



A GUIDE TO ENTERING THE CANADIAN DEFENCE MARKET

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Important Concepts & References

- Canada's current strategic Defence policy is **Strong, Secure, Engaged (SSE)**) <http://dgpaapp.forces.gc.ca/en/canada-defence-policy/index.asp>
- The job of ensuring Canada obtains equitable benefit from this spending belongs to Innovation, Science & Economic Development (ISED) and their rules can be found at:
<https://www.ic.gc.ca/eic/site/086.nsf/eng/home>
- The role of ensuring such procurement and associated ITBs (Offsets) are legally and financially sound rests with Public Services & Procurement Canada (PSPC)
- Thus, if you seek to benefit from ITB/VP Policy, be aware of this triad structure of DND, ISED, & PSPC and be familiar with the referenced documents.

SSE: DND + Canadian Coast Guard

- Define the requirements & develop the specs
- Analyze options & cost estimates
- Obtain policy & funding approvals
- Provide technical expertise & manage integration of equipment or services during the project or procurement
- Publish an annual Defence Acquisition Guide (DAG) that outlines DND procurement priorities

SSE: Public Services & Procurement Canada

- Leads stakeholder & industry engagement before & during procurement process
- Develops the procurement strategy
- Leads the solicitation process
- Oversees the technical benefits and price evaluation
- Manages the resulting procurement, contract & vendor performance
- Ensures the procurement and associated Offsets are legal and finally sound

SSE: Innovation, Science & Economic Development (ISED)

- Administers the Industrial & Technological Benefits (ITBS / Offsets)
- Makes recommendation on the application of the policy to procedures
- Determine evaluation criteria intended to leverage economic benefits from resulting contracts and export components of those criteria – with advice from Global Affairs Canada
- <https://www.ic.gc.ca/eic/site/086.nsf/eng/home>

SSE: Key Industrial Capabilities (KICs)

https://www.ic.gc.ca/eic/site/086.nsf/eng/h_00175.html

- Under ITB policy winning bidders on major defence procurements must undertake an amount of economic activity equivalent to value of the contract
- In addition to mfg product in Canada, the obligation can be through R&D, technology transfer, skills development as well as purchasing goods & services from Canadian suppliers.
- Canada identified 16 KICs representing areas of emerging tech with potential for rapid growth and significant opportunities and areas where domestic capacity is essential to national security.
- KICs are defined as the skills, technologies & supply chains required to support growth of these capabilities.

Canada's Key Industrial Capabilities

Emerging Technologies

- Advanced Materials
- Cyber Resilience
- Remotely-piloted Systems and Autonomous Technologies
- Artificial Intelligence
- Space Systems

Leading Competencies and Critical Industrial Services

- Aerospace Systems and Components
- Defence Systems Integration Systems
- Ground Vehicle Solutions
- Marine Ship-Borne Mission and Platform Systems
- Shipbuilding, Design and Engineering Services
- Sonar and Acoustic Systems
- Armour
- Electro-Optical / Infrared (EO/IR)
- In-Service Support
- Munitions
- Training and Simulation

How do ITB/VP's work?

Objectives

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

Application

- Companies awarded defence contracts are obligated to undertake business activities in Canada equal to 100% of the value of the contract.
- On all eligible DND/CCG procurements over \$100 million subject to the policy; contracts valued between \$20M & \$100M are reviewed and ITB policy may be applied.

ITB/VP : Some Important Concepts

- Industrial & Technological Benefit (ITB)
 - A mandatory obligation to conduct certain business in Canada. A simple Pass/Fail
- Value Proposition (VP)
 - A selection of ITB parameters considered to be of significance to this procurement. These are “weighted and rated” and contribute to the overall scoring of the bidder’s proposal.

What are ITB/VP's goals?

To improve economic outcomes for companies in Canada from defence procurement:

- Formerly Industrial & Regional Benefits (IRBs) but now transformed into Industrial & Technological Benefits (ITBs).
- Ensures that defence equipment purchases create greater economic opportunities by promoting a sustainable, innovative & globally competitive Canadian defence industry.
- Gives the Government more flexibility to improve economic outcomes from defence procurement projects.
- Bidders will be motivated to put forward their best industrial plan for Canada as these plans will be scored on the quality of their Value Propositions.

Maximizing SMB/Academia ITB/VP benefit

- **Why should SMBs and Academia care?**
 - There is a mandatory SMB set-aside
 - The Value Proposition (VP) is rated & weighted
 - The VP formula always contains parameters of SMB and Academia interest:
 - Collaborative R&D
 - Skills Development
 - Global Value Chains
- **Therefore, smart Prime bidders now see Academia & SMBs that are ITB/VP-savvy, informed and agile as important assets rather than irritants**

Maximizing SMB/Academia ITB/VP benefit

Important / Essential things to do:

- Take the time to understand the ITB program, inclusive of the acronyms, and Primes will be impressed
- Have your own Value Proposition that spells out what differentiates you from the pack
- Track programs as they move through the approval cycle, know who the potential bidders are. Get your marketing materials in front of them at every opportunity. Chasing an ITB/VP slot after the RFP has issued is too late
- Know who are your local MPs. Brief them on your objectives. Ensure Prime bidders know you are able to push those buttons

Maximizing SMB/Academia ITB/VP benefit

Use Common Sense :

- Once an RFP issues, get a copy and read it
- Pay particular attention to the VP weighting (nominally 20%), SMB set-aside (nominally 15%), and the VP calculation formula
- Study the VP formula & figure out how your company can impact the parameters it contains. Add that to your own Value Proposition
- Know who the Prime Offset Managers are and use every reasonable opportunity to present this case. Repetition is not rude in this circumstance

ATTRACTING INVESTMENT

- The ITB/VP provides Primes strong incentive to make eligible investments in Academia and SMBs - if you fit that description this is important.
- **Key features:**
 - A Prime can invest in a technology development and receive an ITB credit equal the future sales he/she enables by doing so.
 - Or, the Prime help sponsor in R&D programs for which she receives a pre-determined (x4-9) multiplier on her contribution
 - Whatever investment the Prime makes, it must be in the form of a “gift”, where she has no repayment rights, nor does she receive any equity, or IP rights related to the work.

Breakdown of current obligations by contractor

<https://www.ic.gc.ca/eic/site/086.nsf/eng/00001.html>

Some Outstanding Commitments of Major OEMs

INDIGENOUS BENEFITS PLAN (IBP)

A tool to ensure federal procurements and contracts produce optimal **Indigenous socio-economic benefits** is the:

Indigenous Benefits Plan (IBP)

- Incorporated into Solicitation Documents
- To be included in bidders' proposals
- Mandatory Requirement & Rated Criteria
- Targeted Benefits
 - Long Term, Meaningful, Lasting, Sustainable



INDIGENOUS BENEFIT PLAN

- The IBP must address the following:
 - ❖ Employment
 - ❖ Training, Skills Development, Apprenticeship Programs
 - ❖ Sub-contracting
 - ❖ Equitability
- An IBP Will Have Point Rated Criteria
- There could be Pass/Fail elements, with weighted criteria (pillars) and requiring a minimum aggregate score
- The IBP will be evaluated separately from the Managerial/Technical score, Price & ITB/VP

www.pspc-spac.gc.ca

IBP - Other Measures

- The Indigenous Benefits Plan shall include other measures that the Contractor or its subcontractor(s) considers relevant, such as, but not limited to:
 - a) Specialized training or programs required for employment
 - b) Other activities, such as Indigenous workforce capacity building initiatives, related to but not specifically detailed in the Statement of Work (not a Grant/Contribution),
 - c) Participation in recruitment and careers events, such as high school visits, career presentations and scholarships,
 - d) Community outreach programs to share information and create positive relationships,
 - e) Participation in various informational seminars, trade shows and other presentations,
 - f) Other educational programs and/or scholarships for Indigenous people

IBP – Some ideas on How to get there

- Develop a relationship with the Indigenous nations, communities and business communities:
- Community involvement
- Economic development organizations
- Direct engagement
- Determine opportunities for Indigenous suppliers and subcontractors
- Develop and enhance internal procurement policies:
- Indigenous procurement
- Mandatory and rated criteria for the provision of Indigenous benefits
- Priority contracting for Indigenous businesses
- Develop and maintain a list of pre-qualified Indigenous vendors
- Ensure opportunities exist for Indigenous businesses
- Structure larger procurements by commodity groupings
- Direct notification of procurements or bid solicitation
- Provide information and assistance on bid submission processes

ITB Policy – Value Proposition

- PSPC and ISED are working to align the strategy in regards to Indigenous Benefits and ITB Value Proposition – example, Future Aircrew Training (FAcT) Program – as a means to provide flexibility and ease of understanding for Suppliers.
- The Industrial and Technological Benefits (ITB) Policy including Value Proposition requires the winning bidder to undertake work in Canada, measured in Canadian Content Value (CCV), equal to the value of the contract.
- Activities that qualify under the Indigenous Benefits Plan may also count towards fulfilling bidders overall ITB obligation, including Value Proposition.
- For instance, Canada may motivate investments in Skills Development and Training for Indigenous People through both the Indigenous Benefits Plan (IBP) and the ITB Policy
 - The ITB Policy including the Value Proposition may seek to reinforce investments in the Training, Skills Development, Apprenticeship plan under the IBP.
 - In order to align, a common Skills Development and Training definition should be used

Canada seeks to leverage Indigenous Benefits through both the IBP and the ITB/VP Policy

PSPC

Indigenous Benefits Plan

Opportunity for Indigenous Communities

Direct and indirect work
Mandatory Requirements +
Rated criteria

- Employment
- Training, Skills Development, Apprenticeship
- Sub-contracting
- Equitability

Policy Overlap

Skills Development and Training activities with Indigenous Peoples

ISED

ITB/VP Policy

No regional specification
Direct and Indirect work
Mandatory Requirements
+ Rated Elements

- Defence Sector
- Supplier Development
- Exports
- Innovation
- **Skills Development and Training**

Selling to Government – Search for Opportunities

- Use [Buyandsell.gc.ca](https://buyandsell.gc.ca) to search and bid on opportunities & source for government procurement info.
- [Buyandsell.gc.ca/procurement-data/search/site/](https://buyandsell.gc.ca/procurement-data/search/site/) **lists tenders / notices**
- Re Defence - If you are looking for partnering opportunities or thinking about bidding? Find out who is interested in the tender and add your name to the List of Interested Suppliers.
- Provides list of qualified bidders on projects which you can then target to talk with about your company offerings
- [CanadaBuys.Canada.ca](https://canadabuys.canada.ca) will gradually replace BuyAndSell.gc.ca.
- Some Crown corporations, such as Defence Construction Canada, use [Merx.com](https://merx.com) to post their requirements

Security Requirements

- Public Services and Procurement Canada's Contract Security Program offers webinars to businesses who are bidding or working on government contracts with security requirements.
- <https://www.tpsgc-pwgsc.gc.ca/esc-src/index-eng.html> or call 1-866-368-4646
- You will be required to have U.S. Cybersecurity Maturity Model Certification (CMMC) if in the supply chain to a defence contractor.
- Not mandated yet in Canada but increasingly important to obtain CyberSecure Canada Certification
- <https://ised-isde.canada.ca/site/cybersecure-canada/en>

What Not to Do

- Showing up to a Trade or B2B event and ask a Prime's rep to explain what they do and what opportunities there are for you.
- You must do your homework, be informed, and tell them what you can do on their program.
- Locking yourself into any exclusive deal unless you are certain-sure it is a one horse race.
- Don't waffle or prevaricate when asked what your Canadian Content Value (CCV) is.
- Do not act as if you think the ITB/VP is some form of SMB Entitlement Program
- Do not engage in negative marketing

VALUABLE TOOLS

Development your own Value Proposition

- The key foundation document is the “Elevator Speech”. A simple, one-pager that, in bullet form, states:
 - The essence of who you are
 - What discriminates you from the rest
 - Why that is important to the end-user
 - How a prime contractor benefits from dealing with your company
 - What benefits accrue to Canada by choosing you
- Once established, everyone in your company who interacts with clients, government, media, etc, should have it committed to memory, and stick to it.

VALUABLE TOOLS

- List Processes and Manufacturing Methods that match the Prime's
- Preparing a winning ITB/VP Proposal and managing its contract execution is a lot of work for the Prime with significant penalties if it gets screwed up
- Suppliers who understand the ITB/VP process and present their source materials in Proposal and Annual Report ready formats are worth their weight in gold
- Review the ITB Transaction Sheet. It is several pages of promises the Prime is making that will become contractually binding, if he wins.

VALUABLE TOOLS = MANAGE YOUR PUBLIC IMAGE

- Make sure that your website is current, accurate, and attractive. It is stop #1 for any Prime building his ITB/VP chain. SMBs and Academia are not good at this.
- Make sure you have your accreditations front & centre such as Canadian Controlled Goods Certification (CGC), ISO, etc.
- Don't be cheap in having a sensible, focused presence in the Trade Media, it does work!
- Similarly, Primes expect you to be visible at Trade Shows, ideally with themes that mesh with their interests.
- This also applies to Government sponsored events - be there, even if you have heard their story before.

Summary

- The foregoing maps out why you should be interested in ITB/VP.
- Obtaining those benefits takes time and effort.
- One 15-minute briefing will not get you there. This takes regular and sustained attention and a financial and human resources commitment. If you do not have the time, find a consultant who does.
- Academia and SMBs who pay attention do well.
- As a start, the following check-list may help you.

Check List

- Read the ITB/VP, and understand it
- Ensure your profile matches the ITB/VP focus
- Make sure your web presence and public image reflects same
- Monitor all GoC procurements, so you know when ITB/VP procurements are on the street
- Present your case to all bidders, in a format that matches ITB/VP requirements
- Understand this is a long process; stamina wins out
- If you get a negative answer, you just asked the wrong question. Try it again in a different format and don't give up
- Engage with your RDA's – in Southern Ontario it is FedDev Ontario



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