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Chair

Mr. James Rajotte

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• (1535)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): We'll call this meeting to order. This is the 24th meeting of the Standing Committee on Industry, Science and Technology.

Members, we have 13 votes at 5:30, so we'll have to end this meeting at 5:15.

I believe our last guest is here. We have with us today four guests.

The orders of the day today are, pursuant to Standing Order 108 (2), for the study of the proposed sale of part of MacDonald, Dettwiler and Associates Ltd. to Alliant Techsystems.

We have with us in the room, first of all, the chair of the Rideau Institute on International Affairs, Mr. Steven Staples. Welcome.

From the University of British Columbia we have Professor Michael Byers. He's the Canada Research Chair in global politics and international law.

As individuals we have with us Mr. Hugh Thompson, spacecraft systems engineer with MDA Ltd., and last, by video conference from Montreal, the former president of the Canadian Space Agency, Mr. Marc Garneau.

Mr. Garneau, can you hear me okay?

Mr. Marc Garneau (Former President, Canadian Space Agency, As an Individual): I can hear you loud and clear, Mr. Chair.

The Chair: Thank you very much for that.

We will allow up to five minutes to each of you for opening statements. Thereafter, we will go to questions from members.

We'll start with Mr. Staples, please.

Mr. Steven Staples (Chair, Rideau Institute on International Affairs): Good afternoon, and thank you very much for inviting me to speak to you today.

I'm Steve Staples, the president and director of the Rideau Institute, an independent, non-profit research, advocacy, and consulting group based here in Ottawa. During my career I've had the opportunity to research and comment on many issues related to national security and Canadian industry, particularly in the field of defence. I was involved in the public debate on Canada's participation in the ballistic missile defence program. I'm the author of *Missile Defence: Round One*, a book on that subject that was published in 2006.

I've been tracking the development of RADARSAT-2 for a number of years and was invited to appear before the House of Commons Standing Committee on Foreign Affairs and International Trade in 2005 to speak about the Remote Sensing Space Systems Act, which was at that time called Bill C-25. At that time I was representing my previous employer, the Polaris Institute, and we raised concerns about the potential defence applications of RADARSAT-2 and the need for its sensitive technology to be firmly controlled by the Canadian government.

In recent years my work has become more involved in promoting Canadian leadership and ensuring that the benefits of space and its peaceful uses are made available to all nations and do not become another field of military and national security conquests that could result in disastrous consequences.

Canadian leadership internationally requires that the government have clearly defined goals. Hence the need for a comprehensive Canadian space policy to guide the development of Canada's space science, technology, and industry to maximize our benefits from the peaceful uses of space.

Today we've prepared a backgrounder for you as the committee examines the proposed sale of MDA's information system, which includes RADARSAT-2, and MDA's space robotics division, which is responsible for Canadarm2, the space station remote manipulator system, which is Canada's contribution to the international space station.

Since the beginning of the program, RADARSAT has been hailed as a breakthrough in Canada's ability to monitor our vast land mass and to better understand our geography, our natural resources, and monitor our coast lines. How prescient were its designers that today, with climate change and the eventual opening of the Northwest Passage to shipping, we would have this system available to us to ensure our security and to assert our sovereignty.

There are many green uses of RADARSAT-2, as portrayed in this brochure—literally coloured green—which was produced by MacDonald, Dettwiler, and Associates to promote the uses of RADARSAT-2. Its vision in this brochure is echoed by Michel Giroux, of the Canadian Space Agency, who in 2005 told the Canadian affairs committee that CSA has always maintained that RADARSAT-2, like RADARSAT-1, is an earth observation satellite intended for peaceful use. It exists to allow us to manage the earth's surface and to carry out environmental monitoring.

However, there is a darker side to RADARSAT-2, and that is its ability to provide imagery for military purposes. I say darker as it's captured by this other brochure by MDA, on RADARSAT-2 as well, which is literally coloured black, touting the satellite's usefulness to defence consumers—the green RADARSAT and the black RADARSAT.

Ironically, in this sale of RADARSAT-2 to the U.S. firm Alliant Techsystems, we may be undermining our own national security. We could be selling off our ability to monitor our coasts and provide our government with the data it needs to make decisions. As well, we could be eroding our industrial base and space industries, which will limit our future capacities.

Let me make five points about the sale of MDA's information systems.

This is a bad deal for Canadians. Taxpayers have invested close to \$500 million in the remote sensing satellite RADARSAT-2. In contrast, MDA, the private owner of RADARSAT-2, has reportedly invested a much smaller amount—some estimates have been as low as \$92 million. Yet it's selling this technology and its other space systems for a cool \$1.3 billion.

There are also potentially grave negative implications of the sale of RADARSAT-2 for Canada's continued regulation of the satellite's operation to assure that it is “neither injurious to national security, to the defence of Canada, to the safety of Canadian Forces or to Canada's conduct of international relations, nor inconsistent with Canada's international obligations”, as prescribed in that 2005 Remote Sensing Space Systems Act, which was envisioned to regulate RADARSAT-2.

• (1540)

The third point—

The Chair: Mr. Staples, you are over time now, but I'm just going to encourage you to try to wrap up as soon as you can.

Mr. Steven Staples: Okay. Thank you. I have provided a brief.

I would just say that I believe that this deal will have no less an impact on Canada's space industry and our capabilities than the cancellation of the Avro Arrow had on our aerospace industry in the 1950s. I believe that the loss of technology and scientists, if we sell off this system, will be felt for generations.

So we are recommending that the Minister of Industry not approve the sale of MDA's information division to ATK, based on those primary national security concerns.

I thank you very much, and I look forward to your questions.

The Chair: Thank you very much, Mr. Staples.

We will now go to Mr. Byers, please.

Mr. Michael Byers (Professor, Canada Research Chair (Tier One) in Global Politics and International Law, University of British Columbia): Thank you very much for having me appear here today.

[Translation]

Thank you very much. I will be speaking in English, but I do understand questions asked in French.

[English]

I too have been following the issue of RADARSAT closely for some years now. Most recently, it's been in my capacity as the leader of a project on sovereignty and shipping in the Northwest Passage for ArcticNet, a federally funded consortium of scientists from 28 Canadian universities and five federal departments.

Prime Minister Harper has recently taken some significant steps to assert Canadian sovereignty in the north. He committed to a deep-water wharf on northern Baffin Island, a cold-weather training centre for the Canadian Forces, six to eight ice-strengthened patrol vessels for the navy, and most recently, \$750 million for a polar icebreaker.

It is the latter commitment that I want to dwell on briefly in relation to the proposed sale of RADARSAT-2. Imagine that the new icebreaker was constructed as a public-private partnership with a hypothetical company called Northern Defence Associates, or NDA, a Canadian company based in Richmond, B.C. Under this hypothetical arrangement, the Canadian government contributes \$445 million towards the construction of the icebreaker in return for a specified number of hours during which the vessel will be available for use on a priority basis by the Canadian Coast Guard.

Imagine also that ownership of the vessel vests in NDA, which is allowed—indeed encouraged—to create jobs and stimulate economic activity in Canada by chartering the icebreaker to other users when it is not required by the Canadian Coast Guard. Such other users might include, for example, shipping companies requiring icebreaking escorts through the Northwest Passage.

Everybody is happy, myself included. The Canadian government obtains a major tool for sovereignty assertion, NDA obtains significant subsidies in return for providing a public good, and there is opportunity to garner profits through private contracts on the side. Commercial shipping companies from around the world benefit, promoting trade and general prosperity. That is until NDA announces that it intends to sell the icebreaker to an American company called Southern Tech Systems, STK, that specializes in supporting Antarctic operations.

A controversy erupts, and rightly so. Will the icebreaker continue to be registered in Canada? You may ask if it will continue to be available for use on a priority basis by the Canadian Coast Guard, given that it might not maintain a Canadian registry, and will frequently be deployed in the southern ocean, tens of thousands of kilometres away from Canada's north. To what degree would Canada's new sovereignty assertion capabilities be lost, or at least compromised?

This is hypothetical. Does anyone think that the sale of the icebreaker would be allowed to proceed? Yet the parallel between this hypothetical and the proposed sale of RADARSAT-2 is very close indeed. RADARSAT-2 is a remarkable satellite; it provides imagery of incredibly high definition even at night and through clouds. It is the perfect tool for mapping Arctic sea ice and tracking ships.

Indeed, the Canadian Ice Service has been the largest domestic user of RADARSAT-2's less powerful predecessor, RADARSAT-1. With the Northwest Passage rapidly opening, RADARSAT-2 has become an essential tool in upholding Arctic sovereignty. Being able to monitor ships from space and map the presence and thickness of any remaining ice is a necessary complement to having naval patrol vessels, coast guard icebreakers, or helicopters available to interdict foreign vessels.

RADARSAT-2 was developed in a partnership between MDA and the Canadian Space Agency, with Canadian taxpayers paying \$445 million of the total cost. In return for its investment, the Canadian government was promised large amounts of imagery as well as priority access in emergencies such as oil spills or a suspect vessel entering Canada's north.

Once RADARSAT-2 is sold to Alliant Techsystems, the United States will likely replace Canada as the country with licensing authority over it. I have sought to confirm this with several officials from the Department of Foreign Affairs and the minister's office, and all of them claim not to know what will happen to the licence.

• (1545)

If the United States becomes the licensing authority, Ottawa's ability to control what the satellite is used for and to commandeer the equipment in emergencies might be lost. And even if Canada were to retain some sort of notional control, one could well imagine that control breaking down in certain circumstances when the company in question is owned and located in the United States.

Suppose, for instance, that Canada wanted priority access for sovereignty assertion purposes just as a major war involving the United States was breaking out in the Middle East. One can even imagine the U.S. government using RADARSAT-2 in ways that directly contradict Canada's interests.

The Chair: Mr. Byers, we're over time as well. Can I ask you to wrap up?

Mr. Michael Byers: I will be finished in less than a minute.

Suppose that the United States sends a ship into the Northwest Passage without Canada's consent.

The Canadian government recently announced that it would introduce legislation enabling foreign investments to be blocked if they are contrary to Canada's national security interests, and as I understand it, this move is directed primarily at state-owned companies investing in the Alberta tar sands. But a similar concern should prompt the government to block the RADARSAT-2 sale. Indeed, in light of my sovereignty concerns, I find it hard to believe that this sale offers a net benefit to Canada.

Finally, I wish to remind the committee that there are also powers and a somewhat different test provided under the 2005 Remote

Sensing Space Systems Act, which was enacted especially for RADARSAT-2. The test that the foreign minister must follow is to determine whether this will have a negative impact on the national security and the defence of Canada. I think this satellite is just as essential to our national security as the \$750 million that the government has recently committed to a new polar icebreaker, and for that reason, I believe this satellite should stay in Canadian hands.

Thank you.

• (1550)

The Chair: Thank you, Mr. Byers.

We'll now go to Mr. Thompson, please.

Mr. Hugh Thompson (Spacecraft systems engineer, MacDonald, Dettwiler and Associates Ltd., As an Individual): Good afternoon, and thank you for inviting me to speak.

It's not easy for me to be here today. I'm a loyal MDA employee and have been for eight years. I do not want to damage the good name of MDA or curb our prospects as a strong Canadian company. However, there are aspects of this proposed sale that I feel are not well known by the people of Canada, who help pay for many of the great things that MDA has done as a company.

I do not claim to represent large numbers of employees. I do, however, represent the views of more than just myself. In the short time I had to prepare, I received confirmation from 12 other employees that what I say here today represents their views as well as my own.

There are three main points that as a professional I would like to bring to your attention. First, I do not see that jobs will stay in Canada with this deal. Some employees like me will leave because they cannot in good conscience work for ATK. Some already have left. But this will be minor in comparison to the central reason why this deal will not maintain jobs in Canada.

ATK has announced that the key to the success of this deal is their ability to win U.S. classified programs. Only U.S. citizens are allowed to access U.S. classified information. Even on non-classified programs, it is very difficult for Canadians to work with U.S. companies on space technology. For example, early in my own career at MDA, we as a company were unable to work with Orbital Sciences, our own parent company, to build part of RADARSAT-2. Why was that? The technology was protected under ITAR, the international trafficking in arms restrictions. That's a much less severe restriction than classified designations. Jobs will not stay in Canada.

Secondly, when ATK buys the systems division of MDA, they will be buying our intellectual property. When ATK bids new technology developed in Canada for U.S. classified projects, it seems highly likely that this technology will also become classified. Canada will lose access to technology that has been developed by Canadians in Canada for the benefit of Canada.

Canada is on the verge of losing unique and world-class capabilities. Canada has not maintained a consistent and reliable level of funding for Canadian space programs. For example, projects like the follow-on to RADARSAT-2, the RADARSAT Constellation mission, had \$200 million allocated in the 2005 federal budget. Up until now, less than \$20 million of that funding has been spent by the CSA. The result of these kinds of delays is that a deal like this one from ATK is forced upon MDA in order to maintain shareholder value. As a result, cash will replace Canadian ingenuity and skilled industry. Sure, this deal will open new markets for our technology, but ATK will bid it to U.S. military markets, and those are closed to Canadian engineers.

Maybe in the short term some small pieces of that work will stay in Canada, but the specialized leading-edge capabilities of MDA to be a prime contractor for space missions will not continue. The skill and know-how that have taken years to build will disperse and be lost as a result of this deal.

Separately from these points, on a personal level, there are two additional aspects of this transaction that concern me as an employee. First, when I read the text of the Ottawa treaty banning land mines, it seems clear to me that although working for ATK might not violate the letter of the treaty, it certainly violates the spirit of the treaty. I personally have a problem with working for a company that violates international law, even if they don't violate the law in their own country.

Secondly, many of my co-workers and I, as well as many other Canadians, are against the weaponization of space. Canada opposed national missile defence and did not support U.S. efforts to advance this program. ATK is heavily involved in this work. I do not want to be associated with a company doing this work, even if I am not directly involved.

MDA management tells us that this is the best thing for jobs. ATK management tells us that this is the best thing for Canada. Well, I am both a Canadian and an MDA employee, and I assure you that this is not the best thing for me. I cannot and will not work for ATK. As a result, my skills are unlikely to contribute to future Canadian space projects. But regardless of people with views like mine, the jobs, technology, and expertise that Canada has invested so much in will not hang together in Canada over the long term as a result of this deal.

The only sensible thing for Canada to do now that we have reached this state, is to reject this deal and reject the transfer of the RADARSAT-2 operating licence, and immediately move forward so that MDA can get on with building the things that Canada wants and needs for our security, our sovereignty, and our contributions to global environmental monitoring. This will continue our tradition of building a healthy, high-tech space industry that is not beholden to whatever the next plans of the U.S. military might be.

• (1555)

I am outraged as a taxpayer that ATK will receive the benefit of so many of our tax dollars. I am outraged as an employee that ATK will receive the benefit of so much of our hard work.

Maybe this could have been foreseen, and maybe the best time to act was indeed years ago, but please do what you can now to prevent this tragic loss of Canadian industry and technology.

Thank you.

The Chair: Thank you very much, Mr. Thompson.

Now we'll go to Mr. Garneau, please.

Mr. Marc Garneau: Good afternoon.

Thank you for the opportunity to speak. I'll get to straight to the point.

MDA is not just another Canadian company being reviewed under the Canada investment act. It's a company that has received significant and deliberate funding from the Government of Canada, either through the Canadian Space Agency or such programs as Industry Canada's Technology Partnerships Canada.

Over the years, the Canadian taxpayer has invested heavily in the growth of MDA in order to help create a world-class Canadian company capable of building the hardware that Canada needs to meet its national strategic objectives in space—monitoring our sovereignty in the Arctic or maritime traffic and fishing activity off our coasts; assessing environmental change; monitoring our many natural resources; helping relief teams in the event of national or international disasters; assisting winter navigation of ships through ice; and so on.

For example, the Canadian government agreed to pay about \$430 million of the roughly \$520 million RADARSAT-2 price tag as part of a public-private partnership aimed at helping MDA develop its commercial market for space-based imagery. In return, MDA would own and operate the satellite, and provide the government with specific imagery. This was a bold move back in the late nineties, aimed at positioning Canada as a leader in this developing international market.

There is no question that ownership of this satellite by MDA allowed it to get an extremely attractive offer from ATK of over \$1.3 billion. In essence, the Canadian taxpayer allowed MDA to secure a very lucrative deal for its shareholders, and yet the Canadian public, which should be viewed as a shareholder, is giving up a great deal if this sale proceeds.

I believe the Government of Canada should take into account the fact that MDA is the only space company in Canada capable of building large, complex satellites, and that its sale would mean that from now on, the Canadian government would have to buy future satellites from foreign-owned companies.

It is certain that other countries with strategically important space companies would not allow such foreign takeovers.

Canada was the third country in space with the launch of Alouette I in 1962. It happened because the Department of National Defence wanted to understand the ionosphere and why it sometimes interfered with high-frequency communications. In other words, there was a need, and the Government of Canada, at that time under a Progressive Conservative leadership, demonstrated great vision by moving out into the brand-new frontier of space.

In the mid-sixties, the federal government again took a position of leadership in deciding that Canada needed to have its own national communications satellite to connect all Canadians, and particularly those in the far north. That led in 1972 to the communications satellite Anik E1 and its operator Telesat, and made Canada the first country in the world with its own national communications satellite. Again there was a need, and Canada took a position of leadership.

In the early nineties, the federal government made another important decision, this time to build an earth observation satellite to monitor Canada's vast territory. That satellite was RADARSAT-1, an outstanding example of both success and innovation. Again, the government recognized a need and took action.

The bottom line is that space is a critically important strategic tool for the Government of Canada. That importance will continue to grow as more and more countries head for space. Canada will require new and more capable satellites in the future.

Let me get to the crux of the matter. There will be times when Canada will want to design spacecraft itself, as it has done in the past, and for reasons of national security or for reasons of economic competitiveness will want to have them built by a Canadian-owned company. That option will not exist if the proposed sale goes forward. And a great deal of effort and taxpayer money over many years will have benefited MDA shareholders but not Canadians.

Having said that, if the government recognizes the importance of keeping MDA capability under Canadian ownership, it must also ensure that it provides the means to ensure the continued viability of such a company.

• (1600)

Thank you.

The Chair: Thank you very much, Mr. Garneau.

Thank you all for your presentations.

We will now go to questions from members. Members will typically direct their question to one person, but if you do wish to respond, please indicate to the chair, and I will endeavour to give you some time to respond.

I just want to remind the witnesses that the time for questions and answers is very short: six minutes in the first round and five minutes in the second round. So if you can keep your answers as brief as possible, we would appreciate that.

We will start with Mr. Brison for six minutes.

Hon. Scott Brison (Kings—Hants, Lib.): Thanks to all of you for spending time and imparting wisdom to us today.

On February 4, I met with the president of MDA Information Systems, and he told me that one of the challenges MDA

Information Systems has had is the difficulty accessing NASA and U.S. space industry contracts due to ITAR and other prohibitions. He also stated that this was not merely a financial transaction for the shareholders of MDA but a strategic one, that in order to actually access these contracts you almost had to be owned by and located in the United States.

What I'm hearing here today from Mr. Thompson and others is in fact if this protects MDA jobs, then in all likelihood, based on ITAR, they will not be Canadian jobs; they will be American jobs.

My concern is why the Canadian government isn't seeking exemptions to ITAR, similar to the U.K. and Australian governments, and protecting what is an extremely strategic industry, the aerospace industry here in Canada.

Second, should the minister add a national security test to the net-benefit-to-Canada criteria under Investment Canada and in conjunction with that fight for ITAR exemptions, such that Canadian businesses can actually compete with U.S. aerospace industries and succeed?

In the fall, he indicated he would bring forward the legislation. He hasn't in fact done that, but would those two measures help? Once again, I mean adding ITAR exemptions for Canadian companies, but beyond that bringing in a national security test that would apply to this transaction and potentially block it.

The Chair: Mr. Garneau, Mr. Brison?

Hon. Scott Brison: Mr. Garneau, perhaps.

Mr. Marc Garneau: Thank you, Mr. Brison.

I would say that certainly within the space industry the presence of ITAR restrictions has been extremely frustrating for Canadian industry in terms of its dealings with the United States, particularly since 9/11.

I think every effort should be made for Canada to recover what was a most-favoured-nation status before 9/11, and this would certainly help to loosen up, if you like, our possible access to the American market.

The Canadian space industry has done a remarkable job, all things considered. Fifty percent of what the space industry builds in this country is exported, but it is an extremely difficult climate with the current regulations such as ITAR.

Second, as is evident from my presentation, I certainly believe that the Investment Canada Act or a benefits test with respect to possible foreign takeovers should definitely incorporate a national security criterion among the deciding factors.

•(1605)

Mr. Steven Staples: Just very briefly on the ITAR issue, this has been a problem that has confounded the Canadian government, I think going on for a decade now, in terms of trying to get around these regulations. Most of the international community views ITAR as a rather protectionist measure that the U.S. invokes in order to protect it. It is not really about protecting intellectual properties from getting in the hands of possible opponents.

I think there have been some developments in this regard. I understand the Canadian government has negotiated exemptions for federal employees in terms of ITARs, but I do not think that's extended down to private firms and contractors and even subcontractors. That is my understanding. This is causing real problems, especially in terms of our charter of rights and freedoms.

Certainly on national security grounds, absolutely. Certainly we have seen that this government has not shied away from using national security criteria and exemptions in the past. I note in particular that national security clauses of trade agreements were invoked in the recent major defence procurement contracts that were announced in 2006. It was in the advance contract award notice process, which some have said is the sole source, but national security exemptions in that process were invoked by the government. The contract actually went to a U.S. firm. Some would argue that it was to prevent others, perhaps European firms, from participating in it, but certainly I don't see why that principle shouldn't be invoked to protect a Canadian firm.

Hon. Scott Brison: My point is, would you agree, with Canada being a NORAD, NATO, and defence partner with the U.S. and a trade partner, and given that we have a shared interest in North American and international security, that we should be seeking equal national treatment for any Canadian aerospace company doing business in the U.S.? That should be really where we start.

My concern, and what I'm being told by industry, is that the future is not there for Canadian aerospace companies without having that access guaranteed.

The Chair: Do you want Mr. Byers to answer that one?

Mr. Byers.

Mr. Michael Byers: There are two points. First, on the national security element of a test, there already is a national security test. That is in the Remote Sensing Space Systems Act, and in a joined-up kind of way I would like to think that the Department of Industry and this committee would consider the kind of test that Mr. Bernier has to apply in the Department of Foreign Affairs. There is this test that needs to be met for the sale of RADARSAT-2.

The second thing to point out is that the Canadian space industry, in order to fulfill these sorts of green purposes that Mr. Staples was identifying, whether mapping crops, supporting fisheries enforcement or the forestry industry, or ice mapping, is going to need government money, just as we need government money to build icebreakers for the coast guard. This is a public good, and you can't get away from that.

If you don't actually provide that financial stream, then the financial stream that remains is going to be from departments of

defence, and most predominantly the U.S. Department of Defense. That is the default position.

The Chair: Okay, thank you, Mr. Byers. Thank you, Mr. Brison.

We'll go to Madame Brunelle.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good day. Thank you everyone for being here.

This satellite produces extremely clear pictures of Canada. For several minutes now, we have been talking about national security. This is something that concerns me. Obviously, the use of this satellite is regulated.

You are an expert in international law, Mr. Byers. Did the Department of Foreign Affairs in fact issue the licence to operate the satellite last November? The minister can either grant or deny the new company permission to use this satellite. Given the activities taking place and the need for a license, does the foreign affairs minister have precedence over the industry minister when it comes to granting permission to use this satellite?

[*English*]

Mr. Michael Byers: I am an expert in international law; I'm not an expert in domestic law. But in my reading of the Remote Sensing Space Systems Act, it is bridging the divide between domestic and international law, and given that this satellite is a component of our foreign policy and our capacity to assert sovereignty in places like the north, the responsibility when dealing with the sovereignty, defence, and national security dimension is specifically vested in the foreign minister. He is the point man on this issue.

I agree that this committee has an important role to play and I would like to suggest that in the context of your dealing with the Investment Canada Act you should have a very clear view as to the parallel and slightly different test that exists for the Pearson Building. How you do that is up to you, obviously, but you need to have this in mind.

There is no question that generally speaking the Canadian government has more than sufficient powers to block the sale.

•(1610)

[*Translation*]

Ms. Paule Brunelle: I have a question of a more general nature for all of the witnesses.

You stated that MDA received a substantial amount of funding from Canada. Elsewhere, Mr. Thompson said that the jobs will not stay in Canada. Mr. Staples observed that the losses in terms of technologies and researchers would be sizeable. It may be that the jobs lost are tied to this expertise. In addition, ATK has acquired war-fighting technology and produces, among other things, land mines that are illegal under the international agreements to which Canada is a party. That concerns me. In my opinion, this is a very bad transaction that must be blocked.

I would like to hear your views on the subject.

[English]

Mr. Michael Byers: The issue of ATK's activities is not one that concerns me so much. I understand there are people who are concerned about the fact that ATK produces land mines or depleted uranium shells, but I don't see a legal violation of the land mines convention inherent in what is proposed. There is, as Mr. Thompson said, a question of our upholding the spirit of that convention, but not the legal terms itself.

A final point to make on this is that I'm darned proud of the satellite. This is Canadian technology, Canadian scientists, the Canadian government at their very best, and it has to do with the 40% of this great country that is the Arctic. I would like to maintain that pride and be able to show my children RADARSAT-2 and say that this is ours, that we're the best in the world at this and this is what is defending our north, along with all the other things this government has done to assert our sovereignty.

The Chair: Did anyone else want to comment?

Mr. Steven Staples: I have just one point. From the company's president himself, John Shroyer—and this maybe even goes beyond the ITAR issue—he says they want us to be able to move the technology, the piece of that RADARSAT-2 they're after, and we think they're after a specific component of the technology, to transfer that technology to ATK U.S. Space, and go after what we believe is a very significant, growing U.S. classified market. So this even goes beyond regular ITAR, which is fairly run-of-the-mill. They have a vision for this system, which will go into the black part of the Pentagon's programs, that Alliant Techsystems has become very adept at operating. Even if we do lick the ITAR problem, the future application of this may be so classified that even that will be exempt.

[Translation]

The Chair: You have one minute.

Ms. Paule Brunelle: If the employees of this company located in Sainte-Anne-de-Bellevue, Quebec, were to keep their jobs, would they be subject to the provisions of the Patriot Act? Strategic information is involved. Would these employees be investigated in connection with their confidential information?

•(1615)

[English]

The Chair: Does anyone want to take this one?

Mr. Michael Byers: I can only suggest that this is an issue the committee should pursue, but in addition to that, let me say one more thing. To block this sale is not to deny the U.S. government legitimate access to the imagery from the satellite. It can purchase this imagery on the open market, and it has access control over to whom and what kind of imagery is produced and sold under a treaty that was signed between Lloyd Axworthy and Madeleine Albright a number of years ago. This satellite is doing good work for the U.S. government, and keeping it in Canada is not going to prevent U.S. access to the imagery.

The Chair: Thank you.

[Translation]

Thank you, Ms. Brunelle.

[English]

Mr. Garneau, do you want to comment briefly?

Mr. Marc Garneau: Mr. Chair, I have a comment.

The Chair: Yes, just briefly, Mr. Garneau.

[Translation]

Mr. Marc Garneau: When I was with the Space Agency, the Patriot Act was certainly a problem for government employees because they were in direct conflict with the Canadian Human Rights Act. I can't say if private industry has any latitude to get around the Patriot Act.

[English]

The Chair: Merci.

We'll go to Mr. Carrie, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I want to echo Mr. Byers' comments that I too am very proud of this satellite. I had the opportunity of seeing it launched, and I'm proud of the Canadian aerospace industry altogether. When I look at this, it's something that I think all members like to promote and be very proud of.

I did want to acknowledge Mr. Brison's comments about ITAR, and I just want to let him know that Minister Bernier is seeking exemptions under ITAR. I think that's very important.

I'd like to make a couple of statements. First, the government has not made any decisions under the Investment Canada Act about the proposed sale of MDA. Second, any statements about the decision or the impact of the decision nationally or internationally at this time is completely speculative.

I'd like to jog the memories of members that the contracts for RADARSAT-2 were signed in 1998 by the previous Liberal government with MDA, while MDA was a subsidiary, wholly owned by Orbital Sciences Corporation, a U.S. multinational.

We're talking about Canada giving up a great deal, or the deal. It seems that this has never been entirely in Canadians' hands at all, or in the Canadian government's hands.

Mr. Byers, you wrote in the *Toronto Star*, I think, on January 22, and I was wondering if you could explain it further:

Shockingly, Canadians began to lose control over Radarsat-2 before it was even built. When Jean Chrétien decided to privatize the construction process in 1998, MDA started marketing the satellite's capabilities to defence contractors and foreign militaries. Six years later, the company announced a deal with the U.S. air force to support "in-theatre support for the war fighter."

I was wondering if you could elaborate on that a bit, because it seems this has never been 100% in Canadians' hands, with it being a private company. What do you mean by Canadians' hands?

Mr. Michael Byers: It's a very good question. Thank you for it.

The history of RADARSAT-2 is linked to the exceptional character of the technology, the fact that it was so cutting edge. Having this three-metre resolution and its ability to see at night through clouds was something that concerned the United States in terms of having this imagery available on the commercial market, available for anyone to buy. So a prolonged struggle occurred that involved, initially, NASA refusing to actually launch the satellite for MDA, and also ITAR issues that were thrown in the way.

Monsieur Garneau would know more about this history than I do, but the point here is that in order to actually get the satellite up and to satisfy our American allies, we did make concessions, and some of them are perhaps more significant than is publicly known, because there's actually a confidential annex to the treaty that Mr. Axworthy and Madame Albright signed.

The point here is that we still have priority access to this satellite. If we have reason to think there's a Liberian-flagged single-hulled oil tanker coming towards the Northwest Passage, we can get imagery of it right away and we can continue to track that vessel.

• (1620)

Mr. Colin Carrie: That's a big concern.

Mr. Michael Byers: The real question is not to what degree have we made concessions and partnered with the United States, because we do obviously have a common interest in most situations, but how do we get that satellite when we really need it for something that is inherently Canadian in its interest and may not be seen as an issue of such great concern to our American friends? Who has shutter control? Who is the licensee?

We can work with the United States in sharing this imagery, but we need to have that ultimate control if we are to use the satellite for what it was built for, which was primarily to assert sovereignty in the north.

Mr. Colin Carrie: Thank you very much.

Maybe we can talk to Monsieur Garneau about it, then, because we hear a lot about the deal, that we're giving up a great deal.

Mr. Garneau, you were president of the CSA from November 2001 to November 2005, right?

Mr. Marc Garneau: Correct.

Mr. Colin Carrie: I read a comment from January 12, 2008, on CBC news. You said the concern is that we might not have 100% control of that satellite from now on.

Because you were there during this time period, could you clarify? From what I'm reading and what I understand, we've never had 100% control. Can you explain what you meant by that? Did we ever have control?

Mr. Marc Garneau: Yes. Let me first of all correct something, or not correct, but clarify something you said previously, which was that in 1998, MDA was a wholly owned subsidiary of Orbital Sciences.

I just want to make the point, for the benefit of the committee, that the MDA of 1998 was not the same-sized MDA that exists today. In particular, the considerable manufacturing capability of MDA, which was used heavily in building RADARSAT-2, which is located in

Sainte-Anne-de-Bellevue, was not part of the MDA of 1998 and is an extremely important element in the current space systems package we're talking about selling.

The RADARSAT program, of course, started way back in 1998, even before I was there. Just to put it in context, the United States was initially unhappy that Canada was going to work this public-private partnership whereby, ultimately, the control of the satellite would go to a Canadian commercial company. They felt that there was a threat that the data might fall into the wrong hands if a commercial company were marketing the imagery, as opposed to it being under the control of the government. And that, of course, led to Bill C-25, I believe it was called, which was passed a couple of years ago by Parliament.

Another significant thing, though, is that the United States said you cannot, in building RADARSAT-2, use a U.S., an American, bus. A satellite bus, if I can use the analogy to a body, is the torso. It's not the arms or the legs or the head, which are the other parts of the satellite. It's just the torso. The bus is central to all satellites. Consequently, in the end, MDA had to go to Italy to get the bus for RADARSAT-2. This is an example of the United States not being entirely comfortable with Canada proceeding with the RADARSAT-2 program. However, we did go ahead with it and successfully launched it.

The Chair: You'll have a chance in the second round. Thank you.

We'll go now to Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair, and thank you to all the witnesses for coming here today on fairly short notice.

Mr. Byers, my first question is to you. You talked about the importance of being able to get the satellite when we need it, and my understanding is that this was covered under Bill C-25, an act governing the operation of remote sensing space systems, which was designed largely with RADARSAT-2 in mind. Clearly, the government in 2005 felt that controlling this technology was a matter of national security. So what has changed, and are these provisions no longer important?

• (1625)

Mr. Michael Byers: When the legislation was adopted in 2005, I don't think anyone envisaged a sale of the satellite to ATK. Maybe someone did. I certainly didn't. And I would have imagined that there might have been a national security test, not just included in that legislation but made more explicit in terms of possible links to the Investment Canada Act or something like that.

In any event, a couple of things have changed. Most importantly, perhaps, the satellite has been successfully launched. We're no longer talking about a hypothetical. We're talking about a working product. It is taking imagery as we speak; I've seen some of this imagery, and it is extraordinary.

Ms. Peggy Nash: If I could just interrupt for a second, something that I had brought to the attention of the committee the other day was a press release from the government when this satellite was launched on December 14. It said that launching the satellite strengthened the government's ability to protect our north, and that it "...sends a clear message to the other nations of the world that, after thirteen years of Liberal neglect, Canada is once again serious about protecting our Arctic sovereignty". So it does seem ironic now that this technology is being sold.

My question is whether we can we still get this satellite when we need it. Does Bill C-25 protect us in that regard?

Mr. Michael Byers: Further to the first part of your comment, it strikes me as unlikely to be coincidental that the sale went through immediately after the launch, because obviously the successful launch dramatically increased the value. The Canadian government took the risk, and ATK reaps the benefits.

Your question was what, specifically?

Ms. Peggy Nash: You had made a comment about whether we can get the satellite when we need it. Is this covered under Bill C-25?

Mr. Michael Byers: It is covered under Bill C-25 as long as we remain the licensee, and this is an absolutely central question: do we remain the licensee once the MDA space program has been sold to an American company, or does the licence transfer to the U.S. government?

Even if we somehow notionally remain the licensee, will there be circumstances in which enormous pressure could be brought to bear on ATK, as a U.S. company very closely linked to the U.S. defence industry, to somehow compromise on the notional control that might be retained by Canada? I don't know the answer to that question. I think this committee needs—

Ms. Peggy Nash: Who would know the answer?

Mr. Michael Byers: This committee needs to find out. I find it difficult to conceive that Canada would remain the licensee in the long term, but I'm prepared to be proven wrong on that if someone could do so.

Ms. Peggy Nash: Who would know the answer to that?

Mr. Michael Byers: I think you should ask the Minister of Foreign Affairs and perhaps his lawyers what they think is actually the consequence here. It's of absolutely crucial importance that we discover whether we would retain the licence, because without that licence there's really nothing we can do except be in the queue for the prepaid imagery that we've acquired as a result of the subsidies over time.

Ms. Peggy Nash: Thank you.

Mr. Thompson, thank you for being here.

I've been e-mailed by a number of MDA employees who expressed concern, as you did in your presentation, about working for ATK. Can you describe a little more what your concern is? What is the production of ATK that you find problematic in terms of continuing with MDA?

Mr. Hugh Thompson: As I said, I think the primary things for me were the professional concerns about jobs being lost and Canadian skills disappearing, but on a personal level there are many things that

deeply disturb me about ATK. I don't think it is fair to just say it is the same as another large American weapons manufacturer. They are not all the same.

ATK builds land mines. ATK builds cluster munitions, which presumably will soon be banned or potentially will soon be banned. They build depleted uranium rounds; they're the largest producer in the U.S. of depleted uranium rounds. They are a major contractor involved in missile defence activities. In particular, ATK was a major contractor on the missile that was used to shoot down the satellite a few weeks ago.

The range of activities they're involved in is quite amazing. They've built an airburst assault rifle for shooting around corners. There are a number of things that ethically are extremely questionable.

• (1630)

Ms. Peggy Nash: When you began working for MDA, were you unaware of the potential for the military application of the type of production MDA is involved in?

Mr. Hugh Thompson: I think I'm quite aware of the military involvements of MDA. MDA certainly is involved in military activities and surveillance, and RADARSAT-2 is involved in military surveillance. There's a line that one somewhere draws; everything is shades of grey, but at some point one's involvement is too far beyond what one is willing to accept, and this certainly would push me beyond my line.

Ms. Peggy Nash: Others have expressed the same sentiment.

Mr. Chair, do I have more time?

The Chair: You have 25 seconds.

Ms. Peggy Nash: Very briefly, Mr. Garneau, Canada has made a lot of money from its investment in Canadarm and the space station and other things. It has also in essence given us an entree to get astronauts into space. Do you think that with the sale of MDA, we will continue to be able to have astronauts in the space program?

Mr. Marc Garneau: It's a difficult question.

I think our ability to have astronauts fly beyond the next two or three will depend on whether we cooperate government to government with countries like the United States. They will accept a partnership providing we put something on the table that comes from Canada. That requires both funding and the ability to provide something of value to the combined program. So it's a complex answer. I'm not sure.

The Chair: Thank you, Ms. Nash.

We'll go to Mr. McTeague, please.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Thank you.

My thanks to the witnesses for being here. I have a bit of déjà vu in reverse, recalling Bill C-25, when I was parliamentary secretary, to see Mr. Byers and Mr. Staples again on this.

I guess I'm scratching my head wondering whether this is the best committee or the best vehicle in which to raise the concerns about this particular sale.

We are looking at it from the narrow perspective of the Canada Investment Act, but I'm concerned more abundantly about Bill C-25, the guarantees that may or may not have been in there. Mr. Byers and I would not have anticipated—though perhaps we should have—the future developments that could take place, the buy-out. But I do recall one thing that has not been raised by any of the witnesses at this point, and I'd like to get your comment on it.

Shutter control remains the authority or the purview of the Governor in Council, the Minister of Defence, the Minister of Foreign Affairs, all of which is in the act and the undertaking. I am wondering if any of you could expand on the undertaking and agreement, or on what might be a question of assignment should this company find itself sold to another company. The Canadian government retains some authority from the limited perspective of shutter control, if I recall the legislation well enough.

It seems to me that the deal cannot be a sale without the covenants that were guaranteed and agreed to by the Canadian government when, in 2005, the satellite was conceived and the legislation passed.

Mr. Byers?

Mr. Michael Byers: First of all, I want to apologize for having stumbled on Ms. Nash's question. I had to fly overnight from Vancouver and spend six hours in Toronto airport to get here today, so I'm operating on low batteries.

You have put your finger on the question. Who actually controls which pictures are taken from the satellite and when they are taken? Who has priority access? Who can say “We have this single-hull oil tanker coming into the Northwest Passage, and we need images right now, so that we can send a Cormorant helicopter to do an interdiction before the tanker hits a rock and causes an *Exxon Valdez* type of accident”? That's what we're talking about. How do we have that priority access? How do we have shutter control?

In my reading of the Remote Sensing Space Systems Act, the assumption throughout is that Canada will remain the licensee and as the licensee will retain shutter control.

There is only one section of this act that deals with the transfer of control. It doesn't talk about the transfer of licence, but the transfer of control. That is where you find the test—there needs to be approval for any transfer of control: “In deciding whether to give an approval, the Minister”—i.e., the Minister of Foreign Affairs—“shall have regard to national security, the defence of Canada, the safety of Canadian Forces, Canada's conduct of international relations, Canada's international obligations and any prescribed factors.”

This is the discretion, the override to maintain the licence and therefore the shutter control and everything that you and your colleagues fought so hard to get into this legislation. This is what it's about. Without knowing whether or not we retain the licence, it would in my view be irresponsible to allow the sale to proceed any further.

• (1635)

Hon. Dan McTeague: Mr. Byers, would you recommend that other committees, including the foreign affairs committee, be charged with reviewing this particular case, because of the ramifications you have cited and because it was the committee

tasked with this to begin with? Do you think there should be greater study by that committee at this point?

Mr. Michael Byers: Absolutely. I can't see that the Standing Committee on Foreign Affairs and International Development can avoid this one. This is too big. It's too important a record.

But I think this committee needs to continue to work on this as well. The net benefit test under the Investment Canada Act would in this context incorporate the national security dimension.

The Chair: Mr. Staples.

Mr. Steven Staples: I have only a little to add to Mr. Byers' testimony.

We have to remind ourselves that around \$400 million of the investment was advance purchase of some of that imagery. So we prepaid, like your cellphone, some of the use of this satellite. It envisions a certain ability to jump the queue over other commercial users. So that's important.

Also, the Remote Sensing Space Systems Act, in addition to shutter control, also envisions inspectors being able to go into facilities to ensure that the principles of the act are being adhered to. Now, are we talking about being able to send Canadian inspectors down to Alliant Techsystems' offices to ensure that the data is being used in accordance with the act? I think that's a very good question.

This is a point that's unclear. Even the Library of Parliament, in a study that it did about this sale just a few weeks ago, finally concluded that “...it is possible that the sale of MDA's aerospace division to Alliant Techworks may require some changes to the current licensing arrangements for RADARSAT-2”. That says to me that the laws might have to be changed in order to allow it. So it's not just letting it go. You might actually have to change Canadian legislation to allow this to happen.

The Chair: Okay, thank you.

Thank you, Mr. McTeague.

We'll go now to Mr. Stanton, please.

Mr. Bruce Stanton (Simcoe North, CPC): Thank you, Mr. Chair.

Thank you and good afternoon to our witnesses. It is certainly an intriguing topic by any measure.

In light of the previous discussion, I'm mindful of the minister. Even though we're dealing with it in the context of and through the lens of the Investment Canada Act, which has the net benefit test but doesn't include national security tests, clearly the RSSSA does.

Citing the same article as Mr. Staples did—which I have also reviewed—I note there are some serious questions about the issues around licensing, and so on. I'm going to direct this to Mr. Garneau if I can, because you're the one witness here who has the ability to look at this from the CSA perspective, as you were there during this period from 2001 to 2004. It would appear from our discussion today that the die is in many respects cast here. Is that what you would say? This was a contractual agreement between the Government of Canada and a privately held company, MDA, with shareholders, and there were certain deliverables agreed to in the course of those agreements.

I've been struggling here to understand how a simple change in the shareholdings of that particular company would change any of those contractual arrangements or obligations that the company, or its parent or successor company, would have.

Mr. Garneau, would you have any comment on how any of this would change those obligations?

Mr. Marc Garneau: You're right, it was an arrangement between the Government of Canada and a company, MDA, back in the late 1990s. I have never seen the documentation from that time, and I was not there at the time, but I don't think it had any provisions about what would happen if MDA decided to sell to another party. So perhaps that part of it just wasn't brought into this.

However, what did change was Bill C-25. That was not something that was envisaged back in the late 1990s, but it was something brought about six or seven years later on. I'm not an expert on Bill C-25, but you've heard some of the comments made by Professor Byers, and I think it is something that has changed the equation in regard to respecting the engagements of a company that gets sold to another company, in this case an American company.

• (1640)

Mr. Bruce Stanton: Mr. Garneau, do I have this right, that because of the large financial commitments made to the production and development of RADARSAT-2, MDA was in fact operating the satellite under licence from the Government of Canada?

Mr. Marc Garneau: Are you talking about RADARSAT-1?

Mr. Bruce Stanton: Both.

Mr. Marc Garneau: Well, RADARSAT-1 was a separate arrangement, and the operator of RADARSAT-1 was the Canadian Space Agency. We operated it. The data, however, were marketed by MDA through their subsidiary, RADARSAT International. They were quite successful in marketing this imagery to well over 60 countries, and they had a worldwide reputation and a network—in fact, a network of ground stations—throughout the world.

The promising success with RADARSAT-1 led to the decision by the government to go into this public-private partnership for RADARSAT-2, because this was a unique opportunity for Canada to capture the market with even higher-definition imagery, a market that the Canadian government and MDA clearly felt was going to exist. So it would not only satisfy government requirements with respect to sovereignty, security, etc., but it would also allow MDA to capture a very important segment of the imagery market.

Mr. Bruce Stanton: I am out of time. Thank you very much, Mr. Garneau.

The Chair: Thank you, Mr. Stanton.

We'll go now to Monsieur Vincent.

[*Translation*]

Mr. Robert Vincent (Shefford, BQ): Thank you, Mr. Chairman.

This afternoon's testimony is proving to be quite interesting. I've learned that the federal government injected \$434 million in the development of this satellite. It invested no less than \$155 million in other MDA projects and \$30 million in national security. Now, after making all of these investments, it is prepared to sell RADARSAT-2.

You also spoke about surveillance activities in the Northwest Passage. This has been a key part of this afternoon's discussions. The fact remains that ATK is a company undergoing a complete strategic restructuring. Where once it manufactured munitions, the company is now becoming a leader in the field of advanced precision weaponry, space technology and the production of increasingly sophisticated combat weapons. Their strategy includes the purchase of companies that own technologies capable of improving their ability to manufacture high-tech weapons.

Therefore, if the company purchases RADARSAT-2, do you think it will do more than just monitor activities on Canadian soil?

[*English*]

The Chair: Go ahead, Mr. Byers.

Mr. Michael Byers: Thank you for that.

RADARSAT-2 is particularly good at the mapping of sea ice. It can actually measure the thickness of the ice. This is part of the reason we developed it; part of the way it was developed was to fulfill this kind of purpose. It's very good at tracking vessels; it is even reportedly able to detect submarines that are in relatively shallow water, as they might be were they entering the Northwest Passage. So this technology is almost purpose-built and purpose-designed for our northern sovereignty assertion needs.

It just happens, in parallel to that, to be extraordinarily good for a host of military applications, including tracking armoured vehicles at night through clouds and helping to identify targets of various kinds. It's this dichotomy between the peaceful purposes and the military purposes that to some degree engages the discussion we're having today, because ATK doesn't want it for ice mapping; it wants it for the military applications. Canada needs it for these peaceful purposes.

Whether Canada might wish to explore some of these other purposes as well is, I think, something this committee needs to consider. We do have armed forces engaged in combat operations overseas that could benefit from this kind of imagery as well. Now, it's pretty obvious that in the context of a coalition with the U.S. armed forces, we're probably sharing imagery very freely, but here's another reason we might want to keep this imagery under our shutter control: if, for instance, in some future scenario we are in a foreign conflict without our American allies, we might decide that we need shutter control in order to get priority imagery so that we can actually protect our soldiers in the field.

There are lots of reasons and lots of applications, but this satellite was built to give us that sovereign capacity—to say we need something here and we need it now.

• (1645)

[*Translation*]

Mr. Robert Vincent: Ultimately the only ones to benefit from this sale will be ATK, and MDA in particular, given that it has invested, as you mentioned earlier, Mr. Staples, \$90 million in the building of this satellite. This company stands to pocket in excess of \$1 billion.

Why would the Government of Canada want to sell this satellite and this technology, since it paid for it?

[*English*]

The Chair: Go ahead, Mr. Staples.

Mr. Steven Staples: It's difficult to say.

Clearly we'd have to ask the government about that, but in some cases you've seen arguments that foreign investment in a particular Canadian industry could be beneficial in terms of building more jobs and more investment within Canada. You could see it perhaps in the auto sector or other industries, but in this one in particular, because it's of this particular nature. It's in defence-oriented capacities of a highly classified aspect, areas in which we already have problems within ITAR. Some workers have been sent off the line in some Canadian plants in other areas because of ITAR issues with dual nationalities. So I think that's really a question for the government to answer: where is the benefit to Canada from the sale?

[*Translation*]

Mr. Robert Vincent: Do you think that we have been backed into a corner by the Americans and forced to sell our satellite? Why would we even consider selling it?

[*English*]

The Chair: Okay.

[*Translation*]

This is your last question.

[*English*]

Mr. Byers, do you want to answer?

Mr. Michael Byers: One doesn't need to be a conspiracy theorist to be concerned about this sale.

The Chair: Thank you.

On that note, we'll go now to Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): You mean the conspiracy note?

The Chair: No, no.

Mr. Dave Van Kesteren: Thank you, Mr. Chair.

I want to thank all the witnesses for coming.

There's another obvious fact, and nobody is talking about it. I think everybody knows that this government and previous governments have spent a large amount of money—I think it's something to the tune of \$9.7 billion. Recently I think there was \$3 billion

provided at arm's length to organizations for science and technology. I think our last budget invested \$2.7 billion.

On the one hand, it's our desire, it's everybody's desire, it's Canadians' desire, I think, to build a strong science and technology industrial base. On the other hand, the government is the guardian of the public purse.

Mr. Thompson, I applaud you for your stand of principle, but you're the only person here who's from MDA. How many employees do you have in this company?

Mr. Hugh Thompson: There are about 3,000 employees worldwide.

Mr. Dave Van Kesteren: Now, if—

Mr. Hugh Thompson: Not all will go as part of this transaction.

Mr. Dave Van Kesteren: Okay, but it's a fairly large organization.

In my hometown riding we have a truck plant, and they always like to talk about order papers on the board. How many order papers do you have on the board? Do you have orders for more of these things?

• (1650)

Mr. Hugh Thompson: Well, MDA is quite a diverse company that does a lot of different things.

Mr. Dave Van Kesteren: Okay, but whatever they make, do you have a lot of orders on the board?

Mr. Hugh Thompson: That's probably partly why the company is splitting, in some sense. There is an information products division that will go on and still be MDA, and that company does a lot of Internet transactions with thousands of things happening every second. But in terms of satellites, there are only so many satellite orders on the books, and that's not a very large number.

Mr. Dave Van Kesteren: Are there any on the books? Are there any satellite orders on the books?

Mr. Hugh Thompson: Yes.

Mr. Dave Van Kesteren: Is the factory busy?

Mr. Hugh Thompson: Well, MDA is currently busy making missions that have been booked, but it's true that there is a coming shortage of future space missions.

Mr. Dave Van Kesteren: So we've invested a huge amount of money. What was it, \$435 million?

A voice: Yes.

Mr. Dave Van Kesteren: Didn't the government—and it doesn't matter which, the government at the time—have a plan, while they were investing this money, to build an industry, to build capacity, so we would create jobs for Canadians? I mean, it's great to do this stuff, and I'm as proud as anybody else of this satellite, but wasn't there a plan to build an industry? Have we failed?

Maybe I should ask this question to Mr. Garneau.

Mr. Hugh Thompson: I think we have built an industry, and it has been successful. The government has even planned to build future satellites along the lines of RADARSAT-2, such as the RADARSAT Constellation mission I mentioned.

Mr. Dave Van Kesteren: That's good. I recognize it.

I'm looking at it, I guess, as a businessman. I'm looking at it as an industry that has to make some money. Have we succeeded?

I think I want to switch to Mr. Garneau.

The Chair: Mr. Van Kesteren, Mr. Garneau has indicated that he'll go. And Mr. Byers would like to answer.

Mr. Dave Van Kesteren: Okay.

The Chair: So we'll go to Mr. Garneau first.

Mr. Marc Garneau: Yes, the whole idea is to grow the Canadian space industry. We keep revenue figures, and from 1996 to the present it has grown considerably. It's about a \$2.5 billion industry in terms of revenues, looking at all space services and products, and it has grown steadily over time.

So yes, that is the plan, and it's also to build that capability.

The challenge that Canada has, if you compare us to the United States.... Look at Boeing or Lockheed Martin. They're big guys in the United States. They have access to potential contracts from NASA, which has a \$17 billion annual budget, about 55 times bigger than the Canadian Space Agency budget. And I'm not mentioning their military budget, which is not published, but it is at least as big as the civilian budget. So when difficult times occur within the civilian side, there are huge projects on the military side. Companies like Boeing and Lockheed Martin are sustained even through difficult times because there is such a large number of programs coming from the U.S. government.

In Canada we have a challenge: we have a \$300 million budget. With that budget we try to satisfy our Canadian requirements, what I told you before about trying to build the industry as well. It's a tribute to our industry that it's managed to secure as many export sales as it has.

But it is not a free trade situation when it comes to the aerospace industry, and that is why in my final comment I said that we also have to provide Canadian companies like MDA with some viable continuity in Canada because of—

The Chair: Mr. Garneau, we're well over time, and I did promise Mr. Byers he'd have a moment.

Mr. Michael Byers: I want to come back to my analogy of the polar icebreaker that your government has so wisely committed to build, and also to the six to eight ice-strengthened patrol vessels.

First of all, you're not going to get that kind of service, that kind of public good, provided by the private market. Secondly, if you wanted to acquire those vessels at the very cheapest price, you'd actually buy them from South Korea or Finland, and I sure hope that your government has decided you're going to build them in Canada.

There are some things that cannot be reduced to a bottom line, as much as we would like them to be.

The Chair: Okay, thank you.

• (1655)

Mr. Michael Byers: I think we need to consider RADARSAT-2 in the context of that icebreaker—as sovereignty assertion.

The Chair: Thank you, Mr. Byers.

Thank you, Mr. Van Kesteren.

We'll go to Ms. Nash, please.

Ms. Peggy Nash: Well, all of the witnesses have expressed opposition to this sale. Some people have evoked the memory of the Avro Arrow. The minister has the power to block the sale if there's no net benefit, but if the sale is blocked, then it raises the problem of future business for MDA.

I note that Canada has no space policy. Perhaps we've failed to fully invest in our space program. So my question is, are we living up to our potential with this sector? It seems as though Canada has been a real pioneer, a real innovator, very successful, but we have no space policy. Does that matter? And if the deal does not go through, what are the alternatives?

I throw that out to all of the witnesses.

Mr. Steven Staples: In my experience, we have been trying to advance the idea of a space policy for Canada. The Rideau Institute has been engaged with a variety of stakeholders within government, in the public sector, and in the private sector.

To address Ms. Nash's comments and the previous ones, it seems to me that investment in the space industry, even as small as it has been, has yielded tremendous results. For instance, the Canadian government put \$150 million into Canadarm for the space shuttle, and revenues coming back out of that were in the range of \$900 million. In the international space station, the government invested \$1.4 billion, which resulted in economic activity between 1991 and 2000 of \$2.7 billion and provided 45,000 person-years of employment.

So I think it has been a huge net benefit and works on an economic and financial model. These figures are provided by Athena Global, which is a space investment firm. I've met with its president, Andrew Eddy, who raised the alarm at a recent round table we held that Canada's investment in space and our industry is slipping. In fact, among the G-8, we are one of the few members whose investment in space, as a percentage of GDP, is actually going down, whereas everyone else is moving up. With statistics like this, we know why the Europeans, the Americans, and the other countries are putting investments in space, and we do need a policy.

So if we are to properly nurture this—and Mr. Thompson has talked about other programs that have been sitting on the order books unfulfilled that MDA could be participating in—they wouldn't need to do a sale like this. Their shareholders would be perfectly happy and the Canadian taxpayers would be happy, and we would have a vibrant industry producing wonderful technologies and astronauts.

The Chair: Mr. Byers.

Mr. Michael Byers: I agree with Mr. Staples, in that I have no worry whatsoever about MDA continuing to make handsome profits even if the sale of RADARSAT-2 is blocked.

RADARSAT-1 made \$26 million in 2004 alone for the federal government, much of that from these kinds of green activities: ice-mapping, agricultural, and forestry. There's a huge demand for high-quality imagery.

What MDA is doing is chasing the easiest market, which is the military market, and primarily the U.S. governmental military market. But forced to compete for other kinds of contracts, there's no question in my mind that this technology can compete with the very best technology in the world, and MDA will make lots and lots of money even if the satellite stays in Canada.

Ms. Peggy Nash: Mr. Thompson, do you have any thoughts on it? I've heard about this Constellation mission and its environmental applications. Is that something that is being invested in or could be more fully exploited?

Mr. Hugh Thompson: Yes. The RADARSAT Constellation mission is the follow-on to RADARSAT-2 and is something for which the government approved funding but hasn't been fully spending that funding. The CSA has not been spending that funding. It is those kinds of projects that would allow MDA to continue doing what it has been doing so well in the past.

I think it is true that MDA will have a hard time if it has no access to U.S. markets and there is no stable and reliable source of space funding in Canada with the space policy.

It is difficult for MDA in the current climate to continue doing what it has been doing, when funding has not been coming in the way it was in the past.

• (1700)

The Chair: Mr. Garneau, do you want to just wrap this up then?

Mr. Marc Garneau: Yes. Thank you, Mr. Chair.

The Constellation program I'm very familiar with, because it was a memorandum to cabinet when I was president, and this was a logical follow-on to RADARSAT-1, then RADARSAT-2, and then to Constellation. The advantage of the Constellation, of course, is that instead of going over the Northwest Passage once every twelve hours, with RADARSAT-3 you go over it once every four hours. Canada is a very, very large country, and the advantage of having a Constellation is largely because of more frequent revisit times.

As to Ms. Nash's comment concerning a policy, we do not have a national space policy here in Canada. We've done some great things over the years. Different governments have done great things, but it would be, I think, appropriate at this time for us to create a national policy that identifies what we expect to get from space and to prioritize our objectives with respect to space.

The Chair: Okay. Thank you.

Thank you, Ms. Nash.

We'll go to Mr. Simard, please.

Hon. Raymond Simard (Saint Boniface, Lib.): Thank you very much, Mr. Chair.

I'd like to thank the witnesses for being here this afternoon.

I guess my first question—and I'm not sure who can answer it—is whether or not there are other companies here in Canada that have technology that is even close to this. We haven't talked about that. I know that Bristol Aerospace produces satellites in Winnipeg. Are they for a completely different purpose? In other words, is this the only company that we can count on to do the things that this satellite is doing?

Mr. Garneau.

Mr. Marc Garneau: I believe I can answer that. Bristol Aerospace can make small satellites—sometimes called micro-satellites—that are definitely in the small category. Again, there was a deliberate decision to build that capability within Canadian industry. That is nothing compared to a satellite that costs half a billion dollars called RADARSAT-2.

Let me tell you, RADARSAT-2 took a long time to design and build, quite a bit longer than was originally forecast. It was because we were not only having to take the time to build the satellite, but because MDA in a sense had to learn to build the satellite. This was its first satellite, and it was a big one. We took the time, and we put the resources into building what is a fantastic satellite.

There is no other Canadian company that has anything near that.

Hon. Raymond Simard: Thank you.

My second question is whether the U.S. government owns its own satellites or it deals strictly with the private sector to get their images.

From what I've heard today, this seems to be quite important for national security for many other reasons. Would this be important enough for the Canadian government to get involved in the purchase of MDA?

Mr. Marc Garneau: NASA has satellites that it owns. The private sector, largely in the communications satellite business, has satellites that it owns, and the military in the United States of course owns its own military satellites.

The arrangement that we had with MDA was rather unique. I don't think there was anything comparable in the United States.

Hon. Raymond Simard: I was a little bit disappointed that there wasn't anyone here who could maybe speak to the other side of this thing and maybe inform us as to what the net benefits to Canada are. This may be a very difficult question, but do you have any idea which arguments they would be bringing forward with regard to the net benefits to Canada of selling this company to an American company?

The Chair: Does anyone want to answer that question?

Mr. Byers.

Mr. Michael Byers: MDA's shareholders will benefit enormously.

Hon. Raymond Simard: I know that anyone who has visited the Canadian Wheat Board and has seen the satellite images there and how they use it to Canada's advantage.... I'm not sure if this is a satellite that does this, but it follows crops across the country and the advantages that it has. Is this done through Telesat?

• (1705)

Mr. Marc Garneau: Telesat is strictly, at the moment, operating communication satellites, so it doesn't get into the earth observation side of things.

Hon. Raymond Simard: I guess the challenging thing is going to be how we tell MDA that they can't sell their company. I guess there's a very rugged test, and one of the tests is the effect of the investment on Canada's ability to compete in world markets.

You're telling me that there is nothing even close to this. So this is going to be a very difficult test for the company to meet—the effect of the investment on Canada's ability to compete in world markets. If we sell this, we will no longer be able to compete in world markets, according to you, Mr. Garneau.

Mr. Marc Garneau: If we were to go ahead with the Constellation, which MDA is completely capable of building—they came up with the concept; and if we were to go ahead with the ExoMars project, for which they persuaded the Europeans to allow us to build the rover that would go on this European mission to Mars; and if we were to build a hyperspectral satellite, which they have been urging us to do for a very long time, and which incidentally is extremely good for crop monitoring and for forestry monitoring and for natural resources monitoring and even discovery; if we were to do these things, which are in the national interest of this country, I am sure MDA would be very happy to continue with Canadian ownership.

The Chair: Mr. Byers wanted to comment on this.

Mr. Michael Byers: I don't want to impute bad faith onto MDA, but I do want to suggest that MDA was certainly aware of these limitations and in fact was very closely involved in the consultation on the draft legislation. So MDA went into this arrangement with its eyes open and certainly would have been aware of the assumption on the part of the very many people, myself included, who commented on this legislation, that this satellite would stay in Canadian hands.

We would not be surprising MDA by blocking this sale for national security or other reasons.

The Chair: Okay, thank you.

We'll go to Monsieur Arthur, please.

[Translation]

Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.): Thank you, Mr. Chairman.

I am flabbergasted somewhat by the reaction of the four witnesses to Mr. Simard's question.

[English]

All four of you came here as experts, people who know more than we and will teach us things we need to know. He asked you a question that has a direct relation to your good faith: What would the benefits be of this transaction, if people wanted to defend this transaction? And all four of you stayed silent.

I have a hard time with your good faith when I observe the reaction of so-called experts. Anybody want to give it a second try?

The Chair: Mr. Garneau would like to.

Mr. Marc Garneau: Yes, certainly. It's a little hard, when you're remote, to give the right signals, but I believe MDA would bring forward the following arguments.

I believe they would say it was a good business decision for the shareholder, and I agree with that. It was also necessary because it was not able to penetrate the American market, which is the giant. It's the gorilla in the tent. Therefore with the company coming under American ownership, it will have access to contracts in the United States, whilst the company, the plants and the installations, will

remain in place in Canada. Therefore this is good, because the Canadian companies will get more contracts and will actually grow.

I believe that is the argument they would bring forward.

[Translation]

Mr. André Arthur: Thank you, Mr. Garneau. You say that the Canadian space industry has a difficult time making inroads into the US market. Didn't the Canadian Space Agency have a clear mandate to represent and promote this industry to US agencies?

Mr. Marc Garneau: That was part of its mandate, or one of its responsibilities. However, you are talking about challenges confronting the Department of Foreign Affairs and International Trade. Certain obstacles are virtually insurmountable: existing regulations, in particular ITAR regulations, and the fact that there is no free trade in the aerospace industry because this area has considerable strategic importance for that country. And even though the Canadian Space Agency has managed to make inroads into the US market by forging alliances with NASA, that is only a small segment of the US market.

• (1710)

Mr. André Arthur: However, that was the crux of the Canadian Space Agency's mandate at the time. It was supposed to showcase Canadian talent to US users. Or, am I wrong about that? Can we agree that the Agency has failed to fulfill this part of its mandate?

Mr. Marc Garneau: No, certainly not. Our mandate was to promote the aerospace industry [*Editor's note: technical difficulties*].

[English]

The Chair: I'll look into that, but we did have Mr. Byers and Mr. Thompson who wanted to respond. We'll try to fix the logistics.

Mr. Michael Byers: With all respect, I think the reason there was initially silence on my part was that although I know the argument, or some of the arguments, MDA is advancing, I don't actually objectively grant much weight to them.

I did mention the benefit to the MDA shareholders. There is the argument that it will keep some of the jobs in places like Richmond, B.C. My problem with that is that you start running into these limitations in terms of classified activities in the United States, and the inevitable, in my view, long-term consequence—

Mr. André Arthur: I didn't ask you to repeat the same argument, sir. I was trying to use you as an expert, not as a fighter.

Mr. Michael Byers: Let me just say that if you want that information you should call the CEO of MacDonald Dettwiler. I cannot speak for him.

Mr. André Arthur: Okay. So you're not an expert. You're an advocate?

Mr. Michael Byers: No. My job as an expert is to call it as I see it, and that is what I do.

Mr. André Arthur: As one-sided as it seems to be.

The Chair: Mr. Thompson wanted to...

Mr. Michael Byers: If I think it is correct, it may appear to you to be one-sided.

Mr. André Arthur: It is.

The Chair: Okay. Mr. Thompson wanted to comment.

Mr. Hugh Thompson: I think Marc Garneau actually made pretty much a good case for the main arguments that MDA management would put forward.

I think it is wrong to claim that I am an expert. I am not an expert on these matters. I am here as an individual and as an employee describing the effect that it has on me as a person.

I think Marc Garneau did state more or less the correct arguments. I think the other argument that is quite significant is that MDA believes that jobs will stay in Canada as a result of this sale. I had assumed that you had heard those arguments, so I was making the case that because of ITAR and other restrictions I don't think they will. But the argument by MDA is that a small portion of classified U.S. space contracts is better than no contracts.

The Chair: Okay. Thank you.

Mr. Staples, just briefly to wrap up.

Mr. Steven Staples: Very briefly, just to correct the record, the actual agency that's designed to promote Canadian industry to U.S. governments and other government buyers is the Canadian Commercial Corporation. They are the ones that administer the defence production sharing agreements with the United States and they handle all Canadian industry sales to NASA.

It's my understanding that the process of this committee is that each party is able to put forward its own lists of witnesses. So I would assume that there is some balance built in when all the parties participate in that.

Certainly I would hope that if all the views aren't represented here that there could be certainly more hearings and we could hear some of the other people.

The Chair: Okay. Thank you.

Merci, Monsieur Arthur.

I'm sorry, we're out of time here, Ms. Nash.

Ms. Peggy Nash: Can I just make a point of order?

The Chair: A point of order. Ms. Nash.

Ms. Peggy Nash: Yes, my point of order is that it's a little unfair to criticize the witnesses who did come when we are the only party that submitted a list of witnesses, and included in those witnesses was a representation from MacDonald Dettwiler and they declined to participate in our committee today. So given that the member opposite did not even suggest witnesses, no one else put witness names in—

• (1715)

The Chair: This is a point of debate, Ms. Nash.

Ms. Peggy Nash: —I think it's unfair to criticize the witnesses who did come.

The Chair: Ms. Nash, you've made your point, but it is a point of debate, not a point of order.

Ms. Peggy Nash: Oh, sorry, Mr. Chair.

The Chair: With respect to MDA, I do want to say they were invited. They felt that the timeline was too short. And to be fair, it was a very short timeline, as Mr. Byers said; I mean, he came here and flew overnight. So it was a short timeline to appear, but they were invited. I just want to clarify that for the members of the committee and our witnesses here today.

I do want to thank our witnesses for coming here today. I think it was a very substantive discussion. We may as a committee look into this further, I don't know, but we appreciate your presentations here today.

If you have anything further to submit to the committee, please do so and we'll ensure that all members of the committee get it. Thank you.

The meeting is adjourned.

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