



Canada's Research-Based  
Pharmaceutical Companies



## ***STIMULUS FOR SCIENCE & TECHNOLOGY***

*National Consultation on Budget Actions to Protect Canada's Economy*

*SUBMISSION TO THE MINISTER OF FINANCE*

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**THE ASSOCIATION OF CANADIAN ACADEMIC HEALTH CARE ORGANIZATIONS (ACAHO)**

**THE ASSOCIATION OF FACULTIES OF MEDICINE OF CANADA (AFMC)**

**BIOTECANADA**

**CANADA'S RESEARCH BASED PHARMACEUTICAL COMPANIES (RX&D)**

**HEALTH CHARITIES COALITION OF CANADA (HCCC)**

**MEDEC – CANADA'S MEDICAL TECHNOLOGY COMPANIES**

**RESEARCH CANADA: AN ALLIANCE FOR HEALTH DISCOVERY**

## **BACKGROUND**

Canada has many of the right ingredients to succeed in the knowledge based economy including a highly skilled workforce and some of the best research hospitals, educational institutions and research centres in the world. By working in partnership, we can put these resources to work to make Canada a leading life sciences nation and a key player in the global economy.

Our seven leading national health organizations (see Appendix I) are united in the belief that the federal government can turn our economic challenges into opportunities by providing both stimulus and strategically leveraging what is in place and developing policies that will stimulate job growth and research and development (R&D) in the life sciences sector.

The following four strategic areas of focus identify high-level key initiatives that support Canada's R&D/S&T sector and thereby strengthen and stimulate Canada's productivity growth and the country's economic prosperity and competitiveness.

### **1. TAX POLICY**

While our public investments in health research continue to grow, it is becoming increasingly important – as noted in the federal government's Science & Technology Strategy – to accelerate the conversion of new knowledge into innovative products and services that will compete in an increasingly interdependent global economy.

However, to take full advantage of our public and private investments along the innovation continuum from basic discovery to commercialization, we must ensure that our policy instruments are effectively synchronized.

In the current context of considering options to stimulate economic activity and growth, the federal government should consider a series of tax policy measures that will accelerate private sector investment in the life sciences sector. These would include:

- Measures to strengthen the effectiveness of the Canadian Scientific Research and Experimental Development (SR&ED) tax credit, (e.g.,) by harmonizing the definition of research with that of the OECD, this program will encourage collaborative, interdisciplinary research that stands to enhance Canadian life sciences research and attract capital for research intensive biotech companies. The cost of this tax incentive is modest compared to the rewards that can be achieved.
- Allowing companies to apply for a one-time advance on accumulated non-capital losses in lieu of claiming other qualified research expenses.
- Implementing a capital gains exemption on all new direct investments made in 2009 and 2010 to those companies with Canadian headquarters investing in science and technology in Canada.
- Introducing measures to encourage all Canadians to continue to make charitable contributions in a time of economic hardship. These donations, valued at \$300 million annually, are crucial in supporting health research, innovation and commercialization across the country. The quick take up and increase in donations stimulated by permitting direct donations of stocks and securities has proven that such incentives can work quickly.

## 2. INFRASTRUCTURE

Over the past decade, Canada has made significant gains in building world-class research facilities – largely with the assistance of the Canada Foundation for Innovation (CFI), and now the Centres of Excellence for Commercialization and Research (CECR). State-of-the art infrastructure is critical as well in attracting and retaining outstanding researchers and students, and in training the next generation of health researchers.

Working closely with the country's Research Hospitals and Universities, researchers and clinician scientists in these facilities are discovering tomorrow's knowledge today, and are placing Canada at the forefront in many crucial areas of human health – such as research in cancer, cardiovascular disease, the neurosciences, mental health and nanotechnologies. This knowledge has not only produced a number of “world firsts”, but has led to the creation of a number of spin-off companies – with their health and wealth benefits.

As much as research infrastructure lays the foundation for groundbreaking research over the medium- to long-term, it creates a significant number of short- to medium-term jobs to build these world class institutions. At the same time, these institutions, which are closely aligned with hospitals and other health facilities, instill a deep sense of pride in their communities and promote social cohesion.

In a world where knowledge is the new currency, research infrastructure provides Canada with the tools to own the factors of production (i.e., land, labour, capital and entrepreneurship), bringing with it not only healthier Canadians, but more highly skilled jobs, growing revenues, swelling pools of capital and an enhanced public revenue stream. World-class research infrastructure also attracts private sector and foreign investments which strengthen our health and bioscience industries. At the same time, many exceptional and world class proposals remain on the drawing board. Therefore, our seven organizations encourage the federal government to consider:

- Continued investment in world-class, leading-edge research infrastructure.

## 3. PEOPLE

Canada is producing a highly-educated workforce that can fully capitalize on the creation and ownership and translation of knowledge. The future is in our highly-skilled citizens who have vision and entrepreneurial spirit that will create the knowledge and ultimately innovations leading to job creation and new economic prosperity.

Canada must ensure that health research is a *viable career option*. Research investments made through infrastructure support and research granting can only be leveraged fully if we have a healthy research community. To create and recruit dedicated researchers of international caliber that make a difference in translating research findings into the public domain, we need supportive research funding programs, particularly in the clinical setting, where investment in developing innovation is difficult to balance with the immediate challenge of providing health care. Investments aimed at enabling clinical researchers and career scientists to conduct world-class research in Canada will create and sustain productive and transformative research careers, and the application of discovery to improve the health of individuals and populations.

Canada needs a robust clinical and applied health research program that will provide competitive salary support awards for our most outstanding applied health researchers to bring their research to fruition. This support would be focused on highly competitive, yet targeted areas of strategic

priority for Canada, and would be delivered through our existing research funding agencies. They would target new, intermediate and senior researchers, clinician scientists, as well as doctoral students perusing research in health-related areas.

To create and recruit dedicated researchers of international caliber that make a difference in moving research findings into the public domain, we need to:

- Invest in programs designed to provide support to existing career scientists, and to support career development of the next generation of scientists.
- Create an innovative program to fund existing clinician-scientists—and support the training of the next generation.

In a knowledge-based economy, where businesses and jobs will cluster around human talent, highly-skilled people will be at the cutting edge of competitiveness. Let us ensure as we move forward that we train and retain the best and brightest minds for Canadian research and development.

#### **4. DISCOVERY RESEARCH**

Discovery research is the creation of fundamental knowledge that makes commercialization possible. In other words, discovery research feeds the commercialization pipeline. It also offers an important leverage for private sector investments in Canadian R&D. It is government's role to ensure that the ground is fertile for the *creation* and *commercialization* of new ideas by continuing to increase investments in discovery research and facilitating linkages between research and industry. The scope and scale of opportunities to be realized in Canada could generate several billions of dollars in economic and health benefits. It could also create unprecedented career opportunities in the health and life sciences.

As the government considers measures to stimulate economic activity it should consider:

- An overall increase in its investments in discovery research through the granting councils; and a \$100 million dollar increase in discovery research through the Canadian Institutes of Health Research (CIHR).

Using a multiplier effect, an increase of \$100 million dollars in discovery research through the Canadian Institutes of Health Research (CIHR) would generate \$230 million in economic benefits. Since 80 percent of research funding is used to hire highly qualified people, over 2,000 direct jobs and substantially more indirect jobs would be created with this investment. An immediate infusion of this amount is *public money well spent*: it will maximize expansion of existing laboratories throughout the country and minimize the ramping up of this kind of investment.

#### ***Role of the Private Sector***

There is no doubt that the federal government plays an important role in supporting and nurturing science and technology, however, the business enterprise sector continues to be a significant funder of health R&D in Canada. Since innovation is integral to economic progress and quality of life, the competition for global R&D investment dollars is increasingly fierce and economies that are slow to adopt competitive strategies that truly promote innovation are already being left behind.

When considering key measures to stimulate economic activity, it is important for the federal government to keep in mind that the business enterprise sector is more concerned about effective and efficient legislative, regulatory and tax regimes which are designed to *encourage* investment. Therefore, the federal government should consider providing:

- Funds to support Health Canada to expedite the review and access to new therapeutics, medical technologies, etc...

They are equally and appropriately concerned about how we treat the ownership of knowledge and the rewards that go to those who are the creators of innovations. Therefore the federal government should consider:

- Implementing a competitive intellectual property regime which is an essential precondition for retaining and growing a vibrant, dynamic and world-class Canadian innovative business enterprise sector.

## **APPENDIX I**

### **BACKGROUND ON NATIONAL HEALTH ORGANIZATIONS PRESENTING SUBMISSION TO THE MINISTER OF FINANCE**

*The Association of Canadian Academic Healthcare Organizations (ACAHO)* is the national voice of Teaching Hospitals, academic Regional Health Authorities (RHAs) and their Research Institutes. The Association represents more than 45 organizations, with members ranging from single hospitals to multi-site, multi-dimensional regional facilities (also known as "Research Hospitals").

Members of ACAHO are leaders of innovative and transformational organizations which have an overall responsibility for the following integrated activities:

- Timely access to a range of high-quality specialized and some primary health care services.
- Provision of all of the principal clinical teaching sites for Canada's health care professionals including partnerships with all 17 Faculties of Medicine and Faculties of Health Sciences.
- Infrastructure to support and conduct health research in its dimensions - medical discovery, knowledge creation, knowledge translation, and innovation and commercialization.

There are no other organizations in the health system that provide the unique combination of health services that our members do. We consider our institutions to be vital "hubs" in the health system - in addition to being a national resource.

The *Association of Faculties of Medicine of Canada (AFMC)* is the national voice of Canada's 17 faculties of medicine.

Our core campuses and teaching communities are comprised of more than 8,000 undergraduate medical students in training, more than 10,000 postgraduate trainees and almost 30,000 full and part-time faculty members. These figures reflect a growth of more than 25% in both the number of students and faculty since 2000.

As part of its mandate, AFMC is continually engaged in advocacy activities related to all facets of academic medicine.

AFMC Standing Committees provide guidance on continuing, postgraduate and undergraduate medical education as well as research and graduate studies. The AFMC Special Resource Committees and Resource Groups also address a variety of issues relevant to medical education.

AFMC manages a rigorous system of accreditation at the undergraduate levels for all 17 faculties of medicine in Canada. Accreditation of undergraduate medical education is undertaken jointly between the Committee on Accreditation of Canadian Medical Schools (CACMS) in Canada and the Liaison Committee on Medical Education (LCME) in the U.S.

AFMC, through the Committee on Accreditation of Continuing Medical Education (CACME), also accredits the offices of Continuing Medical Education at all Canadian faculties of medicine.

The Canadian Post-M.D. Education Registry (CAPER) is the active data-gathering and research arm of AFMC with an interest in the post-M.D. clinical education of physicians in Canada.

Since 2002, AFMC's Social Accountability Initiative (SAI) has acknowledged and promoted the role of faculties of medicine in Canada in ensuring access to and quality of the system in order to meet the health needs of the population by addressing issues of professionalism and engaging with other key stakeholders in the areas of public health, Aboriginal health and end-of-life palliative care issues and with young leaders to look at what the health care system will be like in the future. Through the SAI, AFMC is looking at interprofessional models of education and care delivery. AFMC recently received funding to conduct a project on the future of medical education in Canada.

Since 2005, the AFMC is the secretariat of the premier *Canadian Conference on Medical Education*. AFMC works together with the Canadian Association for Medical Education, College of Family Physicians of Canada, Medical Council of Canada and Royal College of Physicians and Surgeons of Canada to organize the conference. It has become an exceptional venue for those involved in medication education to come together to share their experiences and plan new ways to better meet the needs of their constituencies.

**BIOTEC**Canada is dedicated to the sustainable commercial development of biotechnology innovation in Canada. It is the national industry-funded association with over 230 members representing the broad spectrum of biotech constituents including emerging and established companies in the health, industrial, and agricultural sectors, as well as academic and research institutions and other related organizations.

**Canada's Research-Based Pharmaceutical Companies (Rx&D)** is the national association representing over 20,000 men and women who work for more than 50 research-based pharmaceutical companies in Canada. Canada's research-based pharmaceutical companies are a leading investor in private sector in science and technology-based R&D in Canada, particularly in a priority area identified by the government - health and life sciences. Our industry vision of partnering with the Federal Government to mobilize Canada's biopharmaceutical capacity can help Canada develop and establish itself as the world leader in biopharmaceuticals and develop a cornerstone of Canada's economy and health care system.

Established in 2000, the **Health Charities Coalition of Canada (HCCC)** represents national health charities of all sizes and is a collective authoritative voice in public policy and health research issues that affect the lives of Canadians. HCCC advocates to the federal government and its agencies with a united voice on public policy issues related to the charitable health sector. Member organizations bring together a wealth of knowledge, expertise, experience and resources, all of which improve the health of Canadians and strengthen Canada's health system.

National health charities play a number of key roles in the health system, including:

- We are co-funders with the government on some of the most important leading health research in the world.
- We provide leadership in lifestyle change for prevention, in early detection and in quality of life
- We are part of the vast network of services that care for people before they get to the hospital and after they leave.

**MEDEC – Canada's Medical Technology Companies** is the national association created by and for the Canadian medical technology industry. MEDEC is the primary source for advocacy, education and information on the medical technology industry for members, the greater healthcare community, industry partners and the general public. Our goals are to advance health outcomes for Canadians by accelerating access to medical technologies, and enhance the growth and vibrancy of the industry in Canada. We focus on ensuring access to proven, safe technology and new, innovative medical technology developed by our member companies.

***Research Canada*** is a not-for-profit, voluntary organization that is a unifying national voice for health research advocacy in Canada. Working for all Canadians, its membership is drawn from all sectors dedicated to increasing investments in health research, including the leading health research institutes, national health charities, hospitals, regional health authorities, universities, private industry and others.