

## INVESTING IN TOMORROW: CANADIAN PRIORITIES FOR ECONOMIC GROWTH AND RECOVERY Report of the Standing Committee on Finance

### Summary of Health Research and Innovation Recommendations

In June 2020, the **House of Commons Standing Committee on Finance (FINA)** launched its pre-budget consultations in advance of the 2019 budget, inviting Canadians to share their ideas on measures the federal government could take to restart the Canadian economy as it recovers from the COVID-19 pandemic. Nearly 800 individuals and organizations responded by providing the Committee with their ideas, and the Committee heard from over 50 witnesses who appeared virtually throughout December 2020.

This report, titled *Investing in Tomorrow: Canadian Priorities for Economic Growth and Recovery*, presents the Committee's recommendations for the 2021 federal budget and a summary of the testimony it received.

The full report of the Standing Committee on Finance can be found [here](#).

The following is a summary of the issues and recommendations pertaining to the health research and health innovation ecosystem.

### Health Care and Research

Included among the Report's 145 recommendations—and notably, first in the list—were 16 recommendations related to health care and research. Unsurprisingly, this included two recommendations aimed at strengthening Canada's pandemic preparedness.

**Recommendation 2:** Address gaps in the ability to monitor and manage public health risks at Canada's ports of entry, as well as in the procurement of medical equipment (such as testing and contact tracing equipment), supplies, vaccinations and personal protective equipment through domestic production – where possible – or through more diversified international sourcing and stockpiling where needed.

**Recommendation 3:** Rejuvenate the National Emergency Strategic Stockpile and collaborate with provincial, territorial and regional authorities on asset management.

The Report also recommended the implementation of strategies to increase the resiliency and address inequalities of the health care system, along with several targeted recommendations to support specific areas of health, including mental health, long-term care, palliative care, access to primary and virtual care, and cardiovascular health.

**Recommendation 6:** Implement strategies that increase the resiliency and address inequalities of the health-care system to safeguard Canada’s social and economic security.

A good sign for our sector: four recommendations were made regarding investing in health research, and we were pleased to see three initiatives led by Research Canada’s Members recognized in these recommendations.

**Recommendation 13:** Support the establishment of the **Vaccine and Infectious Disease Organization (VIDO)** as a National Centre for Pandemic Research, and support VIDO’s role as a National Centre for Pandemic Research – expanding Canada’s capacity for research on emerging pathogens – by providing infrastructure support for animal housing and containments level 3 and 4 research at this centre.

**Recommendation 14:** Provide a one-time 25% increase in investment in the Canadian Institutes of Health Research (CIHR), the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council for research restart and recovery from the setback of the COVID-19 pandemic to research laboratories in Canada.

**Recommendation 15:** Honour next year’s centenary of the discovery of insulin through a renewed investment of \$15 million in the **JDRF-CIHR Partnership to Diabetes** to be matched by JDRF and its partners, as well as investing \$150 million in funding over seven years to support the implementation of a new nationwide diabetes strategy – based on the **Diabetes 360°** framework – which should facilitate the creation of Indigenous-specific strategic approaches led and owned by Indigenous groups.

**Recommendation 16:** Commit to paying 5% of the global funding needed for vaccine research, production and deployment. Earmark \$2 billion in the 2021 federal budget for that purpose.

The Report also made two recommendations aimed at improving and protecting access to medicines.

**Recommendation 11:** Move forward on its commitment to implement an equitable, national and universal pharmacare program, beginning with the development of a preliminary common formulary of essential medicines by January 2022 that would be comprehensively expanded by 2027.

**Recommendation 12:** Ensure that the Patented Medicine Prices Review Board changes do not create barriers for new medicines for Canadians.

## Indigenous Peoples

The Report made 12 recommendations aimed at supporting Indigenous peoples, communities and businesses, with two focused specifically on health care.

**Recommendation 34:** Invest \$50 million to implement the Truth and Reconciliation Commission's Call to Action No. 23 by increasing recruitment and retention of Indigenous health professionals and providing cultural competency training for health-care professionals.

**Recommendation 35:** Provide funding for Indigenous-led mental health care to continue closing gaps in health outcomes between Indigenous and non-Indigenous communities.

## Charities and Non-Profit Organizations

Three recommendations focused on charities and non-profit organizations were made in the Report, including the establishment of bridge operating grants and a review of existing tax measures to encourage individual and corporate donations to health charities specifically.

**Recommendation 56:** Eliminate the capital gains tax on donations of shares in private corporations or real property to charities

**Recommendation 57:** Establish a fund to provide bridge operating grants for up to 12 months to essential community service organizations. Funding should be flexible to allow organizations to maintain operations and respond to emerging needs. This support should be made available for a three to six-month period as organizations recover from the impacts of COVID-19. Applications should outline need or financial duress, and what other programs have been accessed (or are unavailable), such as wage and rent relief. Support could be differentiated by subsector or relevant need – as immediate humanitarian support may be gauged differently than longer-term institutional goals that can be addressed at a later time.

**Recommendation 58:** Review existing tax measures available to both individual and corporate donors and make appropriate amendments to encourage giving to, and supporting the recovery of, the health charities sector.

## Innovation, Research and Development

Several recommendations were made with the goal of incentivizing R&D in Canada and ensuring that Canada is a global leader in innovation.

**Recommendation 75:** Reform the Scientific Research and Experimental Development (SR&ED) Program to help foster R&D in Canada by:

- increasing the base rate from 20% to 25% while introducing new complementarity measures similar to the tax incentive system for patents;

- eliminating or substantially raising the upper limit for taxable capital phase-out range from the current \$50 million;
- reinstating capital expenditure eligibility that was phased out beginning 1 January 2013;
- eliminating the 20% disallowance on arm's-length consulting payments;
- updating definitions for eligible costs and R&D; and
- reducing the amount of documentation to be completed for businesses filing SR&ED claims.

**Recommendation 76:** Extend and enhance R&D incentive programs such as the Accelerated Capital Cost Allowance program and the Innovation Assistance Program while providing direct funding for R&D to universities, hospitals, laboratories and other research facilities.

**Recommendation 77:** Recapitalize the Strategic Innovation Fund to support projects that will bring transformational employers to Canada and create jobs in Canadian communities.

**Recommendation 78:** Lead a national innovation agenda with significant new investments in research and knowledge mobilization, with an emphasis on helping domestic companies grow and compete globally.

**Recommendation 79:** Financially support the establishment of a quantum computing research institute in the Toronto area, similar to the Vector Institute, to build upon the world-class cluster of quantum research expertise in the city.

**Recommendation 80:** Establish a dedicated funding program to support early-mover proponents in the Small Modular Reactor (SMR) sector as part of its SMR Action Plan.

## Sector-Specific Initiatives

Two recommendations were made under the auspices of sector-specific initiatives which referred specifically to the manufacturing of pharmaceuticals and personal protective equipment.

**Recommendation 110:** Develop industrial strategies to expand critical domestic manufacturing capacity and supply chain infrastructure for Canadian manufacturing, auto, aerospace, shipbuilding, pharmaceuticals and PPE production.

**Recommendation 111:** Develop comprehensive industrial strategies and make investments designed both to strengthen core infrastructure that supports business incubation activities and the expansion of critical domestic manufacturing capacity, as well as to ensure an adequate quality and quantity of supply chain infrastructure. In developing these strategies and making these investments, the Government's focus should include: auto, rail, clean water, aerospace, shipbuilding, construction materials, pharmaceuticals and personal protective equipment, as well as such service and creative sectors as telecommunications and media. Finally, while taking these actions, the Government should accelerate the delivery of funding to core projects that it approved for support prior to the COVID-19 pandemic.

## Federal Finances

One recommendation related to federal finances was included that specifically encouraged increased investments in R&D.

**Recommendation 125:** Ensure that Canada's R&D efforts are sufficient to support a resilient, competitive and knowledge-based economy and society by bringing research and development investments to 2% of GDP by 2026.