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Mr. Chair, members of the Committee,

Canada's Defence Industrial Strategy arrives at a consequential moment. The international environment that shaped decades of Canadian prosperity and security has changed profoundly. Great-power competition has returned. Trade, technology and talent are increasingly being used as instruments of strategic leverage. In this environment, Canada cannot assume that the capabilities we need will always be available from others, when we need them, and on terms that serve our national interest.

That is why the Defence Industrial Strategy matters. It recognizes that defence policy, industrial policy, innovation policy and economic security can no longer be treated as separate files. If Canada is serious about sovereignty, resilience and operational readiness, we must build more of the capabilities that matter here at home.

The central question is this: will Canada simply spend more on defence, or will we use this moment to build lasting technological and industrial capacity? Our view is that the answer must be the latter.

Sovereign capabilities are not built on spending alone. They are built on the architecture which enables partnerships. A truly sovereign capability requires depth across an entire value chain: basic research, applied science, engineering, manufacturing, and the highly qualified talent to sustain it. Canada has real strengths to build on.

Our leading research universities are among the most important assets in Canada's innovation system. They generate the ideas, talent, technologies and partnerships that underpin long-term competitiveness and sovereign capability. U15 universities conduct nearly $9 billion in research each year. They are also deeply connected to industry: the private-sector invests roughly $900 million a year in research at U15 universities.

Canada's challenge is not the absence of research strength. It is the weakness of the interfaces that connect that strength to defence outcomes. Collaboration between defence, universities and industry happens, but it is too often small-scale, episodic and bespoke. We lack the standing mechanisms that would allow Canada to move from research to testing, validation, demonstration, procurement and deployment in a predictable way.

The data are clear. Canada allocates less than 5 per cent of federal R&D spending to defence, compared with an OECD average of roughly 21 per cent. In the United States, the figure is above 50 per cent. Even within Canada's modest defence R&D effort, only about $40 million annually flows through higher-education institutions — less than 1 per cent of federal support for

university research. In the United States, by contrast, roughly 15 per cent of federal academic R&D expenditures are defence-funded. This is a structural gap. It means Canada is not yet making full use of one of its strongest national assets: its research enterprise. That matters because early scientific leadership is a predictor of downstream technological advantage.

Canada has built world-class research strengths in areas directly relevant to dual-use innovation. For example, since 2015, over 11,000 researchers at U15 universities have received $188 million in federal funding for research into uncrewed and autonomous underwater systems, working with over 350 partner organizations. Research universities have similar strengths across the government's identified sovereign capabilities. But without stronger connective tissue to the defence industrial base, those advantages will not reliably become Canadian sovereign capability.

This is also an economic issue. Defence industries are R&D-intensive, but Canada has not converted that intensity into sufficient domestic innovation capacity. Since 2014, Canadian defence industry revenues have increased by roughly 55 per cent, while R&D investment has grown by only 11 per cent. That is not the trajectory of a country building the technological depth required for a more dangerous world. Canada's allies have learned this lesson. The United States, the United Kingdom, Australia and France have all built mechanisms that connect universities, industry and defence missions. Their systems differ, but the lesson is consistent: successful defence innovation depends on standing interfaces, stable sponsor relationships, mission-driven portfolios and clear pathways from research to deployment.

The Defence Industrial Strategy creates the opening to build these mechanisms. The test now is whether we can move from principles to operating models.

Thank you.