

# Domestic Ammunition Production

## 3/10

### SOVEREIGNTY SCORE

The Canadian government is providing up to \$1.4 billion through the Canadian Defence Industry Resilience Program to two companies, IMT Precision and General Dynamics Canada, to build domestic ammunition production capacity.

This plan to increase domestic ammunition production gets a 3/10 on the Shield Sovereignty Score. The project design reduces dependency on foreign firms or supply chains, increases industrial capacity and national security and will create some jobs, but overall the decision ships the development of expertise in new production technology to a foreign company, does not develop any conditions that ensure Canada captures the value created through the innovation and capacity advancements and does not put Canada in a stronger position to govern the technology it creates.

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The Canadian government is providing up to \$1.4 billion through the Canadian Defence Industry Resilience Program to two companies, IMT Precision and General Dynamics Canada, to build domestic ammunition production capacity.

IMT Precision is a Canadian shell manufacturing company with a facility in Ingersoll, Ont. General Dynamics Canada is a subsidiary of General Dynamics, an American defence conglomerate that has operated in Canada for decades.

The policy decision includes up to \$305.4 million to IMT Precision to establish a new metal shell production facility; and up to \$1.05 billion to General Dynamics Canada to build a new nitrocellulose facility, a new artillery loading, assembling and pack facility and high explosive projectile manufacturing facility.

This spending represents about one fifth of the budget for the Defence Industrial Strategy (DIS). The DIS is meant to build up the Canadian defence industrial base to meet future needs and drive economic opportunity in the country.

IMT Precision and General Dynamics Canada were already tapped to work on expanding Canada's ammunition production capacity [in 2024](#) through a \$4.4 million grant, under the DND's IDEaS program.<sup>1</sup>

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<sup>1</sup> National Defence, "Minister Blair announces investments in Canadian innovation and launches Artificial Intelligence Strategy at Ottawa Conference on Security and Defence," Government of Canada, March 7, 2024, <https://www.canada.ca/en/department-national-defence/news/2024/03/minister-blair-announces-investments-in-canadian-innovation-and-launches-artificial-intelligence-strategy-at-ottawa-conference-on-security-and-defence.html>.

## Sovereignty Score

**Sovereignty: This section measures if and how the policy choice increases Canada's sovereignty and strategic autonomy?**

**1. Does the policy reduce dependence on foreign firms or diversify supply and value chains?**

**YES** – Increasing ammunition production capacity and developing nitrocellulose production capacity in Canada decreases the Canadian Government's dependency on foreign firms and supply chains for ammunition procurement. The investment ensures that Canadian ammunition needs are met first before any of the ammunition produced can be sold outside of the country.

**2. Does the policy put Canada in a stronger position to govern technology systems?**

**NO** – General Dynamics Canada, a Canadian subsidiary of a U.S. company, will have control over the technology related to the factory and the development of nitrocellulose, and so they will have control over the governance and use of the technology.

**3. Does the policy enhance Canadian national security and industrial capacity?**

**YES** – The capacity to produce ammunition in Canada is essential for Canadian defence and security, and this plan will prioritize Canadian ammunition needs first before selling to other buyers. However, the reliance on General Dynamics Canada — a Canadian subsidiary of a U.S. company — to build this capacity is a significant missed opportunity for building Canadian economic security.

**4. Does the policy lead to greater competition and broader market participation, and avoid further entrenching monopoly power or market concentration?**

**NO** – General Dynamics Canada is a major incumbent in Canada’s defence industry, and this concentrates key defence manufacturing capabilities in their hands.

**5. Does the policy support the development and growth of Canadian innovation?**

**NO** – IMT Precision is increasing capacity to develop a product they already make, and General Dynamics is developing a new capability in nitrocellulose production. But the IP and data for all of this new production capability which will be owned by the U.S. company. Overall, this is unlikely to support Canadian innovation.

**Economic Prosperity: This section measures how the policy delivers economic growth, and how it shapes the Canadian economy.**

**6. Does the policy lead to the generation of intangible assets or economic value that is primarily retained by Canadian firms or public entities?**

**NO** – Nitrocellulose production capacity will be a new capability for Canada, and the development of a factory may lead to new IP. However, the IP and economic value will not be captured by Canadian companies or institutions unless additional requirements are imposed on the deal.

**7. Does the policy create, sustain or improve quality jobs in Canada?**

**YES** – IMT Precision’s planned facility to manufacture empty metal shells for munitions is expected to create 75 jobs and may lead to as many as 400 jobs at full production. General Dynamics Canada’s planned nitrocellulose factory will also likely create jobs.

**8. Does the policy increase skill utilization or broaden the skill base of Canadians?**

**NO** – Even if the Government of Canada sets production priorities, General Dynamics Canada still owns the facilities and the intellectual property. The development of high-level management expertise, and expertise building the strategically important nitrocellulose will now occur inside a U.S. company, rather than within Canadian firms.

**9. Is the policy designed to ensure that economic benefits create shared prosperity?**

**NO** – The decision does not preference SME participation, it does not set up a new company or incentivize entrepreneurship, and does not specify any community benefits agreements or regional equity programs attached to the funding. The government should be imposing conditions on how a company operates in a sector to ensure value is created in the community and not just siphoned to shareholders.

**10. Does the policy increase affordability and deliver pro-social benefits to Canadians?**

**NO** – There is nothing in the funding announcement that indicates the decision will lead to increased affordability.

## About The Canadian Shield Institute for Public Policy

The Canadian Shield Institute is a next-generation policy studio focused on developing Canada’s sovereignty and driving economic transformation. We work across infrastructures, industry, and innovation to confront systemic risks, retain economic value, and build the domestic capacity Canada needs to thrive. Our goal is a more prosperous, resilient, and independent future for all Canadians.

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