



Innovation, Science and
Economic Development Canada

Innovation, Sciences et
Développement économique Canada

Canada

ITB Policy Annual Report

Economic and Innovation
Impact Analysis

Fall 2022



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) <i>ITB Annual Report**</i>	Highlights the economic and innovation impact of the ITB Policy
2) <i>Report on Contractor Progress</i>	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 2021.



Presentation Overview



**Economic
Impact**



**Regional
Industrial
Strengths**



**Obligation
Progress Report**



**Business Activity
Across Strategic
Areas**



**Scaling Up
SMBs***



**Academic &
Research
Organisations
R&D and Skills**



**Gender and
Diversity Plans**



Key Findings



**Annex –
Economic
Impact
Methodology
Principles**

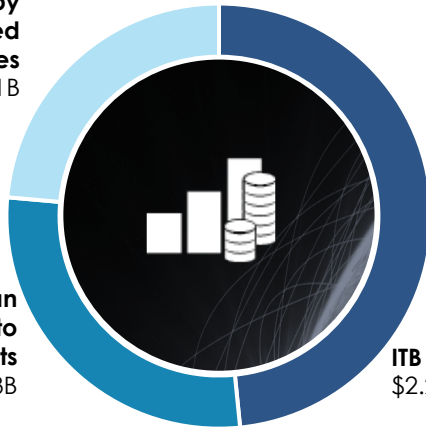


The ITB Policy is estimated to contribute close to 41,000 jobs and over \$4.6B to GDP annually in Canada

GDP Economic Impact

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

Consumer Spending by Associated Employees
\$1.1B

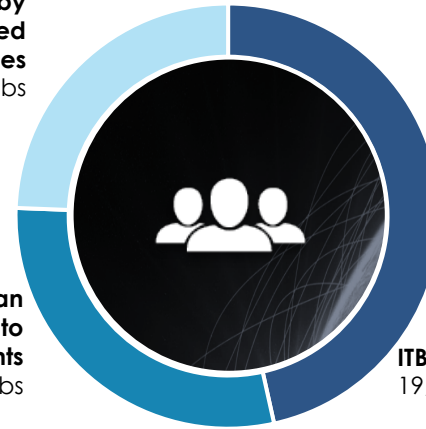


Value Chain Impact
\$3.5B

Employment Economic Impact

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

Consumer Spending by Associated Employees
10,000 Jobs



Value Chain Impact
30,900 Jobs

*5-year annual average economic impact analysis based on the ITB identified credits of active ITB projects in 2021 during the period of 2016-2020.

**Includes all ITB projects that were active in 2021.

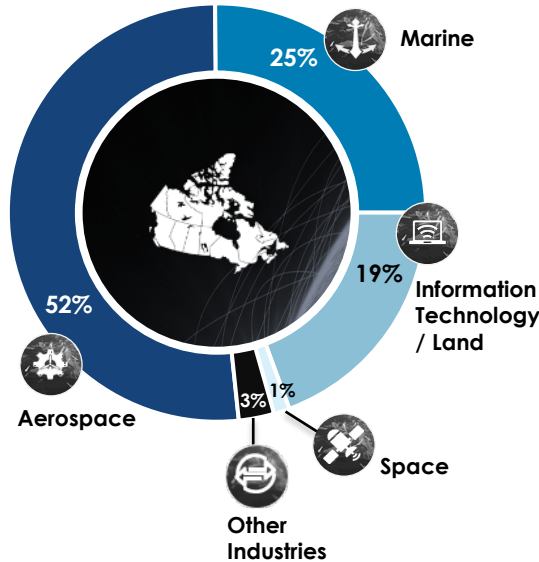
***ITB business activity is based on Canadian content value credited according to the ITB Policy before credit multipliers are applied.

Source: ISED economic modelling based on the ITB administrative database (2016-2020 ITB Credits of active ITB projects in 2021), 2022; Statistics Canada's Input-Output multiplier (2018), 2022.

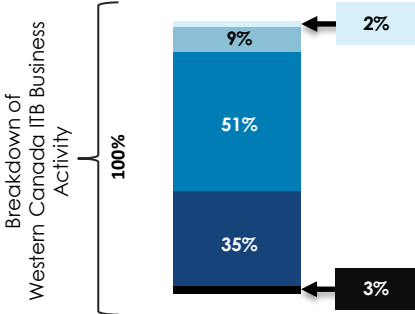


ITB business activity aligns closely with regional industrial strengths

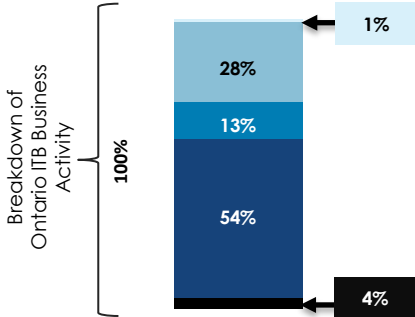
Breakdown of ITB Business Activity* by Industry** Currently Active*** ITB Projects



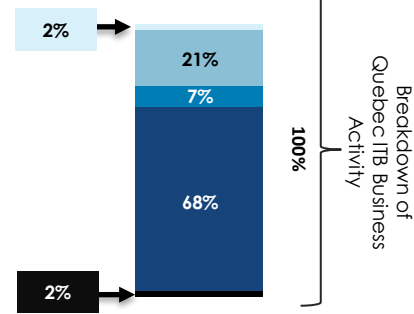
WESTERN CANADA



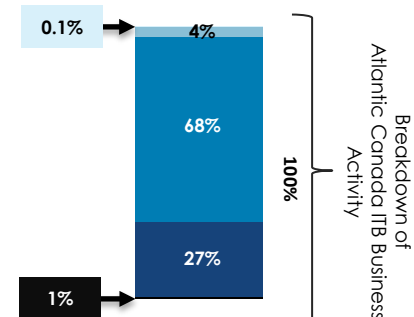
ONTARIO



QUEBEC



ATLANTIC CANADA



*ITB business activity is based on 2016-2020 ITB credits and 2021-2032 ITB commitments of active ITB projects in 2021; 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.

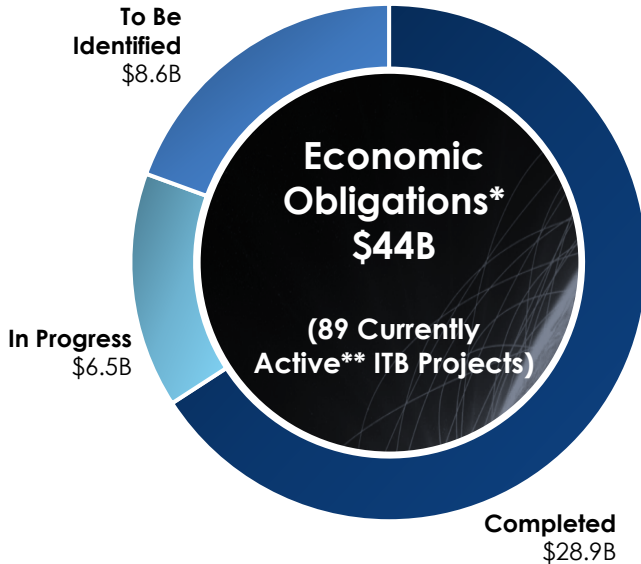
**The Industry breakdown is based on the industries in which the activities take place.

***Includes all ITB projects that were active in 2021.

Source: ITB administrative database (2016-2020 ITB Credits and 2021-2032 ITB Commitments of active ITB projects in 2021), 2022.



Currently active ITB projects result in close to \$44B of ITB economic obligations



Active** ITB Projects Between 2020 and 2021:

- **9 new projects added**
 - \$0.7B in new ITB obligations
- **26 projects amended*****
 - \$2.4B in new ITB obligations
- **7 projects closed**
 - \$1.7B in ITB obligations fulfilled

- **Over \$8.6B of economic obligations to be identified in the next decade**

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

**Includes all ITB projects that were active in 2021.

***Number of projects amended do not include project obligation changes due to currency fluctuations.

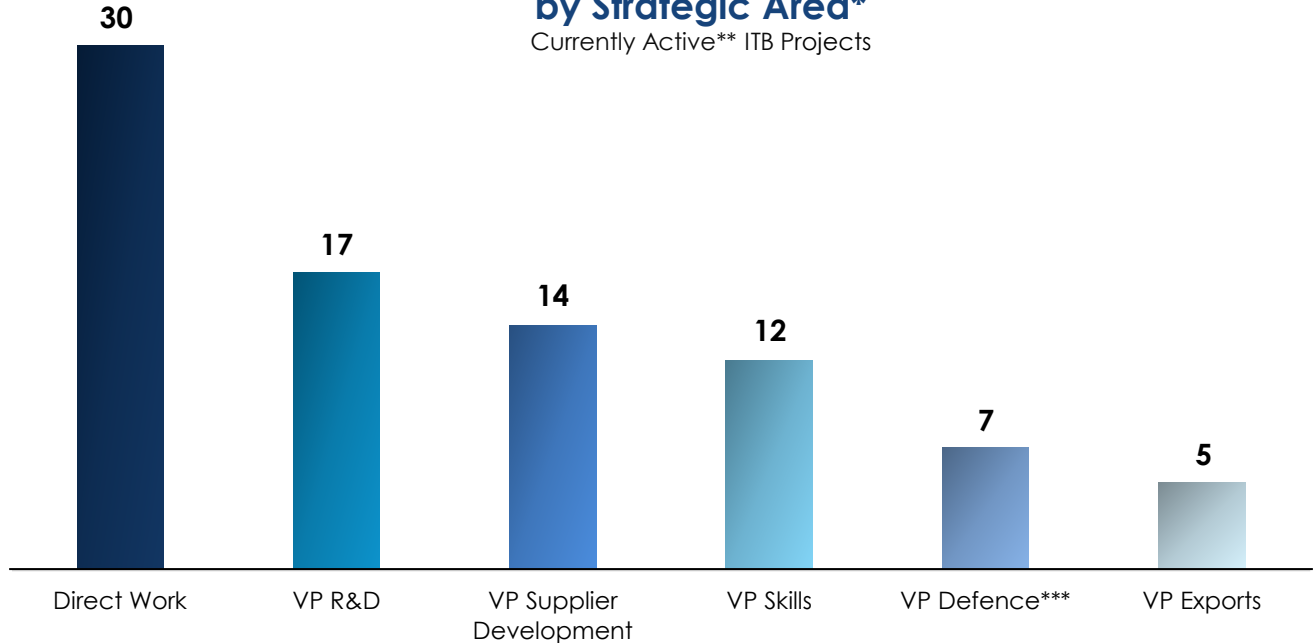
Source: ITB administrative database (2016-2020 ITB Credits and 2021-2032 ITB Commitments of active ITB projects in 2021), 2022.



The introduction of Key Industrial Capabilities (KICs) resulted in 85 Commitments from 34 ITB Projects

Number of KICs Commitments by Strategic Area*

Currently Active** ITB Projects



- **KICs commitments drive business activity across strategic areas**

*The same ITB business activity dollars may apply to multiple Strategic Areas; therefore, the numbers presented in the above graph are not distinct to one Strategic Area and cannot be added.

**Includes all ITB projects that were active in 2021.

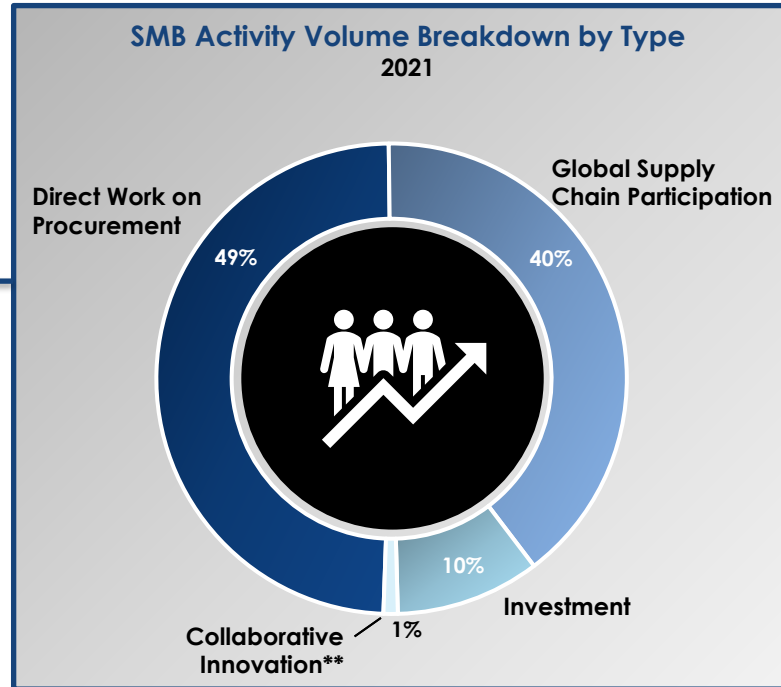
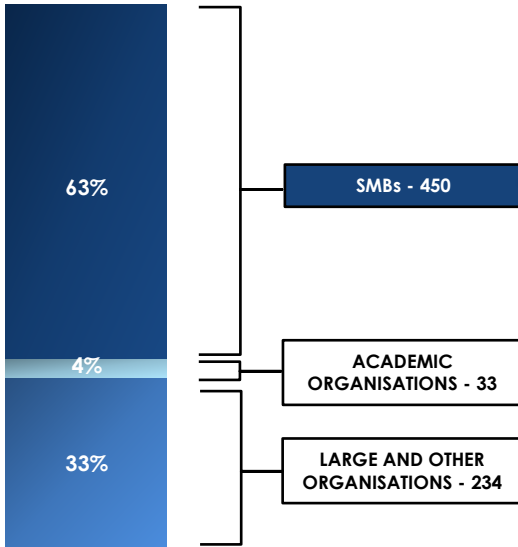
***VP Defence includes a mix of direct and indirect activity.

Source: ITB administrative database (2022).



Over 715 Canadian organisations are benefiting from the ITB Policy, of which close to 65% are SMBs*

ITB Recipients Breakdown Number of Recipients by Type, 2021



- The vast majority of ITB SMB activity is focused on scaling up through supplier development via direct work and global supply chain participation

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

**Collaborative Innovation includes Post-Secondary, Technology Transfer and Consortium activities.

Source: ITB administrative database (2016-2020 ITB Credits and 2021-2032 ITB Commitments of active ITB projects in 2021), 2022.



Over 70 Canadian academic and research organisation* projects** are focused on areas of skills development, emerging technologies and leading competencies

Skills Development:



**Cultural Training
Adaptation Models**



**Indigenous Students
Skills Development**



**Mechanic
Apprenticeship
Program**



**Shipbuilding Skills
Excellence**

Emerging Technologies:



**Additive
Manufacturing**



Bio-aviation Fuel



**Flight Model
Dynamics**



**Hydrogen
Embrittlement**



**Marine Cyber
Security**



**Propulsion Clean
Technology**



**Quantum
Computing**



**Ultra High
Frequency Satellite
Communications**

Leading Competencies:



**Aircraft Engine
Testing**



**Flight Simulation
Systems**



**Ice Breaking
Technology**



**Industrial Maritime
Applied Research**



**Sensing,
Engineering and
Analytics**



**Underwater
Acoustics**



**Video Processing
Algorithmic
Development**



Visual Analytics

*Academic and research organisations benefiting from 2016-2020 ITB credits and 2021-2032 ITB commitments of active ITB projects in 2021; 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 2021.

Source: ITB administrative database (2016-2020 ITB Credits and 2021-2032 ITB Commitments of active ITB projects in 2021), 2022.



As a result of the ITB Policy, there are 8 currently active projects* with Gender and Diversity plans

- **Through the Gender and Diversity Plan, bidders are required to describe their approach to achieving gender balance and increasing diversity within their Canadian corporate structures and broader supply chains in Canada**

The Gender and Diversity Plan may include:

- ✓ The bidder's public approach to promoting diversity, inclusion and equality
- ✓ The bidder's corporate anti-discrimination policies
- ✓ Training available to educate the bidder's workforce on diversity and inclusion
- ✓ Available statistics on the proportion of designated groups employed at all levels of the bidder's firm in Canada
- ✓ How diversity and inclusion is factored into the bidder's supplier selection methods in Canada
- ✓ Other corporate activities that seek to increase or support diversity in Canada



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



Contributes close to 41,000 jobs and over \$4.6B GDP annually in Canada



Is market-driven and aligns closely with regional industrial strengths



Stimulates business activity across strategic areas, notably KICs in Direct Work, R&D, Supplier Development, Skills, Defence and Exports



Supports more than 715 Canadian organizations, including 450 SMBs



Benefits over 70 Canadian academic and research organisation projects focused on areas of skills development, emerging technologies and leading competencies



Promotes 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 2021 over the period of 2016-2032 as specified on each slide.
 - Annual average economic impact analysis is based on the ITB credits over the period of 2016-2020, 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 (2018) 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 2018 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 2016-2020 ITB credits and 2021-2032 ITB commitments of active ITB projects in 2021 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 2021.

Canada 