

The Hon. Dominic LeBlanc
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5



March 6, 2025

Pre-Budget Consultations in Advance of the 2025 Federal Budget

Dear Hon. Dominic LeBlanc,

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

About LSO

Life Sciences Ontario (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 contributes \$58.1 billion to the province's GDP and \$8.8 billion in government revenue contributions.¹**
- **Nearly 200,000 Ontarians are employed by the sector when considering direct, indirect, and induced contributions.²**
- **Ontario accounts for 51% of life sciences R&D in Canada and is home to 51% of all R&D life sciences personnel.³**

We are deeply concerned about the growing challenges facing our country, particularly as the trade war with the U.S. disrupts Canada's economy and threatens our global competitiveness. The life sciences sector is a cornerstone of innovation, job creation and economic growth, yet these external pressures jeopardize our ability to stay competitive. To strengthen Canada's economy and solidify its position a global leader in innovation, the Federal Government must prioritize measures that drive long-term growth in the life sciences sector.

¹ https://lifesciencesontario.ca/wp-content/uploads/2019/03/LSO-Economic-Study_Final-Report_28FEB2019.pdf

² Ibid

³ Ibid

Recommendation 1: Implement a “whole-of-government” approach to pharmaceutical policy that incorporates the value of investing in new medicines for better health outcomes, stronger and more resilient health systems and an innovative and productive economy.

Canada is at a critical juncture when it comes to its pharmaceutical policy. Canada lags behind other comparator countries in timely access to innovative medicines, with Canadians waiting more than twice as long to get access to these treatments.⁴ At the same time, economic instability, the erratic trade war with the U.S. and global supply chain disruptions put Canada at an increased risk. To address these issues, Canada’s regulatory environment must evolve to attract investment in pharmaceutical innovation and biomanufacturing, without deterring companies with burdensome regulations.

A coordinated, whole-of-government approach is needed to streamline initiatives like Health Canada’s regulatory modernization, Canada’s Drug Agency, and the Biomanufacturing and Life Sciences Strategy. By fostering a stable and predictable regulatory environment, Canada can enhance access to medicines, attract global investments, and strengthen its life sciences sector. This will ensure improved health outcomes and safeguard Canada’s economic future in a competitive global market.

Potential policy actions include:

- **Patented Medicines Review Board:** The reform of the PMPRB must prevent excessive pricing without disincentivizing the launch of new innovative medicines and research investments.
- **National Rare Disease Strategy:** Develop a national rare disease strategy to ensure equitable access to treatments, improve coordination of care, and foster innovation. A whole-of-government approach can address the current gaps in diagnosis and treatment, reduce healthcare disparities, and support research into new therapies.⁵
- **National Pharmacare:** The government can utilize a more flexible approach to national pharmacare that fills in the gaps for Canadians without coverage.

⁴ Skinner B., Canadian Health Policy Institute, 2023: <https://www.canadianhealthpolicy.com/product/new-cancer-drugs-in-canada-2012-to-2021-an-economic-analysis-of-cost-benefit-availability-and-public-insurance-coverage/> NOTE: This statistic relates to cancer medicines approved between 2016 and 2020 in at least one of the US, EU and/or Canada.

⁵ <https://www.raredisorders.ca/work/strategy-access>

Recommendation 2: Enhance access to capital for biotech companies, building on opportunities such as the mobilization of pension funds, adopting flow-through shares for life sciences companies, providing government matched funding for VC investments and implementing an angel tax credit program for investors.

Given the growing global economic instability and erratic trade war with the U.S., it is crucial for Canada to strengthen its biotech sector to ensure resilience and self-sufficiency. There is broad consensus that many companies, particularly small and medium sized enterprises (SMEs), face major challenges accessing the capital they need to scale-up and successfully commercialize their innovations.

The inability of SMEs to generate capital is one of the major reasons why many of our country's intellectual property assets are controlled by non-Canadians as companies seek global capital outside of Canada. We urgently need an environment in which companies have the capital resources available to them to achieve critical mass so they can develop into anchor firms for the domestic life sciences sector, thereby ensuring that Canadian jobs, innovations, and other socioeconomic benefits stay at home.⁶

Potential policy actions include:

- **Mobilize pension funds:** If the federal government encourages (or mandates) pension funds to invest a fraction of a percent of their portfolios in domestic life sciences firms, it would transform our innovation sector. The federal working group on pension investments led by Stephen Poloz should explore pension fund investment in domestic life sciences firms to provide homegrown intellectual property the opportunity to scale, and flourish in Canada.⁷
- **Flow-through shares:** This Canadian policy invention has proven to be an effective tool in the development of our natural resources. It's time to apply it to the development of our most valuable national resource – our brainpower!
- **Incentivize lead venture capital firms:** The government can incentivize VCs that are lead investors in Canadian innovation by deploying capital for Canada's high-potential innovative life science firms. The government has the opportunity

⁶ Business Development Bank of Canada, Canada's Venture Capital Landscape, May 2024 (figure 32): <https://www.bdc.ca/globalassets/digizuite/46081-report-canada-venture-capital-landscape-2024.pdf>

⁷ The Globe and Mail, Stephen Poloz will lead push to boost domestic investment by Canadian pension funds, April 2024: <https://www.theglobeandmail.com/business/article-stephen-poloz-will-lead-push-to-boost-domestic-investment-by-canadian/>

to take lessons from and build on the Venture Capital Action Plan⁸ as well as the Venture Capital Catalyst Initiative.⁹ This will leverage due diligence research already undertaken by firms and will provide government significant economic value for its investment, sustaining Canada's globally competitive venture capital ecosystem.

- **Angel tax credit program for investors:** This has the advantage of being revenue neutral and delivering very high impact.

Recommendation 3: Embed “value-based health” as part of government procurement programs.

Canada's auto industry has turned a corner with more than \$43 billion in auto supply chain investments in just over three years, but the same cannot yet be said for our fast-growing life sciences sector.¹⁰ Canadians buy cars, but they generally don't pay for drugs and other health technologies – these are typically funded by insurers and public health systems. Unfortunately, current procurement mechanisms prioritize cost containment over value and fail to incentivize innovation. As a result, Canada's procurement policies have become unwelcoming and, in some cases, hostile to health technology developers.

If we want to attract and sustain research and innovation in Canada, then we must support the products that are discovered, developed, and manufactured here. These contributions can be key components of a global value chain, and having this science in Ontario and across Canada is critical to our long-term success. Health innovation not only improves patient care, but it is a significant economic driver that can strengthen our global competitiveness. We must embed value-based procurement policies that encourage the development, adoption and commercialization of Canadian life sciences innovations.

We need to recognize that health is a key economic and wealth driver and incorporate that perspective into innovative procurement and public reimbursement policies. This includes faster adoption of health innovations that can benefit our health system and allow innovators to efficiently bring products to market sooner. Embedding value-based procurement programs in the life sciences sector will help Canada mitigate the risks of tariffs by fostering a more self-sufficient and innovation-driven healthcare ecosystem.

⁸ Venture Capital Action Plan: <https://ised-isde.canada.ca/site/sme-research-statistics/en/venture-capital-action-plan>

⁹ Venture Capital Catalyst Initiative: <https://ised-isde.canada.ca/site/sme-research-statistics/en/venture-capital-catalyst-initiative>

¹⁰ Invest Ontario: <https://www.investontario.ca/automotive>

The good news is that Ontario has committed to a “hard pivot” to grow the life sciences sector in this province. We are looking for a similar commitment by the federal government to invest in and help grow the sector at the national level, as well.

Potential policy options include:

- **Mandatory procurement/set-aside programs:** These are effective tools used in other countries such as the US and UK. Canada does this as part of the development of the entertainment industry and this has led to “Hollywood North”. A small percentage of health procurement set-aside for domestic content (including investments in research, development and manufacturing) will inherently recognize value by supporting local innovative health companies and investments. In this manner, our health budget can be directly leveraged as a driver of innovation and economic activity, while introducing innovative health solutions to patients. The GST/HST tax credit could be one mechanism to deliver such a program. Given the global nature of these innovations, it is critical to ensure that there is a role for multinational companies and research institutes to partner with Canadian innovators to access such programs.
- **Breaking down budget silos to recognize value:** Many health innovations are purchased from one siloed budget within the health system but the value of the innovation is recognized within another department’s budget. An example is the therapy for Hepatitis C which is purchased through the drug budget but leads to substantial offsetting cost-savings for liver surgeries. Canada needs a mechanism to recognize this type of value (i.e., cost savings) across ALL governments – federal and provincial – as part of a coordinated approach to value-based procurement.

Recommendation 4: 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.

The life sciences sector is one of Canada’s most innovative industries with significant potential to grow and contribute to our national economy. Over the years, we have built an enviable and globally recognized life sciences ecosystem – comprised of world-leading research institutes, clinics, hospitals, universities, start-ups, individual scientists, and multinationals. We now have an opportunity to leverage our strengths by focusing on and investing in areas where we excel.

These include:

- **Biomanufacturing for cell and gene therapies:** We have a burgeoning centre of excellence in regenerative medicine in Ontario. It needs substantial manufacturing infrastructure to kick-start it into a global centre of biomanufacturing that will serve as a magnet for further biomanufacturing investments.
- **Health Data:** Canada has a virtual “gold mine” of health data that needs to be made available to researchers and innovators as well as patients. We should continue the momentum of deploying digital health and analytic tools that have been created out of necessity during the COVID-19 pandemic. Government should also look at incentives for adoption of digital tools.
- **Artificial Intelligence:** Canada is a leader in this emerging and globally competitive sector but requires further investment along with the liberation of health data identified above. These must go hand-in-hand.

Recommendation 5: Remove barriers to growth in the sector and streamline review, evaluation, and funding processes to accelerate the adoption of innovative health products.

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 significantly delay the adoption of new innovations.

On average, it takes 1,476 days to add new medicine to a public drug formulary in Canada – more than twice as long as in Europe (647 days) and nearly three times longer than in the U.S. (530 days). Between 2018 and 2022, Health Canada approved only 166 medicines, while 214 were approved in Europe and 241 were approved in the US.¹¹ These delays have serious consequences, restricting patient access to life-saving treatments and making Canada a less attractive destination for life sciences investment. Moreover, in 2022, LSO commissioned research from IQVIA – a global leader in health data and analytics – to examine new medicine launches in Canada. The data showed that the number of new drugs launched in Canada (i.e., not just submitted to Health Canada for approval but actually sold in Canada) has declined steadily since 2016, whereas global launches increased on average. From 2017-2021, there were an

¹¹ Canadian Health Policy Institute, Waiting for new medicines in Canada, Europe, and the United States 2018-2023, April 2024: <https://www.canadianhealthpolicy.com/product/waiting-for-new-medicines-in-canada-europe-and-the-united-states-2018-2023/?brief=yes>

average of 34 annual new medicine launches globally but an average of just 20 per year in Canada.¹²

To reverse this trend, Canada must streamline regulatory approvals, enhance predictability, and adopt a comprehensive life cycle approach in the biopharmaceutical sector – not just focus on upstream funding. A more efficient and innovation-friendly environment will attract greater investment, accelerate patient access to cutting-edge therapies, and position Canada as a global leader in life sciences.

The life sciences sector represents Canada's greatest untapped economic opportunity, and with the ongoing trade war with the U.S., it is imperative now more than ever that we double down on our strengths. By unlocking the full potential of this sector, we can secure Canada's place in the global innovation economy, create high-quality jobs, and build a more resilient healthcare system. We appreciate the opportunity to contribute to the 2025 federal pre-budget and urge the government to take decisive action in supporting the growth of Canada's life sciences sector.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Field', is positioned above the typed name.

Jason Field
President and CEO
Life Sciences Ontario
C: (647) 821-3392
jason.field@lifesciencesontario.ca

¹² Life Sciences Ontario commissioned research from IQVIA (2022), Is Canada Losing its status as a priority medicine launch Country: https://lifesciencesontario.ca/is-canada-losing-its-status-as-a-priority-medicine-launch-country-preview_id6648preview_nonce0772186744previewtrue/