuring compliance with the Cabinet Directive on Regulation⁶ and the Treasury Board Secretariat’s regulatory modernization initiative.⁷ The following specific recommendations should be considered:

- Reconsider proposed approach to reform of the Patented Medicine Prices Review Board (PMPRB)

⁵ <https://www.ic.gc.ca/eic/site/098.nsf/eng/00016.html>

⁶ <https://www.canada.ca/en/treasury-board-secretariat/services/federal-regulatory-management/guidelines-tools/cabinet-directive-regulation.html>

⁷ <https://www.canada.ca/en/treasury-board-secretariat/services/federal-regulatory-management.html>

- Ensure Canada has a strong and internationally-competitive intellectual property regime that supports and encourages the development and commercialization of innovative life sciences technologies
- Ensure Canada has timely regulatory approval processes that harmonize with other jurisdictions, where possible

Closing thoughts

LSO is encouraged by federal efforts to grow the life sciences, including through the abovementioned HBEST initiative. However, these bold ambitions need to be supported by more than just good intentions. Several concrete steps, many of which have been outlined above, need to be taken in order to support the growth and development of the Canadian life sciences sector.

We appreciate the opportunity to provide input regarding the 2020 federal budget and look forward to further opportunities to elaborate on these recommendations.

Sincerely,



Jason Field
President & CEO
Life Sciences Ontario