

Regional Initiatives

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▼ Canada's biotech conundrum

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Canadian citizens, the government and its entrepreneurs are all keen on biotech. Startup incentives, government supports and talent are not hard to find in Canada, but the message isn't getting out. Boosters think they know why and have a solution.

Canada's leading biotechs, including its most promising upstarts, went to this year's BIO CEO & Investor Conference in New York City with two objectives. The first objective was to prospect for partners and investors. The second task, unofficially, was to convince the world that contrary to popular beliefs, Canada is open for biotech business.

By all accounts the Canadian biotechs presented themselves well at BIO CEO. But then they usually do. Less clear is whether the positive reviews overheard in the hallway, or the business meetings and business card exchanges that followed, will achieve either objective.

Understanding why Canadian biotech continues to struggle for respect is something that has frustrated boosters there for years. Canadian biotech leaders and their backers in government say that the missing pieces are now more clear than ever.

With 450 biotech companies, Canada is second only to the US in terms of sheer number of biotech firms. Still, Canada's share of global biotech product sales is only 4% compared to 77% for the US, according to Canadian Biotech News.

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This stunning disparity is not a side effect of lax government support. Compared to other countries trying to boost and support biotech startup activity, Canada's government programs and tax incentives are well conceived. What's more, R&D costs in Canada are, on average, about 55% lower than those in the US and much of Europe. Canada would seem to have much to offer (see [Box 1](#)).

In the 2004 KPMG Competitive Alternatives International business cost study Canada ranked as the lowest cost G-7 country in which to do business—for the fifth year in a row. That same study ranked Canada as the most competitive country in 9 of 17 sectors including biomedical research.

In 2000, Canada launched an eight-year investment initiative to keep the country competitive. Biotech startups are one of the focus issues. To help ensure that the initiative bears fruit, the government turned to the talent and resources of the Montreal-based Business Development Bank of Canada, and Genome Canada, the Canadian Institutes of Health Research, the Canadian Foundation for Innovation, and the National Research Council of Canada, all of which are based in Ottawa, Ontario. In other words, unlike in America and Europe, Canadian biotechs do not need to convince government or the citizenry that biotech is important.

"We have a gold mine waiting to be excavated," says Peter Brenders, head of Ottawa-based BIOTECCanada.

Gold mining, like biotech, is a risky proposition, however, and outside



Couvrete Photography

Northern exposure: Ken Lawless, President and CEO of the Ottawa Life Sciences Council

investors and partners tend to look to the more established Canadian biotechs and pharma firms like YM Biosciences and Angiotech, if they look at Canada at all.

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What seems to keep prospectors off balance is fear that Canadian biotechs aren’t quite ready for prime time. It doesn’t help that there is a perception that Canada lacks, in particular, the capital and experienced managers that young biotechs need to become viable and then self-sustaining.

"To be fair, we're very good at getting biotech companies off the ground," explains Ken Lawless, executive director of the Ottawa Life Sciences Council. "The issue is more how we grow them into global companies."

Brenders echoes his concerns. "You need to make sure you have the human resources and the highly qualified personnel to take that company to the next stage."

It is certainly true that Canada has made strides forward in recent years and has more success stories than most realize. But like most countries outside of the US, Canada lacks the deep pool of capital and management that startups need to reach the critical milestones that partners, and late-stage and public investors, are looking for.

That said, what Canada also lacks are the success stories that can counterbalance other missing links. Canadian biotech supporters hold up Canadian biotechs like Ottawa-based Iogen, which manufactures biofuels and enzymes and Angiotech in Vancouver, British Columbia, for example, as two of many success stories. (Angiotech, for example, helped pioneer the technology that serves as the foundation of the \$6 billion global stent business. Trouble is, outside of Canada, few have heard about these stories.

Next time Canadian biotech boosters go to New York, they might want to add New York’s image-making gurus to their list of must-have meetings.

Box 1: Critical mass?

Number of biotech companies: 450

Percentage of companies with fewer than 50 employees: 75%

Market capitalization: \$15 billion

Number of products under development or on the market: 540

Number of employees: 12,000

Annual revenues in 2004: \$3.8 billion

R&D expenditures: \$1.5 billion

Source: BIOTECanada, Burrill & Company, Canadian Biotech News, E&Y

Web links

Websites referenced:

- [BIO CEO & Investor Conference 2006](#)
- [BIOTECanada](#)
- [Canada's Top 10 Life Science Companies Competition](#)
- [GenomeCanada](#)
- [Scientific Research and Experimental Development \(SR&ED\) federal tax incentive program](#)

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