Economic Impacts of the INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY

2017
Canada, like many countries, has made the strategic choice to derive economic benefits from defence procurement

- Traditionally, offset policies require defence contractors to undertake business activities in the procuring country as a condition for being awarded the contract.
- The Industrial and Technological Benefits (ITB) policy requires defence contractors to invest in Canada equal to the value of their contract.
- Results include defence sector growth to support future military requirements and major spill-over benefits to the broader Canadian economy.

### Portfolio at a glance

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Contracts</td>
<td>124</td>
<td>137</td>
</tr>
<tr>
<td>Obligations</td>
<td>$37.7 B</td>
<td>$41.5 B</td>
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<tr>
<td>Completed</td>
<td>$24 B</td>
<td>$28.3 B</td>
</tr>
<tr>
<td>Activities in progress</td>
<td>$9.0 B</td>
<td>$9.4 B</td>
</tr>
<tr>
<td>Future work opportunities</td>
<td>$4.7 B</td>
<td>$3.8 B</td>
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</tbody>
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No contractor defaults to date.
ADVANCING NATIONAL PRIORITIES

Creating jobs and growth across Canada
- Since 1986, $30B* of investments contributed $39.7B to Canada’s Gross Domestic Product (GDP), close to 90% of the investments from foreign multinationals.
- From 2011-2015, investments helped create or maintain 39,000 jobs annually across manufacturing and service industries, in all regions of Canada.

Building defence capabilities
- Supporting the growth of Canada’s defence sector, which generated close to $10B in revenues in 2014, by more than 640 firms, 90% of them small and medium sized enterprises (SMEs).

Promoting SME partnerships
- Between 2011-2015, contractors partnered with more than 375 Canadian SMEs, involving $1.75B of work in Canada.

Supporting the Innovation Agenda and Science
- Between 2011-2015, 99 investments totalling $82M in research and development (R&D) projects at 45 post-secondary institutions and research organizations in Canada.

* Includes contractor overachievements. All figures exclude multiplied credits.
Generally, high-value investments include:

- Innovation, through Research and Development (R&D) in Canada
- New export opportunities
- Work in Canada directly on the procurement
- Opportunities for Canadian suppliers

Policy changes in 2014 and major fleet recapitalization provides opportunity for a more strategic approach:

- The ITB Policy now applies more frequently (all eligible contracts over $20M)
- Defence contracts are now awarded based on each bidder’s economic commitment to Canada, as described in their Value Proposition, alongside price and technical merit
- There is flexibility to structure Value Proposition (VP) requirements on a procurement-by-procurement basis. The approach is informed by in-house research, third-party advice and industry engagement.
- Policy features have been enhanced to incent more early investment in Canada
THE VALUE PROPOSITION IS WORKING

Supporting Canada’s military fleets, with $1.3B in 2015 (over half of ITB activities)

Canada is attracting earlier commitments to R&D investment -- $120M on recent contracts

Defence companies have banked investments totalling $3.7B for use on future projects

Commitments of $1.9B in export sales, expanding opportunities for Canadian firms to be embedded in global supply chains

Accountability and transparency are encouraging effective participation by Canadian firms and early achievement by contractors

recent contracts

13 contracts

$3.6B obligations

$3.0B activities in progress

$0.6B activities to be identified
ACCOUNTABILITY & TRANSPARENCY

- Contractors’ progress report
- Biennial reports on the state of the defence sector
- Service standard
- Model terms and conditions