

August 3, 2016

Members of the Standing Committee on Finance
Government of Canada
House of Commons
Ottawa, Ontario
Canada K1A 0A6

Re: Pre-Budget Consultations in Advance of the 2017 Budget

Dear Members of the Standing Committee on Finance:

As a leading pharmaceutical manufacturer with deep roots in the Canadian economy, Valeant Canada was delighted to have had an opportunity to review your June 2016 call for collaborative action, titled "Canada: A Nation of Innovators." We are very pleased indeed to see the new government has signaled that innovation will be a core theme moving forward: something that was a key plank in the Prime Minister's election platform and builds on language and themes captured in the Speech from the Throne, and Budget 2016.

In the spirit of collaboration, Valeant Canada appreciates the opportunity to provide comment on each of the paper's six core themes. We trust you will find our comments useful as this initiative moves forward. Please find same attached as Appendix A.

I was pleased to have the opportunity to provide a brief overview of Valeant Canada and our shared focus on further strengthening the Canadian economy when we met at the BIO2016 convention in San Francisco. We are proud of our Canadian presence: we have global head offices, a dermatology center of excellence and manufacturing based in Laval, Quebec; administrative offices and a distribution facility in Vaughan, Ontario; a significant manufacturing facility in Steinbach, Manitoba with approximately 1000 employees in these facilities and across the country. Since 2012, Valeant Canada has contributed \$1.4B to the Canadian economy including supporting direct and indirect jobs in the pharmaceutical industry and the health care ecosystem. Annually, we export over \$2.3B in products, an area we are focused on growing with recently announced manufacturing infrastructure investments of \$28.5M for our Laval and Steinbach manufacturing facilities.

We are looking to the innovation agenda to help boost this growth with economic and health care outcome value benefitting Canadians.

Valeant Canada has enjoyed a positive relationship with your ministry and looks forward to being a meaningful contributor and partner with your ministry in the ongoing development of this innovation agenda.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jacques Dessureault', with a large, sweeping flourish extending to the right.

Jacques Dessureault
President & General Manager
Valeant Canada

Valeant Canada

Response to “Canada: A Nation of Innovators”

August 3, 2016

Preface

In any push for Canada to become a global center for innovation, the Government of Canada, in collaboration with industry, must continue to minimize regulatory barriers and impediments. This is crucial to business productivity and ensuring innovation moves from research to discovery to patent to commercialization. This applies to all Canadian-based industries, not just pharmaceutical companies. Having said this, the Canadian pharmaceutical industry is particularly overburdened with regulatory and other red-tape processes, acting to suppress investment in innovation. This trend must be reversed in order for Canada to become one of the top 5 countries for innovation excellence. In addition, the government of Canada must be creative in recognizing business factors that lead to commercially-viable research and development and ultimately to good paying jobs that are sometimes neglected in a focus on pure research.

Valeant has an important Canadian presence: we have global head offices, a dermatology R&D center of excellence and manufacturing based in Laval, Quebec; administrative offices and a distribution facility in Vaughan, Ontario; a significant manufacturing facility in Steinbach, Manitoba and approximately 1000 employees in these facilities and across the country.

Since 2012, Valeant Canada has contributed \$1.4B to the Canadian economy including supporting direct and indirect jobs in the pharmaceutical industry and the health care ecosystem, including trucking and financial sectors. Annually, we export over \$2.3B in products, an area we are focused on growing with recently announced manufacturing infrastructure investments of \$28.5M for our Laval and Steinbach manufacturing facilities. Valeant works on the front lines of the innovation economy. Below are some suggestions for how to attract more of these global mandates in support of the government’s objectives.

1. Entrepreneurial and Creative Society—*Being innovative becomes a core Canadian value*

It starts with education and talent. Science, technology, engineering, math (STEM) and financial literacy should be a priority in high schools alongside business, social science and the arts, fostering home-grown talent for an innovative society. Canada should also welcome highly skilled workers, researchers and entrepreneurs in higher numbers and at a faster rate than in other OECD countries. Immigration is one specific area where red-tape can be reduced. As a third part of this strategy, Canada should make every effort to encourage its Master and PhD graduates to stay home and weave themselves into the innovation fabric. It is apparent that Canada is losing otherwise bright and Canadian educated experts to other OECD countries and this trend can be reversed.

Valeant Canada is part of Valeant Pharmaceuticals International, an organization that encourages the entrepreneurial mindset and the talent development with its affiliates around the world. As an example, Valeant Canada recently completed the technology transfer of more than 160 products to its Canadian manufacturing centers, creating and maintaining 750 high quality manufacturing jobs locally. In order to attract those mandates, it must compete against other countries where Valeant has manufacturing

operations and against Contract Manufacturing Organizations (CMO) around the world. As a result, Valeant is able to bring local manufacturing to Canada, something increasingly rare among pharmaceutical companies. In order to repeat this success in the future, Valeant recommends government work with companies to support early decisions on how to win global manufacturing mandates.

2. Global Science Excellence—*Canadian science capabilities and research infrastructure become among the best in the world*

For Canada to achieve this objective, consideration should be given to exploring niche areas of innovation not currently captured and exploited by other OECD countries. Canada has some of the best research universities in the world. This work, largely funded through government grants, helps create critical innovative advances especially in the area of drug discovery. The focus should then be on keeping that talent in Canada and commercializing those advances at home.

3. World-Leading Clusters and Partnerships—*super clusters that are the destination of choice for ideas, talent and capital*

Canada can only be a destination of choice if it streamlines regulatory and other processes. Too much regulation and red-tape is a direct bottom-line cost to those trying to innovate and commercialize product. To provide examples that illustrate the burdensome of the process that postpone access and commercialization of innovative products, the Health Canada review time is currently one of the longest in all OECD countries, at an average of 355 days. Following this process, various Healthcare Technology Assessment bodies are reviewing the product submission, in order to recommend if the product should be publically funded. Then, each jurisdiction will consult to make a decision on the same question. At the time where the product can be available to positively impact the health of Canadians, there is in average, only 8 years of patent protection left on the product, over a 20 years patent life.

Talent, ideas, and most certainly capital will go off-shore until the regulatory burden in Canada has been minimized. Improving the current intellectual property configuration – as is happening under the Canada and European Union (EU) Comprehensive Economic and Trade Agreement – is a great way to start and attract more innovation and partnerships. Reducing regulatory approval timelines such as the Health Canada and the various health technology assessment reviews would seem like a logical next step to make Canada a leading destination for investments and partnerships.

4. Grow Companies and Accelerate Clean Growth—*Canadian companies compete to win and create jobs*

Canada can better support the scale-up of innovative companies whether billion dollar multinationals or million dollar next generation players by making the business environment efficient. This can be done by ensuring minimal regulatory hurdles and shedding other out-of-date policies that are misaligned with other OECD countries with which Canada competes for talent and capital.

Adopting clean-technologies can be best achieved through clearer government policies, allowing business to invest in the latest, most efficient technologies. From a market-based approach, the Canadian government could support industries with certain tax-credits or other monetary incentives to convert or augment environmental systems in a timely fashion. Overall, a collaborative approach is recommended.

5. Compete in a Digital World—*Canada is at the forefront of economy-wide digital development and adoption*

The future of digital infrastructure is going to be based on allowing private industry to take on the lion's share of the work in a real competitive environment. Canada's current regulatory environment permits only two or three IT players in the market gets in the way of necessary expansion of infrastructure. A truly competitive model is needed. At present, there is little to no incentive for other capable players to enter the market and compete. The net result for Canadian tax-payers is high prices and low to medium availability of service relative to markets such as the UK and the US. One significant and glaring IT/digital deficit in Canada is rural coverage for the transfer of high speed data and information.

6. Ease of Doing Business—*Canada is the location of choice for investment and growth*

The regulatory environment is key. Regulations can further be designed and used to drive innovation through immigration, export policies and, for the pharmaceutical sector, through Health Canada regulations under the Patent Medicine Pricing Review Board (PMPRB). Canada must install and administer simple and fair regulations that are competitive with the same OECD countries where it wants to draw away talent and capital to fuel innovation. From a pharmaceutical industry perspective, we appreciate the broad consultation being undertaken with several other federal departments. As stated earlier, Valeant has the largest Canadian pharmaceutical manufacturing capacity in Quebec and Manitoba exporting in excess of \$2.3B per year and is supportive of work on export and immigration policies. We would strongly recommend that innovation factors be considered in the PMPRB approach to our sector given its current re-assessment of its original mandate to protect Canadian tax payers from excessive pricing. To date, and in our view, the PMPRB has done its job very well. However, there are voices that are pushing to suppress pricing further through certain price calculation policies that are outside of regulatory and House of Commons purview. Suppressing prices based on cost-containment goals positions Canada as focused on commodities instead of innovations can undermine the government's larger Innovation Agenda mandate for the pharmaceutical sector, a key cluster in Canada's strategy. Valeant respectfully suggests that the approach taken by the current PMPRB review be examined for potential unintended innovation consequences.
