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# Quebec's Defence Industry in the Era of Canadian Rearmament

Justin Massie, 2026-11-12

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RÉSEAU D'ANALYSE STRATÉGIQUE

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# Executive Summary

The federal government has launched Canada's largest rearmament program in decades: planned spending by the Department of National Defence (DND) rises from $30.6 billion in 2024-2025 to $51.7 billion in 2026-2027. The Defence Industrial Strategy (DIS) of February 2026 aims to award 70% of acquisitions to Canadian firms within ten years, up from roughly 43% at the outset.

The Government of Quebec wants the province to capture its share. This report therefore examines the extent to which Quebec's industry is positioned to take part in this effort. It draws on the following databases: the Defence Capabilities Blueprint (DCB), the prospective capabilities of the Canadian Armed Forces (CAF), and the contracts awarded by DND to Quebec suppliers between 2020 and mid-2026.

Five findings structure the report.

1. **Federal demand is broad, but its value is concentrated.** Of the 130 DCB projects, the 26 worth more than one billion dollars account for most of the decisions, in three clusters: C4ISR and space, NORAD modernization and the Arctic, and naval recapitalization. Half of the largest projects do not yet have an acquisition contract, and the first deliveries of the major projects are concentrated around 2027-2033. The envelope actually available to industry is narrower than the announced totals. On the one hand, only the trajectory to 2.6% of GDP is planned and funded, as Budget 2026 confirms. On the other hand, if the budget structure holds (20 to 25% in capital), a budget of 3.5% of GDP would represent about $30 billion in acquisitions per year in 2035, of which $21 billion in Canada, compared with $14 billion today.

2. **The programs that matter most to industry are outside the DCB.** Submarines, fighters and icebreakers are the files around which the ecosystem is reorganizing fastest. None of the three appears in the DCB, yet they combine the largest amounts of the decade with the most imminent decisions.

3. **Europeanization is real, but American dependence remains intact.** Canada has become the first non-European country admitted to the European Union's SAFE mechanism, and German, Swedish, Italian, Norwegian and French suppliers hold an unprecedented place. But of the twenty major acquisition contracts under way, American prime contractors hold 41% of the value and European ones 8%. The Canadian share (51%) rests almost entirely on the shipyards. The outlook points to a slow and partial decline in the foreign share, driven by a few champions and by space and air programs, but not to a change in structure.

4. **DND's direct contracts in Quebec are concentrated on supporting existing fleets.** Aircraft maintenance, along with the production of ammunition and uniforms, are the three main categories of contracts awarded. This explains both the concentration of value, with five firms capturing 64% and 66 firms 92%, and the way it is awarded, 43% being granted without competition.

5. **Quebec's position is solid in its historical strengths and fragile in its growth drivers.** Of the DIS's ten sovereign capabilities, Quebec is in a position of strength on four (training and simulation, aerospace, ammunition, in-service support) and of weakness on two (space, uncrewed systems), as shown by the absence of drones and missiles from Quebec's production. Growth poles can nevertheless be anticipated in satellite manufacturing, autonomous systems and tactical communications.

The report draws implications at three levels. At the federal level, they bear on the feasibility of the DIS. At the Quebec level, the government would benefit from building its strategy around three defence economies that call for different instruments (procurement decisions for fleet support, benefits policy for subcontracting on major programs, and financing for the emerging economy). Finally, for industry, the new mechanisms (Defence Investment Agency, Industrial and Technological Benefits policy, partnership with the European Union) are concrete points of entry, and tomorrow's operational requirements are so many signals of the contracts to come.

# Introduction: Question, Objectives and Method

Canada is sharply accelerating its defence investments. The government has committed more than $63 billion in investments since June 2025, created the Defence Investment Agency (DIA) to deploy them, and adopted its first-ever Defence Industrial Strategy, which favours manufacturing in Canada and integration into European production chains in particular. Two documents published in the fall of 2026 now frame this effort: *The Plan for a Stronger Canada*, the first national security strategy in more than twenty years, and *Budget 2026*, which sets out the trajectory of defence spending to 2030-2031. The Government of Quebec, which has designated defence as one of its key industries, has authorized Investissement Québec (IQ) and the Caisse de dépôt et placement du Québec (CDPQ) to support military production. Several observers have nonetheless pointed out that investment is only a starting point and that an overall strategy is lacking.

This report, funded by the SQRC, has two objectives. The first is to map Quebec's defence industrial cluster: to identify the sectors that produce goods or provide services to the defence sector, to better understand their capacity to expand their activities, and to understand the capacity of other industries to convert their production lines. The second is to assess the extent to which this industry is positioned to benefit from the federal investments framed by the DIS and from the partnership with Europe. The report is intended as a tool for targeting investments, grounding advocacy in evidence, identifying partners and assessing Canada's capacity to implement its strategy, as well as Quebec's capacity to benefit from it.

# Method and Sources

This report rests on six datasets:

- **The survey of the Defence Capabilities Blueprint** (130 unique projects, 13 capability areas, budget ranges, phases, delivery dates), built from the pages available in December 2025 and updated through monitoring until July 31, 2026. It describes federal demand as DND publicly plans it.
- **The True North Strategic Review monitoring database** (385 articles reviewed from May to September 2026, 161 entries on the CAF's prospective capabilities, with status, date, suppliers and description). It describes the ecosystem forming around the programs and the signals that precede decisions.
- **The survey of federal defence contracts awarded to Quebec suppliers** (16,315 entries corresponding to 16,037 distinct procurement numbers, 1,716 firms, sixteen sectors, at the $10,000 disclosure threshold), drawn from proactive disclosure and CanadaBuys between January 2020 and June 2026. It describes DND's actual demand from Quebec's industry.
- **The verification of ownership control** of the 100 largest recipients (94% of the value), documented from public sources: ultimate parent, country of control, status and confidence level.
- **An analysis linking sixteen Quebec firms to DCB projects**, together with the major contracts officially announced and contextual indicators.
- **Economic and operational data** (budgets, acquisition contracts) from the Military Balance+ database of the International Institute for Strategic Studies (IISS) and from DND's departmental plans.

These sources complement and correct one another. The DCB gives the intention but not the contractual status; the monitoring gives the signals but captures only announcements; the contracts give the money spent but ignore subcontracting and Industrial and Technological Benefits (ITB); the ownership verification shows who decides.

The report is organized in four parts. The first describes federal demand (financial effort, Canadian industry, DCB). The second examines the implementation of the DIS through the signals of the ecosystem (the monitoring). The third draws a portrait of Quebec's industry from the contracts and from ownership control. The fourth assesses Quebec's positioning in relation to the DIS, and draws out the implications.

# Part 1. Demand: Canadian Rearmament and the Defence Capabilities Blueprint

## 1.1 The Financial Effort and the Canadian Industrial Base

Three main factors are transforming the CAF's requirements. The first is financial: Canada committed to reaching 2% of GDP in 2025-2026 and then, with its allies, 5% by 2035, of which 3.5% for defence in the strict sense. The departmental plans provide for $30.6 billion in spending in 2024-2025, $35.7 billion in 2025-2026 and $51.7 billion in 2026-2027. The second is geographic: NORAD modernization, underwater surveillance, presence in the North and support for the defence of Europe are becoming structuring priorities. The third is operational: the war in Ukraine has brought ammunition, ground-based air defence, drones and electronic warfare back to the fore, areas in which Canada has few sovereign capabilities.

Delivery capacity is a constraint distinct from the level of budgets. According to the Parliamentary Budget Officer, defence capital spending fell $18.5 billion short of planned amounts between 2017-2018 and 2023-2024. It stands at about $10.6 billion in 2024-2025 and is expected to peak at $25.7 billion in 2030-2031, within an envelope of $322.9 billion over twenty years. The DIS puts procurement opportunities at $180 billion and defence-related capital investments at $290 billion over ten years.

The industrial base that must absorb this effort is small and export-oriented. It generated nearly $17.3 billion in revenues and supported about 81,800 jobs in 2024. Its revenues have grown by 87% since 2014, and 70% of its exports, worth about $8 billion, go to the Five Eyes countries, chiefly the United States. More than 85% of firms are SMEs, but those with 500 or more employees capture more than 60% of revenues, employment, R&D and exports.

The Canadian Chamber of Commerce gives a measure of what this base will have to absorb: core defence spending would rise from $64 billion in 2025 to about $160 billion in 2035 ($228 billion if the 5% of GDP commitment is fully honoured), or more than $1,000 billion cumulatively over the decade. According to IMF modelling, each additional $10 billion generates $7 billion to $10 billion in cumulative real GDP over three years, but the return falls when equipment and inputs are imported. Yet defence firms in Canada import 47% of their purchases, the top 50 firms account for about 80% of sales, and Canadian-controlled private firms account for only 18%, which leaves a large share of decisions on intellectual property, integration and exports outside the country. Rearmament therefore raises a problem of execution capacity and of domestic capture of value.

These totals must, however, be brought back to what actually reaches industry. Since the end of the Cold War, Canada's defence budget has been divided into three remarkably stable blocks: 40 to 50% for personnel, 30 to 40% for operations and maintenance, and a capital share long below

the 20% expected by NATO. Even the rearmament of the 1980s raised the equipment share only from 17.8% to 19.7%. In 2025-2026, Canada spent $63 billion on defence, of which $48 billion directly and $14 billion through other departments (cybersecurity, space, veterans); reaching 2% was made easier by the transfer of the Coast Guard to National Defence and by a military pay increase. *Budget 2026*, for its part, puts this spending at $65.9 billion on a cash basis. If the capital share holds between 20 and 25%, a budget of 3.5% of GDP in 2035, or about $150 billion, would represent about $30 billion in acquisitions per year, of which $21 billion in Canada if the 70% target is met. This is a change in order of magnitude compared with the $14 billion in equipment in 2025-2026, a little more than double. However, the mobilization options under study (Regular Force increased from 71,500 to 85,500 members, Reserve quadrupling to 100,000) and the cost of sustaining the new fleets will keep up the pressure on recurring expenditures at the expense of equipment acquisitions.

Three uncertainties also weigh on these projections. The first is fiscal: the government has not explained how it will finance a budget of 3.5% of GDP. The C.D. Howe Institute projects, on unchanged policies, a deficit of more than $95 billion in 2029-2030. The commitment of 4% of GDP by 2030 announced in May 2026 corresponds to 2.6% for core defence (from $89.0 billion in 2027-2028 to $99.2 billion in 2030-2031, on a cash basis), on top of the 1.5% in security spending already reached, and the 3.5% target is to be reviewed by NATO in 2029. Only the 2.6% trajectory can therefore be regarded as planned. *Budget 2026* confirms this without removing the uncertainty: it presents a "funded plan to reach 4% of GDP within this decade", but its projections level off at 2.6% of GDP for core defence from 2027-2028 to 2030-2031 (4.1% when broader defence- and security-related spending is included) and "do not account for future commitments".

The second uncertainty stems from the absence of an up-to-date defence policy. *The Plan for a Stronger Canada*, published in October 2026, partly fills this gap. The first national security strategy in more than twenty years, it makes strategic autonomy and national resilience its guiding principles, makes defence one of eight strategic capabilities to be strengthened, confirms the trajectory to 5% of GDP by 2035, and ties procurement to the implementation of the DIS by the Defence Investment Agency. It nonetheless remains a statement of direction rather than a defence policy: the government commits only to "produce a plan" to give the CAF "one clear, central mission", broaden the range of military options and build a robust industrial base, without specifying the capability priorities, the timeline or the envelopes that follow from them. Concrete plans therefore still rest on the policies of 2017 and 2024, which predate the 2025 pivot and the DIS. Industry is thus being asked to invest in production capacity while the government, although it has now affirmed its new direction centred on strategic autonomy (a concept until now foreign to Canadian defence policy), has not yet translated it into a defence policy that sets out its capability and industrial implications.

The third uncertainty concerns the boundary between the core defence budget and the envelope of 1.5% of GDP. The Hague commitment of June 2025 distinguishes two targets: 3.5% of GDP for defence in the strict sense, measured according to the NATO definition, and 1.5% for security-related spending, which the Alliance describes as the protection of critical infrastructure, the defence of networks, civil preparedness and resilience, innovation and the strengthening of the

defence industrial base. The government states that this second target has already been reached, which suggests that existing infrastructure investments are counted in it. What has not been specified is the fate of strictly military infrastructure: bases, hangars, jetties, housing, firing ranges and research facilities, which normally fall under DND's Vote 5 (capital) and whose portfolio, neglected for decades, requires a large-scale upgrade. If this upgrade is charged to the capital of the core budget, it will compete directly with new capabilities. If it is charged to the 1.5% envelope, it frees up that much core-budget capital for equipment. The first hypothesis is the more likely, precisely because reaching 3.5% is not assured and the government has an interest in fitting everything it can into the NATO definition of defence. *Budget 2026* points in this direction: it places military infrastructure among core defence expenditures and reserves the 1.5% envelope for critical infrastructure, public safety, innovation and national resilience, and civil preparedness, while counting provincial and territorial spending in it. But the scale of the acquisitions envisaged (a tripling of the submarine fleet, fifteen surface combatants, at least 88 fighter aircraft, etc.) makes the trade-off all the tighter.

The Defence Capabilities Blueprint (DCB) is the instrument through which DND communicates to industry the investment projects in its plan. Three limitations frame how it should be read. It publishes only budget ranges, which rules out any summation. Our analysis therefore focuses on the structure of the portfolio rather than its value. Second, it is not exhaustive: the two largest programs of the decade, the Canadian Patrol Submarine Project (CPSP) and the Future Fighter Capability Project, do not appear in it. Finally, its phases lag behind reality: the River-class destroyer is still shown in "options analysis" even though its construction has begun. Our analysis therefore uses the DCB to capture planning intent rather than the contractual status of programs.

# 1.2 A Two-Speed Portfolio

The first characteristic of the DCB is its bimodality. Nearly a third of the projects (41 of 130) fall in the lowest range, $50 million to $99 million, and 32 of these 41 are infrastructure projects. At the other end, 16 projects exceed $5 billion and 10 others fall between $1 billion and $5 billion. These 26 projects of more than one billion dollars, 20% of the total, account for most of the value and almost all of the structuring decisions.

**Table 1. Distribution of the 130 DCB projects by budget range**

| Range | Projects | Share | Dominant nature |
|---|---|---|---|
| $50M to $99M | 41 | 32% | Infrastructure (32 of 41 projects), small support projects |
| $100M to $249M | 29 | 22% | C4I, cyber, joint support, urgent operational requirements |
| $250M to $499M | 21 | 16% | Land replacements, engineering, tactical C2 |
| $500M to $1B | 13 | 10% | SATCOM, cyber defence, joint fires, in-service support |
| $1B to $4.99B | 10 | 8% | Life extensions (Griffon, Cormorant), Victoria-class submarines, GBAD, fighter infrastructure |
| More than $5B | 16 | 12% | C4ISR and space, NORAD, combat ships, patrol and tanker aircraft |

*Source: survey of the Defence Capabilities Blueprint. Projects linked to several areas are counted only once.*

Second, the portfolio is oriented more toward new capabilities than toward one-for-one replacement. Of the 130 projects, 73 are new (56%) against 49 of the "replacement" type, and among the 16 projects of more than $5 billion, 10 are capabilities the CAF has never held (protected SATCOM, over-the-horizon radars, long-range precision strike, airborne early warning, uncrewed underwater surveillance). Canadian rearmament is therefore not merely a matter of catching up on aging fleets: it aims at a qualitative transformation, which opens markets for which there is no incumbent supplier.

The third characteristic is uneven maturity. Overall, 100 projects (77%) are in implementation, 17 in definition and 11 in options analysis. But among the 16 projects of more than $5 billion, six are still in options analysis, one in definition and one in contract negotiation. Half of the heaviest projects have not passed the stage of choosing a solution. For a firm, the useful moment of entry is the definition phase, when prime contractors assemble their teams and their value propositions. The next 24 to 36 months are therefore a critical window. Finally, the portfolio is highly cross-cutting: the C4I area touches 63 of the 130 projects, training and simulation 53, and emerging technologies 39, which favours Quebec's strengths in simulation and software.

# 1.3 The Main Capability Orientations

## The Digital and Space Backbone

Six of the 16 projects of more than $5 billion relate to C4ISR or space: the IT infrastructure in support of command (under way since 2022-2023), Meridian Standard (joint multi-domain C4ISR, 2026-2027 to 2033-2034), the modernized C2 information system, the strategic and tactical components of protected military SATCOM (deliveries from 2027-2028) and the next generation of protected SATCOM. To these are added polar SATCOM (more than $5 billion), wideband SATCOM and half a dozen projects of $100 million to $1 billion in cryptography, cyber defence and narrowband. This priority, consistent with NORAD modernization and interoperability within the Five Eyes, is illustrated by the Crossbow project, which consists of installing 47 ground detection stations in the Far North to strengthen NORAD's surveillance and early-warning capabilities. The passive surveillance sensor installations will stretch from Yukon to Alert, Nunavut, and should be completed by 2032.

## NORAD and the Arctic: Distant Horizons

The Arctic Over-the-Horizon Radar (more than $6 billion for the program, developed with Australia, initial capability targeted for December 2029), the Polar Over-the-Horizon Radar (2032-2033), the Strategic Tanker Transport Capability (more than $5 billion, 2028-2029), the six GlobalEye aircraft for airborne early warning and control (AEWC, more than $5 billion), the Avedlek station, the Arctic sensor suite and the uncrewed underwater surveillance system form an architecture for detecting and controlling the northern approaches. What stands out is the horizon: apart from the first radar, none of these capabilities is planned before 2032, and the AEWC, whose preferred supplier was announced in May 2026 around a Bombardier platform, has an initial operational capability listed for 2037-2038 and a full operational capability for 2040-2041. The gap between the political time of announcements and the industrial time of deliveries here exceeds a decade.

## Naval Recapitalization

The River-class destroyer (more than $5 billion, first delivery 2030-2031, British Type 26 design) and its in-service support contract form the core of the program. The selection of Thales Canada's CAPTAS-4 towed sonar (June 2026) comes with support under sovereign control. The two Joint Support Ships, of German design, are expected in 2027-2028. The modernization of the four Victoria-class submarines ($1 billion to $5 billion) and the combat systems integration contract for the Halifax-class frigates serve as a bridge to the new platforms, including the CPSP submarines, which are absent from the DCB and the first four of which are expected as early as 2033-2034. The Navy will have to keep hulls designed in the 1980s and 1990s in service until the early 2030s.

## Aviation and the Fighter Question

The multi-mission aircraft (16 Boeing P-8A Poseidons, announced in November 2023 with operational capability planned beyond 2035), the CC-330 Husky strategic tanker and the future nTACS helicopter family (more than $5 billion, in options analysis, 2032-2033) sit alongside the limited life extension of the CH-146 Griffon ($1 billion to $5 billion, designed as a bridge to nTACS) and the upgrade of the CH-149 Cormorant. The Defence of Canada Fighter Infrastructure ($1 billion to $5 billion) is in implementation at Bagotville and Cold Lake, while 16 of the 88 aircraft are on firm order and the government is studying a mixed fleet of F-35s and Gripens. Part of the infrastructure and training investment therefore rests on a fleet assumption that may be revised.

## The Army: The Lessons of Ukraine

The land component can be read in two time frames. The urgent operational requirements tied to Operation REASSURANCE in Latvia (very short-range air defence, portable missiles, loitering munitions, brigade communications) are filling, in haste and with commercial technologies, gaps revealed by the war in Ukraine. The structural time frame is slower: Ground Based Air Defence (GBAD, $1 billion to $5 billion, in definition, 2027-2028 to 2032-2033), the land anti-X system (2029-2030) and Long-Range Precision Strike (more than $5 billion, 2030-2031) are the three capabilities the Army has never held on this scale. Canada has had no ground-based air defence of its territory since the retirement in 2012 of the ADATS, which was assembled in Saint-Jean-sur-Richelieu.

## Infrastructure

Thirty-eight projects are exclusively infrastructure, 32 of them in the $50 million to $99 million range. Bagotville (AFEC main facility, mess, health centre, quick reaction alert area) and Valcartier (DRDC renewal, ammunition workshop, test laboratory, health centre) account for the largest number of projects in the country (eight projects located in Quebec), which makes the province a direct beneficiary of the infrastructure component, tied to the arrival of the F-35s and to defence research.

# 1.4 A Timeline That Tips After 2030

The distribution of initial delivery dates gives an apparently reassuring picture: 88 of the 130 projects (68%) have an initial operational capability (IOC) planned for 2025-2026 at the latest. But this majority is made up of small projects. Among the 16 projects of more than $5 billion, only three have a near-term IOC, six a medium-term one (2027-2030) and seven a long-term one; ten of them have a full operational capability (FOC) listed as "beyond 2035", with no specific year, and only one, the Joint Support Ship, reaches FOC in the same year as IOC. The gap between the two dates measures the period over which a capability is delivered, integrated and sustained. It is at least seven years for most of the major projects and exceeds ten years for the command IT infrastructure, strategic protected SATCOM and the multi-mission aircraft.

**Table 2. Projects of more than $5 billion: phase, initial operational capability (IOC) and full operational capability (FOC)**

| Project | Type | Phase | IOC | FOC |
|---|---|---|---|---|
| IT infrastructure in support of C2 | Repl. | Implementation | 2022-2023 | After 2035 |
| Modernized C2 information system | Repl. | Implementation | 2025-2026 | After 2035 |
| Meridian Standard (joint C4ISR) | New | Implementation | 2026-2027 | 2033-2034 |
| Joint Support Ship | Repl. | Implementation | 2027-2028 | 2027-2028 |
| Tactical protected SATCOM | New | Implementation | 2027-2028 | 2031-2032 |
| Strategic protected SATCOM | New | Implementation | 2027-2028 | After 2035 |
| Strategic Tanker Transport (CC-330) | New/Repl. | Implementation | 2028-2029 | 2032-2033 |
| Canadian Multi-Mission Aircraft (P-8A) | Repl. | Implementation | 2028-2029 | After 2035 |
| Arctic Over-the-Horizon Radar | New | Definition | 2029-2030 | After 2035 |
| River-class destroyer | New | Options analysis (construction begun) | 2030-2031 | After 2035 |
| Long-Range Precision Strike (land) | New | Options analysis | 2030-2031 | After 2035 |
| nTACS (Griffon replacement) | New/Repl. | Options analysis | 2032-2033 | 2035-2036 |
| Uncrewed underwater surveillance | New | Options analysis | 2032-2033 | After 2035 |
| Airborne Early Warning and Control (AEWC, GlobalEye) | New | Preferred supplier, negotiations with Saab | 2037-2038 | 2040-2041 |
| Polar SATCOM | New | Options analysis (agreement in principle with Telesat, July 2026) | After 2035 | After 2035 |
| Next-generation protected SATCOM | New | Options analysis | After 2035 | After 2035 |

The result is a "wall" of deliveries between 2027 and 2033, in which tankers and protected SATCOM (2027-2028), patrol aircraft and air-to-air refuellers (2028-2029), Arctic radar and ground-based air defence (2029-2030), destroyers and long-range strike (2030-2031), and then the first submarines (2033-2034) overlap. This concentration poses two challenges: the absorption capacity of the CAF (personnel, infrastructure, support) and the spending capacity of the procurement system, which the DIA is mandated to increase. In the meantime, operational

readiness rests on life extensions (Griffon, Cormorant, Victoria, Halifax), which, as Part 3 will show, are precisely the contracts on which Quebec's industry lives.

The fact that 94 projects have an initial delivery by 2026-2027, against 21 between 2027-2028 and 2029-2030 and 15 beyond, means that three quarters of the portfolio are already at an advanced stage of implementation. The DCB therefore plans the recapitalization launched by the 2017 policy *Strong, Secure, Engaged* more than the start of a cycle of expansion. Moreover, the spending increases announced in the 2025 and 2026 budgets have not yet been converted into new projects identified in the DCB. The heavy post-2030 projects exist, but they are few, and federal demand beyond 2028 largely remains to be written, in a new defence policy that has not yet been published. For Quebec's industry, this means that the 2026-2028 decision window bears both on known contracts and on the definition of the requirements that will structure the following decade.

# 1.5 What the DCB Means for Quebec

Of the 26 DCB projects of at least $1 billion, 5 have a Quebec link confirmed by a contract or an announced selection, 6 have a declared positioning (bid, agreement or partnership) and 15 (58%) have no documented link.

**Table 3. DCB projects of at least $1 billion and Quebec link**

| Project | Budget | Quebec link | Firms |
|---|---|---|---|
| River-class destroyer | > $5B | Confirmed | Thales Canada (sonar), CAE (training); Davie positioned |
| Airborne Early Warning and Control (AEWC) | > $5B | Confirmed | Bombardier (airframe), CAE (training) |
| Fighter infrastructure | $1B to $5B | Confirmed | L3Harris MAS (F-35 depot), Héroux-Devtek, CAE; facilities at Bagotville |
| Cormorant modernization | $1B to $5B | Confirmed | Pratt & Whitney Canada (engines) |
| Griffon life extension | $1B to $5B | Confirmed | Bell Textron (Mirabel), Pratt & Whitney Canada |
| Modernized C2 system | > $5B | Positioned | General Dynamics Canada |
| Joint Support Ship | > $5B | Positioned | Davie (potential subcontracting) |
| Multi-mission aircraft | > $5B | Positioned | CMC Electronics (avionics) |
| nTACS | > $5B | Positioned | Bell Textron, Pratt & Whitney Canada, L3Harris MAS (with Airbus) |
| Polar SATCOM | > $5B | Positioned | SpaceBridge (terminals); MDA builds Telesat's satellites in Montreal |
| Ground Based Air Defence | $1B to $5B | Positioned | Rheinmetall Canada |
| C2 IT infrastructure; Meridian Standard | > $5B | None | |
| Protected MILSATCOM (3 projects); wideband SATCOM | > $5B and $1B to $5B | None | |
| Arctic and Polar Over-the-Horizon Radars; Avedlek station | > $5B and $1B to $5B | None | |
| Strategic tanker; multi-role airlift | > $5B and $1B to $5B | None | |
| Long-Range Precision Strike | > $5B | None | |
| Uncrewed underwater surveillance; Victoria modernization; destroyer support | > $5B and $1B to $5B | None | |

The confirmed links are concentrated in air and training. The gaps lie in three blocks: satellite communications, NORAD modernization (radars, ground stations) and digital command and control. These are the priority prospecting targets developed in Part 4. It should be noted that missiles, a key component of GBAD and deep strike, remain out of reach for Quebec's industry as it stands.

# Part 2. The Defence Industrial Strategy at Work: Signals from the Ecosystem

## 2.1 Monitoring Industrial News

The second database examined is different in nature from the DCB. It results from the systematic review of the True North Strategic Review (TNSR), a daily newsletter of monitoring and commentary on Canadian defence, whose signed analyses complement corporate and government news releases. Between May and September 2026, 385 articles were processed, 174 retained and 161 entries created, each describing a capability, a program or an industrial move. Its purpose is to identify the CAF's forthcoming capabilities, including speculative ones, that do not yet appear in the DCB.

**Table 4. The 161 monitoring entries by status and by main domain**

| Status | Entries | Main domain | Entries |
|---|---|---|---|
| Official (announced and confirmed) | 89 | Sea (including CPSP and naval supply chain) | 43 |
| Speculative (no CAF order) | 38 | Land | 31 |
| Existing (industrial capability in production) | 20 | Air | 24 |
| Probable (agreement signed, implementation expected) | 8 | C4I | 23 |
| Not selected (suppliers tied to the Hanwha bid) | 4 | Training and simulation | 15 |
| Conditional (depends on a forthcoming decision) | 2 | Space | 15 |
| | | Ammunition and infrastructure | 10 |

The database has its biases: it relies on a single specialized publication and on news releases, which over-represents memoranda of understanding, funding rounds and appearances at trade shows. The status assigned to each capability rests on our own judgment. A little more than half of the entries are "official", which means that a program has been "announced and confirmed", not that a capability has been acquired. Most entries thus describe industrial or institutional gestures rather than deliveries. Of the 161 entries, the capabilities actually delivered or ordered for the CAF during the period can be counted on the fingers of two hands. The cross-cutting themes are telling: about 25 entries concern drones and counter-drone systems, 24 submarines and 23 the Arctic. Twenty-two entries explicitly mention Quebec.

# 2.2 The Structuring Programs Absent from the DCB

## The CPSP as a Driver of Industrial Restructuring

The submarine program, estimated at more than $60 billion over its life cycle, is the most frequent subject of the monitoring. Eight Canadian suppliers linked to the program are identified: Marmen (Trois-Rivières, structural sub-assemblies), Patriot Forge, Valbruna ASW, OSI Maritime, General Dynamics Mission Systems-Canada, Seaspan, Babcock and Arcfield, as well as GH Power. CAE, for its part, has signed a teaming agreement with TKMS for training and simulation. Marmen is the only Quebec manufacturing supplier directly linked to the program. The Canadian industrial base is therefore limited, with a small number of players able to operate at the required scale.

## Early Signals of the Fighter Decision

In July 2026, two memoranda explicitly conditional on the purchase of the Gripen E were signed: Saab-CAE (July 17), which would place CAE at the centre of a training and mission systems ecosystem under Canadian control, with data sovereignty as the central argument; and GE Aerospace-Magellan (July 22), which would make Mississauga the maintenance centre for the F414 engine.

Bombardier's public refusal to assemble the Gripen in Quebec, for lack of sufficient value added, nonetheless deprived the Swedish offer of its main Quebec industrial argument. In parallel, Canada became the first observer of GCAP (July 21), a separate file with a 2040s horizon, with which AtkinsRéalis (Montreal) has been associated since 2022. Bombardier in turn positioned itself: on October 28, 2026, on the eve of the Canadian Aerospace Summit, it signed with BAE Systems, the British industrial lead on GCAP, a memorandum of understanding to explore complementary industrial and technological capabilities for future combat air programs (research and development, systems integration, digital engineering, industrialization, supply chain and in-service support). The contrast is instructive: the company declines licensed production of an existing platform, whose value added accrues to the designer, but seeks an upstream place in the design of a program that is only in its early stages. The memorandum, however, includes no financial commitment, no work share and no designated site, and Canada's observer status within GCAP gives it no decision-making rights. For now, this is a positioning in the emerging economy rather than a contract.

The training ecosystem is being reshaped in the same movement: the Top Aces-SGI merger (Montreal), a Canadian team for the modernization of operational training infrastructure, and formal negotiations for Leonardo's M-346, with CAE as strategic partner. CAE thus appears in five competing or complementary teams (FAcT, AEWC, CPSP, Gripen, M-346, not counting Team SkyGuardian for the MQ-9B): its role as a "horizontal" supplier of training makes it present whichever prime contractor is selected.

## Icebreakers and the Coast Guard

The transfer of the Coast Guard to National Defence is producing its first effects: $816 million over seven years for maritime domain awareness in the Arctic and the Great Lakes, the charter of a Finnish icebreaker to bridge the gap until the 2030s, and above all the contract of more than $11 billion awarded on August 24, 2026, to Davie for six icebreakers, the largest shipbuilding contract in Quebec's history (about 5,000 construction jobs). This contract, like that for the polar icebreaker Arpatuuq ($3.25 billion, March 2025), falls under the Coast Guard and Public Services and Procurement Canada. It appears neither in the DCB nor in the DND contracts examined in Part 3, which illustrates the need to cross-reference sources in order to measure Canada's defence investment plans properly.

# 2.3 Space, Autonomous Systems, Deep Strike, the Arctic

## Space

Space is one of the most active domains, and Quebec is central to it. MDA Space has, in quick succession, inaugurated its Sainte-Anne-de-Bellevue plant (up to 400 satellites per year), secured the $688 million CHORUS contract for the RADARSAT follow-on, acquired Blue Canyon Technologies ($874 million) and made a $920 million offer for CLS, a subsidiary of CNES. NorthStar (Montreal) has obtained more than $40 million in space domain awareness services for 3 Canadian Space Division, and Reaction Dynamics (Longueuil) is developing a sovereign launcher. *Budget 2026* moreover expands the Launch the North initiative in order to establish a sovereign medium-lift space launch capability. Canada has joined STARLIFT, an allied network of rapid launch capabilities, as its fifteenth member. Canada has also joined HALO, an initiative to interconnect NATO's national military constellations, which presupposes satellites owned and controlled by states. On August 4, 2026, the DIA signed with Telesat a contract worth about $2.7 billion over fifteen years, options included, for Arctic military Ka-band connectivity, with service planned from 2028. The Lightspeed constellation grows from 156 to 225 satellites, built by MDA in Montreal. While the DCB places the initial delivery of polar SATCOM "beyond 2035", the first phase arrives seven years early. However, Lightspeed is not a sovereign constellation in the HALO sense, since Ottawa owns neither the satellites nor the network. Only the dedicated Phase II would come close. The headquarters of Telesat and MDA are in Ontario, which partly explains the absence of these contracts from the Quebec database.

# Drones, Autonomy and Counter-Drone Systems

The DCB contains almost nothing on small and medium uncrewed systems, whereas the monitoring devotes some thirty entries to them. The framework changed on July 23, 2026, with the Defence Drone Initiative (DDI), a permanent five-year instrument structured in five qualification streams for six domains (low-cost ISR, ground vehicles, surface and underwater systems, counter-drone interceptors, drone munitions, deep strike). *Budget 2026* proposes to devote $2.3 billion over five years to it, starting in 2027-2028. On the industrial side, Quebec has a hub in Mirabel (Volatus, now established there and operating its plant, NEXUS consortium led by Aéro Montréal with 30 organizations including CAE and ARA Robotics, Volatus-Kraus Hamdani partnership), but the players most advanced in actual deployment are for the most part in Ontario (Dominion Dynamics, $139 million Series A; Orqa-RRS, $150 million, the first Canadian project under SAFE) or Alberta (North Vector Dynamics, CM-70 interceptor). Volatus is the exception: qualified across all five DDI streams, it won the first Stream 1 contract on September 10, 2026, for 100 low-cost tactical ISR systems for the Canadian Armed Forces, with options that could bring the total to 5,000 systems within a maximum envelope of $25 million. Two observations stand out: uncrewed ground vehicles are progressing faster than aerial ones, and the gap in ground-based air defence remains whole, the GBAD project still being in definition.

# Deep Strike and Ammunition

In late July 2026, DND launched the Canadian Deep Precision Strike Capability, distinct from the DCB's land project, with nothing operational before the mid-2030s. The avenues are scattered: two competing missiles (Kongsberg's JSM, for which a contract of about $800 million for the F-35s was announced on July 8, 2026, and MBDA's SPEAR) being integrated on the MQ-9B, a balloon-launched stratospheric glider (Eagle, by Landing Zones) that has no CAF order, and a nascent hypersonic ecosystem (North Vector Dynamics, NordSpace), which Canada cannot yet test for want of a dedicated federal test facility.

In ammunition, the catch-up is more concrete, and Quebec is at its centre. On April 8, 2026, Ottawa announced $1.4 billion for domestic ammunition production, of which about $1.06 billion in Quebec. This sum includes up to $642 million to General Dynamics Ordnance and Tactical Systems (GD-OTS) in Repentigny for 155 mm shells, as well as $355.7 million for a nitrocellulose plant in Valleyfield and up to $57.9 million for propellant charges, the remainder going notably to IMT Precision in Ontario. Domestic production of nitrocellulose, targeted for 2029 under the Canadian Defence Industry Resilience Program (CDIR), adds to other initiatives (CellCore nitrocellulose in Saskatchewan, the M-72 at Magellan in Ontario, the expansion of HFI Pyrotechnics in Ontario). *Budget 2026* plans to recapitalize this program and to fund the completion of the nitrocellulose plant, from an envelope of up to $2.7 billion over five years devoted to implementing the DIS.

## The Arctic

Although these investments are absent from the DCB, the monitoring reports $32 billion for the modernization of three forward operating locations (Yellowknife, Inuvik, Iqaluit) and Goose Bay, $2.67 billion for the northern operational support hubs, and the acknowledged abandonment of Nanisivik ($110 million invested) in favour of an "Arctic mobile base" concept. The government-to-government agreement with Australia for the over-the-horizon radar ($2.5 billion), with benefits estimated at about $290 million in GDP and 2,270 jobs per year from 2026 to 2033, is the first project in which Canada leads a major capability development within NORAD.

# 2.4 Real Europeanization, Intact American Dependence

The partnership with Europe is well and truly under way. Canada has participated in the SAFE mechanism since the decision of the Council of the European Union of June 15, 2026, following the agreement concluded on February 14, 2026, and it is the first non-European country to do so. The Canadian content ceiling is set at 80%, according to Global Affairs Canada. Two first contracts follow from it: the ORION tactical radios of Marconi Technologies (Montreal, about 300 employees) for the Polish Cyber Command, announced by the Prime Minister at the G7 in June 2026, and the agreement between the Croatian drone manufacturer Orqa and the Canadian firm Remote Robotic Systems, valued at $150 million over five years. *Budget 2026* also announces Canada's intention to join the European Union's €90 billion Ukraine Support Loan, which would allow Canadian firms to compete for about €60 billion in Ukrainian defence procurement.

Export statistics confirm this movement even before SAFE. Between 2022 and 2024, Canadian defence exports to Europe (excluding the United Kingdom) grew by 78%, from $750 million to $1.33 billion, against 13% to the United States, which remains the leading destination with $5.0 billion out of $8.0 billion. Germany is everywhere: TKMS, Rheinmetall (Saint-Jean-sur-Richelieu), HENSOLDT, Isar Aerospace, Daimler-Roshel, and the selection by the German navy of the CMS 330 combat management system of Lockheed Martin Canada (Halifax), an export success for a system whose intellectual property is Canadian. Sweden (Saab, Actagon, Avioniq), Italy (Leonardo, WASS, Valbruna), Norway (Kongsberg, MISE simulation centre), France (acquisition of CLS by MDA), Croatia and Finland complete the picture.

The counterpoint is just as clear. The twenty largest acquisition contracts recorded by the IISS, worth US$70.9 billion (signed or in delivery), break down as follows by location of the prime contractor's headquarters: Canada US$36.2 billion (51%), United States US$29.0 billion (41%), Europe US$5.6 billion (8%). The Canadian share rests almost entirely on the shipyards (destroyers, Arctic patrol ships, icebreakers, support ships), which build vessels of British or German design. Outside shipbuilding, American prime contractors clearly dominate air and land equipment (F-35, P-8A, Cyclone, HIMARS, MQ-9B, LAV). Across a broader set of 41 major acquisition programs, completed, in delivery, signed or to be signed, programs of American origin represent about 38% of the value, more than any other supplier state. But this share consists almost entirely of contracts signed before 2025 (F-35, P-8A, MQ-9B, HIMARS, Cyclone), whereas

the projects not yet signed (TKMS submarines, European trainer aircraft, artillery) lean toward Europe. Thus, while the dependence is real, the contracts to come open the possibility of genuine diversification. For Quebec's industry, the issue is twofold: the European chains (submarines, Gripen, M-346, GlobalEye, SAFE) are those in which its industrial positions are most explicit, but the American chains (F-35, P-8, Griffon, satellites) remain those through which the money flows. *The Plan for a Stronger Canada* embraces this dual orientation: it promises to "significantly deepen our connections" with Europe and to cooperate with it on strategic capabilities, while seeking a "cooperative, clear-eyed relationship with the United States".

## 2.5 Sovereign Capabilities

Canada is moving from a model of off-the-shelf purchasing offset by Industrial and Technological Benefits (ITB) to an explicit industrial policy. The DIS aims for 70% of acquisitions awarded to Canadian firms, a 50% increase in exports, 125,000 jobs and industry revenues up 240% in ten years, and designates ten sovereign capabilities as investment priorities. The ITB policy, which requires contractors to carry out in Canada economic activity equal to the value of the contract obtained and, for major contracts, to submit a value proposition scored on five pillars, is being reoriented toward sovereign capabilities: Canadian content bonuses, a requirement to invest about 15% of the contract value with SMEs, and a preferential advantage for firms with 70 to 100% Canadian content. On July 16, 2026, the ITB Branch was transferred from ISED to PSPC, the DIA's home department: benefits now fall under the department that conducts the acquisitions. Bill C-40, the Strengthening Canada's Defence Sector Act, introduced in the fall of 2026 and recalled in *Budget 2026*, would furthermore make the DIA a Crown corporation. On the same day, GDLS-Canada (London, Ontario) became the first strategic partner designated under the DIS, with nearly $2 billion for 190 armoured combat support vehicles.

These reforms require a change of approach for Quebec: it is no longer only a matter of capturing offset benefits and in-service support contracts, but of being recognized as a holder of sovereign capabilities in order to reap the benefits in innovation and economic development. Sovereign capabilities have the potential to foster intellectual property, systems design and engineering jobs, a multi-year order book protected by non-competitive awards, and an anchoring in future defence investment decisions aimed at consolidating the sovereign defence industrial base thus developed.

The sovereign capabilities currently in service are more discreet and, for the most part, outside Quebec: the ECPINS navigation software of OSI Maritime Systems (Burnaby, British Columbia), the only third-party warship electronic chart system certified to NATO standard STANAG 4564, in service on more than 60 allied submarines and selected for the bridges of the first three River-class destroyers; the CMS 330 combat management system of Lockheed Martin Canada (Halifax, Nova Scotia), developed in Canada for the Halifax-class frigates, whose intellectual property is Canadian and which the German navy selected in 2026 for its surface fleet; the Hammerhead autonomous naval targets of QinetiQ Target Systems (Medicine Hat, Alberta), designed and manufactured in Canada and exported to NATO navies; and the marine lighting of Glamox Canada (Newfoundland), exclusive supplier to all vessels of the Royal Canadian Navy and the Coast Guard for 35 years.

These examples have one thing in common: they are subsidiaries or niche firms, three of the four belonging to foreign groups (Lockheed Martin, QinetiQ plc and Glamox AS), but whose design, manufacturing and intellectual property are located in Canada. They illustrate that capability sovereignty does not necessarily coincide with control of capital. The two Quebec candidates that come closest to sovereign capabilities do not, however, meet three key conditions: a technology designed in Canada, ownership of the intellectual property, and contracts for an entire class of CAF platforms. First, the CAPTAS-4, a towed sonar designed by Thales in France, has an in-service support contract under sovereign control, that is, the capacity to maintain, repair and upgrade the system for the future Canadian destroyers without depending on the parent company. However, the intellectual property of the design remains French. This is sovereignty of support, not sovereignty of design. Second, the ORION radios of Marconi Technologies are designed and manufactured in Montreal with Canadian intellectual property. But their first major military customer is the Polish Cyber Command, through SAFE, and not the CAF. They do not (to date) equip a Canadian fleet. This is a sovereign capability that is exported before being adopted at home, which is revealing in itself. In other words, Quebec has on one side a foreign system supported sovereignly, and on the other a sovereign system without a national customer, whereas the four examples outside Quebec combine both.

# 2.6 Schedule Gaps

Several projects are advancing faster than the DCB indicates, and others more slowly. Our monitoring shows that several official dates do not faithfully describe reality.

**Table 5. DCB dates and dates reported by the monitoring**

| Program | DCB | TNSR monitoring and official sources |
|---|---|---|
| Polar SATCOM (ESCP-P) | Initial delivery beyond 2035 | Telesat contract of August 4, 2026, service from 2028 (Phase I) |
| RADARSAT follow-on (DESSP) | Not specified | IOC advanced from 2040 to 2035 |
| Global SATCOM (4 WSC projects) | Initial deliveries 2023-24 to 2027-28 | IOC planned for 2032-33 |
| Arctic Over-the-Horizon Radar | Initial capability December 2029 | Agreement with Australia of June 22, 2026; full capability in 2043 |
| AEWC (GlobalEye) | IOC 2037-38, FOC 2040-41 | Non-binding framework agreement in September 2026, no contract |
| CC-330 Husky | IOC 2028-29 | First flight of the first new-build aircraft on July 2, 2026; first tanker delivered in 2027 |
| GBAD | IOC 2027-28 | Short-range tender of April 2026, initial capability targeted for November 2027 |
| Light utility vehicle | Initial delivery 2025-26 | Award targeted for late 2027, schedule accelerated by two years |
| Deep precision strike | Land LRPS: IOC 2030-31 | Canadian Deep Precision Strike Capability launched in late July 2026; nothing operational before the mid-2030s |
| Submarines (CPSP) | Absent from the DCB | Contract expected in late 2027; first four submarines as early as 2033-2034 |
| Program icebreakers | Outside the DCB (CCG) | Davie contract of August 24, 2026; first steel in fall 2027 |

The case of polar SATCOM deserves emphasis: when the state buys a service rather than a system, the schedule contracts by several years, at the price of less ownership and control. Conversely, projects that require industrial production in Canada (AEWC, submarines, icebreakers) retain horizons of ten to fifteen years. The 2027-2028 period concentrates a large number of contractual milestones (CPSP contract, light utility vehicle, AEWC, first orbital launches, first steel for the icebreakers, delivery of the MQ-9Bs and of the first tanker, short-range air defence), of which the fighter decision is the most awaited. For Quebec's industry, it is important to stress that it is within this window that most of the industrial positions of the decade will be decided.

# Part 3. Portrait of Quebec's Industry: What the Contracts Say

The first two parts of this report described planned demand: what DND intends to acquire and what the ecosystem is announcing. This third part turns to actual demand, that is, the money actually spent by the department with Quebec firms.

## 3.1 Sources and Limitations

The contracts database contains 16,315 contract entries, corresponding to 16,037 distinct procurement numbers, awarded by DND to 1,716 suppliers identified as Quebec-based between January 2020 and June 2026, for $11.1 billion, classified in sixteen sectors and accompanied, for each contract, by the date, the amount, the status, the category of good or service and the method of award. A second file links sixteen Quebec firms to DCB projects, lists the major contracts officially announced and provides contextual indicators. Ownership control of the 100 largest recipients was documented from public sources.

Several limitations frame the interpretation. The database captures only direct contracts of $10,000 or more. Low-value contracts, subcontracting to prime contractors and ITBs do not appear in it, which excludes a large part of the activity of first- and second-tier suppliers. Unfortunately, there is no accessible database compiling this information. Nor do the contracts of the Coast Guard and PSPC appear in it. The year 2026 stops at June 30 and cannot be compared with full years without adjustment.

## 3.2 Eleven Billion Dollars in Six and a Half Years

Spread over the period, the cumulative total of $11.1 billion corresponds to about $1.7 billion per calendar year. The order of magnitude is consistent with the official figure in Budget 2025, repeated in the Government of Quebec's industry profile: DND spent about $4 billion in Quebec in 2023-2024, out of a total of about $21.1 billion, or 19% of its military contracts and expenditures. The two figures are not directly comparable (contracts awarded by calendar year of signature versus expenditures estimated by fiscal year), but since the database covers only direct contracts, the gap is to be expected. The sectoral distribution is very uneven.

**Table 6. DND contracts to Quebec suppliers by sector (2020 to June 2026)**

| Sector | Firms | Entries | Value ($M) | Share | Average per contract |
|---|---|---|---|---|---|
| Aerospace | 83 | 2,329 | 4,956 | 44.6% | $2.13M |
| Armament and ammunition | 8 | 195 | 1,975 | 17.8% | $10.13M |
| General goods and services | 405 | 5,685 | 1,308 | 11.8% | $0.23M |
| Naval and marine | 55 | 420 | 810 | 7.3% | $1.93M |
| Construction and infrastructure | 419 | 2,330 | 654 | 5.9% | $0.28M |
| Cyber and technology | 113 | 865 | 389 | 3.5% | $0.45M |
| Vehicles and transportation | 171 | 1,481 | 325 | 2.9% | $0.22M |
| IT and equipment | 27 | 1,026 | 248 | 2.2% | $0.24M |
| Sensors and optics | 50 | 254 | 159 | 1.4% | $0.62M |
| Training and education | 81 | 264 | 86 | 0.8% | $0.33M |
| Services and support | 86 | 615 | 67 | 0.6% | $0.11M |
| R&D and specialized services | 21 | 115 | 64 | 0.6% | $0.56M |
| Materials and components | 138 | 601 | 49 | 0.4% | $0.08M |
| Manufacturing and machining | 48 | 113 | 8 | 0.1% | $0.07M |
| Space | 2 | 3 | 2.9 | 0.03% | $0.96M |
| Drones and robotics | 8 | 18 | 2.0 | 0.02% | $0.11M |
| **Total** | **1,716** | **16,315** | **11,102** | **100%** | **$0.68M** |

Three sectors account for three quarters of the value. Aerospace dominates (45%), reflecting the major maintenance depots and the manufacturers of Mirabel, Dorval and Saint-Laurent. Armament and ammunition (18%) rest almost entirely on General Dynamics Ordnance and Tactical Systems-Canada, whose plants in Repentigny, Saint-Augustin-de-Desmaures, Valleyfield and Nicolet receive 179 contracts for $1.96 billion. Quebec is thus the heart of the sovereign ammunition production capability that the DIS wants to consolidate. Since 2022, Statistics Canada's biennial survey has in fact ranked "ammunition, missiles and rockets" first among Quebec's defence activities by employment, ahead of airborne mission and simulation systems and aircraft maintenance. This ranking is confirmed by the announcement of April 8, 2026: about $1.06 billion of the $1.4 billion of the domestic ammunition production program goes to Quebec facilities. General goods and services (12%) are dominated by Logistik Unicorp ($892 million), supplier of CAF uniforms from Saint-Jean-sur-Richelieu. Clothing represents a total of $874 million in Quebec contracts. The average value per contract distinguishes "program" sectors (armament, aerospace, naval, from $1.9 million to $10 million per contract) from "flow" sectors (general goods, vehicles, materials, less than $0.3 million).

At the other end, the two sectors that Part 2 identified as the most dynamic in Quebec's ecosystem, space and uncrewed systems, together weigh less than $5 million out of $11 billion: three space contracts (including $43,000 for MDA) and eighteen drone and robotics contracts spread among eight firms, Volatus included for $76,000. The industrial effervescence documented in the monitoring is not yet reflected in DND's direct order book. It passes through

other channels (Canadian Space Agency, Telesat contract, ITBs, venture capital, head offices outside Quebec) or has not yet been converted into contracts.

# 3.3 Extreme Concentration

The structure of the database is that of a pyramid with a very broad base and a very narrow summit. The top five suppliers capture 64.2% of the value, the top ten 77.0% and the top twenty 83.8%. Broken down by cumulative value per firm, 66 firms (3.8% of the base) exceed $10 million in cumulative contracts and capture 91.9% of the value. 214 firms (12.5%) fall between $1 million and $10 million for 6.6%, 445 (25.9%) between $100,000 and $1 million for 1.2%, and 991 (57.8%) below $100,000 for 0.3%. The median value per firm over the whole period is $65,385, and 700 firms (41%) obtained only a single contract over the entire period. On the contract side, 118 contracts of $10 million or more (0.7% of entries) represent 79.2% of the value and 12 contracts of more than $100 million make up 57%, while 9,519 entries (58%) are below $25,000 and total 1.4%.

This concentration is not the doing of one dominant player, but of a small group with similar shares (Bell 20.6%, GD-OTS 17.6%, L3Harris MAS 10.6%, Logistik Unicorp 8.0%, Bombardier 7.4%) that share distinct markets without competing with one another. Sector by sector, it takes the form of near-monopolies: GD-OTS represents 99% of the value in armament, Weir Canada 80% in naval, Logistik Unicorp 68% in general goods and services and Bell 46% in aerospace, so that Quebec's defence market appears as a juxtaposition of sectoral monopolies, each held by one firm, construction (top supplier at 15%) being the only truly dispersed segment.

**Table 7. DND's top ten Quebec suppliers (2020 to June 2026)**

| Firm | Sector | Entries | Value ($M) | Share | Notes |
|---|---|---|---|---|---|
| Bell Textron Canada (Mirabel) | Aerospace | 1 | 2,283 | 20.6% | In-service support of the Griffons 2024-2039 |
| GD Ordnance and Tactical Systems-Canada | Armament | 179 | 1,956 | 17.6% | Ammunition |
| L3Harris MAS (Mirabel) | Aerospace | 6 | 1,181 | 10.6% | Fighter support |
| Logistik Unicorp (Saint-Jean-sur-Richelieu) | General goods | 154 | 892 | 8.0% | Uniforms |
| Bombardier (Dorval, Saint-Laurent) | Aerospace | 3 | 820 | 7.4% | Aircraft parts |
| Weir Canada (Montreal) | Naval | 1 | 644 | 5.8% | Management of the Navy's Naval Engineering Test Establishment 2024-2029 |
| CAE (Saint-Laurent) | Aerospace | 15 | 275 | 2.5% | Simulators and training |
| Northern Micro | IT | 420 | 200 | 1.8% | IT equipment |
| IBM Canada | Cyber and technology | 34 | 153 | 1.4% | Professional services and IT consulting |
| Simex Defence | Aerospace | 901 | 149 | 1.3% | Parts and support |

This structure has an economic meaning. The top of the pyramid consists of in-service support and recurring supply (aircraft maintenance, ammunition, uniforms, parts), that is, activities tied to existing fleets and stocks, not acquisitions of new capabilities. The Bell Textron contract is the support of the Griffon fleet until 2039; the two L3Harris MAS contracts of February 2026 extend Mirabel's role in fighter support; the Bombardier contract of December 2025 covers aircraft parts for an in-service fleet; the Weir contract covers the management of a Navy test establishment. Quebec's industrial base, seen through its direct contracts between 2020 and June 2026, is first and foremost an industry that keeps equipment in operational condition. The long tail consists of suppliers of fuel (1,416 entries, $145 million), parts, furniture, IT and work on the bases (Valcartier, Bagotville, Saint-Jean, Montreal). Between the two, the base of SMEs and specialized suppliers is broad and constitutes a real pool for integration into supply chains, particularly in the technology sectors (cyber, sensors, drones), where several small firms already occupy specific niches despite low direct volumes.

## 3.4 A Geography Driven by the Plants

Five regions capture about 95% of the value. The Laurentides, with only 52 firms, come first (31.8%, $3.5 billion) thanks to the Mirabel facilities (L3Harris MAS, Bell Textron). Montreal follows with 25.5% ($2.8 billion) and 444 firms, a quarter of the provincial total: a dense fabric of SMEs and specialized suppliers rather than a handful of very large contracts. Lanaudière, with 32 firms, obtains 18.9% ($2.1 billion) through the Repentigny ammunition plant alone. The Montérégie (225 firms, 10.8%) owes most of its share to Saint-Jean-sur-Richelieu (Logistik Unicorp, Rheinmetall, Cadex). The Quebec City region totals $875 million, or 7.9%: it is the second-largest pool of suppliers in the province. Chaudière-Appalaches, home to the country's largest shipyard, appears at only 0.9%, Davie receiving just $17 million in direct DND contracts, its icebreaker contracts falling under other departments. The poles historically associated with defence (Longueuil, Saint-Jean, Lévis, Saint-Laurent) are spread over several administrative regions, which partly explains the gap between perceived industrial weight and regional ranking.

Four poles thus concentrate the value: Mirabel (maintenance and helicopters), Montreal and Longueuil (simulation, avionics, engines, parts), Repentigny (ammunition) and Saint-Jean-sur-Richelieu (uniforms, vehicles, small arms). This geography is that of the fleets in service. It only partly overlaps with the emerging geography described in Part 2: Mirabel for autonomous systems, Sainte-Anne-de-Bellevue for satellites, Lévis and Trois-Rivières for naval and submarines.

## 3.5 Methods of Award and Dependence on Intellectual Property Holders

Across the whole database, 1,001 entries (6% of the number) were awarded without competition, but they represent $4.7 billion, or 43% of the value. The sectoral disparity is illuminating: 70% of aerospace value and 56% of ammunition value are awarded by sole-source contract, against 1% in naval, construction and general goods. The reason is structural: fleet maintenance goes through the holders of the intellectual property (Bell for the Griffon, Bombardier for its airframes) or through the designated supplier of a strategic capability (ammunition). Half of Quebec's weight in DND contracts thus stems from positions of technical monopoly, which are also positions of vulnerability: the day a fleet is replaced, the support contract moves with it, as shown by the transition from the CF-18 to the F-35, in which L3Harris MAS had to obtain designation as a third-line maintenance depot, at the cost of an investment of about $200 million, in order to keep its role. The replacement of the Griffon by nTACS, in the early 2030s, will raise the same question for Mirabel.

## 3.6 Who Controls the Value?

At least 72.9% of the value of federal contracts in Quebec, or about 77% of what the top 100 firms capture, is associated with subsidiaries of foreign groups (United States, United Kingdom, France, Germany, Ireland, Finland) or with foreign private equity. Firms confirmed as being under Quebec or Canadian control represent 15.3% of the value: Bombardier, CAE, Bell Canada, Galvion, Simex, Harnois, AtkinsRéalis, Stantec, Pomerleau and a set of SMEs. Even if the 36 unconfirmed firms were all under Canadian control, the foreign share would remain above 72%.

This result means that a clear majority of the contract value recorded in Quebec goes to entities whose strategic decision-making centre is outside Quebec, or even outside Canada. Foreign control is not in itself a threat: Bell, L3Harris and Safran invest, employ and export from Quebec. The risk is nonetheless twofold: that investment and closure decisions are made outside Canada, and that the intellectual property is held abroad. This is why the negotiation of intellectual property rights at the time contracts are awarded, for example by requiring that intellectual property developed with Canadian public funds be created and kept in Canada and by guaranteeing the state rights of use, modification and support independent of the supplier, is the most direct lever for turning foreign control of capital into a Canadian anchoring of technology, as the CMS 330 illustrates.

### Table 8. Ownership control of the largest recipients

| Firm | Share | Status | Ultimate parent (country) |
|---|---|---|---|
| Bell Textron Canada | 20.6% | Foreign subsidiary | Textron Inc. (United States) |
| GD Ordnance and Tactical Systems-Canada | 17.6% | Foreign subsidiary | General Dynamics Corp. (United States) |
| L3Harris MAS | 10.6% | Foreign subsidiary | L3Harris Technologies (United States) |
| Logistik Unicorp | 8.0% | Foreign private equity | Wynnchurch Capital, Chicago (United States) |
| Bombardier | 7.4% | Canadian | Founding family, multiple-voting shares (Canada) |
| Weir Canada | 5.8% | Foreign subsidiary | Weir Group plc (United Kingdom) |
| CAE | 2.5% | Canadian | Public company with no controlling shareholder (Canada) |
| Northern Micro | 1.8% | Foreign private equity | H.I.G. Capital (United States) |
| IBM Canada | 1.4% | Foreign subsidiary | IBM Corporation (United States) |
| Simex Defence | 1.3% | Quebec | Private company (Quebec) |
| Safran Trusted 4D Canada | 1.2% | Foreign subsidiary | Safran (France) |
| Rheinmetall Canada | 1.0% | Foreign subsidiary | Rheinmetall AG (Germany) |
| Johnson Controls Canada | 0.9% | Foreign subsidiary | Johnson Controls International (Ireland / United States) |
| Harnois Énergies | 0.7% | Quebec | Harnois family (Quebec) |
| L3Harris MAPPS | 0.6% | Foreign subsidiary | L3Harris Technologies (United States) |
| Les Aliments BCI | 0.5% | Quebec | Champlain Financial, Fonds FTQ, Fondaction, Investissement Québec |
| Thales Digital Solutions | 0.5% | Foreign subsidiary | Thales (France) |
| Motorola Solutions Canada | 0.4% | Foreign subsidiary | Motorola Solutions (United States) |
| L3 Technologies MAS | 0.4% | Foreign subsidiary | L3Harris Technologies (United States) |

### Table 9. Control status of the 100 largest recipients

| Control status | Firms | Value ($M) | Share of provincial total |
|---|---|---|---|
| Subsidiaries of foreign groups | 24 | 6,940 | 62.5% |
| Foreign private equity | 5 | 1,155 | 10.4% |
| **Subtotal: foreign control** | **29** | **8,095** | **72.9%** |
| Confirmed Quebec or Canadian control (including 4 under Canadian private equity) | 27 | 1,693 | 15.3% |
| Probably Quebec-controlled (private companies, low confidence) | 7 | 128 | 1.2% |
| Public or parapublic | 1 | 6 | 0.1% |
| Unconfirmed | 36 | 549 | 4.9% |
| Firms beyond rank 100 (not verified) | 1,616 | 632 | 5.7% |

# 3.7 Three Defence Economies in Quebec

Cross-referenced with the contracts database, the list of the sixteen firms linked to the DCB reveals an instructive mismatch: the firms whose role in the DCB is best established are often almost absent from direct contracts. Pratt & Whitney Canada, Marmen, Base Camp Connect and SpaceBridge do not appear in them; Héroux-Devtek appears for $200,000, Thales for $69 million, CMC Electronics for $300,000, Davie for $17 million. Their defence activity passes through Lockheed Martin (F-35 landing gear, destroyer sonar), through TKMS (Type 212CD sub-assemblies), through Airbus (nTACS partnership) or through the Coast Guard. Conversely, the largest recipients of direct contracts (Bell Textron, GD-OTS, Logistik Unicorp, Weir) are only marginally, or not at all, linked to DCB projects.

This mismatch leads us to distinguish three defence economies in Quebec:

- **The economy of support for existing fleets**, visible in the contracts, concentrated, largely non-competitive, mostly under foreign control, and tied to platforms whose replacement is planned.
- **The economy of first- and second-tier subcontractors on major programs** (F-35, destroyers, submarines, AEWC, FAcT, icebreakers), invisible in direct contracts but at the heart of the DCB and of the programs outside the DCB. It is this economy that the ITB policy is supposed to feed.
- **The emerging economy** of autonomous systems, space and tactical communications, very active in the monitoring, which does not yet weigh anything in DND contracts and whose financing comes from venture capital, regional development agencies and programs such as BOREALIS or the Regional Defence Investment Initiative ($64.9 million over three years in Quebec, of which more than $33 million announced in February 2026 for 28 organizations). The phenomenon is not specific to Quebec: nationwide, only 88 of the 802 innovative firms identified by the Canadian Chamber of Commerce, or 11%, have direct federal sales.

# Part 4. Assessment: Quebec's Positioning in Relation to the DIS

This part first offers a summary map of Quebec's cluster by segment and situates Quebec on the DIS's ten sovereign capabilities, then assesses its strengths, its weaknesses, the opportunities opened by rearmament and the risks, before making recommendations to governments and to industry. The fit between capabilities and requirements is rated on four levels: strong when a prime contractor or tier 1 capability is demonstrated, partial when there is a presence in subsystems or support, weak when only a few SMEs with low volumes are found, and absent in other cases.

## 4.1 Summary Map of the Cluster

**Table 10. Quebec's defence cluster by segment: players, programs, weight in direct contracts and fit**

| Segment | Key players (location) | Programs and outlets | Weight in direct contracts 2020-2026 | Fit and position |
|---|---|---|---|---|
| Aircraft maintenance and support | L3Harris MAS (Mirabel), Bell Textron (Mirabel), Bombardier (Dorval), Simex Defence | CF-18 then F-35 (third-line depot), Griffon, Cormorant, Challenger/Global fleets | $4.9B (aerospace, 45%) | Strong |
| Ammunition and energetics | GD-OTS Canada, CIL, DRDC Valcartier | Munitions Supply Program, $1.06B from the April 2026 announcement (155 mm, nitrocellulose, propellants), NATO initiative | $1.96B (18%) | Strong |
| Simulation and training | CAE, Top Aces, SkyAlyne, Inveris | FAcT (25 years), AEWC, RCD, CPSP, M-346/FFLIT, Gripen (conditional), MQ-9B | $275M direct; $1.7B through SkyAlyne | Very strong |
| Air platforms and propulsion | Bombardier, Pratt & Whitney Canada, Héroux-Devtek, Bell Textron | AEWC (Global 6500), nTACS (candidates), F-35 (landing gear, F135), CL-515 | Low in direct contracts (OEM subcontracting) | Strong |
| Vehicles, air defence, small arms | Rheinmetall Canada, General Dynamics, Cadex, Logistik Unicorp | Recovery capability ($374M), GBAD and anti-X (positioned; multi-mission radar with IAI Elta), LAV, uniforms | $112M (Rheinmetall), $892M (uniforms) | Weak for systems. Strong for clothing |
| Naval and submarine | Davie, Marmen, Thales Canada, Weir, L3Harris MAPPS, Montreal Bronze | Icebreakers (more than $11B, CCG), CPSP (212CD sub-assemblies), RCD (CAPTAS-4 sonar, platform control), testing | $810M (of which Weir $644M); Davie $17M in direct contracts | Partial. Prime contractor for the icebreakers |
| Space and SATCOM | MDA, Telesat, NorthStar, Reaction Dynamics, SpaceBridge, Globvision | ESCP-P ($2.3B Telesat, MDA satellites), CHORUS/RADARSAT+ ($688M), space domain awareness, launch | $2.9M in direct contracts | Partial, growing |

| Segment | Key players (location) | Programs and outlets | Weight in direct contracts 2020-2026 | Fit and position |
|---|---|---|---|---|
| Autonomous systems | Volatus, NEXUS consortium/Aéro Montréal, ARA Robotics, RMUS Québec | DDI, MINERVA, C-UAS | $2.0M in direct contracts | Weak, emerging |
| Communications and defence electronics | Marconi Technologies, Base Camp Connect, CMC Electronics, Thales Digital, Safran Trusted 4D, Ericsson | SAFE (radios for Poland), Camp Sustain ($100M framework), avionics, tactical C2, resilient PNT, AI | $637M (cyber, IT) | Partial: low unit-value contracts, first SAFE success |
| R&D, testing, materials | DRDC Valcartier, universities, Quebec City photonics hub, aluminum and metallurgy, 48 machine shops | Valcartier renewal ($250M to $499M), energetic materials, optronics, critical minerals, additive manufacturing | $64M (R&D); $57M (materials, machining) | Partial: invisible subcontracting, strong public infrastructure |

# 4.2 Quebec and the DIS's Ten Sovereign Capabilities

The DIS designates ten sovereign capabilities as investment priorities. The table situates Quebec on each, based on the contracts, the links with the DCB and the monitoring.

**Table 11. Quebec's position on the DIS's ten sovereign capabilities**

| Sovereign capability (DIS) | Quebec's position | Main Quebec assets | Indicator |
|---|---|---|---|
| Training and simulation | Very strong | CAE, Top Aces, SkyAlyne | CAE share of about $1.7B in FAcT; links with the AEWC, the RCD, the CPSP and the MQ-9B |
| Aerospace | Strong | Bell Textron, Bombardier, L3Harris MAS, Pratt & Whitney Canada, Héroux-Devtek, CMC | $4,956M in contracts (44.6%) |
| Ammunition | Strong | GD-OTS, DRDC Valcartier | $1,975M in contracts; $1.06B from the April 2026 announcement; ammunition workshop and energetic materials laboratory at Valcartier |
| In-service support | Strong | L3Harris MAS, Bell Textron, Davie, Weir, Rheinmetall Canada | Support of the CF-18s ($610M) and the Griffons ($2.28B), F-35 depot, recovery vehicles |
| Personnel protection | Moderate | Logistik Unicorp, Textiles Monterey, AirBoss, Cadex | $874M in clothing, most of it with an American-owned supplier |
| Specialized manufacturing | Moderate | Marmen, Héroux-Devtek, Pratt & Whitney Canada | 212CD sub-assemblies; up to $34M from the Strategic Response Fund for P&WC |
| Digital systems | Moderate | Thales (AI), IBM, Marconi, Base Camp Connect | $637M in cyber and IT; first Canadian contract under SAFE |
| Sensors | Moderate | Thales Canada, Safran Trusted 4D, Quebec City photonics hub | CAPTAS-4 sonar for the RCD; $159M in sensors and optics |
| Space | Emerging | MDA Space (Montreal), NorthStar, SpaceBridge | Plant for 400 satellites per year; Telesat satellites; DND direct contracts of $2.9M |
| Uncrewed and autonomous systems | Weak, emerging | Volatus, consortium NEXUS, ARA Robotics, RMUS | $2.0M in contracts; $29.6M for NEXUS (Mirabel) |

Quebec is thus very strong or strong on four of the ten sovereign capabilities and moderate on four others. Its contribution to sovereignty depends, however, on who controls these capabilities: in training and simulation, CAE is under Canadian control; in ammunition, in-service support and personnel protection, the main suppliers are American-owned. Three levels of sovereignty must be distinguished: sovereignty of design (intellectual property and design authority), sovereignty of production (producing on the territory, in volume and in times of crisis, inputs included) and sovereignty of use and support (maintaining, repairing and modifying autonomously). The DIS implicitly adopts this hierarchy, build first, partner next, buy as a last resort, and requires in all cases Canadian control of operation and support. Quebec is well placed on production and support, much less so on design.

# 4.3 Strengths

Quebec's first strength is that it holds several of the sovereign capabilities the DIS wants to consolidate, and holds them in fact, not as projects: ammunition production (the leading category in the country, confirmed by the April 2026 announcement), simulation and training (CAE is present in FAcT, in the AEWC, in the CPSP, in the Gripen option and in the M-346 option, and therefore in every outcome of the fighter decision), heavy aircraft maintenance (Mirabel), engines (Pratt & Whitney Canada, supplier to the F-35's F135), landing gear (Héroux-Devtek), airframes (Bombardier) and, now, submarine components (Marmen) and satellites (MDA). The Montreal-Mirabel aerospace cluster is complete: design, assembly, in-service support and training coexist there, and Quebec accounts for about 68% of Canadian aerospace GDP. These specialties are also the most export-oriented in Canadian industry: aircraft manufacturing, airborne mission and simulation systems, and ammunition export 60 to 80% of their revenues, which makes Quebec's industry structurally export-oriented, and therefore directly interested in the opening of European supply chains.

The second strength is presence in the programs of more than $5 billion: the AEWC rests on a Quebec platform (platform value estimated at US$540 million), with at least a third of production planned in Canada and about 3,000 jobs announced. The River-class destroyer carries a sonar supported under sovereign control by Thales Canada and control systems from L3Harris MAPPS. Polar SATCOM is being built by MDA in Montreal, and the infrastructure projects at Bagotville and Valcartier are among the most numerous in the country. The regional map in *Budget 2026* (Figure 5.1) in fact associates with Quebec the program icebreakers, modern tug vessels, munitions production (nitrocellulose, high-explosive projectiles, ballistic steel), the Uncrewed Systems Defence Innovation Secure Hub, the conversion of the CC-330 Huskys into tankers and, with Alberta, the fighter infrastructure.

The third strength is the breadth of the pool: 1,716 firms already supplying DND, a recognized research ecosystem in artificial intelligence and photonics, and the DRDC centre at Valcartier, the country's leading defence research establishment. The fourth is institutional: the Government of Quebec has made defence a key industry, opened Investissement Québec and the Caisse de dépôt to military production, designated five priority firms (Bombardier, Davie, General Dynamics Canada, L3Harris MAS, Héroux-Devtek) and appointed Marc Parent special envoy for the defence market on May 13, 2026. A Quebec defence and security coalition (Coalition

québécoise pour la défense et la sécurité) has also been formed to align the sector's priorities and reform the ITB policy. To this is added a new intergovernmental channel: *The Plan for a Stronger Canada* provides for a First Ministers' Meeting on National Security, with national security to become a regular agenda item at their meetings, as well as expanded direct engagement with strategic sectors of industry.

# 4.4 Weaknesses and Barriers

The first weakness is foreign control of the value: at least 73% of direct contracts go to subsidiaries of foreign groups or to foreign private equity, and 43% of the value is awarded without competition because Quebec maintains fleets designed elsewhere. This position is lucrative as long as the fleets are flying. It is, however, fragile at each replacement, and the DCB timeline provides for several (Griffon to nTACS, CF-18 to F-35, Polaris to CC-330 converted in Spain). The second is the imbalance in the benefits of the major American programs: $346 million in GDP impact from the F-35 in Quebec against $7.4 billion in Ontario, more than twenty times as much, even though the province supplies the aircraft's engine and landing gear. The ITB policy, which leaves the choice of location to prime contractors, has not corrected this imbalance. The third is the absence of the emerging sectors from federal demand: space and autonomous systems, where Quebec invests and announces the most, do not yet weigh in DND contracts, and the most advanced drone players are, with the exception of Volatus, in Ontario and Alberta. The fourth is structural: there is no Quebec producer of missiles, of complete air defence systems or of armoured combat vehicles, nor any capacity to design a combat aircraft.

Finally, large-scale metallurgical capacity (forging, special steels) is scarce. The submarine file gives a measure of this: a single Canadian producer of non-magnetic steel for hulls (Valbruna ASW, Welland) and a single forger of large parts (Patriot Forge, Brantford), both in Ontario, while GDLS-Canada and Roshel have had to secure their ballistic steel themselves. Canada lacks neither steel mills, nor forges, nor machine shops, but rather the combination of scale, special grades (non-magnetic steel, hull steels, certified ballistic steels) and qualification to the standards of foreign designers, which takes years. Quebec, despite its aluminum sector, Sorel Forge and Marmen, has none. *Budget 2026* nonetheless lists ballistic steel production among the defence investments planned in Quebec, without specifying the site or the proponent. Marmen, the only Quebec supplier linked to the submarine program, is involved in sub-assemblies and not in primary metallurgy.

To these are added cross-cutting barriers such as administrative burden and the lack of mutual understanding between industry and governments; security clearance delays and the shortage of skilled labour; the new cybersecurity certification requirement (CPCSC), which is long and costly for SMEs; dependence on American industry and on the ITAR regime, which limits the re-export and modification of systems; and the opacity of subcontracting and ITB flows, which prevents Quebec from measuring its real share of rearmament and from grounding its advocacy in consolidated figures.

Quebec's weight, 19% of DND spending in 2023-2024, is slightly below its demographic weight (21.8%), but its share of direct employment in the defence industry, measured by Statistics

Canada's biennial survey, is above it and rising with each edition: 22% in 2020, 24% in 2022 and 26% in 2024, or about 9,800 of the 37,700 direct jobs, while Ontario's share fell from 40% to 35%. These ratios suggest that Quebec captures a growing share of defence industrial activity but a smaller share of DND's direct spending, which is consistent with its profile as a subcontractor and exporter, and with the invisibility of the second economy in the contracts. The capacity of firms to expand their activities and to overcome barriers to financing is therefore crucial. *Budget 2026* responds in part: it refers to the $6 billion Defence Platform of the Business Development Bank of Canada, extends BOREALIS and the Regional Defence Investment Initiative, and confirms the creation of the Defence, Security and Resilience Bank, whose headquarters will be in Canada.

## 4.5 Opportunities Opened by Rearmament

The sources converge on a list of concrete opportunities, classified by horizon. They overlap with the short-term opportunities that the Canadian Chamber of Commerce identifies nationwide for a capability-led acquisition scenario, in which the first platform contracts go to proven prime contractors: support, maintenance and overhaul; construction and engineering; Arctic infrastructure and energy; software, AI and autonomy; sensors, space and simulation; and specialized components for prime contractors.

- **Short term (2026-2027):** the fighter decision, in which CAE is present in both architectures but in which a mixed fleet would do more to strengthen Quebec's role (training and mission systems under Canadian control); the AEWC contract, yet to be signed, in which the Canadian production share and its location are to be negotiated; the DDI, under which Volatus won a first contract in September 2026 and whose upcoming tenders are open to the Mirabel hub; the CPSP contract (late 2027), which will set the mandates of Marmen and CAE and could attract others (metallurgy, in-service support); the tenders for short-range air defence (initial capability targeted for November 2027), in which Rheinmetall Canada holds a battle management system and a multi-mission radar already in service in three allied armies; and the ramp-up in ammunition, already visible in the contracts ($624 million in 2025, $485 million in the first half of 2026) and funded by the April 2026 announcement.
- **Medium term (2028-2033):** nTACS, in which three Mirabel and Longueuil players are positioned with Airbus; Phase II of polar SATCOM (dedicated constellation, MDA as prime contractor) and protected MILSATCOM after 2027; Davie's icebreakers (first steel in 2027) and its regional supply chain; the sensors, control systems, training and support for the destroyers (deliveries 2030 to 2050); domestic nitrocellulose by 2029; in-service support for the new fleets (submarines, AEWC, P-8A), provided the designations are obtained, which, as with the F-35, are won at the price of prior investments; and Arctic sensors and NORAD (2030-2038 horizon), where Quebec's photonics and optronics could supply subsystems.
- **SAFE:** Canada has been admitted to the mechanism, and the first Canadian contract under SAFE is from Quebec (Marconi, Poland). The European chains into which Quebec is already integrated can be identified: TKMS (submarines, with Marmen and CAE), Saab (GlobalEye,

conditional Gripen), Leonardo (M-346, with CAE), Airbus (CC-330, nTACS, A220), Kongsberg (JSM), Thales (sonar), Fincantieri and WASS (torpedoes), and the agreement on the exchange of classified information with France opens French public procurement. The trade-off for Quebec consists in remaining a supplier to American prime contractors and becoming an industrial partner of European programs, while demanding in both cases a transfer of support capabilities.

## 4.6 Risks and Unrealistic Domains

Five risks weigh on these opportunities. The first comes before all the others: the trajectory to 3.5% of GDP is neither planned nor funded, only the 2.6% trajectory is, and no new defence policy specifies what the CAF will have to be able to do, *The Plan for a Stronger Canada* confining itself to announcing that a plan will be produced. Canadian history shows that surges in defence spending stop when the political urgency that produced them fades. An industry that invests today in production capacity therefore does so on the strength of alliance commitments and industrial ambitions, not of an order book.

The second is schedule slippage: the wall of deliveries of 2027-2033 probably exceeds the absorption capacity of the CAF and of the procurement system, of which the cumulative $18.5 billion shortfall in capital spending gives a measure, and each postponement prolongs the economy of support for old fleets at the expense of the new chains.

The third is American consolidation: the acquisition of Ultra Maritime by Lockheed Martin affects the destroyer supply chain, and the logic of integration into Golden Dome, followed by MDA with Blue Canyon, may redirect Quebec capabilities toward American programs. The bilateral context is growing tense, the United States having suspended its participation in the Permanent Joint Board on Defence in May 2026.

The fourth is the outcome of the fighter decision. Keeping an all-F-35 fleet would consolidate Ontario and the Mirabel depot, whereas a mixed fleet could lead to a redistribution toward training and mission systems, in which CAE is positioned in both architectures. Bombardier's refusal to assemble the Gripen did not eliminate the option of a Canadian assembly line, but moved it out of Quebec. On October 27, 2026, Saab concluded with IMP Aerospace & Defence, of Halifax, a teaming agreement for the final assembly, electrical production and in-service support of the Gripen E in Canada, and with Magellan Aerospace (Ontario) a memorandum for aerostructures and composites, all conditional on a purchase. In the event of a mixed fleet, Quebec's share would therefore be limited to CAE's training and mission systems, while Nova Scotia and Ontario would capture assembly, structures and the engine. Bombardier, for its part, has turned its interest upstream and to the long term: the memorandum signed with BAE Systems on October 28, 2026, concerns the design, digital engineering and support of future combat air programs, in the wake of Canada's observer status in GCAP, a 2040s horizon with no guaranteed work share. Quebec's industrial stake in the short-term decision on the mixed fleet is limited to training, whereas the stake in the fleet of the 2040s remains open and holds very strong potential.

The fifth is interprovincial competition, which is organizing faster than Quebec is. Ontario captures armoured vehicles (GDLS-Canada, in London, the first strategic partner designated under the DIS), drones (Dominion, the Orqa-RRS partnership), complex munitions and the Gripen engine (Magellan, in Mississauga), the Gripen aerostructures (Magellan) and the only two Canadian metallurgy suppliers qualified for the submarines (Valbruna ASW, Patriot Forge). The Ottawa-Gatineau region adopted in October 2025 a strategy for a national defence innovation hub, with 330 firms and more than 10,000 jobs. Nova Scotia holds naval combat shipbuilding (Irving, the River-class destroyers), the CMS 330 combat management system and the support of the future submarine fleet, to which could be added, if the Gripen is purchased, the final assembly entrusted to IMP. British Columbia has launched the Look West strategy, which targets 35% of federal defence shipbuilding contracts by 2035, submarine support on the West Coast and aerospace clusters intended to compete with Quebec and Ontario, and it is home to the sovereign navigation software of the entire fleet (OSI Maritime). Alberta has organized itself around the Edmonton Region Defence Alliance (February 2026), the uncrewed systems and targets ecosystem of Medicine Hat (Landing Zones, QinetiQ, DRDC Suffield) and the future western base of the CC-330s.

Three traits distinguish these competitors: they have equipped themselves with published strategies, quantified targets and steering structures bringing together firms, universities and governments; they are positioning themselves on new capabilities (submarines, drones, vehicles, naval combat) rather than on the support of existing fleets; and they are capturing the benefits of the European choices of 2026 (TKMS, Saab) that Quebec had at first seemed best placed to attract. Quebec has assets these provinces lack (ammunition, simulation, heavy maintenance, space, Davie), but its institutional response, five priority firms, a special envoy appointed in May 2026 and a sectoral coalition, has yet to be translated into a costed action plan. Finally, apart from icebreakers, Quebec remains the great absentee from the new programs of the 2030s (submarines, fighters, destroyers), where the competing provinces are concentrating their efforts.

Three markets of the future illustrate this gap. First, missiles, for which no Canadian producer exists and contracts go to Kongsberg and MBDA, Quebec being able to aspire only to components or energetic sections. Next, drones, where the most advanced players (Dominion and Orqa-RRS in Ontario, Landing Zones and North Vector Dynamics in the West) already have orders or DRDC contracts, whereas the Mirabel hub, although it has had the Volatus Aerospace plant and the BOREALIS-funded NEXUS consortium since June 2026, obtained its first federal acquisition contract only in September 2026, a firm order limited to 100 tactical ISR drones whose options (up to 4,900 additional systems) remain at the government's discretion. Finally, space launchers, where Spaceport Nova Scotia (Maritime Launch Services, with Isar Aerospace) carried out its first launch in June 2026 and is tied into STARLIFT, while the sovereign launcher of Reaction Dynamics (Longueuil) remains at the development stage.

The gap can nevertheless be closed. Mirabel brings together in a single place what is lacking elsewhere in the country: an autonomous systems integration plant, a research consortium of 30 organizations backed by CAE and the aerospace integrators, the airport and the test facilities of L3Harris and Bell, and the Espace Aéro innovation zone. As a result, the day DND converts its

BOREALIS calls into acquisitions of drones, counter-drone systems and sensors, Quebec will have a complete chain, from design to certification, that neither Ontario nor Alberta possesses on a single site.

## 4.7 Recommendations

The recommendations that follow are stated firmly, with a responsible party, a time horizon and, wherever possible, a measurable target. They are classified by addressee and in order of urgency, the 2026-2028 window being the one in which the structuring contracts of the decade are signed.

## To the Government of Quebec

1. **Publish a Quebec defence industry strategy with a costed action plan.** British Columbia, Alberta and the Ottawa-Gatineau region equipped themselves in 2025-2026 with published strategies, targets and steering structures. Quebec still has only a list of five priority firms, an envoy and a coalition. The strategy must set three verifiable targets for 2030: raise Quebec's share of DND's direct contracts from 19% to at least 22%, its demographic weight; raise the share of value under Quebec or Canadian control from 15% to 25%; and obtain a documented contractual link on at least ten of the fifteen projects of more than $1 billion that have none. It must build on the distinction between the three economies: consolidate the first (fleet support), negotiate the second (Quebec's share of major programs), and finance the third (space, autonomous systems, communications) while accepting that it will not produce DND contracts before 2030.

2. **Create a single defence window for SMEs.** The new conditions of entry (CPCSC Level 2 certification required from spring 2027, Controlled Goods Program, security clearances, DDI registration) will determine SMEs' access to supply chains before any question of financing arises. The single window must offer guidance, matchmaking with prime contractors and a grant for entry prerequisites covering up to 50% of certification and security costs, like Australia's Defence Industry Development Grants. Target: 200 Quebec SMEs certified at CPCSC Level 2 by 2028.

3. **Make intellectual property the condition of all public support.** Investissement Québec and the MEIE must make their loans, equity investments or grants conditional on a commitment that the intellectual property developed with their assistance be created, held and kept in Quebec, and that exploitation rights cannot be repatriated by a parent company without compensation. This is the only instrument the province has to turn foreign control of capital (73% of contract value) into a lasting anchoring of technology, as the CMS 330 shows for Nova Scotia.

4. **Negotiate Quebec's share of programs before signature.** Four programs are concerned: the AEWC (Bombardier platform, CAE training, Canadian production share of at least one third to be located), the CPSP (Marmen sub-assemblies, CAE training, in-service support), the fighters (CAE training and mission systems in both architectures) and ground-based air defence, whose platform will in all likelihood be GDLS-Canada's LAV 6.0 (London, Ontario) on the model of the American M-SHORAD, and in which the Quebec stake lies in

the mission system (Rheinmetall Canada's battle management and radar) and in GDLS's subcontracting in Quebec. The special envoy must obtain from the DIA, for each, a commitment on Quebec content, the location of in-service support and intellectual property. Once contracts are signed, the experience of the F-35 ($346 million in Quebec against $7.4 billion in Ontario) shows that there is nothing left to negotiate.

5. **Open a distinct European axis, with its own prospecting budget.** The chains of TKMS, Saab, Leonardo, Airbus, Kongsberg and MBDA, the SAFE mechanism and the agreement on the exchange of classified information with France are the outlets in which Quebec firms already have positions (Marmen, CAE, Marconi). Quebec must assign to them a permanent office of Investissement Québec International, aim for binding teaming agreements (the TKMS-Valbruna model) rather than memoranda of understanding, and ensure that European economic missions systematically include a defence component.

6. **Prospect as a priority the three DCB blocks with no documented Quebec link.** Protected satellite communications (MDA and SpaceBridge have a Montreal base), NORAD modernization (photonics and optronics of the Quebec City region for radars and ground stations) and digital command and control (Thales Digital Solutions, Marconi, Montreal's AI ecosystem) represent more than $25 billion in projects with no identified Quebec firm. The MEIE must form for each, by mid-2027, a Quebec consortium and a value proposition presented to the DIA.

7. **Make Mirabel the Canadian hub for autonomous defence systems.** Volatus, holder of a first contract under the DDI, the NEXUS consortium, Espace Aéro, L3Harris and Bell already bring together there a complete chain, from design to certification, that neither Ontario nor Alberta possesses on a single site. Quebec must fund there a drone and counter-drone test and certification facility accessible to SMEs and group complementary SMEs there to reach the size of a first-tier supplier.

8. **Measure the second economy.** The MEIE must require, as a condition of its support, that prime contractors present in Quebec report annually their Quebec subcontracting by program, and link its mapping to federal data through a common dashboard updated every six months. Without this measurement, the province negotiates blind and can neither demonstrate nor contest the interprovincial fairness of the benefits.

# To the Federal Government

9. **Define "Canadian firm" before applying the 70% target.** The DIS's Canadian acquisitions target cannot be applied until the criterion is set. It must rest on three cumulative conditions: intellectual property held in Canada, Canadian jurisdiction over data, and autonomous support capability, and not on the place of production alone. The DIA must publish ownership and autonomous support indicators by program.

10. **Publish the provincial breakdown of ITBs and of the subcontracting of the ten main prime contractors.** ISED holds these data and does not publish them. Without them, neither the feasibility of the DIS, nor interprovincial fairness, nor Quebec's real share of major programs can be assessed. Annual publication, by province and by program, must be a regulatory obligation for prime contractors benefiting from ITBs as of fiscal year 2027-2028.

11. **Write in-service support designations into acquisition contracts.** Replacing a fleet mechanically moves its support contract, as the transition from the CF-18 to the F-35 showed for Mirabel. The value propositions for the CPSP, the AEWC, the fighters and GBAD must set, at the time of acquisition, the location of depots and support integrators, and require that the intellectual property needed for autonomous support be transferred to the state.

12. **Fund entry before the contract.** The ITB policy rewards suppliers only once the contract has been awarded to a prime contractor. Australia (ODIS, Defence Industry Development Grants), France (RAPID, Definvest, Fonds innovation défense) and the United States (Defense Production Act, MCEIP) fund upstream the qualification, certification and capacity of lower-tier suppliers. Canada must create an equivalent federal program, with at least $100 million per year, targeting entry prerequisites (CPCSC, controlled goods, qualification to the standards of foreign designers) and scarce capabilities (forging, special steels, propellants).

13. **Make the pace of decisions compatible with the industrial window.** The budget trajectory toward 3.5% of GDP is neither planned nor funded, and no defence policy specifies requirements beyond the recapitalization program already under way. The federal government should attach to its new defence policy, expected very soon, a ten-year investment plan so that industry can invest on the basis of identified demand rather than announcements.

# To Quebec's Industry and Its Associations

14. **Qualify for the permanent instruments and for the supply chains of programs with imminent contracts.** Positions are decided in the 2026-2028 window: DDI registration, standing offers (framework agreements under which a prequalified supplier receives orders without a new call for tenders), CPCSC certification, and the teams for the AEWC, the CPSP and the fighters. Associations should organize structured meetings between the prime contractors present in Quebec and SMEs, so that the ITB requirement of 15% SME content translates into Quebec contracts rather than Ontario contracts.

15. **Favour binding teaming agreements over memoranda of understanding.** Non-binding memoranda rarely convert into contracts, whereas teaming agreements backed by orders (TKMS-Valbruna, TKMS-Patriot Forge, Saab-IMP) are often more successful. Firms should make their participation in bids conditional on a contractual commitment on work content.

16. **Document and publish Quebec subcontracting on major programs.** This is the only way to make the second economy visible, to carry weight in the reform of ITBs and to contest, figures in hand, the interprovincial imbalance. Associations should produce an annual survey of subcontracting by program, using a method shared with the MEIE.

17. **Form SME consortia in three niches with strong demand and weak Quebec supply.** Drones and counter-drone systems, NORAD sensors and optronics, and missile components (energetic sections, propellants, guidance) are niches in which Quebec has scattered skills but no first-tier supplier. Three consortia, each with a lead firm and a value proposition, should be set up very quickly in these sectors.

# Conclusion

The report set out to examine the extent to which Quebec's industry can take part in Canadian rearmament. The answer our documentary research allows can be summed up in one formula: Quebec is well placed where the money has always flowed, poorly measured where it will flow tomorrow, barely present where it announces the most, and rarely master of what it produces. Its actual sovereign capabilities (ammunition, simulation, maintenance, engines, airframes, and now submarine components and satellites) correspond to requirements that the DCB calls on heavily and that the DIS wants to consolidate. Quebec is strong on four of the strategy's ten sovereign capabilities. But DND's direct contracts, $11.1 billion in six and a half years, describe an economy of support for existing fleets, concentrated in five firms, awarded for nearly half without competition and controlled for nearly three quarters of its value by foreign groups, whose durability depends on replacement and investment decisions made elsewhere. The sectors in which Quebec places the most hope do not yet weigh anything in federal demand.

Rearmament nonetheless opens an unusual window. Half of the heaviest projects have not yet chosen their solution. The structuring contracts of the decade (fighters, AEWC, submarines, icebreakers, air defence) are being signed between late 2026 and 2028. Canada has been admitted into European supply chains, the benefits policy is being reoriented toward sovereign capabilities and SMEs, and the current flow of DND contracts in Quebec has doubled in one year. This window rests, however, on a budget plan that does not yet exist: only the trajectory to 2.6% of GDP is planned, as *Budget 2026* confirms. The capital envelope that will reach industry will at best be double today's, and federal demand remains to be defined in a defence policy yet to come. Quebec's best strategy is to consolidate its niches (simulation, ammunition and propellants, special platforms on business jets, in-service support, heavy naval machining, resilient PNT and defence AI) and to tie itself to the new European and Canadian programs, rather than aiming for complete platforms.

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## Justin Massie

Professor, Department of Political Science, Université du Québec à Montréal and Director, Network for Strategic Analysis.



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