

August 3, 2017

House of Commons Standing Committee on Finance
Parliament of Canada
Ottawa, Ontario
K1A 0A9

RE: pre-Budget Consultation 2018

On behalf of the member companies of BIOTECanada, I am pleased to submit to the House of Commons Standing Committee on Finance the industry's perspectives and recommendations in the context of the 2018 Federal Budget consultations. The Canadian biotechnology industry greatly appreciates this opportunity to contribute to the Finance Committee's consultations for the Federal Budget.

BIOTECanada is the national trade association representing Canada's biotechnology industry. The 230 member companies of BIOTECanada are reflective of the broad and diverse Canadian biotech ecosystem which stretches across the country and includes: world-class universities and research institutes; SME's; entrepreneurs; and, large multinational players all of which are supported by a highly skilled and educated workforce. All told, the Canadian biotech ecosystem is an economic strength that positions Canada well to successfully compete in the emerging global bio-economy. With this as a backdrop, the industry's pre-Budget submission will focus on objective #2 of the Committee's consultation:

"What federal measures would help Canadian businesses to be more productive and competitive"?

The 2018 Budget and the fulfilment of the 2017 Innovation agenda arrive at an important time for Canada's biotechnology industry as it builds upon an established expertise for entrepreneurship and commercialization of biotechnology innovation in the health, agriculture and industrial sectors and capitalize on rapidly growing global demand for the solutions biotechnology provides. With the world's population rapidly approaching the nine billion-person mark there is a social imperative to develop solutions to address the challenges of feeding and caring for a growing population and a planet impacted by this rapid and significant population increase and its corresponding economic growth. In meeting this social imperative there is a significant economic opportunity for Canada's biotechnology sector and the solutions it represents. Importantly for Canada, the biotechnology sector is developing innovation that will support Canadian businesses of cornerstone industries such as mining, forestry, oil & gas, manufacturing, and agriculture which must all remain productive and competitive in the global bio-economy. The measures proposed in this letter will enhance Canada's productivity and competitiveness by investing in innovation, attracting investment, growing the Canadian economy and building companies with highly skilled jobs in biotechnology across all sectors of health, agriculture and manufacturing.

Canada's biotechnology sector is an important catalyst for the country's economic productivity and diversification. However, Canada is not alone in recognizing this burgeoning global opportunity. But other nations also recognize the economic value of biotechnology innovation and are moving aggressively to support their domestic biotech sectors. Canada is competing directly with these other nations to attract and retain companies, investment and talent. Accordingly, in the context of the Committee's study, 'competitiveness' is not only in relation to individual companies and the sector, but also refers to the need for Canada's public policy environment to be competitive to attract the investment and talent needed to allow companies to grow and remain in Canada.

Recognizing this challenge, the industry welcomed the development of the federal *Innovation Agenda* and the specific priorities identified as part of the 2017 budget as they both reflect a common goal, namely: building on Canadian innovation to create globally competitive, Canadian companies which will support high value jobs and drive additional innovation. The 2017 Federal Budget invested in important programs to develop and implement a national action plan to respond to the broad range of health risks caused by climate change. Budget 2017 provided Health Canada, the Public Health Agency of Canada and the Canadian Institutes of Health Research with \$47.0 million over five years, starting in 2017-18, to develop and implement this plan. The industry acknowledges Government support and the continued growth of Canada's innovative companies through the Business Development Bank of Canada \$400 million over three years for a new Venture Capital Catalyst Initiative that will increase late-stage venture capital available to Canadian. As companies emerge and seek more funding, Budget 2017 will invest up to \$950 million over five years in support of a small number of business-led innovation "superclusters" including a call for a health-bioscience supercluster that has the potential to accelerate economic growth. The 2018 federal Budget represents an important and timely opportunity to build on these initiatives and identify the areas where government and the industry can continue to work together to maintain Canada's leadership role and diversify its economy and be more competitive. While industry must take responsibility for its overall competitiveness, government does play a central role in establishing the 'hosting conditions' for industry success. The flow of investment capital into Canada is critical to support the growth of biotechnology in Canada. Importantly for Canada's biotechnology industry, it is government hosting conditions that often help attract the investment required to drive biotechnology research and development. As such, in the context of the 2018 Federal Budget, the industry recommends two over-arching objectives that will support the growth and increase the competitiveness of Canada's biotechnology sector, namely:

1. Continue Government Program Support for Biotechnology Commercialization

Moving innovation from the discovery to commercialization can often be one of the most difficult transitions for a biotechnology entrepreneur/company. Several existing government programs/measures (eg: Industrial Research Assistance Program [IRAP], the Sustainable Development & Technology Canada programs at Natural Resources, MITACS, Growing Forward programs, the Scientific Research and Experimental Development Tax Credit [SR&ED]) have proven instrumental in reducing the risks and supporting biotechnology innovation through this early stage commercialization phase. Correspondingly, the industry supports the maintenance of SR&ED and IRAP programs with expanded scope to further make these programs beneficial to life sciences and biotechnology.

i) Reinstate Statistics Canada Biotechnology Use and Development Survey

To establish Canada as a global leader in innovation and to assess its competitiveness, it is essential that there are tools to measure the sector's progress and growth. Until 2005, Statistics Canada led the Biotechnology Use and Development Survey (BUDS).

The survey provided information regarding the key characteristics of companies developing biotechnology based processes and products across the full spectrum of sectors including health, agriculture, bio-products and manufacturing, sustainable energy and resource management. The last year the survey was completed was 2005. The loss of this vital data and analysis has left Canada without the ability to track internationally competitive quantifiable data in measuring the bio-economy (importantly, this makes Canada unique amongst the G-7 and OECD countries). Correspondingly, Canada is not able to monitor the value chain milestones for transformative innovative biotechnology from laboratory research through to global market driven products and places Canada at an immediate disadvantage amongst international global bio-economy collaborators and competitors.

Prior to its cancellation, the survey was supported by the directly impacted federal departments of Industry Canada, Agriculture Canada, National Research Council, Canadian Institutes of Health Research, Natural Resources Canada, Department of Foreign Affairs and International Trade, Health Canada and Environment Canada. This interdepartmental support fostered policy and program alignment while enabling measurements for economic growth, regulatory effectiveness, program uptake, investment attraction, human resource capacity requirements and global competitiveness.

Recommendation #1

The government work with industry to reinstate the Statistics Canada Biotechnology Development and Use Survey (BUDS).

ii) Enhance Scientific Research & Experimental Development Program (SR&ED)

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. However, at present, only companies headquartered in Canada are eligible for SR&ED tax credits. The current program limitation related to location of ownership is a direct and immediate 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 spin-off benefits to the Canadian ecosystem of increased R&D activities undertaken by non-Canadian companies will greatly enhance innovation in Canada more broadly and make Canada more globally competitive.

Recommendation #2

The SR&ED program should be expanded to recognize research and development activities undertaken in Canada by non-Canadian headquartered companies and/or investors.

2. Supporting Canadian company expansion

A number of jurisdictions have established specific tax measures to support a company's early stage growth by providing reduced tax rates on revenues earned from commercial activity relating to a company's intellectual property. The 'Knowledge Development Box' (Ireland) or 'Innovation Box' (Netherlands) provide good models for Canada. A similar initiative would complement Canada's strong biotech research and development capacity and increase its competitiveness in attracting and retaining IP holdings by encouraging commercial development of the intellectual property in Canada. Such an initiative would significantly support early stage companies to establish and grow their companies in Canada.

Recommendation #3

Establish an Innovation Box to incentivize the growth of companies and commercialization of intellectual property in Canada.

Recognizing the important role the Committee plays in shaping the federal Budget, the industry commends the government and the Minister of Finance for consulting stakeholders during the lead-up to the 2017 Budget.

Once again, the industry greatly appreciates this opportunity to contribute to the 2016 Federal Budget development process and would greatly welcome and opportunity to contribute to the Committee's fall pre-Budget hearings.

Sincerely,



Andrew Casey
President and CEO