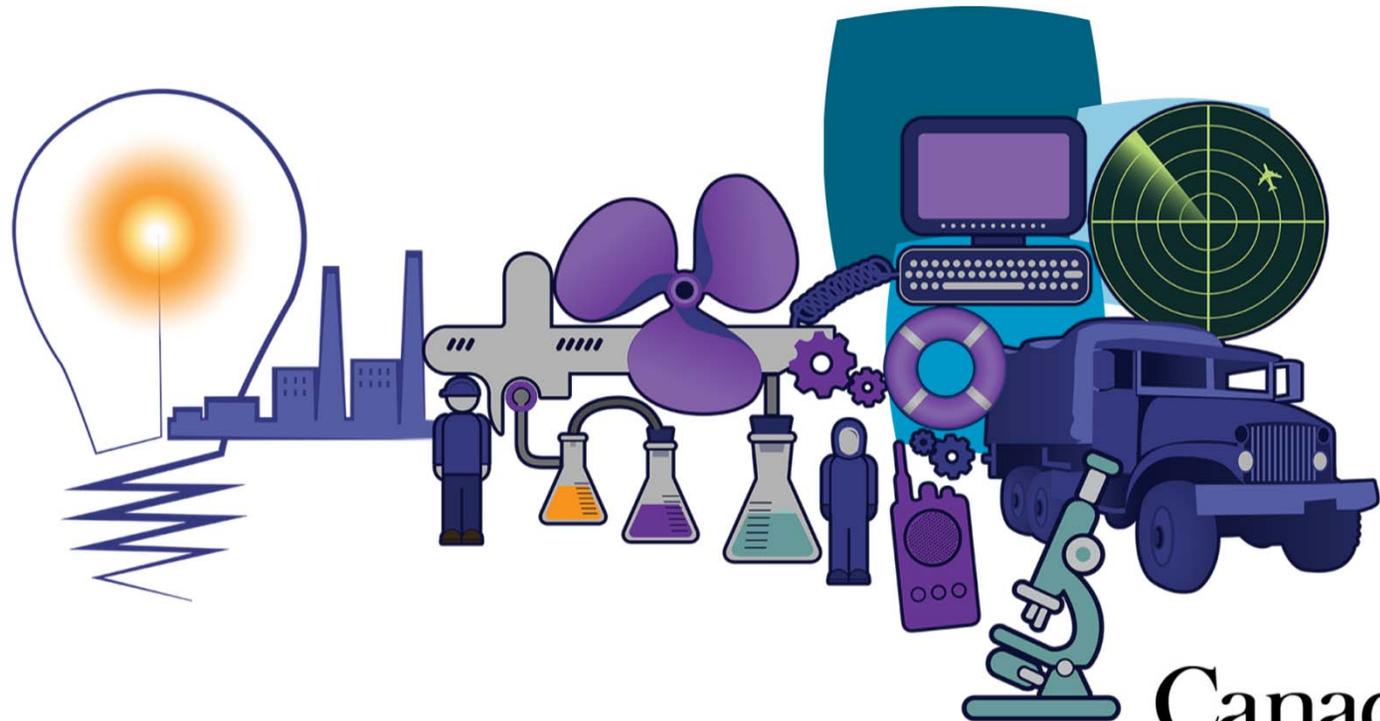
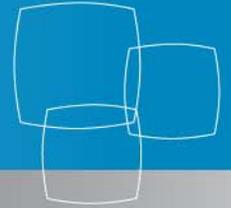




Industry
Canada

Industrie
Canada

Industrial and Technological Benefits Policy: Value Proposition



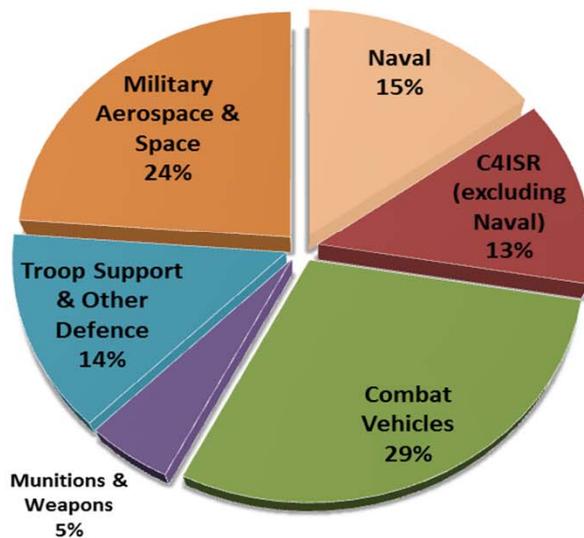
Canada 

Canada has a strong and diverse defence industry

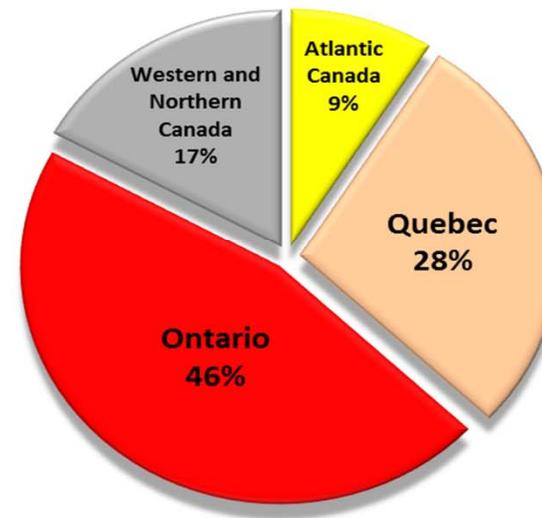


- 650 companies across Canada
- \$9.4 billion/year in revenues
- \$6 billion/year in Gross Domestic Product (GDP)

Sales by Defence Sector Activity



Canadian Defence Sector FTEs by Region

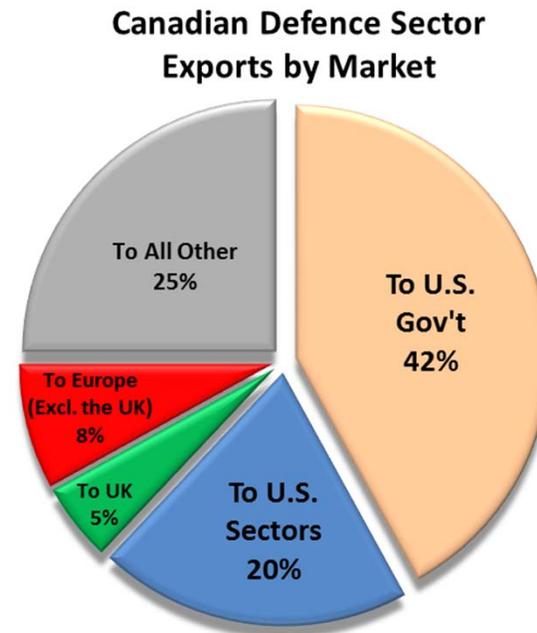


*Industry Canada economic modeling estimates based on Statistics Canada economic impact multipliers normalised to employment, 2013; and the Canadian Commercial Aerospace, Defence, Commercial and Civil Marine and Industrial Security Sector Survey 2011, Statistics Canada and Industry Canada, 2013. * GDP include direct, indirect, and induced impact.*

A strong defence sector fuels economic growth



- **Over \$250 million/year in R&D with defence applications**
- **More than 65,000 full-time workers**
 - *average salary is 60 percent higher than industrial average*
 - *one-third of workforce is in highly skilled innovation related occupations*
- **Exports account for 49% of sales**



Industry Canada economic modeling estimates based on Statistics Canada economic impact multipliers normalised to employment, 2013; and the Canadian Commercial Aerospace, Defence, Commercial and Civil Marine and Industrial Security Sector Survey 2011, Statistics Canada and Industry Canada, 2013. * Jobs include direct, indirect, and induced impact.



- **The end customer for most company defence sales is Government.**
- **Many countries around the world have adopted offset policies to:**
 - *develop a capable, ready, and cost-effective defence industry*
 - *create jobs and growth*
- **Canada formalized its offset policy in 1986 — the Industrial and Regional Benefits (IRB) Policy.**
- **Between 1986-2014, the IRB Policy was Canada’s main tool for leveraging economic benefit from defence procurement.**

Industrial and Regional Benefit (IRB) Policy



- Contractors are required to undertake business activities in Canada equal to 100 percent of the contract value.
- High-value investments are motivated through multipliers.
- Provides access to global supply chains and creates long-term business relationships.
- The IRB Portfolio includes:
 - 40 defence contractors
 - 70 procurement contracts
 - \$24 billion in obligations
 - \$13 billion are fulfilled,
 - \$9 billion are identified, and
 - \$2 billion to be identified and fulfilled by 2038.





- **Canada's National Shipbuilding Procurement Strategy aims to create a sustainable shipbuilding industry in Canada.**
- **Canada's armed forces also expects to renew its aerospace and land systems capabilities, including through large-scale procurements.**
- **Defence Acquisition Guide identifies potential defence capability requirements of the Canadian Armed Forces over the next 20 years.**





- **Announced in February 2014, by the Ministers of:**
 - *Public Works and Government Services*
 - *National Defence*
 - *Industry*

- **Goals:**
 - *Deliver the right equipment to the Canadian Armed Forces and the Canadian Coast Guard in a timely manner.*
 - *Leverage purchases of defence equipment and services to create jobs and economic growth in Canada.*
 - *Streamline the defence procurement process.*



- **Minister of Industry announced the new ITB Policy on December 19, 2014.**

- **Four objectives:**
 - *Support the long-term sustainability and growth of Canada's defence sector.*
 - *Support the growth of prime contractors and suppliers in Canada, including small and medium-sized enterprises in all regions of the country.*
 - *Enhance innovation through R&D in Canada.*
 - *Increase the export potential of Canadian-based firms.*

- **Backed by an aggressive 40 percent growth target over ten years against which progress will be measured, starting in 2015-16.**

The ITB Policy will be broadly applied



- **The ITB Policy will apply to procurements contracted after the launch of the Defence Procurement Strategy on February 4, 2014, including:**
 - *all eligible defence procurements over \$100 million;*
 - *all eligible Canadian Coast Guard procurements over \$100 million and for which the National Security Exception applies; and*
 - *all eligible defence procurements with contract values between \$20 - \$100 million will be reviewed for the use of Value Propositions.*

The Value Proposition (VP)



- **Winning bidders are now selected on the basis of price, technical merit *and their Value Proposition.***
- **The VP includes bidder's commitments to undertake work and invest in Canada and will generally account for 10 percent of the overall score.**
- **Companies awarded procurement contracts must undertake business activity in Canada equal to the value of the contract.**

Value Proposition

- Commitments/activities proposed at bid time.
- Rated and weighted during bid evaluation.

Outstanding Obligation

- Activities identified after contract award.
- Brings identified activities up to 100 percent of contract value.

Value Proposition: Evaluation Criteria



Defence Sector

- Work in Canada specific to the procurement
- May include work in Canada's defence sector

Canadian Supplier Development

- Work undertaken by suppliers in Canada
- Work undertaken by SME suppliers in Canada

R&D

- R&D undertaken in Canada
- R&D in Canadian post-secondary institutions

Exports

- Strategy to export the procured product from Canada
- May include incremental exports in any sector

The VP Guide is a flexible framework



On a procurement-by-procurement basis, there is flexibility to:

- increase/decrease the weight of the VP
- weigh criteria differently
- apply all or some of the criteria
- add additional criteria
- apply mandatory requirements
- develop different rating grids



Informed by:

*industry
engagement*

*research and
analysis*

3rd party experts

Guiding Principles



- **Encourage high-value investment in Canada with lasting impact.**
- **Increase the competitiveness of the defence sector.**
- **Maximize opportunities for broader-based economic growth in Canada.**
- **Generate strong competition among bidders.**
- **Achieve the three objectives of the Defence Procurement Strategy.**
- **Strive for administrative simplicity and efficiency.**



- **Enhanced accountability –**
through the use of stronger performance guarantees
- **Enhanced transparency –**
through public reporting on results
- **Enhanced efficiency –**
through a review and streamlining of ITB administrative and policy features

The ITB Policy a powerful investment attraction tool for Canada



- **The ITB Policy will ensure that the purchase of defence equipment and services results in:**
 - *economic growth*
 - *innovation*
 - *success in export markets*
 - *high-quality jobs for Canadians*
- **It will encourage companies to establish or grow their presence in Canada and strengthen their Canadian supply chains.**
- **The VP Guide will evolve as Canada gains experience with an approach that provides flexibility and discretion in its application.**