



Innovation, Science and
Economic Development Canada

Innovation, Sciences et
Développement économique Canada

Canada

ITB Policy Annual Report

Economic and
Innovation Impact
Analysis

Fall 2023



The Report Context

- The **Industrial and Technological Benefits (ITB) Policy** requires companies that are awarded defence and Canadian Coast Guard procurements to undertake market-driven business activity in Canada equal to the value of the contracts they have won
- The ITB Policy:
 - Supports the long-term growth and sustainability of **Canada's defence industry**
 - Scales up **small and medium-sized business (SMBs)*** in all regions of the country
 - Enhances innovation through **research and development (R&D)** in Canada
 - Increases the **export** potential and **international competitiveness** of Canadian-based firms
 - Supports **skills development and training** to advance employment opportunities for Canadians
 - Promotes **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

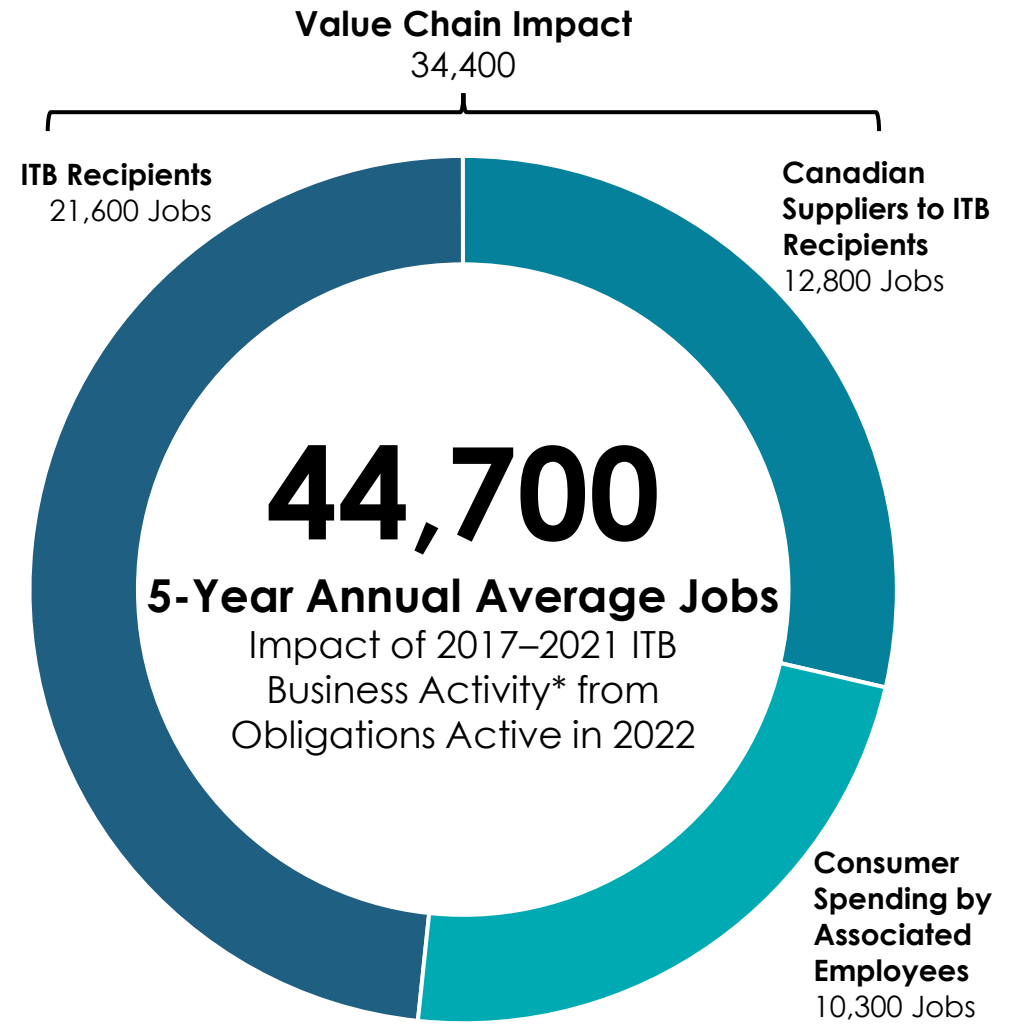
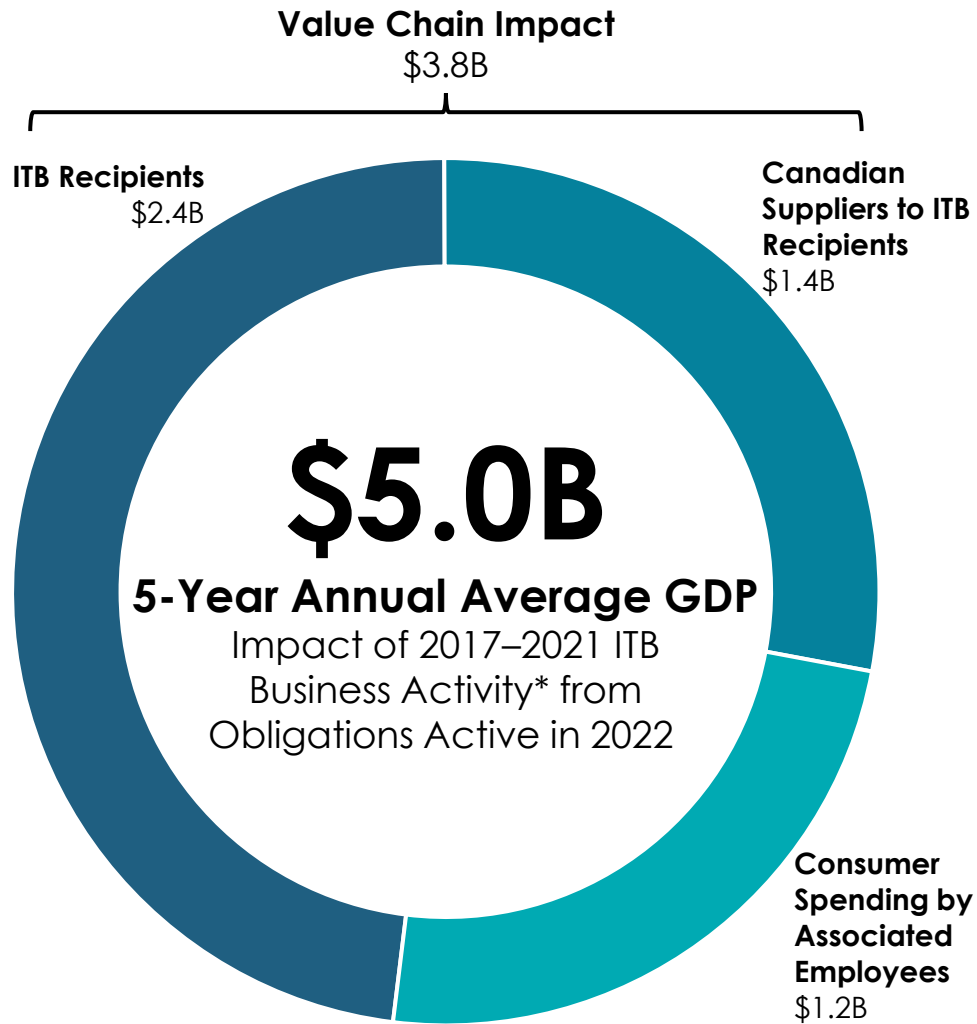
1. ITB Annual Report	Highlights the economic and innovation impact of ITB obligations active in 2022
2. Report on Contractor Progress	Demonstrates contractors' progress in fulfilling their ITB obligations active in 2022

* Small and medium-sized businesses (SMBs) are firms with 249 or fewer employees.

Presentation Overview

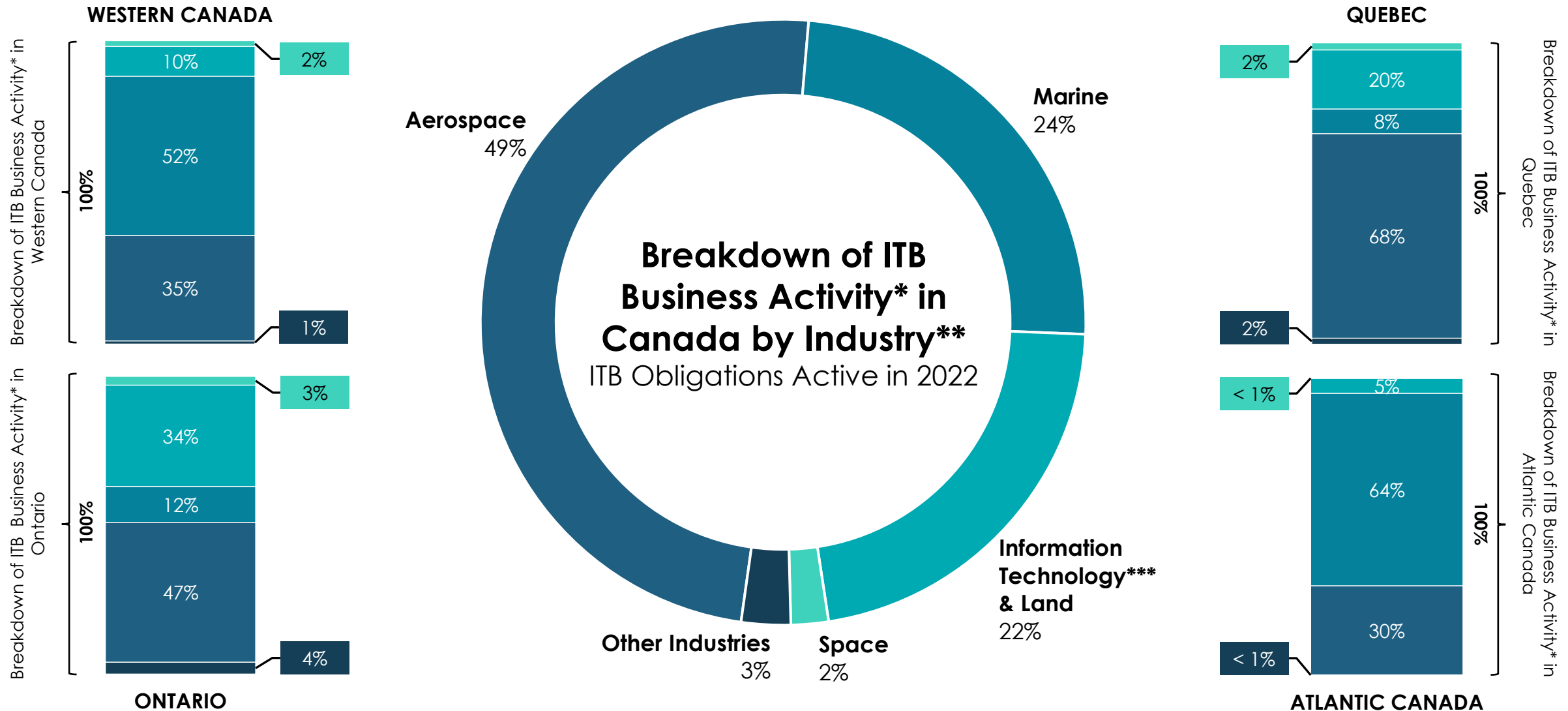
1. Economic Impact – Slide 4
 2. Regional Industrial Strengths – Slide 5
 3. Obligation Progress Report – Slide 6
 4. Business Activity across Strategic Areas – Slide 7
 5. Scaling-Up Small and Medium Businesses (SMBs) – Slide 8
 6. Academic & Research Organisations R&D and Skills – Slide 9
 7. Gender and Diversity Plans – Slide 10
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- Annex – Economic Impact Methodology Principles – Slide 12

The ITB Policy is estimated to contribute nearly \$5.0B to GDP and more than 44,700 jobs annually in Canada



* ITB business activity is based on the Canadian content value of ITB credits before the application of ITB credit multipliers. See Annex for detailed methodology principles.
Source: ISED economic model estimates based on ITB administrative data (2017–2021 credits from ITB obligations active in 2022) and Statistics Canada's latest (2019) Input-Output multipliers, 2023.

ITB business activity* aligns closely with regional industrial strengths



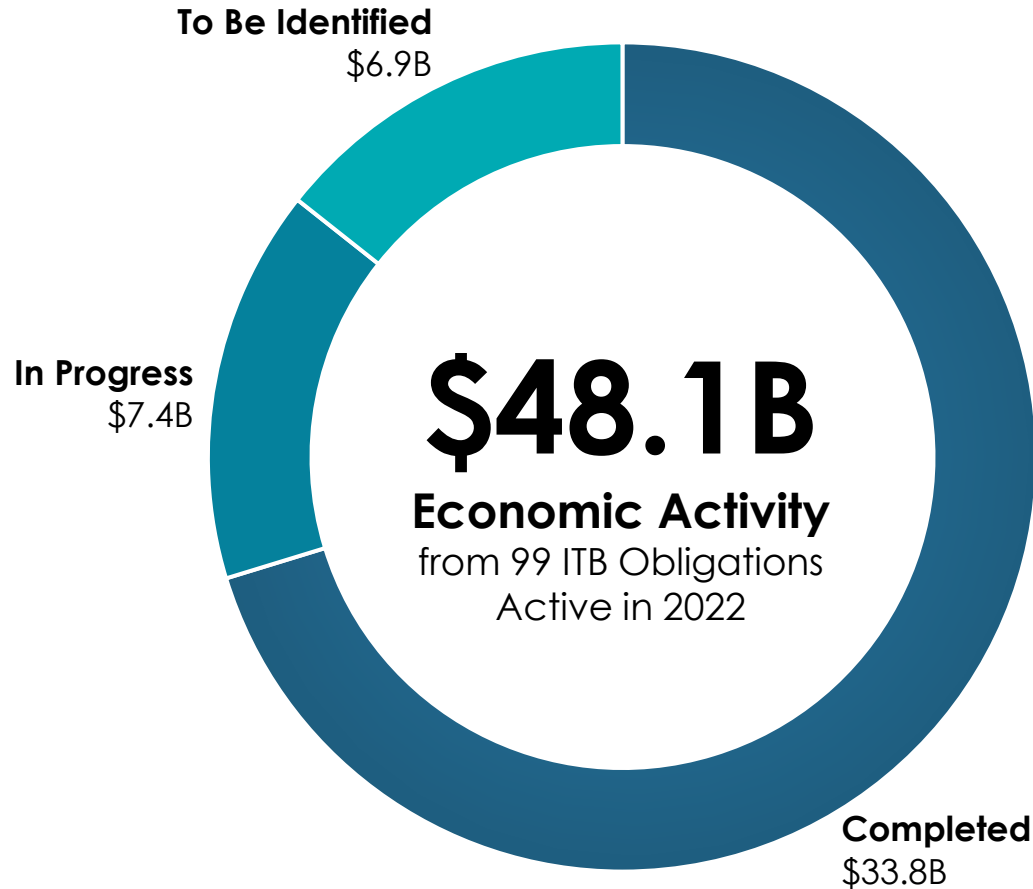
* ITB business activity is based on the Canadian content value of ITB credits and commitments before the application of ITB credit multipliers, excluding values without identified industrial sectors.

** Breakdown is based on the industries in which ITB business activities take place.

*** Information Technology (IT) excludes domain- or platform-specific activity.

Source: ITB administrative data (2017–2021 credits and 2022–2033 commitments from ITB obligations active in 2022), 2023.

Over \$48.1 B in economic activity* result from ITB obligations active in 2022



ITB Obligations Active Between 2021 and 2022:

13 new ITB obligations added
\$2.9B in new economic activity

28 ITB obligations updated
\$1.2B in new economic activity

2 ITB obligations closed
\$0.07B in economic activity fulfilled

- Nearly \$7B of economic activities to be identified in the next decade

The introduction of Key Industrial Capabilities (KICs) has leveraged 103 commitments from 40 ITB obligations active in 2022

Number of KICs Commitments by Strategic Area*
ITB Obligation Active in 2022



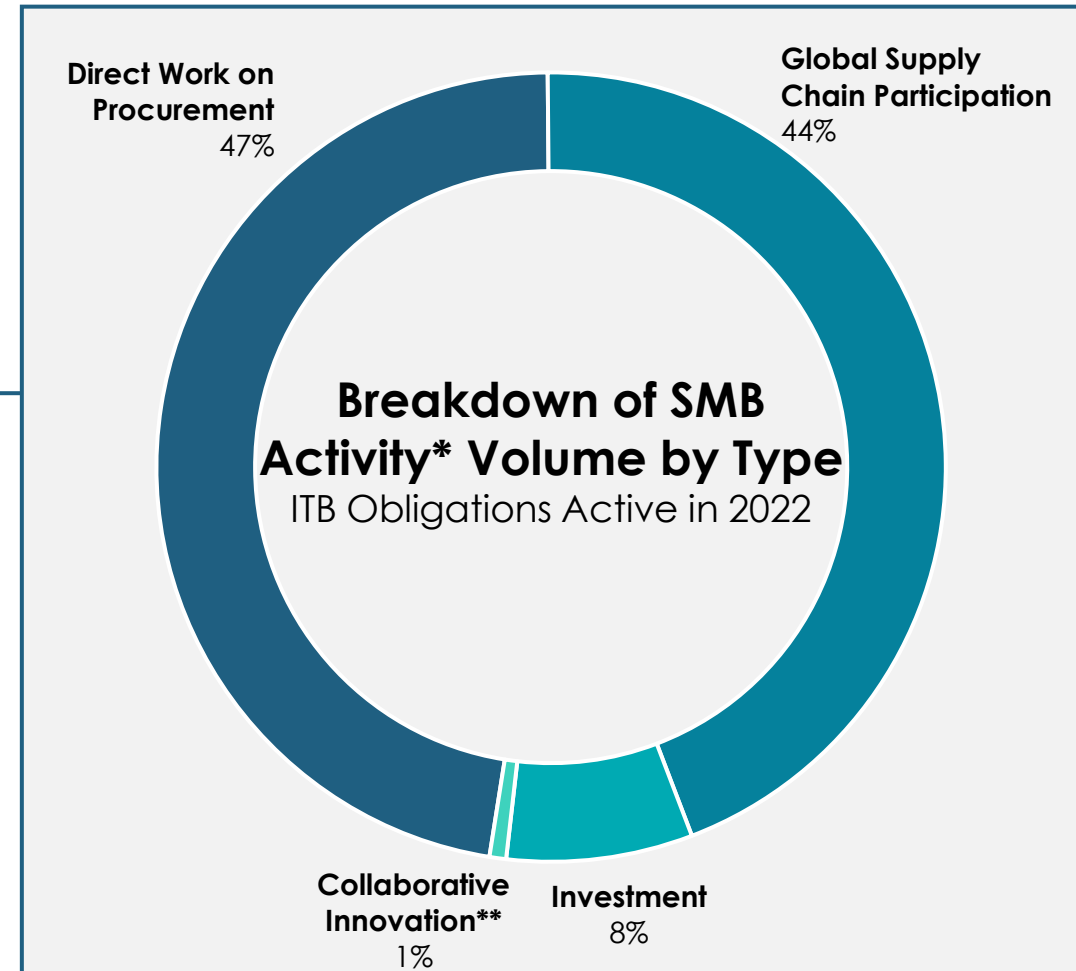
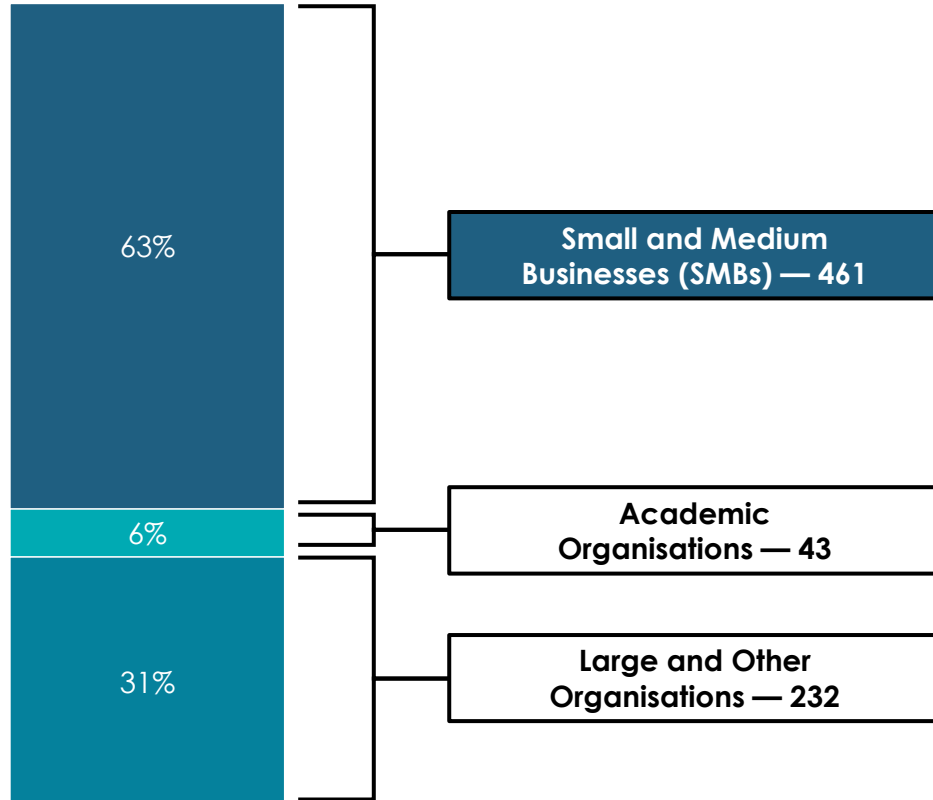
- KICs foster a competitive and resilient defence industry, and ensure that defence procurements drive economic activity in targeted areas of:
 - Emerging technologies
 - Leading competencies and critical industrial services

* Strategic area categories include direct work on procurement (Direct Work) and the five Value Proposition (VP) pillars: R&D in Canada (R&D); skills development and training (Skills & Training); Canadian supplier development (Supplier Development); work in the Canadian defence industry (Defence), which includes direct and indirect business activity; and exports from Canada (Exports). 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.
Source: ITB administrative data (ITB obligations active in 2022), 2023.

ITB obligations active in 2022 include more than 730 Canadian organisations, of which close to 65% are SMBs

Breakdown of ITB Recipients by Type

ITB Obligations Active in 2022



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

* SMB activity is based on the Canadian content value of ITB credits and commitments towards SMB recipients before the application of ITB credit multipliers.

** Collaborative Innovation includes consortium, post-secondary/research investment, and technology transfer activities.

Source: ITB administrative data (2017–2021 credits and 2022–2033 commitments from ITB obligations active in 2022), 2023.

More than 40 Canadian academic and research organisations are recipients of activities from ITB obligations active in 2022

Skills Development Examples



Cultural Training Adaptation Models



Indigenous Students Skills Development



Mechanic Apprenticeship Program



Shipbuilding Skills Excellence

Emerging Technologies Examples



Additive Manufacturing



Artificial Intelligence



Autonomous Vehicles



Clean Propulsion Technology



Electric Aircraft



Low Earth Orbit Technology



Marine Cybersecurity



Quantum Computing

Leading Competencies Examples



Algorithmic Development for Visual Analytics



Flight Simulation Systems



Icebreaking Technology



Marine Industrial Research



Natural Disaster Prevention



Sensing, Engineering and Analytics



Space Robotics



Underwater Acoustics

There are 21 ITB obligations active in 2022 with Gender and Diversity plans

- Introduced in 2018 as a mandatory component in the ITB Value Proposition, the Gender and Diversity Plan requires bidders to describe, at the prime contractor level, 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

The application of the ITB Policy:

- Contributes **nearly \$5.0B to GDP** and **more than 44,700 jobs 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, Skills & Training, Supplier Development, Defence and Exports
- Includes **more than 730 Canadian organisations**, of which **close to 460 are SMBs**
- Comprises **more than 40 Canadian academic and research organisations** focused on skills development, emerging technologies and leading competencies
- Promotes **gender equality, diversity, and inclusion** in Canada's defence industry

Annex – Economic Impact Methodology Principles

- ISED's methodology is informed by subject matter experts from the Organisation for Economic Co-Operation and Development (OECD) and Statistics Canada.
- Foundation data is based on ITB credits and commitments of ITB obligations active in 2022, over the 2017–2033 15-year period, as specified on each slide.
 - All analyses are based on 2017–2021 credits and 2022–2033 commitments of ITB obligations active in 2022.
 - Annual average economic impact analysis is based on ITB transactions credited over the 2017–2021 period, with adjustments reflecting the ITB Policy's credit multipliers and intangible business activities.
- ISED's model measures Canada's economic structure through Statistics Canada's latest (2019) Input-Output (I/O) economic impact multipliers.
 - Each ITB activity has been linked to the closest related specific economic impact multiplier.
 - I/O multipliers have been adjusted to reflect the ITB Canadian content requirement (only Canadian Content Value is counted under ITB).
- Total economic impact of the ITB Policy includes the activities that occur within ITB recipients (direct economic impact from enterprises that benefit from the ITB Policy), their Canadian suppliers (indirect economic activity from ITB recipients' value chain partners), as well as consumer spending by associated employees (induced economic activity) across the Canadian economy.
 - GDP impact is reported on an annual average basis.
 - Jobs impact is reported on an annual average basis and is measured in terms of full-time equivalent (FTE) employment.
 - Jobs cannot be additive as they are maintained for an extended period after creation.
 - Economic impact estimates are reported at the national level and cannot be broken down at the regional level.
- Inflation adjustment:
 - Statistics Canada's I/O multipliers are in 2019 dollars; accordingly, all dollars are adjusted to 2019 using ISED estimates, derived from the Bank of Canada's 2% inflation target for the 2020–2021 period.
- All totals are in Canadian dollars. Foreign currency amounts were converted to Canadian dollars using the Bank of Canada's annual exchange rate for 2022.

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