

VIA ONLINE SUBMISSION

August 5, 2016

Mr. Wayne Easter
Chair, Standing Committee on Finance
House of Commons
Ottawa, Ontario K1A 0A6

Subject: Growth Opportunities with BioVectra in Nova Scotia

I am writing on behalf of BioVectra, a global, national and regional leader in biopharmaceutical development and manufacturing, headquartered in Prince Edward Island.

Thank you for the opportunity to input on the federal government's 2017 pre-budget consultation. This letter is focused on an opportunity for federal investment in our latest facility, in Windsor, Nova Scotia, which gives BioVectra a broader geographic presence and will help create a true Canadian biotechnology cluster. We are looking for federal support in order to complete and operationalize this facility in Nova Scotia, in a way that creates jobs, diversifies the local, regional and national economy, and increases the export of Canadian innovations.

We want to continue to rapidly grow throughout the region, so that we can help drive the agenda for diversification and the innovative, knowledge-based economy in Atlantic Canada.

Executive Summary and Recommendations

In order to achieve the federal government's objective to diversify the economy in Atlantic Canada and promote continued growth of the knowledge-based economy, specifically in bioscience research, we recommend that the government invest in the following strategic business development opportunities.

- 1) **Invest in innovation:** Prioritize the government innovation agenda and investments in the knowledge-based economy, based on the Atlantic Growth Strategy platform. By applying cutting-edge processes, such as fermentation technology, BioVectra is a global leader in contract research, development and manufacturing. Headquartered in Prince Edward Island, BioVectra is already the premier life sciences company in a growing Atlantic Canada biosciences cluster. We want to expand to other parts of the country, and this will involve a number of activities that are aligned with and in fact drive the government's innovation agenda. Specifically, we have plans to: scale up our operations, facilitate technology transfer, commercialize research and generate and support new breakthrough ideas and manufacturing processes in bioscience. The Atlantic Growth Strategy Platform is also perfectly aligned with the mandate of the federal Innovation Minister, who has been tasked with making strategic investments that build on competitive regional advantages, and is currently consulting on a new innovation strategy for Canada. For

more information on the Platform, please visit: <http://www.acoa-apeco.gc.ca/ags-sca/Eng/atlantic-growth.html>.

- 2) **Invest in job creation:** The federal government should invest directly in BioVectra, a high-impact and innovative company. We believe that if the government of Canada were to invest \$10 million in our new Nova Scotia operation under one of its funding streams, BioVectra would be able to complete and activate the new facility. This would include an initial unit of 30 employees, growing to up to 70 people at estimated peak utilization of the R&D and process development capacity at the site in the next few years. Direct employment at our facility has the potential to contribute hundreds of other spin-off jobs and a huge economic boost to Nova Scotia, which has a highly educated workforce and a drive to diversify the local economy and reduce unemployment.
- 3) **Invest in people and skills:** For both the commercial fermentation and laboratory process development operations in the Windsor facility, BioVectra will require a unique talent pool of highly skilled microbiologists, biochemists and biochemical engineers, as well as skilled operations staff. BioVectra is facing a startup period where significant investment in talent acquisition and training will need to be made. Financial support and talent access assistance through government programs would aid the acceleration of our plans. BioVectra has already been awarded the Nova Scotia Business Initiative labour rebate of 7% on labour costs for the first several years of operating, and has met its obligations to date. BioVectra is now looking for opportunities in Budget 2017 for federal contributions, which would increase the chances of success for the new facility in Windsor, Nova Scotia.

Overview of the Windsor, Nova Scotia Opportunity

Our latest facility in Windsor, Nova Scotia was acquired in 2014, as part of BioVectra's plan to duplicate its existing commercial fermentation capacity in Charlottetown, Prince Edward Island, where we are headquartered in Canada. Our existing clients requested that BioVectra offer risk mitigation by having a second, independent facility capable of delivering commercial products, in order for BioVectra to be a secure, long term, primary supplier of a variety of biopharmaceutical products.

BioVectra has become a global leader among a small number of manufacturers that use a fermentation process to produce important categories of pharmaceuticals that are high growth, high value, and highly efficacious for treating very serious health problems. Most of these are considered to be biologics, or are components of very advanced biologic drugs.

BioVectra's decision to expand manufacturing capacity is based on numerous strategic advantages that Canada has, compared to other global players, including lower-wage but high-growth countries such as India and China. Canada can compete on all of the relevant criteria for making these expansion decisions, including costs of operations, labour availability, ease of doing business, access to a highly skilled workforce and scientists, and a relatively stable economic climate. At the same time, for the Nova Scotia project, governmental support will be a critical determining factor on whether and when to complete the facility and move it towards operational capacity.

To date, BioVectra has invested already \$20 million in the retrofit of the facility to prepare for the installation of large scale fermentation capacity, and the retrofit project is 70% complete. Requirements

for capital to complete the facility to an operating state are estimated in the \$10 million range. Ramp-up and expansion of the facility requires this significant injection of funds to bring the facility up to operational capacity. With secured funding in place, BioVectra would be able to attract more clients and, consequently, enable us to continue to expand and grow across Canada.

The Windsor facility also features early-stage laboratory space for the development and production of biologics. BioVectra is also actively in discussions with groups such as the National Research Council, Dalhousie University, and BioNova, regarding early-stage companies that might benefit from such process development capability in this region. This site could serve as a biomanufacturing innovation incubator for Canada.

In fact, this opportunity and BioVectra have been profiled in *BioProcess International*, *BIOTECanada's Insights magazine* and *Pharma's Almanac*, which further elaborate on our approach to biologics manufacturing, capital investments and securing long-term clients (see: <http://bit.ly/2aTJPBM>, <http://bit.ly/2b893Kz> and <http://bit.ly/2aWjdBr>, respectively).

Once again, thank you for considering our submission and we hope to have an opportunity to present to you, in person, at one of your upcoming consultations in Atlantic Canada.

Sincerely,



Oliver Technow
President, BioVectra Inc., a Mallinckrodt Pharmaceuticals company

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About BioVectra

BioVectra is a contract development and manufacturing organization (CDMO), serving pharmaceutical companies worldwide. Our current active operations are centered in Charlottetown, Prince Edward Island, with three R&D/manufacturing facilities in total, employing almost 300 people. BioVectra is one of Canada's biggest biopharmaceutical success stories and has experienced rapid growth since 2010, averaging over 15% per year.

The playing field in global contract manufacturing is highly competitive, and highly fragmented according to the scale and stage, type of therapeutic product, and level of finishing each company can perform. BioVectra has an advantageous bandwidth and opportunity for growth and has become a valued partner in clinical development, manufacturing and supply chain solutions, with capacity to ramp up production on specific commercial products. This track record of long term partnership and capacity bandwidth, is very appealing to North American based drug development companies as the number of CDMO's with willingness to customize to client needs is becoming fewer and fewer, especially in North America itself. We have the ability to compete with any country, including those with lower wages, because of our innovative approach, high productivity, diverse skills, and the willingness to take on some of the most complex life sciences manufacturing projects.

BioVectra is a wholly-owned subsidiary of Mallinckrodt Pharmaceuticals, originally acquired by the company as part of a supply chain for one of its key products. Leadership at BioVectra has had opportunity to present a long term strategy for its business which envisions continued investment in R&D, broadening of its work with a number of key pharmaceutical industry partners for multiple products, and leveraging its position as a Canadian-based CDMO with a strategic role in the pharmaceutical value chain. BioVectra projects strong growth in both its contract and co-development components of business, to support and partner on drug development through its technical skills and technology, and retain long-term supply relationships that continue to attract investment into the Canadian manufacturing infrastructure. In its five-year horizon, BioVectra sees the opportunity to grow by a factor of 2-3 times its present size with the offering and positioning it has built to date.