Innovation, Science and Economic Development Canada

Innovation, Sciences et Développement économique Canada

Canada

ITB Policy Annual Report

Economic Impact Analysis

Fall 2025

TABLE OF CONTENTS

The Report Context 3
Economic Impact 4
Regional Industrial Strengths 5
Obligation Progress Report 6
Obligation Progress Report 7
Industrial Activity Commitments 8
Scaling-Up Small- and Medium-Sized Businesses (SMBs) 9
Academic & Research Organisations R&D and Skills 10
Gender and Diversity Plans 11
Key Findings 12
Annex A – ITB Policy Objectives and Related Metrics 13
Annex B – Economic Impact Methodology Principles 14
Annex C – ITB Portfolio 15
Annex D – Breakdown of ITB Portfolio and its Identified Industrial Activities by Type of Contract 16
Annex E – ITB Commitments Related to Key Industrial Capabilities (KICs) 17
Data Sources 18
Footnotes 19

THE REPORT CONTEXT

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

The ITB Policy[1]:

- 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)[2] 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

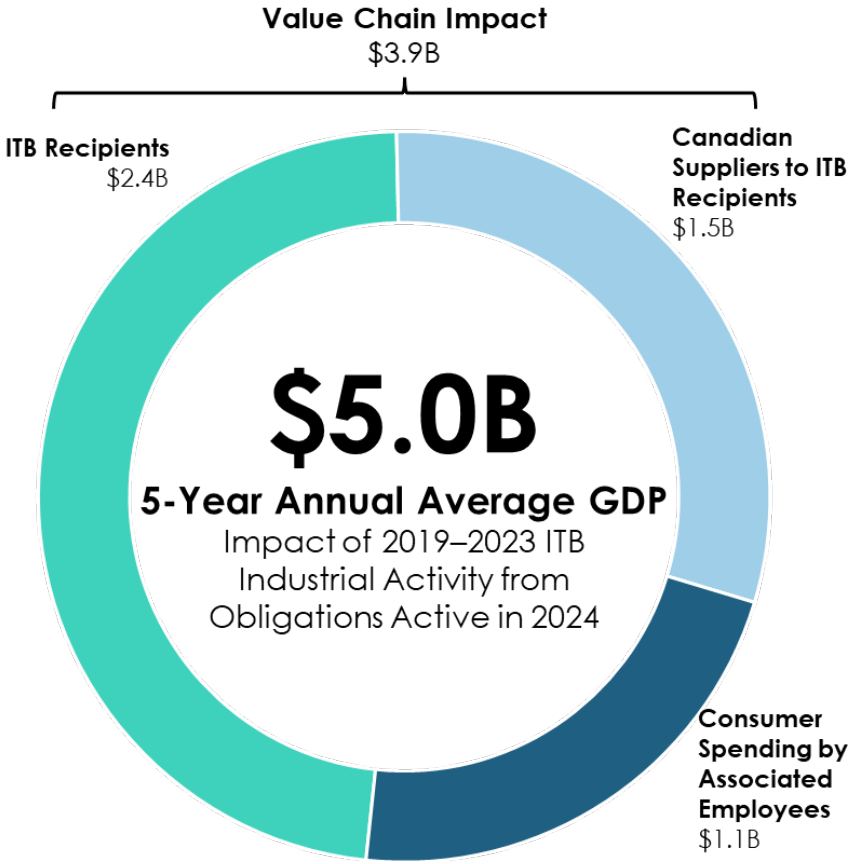
Innovation, Science and Economic Development Canada (ISED) publishes two reports each year in an effort to be transparent about the results and status of the ITB Policy

1. *ITB Policy Annual Report*	Highlights the economic and innovation impact of ITB obligations active in 2024
2. *Report on Contractor Progress*	Demonstrates contractors' progress in meeting their ITB obligations active in 2024

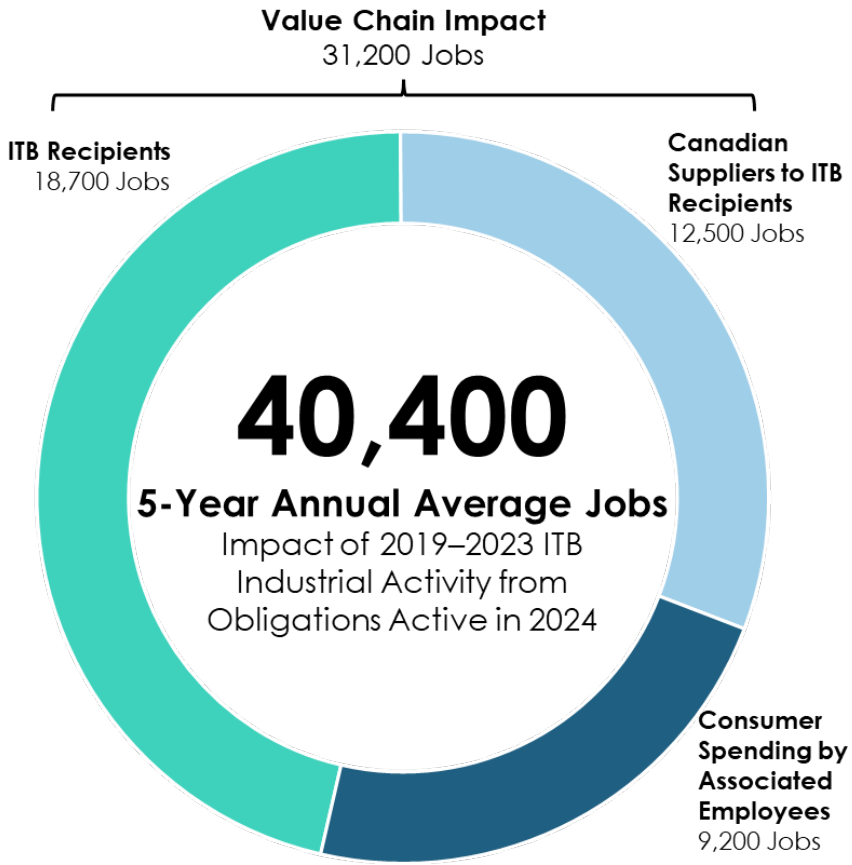
ECONOMIC IMPACT

The ITB Policy is estimated to contribute over $5.0B to GDP and over 40,400 jobs annually in Canada[3]

GDP Economic Impact



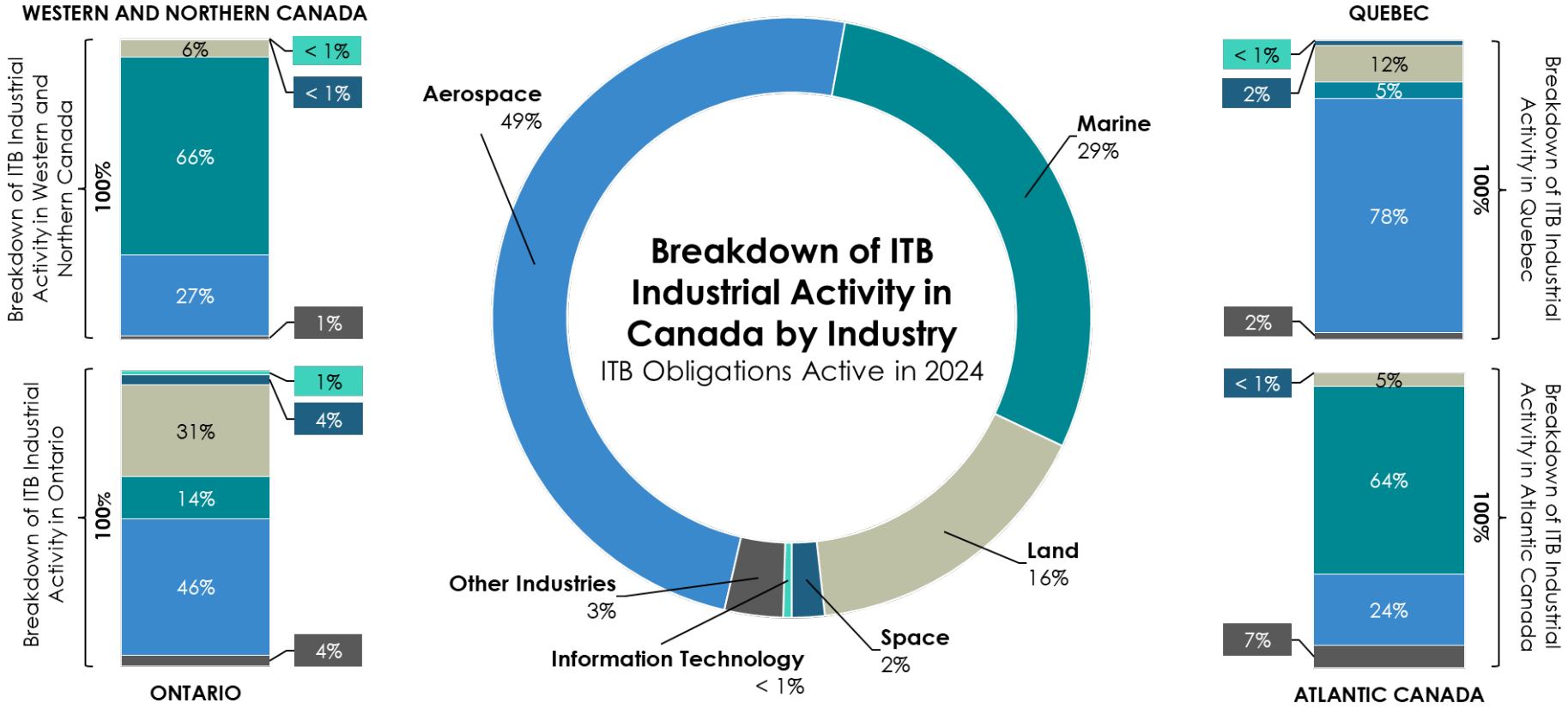
Employment Economic Impact



REGIONAL INDUSTRIAL STRENGTHS

ITB industrial activity[4] aligns closely with regional industrial strengths

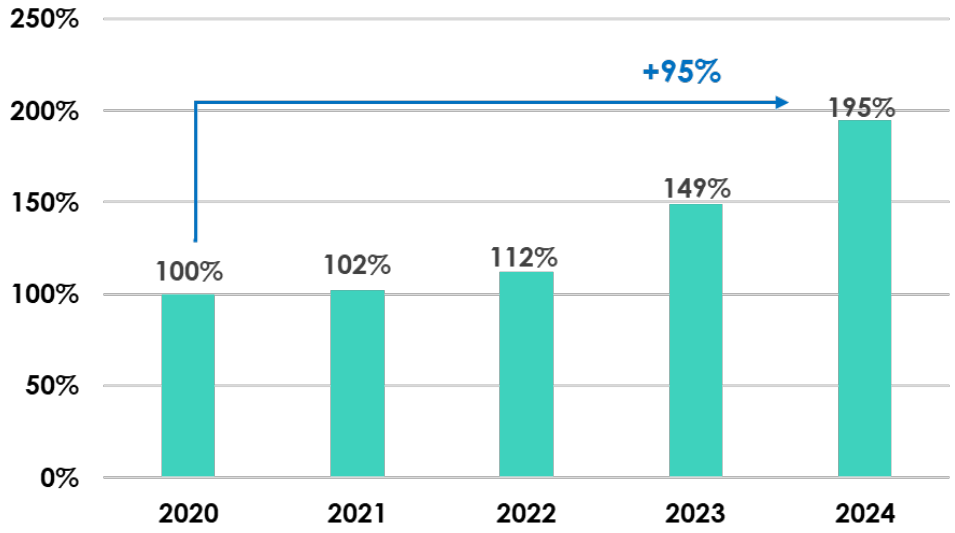
Breakdown[5] of ITB Industrial Activity in Canada by Industry[6]



OBLIGATION PROGRESS REPORT

Close to $84B in economic obligations resulting from 117 contracts active in 2024[7]

Growth of ITB Portfolio[8]
ITB Obligations Active in 2020-2024 (2020=100%)

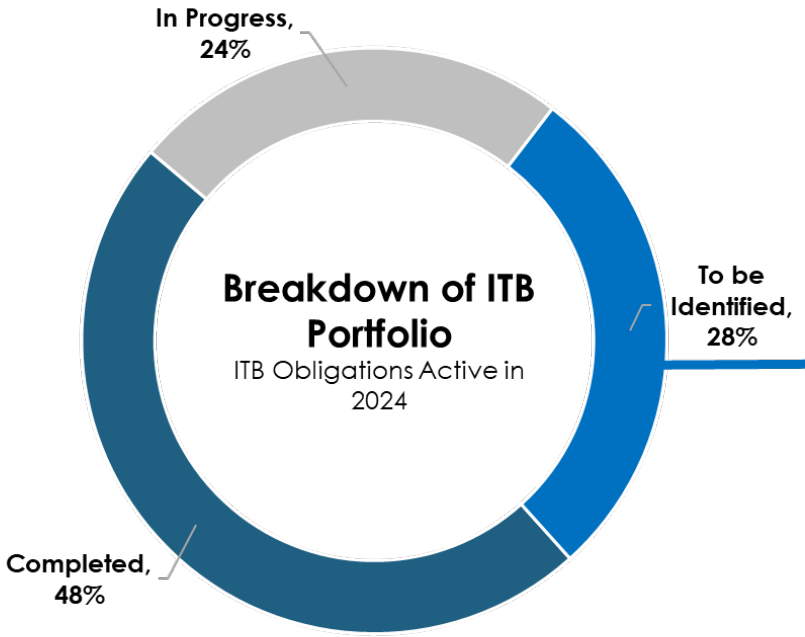


ITB Obligations Active Between 2023 and 2024:
19 new ITB obligations added $16.9B in new economic obligations
54 ITB obligations updated $6.4B in new economic obligations
5 ITB obligations closed $1.5B in economic obligations fulfilled

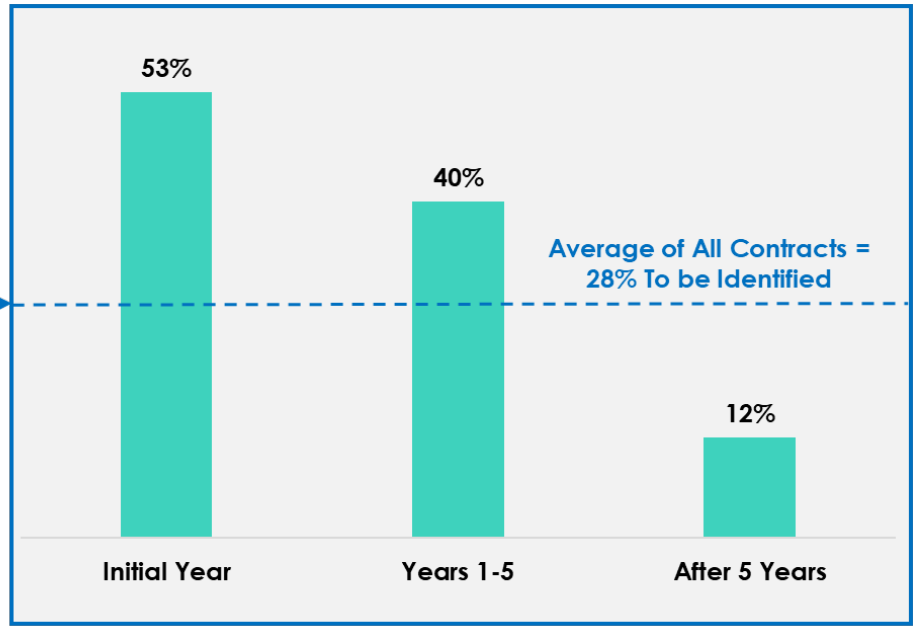
- 95% increase in economic obligations resulting from active contracts in the past 5 years

OBLIGATION PROGRESS REPORT

ITB obligations[9] have an average achievement period of over 15 years with close to 90% of industrial activities being identified within the first 5 years



Percentage of ITB Portfolio To be Identified[10]
By Contract Timeline



INDUSTRIAL ACTIVITY COMMITMENTS

The ITB Policy stimulates industrial activities across the broader Canadian defence and security ecosystem

Close to 50% of the value of ITB obligations is committed to domestic production directly on defence and security procurements[11]

- Over 95% of indirect ITB activity supports the broader Canadian defence and security ecosystem which includes aerospace, land, IT, marine and space industrial activities

Close to $11.6B in Canadian supplier development commitments

Close to $6.2B in R&D commitments

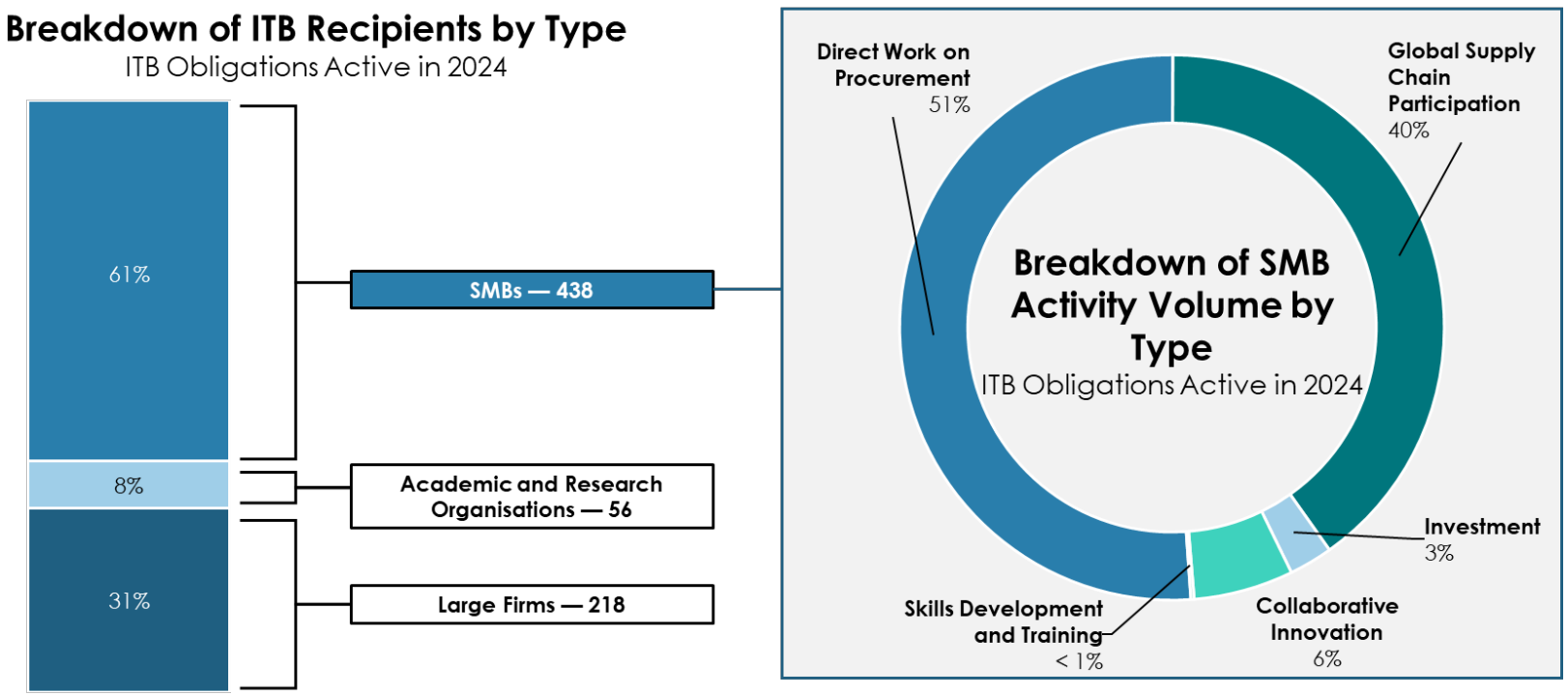
International export strategies on 24 procurements

More than $300M in skills development and training commitments

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

More than 710 Canadian organisations, of which over 60% are SMBs, are recipients of activities from ITB obligations active in 2024

Breakdown of ITB Recipients[12] and SMB Activity[13] Volume by Type[14]



- 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 55 Canadian academic and research organisations are recipients of activities from ITB obligations active in 2024

Examples of Academic and Research Organisation Activities

Examples of Skills Development Areas

- Indigenous Students
- Women in STEM
- 3D Synthetic Simulation
- Shipbuilding Skilled Trade

Examples of Technology Areas

- Artificial Intelligence
- Quantum Computing
- Cybersecurity
- Visual Analytics
- Wireless Sensor Networks
- Additive Manufacturing
- Natural Disaster Prevention
- Energy Management & Optimization
- Battery Cells
- Electric Aircraft
- Aerospace Simulation Systems
- Advanced Unmanned Systems
- Low-Earth Orbit Satellite Technology
- Space Robotics
- Underwater Acoustic Signals
- Icebreaking Technology

GENDER AND DIVERSITY PLANS

There are 46 ITB obligations active in 2024 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, but is not limited to, the following:

- ✓ 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 ITB Policy:

- Contributes over $5.0B to GDP and over 40,400 jobs annually in Canada
- Is market-driven and aligns closely with regional industrial strengths
- Realized a 95% increase in economic obligations from active contracts in the past 5 years
    - ITB obligations have an average achievement period of over 15 years with close to 90% of industrial activities being identified within the first 5 years
- Stimulates industrial activities across the broader Canadian defence and security ecosystem, in supplier development, in R&D, in exports, and in skills development and training
    - Close 50% of the value of ITB obligations is committed to domestic production directly on defence and security procurements
- Benefits over 710 Canadian organisations, including close to 440 SMBs and over 55 Canadian academic and research organisations
- 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	• Share of the value of ITB obligations committed to direct work[15] on procurement from defence and security contracts[16] to which the ITB Policy applies • Share of the value of indirect ITB activities that support the broader Canadian defence and security ecosystem	Slide 8
Supports the growth of prime contractors and suppliers in Canada, including SMBs in all regions of the country	• Breakdown of ITB Industrial Activity by Region • Breakdown of ITB Recipients by Type • Breakdown of SMB Activity Volume by Type ○ Global Supply Chain Participation	Slide 5 / Slide 9
Enhances innovation through R&D in Canada	Volume (in dollars) of R&D commitments from defence and security procurements[17] to which the ITB Policy applies	Slide 8
Increases the export potential and international competitiveness of Canadian-based firms	Number of defence and security procurements[18] with International Export Strategies	Slide 8
Fills skills and training gaps within the Canadian economy to support a more innovative Canada	Volume (in dollars) of Skills Development and Training commitments from defence and security procurements[19] to which the ITB Policy applies	Slide 8

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 2024, over the 2019–2035 period, as specified on each slide.
    - All analyses are based on 2019–2023 credits and 2024–2035 commitments of ITB obligations active in 2024.
    - Annual average economic impact analysis is based on ITB transactions credited over the 2019–2023 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 2021 Input-Output (I/O) economic impact multipliers.
    - 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 2021 dollars; accordingly, all dollars are adjusted to 2021 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 2024.

ANNEX C – ITB PORTFOLIO

Breakdown of ITB Portfolio[20]
(from ITB Obligations Active in 2024)

	Obligation	Completed	In Progress	To be Identified
ITB Obligations Active in 2024	$83.8B	$40.1B	$20.3B	$23.4B

Average ITB Achievement Period by Type of Contract
(from ITB Obligations Active in 2024)

	All Obligation	Acquisition Obligations	ISS: Platform Sustainment Obligations	ISS: Simulation & Training Obligations
Average ITB Achievement Period	16	15	16	25

ANNEX D – BREAKDOWN OF ITB PORTFOLIO AND ITS IDENTIFIED INDUSTRIAL ACTIVITIES BY TYPE OF CONTRACT

Breakdown of ITB Portfolio[21] by Type of Contract
(Shown as Percent of Total Obligation Amount)

Type of Contract	Obligations	Completed	In Progress	To be Identified
Acquisition	100%	49%	23%	28%
ISS: Platform Sustainment	100%	64%	13%	23%
ISS: Simulation & Training	100%	6%	54%	40%
All	**100%**	**48%**	**24%**	**28%**

Breakdown of ITB Portfolio To be Identified Industrial Activities by Type of Contract
(Shown as Percent of Total Obligation Amount)

Type of Contract	All Active ITB Obligations	Initial Year	Years 1-5	After 5 Years
Acquisition	28%	53%	41%	11%
ISS: Platform Sustainment	23%	84%	37%	13%
ISS: Simulation & Training	40%	44%	0%	4%
All	**28%**	**53%**	**40%**	**12%**

ANNEX E – ITB COMMITMENTS RELATED TO KEY INDUSTRIAL CAPABILITIES (KICS)

Value Proposition Pillar	Number of Commitments Related to KICs
Direct Work on Procurement[22]	62
Canadian Supplier Development	25
Research and Development in Canada	37
Skills Development & Training	22

DATA SOURCES

1. **Economic Impact**
    a. ISED economic model estimates based on ITB administrative data (2019–2023 credits from ITB obligations active in 2024) and Statistics Canada's 2021 Input-Output multipliers, 2025

2. **Regional Industrial Strengths**
    a. ITB administrative data (2019–2023 credits and 2024–2035 commitments from ITB obligations active in 2024), 2025

3. **Obligation Progress Report**
    a. ITB administrative data (ITB obligations active in 2024), 2025

4. **Industrial Activity Commitments**
    a. ITB administrative data (ITB obligations awarded after 2014 and active in 2024), 2025.

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)

8. **Annex C – ITB Portfolio**
    a. See 3(a)

9. **Annex D – Breakdown of ITB Portfolio and its Identified Industrial Activities by Type of Contract**
    a. See 3(a)

10. **Annex E – ITB Commitments Related to KICs**
    a. See 4(a)

FOOTNOTES

[1] See Annex A for a list of ITB Policy objectives and their related metrics.

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

[3] 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.

[4] 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.

[5] Breakdown is based on the industries in which ITB industrial activities take place.

[6] Information Technology (IT) excludes domain- or platform-specific activity.

[7] Verification service standard: 89% of verifications from ITB obligations active in 2024 completed within the six-month commitment (80% target).

[8] Further details are available in the *Report on Contractor Progress* on ISED's ITB website. See Annex C and D for more information on the ITB Portfolio.

[9] See footnote 8.

[10] According to the ITB Terms and Conditions, contractors must identify the industrial activities performed under the obligation by specific milestones.

[11] Procurements awarded after the introduction of Value Proposition pillars in 2014 with ITB obligations active in 2024. 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.

[12] Large Firms are firms with 250 or more employees.

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

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

[15] 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.
[16] Procurements awarded after the introduction of Value Proposition pillars in 2014 with ITB obligations active in 2024.

[17] See footnote 16.
[18] See footnote 16.
[19] See footnote 16.
[20] Further details are available in the *Report on Contractor Progress* on ISED's ITB Policy website.
[21] See footnote 20.
[22] See footnote 15.