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# Standing Committee on Industry, Science and Technology

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**Thursday, March 13, 2008**

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**Chair**

**Mr. James Rajotte**

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## Standing Committee on Industry, Science and Technology

Thursday, March 13, 2008

• (1115)

[English]

**The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)):** I call to order this 27th meeting of the Standing Committee on Industry, Science and Technology.

We have a very special guest with us here this morning. We have the Minister of Industry, the Honourable Jim Prentice, for up to an hour of presentation and questions and comments from members. I want to welcome the minister to the committee. This is the first time the minister has appeared before this particular committee in his role as Minister of Industry.

We also have some officials from the Department of Industry, the deputy minister, Mr. Richard Dicerni, who is back with us again; the senior associate deputy minister, Mr. Paul Boothe; and Mr. Pierre Legault, the senior general counsel, Industry Canada.

Welcome to all of you gentlemen.

Minister, we will have an opening statement from you of about 10 minutes, and then we will go to questions from members.

Mr. Brison, do you have a point of order?

**Hon. Scott Brison (Kings—Hants, Lib.):** Mr. Chair, I would ask, given the late time we're starting, whether the minister would agree to an additional 15 minutes for this discussion. Justice Gomery was here just before us, and I believe in letting Justice Gomery do his work—

**Some hon. members:** Oh, oh!

**Hon. Scott Brison:** —but I do think an additional 15 minutes could benefit the discussions we will have today.

**The Chair:** Thank you, Mr. Brison.

Mr. Minister, we are starting at 11:15, or 15 minutes late, unfortunately, because the last committee is not as efficient as this one. We are asking you to stay, if you can, until 12:15.

**Hon. Jim Prentice (Minister of Industry):** Thank you, Mr. Chairman. That's no problem.

**The Chair:** Thank you.

You can begin at any time with your presentation, and then we'll go to questions.

**Hon. Jim Prentice:** Thank you, Mr. Chair and members of the committee, for the invitation to appear today. Mr. Justice Gomery has done his work. I'm pleased to add 15 minutes. That's not a difficulty.

I must say I look forward to the discussion today. I have enormous respect for the work of this committee, for what's been achieved over a number of years by the committee. I look forward to a strong, positive working relationship.

As I begin, I should just say I do have three officials with me. There are many fine people who work for the Government of Canada, but I can say categorically that I have here with me amongst three of the finest I've experienced in my time in government: Mr. Dicerni, who is one of the most experienced deputies in the government; Paul Boothe, an associate deputy who we have recruited as a bright light from western Canada to the Government of Canada; and Mr. Legault, who is my legal counsel, who is a fine lawyer whose counsel I rely heavily upon. So I'm pleased they're here with me.

Today I'm going to take the opportunity to discuss several items: firstly, the proposed sale of part of MacDonald Dettwiler and Associates, MDA, to Alliant Techsystems Inc., ATK; secondly, counterfeit and intellectual property; thirdly, the service sector; and fourthly, the challenges facing the manufacturing and forestry sectors.

With such a broad range of issues on the table, I will try to keep my opening remarks reasonably brief to allow ample time for questioning. We will stay a little longer, as required.

Firstly, I would like to speak to the proposed acquisition of MDA by Alliant Techsystems. As you may know, the strict confidentiality provisions of the Investment Canada Act apply and do not allow me to make specific comments on specific cases.

Now, with the agreement of Alliant Techsystems, I can confirm that I have received an application for review under the Investment Canada Act. I can assure you that any investment review conducted under the act is performed rigorously, and it includes consultations with affected provinces and other federal government departments and agencies. Members can rest assured that I will not approve this investment unless it demonstrates a net benefit to Canada.

I have with me a two-page letter that I would like to table with the committee, Mr. Chair, and perhaps it can be circulated. I understand there are copies in both official languages. It deals with the issue of confidentiality and the restrictions I face as the minister. This specifically arises from subsection 36(1) of the statute—the Investment Canada Act—which basically says that all information obtained, essentially in the administration of the act, is subject to a confidentiality restriction that actually contains criminal sanction if it is knowingly violated. I think this will be familiar to some of the people at the table. It places some challenges for us as parliamentarians in terms of responding to some specific questions. I would be pleased to discuss the letter, Mr. Chair, after everyone has had a chance to read it.

I can assure you that the government—myself as minister—will take all the steps necessary to ensure that the company's contractual and other obligations are respected and that the interests of the Canadian taxpayers are protected, regardless of the ownership of MDA. I know we'll discuss this in more particularity.

I'd like to also address, in passing, the issue of copyright. I think it's fair to say, Mr. Chair, we live in a world that is getting faster. Intense global competition, information technology, and the Internet are reshaping how businesses compete and how commerce functions. The prerequisites for economic success today are quite different from what they were only a few years ago.

Sometimes when I speak publicly I like to point out to people that when you throw away one of those greeting cards that sings a tune as you open it—to your mother or daughter, as the case may be—you're actually discarding the same amount of computing power the world had at the end of the Second World War. That puts in context just how quickly the world moves today and how fast commerce unfolds.

The real engine of growth on the way forward is the human mind, designing innovative projects, transforming services, and creating whole industries on the strength of an idea or a Canadian innovation. This is a world in which applying ingenuity and bringing new products and services to market is what will distinguish leading-edge economies from economies that don't succeed. We need to be in the successful group.

Members of the committee, a strong and effective copyright framework is essential to all of that. It's essential to a faster-growing, competitive, knowledge-based economy, and it's vital for promoting the creativity required to maintain Canadian status as a cutting-edge competitive economy. Updating and improving the Copyright Act will serve to strengthen this innovation and creativity, and it will have a positive effect across the entire Canadian economy.

The government is aware, and I'm well aware as minister, that there are many differences of opinion on how best to update the statute. While some advocate stronger protections, these protections must be crafted in a manner that protects the broader Canadian public and society. Recognizing these differences, the government will be looking into moving ahead with updating and improving the act.

You also expressed an interest in your motion in discussing Canada's service sector. I would say to you that this is a good news story. Our service sector has shown a remarkable record of

achievement. It's the single largest sector of the Canadian economy, and it's been responsible for most of the recent employment growth in our country. Average wages in some service sectors are well above the national average, and the sector has also recorded remarkable productivity enhancements in recent years.

I'll turn briefly to the manufacturing and forestry sectors.

Manufacturers and processors are major contributors to Canada's economy and employ Canadians in many communities across our nation. I am well aware that many manufacturers face challenges. There are no simple answers for this. Manufacturers will have to adjust to remain competitive; our policies are helping manufacturers do exactly that, by creating the right business climate to succeed and to compete.

● (1120)

[*Translation*]

The government's actions to implement the Advantage Canada framework have delivered important benefits for manufacturers and processors by helping them to invest and compete.

[*English*]

The government's actions to implement the Advantage Canada framework have delivered important benefits for manufacturers and processors by helping them to invest and compete. We've improved the overall business climate by providing tax relief: we've lowered corporate tax rates and we've eliminated the federal capital tax, all to help improve liquidity.

Budget 2008 builds on strengthening Canada's tax advantage by providing an additional \$1 billion in support of Canada's manufacturing sector, with an additional three years of accelerated capital cost allowance treatment for new investment in machinery and equipment. This will continue to help the manufacturing industry to invest and to improve productivity.

We introduced an S and T strategy in 2007, and it has received wide acclaim. Budget 2008 provides an additional \$654 million over the next three years to secure our leadership in the global marketplace through research and innovation.

The auto sector, which we will speak of today, is a major driver of the Canadian economy. The sector has to be at the forefront of innovation in order to remain competitive. Budget 2008 provides \$250 million over five years for an automotive innovation fund and will support the development of greener and more efficient vehicles. This will be good for the environment and will also help preserve high-quality, high-paying jobs in Canada.

The government continues to work on reducing as well the administrative and paper burden on Canadian businesses. This will help business be more competitive, but that is not all, ladies and gentlemen. With the \$33 billion Building Canada plan, we are modernizing Canada's infrastructure, with a focus on transportation corridors, on gateways, and on infrastructure that will benefit business, including manufacturers.

The government is also investing in people, in skills, and in training so that manufacturers will continue to have access to the best educated, most skilled, and most flexible workforce in the world.

• (1125)

[*Translation*]

In short, we are working to create an environment in which manufacturers and other businesses can be more productive and innovative. We are therefore also working to create well-paid jobs for Canadians.

[*English*]

We will continue to work with Canadian manufacturers and other stakeholders to further improve the business environment, and we have urged the provinces to take complementary action.

Mr. Chair, as I draw to a close, I would mention that we are committed to ensuring that the forest product sector is strong and successful as well. We are working hard to lay the groundwork for an environment where this industry can succeed and prosper. Budget 2006 provided \$400 million to encourage long-term competitiveness, to assist worker adjustment, and, in the context of western Canada, to address pine beetle infestation.

The new \$1 billion Community Development Trust, announced in January 2008, is also in place to assist vulnerable regions and laid-off workers.

In closing, through Advantage Canada, we have attempted to introduce measures to stimulate business by lowering taxes, by reducing unnecessary regulations and red tape, by building new border capacity, and by creating a skilled workforce.

[*Translation*]

We are determined to ensure that favourable conditions are in place to support Canadian business.

[*English*]

Going forward, we will continue to enhance our competitiveness and our capacity for productivity, innovation, and investment.

I'm pleased to respond to your questions, Mr. Chairman.

**The Chair:** Thank you very much, Minister, for your presentation.

We will start with questions from members. We have an opening round of six minutes for each member and a second round of five minutes per member.

We'll start with Mr. Brison for six minutes.

**Hon. Scott Brison:** Thank you, Mr. Chair.

Thank you, Minister.

Minister, on October 25 you issued a press release entitled "RADARSAT-2: Safeguarding Canada's Sovereignty in the Arctic". In that press release you said, "This satellite will help us vigorously protect our Arctic sovereignty as international interest in the region increases."

Minister, much of that interest is coming from the Americans, and there have been some threats to Canadian sovereignty as late as

December 2005, with the *USS Charlotte*, the American submarine, issue. Would you still have issued that press release on October 25 if you had known that a few months later the RADARSAT-2 would be sold off to the Americans?

**Hon. Jim Prentice:** To be clear, the RADARSAT-2 transaction, as part of the MDA transaction, has not been sold. It is not a transaction that has been finalized. It is subject to approval under the Investment Canada Act, by me, as the minister. As I said in my opening comments, we are engaged in a diligent and rigorous review of that, and I will ensure the interests of Canadian taxpayers are protected.

In addition to the Investment Canada Act, there are of course other consents and approvals required.

**Hon. Scott Brison:** Thank you, Minister.

It's an important issue to taxpayers from the perspective of the \$430 million of tax dollars invested in RADARSAT-2, but it's also important to Canadian citizens in terms of sovereignty.

If the sale goes ahead and we have a dispute with the Americans over an Arctic sovereignty issue, who will have control and command over RADARSAT-2, Canada or the United States?

**Hon. Jim Prentice:** Again, we are in the midst of the review of the transaction, and I don't think it's appropriate to presuppose that the transaction will be approved or will not be approved. Those decisions have not yet been made by me, as the Minister of Industry. And quite apart from the Investment Canada Act process, there are other agreements—as between the Canadian Space Agency and MDA—that have provisions that relate to RADARSAT.

**Hon. Scott Brison:** Minister, will you guarantee to Canadians that RADARSAT-2 technology, developed by Canadians with Canadian tax dollars, will not be used ultimately in a sovereignty dispute against Canada's interests?

**Hon. Jim Prentice:** I will guarantee to Canadians that, to the best of my ability as the Minister of Industry, I will discharge the obligations imposed on me under the Investment Canada Act in the context of this review and that I will be diligent in ensuring that the net benefits to Canada are examined and that the interests of Canadian taxpayers are protected.

• (1130)

**Hon. Scott Brison:** Minister, we have requested that MDA appear before this committee to discuss this issue, and we are hoping they will do that. In order to facilitate that meeting and further work for this committee on this issue, will you extend the Investment Canada Act review by an additional 30 days, to April 22, from the current deadline, which I believe is March 22?

Second, will you ensure that MDA appears before this committee before you grant an approval of this transaction?

**Hon. Jim Prentice:** As I said previously, I can certainly confirm that there is an application before me under the Investment Canada Act and that we are engaged in the review process. The initial timeline, the statutory timeline, is 45 days. The minister does have the authority to extend it by an additional 30 days, but I've not yet reached the point of that 30-day extension. I certainly will consider it in the context of the overall review.

To respond to your question in terms of the committee's requests for either MDA or ATK to appear before the committee, that would be a matter between the committee and those companies.

**Hon. Scott Brison:** Respectfully, Minister, you as minister will be determining whether this transaction is approved under the Investment Canada Act. It is within your powers to determine whether you grant this approval. You can say to the company that you will not grant that approval unless they meet with this committee. You do have that power, Minister.

Minister, Phil Murphy is MDA's vice-president of government relations, and he was also Stephen Harper's chief of staff when you were in opposition. Has Mr. Murphy met with you or any of your staff on this proposed sale?

**Hon. Jim Prentice:** Mr. Brison, you're speaking of Phil Murphy, as opposed to Dan Murphy, correct? I just want to make sure I understand your question before I respond. Could you just repeat...?

**Hon. Scott Brison:** Phil Murphy—has he met with you or your staff on this proposed sale?

**Hon. Jim Prentice:** No.

**Hon. Scott Brison:** I have one last question.

Minister, we're aware of the impact of ITAR and other American security laws on companies doing business with the U.S. around the world. How can you guarantee that those laws will not impede the development of further aerospace activities in Canada? One of the reasons this is occurring, according to MDA, is in fact that ITAR forces Canadian companies to become American companies just to convert—

**The Chair:** Mr. Brison, you're over time. Thank you.

Minister, you have a very brief time to answer the question, as Mr. Brison is over his time.

**Hon. Jim Prentice:** Well, not to hold that against him, Mr. Chair, but the factors that are relevant to the review are enumerated in the statute in some specificity, and I would encourage the honourable member to have regard to those. In so doing, he will see the factors the Minister of Industry is entitled to consider in the context of this review.

**The Chair:** Thank you.

Thank you, Mr. Brison.

We'll go to Madame Brunelle.

[*Translation*]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Good morning, Minister. Good morning, gentlemen.

I would like to talk to you about the MDA purchase. When Bill C-25 was passed, the Remote Sensing Space Systems Act that was promulgated in 2005, the Bloc Québécois expressed several reservations. In spite of all the money invested by the government in RADARSAT-2, over \$500 million, there was nothing in the Act to ensure that if the company was sold to foreign interests, which is what we are talking about today — that control would be returned to the Canadian Space Agency, which created and funded the technology.

Minister, you are responsible for management of the Canadian Space Agency. Given that RADARSAT-2 was designed using Canadian public funds, including the agency in Saint-Hubert, do you think that divesting MDA to an American company is profitable for Canadians? Is it not really profitable only for a handful of shareholders?

● (1135)

**Hon. Jim Prentice:** A letter has been prepared by Mr. Boothe, the Director of Investments, in which he says that under section 36 of the Investment Canada Act, it is important to protect the confidentiality of information obtained about this investment. It is therefore difficult to answer that question, because we are bound to honour that obligation.

**Ms. Paule Brunelle:** I hope, at least, without going into confidential material, that you can reassure Canadians by finding out why a company that has received a lot of public funds is able to sell its business at a large profit without the Canadian Space Agency getting what is coming to it, to my mind. I am not asking you for an opinion; I am expressing my concerns. I am sure you are going to review this closely before authorizing it.

Another difficulty involves the remote sensing satellite, which provides important information about underground water, ore deposits, minerals, gas, oil, cartography, agriculture and forestry. All of these matters are under provincial jurisdiction, under the Constitution.

Minister, given the importance of the information that RADARSAT obtains regarding natural resources, are you going to take the opinion of the government of Quebec into account? Have you requested such an opinion yet?

**Hon. Jim Prentice:** We are obligated to discuss it with the other governments, which includes the government of Quebec, and with the other stakeholders in relation this issue.

**Ms. Paule Brunelle:** Minister, in terms of this issue, we are concerned that the Americans will have access to information to which the provinces will no longer have access and which relates to our territory. People have expressed these concerns to us. I hope that you will be able to enlighten us in this regard.

**Hon. Jim Prentice:** First, thank you for providing me with your opinion on this issue and on RADARSAT, MDA and ATK.

**Ms. Paule Brunelle:** You are responsible for administering the Investment Canada Act. Paragraph 29(e) of that Act states:

(e) the compatibility of the investment with national industrial, economic and cultural policies, taking into consideration industrial, economic and cultural policy objectives enunciated by the government or legislature of any province likely to be significantly affected by the investment;

So these are factors that you have to take into account when you look at the Investment Canada Act to determine whether you can authorize this transaction.

Have you analyzed the effects on the provinces? If so, can you tell us what your conclusions are? If not, are you planning to analyze those effects?

• (1140)

**Hon. Jim Prentice:** Yes. The Investment Canada Act refers to the net benefit to Canada, for example the effect of the investment on the level and nature of economic activity in Canada and Quebec. It also refers to the significance of participation by Canadians in the Canadian business, the effect of the investment on productivity, industrial efficiency, technological development and product innovation, the effect of the investment on competition within any industries in Canada and the compatibility of the investment with national industrial, economic and cultural policies.

**Ms. Paule Brunelle:** You have to analyze the significance of the degree of participation by Canadians in industries. Are there going to continue to be other Canadian businesses in the remote sensing industry, if we divest MDA to the Americans? Is that not going to create a vacuum?

**Hon. Jim Prentice:** I am going to answer in English.  
[English]

In the context of the review, I think I've been very clear that I will discharge the responsibilities I have under the act to the best of my ability. I will ensure that the interests of Canadians, as measured by the net benefit test, are fully considered.

**The Chair:** Thank you.

*Merci, Madame.*

Mr. Carrie from Oshawa is next.

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

Thank you, Mr. Minister, for being here today. As you know, I am from Oshawa, and everybody on this committee realizes that's the centre of the universe as far as automotive manufacturing is concerned. I think you realize the importance of the auto industry to not only our local economy in Oshawa and Ontario, but to the entire country.

I was really pleased to attend your announcement and your speech in Toronto a couple of weeks back. I'm very proud of your leadership and our government's leadership in finally bringing forward an auto action plan. It's really the first time a government has been able to bring this forward. I was wondering if you could explain for the committee how this will enhance Canada's auto industry.

**Hon. Jim Prentice:** Thank you for the question. I've been significantly involved in the auto industry since I became the minister. In one of my earliest meetings I spent time with the CAPC executive, and more recently with the whole council. I've read everything I can get my hands on relative to the auto industry. I even checked myself in as an auto part at one point and travelled across the border in a Linamar truck to have a better appreciation of the challenges faced at the Detroit-Windsor crossing, which is an essential element of Canadian competitiveness. Everyone appreciates that the challenge here is that the industry is a North American one, and we need to be competitive and ensure our competitiveness across borders.

We've been very successful as a nation in automobile assembly. One out of every six vehicles in North America is assembled in Canada. It's something we've excelled at. There are those who view

this as not being an industry of the future, but I don't agree with that. It is something that we've always distinguished ourselves at; in fact, we are among the best people in the world. It doesn't matter which auto company you look at, their Canadian assembly plants are among the most productive anywhere in the world, and they take great pride in them.

Our action plan is constructed to ensure that Canada's automotive sector remains not only viable but on the competitive edge for future success. There are four elements that have been included in that. First is the creation of a sound fiscal framework within which industry can compete. Second is supporting the integration of the North American industry, because the industry will require fuel standards, safety standards, and so on, that work together in a harmonious way so we can compete with vehicles and producers from elsewhere in the world. Third is investing in research and development. Fourth is the creation of an automotive innovation fund.

Advantage Canada is central to all of that, but you're quite right that recently in a speech in Toronto I outlined in more detail the specific components of our strategy or action plan relative to the automotive sector.

In closing, I will say parenthetically that there will be challenging times from time to time, and the next year may raise some challenges in the automotive sector. But I'm confident that the Canadian industry will rise to the occasion and be able to deal with those issues.

• (1145)

**Mr. Colin Carrie:** Thank you very much, Mr. Minister.

One of the things that I see as a real challenge is attracting new manufacturing mandates. One of the parts of the auto action plan that I was encouraged to see is the automotive innovation fund that you have. I was wondering if you could explain for the committee and the people of Oshawa, and all the workers on the line in Oshawa, how this automotive innovation fund will have an effect on Canada's ability to innovate and to attract these new investments, which seem to be so important. If you get these big investments here, all the spinoff jobs seem to come with them.

Could you explain a little bit more this automotive innovation fund that you have in the action plan, please?

**Hon. Jim Prentice:** I think it's fair to say that the automotive innovation fund and the focus on science and technology work very much together. We know that with the forces of globalization and the challenges with competitiveness, we have to have the right foundations and we need to be on the cutting edge of the development of new technologies and new assembly mechanisms, otherwise we won't have the competitive advantage that we will need.

We've always been at the forefront of innovation in the Canadian automotive sector, and we have to stay there. So the purpose of the \$250 million innovation fund is to support what I would describe as strategic, large-scale research and development in assembly facilities in the automotive sector, so that we have a more innovative, greener, and more fuel efficient vehicle platform to compete in the future.

We will also be ensuring that the S and T, science and technology, resources the Government of Canada currently spends are targeted in a meaningful way toward that same objective. There are also additional funds in the budget of 2008 that will deal with exactly those same concerns.

**Mr. Colin Carrie:** What do you see as the biggest challenge for the auto industry over the next few years? CAPC put out a report a while back that addressed five “asks”, and I’m happy to see that we are taking action on all five—the investment part of it; human resources; regulatory convergence; the infrastructure issues; and innovation and science and technology.

What do you see as the biggest challenge out of those five things for the auto industry over the next few years?

**Hon. Jim Prentice:** The biggest challenge for the Canadian automotive industry is to ensure that we are competitive and that we can take on all comers, because there is no doubt that we have been among the best people in the world at automobile assembly. That is because not only of the ingenuity of Canadian business leaders and businesses, but also because of the quality of our workers; we have the best assembly workers in the world, bar none.

We need to ensure that those workers operate in an environment where they can compete with all comers. That is why we’re addressing the North American harmonization of regulatory standards; that is why we need to focus on border infrastructure; and that is why we need to ensure that on issues such as fuel efficiency standards we maintain the competitiveness of our industry. That’s the challenge.

• (1150)

**The Chair:** Thank you, Minister.

Thank you, Mr. Carrie.

We’ll go now to Ms. Nash, please.

**Ms. Peggy Nash (Parkdale—High Park, NDP):** Good morning, Minister, and good morning to the other witnesses. Thank you for being here today.

Today is, of course, a proud day for Canadians, because the Dextre robot has docked with the space station today. This success is built in the footsteps of the Canadarm, an internationally recognized symbol of Canadian ingenuity and expertise in space technology.

It was also a proud day in December with the launch of the RADARSAT-2, when the government claimed this was key to our Arctic sovereignty—that while the previous government had not ensured Arctic sovereignty, this government would, and that RADARSAT-2 was essential to doing so. RADARSAT-2 has been called the jewel of the Canadian space industry.

Sadly, at this same moment when Canadians are celebrating a new high in our world-class space industry sector, our government is contemplating this sale to an American arms company.

Several weeks ago I tabled a motion to invite you, Mr. Minister, to come to this committee, and I also tabled a motion to have expert witnesses come before our committee and discuss various elements of this sale. The witnesses we’ve heard from expressed a number of concerns about this sale: ethics, sovereignty, jobs in the sector, and

the future of the Canadian space industry. They expressed concern about the lack of the government’s leadership in the future of this industry.

With all of these extensive investments Canadians have made—strategic investments in the future of Canada’s space sector—how can we just sell this off to the largest U.S. weapons manufacturer? How is this good for Canadian sovereignty or Canadian jobs, and how is this even just good value for the Canadian dollar?

**Hon. Jim Prentice:** Let me just say as I begin that in the time since 1962, Canada has been a leader in satellite technology. That is clear. The history is well documented.

To be fair, in your question you suggested that the Government of Canada is contemplating a sale. That is not the case; the proposed transaction in question involves MDA in a transaction involving ATK.

I am required, as the Minister of Industry, to evaluate that proposed transaction under the Investment Canada Act; the Minister of Industry has the responsibility to make a decision on whether any such transaction has net benefits to Canada and to approve or deny the transaction on that basis.

I’ve indicated simply that this is before me in my responsibility as a minister, and I intend to discharge that responsibility to the best of my ability and to ensure that the interests of Canadians, as measured through the net benefit test, are fully respected.

**Ms. Peggy Nash:** How can we guarantee our sovereignty in the Arctic if we sell off this technology or if you approve the sale of this technology to the U.S.? How can we guarantee our sovereignty in the Arctic when in December this was so key to Arctic sovereignty?

**Hon. Jim Prentice:** I emphasize this: I welcome your thoughts as a parliamentarian, and I welcome the thoughts of everyone else in the room about this proposed transaction—that’s one of the reasons I’m here today, to hear from you your perspective on this—but I would simply reiterate that I have not yet made a decision. I will make a decision as I’m required to do within the timelines defined in the legislation and to the best of my ability, based on what the law calls upon me to do. You should not presuppose anything.

• (1155)

**Ms. Peggy Nash:** Mr. Minister, the federal government has refused to move forward with funding of the next wave of world-class Canadian space technology, such as the proposed RADARSAT Constellation and the Mars Rover that Europeans had turned to us to build because we were in the best position to do this.

Why has the government not been investing in these future projects that are essential to keeping our space industry at the forefront and building this industry for the future?

**Hon. Jim Prentice:** If we can take your question into the financial and policy framework for Canada’s role in space and away from the transaction of which you’re speaking, I will say this. I’ve just come back from the Kennedy Space Centre, where Space Shuttle *Endeavour* was launched. It was a remarkable experience. I was there because this was a mission in which Canada was central. Dextre, which is essentially the operating fingers at the end of the Canadarm, was included in the launch.



The Canadian achievements in space are remarkable. We have achieved incredible success with the Canadarm 1, which was on the space shuttle, the second Canadarm, which is on the space station, and Dextre.

**Ms. Peggy Nash:** Excuse me, Minister, I have so little time. But these are the result of past investments. The RADARSAT Constellation or the Mars Rover, these are the future.

My question is, what about the current investments? These are investments that Canada needs to make, and the government, frankly, has not stepped up.

**The Chair:** Minister.

**Hon. Jim Prentice:** The launch is the result of current investments as well as aggregate investments on the part of our nation over many years. We are committed to deal with these issues. We have taken leadership in space, and we'll continue to do so.

**Ms. Peggy Nash:** Thank you, Mr. Chairman.

**The Chair:** Mr. Eyking.

**Hon. Mark Eyking (Sydney—Victoria, Lib.):** Thank you, Mr. Chair.

Minister, as you're aware, Canada is a major leader over the last decade in the elimination of landmines and cluster bombs on this planet. These are terrible devices. They cause 40,000 people every year to be killed or maimed. That's one every 10 minutes of every day of the week.

The purchaser of part of MacDonald Dettwiler is Alliant Techsystems, and they are a major manufacturer of these devices. With this sale, we are enhancing a company that's manufacturing these killing machines. Canada is totally against it. My question is simple, and I'd like a simple answer: is your department working with Foreign Affairs on this conflict in our international obligations?

**Hon. Jim Prentice:** The review process—and I won't use up your time by elaborating on how the process works—is a consultative process. It includes input from other government departments and the provinces. These consultations will happen, and they will include consultations with the Department of Foreign Affairs.

**Hon. Mark Eyking:** Okay.

Mr. Brison is going to continue.

**The Chair:** Mr. Brison.

**Hon. Scott Brison:** Minister, MDA is the dominant company in Canada's space industry. There's been a lot of consolidation, and MDA has built a significant presence in Canada's space industry as the biggest player. There's a real concern that selling MDA to a foreign company is akin to a modern-day Avro Arrow in the impact it will have on the future development of Canada's space industry.

Will you guarantee, as part of your evaluation under the Investment Canada Act, that this decision will protect the future development of Canada's space agency, that you will consider it as an industrial strategy for our country as well as a sovereignty issue?

•(1200)

**Hon. Jim Prentice:** I welcome your thoughts on this, as a parliamentarian. If you wish to elaborate on these thoughts, I'd be pleased to hear what you have to say.

The Investment Canada Act is a specific piece of legislation. It enumerates, as I recall, six factors that are to be considered by the Minister of Industry in the context of the review. They're quite specific. It includes reference, as I recall, to economic policies and the effect of investment on productivity, industrial efficiency, and technological development in Canada. So I welcome your perspective on this.

**Hon. Scott Brison:** Does the Investment Canada Act give you the capacity to deny approval on this transaction, based on negative impact to national sovereignty? If in fact the sale of this provides to Americans—who may from time to time be in conflict with Canada on an issue of Arctic sovereignty—the tools that can be ultimately used against Canadian interests, it would effectively give the Americans a Canadian taxpayer-funded vehicle to use against Canadian interests.

So, Minister, under the Investment Canada Act, do you currently have the power to consider national interests in the context of Arctic sovereignty?

**Hon. Jim Prentice:** The act is quite clear that I, as the minister, have the ultimate responsibility to judge whether the transaction is to the net benefit of Canada. It then enumerates six factors, but at the end of the day it is a determination of the minister as to whether there are net benefits to Canada. Enumerated are references to compatibility with industrial, economic, and cultural policies.

**The Chair:** Thank you.

Thank you, Mr. Brison.

We'll go now to Mr. Van Kesteren.

**Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC):** Thank you, Mr. Chair.

Thank you, Minister, for attending.

In part of the conversation we're having, we have found that part of the problem with the sale of the MDA is that we had, in past governments, a very poor vision and plan for what we are going to do in science. We have undertaken, after the break, to do a thorough study of science and technology policy. I've spoken to you a number of times, and I'm really impressed with your fresh and excited view on science and technology. I wonder if you could explain to the committee what your vision is for science and technology.

I'm thinking of our government's announcement of the Science, Technology and Innovation Council, headed by Dr. Howard Alper. Could you share with us your vision of that?

**Hon. Jim Prentice:** Thank you very much.

I am very excited about science and technology in Canada's policies and where we're headed. I begin that journey as someone who is not a scientist. I freely confess that. We have the capacity as a country to do some very remarkable things.

The Canada science and technology policy has been an issue for many years. Last May 2007, as I recall, we put in place a science and technology policy, which is known as "Mobilizing Science and Technology to Canada's Advantage". This was done by the Prime Minister and my predecessor, and I have found in inheriting that policy and moving forward on it, it being my responsibility to implement policy, that it is a policy that has received wide acclaim. I have heard virtually no substantive criticism of the policy as a visionary way forward for the Government of Canada. I know Dr. Carty apparently was quite supportive of the policy, and I know he's been previously supportive of the fact that he was included in the development of the policy.

The essence of the policy is to ensure that we define federal research priorities and promote world-class research in Canada; that we achieve global excellence; that we be focused; and that we endeavour to ensure practical applications of Canadian technology, Canadian know-how.

I like to describe the policy in these terms. It consists really of three steps. The first step is to find the brightest minds in the world and get them into Canadian universities and colleges. The brightest minds in Canada is a minimum threshold, but it's not a sufficient condition. We need to go beyond that. We need not only the brightest kids in our own country, we need the brightest young minds we can find worldwide and get them to our country. We have a wonderful standard of living that will keep them here. That's step one.

Step two is to make sure that while they are at our universities or colleges we adhere to global excellence in research; that it is adequately funded; that we are doing things at Canadian colleges and universities that are truly cutting-edge global quality; and that we not simply talk about that, but that that's actually the test.

The third step is that we ensure that we can commercialize the product of those bright minds in our universities and colleges and translate it from the idea stage—from the bench, if you will—right through into business.

I think it would be fair to say that if one examines much of what has been written, it is that third step where we need to focus activity. That certainly has been a priority. It's something we are discussing in terms of venture capitalization and other mechanisms to translate intellectual property from the university or college environment into our standard of living.

● (1205)

**Mr. Dave Van Kesteren:** Excellent.

Mr. Chair, I'd like to split my time with Mr. Stanton.

**The Chair:** You only have 20 seconds left.

Minister, members have requested of the chair that since they're enjoying this discussion so much, they're imploring you to extend if you can, possibly to 12:30 p.m. I don't know whether your schedule permits that, but there are a few more members who want to ask questions.

We'll check the schedule, but I think we'll move on to Monsieur Vincent.

[*Translation*]

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

Minister, under the Investment Canada Act, which determines whether the investment is of net benefit to Canada, which is what we have been talking about for some time now, you have to consider section 20, that is, paragraphs 20(a) to 20(f). I am going to focus on paragraphs 20(a), 20(b) and 20(e), which have to be taken into account for this sale. We will take the time we need so we can see what I'm talking about.

Paragraph 20(a) reads as follows:

20(a) the effect of the investment on the level and nature of economic activity in Canada, ...

The primary reason I see for the government not approving the MDA sale is the loss of jobs. Paragraph 20(a) talks about job losses. This is therefore not of benefit to Canada.

Now we have paragraph 20(b):

20(b) the degree and significance of participation by Canadians in the Canadian business ...

The second reason why the government should not approve this sale is that there will be no participation by Canadians, because there will be no other business in the remote sensing industry.

The third reason why this sale should not be approved is in paragraph 20(e):

20(e) the compatibility of the investment with national industrial, economic and cultural policies, taking into consideration industrial, economic and cultural policy objectives ...

We are thinking that you have not consulted Quebec and the other provinces on this subject.

Those are my questions. These three reasons mean that it is not of benefit to Canada to sell MDA. Have your senior officials brought paragraphs 20(a), 20(b) and 20(c) to your attention? Is there a report or a study by senior officials in your department that demonstrates that the investment is of benefit to Canada? If a report like that exists, is it available?

**Hon. Jim Prentice:** As I said, I appreciate your opinion on this matter and the provisions of the Investment Canada Act, and I am taking note of it. If you have other opinions, I will hear—

● (1210)

**Mr. Robert Vincent:** It isn't my opinion I want. I know what my opinion is, and my opinion is that we should not sell MDA, because of the fact that these three points were not taken into account in relation to the sale. It is your opinion that I would like to hear.

I would like to know whether someone has given you a briefing on paragraphs 20(a), 20(b) and 20(e), which show that it is not of benefit to Canada to sell MDA. It is your opinion that I want; I have already stated mine.

**Hon. Jim Prentice:** You have an opinion and I have responsibilities under the Investment Canada Act.

**Mr. Robert Vincent:** I understand that, that is what we are talking about, investment. We are talking about paragraphs 20(a) to 20(f). Is the investment of net benefit to Canada? I have listed the three paragraphs of section 20 that lead me to believe that the sale should not take place because it is not of net benefit to Canada. I would like to know whether you share my opinion on those three points.

**Hon. Jim Prentice:** I mentioned that you have a letter ...

**Mr. Robert Vincent:** No, section 36 has nothing to do with it.  
[English]

**The Chair:** Monsieur Vincent, let the minister answer.  
[Translation]

**Hon. Jim Prentice:** You have received that letter. It is a provision regarding the confidentiality of this subject. I am the person in charge and I am going to make this decision under the Act.

**Mr. Robert Vincent:** Fine, I will move on to a second question.

**The Chair:** This will be your last question, and it will have to be brief.

**Mr. Robert Vincent:** How much time do I have left?

**The Chair:** You have less than a minute.

**Mr. Robert Vincent:** Fine.

The federal government has injected \$45 million into the development of the satellite, \$155 million into other MDA projects and \$30 million into national security. After all that, are we going to sell the RADARSAT-2 satellite? After the satellite is sold, do you believe there will be more than mere monitoring of the territory? Is this a back door to joining the United States' anti-missile defence program, the anti-missile shield?

**Hon. Jim Prentice:** This is a proposed agreement between MDA and ATK, it is not an agreement with the government of Canada. My responsibility, under the Investment Canada Act, is to consider and deal with that question.

[English]

**The Chair:** *Merci, Monsieur Vincent.*

I'll go to Mr. Stanton, please.

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

I'll just ask a short question and I'll share my time, if I can, with Monsieur Arthur.

Mr. Minister, one of the announcements you made last fall concerned the advanced wireless spectrum auction. This was an announcement that presumably impacts on telecommunications companies, but also on consumers. Could you give us a snapshot of how those benefits are going to roll out for each of those stakeholders?

**Hon. Jim Prentice:** I'll be pleased to do that.

Before I do, I might point out for the benefit of Mr. Brison that in response to his question earlier about Mr. Phil Murphy and whether there had been any meetings or discussions between me or any of Mr. Boothe, Mr. Legault, or Mr. Dicerni with Mr. Murphy—and I said no, absolutely not, and that is the case—I have asked my staff in

the meantime to confirm whether there had been any other discussions.

I would advise you that one of the staff in my office, Leanne McIntyre, had a meeting with Mr. Phil Murphy on October 4, 2007. This, of course, is some time ago, and I'm advised that it was part of a general introductory briefing.

I just wanted to be fair in responding to your question. That's the best information I have of the only meeting that transpired.

Going back, if I may, Mr. Chair, to AWS, on November 28, 2007, we released the policy framework for an auction for advanced wireless services. Of course, we've been looking for greater competition and innovation in the industry. As I said at that time, and still feel quite strongly today, the objective is lower prices, better service, and more choice for consumers and businesses.

I should say parenthetically that we started from the premise that radio spectrum is a finite resource, a defined resource that is valuable and is used by all Canadians. It is in a sense a public good that is owned by Canadians. The decisions with respect to the deployment of it need to be made in the best interests of all Canadians.

We made those decisions when we announced the framework for the spectrum auction in November. In the time since then, we have been proceeding with the consultative process that is required. We've received over 60 written submissions and have also considered the advice of the telecommunications policy review panel.

So we are moving forward and will be dealing with the actual auction on the timeline that was previously indicated. We are very much looking forward to achieving those objectives of lower prices, more choice, and better service for Canadians.

•(1215)

**Mr. Bruce Stanton:** Thank you.

**The Chair:** The time for Mr. Arthur is two minutes.

[Translation]

**Mr. André Arthur (Portneuf—Jacques-Cartier, Ind.):** Minister, regarding the new wireless spectrum auction, you have the choice of reserving frequencies for new entrants, as you have been asked to do, or making all these new frequencies available to everyone in the auction. At a certain point, you had two options: generate higher revenue for the government of Canada by not reserving frequencies or allow new entrants to have access to this technology.

Could you explain to us what reasoning you used to reach your decision? How do you justify it, in your own mind?

**Hon. Jim Prentice:** Certainly. I am going to ask you to be patient and answer in English, given that this is a very technical subject.

[English]

The important decision of how to allocate AWS spectrum was made by me, with the advice of the department, following an extensive process of deliberation and consultation.

I received legal advice shortly after I became the minister that it would be prudent to consult extensively with the players in the industry. Further to that advice, I met with the individual CEOs of six or seven, as I recall, different players in the telecommunications industry. I afforded each of them an equal amount of time to explain their perspective. I was a new minister and I wanted to make sure I understood where they were coming from. I also read everything I could about the industry, and I spent an enormous amount of time with the department getting further details.

I came to the conclusion, not at any single point in time but gradually, that we needed to ensure through the AWS auction that Canadians received the benefit of their AWS spectrum, because it is a public good that is owned by the citizens of Canada, and that what was in their interest was lower prices, more choice, and better service. I strongly formed the view that the way to achieve that was with a set-aside that is reasonably modest in terms of the overall amount of spectrum that is publicly deployed on a commercial basis but that nonetheless would achieve the objective of more competition and thereby lower prices, more choice, and better service.

I note that virtually all the auctions, whether you speak of Canada or our industrial competitors, the United States, England, and so on, have had some mechanism to achieve new entry. A set-aside is one such mechanism. It's not the only mechanism. There are other public policy steps that different governments have taken. I won't bore you with the details, but they have all been targeted to achieve the same thing, which is new entry.

I would say in closing that the very first auctions in Canada were actually targeted to do exactly that, and in fact all the incumbents in the telecommunications industry in Canada currently hold spectrum that they acquired by way of set-aside.

• (1220)

**The Chair:** Minister, I'm sorry I have to cut you off, but we are over time.

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

**Ms. Peggy Nash:** Thank you. Mr. Minister.

I'm told that a Mr. Montenegro from Lang Michener, who has represented the Prime Minister and several senior Conservatives, including cabinet ministers, is a lobbyist for ATK in this deal. Can you confirm that?

**Hon. Jim Prentice:** To respond to your question, I know the individual of whom you speak. He is a lawyer. I don't know if he is registered as a lobbyist; I haven't determined that. I don't know who his clients are necessarily. I don't know if he represents MDA or ATK. You'd have to ask him that.

**Ms. Peggy Nash:** Have you met with him? Have you had a discussion with him about ATK, or has any member of your staff had a discussion with him?

**Hon. Jim Prentice:** I saw him at the shuttle launch several days ago. There was a reception several hours before the launch, where I gave a brief speech. I was there along with Steve MacLean and Julie Payette, two of our astronauts. There were about 50 or 70 people in the room, who were Canadians and who were associated with the shuttle launch. He was there. I spoke to him very briefly and only socially. He introduced me to the individual who, as I recall, is the

president of MDA, but I spoke only socially and only very briefly—not about any substance whatsoever.

**Ms. Peggy Nash:** Has he met with your staff about the sale of MDA to ATK?

**Hon. Jim Prentice:** He certainly has not met with Mr. Dicerni, Mr. Boothe, or Mr. Legault, to my knowledge, no. I'll certainly verify that.

**Ms. Peggy Nash:** Thank you.

You spoke earlier expressing some excitement about the future of Canada's space industry. So, again, I'd like to ask this question. If you think highly of Canada's space industry, why has your government refused Europe's request to help build the Mars Rover?

And why has Canada not funded the RADARSAT Constellation? Are you concerned about the brain drain of all the incredible expertise Canada has, which we will lose if we fail to fund these projects?

**Hon. Jim Prentice:** We have been a leader in space. It is an area where we have punched above our weight, to use an expression.

**Ms. Peggy Nash:** I think that's true of the past. My question is for the future. We're looking at a lack of funding for projects that are on the books, which are crucial to Canada's involvement in the future of the space industry. This government has not stepped up. I'm wondering how you can explain that.

**Hon. Jim Prentice:** I understand the question. I don't agree with the premise that the government has not stepped up.

**Ms. Peggy Nash:** But you've refused to fund these projects, and these are crucial—

**Hon. Jim Prentice:** If I might—

**Ms. Peggy Nash:** —for the future of the industry.

**The Chair:** Ms. Nash, could we have the minister respond? You've posed the question; let's have him answer.

**Hon. Jim Prentice:** If I might respond, the budgetary allocation to the Canadian Space Agency is approximately \$300 million a year. This is extensive public funding to the Space Agency to do many things, including their review of the projects of which you speak.

In the time after the shuttle program winds down, there are a number of critical decisions that will need to be made, not just by—

• (1225)

**Ms. Peggy Nash:** [*Inaudible—Editor*]...the deal between MDA and ATK—

**The Chair:** Ms. Nash.

**Ms. Peggy Nash:** —in order to put public money into this industry that will just go to a U.S. company?

**The Chair:** Ms. Nash, please. Ms. Nash, you've asked the minister a pretty substantive question.

Mr. Minister, you have the opportunity to answer the question.

**Hon. Jim Prentice:** Space obviously inspires all of us, Mr. Chairman.

As I was saying, in the time after the shuttle program winds down, and there's a limited number of shuttle launches to the international space station left, all the major industrial countries that are participants in space—Canada, the United States, the European Union, and others—will be required to make decisions on the strategic deployment towards the various priorities that are out there. Canada is no different from anyone else in that sense. We will continue to have discussions about that.

**The Chair:** Thank you.

Thank you, Ms. Nash.

We'll go to our last questioner, Mr. Simard.

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

Thank you very much for being here, Minister.

I'm sorry I missed the first part. I had to speak in the House, and we don't necessarily control the timing of that. I did hear you say, Minister, that you're very proud of the work of this committee. It is a very thoughtful committee, by the way. It's a committee that works very, very well.

We're hoping you use it as a sounding board for some of your decision-making. I really feel, Minister, that it would be tragic if a decision were made over the Easter break to allow the sale of this company. I do think that when we had our witnesses here—the last time we only had one meeting with them—all members, and I'm not going to speak for the other members, but I think all members had some concern in terms of selling this company.

I do feel, as Mr. Brison indicated before, that it has the potential of being an Avro Arrow. It will be a benchmark decision. And 10 years down the road, we'll be looking back and saying, "My God, we made a bad decision."

I would hope that you would commit now to at least extending for 30 days and allowing us to have a few meetings with the key players here, experts, so that we can express our concerns to you.

**Hon. Jim Prentice:** Well, I would just reiterate that I've not yet reached the point where the 45-day period requires an extension. I will deal with that decision at the time, and I'll deal with it to the best of my ability under the legal obligations I have.

**Hon. Raymond Simard:** So there's no commitment to extend until we've met a few witnesses?

**Hon. Jim Prentice:** I don't think I can be any clearer than I just was.

**Hon. Raymond Simard:** One of my colleagues actually attended the *Endeavour* launch with you and actually thought it was fascinating, as you did. He was also told by many people from the Canadian space program that they couldn't believe we would allow the sale of this company. So he's hearing it from people who are in the know.

Do we know, for instance—and this is something we may want to try to get from our witnesses down the road—if we allow the sale of this, whether we are selling 5% of our space technology or 50% of our space technology? If it's 5%, maybe we'll say we can live with that. If it's 50% or 60% or 70%, well, it may change our recommendations to you, sir.

**Hon. Jim Prentice:** Your colleague, Member of Parliament Roger Valley, did accompany me to the Kennedy Space Center, and I think he was really as amazed by the shuttle launch as I was, but I think he was also just as proud as I was to see what Canada has achieved with *Dextre* and with the launch and their contributions.

**Hon. Raymond Simard:** So is it 50% we're selling to this company or 5%? Do we have any idea?

**Hon. Jim Prentice:** I've been as clear as I can with respect to my obligation in law to deal with this proposed transaction and to respect the confidentiality imposed on me.

**Hon. Raymond Simard:** I have one last question, Minister.

I don't think it's a surprise that the shareholders voted 99.9% in favour of selling this company. If I'm not mistaken, Canada has invested I believe over \$700 million there, so there is a substantial investment from this government in the company that has built the equity over the years. Are there any conditions that come with that?

**Hon. Jim Prentice:** Persistence on your part is to be admired. Clarity on my part is I think equally to be respected. I am in a position in which there are confidentiality restrictions imposed in law upon the Minister of Industry in the context of this review. I will carry out the review to the best of my ability and I will do so within the four square corners of the statute and the legal requirements.

•(1230)

**The Chair:** Thank you very much, Mr. Simard.

Minister, I want to thank you and your officials for being here with us today, and I want to particularly thank you for extending your time by half an hour to be with us until 12:30. Obviously, there's a lot of interest by the committee in this particular transaction. I want to thank you for encouraging members of this committee to make their views known to you, as I suspect many of them will do in due course. I want to thank you for your appearance here today, and I certainly welcome you to come back at any time.

**Hon. Jim Prentice:** Thank you. I was delighted to be here, Mr. Chairman. Excellent job.

**The Chair:** Thank you.

Members, we will suspend for two to three minutes, at which time we will resume in camera. Thank you.

[*Proceedings continue in camera*]











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