

A detailed, close-up photograph of a jet engine's compressor section, showing the complex arrangement of dark, curved blades. The lighting is dramatic, highlighting the metallic surfaces and the intricate geometry of the engine components.

THE INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY

AeroMontreal 2017

WHAT IS THE INDUSTRIAL AND TECHNOLOGICAL BENEFITS (ITB) POLICY?



Companies awarded defence procurement contracts are required to undertake business activity in Canada equal to the value of the contract

This includes a commitment to undertake work in Canada that:

- *Involves minimum values of Canadian work directly on a procurement and;*
- *Includes work with small and medium-sized businesses from across Canada*

WHEN DOES IT APPLY?

- *All eligible defence and Canadian Coast Guard procurements **over \$100 million** and for which the National Security Exception applies*
- *All eligible defence procurements with contract values between **\$20–100 million** will be reviewed for the application of the ITB Policy*

WHAT IS THE VALUE PROPOSITION?



The Value Proposition is:

- A bidder's economic proposal to Canada
- The rated and weighted element of contractor selection along with technical and cost elements
- Designed through market analysis, industry engagement and third party consultation

A VP proposal contains:

- Plans
- Commitments
- Identified business activities (transaction sheets)

OBJECTIVES OF THE ITB POLICY AND VP

- *Support the long-term sustainability and growth of Canada's defence sector*
- *Support the growth of prime contractors and suppliers in Canada, including small and medium-sized enterprises in all regions of the country*
- *Enhance innovation through R&D in Canada*
- *Increase the export potential of Canadian-based firms*

HOW DOES THE ITB POLICY BENEFIT CANADA?



| Leverages high value investments

- Weighted factor in winner selection
- Criteria tailored to each project
- Streamlined Policy features and processes

| Clear objectives

- Defence sector growth
- Supplier development, including SMEs
- Research and technological development
- Exports from Canada

Results have included defence sector growth and major spill-over benefits to the broader economy

ITB PORTFOLIO
at a glance
1986 – 2016

137
Contracts

\$41 B
in Obligations

\$9.3 B
Activities in Progress

\$3.8 B
Future work opportunities

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 18 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

ITB PORTFOLIO
the last year
1986 – 2016

13
New Contracts

\$3.6 B
in Obligations

\$3.0 B
Activities in Progress

\$0.6 B
Future work opportunities

FIXED WING SEARCH AND RESCUE VALUE PROPOSITION



The FWSAR Value Proposition sought to leverage Canada's strong defence and commercial aerospace industrial capability related to the procurement:



Acquisition Contract: Motivate commercial and defence aerospace-related activities focussed on Supplier Development, Research and Development, and providing access to Intellectual Property



ISS of aircraft: Partner with a Canadian ISS Integrator; enable global ISS opportunities through access rights to Intellectual Property

FWSAR ECONOMIC OUTCOMES



The Canadian aerospace and defence industries will have greater access to global supply chain opportunities. For example:

- Pratt & Whitney to develop a new engine variant that will be used on FWSAR & other international orders



CAE will design and develop a turn-key training solution, including manufacture of all simulation products

- Significant opportunity for CAE to develop new products/services for international markets, both commercial and defence



Airbus and Provincial Aerospace have created a joint venture in Canada to manage ISS program

- AirPro will perform program management activity; engineering services; airworthiness authority; and, obsolescence management

FIGHTER REPLACEMENT



Maximize Canadian Involvement

Maximize opportunities for Canadian aerospace and defence industry, including in-service support

Innovation & R&D

Drive leading-edge, collaborative R&D with Canadian industry and academic institutions

Supplier Development

Help build globally competitive and innovative Canadian supply chain participants, including SMEs

Global Value Chain/Exports

Strategic work packages in global value chains, including possible product mandates

Open and transparent competition to replace fleet of CF-18 fighter aircraft



Exploring potential acquisition of 18 interim Super Hornets

Significant Opportunity

To create **high-value jobs** and support **Canadian innovation** across the country

OTHER OPPORTUNITIES



Aircraft acquisition programs

- **Existing Obligations** – Major OEM's, and their key suppliers, have approximately \$1.2B in commitments, in small businesses to be realized over the next 20 years. These OEM's include Boeing, Lockheed Martin, and General Dynamics
- **Joint Unmanned Surveillance and Target Acquisition (JUSTAS)** – Industry feedback sought in Request for Information in 2016. Awaiting results of Defence Policy Review
- **Royal Canadian Navy Unmanned Aerial System** – Long term strategy to procure unmanned systems for Canadian Navy frigates. Industry engagement session held March 23-24 seeking feedback on potential options

OTHER OPPORTUNITIES



Space related opportunities

- **Opportunity** – Current obligations valued at approximately \$400M, with potential future projects to grow to \$4B. Current obligors include MDA, Boeing and General Dynamics
- **Enhanced Satellite Communication Project (ESCP)** – Working with DND and PSPC on potential procurement options to be reviewed

OTHER OPPORTUNITIES



Maintenance, Repair and Training Systems

- **Recent announcements** – Engine maintenance for T56 with StandardAero and F404 with Magellan, which included research and development commitments seeking process improvements
- **Existing obligations** – Legacy commitments exist on projects, such as Operational Training Service Provider (OTSP), as well as maintenance projects on existing DND fleets, including CP140 upgrades; CF-18; Medium-to-Heavy Lift Helicopter; and C130-J
- **Future Aircrew Training (Fact)** – Aircrew training services project for DND to replace NATO Flying Training in Canada (NFTC) and Contracted Flying Training and Support Services (CFTS) contracts. Industry Engagement Request in 2016 to seek input on options, costs estimates and Canadian capabilities

ITB POLICY TIPS FOR ASPIRING BUSINESSES



Be patient! It can take years to build relationships



Determine what area(s) you want to focus on – air, land, or marine



Know who the top bidders and contractors are in the sector you are focusing on



Register your company online with your target vendors for upcoming tenders



Investigate whether your company needs specific credentials or certifications (i.e. controlled goods)



Determine the Canadian Content Value of your product or service. This will be your competitive advantage!



Visit BuyandSell.gc.ca regularly to stay in the know about upcoming tenders and industry engagements and **go to the ITB Website to understand the policy and process**



Talk to your Regional Development Agency (RDA) representative and engage with **Global Affairs Canada's Trade Commissioner Service**



NEXT STEPS:

MOVING FORWARD WITH A MORE TARGETED, STRATEGIC APPROACH

1
**ALIGN WITH
GOVERNMENT
PRIORITIES**

2
**KEY
INDUSTRIAL
CAPABILITIES**

3
**INDUSTRY
ENGAGEMENT TO
GAIN INPUT ON
POLICY
IMPROVEMENT**



QUESTIONS?

Canada 