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Chair

Mr. James Rajotte

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•(1105)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call to order the 29th meeting of the Standing Committee on Industry, Science and Technology.

Pursuant to Standing Order 108(2), we're continuing our study of the proposed sale of a part of MacDonald, Dettwiler and Associates to Alliant Techsystems.

We have two panels before us today of an hour each. In the first panel we have representatives from the Canadian Auto Workers, the National Automobile, Aerospace, Transportation and General Workers Union of Canada. We have four members of the organization: Dawn Cartwright, the national aerospace director; Carol Phillips, assistant to the president; Steven Shrybman, legal counsel; and Mr. Roland Kiehne, president of CAW Local 112.

We are supposed to have a professor of the Institute of Air and Space Law from McGill University, Ms. Lucy Stojak. Hopefully she's on her way.

And then, from the University of Sherbrooke, we have Mr. Alain Royer, professor and researcher member of CARTEL—Centre d'application et de recherche en teledetection—department of applied geomatics, faculty of literature and social sciences.

You've all been told you have up to five minutes for an opening statement.

We'll start with the CAW, then we'll go to Professeur Royer, and then hopefully Professor Stojak will be here.

Ms. Cartwright, are you presenting on behalf of the CAW?

Mrs. Dawn Cartwright (National Aerospace Director, National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW - Canada)): No, it will be Carol Phillips.

The Chair: Okay. Ms. Phillips, you can begin at any time.

Ms. Carol Phillips (Assistant to the President, National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW - Canada)): Thank you.

We appreciate this opportunity to come before you and speak on an issue that we think is of paramount importance to the future of our country on a number of grounds, as we'll lay out. You see that you have before you a written submission. I'm going to make a verbal submission this morning. We have various participants here, too, who can answer questions.

We have about 11,000 members as a union in the aerospace sector, and in our union we have 260,000 members. We came together in council this past weekend, and I can tell you that the issue of the sale of MDA was a very high priority in that body, which is representative of citizens in this country. We had a lot of speakers, a lot of concern about what this means.

Many of you will have received a legal document that we made available. We mailed it out to you. The clerk has it, because it's in for translation right now. In our view, based on this legal opinion complementing our opposition, we believe that this sale cannot in fact go ahead.

Also, in view of MDA's comments earlier this week where it made assertions about who controlled the shutter, the U.S. or Canada, we have Steve Shrybman here today, our legal counsel, who will be able to speak to any questions you might have on our opinion, which is that U.S. law triumphs.

We're here today for a number of reasons. As a social union, we're concerned about anything that threatens the well-being of Canadian workers as a whole. This not only threatens our members at MDA and their future, but it also threatens our country.

We've been asked a number of times, as a union, about job security. It's a prominent preoccupation of manufacturing workers generally in this country today, the issue of job security. At MDA these days, especially at the robotics division in Brampton, the company has worked hard to cast fear about how the sale of ATK is necessary to save their jobs.

You heard earlier this week CEO Friedmann saying that essentially they were in a situation where the sky was falling. We're here to say that the problem at MDA was not that we needed a foreign buyer, but that we needed the Canadian Space Agency to release funding for ongoing development.

We've seen in written comments by Andrew Eddy from Athena Global, who is formerly from the Canadian Space Agency, that there are lots of possibilities, lots of contract opportunities for MDA, and in fact they weren't interested in selling the company until a \$1.325 billion offer came in from ATK, and suddenly they got interested in selling the company.

MDA had an overall profit increase last quarter of 37%, projected a rosy future, and badly needed an influx, however, of Canadian Space Agency money to get the next generation. And that's very important to understand in this industry. There has to be a constant development of the next generation of technology. They needed that badly, to get the next generation in robotics and RADARSAT-2 going, to improve their already excellent product.

The sale is about what ATK wants MDA for, what purpose ATK wants MDA for, and we hope you'll get a real answer today—a real answer, not a public relations answer—about exactly what their intentions are for MDA.

In the world overall, there's about a \$200 billion market in aerospace. Only a part of that, only a part of the potential customers for that, is in the United States. There's huge competition going on out there. The United States is being left behind. You can find customers. We know there are customers out there for this product, and there will be, ongoing, as well.

In our view, what ATK wants is intellectual property rights, and our view is that that is especially why this sale should be blocked.

We're going into the next generation, 3-D imagery of RADARSAT, which will pinpoint accuracy. Ask them, please, what their intentions are for the future of the robotics division in Brampton. Does anybody in this room seriously believe the assurances that once ATK completes this sale there will be security? We certainly don't, and we would be very surprised if you did.

In conclusion, the proposed sale of Canada's leading domestic supplier will erode Canada's national and Arctic sovereignty. It is contrary to existing Canadian law. It will transfer ownership and control of vital technology and data to a foreign nation, contrary to our national security interests. It will wipe out future opportunities for Canada to enhance domestic expertise in space technology and know-how. And the supplier firms that support Canada's space program will result, once again, as we saw with the Avro Arrow, in the emigration of countless high-skilled aeronautical engineering and technical positions to the United States and provide no guarantee for employment levels in Canada.

We're asking you to block this sale.

• (1110)

The Chair: Thank you very much, Ms. Phillips. Thank you for your presentation.

We'll now go to Monsieur Royer, please, for his presentation.

[*Translation*]

Mr. Alain Royer (Professor and Researcher member of CARTEL (Centre d'application et de recherche en télédétection), Department of Geomatics Applied, Faculty of Literature and Social Sciences, University of Sherbrooke): Good morning. I will be concentrating my remarks on RADARSAT, the Earth observation satellite developed by MDA and the Canadian Space Agency. With your permission, I would like to make my presentation in French. I will thus be more comfortable in defending this jewel of Canadian Earth observation technology.

I will deal mainly with five concerns relating to the sale and the loss of control over the RADARSAT-1 and RADARSAT-2 satellites.

The first concern relates to the environment monitoring capability provided by RADARSAT. This satellite is unique and is extremely effective for the monitoring of flooding, ice areas and oil slicks. Who will now decide on the purchase of these images? Who will decide on the control of the satellite in situations of natural disaster or conflict? Imagine a scenario — not that it is something I would hope for —: two simultaneous floods, one in the United States and one here. Who will decide on intervention priorities? That is a source of concern. The loss of control over the satellite could be harmful to environment monitoring. That is one of the major aspects.

Secondly, I would like to underscore Canada's participation in the International Charter on Space and Major Disasters. In 2001, Canada was a pioneer when it initiated, along with the European Space Agency (ESA) and the French Space Agency (CNES) the creation of this Charter, the signatories of which committed to making available throughout the world means of Earth observation for follow-up and assistance in the management of natural disasters. If we lose the satellite, what will Canada have to offer under this Charter for which Canada was a pioneer and to which RADARSAT presently makes an extremely significant contribution through these images and its enhanced observation capability?

The third issue pertains to the applications and innovations flowing from the use of these images. At present, MDA and a whole host of companies throughout Canada have developed expertise and are carrying out research and development in the use and exploitation of these images. This technology is extremely advanced, but it has not yet been completely assimilated. Much remains to be done to improve the interpretation and analysis of these images. RADARSAT-2, in particular, has a polarimetric capability that significantly augments the information included, but there is still much research to be done in this area.

What will these industries become if they no longer have access to these images as they did previously? The Canadian Space Agency had an entire promotion and distribution program for these images in view of developing this expertise within Canadian SMEs. These services companies transformed the raw material into a product that could be used by the Coast Guard, the Canadian Ice Service, the forestry industry, for logging monitoring, agriculture monitoring, etc. There are all kinds of applications for which radar technology is in the process of being developed. I am somewhat concerned about their chances of survival. What are the risks if we lose control over these images?

The other important issue is that of the international projects in which Canada is involved. These projects are funded by the Canadian Space Agency or by other agencies such as CIDA or IDRC. The projects that the university played a role in were research and development projects, including demonstration pilot projects. We had access to radar images in view of promoting this technology. I am worried by Canada's loss of independence with regard to the running of these pilot projects. There was, for example, the flooding project, *MekongFrom Space*, in which radar images were used and were of precious help.

•(1115)

In such situations, will Canadian interests not be in conflict with foreign interests?

My final point is the one that concerns us most directly. I am talking here about this fear that we have with regard to research. At the present time, there are programs that are developed by the Canadian Space Agency in order for these images to be provided to universities and research centres, the purpose being to increase the analysis potential for this data. Will we still have access to this data? Will we continue to develop this expertise which, in the end, might wind up serving interests other than Canadian interests?

I wish to thank you for having allowed me to speak to you.

The Chair: Thank you very much.

[English]

Our third presenter will be Ms. Lucy Stojak. She's a professor at the Institute of Air and Space Law at McGill University.

Ms. Stojak, you have five minutes for an opening presentation.

Dr. Lucy Stojak (Faculty Member, International Space University, As an Individual): Thank you, Mr. Chairman, members of the standing committee, for the invitation to appear before you.

For the record, I would like to make a correction. I do not hold the title of professor. I am a doctor—that's a title that I earned and worked for—and I am a consultant. My contractual links with the Institute of Air and Space Law, as of very recently, are no longer there. I just wanted to clarify that for the record so there is no misinterpretation as to my affiliation and title.

I have a few points that I would like to highlight this morning.

Canada has a very long and proud history in the space industry, and I think sometimes it's good to go back in time and remember what the government policy drivers were at the time the decision was made to develop RADARSAT-1.

The three primary drivers were to allow Canada to be able to manage its own resources, to have sovereignty over the northern regions of Canada, and to allow environmental monitoring. These three issues have, over the years, increased in importance. Every government in the past 10 years—and most recently the throne speech that was pronounced in 2007—has indicated that strengthening Canada's sovereignty is a clear priority.

Within the next 10 to 15 years the Northwest Passage may be open to routine maritime traffic. Canada must ensure that it has the ability and capability to monitor the comings and goings in the Arctic. Clearly, space-based technologies such as RADARSAT-2 are...in terms of SAR, radar technology is really the jewel in the crown, and it is the most highly available commercial SAR satellite on the market today.

Another point I would like to highlight is what other countries around the world are doing. When Canada entered this field there was only a handful of space-faring nations. Now the competition is much fiercer. Countries, even small-scale countries like Nigeria for example, are coupling with private companies in the U.K. to launch their own satellite packages for remote sensing purposes. Clearly,

they will not have the resolution and the amount of finite valuable information that a three-metre SAR can provide, but the trend, if you look around the world, is increasingly for countries to have their indigenous remote sensing systems. The reason for that is to not be overly dependent on those countries that traditionally, for the past 30 or 40 years, have developed an extensive market in that field. I think there are valuable lessons to be learned there. At least questions should be asked as to why it seems that we're going in the opposite direction.

Another point I'd like to raise is the need, in the very near future, if not today or tomorrow, for this government to really think about the adoption of a coherent space policy. Again, the United States adopted a new policy in 2006. For the first time, the European Union adopted a policy in 2007. Though the interests and the drivers may not be the same—because national interests are important and they vary—all of them will agree that it's a strategic decision.

It is important for the development of industry to retain competitiveness. It's extremely important for the research and development and future training of individuals in the science and engineering fields. There are socio-economic benefits that have already been tabled in terms of numbers, and future technologies can only increase with time. The dependence of governments and citizens on space-based technology has increased dramatically, and this trend is not going to stop; it will only increase in time.

My colleague mentioned that Canada has international obligations to meet, as well, in terms of providing certain imagery under international agreements like the UN charter, for example, and I would also raise the whole issue of public good.

The technology that MDA developed for RADARSAT-2 is not equivalent to a technology for a new widget or a new paper clip. This is extremely valuable high technology with national security implications. Millions of Canadian taxpayer dollars were invested in this. The space industry is one that needs an extremely long lead time, so to develop something like RADARSAT-2, or to try to repeat it... If you lose the IP, you lose the stepping stone on which to build the future generation. You really have to start at zero, and the lead time is extremely long. It's between seven and ten years. It's high risk, with a lot of financial investment, and stakeholders need to be gathered to make this happen.

I feel that some of these points really need to be answered very clearly.

•(1120)

Last but not least, I would like to raise a question.

Canada's Remote Sensing Space Systems Act, the legislation that entered into force in 2005, and the regulations that just entered into force in March 2007 were clearly inspired by the U.S. legislation. The United States has by far the biggest stakes. It has the broadest legislation, and that's normal because they have the biggest fleet and the biggest stakes.

Again, I don't have an answer; I'd just like to flag this for discussion. But when you read the regulations that apply to the United States' operators of private land remote sensing space systems, what's interesting to note is the definition of "person" under this act. The act applies to "any person subject to the jurisdiction or control of the United States who operates or proposes to operate a private remote sensing system, either directly or through an affiliate or subsidiary".

Therefore, because it is my understanding, at least from what I've read in the press, that the potential sale of MDA to ATK would make MDA a subsidiary, I just raise this point for discussion.

Thank you for your attention.

The Chair: Thank you very much for your presentation, Ms. Stojak.

I do want to clarify for the record, for myself and for the committee members, you're a professor at McGill Institute of Air and Space Law. You said you're a consultant. So can you clarify your position for the committee?

Dr. Lucy Stojak: Yes, Mr. Chairman. I believe that title was taken...Institute of Air and Space Law certainly was correct. I was affiliated for many years with the Institute of Air and Space Law. I'm a graduate of the Institute of Air and Space Law. I'm no longer under contractual obligation.

As for the title of professor, I have never held the title of professor. I'm a doctor, certainly, with a specialization in aviation and space law, but not a professor.

I am a member of the faculty of an organization called the International Space University, which is based in Strasbourg, France, so I do a lot of teaching. I am a faculty member of ISU, but I certainly am not a professor as one in the academic milieu understands that term to be.

The Chair: Thank you for clarifying that for us.

We'll now start questions from members.

Mr. Brison, for six minutes.

Hon. Scott Brison (Kings—Hants, Lib.): I want to follow up on Dr. Stojak's comments on U.S. security laws and the genesis of RADARSAT-2 in Canada and the intentions.

RADARSAT-2 was developed by the Canadian government in part to strengthen our ability to protect Arctic sovereignty. The Americans do not recognize Canada's claim on the Northwest Passage, and as late as December 2005, there was an issue around an American submarine in the Northwest Passage. It seems indefensible that we would take \$445 million of Canadian tax dollars to invest in a satellite to defend our sovereignty and then have that satellite fall to the use of the Americans, to be used against Canadian sovereignty in a dispute on the Northwest Passage.

I'd like you to quote the U.S. security law, the specific phrase, once again on the affiliate side.

Further, I'd like your opinion, or that of any one of the experts here, on whether there is any way that a Canadian government, can protect a Canadian company against U.S. security law. If this

transaction were to go through, is there any legislative or legal means to absolutely, totally inoculate the RADARSAT-2 technology against that law?

• (1125)

The Chair: Dr. Stojak.

Dr. Lucy Stojak: In answer to your question concerning the quotes I read earlier, I have one very important point for clarification. What I'm about to quote again is not a national U.S. security law. In 1992, the U.S. adopted something called the U.S. Land Remote Sensing Policy Act, just as we, in 2005, adopted the Remote Sensing Space Systems Act. In order to implement the act, governments usually pass regulations that go into more of the minutiae of the licence details, etc., so what I'm reading is a clause from the latest set of the federal register, Department of Commerce, the regulations to the licensing of private land remote sensing space systems final rule.

Paragraph 960.2(a), under the scope of the act, states:

The Act and the regulations in this part apply to any person subject to the jurisdiction or control of the United States who operates or proposes to operate a private remote sensing space system, either directly or through an affiliate or subsidiary, and/or establishes substantial connections with the United States regarding the operation of a private remote sensing system.

Then there is a list of clauses as to what could be taken into account to figure out whether or not there is substantial connection with the United States.

I just want that to be made clear.

Hon. Scott Brison: It seems very clear to me that it's fairly locked in. It would be impossible to protect yourself...or it would be highly unusual to be able to protect an affiliate of an American company. Any technology that belonged to an affiliate of an American company would be subject to that regulation.

Dr. Lucy Stojak: Of course, regulations are open to interpretation. But if you go to the historical background of when this and the Canadian legislation and regulations were being drafted and thought of, clearly the national security interests of countries that have privately owned and operated remote sensing satellites was of extreme concern, and therefore legislation was required.

If I could make one point, and perhaps other members have provided the answer to this—

Hon. Scott Brison: Doctor, I have one other question. I may want to check that out, but I just have one minute left.

On December 14, the day the satellite was launched, the parliamentary secretary to the minister said, "This satellite will help us vigorously protect our Arctic sovereignty". The very next business day—Monday, December 17—MDA agreed to sell the satellite to the Americans. Can any of you name one other country anywhere in the world that would invest \$445 million in a satellite technology to defend its sovereignty and then sell the satellite or allow the satellite to be sold to foreigners the day after it was launched?

Dr. Lucy Stojak: I do not know of any.

The Chair: Mr. Shrybman, do you want to comment?

Mr. Steven Shrybman (Legal counsel, National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW - Canada)): The provision Dr. Stojak refers to is also set out in the authorizing legislation under which the regulations are promulgated. As she indicated, that's the Land Remote Sensing Policy Act. So it's not simply a regulatory proviso that stipulates that you need a licence under the U.S. regime, and that applies to any subsidiary you happen to be operating in a foreign country; it's a matter of law as well.

In response to your question, the only way to inoculate this satellite from the application of U.S. law would be for Congress to amend the statute to specifically exempt RADARSAT-2, and I think we know how likely that would be.

• (1130)

The Chair: Thank you, Mr. Brison.

We will go to Madame Brunelle.

[Translation]

Ms. Paule Brunelle (Trois-Rivières, BQ): Welcome, Ladies and Gentlemen. Thank you for appearing before us today.

I note that the representatives of CAW obtained a legal opinion regarding the possible sale of MDA to ATK. In this respect, representatives of the Canadian Space Agency, of MDA and now of ATK have given us the assurance that all clauses of the contract between MDA and the government of Canada through the Canadian Space Agency would be fully respected. It is of critical importance to us to know your opinion on this.

Canadians made a huge investment in this company. This is why I would like to know if, in your opinion, Washington will have the last say about access to services, especially those provided by RADARSAT-2.

[English]

The Chair: Mr. Shrybman.

Mr. Steven Shrybman: Ms. Brunelle, the short answer to your question is yes, that's true. U.S. law applies, and it would trump any agreement that MDA or any successor corporation would have with the Government of Canada. The regulations from which Professor Stojak was reading are quite explicit in that regard too.

I quote from them, in the opinion you have, just to highlight the provision on point under paragraph 960.10. These are the consolidated federal regulations, part 960, which are promulgated under the legislation we referred to:

The licensee may be required by the Secretary

—and this is the secretary of the NOAA—

to limit data collection and/or distribution by the system as determined to be necessary to meet significant national security or significant foreign policy concerns, or international obligations of the United States.... During such limitations, the licensee shall, on request, provide unenhanced restricted images on a commercial basis exclusively to the U.S. Government....

That's U.S. law. A U.S. company subject to this law has no opportunity to contract out of the statutory obligations that apply to it. It's that simple.

[Translation]

Ms. Paule Brunelle: This sale must be authorized by the minister of Industry. Do you believe that he has the information required under the Investment Canada Act or should this decision rather be made by the minister of Foreign Affairs who is responsible for granting the operating license to the satellite? Would the legislation governing remote-sensing space systems provide him with better tools to prevent this sale? Does one of these departments have precedence over the other?

[English]

Mr. Steven Shrybman: I think both departments have a critical role to play, though the statutory mandates they have are quite different.

MDA has to maintain control of the licence of the satellite and control over its satellite unless it seeks a transfer of the licence to another company, and that transfer application has to be approved by the Minister of Foreign Affairs. In exercising his authority under the act, the minister has to have regard—and I'm reading from the Remote Sensing Space Systems Act for Canada—"to national security, the defence of Canada, the safety of Canadian Forces, Canada's conduct of international relations, Canada's international obligations" and certain "prescribed factors". There are two prescribed factors relating to economic development that have been promulgated by regulations under the act. Those are pretty explicit criteria, and unless they're satisfied, the minister cannot authorize the transfer of the licence from MDA to any other corporation.

Our legal opinion is that there is no reasonable basis, given the fact that U.S. law will apply to this satellite, for the minister to approve that sale, given the explicit criteria of Canadian law.

• (1135)

The Chair: Ms. Phillips.

Ms. Carol Phillips: That's the reason, in fact, that we entered into this legal opinion with the Rideau Institute. The sale of this company is being treated as just another sale under the industry minister, as if it were a widget producer. We wanted to make sure that we were very clear about how many other considerations need to be made. That's why we were very pleased to have this legal opinion and to have reconsideration. The industry department has not turned back or blocked a single sale to a foreign-owned company, and we just wanted to make sure this wasn't regarded as just another ordinary sale. This is different.

The Chair: Thank you, Madam Brunelle.

Professor Royer wanted to comment as well.

[Translation]

Mr. Alain Royer: In my view, several departments should be concerned by the sale of RADARSAT-2, including Environment Canada, Natural Resources Canada and Public Safety Canada. All these areas are directly impacted by the satellite.

Ms. Paule Brunelle: Do I have some time left?

[English]

The Chair: The time is up, unfortunately. *Merci, Madame Brunelle.*

We will go now to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair, and thank you, witnesses, for appearing.

Really briefly—I don't want to get into a dialogue, and I appreciate CAW's concerns with the legal implications—you do admit that this is your legal opinion. Is that correct? This is your legal opinion.

Mr. Steven Shrybman: Yes. Is that directed at me?

Mr. Dave Van Kesteren: That's all I wanted, and that's important

Mr. Steven Shrybman: Yes, it is my legal opinion, and of course the basis for it is set out in the opinion, and the statutory provisions that apply are there.

Mr. Dave Van Kesteren: And we're glad you came down, and I can understand why the union would want to be a part of this discussion too.

My question is what you think the percentage would be of employees at all the facilities who are shareholders in the company. Have you any idea?

Mrs. Dawn Cartwright: With respect to that, I believe that Mr. Friedmann made reference to shareholders in his presentation on Monday, but we don't have access to that kind of information with respect to the total number. Perhaps ATK may know.

Mr. Dave Van Kesteren: That's fair, I suppose. The reason I bring that up is that 99-point-whatever—say it's 99—percent of the shareholders voted in favour of this transaction, so I think we want to make sure that when we.... Set aside the fact that we're talking about the legal implications, we also want to make sure of the workers' concerns.

I got this e-mail this morning and I think there were others who got this as well. It says the following:

Good morning. As president of the CAW Local 188 Bargaining Committee for MDA Ste-Anne-de-Bellevue, I have over the course of three months since the announcement of the sale the opportunity to converse with the members I represent about the impact of the change of this ownership.

I can tell you that a large majority of the members see positive changes resulting from this return to American ownership for this division.

Many also are frustrated by certain organizations in the country spreading fear, uncertainty and doubt, not to mention outright misinformation, about the impact of being owned by an American firm.

This division of MDA was originally part of RCA Corporation, then became Canadian-owned when purchased by SPAR Aerospace Limited, reverted to American ownership under EMS, and Canadian again under MDA.

And it's signed by the president of the committee of the negotiators. I'm translating from the French.

So I'm puzzled. I'm getting mixed messages from you, and I'm getting mixed messages from your rank and file.

Ms. Carol Phillips: Let's be very clear on a couple of things.

For the shareholders, this is absolutely a good deal. They can put a lot of money in their pockets. There is no doubt—no doubt—that they can put a lot of money in their pockets. Is it a good deal for the shareholders of Canada who invested in this technology? I would say no.

In terms of our membership, there is no doubt. If you were to ask manufacturing workers in Canada today if they feel secure in their

jobs, if they feel secure in the funding that the Canadian Space Agency has been releasing, they would give you an emphatic no. They do not feel secure about manufacturing in this country, and they do not feel secure about the commitment to any kind of space policy or the release of funds from the Canadian Space Agency.

• (1140)

Mr. Dave Van Kesteren: Forgive me. I read in here that it says “a large majority of members see positive changes”. You're not giving your rank and file a lot of credit when they look at the situation.

My question is this. Do you come here as representative of the vast majority of your workers? Do the vast majority of workers say no, we don't want this deal to happen? That's my question.

Ms. Carol Phillips: Roland.

Mr. Roland Kiehne (President, MDA Space Missions Group): Obviously I'm the representative of the workers in the robotics division in Brampton, and it's true that our members are absolutely in favour of the deal to ATK. But that's not surprising. Given the fact that for a number of years the Canadian Space Agency has starved MDA and that there was no alternative provided, it made complete sense for our members to embrace the deal.

ATK, for its part, has neither publicly indicated its long-term commitment to the robotics division in Brampton nor disclosed its business plan and how the robotics division fits into that business plan.

So it makes complete sense to us that our members would be afraid and that they would embrace this deal, because no alternative was provided.

Mr. Dave Van Kesteren: Okay, we'll go on.

The Chair: You have less than a minute, Mr. Van Kesteren.

Mr. Dave Van Kesteren: I just want to point out that the funding was reduced way back in 1998. I guess I'm just a little bit puzzled. I'm hearing mixed messages here.

That's all for the line of questioning I have, Mr. Chair.

The Chair: Thank you, Mr. Van Kesteren.

We'll go to Ms. Nash, please.

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

Good morning to the witnesses.

I want to pursue the question around the applicability of U.S. law should this sale go through. I want to ask those who are giving legal opinions.

Under the U.S. Land Remote Sensing Policy Act of 1992, as I read it, in the regulations there are conditions that would apply to the licence, and these conditions would apply whether the licence is held in Canada or in the U.S. I'm quoting from these regulations. It says:

The licensee shall maintain operational control from a location within the United States at all times, including the ability to override all commands issued by any operations centers or stations.

This is the so-called shutter control right of the U.S. government.

Further, it says:

The licensee may be required by the Secretary to limit data collection and/or distribution by the system as determined to be necessary to meet significant national security or significant foreign policy concerns, or international obligations of the United States...

Now, I understand that foreign policy concerns and national security concerns are not defined, so they could be quite broad. This leads me to believe, in spite of the categorical assurances we've been given about Canadian control and Canadian law applying, that will not be the case once MDA is sold to ATK.

Can anyone comment on that?

Mr. Steven Shrybman: I think your reading of the U.S. regulations—and I referred to them earlier—is quite accurate.

It is conceivable that the Canadian legislation would apply as well to this satellite. I think it's unlikely, but it's possible. To the degree that Canada can claim jurisdiction under Canadian law if the subsidiary is operating in Canada and is based in Canada, there's an argument that Canadian law would apply as well.

There's no question that U.S. law applies, so it's conceivable that ATK could be given competing directions from U.S. and Canadian regulators. I don't think it will have much difficulty, being a U.S. defence industry contractor, in figuring out which directions to abide by. Somehow I think that Canada will cede its jurisdiction with respect to its own regulatory requirements.

We haven't seen the licence, as I understand, or any amendments that are being proposed to it. That may well make that very apparent. But there is no question that U.S. law and regulations will apply to a subsidiary of ATK whether it's based in the United States or Canada, and that includes the stipulation that requires the company to maintain control over the satellite systems in the United States.

• (1145)

Ms. Peggy Nash: Ms. Stojak.

Dr. Lucy Stojak: I have two quick points.

I'd like to underline that there is obviously a possibility that the Canadian law would continue to apply. But with regard to the extraterritorial application of U.S. law, there are examples other than these regulations that apply to commercial and remote sensing operators. One need only think of ITAR and the fact that ITAR doesn't just follow a piece of technology. If you read through the ITAR, it also applies to things like defence services, to data, and to knowledge. I believe, certainly from what I read in the press a few years ago, there were already issues concerning things like whether, if a Canadian company employs someone who has dual citizenship, there could be difficulties down the road if this is a U.S. heavy-involvement project. There are issues, from the U.S. side, regarding who some of the staff dealing with the project are.

So the extraterritorial application of U.S. law has been an annoyance on certain issues and has been a sore point—let me put it that way—among other countries that are active in the space field.

Ms. Peggy Nash: Part of the concern about Canada's selling this technology after Canadians have paid 90% of its development costs is the potential end use by ATK. Does anyone here have concerns about the nature of ATK, of which almost 90% is for defence purposes, and what this could lead to in terms of the use of the technology, what it means for defence applications, what it means for

compliance to treaties that we've signed? Could any of these end uses be in conflict with not only the legal obligations Canada has made, but also the spirit in which these technologies were designed?

Ms. Stojak, you outlined the satellite technology.

The Chair: Your time is running out here, Ms. Nash. Let's get a comment.

Who would like to address this? Ms. Phillips.

Ms. Carol Phillips: We have, from the beginning, expressed concerns about this. We as a union have been involved for 10 years in the issue of land mines and cluster bombs, so to see the crown jewel sold to a company that is one of the world leaders in some of these vile weapons is really, really disgusting to us. In terms of the larger picture, we also opposed the testing of the cruise missile back when some of our members designed and built the guidance system for the test missile.

There is no doubt that you have members who are concerned about their job security and then the bigger picture. What we're addressing here today—with the full support, by the way, of our national executive board membership—is our concern.

The Chair: Thank you.

Thank you, Ms. Nash.

We'll go to Mr. Simard, please.

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

Thank you for being here, witnesses.

As my first comment, someone mentioned the loss of the intellectual properties. As far as I'm concerned, that's probably the most important thing here. If you look back at the Avro Arrow case, we suffered for 50 years because of that decision.

When we're talking about MDA, we were told by the CEO the other day that it is the jewel in the crown. One problem we have is that there's nothing else that's even close as far as we're concerned. We're talking about Canadarm, we're talking about Dextre. If you ask Canadians about our claim to fame in the aerospace industry, they would probably name those two things.

By selling our intellectual property to the American company—there's nobody else in the wings—what are the consequences? Someone was saying that it's zero to 10 years to develop this from scratch. There's not a second company that's 50% of MDA that can take up the fight, if you will, for Canada.

What does that mean for Canada over the next 10, 20, or 30 years?

• (1150)

The Chair: Ms. Cartwright.

Mrs. Dawn Cartwright: It's interesting you raise the Arrow. You're absolutely correct when you talk about where people point to in terms of what our icons are and our expertise in space and aerospace. The first thing, of course, is the Avro Arrow, which just recently celebrated its 50th anniversary of flight, and now the next piece, of course, is the Canadarm.

Certainly our experience with respect to the Arrow was that indirectly lost were 14,000 jobs, and indirectly, in total, 30,000 jobs, many of which, in terms of our expertise in engineering, went south, quite frankly, and in many cases eventually ended up in NASA.

Clearly we have a history and a pattern here that says if we don't continue to grow, and we don't continue to invest in development and expertise, then in fact we're going to lose that base. We did; our experience at least with respect to the Arrow was that this in fact did happen. There's no question that here we see the same thing.

[*Translation*]

Hon. Raymond Simard: Mr. Royer, at our last meeting we asked who would have priority in terms of observation. I believe you raised this issue. In my view, this is a very important matter. You talked about floods, but there could also be much more serious situations, for example acts of terrorism or an invasion, who knows? Who would have priority use of the satellite in such a situation? I believe this is the key issue. Is Canada going to lose its priority, in your opinion?

Mr. Alain Royer: If the Canadian Space Agency or MDA are no longer part of the Canadian observation system, it seems clear to me that we are going to lose the ability to decide the time of the intervention. The satellite cannot observe everywhere at the same time. It goes around its orbit and its camera is pointable. Who will decide to where it will be pointed? The system is presently managed by the Canadian Space Agency but obviously we do not know who will exercise this control in the future. It is extremely worrisome.

[*English*]

Hon. Raymond Simard: Ms. Stojak, you spoke about sovereignty concerns. We've been speaking here in this committee about the Northwest Passage, which is a concern, obviously, to everybody. But you also spoke about possible national security implications. Could you give us some idea of why we should be concerned about our national security through the sale of this company?

Dr. Lucy Stojak: Well, I would answer that there could be instances when Canada is involved in a conflict or in an alliance and there is a need for the very high-resolution information you get, and you wouldn't be able to provide it. Or there could be a specific issue that would be applicable to Canada whereby you would need that kind of information and you would not have it. It's not just for sovereignty; flooding can also be seen from a national security perspective.

An example that pops into my mind is being in an alliance in an area of conflict where the U.S. perhaps is not involved, but we are, and we would be required to furnish data and would not be in a position to do that. It's national security, but it's also the defence of Canadian Forces abroad. The five stipulations are national security, defence of Canada, safety of Canadian Forces, Canada's conduct of international relations, and.... So it could be placed here, but Canadian armed forces obviously are not stationed only here.

The Chair: Thank you.

Thank you, Mr. Simard.

We'll go to Mr. Stanton, please.

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

Good morning to all the witnesses. It's good to see some of you again.

There are obviously reams of questions here, but I want to go back briefly to Mr. Shrybman and this question of U.S. law trumping Canadian law.

Would it not be true that the U.S. law would only pertain, in this case, to a contract? MDA is a company operating in Canada that's providing contract services for different countries in the world. The U.S. contracts it to build some remote sensing devices under licence by the U.S. for the United States, and that law would apply to that particular device. Do I understand that correctly?

• (1155)

Mr. Steven Shrybman: The U.S. has its own satellites, including remote sensing satellites. This is legislation that applies to commercial satellites and simply applies to all commercial satellites that are owned by U.S. companies.

Perhaps I misunderstood your question.

Mr. Bruce Stanton: Okay. Why would you think, though, that a satellite, RADARSAT-2 for example, that was produced by MDA for Canada and under licence by Canada would in any way be subject to U.S. law?

Mr. Steven Shrybman: It is because of the provisions we've been reading from, including section 5622 in the Land Remote Sensing Policy Act, which says, "No person who is subject to the jurisdiction or control of the United States", which would mean ATK, as the rule goes on to stipulate, "may, directly or through any subsidiary or affiliate, operate any private remote sensing space system without a license pursuant to section 5621 of this title".

Mr. Bruce Stanton: That would be a U.S. licence. What we're talking—

Mr. Steven Shrybman: Yes, the company will require a U.S. licence.

Mr. Bruce Stanton: Let me just clarify. What we heard yesterday—and Mr. Friedmann was very clear on this—is that there is work that an MDA/ATK company, irrespective of its ownership, will provide to other countries in the world. And when they do so, those contracts are done for those countries, and they're licensed by those countries. Ultimately, those devices will be controlled by those countries in the same way as RADARSAT-2 was developed by Canada for Canada and is controlled and will continue to be controlled by Canada.

So that's the distinction I wanted to make. We did hear that loud and clear.

I wonder if I could move on to Dr. Stojak. On the same question of the law... We actually had some very pointed questions yesterday in regard to the distinction between the ownership and the law. We heard, for example, that when MDA was a subsidiary of Orbital, for example, which was 100% U.S. owned, it was still subject to the laws of Canada.

Have you seen anything here that would in any way trump that Canadian law, particularly the Remote Sensing Space Systems Act, on a contract and on a project like RADARSAT-2, which was licensed by Canada? Is there any way that a foreign law could trump that?

Dr. Lucy Stojak: Let me just provide the following comments in response to that question. I've also read in the press the oft repeated comment that in the past MDA was already a subsidiary of a U.S. company called Orbital Sciences.

The one question that I have, and I don't remember the answer to it, is in what five-year timeframe did that happen? That's important because the MDA we're speaking of today does not have the same technological capabilities as, I believe, MDA had under its first iteration as a subsidiary of Orbital Sciences. I think the technology that needed to be developed for RADARSAT-2 came a little bit further on during that relationship.

Just as another example, in 1999 the United States tightened the ITAR rules, based on something called the Cox report. There had been huge concern in Congress that there had been high technology leaked to the Chinese. What this did—and again, it is important to put these things into their historical context—is this. Until that time, ITARs were regulated in the U.S. by the Department of Commerce. The goal of the Department of Commerce, just as it is of Industry Canada and of Foreign Affairs and International Trade, is to promote the industry so that they achieve benefits and revenues—and that's normal. Once the ITARs were tightened, that was passed over to the State Department, and one can argue that the national security, foreign obligations, etc., aspect came into play.

So the sale of MDA today is a different sale of different technology. Maybe the key thing that should be mentioned is that as of December 2007, RADARSAT-2 is not just a bunch of technology that was built here, but it produces images, and those images can be bought.

• (1200)

Mr. Bruce Stanton: But not without the licence being—

The Chair: I'm sorry, but your time is up, Mr. Stanton.

We're moving to Monsieur Vincent.

[*Translation*]

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

Welcome. My two questions are for all of you. The first is about possible job losses. After the sale of MDA to ATK, the first two pieces of international law to apply will be ITAR and the Patriot Act. What impact will this sale have on the workers? We know that ATK does 90 percent of its business with the U.S. Department of Defence. Canadian workers will be subject to ITAR and the Patriot Act.

My second question has to do with the service contract that Canada has with MDA. Under this contract, MDA will transfer 445 million dollars to ATK for the acquisition of satellite images. But we know that it will obviously be the U.S. government who will decide what images will be transmitted.

Under these circumstances, do you believe that we will get our money's worth or will we end up on the losing end?

[*English*]

The Chair: Mr. Shrybman.

Who would like to take that?

Mr. Steven Shrybman: Well, we haven't seen the contracts that Canada has with MDA. But under Canadian law, Canada has the right, as the U.S. will, to assert priority access to certain information.

It's important that you understand that right now, under Canadian law—and U.S. law is very much the same in this regard—Canada has the right to determine which images are collected and with whom they're shared. There are specific provisions in the legislation about sharing that information with other governments.

The same is true under U.S. law, but of course, the objectives of the claim to priority access will be very different, as will be the constraints that our respective governments may choose to impose on the collection and sharing of commercial data. The problem is that once the sale takes place, U.S. law will apply to ATK and its subsidiary, and it really has no option but to comply with those regulations.

So those regulations may supersede whatever contractual agreements the companies entered into with Canada to provide Canada with access to information that the U.S. may not want us to have, or access to information that simply isn't available because U.S. priorities have been asserted—and the company has been told to collect information about U.S. forces in Iraq and the situations they encounter there, rather than information that's important for our forces in Afghanistan.

There will just be different priorities. That's the problem.

Mrs. Dawn Cartwright: I'll just address the issue of concern about jobs, and you spoke about ITAR and other regulations.

With respect to the work that is done—and I'll speak to the location in Brampton—it's really very highly advanced and a state-of-the-art type of work that our members, and those others at Brampton, are involved in.

The sale to ATK would permit distinctions between classified and non-classified work. Classified is, of course, the high-end and most advanced innovative work that is critical to our members.

The non-classified piece—really, the nuts and bolts or the minor manufacturing—we could see potentially being retained in Canada in the short term under a sale like this. But there is no question that—in terms of the pattern and what ATK has done in the past with respect to how they control and move their work—we would see the non-classified potentially staying here and the classified work and money-maker, if you will, for MDA fall to the U.S.

Ms. Carol Phillips: There is also the development of the next generation—

The Chair: Just briefly. We are running very short on time and I do want to get two more members in. So briefly, Ms. Phillips.

Ms. Carol Phillips: Okay. The development of the next generation of jobs and the intellectual property rights around that development is critical. We are just going to be building more and more obsolete products.

The Chair: *Merci, M. Vincent.*

We'll go to Mr. Hanger, please.

Mr. Art Hanger (Calgary Northeast, CPC): Mr. Chair, I would like to thank the witnesses for their appearance here this morning.

I don't think it's any secret that I have been somewhat critical of the proposed sale, although I am formulating opinions and gathering more information, as time goes on, from a lot of witnesses. Certainly there has been an expression here of some things that might fall into my own opinion line, but there are also some that do not.

Mr. Kiehne, you seem to invalidate your own statement, or the statement of those you claim to represent here, and I am curious about that. You say that you represent your employees, who fear loss of jobs if the sale of this company goes through. Is that basically the way I read it?

•(1205)

Mr. Roland Kiehne: Can you repeat the question?

Mr. Art Hanger: Are you saying that you represent employees, as a union representative, who fear the loss of jobs if this sale goes through?

Mr. Roland Kiehne: That's correct.

Mr. Art Hanger: Okay, but you just contradicted that by saying that the employees fear a loss of jobs because there's potentially no work. So what are you offering here for your employees?

Mr. Roland Kiehne: It's a feeling of job insecurity. Again, as I repeated earlier, if the funding through the Canadian Space Agency was flowing to MDA, we would not be in the situation we are today with respect to this sale. I am absolutely convinced of that. In fact, the company said that to us in a meeting, that if there indeed was money flowing from the Space Agency to MDA they would be—in terms of its robotics division anyway—able to sustain that division.

Mr. Art Hanger: In other words, they won't be able to sustain it if there's no money flowing. I'm asking the blunt question here because you can't have it both ways. Something is going to give.

Mr. Roland Kiehne: They have \$1.35 billion that they could apply.

Mr. Art Hanger: Pardon?

Ms. Carol Phillips: There was a rosy economic picture in terms of the overall health of the company. The robotics division definitely needed Canadian Space Agency money and were holding back on it. There is no doubt, and our workers there were very nervous.

I will tell you something. Once that \$1.35 billion started being waved around, there was a lot more interest expressed by MDA all of a sudden in selling that company.

Mr. Art Hanger: I don't think programs—

The Chair: Mr. Hanger, Ms. Stojak does want to comment on that.

Mr. Art Hanger: I'm sorry. Go ahead, Ms. Stojak.

Dr. Lucy Stojak: I have just two quick points.

I think, for those who are in the space sector, it is true to say that the fact that Canada's space program gave no firm commitments in the past couple of years to industry has caused concern and anxiety in the Canadian space industry sector. However, it should be remembered that the budget of the Canadian Space Agency is—I

believe—something like \$350 million, and I think that budget has been maintained at the same level for over a decade.

If you look at the strategic thrust of the agency—Earth observation is one, developing industry telecoms is another—their pool of money has not necessarily expanded to keep pace with the different demands, be it from a scientific exploratory perspective or from an industrial development base.

The Chair: I'm sorry, Mr. Hanger, we're running very short on time and Ms. Nash did want to complete the second round.

Ms. Nash, you have about four minutes.

Ms. Peggy Nash: I have a quick question about the Canadian Space Agency. How big a player is MDA in Canada's space industry?

Dr. Lucy Stojak: Based on statistics and reports in the public domain, it clearly is the lead space company in Canada. I don't have knowledge of what percentage of CSA overall funding or revenue it generates. It's the biggest space industry player in Canada, that's for sure.

Ms. Peggy Nash: The technology that Canada has been able to produce previously—some through other companies, but now through MDA—is iconic technology like the Canadarm, the recently launched Dextre robotics, just in February, the RADARSAT-2. These are world leaders. RADARSAT, I believe, is unique technology in the world. Is that correct?

•(1210)

Dr. Lucy Stojak: Yes, that's correct.

Ms. Peggy Nash: Once MDA is sold to ATK and grows to take more and more defence contracts, what is left under the Canadian space industry? What else do we have to contribute? The Canadarm and RADARSAT are the best known contributions that Canada has made, and we have been a world leader in our contribution. What's left of the Canadian space industry?

Dr. Lucy Stojak: I don't know if anyone else would want to take a crack at that first.

Ms. Carol Phillips: We see it as the end of the Canadian space program as it is now. It's an erosion of the Canadian space program. We'll be back at the same level as developing countries instead of being a world leader.

Ms. Peggy Nash: I understand we now spend about one-third of what India spends on its space program. Do any of you find it ironic that our industry minister has just announced a revitalization of our astronaut program at a time when we may no longer have a vibrant or functioning space industry and space program? Does that strike anyone else as somewhat ironic for Canada?

Ms. Carol Phillips: Brazil is coming on fast in terms of the space programs. They are coming on really fast. You have India and China coming on fast. We have so many opportunities here, as well as Europe, to get into this, but without MDA our opportunities will be seriously eroded.

We are very confused about the whole issue of astronauts. We assume they're for NASA. We can't figure out how they would be for a Canadian space program if this sale goes through. Maybe it's a good signal that the company is going to do the right thing here in terms of a Canadian space policy, and so they're planning ahead by getting astronauts ready.

The Chair: Thank you, Ms. Nash.

Thank you all for coming in today. I apologize for the shortness of the time, but we only have two hours allotted today, and we do have the two panels.

We want to thank you all for your input. We will endeavour to have the legal opinion translated as quickly as possible.

If any of you have any further comments or questions to the committee, please submit them to me or the clerk. We will ensure that all members receive them.

Members, we will suspend for two minutes and then we'll bring our next panel to the table.

Thank you.

- _____ (Pause) _____
-
- (1215)

The Chair: We have less than an hour, members, so let's take our seats.

We have our second panel here. We have representatives from Alliant Techsystems Incorporated. We have the senior vice-president, Washington operations, Mr. Steven Cortese; we also have senior vice-president and president, ATK Space Systems, Mr. Carl Marchetto. Good afternoon.

Gentlemen, you have five minutes for an opening statement, and then we will go to questions from members.

Mr. Carl Marchetto (Senior Vice-President, President, ATK Space Systems, Alliant Techsystems Inc.): Mr. Chairman and members of the committee, good afternoon.

On behalf of the 17,000 employees of Alliant Techsystems, it's my extreme pleasure to testify before the committee regarding the pending acquisition by ATK of the information systems and geospatial services business, MacDonald, Dettwiler and Associates.

For ATK this acquisition is the most significant transaction in the history of the corporation. It reflects the determination of our chief executive officer, Dan Murphy, and our board of directors that the growth strategy for ATK will focus on space, space systems, and moving into international markets. Aligning ATK and MDA into a single complementary team will drive collaborative, collective growth and success.

Today's hearing affords ATK our first official opportunity to introduce our corporation to the committee and Parliament and explain ATK's intentions, strategy, and commitment related to the acquisition of MDA. While many elements remain subject to specific regulatory requirements governed by the Investment Canada Act, today I will attempt to report on those portions that we can address in this forum.

Since the transaction on January 7, 2008, business and functional teams at ATK and MDA have focused on three immediate priorities: to bring the two accomplished, proud companies together; to address the needs and interests of all our employees and their families; and to address through regulatory processes both Canada's and the United States' issues. Needless to say, we've learned a great deal together, and each step of the process has increased excitement about the technologies, culture, and innovation reflected by each corporation. We are rapidly realizing that together this will be a remarkable and unique enterprise.

Earlier this week Dan Friedmann, president and CEO of MDA, testified before this committee and spoke to MDA's perspective on the transaction and how it will impact this corporation and its employees. I will address many of the same topics from the perspective of ATK and how our team intends to build on those successes achieved by the men and women of MDA.

First, ATK seeks to acquire this segment of MDA by virtue of the record of technical engineering and manufacturing prowess demonstrated by the workforce at MDA. The value this constitutes by the people, industry partners, and community relations make MDA what it is today. It is ATK's intention to grow and to build on that powerful foundation at all four primary sites in Canada, and it will be the anchor for the international work and growth for ATK Space—I reference British Columbia, Nova Scotia, Quebec, and Ontario.

The most powerful factor in bringing these two corporations together is the absence of substantial overlap between our existing businesses. Achieving success in this integration is not based on downsizing the technical or operational workforce, or the combining of manufacturing or engineering functions; the success will be a product of leveraging the respective talents and capabilities of the two companies combined and the physical capital that has already been established. Together they will provide a new force in the marketplace. In fact, we anticipate significant growth in our space business from teaming these capabilities.

In February our CEO, Dan Murphy, penned a letter, which was published in the *Financial Post*, speaking to ATK's intentions on the unique capabilities that MDA currently provides to Canada as the Canadian standard-bearer on significant international science and space pursuits. Dan voiced that there will be no change or reduction in the Canadian profile and the leadership on Canadarm, RADARSAT, or the new Dextre robotics—the system just employed on the International Space Station. These systems are Canadian, they will remain Canadian, and the next generation systems will be developed and manufactured out of Canada.

- (1220)

ATK's strategy to grow the existing information systems and geospatial services businesses now operated by MDA will focus on presenting these capabilities to a wider range of international customers. The international regard and interest in MDA's technologies and products will be central to the business opportunities we will pursue and achieve together. The international market also includes the U.S. government.

We believe our long-standing and deep relations with U.S. government agencies, including NASA, the Department of Defence, NOAA, and the Department of Homeland Security, will expand and accelerate the business opportunities for what will be the ATK space systems group in Canada.

The strategy does not contemplate moving the production, engineering, or design of these systems from Canada to ATK facilities in United States. These technologies, developed here in Canada by MDA, in many cases with the support of funding from the Canadian government, will be manufactured in Canada subject to the export licensing and intellectual property laws of Canada.

MDA and ATK both have excellent records as suppliers to our two nations' national security, homeland defence, and law enforcement services. We intend to continue that proud record of service to Canada and the United States and will invest to grow the capabilities of the new combined businesses. The result of those investments will not only serve these two direct home markets but fuel our international offerings.

Let me close my presentation this afternoon with recognition of a wide range of media coverage and address one issue that continues to be most important to folks. Regarding RADARSAT-2, ATK will implement and adhere to the contractual requirements currently existing between the Government of Canada and MDA. The structure of Alliant Techsystems Canada will be that of a wholly owned Canadian subsidiary. It will be a Canadian company, headquartered in Canada, and led by Canadians. There is no intention on the part of ATK to diminish or exchange the control regime exercised by the Government of Canada over RADARSAT-2.

More than a decade ago, while MDA was previously owned by another U.S.-based corporation, the Government of Canada and the U.S. entered into an intergovernmental agreement addressing the management and control of RADARSAT-2. We respect that agreement and will fully comply with its conditions and terms, as established between the two nations.

Mr. Chairman and members of the committee, I appreciate the opportunity you have afforded us here at ATK to have this conversation and participate in a very important hearing today. All of us at ATK look forward to the opportunity to work closely with this committee and the House in the upcoming days and years. We're excited about the prospects and the very bright future, as we move forward together, and strengthening the technology, the capability, and the workforce here in Canada.

Thank you very much.

• (1225)

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

We'll start with questions from members. We'll start with Mr. Brison for six minutes.

Hon. Scott Brison: Thank you very much to both of you for being with us today.

Mr. Marchetto, you say that the RADARSAT-2 technology will be treated as a company, consistent with Canadian law. Yet under the U.S. Land Remote Sensing Policy Act of 1992 and the regulations under the Department of Commerce there is reference to the U.S. law

as applying to "any company existing under the laws of the United States, a subsidiary, foreign or domestic, of a U.S. parent company or affiliate, foreign or domestic, of a U.S. company".

Do you agree that MDA will be a wholly owned subsidiary of ATK, and as such will be governed under U.S. law? Or are you going to be seeking some sort of congressional amendment to American law to change that?

Mr. Carl Marchetto: Currently our intention is that it will be a wholly owned Canadian entity, and we will abide by the contracts and the legal regulations that currently exist.

Hon. Scott Brison: But, sir, I have the American law, the regulations, right here. These apply to, and I'll repeat, "any company existing under the laws of the United States, a subsidiary, foreign or domestic, of a U.S. parent company or affiliate, foreign or domestic, of a U.S. company". It's very clear. If this transaction is a successful one, MDA will be a subsidiary of a U.S. company. Under that, it will be subject to this law, an American law.

You referred to over a decade ago and the previous ownership structure, which involved an American owner. Would you agree that over a decade ago American security laws—pre-9/11, pre-ITAR—were very different from those of today, both in terms of pervasiveness and strength and the extraterritoriality of the applicability of those laws?

Mr. Carl Marchetto: I would first say that the situation is different, rightfully so. But again, we will continue to operate this company with the leadership that's here in Canada. Our obligation to our customers... And these are commercial contracts. We will abide by the regulations and the law that's set before us.

Hon. Scott Brison: So you'll break American law? Are you going to break American law in order to abide by Canadian law?

Mr. Steven Cortese (Senior Vice-President, Washington Operations, Alliant Techsystems Inc.): Mr. Brison, I don't believe it's a question of breaking American law—

Hon. Scott Brison: It's pretty clear, sir. With respect, it is very clear. If we're going to protect these images for the Canadian taxpayers who actually invested in developing them, that would be contrary to the American law under which they will be governed.

The Chair: Let's let Mr. Cortese answer that.

Mr. Steven Cortese: Thank you, Mr. Chairman.

As Carl made mention of in his statement before the committee, the intergovernmental agreement, which has been in place for many years, has been taken into consideration. We believe we're not fully privy to all the details, of course, because it is an agreement between the two nations that contemplates the operation of RADARSAT-1 and RADARSAT-2.

Our intention is to adhere to the determinations reached by the two governments and lawfully operate in full compliance with our contracts and under those laws that have been entered into, taking into account the agreement between the two nations. So we believe we'll be able to adhere to those terms and conditions in the contracts, because those subsequent laws have been entered into with the understanding of what the agreement between the two nations is for these matters.

• (1230)

Hon. Scott Brison: Your CFO said this recently, on February 5, at a U.S. defence conference: “The key for us is to be able to move that technology”—RADARSAT-2—“transfer that technology into the ATK U.S. space and go after what we believe is a very significant growing U.S. classified market.”

I can understand why that is financially beneficial to ATK and, in fact, to the American economy. But if roles were reversed and you were to develop a technology like this, with the help of the American taxpayer, do you honestly think the U.S. government would allow it to be sold to another country, particularly if that technology were aimed at defending and strengthening U.S. security—a foreign company? Would the U.S. government actually permit that?

Mr. Carl Marchetto: I think the intent of this kind of capability addresses multiple industries. It's going to address a commercial industry, it's going to address a civil space industry, and also defence. So there are certain aspects of the capability that will be used for special purposes.

There were earlier discussions today. It's very interesting to me that people think this information will get locked up. If you look at the approach that has been taken in the United States relative to commercial imagery, it's re-purposed over and over. That's the value that's created with these assets. There are certain circumstances in which some of this needs to be controlled. We understand those. But the beauty and the value of doing earth science is to share that information with the industry, the scientists, to create new understanding of what the earth resources are moving into.

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

We'll go to Madame Brunelle.

[Translation]

Ms. Paule Brunelle: Welcome, and thank you for being here.

Mr. Marchetto, you stated in your presentation that: “There is no intention on the part of ATK to diminish or change the existing control regime exercised by the government of Canada over RADARSAT-2”.

What control regime are you talking about? Is it, as I believe is the case, the possibility for Canada to control the interruption of services when it is a matter of national security? Is the issue that of priority access?

[English]

Mr. Carl Marchetto: First of all, what I was addressing was the control of the assets, which is the human capital and the business-making decisions that already exist up in Canada.

Again, I will go back to the earlier statements that we have no intentions—none whatsoever—to change the leadership, the deci-

sion-making power, around these key assets that are currently held here in Canada, managed in Canada, and operated in Canada. None whatsoever.

[Translation]

Ms. Paule Brunelle: You heard the statements made by scientists and academics. People are obviously concerned by the ability of the government of Canada to retain control over imagery interruptions and priority access in emergency situations. Major incidents come to mind. This is, despite everything else, important. There are also the environment surveillance capability and the commitments made by Canada under the International Charter on Space and Major Disasters, that was mentioned earlier.

In your view, will Canada lose its rights with regard to all of this data? Will it retain control over image-sensing? Will it be granted priority treatment with regard to RADARSAT-2?

[English]

Mr. Carl Marchetto: First and foremost, I think it is our obligation to continue to support the situations that may arise out of natural disasters. I know of no other great opportunity than to support a nation when it is in distress and to use these resources appropriately to solve those problems.

This information needs to be and will continue to be shared by the science community, such that the algorithms, the fusion of this type of data with other types of fusion from remote sensing devices, promote a better understanding of what's happening to our natural resources. That is key and paramount. We have no intentions to limit, sequester, or control the information from that kind of well-being to the most important aspect, which is managing, getting through, and working through these tough situations. We would promote that. That's part of our business. We want to grow the business. We want to grow the collaboration on this type of data. This is only one type of data, in relation to other types of earth-sensing capability.

We hope to bring more capability to our customers, not only here in Canada under times of duress but other customers around the world.

• (1235)

[Translation]

Ms. Paule Brunelle: Another concern pertains to employees and their fate. An engineer from MDA told the Committee, on March 5, that during the time that MDA was under American ownership, the law and regulations prevented Canadian staff from working even on non-secret programs. Your company does a lot of work with programs that are often tied to national security.

To what extent will the jobs be maintained in Canada? Are employees justified in their fears and in saying that it will be difficult for them to work on such programs?

[English]

Mr. Carl Marchetto: First of all, I would like to say that in the past couple of weeks I've had the great opportunity to visit these strong assets.

Categorically, intellectual property rests in the people; it doesn't rest in facilities. Success in growth, and with technology breakthroughs and innovation and productivity—all ending up in RADARSAT-2, -3, -4, or RapidEye—comes from people. It is our intention and my belief that you don't move these things. These are assets that have families, they have locations, and they have a sense of purpose—and we will get aligned—and a mission.

Our ability to work together as two companies will flourish based upon the two companies wanting to move forward and develop. We have no intentions of extracting or removing these key sets of resources that are there. The people I talked with, from Brampton to Richmond to Montreal, and so on and so forth, engage and are very interested in what the future will be like as we move forward with these new technologies. That is the beauty of this. There is no overlap between ATK Space currently and MDA; that's the beauty of this opportunity.

The Chair: *Merci.*

Merci, Madame Brunelle.

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

Mr. Bruce Stanton: Thank you, Mr. Chair, and thank you to our witnesses.

I'm going to have three quick questions and then we're going to go to Mr. Hanger, with whom I will be splitting my time.

First of all, what can you tell me about the commitment or undertakings you are going to bring that will prevent any cuts to operations or facilities here in Canada?

Mr. Carl Marchetto: I think we've provided information back to Investment Canada on our intentions. I would say they're very powerful. Why? Because of the indication of what I just stated. These are very significant and very innovative, agile sets of work groups, led by very strong leadership. We have a lot to learn as we work together. And for us, it's an opportunity to share the best of the best.

Mr. Bruce Stanton: Similarly, and along the same vein, what similar undertakings or guarantees would you bring to make sure that as we proceed further, this transaction will in fact strengthen Canada's space industry?

Mr. Carl Marchetto: I believe that the influence ATK Space has right now—and I will put this on the record so that it is known—is that 50% of our current space activities is commercial work in space, not the inverse. Some people may think that ATK Space has an inverted relationship here, but I will give you the data: we are 50% commercial, 17% defence, 17% civil, and 13% in intel. So we have a very broad reach. We plan on bringing that forward with the current workforce here.

● (1240)

Mr. Bruce Stanton: Finally, when he was here on Tuesday, Mr. Friedmann stated that in Canada “You cannot export anything our company makes out of this country without a Canadian export

permit approval...”. Is this your understanding of Canadian law, and what commitment would you make to uphold that?

Mr. Carl Marchetto: The information is that we understand how the countries work together; we understand our regulations with ITAR. We absolutely will abide by that. In fact, we will look forward to developing new technologies here in Canada, based upon the references and the resources that we see.

Mr. Bruce Stanton: Mr. Hanger.

Mr. Art Hanger: Thank you.

Thank you, gentlemen. I would like to welcome you to Canada. I understand you're both American citizens, so thank you for coming before our committee.

Along the lines of my colleague's remarks on exporting anything out of Canada's control, with or without an export permit, I gather you need approval of some kind. I will put it this way: just before the sale of MDA was announced, MDA actually purchased Alliance Spacesystems in the U.S. It is along the lines of advanced technology solutions, and it also deals with robotic mechanical structures. The statement made by the vice-president basically went like this: “This acquisition significantly enhances our U.S. presence, and will provide a capable conduit to leverage and offer our world class space robotics and space surveillance solutions into the U.S. civilian and military aerospace markets”.

How does that conduit apply, now that there is an MDA subsidiary in the U.S.? So you have your apparent company as this, and there's already this other entity that was created just before the sale was announced.

Mr. Carl Marchetto: It was created through an acquisition, first of all. It's a small organization, right outside of Pasadena, California, that's an offshoot from the jet propulsion lab.

In terms of the types of products that the two companies work on, I would say that for MDA Canada, it's been around large remote manipulators. The activities that have taken place in this company outside of Pasadena have been more around rovers. So they're approaching robotics solutions in different ways. I think that's where robotics will grow for us with MDA Canada. And where MDA Canada will move beyond NASA, or beyond space, is also into hazardous operations. I think there's a big opportunity for MDA Canada to think about rovers and hazardous operations such as nuclear power generation facilities, where they might have to go in and repair equipment, or mining.

So there are a lot of powerful ideas. I see them as being separate but collaborative.

Mr. Art Hanger: Regarding RADARSAT-2 and ATK, you mentioned that you will implement and adhere to the contractual requirements that already exist. Of course, it was noted, too, even in the press release...and I believe Mr. Brison made a comment about what the intentions were when this satellite was launched—namely, to ensure the continuity of data services for government departments and a growing number of commercial clients in more than 60 countries worldwide.

Will that data still be in the hands of Canadians to sell and do what they want with to 60 countries worldwide?

Mr. Carl Marchetto: Absolutely; and I hope the number goes to 80.

Mr. Art Hanger: Just quickly, going back to the contractual requirements, can the U.S. government override these requirements, to your knowledge, even if your intentions are the best?

Mr. Carl Marchetto: To my knowledge, no.

The Chair: Thank you, Mr. Hanger.

We'll go to Ms. Nash, please.

Ms. Peggy Nash: Thank you.

Welcome to the witnesses.

Mr. Marchetto, you said earlier, in reassuring us, that MDA, or the Canadian operation, would still manage and operate the technology it has here. But isn't it true that the ownership of the technology would be in the U.S.?

•(1245)

Mr. Carl Marchetto: The ownership of the technology would reside in a corporation in the U.S. The location of that technology and its development will be here, local.

Ms. Peggy Nash: Okay. So once the technology is owned in the U.S., surely then you have to agree that the Land Remote Sensing Policy Act does come into play, whether the operations of the technology are domestic or outside of the U.S.

Mr. Carl Marchetto: Again, I will leave it up to the legal folks to drive this. My understanding is that we have an obligation to meet all of the commitments that are currently agreed to. We will abide by those, and I see no change.

Mr. Steven Cortese: I might add that the ownership by ATK of the Canadian subsidiary in no way relieves us of working through Canada's intellectual property export licensing. The mere fact of U.S. ownership in no way changes the process by which MDA, now as an independent company, or as a subsidiary of ATK, would move to take products or technology outside of Canada.

Ms. Peggy Nash: But you would agree that the U.S. law would apply.

Mr. Steven Cortese: U.S. and Canadian laws would both apply to the application of technologies that would move across the border between either of our countries.

Ms. Peggy Nash: Thank you.

I want to go back to something that Mr. Brison raised with regard to recent comments, in February of this year, by John Shroyer, the CFO of Alliant Techsystems, who said the following: "the key for us is to be able to move that technology, transfer that technology into

the ATK U.S. space and go after what we believe is a very significant growing U.S. classified market".

My question is, who will do that work? Obviously Canadians cannot do classified U.S. work.

Mr. Carl Marchetto: First of all, I think the intention here is that we will replicate some of this key capability for specific applications, as you mentioned, because of the concern. That's replicate—not cut off, not separate, not sever, but replicate. This is an important difference, I think.

Ms. Peggy Nash: Once work becomes classified and the U.S. begins doing this work, is there not a danger that instead of designing and creating whole systems, as MDA does today—it doesn't just do pieces, it does entire systems—in fact it could be part of what's called a black box, that it'll just be doing pieces of systems where, because of classified information, the Canadian operation cannot know the totality of the project, so that increasingly, total projects will become part of the U.S. production?

Mr. Carl Marchetto: First of all, we have to abide by the ITAR regulations and the specificity around sensitive programs. There's no doubt about that. But do I see MDA being minimized by getting into this type of work? Absolutely not.

I think there will be some programs that are going to be unique to the United States, absolutely.

Ms. Peggy Nash: It sounds like Mr. Shroyer thinks that's going to be a huge area of expansion.

Mr. Carl Marchetto: It will only be 30% of our business. As we move forward—

Ms. Peggy Nash: As I understand it, 86% of ATK's business is military, is defence.

Mr. Carl Marchetto: In the space business right now, less than 50% is military.

Ms. Peggy Nash: But of overall ATK business, 86% of it is defence, as I understand it.

Mr. Carl Marchetto: Yes, but the imperative of standing up the space systems group is to move beyond just military work. So it's in commercial—

Ms. Peggy Nash: It seems that may be a real synergy of the military work and the space work.

Do you do any work for the missile defence project?

Mr. Carl Marchetto: Currently, no.

Ms. Peggy Nash: I thought ATK was involved in the shooting down by the navy of a satellite.

Mr. Carl Marchetto: One group of ATK Space provided some of the capability to boost the target, yes, but that was over on the launch side.

Ms. Peggy Nash: How do you see complying with Canada's decision not to be part of the military defence shield, and still creating the synergy of these two companies? It seems there may be an overwhelming temptation, in fact, to integrate the strengths of MDA into work that is increasing in the U.S. defence production.

• (1250)

Mr. Steven Cortese: Ms. Nash, if I could take that one on for a moment, all of that work in the United States is done on a competitive basis by the agencies of the U.S. government that acquire those programs. Any participation by any part of what will be Alliant Techsystems Canada would again be subject to a determination by the Canadian government to make that technology available to compete for that potential application by the United States.

Ms. Peggy Nash: Do you see a growing application of Canadian technology, such as RADARSAT-2, for military purposes?

Mr. Steven Cortese: I couldn't speculate on that.

The Chair: That was your final question.

Ms. Peggy Nash: Thank you.

The Chair: Thank you, Ms. Nash.

We'll go to Mr. Simard, please.

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

I would also like to welcome you to Canada.

My first question is maybe a clarification on Mr. Friedmann's comments with regard to the life of this agreement. It seems to me he told us that once the satellite is no longer useful, which is probably seven to ten years, it's basically shot out of space, or taken out of circulation. Is that correct?

Mr. Carl Marchetto: Taken out of circulation might be a better answer.

Hon. Raymond Simard: Okay, that would be a better term.

The question is this. Canada has invested \$445 million in the technology. The intellectual property at that point, after seven years or ten years, would then be transferred over to ATK to do whatever it wants with it. Is that correct?

Mr. Carl Marchetto: The intellectual property, when this deal goes through, will be ATK Canada.

Hon. Raymond Simard: It will belong to ATK immediately?

Mr. Carl Marchetto: Yes.

Hon. Raymond Simard: But there is a priority. Canada now has a priority. That would no longer exist once the satellite is taken out of circulation, correct?

Mr. Carl Marchetto: On RADARSAT-2?

Hon. Raymond Simard: Right.

Mr. Steven Cortese: The contract that exists currently is for the operation of RADARSAT-2 and Canada's receipt of inventory product from that under terms that have been negotiated and that would be sustained pursuant to the acquisition, over the life of that satellite. To the extent that follow-on satellites are constructed, the Government of Canada, through CSA, would enter into whatever form of agreement it would seek with MDA/ATK, if we were the

producer or competitively acquire it, as Mr. Friedmann made reference to—the follow-on constellation opportunity.

So those terms and conditions would be offered by the Canadian government, and then we would determine how best we could respond to that competitive opportunity.

Hon. Raymond Simard: So if Canada does not sign further agreements with ATK/MDA and the satellite is out of circulation in seven years, basically ATK can decide who it wants to give priority to. Correct?

Mr. Steven Cortese: The Canadian priority would exist throughout the life of that satellite.

Hon. Raymond Simard: Right, which is seven to ten years.

Mr. Steven Cortese: Right.

Hon. Raymond Simard: Okay, so we agree.

Mr. Steven Cortese: Any subsequent satellites then would be the matter that would be determined by the Canadian government, what it wanted, and then I think the offerers of that satellite would respond to the terms set by the Canadian government. But for the life of RADARSAT-2, the prerogatives and priority of the Canadian government are locked in under the contract that we accept through the acquisition.

Hon. Raymond Simard: One of the comments that were made was “to my knowledge”, and that is very vague, for me. I would think this is probably the main concern of this committee. I don't want to speak for my colleagues out there, but it seems to me that when we launched the Telesat 2, it was supposed to be launched by NASA and at the last minute they decided not to do it. Mr. Friedmann told us it was because of technical problems. We're told it's because NASA had concerns for its national security, or the States had concerns for its national security.

So again we see where national security trumps pretty well everything else, any commercial deals. So you can understand the skepticism or the concern here. When Mr. Marchetto says, “To my knowledge, U.S. law will not trump this act that we have in place right now”, it's of major concern to us.

It would be nice if you could come back to us and say in writing that U.S. law will not trump Canadian law in this case. Is that possible? A legal opinion from your firm or—

Mr. Steven Cortese: Again, some elements of that are governed by agreements between the two governments, which have a mechanism to resolve—

Mr. Carl Marchetto: We don't have visibility to that now.

Hon. Raymond Simard: I'm sorry, you don't have...?

Mr. Carl Marchetto: Visibility to those agreements. Those are intergovernment agreements.

• (1255)

The Chair: Mr. Simard, you have a minute left.

Hon. Raymond Simard: Mr. Brison will ask a question.

The Chair: A very short question, Mr. Brison.

Hon. Scott Brison: As always.

Sir, you've said a number of times that the technology will remain in Canada. Your CFO is saying that the technology will be transferred to the U.S., will be moved to the U.S. for the U.S. space business and to go after a growing classified U.S. market.

If this technology is not only in the hands of an American-owned company—whether it's a subsidiary, domestic, or foreign is irrelevant—and if the technology is transferred to the U.S., it is very clear under U.S. law, and I have that law here, that the American government will have control over the images and the technology. Unless you're going to seek some sort of congressional legislative means or amendment, I don't think you can defend it any other way.

The Chair: Thank you for that brief question, Mr. Brison.

Mr. Cortese.

Mr. Steven Cortese: Mr. Brison, referencing Mr. Shroyer's comments at that investor conference, he was speaking to future satellite programs where ATK would be the lead offerer, on behalf of our combined company, to the U.S. government. It doesn't apply to any activity or capability related to RADARSAT-2, which is currently flying.

I believe he was speaking specifically to the point that if the U.S. government seeks to procure additional types of satellites, we might have an opportunity to compete. But again, that would be subject to the technologies, governance, and release by the Government of Canada for any application outside of Canada.

The Chair: Thank you.

Thank you, Mr. Brison.

We'll go to Mr. Van Kesteren.

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

Thank you for appearing before us today, Mr. Marchetto and Mr. Cortese.

Do you know anything about Canadian politics?

Mr. Carl Marchetto: I do know—

Mr. Dave Van Kesteren: I'm going to give you a little bit of a shocker. Did you know that the average campaign in Canada is about \$85,000? I understand that, for congressmen, the average is probably about \$1.2 million or something like that.

Why do I bring that up? We don't allow any contributions from corporations. It has to be individuals. I think last time my brother and my friend, because they love me, gave me \$1,000. From everybody else it was just \$100. The reason is that when it gets right down to it, I don't owe anything to anyone except the good people of Chatham-Kent—Essex. It's a good way to do business.

That's why I get a little bit upset when I hear the rank and file aren't being listened to, because really, what it boils down to at the end of the day is that if the place packs up, closes down, they're the

ones who are going to be stuck without the jobs. They're the ones who have to feed their families.

My line of questioning for the whole day has been to that effect, and I'm concerned. Forgive us, we're a great country, we're a bright country, but we're a small country. You're a superpower. This is one of our small companies being taken over by...maybe not a multinational but a huge company. So there's an element of distress possibly. We're just a little bit uneasy about this thing.

You've been asked a question. I'm going to ask it again because I don't think I got an answer.

I have to get my glasses on because, you know, when you go past 50, you start losing your sight.

Hon. Raymond Simard: It's worse at 60. I have to take mine off now.

Mr. Dave Van Kesteren: If the sale were approved, would things remain the same, and is it ATK's expectation and commitment or undertaking that there would not be cuts to the operation of these facilities and the employment in Canada? I guess I'm looking for commitment. I'm looking for numbers. Can you give me that? Once you give me that, I'm going to hand it over to Mr. Goodyear. He's going to take it.

Mr. Carl Marchetto: The commitment that we have made, which is in the record, is to not only build upon—there are 1,900 employees here—the 1,900 employees but to have that grow substantially over time, in technology, in capability, in investment. It is absolutely imperative that after spending \$1.3 billion, we end up with a very powerful and strong aligned organization. That means taking the best of the best, which is already up here. There is no overlap between our two organizations, none whatsoever. They're absolutely complementary.

So it is my intention, as I stand before this committee—the responsibility is mine through the leadership of Dan Murphy—that we will grow this organization and value the products, services, and innovation that already exist here and build upon those.

• (1300)

The Chair: Mr. Goodyear, you have about one and a half minutes.

Mr. Gary Goodyear (Cambridge, CPC): Thank you, Mr. Chair and thank you, colleagues, for allowing me to ask a question today.

I've been looking at this sale for a couple of months now since it was announced—and by the way, gentlemen, it's good to see you again—and I'm not sure I see this as necessarily a bad thing. I see it as a new door, a new way to go for the Canadian space industry. Indeed, in my riding we have COM DEV, with 1,100 employees, and I think over 80% of the satellites in space have COM DEV hardware and software on them.

Here's my concern. The Land Remote Sensing Policy Act was written in 1992 in the United States, so clearly the government of the time, in 1998, our previous Liberal friends across the way, negotiated to give \$400 million, give or take, to MDA to build a satellite, but failed to foresee the problems we're having today. In fact, I would venture to guess that none of us would be here today if this original \$400 million of taxpayers' dollars had been managed better. Here we are without assurances on some of the issues that face us in this sale, so I'm going to ask you this very directly.

First of all, I'm becoming convinced we're going to get our \$400 million back in terms of imaging over the next seven years. Needless to say, when Canadians invest in space, we usually get \$8 back for every \$1 we spend, so I don't know whether it's a great deal, but at least we're getting our money back—

The Chair: Mr. Goodyear, please go to your question.

Mr. Gary Goodyear: This is my final question.

In the event of a national security issue, would it be the United States government or the Canadian government that would control priority access and shutter control on RADARSAT-2?

Mr. Carl Marchetto: Currently, the understanding, through the agreements that have been in place, is that it would be Canadian.

Mr. Gary Goodyear: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Goodyear.

We'll go to Mr. Vincent.

[*Translation*]

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

You stated that 90% of your business is military work. Is that correct?

[*English*]

Mr. Steven Cortese: It's actually closer to 79% for the last reporting year, for our fiscal year 2007, which includes a wide range of both U.S. as well as international sales of national security weapons systems.

[*Translation*]

Mr. Robert Vincent: I imagine that you would transfer your other military contracts in Canada to MDA. If such were the case, you, and your Canadian workers, would be subject to the Patriot Act and to ITAR.

How will these workers be able to go and work for you if the contracts are negotiated with the Pentagon?

[*English*]

Mr. Carl Marchetto: I'd look at the opportunity and the space that this new company will operate in. It looks beyond the Department of Defense to the international community and also the civil space and the commercial space. As we look at the two businesses as they combine, the forward-looking view is that 41% of the market and the revenue of this new business will come from international opportunities. That will continue. That's an important aspect of MDA as we look forward. Sixty-nine percent of MDA's sales are international. We continue to think about growing that. That's an important aspect of the business.

Yes, there will be some new opportunities in the United States, but this opportunity and these two businesses getting together look far beyond what's happening in the United States for military or defence applications.

[*Translation*]

Mr. Robert Vincent: You know full well that these workers will be subject to interrogation by the FBI or the CIA, depending on the military contracts that you will be giving MDA. Furthermore, you most certainly did a market study before deciding to purchase this company.

Based upon this study, who will your first customer for RADARSAT-2 usage be? Is my question sufficiently clear?

[*English*]

Mr. Carl Marchetto: No.

[*Translation*]

Mr. Robert Vincent: You carried out a market study before deciding to purchase the company, in order to determine if it would be profitable. That is the first thing you did. Have there been any developments? Are there clients who might be interested in obtaining images from RADARSAT-2? From what I understand, there are already 45 million dollars in services agreements with Canada. I can understand that, but there is not just Canada. I believe your first customer is the American government, that accounts for 65 percent of your business.

Will the American government be asking you for RADARSAT-2 images for military purposes? Or else, given that it is the American government that will be deciding if Canadian images will be provided or not, because they will be regulated by it, will that not create a conflict of interest?

I am convinced of your good faith when you say that you will fulfil your part of the contract. However, the American government would be free to use RADARSAT-2 for military purposes and to tell Canadians that they will not get these images, that there is no rush and that it will not honour the contract. I am not so sure that the people involved in the American legal aspects will grant the right to transmit these images to Canada.

• (1305)

[*English*]

The Chair: Mr. Marchetto.

Mr. Carl Marchetto: My short answer would be that this is a commercial enterprise. This information in the current agreements will continue to be looked at and bought by the U.S. government, and they will have that current vehicle to buy as much as they want.

As the satellite continues to sweep up important information for all the different communities, all the different countries, it will be available to all of them, along with the needs here in Canada.

Will this satellite be turned over into only satisfying one customer? Absolutely not.

[*Translation*]

The Chair: Mr. Vincent, you have thirty seconds left.

Mr. Robert Vincent: Your first customer is already the American government, with military defense purchases. In the case at hand, we could deduce that, in purchasing RADARSAT-2, what could not be done through the back door might be able to be done through the front door. We talked earlier about the missile defense shield and we said we were in disagreement. Your first customer being the U.S. Defense Department, this purchase would suit everyone.

[English]

Mr. Steven Cortese: Mr. Vincent, I don't believe that's necessarily the case at all. As was referenced earlier, there are nearly 60 commercial clients coming after the portion of RADARSAT-2 imagery that is the right and prerogative of the Government of Canada to take first, under its agreement. So the opportunity for ATK and MDA together to market the product of RADARSAT-2 follows the Government of Canada's claim, and then the commercial opportunity for the volume of imagery that's made available by the satellite after the opportunity and prerogative of the Government of Canada is exercised.

The U.S. Department of Defense will potentially be one of those customers, but it has no privileged right or opportunity to buy that data, except by seeking to acquire it commercially from the company.

The Chair: Thank you.

Merci, Monsieur Vincent.

Ms. Nash, I'll allow you one question, a minute, to go ahead of me and then I'll finish, as the chair.

Ms. Peggy Nash: First, when you talk about the commercial expansion, MDA can do that today. It doesn't need to join ATK. The whole point of the ATK sale is to get those classified U.S. defence contracts. Currently Canada controls the shutter, but that won't be the case after the deal.

I hear your intention about commitments here in Canada, but I'd like to know about your legally enforceable undertakings under the Investment Canada Act. Have you committed to an undertaking to secure jobs and specific projects here in Canada that you would like to share with us? Because of course, as you know, everything under the Investment Canada Act about this deal is confidential, and this committee has received no information. So if you can share any specifics about undertakings, that would be helpful.

Mr. Carl Marchetto: I don't know how to go there other than to commit to you that the undertakings have been filed. They're very robust and far beyond what has been the trend in expenses and commitment currently.

Ms. Peggy Nash: But you did not share any of that with us today.

The Chair: Thank you, Mr. Marchetto. Thank you, Ms. Nash.

I have the final Conservative spot here.

I'd just like to follow up on what a lot of the members have raised. And Mr. Simard really jogged my mind when he said "not to my knowledge", because we heard that phrase both today and on Tuesday.

My big concern is that we have statements saying it all stays within Canadian control and Canadian laws will apply, but we have a

markedly different legal opinion presented here today. I don't know, offhand, which one is correct.

But Mr. Friedmann argued on Tuesday that there was not enough work in Canada for MDA; MDA therefore needed a U.S. partner, ATK, in order to have access to U.S. contracts.

On Tuesday he said, "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. The company is owned by a U.S. company, but it operates under Canadian law...". He mentioned Canadian export permit approvals.

But won't it inhibit MDA, as a subsidiary of ATK, in terms of accessing U.S. contracts if this is seen as an entity that is completely under Canadian law? If the position of both ATK and MDA is that this Remote Sensing Space Systems Act applies at the end, won't the U.S. government, or anyone else giving contracts at this end, be less likely to give contracts if they know there's always a possibility for the Canadian government to say no at the end?

• (1310)

Mr. Steven Cortese: Again, Mr. Chairman, those restrictions and limitations apply to RADARSAT-2 and are unequivocal. To the extent that future satellites are built, be they commercial or for the Government of Canada, the Government of the United States, a government in Europe, or the European Space Agency, they would be subject to the terms and conditions associated with that specific transaction.

What I think we've tried to respond to is the regime and control that exists over RADARSAT-2, because that exists in contracts today. It's very hard to speculate or hypothesize about future contracts and future systems, because those will be determined on a case-by-case basis.

The Chair: Isn't the real reason that ATK is purchasing MDA not access to RADARSAT-2 and the images, but access to the technology, so that it can build its own satellites and then sign contracts on its own with satellites built with the technology?

Mr. Carl Marchetto: Absolutely.

What hasn't been talked about in this whole value proposition is that it's not only about MDA's capability in building hardware, whether it be radar systems or RF assistance for communications. Not many people have mentioned the most valuable part of the value chain, which is out in Richmond. Folks build ground stations, manipulate the data—it's data when it comes down from the satellite—apply the appropriate algorithms, and then deliver knowledge and information. That is a part of space that we haven't talked about today. That is a very important aspect of why our two companies are getting together. It's not just about hardware. It's not just about radar. It's also very important to know how we get information to our customers in the appropriate way.

The Chair: But if the sale goes forward and MDA is a subsidiary, and if ATK then builds, say, newer satellites using the technology of RADARSAT-2, the Remote Sensing Space Systems Act, the Canadian law, would not apply to the new satellites. Is that correct?

Mr. Carl Marchetto: Again, it would be dependent upon what customer it is. Is it commercial? Is it specific to a military application? There are many different circumstances here. But we would take the capability here and leverage it against the opportunity.

The Chair: I appreciate your time and I'm being respectful, but as a chair I have to say there are some real questions out there. We're seeking clarification. If this simply remains under Canadian hands, I don't see the benefit to ATK of purchasing MDA. I mean, you're spending well over a billion dollars for MDA. There has to be a benefit at the end of that. And if this simply remains under Canadian hands, which seems to be the message we heard on Tuesday, I don't understand the benefit, then, to ATK.

Mr. Carl Marchetto: What needs to be under Canadian hands is the data and the control of RADARSAT-2. I think we should all recognize that what MDA represents in the community is far beyond what RADARSAT-2 is today.

• (1315)

The Chair: To clarify this again—and my time is running out—your assertion with respect to RADARSAT-2 is that Canadian law, the Remote Sensing Space Systems Act, will have precedence over the U.S. law, but if a new satellite is built, the U.S. law, not the Canadian law, will apply.

Mr. Steven Cortese: Again, it would depend on the customer and the terms of that. As Canada and the U.S. in the past—as evidenced both in RADARSAT-1 and RADARSAT-2—have entered into agreements related to what those controls and authorities would be, it's hard for us to speculate, not knowing what the Government of Canada might have in mind as it relates to a future space program, about the terms and conditions they would seek from commercial providers and what conflicts or accommodations would be associated with other governmental controls. Again, it would be dependent on what the Government of Canada was seeking.

The Chair: You're saying that's if CSA was a partner in contracting building of a future satellite and they could attach conditions with respect to Canadian law. But if it was, for instance, a U.S. space agency that contracted to build a satellite, then it would fall under American law.

Mr. Carl Marchetto: Yes.

The Chair: Okay. I have more questions, but my time is up.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Mr. Chair, on a point of order.

The Chair: A point of order, Mr. McTeague.

Hon. Dan McTeague: Building on your comments, Chair, and the comments that have been made here, I think it would be advisable for the committee to consider, in a non-partisan way, the introduction of the invitation to the Minister of Foreign Affairs to clarify this.

I leave this to your discretion, Chair. Again, it's a matter that I think is designed to be constructive. I would certainly seek your advice and the help of the committee in that regard.

The Chair: I appreciate that, Mr. McTeague.

You are in fact correct. The motion that was passed did include invitations to the Minister of Foreign Affairs. We have invited him. He was not available this week. We have invited him again, and we will follow up on that invitation.

Hon. Dan McTeague: Thank you, Chair.

The Chair: Ms. Nash, on a point of order.

Ms. Peggy Nash: Yes. I was also going to ask about the Minister of Foreign Affairs.

Second, given that there are still so many outstanding questions about law, and specifically international space law, there is a leading world expert at McGill University, Dr. Jakhu, and I am suggesting that we perhaps also bring Mr. Jakhu to our committee and have him clarify the interrelationship of these two remote sensing space acts.

The Chair: I don't know whether the committee would agree to that, but with respect to having the ministers, we have invited three. I think you can certainly talk to your colleagues. I suspect there would likely be support to bring that person forward.

Thank you.

Gentlemen, I want to thank you very much for your time in coming here. We appreciate it very much.

Mr. Steven Cortese: Thank you.

The Chair: The meeting is adjourned.

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