

REQUEST FOR PROPOSAL (RFP)

[COMPETITIVE PROCUREMENT MODEL DOCUMENT]

ECONOMIC IMPACT ASSESSMENT (EIA)

ANNEX

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1 DEFINITIONS

- 1.1 For the purpose of the Economic Impact Assessment (EIA), unless otherwise specified, the following definitions apply:
- 1.1.1 **Canadian Related Operations:** means the sum of industrial activities in Canada that are in lines of business of the Product;
- 1.1.2 **Consortia Partners:** means service(s) provider(s) and Product(s) manufacturer(s) identified in the bid documentation. Assessment of Product(s) sub-contractors is only applicable when Product identification is documented by independent research organizations. Product(s) sub-contractors at Tier One Supplier level are determined by the independent research organizations;
- 1.1.3 **Decline Stage:** means the stage of the Product Life Cycle that occurs when Product Sales are declining in volume following the Maturity Stage;
- 1.1.4 **Enterprise:** means a legal operating entity that performs industrial activities in Canada;
- 1.1.5 **Identified Enterprise:** means an Enterprise that manufactures a Product;
- 1.1.6 **Exports:** means the total Sales from Canada to foreign markets on an annual basis;
- 1.1.7 **Growth Stage:** means the stage of the Product Life Cycle that occurs when Product Sales are growing following the Introduction Stage;
- 1.1.8 **Input-Output Direct Job Multipliers:** means Statistics Canada's multipliers designed to estimate the impact on the direct employment that occur across the Canadian economy;
- 1.1.9 **Input-Output Indirect Job Multipliers:** means Statistics Canada's multipliers designed to estimate the impact on the manufacturing and supply chain footprint that occur across the Canadian economy;
- 1.1.10 **Introduction Stage:** means the stage of the Product Life Cycle that occurs when the Product is launched;
- 1.1.11 **Jobs:** means employment impacts that will be measured on an annual average basis and measured in terms of full-time equivalent employment;
- 1.1.12 **Manufacture:** means the production of articles for use from raw or prepared material by giving these materials new forms, qualities and properties or combinations whether by hand or by machinery. To eliminate doubt, this includes assembly;
- 1.1.13 **Maturity Stage:** means the stage of the Product Life Cycle that occurs when the Product Sales have achieved a stable level following the Introduction and Growth Stages;
- 1.1.14 **North American Industry Classification System:** means Statistics Canada's industry classification system developed by the statistical agencies of Canada, Mexico and the United States;
- 1.1.15 **Product:** means a manufactured good;
- 1.1.16 **Product Life Cycle:** means the different phases of a Product's evolution in its commercialisation life: Introduction, Growth, Maturity, and Decline Stages;
- 1.1.17 **Product Sales:** means the total annual dollar value of Sales for the Product at its most closely related Product Life Cycle stage;
- 1.1.18 **Sales:** means the total annual dollar value of revenue derived from Products;
- 1.1.19 **Tier One Supplier:** means a company that performs a specific portion of the work directly for the Product manufacturer(s), and,

1.1.20 **Trade Related Action:** means a trade remedy action petitioned by the bidder and/or Consortia Partners, as well as their respective affiliates and/or subsidiaries in any jurisdiction that relates to a Product manufactured in whole or in part in Canada.

2 EIA PROCESS

- 2.1 Canada will commence the EIA process by undertaking a review to determine if any of the bidder and/or the Consortia Partners, as well as their respective affiliates and/or subsidiaries have petitioned any Trade Related Actions.
- 2.2 Canada will identify Trade Related Actions, the market from which they were initiated and the impacted Product(s).
- 2.3 The EIA will assess all Trade Related Actions petitioned within two years of the bid closing date and until the date of contract award.
- 2.3.1 The EIA will be performed immediately after bid closing date and prior to contract award.
- 2.4 The EIA will measure the potential impact of Trade Related Actions on three indicators: i) direct employment (measured in Jobs), ii) manufacturing and supply chain footprint (measured in Jobs), and iii) Exports (measured \$ millions).
- 2.5 The results of the EIA are not final until the date of contract award, which will be updated to assess if any new Trade Related Actions are petitioned up to this time.
- 2.6 EIA results will be finalized on the date of contract award.
- 2.7 The EIA will result in a reduction of up to 10 percentage points from the overall evaluation score, commensurate with the severity of the potential economic impact.
- 2.8 As part of Canada's assessment, the bidder will be provided an opportunity to review their initial EIA result to identify errors of fact, calculation or omission as described in Article 4.
- 2.9 The EIA will rely on publicly available information from Statistics Canada and independent research organizations such as Avascent, Forecast International, Janes, and Teal Group.

3 EIA METHODOLOGY

3.1 Overview

- 3.1.1 When a Trade Related Action is identified, Canada will determine the pool of Enterprises that may be impacted (Identified Enterprises) by the loss of access to the market from which it was initiated.
- 3.1.2 For each Identified Enterprise, a market analysis will be undertaken as per Article 3.2 (Market Analysis) to determine whether the Trade Related Action has negatively impacted Product Sales, the viability of the impacted Product or the viability of the entire Canadian Related Operation.
- a) A threshold of 30% will be used to assess the severity of impact.
- 3.1.3 Based on the market analysis, the impact on the indicators identified in Article 2.4 will be calculated as per Article 3.3 (Impact Analysis).
- 3.1.4 The impact for each indicator will be benchmarked against the industry average as per Article 3.4 (Industry Assessment) to determine the severity in relation to the broader Canadian industry and to calculate a score for each indicator.
- 3.1.5 The EIA score will be a weighted sum of these indicators as per Article 3.5 (EIA Scoring).

3.1.6 The EIA will be measured in Canadian dollars. Foreign currencies will be converted to Canadian dollars based on Bank of Canada's 12 month average at the date of assessment.

3.2 Market Analysis

3.2.1 Where the Identified Enterprise had no (0%) actual or forecasted Product Sales to the market from which the Trade Related Action was initiated, no further assessment will be required. The Trade Related Action will be deemed to have had no impact on the Identified Enterprise and result in an EIA score of zero (0).

3.2.2 Where the market from which the Trade Related Action was initiated makes up more than 0%, but less than 30% of actual or forecasted Product Sales from the Identified Enterprise, risk will be deemed to be limited to Product Sales. The market assessment will be low and the percentage of Product Sales for which the identified market accounts will be used in determining the potential impact on the indicators identified in Article 2.4.

3.2.3 Where the market from which the Trade Related Action was initiated makes up 30% or more of actual or forecasted Product Sales, the Canadian Related Operations for each Identified Enterprise will be determined.

3.2.4 Where Product Sales make up less than 30% of the Canadian Related Operations' Sales, the risk will be deemed to be for the entire Product. The market assessment will be Medium and 100% of the Product Sales will be used in determining the potential impact on the indicators identified in Article 2.4.

a) Where Product Sales make up 30% or more of the Canadian Related Operations' Sales, risk will be deemed to extend to the viability of the entire Canadian Related Operations. The market assessment will be high and 100% of the Canadian Related Operations' Sales will be used in determining the potential impact on the indicators identified in Article 2.4.

3.3 Impact Analysis

3.3.1 The Product (for low to medium market analysis) or the Canadian Related Operations (for high market analysis) as per Article 3.2 will be reviewed and matched with the most closely related North American Industry Classification System (NAICS) code in order to identify the latest and most closely related Input-Output Direct Job Multipliers and Input-Output Indirect Job Multipliers.

3.3.2 The impact on Products will be assessed at the Maturity or Decline Stages of a Product's Life Cycle at time of the Trade Related Action. The Product's Life Cycle will be based on market analysis from independent research organizations such as Avascent, Forecast International, Janes, and Teal Group.

3.3.3 The following formulas will be used to determine the potential impact on direct employment, manufacturing and supply chain footprint, and Exports for each Identified Enterprise:

Market Analysis	Negative Impact on direct employment (measured in Jobs) for each Identified Enterprise
Low	<i>Percentage share of Product Sales to the market from which the Trade Related Action was initiated × Product Sales in Million × Input – Output Direct Job Multiplier</i>
Medium	<i>Product Sales in Million × Input – Output Direct Job Multiplier</i>
High	<i>Sales for the Canadian Related Operations in Million × Input – Output Direct Job Multiplier</i>

Market Analysis	Negative Impact on manufacturing and supply chain footprint (measured in Jobs) for each Identified Enterprise
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Low	<i>Percentage share of Product Sales to the market from which the Trade Related Action was initiated × Product Sales in Million × Input – Output Indirect Job Multiplier</i>
Medium	<i>Product Sales in Million × Input – Output Indirect Job Multiplier</i>
High	<i>Sales for the Canadian Related Operations in Million × Input – Output Indirect Job Multiplier</i>

Market Analysis	Negative Impact on Exports (measured in \$M) for each Identified Enterprise
Low	<i>Percentage share of Product Sales to the market from which the Trade Related Action was initiated × Product Sales</i>
Medium	<i>Product Sales × Percentage share of international Product Sales</i>
High	<i>Export of the Canadian Related Operations</i>

3.3.4 For each indicator used to calculate the EIA score as per Article 3.5, the overall impact on an industry will be calculated as the sum of the impacts on each Identified Enterprise of that industry.

3.4 Industry Assessment

3.4.1 The following formulas will be used to determine the industry average using the corresponding NAICS codes; the latest and most closely related Input-Output Direct Job Multiplier(s) and Input-Output Indirect Job Multiplier(s), where necessary; and the annual industry Sales, Jobs, and Exports from Statistics Canada's data files:

Indicators	Industry Average
Direct Employment	$\frac{\text{Annual industry level employment}}{\text{Number of Enterprises in the respective industry}}$
Manufacturing and Supply Chain Footprint	$\frac{\text{Annual industry Sales} \times \text{Input – Output Indirect Job Multiplier}}{\text{Number of Enterprises in the respective industry}}$
Exports	$\frac{\text{Annual industry level Export volumes}}{\text{Number of Enterprises in the respective industry}}$

3.5 EIA Scoring

3.5.1 A score for direct employment, manufacturing and supply chain footprint, and export will be calculated using the following formula:

$$\text{Score} = - \left(\frac{\text{Impact} \times \left(\frac{10}{2}\right)}{\text{Industry Average}} \right)$$

- a) With zero (0) being no potential impact, $\left[\frac{10}{2}\right]$ being potential impact equal to the industry average, and with all scores over the maximum being normalized to minus 10 percentage points.
- b) Scores will be calculated to the first decimal place.

3.5.2 A weighted sum will then be calculated as follows to determine the final EIA score:

Economic Impact Indicators	Weighted Sum
Direct Employment	A: <i>Direct employment score</i> × 30%
Manufacturing and Supply Chain Footprint	B: <i>Manufacturing and Supply Chain Footprint Score</i> × 30%
Export	C: <i>Export Score</i> × 40%
EIA SCORE	A+B+C

3.5.3 In the event a Trade Related Action impacts multiple industries, an EIA will be performed for each industry. A sum of each industry will be used to calculate the EIA score. All summed scores over the maximum points will be normalized to minus 10 percentage points.

3.5.4 In the event the bidder and/or the Consortia Partners, as well as their respective affiliates and/or subsidiaries initiate multiple Trade Related Actions simultaneously, an EIA will be performed for each Trade Related Action. A sum of each Trade Related Action score will be used to calculate the EIA score. All summed scores over the maximum points will be normalized to minus 10 percentage points.

4 EIA SCORE REVIEW PROCESS

4.1 Canada will provide a written notice to all bidders after the EIA score has been calculated.

4.2 Should the EIA score calculated by Canada be different than zero, the written notice will include the following:

- a) A list of all identified Trade Related Actions including the market from which they were initiated, the impacted Product(s), and the associated Identified Enterprise(s).
- b) Sources for data used in the EIA calculation and the date of data extraction. In cases where Statistics Canada data was used, the data itself will be shared. For other sources, note that the level of information that Canada may be able to provide may be limited for reasons of intellectual property.
- c) The results of Canada's EIA calculations.

4.3. The bidder is invited to identify to Canada in writing, no later than 14 calendar days of issuance of the notice, any errors of fact, calculation or omission in Canada's calculations.

4.4. Canada may request additional information or clarification from the bidder. The bidder will have 14 calendar days from Canada's request to provide such information.

4.5. If Canada receives new information from the bidder in accordance with Articles 4.3 and 4.4, Canada will review feedback and information received from the bidder, and will calculate, at its own determination, the final EIA adjustment score which will be communicated to the bidder.