



INDIGENOUS PARTICIPATION PLAN TOOLBOX GUIDE

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FOR DISCUSSION AND EDUCATIONAL PURPOSES ONLY



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ACRONYMS

ACAN Advance Contract Award Notice



CADSI	Canadian Association of Defence and Security Industries
CANDO	Council for the Advancement of Native Economic Development Officers
CCAB	Canadian Council for Aboriginal Business
CDR	Canadian Defence Review
CCG	Canada Coast Guard
CM	Construction Manager
CSP	Contract Security Program
DB	Design-build
DBB	Design-bid-build
DCC	Defence Construction Canada
DND	Department of National Defence
ESDC	Economic and Social Development Canada
FMB	First Nations Financial Management Board
FNFA	First Nations Finance Authority
FNTC	First Nations Tax Commission
GC	General Contractor
IPP	Indigenous Participation Plan
ISC	Indigenous Services Canada
ISED	Innovation, Science and Economic Development
ISSET	Indigenous Skills and Employment Training
ISS	In-service-support
ITB	Industrial and Technological Benefits
ITQ	Invitation to Qualify
KICs	Key Industrial Capabilities
LOI	Letter of Interest
NACCA	National Aboriginal Capital Corporations Association
NDA	Non-Disclosure Agreement
NPP	Notice of Proposed Procurement
PAR	Progressive Aboriginal Relations (CCAB)
PAC	Procurement Assistance Canada
PSIB	Procurement Strategy for Indigenous Businesses
PSPC	Public Services and Procurement Canada
RAP	Reconciliation Action Plan
RDA	Regional Development Agency
RFI	Request for Information
RFP	Request for Proposals
VP	Value Proposition

Indigenous Participation Plan Toolbox Guide For Indigenous Communities

Introduction

Combined, the Canadian defence and construction industries contribute approximately \$160 billion to the Canadian economy annually and employ approximately 1.7 million people. The Government of Canada alone purchases close to \$15 billion in goods and services annually for defence, and over \$7 billion worth of infrastructure. In recent years, to meet the requirement for federal departments and agencies to ensure a minimum 5% of the total value



of contracts are held by Indigenous businesses,¹ Canada has begun to mandate Indigenous Participation Plans (IPPs) for many requirements including major defence and infrastructure procurements. IPPs require Prime contractors on major projects to commit to a minimum percentage of the total value of a contract in the form of benefits to Indigenous Peoples and communities (i.e., subcontracting, employment, training, and other benefits), and develop a comprehensive strategy to meet or exceed their commitments. This represents a minimum \$1 billion dollar opportunity for Indigenous communities and businesses annually.

This Toolbox provides information for Indigenous communities and businesses to help them prepare to pursue IPP-related federal procurement opportunities. To a lesser extent, it can also be used by industry and governments as common-sense insight into understanding that Indigenous communities' priorities, expectations of IPPs, capacity to participate in projects, and decision-making processes need to be respected and understood on an opportunity-specific basis. Specifically, it explains:

- Contracting and employment opportunities related to federal procurement.
- IPP requirements, roles and responsibilities, and best practices.
- Government and industry procurement processes, including timelines, key milestones, roles and responsibilities, and requirements.
- Community Considerations for Decision Making.
- Community Engagement and Relationship Building.
- Sources of funding and other support for engaging with Prime contractors, community economic development, supplier development, and opportunity readiness.

This Toolbox also provides information, tools, and resources about:

- Opportunity identification and preparation (e.g., community capability assessments)
- Collaborating with Indigenous Skills and Employment Training (ISET) agreement holders, post-secondary education institutions, and other enabling partners
- The Government of Canada's Industrial and Technological Benefits (ITB) policy, a key driver of funding for investment in skills development, training, research, and capacity development.

How to use this Toolbox

This Toolbox provides a high-level overview ("Guide") of considerations EDOs and communities may need to know and think about, augmented by a series of tools that enable them to 'drill down' into specific areas of interest. It is recommended that users first review this Guide, and access specific Tools as needed:

Tool #1: Community Readiness and Opportunity Pursuit

Tool #2: Indigenous Participation Plans: Structure, Content and Best Practices

Tool #3: Working with the Construction Industry in Canada

Tool #4: Working with the Defence Industry in Canada

Tool #5: Industrial and Technological Benefits Policy

As noted throughout this Toolbox, there are several sources of additional information and support available to users, often referenced under "Resources" that you may also contact, including CANDO itself, for further guidance and support.

¹ <https://www.sac-isc.gc.ca/eng/1691786841904/1691786863431>



Community Readiness and Opportunity Pursuit

By the time a procurement is underway, and an RFP outlining IPP requirements is issued, there is a narrowing window of opportunity to prepare to take advantage of the opportunities it presents. Rather than wait for an IPP opportunity to come along, communities and businesses can prepare for and anticipate them by undertaking a community capability assessment, understanding the requirements of the construction and defence industries, and aligning the two.

There are several processes and key decision points that communities and industry can watch for to gain information on how a project is developing. Requestions for Information (RFI) and early engagement regarding projects may happen years in advance and it important for communities to understand when and how to participate. These will be described in detail in this document.

Step 1: IPP Community Capability Assessment

A Community Capability Assessment (CCA) should be a part of every community's economic development strategy. Like a SWOT (strengths, weaknesses, opportunities, threats) analysis, a CCA is a way for a community to understand its current business capacity and potential capability, the composition (e.g., education, skills, experience, career intentions, etc.) of its labour force, and other factors to take advantage of an IPP-related opportunity (e.g., location). With a CCA in hand, a community can begin to develop a plan to strategically communicate the community's capacity to government and industry. Also, by understanding the typical supply chain requirements and required labour force skills, a community can also develop strategies to supply goods and services to the construction and defence industries, as well as other types of procurement. For more information about Community Capability Assessments, and a questionnaire to aid researchers, see [Tool#1: Community Capability Assessment](#).

Step 2: Understanding Requirements

The next step in identifying the most promising opportunities for your community in the construction and defence industries is to understand the typical and anticipated requirements of those industries.

Construction Requirements

Government-funded construction projects with an IPP requirements can include buildings, roads, bridges, rapid transit, and other projects. Communities can undertake research on the typical requirements of a General Contractor or Construction Manager to understand what goods and services will be in demand for each type of project, and the relative ease of entry into those markets. For more information about construction industry, see [Tool #3: Working with the Construction Industry in Canada](#).

Defence Requirements

The defence industry is organized around the Government of Canada's defence procurement needs. There are five defence domains:



Air



Land



Maritime



Space



Cyber



For each domain, major procurements usually involve one or more of:

- a) purchase of equipment
- b) in-service support, and
- c) training.

Communities can undertake research on the typical requirements of Prime and General contractors on major defence procurements in each domain to understand what goods and services will be in demand for a given project, and the relative ease of entry into those markets. For more information about defence industry requirements and procurement processes, see [Tool #4: Working with the Defence Industry in Canada](#).

A community can further refine their understanding of defence industry requirements by incorporating into their analysis the 17 Key Industrial Capabilities (KICs) the government of Canada incentivizes the defence industry to invest in through procurement processes. KICs provide further indicators of likely goods and services in high demand by the defence industry. A detailed explanation of KICs and their importance to Indigenous communities and businesses pursuing IPP-related opportunities can be found at [Tool #5: Industrial and Technological Benefits Policy](#).

Step 3: Align requirements to capacity, capability, and economic development plan

The next step is to align the requirements of federal procurement opportunities to community capacity, capability, and its economic development plan to determine which goods or services (including labour) the community is best positioned to supply. A hypothetical example can be found below:

What Prime and General contractors are looking for Requirements	What information Communities should have CCA Outcomes	Where Requirements and CCA Outcomes Align Opportunities
<u>Non IPP-related</u> A military base has day-to-day requirements that could be supplied (e.g., food, fuel, and other supplies.) Other requirements could include routine maintenance of building systems, minor renovations, and groundskeeping, etc.	Community X has a relatively large land base, with multiple reserves near a Canadian Armed Forces facility. It is not within commuting distance of a post-secondary or other training facility. Its on-reserve population is approximately 1500. Members' education and experience is mainly unskilled and semi-skilled, with an emphasis on trades and not STEM-related occupations.	<u>Non IPP-related</u> - Fuel - maintenance of building systems - minor renovations - groundskeeping - renewable energy supply (KIC) If airfield services are contracted to the private sector: - snow removal - bird and mammal control
<u>IPP-related</u> It is expected that base will receive new aircraft systems requiring construction of new facilities, and in-service support provided by a Prime contractor. An IPP will be required.	Businesses include retail, gravel, and earth moving (civil earthworks), and a few independent trades contractors.	<u>IPP-related</u> - site preparation - facilities construction - facilities management - aircraft in-service support (KIC) - renewable energy supply (KIC) - training and simulation (KIC)

Presented with both non-IPP and IPP-related opportunities such as the example above, a community could grow an existing business, augmented by member training, to supply the current needs of the base, while laying the groundwork to supply IPP-related requirements



over the long-term through education, training, and partnerships with the Prime contractors and their existing supply chain.

Step 4: Identify and pursue opportunities

There are several activities an Indigenous community or business could take to identify and pursue IPP-related opportunities in the construction and defence industries:

- The Government of Canada issues tender document on several platforms, including [CanadaBuys](#), [SAP Ariba](#), and [Merx](#), but CanadaBuys contains notifications for all tenders, so start there and move to the other websites as needed.
- The tender documents will normally indicate if an IPP is required of suppliers. An EDO can search for “Indigenous” or “Indigenous Participation”, “IPP” or “PSIB” to find opportunities. CanadaBuys has a feature called “[Partner with another business](#)” that allows a community or business to express an interest in the procurement and invite other businesses to partner with them.
- The tendering process for major projects requiring an IPP will usually include a ‘supplier day,’ where federal Contracting Authorities and their procurement partners will present information about the project and answer questions.
- Creating and nurturing a network in the construction and defence industries is an excellent way to learn about upcoming procurements before the process has begun because governments often solicit input from potential suppliers to help ‘shape’ the procurement.
- Participating in industry trade shows and other conferences is another way of learning about potential IPP-related procurements. It’s also an opportunity to network and uncover opportunities that may not have IPP requirements.
- Lobby companies in the construction and defence industry to be placed on their approved vendor lists, and to ‘pre-qualify’ for specific services or projects.
- Utilize services such as [Procurement Assistance Canada](#) (PAC) to get support navigating the tendering process.

For more information about identifying and pursuing IPP-related opportunities in the construction and defence industries see [Tool #3: Working with the Construction Industry in Canada](#), and [Tool #4: Working with the Defence Industry in Canada](#).

Indigenous Participation Plans

IPPs have their origins in the Procurement Strategy for Aboriginal Business (PSAB), which was created in 1996 with the goal of increasing the overall value of federal contracts secured by Indigenous businesses. In August of 2021 the program was renamed Procurement Strategy for Indigenous Business (PSIB) and mandated federal departments and agencies to ensure a minimum of 5% of the total value of their contracts are held by Indigenous businesses. Recognizing that they would not be able to achieve the 5% minimum through direct contracting, several departments with large capital expenditures, such as PSPC, DND, DCC, and Canadian Coast Guard (CCG), have been developing Indigenous benefits requirements in contracts and Prime and General contractors have to achieve project-specific IPPs as a requirement for major projects on an ad-hoc basis with increasing frequency since the mid 2010s.

Given the similarities in intent and nomenclature, it is important to distinguish between documents such as Indigenous Participation Plans (sometimes called Indigenous Benefit Plans [IBP], or Indigenous Component Plans [ICP]) and Impact Benefit Agreements (IBAs).



As described above, IPPs arise out of policy requirements stemming from PSIB, and only apply to major procurements of goods and services by governments, such as the Government of Canada. They require engagement and co-development between Prime contractors and Indigenous communities, but ultimately the IPP is submitted to government for approval. Government works with communities and the prime contractor to monitor implementation.

Conversely, IBAs are agreements negotiated between private sector proponents of primarily resource sector projects, and Indigenous communities, where a project:

- i) is in the traditional territory or treaty area of one or more Indigenous communities,
- ii) may have impacts on those communities' s.35 rights, and
- iii) the proponent and communities have agreed to enter into such an agreement to mitigate any potential impacts on s.35 rights, and provide socioeconomic benefits to the community, including in the form of training, employment, and subcontracting. The resulting agreements typically remain confidential, are not shared with government, and government has no role in implementation, monitoring, or reporting.

	IPP/IBP/ICP	IBA
Rationale	Policy driven (PSIB in the case of the government of Canada)	May be policy or legislatively driven (e.g. north of 60°)
s.35 rights	Unrelated to s.35 rights (if project involves construction, s.35 rights should be addressed in socioeconomic assessment phase, if required, prior to contract award to Prime)	Intended to address potential impacts on s.35 rights through mitigation, and/or accommodation.
Engagement/ Consultation	Potential suppliers engage communities and businesses during bid development stage (post-RFP issue)	Crown must exercise duty to consult at very beginning and end of regulatory process. Project proponents, during course of delegated duty to consult consultation, negotiate agreement with communities during regulatory process to secure social license prior to regulatory decision.
Research and writing	Potential suppliers undertake research, including engagement with communities, businesses and enabling stakeholders. Draft IPP should include who is accountable for its oversight, implementation, and escalation. Overviews of processes, general approach to engagement with Indigenous Nations, Businesses, Organizations, and Peoples as it pertains training, employment, supplier development and subcontracting, and other measures as co-developed with communities. Researching and writing the findings will allow the commitments and strategies that become the content to be well informed, reasoned, and actionable.	Co-developed by community and proponent.
Content	Includes strategies and commitments for training, employment, supplier development and subcontracting, and	Includes measures to address potential environmental impacts, monitoring, accommodation and/or compensation,



	IPP/IBP/ICP	IBA
	other measures as co-developed with communities. Also includes agreement monitoring, governance and reporting provisions.	benefits (training, employment, contracts) and other measures such as support for community projects and programs. Also includes agreement monitoring, governance and reporting provisions.
Ownership and control of document	Document co-owned by Prime supplier and government.	Document co-owned by community and proponent.

IPPs are usually seen with major defence and infrastructure procurements, both because of their high-dollar value, and because of the scope and value of the opportunities they present. In some cases, although they were not considered high-value opportunities, IPPs have been required for projects close to Indigenous communities or when the primary recipients of the project are Indigenous. Examples include the Esquimalt Harbour remediation and jetty recapitalization projects in the traditional territories of the Songhees and Esquimalt Nations, and Parks Canada's Sea Urchin Removal in Gwaii Haanas National Park Reserve project. In general, most projects north of 60° also require IPPs because of stipulations in land claim agreements.

IPP requirements vary by project and government department and are usually outlined in the procurement Request for Proposal (RFP) issued by government. Requirements typically include one or more of subcontracting, employment, training, 'indirect benefits,' such as scholarships and bursaries, and reporting requirements for efforts expended and results achieved. Infrastructure (construction) project IPP requirements are often weighted toward subcontracting because they are relatively shorter-term in nature but will usually include a modest requirement for employment and training (e.g., 1% of total contract value). Contracts of a longer-term nature, such as defence and marine programs involving 'In-Service Support' (i.e., maintenance, retrofitting and related support for aircraft, land vehicles, and ships and submarines) will have more of an emphasis on training and employment, while still retaining a percentage of benefits for subcontracts. For more information about IPPs, including requirements, roles and responsibilities, and best practices see [Tool #2: Indigenous Participation Plans: Structure, Content and Best Practices](#).

Government of Canada Procurement

Government procurement refers to all goods, services and construction services purchased by the government. The Government of Canada purchases over \$30 billion in goods and services annually. Public Services and Procurement Canada (PSPC) supports federal departments and agencies in their daily operations as their central purchasing agent, real property manager, treasurer, accountant, pay and pension administrator, integrity advisor, common service provider and linguistic authority. This Toolbox will focus on Construction and Defense procurement as key examples of procurement since they represent the largest opportunities for Indigenous participation in federal government procurement. Other procurements can be approached using most of the best practices described in this Toolbox.

Procurement Assistance Canada (PAC)

While departments may leverage Public Services and Procurement Canada (PSPC) to issue and manage sourcing events for goods and services; a specific part of PSPC called Procurement Assistance Canada (PAC) is a responsive and support-oriented resource for answering general questions regarding federal procurement opportunities, processes, and systems on a non-opportunity-driven timeline. With a mandate to make the procurement process easier for small to medium sized and diverse businesses, they have pre-packaged materials to help your community businesses do more with the federal government directly or



understand the contractual mechanisms that they put in place with larger suppliers that would look to facilitate local Indigenous business, employment, or training participation on federal procurement opportunities.

For more information and resources, visit PAC [here](#).

Contracting and Employment Opportunities in the Construction and Defence industries in Canada

Construction Industry

According to the Canadian Construction Association (CCA), construction employs over 1.6 million people in Canada and creates an employment creation “ripple effect” in other sectors like engineering, manufacturing, technology, and retail. The industry contributes approximately \$151 billion to the economy annually, accounting for 7.4 per cent of Canada’s gross domestic product (GDP).²

In budget 2016 the Government of Canada committed to investing \$180 billion dollars in infrastructure over 12 years. Funding is being delivered through several programs, ranging from housing to transportation and marine infrastructure, and infrastructure on federal lands and in support of federal operations. While much of that funding will be in the form of direct transfers to provinces, territories, municipalities and other organizations, a significant amount will be direct spending by the Government of Canada. Many of those projects will consider an IPP. [Public Services and Procurement Canada](#) (PSPC) and [Defence Construction Canada](#) (DCC) are primarily responsible for procurement of infrastructure directly, including the development of IPP requirements for the sourcing event.

Typically, governments will hire a General Contractor (GC) or Construction Manager (CM) for a project of the scale that would require an IPP, and the GC or CM would then subcontract most, or all, of the ‘work packages’ required to complete the project (e.g., mechanical (plumbing, heating & cooling, fire detection and suppression, etc.), electrical, siteworks, excavation and backfill, roofing and siding, landscaping, etc.). The scope, qualification requirements, and value of the work packages varies from project-by-project and are important considerations for an Indigenous community or businesses when deciding whether to pursue an opportunity related to infrastructure project.

Indigenous Participation in the Construction Industry in Canada

Indigenous Communities, business and Peoples are very involved in the construction industry in Canada. Indigenous employment in the construction industry in Canada meets or exceeds 5% in almost every province in Canada: Indigenous construction workers account for 5.6% in B.C., 6.4% in Alberta, 12% in Saskatchewan and 16% in Manitoba. In Eastern Canada, 5% of the workforce is Indigenous. In fact, in all regions in Canada, Indigenous Peoples are employed in the construction industry at a significantly higher rate than non-Indigenous people.³

As of May 2024, 194 Indigenous companies doing businesses in the construction industry were listed in Indigenous Services Canada’s Indigenous Business Directory, and 394 were listed in the Canadian Council for Aboriginal Businesses (CCAB) Membership Directory, encompassing the full gamut of services, trades and goods supplied to customers in

² <https://www.cca-acc.com/about-us/value-of-industry/>

³ <https://canada.constructconnect.com/joc/news/labour/2020/05/western-canada-contractors-leading-indigenous-partnerships-and-hiring>



Canada.^{4,5} At the same time, 232 non-Indigenous construction industry businesses were members of CCAB, reflecting a growing understanding in Canada's construction industry that Indigenous participation in the industry is good for business. In support of increased participation of Indigenous Peoples in construction, the Canadian Construction Association has published an [Indigenous Engagement Guide](#) to support its members' efforts to increase Indigenous participation in the industry.

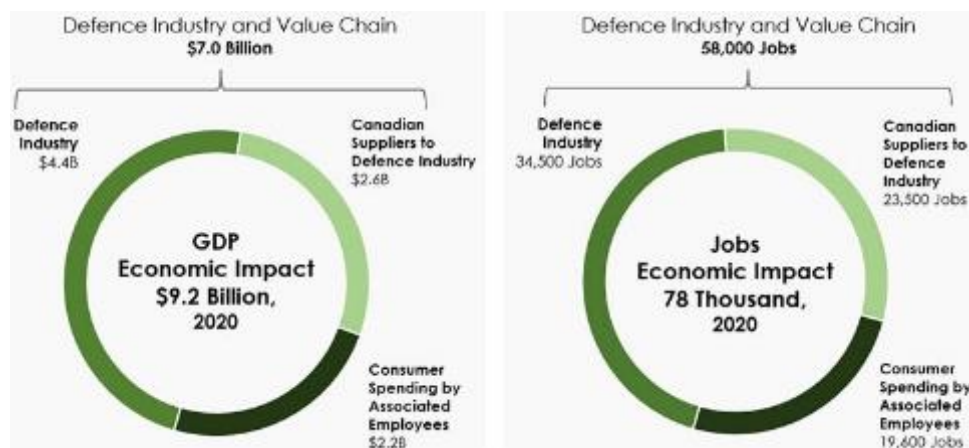
Indeed, the construction industry is fast becoming a leader in Indigenous inclusion in Canada. Calgary, AB-based Graham Construction has close to 30 years' experience engaging with and including Indigenous communities in their projects. Similarly, companies such as PCL Construction, Bird Construction and EllisDon have long partnered with Indigenous communities and companies on projects on and off-reserves. Many of their projects have employed over 20% Indigenous workforces, with national spending on Indigenous subcontractors in the hundreds of \$million annually.

Recently, organizations such as the [Indigenous Contracting and Manufacturing Network](#) (IMCN) have formed to support Indigenous businesses in the construction industry. IMCN was formed in Saskatchewan in 2021 to empower Indigenous communities to foster collaborative thinking to further drive workplace innovation. Their goal is to bridge the manufacturing workforce gap by creating training and education programs leading to well-paying careers for Indigenous youth and adults that want to upskill. Since forming, their membership is growing beyond Saskatchewan's borders to include companies in Manitoba, Ontario, and Quebec. For more information visit: <https://www.imcn.ca/>.

For more information about the construction industry, including procurement processes, contract management, requirements, supplier relations and more, see [Tool #3: Working with the Construction Industry in Canada](#).

Defence Industry

According to a 2022 report jointly published by Innovation, Social and Economic Development (ISED) and the Canadian Association of Defence and Security Industries (CADSI), Canada's defence industry contributed close to \$9.2B in GDP and 78,000 jobs across the Canadian economy in 2020.⁶



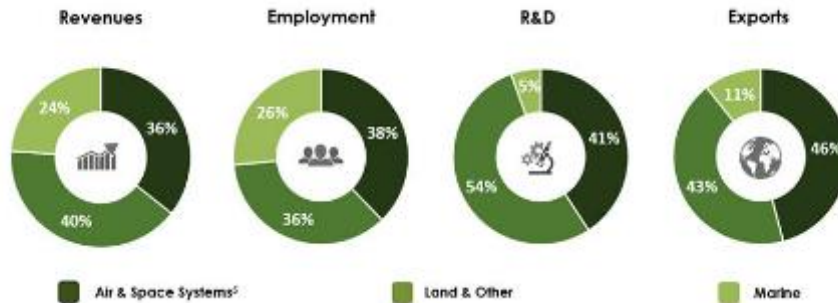
⁴ <https://www.sac-isc.gc.ca/rea-ibd>

⁵ <https://www.ccab.com/>

⁶ <https://ised-isde.canada.ca/site/aerospace-defence/en/state-canadas-defence-industry>



Additionally, over \$12.6B in defence revenues were generated by over 620 businesses across the defence supply chain in 2020, with most expenditures in air and space systems, land & other, and marine:



Major defence procurements in Canada involve several federal departments, including PSPC, Department of National Defence (DND), and ISSED. Major defence procurements can take several years to complete, from the initial identification of a requirement to contract award, and delivery. For more information about the defence industry in Canada, including requirements, procurement processes, supplier relations and more, see [Tool #4: Working with the Defence Industry in Canada](#).

Indigenous Participation in the Defence Industry in Canada

Indigenous communities are near 80% of CAF dispositions and defence industry activities such as manufacturing:⁷

Because of the way the North American Industry Classification System (NAICS) codes used by Statistics Canada in their census of population are structured, it is not possible to determine how many Indigenous Peoples are employed by the defence industry. However, given the high rate of participation of Indigenous peoples in the Canadian Armed Forces



⁷ Department of National Defence/Canadian Armed Forces footprint (March 2020)



(CAF) historically, and presently, it stands to reason that Indigenous Peoples are employed in the defence industry at a rate equal to or greater than their employment in the CAF.⁸

A 2017 report by the Atlantic Aboriginal Economic Development Integrated Research Program (AAEDIRP) found although Indigenous involvement in aerospace and defence supply chains across Canada was at an early stage of development, there were “promising signs in some areas that present the opportunity to change this situation,” led by Indigenous technology-related businesses.⁹ Fast forward to May of 2023, with the announcement by the Canadian Council for Aboriginal Business (CCAB) that it had launched the Indigenous Business Defence Sector Accelerator for Indigenous Business program to create opportunities for Indigenous businesses in Canada to engage with defence suppliers. The initiative was generously supported by General Dynamics Land Systems–Canada.

In recent years several Indigenous businesses have emerged as key suppliers to both Prime contractors in the defence industry, and the Department of National Defence:

Company	Location	Description
Atmis	Chatham, Ontario	Custom tool, machining, automated and engineered solutions to automotive, nuclear, aerospace, defense and medical industry leaders throughout the world.
Avialta Helicopter Maintenance Ltd.	Edmonton, Alberta	Transport Canada approved helicopter repair and overhaul service center, Bell Helicopter Textron Customer Service Facility, Airbus Helicopter Service Center and SAFRAN approved maintenance facility
Dawich Technical Solutions	Waskaganish, QC, and St. John's Newfoundland.	Marine engineering project management, coordination and support, 3D modelling, production information, on-site technical support, 3D scanning and surveying.
Cota Aviation	Parksville, BC	Design, Manufacturing (Complex CNC machining, Fabrication, Post OP Finishing & Assembly), Aircraft Maintenance, In-Service Support, Distribution, Training, Project Management, and Cyber / IT services.
Laflesche Inc.	Kahnawake, Quebec	Plastic injection company specializing in producing high quality sustainable products. Specific services include: • Custom injection molding • CNC machining of plastics and metals • Prototyping • Engineering and design • Mold making • Medical device manufacturing • Product development • Sustainable plastics innovation

⁸ The CAF's present day Indigenous employment figures depend on self identification at time of hiring: “The Canadian Army has a representation of 3.0 per cent Indigenous people, the Royal Canadian Navy has a representation of 2.9 per cent, and the Royal Canadian Air Force is at 2.4 per cent. The CAF's long-term Employment Equity goal for Indigenous people is 3.5 per cent” (2017):

https://www.canada.ca/en/department-national-defence/news/2017/06/les_peuples_autochtonesdanslesforcesarmeescanadiennes.html

In contrast, Statistics Canada's 2021 Census of Population found that

⁹ https://www.apcfn.ca/wp-content/uploads/2020/06/GATN_FINAL_REPORT_MAY_2017.pdf



Company	Location	Description
Pro Metal	Regina, Ontario	Full-service metal fabrication: fabrication, welding, CNC machining, power coating, emergency response, drafting & design, quality control
RaceRocks 3D	Victoria, British Columbia	VR, AR, AI enabled digital learning environments, training and simulation, custom software tools, digital twins, R&D.
Renaissance Network Reinvent	Ottawa, Ontario	Supply Chain & Global Logistics, Repair and Testing, Inventory Sourcing & Disposition, Engineering, Spares Management, Third Party Hardware Maintenance & Support
Xtended Hydraulics & Machine	Regina, Saskatchewan	Hydraulic cylinder manufacturing, repair, and custom machining. Core markets include mining, utilities, and oil & gas industries.

Industrial and Technological Benefits

Different from the IPP requirements in contracts, [Canada's ITB policy](#), referenced above, contractually requires companies awarded defence procurement contracts to undertake business activities in Canada equal to the value of the contracts they have won. The ITB Policy applies on all defence and CCG procurements over \$100 million that are not subject to trade agreements or for which the national security exception is invoked. Defence procurements valued between \$20-100 million are reviewed for the possible application of the Policy. ISED is responsible for administering the ITB Policy

Canada's ITB policy is an important consideration for Indigenous communities, businesses, and post-secondary institutions because it:

- Provides a roadmap of Canada's intentions about incentivizing Prime and General contractor investments in Canada's defence industry through five "Value Proposition" (VP) pillars (i.e., Work in the Canadian Defence Industry, Canadian Supplier Development, Research and Development, Exports, Skills Development and Training).
- Is an indicator of the specific fields that will receive relatively higher investment from Prime Contractors (Key Industrial Capabilities, or 'KICs'), which Indigenous communities and businesses can target for investment and growth;
- on a procurement-by-procurement basis, it provides an indicator of what competing suppliers will be seeking to invest in, and for those Primes with a contract, what they need to invest in; and
- applies a 'multiplier' credit to some ITB investments that can be leveraged by Indigenous communities, businesses, and post-secondary institutions to secure funding for research and development and training.

For more information about Canada's ITB policy, Value Proposition, and KICs, and their importance to Indigenous communities, see [Tool #5: Canada's Industrial and Technological Benefits Policy and its Importance to Indigenous Communities, Businesses, and Post-secondary Institutions](#).

Funding

There are several public, semi-public, and private sector sources of funding that can be accessed to undertake economic development studies, start a business, buy a business, build economic development infrastructure, and other activities that support a community's participation in the construction and defence industries.



An example of a resource for EDOs is the [Canada.ca - Business Benefits Finder](#). This tool allows for filtered searches based on a series of variables that can quickly lead to specific resources and services for businesses.

Indigenous Services Canada - Community Opportunity Readiness Program

The Community Opportunity Readiness (COR) program provides funding to First Nation and Inuit communities and their governments, including tribal councils, in pursuit of an economic opportunity. Funding can be used for a broad range of activities, including:

- feasibility studies
- marketing, advertising, and promotion
- planning
- negotiation and legal support
- land surveys and appraisals
- business advisory services and training, commercial development, and market development
- community economic infrastructure development related to business development

For more information about the Community Opportunity Readiness program, including eligible expenses, funding levels and proposal assessment criteria, go to: <https://www.sac-isc.gc.ca/eng/1587563567774/1587563589262>

Strategic Partnership Initiative

The Strategic Partnerships Initiative (SPI) is a federal inter-departmental funding program that enables the Government of Canada to make strategic investments in Indigenous economic development opportunities for which no single department or agency has responsibility for. This approach allows federal partners to coordinate their efforts, reduce administrative burden, pool resources in support of Indigenous communities, and fill gaps in other funding programs that might create a barrier to Indigenous involvement in economic opportunities. SPI initiatives can span multiple years, have regional economic impacts, and serve multiple communities. SPI supports investments in:

- economic readiness
- economic infrastructure
- expanding viable businesses
- pre-feasibility and feasibility studies
- environmental diagnostics and evaluations
- community economic development planning
- skills development and training

A community seeking more information about the SPI program and funding opportunities should contact the Regional Development Agency (RDA) in their region:

[Atlantic Canada Opportunities Agency](#) (ACOA)

[Canada Economic Development for Quebec Regions](#) (CEDQ)

[Canadian Northern Economic Development Agency](#) (CanNor)

[Federal Economic Development Agency for Southern Ontario](#) (FedDev Ontario)

[Federal Economic Development Agency for Northern Ontario](#) (FedNor)

[Prairies Economic Development Canada](#) (PrairiesCan)

[Pacific Economic Development Canada](#) (PacifiCan)



Indigenous Financial Institutions

Indigenous Financial Institutions (IFIs) are autonomous, Indigenous-controlled, community-based financial organizations. IFIs make loans that conventional financial institutions cannot, by identifying risks and then mitigating those risks by helping Indigenous entrepreneurs avoid them. Support includes business loans, non-repayable contributions, financial and management consulting, and business start-up and aftercare services. IFIs have become experts in risk assessment, mitigation, and management for Indigenous entrepreneurs and communities.¹⁰ For more information about IFIs, and to find an IFI near you, go the website of the National Aboriginal Capital Corporations Association (NACCA) at: <https://nacca.ca/indigenous-financial-institutions/>.

First Nations Finance Authority

One of the four First Nations Fiscal Institutions, the First Nations Finance Authority (FNFA) is a non-profit authority mandated to provide financing, investment, and advisory services for First Nation governments across Canada who are 'borrowing members.' To become a borrowing member, a First Nation must first voluntarily schedule to the First Nation Fiscal Management Act (FNFMA). From there they must be certified by the First Nations Financial Management Board, or by the First Nations Tax Commission for First Nations wishing to use tax revenue to repay their loans. The FNFA offers borrowing members lower interest rates than do mainstream banks.

If applicable, Tax revenues can only be used to finance long-term financing of capital infrastructure for the provision of local services on reserve lands, or short-term financing to meet cashflow requirements for operating or capital purposes, or to refinance a short-term debt incurred for capital purposes. For First Nations seeking to leverage revenues other than tax revenues to repay their loans, eligible expenditures are fairly broad, and are defined as:

"Any purpose that promotes the First Nation's economic or social development, including financing for:

- a) capital infrastructure that is to be wholly or partly owned by the First Nation, including infrastructure for the provision of local services on reserve lands, housing, plants and machinery, buildings and other capital assets;
- b) rolling stock that is to be wholly or partly owned by the First Nation;
- c) land that is to be wholly or partly owned by the First Nation;
- d) shares or any other ownership interest in a corporation whose purpose includes the ownership, operation, management or sale of products of power generating facilities, waste or wastewater treatment facilities or other public service utilities or facilities;
- e) lease financing of capital assets for the provision of local services; and
- f) short-term financing to meet cash flow requirements for capital purposes or to refinance a short-term debt incurred for capital purposes."

FNFA has issued debentures (debt) to finance a variety of economic development projects, including:

- Hotels: Microtel by Wyndham Portage La Prairie and Wyndham Garden Winnipeg Airport Winnipeg (Long Plain First Nation); Courtyard by Marriott Nanaimo Snuneymuxw; Tru Hotel (Acadia First Nation)
- Songhees Wellness Centre (Songhees Nation)
- Wharf Reconstruction (Beausoleil First Nation)

¹⁰ <https://nacca.ca/indigenous-financial-institutions/>



- Ownership stake in 40MW Cochrane Solar Project (Taykwa Tagamou Nation and Wahgoshig First Nation)
- O'Chiese Business and Investment Centre (O'Chiese First Nation)
- Mistawasis Nêhiyawak Misty Ventures investment fund
- Ocean Man Solar Farms (Ocean Man First Nation)

In the context of the construction and defence industries, FNFA financing could be used for:

- investments in companies currently supplying, or with the potential to supply, the construction and defence industries;
- purchase of heavy equipment and vehicles;
- the development of clean energy and clean technology facilities;
- industrial parks, warehouses, logistics centres, etc.
- hotels, conference centres, etc.

For more information about the First Nations Fiscal Institutions, including FNFA, go to:

[https://fnfmb.com/en/about/first-nations-fiscal-management-act#:~:text=It%20means%20accessing%20the%20services,Nations%20Infrastructure%20Institute%20\(FNII\).](https://fnfmb.com/en/about/first-nations-fiscal-management-act#:~:text=It%20means%20accessing%20the%20services,Nations%20Infrastructure%20Institute%20(FNII).)

Indigenous Private Equity Firms

Several Indigenous private equity firms invest in Indigenous community and non-community-based businesses:

[Raven Capital](#)

[Axxcelus Capital](#)

[Longhouse Capital Partners](#)

[Indigena Capital](#)

Businesses Development Bank of Canada

The Businesses Development Bank of Canada (BDC) provides financing and advisory services to Canadian businesses seeking to grow. It has several programs geared toward Indigenous Peoples:

- Indigenous Entrepreneur Loan: financing of up to \$350,000 to grow or scale your business.
- Indigenous Growth Fund: an open-ended debt fund that provides lines of credit to Aboriginal Financial Institutions across Canada, who in turn provide loans to Indigenous entrepreneurs.
- Marketing scholarships for Indigenous Peoples

For more information about BDC's programs for Indigenous businesses and peoples go to:

<https://www.bdc.ca/en>

Canada Infrastructure Bank

The Canada Infrastructure Bank (CIB) is a federal Crown corporation mandated to invest in infrastructure benefiting Canadians. CIB collaborates with federal, provincial, territorial, and municipal governments, Indigenous partners, the private sector and institutional investors to investment in green infrastructure, clean power, public transit, trade and transportation, and broadband infrastructure. It also provides infrastructure investment advisory services.



In February of 2024 the CIB's Indigenous Equity Initiative invested in the largest energy storage project in Atlantic Canada, including financing 90% of the Indigenous participation. The facility will be co-owned by Nova Scotia Power Inc (NS Power) and Wskijinu'k Mtmo'taqnuow Agency Ltd. (WMA), an economic limited partnership owned by 13 Mi'kmaw communities.

For more information about the CIB, and the Indigenous Equity Initiative, go to: <https://cib-bic.ca/en/medias/articles/indigenous/>.



TOOL #1: COMMUNITY READINESS AND OPPORTUNITY PURSUIT

A Community Capability Assessment (CCA) should be a part of every community's economic development strategy. Similar to a SWOT (strengths, weaknesses, opportunities, threats) analysis, a CCA is a way for a community to understand its current business capacity and potential capability, the composition (i.e., education, skills, experience, career intentions, etc.) of its labour force, and other factors that may put it at either an advantage, or disadvantage, to take advantage of an IPP-related opportunity (e.g., location). With a CCA in hand, a community can begin to develop an understanding of how an existing or potential business could supply goods and services to the construction and defence industries, and the skills and experience in high demand by them.

Community Asset Inventory and Capacity Assessment

The Community Asset Inventory and Assessment is the first step in determining a community's capacity to participate in IPP-related economic development opportunities in the short-to-medium term (up to five years). It includes an inventory of the economic assets that determine a community's ability to participate immediately (e.g., economic infrastructure and land assets, existing business assets), and an inventory of the social assets that determine a community's ability to participate immediately (e.g., population levels, locations, education levels, employment). Finally, it includes an assessment of social infrastructure assets, which will determine whether a community can sustain its participation and increase capacity to its maximum capability.

Community Asset Classes		Community Asset Categories
Economic Assets	Infrastructure	• Energy production and distribution • Transportation • Connectivity • Economic facilities (e.g., business centre, industrial park etc.)
	Land and Geography	• Industrial lands • Vacant land • Common land e.g. Band owned • Certificate of Possession Lands • Urban reserves • Proximity to potential economic opportunities
	Businesses	• Existing business activities (band-owned and individual, on and off-reserve)
	Capital	• Current access to capital • Revenue & debt
Social Assets	Population	• #people on vs off-reserve • Location of off-reserve population • Age structure
	Education	• Education levels • Fields of study
	Employment	• Employment levels • Employment fields • Employment locations
	Social Infrastructure	• Governance • Schools • Housing • Community services • Wellness and cultural centres



Community Asset Classes	Community Asset Categories
	Gathering spaces

Table 1 Community Asset Inventory Categories

In undertaking a Community Asset Inventory and Capacity Assessment, a community may wish to ask the following questions:

Asset Class	Capacity Assessment Questions for Consideration
Infrastructure	- What, if any, is the power generating capacity of the community? - How many people are connected to the internet, and at what bandwidth? - Do residents have reliable access to transportation?
Land and Geography	- How many hectares of land are currently zoned for industrial use (including power generation)? - How many hectares of land are vacant/un-zoned? - How much land is held in common land? - How much land is held in Certificates of Possession or long-term leases? - Is the community located within economic distance of a military facility or urban centre? - If a First Nation, does it have an urban reserve? If so, what is it used for?
Businesses	- How many band-owned and band-member owned businesses exist, what do they do, where are they located, how many people do they employ, and what is their approximate annual revenue. - Are they operating at full capacity?
Capital/Financial Situation	- How much money does the community have in the bank? - How much could it access on a short-term lending facility? - What are a communities' revenues and debt-servicing costs?
Population	- Where are community members located? - How old are community members?
Education	- How many people have completed high school? College/trades? University? - Location by education level? - What specific fields did they study (e.g., trades, finance, engineering, etc?)
Employment	- What is the rate of participation in the workforce, on and off-reserve? - What fields are people working in?
Social Infrastructure	- Under what legislative regime(s) is the community governed, if any? - Is the community self-governing? - Tribal Council and regional affiliations? - Participation in First Nations Fiscal Institutions regime? - Are there schools in the community? Who sets the curriculum? - What is the status of the current housing stock? Occupancy rates? - Are community services available to community members? - Do communities have access to wellness and cultural centres, and recreational facilities? Are they used for economic development/revenue generation (including relationship-building with current and potential partners?)

Table 2 Community Capacity Assessment

Having undertaken a Community Asset Inventory and Capacity Assessment, a community can assess the viability of leveraging IPP-related opportunities in the short-to-medium term and begin to pursue them. At the same time, it may wish to undertake a Community Capability Assessment, which will result in an assessment of its ability to leverage longer-term, and potentially more lucrative and impactful opportunities.



Community Capability Assessment

Having completed a Community Asset Inventory and Capacity Assessment, a community can then turn to a Capability Assessment:

Asset Class	Capacity Capability Questions for Consideration
Economic Infrastructure	• Could the community's economic infrastructure capacity be increased? • What would be required to increase the community's economic infrastructure capacity? • What is the community's potential economic infrastructure capability?
Land and Geography	• Could the community's economic land base be increased? By how much? • What would be required to increase the community's economic land base? • If a First Nation, are the opportunities to create urban reserves closer to economic opportunities?
Businesses	• Could existing businesses grow? By how much, and in what ways? • Could the community's business base be increased (e.g. new business creation)? Which new businesses could be created? • What would be required to increase the community's business base (e.g., labour, capital, land etc.)?
Capital	• Could the community access additional/alternative sources of capital? • How and by how much?
Population	• How mobile is the population? What would be required to facilitate mobility (e.g., on vs. off-reserve) • What advantages does the community's age structure give it?
Education	• Are education levels and fields of study sufficient to leverage economic opportunities? • How can youth adults be encouraged to study high-demand programs (e.g., STEAM, trades, etc.)
Employment	• What is the likely maximum labour market participation rate? • What is the likelihood of community members changing employers and/or occupations/professions?
Social Infrastructure	• Are a community's governance structures, systems and processes adequate to leveraging available economic opportunities? Is there appetite to making changes? • Could the community explore governance enhancements conducive to leveraging economic development opportunities (e.g., lands management regime, fiscal certification, etc.) • If housing is a barrier to economic expansion, how could housing stock and quality be increased, and by how much? • Are community services and social infrastructure adequate to leveraging economic development opportunities? If not, how could they be strengthened?

Table 3 Community Capability Assessment

Aligning capacity, capability, and economic development plan to requirements

The IPP Toolbox Guide provides a hypothetical example how the outcomes of Community Capacity and Capability Assessments can be aligned with ongoing construction and defence requirements, and IPP-related opportunities. It is reproduced below:



Requirements	CCA Outcomes	Opportunities
<u>Non IPP-related</u> A military base has day-to-day requirements that could be supplied e.g. food, fuel, and other supplies. Other requirements could include routine maintenance of building systems, minor renovations, groundskeeping, etc.	Community X has a relatively large land base, with multiple reserves near a Canadian Armed Forces facility. It is not within commuting distance of a post-secondary or other training facility. Its on-reserve population is approximately 1500. Members' education and experience is mainly unskilled and semi-skilled, with an emphasis on trades and not STEM-related occupations.	<u>Non IPP-related</u> - Fuel - maintenance of building systems - minor renovations - groundskeeping - renewable energy supply (KIC) If airfield services are contracted to the private sector: - snow removal - bird and mammal control
<u>IPP-related</u> It is expected that base will receive new aircraft systems requiring construction of new facilities, and in-service support provided by a Prime contractor. An IPP will be required.	Businesses include retail, gravel and earth moving, and a few independent trades contractors.	<u>IPP-related</u> - facilities construction - facilities management - aircraft in-service support (KIC) - renewable energy supply (KIC) - training and simulation (KIC)

Table 4: IPP and non-IPP-related economic opportunities in relation to a Canadian military base

Below is a similar hypothetical analysis, in this case related to the manufacture of armoured vehicles. In this example, a manufacturer of armoured vehicles in southern Ontario must commit to at least 5% of the value of the contract in the form of Indigenous benefits. For the procurement portion of the commitment, the manufacturer has identified vehicle parts as a good it could source from an Indigenous business.

Requirement	CCA Outcomes	Opportunities
A southern Ontario manufacturer requires specialized, custom-designed and manufactured parts for its armoured vehicles.	Community Y is located within commuting distance of an urban centre in western Canada with an established steel production and metal fabrication industry. The community is a mid-sized First Nation of about 2000 members, with one third living in the community and two thirds off reserve, most of them in the local urban centre. Its membership includes journeyman welders and other trades that could contribute to supplying parts, but not enough to start a community-owned business from scratch. The region in which it is situated has excellent trades training institutions, with which the community enjoys good relations.	- Manufacturing - Training - Export

Table 5: IPP--related economic opportunities in relation to the manufacture of armoured vehicles

Faced with a significant opportunity in an industry with significant barriers to entry (e.g., steel fabrication and manufacturing) and few qualified community members that could participate in the short-term, the community could purchase an existing business in the local urban centre and put in place a training program that would see its members become qualified to work in the business. Contributions from the manufacturer of armoured vehicles could cover the costs related training, for which they would receive the 5x ITB credit multiplier under Canada's ITB policy. Eventually, the new business could manufacture and sell components to other customers in Canada, and around the world.



Procurement-driven Opportunity Pursuit

Identifying Opportunities

There are several activities an Indigenous community or business could take to identify and pursue IPP-related opportunities in the construction and defence industries:

Before the tendering process has even begun, it is possible to get advance notice of potential or planned procurements in several ways:

- Creating and nurturing a network in the construction and defence industries is an excellent way to learn about upcoming procurements before the process has begun because governments often solicit input from potential suppliers to help ‘shape’ the procurement.
- Participating in industry trade shows and other conferences is another way of learning about potential IPP-related procurements. It’s also an opportunity to network and uncover opportunities that may not have IPP requirements.
- Lobby companies in the construction and defence industry to be placed on their approved vendor lists, and to ‘pre-qualify’ for specific services or projects.

Once a procurement process **has begun**:

- The Government of Canada, including PSPC and DCC, issues tender document on [CanadaBuys](#) and [Merx](#). The tender documents will normally indicate if an IPP is required of suppliers. These sites should be monitored on a weekly basis.
- CanadaBuys has a feature called “Partner with another business” that allows a community or business to express an interest in the procurement and invite other businesses to partner with them.
- The tendering process for major projects requiring an IPP will usually include a ‘supplier day,’ where federal Contracting Authorities and their procurement partners will present information about the project and answer questions.

Leadership and Community Engagement

Once a procurement opportunity has been identified, it is time to engage leadership and, if they approve pursuit of the opportunity, then your community, and community-owned businesses. Below is a checklist for information you will want to have to engage leadership and your broader community:

Procurement Opportunity Engagement Checklist

Procurement Documents (RFP and other tender documents, supplier’s day presentations, etc.)	
PowerPoint presentation outlining the following: • The nature of the procurement (construction, military equipment, in-service support, etc.) • Value and duration of procurement • Opportunities for contracting, training and employment • Information about likely bidders (based on industry research) • OEM/ISS Prime Contractor Requirements (goods, services, parts, supplies, etc.) • Existing suppliers to likely bidders	
Community capacity and capability assessment	
Supplier development strategy and financial requirements	
Enabling Partners and Stakeholders e.g. ISET agreement holders	
Potential sources of funding	
Cost/Benefit Analysis	



TOOL #2

INDIGENOUS PARTICIPATION PLANS: STRUCTURE, CONTENT, AND BEST PRACTICES

As discussed in the Indigenous Participation Plan Toolbox Guide, IPP requirements vary by project, and department, and are usually outlined in the procurement Request for Proposal (RFP) issued by a government. Requirements typically include one or more of subcontracting, employment, training, and 'indirect benefits,' such as scholarships and bursaries. Infrastructure (construction) project IPP requirements are often weighted toward subcontracting because of their relatively shorter-term nature but will usually include a modest requirement for employment and training (e.g., 1% of total contract value). Contracts of a longer-term nature, such as defence and marine programs involving 'In-Service Support' (i.e., maintenance, retrofitting and related support for aircraft, land vehicles, and ships and submarines) will have more of an emphasis on training and employment, while still retaining a percentage of benefits for subcontracts.

IPP requirements can vary significantly between the construction and defence industries, and particularly among defence procurements, depending on their nature and duration. Requirements may include any or all the following:

Skills Development Plan

The Skills Development Plan details how the Prime/General Contractors, and their subcontractors, intend to maximize the training and skills development of Indigenous peoples. It should include consideration of:

- Apprenticeship programs
- Pre-professional programs (e.g. internships)
- Post-secondary training
- On-the-job/in-house training

A Skills Development Plan is usually required for both construction and defence IPPs. It should detail the training to be received by employees in the course of their work "on-the-job/in-house training" (e.g., safety and security training, skills upgrading, working in confined spaces, etc.). Normally, this is the mandatory training required and the optional training made available to all employees.

Additional training (i.e., apprenticeships, internships, and post-secondary training) programs should be created specifically for Indigenous Peoples. When done strategically, investments in skills development should create a 'pipeline' of Indigenous candidates for employment in positions identified in the Human Resources Plan, below.

Note: It is recommended that suppliers of major construction and defence procurements work with Indigenous communities and [Indigenous Skills and Employment Training](#) (ISET) agreement holders to develop skills development and training-to-employment strategies appropriate for each community. The community in question can help suppliers identify their ISET agreement holder.

Human Resources Plan

The Human Resources Plan details how the Prime/General Contractors, and their subcontractors, intend to maximize the use of Indigenous employment. It should include:



- details on the work to be carried out for each position proposed to be filled by an Indigenous person
- strategies for recruitment of Indigenous persons
- strategies for retention of Indigenous persons
- succession planning
- staff management

Not all IPPs will require the Contractor to identify specific positions to be filled by Indigenous persons; this requirement is normally reserved for complex, long-term contracts involving in-service-support (ISS) of aircraft, ships and vehicles, or their manufacture. The same holds for succession planning and staff management. Construction IPPs do not have these requirements. However, all IPPs should contain detailed plans and strategies for recruitment and retention of Indigenous persons. The Skills Development Plan, referenced above, is an integral part of a recruitment strategy as it creates the pipeline of potential employees from which a company will recruit.

Retention may be the most important part of the IPP Human Resources Plan. Unless a company can retain its Indigenous employees, the time and resources invested in skills development and recruitment will have been for naught, and the Contractor will not meet its Indigenous benefits commitments. Strategies for retention of Indigenous persons should include:

- training for an organization's employees on Indigenous history (particularly in the region they are operating in), the history of Indigenous-Crown relations, Treaties and Indigenous rights, Indigenous governance structures, and other cross cultural learning considerations.
- a corporate commitment to Reconciliation with Indigenous peoples, as evidenced by participation in programs such as the Canadian Council for Aboriginal Business's Progressive Aboriginal Relations (PAR) program, or development of a Reconciliation Action Plan (RAP).
- internal advisory, networking and governance structures that involve Indigenous peoples from across the organization to provide input to the organization's Indigenous relations and IPP implementation strategies, a safe space for comparing notes and networking (e.g., Indigenous Employees Circle), and a senior level committee overseeing IPP implementation and Indigenous employee relations.
- opportunities for skills and education upgrading, mentoring, 'stretch assignments,' promotions, and lateral placements, as desired, for Indigenous peoples.

Indigenous Business Plan

An Indigenous Business Plan is mandatory in all IPPs because contracting to Indigenous businesses is the most effective way of ensuring that IPP commitments are met, for the following reasons:

- an Indigenous business could have several Indigenous employees that will instantly be employed through a contract, thus contributing toward meeting an Indigenous benefits commitment sooner and in larger numbers than had they been employed directly by a contractor over time.
- Indigenous businesses are best positioned to grow capacity because of their connections to Indigenous communities and training and employment organizations, Indigenous



Peoples' preference for working for Indigenous companies generally, and the value that lived experience brings to recruitment and retention.¹¹

- a contract to an Indigenous business provides greater certainty to the Contractor with respect to value of benefit, timelines, and employee retention.¹²
- Where a joint venture or other partnership between an Indigenous and a non-Indigenous business is contracted, the arrangement can be leveraged to grow an Indigenous business to the point where, for example, it is able to bid on Tier 1 construction project work packages or move up the multi-tiered defence industry supply chain.

Given the considerations outlined above, the Indigenous Business Plan should include strategies for:

- Procurement policies that level the playing field for Indigenous businesses
- Strategies for supplier development and growth, including capacity-building and investment in plant and equipment
- Potential joint ventures and other partnership arrangements

Innovative and Other Measures

Innovative and Other Measures can include almost anything that falls outside of the three core Plans described above. Examples include:

- a ceremonial lodge or similar facility on-site, with Elders available for support, cultural guidance, or counseling
- sponsorship of, and participation (where appropriate) in, community events such as powwows, fishing derbies, sports tournaments, open houses and feasts, employment, and career fairs, etc.
- support for community cultural initiatives, such as language learning and culture camps
- Engagement of Indigenous youth on Science, Technology, Engineering, Arts and Mathematics (STEAM)
- partnerships to improve community infrastructure, such as roads, bridges, and housing
- transportation to and from the community and the job site

Governance and Reporting

Regardless of the specific core requirements of a given IPP, progress must be reported by the Contractor on an annual, semi-annual, and possibly monthly basis. For every reporting period, the contractor must report on the value of:

- work performed by Indigenous subcontractors
- wages and benefits earned by Indigenous employees of the Contractor and its Tier 1 subcontractors (if permitted)
- on-the-job training, internships, apprenticeships, and co-op placements received by Indigenous employees
- scholarships and bursaries received by Indigenous employees
- innovative and other measures

The Contractor will be required to present or maintain on file proof of an Indigenous business's ownership, and proof that employees counted toward an IPP commitment are

¹¹ Studies have demonstrated that Indigenous employees are more satisfied with working for Indigenous employers, than for non-Indigenous employers. See for example [Insights into Indigenous Post-Secondary Graduates' Experiences in the Canadian Workforce](#). Canadian Council for Aboriginal Business, 2020.

¹² Ibid.



recognized members of one of the three Constitutionally recognized Indigenous groups in Canada. Acceptable verification of identity includes Registered Indian (status) cards, a Powley-compliant provincial Métis association membership card, and Inuit land claim agreement beneficiary cards. Guidance on recognized Government of Canada Indigenous identification documents is noted on the Crown-Indigenous Relations and Northern Affairs Canada site [here](#).

Given that major infrastructure and defence procurements involve multiple partners and/or subcontractors, it is essential that the General or Prime Contractor has in place a governance structure that:

- meets regularly to ensure that the commitments being made in the IPP are being met
- coordinates Indigenous relations and engagement activities
- has representation by Indigenous employees and subcontractors
- coordinates reporting requirements

Additional Content and Best Practices

An IPP can be strengthened by including:

- a narrative at the front that demonstrates the bidder's understanding on the operating context of the procurement, e.g. history, treaties, demographics, governance, etc.
- a narrative of the Contractor's and its subcontractors track record working with Indigenous communities, businesses and Peoples. It is acceptable for a bidder to append a Reconciliation Action Plan (RAP) and/or a certification by an organization such as the Canadian Council for Aboriginal Business (CCAB) to its IPP.

Evaluation

The IPP will likely be evaluated by the Contracting Authority (DCC or PSPC). Evaluation typically consists of a 'double pass/fail,' whereby the bidder must commit to a minimum value of the contract in the form of Indigenous benefits (2%, 5%, 10% etc.) as stipulated in the RFP to be compliant, and their IPP must be sufficiently credible to score a passing grade as established by the RFP (51%, 50%, 70% etc.).

IPP Performance Guarantees

Performance guarantees in a contract allow for the Contracting Authority to assess a penalty if certain goals are not met - or not met in a timely manner. Construction and defence projects requiring an IPP are increasingly incorporating Performance guarantees such as holdbacks, milestones, and liquidated damages in their contracts, but not always. Their application can vary from one Contracting Authority to another, the nature of the procurement, timelines, etc. Often, during their research on Indigenous capacity to benefit from a given procurement, a Contracting Authority will make a determination for IPP performance guarantees depending on the estimated risk to a General or Prime contractor of not being able to meet the minimum Indigenous benefits requirements as set-out in an RFP.

Below is an example of an IPP applying a holdback penalty on their Performance Incentive Fees (PIF) in the event of failure to meet IPP commitments, in this case for the Naval Engineering Test Establishment in Montreal:¹³

¹³ Naval Engineering Test Establishment Request for Proposals Amendment #7: Indigenous Participation Component:
https://canadabuy.ca/documents/pub/att/2022/11/18/cce74794ee54379b5f2942d916cf53f4/ABES.PROD.PW_ISM.B027.E28782.EBSU007.PDF



TOOL #3

6. Performance Incentive Fee (PIF)

If the Contractor does not achieve the minimum IPC Transaction Value for a given year, the PIF payment defined in the Basis of Payment at Annex C will be reduced by the percentage not achieved. For the first year, the maximum reduction will be 5% of the PIF value and every following year, the maximum reduction will increase by 5% for the initial contract period and option years if exercised, up to a maximum of 50% of the PIF value on year 10 of the Contract and for subsequent option years. There will be no impact on the PIF if the Contractor achieved the minimum IPC Transaction Value during the year.

For example, for the first year of the Contract with a maximum reduction of 5%:

Minimum IPC Transaction Value for year 1: \$500,000.00

IPC Transaction Value achieved for year 1: \$375,000

PIF total value: \$100,000

Calculation for PIF payment

% of the IPC Transaction Value achieved for year 1 = IPC Transaction Value achieved for year 1 / Minimum IPC Transaction Value for year 1

75% = \$375,000 / \$500,000

% for PIF reduction for year 1 = PIF total value – (% of maximum reduction X % IPC Transaction Value achieved for year 1)

*1.25% = 5% – (5% * 75%)*

PIF total payment for year 1 = PIF total value – % for PIF reduction for year 1

\$98,750 = \$100,000 – 1.25%

There will be no impact on the PIF if the contractor achieved the minimum IPC Transaction Value during the year.

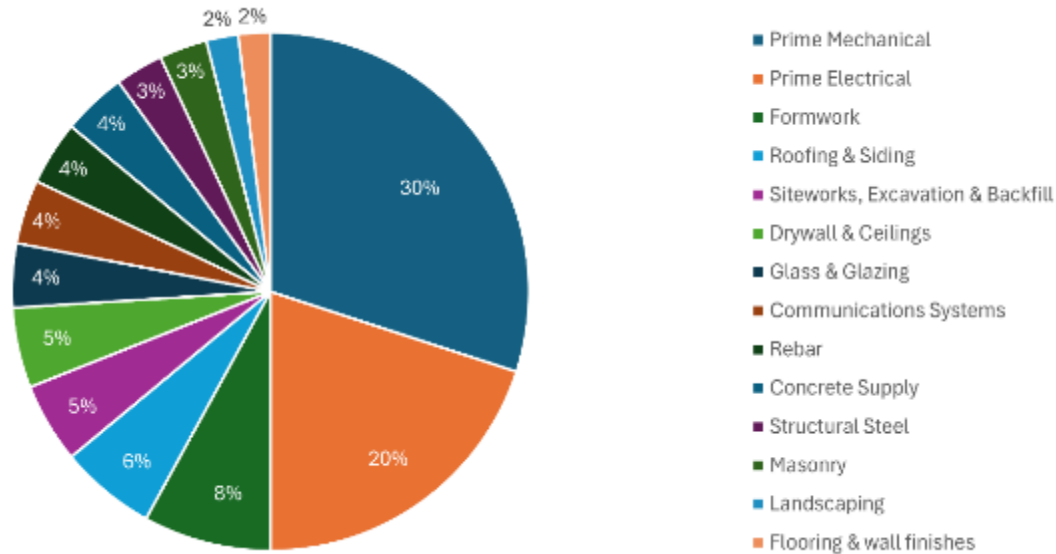
WORKING WITH THE CONSTRUCTION INDUSTRY IN CANADA

As discussed in the Indigenous Participation Plan (IPP) Toolbox Guide, governments in Canada, and particularly the Government of Canada, have mandated that Indigenous peoples benefit from major infrastructure procurements. During the procurement process, bidders must commit to a minimum percentage of the total contract value in the form subcontracting, employment, and training for Indigenous peoples, and that commitment must be supported by a credible IPP. The resulting contracts can be 'stand-alone,' such as a building or bridge, or they can be part of a 'bundled' defence infrastructure and program delivery contract that may last 15 years or more. In either case, the construction Prime or General Contractor will be contractually obligated to ensure that that Indigenous peoples benefit from activities associated with the project. This section provides an overview of considerations for Indigenous communities and businesses seeking to participate in a major infrastructure project requiring an IPP.



Construction Goods and Services Requirements

The construction industry draws from a wide range of goods and services to accomplish its project goals. Taking the example of buildings, the following subcontract “work packages” and proportions are typical:



Mechanical and electrical are by far the largest work packages for most building construction projects. In a hypothetical example, an IPP-related building project costing \$500M million or more would therefore require Prime mechanical and electrical contractors to have the capability to deliver contracts of ~\$150M and ~\$100M respectively, because General Contractors don't usually unbundle such contracts due to cost, administrative, and technical complexity. If an Indigenous business doesn't have the capability to deliver a contract at that scale, it can still participate by subcontracting to the mechanical or electrical Prime contractors, or entering a Joint Venture or other partnership that gives them at least 51% ownership in the resulting company. This solution is preferable to General Contractors on an IPP-related construction project because they can count 100% of the contract value toward their IPP commitments.

Aside from mechanical and electrical, there are several other subcontracting opportunities for Indigenous businesses with the capability to deliver. While significantly smaller than mechanical and electrical, work packages valued between 1% to 8% of the overall project cost hold the greatest promise for businesses seeking to grow. General Contractors with IPP commitments can be expected to promote Indigenous participation projects through advantageous procurement policies, such as Indigenous “first-pass” (where Indigenous companies are given an opportunity to bid on a contract before others are), set-asides (where contracts are reserved for Indigenous businesses), and bid evaluation mechanisms e.g. additional points for Indigenous businesses. It may also be easier for an Indigenous businesses or community to enter into a joint venture with one of the smaller subcontractors given their similarity in size. Again, a General Contractor with IPP commitments can be expected to look favorably at such arrangements when it comes to bid evaluation.



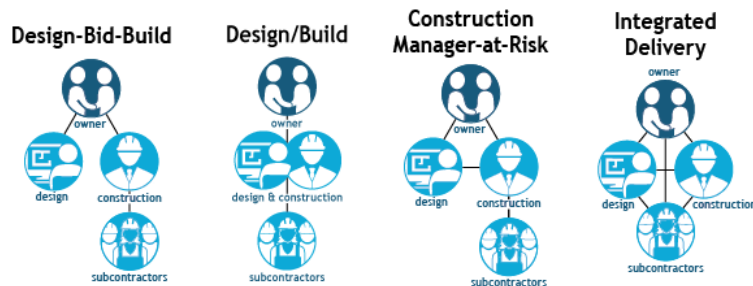
Overview of the Construction Industry in Canada

A 2023 report by Blackridge Research and Consulting¹⁴ identified the Top 10 construction companies in Canada, their estimated values, and some of the major projects they've undertaken. Most of the major infrastructure procurements funded by the Government of Canada, including those related to defence, are managed by the companies listed below.

Rank	Company	Headquartered	Major Projects
1	PCL Construction	Edmonton, AB	Calgary City Centre, CN Tower, Rogers Centre
2	EllisDon	Mississauga, ON	CN Tower, Royal Bank Plaza, Vancouver Convention Centre
3	Aecon Group	Toronto, ON	SkyTrain, Confederation Bridge, Darlington Nuclear Generating Station
4	Graham Construction	Calgary, AB	Calgary International Airport, Edmonton International Airport, Scotiabank Saddledome
5	Kiewit Canada	Calgary, AB	Enbridge Pipelines, Transmountain Pipeline, CN Rail
6	Ledcor Group	Vancouver, BC	Vancouver International Airport, Rogers Arena, BC Place Stadium
7	Pomerleau	Beauce, QC	Videotron Centre, Quebec City Bridge, CHUM-Sainte-Justine
8	Bird Construction	Vancouver, BC	Vancouver General Hospital, Simon Fraser University, Canada Place
9	Broccolini Construction	Montreal, QC	Montreal Children's Hospital, Olympic Stadium, Place des Festivals
10	Flynn Group of Companies	Oakville, ON	CN Rail, Enbridge Pipelines, Toronto Transit Commission

Construction Management

There are four main approaches to construction management in Canada:



Design-Bid-Build

Design-bid-build (or "DBB") is the traditional way of managing construction projects. With DBB, the owner contracts the designers (architects and/or engineers) and builders independently, and the design, approvals, bidding and construction phases of the project occur sequentially. The designer oversees the project on behalf of the owner.

Design-Bid-Build Project Timeline



¹⁴ <https://www.blackridgeresearch.com/blog/list-of-largest-top-construction-epc-companies-contractors-in-canada>



Essentially, the Crown acts as General Contractor, and is responsible for selecting all contractors and paying their invoices. The Crown rarely uses the DBB model anymore, but if it did there would only be one IPP for the project.

Design-Build

The Design-Build (DB) method was introduced to reduce the lengthy timelines associated with Design-Bid-Build. It does so by replacing the designer and the contractor with a single party who fills both roles, called a design-builder, or Construction Manager (CM). The CM, usually an architect, engineer, or contractor, serves as the owner's single contact for the entirety of the project and is jointly accountable for the outcome of the project. Project phases happen simultaneously:

Design-Build Project Timeline



With the DB model, the Crown and the design-builder jointly select subcontractors, the Crown approves their invoices, and the design-builder pays them. Most major projects procured by PSPC and DCC use the Design-Build approach to project management. In this situation, two IPPs are often required: one for the design phase of the project, and another for the construction phase of the project.

Construction Manager at Risk

Construction Manager at Risk, also called CM at Risk or simply CMAR, is a derivative of the Design-Bid-Build process. With the CM model, instead of the designer overseeing the design process and construction quality, a construction manager (CM) is hired by the owner to oversee the entire project. Once hired, the CM stands in as the owner's representative and advocate in every step of the construction process, from preconstruction to design and bidding, through to construction. This makes the CMAR model ideal for project owners who want expert help managing their project or communicating between parties. The Government of Canada typically uses the CMAR for smaller construction projects.

Public-Private Partnerships

Public-private partnerships, or P3s, are the result of a partnership between a private and a public entity. A government gives a private entity the right to build an infrastructure asset serving a public good and then own it for an indefinite amount of time. The private entity has absolute freedom over design, contracting and all other aspects of the process, but is also solely accountable for the outcome. Because a government is not responsible for the outcome, and thus does not have oversight over matters such as subcontracting as it would with a DBB or DB project, subcontractors are more at risk financially. P3s are commonly used for infrastructure projects related to healthcare, transportation, the environment, justice and correction, recreation and culture, and education. While the Government of Canada would not typically require an IPP for a P3 because they are technically and investor, if the 'private' partner is a province, territory or municipality, that jurisdiction may require an IPP.

Examples of P3s include the Samuel De Champlain Bridge replacement in Montreal, the Iqaluit International Airport Improvement Project, and the government-owned, company-



operated arrangement at the Chalk River nuclear facilities, which are owned by Atomic Energy of Canada Ltd, and operated by Canadian Nuclear Laboratories.

Integrated Project Delivery

Integrated project delivery (IPD) is a relatively recent addition to the suite of project delivery options. In these projects, all the project team members are contractually connected under one contract. All team members are selected before design begins, and they each play a role in the whole process, from design to construction. IPD is gaining popularity because everyone shares the risk on the project equally, and it is the most innovative and collaborative approach to project management. It does however require a high degree of planning in the very early stages of a project. The Government of Canada does not use the IPD model.

For Indigenous communities and businesses, it is important to know which project management and contractual approach is being taken on a particular project in order to correctly identify points of contact for subcontracting, training, and employment, and IPP requirements.

Government of Canada Construction Project Procurement Process: Design-Build

Design-Build Projects Delivery Stage Roadmap

As indicated above, most major projects procured by PSPC and DCC use the Design-Build approach to project management. The roadmap below provides a high-level overview for the project delivery stage activities from the time that preliminary project approval has been received by PSPC or DCC:¹⁵

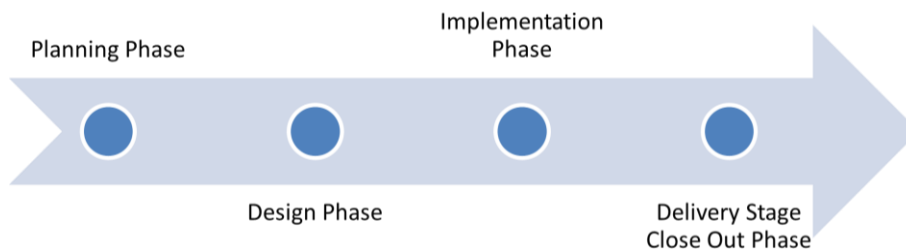


Figure 1 Design-Build Projects Delivery Stage Roadmap

Planning Phase

The purpose of the Planning Phase is to confirm the quality and completeness of the existing project information in order to develop and organize the project delivery strategy. The Planning Phase results in a Project Management Plan.

Design Phase

The purpose of the Design Phase is to secure, internally or externally, the services of a 'Bridging Consultant' to represent the interests of both the client (a federal government department or agency, including PSPC), and the Crown, as represented by Treasury Board to support the development and delivery of client-stated design requirements in sufficient detail to undertake the preparation and assembly of all estimates and project documents required.

¹⁵ <https://www.tpsgc-pwgsc.gc.ca/biens-property/sngp-npms/bi-rp/route-road/cc-db-eng.html>



Implementation Phase

The purpose of the Implementation Phase is to select and procure the services of a Design Build firm to design and construct infrastructure that satisfies client requirements in accordance with the Design-Build Contract through award of a single contract to a qualified and best total value bidder. Best total value evaluations mean that the lowest price quoted is not always the first choice. Safety rating, technical execution plans, and agreeability to government terms and conditions of award are all additional factors that can inform a best total value decision.

Delivery Stage Close Out Phase

The purpose of the Delivery Stage Close Out Phase is to ensure overall project performance, client satisfaction, and continual improvement by documenting and assessing both product and process performance against pre-determined performance criteria.

As discussed above, the Implementation Phase is where contract tendering, and actual construction occurs. For construction general contractors and their potential subcontractors, the tendering and contract management process generally follows the following steps:

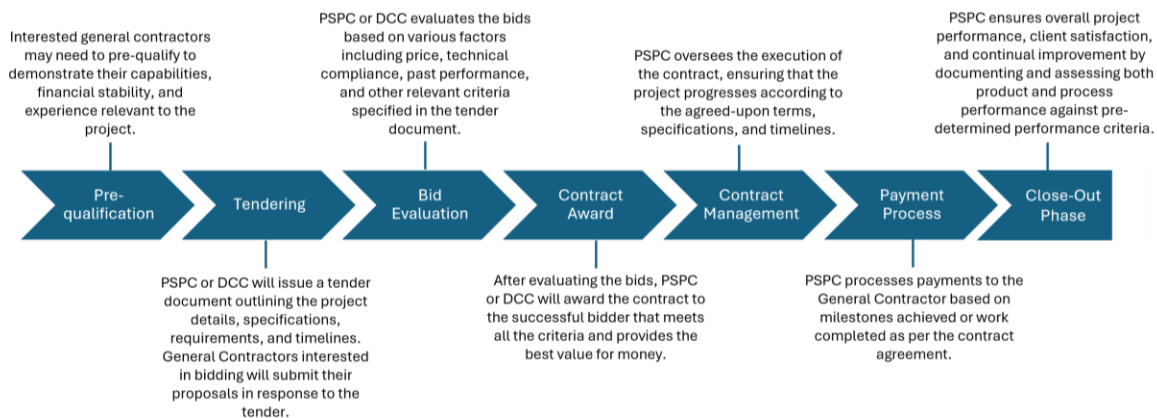


Figure 2: Government of Canada Construction Procurement Process

The Federal Government Construction Procurement Process and Indigenous Participation Plans

IPP requirements will typically be issued with the tender documents, if not after as an addendum or amendment. Qualified bidders will be required to submit with their bids a certification that they are committing to a minimum percentage of Indigenous benefits on the projects. They will also be required to submit a draft IPP with their bids outlining their understanding of the requirement and strategy to achieve their commitments. Ideally, the draft IPP should be informed by engagement of Indigenous communities, businesses, and enabling stakeholders such as Indigenous employment and training organizations, post-secondary institutions, and other training organizations, such as unions. A finalized IPP will be required prior to the completion of the formal award and becomes a part of the boarder execution plan, reporting, and contractual requirements.

Bonding and Security Clearances

Most Government of Canada-funded and IPP-related major infrastructure projects require that subcontractors have a security clearance, the vast majority of construction projects in



Canada require that they be bonded.¹⁶ This section addresses the requirements and considerations for both.

Surety Bonding

A surety bond protects your clients and suppliers against loss if you fail to meet defined obligations. A type of insurance, a surety bond, will cover your company for loss up to the limit of the bond. However, unlike standard insurance policies, which absorb financial losses, bonds do not, and the bond holder remains responsible for any claims that would be paid out to an obligee even though the damages are first paid by the surety company. In other words, losses paid are fully recoverable from the bonded company.

The most common types of projects secured by surety in the public sector are:

- Project security for construction contracts
- Performance security for service contracts (e.g. recycling, waste collection, snow removal)
- Public-Private Partnership (P3) contracts e.g. hospitals

The construction industry in Canada primarily uses contract surety bonds. Contract surety bonds protect infrastructure owners from financial loss if the contractor fails to fulfil the terms and conditions of their contract. There are five commonly used contract surety products:

- Prequalification Letter
- Consent of Surety/Agreement to Bond
- Bid Bond
- Performance Bond
- Labour and Material Payment Bond

The first three are used for the pre-tendering or tendering stage, and the last two are used for contract performance.

The cost of a surety bond is generally based on an insurer's assessment of your level of risk of not meeting your obligations, the amount of coverage needed, and the odds of you filing a claim. The cost of a bond is set as a percentage of the total value of the bond, typically between 1% to 15% of the bond value. The percentage you pay is based on your financial stability and risk factor i.e. you pay less when you are seen as less hazardous by insurers. For example, if you require a \$100,000 surety bond the cost of the bond will typically range from \$1000 to \$15,000 for coverage.

In Canada, surety bonds may only be issued by companies licensed to do so, either federally, or by one of the provincial insurance regulatory bodies. For more information about the various types of contract security bonds discussed above, their requirements, and tips for contractors, go to [Surety Association of Canada](https://suretyassociation.ca/).

Security Clearances

The Government of Canada requires that every company working on contracts with national security considerations be authorized to do so through a security clearance. Security requirements specify the levels of security required to safeguard sensitive information, assets, and work sites. Clauses containing security requirements are included in federal government contracts.

¹⁶ <https://dogwoodltd.ca/building-with-confidence-the-power-of-security-clearance-in-commercial-construction/>



PSPC's Contract Security Program (CSP) ensures that only trusted individuals and organizations with a valid need to know may gain access to sensitive government information such as military plans, and personal information such as financial records of Canadians. Organizations, including construction subcontractors, require security screening if they are participating in a solicitation or contract with security requirements. This includes most major projects tendered by DCC, and many PSPC-tendered contracts where facilities have security clearance considerations, such as laboratories and law enforcement facilities.

The CSP provides security screening services to eligible organizations bidding or working on government contracts with security requirements, at no cost. To be eligible for a security screening, organizations must be physically located and registered to do business in Canada. These include:

- Canadian organizations, such as corporations, partnerships and joint ventures
- consultants who are Canadian citizens or permanent residents
- sole proprietors who are Canadian citizens or permanent residents
- Canadian subsidiaries of a foreign company registered to do business in Canada
- Canadian public institutions (on a case-by-case basis only)

The first step to obtaining an organization security clearance is getting sponsored. Sources approved by the Government of Canada can sponsor organizations for security screening with the CSP. Approved sources for sponsoring security clearances are:

- Federal government departments and agencies
- procurement officers
- security officers
- project officers
- eligible organizations (also referred to as "prime contractors"), who:
 - must subcontract work on an awarded Government of Canada contract with security requirements to another organization
 - hold a security clearance with the CSP
 - are in good standing

Typically, if they don't already hold a security clearance, Prime contractors would be sponsored by PSPC or DCC. The Primes, in turn, would sponsor a subcontractor. An Indigenous business seeking to participate on a federally funded, IPP-related major project would be sponsored by the prime contractor once the prime contract has been awarded and once the prime contractor has demonstrated the requirement for subcontractor screening.

For more information on the Contract Security Program and Subcontracting security requirements, including roles and responsibilities, see: <https://www.tpsgc-pwgsc.gc.ca/esc-src/soustraitance-subcontracting-eng.html>.

Identifying IPP-related Opportunities

The Government of Canada, including PSPC and DCC, issues tender document on the following websites:

[CanadaBuys](#) - [Merx](#)

Indigenous communities interested in identifying federal government IPP-related construction opportunities can monitor these websites and/or contact [Procurement Assistance Canada](#) to set-up notifications.



Additionally, DCC provides information about their procurement processes, security clearances, their Supplier Code of Conduct, and recently awarded contracts at:
<https://www.dcc-cdc.gc.ca/industry>.

Note: Some defence-related procurements with an infrastructure component may be classified as Secret, in which case tender documents, including the IPP requirements, will not be available to the general public. In such cases an Indigenous community or business can approach a qualified supplier on the procurement, which the tender documents will identify, to enter a discussion about potential partnerships. Depending on the security and confidentiality parameters of a particular procurement, the qualified supplier may be willing to enter into a Non-Disclosure Agreement (NDA) with potential subcontractors, allowing it to share requirements related to the IPP. Alternatively, the community may request a copy of the RFP from the Contracting Authority.

Subcontracting to Construction Managers/General Contractors

Many of the larger construction companies in Canada are committing to reconciliation with Indigenous peoples and greater participation in their operations and projects. From developing Reconciliation Action Plans (RAPs), participating in the Canadian Council for Aboriginal Businesses (CCAB) [Progressive Aboriginal Relations](#) (PAR) Program, providing Indigenous awareness training to their leadership and employees, to creating Indigenous supplier portals on the websites, they are increasingly attuned to the contributions Indigenous Peoples can make to their industry. Links to the websites of the Top 10 construction companies in Canada are found below:

[PCL Construction Indigenous Relations](#)
[Bird Construction Indigenous Relations](#)
[EllisDon Indigenous Relations](#)
[AECOM Group Indigenous Relations](#)
[Forbes Bros Group of Companies Indigenous Relations](#)
[Graham Construction & Engineering Indigenous Relations](#)
[Ledcor Group Indigenous Relations](#)
[Pomerleau Indigenous Relations](#)
[Sullivan Indigenous Relations](#)
[WSN Construction Indigenous Relations](#)

Prequalification

Prequalification is a process that allows construction project owners to evaluate and select the most qualified General Contractors for their projects before inviting them to bid on a project. General Contractors also frequently prequalify subcontractors in advance of inviting them to submit bids. Prequalification usually involves an evaluation of a subcontractor's financial stability, experience, past performance, technical safety record, and other factors that may affect their ability to successfully complete their portion of a project. Prequalifying as a subcontractor has many benefits, including reduced administrative burden, and greater certainty that they will be invited to bid on a contract, and win it.

Indigenous businesses seeking to subcontract on IPP-related construction projects should prequalify with the large construction companies in Canada, and their major subcontractors, before an IPP-related opportunity presents itself.



Capacity Building and Training

Like many industries, the construction industry is always in search of qualified professional and skilled labour, and subcontractors. Several organizations, including industry associations, unions, post-secondary institutions, and the companies themselves provide information about careers in the construction industry, and offer affordable training programs and certification:

[Canadian Construction Association Gold Seal Talent Fits Here](#)
[BuildForce Canada](#)
[Careers in Construction](#)
[Laborer's International Union of North America](#)
[United Brotherhood of Carpenters](#)
[Construction Training & Apprenticeship Ontario](#)
[Interior Finishing Systems Training Centre](#)
[How to Start a Construction Business in Canada](#)
[How to start a construction business in Ontario](#)

The organizations listed above often work together with Indigenous Skills and Employment Training agreement holders, a valuable source of funding and other support when seeking to participate in an IPP-related opportunity.

Questions for Consideration When Engaging the Construction Industry on an IPP-related Opportunity

Faced with the opportunity of a major infrastructure project requiring an IPP, an Indigenous community or business should be asking the following questions:

- What is the scope of the project (i.e., purpose, value, timelines, etc.?)
- What are the subcontract requirements of the project, and in what proportion (i.e., materials, services, etc.?)
- What are the IPP requirements?
- Are there performance guarantees associated with the IPP (e.g., liquidated damages for not meeting Indigenous benefits commitments, etc.?)
- Are businesses and their employees working on the project required to be unionized?
- What are the security clearance requirements?
- How does the General Contractor plan to meet the IPP requirements?
- What training programs will be available for Indigenous peoples?
- What is the General Contractor's track record in working with Indigenous communities?
- What is the General Contractor's policy with respect to Indigenous procurement?
- Are the General Contractor or any of its subcontractors interested in entering into a Joint Venture or other partnership arrangement?
- Is the General Contractor willing to 'un-bundle' any of its large work packages to enable an Indigenous business to bid on them?
- Are there opportunities to work on projects outside of this one?
- What are the company's obligations and what are the penalties?
- Who will be the point of contact at the General Contractor to lead engagement with the community and what level of authority does that individual have?



Summary and Concluding Advice

The construction industry is one of the largest industries in Canada, responsible for tens of billions of dollars in annual spending and hundreds of millions of employment hours for Canadians. Individuals can enter the construction industry at multiple levels – from general labour, to semi-skilled and skilled trade, to professional – the educational qualifications for which vary from pre-secondary to university.

Training for labour and trades positions is affordable, demand is high, and wages are attractive. Financial assistance is available for those wishing to pursue professional careers. For qualified subcontractors there is a high ease of entry into the industry, and an opportunity to become a larger subcontractor or General Contractor over time. Because of the requirement for Indigenous benefits on an IPP-related infrastructure projects, they represent an excellent opportunity for Indigenous communities to enter the construction industry through joint ventures or other partnership arrangements with a larger Sub or General Contractors and benefit from their experience and maturity.

Advice for communities seeking to leverage IPP-related infrastructure procurements to enter the construction industry:

Paragraph on strategies based on the timing and duration of contracts.

- Monitor IPP-related construction opportunities and awards on CanadaBuys and Merx.
- Develop relationships with the major General Contractors sooner rather than later.
- Ask a General Contractor to sponsor your company's security clearance.
- Prequalify with as many General Contractors and subcontractors as possible.
- Explore joint ventures or other partnership arrangements with General Contractors and larger subcontractors.
- Look to see which General Contractors or subcontractors are already active in the immediate vicinity of your community.
- Partner with post-secondary institutions, unions and other training organizations to train community members.
- Don't wait for an IPP to come along before bidding on work! Ideally, a company should have several projects under its belt before bidding on an IPP-related opportunity.
- Competitive bidding: Don't assume that you will be given a contract because your company is Indigenous owned. While the contract you are bidding on may be 'set-aside' for an Indigenous company, or bonus points awarded for Indigenous ownership during evaluation, price, safety, and technical qualifications will still be the most important factors when awarding contracts.

For those seeking more information about the construction industry in Canada it is recommended that they take the 'Construction 101 and Beyond' course, a comprehensive introduction to the Canadian construction industry and how it works offered by the Canadian Construction Association and their partner associations across Canada. It is designed to offer an industry overview for everyone, whether they are new to the industry or have many years of experience. More information can be found at: <https://www.cca-acc.com/best-practices-resources/c101/>

Resources

Canadian Construction Association	Construction Association of New Brunswick
Indigenous Manufacturing and Contracting Network	Construction Association of Nova Scotia



Council of Ontario Construction Associations	Newfoundland and Labrador Construction Association
National Capital Heavy Construction Association	Yukon Contractors Association
Saskatchewan Construction Association	Northwest Territories & Nunavut Construction Association
BC Construction Association	Canadian Roofing Contractors Association
Alberta Construction Association	Canadian Electrical Contractors Association
Manitoba Heavy Construction Association	Surety Association of Canada
Winnipeg Construction Association	Defence Construction Canada
Association de la construction du Québec	Construction Association of New Brunswick



TOOL #4

WORKING WITH THE DEFENCE INDUSTRY IN CANADA

As discussed in the Indigenous Participation Plan (IPP) Toolbox Guide, governments in Canada, and particularly the Government of Canada, have mandated that Indigenous peoples benefit from major defence and marine procurements. During the procurement process, bidders must commit to a minimum percentage of the total contract value in the form subcontracting, employment and training for Indigenous peoples, and that commitment must be supported by a credible IPP. The resulting contracts can be 'stand-alone,' such as a procurement of aircraft, ships, or in-service support (ISS), or they can be part of a 'bundled' defence or marine infrastructure and program delivery contract that may last 15 years or more. In either case, the Prime Contractor will be contractually obligated to ensure that that Indigenous peoples benefit from all activities associated with the procurement. This section provides an overview of considerations for Indigenous communities and businesses seeking to participate in a major defence and marine procurement opportunities requiring an IPP.

Government of Canada Defence Requirements

As we saw in the Toolbox Guide, there are five defence "domains" around which Canada procures goods and services:



Air



Land



Maritime



Space



Cyber

Major defence contracts – those requiring an IPP – are usually led by a Prime Contractor delivering the goods and services described below:

Air

- Aircraft Fabrication, Structures and Components
- Military Aircraft Maintenance, Repair, Overhaul, Modernization or Upgrade Services
- Simulation Systems for Aircraft

Land

- Combat and Other Military Ground Vehicles and Components
- Communications and Navigation Systems, Software, Electronics, and Components
- Combat and Other Military Ground Vehicles Maintenance, Repair, Overhaul Modernization and Upgrade Services

Maritime

- Vessel Construction, Conversions, Architecture, Engineering, and Related Services
- Vessel Maintenance, Repair, Overhaul, Modernization or Upgrade Services
- Naval Ships' Structural Elements, Platform Systems, Parts, and Components
- Naval Ship-Borne Mission Systems and Components

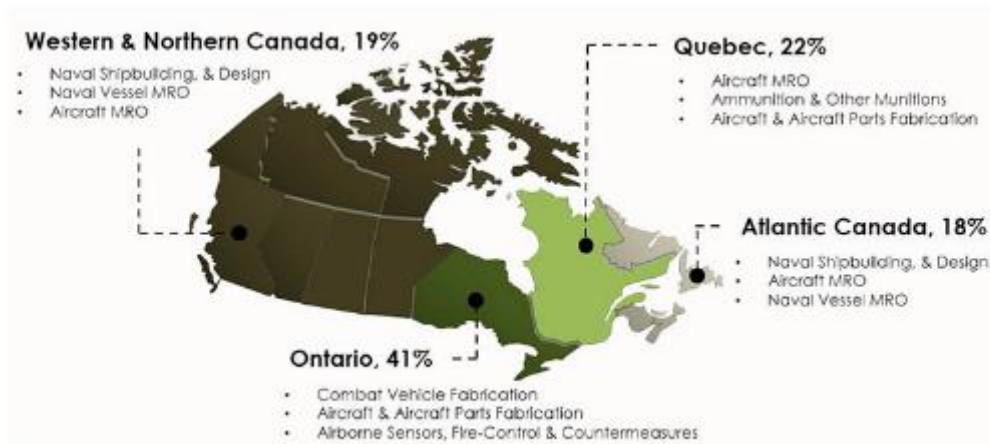
General Application

- Ammunition and Other Munitions



- Electro-Optical, Radar, Sonar and Other Sensor/Information Collection Systems; Fire Control, Warning, and Countermeasures Systems and Related Components
- Military Training Services

The production and supply of the goods and services listed above is spread across Canada, with regional specializations:



While most of the requirements are fulfilled by Prime Contractors at established locations (e.g., ship building, aircraft and vehicle manufacturing, and in-service support, suppliers at the Tier 1 level and below, such as parts suppliers, are often located elsewhere). Additionally, hundreds if not thousands of lower-tier suppliers support the defence industry by providing the goods and services that would be required of most companies in Canada, representing another way of gaining entry to the defence industry.

Overview of the Defence Industry in Canada

The defence industry in Canada is positioned to supply the defence requirements of the Government of Canada, as described above. It is a highly diverse industry, supported by thousands of supply chain partners, and contributes approximately \$9.2 billion in Gross Domestic Product and 78,000 jobs annually to the Canadian economy.¹⁷

Canadian Defence Review (CDR) publishes an annual list of the [Top 100 defence companies in Canada](#). The companies are ranked by an evaluation panel consisting of CDR editorial staff and independent advisors based on factors such as economic impact to the country, research & development initiatives, innovation, contribution to the nation's security, national and international contract wins, excellence of management and support of Canada's military. The ranked companies must meet certain requirements, including having manufacturing, R&D or service operations in Canada, to be included in the survey. Companies with representative or distribution offices only do not qualify to be included.¹⁸

Among the Top 20 defence companies in Canada in 2023, as ranked by CDR, close to half (9) were Canadian-owned. The rest were Canadian subsidiaries of US, UK, German and Italian parent companies:

¹⁷ ISED/CADSI report 2022

¹⁸ <https://www.canadiandefencereview.com/About-the-top-50-defence-companies-ranking>



2023 Ranking	Company	Ownership	Canadian Head Office	Products and Services in Canada
1	Irving Shipbuilding		Halifax NS	Shipbuilding
2	General Dynamics Land Systems - Canada		London ON	Light Armoured Vehicle (LAV) manufacturing
3	Lockheed Martin Canada		Ottawa ON	Aircraft manufacturing, aircraft in-service-support, training, technology and software development
4	CAE		Montreal QC	Training and operational solutions, training simulators
5	Seaspan Shipyards		North Vancouver BC	Shipbuilding, maintenance, repair, overhaul
6	General Dynamics Mission Systems - Canada		Ottawa ON	Hardware, software and systems development and integration
7	L3Harris Technologies Canada		Ottawa ON	Aircraft fleet management, in-service-support, modernization and maintenance, naval systems, training and simulators, sensor and communications systems
8	Davie		Lévis QC	Shipbuilding
9	IMP Aerospace & Defence		Enfield NS	Aircraft fleet management, in-service-support, modernization and maintenance, wire harness design and manufacture, avionics, structural and mechanical manufacture
10	Raytheon Technologies		Calgary AB	Military aviation, helicopters, engines and auxiliary power units, aircraft interiors, landing gear, secure communications, sensors, precision weapons
11	PAL Aerospace		St. John's NL	Aircraft engineering and maintenance, mission systems hardware, data management and intelligence, surveillance and reconnaissance, in-service-support
12	QinetiQ Group Canada		Medicine Hat AB	Autonomous aerial and surface systems, special mission platforms and payloads
13	Bell Textron Canada		Mirabel, QC	Helicopter manufacturing, in-service-support and sustainment
14	KF Aerospace		Kelowna, BC	Aircraft maintenance and modification, aircrew training, air cargo operations, aircraft leasing
15	MDA Space		Brampton ON	Satellite and ground systems development, geospatial imagery and analytics, command and control, UAV systems, naval products
16	Rheinmetall Canada		St-Jean-sur-Richelieu QC	Remote control weapons, soldier systems and C4ISR solutions, vehicles, simulation training systems, integrated logistics support
17	Babcock Canada		Ottawa ON	Naval repair and overhaul, Submarine in-service-support, aircraft maintenance, aerial firefighting, emergency medical services
18	Top Aces		Dorval QC	Air force advanced adversary training, electronic warfare training, naval anti-air warfare training
19	Rolls-Royce Canada		Montreal QC	Power and propulsion systems for land, sea, air, and space.
20	Leonardo DRS Canada		Ottawa ON	Military communications and information systems, electro-optics/infra-red systems, flight recorder systems

Many of the companies listed above have information for potential suppliers, including vendor on-boarding portals, on their websites. Some of them are also members of organizations such as the [Canadian Council for Aboriginal Business](#) and the [Canadian Aboriginal and Minority Supplier Council](#). It is recommended that communities and business

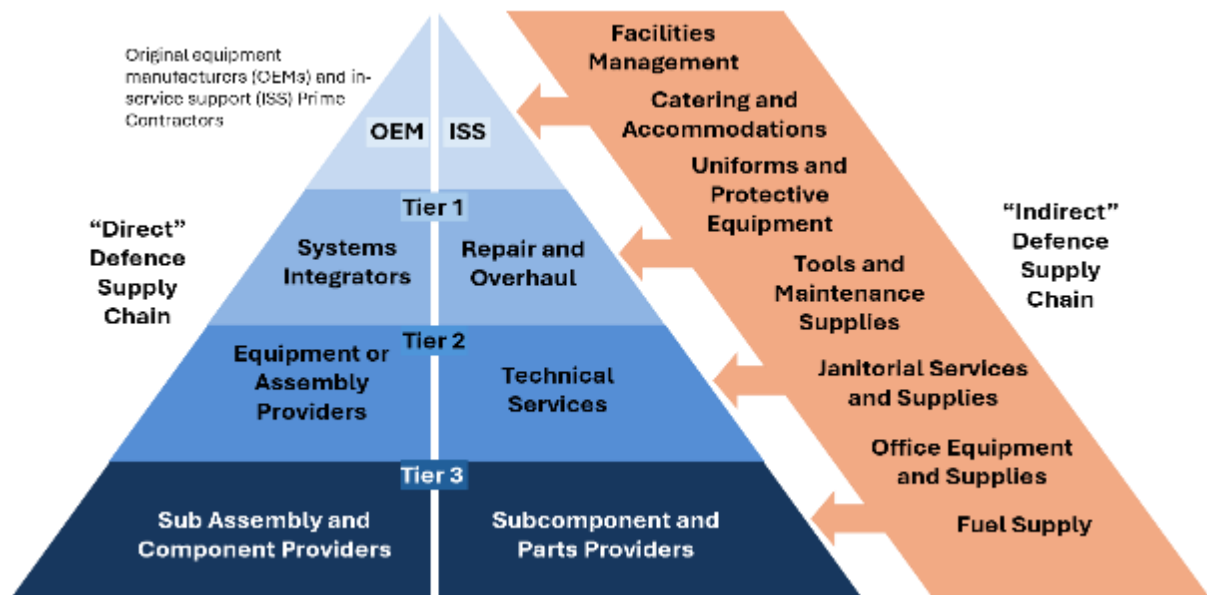


do their research on potential Prime contractors on major defence procurements in advance of engaging them on economic development opportunities.

Defence Industry Supply Chains

Defence industry supply chains are complex, involving hundreds of providers of goods and services of varying levels of technical complexity and quantity. For the purposes of this Toolbox, we have differentiated between a traditional understanding of defence supply chains (“Direct”) and all those suppliers who provide goods and services common to any industry, or relevant to the operations and maintenance of aircraft, marine, and land-based systems:

“Direct” and “Indirect” Defence Industry Supply Chains



In the figure above, at the top of the traditional defence supply chain are Original Equipment Manufacturers (OEM), the companies that build the aircraft, ships, armoured vehicles, etc. OEMs are supported by systems Tier 1 integrators that supply such major components such as engines, control systems, and landing gear. Tier 2 suppliers manufacture the subassemblies that they provide to a Tier 1 supplier, such as tires, airframe structures, and transmissions. Tier 3 suppliers manufacture the parts and components that tier 2 suppliers use to create their subassemblies, such as hydraulic fittings, hoses, and high-strength pins and fasteners.

In-service support (ISS) Prime Contractors are the companies that maintain the OEM systems once they become operational. While their supply chains are not as hierarchical as that for OEMs, there is a certain prioritization of value added to the maintenance repair and overhaul of aircraft, ships, armoured vehicles, and other systems. Those responsible for actual maintenance, repair, and overhaul (MRO) require parts and supplies such as lubricants to maintain systems, and are supported by technical expertise, such as engineering services.



Finally, the “Indirect” Defence Supply Chain consists of the myriad of companies that supply many different industries with goods and services such as office equipment and supplies, uniforms, catering and accommodation, fuel, facilities management, etc. These goods and services may be supplied to companies manufacturing weapons systems, as well as companies maintaining systems through ISS contracts and DND itself at bases across Canada, and around the world.

Entering the defence industry need not manufacturing helicopters or supplying parts for armoured vehicles, at least at first. An Indigenous community can enter the defence supply chain by providing any of the indirect goods and services required by the industry, gain a better understanding of the industry itself, and then enter the direct supply chain at the Tier 3, or even Tier 2 levels, as some have done.

Government of Canada Major Defence Procurement Roles and Responsibilities

PSPC leads the procurement of major defence and marine acquisitions on behalf of DND or Canadian Coast Guard, with ISED overseeing the application of Canada’s Industrial and Technological Benefits (ITB) policy, which contractually requires companies awarded large defence procurement contracts to undertake business activity in Canada equal to the value of the contracts they have won.¹⁹

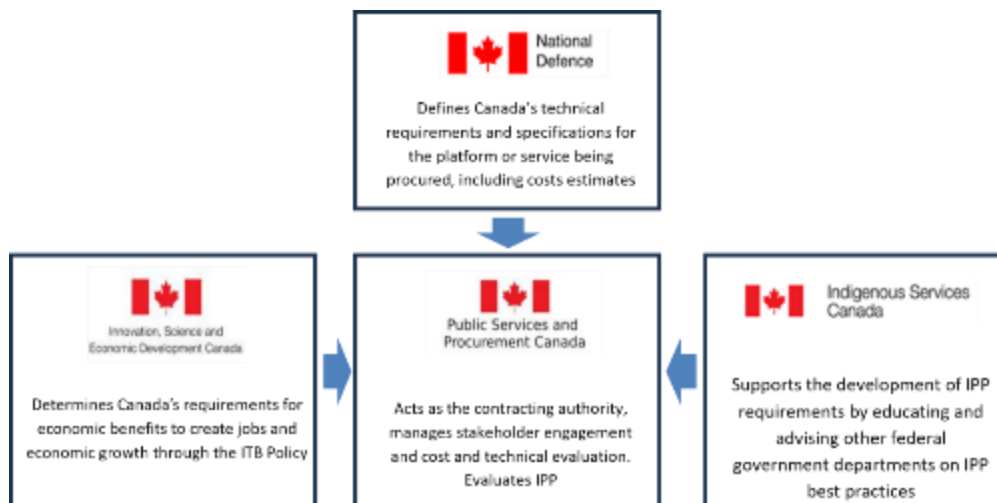


Figure 3: Major Defence and Marine Procurement Roles and Responsibilities

Department of National Defence

DND is responsible for defining its requirements, developing options for consideration, and prepares a project management plan it and other departments will follow throughout the procurement process. Finally, DND evaluates the technical portion of proposals submitted.

Innovation, Science and Economic Development

ISED is responsible for administering the ITB Policy at every step of the procurement process. This includes defining the economic benefit requirements for each procurement

¹⁹ The ITB Policy applies on all 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. Defence procurements valued between \$20-100 million are reviewed for the possible application of the Policy. Infrastructure projects are not subject to the ITB policy. For more information about the ITB policy and its application see Tool #4: Industrial and Technological Benefits.



through the “Value Proposition,” which incentivizes industry investment in specific areas, such as research and development, exports, and work in the Canadian defence industry. Finally, ISED evaluates the Value Proposition portion of the proposals, and documents investments made by the winning bidder throughout the delivery of the contract to ensure they are meeting their commitments.

Indigenous Services Canada

ISC supports the development of IPP requirements by educating and advising other federal government departments on IPP best practices, including effective IPP development, evaluation, and monitoring. However, except in rare circumstances, the evaluation and monitoring of IPPs throughout the contract delivery period will be the responsibility of the Contracting Authority (i.e., PSPC or DCC).

Public Services and Procurement Canada

PSPC manages the procurement process on behalf of client departments, acting as the single point-of-contact for suppliers, issuing procurement documents, managing questions-and-answers, and evaluating financial proposals.

Government of Canada Defence Procurement Process

As with most countries, the Government of Canada’s defence and marine procurement process is complicated, and lengthy. It typically takes several years, and sometimes up to a decade, to procure high value equipment such as aircraft, ships, and ground vehicles. Even ISS contracts to maintain those systems, if they aren’t bundled with the equipment purchase, can take years to award. This is one of the most important considerations Indigenous communities and businesses need to keep in mind when assessing opportunities in the defence industry. However, once the Government of Canada does award a contract to a Prime Contractor, their procurement processes for goods and services subcontracts can move very quickly. So, while a community or business interested in participating in the defence industry should monitor major defence procurements on a regular basis, it should be laying the groundwork to partner with a Prime contractor at the same time.

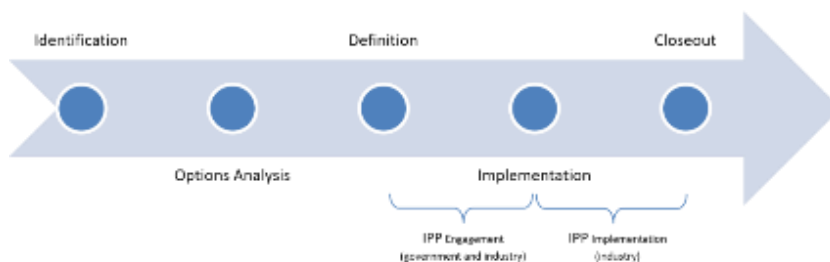


Figure 4: Defence Procurement Process in Canada

Phase 1: Requirement Identification

The goal of Phase 1 is to define the requirement in broad terms. The procurement Project Team – usually one of the branches of the CAF, as well as PSPC and ISED - must show that there is a deficiency or an emerging requirement in current CAF capabilities and that new equipment or services are needed to meet current or future CAF operational requirements. The project team then develops a list of the capabilities that the proposed equipment or service must be able to deliver, sets a proposed date to begin the project and, if approved, a proposed earliest date by which the equipment or service can be ready to use.



Phase 2: Option analysis

During Phase 2, the project team prepares a preliminary statement of operational requirement and a complete business case analysis of the options that would meet the identified capability requirement. The business case also identifies the best option. Following the necessary approvals, the project is allocated funding for the Definition stage.

Phase 3: Definition

Phase 3 marks the transition from determining what should be done to meet the capability need, to determining how the preferred option will be implemented. The project team now translates the preferred option into a detailed description of the whole project, finalizes the statement of operational requirement for approval, validates the project costs, and prepares a project management plan.

Phase 4: Implementation

At Phase 4, the project team, with the support of other government departments, ensures that the contracted goods or services are delivered as stipulated in the contract and that the project remains within scope, on time and within budget. The first step in implementation is usually a competition among suppliers of goods and services, carried out in collaboration with Public Services and Procurement Canada, followed by an evaluation of the bid. The selected supplier is then contracted to deliver the goods or services.

Solicitation Documents

It is during Phase 4 (Implementation) that various procurement documents are issued to potential suppliers to inform them of Canada's requirements, including IPP requirements.

Request for Information and Letter of Interest

Requests for Information (RFI) and Letters of Interest (LOI) are used when detailed information and feedback are required from suppliers. Such requests might outline a potential requirement and request suppliers to describe their ability to satisfy the requirement and to provide ideas and suggestions on how the eventual solicitation might be structured. The information gathered from potential suppliers helps Canada shape a draft Request for Proposal (RFP), or comment on a draft RFP in preparation of a final RFP.

Invitation to Qualify

Invitations to Qualify (ITQ) invites potential suppliers to declare an interest in a procurement and pre-qualify (capability, financial, supply chain integrity, security etc).

Request for Proposals

The Request for Proposals (RFP) is the main solicitation document for major defence and marine procurements. It contains all of Canada's technical and other requirements for a specific procurement, including requirements for an Indigenous Participation Plan (if applicable).

Advanced Procurement Notice

Advanced Procurement Notices (APN) are issued by contracting authorities to notify suppliers of a potential contract with anticipated security requirements to provide interested contractors an opportunity to begin the sponsorship request process for potentially obtaining the required security clearances that are anticipated. There is no guarantee that a contract will proceed or that any security clearances will be granted under the sponsorship process.

Advanced Contract Award Notice



An Advanced Contract Award Notice (ACAN) is a public notice indicating to the supplier community that a department or agency intends to award a contract for goods, services or construction to a pre-identified supplier, allowing other suppliers to signal their interest in bidding. Suppliers who wish to challenge an ACAN may submit a document entitled "statement of capabilities" to the federal organization that posted the ACAN, in which it would describe how it is capable of meeting the requirements of the ACAN. The issuance of an ACAN is a strong indicator that a specific supplier will receive a contract, but not a guarantee.

Notice of Proposed Procurement

A Notice of Proposed Procurement (NPP) is a notification that a solicitation opportunity is available occurs through the posting of a Notice of Proposed Procurement (NPP) on CanadaBuys. A NPP is a summary of the solicitation that briefly describes the requirement and provides pertinent information that will assist suppliers to determine their interest in fulfilling the requirement and their ability to successfully meet any key conditions for participating.

Indigenous communities and businesses should familiarize themselves with the defence procurement process and monitor 'solicitations and contract awards to better understand which companies are competing for which contracts. Solicitations and contract awards can be found at:

[CanadaBuys](#) - [Merx](#) - [SAP Ariba](#)

Security Clearances

The Government of Canada requires that every company, and their personnel, working on contracts with national security considerations be authorized to do so through a security clearance. Security requirements specify the levels of security required to safeguard sensitive information, assets, and work sites. Clauses containing security requirements are included in federal government contracts.

[PSPC's Contract Security Program](#) (CSP) ensures that only trusted individuals and organizations with a valid need to know may gain access to sensitive government information such as military plans, and personal information such as financial records of Canadians. Organizations, including those supplying a defence contract, require security screening if they are participating in a solicitation or contract with security requirements. This includes most major projects tendered by DND and DCC, and many PSPC-tendered contracts where facilities have security clearance considerations.

The CSP provides security screening services to eligible organizations bidding or working on government contracts with security requirements, at no cost. To be eligible for a security screening, organizations must be physically located and registered to do business in Canada. These include:

- Canadian organizations, such as corporations, partnerships and joint ventures
- consultants who are Canadian citizens or permanent residents
- sole proprietors who are Canadian citizens or permanent residents
- Canadian subsidiaries of a foreign company registered to do business in Canada
- Canadian public institutions (on a case-by-case basis only)

The first step to obtaining an organization security clearance is getting sponsored. Sources approved by the Government of Canada can sponsor organizations for security screening with the CSP. Approved sources for sponsoring security clearances are:



- Federal government departments and agencies
- procurement officers
- security officers
- project officers
- eligible organizations (also referred to as "prime contractors"), who:
 - must subcontract work on an awarded Government of Canada contract with security requirements to another organization
 - hold a security clearance with the CSP
 - are in good standing

Typically, if they don't already hold a security clearance, Prime contractors would be sponsored by DND or DCC. The Primes, in turn, would sponsor a subcontractor. An Indigenous business seeking to participate on a federally funded, IPP-related major project would be sponsored by the Prime contractor once the Prime contract has been awarded and once the Prime contractor has demonstrated the requirement for subcontractor screening.

Individuals working on a defence contract with security requirements must obtain a personal security clearance. There are three levels of clearance: "Reliability Status," "Secret," and "Top Secret." The application process for a security clearance involves:

- A personal background check (Overview of the past 5 years for Reliability Status and 10 years for Secret or Top Secret Clearance)
- Background checks of your closest family members (For Secret and Top Secret clearances)
- Law enforcement inquiry through the RCMP (i.e., fingerprinting)
- Credit check
- Loyalty check conducted by Canadian Security Intelligence Service (CSIS) (for Secret and Top Secret)

Depending on your history, you may also be asked to complete out-of-country verifications, interviews, and provide supporting documents.

For more information on the Contract Security Program and Subcontracting security requirements, including roles and responsibilities, go to: <https://www.tpsgc-pwgsc.gc.ca/esc-src/soustraitance-subcontracting-eng.html>.

Controlled Goods Certification

Controlled goods are primarily goods, including components and technical data, that have military or national security significance, which are controlled domestically by the Government of Canada and defined in the Defence Production Act. The Controlled Goods Regulations:

- require individuals and companies that possess, examine, or transfer controlled goods in Canada to register with the Controlled Goods Program;
- specify the registration requirements for organizations and individuals who examine, possess or transfer controlled goods; and
- define and provide authority for regulatory duties to administer the program, including for inspections, registrations, security assessments, administration of exemptions, suspension or revocation of registrations.



Any person or business that will have access to components and technology with strategic significance or national security implications regardless of where they are manufactured, and certain articles and data originating from the United States, must register with the Controlled Goods Program. To learn more about and register with the Controlled Goods Program, go to: <https://www.tpsgc-pwgsc.gc.ca/pmc-cgp/quellessont-whatare-eng.html>

Phase 5: Closeout

Project closeout, Phase 5, begins when the new equipment and supporting organization, or service, is fully operational. Closeout means that the project team gives formal notification to DND senior management that the operational capability has been achieved, all the conditions and limitations imposed on the project have been met, and that lessons learned have been documented and disseminated. It also allows DND authorities to close the books and the accounts for the project. The closeout stage is usually complete within three months.

Questions for Consideration When Engaging the Defence Industry on an IPP-related Opportunity

When presented with the opportunity of a major infrastructure project requiring an IPP, an Indigenous community or business should be asking the following questions:

- What is the scope of the project/program (i.e., purpose, value, timelines, etc.?)
- What are the subcontract requirements of the project/program, and in what proportion (i.e., materials, services, etc.?)
- What are the IPP requirements of the project/program?
- Are there performance guarantees associated with the IPP e.g. liquidated damages for not meeting Indigenous benefits commitments?
- How does Prime Contractor plan to meet the IPP requirements?
- What are the security clearance requirements?
- What training programs will be available for Indigenous peoples?
- What is the Prime Contractor's track record in working with Indigenous communities?
- What is the Prime Contractor's policy with respect to Indigenous procurement?
- Are the Prime Contractor or any of its subcontractors interested in entering into a Joint Venture or other partnership arrangement?
- Are there opportunities for contracts outside of the project/program?

Summary and Concluding Advice

The Canadian defence industry is a significant contributor to Canada's economy. It manufactures, builds, and maintains armoured vehicles, aircraft, ships, satellites, radar and communications systems at several locations across Canada. It supplies uniforms, equipment, food, fuel, and other essentials, and even trains soldiers, sailors, pilots and other members of the military. It manages and maintains facilities and systems. In short, there are hundreds of opportunities for Indigenous communities and businesses to supply the Canadian defence industry with goods and services.

However, given the complexity of the defence industry, and the complexity and duration of the defence procurement process, Indigenous communities and businesses pursuing opportunities must do their research, develop relationships with defence industry Prime



contractors and the companies that supply them, and be prepared for a long lead-time before they secure their first contract.

In 2013 Scott Dewis, founder of a Victoria, BC-based and majority Indigenous-owned business; RaceRocks3D, shared some tips for entering the defence industry from their experience as a developer of virtual simulation, training and digital twin software.

1. Get help.
2. Wear a suit.
3. The defence industry is risk-adverse: your track record and reliability matter.
4. Relationships matter, so show up where your potential partners are going to be.
5. Recognize the importance of security.
6. Be prepared: defence sales cycles move slowly.

Finally, Dewis offered the following advice:

“Build company revenues independent of defence and ride out the wait. Also, avoid depending on government subsidies or funding to build the company; the company will be much stronger for it, and more viable in the long run. Get face-to-face, embrace the culture, be risk averse, build a strong company first, then focus on defence, and wear a suit, preferably not purple or paisley.” And finally, “Stick with it!”²⁰

Resources

[Department of National Defence](#)
[Canadian Association of Defence and Security Industries](#)
[Canadian Defence Review](#)
[Vanguard Canada](#)

²⁰ [Breaking in: A SME's guide to the defence sector](#). Vanguard Magazine, 2013.



TOOL #5

CANADA'S INDUSTRIAL AND TECHNOLOGICAL BENEFITS POLICY AND ITS IMPORTANCE TO INDIGENOUS COMMUNITIES, BUSINESSES, AND POST-SECONDARY INSTITUTIONS

Canada's Industrial and Technological Benefits (ITB) policy ensures that defence and Canadian Coast Guard procurements are leveraged to contribute to jobs, innovation, and economic growth across the country. The ITB policy applies on all 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. Defence procurements valued between \$20-100 million are reviewed for the possible application of the ITB policy. The ITB policy and its application is overseen by the federal department of Innovation, Science and Economic Development (ISED), in collaboration with DND and PSPC, and Canada's Regional Development Agencies (RDAs).

Canada's ITB policy is an important consideration for Indigenous communities, businesses, and post-secondary institutions because it:

- provides a roadmap of Canada's intentions vis-à-vis incentivizing Prime contractor investments in Canada's defence industry through the five Value Proposition (VP) pillars (see section [Value Proposition](#), below);
- is an indicator of the specific fields that will receive relatively higher investment, and from which Indigenous communities and businesses can target for investment and growth;
- on a procurement-by-procurement basis, it provides an indicator of what competing suppliers will be seeking to invest in, and for those Primes with a contract, what they need to invest in; and
- applies a 'multiplier' credit to some ITB investments that can be leveraged by Indigenous communities, businesses, and post-secondary institutions to secure funding for research and development and training.

Regional Development Agencies

RDAs work closely with businesses, innovators, post-secondary institutions and Indigenous organizations in their regions to stimulate economic growth. The seven RDAs are:

[Atlantic Canada Opportunities Agency](#) (ACOA)
[Canada Economic Development for Quebec Regions](#) (CEDQ)
[Canadian Northern Economic Development Agency](#) (CanNor)
[Federal Economic Development Agency for Southern Ontario](#) (FedDev Ontario)
[Federal Economic Development Agency for Northern Ontario](#) (FedNor)
[Prairies Economic Development Canada](#) (PrairiesCan)
[Pacific Economic Development Canada](#) (PacifiCan)

In the context of the ITB policy, ISED's role is to support the procurement process and administer the Canadian Content Value (CCV) commitment process (see section [Canadian Content Value](#), below), and oversee the policy itself. RDAs act as the first point of contact for stakeholders in regions seeking to leverage the spending and investments Prime contractors are required to make to fulfill their CCV commitments.



Key Industrial Capabilities

In 2018 the Government of Canada released a list of Key Industrial Capabilities (KICs) designed to help target priority activities in areas of emerging technology with potential for rapid growth, established industrial capabilities in Canada, and where domestic capacity is essential to national security. Canada's ITB policy also identifies Key Industrial Capabilities, or 'KICs'; areas where Canada wants to focus on developing increased capability:

Emerging Technologies

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

Leading Competencies and Critical Industrial Services

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

On defence procurements where there is a market-driven opportunity, ISED will motivate investment in KICs through the Value Proposition requirements.

Value Proposition

Under the ITB policy, suppliers that bid on major defence contracts must submit an economic proposal to Canada, called a Value Proposition. The Value Proposition is a weighted and rated element of the bid selection process and is scored alongside technical and cost requirements. ISED determines the economic benefit requirements for each Value Proposition on a procurement-by-procurement basis. These requirements are evidence-based and developed through market analysis and industry engagement. ISED motivates investments across five Value Proposition 'pillars':

- Work in the Canadian Defence Industry
- Canadian Supplier Development
- Research and Development
- Exports
- Skills Development and Training

A procurement-specific value proposition will typically emphasise two or three of these VP pillars.



Canadian Content Value and Multipliers

Also, under the ITB policy, companies awarded large defence contracts are required to undertake business activity in Canada equal to the value of the contracts they have won (Canadian Content Value, or 'CCV'). This encourages the development of the Canadian defence supply chain, and thus employment in the defence industry. However, for non-Canadian owned Prime contractors (which account for the majority of defence industry Primes in Canada) and those that rely on supply chain partners outside of Canada for project-specific goods or services, they will incur a shortfall in CCV that must be made up through investments in skills development and training, research skills development, and/or research and development. ISED's role in administering this program consists of approving all such "transactions" in advance, tracking and monitoring their implementation, and auditing them for compliance.

While this may seem to be an onerous and costly obligation for Prime contractors, there is a mechanism in the ITB policy that allows suppliers to make up a CCV shortfall through the application of 'multipliers' to investment in areas such as research and development (R&D), collaboration with Indigenous post-secondary institutions, and Indigenous skills development and training.

Indigenous Skills Development and Training

To secure a 5x CCV multiplier, a supplier with outstanding ITB obligations can contribute to a majority Indigenous-controlled educational or training facility, or invest in any of the following directly:

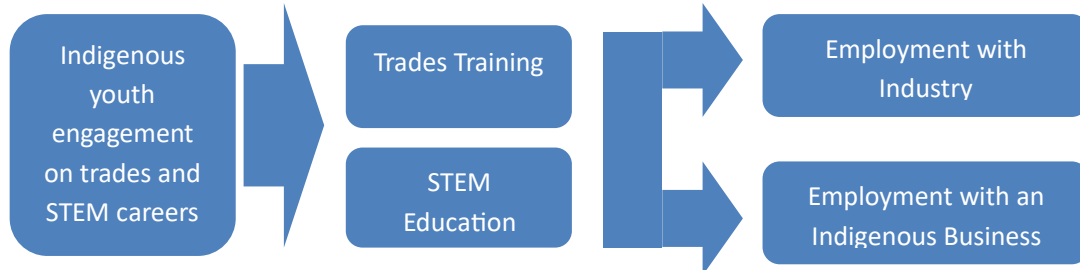
- Donations of equipment or resources intended for skills development or training purposes at current market value (e.g. computers or software)
- The hourly rate of pay associated with knowledge or technology transfer (e.g., the hourly rate of pay for an employee loaned for teaching or training)
- Salaries of students for work-integrated learning (e.g., co-operative education and work placements)
- Sponsorship costs for apprentices enrolled in a nationally, provincially, or territorially recognized apprenticeship program to obtain the necessary training to complete an apprenticeship program
- A contribution to the personal certification of a Canadian citizen or permanent resident (i.e., as defined in the Immigration and Refugee Protection Act) granted by a provincially, territorially, nationally, or internationally (if no equivalent Canadian association exists) recognized trade association or representative body of a specific profession
- A contribution to skills development programs, including a contribution to a charity registered with the Canada Revenue Agency or a not-for-profit organization incorporated federally under the Canada Not-for-profit Corporations Act or in the province or territory where it operates, for work related to Skills Development and Training (e.g. science, technology, engineering, or mathematics summer camps) or
- Educational costs, including tuition or course fees, and travel expenses incurred in Canada and covered by the Contractor or Eligible Donor to provide employees with new or upgraded skills that are demonstrably different, improved, or expanded as compared to employees' current skills and which will enhance their career or employment potential

Suppliers with ITB obligations are leveraging the 5x CCV multiplier in a variety of ways, from contributions to large cohort entry-level and trades training programs followed by apprenticeship placements, to targeting investments in skills development and training 'pipelines,' which aim to increase recruitment and retention through youth engagement on



Science, Technology, Engineering and Math (STEM), scholarships and bursaries, co-op placements, and internships on graduation. and apprenticeships and internships.

Defence investments in Indigenous skills development and training can also benefit Indigenous businesses by training and employing community members:



For example, if an IPP requirement and/or commitment is weighted in favour of subcontracting and supplier development rather than direct employment with a defence industry Prime contractor, ITB investments can be leveraged to grow the Indigenous supply chain for a particular project or program.

As awareness of, and relationships with, Indigenous communities, businesses and post-secondary institutions have strengthened in recent years, defence industry contractors are increasingly invested in Indigenous skills development and training, a trend that is expected to continue.

Significance of the ITB Policy for Indigenous communities, businesses, and post-secondary institutions

Why is the ITB policy important to Indigenous communities, businesses, and post-secondary institutions? Taken as a whole, Canada's ITB policy, including the use of ITB pillars, Value Proposition, KICs, and CCV multipliers, is an important consideration for Indigenous communities, businesses, and post-secondary institutions because:

- it provides a roadmap of Canada's intentions vis-à-vis incentivizing Prime contractor investments in Canada's defence industry through the five Value Proposition pillars. Specifically, Indigenous communities and businesses know there will be relatively high demand for goods or services that, for example, are the result of defence-related research and development, are destined for export, and/or involve training.
- KICs are an indicator of the specific fields that will receive relatively higher investment, and from which Indigenous communities and businesses can target for investment and growth e.g. cyber security & artificial intelligence, aircraft, ground vehicle and marine systems maintenance, training and simulation, and clean technology.
- On a procurement-by-procurement basis, VP and KICs are an indicator of what competing suppliers will be seeking to invest in, and for those Primes with a contract, what they need to invest in.
- CCV multipliers are an opportunity for Indigenous communities, businesses, and post-secondary institutions to secure funding for research and development and training because they allow Prime contractors to rapidly make up shortfalls in Canadian content value through the application of CCV 'multipliers.'

How can Indigenous communities, businesses and post-secondary institutions leverage Canada's ITB policy to build capacity and succeed in Canada's defence industry? Here are three common scenarios:



Scenario 1: In-Service Support

“In-Service Support,” or ISS, another term for maintenance, repair, overhaul and refurbishment of ships and submarines, aircraft, land vehicles, and other military systems, increasingly include an IPP requirement.

Because ISS is one the 17 KICs, and because of the need to ensure that Canadians have the capability to service their critical military systems, bidders on major defence procurements (and those hoping to supply them when they win the contract) can assume that procurements related to ISS will apply a higher Value Proposition weighting to Canadian Supplier Development and Skills Development and Training in the bid evaluation. This will prompt qualified suppliers to commit to significant investments in supplier development and training, which often go hand-in-hand.

When an Indigenous community or business learns of a major ISS procurement, and after a community capability and cost/benefit analysis decides it wishes to pursue business opportunities related to the procurement, it can begin the process of engaging qualified suppliers to market their goods and/or services to them, or explore other potential arrangements, such as joint ventures. In addition to early engagement on soliciting business from the qualified suppliers on an ISS procurement, Indigenous communities, businesses, and post-secondary institutions should be exploring ITB investments in R&D and skills development and training, to support the development of their businesses in relation to the procurement. Such investments can be used to hire employees, and train prospective and current employees of Indigenous businesses at trade schools, community colleges, and universities. This will be of particular interest to a qualified supplier that is either a foreign-owned entity and/or will import military systems or platforms as part of a ‘bundled’ ISS contract, because investment in R&D activities will secure them a 9x CCV multiplier, and Indigenous skills development and training a 5x multiplier, on those investments.

EDO TIP# 999

It's in the best interest of Indigenous communities and businesses to remain supplier-agnostic and not commit to an exclusive relationship to any one supplier, if possible, as it is very difficult to successfully pick the 'winning horse' on a major defence procurement.

Scenario #2: Information technology-related procurements

Several KICs are related to information technology, including ‘Emerging Technologies’ such as Artificial Intelligence and Cyber Resilience, and ‘Leading Competencies and Critical Industrial Services’ such as Training and Simulation. Software development is also an integral part of high technology manufacturing of other KICs, including Remotely Piloted Systems and Autonomous Technologies, Space Systems, Aerospace Systems and Components, Electro-Optical / Infrared (EO/IR) Systems, and Sonar and Acoustic Systems.

In the case of Emerging Technologies, the VP evaluation framework will apply a higher bid evaluation weighting to R&D in Canada, and/or Canadian Supplier Development. For procurements with significant components falling under Leading Competencies and Critical Industrial Services, the VP evaluation framework will apply a higher weighting to Work in Canadian Defence Industry (direct or indirect work), and Exports from Canada or Canadian Supplier Development.

With such a heavy VP weighting on R&D and supplier development, and potentially exports, Indigenous communities and businesses have an opportunity to build on an existing IT-related business base to branch out into new product and service development, for sale in



Canada, and beyond. They therefore need to look beyond the requirements of the specific procurement at hand to determine the market demand for new IT products and services with military application. If and when they decide to enter the market for one or more new IT products and services, they can engage qualified suppliers to secure commitments to investing in R&D and lay the groundwork to market their products and services, when ready for market, to other suppliers in Canada, and internationally.

Scenario #3: Clean technology

The definition of clean technology is extensive and includes energy-efficient or emissions-reducing propulsion systems; power distribution and management systems; low-carbon intensity fuel sources; energy storage systems; renewable energy generation; energy management & distribution systems; software and equipment used to measure, monitor and analyze the environmental impacts of pollution; and waste and water management. These technologies have broad application across military domains, as well as in commercial sectors.

Because Canada has identified clean technology as an 'Emerging Technology' KIC, a procurement with a significant clean technology component will therefore likely place a higher bid evaluation weighting R&D in Canada, and/or Canadian Supplier Development. As with IT-related procurements, a procurement with a significant clean technology component is an opportunity to build on an existing business, or enter new markets, by leveraging Prime contractors need to invest in R&D, and the additional incentive to do so because of the 9x CCV multiplier. Clean technology also represents a unique opportunity for Indigenous communities near military facilities, as they may be able to leverage their land base to develop everything from renewable energy generation, storage, distribution and management systems; to waste and water management systems; and software and equipment used to measure, monitor and analyze the environmental impacts of pollution. In this case, while they may be able to secure R&D partnership funding commitments from qualified suppliers on a specific procurement, they may also be able to secure R&D funding opportunities from existing suppliers, and purchase contracts from Prime contractors and the DND.

Conclusion

Canada's ITB policy is complex, but it represents a significant opportunity for Indigenous communities, businesses, and post-secondary institutions to secure funding for business development, business growth, and training and skills development. It is recommended that they engage with Cando as the first step to understanding more about the ITB policy and its application. Cando can also provide guidance for engaging ISED and qualified suppliers and Prime contractors directly to explore opportunities for investment. Finally, there are third-party advisors specializing in defence ITBs who can be of assistance.

For more information about Canada's ITB policy go to: <https://ised-isde.canada.ca/site/industrial-technological-benefits/en>

