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Chair

Mr. James Rajotte

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• (1105)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): Members, we have two panels with us today. They are here pursuant to Standing Order 108(2), a study of the proposed sale of part of MacDonald Dettwiler and Associates Ltd. to Alliant Techsystems.

Our first panel is three guests from the Canadian Space Agency, the president, Mr. Guy Bujold; the director of earth observation projects, Mr. Luc Brûlé; and thirdly, we have the director of legal services, Mr. Robert Lefebvre.

Mr. Bujold, I believe you'll be making an opening statement on behalf of the CSA, and then we'll go to questions from members.

[Translation]

Mr. Guy Bujold (President, Canadian Space Agency): Mr. Chairman, firstly I would like to thank you and the members of the Committee for the opportunity to address you today.

As you said, I am joined here this morning by Luc Brûlé, Director of Earth Observation projects at the Canadian Space Agency, who is also the Program Manager for RADARSAT-2, and by Mr. Robert Lefebvre, Director, Legal Services, at the Canadian Space Agency.

[English]

As you may be aware, the mandate of the Canadian Space Agency is to promote the peaceful use and development of space for the social and economic benefit of Canadians.

My remarks today will focus on the Canadian space program, the current context of Canada's space industry, and the Canadian Space Agency's relationship with MDA.

[Translation]

With the launch of *Alouette* in 1962, Canada became the third nation in space, after the former Soviet Union and the United States.

Canada's achievements in Satellite Communications, Earth Observation and Space Exploration are the result of visionary, targeted and sustained efforts.

For example, thanks to the previous investments in space, our communications satellites now link far-flung communities.

With the launch of *Hermès* in 1976, Canada was the first country to have its own direct broadcast satellite.

[English]

Satellite data helps ships to navigate our waters, helps us to track oil spills and monitor natural resources, and assists disaster response in Canada and the world over. Canadian-developed space-borne instruments provide critical information on changes occurring due to global warming and in the protective ozone layer.

Despite its relatively modest size, the Canadian space program has flourished because of ingenuity, strong cooperation with industry and the research community, and targeted investments, as I have mentioned.

NASA and the European Space Agency recognize the Canadian Space Agency as a valued and trusted partner. Simply put, in terms of the return on our investments in space and our place in space activities, Canada punches well above its weight.

At the outset of the space program, the Government of Canada identified key areas in which Canadian science and technology could develop and excel. The role of the Canadian Space Agency has been to help set the strategic direction for the Canadian space program, a program delivered in close collaboration with Canada's national space industry.

Mr. Chairman, the Canadian Space Agency has worked to find the most effective and cost-efficient means to deliver benefits to Canadians. An important way of doing this has been to support a viable and competitive space industry.

The Canadian Space Agency Act states specifically that one of our functions is to “promote the transfer and diffusion of space technology to and throughout Canadian industry”.

Our relationship with industry and academia is key to us. Approximately 65% of the Canadian Space Agency's annual budget is contracted out.

This approach has been mutually advantageous. It has provided us with a means of leveraging the talents of our space industry and science community to generate meaningful benefits for Canadians. It has also produced significant economic benefits for Canadian industry. With 200 firms—mostly SMEs—employing 6,700 highly skilled employees, Canada's space industry generates roughly \$2.5 billion in annual revenues, 50% of which are from exports, the highest ratio in the world.

Let me speak briefly about our relationship with MDA.

•(1110)

[Translation]

Members of the committee, the Canadian Space Agency has had a longstanding and productive relationship with MDA. In the past five years, approximately \$430 million of the Canadian Space Agency contracts have been awarded to MDA. This represents 50% of the Canadian Space Agency's overall contracts to business in that time period.

Many are familiar with the most visible products of this relationship: the Space Shuttle's Canadarm; Canadarm2 and now Dextre on the International Space Station; RADARSAT-1 and RADARSAT-2.

Questions have arisen regarding the nature of the deal with MDA surrounding RADARSAT-2. Under the Agreement between the Canadian Space Agency and MDA, MDA owns RADARSAT-2, and the foreground intellectual property. MDA Geospatial Services Inc., a subsidiary of MDA, is the licensed operator of the satellite, which, incidentally, is and will continue to be operated from the Canadian Space Agency's own facilities in St-Hubert.

In return for its investment in RADARSAT-2, the Government of Canada will receive \$445 million worth of data over the lifetime of the satellite. The Agreement contains provisions to ensure the Government of Canada receives its pre-purchased data over the useful lifetime of the satellite.

At the Canadian Space Agency, we are reviewing the contracts we have with MDA in order to ensure that the government obtains the services and products it has contracted for with MDA, and, as such, to ensure that Canadians fully obtain the benefits from those undertakings.

[English]

Thank you for your attention. We're open to questions from the committee, Mr. Chair.

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

We'll now go to questions from members. We'll start with the first round of six minutes.

Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you very much for joining us today.

Is there any other Canadian company with the same capacity to build complex earth observation satellites that MDA has?

Mr. Guy Bujold: The Canadian space sector, as I indicated, includes a number of firms, 200 firms roughly, who do various parts of the business. MDA—and I know you'll have people from MDA testifying after I do—occupies a particular niche inside that constellation of companies, where they have the capacity, and they've demonstrated it in the past, to handle major, large-scale satellites. So this would be the niche—

Hon. Scott Brison: So there's no other company in Canada with the same capacity?

Mr. Guy Bujold: There is no other company in Canada that currently is in that particular area of business.

Hon. Scott Brison: With 50% of the Canadian Space Agency's contracts going to MDA currently and with there only being one company, MDA, capable of building complex earth observation satellites, how is it consistent with your stated mandate to promote the space industry that this deal continue? Would it not decimate the Canadian space industry if this deal is concluded?

Mr. Guy Bujold: Well, I think, first of all, it should be underlined that we are talking about a transaction that has essentially yet to occur and for which we don't know the final results in terms of the location of the activity, etc.

The Canadian Space Agency, and the Canadian government through the Canadian Space Agency, requires a certain capacity in order to be able to deliver on the mandates in space. It is true that the Canadian Space Agency has in the past promoted the development of that capacity so as to be able to respond to those needs. Until and if the deal is consummated, it's impossible to speculate on what the impacts would be as a result of it.

•(1115)

Hon. Scott Brison: So you're saying that until the deal is approved, you will not have access to all of the information as to what the impact would be on the future of Canadian sovereignty or the future of Canada's space industry?

Mr. Guy Bujold: No, I've not commented on sovereignty. What I've said is that the nature of the resulting entity will matter in terms of how we can engage it in terms of meeting the needs of Canada in the future.

Hon. Scott Brison: Under the Remote Sensing Space Systems Act, it is the Minister of Foreign Affairs who has the responsibility to determine whether or not a transaction like this is ultimately compromising Canadian sovereignty, or at least control over RADARSAT-2 and its images.

In the House yesterday it was indicated that the minister is no longer responsible for this and that another minister has been designated. Are you aware of whether the government has taken the unusual step of taking this responsibility away from the Minister of Foreign Affairs and providing the responsibility to the Minister of Industry in this case?

Mr. Guy Bujold: No, I am not, and as you pointed out in the introduction to your question, the RSSSA is the responsibility of the Minister of Foreign Affairs, and I'm afraid that question probably should be addressed to him.

Hon. Scott Brison: We were told previously that one reason it's in the commercial interests of MDA to be sold to an American company is that to have access to U.S. space program contracts is critical to any space industry participant, and that through ITAR and other U.S. security laws there's more and more discrimination against Canadian companies.

Are you aware of what the impact of ITAR and other U.S. security laws would be on RADARSAT-2 and the images, in terms of the access for the American government to those images?

Mr. Guy Bujold: Again, the responsibility of the Canadian Space Agency is to ensure that the terms of the contract we've entered into with MDA would be respected, regardless of what the outcome of these deliberations would be and the decision of the government. So with regard to the effect of ITAR on the Canadian space industry generally or what the effects of RSSSA licensing are, those are questions that are not within the purview of the president.

Hon. Scott Brison: Have you seen a negative impact on the Canadian space industry as a result of ITAR and other U.S. security measures?

Mr. Guy Bujold: We, like you, have read reports to the effect that ITAR does create a complication for Canadian firms to enter into the U.S. market, but this is not a space-specific comment. As we know, it affects a number of other segments of the Canadian industry.

Hon. Scott Brison: Other countries, like the U.K. and Australia, have negotiated ITAR exemptions for their defence and space industries to do business with the American defence and space industries. Shouldn't the Canadian government be doing the same to help create a more vigorous space industry here in Canada?

Mr. Guy Bujold: I think that's an interesting policy question that you might want to address to the government or to a representative of the minister, but the president of the Canadian Space Agency, unfortunately, is not in a position to answer that.

The Chair: Thank you, Mr. Bujold.

Thank you, Mr. Brison.

We'll go to Madame Brunelle.

[Translation]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good morning, gentlemen. Good morning, Mr. Bujold.

Mr. Bujold, you told us that the Canadian Space Agency has awarded a number of contracts to MDA. Indeed, MDA owns RADARSAT-2. The sale of MDA to a US company is obviously what concerns us the most. As we are not privy to the details of the contract between MDA and the Canadian Space Agency, we have no means of knowing whether the Government of Canada would retain the right to interrupt service were RADARSAT-2 sold to a foreign company. I would like to know whether the Canadian government will retain control over the images for reasons of national security and whether it will retain priority access in the event of an emergency, in the event of flooding, for example.

Are you able to confirm that the Government of Canada will be retaining these two rights, rights which we believe to be absolutely essential in terms of our security?

• (1120)

Mr. Guy Bujold: I can confirm that an agreement has been signed between the Canadian Space Agency and MDA that governs all phases of the RADARSAT-2 project, including construction and orbit insertion. This means that once the satellite is operational, in other words, once the requisite technical standards, amongst others, have been attained, the provisions of our contract with MDA will ensure that the Government of Canada gets what it is due under the terms of the agreement.

Ms. Paule Brunelle: Can we really be certain that the Government of Canada will always be able to access RADARSAT, its images and its data once MDA passes into U.S. ownership? What would happen if the Americans refused on grounds of national security?

Mr. Guy Bujold: As I said in answer to Mr. Brison's question, the deal has not yet been finalized. In order for both the deal and the licence transfer to comply with the Remote Sensing Space Systems Act, they still have to be approved by a number of people, including the Minister of Industry. As the President of the Canadian Space Agency, I have to ensure that the undertakings given to the Canadian government in the contract between the Canadian Space Agency and MDA are met.

Ms. Paule Brunelle: RADARSAT was developed largely thanks to Canadian public funds. You have to understand that we want to ensure that we get our money's worth, as opposed to losing everything to foreign interests. Obviously, the contract has not yet been finalized—that is why we are asking questions today. We want to know whether we should oppose the sale; we want to know what the minister should do. We need to be fully informed.

Mr. Hugh Thompson, an engineer at MDA appeared before this committee on March 5, 2008. I do not know whether you had the opportunity to read his testimony. He said that, due to the U.S. program, Canada could lose access to all the new radar technology developed by MDA. And I would remind you that this is technology that was developed using Canadian taxpayers' money. Mr. Thompson said, and I quote:

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.

What are your thoughts on that assertion? What ramifications could this have for Canada?

Mr. Guy Bujold: I have had the opportunity to read the testimony provided by those who have appeared before the committee to discuss this matter. Allow me to set the record straight on some points. As you said, we are here to help ensure that you are as well-informed as possible so that you can do your job and so that the government can do what it has to do.

Let us be clear, RADARSAT-2 is the intellectual property of MDA, not the Government of Canada. Ever since we introduced this model, this has always been the *modus operandi*. That is the difference between RADARSAT-1 and RADARSAT-2.

Mr. Thompson was speculating about what could happen after the deal has been finalized, without knowing what the various parameters will be. I do not see how such a statement can be based on anything but speculation.

Ms. Paule Brunelle: Listening to you, I wonder whether the Canadian Space Agency is in favour of this deal.

Mr. Guy Bujold: I explained the role of the Canadian Space Agency in this deal earlier. It is the same as it is in any other deal. I would remind you that this is not the first time that property transfers have taken place in the 20 years that we have been in existence. Indeed, when RADARSAT-2 was being built, MDA itself was owned by an American company. Since then, there have been other transfers back and forth in the Canadian space industry. The role of the Canadian Space Agency is to ensure that, should such deals be finalized, Canadian taxpayers receive the goods and services they are due under the terms of the contract.

• (1125)

The Chair: Thank you, Ms. Brunelle.

[*English*]

We'll go to Mr. Carrie, please.

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

I want to thank you very much, Mr. Bujold, for being here today. You mentioned in your last answer that there has been a lot of speculation over this issue, and it's really important to have you here to kind of delineate the difference between speculation and facts.

In response to my Liberal colleague and the issues he raised about ITAR, the government and the appropriate ministers are working very hard to address these very important issues between Canada and the United States.

But I want to talk to you today about the future of Canada's space agency and Canada's space program. Many people are saying it's rather bleak, yet there are a number of great programs out there. The minister recently announced the astronaut recruitment program, the conclusion of the James Webb space telescope, the joint venture with NASA and the EU, our ongoing commitment to the international space station until 2018, and of course the RADARSAT constellation program that was at the feasibility study stage.

I wonder if you can comment on what the impact of these programs will be on the future of Canada's space agency.

Mr. Guy Bujold: Thank you very much for your question.

When we at the Canadian Space Agency look to the future, we do not see a bunch of dark clouds on the horizon. We look back at what the Canadian Space Agency has been able to achieve over the last years. We look forward to things in the future—some of which you mentioned—and continued successful ventures by the agency.

Canada has done remarkably well in the area of space, and we're not flattering ourselves when we say this. I think this is recognized and there are others who say this. NASA and the European Space Agency look to Canada as a significant partner, and continue to do so. They come to us essentially for our contributions.

You indicated a number of initiatives that are under way, and some just recently completed. We have just put Dextre, the final contribution of Canada's robotic suite, on the space station that went up. It's a successful piece of ingenuity. It demonstrates Canada's knowhow in the area of space.

You mentioned the James Webb space telescope, which is the in-space telescope that will replace Hubble as the next generation. It's a

huge piece of the kit, and Canada, through the Canadian Space Agency, is contributing to that.

I could go down a list of other achievements. A lander that's going to Mars in May, I believe, contains a piece of Canadian technology. The weather station on that contains some Canadian technology.

There's always more that we could be doing, but I'm quite convinced that the future is fairly bright.

Mr. Colin Carrie: Have there been any other major space robotic projects—we have Canadarm, Canadarm2, Dextre, RADARSAT-1—where the Government of Canada has signed over the ownership and operation of the entire project to a privately held company? I think it's really important to get the answer. Based on the importance of the technology, would it not have been better to have signed a deal, such as with RADARSAT-1, where the Canadian Space Agency owned and operated it?

A lot of my Conservative friends have come to me and said, "Isn't this just another example of Liberal mismanagement in a huge government program?"

Mr. Guy Bujold: Thank you for that question. I'll ask my colleague, Mr. Brûlé, to also contribute to the answer.

First, the government did not transfer anything. The government of the day took a decision on a new policy direction for earth observation. I wasn't in their heads and can't go back into their heads at the time, but the decision was based on the experience Canada had with satellite communications. They deemed that there was a space industrial sector in this country that was ready to take on this approach as a way of getting more benefits for Canadians at the end of the day. So it was a new approach. It was a policy decision taken at the time.

I'm not aware whether or not there are other examples. This is why I'd like Luc Brûlé to comment as well.

• (1130)

Mr. Luc Brûlé (Director, Earth Observation Projects, Canadian Space Agency): In terms of what we did at the Canadian Space Agency, RADARSAT-2 is a unique model. As Mr. Bujold said, this is a decision dating back to the mid-1990s. To repeat what Mr. Bujold said, at the time we expected the commercial remote sensing industry to become very vibrant, to the same level as the commercial satellite communication industry was.

There were some lessons learned from that. They were trying to apply that to the remote sensing industry. When we proceeded with this program, it was done on a competitive basis. We went out to industry, and there were responsive answers from industry. MDA, at the time, was selected as the best proposal.

We have to say that in the end it did work. We do have a satellite in orbit; RADARSAT-2 is working very well. We have impressive imagery coming from RADARSAT-2. We have an agreement with MDA to receive our share of the contribution in terms of imagery.

As Mr. Bujold said, we have an agreement that is solid enough to ensure that we will have access to our imagery over the coming years. For us, the emphasis is now on using the imagery for the benefit of Canadians.

The Chair: Thank you.

Thank you, Mr. Carrie.

Ms. Nash, please.

Ms. Peggy Nash (Parkdale—High Park, NDP): Thank you, Mr. Chair.

Welcome to the witnesses.

Mr. Bujold, the mandate of the CSA is to promote the peaceful use and development of space. Now, ATK describes itself as an advanced weapons and space company. A couple of weeks ago an ATK missile was used by the U.S. navy to shoot down a satellite.

If Canada's leading space company becomes a subsidiary of ATK, do you see any conflict between the CSA mandate and this company's objectives? And will the CSA continue to award contracts to an ATK subsidiary?

Mr. Guy Bujold: Again, Ms. Nash, as I answered in response to questions from your colleagues, it's extremely speculative to comment on a transaction that has yet—

Ms. Peggy Nash: It's not speculative to ask whether contracts to ATK would comply with the CSA mandate.

Mr. Guy Bujold: The contracts we have currently with MDA do fit entirely within the mandate of the Canadian Space Agency. I would assure you that in the future any contracts would also have to be consistent with the mandate of the Canadian Space Agency.

Ms. Peggy Nash: Will CSA be changing its mandate at all for the future?

Mr. Guy Bujold: No.

Ms. Peggy Nash: You talked about many of the successes of the space agency, and it feels a bit like you're driving by looking in the rear-view mirror, because the successes we've had have been the result of investments by past governments. There's no successful space program around the world that doesn't rely heavily on government investment.

Yet Canada's level of investment in space has been dropping dramatically, and we are the lowest of the G-8, whether it's dollar amounts or percentage of GDP. While we have in the past made a lot of money from our investments, now that we're selling these off and our investments in new technology are diminishing, there is no space policy. Canada has no space policy and our investments are declining.

So what's the plan? How are we going to continue after we've sold off, if the government does approve this deal, the largest company that's developing technology for the space industry? What's the plan for the future?

Mr. Guy Bujold: First of all, I'd like you to believe me, if you could, that the Canadian Space Agency is not only operating by looking in the rear-view mirror, but indeed, given that we are talking about space, we are also somewhat visionary. We are looking at the achievements we can garner from space in order to help advance the social and economic goals of the government.

• (1135)

Ms. Peggy Nash: I think that is the space policy for Canada.

Mr. Guy Bujold: Let me finish.

There are essentially a number of investments we're currently engaged in. There are a number of companies that we're supporting across that range of 200 companies, which I was suggesting to you at the beginning form part of the Canadian industry, that are breaking new ground constantly.

I said we are being sought after by the European Space Agency and NASA to participate with them in future missions. Our history has been one where, when those opportunities presented themselves to the government, the government had a decision to make, and the decision, if we look back on history, was to participate in those things. We were a significant contributor to the international space station. Canada contributed nearly \$1.4 billion to the development of the international space station.

Ms. Peggy Nash: Yes, and if I could just say, that made us \$2.7 billion in return.

Mr. Guy Bujold: Yes.

Ms. Peggy Nash: It got us participation in the program to develop astronauts. It got us to be part of the space mission program. We developed a lot of technology, a lot of spinoffs. But I suggest to you that Canada seems to be withdrawing from an effective space program because of our diminishing investments. That's a real challenge.

In fact, Mr. MacDonald, the founder of MDA, has said that if there had been effective investment by Canada in the space industry, MDA might not have needed to look elsewhere for future contracts.

There are contracts on the order books that Canada is committed to, but the funding has not been invested. How do you account for that?

Mr. Guy Bujold: I think the question of whether or not MDA would have gone forward in a different set of circumstances is one that you should be asking MDA, and I know they're going to be here —

Ms. Peggy Nash: No, I am asking you why the Canadian Space Agency is failing to invest or live up to contracts that they've already committed to.

Mr. Guy Bujold: And I'm responding to you that I don't believe the Canadian Space Agency is failing. Indeed, if you look at the investments that have been made and announced by the federal government—for instance, they're moving beyond RADARSAT-2 to the next constellation of earth observation satellites—that's a demonstration of the government's commitment to—

Ms. Peggy Nash: But the money has not flowed for the constellation investment.

The Chair: Okay, Ms. Nash, let Mr. Bujold answer the question.

Mr. Guy Bujold: Our responsibility as a Canadian agency is to deliver on those projects that the government decides are the ones that will make sense both from an economic perspective and from a number of other policy perspectives.

The decision by the government to go beyond RADARSAT-2 to the next generation of satellites is, in my view, a forward-looking decision that will mean a significant investment beyond the base budget of the Canadian Space Agency to space activities.

Similarly, the announcement by—

Ms. Peggy Nash: Why isn't the money flowing, then, to back up those commitments?

Mr. Guy Bujold: As I'm sure members of the committee will understand, any of these projects are significant in their nature, are long term, and go through various phases. We are exactly, in our minds, where we thought we should be with regard to the constellation. We have done phase zero, which is identifying the concepts. We are doing work that we've gone to the market for to give us the necessary information to allow us to determine what are the technical parameters around which constellation the next constellation of earth observation satellites should be built.

Once we have that information.... Let me correct myself, because we've now obtained the proposal back from the industry. Once we've completed our due diligence on that, we will be in a position to go back to the government and ask the government how it wishes to proceed.

Ms. Peggy Nash: [*Inaudible—Editor*]

The Chair: Thank you, Ms. Nash. I'm afraid your time is up. I apologize.

We will go now to Mr. McTeague, please.

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

I have a couple of questions, in very short order.

If the sale is in fact allowed to proceed, what percentage of business will your industry lose as a result of the preponderance of MacDonald Dettwiler with respect to initiatives on dealing with the space agency? Do you see a percentage drop in the amount of critical mass of activity by that company to the United States? That is my first question.

My second question deals with the more interesting part of licensing. I was the parliamentary secretary responsible at the time—and I recall we spoke at some point—with respect to the guarantees that were given to the Canadian government on imaging, etc. Do you foresee a scenario whereby the sale of this company to a U.S. company would in fact put it in a position where it might be subjected to, I don't know, a new version of the Patriot Act? The U.S. company may find itself being told that it has to use the discretion of imaging, subject to and only pursuant to the U.S. government's mandate or dictates. What implications does it have for things like our sovereignty in the north and the melting of the ice cap?

I'm wondering if you're comfortable with the possibility that the licence, notwithstanding the guarantees that were given, could be altered, and altered to benefit the American priorities, international and otherwise.

• (1140)

Mr. Guy Bujold: Thank you for both of those questions.

With regard to the first, the impact of the sale in terms of the business of the Canadian Space Agency again will depend on the nature of the entity that's put in place by MDA at the time. The Canadian Space Agency will have need, essentially, to partner with industry in order to deliver on the mandate we have. The more robust

that market is, the better it is for Canadians at the end of the day because we can get more benefit.

With regard to the second, I'm afraid that question as to the licensing of the satellite itself is one that should be addressed to DFAIT.

Hon. Dan McTeague: Mr. Bujold, at the time the act passed in 2005 there was great skepticism about the possibility that this particular new technology could be used for other things. One recalls the argument about ballistic missile defence, that somehow this would help the U.S. do some tracking in terms of its own ability to intercept missiles. Of course, that was set aside.

What does this say about guarantees that Parliament gives in writing to Canadians, when it passes legislation, only to have that particular guarantee potentially put in a position of some jeopardy if in fact we sell this technology to another country whose interests are somewhat different and to a company whose interests are vastly different from the ones we proposed? Does this do anything as far as the—I want to be respectful—credibility of the Space Agency if we're now giving our new technology, or lending it or selling it, to countries that have, obviously, a more pronounced military interest?

Mr. Guy Bujold: I apologize to the committee, but this is a question that the president of the Canadian Space Agency is not in a position to answer for you. These are questions of the licensing of the satellite and what the implications are. It's highly speculative in terms of determining how the deal will end up, if and when the deal goes forward.

Hon. Dan McTeague: How much time do I have, Chair? Please give my time to Mr. Brison, if you don't mind.

Thank you.

The Chair: You have two minutes.

Mr. Brison.

Hon. Scott Brison: Following on that question, sir, if this technology, financed by Canadian taxpayers through your agency, built with Canadian expertise through your agency and MDA, is ultimately used by another country, perhaps the U.S., against Canadian interests—for instance, in a dispute over the Northwest Passage—does that not damage the credibility of your agency and the reputation of Canada's whole space industry?

Mr. Guy Bujold: First of all, the technology, as I mentioned earlier, along with the satellite itself is already the property of MDA. The issue at hand is a transaction that needs a series of approvals from various bodies.

Hon. Scott Brison: Sir, under the Investment Canada Act, wherein the Minister of Industry has the authority to determine whether it's in Canada's national interest that this transaction proceed, as parliamentarians we're trying to garner the information so that we can make a recommendation to him on this transaction. You're here in part as an expert witness to provide us with guidance on that, and we do need some answers.

In your opinion, would it not be contrary to Canada's national interests that we lose control over RADARSAT-2 and its images, and would it be in the interests of our space industry if we were to lose MDA—

The Chair: Mr. Brison, your time is up.

Mr. Bujold, just answer that briefly.

Mr. Guy Bujold: Again, the technology is the property of MDA. And with regard to the outcome, the transaction at the end of the day, whether or not there's an effect on the credibility of the Canadian Space Agency I would submit to you depends on how we, at the Canadian agency, continue to do our job of ensuring that Canadians get the benefits that we've contracted with MDA to receive.

The Chair: Thank you.

Thank you, Mr. Brison. We'll go to Mr. Stanton, please.

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

Mr. Bujold, at the time of the transaction in 1998—I'm going to dwell primarily on that area of interest—was MacDonald Dettwiler all Canadian owned? Was it an exclusively Canadian company?

• (1145)

Mr. Guy Bujold: No, but I will ask Mr. Brûlé to give you some more detail on that.

Mr. Luc Brûlé: At the time of the transaction, when the contract was signed in December 1998, part of MDA was owned by Orbital Sciences Corporation in the U.S.

Mr. Bruce Stanton: How much of MDA was owned by U.S. companies?

Mr. Luc Brûlé: I forget the amount. I wouldn't be able to answer that. Our colleagues from MDA would know.

Oh, I just got the answer. It was 67%.

Mr. Bruce Stanton: At the time this transaction was done, MDA was a majority U.S.-owned company.

Mr. Luc Brûlé: Right.

Mr. Bruce Stanton: What was the budget for the development of RADARSAT-2?

Mr. Luc Brûlé: When the contract was signed with MDA, in those days the value of the contract was in the order of below \$200 million.

Mr. Bruce Stanton: What did it end up being?

Mr. Luc Brûlé: The value now of the contract with MDA is in the order of \$394 million.

Mr. Bruce Stanton: What essentially was the reason for the increase?

Mr. Luc Brûlé: This can be explained in two broad categories. You may remember that in the 1998-99 timeframe, the question of ITAR became an important issue. This created problems for us on the RADARSAT-2 program. We had to change the structure of the team building the spacecraft. We used to have a U.S. supplier for part of the spacecraft, and we had to terminate that contract and go to a European supplier.

That's one part of the arrangement. We also had to arrange for a launch of RADARSAT-2.

Those things were made public in 1999.

Mr. Bruce Stanton: I appreciate that. And I don't want to be seen as rushing you in your answers, but we are under confined timelines here.

Do you recall who in 1988 was the minister responsible for the Canadian Space Agency?

Mr. Luc Brûlé: It was the Honourable Mr. Manley.

Mr. Bruce Stanton: So it was under Mr. Manley at the time. And Mr. Garneau was the president of the agency at that time?

Mr. Luc Brûlé: The president in those days was Mr. Mac Evans.

Mr. Bruce Stanton: Thank you.

There's one other related issue here. This actually goes back to the ownership issue. Here we have a company that's been...and I hear this from my own constituents, I must say. People are concerned that this is a piece of Canadian hardware, Canadian scientific work, that we've invested in at a public level. It's a tremendous piece of equipment by all standards, and yet we don't own it. It would appear, from the time this public-private partnership was entered into, that we haven't owned it, and yet the perception exists. People have likened it to the Avro Arrow, for example. It seems that this is a different kind of situation altogether.

Going back to RADARSAT-1, though, we did have more control of that. You answered a question earlier about why the change was there. But was RADARSAT-1 ever used by the U.S. Department of Defence or the Pentagon for any type of imaging or remote-sensing system work for the Pentagon—for example, for some of the various exercises the U.S. was involved in throughout different parts of the world?

Mr. Luc Brûlé: RADARSAT-1 was a joint program between Canada and the U.S. The basic arrangement was that Canada was building the spacecraft and the associated ground segment, and the U.S. government, through NASA, was providing the launch vehicle, the launcher. In return, they were granted access to some of the imagery from RADARSAT-1.

So throughout the life of RADARSAT-1, the U.S. government, primarily NASA and NOAA, used RADARSAT-1 for scientific and operational needs. NOAA and the National Ice Center in the U.S. also have a need to monitor the ice conditions around Alaska. In fact, we do have a joint operations centre between Canada and the U.S. to monitor the ice conditions around North America.

So the RADARSAT-1 program was conceived as a joint Canada-U.S. program whereby we do share data occasionally.

• (1150)

Mr. Bruce Stanton: What would you—

The Chair: Mr. Stanton, can you ask a very brief question?

Mr. Bruce Stanton: Yes, this will be brief.

What would you say to Canadians who are concerned about the ownership issue?

Mr. Luc Brûlé: At my level, I don't think I can really express a policy view on this. I think everything surrounding the transaction is still under review. Until we know where we're going, it's hard to say what will be the consequences of all of that.

The Chair: Thank you.

Monsieur Vincent.

[*Translation*]

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

As I understand it, the government has invested \$435 million in RADARSAT-2. You also spoke of a further \$394 million, which gives us a total of \$829 million.

After this sale is concluded—if it comes to fruition—will the contracts that you sign with other agencies and companies in the future include provisions allowing you to retain ownership of the intellectual property? If I am not mistaken, we have just ceded all of our intellectual property and given them millions of dollars. What are we getting in return?

You spoke about \$435 million worth of services, images and so forth. But who will have priority access? When we ask ATK for something, will we find that we have dropped to second, third or fourth in line? We may well be told to wait our turn.

I want to know how much time it will take to use up our \$435 million worth of credit. Will the satellite become obsolete before we have had time to use up all of our credit?

Mr. Guy Bujold: Firstly, the amount in question is not \$435 million, but \$445 million, although not any more than that—I would not want to exaggerate. We have \$445 million in credit. It stems from a service contract that we signed with MDA when the federal government contributed, through the Canadian Space Agency, to the development of RADARSAT-2, a privately owned satellite.

With regard to access to data, as you said earlier, the government will receive this service throughout the lifetime of the satellite. Bear in mind that RADARSAT-1, for example, had an estimated life cycle of five years, but is still working. We therefore do not foresee any problem in using up the \$445 million credit in the lifetime of this satellite.

With regard to priority access, our framework agreement with MDA contains guarantees to ensure that we will not drop to third or fourth place in the order of precedence for accessing RADARSAT-2 satellite data.

Mr. Robert Vincent: Have you met with people from MDA recently? This \$445 million contract seems to have appeared from nowhere. This committee and the Canadian public are very interested in how much money has been spent on this satellite—did you dream up the \$445 million service contract today as a means of appeasing people, to stop them asking questions?

I would also like to know whether future contracts will include provisions to ensure that the intellectual property remains in Canadian ownership. Regardless of who buys the product, will the intellectual property remain in Canadian hands? Is it not true that we invest money and we then [*Editor's note: inaudible*].

Mr. Guy Bujold: Firstly, Mr. Vincent, allow me to assure you that the \$445 million has not just appeared out of nowhere. It dates back to the original contract and the amendments to that contract. It goes back to the late 1990s and the years that followed.

Mr. Robert Vincent: Does the \$445 million include the \$100 million for the satellite that was the launched by the Russians, or was that over and above the \$445 million?

Mr. Luc Brûlé: No, it includes it.

Mr. Robert Vincent: Very well, it includes it. Would it be possible for us to see all of the figures?

Mr. Guy Bujold: With regard to the second part of your question, which was looking to future contracts, it is really something that you would have to ask the government, as it is the government that approves the projects in which the Canadian Space Agency becomes involved. If changes were to be made to the way that contracts are awarded—be it for Earth observation projects, space exploration, or communication satellites—it would be for the government to make that decision when setting the terms of the deal, as it did with RADARSAT-1, RADARSAT-2 and its investments in the space station.

It is a policy decision, Mr. Vincent.

• (1155)

[*English*]

The Chair: Merci, Monsieur Vincent.

We'll go to Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you for attending. This has been most enlightening.

Some of the things that rather struck me are the history and the direction the government has taken in the past.

I want to go back to what was talked about. Mr. Brûlé, you said that 60% or two-thirds of the ownership was in the hands of an American company. To your knowledge, was there any discussion as to what would happen to the ownership of this project should that transfer over completely to an American company? Was there some concern about that? Did the government possibly have some safeguards to protect us from that, at that time?

Mr. Luc Brûlé: This is an interesting question. We're going back many years into the past. I was not really part of the project team when all these things were negotiated.

From my recollection, there was an interdepartmental group working on these matters under the leadership of DFAIT at the time, Foreign Affairs, to see how this could be structured in terms of the relationship with the U.S. government and also in terms of the remote sensing act that we have in place now in Canada. These items were considered when the new legislation was put in place in 2005, but as to the precise details on how these things were negotiated and to which conclusions they came, I was not part of that at the time.

Mr. Dave Van Kesteren: As I listen to this testimony, there seems to be an understanding among governments that possibly supersedes national interests. Is a collective group of governments working together, setting aside national differences when they talk about ownership? Is that a safe analysis? Is that a fair—

Mr. Guy Bujold: No. The matter you're bringing to the attention of the committee is one of the policy framework around which those types of decisions will be taken. It would certainly be my experience in the 30-plus years I've been involved in policy matters in the government that this would be the stuff that would go forward to cabinet to make the decisions on how you would go forward.

So there would have been a full airing of all these considerations at the time this matter was brought before the government for its decision. It would seem to me to be the normal course of events. So yes, I think they would have had these conversations, and yes, they would have taken a decision with the full knowledge available to them at the time of what the framework should be to go forward with this transaction, as they did in answer to other questions, as they would for other major crown projects.

Mr. Dave Van Kesteren: That leads to my next question. As we endeavour in new scientific discoveries and things that our Canadian companies are...should we ensure they stay with Canadian companies, or are we pretty much resigned to the fact that it becomes their property?

Mr. Guy Bujold: I think that's a matter of policy that the government of the day judges depending on the various policy objectives they're trying to pursue. Yes, certainly it would weigh within the decision of the government to go forward. I don't think there's a black and white statement across every single project you do, because you're always trying to balance a number of policy imperatives.

Mr. Dave Van Kesteren: You mentioned earlier that the government of the day realized or believed the private sector was ready to take on these projects. Was that the right decision, or should we go back to RADARSAT-1 when it was primarily owned by the government?

• (1200)

Mr. Guy Bujold: If the test of the question is whether or not the industry has the technical competencies and the financial strength to make this deal work, in the sense of putting up a next-generation satellite, which is far better in terms of its capacities than the previous satellite, I think the answer is yes. We demonstrated that the industry was prepared to do that.

If a series of other tests are laid on that have to deal with the actual framework we did it in, i.e., the ownership of the intellectual property and the ownership of the satellite, those were policy matters—going back to the previous answers—that would have been dealt with at the time the decision was made by the government of the day to proceed in this fashion, as opposed to proceeding in the way we did with RADARSAT-1.

Those were two different models of procurement the government had before it, and it took a policy decision to go forward with it. It's not up to me to decide today whether or not the decision that was made at the time was correct or incorrect.

The Chair: Thank you, Mr. Van Kesteren.

We'll go now to Ms. Nash.

Ms. Peggy Nash: Thank you, Mr. Chair. I appreciate, Mr. Bujold, that you're not at liberty to agree with me that maybe it was a mistake to sell off this technology and lose government control of it, but it

was raised at the time by my colleague Alexa McDonough that this very situation we're in today with losing national control of this technology is one that was foreseen at the time.

My colleagues have raised questions about getting the data, that we paid for the data. I think we may well find a satisfactory arrangement to keep getting the data, but there is another piece of this that is integral to Canadian sovereignty, and that is in the Remote Sensing Space Systems Act, as you know, which would give Canada priority access to the satellite. That act allowed Canada to move aside commercial interests and say that when we had an interest of national security, there was an environmental necessity or a defence necessity, the government had priority access.

A legal opinion by the Rideau Institute has been made public that says U.S. law will now trump Canadian law once this technology is owned by the U.S. Do you have an opinion on that, on whether that would be the case, and whether we ought to have safeguards put in place to prevent this situation?

Mr. Guy Bujold: Thank you, Ms. Nash. This is not a question that as the president of the Canadian Space Agency I would be involved in.

I would invite the committee, if it needs further clarification on that point, Mr. Chair, to seek a witness from the Department of Foreign Affairs or someone who can actually speak to the substance of that. I apologize, but that's just the way....

Ms. Peggy Nash: I appreciate that. That's fine. We did request that the foreign affairs minister come to our committee. We haven't been able to get that.

Let me go back, then, to CSA investment and some of the questions I raised earlier. I regret that I'm trying to get so much out of my time, because we have such limited time. But can you tell me why the space agency and Canada refused to partner with the Europeans around the Mars rover investment? That's an investment that MDA, of course, was hoping to get. What was the rationale there?

Mr. Guy Bujold: The fact of the matter is that we have not refused to participate. We are participating. As a matter of fact, we made an initial investment in understanding the proposal going forward, and there will be a decision that will have to be taken with regard to whether it's the ExoMars land rover or other pieces of investment that the Canadian government wants to make in space. Those are decisions that are still before us.

Ms. Peggy Nash: Okay. There seemed to be quite a delay. What's the reason for the delay?

Mr. Guy Bujold: We are currently reviewing the activities of the Canadian Space Agency writ large to try to identify, as I said in answer to an earlier question, a series of opportunities so that the government can be faced with a number of choices to make with regard to how we go forward in space. The decision on participating in ExoMars will be part of that deliberation.

Ms. Peggy Nash: I have just one last question.

The members opposite raised the issue that MDA was once owned by Orbital, a very different company from ATK, of course. But it was at a time before Homeland Security in the U.S. The U.S. has become much more protectionist, and it was before the RADARSAT technology was developed.

Do you see a difference now between the kind of company Orbital was—and the kind of company MDA was in that period when it was owned by Orbital—and the situation today: ATK as a company and what MDA has grown to with the investment of Canadian dollars?

• (1205)

Mr. Guy Bujold: Again, I'll ask my colleague to complement my answer, if necessary.

There's no doubt, over a period of time since we've been dealing with MDA, that MDA itself as a company has matured, has created a number of capacities within itself to respond to the needs of the Canadian Space Agency.

The way the Canadian Space Agency operates, members of the committee, is that we go to the marketplace essentially with requirements. We assess the proposals that come back to us on the basis of the technical requirements we have in those calls to the market, to determine which is the best company to produce the piece of technology, the mission, that we need in order to respond to the needs of the Canadian government. We are, in that sense, an instrument of the Canadian government.

The broader matters your questions raise as to the effects of the change in the nature of the company would be something we would review in the terms of reviewing the proposals that would come forward to us. At the end of the day, we feel at the agency that it's our responsibility to make sure the Canadian taxpayer gets the best value for the investments we make in space projects.

The Chair: Thank you.

Thank you, Ms. Nash.

Thank you very much, gentlemen, for coming in today. This is a conclusion of the first panel. I want to thank you very much for...

A point of order, Mr. Simard.

Hon. Raymond Simard (Saint Boniface, Lib.): Yes, Mr. Chair. This group of witnesses and MDA are probably the two most important groups we're going to have here on this issue, and I think we've just briefly skimmed the surface with the agency. It would seem to me that one hour is not adequate, and I wonder, if the committee is okay with this, if we could invite these people to come back in the very near future.

I have the feeling that, with the MDA group, a one-hour session will pass extremely rapidly as well and that they should probably come for a second hour session. I'm very disappointed, actually, that we didn't get them for two hours initially.

The Chair: Mr. Simard, I thank you for your point of order. I have questions myself, and obviously we did not get to all members today. I would just remind you of the motion adopted on March 11, and we did list an awful lot of witnesses to bring forward on this subject.

Secondly, members themselves have suggested witnesses.

Thirdly, we did agree we would schedule meetings for April 1 and April 3.

You're putting the chair in the position that this committee tends to put the chair in, which is wanting to do an awful lot of things in a very short period of time. If the committee wants to bring these witnesses back, the committee can do so. But it would require another motion, and it would require identification of further dates in the calendar, which would complicate things further. But that is certainly your option in the future.

Hon. Raymond Simard: We could maybe do that at the end of this meeting then. I'm going to do it right away.

The Chair: I think we would need a motion.

Hon. Raymond Simard: I'd like to propose a motion immediately that we invite the Canadian Space Agency to return to this committee. My feeling is that it should be prior to the appearance of other witnesses that were on the list. I really do think the two groups that are here today are probably the two most important groups we're going to be speaking to on this issue.

The Chair: You want to have them instead of the witnesses we have scheduled for Thursday? We have eight.

Hon. Raymond Simard: Or we can set up additional meetings or have an additional hour.

The Chair: Okay, just hold on a minute.

Mr. Simard, I'm going to ask you to speak to your colleague, Mr. McTeague. We had a subcommittee meeting this morning at 10 a.m. at which I thought all parties agreed to the agenda. Your motion changes that agenda again. I don't know why we have subcommittee meetings and then make changes later on, but perhaps we can deal with this at the end.

We do have MDA here, and I know all members want to hear from them. Why don't we hear from MDA, and let's deal with—

• (1210)

Hon. Raymond Simard: Fine. Let's move on to MDA, but I do want to address the issue at the end of this meeting.

The Chair: We'll address it at the end of the session with MDA.

Okay. We'll suspend for a few minutes, members, and we'll ask MDA to come to the table. Thank you.

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_____ (Pause) _____

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• (1215)

The Chair: Okay, members, I'll ask you to find your seats, please. We are starting the second panel. We have one witness with us here for the second panel.

We have with us the president and CEO of MacDonald Dettwiler and Associates Ltd., Mr. Daniel Friedmann.

Welcome, Mr. Friedmann. We will allow you time for an opening statement, and then we'll go to questions from members.

Please begin at any time.

Mr. Daniel Friedmann (President and Chief Executive Officer, MacDonald Dettwiler and Associates Ltd.): Thank you.

Mr. Chair, members of the House Standing Committee on Industry, Science and Technology, I am Daniel Friedmann, president and CEO of MDA. I have been with MDA for 29 years, involved with our systems business throughout that full period in various capacities.

Thank you for providing me the opportunity to discuss the proposed sale of MDA systems business to ATK. I have time until 3 p.m., and I am here to answer your questions.

I would like to provide facts around certain issues that have been raised and to summarize the reasons for the sale and the benefits to all parties, especially Canada.

Issue number one is RADARSAT-2 control. RADARSAT-2 is a Canadian satellite operating under a licence granted by the Government of Canada in accordance with Canadian law and regulations. This licence provides the government with control over operation of the satellite and the use and distribution of the data received from the satellite.

It is important to note that this control is not dependent on corporate nationality of the licensee. Nonetheless, I understand that concerns have been raised that a sale to a corporation with foreign ownership could restrict or eliminate the ability of the Canadian government to control the operation and use of RADARSAT-2.

I believe the Government of Canada has all the necessary powers and authority to ensure that in future it will continue to exercise full control over RADARSAT-2 as it now does.

What MDA has, which will be passed on to ATK, is the right to market to other customers data not purchased by the Canadian government. This right to sell the data is subject to Canadian government agreements, Canadian laws, and Canadian control and priority of the satellite.

For that right, MDA and ATK have to and will pay, which effectively means a reduction in the cost to the taxpayer.

Issue number two is the control and ownership of Canadarm2 and Dextre. The Canadarm2 and Dextre were purchased from MDA under standard Canadian government contracts. They're owned by Canada. Canada decided what logo would go on them. Canada named them. Canada negotiated the contracts with the U.S. government to contribute these robots to the international space station.

The operations being sold by MDA to ATK have built these robots and will continue to maintain them and the contract to the Canadian government, and hopefully will have an opportunity to build more robots in the future.

Issue number three is the taxpayers' investment in MDA and their right to see something back for that investment. The investors in MDA are the shareholders of MDA, the very majority of whom are Canadians. These Canadian shareholders include over 1,000 MDA employees. Government and private pension funds from many provinces, including Quebec, Ontario, and B.C., representing many

thousands of Canadians, and the Ontario teachers' pension fund are our largest shareholders.

The Government of Canada has certain space and defence requirements. The government procures systems to meet these needs just as it procures ships, planes, uniforms, roads, and bridges. The government has a policy to ensure that the work is, to a maximum extent possible, carried out by Canadians in Canada. This policy does not discriminate by ownership, and many Canadian requirements are met by Canadian subsidiaries of foreign corporations.

In the space area, MDA has won these procurements both in Canadian ownership and U.S. ownership—and, by the way, we were 100% owned by Orbital Sciences at the time of RADARSAT-2. I do not know where the 67% confusion came from.

MDA has executed that work with great diligence and pride and has provided outstanding value to the crown. MDA has levered some of these contracts and has built an international export operation that today accounts for more than half of our systems business. This has created jobs across Canada and has certainly been good for Canada.

MDA employees under any ownership, and in future under ATK, will continue to provide the crown with value for money, win contracts competitively, and export aggressively. Canadian taxpayers have received and will continue to receive full value for the contracts they award to MDA.

In the case of RADARSAT-2, it is worth remembering that MDA won an open competition to design and build a complete system. No doubt you have heard from the CSA that RADARSAT-2 is a world-class system meeting or exceeding the operational needs of the Government of Canada. This so-called investment by the Government of Canada in the RADARSAT-2 satellite is a prepayment for data to be delivered to the government over the next seven to ten years. The Government of Canada's rights to this data will continue to be protected under this transaction, and taxpayers will get their money's worth as contemplated.

• (1220)

Issue number four is Canadians' future in space after this sale. Canada's past and future in space was and will be up to the Government of Canada. It was Canada that decided to join the U.S. space program with the Canadarms. It was Canada that decided to be a leader in RADARSAT satellites, and Canada's future as a space nation depends on what Canada decides to do. The role of industry is to support Canada by providing cost-efficient solutions and building what the government requires. To that end, MDA has been there for Canada for many years. Irrespective of ownership, we have delivered value for money, and ATK is committed to continue to do so in the future.

Canada's future as a space nation is not foremost dependent on the ownership of its space industry, but rather on the vision, initiative, and space budgets of the government. If these are in place, the Canadian space industry, under any ownership, will continue to prosper and reach new technological feats, as it has in the past.

Now let me address the reasons for the sale and the benefits of the sale.

For our company to be a strong Canadian operation, with state-of-the-art capability to perform Canadian government contracts when and if required, we need top-notch, world-class employees and state-of-the-art work that keeps them challenged and provides them with opportunities for personal growth. In fact, we do enough state-of-the-art work to employ 1,500 people in Canada at the moment. A portion of this work is available in Canada, but only up to the level Canada decides to support at any given time. Therefore, we have and we must continue to grow our export business.

By far the largest growth opportunity for exports is represented by the U.S. space and defence market. To gain the required access to this market, we need a partner, a partner with proven capability to win U.S. government procurements, a partner that can and will lever our technical excellence, but without the duplicate capability that could render ours redundant, a partner that employs U.S. citizens with government access and security clearances. Without this partner, we cannot get the work.

We have tried non-ownership-related partnerships, and although they could satisfy our shareholder return, they would not provide a long-term sustainable solution for our employees. This is because a partner who is a non-owner always wants to duplicate the capability in the long run to reduce dependence, while an owner is focused on leveraging the purchased asset. The sale to a complementary company that undertakes to keep and nurture those jobs and technologies here in Canada, as our previous owner did, does achieve all the benefits to Canada and our Canadian employees. That is why we have chosen this path. It is the best path.

Mr. Chairman, I want to thank you and the committee for giving me the opportunity to explain how Canada's interests are taken care of and why this proposed sale of the MDA systems group to ATK is a particular win-win situation for everyone. Canada retains a viable systems company capable of meeting national needs. Our employees are ensured access to the largest international market, virtually guaranteeing exciting career growth in the space field, and ATK attains access to a world-class capability as the core of its new space systems business.

It is the brilliant work of Canadians who, over the years, have created the symbols of national pride and technology prowess that have captured the imagination of all of us. They are the ones who have pushed the frontiers of Canada's space capability avidly, whether owned by Canadians or Americans, whether governed by Conservatives or Liberals. It is these Canadians who deserve the opportunity to expand their horizons and play a role in the international frontiers of space technology. With this sale, the business and Canada are positioned to advance into the next league of the world's stage.

I'll be glad to answer your questions.

The Chair: Thank you very much, Mr. Friedmann. I want to thank you for your willingness to stay past one o'clock if there are further questions by members.

We will start with Mr. Brison for six minutes.

• (1225)

Hon. Scott Brison: Thank you, Mr. Friedmann, for joining us today.

Previously, on February 4, we met with Mr. Iskander, president of MDA's space division. He indicated at that time that U.S. security laws, in particular ITAR, made it very difficult for a Canadian company to compete successfully for U.S. space agency business. Those same laws have a tremendous impact on companies outside of U.S. borders, like MDA's space division. They have an even greater level of control over American companies.

How can you provide long-term assurance that the technology developed by MDA's space division with Canadian tax dollars and Canadian expertise will not be used against Canadian interests by the American government through the access of those images during times or issues where there is a conflict—for instance, on the Northwest Passage?

How can you provide that absolute assurance?

Mr. Daniel Friedmann: I'm hearing two questions—one to do with the technology itself and one to do with the images. I think it's mostly about images, so I'll address that first.

I am not an expert in all the Canadian government agreements and what they have, but I can assure you that as a Canadian running a Canadian company—and that's what will happen after the sale—you have to obey Canadian law.

We are under Canadian law, and that's what we do. The facilities to control the satellite are in a Canadian government facility. The control and access of the satellite is according to Canadian law, and there's no way to do anything other than what Canada says.

Hon. Scott Brison: That will cease to be the case if this company operates under the American security laws—not just ITAR, but other American security laws—which will exert their power over it. You're speaking as a Canadian company. That will not be the case if this transaction proceeds.

Mr. Daniel Friedmann: The government has licensed a Canadian company irrespective of who the owner is. I've worked five years under complete U.S. ownership as a Canadian citizen operating MDA. The government has licensed a Canadian company, and I can assure you they're not moving the licence to any U.S. company. It's still a Canadian company, operated by exactly the same people who operate it today. The company is owned by a U.S. company, but it operates under Canadian law—it can't do anything else.

Hon. Scott Brison: Sir, when did you begin negotiations to sell MDA space to ATK?

Mr. Daniel Friedmann: That's been publicly disclosed. It was early winter, late fall. I don't remember the exact date, but it's in the public record.

Hon. Scott Brison: According to the *Ottawa Citizen*, the deal actually took place on December 17, but you can't confirm when you started. Was it November? Was it October?

Mr. Daniel Friedmann: If you want me to take your six minutes, I'll look it up. I have it here.

Hon. Scott Brison: Well, no, come back to us. It's important, sir, because on October 25 there was a press conference participated in by the Minister of Industry, Mr. Prentice, where he said this satellite would help us vigorously protect our Arctic sovereignty. He wasn't aware of this sale at the time.

On December 14, there was a launch, but importantly, and according to MDA's annual report dated March 26, 2008, your company repurchased \$25 million in common stock starting on November 2, 2007, and leading up to December 31, 2007. You proceeded with this stock repurchase during a time when there was a very important transaction being negotiated. In fact, your shareholders were not aware of that transaction.

Your company, and people like you.... You have 71,667 common shares worth \$3.3 million. This transaction almost overnight increased your value significantly. Prior to the ATK deal announcement it was \$42.50 and at close on March 27 it was \$46.70.

Did you negotiate this deal—over a fairly long period of time—and actually increase value for yourself and other shareholders, but potentially at the expense of a lot of the shareholders who sold you their shares without awareness of this deal?

• (1230)

Mr. Daniel Friedmann: I'm not totally sure I understand the question.

Hon. Scott Brison: I think it's pretty clear, sir.

Mr. Daniel Friedmann: I'll try to answer what I understand.

First of all, there's a company purchase program that was put in place a long time ago. It's completely at arm's length and depends only on the price of the stock. It's run by our board of directors; I don't run it. I don't know when they're buying or selling shares. They inform us at the end. It's a stand-up procedure under the laws of Canada. That's the way the share purchase program works.

As far as my own share holding, I am demanded by the board of directors to own at least five times my salary in shares to make sure I represent the shareholders. I bought those shares and reinvested most of my salary in MDA in the last 10 years in shares. The shares go up and down and I benefit or lose, just like every other shareholder.

The Chair: Thank you.

Thank you, Mr. Brison.

We'll go now to Madame Brunelle.

[Translation]

Ms. Paule Brunelle: We know that MDA owns the RADARSAT-2 intellectual property, and we know that you are going to sell MDA.

What guarantee has ATK given you to make you so confident that the Government of Canada will have access to RADARSAT-2 data under the terms of the contract between MDA and the Canadian Space Agency? Will the contract really be respected? Does the contract between MDA and ATK really contain provisions guaranteeing this?

[English]

Mr. Daniel Friedmann: We don't need a guarantee from ATK; we have a guarantee from our own government.

You cannot export anything our company makes out of this country without a Canadian export permit approval—and I mean anything. I cannot export even a one-page technical note without approval from External Affairs. Nothing can leave this country for any project for any company, including our parent company—and I lived under that regime for five years—without a Canadian export permit approval. Every single piece of paper, every single piece of hardware—everything that's produced by MDA within Canada that's in Canada today cannot be exported without the government's approval.

[Translation]

Ms. Paule Brunelle: That was not quite what I was driving at with my question. The Canadian Space Agency currently has access to RADARSAT data. If this deal is completed, will the Government of Canada and the provinces continue to have access rights? RADARSAT provides data on natural resources, underground features, and so forth. Will we have such ready access to all of this data once the company falls into American ownership?

[English]

Mr. Daniel Friedmann: Absolutely. The Canadian government has a contract with our company to receive all that data. CSA just told you that. The Canadian foreign affairs ministry regulates everything about that satellite: when it's on and off, who gets to see what, and under what priority. It's all done from Canada, from a Canadian government facility. I cannot even get in it without Canadian government approval—by Canadian citizens. It's Canadian.

[Translation]

Ms. Paule Brunelle: A number of scientists, including those at the Université de Sherbrooke, use RADARSAT images for their research. They are very concerned about RADARSAT passing into foreign ownership. They are wondering whether they will still have access to RADARSAT images under the same terms and conditions that are currently in force. Will the same financial conditions and so forth apply? They are also wondering how the intellectual property arising from their own research will be affected.

Could you provide us with some clarification on these two points?

• (1235)

[English]

Mr. Daniel Friedmann: I think I've answered the question on the access to satellites. There are no issues. We have a binding contract. You can put all our executives in jail. I lived under the U.S. ownership for five years and I did what Canada wanted. The contract was awarded to a 100%-owned U.S. company—not 67%—over that time. There's no issue with their access to their stuff.

As far as their intellectual property is concerned, it's their intellectual property. I can't understand how the U.S. government would have anything to say about their intellectual property. If they're processing images, they're processing their intellectual property.

[Translation]

Ms. Paule Brunelle: Could the U.S. invoke the Patriot Act to refuse access to Canada? Could the Americans refuse us access on the grounds that the data relates to strategic military information? Or will Canada and the provinces continue to have access to this information?

[English]

Mr. Daniel Friedmann: I'm not an expert, but my understanding is that anything that's done in Canada, the Government of Canada has access to. MDA or ATK do a fair amount of business in the U.S. right now. We do business in the States, and we do things in the U.S. that might not be accessible to Canada, just like the Canadian stuff is not accessible to the U.S. But what is done for Canada in Canada will always be accessible to the Canadian government and cannot be exported out of Canada without Canadian government approval.

[Translation]

Ms. Paule Brunelle: Our scientists believe that RADARSAT is a true asset in the field of aerospace research. Are you not worried that Canada will lose its international status in the field by abandoning RADARSAT to U.S. interests?

[English]

Mr. Daniel Friedmann: Canada is in no way abandoning RADARSAT. Canada bought data. It will receive that data over the next seven to ten years. Canada has full control over the satellite. I don't see what Canada is abandoning at all. I don't understand.

[Translation]

Ms. Paule Brunelle: We have a privileged status in the international aerospace community as the country that developed RADARSAT; I believe that, by selling to a U.S. company, we will seriously undermine research in Canada. I am concerned that we are hollowing out our research centres and that, in doing so, we will lessen interest in our research.

[English]

Mr. Daniel Friedmann: Nobody is doing anything about any research centres. Nothing is changing. The original contract was awarded to a U.S. company in competition with a Canadian company.

The Chair: *Merci, Madame Brunelle.*

We'll go to Mr. Hanger, please.

Mr. Art Hanger (Calgary Northeast, CPC): Thank you, Mr. Chairman.

Thank you, Mr. Friedmann, for appearing before this committee. It's not my regular committee, but I do have an interest in the issue.

I think your company is certainly to be commended for developing this technology. I do believe it is cutting edge, and it is going to serve whoever ends up with the product very well, I would think. I'm trusting it's going to be Canada in total, not just with the assets that are there but a lot of the intellectual property.

I'm curious about a couple of things. The satellite was constructed, and I actually saw the satellite just before it was sent up into space, not by NASA or the U.S., but by the Russians. Obviously there was some sort of concern that the Americans had. I've heard several

reasons—one, it didn't fit on their rockets, and another, there was too much vibration—that Russia was chosen instead, because of their robust rocket system. But the Americans actually refused to launch it, and I'm curious as to why.

Mr. Daniel Friedmann: My understanding is that we had a launch contract with Boeing. It was going to be launched by the Americans. Our technical team came to a certain milestone, and at that milestone the launch vehicle did not meet the vibration requirements of our spacecraft. It would have destroyed it. We made the tough decision to switch contractors, which cost us money and time, and we moved over to a Russian launch. The American government understood that and granted all the agreements that were required to do that, and we went to space.

• (1240)

Mr. Art Hanger: That's interesting.

The total investment I think is somewhere in the neighbourhood of \$445 million. There was a substantial cost overrun, I understand, on that. Was it something like \$200 million?

Mr. Daniel Friedmann: No, it wasn't that big.

Mr. Art Hanger: What was the cost overrun?

Mr. Daniel Friedmann: First of all, Canada is paying for data, so all cost overruns, operations, and everything are our problem—MDA's problem. The total cost of RADARSAT-2 to MDA is in the order of \$200 million, and the total cost to the Canadian government is \$445 million, I think I heard.

Mr. Art Hanger: Right. But I think if you look back at the original contract, wasn't it somewhere in the neighbourhood of \$225 million, the total cost was somewhere in the neighbourhood of \$305 million, and MDA would contribute \$80 million? So additional investments obviously came out to another \$220 million on the part of the Canadian government.

Mr. Daniel Friedmann: I have two clarifications. MDA's original contribution was in the order of \$180 million. We just got shortchanged on \$100 million of that because we are supposed to pay for all the operations and nobody considers that. The \$80 million was construction. We spent more than \$80 million on construction. That's why I said it was a total of \$200 million.

In terms of the Canadian government investment, the original program was that Canada was putting in the money you mentioned, we were putting in the money I mentioned, and Canada was arranging for a free launch—not to be confused with a free lunch—from the U.S. government in exchange for whatever they were going to do with the U.S. government. The U.S. government did not come to the party as the king with RADARSAT-1.

The Canadian government of the day made the decision to continue with the program and basically financed the U.S. contribution, and today we have RADARSAT-2.

Mr. Art Hanger: As you have explained, the agreement is that Canada will receive its contribution back through imaging and data.

The shelf life of the satellite is, what, seven years?

Mr. Daniel Friedmann: The design life of a satellite is seven years, but satellites are a bit like humans. Once they make it through the first few months, they live a lot longer than their expected life. RADARSAT-1 has outlived itself 30%.

Mr. Art Hanger: Right, but it's all based on the seven-year....

Mr. Daniel Friedmann: Everything is calculated on seven years.

Mr. Art Hanger: Will Canada receive \$70 million worth of data a year?

Mr. Daniel Friedmann: Canada will receive whatever data it orders, and they expect to order the \$450 million over the seven to ten years, yes. There is no limit from our part.

Mr. Art Hanger: I believe you were in the room when CSA was making their presentation.

Mr. Daniel Friedmann: Yes.

Mr. Art Hanger: They've outlined what they see as the future, and I think some of it's just in the feasibility area. The satellite—obviously quite state-of-the-art—can be reconstructed now that the research is done for a much lower price, I would think, if you were to build another one.

Mr. Daniel Friedmann: There is not a significant difference, no.

Mr. Art Hanger: Not much difference?

Mr. Daniel Friedmann: No, the launch was off the shelf. The bus was off the shelf with a few modifications. The instrument, yes, was an MDA build, but to build a repeat instrument, given that technology has changed—it's been 10 years and so on—you can maybe shave 10% off the original. It's not like it's half; it's not a significant amount.

The Chair: A very brief question, Mr. Hanger.

Mr. Art Hanger: Is part of the reason MDA is selling this asset due to the fact that there really is no future established or committed program for additional satellites in Canada?

Mr. Daniel Friedmann: The reason MDA is doing the sale is what I've stated. There is not enough business in Canada under any government or any budget or any plan to support a company of our size. It's just not possible. We have to export and we have to export to the United States.

Mr. Art Hanger: Thank you, sir.

The Chair: Thank you, Mr. Hanger.

We'll go to Ms. Nash.

Ms. Peggy Nash: Thank you, and good afternoon, Mr. Friedmann.

I had the privilege of touring the Brampton facility, and the robotics produced there are quite amazing, so congratulations on that.

I have a couple of questions. First of all, in the area of access to the data, I appreciate what you're saying, that Canada will get the data it has paid for. My question is around the priority access to data, and I know you have said that Canadian laws will continue to apply.

But this must have been something that came up in the negotiations for the sale of the company, that Canada does have to comply with or that there is a Canadian RADARSAT law, the Remote Sensing Space Systems Act.

Are you saying you're guaranteeing that Canadians will continue to have priority access to data when Canada needs it for security or defence or sovereignty or environmental reasons, even though U.S. law also applies and there has been a legal opinion that says it will trump the Canadian law in this field?

• (1245)

Mr. Daniel Friedmann: What I'm saying is that the Canadian government is in control of what happens, and they're reviewing the situation as we speak. It's totally under their control. That legal opinion is not based on reading the documents that exist in the Canadian government. Of course, I haven't seen them.

Ms. Peggy Nash: So basically, from your perspective, this is a business deal, and what happens in terms of government priority access is up to the government to establish?

Mr. Daniel Friedmann: Right. I have been in our business for 29 years. We cannot do anything without government approval—nothing.

Ms. Peggy Nash: If there is a concern about priority access, then it's incumbent on the Minister of Foreign Affairs and the industry minister to deal with that concern and protect Canadian interests?

Mr. Daniel Friedmann: Yes. What we have done is we have said to ATK, "Here's the contract, and you've got to say that you're obeying that contract", which they have publicly said and privately said and signed and so on. That's my understanding of the situation.

Ms. Peggy Nash: Okay. So you haven't really gotten into the priority access piece, just the provision of data.

Mr. Daniel Friedmann: No. I'm talking about the priority, the control, everything. All of those things have to—

Ms. Peggy Nash: That's up to the government.

Mr. Daniel Friedmann: That's up to the government that is executing a government facility, and you cannot change that priority.

Ms. Peggy Nash: Okay.

The CSA was here before you came, and they painted a very rosy picture about our past accomplishments in the space industry and future accomplishments. MDA seems to have been doing very well. We had the recent launch of Dextre and the RADARSAT-2. Congratulations on both of those.

I notice that the quarter profits are up 37% and the annual profits are up 13%. The company seems to have been doing well.

It's not that MDA is losing money. I appreciate you're looking to the future. As I understand it, there are contracts that the government could fund on the order books. There's the partnership with the Europeans on the rover and the constellation project.

Critics are saying we're selling off cutting-edge, taxpayer-subsidized technology to foreign control. I guess you've heard all of that. Why couldn't this company be viable here in Canada when there are in fact projects that have not been funded that are on the order books?

Mr. Daniel Friedmann: The company has never been viable in Canada in the past. It's always had significant exports. We were bought and then subsequently owned by a U.S. company for five years. During that time we entered some markets in the U.S. that were still leading off, but then we brought the company back into Canada and we ran out of that, so we have a problem there.

Ms. Peggy Nash: Mr. Friedmann, isn't the space industry around the world invested in by governments? Is there a space industry anywhere that doesn't have government investment in order to help develop technology and nurture the industry along, often in partnership with the private sector?

Mr. Daniel Friedmann: I wouldn't call it investment. It's contracted and they are asked to do the work in their country. The ownership is all over the place. British Aerospace owns the fourth-largest defence contract in the United States. It's a British company. Most British companies are owned by the French, but they do their work in the countries according to the laws of the countries—another big misconception around.

Ms. Peggy Nash: All right. Thank you for that.

I have one other question. We had an MDA employee testify before the committee. I understand, just through the media, a couple of employees have quit. I understand there are about 40 employees who are wearing peace logo T-shirts.

Can you tell us what you think the impact of this sale to a U.S. defence contractor would be on the workforce? As you said, this technology is the result of this highly skilled, very talented group of employees who created this cutting-edge technology. Do we stand to lose some of the finest, brightest, and best people whom we've developed in Canada?

•(1250)

Mr. Daniel Friedmann: No. There are 1,500 employees in Canada, and a small percentage have a personal problem with this deal. I probably have the biggest personal problem with this deal. I lose my dream job—28 years. Other people have other problems.

Ms. Peggy Nash: Would you go and work with ATK?

Mr. Daniel Friedmann: I don't have that option, so it's a hypothetical question.

I have talked to a lot of employees. By and large, our employees understand the need for this because that is their future. It's the way for us to participate in these programs. They understand that need. We're all proud Canadians and we have our feelings. Would they understand the need? I believe the turnover due to this transaction will be minimal. We have a turnover of about 8% to 9% a year. That means about 140 people leave the company; about 30 have left since this transaction. The transaction does not register on my human resources report as a major concern. Salary is a concern. Other things are a concern.

The Chair: Thank you, Mr. Friedmann.

Thank you, Ms. Nash.

We'll go to Mr. Simard, please.

Hon. Raymond Simard: Thank you very much, Mr. Chair.

Welcome, Mr. Friedmann. I'd also like to congratulate you on the work you do. That's why we don't want to lose you.

The CSA witnesses were saying that Canada punches well above its weight. It's always nice to hear that, because it doesn't necessarily happen a lot in a country of 32 million people. They also spoke of 200 firms in the industry with 6,700 employees. When you clean all of that up and clean up the firms that are working on building planes or working on engines and those kinds of things, how many other firms are there that do what you do?

I asked Magellan the last time, which builds satellites, if they compared at all with you, and they were saying absolutely not, that nothing comes close to what MDA does.

So how unique are you with your technology?

Mr. Daniel Friedmann: Let me clarify two things.

I think CSA was referring to space, and not aerospace, but you'd have to ask them.

Secondly, when they said that half of their money goes to MDA, a large proportion of it leaves the back door right away to subcontractors in Canada; it doesn't stay with MDA. Well over half of our revenues flow right through to other subcontractors, to many of these 200 companies.

By the way, our international work does that too. This sale will bring that international work to Canada, and that's why some of these other companies are supporting this.

Hon. Raymond Simard: So are there other companies in Canada you compete with directly who do this kind of quality imaging?

Mr. Daniel Friedmann: There are companies in that field. I don't believe there's a company in Canada that can build satellites like we do, but apparently the government does, because they just competed the RADARSAT constellation.

Hon. Raymond Simard: You are the best at what you do, as far as you're concerned?

Mr. Daniel Friedmann: I hope I win that one, but they competed for that one.

Hon. Raymond Simard: You are the best at what you do.

Mr. Daniel Friedmann: I hope so.

Hon. Raymond Simard: You are very unique in terms of what you do. So once you're sold to a U.S. interest, Canada does not have a second option even to compete. There is not a second firm here that we can count on to do something similar.

Mr. Daniel Friedmann: No, but our firm is here.

Hon. Raymond Simard: Your firm is here, but there's a bit of a concern. You were indicating earlier that the reason the U.S. didn't launch our satellite was because of technical issues. We're told it was because the U.S. had some concerns about national security, because the satellite was very, very powerful, and they didn't feel they should launch it because it could be a competing satellite.

Is there any truth to that?

Mr. Daniel Friedmann: All I can tell you is that I'm the contractor and I had a contract with Boeing. They were going to launch our satellite; they were very upset when we said we had to go somewhere else. We were afraid of getting sued. That's all I can tell you.

Hon. Raymond Simard: Do you have to be a 100% U.S.-owned company to bid on U.S. space procurement technology or space contracts?

Mr. Daniel Friedmann: No, we have U.S. companies ourselves.

Hon. Raymond Simard: One of the reasons given for this proposed sale was that you were having a hard time accessing those markets. Is that correct?

Mr. Daniel Friedmann: Absolutely, in every industrialized nation, you have to have a presence to do space work, including Canada.

•(1255)

Hon. Raymond Simard: You don't have to be 100% U.S. owned?

Mr. Daniel Friedmann: No.

Hon. Raymond Simard: Are you planning on continuing to work with Canada, assuming the sale goes through, once you become ATK? Does ATK plan to continue working with Canada?

Mr. Daniel Friedmann: Absolutely.

Hon. Raymond Simard: If I understand correctly, you're saying that you'll be able to continue to work for Canada from the U.S., but you can't do business with the U.S. from Canada. That's not a good argument to me.

Mr. Daniel Friedmann: No, no. To do business you have to have operations in the country. I can get a Canadian government contract and I can subcontract, like I did with the bus to Italy or a launch to the United States. A U.S. company can get a U.S. contract and subcontract with me to do a radar payload. So through the ATK partnership, we will jointly be able to win work in the United States that MDA could not win before, and MDA will be able to execute part of that work in Canada.

Hon. Raymond Simard: What do you see happening with regard to a possible brain drain? Obviously, MDA is one of the most advanced companies when it comes to this. There are 1,100 jobs apparently at your place. What will happen in terms of jobs staying here and jobs going to the States?

Mr. Daniel Friedmann: As I mentioned, the number one reason we picked this option was to maintain the jobs in Canada. That's what I'm trying to do. But the only way you can have jobs is to have work, and I need work.

We can't just have any work. It doesn't matter that Canada decides to do \$1 billion a year in space; if they're not going to build a space

station for whatever it costs the United States.... I have to participate in that work, otherwise I'll be a side issue. I have to participate in the U.S. programs, otherwise we cannot be world-leading.

Hon. Raymond Simard: Should we not be concerned, as parliamentarians, that the remote sensing satellite information that we basically bought through years of investment—\$445 million, you were saying—will now be shared with another country? And post-9/11, security seems to trump everything else. Should we be concerned in that regard in terms of who would get information first and who would benefit from it first if we ask for it?

The Chair: Thank you, Mr. Simard.

Go ahead, Mr. Friedmann.

Mr. Daniel Friedmann: You should be concerned. To my knowledge, it's completely taken care of by the very competent people in our government, dating back many, many years.

Hon. Raymond Simard: You are saying that we should not be concerned.

Mr. Daniel Friedmann: You should ask the Minister of Foreign Affairs, but I think it's taken care of.

The Chair: Thank you, Mr. Friedmann.

Thank you very much, Mr. Simard.

We'll go to Mr. Stanton, please.

Mr. Bruce Stanton: Thank you, Mr. Chair.

Welcome, Mr. Friedmann.

This is a very intriguing topic. I wonder if I can take you back to some of your early comments with regard to this difference between ownership and control. I'll use as an example RADARSAT-2, a satellite that was developed by MDA, a private company, in contract with the Government of Canada. You've told us today that in fact on a day-to-day basis, its operational control is Canadian. In other words, in the place where they task this satellite, it's all, I assume, Canadian Space Agency staff that are basically running this.

Mr. Daniel Friedmann: Well, it's our staff, under contract with the Canadian Space Agency, in their facility.

Mr. Bruce Stanton: Okay. It's MDA staff working out of the unit in Quebec. I can't remember the exact location. So they're there.

You're now using this satellite to sell other commercial imaging services to other customers, be it the U.S. government or somewhere else in the world. We understand the control with respect to the contracts and the deliverables the agreement required, but now you're using this satellite to sell product to other people. When those contracts come in, is it the same group of people? Is it still Canadian control that tasks that satellite for these other contractors?

Mr. Daniel Friedmann: It is the same group of people under the same facility under the same rules.

Mr. Bruce Stanton: Will that continue even if the shareholding mix changes under this proposed agreement?

Mr. Daniel Friedmann: Yes.

Mr. Bruce Stanton: Okay, that takes me to the next question. You said that we have roughly a seven- to ten-year timeline. Is it seven or ten? What is the distinction there?

Mr. Daniel Friedmann: It's as long as the satellite lasts. RADARSAT-1 has lasted more than ten years, and it's \$400 million—I forget the exact figure.

Mr. Bruce Stanton: Is there a sunset point? Is there a point at which the undertakings by the government are now satisfied, when we've gotten our money's worth, and the satellite is still owned by MDA or its parent or its new company? Are you then free to do with it what you wish?

Mr. Daniel Friedmann: No. There's a point at which we fulfill our contractual obligation to deliver x amount of data, but that satellite is controlled under the laws of Canada forever.

• (1300)

Mr. Bruce Stanton: That is until the day it drops out of the sky.

Mr. Daniel Friedmann: We have to drop it specifically according to their instructions. We can't drop it anywhere.

Mr. Bruce Stanton: Very good.

In regard to going forward, we've heard that satellites, of course, have a stale date on them. As we go forward now, as far as you understand, does Canada have the rights to the kinds of technologies that were developed for RADARSAT-2, such as RADARSAT constellation, for use in its future projects? Whatever else might come, we're going to be continuing this technology. Can we make sure that we're building on some of the work that's already been done? Do we still have access to that, or could we be in a spot wherein a foreign-controlled company could take that away and we'd be starting from scratch?

Mr. Daniel Friedmann: No, you absolutely have access to that. The technology has been developed. In the case of RADARSAT-2, it's our technology, MDA's technology, that was the innovation. We're bidding that technology and a parallel technology we developed for the RADARSAT constellation. That technology resides in Canada. It cannot leave this country without an export permit. The technology is available for use by the Canadian government. We certainly intend to keep it, and ATK does too. As you heard, half the money of the CSA that's contracted out comes through MDA.

Now, if the U.S. government were to pay any company to build some technology specifically for them that they decided was

classified, well, that would stay there. But it would only be that extra piece.

Mr. Bruce Stanton: You may have covered this at another time. Just refresh my memory if that is the case. Has MDA looked at its prospects to move forward, to market its products more broadly in the world? How many other companies were more or less on the consideration list besides ATK? When you went out to look at this, were there multiple proposals that came your way?

Mr. Daniel Friedmann: Yes. In the end there were three proposals. Before that, there were a few more, but it got down to three.

Mr. Bruce Stanton: What were the redeeming qualities of ATK? I think we have a witness coming from ATK at some point. From your perspective, what was the redeeming quality that allowed the decision to go their way?

Mr. Daniel Friedmann: Our number one issue was to find a company that did not have our capability in any shape or form, because if it did, it would, over time, just looking at what happens in the world, build that capability. It's just natural.

We had been through this before with Orbital Sciences. We have watched the world—we've done it ourselves—and ATK does not have this capability. It is therefore fully committed. It's making a huge investment in building that capability in Canada. That was the number one issue.

Now, I have a fiduciary duty as the president of the company to get value for my shareholders, so I couldn't do that with ATK if somebody that had the capability was willing to pay twice as much. Fortunately, the price was not an issue.

The Chair: Thank you.

Thank you, Mr. Stanton.

We'll go to Mr. Vincent.

[Translation]

Mr. Robert Vincent: Thank you, Mr. Chairman.

I believe you said earlier that if MDA were bought by an American company you would be awarded more contracts with the U.S. Is that correct?

[English]

Mr. Daniel Friedmann: That's correct.

[Translation]

Mr. Robert Vincent: Will the 1,800 workers you mentioned keep their jobs with MDA?

[English]

Mr. Daniel Friedmann: Yes.

[Translation]

Mr. Robert Vincent: Are they going to be able to work on American contracts?

[English]

Mr. Daniel Friedmann: It is possible that they could work on American contracts—30% of the contracts we work on today are American—provided that the Canadian government approved the export of that work. So it would have to be Canadian government-approved contracts. It couldn't be just any contract.

[Translation]

Mr. Robert Vincent: Mr. Thompson, an MDA engineer, appeared before the committee on March, 5. When MDA was under U.S. ownership, ITAR regulations prevented Canadian employees from working on projects, even those that were not classified. It even prevented them from working on certain aspects of RADARSAT-2. Mr. Thompson warned the committee that, even in the context of a non-classified program, ITAR regulations make it very difficult for Canadians to work for U.S. companies in the aerospace industry.

Why are you saying that these Canadian jobs will be safe, even protected, when U.S. legislations states the contrary?

•(1305)

[English]

Mr. Daniel Friedmann: As I said, I have been in the marketing field to the United States. I've been under a U.S. owner. Mr. Thompson is a very capable engineer, but he's not in this field of marketing.

When we were owned by a U.S. company, our U.S. work went up. Not only did it go up, but we became the number one company in the world to build ground stations for high resolution satellites for the U.S. government, and we are that today. That employs over 100 people in Canada today. All of the work, except for some very small amount, is done in Canada.

What he was referring to about RADARSAT-2 was that we were trying to import U.S. technology into Canada to build RADARSAT-2. We were trying to buy a satellite bus from our own parent company, and the U.S. government blocked that export permit, just as Canada can block the export permit of Canadian technology to the U.S.

When they block that export permit, we have to go buy from another country. There is no block going the other way.

Now, having said all that, the ITAR regulations are bureaucratic. They're slow. They're there to protect a whole pile of interests, and they do get in the way, but they're workable. We work with them today. You need to facilitate some people on both sides of the border. If you have that, it's very workable.

We did it for five years, and under Orbital Sciences, our company doubled its employment in Canada. It was the highest growth we've had in our history, and you can't blame it on the president or give the credit to the president, because I've been the president for a long time in both scenarios.

[Translation]

Mr. Robert Vincent: When did MDA begin operations in Canada?

[English]

Mr. Daniel Friedmann: I think we were founded in 1969. I'm not good at math.

[Translation]

Mr. Robert Vincent: When was RADARSAT-2 launched?

[English]

Mr. Daniel Friedmann: It was just recently, in December 2007.

[Translation]

Mr. Robert Vincent: How long did it take to build?

[English]

Mr. Daniel Friedmann: Ten years.

[Translation]

Mr. Robert Vincent: Ten years? You said earlier that your profits were not very significant in Canada, and that there was no real market here. However, given that you have invested \$200 million in RADARSAT-2 over the past ten years, yet are commanding a \$1.3 billion selling price, I would say that the Canadian market is in fact fairly profitable.

[English]

Mr. Daniel Friedmann: I don't understand the math. I didn't say there is no Canadian market; I said there is a Canadian market, but it isn't enough to sustain our company. Our \$200 million has been invested in return for the future data sales we hope to make on RADARSAT-2 that was just launched.

[Translation]

Mr. Robert Vincent: Okay. If I understand you correctly, you are saying that, if MDA were sold to ATK, it would cease to exist or would become an American subsidiary. Is that correct?

[English]

Mr. Daniel Friedmann: The company will exist exactly as it does now. You will not be able to notice. You'll be able to take a tour of Brampton and it'll be the same facility with the same people, manager, and everything. The owner will be a U.S. company. We've been through this before, and that's all that will change.

By having that owner we will have access to work in the United States; therefore, that facility will be state-of-the-art. Without that, the facility will not be state-of-the-art.

[Translation]

Mr. Robert Vincent: That is the problem. ITAR prevents you from working in the U.S. How can you say that you are going to access work in the U.S. from Canada? You cannot do that. How do you plan on doing it?

[English]

Mr. Daniel Friedmann: ITAR restricts technology transfers from the United States to other countries. It does not restrict anything going from Canada to the United States. By restricting technology transfers to Canada, we can't see some documents, which makes it difficult to bid on programs. But if there are U.S. citizens who'd like to see those documents and they convert that to something that's not of importance to the U.S. government, we can do the work. We do 30% of our work in the U.S. today from Canada.

The Chair: Thank you.

Merci, Monsieur Vincent.

We'll go to Mr. Van Kesteren.

Mr. Dave Van Kesteren: Thank you, Chair.

Thank you, Mr. Friedmann, for coming.

In your opening statement you made reference to the fact that the majority shareholder is the teachers' federation.

Mr. Daniel Friedmann: It's the largest.

Mr. Dave Van Kesteren: That's of interest to me too, because obviously there's some real concern about whether we are doing the right thing morally, and I trust that.

This is a publicly traded company, so there must have been a shareholders meeting when this sale was proposed. What was the response of your shareholders?

Mr. Daniel Friedmann: The shareholders meeting these days is quite a small affair, because everything happens earlier electronically. But we received hundreds and hundreds of calls from shareholders—teachers and government employees across the whole country. This is a widely held Canadian company.

I didn't want to rub it in with the news, but we got 99.95% approval. There isn't a dictator in the world that gets that.

• (1310)

Mr. Dave Van Kesteren: Did they have any of these concerns that we're talking about? These are legitimate questions we're asking about sovereignty and Canadian technology that's being sold. Were those issues raised?

Mr. Daniel Friedmann: Our shareholders are very patriotic. In fact, the teachers' federation was part of the group that brought the company back into Canada. They wanted to know if we were doing this to maintain the company in Canada and make it thrive. I can absolutely tell you, because I'm the guy who made the recommendation, that that's what we're doing. I made the recommendation and wiped out my job the same day.

That's why we're doing this. That's what we've told our shareholders. After they heard that, and many of them called, an unbelievable percentage voted in favour.

Mr. Dave Van Kesteren: Okay, thank you.

Those are all the questions I have. I'm going to turn my time over to Mr. Hanger.

Mr. Art Hanger: Thank you, Mr. Chairman.

Is the sale contingent on ATK purchasing or acquiring RADARSAT-2?

Mr. Daniel Friedmann: The sale is contingent on ATK obeying all the government rules on control and operation of the satellite.

Mr. Art Hanger: I know, but that's not what I asked. Is the sale contingent on them acquiring that asset—RADARSAT-2?

Mr. Daniel Friedmann: You would have to ask them about that. My understanding is that technically it's not an issue. The issue is whether we have access to sell the data for the money we've invested. The government controls the satellite. You can't do anything with the satellite up there. It's controlled from the ground.

Mr. Art Hanger: I know there's a lot involved. It's not just an asset per se. The intellectual property, technology, and the like are on the table, are they not?

Mr. Daniel Friedmann: The intellectual property to build RADARSAT-2 that was funded by MDA has been sold to ATK, yes.

Mr. Art Hanger: Given the fact that CSA really hasn't committed to further steps, from what I can tell, on the feasibility of proceeding with the constellation program—they've taken that step, but that's about as far as it's gone—could the technology that went into this satellite be duplicated in the next constellation project that may result in a similar satellite being developed by Canada?

Mr. Daniel Friedmann: We have bid two options on the RADARSAT constellation. One option is based on RADARSAT-2. One option is based on a new technology we've developed in the last few years. RADARSAT-2 is 10 years old. Both of those proposals are honoured by ATK, and in fact they're hoping very much, as we are, that one of them will be approved soon and we'll be on the work.

Mr. Art Hanger: So in other words, ATK would get the contract? This is not something that would have to be so-called let out again?

Mr. Daniel Friedmann: I hope not, no. They should get the contract.

Mr. Art Hanger: You're not sure?

Mr. Daniel Friedmann: All of our existing contracts will be made over to the new owner. If it's in the process of being bid, it will be up to the government to decide whether to move it over or not to move it over. It would be a government decision, but ATK is willing to honour that proposal, as it's willing to honour every proposal we have in front of the government right now.

Mr. Art Hanger: Also included in this agreement, I understand, is the unmanned aircraft operation. There's a UAV operation out of Suffield.

Mr. Daniel Friedmann: Yes, our defence group is also part of the sale, and it is bidding on unmanned vehicle jobs for the Canadian government. It hasn't won any, but it's bidding on them.

The Chair: Thank you, Mr. Hanger.

We will go now to Ms. Nash.

Ms. Peggy Nash: Thank you.

Mr. Friedmann, you described the incredible shareholder support for the deal, and it is a very lucrative deal for the shareholders, but I'm wondering if this was addressed in the agreement. Is it possible that after the sale the Government of Canada could transfer the RADARSAT licence to ATK?

• (1315)

Mr. Daniel Friedmann: Only if the government wanted to do so.

Ms. Peggy Nash: Nothing would prevent the government from doing that in this sale?

Mr. Daniel Friedmann: The government owns the licence, so it can license anybody today.

Ms. Peggy Nash: So that's something that could happen after the fact. There's nothing that prevents them from doing it?

Mr. Daniel Friedmann: I don't know, but I can't imagine why they'd do it.

Ms. Peggy Nash: Okay. There's been discussion about the guarantee of work. You're saying that the purpose of the sale is to gain more work. Then you talked about Orbital and how sales increased into Orbital. Was that before or after the whole Homeland Security crackdown in the U.S.?

Mr. Daniel Friedmann: Orbital was before.

Ms. Peggy Nash: It was before, so security has tightened up quite a bit since then.

There are the ITAR requirements, but there's also classified work that, as I understand it, can only be done in the U.S. by U.S. citizens. Is that correct?

Mr. Daniel Friedmann: There's a certain level of classification that can only be done in the U.S., as there is in Canada.

Ms. Peggy Nash: So if ATK Canada got a contract from the U.S. and part of that was classified, that classified work would need to be done in the U.S.?

Mr. Daniel Friedmann: We couldn't get a contract in Canada that had a classified piece. The classified piece would have to be stripped off first—we've done this already—and the non-classified piece can be contracted back to Canada.

Ms. Peggy Nash: Whether by intent on your part—and I take you at your word that's not your intent—there's a concern that increasingly the technology, the work, could be sourced south of the border, because that's where the classified work will go, and that increasingly the subcontracts and the expertise will go south of the border.

Do you share any concerns in that regard?

Mr. Daniel Friedmann: First, it would have to be exported from here, so we'd have a significant amount of control.

Second, the staff who have the know-how are in Canada and want to stay in Canada. I can tell you that for a fact. We've tried to move some of them to the U.S. to grow our business and they don't want to go.

The reality is that if you look at history, our companies and other foreign-owned companies have grown in Canada because of the expertise. People are putting companies in Canada to get access to our expertise. It is a main factor.

Ms. Peggy Nash: What kinds of job guarantees and commitments did you get at the three locations MDA currently operates at?

Mr. Daniel Friedmann: That is between the Minister of Industry and ATK. I can't make the guarantees, but I know from talking to ATK that they're completely committed to building a space business here in Canada, and I know from buying various companies over the past few years, that's what you have to do if you want your return on investment, and they must be having discussions with the Minister of Industry.

Ms. Peggy Nash: In your negotiations with ATK for the sale, there was nothing in the contract you negotiated that guaranteed jobs and investment in the three facilities here in Canada.

Mr. Daniel Friedmann: We were told they would keep the work and the technology and export mandate in Canada. They would keep our management staff in Canada and they would keep our management in place. That's what we were told, and I am sure that's what they are telling the Canadian government in whatever contractual situation.

Ms. Peggy Nash: From the point of view of the skilled workforce and the absolutely top-notch, cutting-edge engineering capacity, those folks probably are concerned about their job security. Is there anything you negotiated that assures them of their job security here in Canada?

Mr. Daniel Friedmann: In our industry, in our business, we have no job security. We are six months from being out of business. We have to go and win the business. The only thing that gives us job security is access to work, and the absolute vast majority of our employees understand that gives us access to work.

The Chair: Thank you, Ms. Nash.

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

Hon. Dan McTeague: Mr. Friedmann, thank you for being here today. I appreciate the adroitness of your answers. It is very helpful to the committee.

I'm trying to get my head around a few things. Your company will, in effect, become a subsidiary of a U.S. company. As I understand it, U.S. security laws do apply to subsidiaries of companies that are domiciled in the United States but that may operate elsewhere in the world. Is this your understanding as well, Mr. Friedmann?

• (1320)

Mr. Daniel Friedmann: I don't know what you mean by U.S. security laws.

Hon. Dan McTeague: The laws in the United States require that any particular company that is doing business must comply, must work with and be subject to, the security laws of the United States. Your company, in effect, would become a subsidiary of an American company. Is that correct?

Mr. Daniel Friedmann: Yes, it would be a subsidiary of an American company.

Hon. Dan McTeague: It is conceivable, sir, in the circumstance where your company is renowned for its work in satellite imaging, that we might find ourselves in an unenviable position of being in breach of an international treaty with respect to the weaponization of space. If the U.S. company is allowed to purchase your company and uses the information, the technology, that you have developed with the help of the Canadian taxpayer, is it conceivable that this could be used for future building of satellites that might be in contravention of the very conventions Canada has signed with the international community?

Mr. Daniel Friedmann: Only the Canadian government gives export permit approval for that technology. I don't see why they would.

Hon. Dan McTeague: The point would be moot after the fact. You would have a company now owned by the Americans, who could use the umbrella of their law to have reach beyond their own border, but, more important, you may be contributing to the building, or to the technology used for the building, of other types of super satellites. This is a concern that's been raised in the past about this particular technology.

Mr. Daniel Friedmann: My understanding, as president of the company, is that if I did that, it would be breaking the law. Therefore, we haven't done it and we won't do it.

Hon. Dan McTeague: We're concerned about it on another factor, Mr. Friedmann. I think that's why the committee has a number of concerns. I appreciate that you can't answer all of them.

You said earlier that you had a fiduciary duty to get value for investors. Do you think the Canadian government should also be pursuing value for its investors and getting the \$450 million back that it put toward your technology, given that you're going to be making money on this?

Mr. Daniel Friedmann: The Canadian government got an excellent deal, negotiated a very tough deal, ran a very tough competition. We won, hands down. You cannot buy that data for less money than we're giving it to you for. You cannot buy it anywhere in the world.

Hon. Dan McTeague: Do you think that over time we'll recover that \$450 million investment?

Mr. Daniel Friedmann: Absolutely.

Hon. Dan McTeague: In how long will that be?

Mr. Daniel Friedmann: The government wants to do it over seven years. They could do it over one year if they wanted to, but that wouldn't be very efficient.

Hon. Dan McTeague: This data would obviously become available as well to the U.S. government—is that correct—if it purchases this?

Mr. Daniel Friedmann: That's only if we export the data to the U.S. government.

Hon. Dan McTeague: If the Americans make a request, under the security laws of their country, that they obtain that information without charge, how do you see that being helpful to providing financing to the company?

Mr. Daniel Friedmann: I can't see how the Americans could do that.

Hon. Dan McTeague: Are you aware of any type of amendment to the licence agreements? Has your company or anyone else pursued with the Canadian government or with any other government an amendment to the agreement that would envisage U.S. control of the product?

Mr. Daniel Friedmann: No. We have just informed the government of what's happening and changed the owner category. It's in the review.

Hon. Dan McTeague: As I understand it, there have been eight amendments to the agreement, or proposals to the agreement. I'm wondering if there is a ninth that you might want to volunteer to the committee.

Mr. Daniel Friedmann: I'm not into the technical terms, but we are informing the government of what's happening, and that presumably affects the agreement. That's amendment number nine—whatever comes out of this process.

Hon. Dan McTeague: Sorry, could you explain to us what amendment nine is specifically?

Mr. Daniel Friedmann: I'm not a lawyer, but as I understand it, the same company that today has the licence to operate the satellite—an MDA-owned company—will still have the licence to operate the satellite. But the parent company is going to be a different parent company. That's what's being amended in the amendment. There's no change to anything else.

Hon. Dan McTeague: I'm not understanding that very well, Mr. Friedmann. In fact, it's made me a little bit more nervous. Perhaps you want to have the lawyer beside you, or your counsellor, further explain to the committee more precisely what that amendment does.

The Chair: Please identify yourself for the committee.

Ms. Indra Heed (Corporate Counsel, MacDonald Dettwiler and Associates Ltd.): My name is Indra Heed. I'm counsel for MDA.

We submitted amendment number nine to the operating licence currently held by MDA GSI, a subsidiary of MDA, upon request by Foreign Affairs to submit that application. As has been mentioned by the witnesses here today, this transaction is not a closed transaction. It's pending regulatory approval. So we submitted that information, in advance, upon request of the government.

Hon. Dan McTeague: Could we see that?

● (1325)

Ms. Indra Heed: The Foreign Affairs ministry has that amendment, so the Government of Canada has that. I suggest you speak to the ministry.

Hon. Dan McTeague: I thank you for that. That's very important. I think the committee may have some other questions based on that.

Thank you to both of you.

The Chair: Thank you, Mr. McTeague.

I do have a few questions as chair, and then we have Mr. Simard and Mr. Stanton with very brief questions.

I'm going to follow along the same lines as Mr. McTeague. I have to say that the perception of this agreement and what you're telling us here today seem to be two very different things. It has raised as many questions for me as it has provided answers, so I want to clarify and make sure I understand this.

You emphasized that Canada has full control over the satellite. Now, as I understand it, just with the comment by your counsel, we have full control over the satellite through the licences. Is that correct?

Mr. Daniel Friedmann: Yes. You license us to operate the satellite according to the Canadian government rules.

The Chair: You mentioned the \$400-and-some million in information, but the satellite technology itself, if the proposed sale goes forward, will be owned by ATK.

Mr. Daniel Friedmann: Yes.

There are three things here. We have a contract with the Canadian Space Agency to deliver imagery. It's a straightforward contract that's been honoured. We have a licence from the Canadian government to a Canadian entity, irrespective of who owns it, to operate the satellite according to Canadian law, and that continues. MDA owns the RADARSAT-2 technology and the next technology, which is really what we should be worried about, and we have bid that to the Canadian government. That will be owned by MDA, but they desperately want to build the RADARSAT constellation with our employees for the government.

The Chair: Here in Canada.

Mr. Daniel Friedmann: Here in Canada, absolutely. And that will be a requirement of the contract. If you read the RFP, the enlightened situation here in the government has been that they want the work done in Canada by Canadians. That's what's important and that's what other countries have copied ever since.

The Chair: You mentioned Canadian export permit approval, but I have a note here saying that the RADARSAT-2 satellite is subject to an operating licence issued by the Government of Canada; the operations of the satellite may not be transferred to any other person without the approval of the Minister of Foreign Affairs under the Remote Sensing Space Systems Act.

So if, for instance, ATK wanted to use the satellite, or its technology, to gain certain information, but the Canadian government was uncomfortable with that, the Canadian government under this act could....

For instance, could they deny the actual obtaining of that information? Or could they just deny the transfer of that information?

Mr. Daniel Friedmann: Both.

Ms. Indra Heed: Yes, both.

The section you're referring to is in regard to the transfer of the licence. That is a distinction to be made between any access to the data, which is covered under a certain part of the regulations.

The Chair: So in terms of all the data gathered by RADARSAT-2, the control over all the data that RADARSAT-2 will get will remain in Canadian hands.

Mr. Daniel Friedmann: Yes.

The Chair: Well, it really begs the question of what's the benefit, then, to ATK of this agreement. It's simply in the technology.

Mr. Daniel Friedmann: No. We have the right to market data internationally according to Canadian government rules of who has priority and everything else, and our international customers are comfortable with that, including the U.S. government. They know Canada comes first, and so on. And they still have use for that data. That data will be sold over the next seven years. That's a value.

The Chair: One of the issues certainly raised through the media is with respect to the Northwest Passage, with respect to that, obviously, in the north, there being some disagreements over sovereignty issues. It was raised, I believe, by Mr. Brison.

If the U.S. government, or ATK as a U.S. company, wanted to obtain information that was seen perhaps in our national interest as not being in our interest, the Canadian government would be able to deny the transfer of that information.

Mr. Daniel Friedmann: Absolutely. The minister has shutter control. He can close the shutter of the satellite.

The Chair: Under the Remote Sensing Space Systems Act.

Mr. Daniel Friedmann: Yes, and the Canadian citizens who are in a Canadian government facility cannot violate that.

The Chair: And there's absolutely no way that American law, any security or any type of American law, can take precedence? There is absolutely no way that would ever take precedence over the Remote Sensing Space Systems Act?

Mr. Daniel Friedmann: Not to my knowledge. I don't know what the government has agreed to. I am sure the government didn't put up a satellite without talking to the United States. You have to ask the government what they'd do.

But from our perspective, we follow what the Canadian government tells us to do. From ATK's perspective, they've put it in writing. They follow what the Canadian government tells them to do.

If the Canadian government decides to give a big gift to the U.S. government for some reason, that I can't answer.

● (1330)

The Chair: Okay. I think that just gives me more questions than I had, but my time is up, and since I cut everybody else off, I'm going to cut myself off.

I am going to go to Mr. Simard and then Mr. Stanton.

Hon. Raymond Simard: Thank you, Mr. Chair.

I have actually two quick questions. My first one is with regard to your last comment. I guess it begs the question of how binding a Canadian act can be on a wholly owned foreign corporation. I think we have to do our homework when it comes to that. So it's not a question; it's more a comment.

Secondly, I think this question might have been posed to the people at CSA, but the Canadarm, Dextre, all our contributions to the overall U.S. and world space program have made it so that we can now contribute. We can participate with our astronauts and all that. We've basically taken a bit of space—pardon the pun. We've become a partner.

How does this sale affect that, in your opinion?

Mr. Daniel Friedmann: It has no impact at all, except that it can make it easier in the future.

So if Canada wants to contribute, and I hope it will, to the next space exploration program in the United States and it wants to contribute a particular piece of hardware, it can contract for it from us or from anybody else in the world and contribute and get all those benefits. The fact that we have a U.S. partner might make it easier to do so, but it's basically, as I said in my opening remarks, completely up to Canada.

Hon. Raymond Simard: Thank you, Mr. Chair.

The Chair: Mr. Stanton.

Mr. Bruce Stanton: Thank you, Mr. Chair. I have a short question in clarification.

Is amendment nine solely to change the name of the licensee?

Ms. Indra Heed: Actually, it's in that vein. The name may change later on, in due course, but it's to provide an update to the corporate information that will result as the transaction closes.

Mr. Bruce Stanton: Okay.

Just to wrap up here, then, Mr. Friedmann, could you give us a short paragraph on what you consider to be this transaction's net benefit to Canada and to Canadians?

Mr. Daniel Friedmann: Okay. What this transaction does is provide our existing Canadian company, with its Canadian facilities and Canadian employees and Canadian management, access to the key jobs in the United States, the next generation of space exploration and the next generation of remote sensing. By being able to bring part of that work to Canada, we maintain a viable,

growing Canadian entity from which the Canadian government can buy and from which our employees can live in this country, which is what they want to do.

We need that access to be long-term viable. This is the absolute best solution from an employee and a Canadian point of view.

Mr. Bruce Stanton: Thank you.

The Chair: Thank you, Mr. Stanton.

Mr. Friedmann, I want to thank you for your time, especially for staying longer for questions. We did have a request from a member. I believe Ms. Heed mentioned and talked to the ninth amendment. The vice-chair would like a copy of that, if we could have it presented to the committee.

Mrs. Indra Heed: It's a confidential amendment, and it's covered under the confidentiality requirements for the operating licence. So the Department of Foreign Affairs is the place to seek that.

The Chair: So we'd have to request it from the Minister of Foreign Affairs?

Mrs. Indra Heed: That is correct.

The Chair: Okay.

I want to thank you for your time, and I want to emphasize that if there's anything further you want to present to the committee, please feel free to do so. Obviously it's of great interest to the committee and others, so we'll certainly be following this issue very closely. Thank you very much for your time here today.

Mr. Daniel Friedmann: Thank you.

The Chair: The meeting is adjourned.

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