



Lunch & Learn: Engaging in Canadian Offsets

June 25, 2014 | HALIFAX, NOVA SCOTIA



PROPRIETARY AND CONFIDENTIAL

About Canadian defence offsets



What's an offset?

When the Canadian government procures goods from a **foreign “prime” contractor**, an agreement is consummated between the contractor and the government stipulating that the **same amount** must be invested back into Canada, usually over a set period of time and with certain other conditions. This is called an **offset**, and is administered by Industry Canada through the IRB/ITB (Industrial Regional or Technological Benefits) program.

Scale of Economic Impact

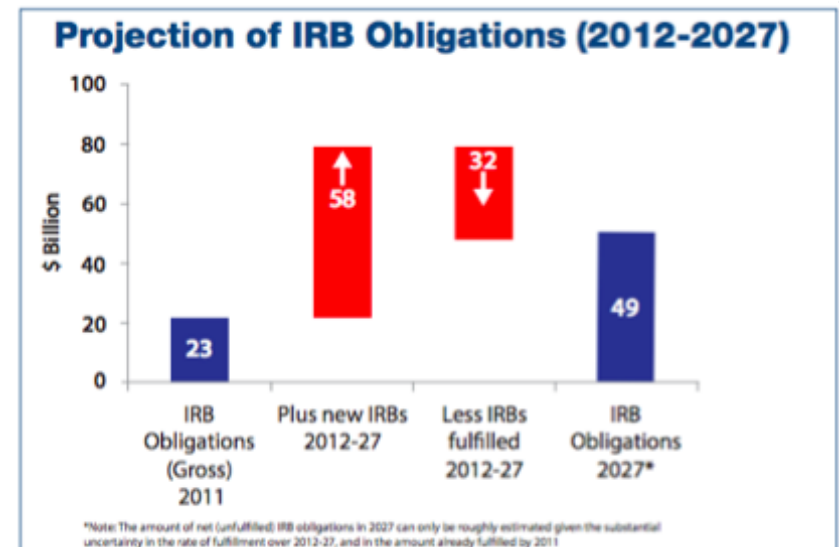
Planned investment by industry in Alberta's oil sands over 25 years:

\$364 billion

Planned investment by Canadian government in Defence over 20 years:

\$490 billion

Sources: Conference Board of Canada *Fuel for Thought: The Economic Benefit of Oil Sands Investment for Canada's Regions* and the Canada First Defence Strategy



A vertical image on the left side of the slide showing a satellite in space. The satellite is a complex, metallic structure with various panels and a large circular lens or sensor. It is positioned against the backdrop of the Earth's blue and white atmosphere, with the blackness of space visible above.

Defence procurement strategy: recent changes



Canadian Govt Policy

In March 2013, the Federal Budget endorsed the plan to focus on job creation and “buy Canadian” in military procurement.

On February 5, 2014, Minister of PWGSC announced new measures to make offsets into “publicly accountable liabilities” and to evaluate all proposals going forward based on the impact to jobs to Canada with increased focus on SMEs, exports and technology investments.

10% of the evaluation process for new defence contracts will now be based on how well Prime Contractors support Canadian businesses (Most defense industry contracts are won/lost by <5%).





“One of the biggest changes is that we will ask bidding companies to present Value Propositions as a fundamental part of their bid. **Each Value Proposition will demonstrate how a successful bid will benefit Canada.** This will now be a key consideration: a **weighted and rated element** of the defence procurement process, along with the technical and pricing elements that were there before. In doing this, this new instrument will be used to achieve **improved economic outcomes for Canada** from defence and major Coast Guard procurements. Another key change is that we will be making a significant shift on the Industrial and Regional Benefits Policy, which up until now was scored on a pass-fail basis. This policy will be transformed and strengthened by focusing on value propositions as a weighted, rated and required element of major bid proposals. Going forward, these benefits and the IRB policy will be known as Industrial and Technological Benefits. This will better reflect the real competitive advantages of companies and Canada: creating **high-value jobs, investing in innovation, IP transfer, or supporting international business**, just as examples. And in another break from the past, **we will make companies publicly accountable for what they propose** so that we have transparency with regard to investments that are being made.”

Minister Diane Finley,
Minister of PWGSC

February 5, 2014



**“Simply put, we will do business
with companies who bring jobs to
Canada”**

Minister Diane Finley,
Minister of PWGSC
October 17th 2013





Defence procurement strategy

- DPS fulfills Government's commitment to create **economic opportunities and jobs** for Canadians
- Improving economic outcomes is not only good for Canadian industry -- also a strategic choice that enhances **Canadian sovereignty and national security**
- DPS represents a **fundamental change** in the approach to defence procurement: informed by Government's extensive engagement with industry and by recommendations in Jenkins and Emerson reports



Objectives of DPS

- **Deliver** the right equipment to the Canadian Armed Forces (CAF) and Canadian Coast Guard (CCG) in a timely manner
- **Leverage** our purchases of defence equipment to create jobs and economic growth in Canada
- **Streamline** the Defence Procurement Process



Early engagement

- Two-way conversation
- Helps GC understand what industry solutions are available
- New approach will support:
 - Publication of a Defence Acquisitions Guide
 - Value Propositions and procurement-specific engagement
 - Regular review of KICs
 - Continual improvement of the DPS



Defence acquisitions guide

- Will enable Canadian industry and potential bidders to make informed R&D investments and strategic partnering decisions
- Ensures Canadian industry is better positioned to deliver equipment and services for the CAF, and for export opportunities in defence sector
- Will identify list of procurement projects to be developed over 5, 10, 15, and 20 year timeframes
- Include projects over \$100M and those of lower value (\$20-100M) that have leveraging potential for Canadian industry
- Initial version to be published by DND: June 2014



Key industrial capabilities

- Originally identified in the Jenkins report to serve as a framework
- Six identified areas as KICs by Jenkins:
 - Arctic and Maritime Security
 - Protecting the Soldier
 - Training Systems
 - Cyber-Security
 - Command & Support
 - In-Service Support
- KICs will be applied in identified market segments through the use of Value Proposition



Value proposition

- Represents a shift from IRB policy (scoring on pass/fail basis) to Industrial and Technological Benefits (ITB), with a Value Proposition
- Focus on Value Proposition as a weighted, rated, and required element of bids informed by KICs
- Favours actions that reflect:
 - Investments that strengthen Canadian KICs
 - Investments that support enhanced productivity
 - Broader Industrial and Technological high-value activities, such as technology transfer
- Timing of fulfilling Value Proposition commitments will also be considered



Defence analytics institute

- 2013 Jenkins report noted insufficient data and analysis on both defence economics-related issues and Canadian defence industrial base
- Recommended that an institute be established to lead the required research and analysis to fill the gap
- Strong recognition among industry stakeholders that research and analysis are critical to help guide and inform the Government's objective of improved economic outcomes from defence procurement.



Increasing market size

- In Canada alone, where defence spend is offset 100%, current offset obligations outstanding total over \$21.5B, with an additional \$100B to be created via the Canada First Defence Strategy
- Globally - defence procurement has grown at a 3% CAGR since 2000
- Estimated \$500B of offset obligations to be created worldwide by 2016

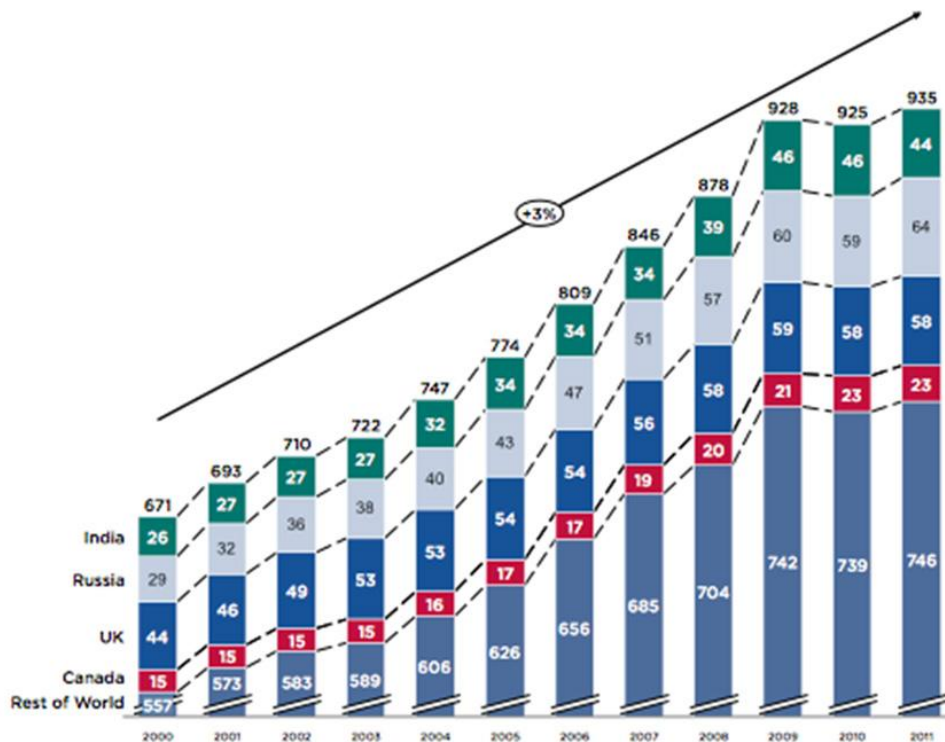
Note that the US has been excluded from the market sizing figures as it does not use offsets as a part of its military procurement strategy.

Sources: The Half Trillion Dollar Challenge: Building Successful Global Offset Strategies, Avascent, February 2012, p. 1; Summation of Equipment and Infrastructure spend from Canada First Defence Strategy, Department of National Defence, June 2008, Chart 3, p. 12



Global Defence Procurement (excl. USA)

With the average defence and aerospace procurement contract holding a 70% offset obligation, the global industry represents roughly **US\$650 billion in offsets** as of 2011.



Source: Stockholm International Peace Research Institute, Military Expenditures Database



OMX: a new way of managing defence offsets

OMX is a **secure subscription-based software platform** custom built for defence contractors. OMX was founded from the desire to improve the **leveraging of Canadian military procurements**.

Today, the company is the central platform for supply chain and sales in the defence and aerospace industry in Canada and we have recently expanded internationally.



Partners

OMX has been 100% funded by Canadian founders, private angels, and government organizations such as Coral CEA, NRC-IRAP and The Ministry of Economic Development and Innovation.



Ontario



Aerospace Industries
Association of Canada

L'Association des industries
aérospatiales du Canada





Advisory Board

OMX's advisory board include international offset managers, government relations experts, technology consultants and defence and aerospace professionals.





Team

OMX's team includes strong **domain**, **technology** and **management** expertise.



Nicole Verkindt

President



Talmon Firestone

Business Development



Rob Segal



Timothy Quinn

Chief Technology Officer



Katherine Jacome

Account Manager



Mark Nashman



Malcolm Taylor

Consultant - Business Development

Board of Directors



Users

32 of the biggest global Prime contractors have dozens of their supply chain and IRB managers actively using our platform.



LOCKHEED MARTIN



BAE SYSTEMS



Sikorsky

A United Technologies Company



TEXTRON



THALES





Overall security

OMX was **100% built in Canada** by Canadian developers with extensive application security experience (such as TSE/SVX).

OMX has passed **extensive security assessments** by 3 of the largest prime contractors in the defence industry.



OMX Features

Search for qualified suppliers using a variety of structured search filters, including **locations**, **capability codes**, **part numbers**, **certifications** and **export experience**

Connect directly with other companies through OMX's **bookmarking** and **supplier list** tools, or through encrypted, internal **company-to-company messaging**

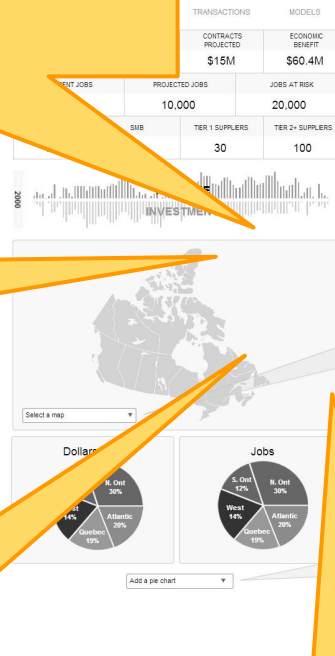
Ensure suppliers accurately calculate **Canadian Content Value (CCV)**

Create, manage and track offset **projects and proposals**

Accommodate government **causality** and **incrementality** requirements through document management and supporting email features

Maintain a robust public **company profile** to attract suppliers

Initiate and/or participate in **offset recipient transactions**, then manage and track progress through robust data dashboarding





Supporting Sales

Maintain a robust **company profile** to attract other companies

Phone number	<input type="text" value="716-383-8428"/>	<input type="checkbox"/>
Fax	<input type="text" value="716-383-8429"/>	
Toll free	<input type="text" value="1-800-830-9292"/>	
Email	<input type="text" value="info@ids.com"/>	
Website	<input type="text" value="http://www.ids.com"/>	
Twitter handle	<input type="text"/>	
Facebook page	<input type="text" value="f"/>	
Google page	<input type="text" value="g+"/>	
Linkedin page	<input type="text" value="in"/>	
RSS feed	<input type="text"/>	

Supporting Sales



Accurately
calculate
**Canadian
Content
Value
(CCV)**

1 Add Products 2 Enter Values 3 View Calculation

Name of product

Part number


Can your selling price be substantiated?
 Yes No



Supporting Sales

Message company

Join company's supplier list

 Bookmark company

Connect directly with other companies through OMX's **bookmarking** and **supplier list** tools, or through encrypted, internal **company-to-company messaging**

Supporting Sales



Enter new note...

Add Note Cancel

Mark Borndahl 3 months ago
Met with them at Cansec.

Collaborate using OMX's **bookmark annotation** feature

Supporting Sales



Upload New Document

No file chosen

Accommodate government **causality**
and **incrementality** requirements



Search for qualified suppliers using a variety of structured search filters, including **locations, size, capability codes, part numbers, certifications and export experience**

Company name

Region

Province

City

NAICS code

FSC code

CAGE number

JCO number

Dun & Bradstreet

NSN code

Annual sales greater t...

Exports?

Annual exports great...

Have exported to

Canadian owned?

Aboriginal owned?

Years in business

SMB?

Can communicate in


Associations

Certification/Compliance



Message company

Join company's supplier list

 Bookmark company

Connect directly with other companies through OMX's **bookmarking** and **supplier list** tools, or through encrypted, internal **company-to-company messaging**

Enter new note...

Add Note Cancel

Mark Borndahl 3 months ago
Met with them at Cansec.

The image shows a screenshot of a user interface for adding a note. It features a text input field with the placeholder text 'Enter new note...'. Below the input field are two buttons: a blue 'Add Note' button and a grey 'Cancel' button. Below the buttons, there is a note entry from 'Mark Borndahl' dated '3 months ago' with the text 'Met with them at Cansec.'

Collaborate using OMX's **bookmark annotation** feature



At \$90/month per user, the **Connect** tier allows you to:

- Access technology partners and suppliers across Canada by CCV (Canadian Content Value), region, size and capability, using the largest structured database of defence, aerospace and security companies in Canada
- Access prime contractors and major Tier 1 contractors suppliers and partners list as they develop value proposition proposals
- Upload, email and securely share documents between companies including marketing materials
- Accommodate government causality and incrementality requirements



The **Qualify** tier allows you to:

- Engage our partner NeXsys Group, to provide detailed third-party real-time readiness assessments
- Qualify your company's internal capabilities after initial connection with a buyer with your discretion
- For buyers - this feature reduces risk and cost to shortlist and assess new suppliers

Pricing at \$125/month including unlimited re assessments and feedback to improve internal systems.

http://prezi.com/p51rbs9etz0_/nexsys-group-presentation-2014/?utm_campaign=share&utm_medium=copy



Create, manage and track offset projects and proposals

OMX

How It Works

Search

CCV Calculator

Timothy Quinn

OMX

- Dashboard
- Inbox
- Causality
- Interested Suppliers
- Bookmarks
- Projects**
- Transactions
- Edit Company
- Edit Users

Add New Project

Proposal Active Project

A proposal is a project which has hasn't yet resulted in a government contract.

Choose proposal project that this project is based upon, if any.

Project Number

Project Name

Bid Amount (CAD) IRB Obligation (CAD)

Min Transaction Targets

EPTL (CAD) Direct (CAD) SMB (CAD)

Client

Industry Canada Contact Details

Transaction Identification

	%	Dates
Contract Award Date	30	<input type="text" value="YYYY-MM-DD"/>
Intermediary Milestone	30	
Final Milestone	40	<input type="text" value="YYYY-MM-DD"/>
IRB Achievement Date		<input type="text" value="YYYY-MM-DD"/>

Fullfillment Schedule

Period	Completion Date
Pre-Contract	

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OMX

- Dashboard
- Inbox
- Causality
- Interested Suppliers
- Bookmarks
- Projects
- Transactions**
- Edit Company
- Edit Users

New Transaction

[Save](#) [Cancel](#)

Recipient
Unallocated (No Recipient)

Please select from your bookmarked companies

Recipient Details

Donor Name

Donor Details

Transaction No. Transaction Name Status
Creating

Transaction Type
 Direct Indirect
Banked
 Yes No
Enhanced Priority Technology
 Yes No

Value Canadian Content Value
\$ 0.00 = \$0.00

Is the recipient a small or medium business?
 Yes No

Sourcing Region
Region Province City 100.00% Total CCV
100 \$0.00

[Add another Region](#)

Industrial sector

Federal Supply Classification

Description of Recipient Expertise

Description of IRB Transaction and Canadian Recipient for the IRB Transaction

Quality of IRB
Provide a description of the quality of the Individual Transaction
(For example, increases in employment, increase in viability of recipient company, international exposure, experience with new technology, etc.)

Provide and show justification for eligibility as a valid IRB Transaction
(For example, Causality, Timing, Incrementality, Eligible Party and CCV)

Other Canadian Government Assistance?
 Yes No

Any other comments related to the transaction

Projects [Add Project](#)

[Save](#) [Cancel](#)

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Initiate and/or participate in **offset transactions**, then manage and track progress through robust data dashboarding



At \$300/month for 5 users, the **Manage** tier allows you to:

- Take advantage of all Connect functionality, plus...
- Participate in IRB offset transactions with other companies
- Streamline all of the transactions that you make within an offset project
- Assist your customers in simplifying the management of their offset obligations
- Collaborate internally across 5 users on opportunities



Advertising on OMX

OMX offers several opportunities to increase your company's exposure to the **breadth of Canada's aerospace, defence and security ecosystem**. As an OMX advertiser, you can purchase one or more of our **premium spotlights** for a fixed period of time, fixed number of impressions or fixed number of clicks. **Target your niche market right through the platform.** Pricing ranges from \$500-\$1,500/month.

The Future



Opportunities Feed

Features: Allows any company to easily post opportunities which appear in their profile and in an aggregated feed which is accessible by RSS and on dashboard

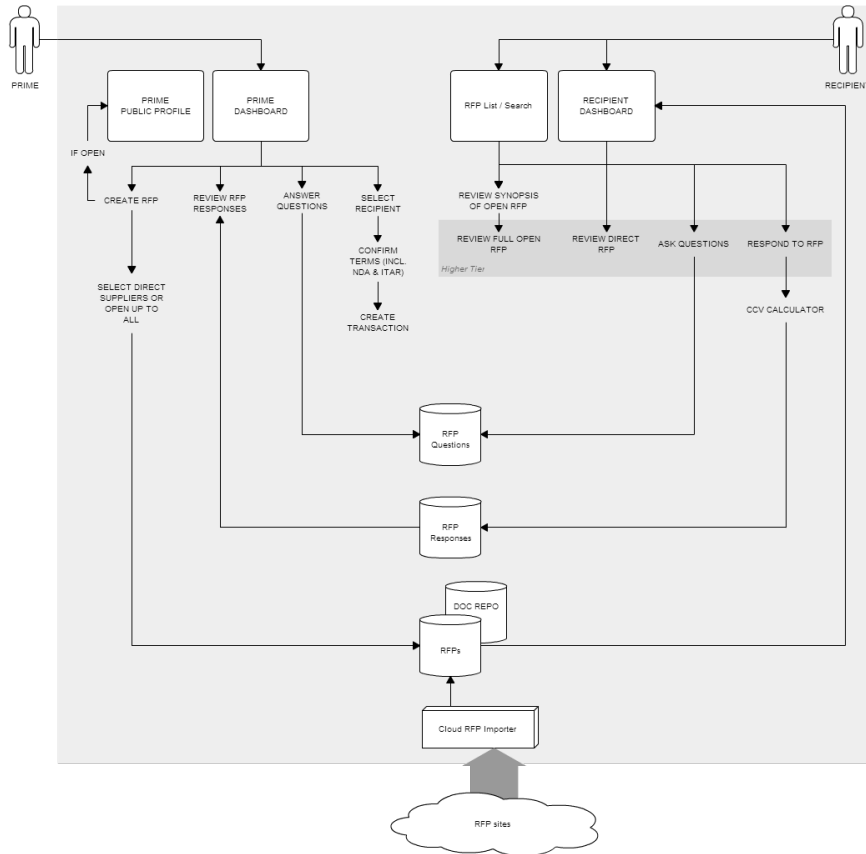
Opportunities [View All »](#)

- ▶ [General Atomics](#) is seeking **Aircraft Wing Assembly (GHSW-34GJSD-2223-A)**
Reply by **July 1, 2013** Deliver by: **July 1, 2015**
- ▼ [International Defence](#) is seeking **Tank Turret**
Reply by **July 1, 2013** Deliver by: **July 1, 2015**

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Nam tempus vehicula sollicitudin. Aliquam a ligula ac sem tincidunt semper imperdiet vitae urna. Suspendisse eu lectus eget erat feugiat ultrices.



RFP Engine



The screenshot shows the RFP Engine interface, divided into three main sections: (Hidden) Metadata, RFP Description, and Attachments. The (Hidden) Metadata section includes Issuing Company ID and Date Created. The RFP Description section includes a Draft or publish dropdown, RFP title, Arbitrary user-assigned ID, Open to all / Specific recipients (multi) radio buttons, NAICS codes, FSC codes, Responses due by, Fulfillment by, Deliver to (country) and (city) dropdowns, Fulfillment region (multi) dropdown, Minimum CCV %, and Currency dropdown. The RFP Items section includes Item, Part #, NSN #, Qty, and a + Add description link. The Attachments section includes Schematic-A.pdf, Filename, Browse..., Submit, and Cancel buttons.



Tomorrow...

Key Industrial Capabilities
(KICS)

Ratings and reviews

BIS reporting

Procurement postings

Terms sheet and other
document templates

Government
user type

Bookmark
tagging

Drag 'n' drop file uploads

Eligible Parties

RDA networking

Patent profiling

Improved search

Improved company profiles

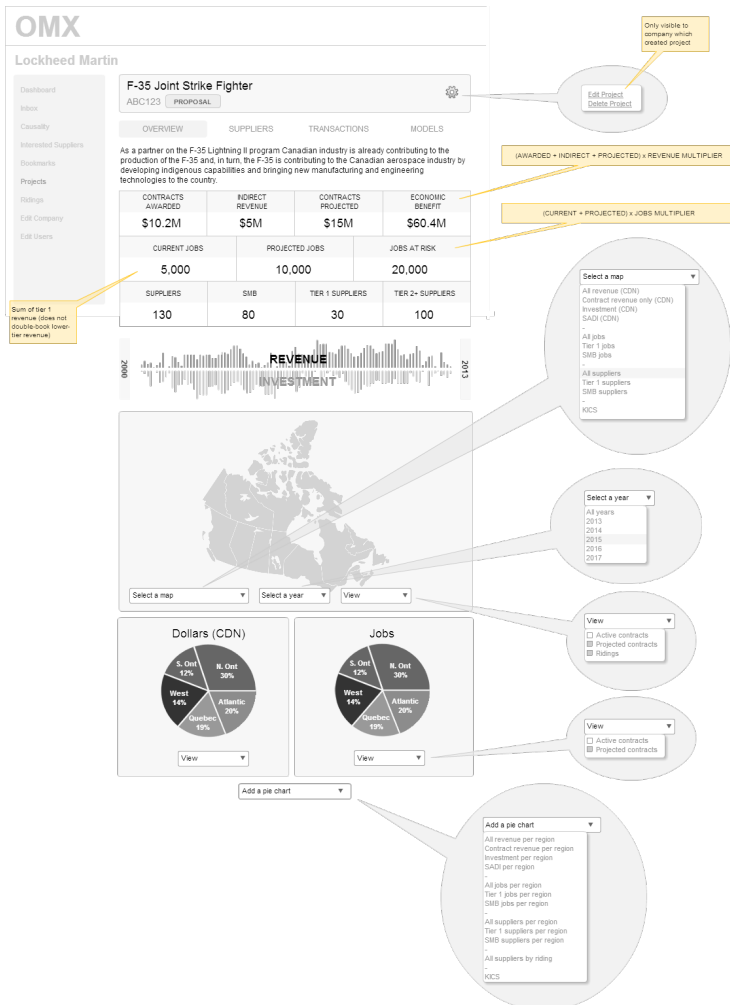
Government value
proposition

Improved UI

Online payments



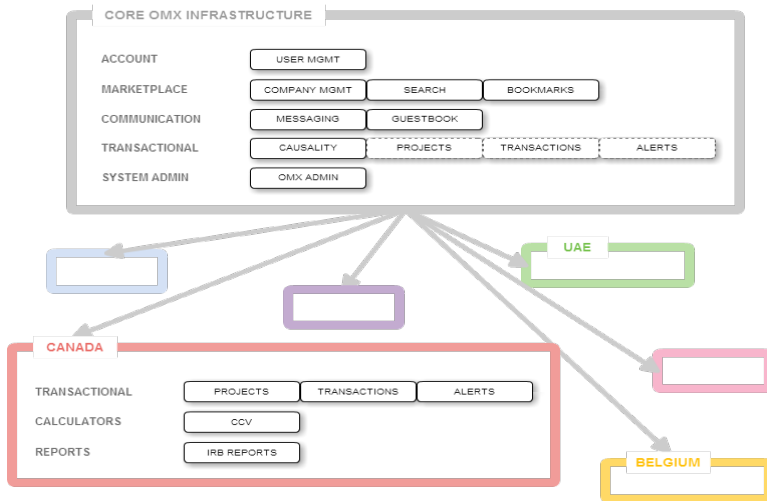
Canadian economic benefits specification



- Canadian supplier reach
- Robust project management functionality
- Enhanced data visualizations
- Centralization of all current and projected offset-related activities



Internationalization



Bookmarks

Buttons: Delete Selected, Download to Excel, All countries (dropdown)

Company	Location	Last Updated	
<input checked="" type="checkbox"/> Reliable Aerospace Components	Toronto, Ontario	September 1, 2013	<input type="checkbox"/> Delete
<input checked="" type="checkbox"/> Really Reliable Aerospace Components	New York, NY	August 1, 2013	<input type="checkbox"/> Delete

Callouts:

- Sortable headers
- Displays only those countries for which there are bookmarks saved
- If user is looking at a country-filtered view, downloads only the bookmarks in that country
- Also includes notes in download



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