



Innovation, Science and  
Economic Development Canada

Innovation, Sciences et  
Développement économique Canada

Canada

# ITB Policy Annual Report

Economic Impact Analysis

**Fall 2024**

---

## TABLE OF CONTENTS

---

The Report Context .....	3
Economic Impact .....	4
Regional Industrial Strengths.....	5
Obligation Progress Report .....	6
Industrial Activities Related to Key Industrial Capabilities (KICs).....	7
Scaling-Up Small- and Medium-Sized Businesses (SMBs) .....	8
Academic & Research Organisations R&D and Skills .....	9
Gender and Diversity Plans .....	10
Key Findings.....	11
Annex A – ITB Policy Objectives and Related Metrics.....	12
Annex B – Economic Impact Methodology Principles.....	13
Data Sources .....	14

# THE REPORT CONTEXT

---

The **Industrial and Technological Benefits (ITB) Policy** contractually requires companies awarded defence procurement contracts to undertake industrial activity in Canada equal to the value of the contracts they have won

The ITB Policy<sup>1</sup>:

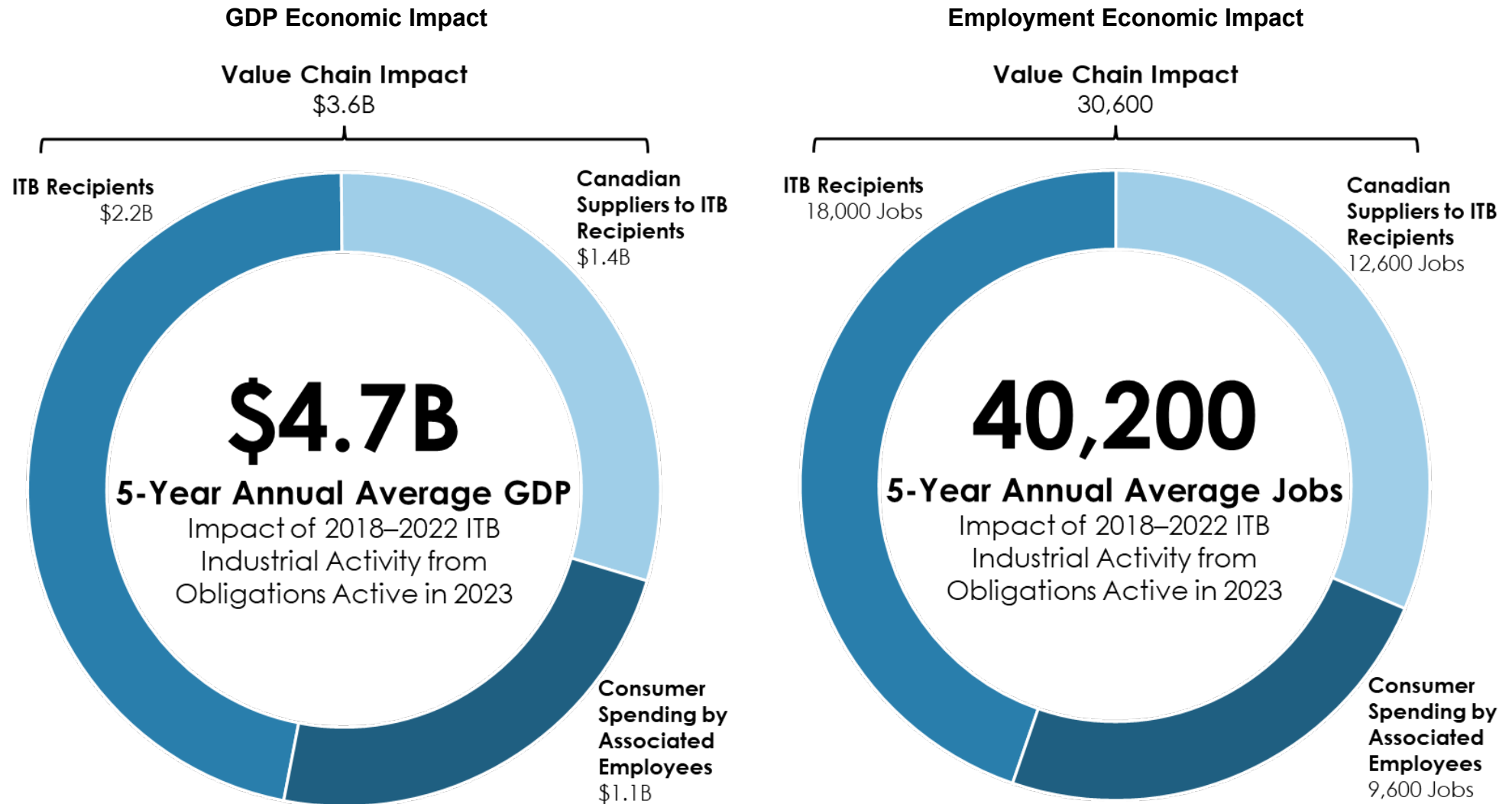
- **Supports the long-term growth and sustainability** of Canada’s defence industry
- **Supports the growth of prime contractors and suppliers in Canada**, including small- and medium-sized businesses (SMBs)<sup>2</sup> in all regions of the country
- **Enhances innovation** through research and development (R&D) in Canada
- **Increases the export potential and international competitiveness** of Canadian-based firms
- **Fills skills and training gaps** within the Canadian economy to support a more innovative Canada

ISED publishes two reports each year in an effort to be transparent about the results and status of the ITB Policy

<b>1. <i>ITB Policy Annual Report</i></b>	Highlights the economic impact of ITB obligations active in 2023
<b>2. <i>Report on Contractor Progress</i></b>	Demonstrates contractors’ progress in meeting their ITB obligations active in 2023

# ECONOMIC IMPACT

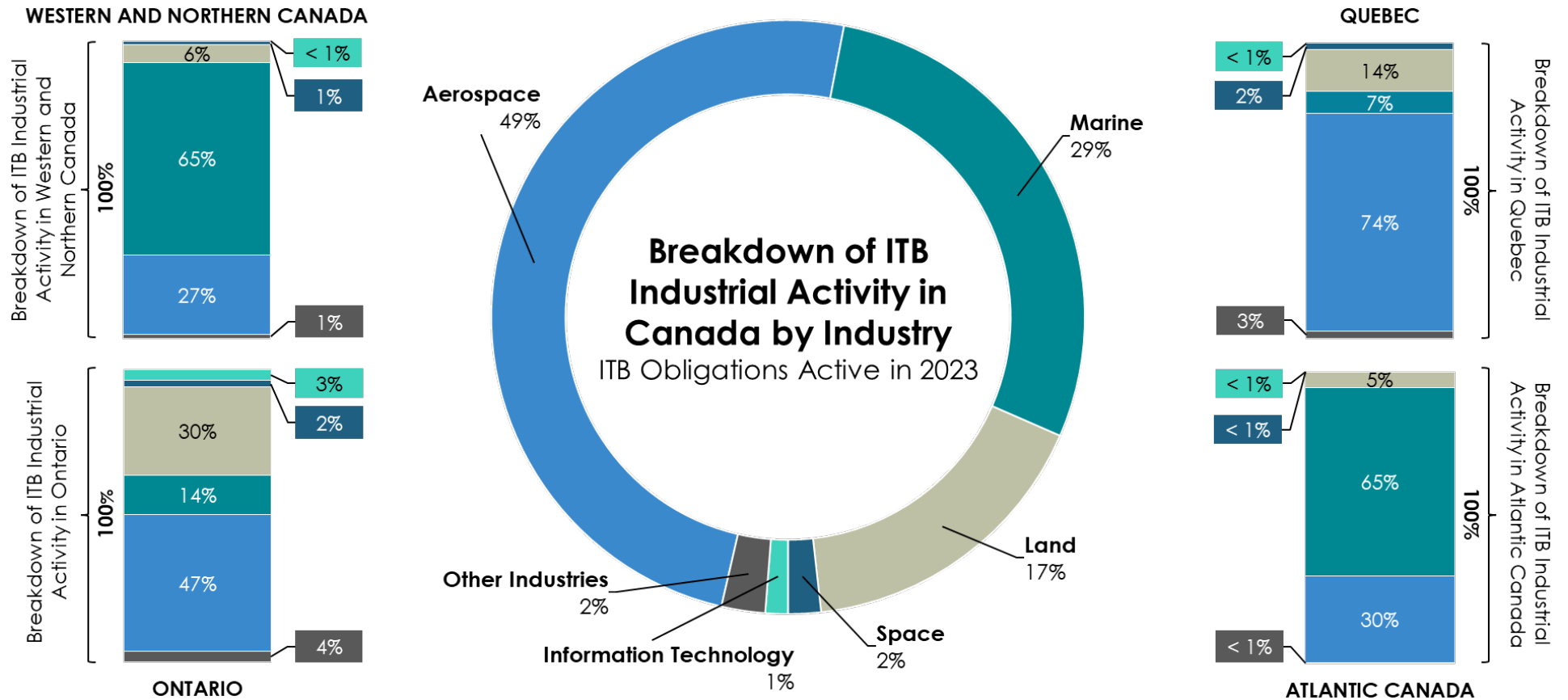
The ITB Policy is estimated to contribute nearly \$4.7B to GDP and close to 40,200 jobs annually in Canada<sup>3</sup>



# REGIONAL INDUSTRIAL STRENGTHS

ITB industrial activity<sup>4</sup> aligns closely with regional industrial strengths

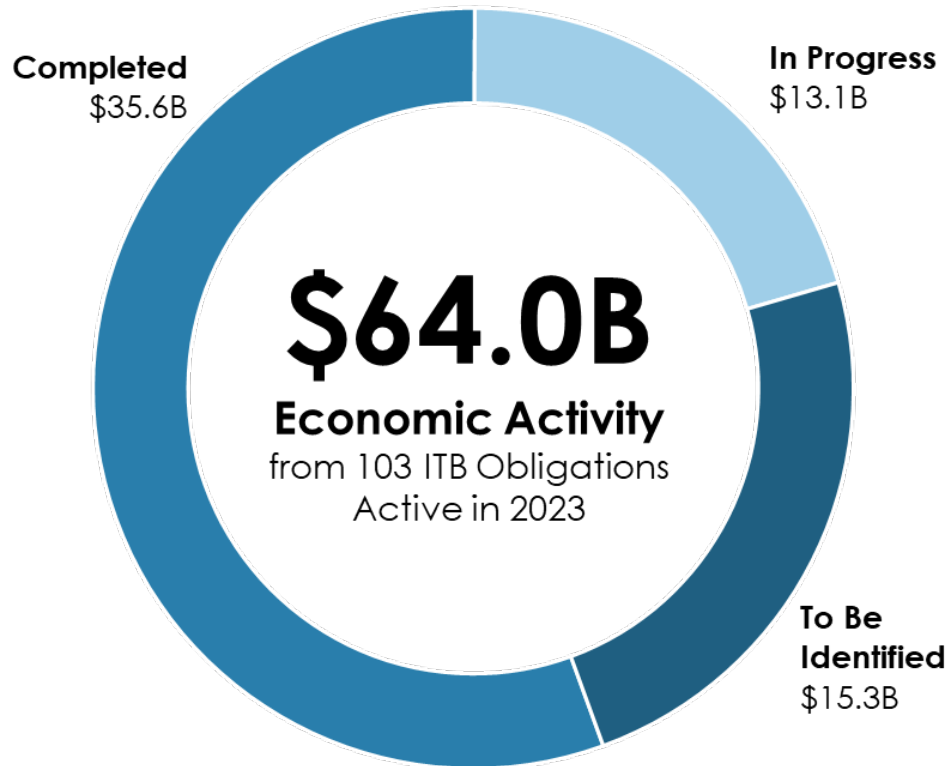
Breakdown<sup>5</sup> of ITB Industrial Activity in Canada by Industry<sup>6</sup>



# OBLIGATION PROGRESS REPORT

Over \$64.0B in economic activity<sup>7</sup> result from ITB obligations active in 2023

## Economic Activity from ITB Obligations



ITB Obligations Active Between 2022 and 2023:
<b>13 new ITB obligations added</b> \$15.1B in new economic activity
<b>38 ITB obligations updated</b> \$4.1B in new economic activity
<b>7 ITB obligations closed</b> \$3.4B in economic activity fulfilled

- More than \$15B of economic activities to be identified in the next decade

## INDUSTRIAL ACTIVITIES RELATED TO KEY INDUSTRIAL CAPABILITIES (KICs)

---

Defence procurements<sup>8</sup> to which the ITB Policy applies stimulate industrial activities related to KICs

### Industrial Activities Related to KICs



Close to 40% of the value of ITB obligations from defence contracts<sup>9</sup> is committed to industrial activities related to **direct work on procurement**<sup>10</sup>

- Nearly 95% of indirect ITB activity supports the defence, aerospace, land, IT, marine and space industrial ecosystems



Close to 45% of the value of obligations is committed to **defence industrial activities** related to KICs



More than \$1.1B in **R&D** commitments related to KICs



**International export strategies** on 9 defence procurements related to KICs



Nearly \$120M in **Skills Development and Training** commitments related to KICs

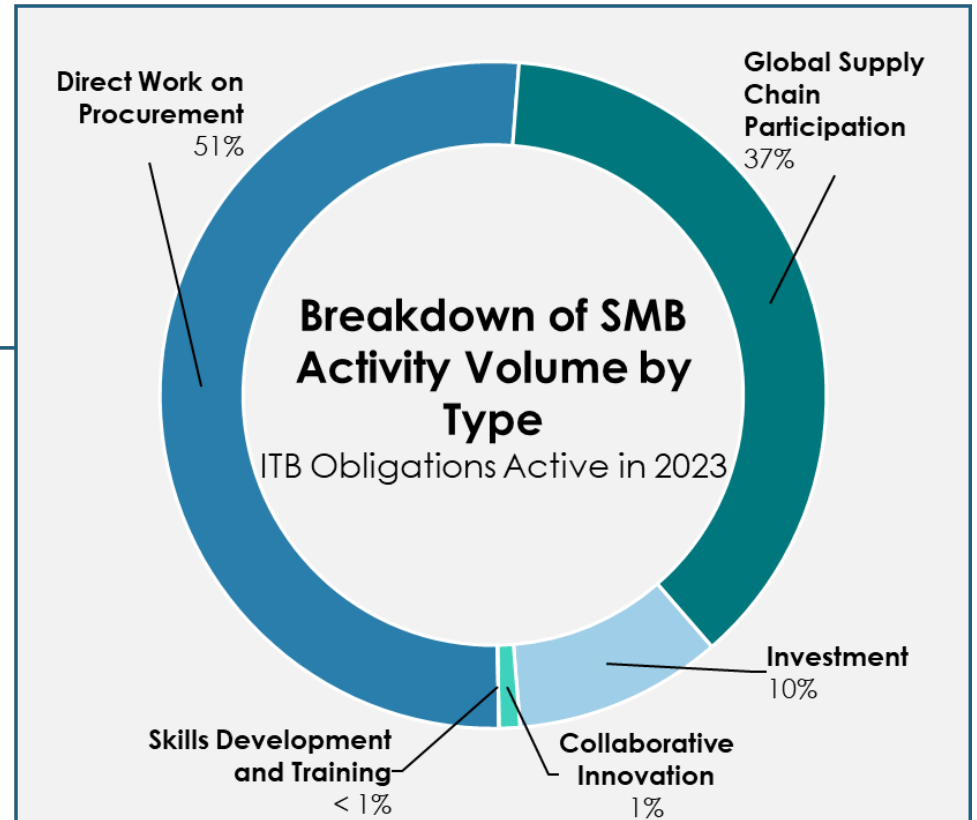
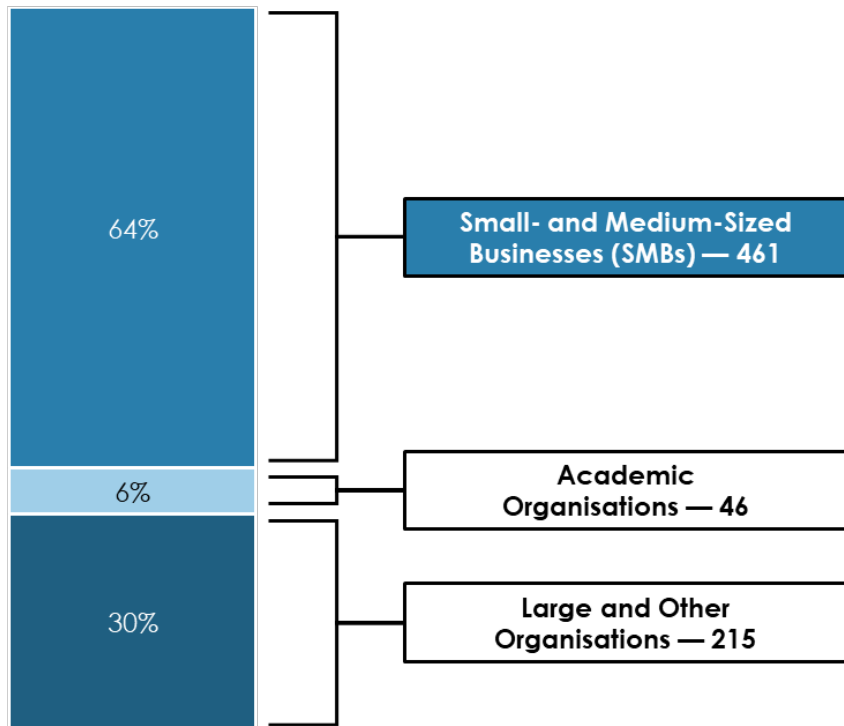
# SCALING-UP SMALL- AND MEDIUM-SIZED BUSINESSES (SMBS)

More than 720 Canadian organisations, of which close to 65% are SMBs, are recipients of activities from ITB obligations active in 2023

## Breakdown of ITB Recipients and SMB Activity<sup>11</sup> Volume by Type<sup>12</sup>

### Breakdown of ITB Recipients by Type

ITB Obligations Active in 2023



- 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



# ACADEMIC & RESEARCH ORGANISATIONS R&D AND SKILLS









More than 45 Canadian academic and research organisations are recipients of activities from ITB obligations active in 2023

## Examples of Academic and Research Organisation Activities

### Skills Development Examples

	Cultural Training Adaptation Models		Indigenous Students Skills Development		Shipbuilding Skills Excellence		Women in Skilled Trades
---	-------------------------------------	---	--	---	--------------------------------	---	-------------------------

### 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

# GENDER AND DIVERSITY PLANS

---

There are 34 ITB obligations active in 2023 with Gender and Diversity plans

- Introduced in May 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

## KEY FINDINGS

---

In conclusion, the application of the ITB Policy:

- Contributes **nearly \$4.7B to GDP** and **close to 40,200 jobs** annually in Canada
- Is **market-driven** and aligns closely with **regional industrial strengths**
- Stimulates **industrial activities related to KICs** in the defence industry, in R&D, in Exports, and in Skills Development and Training
- Benefits **over 720 Canadian organisations**, of which **more than 460 are SMBs**
- Benefits **more than 45 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 A – ITB POLICY OBJECTIVES AND RELATED METRICS

ITB Policy Objective	Related Metric	Reference Slide
Supports the long-term growth and sustainability of Canada’s defence industry	<ul style="list-style-type: none"> <li>• Share of the value of ITB obligations committed to direct work on procurement from defence contracts<sup>13</sup> to which the ITB Policy applies</li> <li>• Share of the value of ITB obligations committed to defence industrial activities related to KICs from defence procurements<sup>14</sup> to which the ITB Policy applies</li> </ul>	Slide 7
Supports the growth of prime contractors and suppliers in Canada, including SMBs in all regions of the country	<ul style="list-style-type: none"> <li>• Breakdown of ITB Industrial Activity by Region</li> <li>• Breakdown of ITB Recipients by Type</li> <li>• Breakdown of SMB Activity Volume by Type               <ul style="list-style-type: none"> <li>○ Global Supply Chain Participation</li> </ul> </li> </ul>	Slide 5 / Slide 8
Enhances innovation through R&D in Canada	Volume (in dollars) of R&D commitments related to KICs from defence procurements to which the ITB Policy applies	Slide 7
Increases the export potential and international competitiveness of Canadian-based firms	Number of defence procurements related to KICs with International Export Strategies	Slide 7
Fills skills and training gaps within the Canadian economy to support a more innovative Canada	Volume (in dollars) of Skills Development and Training commitments related to KICs from defence procurements to which the ITB Policy applies	Slide 7

## ANNEX B – 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 2023, over the 2018–2034 period, as specified on each slide.
  - All analyses are based on 2018–2022 credits and 2023–2034 commitments of ITB obligations active in 2023.
  - Annual average economic impact analysis is based on ITB transactions credited over the 2018–2022 period, with adjustments reflecting the ITB Policy’s credit multipliers and intangible industrial activities. This five-year period reflects the timeframe required to better capture industrial activity under the ITB Policy, notably Banking Transactions that are mostly credited prior to contract award.
- ISED’s model measures Canada’s economic structure through Statistics Canada’s 2019 Input-Output (I/O) economic impact multipliers.
  - **NOTE:** While ISED normally uses the most current multipliers, the latest (2020) multipliers were not used due to Statistics Canada guidance which indicates that:
    - Due to the COVID-19 pandemic in 2020, the structure of the economy was significantly altered. The 2020 I/O multipliers and I/O models should be used for analysis of economic impacts that occurred in 2020. For economic impact analysis for more current periods, the 2019 I/O multipliers and models may be considered as more reflective of current economic structures.
  - 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 Statistics Canada’s Gross Domestic Product (GDP) Price Index.
- All totals are in Canadian dollars. Foreign currency amounts were converted to Canadian dollars using the Bank of Canada’s annual exchange rate for 2023.

# DATA SOURCES

---

## 1. Economic Impact

- a. ISED economic model estimates based on ITB administrative data (2018–2022 credits from ITB obligations active in 2023) and Statistics Canada’s 2019 Input-Output multipliers, 2024

## 2. Regional Industrial Strengths

- a. ITB administrative data (2018–2022 credits and 2023–2034 commitments from ITB obligations active in 2023), 2024

## 3. Obligation Progress Report

- a. ITB administrative data (ITB obligations active in 2023), 2024

## 4. Industrial Activities Related to Key Industrial Capabilities (KICs)

- a. See 3(a)

## 5. Scaling-Up Small- and Medium-Sized Businesses (SMBs)

- a. See 2(a)

## 6. Academic & Research Organisations R&D and Skills

- a. See 2(a)

## 7. Gender and Diversity Plans

- a. See 3(a)

## Footnotes

---

<sup>1</sup> See Annex A for a list of ITB Policy objectives and their related metrics.

<sup>2</sup> Small- and medium-sized businesses (SMBs) are firms with 249 or fewer employees.

<sup>3</sup> ITB industrial activity is based on the Canadian content value of ITB credits before the application of ITB credit multipliers. See Annex B for detailed methodology principles.

<sup>4</sup> ITB industrial 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.

<sup>5</sup> Breakdown is based on the industries in which ITB industrial activities take place.

<sup>6</sup> Information Technology (IT) excludes domain- or platform-specific activity.

<sup>7</sup> Further details are available in the *Report on Contractor Progress* on ISED's ITB website.

<sup>8</sup> Department of National Defence (DND) procurements awarded after the introduction of KICs in May 2018 with ITB obligations active in 2023. This excludes National Shipbuilding Strategy (NSS) procurements under the legacy Industrial and Regional Benefits (IRB) Terms and Conditions, as well as procurements for other client departments (e.g. Canadian Space Agency).

<sup>9</sup> DND procurements awarded after May 2018 with ITB obligations active in 2023, including NSS procurements to which DND is the client department. This excludes NSS procurements for the Canadian Coast Guard, as well as procurements for other client departments (e.g. Canadian Space Agency).

<sup>10</sup> Direct work on procurement are industrial activities directly related to the equipment or service being procured by the Government of Canada. Indirect work are industrial activities associated with a contractor's line of business, but NOT directly related to the equipment or service being procured by the Government of Canada.

<sup>11</sup> SMB activity is based on the Canadian content value of ITB credits and commitments towards SMB recipients before the application of ITB credit multipliers.

<sup>12</sup> Collaborative Innovation includes consortium, post-secondary/public research investment, and technology transfer activities. Skills Development and Training was introduced in May 2018 as a fifth pillar to the ITB Value Proposition.

<sup>13</sup> See note 9.

<sup>14</sup> See note 8.