



Innovation, Science and
Economic Development Canada

Innovation, Sciences et
Développement économique Canada

Canada

ITB Policy Annual Report

Economic and Innovation
Impact Analysis

Fall 2021



The Report Context

- The Industrial and Technological Benefits (ITB) Policy contractually requires companies awarded defence procurement contracts to undertake market-driven business activity in Canada equal to the value of the contracts they have won
- The ITB Policy:
 - Supports employment and economic growth across the country
 - Drives innovation and exports
 - Scales up small and medium-sized businesses (SMBs*)
 - Advances gender equality, diversity, and inclusion
- ISED publishes two reports each year in an effort to be transparent about the results and status of the ITB Policy

| | |
|-----------------------------------------|----------------------------------------------------------------------------|
| 1) ITB Annual Report** | Highlights the economic and innovation impact of the ITB Policy |
| 2) Report on Contractor Progress | Demonstrates contractors' progress in meeting their ITB obligations |

*Small and Medium-Sized Businesses (SMBs) are defined as firms with 249 or less employees.

**This year's ITB Annual Report will focus on active ITB projects in 2020.



Presentation Overview



Economic Impact



Scaling Up SMBs*



Regional Industrial Strengths



Academic & Research Organisations R&D and Skills



Obligation Progress Report



Key Findings



Business Activity Across Strategic Areas



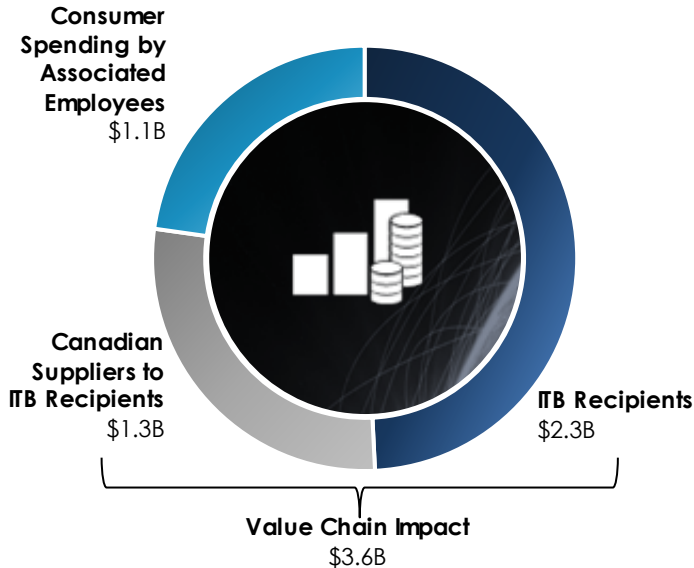
Annex – Economic Impact Methodology Principles



The ITB Policy is estimated to contribute more than 42,000 jobs and over \$4.7B to GDP annually in Canada

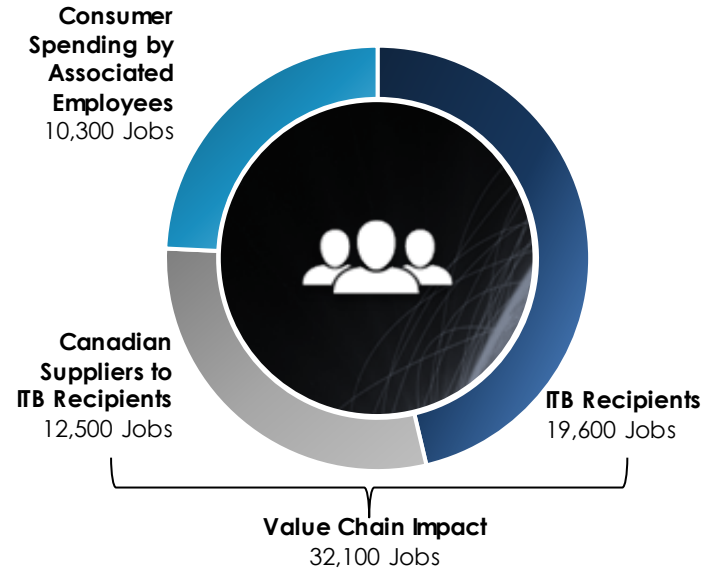
GDP Economic Impact

5-Year Annual Average*
Currently Active** ITB Projects***



Employment Economic Impact

5-Year Annual Average*
Currently Active** ITB Projects***



Source: ISED economic modelling based on the ITB administrative database (2015-2019 ITB Credits of active ITB projects in 2020), 2021; Statistics Canada's Input-Output multiplier (2017), 2021.

*5-year annual average economic impact analysis based on the ITB identified credits of active ITB projects in 2020 during the period of 2015-2019.

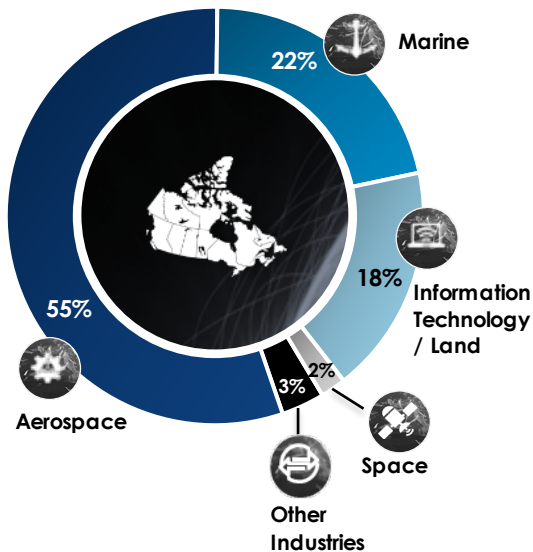
**Includes all ITB projects that were active in 2020.

***ITB business activity is based on Canadian content value credited according to the ITB Policy before credit multipliers are applied.

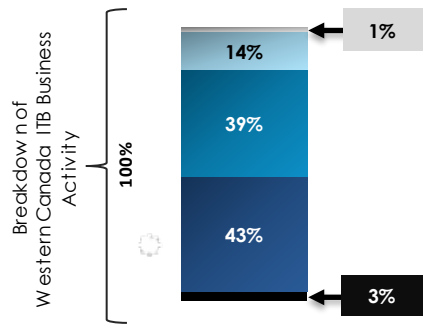


ITB business activity aligns closely with regional industrial strengths

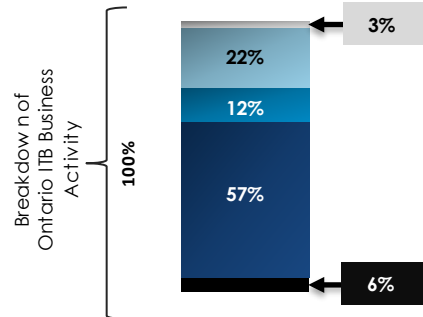
Breakdown of ITB Business Activity* by Industry**
Currently Active*** ITB Projects



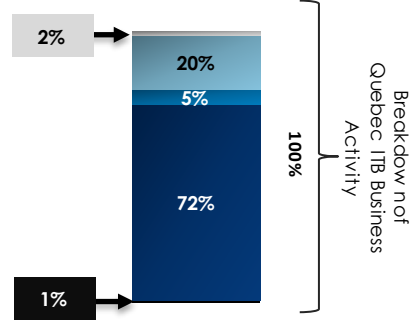
WESTERN CANADA



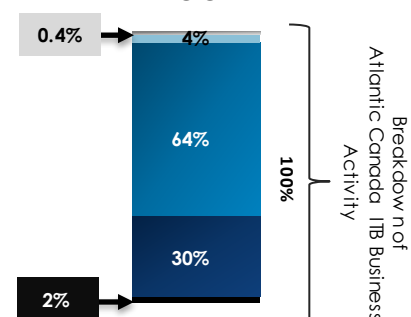
ONTARIO



QUEBEC



ATLANTIC CANADA



Source: ITB administrative database (2015-2019 ITB Credits and 2020-2031 ITB Commitments of active ITB projects in 2020), 2021.

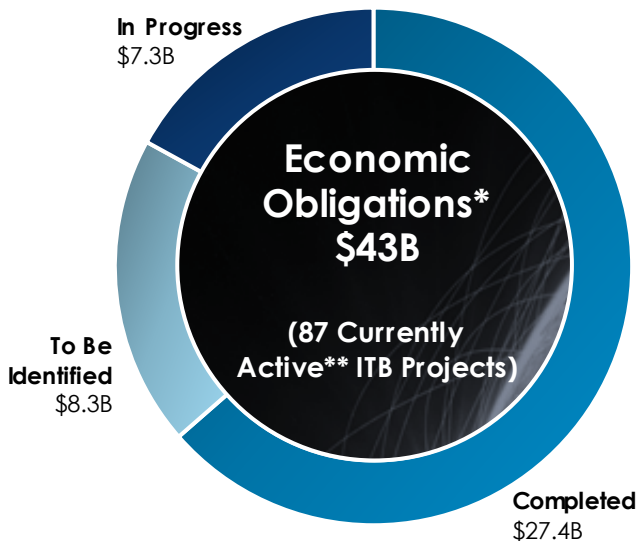
*ITB business activity is based on 2015-2019 ITB credits and 2020-2031 ITB commitments of active ITB projects in 2020; Amounts with unidentified sectors were excluded from the breakdown; ITB business activity is based on Canadian content value credited according to the ITB Policy before credit multipliers are applied.

**The industry breakdown is based on the industries where the activities take place.

***Includes all ITB projects that were active in 2020.



Currently active ITB projects result in more than \$43B of ITB economic obligations supporting over 720 Canadian organisations



Active ITB Projects Between 2019 and 2020:**

- **3 new projects added**
 - \$2.6B in new ITB obligations
- **39 projects amended**
 - \$4.1B in new ITB obligations
- **7 projects closed**
 - \$1.8B in ITB obligations fulfilled

- **Close to \$8.3B of economic obligations to be identified will result in various business opportunities for Canadian industry**

Source: ITB administrative database (2015-2019 ITB Credits and 2020-2031 ITB Commitments of active ITB projects in 2020), 2021.

*Further details are available in the *Report on Contractor Progress* which can be found on ISCED's ITB website.

**1 includes all ITB projects that were active in 2020.



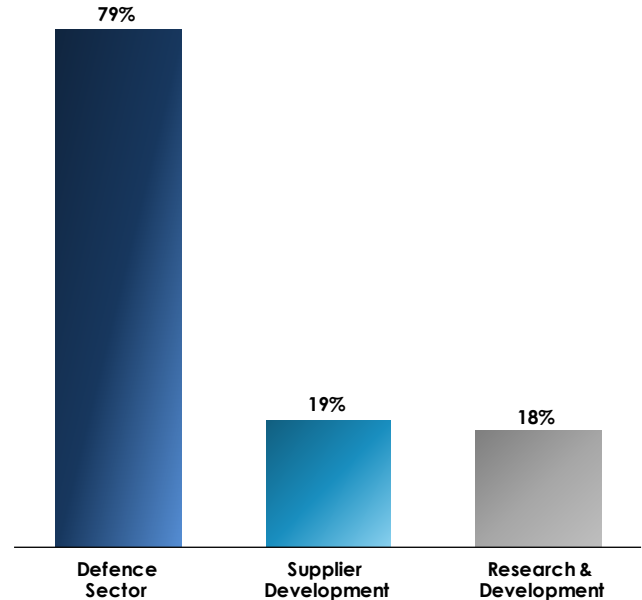
The ITB Policy drives business activity across strategic areas

Currently active* ITB projects account for:



Value Proposition (VP) Commitments Breakdown*** by Pillars

ITB Business Activity May Apply to Multiple Pillars
Currently Active* ITB VP Projects



Source: ITB administrative database (2015-2019 ITB Credits and 2020-2031 ITB Commitments of active ITB projects in 2020), 2021.

*Includes all ITB projects that were active in 2020.

**Across VP pillars and direct work activities.

***Breakdown reflects current active contracts where Value Propositions were applied. The same ITB business activity dollars may apply to multiple Value Propositions (VP) pillars; therefore, the numbers presented in the above graph are not distinct to one VP and cannot be added.



More than 60%* of ITB recipients are SMBs**

- **The vast majority of ITB SMB activity is focused on scaling up through supplier development**
- **Canadian SMBs are active participants in 13 ITB collaborative innovation initiatives (Investment Framework) in strategic areas, such as:**



Small Satellite Telemetry



Quantum Computing



Artificial Intelligence



Cyber Security



Deep Decarbonisation



Solar Power



Additive Manufacturing



Unmanned Aerial Vehicles



Training and Simulation

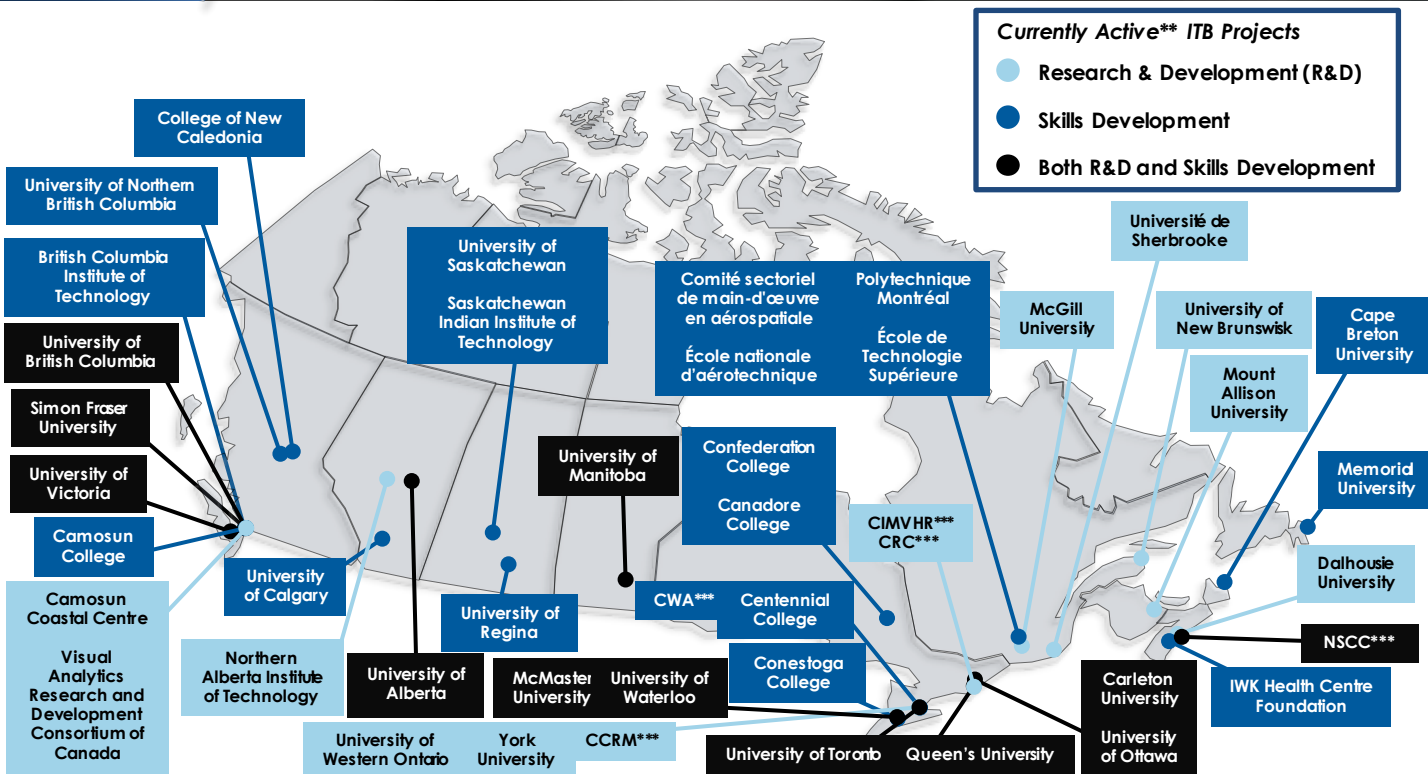
Source: ITB administrative database (2015-2019 ITB Credits and 2020-2031 ITB Commitments of active ITB projects in 2020), 2021.

*More than 450 ITB recipients are SMBs based on all ITB projects that were active in 2020.

**Small and Medium-Sized Businesses (SMBs) are defined as firms with 249 or less employees.



Over 45 academic and research organisations* are benefitting from the ITB Policy



Source: ITB administrative database (2015-2019 ITB Credits and 2020-2031 ITB Commitments of active ITB projects in 2020), 2021.

*Academic and research organisations benefiting from 2015-2019 ITB credits and 2020-2031 ITB commitments of active ITB projects in 2020; ITB business activity is based on Canadian content value credited according to the ITB Policy before credit multipliers are applied.

**Includes all ITB projects that were active in 2020.

***CCRM: Centre for Commercialization of Regenerative Medicine; CIMVHR: Canadian Institute for Military and Veteran Health Research; CRC: Communications Research Center; CWA: Canadian Welding Association Foundation; NSCC: Nova Scotia Community College



In conclusion, the ITB Policy drives innovation and fosters economic growth in Canada



Contributes to more than 42,000 jobs and over \$4.7B GDP annually in Canada



Is market-driven and aligns closely with regional industrial strengths



Stimulates business activity across strategic areas, notably KICs, exports, R&D, and skills development and training



Supports more than 720 Canadian organizations, including 450+ SMBs and over 45 academic and research organizations



Advances gender equality, diversity, and inclusion



Annex: Economic Impact Methodology Principles

- Methodology concepts are informed by subject matter experts from the Organisation for Economic Co-Operation and Development and Statistics Canada.
- Foundation data is based on ITB credits and commitments of active ITB projects in 2020 over the period of 2015-2031 as specified on each slide.
 - Annual average economic impact analysis is based on the ITB credits over the period of 2015-2019, with adjustments reflecting the intangible business activity and ITB Policy credit multipliers to evaluate the job and GDP impacts.
- Economic model is based on Statistics Canada Input-Output (I/O) multipliers.
 - Each ITB activity has been linked to the latest (2017) and most relevant economic impact multiplier.
 - All values have been adjusted for inflation based on the Consumer Price Index (CPI) as well as the Bank of Canada's target CPI of 2% and are expressed in 2017 dollars.
 - I/O multipliers have been adjusted to reflect the ITB 100% Canadian content requirement wherever applicable.
 - Job and GDP impact is reported on an annual average basis.
 - Job impacts are measured in terms of full-time equivalent (FTE) employment.
 - Jobs cannot be additive as they are maintained for an extended period after creation.
 - Total economic impact includes the activity that occurs within ITB recipients, Canadian value chain, as well as consumer spending by associated employees across the Canadian economy.
 - All project analysis are based on 2015-2019 ITB credits and 2020-2031 ITB commitments of active ITB projects in 2020 to date.
 - Economic impact estimates are reported at the national level and cannot be broken down at the regional level.
 - All totals are in Canadian dollars. Foreign currency amounts were converted to Canadian dollars using the Bank of Canada's annual average exchange rate for 2020.

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