

Budget 2010 Health Research Highlights' Analysis

Prologue

Research Canada has reviewed Budget 2010, *Leading the Way on Jobs and Growth*, the Harper government's second phase of its Economic Action Plan. In this budget, the government contends that Canada has returned to economic growth; however, the global recovery remains fragile. Budget 2010 is dominated by a policy of restraint while recognizing key areas that continue to require government intervention. In essence, it is a two-headed budget including billions in aggressive stimulus spending but also bracing Canadians for lean times ahead.

In a period of fiscal restraint where the government is leading by example in cutting public salaries and benefits a clear message is being sent: All Canadians and sectors must brace and share in the pain derived from the deepest global economic recession since the 1930s. Budget 2010 contains a number of measures which support health innovation and commercialization, but Research Canada remains concerned that the government has not gone far enough in redressing an imbalance in the current system of health research investments thereby jeopardizing Canada's ability to undertake the foundational research that will result in the innovations which will be our competitive edge in the fast-paced global economy.

It will be critical over the next few months to begin to make the paradigm shift within the health research community that embraces this new fiscal reality. **Over the next six months, Research Canada will undertake a series of regional roundtables with its members with the aim of collectively creating a new and evocative advocacy program built from the ground up and responsive to this new environment of fiscal restraint.**

The budget plan has three broad aims:

1. Confirm \$19 billion in new federal stimulus under Year 2 of Canada's Economic Action Plan.
2. Invest in a limited number of new, targeted initiatives to build jobs and growth for the economy of tomorrow, strengthen Canadian innovation and make Canada attractive to new business investment.
3. Chart a course to bring the country's finances back to balance over the medium term and before any other G7 country.

Research, Innovation and Commercialization

Of particular interest to Research Canada's members are the following announcements:

Review of Federal Support for R&D

Budget 2010 promises a comprehensive review of all federal support for R&D to improve its contribution to innovation and to economic opportunities for business. The review will inform future decisions regarding federal support for R&D. Currently, the government is developing terms of reference for the review.

***Comment:** Research Canada is supportive of the review which will provide a framework to increase our competitiveness and to signal to the international community that Canada is in the business of innovation. The organization will work together with government by establishing a comprehensive contact (direct lobbying) program with key Ministers, Deputy Ministers, Opposition Critics, Senators and senior government officials to ensure that this framework meets the requirements of the health research sector and ultimately serves the interests of Canadians.*

Health Research (Discovery and Targeted)

- The granting councils had their current budgets increased by \$32 million. CIHR got the largest increase with \$16M while NSERC added \$13M and SSHERC received an additional \$3 million.
- The Indirect Cost of Research Program benefitted from an \$8 million increase per year.
- Genome Canada had its budget increased by an additional \$75 million.
- CHIR will receive an additional \$10 million from an allotted \$48 million to be spent over two years for research, development and application of medical isotopes.
- Rick Hansen Foundation will receive s\$9 M over two years for spinal cord research.
- Health Canada will be allotted \$3 million over two years to optimize the use of medical isotopes in the health system.

***Comment:** There is considerable evidence that the material federal investments in much needed renewal and growth in health research infrastructure and programs dedicated to the recruitment and retention of the best and brightest scientists has resulted in an imbalance in the system. Specifically, investments in the granting councils, which support the research operations of scientists, have not kept pace with this growth. The granting councils can document an increase*

in the absolute number of applications, and an ever-increasing proportion of them that score excellent or outstanding in rigorous peer review, yet fail to meet the cut-off for funding. This funding gap has reached material proportions of late, and is now jeopardizing our capacity to retain the best and the brightest scientists.

*Towards capitalizing on the products of federal investments in research funding in infrastructure and scientific personnel made thus far Research Canada recommended in its brief to the House of Commons Standing Committee on Finance in fall 2009: **That the federal government increase base funding to the three granting councils and that over the next five years the base funding to the Canadian Institutes of Health Research (CIHR) be equivalent to 1 percent of total health spending in Canada.***

In a recent public opinion poll commissioned by Research Canada and five national health organizations and conducted by Angus Reid Public Opinion (January 2010) a majority of Canadians expressed the view that just over 20 cents out of each dollar spent on health care in Canada should go towards health and medical research, which is a far cry from what is actually spent on Canadian health research.

Research Canada will host a series of Health Research Caucus events with Members of Parliament throughout 2010 using the data from the recent public opinion poll to frame the discussion regarding the value proposition of health research in Canada. Through its ongoing direct lobbying program with Members of Parliament and senior government officials, Research Canada will, again, use this data to frame its policy position regarding balance in the health research and health innovation systems.*

People

- Post doctoral fellowship program will be set up through CIHR to attract research leaders to Canada. The program is being funded over a five year period with \$45 million.

Comment: *While Research Canada welcomes this investment for prestigious post-doctoral fellowships to attract top level talent to Canada it will continue, through its direct lobbying efforts and in its policy response program, e.g. briefs to House of Commons committees, to encourage the government to reinstate publicly-funded career development programs similar to those programs which were the precursor to the current CRC program. These programs were much more comprehensive providing support enabling the development of the next generation of scientists along their career development path from junior to*

intermediate to senior and clinician scientists. They also enhanced our capacity to retain the best and brightest in Canada. Also, without increased investment in discovery-based research through the CIHR post-doctoral fellows will not be as successful in procuring the project dollars necessary to support their research in Canada and hence will leave for other venues.

Commercialization

- Knowledge Transfer and Commercialization will be supported with additional resources to enable innovative companies to benefit from investments in research, leading to the creation of additional high value jobs and an increased standard of living for Canadians. This will be accomplished over a number of initiatives.

Small and Medium Size Business Support

- Small and Medium-sized Enterprise Innovation Commercialization Program should receive \$40 million over two years to establish a pilot project for federal departments and agencies to adopt and demonstrate the use of innovative prototype products and technologies. Further details should be made available in spring 2010.

**Research Canada's Health Research Caucus is a non-partisan caucus which meets on Parliament Hill 3-4 times a year. It is chaired by Senator Wilbert Keon- Conservative and Co-chaired by Ms. Marlene Jennings -Liberal and M. Luc Malo - Bloc Québécois. The purpose of the Caucus is to raise awareness and educate parliamentarians about the value proposition of health research in Canada. Caucus members become our future ambassadors on the Hill.*

Other research support

- TRIUMF, national laboratory for nuclear and particle physics research will receive over five years \$222 million.
- The College and Community Innovation Program will enable increased applied research collaboration between colleges and local firms focused on specific company needs. The additional \$15 million will help strengthen small and medium-sized businesses through innovation, and help young Canadians prepare for the jobs of tomorrow.
- The National Research Council's regional innovation clusters program was provided \$135 million over two years to promote regional economic

growth through innovation, and to lever Canada's investment in research into economic and social benefits for all Canadians.

- Together with \$100 million from existing resources of the Canadian Space Agency, \$497 million will be invested over five years in advanced research, technology development and construction associated with RADARSAT.
- International science and technology Partnerships will be supported with an \$8 million investment over two years to promote collaborative research and development with international partners such as China, India and Brazil.

Of Interest

- Regional development agencies will see \$49 million renewed in annual funding to support innovation across Canada.
- Red Tape Commission will review federal regulations where reform is most needed to reduce compliance burden to assist small and medium sized businesses function better.
- Advisory Committee on small Business and Entrepreneurship will be established to provide advice on improving business access to federal programs and information.
- Tax reporting for investments such as non-resident venture capital funds in high-tech firm will be eliminated.
- Charities will see eliminated all disbursements quota requirements except those related to the requirement to annually disburse a minimum amount of investments and other assets not used directly in a charity's operations in the fiscal year on or after March 4, 2010.

Comment: *The end of this requirement "means a lot more flexibility and less red tape," said Marcel Lauzière, president of Imagine Canada, an umbrella group of 1,300 organizations that had been pushing for the change. (Globe and Mail, March 5th, 2010) The old rules required charities to disburse a large amount of annual donations, even though it might not be the appropriate time, or they were accumulating funds for a major long-term project, he said.*

The charitable sector had also been looking for Ottawa to change tax rules so that donors would have more of an incentive to donate property, from cottages to industrial land, to charities. That did not happen. Mr. Lauzière had also been advocating a "stretch tax credit" that would give an enhanced tax break to individuals who gave more in donations than in the previous tax year. It was seen as a way to boost philanthropy at a time of economic constraint.