



May 16, 2025

Yves Giroux
Parliamentary Budget Officer
Office of the Parliamentary Budget Officer
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Dear Yves Giroux:

I am pleased to respond to your correspondence of February 14, 2025, addressed to the Honourable François-Philippe Champagne, former Minister of Innovation, Science and Industry, regarding Information Request IR0815.

After receiving your correspondence, Innovation, Science and Economic Development Canada (ISED) staff reached out to your office to seek additional clarity on the request and to determine how the Department could best support your analysis. Following these discussions, your office indicated that it would be pausing the request while considering ISED's preliminary feedback. On March 27, your office reconfirmed that it would still be helpful to receive information in response to the original request, which we are providing at this time.

I would like to take this opportunity to highlight that Canada has been leveraging defence procurements for economic benefits for almost four decades. Canada's main tool for achieving this has been the Industrial and Technological Benefits (ITB) Policy. ISED's latest [annual report](#) estimated that the ITB Policy contributed nearly \$4.7 billion to Canada's GDP and more than 40,000 jobs annually, with more than 460 small and medium-sized enterprises (SMEs) and over 40 academic and research organizations benefitting from it. Specific benefits include supporting the long-term growth and sustainability of the Canadian defence industry, promoting the growth of Canadian companies (especially SMEs), fostering innovation through research and development, boosting the export potential of Canadian firms, and addressing skill gaps in the workforce.

Regarding your request for analysis to support the decision on whether to apply the ITB Policy to projects, this policy applies by default to defence and Canadian Coast Guard procurements over \$100 million that are not subject to trade agreements or for which the national security exception is invoked. In exceptional cases, procurements over \$100 million may be recommended for exemption from the ITB Policy if an evidence-based rationale exists. ISED also assesses and provides a recommendation

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to the Defence Procurement Strategy Secretariat (DPS Secretariat) at Public Services and Procurement Canada (PSPC) regarding the applicability of the ITB Policy on procurements valued between \$20 million and \$100 million on a case-by-case basis.

On behalf of ISED, I am pleased to share the attached ITB Applicability Assessment Grid, which is an unclassified version of what departmental officials use to make recommendations on the applicability of the ITB Policy for individual procurements.

Decisions on ITB Policy applicability taken under the DPS on specific procurements are documented by the DPS Secretariat, which is led by PSPC. As needed, you could engage with PSPC to seek additional documents on specific projects held by the DPS Secretariat. With respect to the Canadian Patrol Submarine Project in particular, it is advancing through the early options analysis phase of the procurement process. No determination has been made yet on whether the ITB Policy will be applied.

With respect to your request for analysis on the impact of the ITB Policy on acquisition costs, there is currently limited analysis available. In defence procurement, costs may vary owing to factors such as market availability, inflation, contract structures, global supply chain limitations, procurement strategies, schedule constraints, specific technical requirements, and technological maturity, which can increase costs unpredictably. The impacts of the ITB Policy on a given procurement are intertwined with other government requirements (e.g., socio-economic objectives), making it difficult to isolate and itemize costs. In addition, prime contractors typically consider administration overheads related to offsets to be commercially sensitive and therefore have corporate policies in place that prevent disclosure.

The lack of information on the cost of the ITB Policy was a key area of focus of the Office of the Auditor General of Canada's (OAG) December 2024 report on the policy. The OAG has recommended that ISED, in collaboration with PSPC—which is responsible overall for cost considerations—conduct a rigorous cost analysis of the ITB Policy. ISED is currently looking at options to implement this recommendation.

I trust that the attached documents, including the signed reply form, will assist your office in fulfilling its mandate. ISED officials would be pleased to answer any other questions your analysts may have with regard to this information.

I look forward to our continued collaboration.

Sincerely,

**Bilodeau,
Francis**

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Francis Bilodeau
Associate Deputy Minister of Innovation,
Science and Industry

Attachments