

Developing the IRB Strategies

Canada's Industrial and Regional Benefits (IRB) Policy sets out how the federal government uses federal defence procurement to bring about long-term industrial and regional development within Canada. It was created to ensure that Canadian companies benefit from procurements through new business or investments in new technologies.

When it comes time to purchase new military equipment, three key government departments have distinct responsibilities. The *Department of National Defence* dictates its requirements, *Public Works and Government Services Canada* initiates a specific procurement process, and *Industry Canada* develops an IRB strategy. My role is to oversee the negotiation of IRB commitments whenever appropriate, with a view to making sure there are real, high quality, strategic benefits for our industry.

Although the IRB Policy was formalized in 1986, Canadian governments since the 1970s have applied some form of IRB policy whenever undertaking military procurements. This puts Canada firmly in line with most industrialized countries around the world, where governments seek to ensure domestic industrial participation in their defence activity by securing domestic benefits (for example in the United Kingdom, Austria, Belgium, Sweden, The Netherlands, and many others). This is a permitted exception to the trade agreements.

Canada's approach allows us to make sure we strengthen our defence industrial base – and indeed our entire aerospace and defence industry – regardless of whether equipment is purchased from Canadian or foreign manufacturers. It is a very important part of the reason that Canada's aerospace and defence industry is now fifth in the world by sales, outperforming much of the global competition and contributing to Canada's Gross Domestic Product to the tune of \$9.2 billion.

We have been working steadily to improve the IRB process since its begin-

nings, making it more smoothly integrated into the overall procurement process, strategic and focussed on high quality benefits for our industry.

Whenever the IRB Policy applies, companies are made aware of the IRB requirements from the outset. They are also made aware that Industry Canada will provide guidance to them as they develop an IRB package that meets our needs and theirs.

We insist on benefits that are of high quality, meaning that they are high tech and related to areas that are of importance for Canada. Companies, industry associations and related government labs have collaborated on a list of key technologies that will help in the development of Canada's aerospace and defence sector. These are the areas we are targeting most for the IRB packages related to the most recent "Canada First" procurements.

Although we are taking a targeted approach, there are different ways companies can meet our requirements. For instance, the benefits can be either direct or indirect. They may be directly related to the products and services the government is buying, or they may be other activities, such as the prime contractor investing in research and development in Canada or choosing Canadian firms as partners for another of the prime contractor's product lines. Not all benefits must be aerospace and defence related – if a prime contractor invests in its Canadian operations in commercial aerospace or other high tech sectors that are key to their core business, it is applicable.

Our approach allows us to make sure our industry is participating in today's most advanced projects and integrated into today's global supply chains, as well as ensuring that our industry tomorrow will benefit from the research and development that is being done in Canadian research institutions.

My team works diligently with potential contractors, showcasing firms from across Canada, from British Columbia to Newfoundland and Labrador, as partners and suppliers to these large projects. We talk daily to Canadian companies that want to participate in these opportunities, and help them make strong partnerships with the prime contractors. There are competitive firms right across the country, and the IRB requirements provide firms in all regions the opportunity to showcase their capabilities. We encourage contractors to find partnerships that work, now and for the long term, to place our companies as key links in global supply chains.

While the government allows different types of benefits, there is no compromise on quality. We carefully monitor to make sure that companies live up to their agreements once they are finalized.

Industrial benefits are serious contractual obligations, subject to annual reporting, verification and performance guarantees. Contractors are required to report annually on their industrial benefits achievements, and there can be financial consequences for non-performance, although this has not been necessary to date.

We have worked hard to make the application of the IRB policy more strategic and to work directly with Canadian industry to make sure its needs and priorities are being addressed. The bottom line for the Government of Canada is that the Canadian economy should benefit from Canada's major defence procurements, regardless of who wins the procurement contract. The IRB policy ensures that these benefits are realized.



Leah Clark, Director General of the Aerospace, Defence and Marine Branch at Industry Canada, is directly responsible for...