

Hon. Jim Flaherty
Minister of Finance
House of Commons
Building: Centre Block
Room 435-S
Ottawa, Ontario K1A 0A6



February 22, 2013

Re: Venture Capital Action Plan

Dear Minister Flaherty:

We are writing to you on behalf of Life Sciences Ontario (LSO), the voice of life sciences in Ontario, and BiopolisQuébec, the alliance of the leading life sciences regions in Québec, to provide our shared perspective on how the government of Canada can best apply the \$400M funding envelope that makes up the Venture Capital Action Plan.

The Québec-Ontario Life Sciences Corridor is an economic powerhouse. According to a study by PwC entitled "*Combining Strengths, Maximizing Impact – The Québec-Ontario Life Sciences Corridor*," the provinces of Québec and Ontario represent ~62% of Canada's total population and contribute ~57% to Canada's total GDP. More specifically, the Québec-Ontario Life Sciences Corridor represents more than 1,100 companies and generates more than \$17 billion in revenues annually.

The sector includes drug manufacturers, smaller firms developing biopharmaceutical products, universities, colleges, hospitals, research centres, contract research and manufacturing firms, agricultural organizations and clean tech entities. It also includes lawyers, accountants, engineering firms, IT firms and other consultants. The life sciences industry is one of the largest contributors to corporate R&D expenditures in Canada and provides thousands of jobs for our highly educated workforce. Further, a recent study by SECOR (KPMG) showed that every dollar invested in scientific services generates nearly 5 times that in GDP; more than 10 times the return on investments in mining/petrol.

Innovation is the key to solving the biggest challenges that our country faces; including: a strong and competitive economy, a sustainable public healthcare system, environmentally sustainable energy and fuels, safe and healthy food for all, and high quality jobs for our highly educated youth. The life sciences sector is unique in that it plays a significant role in all these areas. In fact, it would be easily arguable that no other industrial sector is more aligned with the priorities of the Canadian government. Yet despite some recent efforts by the federal and provincial governments, which we applaud, we continue to struggle in commercializing our world class science. If we want to fully capture the return on our significant investments in research, we need to direct more resources to the innovative private sector firms that are best equipped to convert this basic scientific research into marketable technologies and services.


Access to capital continues to be the biggest barrier to commercialization for early stage and emerging life sciences companies, regardless of their particular commercial focus, i.e., human health, environment, agricultural, industrial. There continues to be a high level of frustration felt by those faced with the extraordinarily difficult task of financing commercial development of promising life sciences technologies in Canada. Attracting life sciences investors is particularly difficult because these technologies require long-term, patient capital; there is no incentive (such as flow through shares in the resource sector) to offset the risk associated with commercializing life sciences technologies; and there is a high barrier of entry to the sector that requires investors with both technical expertise and sufficient capital. Currently, most Canadian life sciences companies have to look south of our border to raise sufficient capital; which often leads to the delocalization of Canadian technologies, companies and expertise. What is desperately needed is a Canadian fund that has sufficient capital to help support innovative life sciences companies as they grow and develop.

More recently, potential life sciences investors have also been lured away to the information technologies (IT) sector. With shorter return times, low barriers to entry and the many high profile success stories, the IT sector seems to be the current darling of the investment community. But what is not widely known is that the life sciences sector has performed remarkably well since the global economic downturn, often outperforming major indices in both Canada and the US. And according to venture capitalists Bruce Booth (Atlas Venture) and Bijan Salehizadeh (Highland Capital Partners) in their 2011 article in *Nature Biotechnology*, the life sciences sector has greatly outperformed the IT sector in the decade between 2000 and 2010.

In summary, LSO and BiopolisQuébec ask that when you administer the \$400M associated with the Venture Capital Action Plan, you consider investing in the sector that offers you the greatest socioeconomic return. We are confident that this sector is life sciences.

We look forward to hearing from you and will be available to meet for any follow up questions you may have. Please note that a version of this letter will be posted as a public document on our website.

Yours truly,


Jason Field
Executive Director, Life Sciences Ontario

Feb. 22, 2013

Date




Nathalie Ouimet
Interim CEO, Montréal InVivo

Feb. 22, 2013

Date





Carl Viel
President & CEO, Québec International

Feb. 22, 2013

Date




Pierre Bélanger
Director General, Sherbrooke Innopole

Feb. 25, 2013

Date



CC. Ted Menzies, Minister Of State (Finance)
Sam Duboc – Clifford Clark Visiting Economist