Written Submission for the Pre-Budget Consultation in Advance of the Upcoming Federal Budget

By: Life Sciences Ontario

August 1, 2025

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Recommendation #1: Enhance the Biomanufacturing and Life Sciences Strategy to focus on areas of strength and opportunity, including cell and gene therapies, health data and artificial intelligence.

Recommendation #2: Enhance access to capital for biotech companies

Recommendation #3: Embed "value-based health" as part of government procurement programs.

Recommendation #4: Streamline access to health innovation

Recommendation #5: Adopt a whole-of-government approach to life sciences policy

Recommendation #6: Align defence spending with life sciences priorities

Dear Members of the Standing Committee on Finance,

On behalf of Life Sciences Ontario (LSO), thank you for the opportunity to provide input ahead of the 2025 budget.

LSO is a not-for-profit, fully member-funded organization dedicated to championing Ontario's dynamic life sciences sector. We collaborate with government, academia, industry, and other life sciences organizations to promote commercial success in the sector. Through advocacy and education, LSO seeks an aligned and inclusive voice on policy issues to support the commercial success and growth of Ontario's life sciences companies.

Ontario's life sciences sector is a major driver of both the provincial and national economy. It contributes $58.1 billion to Ontario's GDP and generates $8.8 billion in government revenue,[1] while supporting nearly 200,000 jobs across the province through direct, indirect, and induced employment.[2] As the engine of life sciences innovation in Canada, Ontario accounts for 51% of the country's life sciences research and development activity and is home to over half of all R&D personnel in the sector.[3] This leadership underscores Ontario's vital role in strengthening Canada's global competitiveness in life sciences.

As we look ahead, we recognize the complex challenges facing Canada in an increasingly uncertain global environment. In this context, it is more important than ever to reinforce our innovation capacity. The life sciences sector remains a cornerstone of Canada's economic resilience, contributing to high-quality jobs, scientific advancement, and long-term growth. To ensure Canada remains a competitive player on the global stage, we respectfully urge the FINA committee to recommend that the federal government prioritize strategic investments and policy measures that foster the long-term growth, stability, and success of the life sciences ecosystem.

To support these goals, we respectfully submit the following recommendations.

Recommendation #1:

Enhance the Biomanufacturing and Life Sciences Strategy (BLSS) to focus on areas of strength and opportunity, including cell and gene therapies, health data and artificial intelligence:

We recommend that the Federal Government enhance the Biomanufacturing and Life Sciences Strategy (BLSS) to more fully reflect areas of strategic strength and emerging opportunity, particularly in cell and gene therapies, health data, and artificial intelligence. While the BLSS has made significant progress in restoring Canada's biomanufacturing capacity, there is a growing need to broaden the scope of the strategy to support the next generation of life sciences innovation.

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[1] Deloitte report commissioned by Life Sciences Ontario: *Accelerating Prosperity: The Life Sciences Sector in Ontario*, Feb. 28, 2019
[2] Ibid.
[3] Ibid.

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Canada has world-class expertise in regenerative medicine and is recognized globally as a leader in artificial intelligence. These strengths position the country to become a hub for cutting-edge therapies and digital health solutions. To realize this potential, further investment is needed to scale biomanufacturing capacity specifically for cell and gene therapies, where commercial readiness and global demand are accelerating rapidly.

Equally important is the need to unlock access to health data in a secure, ethical, and interoperable way. Health data is the foundation of digital innovation in life sciences and essential to enabling AI-driven breakthroughs in diagnostics, treatment, and health system efficiency. While various national efforts are underway to modernize health data governance, these efforts must be closely aligned with the BLSS to ensure Canada remains competitive in a data-driven global economy.

Finally, artificial intelligence presents transformative opportunities across the life sciences value chain, from R&D to clinical care to manufacturing. To harness its full potential, Canada must pursue integrated policy and investment approaches that link AI development with access to high-quality health data and a strong biomanufacturing ecosystem. By explicitly incorporating these interconnected priorities into the next phase of the BLSS, the Federal Government can drive long-term innovation, economic resilience, and global leadership in the life sciences.

Recommendation #2:

Enhance access to capital for biotech companies

Canadian biotech and life sciences firms, especially SMEs, face chronic capital shortages, often forcing them to sell valuable intellectual property to foreign buyers. To support the growth of Canadian anchor firms and retain innovation and jobs domestically, we recommend a targeted capital strategy. This includes encouraging pension funds to invest a modest portion of their portfolios in Canadian life sciences companies, introducing flow-through shares for the sector (similar to mining), expanding and refining existing venture capital programs, and launching a national angel investor tax credit. These tools would collectively strengthen the capital pipeline and help scale Canadian life sciences enterprises.

Recommendation #3:

Embed "value-based health" as part of government procurement programs:

Canada's procurement policies tend to prioritize short-term cost containment over long-term value, which limits access to innovative health technologies developed domestically and discourages local innovation. This narrow focus means that Canadian companies often face significant hurdles bringing their products to market at home, even when these innovations could deliver long-term savings and improved health outcomes for Canadians.

We recommend that the federal government adopt a value-based approach to procurement that recognizes the broader economic and health system impacts of innovation. This should include establishing procurement set-asides for domestically developed health technologies and creating mechanisms to capture and recognize cross-departmental cost savings. For example, many innovations

generate savings for the healthcare system as a whole but are currently assessed within siloed budgets, resulting in missed opportunities for efficiency and value creation.

Taking this approach would align public purchasing with strategic economic and health goals, stimulate local innovation, and support a more self-sufficient healthcare ecosystem. It would also complement provincial initiatives like Ontario's "hard pivot" toward growing its life sciences sector, while signaling a federal commitment to advancing both health outcomes and economic growth.

Recommendation #4:

Streamline access to health innovation

While recent federal investments such as the Biomanufacturing and Life Sciences Strategy have laid important groundwork for building Canada's life sciences ecosystem, they are not enough. Canada's regulatory environment remains complex, duplicative, and costly, creating unnecessary hurdles that delay the approval and adoption of new innovations. Canadians wait on average about 2 years (approximately 730 days) from Health Canada approval to reimbursement through public drug plans, which is roughly double the timeline observed in peer OECD countries.[4] These delays limit timely access to new treatments and discourage global companies from prioritizing the Canadian market for launches.

To address these challenges, we recommend that the federal government streamline regulatory and evaluation processes to reduce duplication and enhance predictability. This should include a shift toward a full lifecycle approach that supports innovation from early-stage development through to market access and adoption. Additionally, policy must evolve beyond upstream funding alone to confront downstream obstacles related to access, investment readiness, and international competitiveness. By removing these barriers, Canada can accelerate the adoption of homegrown innovations, improve patient outcomes, and position itself as a global leader in health innovation.

Recommendation #5:

Adopt a whole-of-government approach to life sciences policy

Canada's pharmaceutical landscape is shaped by a range of disconnected initiatives across multiple federal ministries and agencies, including health, industry, procurement, and innovation. Too often, these efforts operate in silos, with limited coordination and no overarching framework to guide strategic decision-making. This fragmentation undermines Canada's ability to attract investment, retain intellectual property, and respond effectively to emerging health and economic challenges. As other jurisdictions move forward with integrated life sciences strategies, Canada risks falling behind.

We recommend that the federal government adopt a whole-of-government approach to pharmaceutical policy that aligns economic, health, and innovation goals. This requires greater coordination across departments and portfolios to ensure that government policies are working toward shared outcomes. Breaking down silos and aligning efforts across ministries will help create a cohesive policy environment

[4] The Conference Board of Canada: *Access and Time to Patient: Prescription Drugs in Canada*, Jan. 4, 2024

that improves predictability, strengthens investor confidence, and signals to global life sciences companies that Canada is a competitive and reliable destination for developing and launching new therapies.

Recommendation #6:

Align defence spending with life sciences priorities

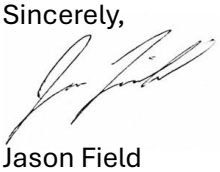
Canada's commitment to increase defence spending to 2% of GDP, and eventually 5% by 2035, represents a significant opportunity not only to enhance national security, but also to strengthen long-term economic resilience. This investment should be viewed not only through the lens of military readiness but also as an opportunity to grow the economy and strengthen national resilience.

In this context, we recommend that the federal government leverage a portion of increased defence spending to support strategic research and development in health-related fields. This includes investment in biomanufacturing, biosecurity, medical countermeasures, and other areas where health and defence priorities intersect. Allocating a defined percentage of defence R&D to health innovation would build dual-use capabilities, foster domestic expertise, and reduce reliance on foreign supply chains. This approach would not only bolster national preparedness, but also support the growth of Canada's life sciences sector as a pillar of economic and strategic strength.

Conclusion

Canada's life sciences sector is a vast, under-leveraged economic and innovation engine. Strategic federal action – through harmonized policy, access to capital, procurement reform, biomanufacturing and life sciences investments, and regulatory streamlining – can unlock immense socioeconomic value. With decisive leadership, Canada can solidify its role as a global leader in health innovation and deliver high-quality jobs and a resilient health system. Thank you for the opportunity to contribute to this important consultation.

Sincerely,



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