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Chair

The Honourable Michael Chong

Standing Committee on Industry, Science and Technology

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• (0900)

[Translation]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome to the 13th meeting of the Standing Committee on Industry, Science and Technology. Today is Tuesday, May 4, 2010.

[English]

We're here pursuant to Standing Order 108(2) for a study of Canada's foreign ownership rules and regulations in the telecommunications sector.

In front of us today we have two groups of witnesses. One is from Telesat Canada and the other is from Astral Media Inc. We have Mr. Goldberg, Mr. Scott, Monsieur Bureau, and Madame Émond. Welcome to all of you.

We'll begin with an opening statement from Telesat Canada.

Mr. Daniel Goldberg (President and Chief Executive Officer, Telesat Canada): Thank you very much, Mr. Chairman and members of the committee. I am Dan Goldberg, president and CEO of Telesat. I am here today with Ian Scott, Telesat's executive director of government and regulatory affairs.

Thanks very much for inviting us this morning to discuss this important issue. At the outset I would like to emphasize that our comments are going to be confined to the Canadian satellite industry, Telesat is not in a position to discuss changes in the foreign investment regime for other telecom services.

The fact of the matter, as I will try to explain this morning, is that the Canadian satellite services industry is in a wholly unique position in terms of the need for reform of the foreign ownership rules. Because Canada's existing legal framework places us at a significant and unfair competitive disadvantage relative to our foreign competitors, we strongly believe the changes to the rules for Canadian satellite operators can and should be made in the near term. I'll give you a little bit of background on the reasoning behind my statement.

Telesat is a true Canadian success story. Since its inception in 1969, Telesat has brought essential and innovative satellite services to every part of Canada. Today Telesat is the fourth-largest fixed satellite service operator in the world. It employs more than 500 people in specialized high-tech jobs, more than 80% of which are in Canada. Last year Telesat had revenues of almost \$800 million, which is a company record, and currently we have an asset base in excess of \$5 billion.

Operated from our headquarters here in Ottawa, our global fleet of satellites is capable of serving virtually every country in the world. At this time, approximately half of our revenue comes from outside of Canada, and our desire and overriding strategic imperative is to continue to grow our business both in Canada and abroad.

Telesat is often described as a carrier's carrier because we don't provide service directly to consumers. What we do in the most basic sense is pay one company to construct a satellite and another company to launch it into space. Then we operate it in space, and for a fee we provide transmission service using the capacity on the satellite for broadcasters, telecom carriers, network integrators, and governments all over the world.

Let me now try to explain what makes the satellite industry different from other telecom services. First, satellite technology is inherently international. Like all fixed satellite service providers, our satellites are located in a geostationary orbit roughly 36,000 kilometres above the equator. Depending on their design, an individual satellite is capable of providing service to any location within an area about one-third the size of the earth's surface. Satellite technology does not respect national boundaries. This technological characteristic and the move towards free trade in telecom services over the past dozen years has led to wide open and intense global competition in the satellite industry.

In recognition of the fact that satellite services are inherently international, in 1998, as part of its commitments under the WTO agreement on basic telecommunications, Canada agreed to open its satellite services market to foreign competition. As a result, Industry Canada has authorized more than 75 foreign-licensed satellites to provide service to, from, and within Canada. Most of those satellites are owned by our larger competitors.

That's another critical and important distinction between satellite services and virtually every other Canadian telecom service: satellite services have been opened to foreign competitors. With the exception of undersea telecommunications cables, no other telecom service in Canada is subject to competition from foreign-owned carriers.

In addition to being inherently international, the satellite industry is characterized by economies of scale, meaning operators that achieve significant scale enjoy substantial competitive advantages over their smaller rivals. The competitive benefits that flow from scale are manifold. Larger operators, for example, have the ability to offer customers more varied and comprehensive geographic coverage; additional capacity to meet their expansion requirements; and higher levels of redundancy in the event of a satellite failure, which are key offerings in a field as competitive as ours.

Larger operators have greater negotiating leverages when purchasing satellites and launch vehicles, which are the two largest costs associated with our business. They can self-insure in the event of a satellite loss or failure, saving tens of millions of dollars in annual operating expenses. They have more diversified revenue streams and lower overall risk profiles, meaning that their borrowing costs are lower, which is important given how capital-intensive our industry is.

• (0905)

In short, the competitive advantages associated with scale in our business are enormous. Every participant in this business faces a strong strategic imperative to scale up; an operator's long-term viability literally depends on it.

In recognition of this, Telesat has been urgently scaling up over the past few years. In connection with our sale roughly two and a half years ago by BCE to our current shareholders, Canada's Public Sector Pension Investment Board and Loral Space and Communications, Telesat integrated the satellite fleet of Loral Skynet Corporation into our own larger fleet. This allowed us overnight to offer our customers global satellite solutions and to expand our satellite constellation by roughly 50%.

As I mentioned earlier, today we're the fourth-largest satellite operator in the world. Reflecting the global nature of our business and how our company is different from virtually every other Canadian telecom company, roughly half of our revenue is coming from outside of Canada.

Notwithstanding the fact that we're one of the largest operators in the world and enjoying a good measure of success of late, we have no illusions about our position in the broader industry. Put plainly, Telesat remains dramatically sub-scale relative to our three much larger competitors, all of whom have been authorized by Industry Canada to serve Canada and none of whom are subject to foreign ownership restraints by their principal regulators.

Let me say a few words about who our key competitors are so you have a sense of what we're up against. Telesat today has a fleet of 12 satellites and we have two more under construction.

Intelsat, the world's largest operator, has 56 satellites in orbit today and eight more under construction. It's based in Washington, D.C., headquartered in Luxembourg, and is controlled by a U.K.-based private equity firm.

SES, with 42 satellites in orbit and 12 more under construction, is headquartered in Luxembourg and publicly traded, principally on the Euronext stock exchange in Paris.

Eutelsat, with 23 satellites in orbit and four more under construction, is based in Paris. It's also traded on the Euronext exchange in Paris and has as its major shareholder a large Spanish infrastructure fund.

There are two ways we can try to increase our scale to close the gap between us and our much larger competitors, competitors who are two to five times larger than we are today. We can grow either organically or inorganically.

In terms of organic growth, we have invested or are investing roughly \$2 billion in new satellites that have either come into service over the last 36 months or will come into service over the next 36 months. However, the problem with growing organically is that it takes nearly three years to build and launch a new satellite. We need scarce orbital locations, and we don't have orbital locations that are capable of serving the fastest growing markets in the world today, like Africa, the Middle East, and Asia. It costs roughly \$300 million for each new satellite, which presents certain challenges for our business given that we don't have unlimited borrowing capacity. Canadian ownership restrictions limit our ability to access the global equity markets to finance our future growth.

In many ways, inorganic growth—which is to say growth through mergers and acquisitions—can be more desirable than organic growth. By acquiring another operator, we can grow much more quickly than the three years it takes to launch a new satellite. We can benefit from the synergies that arise from consolidating operations and functions. And we can very quickly gain access to scarce orbital positions, local market knowledge and relationships, regulatory licences and authorizations, and new customer bases. These things would take many years to put in place organically.

We expect that our industry will continue to consolidate and that our competitors—who got so big in the first place by consolidating—will keep seeking to acquire, merge, or form strategic relationships with other operators to continue to increase their scale and productivity. They may take their companies public, or, for those that are already public, they might issue secondary equity offerings to raise fresh capital to expand their operations and diversify their ownership further.

Telesat is keenly interested in remedying its sub-scale position in certain markets by acquiring other operators and gaining access to additional capital. We need the same flexibility that our foreign competitors enjoy if we're going to be successful. Given our highly skilled employees and the substantial investments we've made in our state-of-the-art Canadian facilities, we're well positioned to capture additional growth. However, the problem for Telesat is that Canada's ownership restrictions materially impede our ability to grow through acquisitions and they limit our access to capital in the global equity markets. Put simply, if we issue shares to acquire another operator or to raise new capital, we'll dilute our Canadian ownership and place ourselves in violation of the ownership rules.

• (0910)

In the past, sales of satellite operators have been highly competitive processes, and the larger satellite operators have been active bidders as they seek to get bigger and bigger. Our expectation is that we will be required to compete with our large competitors in these future sale processes. Because our competitors aren't subject to ownership restrictions, they'll have much greater flexibility than we will to fashion offers that are of maximum interest to the prospective sellers on the other side of the table.

I want to be clear about something. Telesat strongly supports open and competitive markets. We need open markets, given the global nature of our business and given that half of our revenues are coming from overseas markets. We compete head to head with our larger and smaller competitors day in and day out, both here in Canada and all around the world. But we must increase our scale if we are to survive longer-term. The simple truth is that Canada's current ownership rules significantly impede our ability to do so.

To address this serious situation, the government has introduced proposed legislative amendments to the Telecommunications Act that will exempt satellites from the ownership requirements. The effect of these amendments will be to permit Canadian-licensed operators to compete on a more level playing field with foreign operators and gain the skill required to be more effective global competitors.

It's equally important, though, to understand what the proposed legislative amendments will not do. The proposed amendments to the Telecommunications Act are drafted very narrowly. Satellite carriers will continue to be Canadian carriers for the purposes of the Telecommunications Act, and all other provisions of the act will continue to apply to Canadian operators. This is important to Canadian broadcasters, because the CRTC will continue to have broad authority to ensure that they have adequate satellite services for their requirements.

In addition, Industry Canada will continue to be able to advance all of its key public interest objectives by imposing licence conditions on Canadian satellite operators, which require, for instance, operators to provide satellite services to all regions of Canada, including the far north, and to ensure that there are adequate satellite services available for Canadian broadcasters. Finally, the Investment Canada Act would continue to apply to Canadian operators.

In conclusion, the satellite services industry is one of the most competitive industries in the world. Telesat is a successful Canadian

company operating within that globally competitive industry, but we need to attain additional scale if we're to continue to succeed and prosper longer-term. The proposed amendments to the Telecommunications Act will remove a significant barrier faced by Telesat and other Canadian operators to achieving that vital objective. At the same time, parliamentarians can be assured that the Government of Canada has maintained all necessary measures to ensure that the interests of Canadian satellite users are protected.

That concludes our remarks this morning. Thank you very much.

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

We'll now have an opening statement from Astral Media Inc.

[*Translation*]

Mr. André Bureau (Chairman of the Board, Astral Media Inc.): Good morning, Mr. Chair, committee members and staff. First of all, I want to thank the committee for inviting Astral Media Inc. to share its views on foreign ownership rules and regulations in the telecommunications sector.

As some of you may already know, Astral is a Canadian media corporation active in the fields of television, radio, news media and exterior signage, in both francophone and anglophone markets across the country. With our 17 television stations, we are one of the largest operators of specialty and pay television channels, including Canal D, Vrak, Family, and The Movie Network. In addition, Astral is not integrated with another cable operator or with another broadcasting distribution undertaking, or BDU.

We understand that the focus of your study is not the broadcasting industry per se. However, the problem of foreign ownership in the telecommunications sector is one to which broadcasters like ourselves can relate, since we now operate in an environment marked by the convergence of broadcasting and telecommunications. More and more, cable, telephone and wireless communications companies are offering every day a similar range of telephone, data transmission and video-broadcasting services.

We agree with comments made to the committee that the easing of foreign ownership restrictions in the broadcasting field must be examined in tandem with the impact this move would have on cable operators and other broadcasting undertakings that are subject to the ownership rules set out in the Broadcasting Act. In our view, it would make more sense to adopt a unified approach that takes into account the fact that telecommunications activities as well as BDU activities are carried out by the same integrated companies, and equally that many of these companies also operate programming undertakings.

•(0915)

[English]

Mrs. Sophie Émond (Vice-President, Regulatory and Government Affairs, Astral Media Inc.): This highlights the importance of fully understanding the impact of liberalized ownership rules on the Canadian broadcasting sector. While the policy debate on foreign ownership in telecom focuses on issues such as access to capital, economic efficiency, and consumer pricing, the policy implications on the broadcasting side differ. In addition to industrial issues, foreign ownership in broadcasting raises fundamental social and cultural issues. Indeed, Canadian ownership and control of broadcasting companies, both BDUs and programming services, have provided the necessary conditions to enable the creation of and access to content that reflects distinctive Canadian perspectives and ideas.

This has been a key measure in attaining a Canadian cultural sovereignty within the overall North American context. It has also enabled the development of an important and vibrant Canadian economic sector. Given the current convergence of communications companies, these cultural and social policy considerations will inevitably come up as you contemplate potential changes to the foreign ownership restrictions on the telecom side, and we submit that they must be addressed.

Mr. André Bureau: Proposals for ownership liberalization over carriage, i.e., telecom and BDUs, must absolutely take into account the key role that BDUs have traditionally played in meeting the social and cultural objectives under the Broadcasting Act.

Unlike a pure common carrier, a BDU does play an active and key role in influencing the content it offers consumers. BDUs are not just pipes; BDUs make programming decisions every day. They control and decide which programming services consumers will have access to. They make critical decisions about which services to market, promote, and offer, and how much they pay to these programming services and how much they charge consumers. This BDU influence over programming services may increase, given the recent CRTC decision regarding the value for signal of conventional television stations. Therefore, any liberalization of BDU ownership restrictions could easily result in an unacceptable level of influence by non-Canadians over the television broadcasting system. This could occur even if the ownership rules for programming services remain unchanged.

So the contemplated liberalization is such a fundamental policy change that it will necessitate the adoption of minimum safeguards to offset the impact of foreign BDU control, such as the introduction of rules to prevent a foreign company acquiring control of a Canadian BDU from keeping an ownership interest in the BDU's affiliated programming services, in other words, to divest, as suggested by Rogers when they appeared before you. In addition, it may require the introduction of strengthened conduct rules for BDUs to prevent discriminatory practices or access concerns of content providers.

These measures, as you can see, are complex and could have an important economic impact. For these reasons, we submit to you that a full assessment of the implications for the broadcasting sector should be made prior to implementing any changes to the ownership rules of the telecom/BDU sector. We submit that the prior assessment

we propose could be done by an independent panel of experts with public consultations. This type of panel was recently used to review the Canadian telecom policy as well as the competition policy.

In addition to the specific issue of foreign ownership restrictions, the panel could also be mandated to conduct a larger review of the Canadian broadcasting policy and regulatory framework, given the accelerated convergence of broadcasting, telecom, and new media.

•(0920)

[Translation]

Mrs. Sophie Émond: While this suggestion is outside the scope of this committee's discussions and, we concede, has to do specifically with broadcasting matters that are the responsibility of another parliamentary committee, we wish to point out, however, that it is in line with the proposal made in the afterword of the 2006 report of the Telecommunications Policy Review Panel.

Canada is already fortunate to have a single regulatory body, the CRTC, which has a mandate to oversee both the telecommunications and the broadcasting sectors. It is time to work together on a global policy for the entire communications sector in Canada, perhaps even under the leadership of a unified communications department.

Thank you for your time. We would now be happy to answer your questions.

The Chair: Thank you, Mrs. Émond and Mr. Bureau.

We will start with Mr. Garneau.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

I would like to thank all of the witnesses for coming here this morning to share their views and their vision for the future.

I'd like to focus on the satellite sector, although I will have a question later on for Mr. Bureau.

[English]

Mr. Goldberg, if I understood you correctly...I'm going to try to summarize, and you can tell me if I'm going wrong. You've made it clear that for a company such as Telesat, which by the way I think is a great company, with 40 years of great success, you feel it's imperative for you to grow to achieve greater scale if you're to continue to exist. If I understand correctly, you are maxed out on foreign ownership at this point, according to the rules, and you don't want to explore the option of borrowing to grow. In other words, you don't want to take on additional debt at this point, and you see growth primarily being through acquisition of foreign carriers, but in exchange for them receiving equity, therefore increasing the foreign ownership in Telesat.

Is that a rough summary?

Mr. Daniel Goldberg: You've nailed about 80% of it, which is better than I usually do the first time around.

Thank you for your compliments about Telesat. I share your view. It's a great company. It's a company that is actually doing quite well today. We've been growing very, very rapidly.

I believe we do have additional opportunities for organic growth, so I don't want to paint the picture that but for being able to grow through consolidation, we're never going to grow our business any further. I think we can. I think there are additional opportunities for organic growth.

We are running out of our ability to borrow more money. We do have significant debt right now. We're investing, as I mentioned, \$2 billion in new satellites. I think we'll be announcing yet another. I said we have two satellites under construction today. I think by the end of this month we'll announce a third satellite that we're building for Shaw to expand their direct-to-home video platform.

But yes, the ownership restrictions do preclude our ability to grow in other ways.

It is our expectation that our sector will continue to consolidate. We need to be part of that. We are very much sub-scale relative to the other operators, and we're the fourth largest in the world. The three other guys are dramatically bigger than we are. They're going to continue to try to consolidate, and we need to be able to do that.

• (0925)

Mr. Marc Garneau: As you know, there's some concern—I think to some extent justified—throughout the telecommunications sector that with convergence and with increasing foreign ownership there could be some erosion in terms of our cultural sovereignty and that some content may be at risk. You have been at pains to point out that the satellite sector is different, so I would like you to summarize very succinctly again why, in your view, this would not be a concern.

Mr. Daniel Goldberg: Succinctly, I was listening very closely to Mr. Bureau, and we are not a BDU. Unlike the BDUs, we don't really influence—never mind “don't really”; we don't influence at all what programming is distributed up there, or in Canada, or anywhere else in the world.

Mr. Bureau said the BDUs are not just a pipe. We really are just a pipe. We provide that pipe to BDUs. We provide that pipe to

broadcasters, and so do, I should say, our foreign competitors, who are also providing their pipe in Canada to customers here.

We're very sensitive to the cultural concerns that exist out there. That's why we've tried to be very tailored in the kind of request we've made to government. All we're looking for is that the ownership restrictions on our sector be relaxed.

There are other provisions that require us to make our satellite capacity available to Canadians. We aren't looking for those rules to be relaxed at all.

There are rules that require us to design satellites so that they cover all of Canada. Our competitors come in here, and as you can imagine, they just cover the most lucrative, profitable parts of Canada. We're required to cover all of Canada. We're not looking for any relaxation in those requirements.

So I do believe that we are not in a position to influence content.

[Translation]

Mr. Marc Garneau: Mr. Bureau, you heard Mr. Goldberg's testimony, naturally. If I may say so, you are one of Telesat Canada's clients. Are you and your company concerned that one day Telesat Canada could be 100% foreign-owned?

Mr. André Bureau: Had that scenario been possible, we would have been concerned. Imagine an American company becoming the owner of Telesat Canada and imagine a strong demand in the United States for additional satellite space as a result of HD or 3D. Had we wanted to occupy all of Telesat Canada's satellite space, Canadian users such as Bell ExpressVu or Shaw—we are not Telesat Canada clients, but they are—could have been squeezed out because the Americans would have been willing to pay five or ten times what we currently pay to Bell ExpressVu, which in turn pays Telesat Canada, for satellite access. Theoretically, we might have risked losing the ability to continue distributing our signals by satellite.

Section 28 of the act has not changed and it continues to protect us in that regard. If there was a problem of this nature and Telesat Canada did run out of space, the CRTC could even go so far as to ask Telesat Canada to cancel contracts with foreign companies to make room for Canadian companies needing the space. Provided there is no further danger of this scenario playing out, we have no objection to what Telesat Canada has just said.

• (0930)

Mr. Marc Garneau: Thank you.

The Chair: Thank you, Mr. Garneau.

Mr. Cardin.

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

Mrs. Émond, gentlemen, welcome to the committee.

I'd like to direct my initial comments to the Telesat officials. People may recall that when SIRIUS satellite radio arrived on the scene, the CRTC had not necessarily complied with Canadian content standards. You may also recall that as little as 5% of the audio tracks played by SIRIUS are francophone tracks, as compared to 22% in the case of conventional radio. Yet, the CRTC had actually agreed to these terms.

Is there not a danger that at some point, foreign ownership in the satellite sector will increase, affecting content and clientele as well? You say that existing regulations safeguard the space for Canadian companies. I have to wonder, because I spoke with someone who expressed some concern about Canada's sovereignty and even about its security should foreign ownership in the satellite sector increase.

[English]

Mr. Daniel Goldberg: I'm not 100% familiar with the SIRIUS situation, but I think the very important distinction between what Telesat does and what SIRIUS does is exactly the point that Mr. Bureau raised earlier about the difference between a BDU and something like Telesat, which is not a BDU and owns just a pipe.

SIRIUS, unlike Telesat, actually does make programming decisions, I believe. They do select the content that is carried on their satellite system. That's not what Telesat does at all. We lease our capacity to BDUs, to broadcasters, who then themselves make the decision about what kind of programming goes on the satellite. So today, we don't make decisions about what is carried on our satellite. In the future, we won't be making decisions about what's carried on our satellites.

With respect to safeguards, I think they're exactly the kinds of safeguards that Mr. Bureau referred to. Section 28.2 of the Telecommunications Act does give the CRTC very broad authority to claw back our satellite capacity, make it available to other Canadian users, if it deems that it's in the public interest.

I would say that in addition to the broad rights the CRTC has under the Telecommunications Act, Industry Canada has licence conditions, so every one of our satellites is licensed by Industry Canada. They have very specific and very exacting conditions that we're required to meet. So I'd say there are those two safeguards—one administered by Industry Canada, the other administered by the CRTC—and again, fundamentally, I think that SIRIUS, even though they're also in the satellite industry, is in a very different situation, because unlike Telesat, they act as a programmer as well, and it's simply not what we do.

[Translation]

Mr. Serge Cardin: In the case of satellites such as yours, can you, for example, sell service space to foreign companies?

Mr. Daniel Goldberg: Could you repeat the question, please?

Mr. Serge Cardin: I would think you could sell services to established foreign telecommunications companies. I'm somewhat of a neophyte when it comes to the satellite sector. I've never been in space, unlike some people who have been there, and returned. At some point, based on distribution, you would be entitled to some space in the big blue sky. Fundamentally, satellites are owned by a country, by you, but once these satellites are launched into space,

there are rules governing the services that can be provided to different clients, because you cover a vast area.

Quickly please, could you explain to me the rules governing the operation of satellites? Even though you own the satellites, there are restrictions on what you can do.

• (0935)

[English]

Mr. Daniel Goldberg: In the commercial satellite industry, the satellites themselves are owned by individual companies. We own 12 satellites, and our competitors, as I mentioned, have much larger fleets. In order to actually have the satellite in space, a company like ours needs to go to a country, an administration, and seek to make use of an orbital location and certain frequencies at the orbital location. So in the case of Telesat, of our 12 satellites, eight of them are operating from Canadian-licensed orbital positions. In this case, it is licensed to Telesat by Industry Canada.

The satellite itself has certain active transmitters on it called transponders. A typical satellite, the kind of satellite that we provide to ExpressVu or Shaw Direct, for instance, tends to have approximately 32 individual transponders on them, and we lease the capacity on these transponders. We provide a service using these transponders to many different companies around the world.

Today, about 54% of our revenue is coming from customers located here in Canada. Unfortunately for us, we still have more available capacity to sell. So if Astral or other Canadian users desire to have more of our satellite capacity, we are delighted to receive their calls and make more capacity available to them.

If our satellites become full, if the utilization becomes very high, we then meet with all of our customers and prospective customers and try to persuade them to help us launch a new satellite. I mentioned that I expect at the end of this month we will announce that we will be building a new satellite. This new satellite will be principally for Shaw Direct, which would give them more capacity to help Canadian broadcasters get greater distribution throughout Canada. We also expect this satellite will have other services as well. We expect it to have some capacity that the Canadian government could use, for instance. We expect it to have some satellite capacity that will be used by our customers in Latin America to bring basic telecommunications services to very remote areas in Brazil and Colombia, which is a growing part of our business.

Today with our satellites we do have more capacity for Canadian users, we do have more capacity for other users, and we are always looking. We have a sales and marketing department that does nothing but try to meet with our Canadian customers and our other customers around the world to sell them more capacity. I should also say that our competitors are also meeting with all of our customers trying to sell them their satellite capacity. So it's a competitive market.

The Chair: Thank you very much.

Mr. Wallace.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chair.

I want to thank our guests for coming.

I would also like to focus on the satellite business, because I had no understanding of it until just a few minutes ago.

Just for clarification, for my education on this, you actually own 12 satellites and you get a licence for space—I don't mean space as in outer space—for you to use, in this case for most of that from the Government of Canada.

Where are the other two satellites that you have orbiting around up there?

Mr. Daniel Goldberg: Of the satellites that we have, eight satellites are over the North American arc. Again, a satellite is capable of seeing about a third of the earth's surface. Of the others ones we have, three satellites are over the Atlantic Ocean region, and these satellites are capable of providing service to North America, Central America, Latin America—

Mr. Mike Wallace: Who did you buy the licences for that space from?

Mr. Daniel Goldberg: Two of those satellites are licensed to us by the Federal Communications Commission in the U.S. We have one orbital location through the Government of Brazil, and their regulator is called Anatel. We have one through the Government of Tonga, which has gotten itself into the business of filing for orbital locations and dispersing them to other companies.

● (0940)

Mr. Mike Wallace: Based on the evidence you've given, you're obviously in favour of opening up the market to foreign investment. Based on what you said, it's for you to be in the acquisition business, or it would help you to be in the acquisition business, out shopping or looking for other satellite companies that are already in existence that you may be able to partner up with or acquire. Is that an accurate statement?

Mr. Daniel Goldberg: It is for two things, and that's one of them. One is to have a stock currency we can use to acquire other companies, because not all selling shareholders just want cash. If you bring satellite companies together, you create value. Oftentimes, the selling shareholders want to be part of the value you create in the more efficient, larger organization. That's one.

The other is that we'd like to be able to raise additional funds. Already, today, we have approximately \$3 billion in debt. We have an asset value of \$5 billion. We had to fund it somehow. That's how we funded it. Two of our larger competitors are publicly traded companies. In the future, when they need more money, they can raise debt or they can issue more equity. We would like to be able to go to the global equity markets. We might take Telesat public at some point. We need access to the global equity markets to raise additional funds.

Mr. Mike Wallace: You mentioned that you have competitors in this space that talk to your customers. Are they required to meet the same Canadian content? You seem to have rules in terms of how much Canadian customers need to have or in terms of Canadian signals. I don't know what the definition is. Do they have to face the same restrictions you do?

Mr. Daniel Goldberg: No.

Mr. Mike Wallace: You have to face those conditions because you are Canadian.

Mr. Daniel Goldberg: It is the latter. It is a very anomalous situation. Our U.S. and European competitors come to this market to compete with us, and we lose business to them all too often, including from DND. We recently lost some attractive business there.

Our competitors come in and they don't have to pay Canadian licence fees. They don't have to cover all of Canada. They're not subject to the same rules we are at the CRTC, which can drag back our capacity for other applications.

Mr. Mike Wallace: They don't face any of that.

Mr. Daniel Goldberg: No. Zippo. For a decade now, they've been authorized to come in and compete with us, and they do. We have 12 satellites. Industry Canada has licensed 75 foreign satellites to come in. They cream-skim the bottom of the country...

Mr. Mike Wallace: How many satellites are floating around up there?

Mr. Daniel Goldberg: Do you mean commercial—

Mr. Mike Wallace: I mean for commercial use.

Mr. Daniel Goldberg: Communications satellites? There are a few hundred.

Mr. Mike Wallace: Is that right? I would never have known.

Mr. Daniel Goldberg: I told you that Intelsat has 56 today. They have eight more under construction. The bigger guys are getting bigger and bigger and bigger than we are every single day.

Mr. Mike Wallace: Is there a risk, then, if this change doesn't happen, that you will just be...?

Mr. Daniel Goldberg: We will be increasingly marginalized. Absolutely.

Mr. Daniel Goldberg: Absolutely.

Mr. Mike Wallace: Do other countries have rules like we do in terms of restrictions?

Mr. Daniel Goldberg: No.

Mr. Mike Wallace: You haven't faced it anywhere else where you've had...

Mr. Daniel Goldberg: Mexico has restrictions. Outside of Mexico, our larger competitors are Intelsat, Eutelsat, and SES. None of these guys face these restrictions.

Mr. André Bureau: First, a little correction. We don't produce. Our philosophy is to work with independent producers, so we buy programming.

The fundamental issue is the second part of your question. Suppose that tomorrow morning Verizon is authorized to come into Canada and it buys Rogers. All of a sudden, we're negotiating with Rogers, first to have access to Rogers and second to be promoted by Rogers. Third, they package our services with whatever they want. That's the role of the BDU at the present time; they package. They pay us what they think is the value of our service. They charge to the consumers. We have absolutely no access to the consumers. We don't even know who our subscribers are. The BDU controls all of that.

We're saying that they're not just pipes; they're not simply common carriers. Common carriers do not interfere with the content. The BDUs, cable and satellite, like ExpressVu or Shaw, do have an impact on our content because they decide where they will carry us, how they will carry us, whether they will give us a digital slot or only an analog slot, whether they will allow us to be packaged with interesting services or with very low-penetration services. They have the right of life and death over us. That's why they are part of the broadcasting system, because they are intimately linked to our operations and success. They're not just carriers. That's why we say the mere regulation of the broadcasters is not enough. We need to have them considered as part of the broadcasting system and controlled or supervised by the same authority. Otherwise, we could end up not being able to have access to them and we would be left in the cold.

• (0945)

The Chair: Thank you very much.

We'll go to Mr. Masse.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thank you to our guests for being here.

Mr. Goldberg, you phrased an interesting part of this discussion with regard to the different levels of competition we have and also the different expectations you have as a Canadian carrier versus that of foreign competition coming in.

I think a lot of people assume that satellite will generally cover everything, as opposed to what's really... It might even go up to cover specific zones, as you've noted. It's the type of investment, where it's placed, a whole series of things. I don't think people really realize that.

One of the things I'm worried about, though, is if, say, in the future we do open up foreign investment and Telesat is eventually owned, perhaps, by a United States company or some other foreign company. You mentioned that there's a set of rules that can claw back right now. What would stop that company, if it does emerge under foreign ownership at the end of the day in terms of controlling shares, from challenging any attempt to claw back for Canadian content and challenge that under NAFTA? They would have a situation where they could easily show that their competition doesn't have the same requirement to provide that type of relationship and it's a harm to their business and their operations.

Mr. Daniel Goldberg: There are a couple of things. Industry Canada's licensing authority is a giant stick. Take our U.S. competitor. At this point in time, while the FCC licenses many different operators, and a couple of them are actually headquartered in the U.S., none of them are owned any more by U.S. investors. I mention Intelsat, which everyone thinks of in my little sector as a U.S. company. Again, it's the giant in our industry. They're owned by a U.K.-based private equity firm right now. Now, why aren't the FCC and the State Department and the Pentagon worried that this U.K.-based private equity fund is going to ignore the licence conditions and behave in a way that's contrary to the public interest? The reason is that at any moment they can pull the licence and kick them out of the slot. When you have invested \$300 million and built a business at that orbital slot, that stick over your head is everything. For instance, we scrupulously comply with our licence conditions from

the Brazilians, from the Americans, from Tonga, the reason being that if we don't, we're at risk of having our licence revoked. Then we are in a terrible situation.

Listen, I made plain that it is galling in some respects to have to compete with our foreign-licensed larger competitors who come into Canada without being subject to all the rules that we, as a Canadian-licensed entity, are subject to. The same is true when we go into some of the overseas markets that we're participating in. But you just can't be subject to every single home jurisdiction's regulation. Otherwise there's this patchwork of inconsistent regulatory framework that emerges and the whole business model breaks down.

So, yes, it's true that in some ways they compete unfairly against us when they come to Canada. They're not subject to all these rules. Equally they could say that when Telesat comes down to the U.S., we don't cover all the U.S. The fact of the matter is we can't. We can't cover the far north and the tip of Florida. It just doesn't work that way.

We don't pay their licence fees because we're paying ours up here. It so happens that Industry Canada's licence fees are five times more than the FCC's, but that's another matter.

Other countries have found that there are adequate tools available to them to control the behaviour of the satellite operator short of trying to get at who actually owns the entities. You do it through licence conditions and, like we have in the Telecom Act, you do it through other statutory provisions. That has proven to be adequate in our sector.

• (0950)

Mr. Brian Masse: You also mentioned in there that you might be getting some government space business with the new satellite coming up. Would there be any concerns? Some people might raise that having a non-Canadian government controlling the capabilities of the Canadian government is a national security issue. Could you address that, please?

Mr. Daniel Goldberg: The sad truth for our business is that today the Canadian government does more business with our foreign-owned competitors than they do with us. I think of Intelsat, which is a big supplier to the Canadian government. I think of Inmarsat, which is a very large supplier to the Canadian government.

We provide some services to the Canadian government. I'm miffed that we can't provide more. We're trying to provide more, but the fact of the matter is, I'd say today the bulk of the government's satellite requirements—at least the kind of capacity that we provide—they're not acquiring from Telesat; they're really acquiring them from our foreign-owned competitors.

Mr. Brian Masse: Okay.

To both gentlemen, Mr. Bureau and Mr. Goldberg—real quickly—one of the things that has been put out there is that if we open up foreign restrictions, the consumer is going to benefit.

Can you put forth a case on how consumers are going to benefit under your scenarios? That's been the driving factor, saying that we'll have increased services, better services, and also cheaper services. Can you lay that case out, if you can?

Mr. Daniel Goldberg: I can maybe start with the satellite sector.

The fact of the matter is, if Telesat does become marginalized over time, it's going to reduce competition in this market, and that's going to hurt Canadian consumers. I don't know of any other way to put it.

We are scrapping day in and day out to try to compete with these larger operators. Because they're larger, their operations are more efficient. It goes back to my point of economies of scale—meaning that head to head, they can undercut our pricing in the market and still achieve greater returns on their investments than we can. We can't be in that situation. We need to continue to grow our scale, increase our productivity, so that we can maintain our role in the market as a vibrant competitor.

If we get marginalized over time, there will be less competition in this market, fewer suppliers for the broadcasters and for the other users—including the government—of satellite capacity, and that's not a great situation.

Mr. André Bureau: If I may, Mr. Chair, I have two answers to your question. One has to do with the content itself, or the access to a larger variety or diversified service. I'll take the service of pay TV, for example. In Canada, there are three operators of pay television. They offer everything that is available on five American satellite services on three. For the price of one, you get the entire offering of three American pay TV services. There's no shortage of access to diversified programming.

The second thing I think is important to both the consumers and the players in that field, because we depend on their strength and on their availability. The government has licensed—and the CRTC eventually licensed—a number of new players in the field of wireless. These new players are just coming into the business. They have invested hundreds of millions of dollars. If tomorrow we were, as a Canadian government, to authorize an American company—like Verizon or AT&T or any of them—to come into the market before these new entrants had even made their business case work and had started to gain from their millions of dollars in investment on Canadian territory, I don't think that would be fair. I think it's premature to look into that.

I think there is no rush to go in that direction. We will more than double the competition in those services within a year at a really high cost. To come today and say, “You've paid a lot of money to get here, but guess what, we're authorizing the giants from the United States to come and compete against you here”, I think would not be the proper approach for the government. I think it would be totally unfair to do that to these new entrants.

I think the consumers would not benefit from that.

• (0955)

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

Mr. Rota.

Mr. Anthony Rota (Nipissing—Timiskaming, Lib.): Thank you, Mr. Chair, and I'd like to thank the witnesses for coming out this morning.

I guess I'll start with Mr. Goldberg. When we look at satellite transmission providers worldwide, as you mentioned, there are four major players. You're the fourth player. The three others are considerably larger, and what we're seeing more and more of, with

the liberalization of transmission in different vehicles, is consolidation. Telesat would be a great acquisition for one of these larger ones, and it would be a nice addition to their portfolio.

The concern I have is for Canadian users of the service. I understand that article 28 protects transmitters. Does it mention anything about the cost of the service? I'm concerned about northern Canada, which you now service, which is very important, because they rely on satellite service quite heavily.

When we look at southern Canada, the northern United States, and as far down south as you can go, what we see is a much denser population. The density is there. What is there to prevent a satellite company from redirecting its transponders so that it can service a larger, more densely populated area that is likely more profitable?

My concern is that we have a service—and sure, it's out there and it is up in our airspace—but suddenly it is directed somewhere else that is much more profitable, whether that's southern Canada or the northern United States. It doesn't make a difference because the people up in northern Canada still aren't getting the service they require. What's preventing that from happening?

Mr. Daniel Goldberg: What's preventing that from happening....

Mr. Anthony Rota: What will prevent that from happening down the road? We do have the space now. It's just a matter of throwing up more satellites or launching more satellites. What's preventing us from saying that all of a sudden we're starting to get tight on space and let's just redirect things and everything will be fine? Somebody has to lose on that.

Mr. Daniel Goldberg: We would be in violation of our licence conditions, bluntly, so we just can't do it. That wouldn't change if our ownership changed. We are required, under the terms of our Industry Canada licence, to cover all of Canada, and that's what we have to do.

It's very easy to tell whether the satellites are covering all of Canada or not. If they weren't covering all of Canada, Industry Canada would revoke the licence, and the shareholders at the time would incur a very significant loss. It would never cross anybody's mind to violate a licence condition like that.

I can tell you today that we do cover the north; we think there are good commercial opportunities existing there. We have a substantial amount of available satellite capacity today that we're hoping will be taken up to provide better services to the north. We're hoping some of this broadband stimulus funding will be used for those purposes. We're hoping that as part of the initiatives associated with northern sovereignty, some of that capacity will be taken up.

But in the first instance, I think the answer is that the licence conditions are very clear: thou shalt cover all of Canada. That's what we do, and that's irrespective of the ownership.

●(1000)

Mr. Anthony Rota: Let me explain why that question came up and why it tweaked in my mind. You made a statement about a patchwork of different regulations on different countries. That would make it very difficult on a multinational that wants to use one set of regulations right around the world, or wherever they operate.

A large multinational would probably have a lot of influence on a smaller government or regulation. Do you feel there might be some kind of change or some influence on that? And then suddenly.... It's nice to say we have it now because we have a regulated system now. Will that multinational or a transnational have the influence to change the policy within a country, and does that endanger Canadian transmission?

Mr. Daniel Goldberg: I don't think so. I described a situation where we have 12 satellites, eight of which are licensed by Industry Canada and four of which are licensed by other administrations. That situation plays itself out with our competitors as well. They have satellites in orbital locations authorized by a multitude of different administrations, and they, like us, are very careful to comply with all the different regulatory frameworks from those different licensing administrations.

If you get a licence from the Brazilian regulator, well, guess what, you're covering all of Brazil and you have certain public interest obligations. If you have a licence from Industry Canada, same thing; you're covering all of Canada and you have a separate set of R and D obligations, other public interest obligations. It's the same with all these different licensing administrations.

As an operator, a large operator...and I consider ourselves a large operator. I consider Intelsat and SES and Eutelsat larger operators still. All of us take very seriously...these authorizations are the lifeblood of our businesses. It's great to invest \$300 million in a satellite and a launch vehicle, but if you lose that ability to make use of an orbital location, you're out of business.

Mr. Garneau referenced the fact that Telesat has been around for 40 years. This is not a new sector. This business has been going on now for decades, and I don't think there's a single instance of an operator, large or small, just flouting a licensing administration's requirements. I can't think of a single one.

The Chair: Thank you very much.

We're going to go to Mr. Van Kesteren right now.

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

Thank you all for coming. I wanted to get back to the satellites themselves.

Mr. Goldberg, did you say 17,000 kilometres? Is that where you're orbiting?

Mr. Daniel Goldberg: I said 36,000 kilometres.

Mr. Dave Van Kesteren: It's 36,000 kilometres. Okay. So if the moon is—

Mr. Daniel Goldberg: You're talking to the wrong guy.

Voices: Oh, oh!

Mr. Dave Van Kesteren: I did 17,000, so you're talking about a quarter....

Mr. Daniel Goldberg: It's way, way, way up.

Mr. Dave Van Kesteren: It's 36,000 kilometres. Do all satellites operate in that range?

Mr. Daniel Goldberg: No, they don't. That is the geostationary arc, so a satellite located at that distance from the earth is orbiting the earth relatively at the same speed as the earth is turning.

Mr. Dave Van Kesteren: Is that why it's at that distance, because the gravitational pull doesn't...?

Mr. Daniel Goldberg: Yes.

Mr. Dave Van Kesteren: Okay. What keeps it from being pulled back to earth? Do you have rockets on these things?

Mr. Daniel Goldberg: It's just gravity. It will stay up there in that orbit, but the satellite, as you can imagine.... Picture an ExpressVu or a Shaw Direct dish; it's this little dish on the ground. The satellite really does have to maintain a very specific spot in the sky.

There are thrusters on the satellite. If you come up to our headquarters facility on Blair Road.... I invite all the members of the committee, if you ever have an interest, and we're only ten minutes from here—come on out. We literally have rocket scientists who work at Telesat, highly specialized engineers trained in orbital mechanics. They maintain the satellite 36,000 kilometres in the sky in a very tight box.

Mr. Dave Van Kesteren: Mr. Chair, I would recommend that we take that offer up seriously. Absolutely. I think—

Mr. Daniel Goldberg: Listen, Telesat is a great Canadian success story. We're very proud of what we do out there. We have a very skilled staff, and we would be delighted to receive folks to come and look at what we're doing.

Mr. Dave Van Kesteren: So they could answer a lot of these questions, like what's the fuel—

Mr. Daniel Goldberg: They could answer.

Mr. Dave Van Kesteren: You don't know what type of fuel they use?

A voice: Expensive fuel.

Mr. Dave Van Kesteren: Does it run out? At what time—

●(1005)

Mr. Daniel Goldberg: I know it's highly toxic.

No, it's a very specialized fuel and it's very expensive. What dictates the commercial life of the satellite is by and large how much propellant is on the satellite. The satellite lasts roughly 15 to 20 years, unless there's an anomaly, and sometimes there are anomalies, which is why the bigger the fleets you have to manage those anomalies, the better.

Mr. Dave Van Kesteren: What countries are involved in building these things? I know MacDonald, Dettwiler is—

Mr. Daniel Goldberg: MDA has the capability to build—

Mr. Dave Van Kesteren: These are Canadian companies we're talking about?

Mr. Daniel Goldberg: No.

Mr. Dave Van Kesteren: How many Canadian companies are building?

Mr. Daniel Goldberg: How many are building satellites of the type that we use? Zero.

Mr. Dave Van Kesteren: Zero. MacDonald, Dettwiler, what—

Mr. Daniel Goldberg: MDA makes components that are on our satellites. Oftentimes, they'll make the antennas that go on our satellites. There's a company called COM DEV that makes certain switching that goes on our satellites. But by and large, for the type of satellite that we require—very large, very powerful satellites—they're made in the U.S. by Boeing, Lockheed, and one of our shareholders, Loral. They're made in Europe by Astrium, which is part of EADS, and Thales, and then the Russians have a capability. The Indians and the Japanese have a capability, but it's a lesser capability.

Mr. Dave Van Kesteren: So we really don't have a strong presence in construction of satellites, let alone—

Mr. Daniel Goldberg: Not of this type. I would say Canada has a reasonably strong presence in terms of space activities. Telesat is a real global leader. MDA is recognized as a global leader, and COM DEV as well.

Mr. Dave Van Kesteren: Who launches these? I suppose countries like France, the United States....

Mr. Daniel Goldberg: Yes. The U.S. has a capability, although the capability is now devoted almost exclusively to government missions. For commercial satellites, you're launching either on Arianespace, which is a European consortium, or the Russians have two launch vehicles that they make available. The last probably six satellites that we've launched have been on Russian launch vehicles, and so will the next two, maybe three that we will launch. The Chinese also have the capability, but U.S. export limitations preclude us from making use of the Chinese satellites because almost all the satellites have U.S. technology built in them.

Mr. Dave Van Kesteren: I just want to ask you, quickly, again, how many kilometres did you say?

Mr. Daniel Goldberg: I said 36,000.

Mr. Dave Van Kesteren: That's incredible, and I probably should be asking Mr. Garneau some of these questions. Isn't there a radiation—

Mr. Daniel Goldberg: We have an expert right over there.

Mr. Dave Van Kesteren: Isn't there a radiation belt, the Van Allen radiation belt, or something that you have to contend with? Where is that thing in relation to the moon and the earth?

Mr. Marc Garneau: It's not a factor; 36,000 allows them to stay over the same spot over the earth at all times. They turn with the earth. That's what geosynchronous means. That's important.

Mr. Dave Van Kesteren: Finally, the last question I have is, what about new technology? What's on the horizon?

Mr. Daniel Goldberg: Most of the improvements in satellite technology have to do with larger satellites. The more powerful the satellite is, the more throughput, the more bandwidth you can get to

a particular user. That has been very important. Increasingly, the beams are more and more focused. Think of a flashlight. The broader the coverage, the weaker the signal is. When you concentrate it, you get a lot more power, a lot more intensity, which means you can get a lot more throughput, so some of the services we provide...we provide two-way Internet services using satellites with very concentrated beams. There's a company that we work with called Barrett that provides these services in rural Canada.

Mr. Dave Van Kesteren: Mr. Chair, if I just could add, I was serious about that. We don't take too many field trips, but I think this is one that we should really seriously consider.

The Chair: Okay, we'll take it under advisement.

I'm not sure if 36,000 kilometres is correct, because 36,000 kilometres would be 36 million metres, which would be close to 100 million feet. That seems to me to be—

Mr. Dave Van Kesteren: It's right.

The Chair: That seems to me to be—

Mr. Daniel Goldberg: The number is something like 35,796, but we'll provide the committee with the exact—

The Chair: If you've got an airplane flying at 30,000 feet...I have trouble believing that satellites are at 100 million feet, but anyway, I leave it to the experts to solve that one.

Mr. Daniel Goldberg: Where is Mr. Garneau when I need him?

The Chair: We'll now go to Monsieur Bouchard.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chair.

Welcome, Mrs. Émond, gentlemen.

My first question is for Mr. Goldberg. No doubt Mr. Bureau could comment on this as well. According to some observers, the opening of the market to foreign owned telecommunications companies will ultimately affect programming content and will result in less Canadian and Quebec content.

Do you agree with that assessment and if not, why not?

• (1010)

[English]

Mr. Daniel Goldberg: I will only speak with respect to liberalization of ownership on the satellite sector. As I've said, I don't believe eliminating ownership restrictions on Canadian satellite operators will have any impact whatsoever on content issues here in Canada, whether it's French language services or English services.

As we've tried to make clear, we are in no position whatsoever to influence the content that is distributed on our satellites. Those are choices that are being made by our customers, who are the BDUs or the broadcasters themselves. We sometimes make capacity available directly to the broadcasters themselves.

With respect to the narrow issue on ownership reforms in the satellite area, relaxation of the ownership restrictions won't have any impact one way or the other on content issues in Quebec or anywhere else in Canada.

[Translation]

Mr. André Bureau: Mr. Bouchard, the assurances given by Telesat Canada stem from section 28(2) of the Telecommunications Act. According to this provision, should a dispute arise at some point in time between the distribution undertaking, Bell ExpressVu for example, and Telesat Canada, and should Bell ExpressVu require additional capacity to distribute its services in high definition, which would require having more space if the data compression system is inadequate, then the CRTC could be asked to step in and arbitrate the dispute, not merely to demand that the distribution undertaking be given the space, but also to impose the conditions under which that would happen. That is the only protection that exists.

Regarding your other question about satellite users like Bell ExpressVu and Shaw and how this could impact us, it has been said that Bell ExpressVu and Shaw are merely responsible for transmitting content. They are heavily involved in the service itself. They select the services and negotiate a price with us in order to offer these services. Rates are neither imposed nor regulated. They are negotiated with us, on a service by service basis. They may decide that there is no room for our service under the conditions they demand, unless they obtain them free of charge.

So then, this is not the role of a public telecommunications carrier that works with rates that have already been approved or that has rate approval mechanisms in place. We must negotiate with them. They promote our services. As I said earlier, we don't even know who our subscribers are, unlike the distribution undertaking that bills customers at month's end. Therefore, they really have some control over our activities.

We are not saying that we want the status quo or asking you to take no action whatsoever. If you decide one day that it is necessary to do away with restrictions on foreign ownership, then take action as recommended in the two studies conducted by panels of experts. If you change the rules of foreign ownership with respect to distribution undertakings, whether it be cable or satellite operators, or Bell ExpressVu or Shaw, take the time to weigh the potential impact of the change on broadcasting services in Canada.

We will have an opportunity at that point to take a serious look at the ramifications and at the mechanisms to bring in to maintain our broadcasting system as the envy of the whole world. Our services are of a much higher quality and are more diverse than those in France and in England. Only the United States offer more services than we do. We provide a wide range of services and genres. We have 250 specialty services that have been approved by the CRTC. France and England can't say as much. We should be very proud of our Canadian broadcasting system and we need to take steps to ensure that the system continues to operate for the benefit of Canadians who have more choices available to them than anyone else in the world, with the exception of Americans.

• (1015)

[English]

The Chair: Thank you. *Merci, M. Bureau.*

We're going to go to Mr. Lake.

I'm still astounded by this 38,000 kilometres. The analyst in fact has told me that he's checked it and it's true. Planes fly at ten kilometres, so we're talking about something that's 3,800 times higher in the atmosphere than an airplane.

Mr. Daniel Goldberg: It costs \$100 million to launch these things.

The Chair: That's just unbelievable.

Mr. Lake.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): While you were having that discussion, I used my Canadian-made BlackBerry. I'm not sure what satellite, but according to Wikipedia:

A circular geosynchronous orbit in the plane of the Earth's equator has a radius of approximately 42,164 km (26,199 mi) (from the center of the Earth). A satellite in such an orbit is at an altitude of approximately 35,786 km (22,236 mi) above mean sea level.

There you go.

I have some questions, and my first question is for you, Mr. Goldberg.

Are there any examples of competitors of yours who also provide services like TV or radio or telephone services distribution, anything like that? You said it's not something that Telesat is interested in.

Mr. Daniel Goldberg: No. I would say that our competitors are all really in the same business, which is to say just providing the pipe to users, who then decide what to put over that pipe, and again, that can be governments, that can be telecom carriers, that can be ISPs, or it can be broadcasters and multi-channel video platform providers, which here in Canada we call BDUs.

Mr. Mike Lake: The rules require you to provide services to Canadian distributors, right? How do those rules work in terms of the numbers? What act are they under, and how are the prices set for the service you provide?

Mr. Daniel Goldberg: I can turn to my colleague here, too.

I'd say there are two things. Again, there are the Industry Canada requirements. Before we even launch a new satellite, in the first instance we have to make the capacity on that satellite available to Canadian users, and we literally take out advertisements in the paper. It's a small sector of the folks who use satellite services, so we know them anyway.

Look, we don't need a government requirement to tell us to sell our satellite services to Canada or anywhere else; we have a strong economic incentive. But even apart from the economic incentive, there are the regulatory requirements in our licences from Industry Canada to, in the first instance, make our capacity available to Canadian users. Then there are the provisions in the Telecommunications Act, which the CRTC administers, to make sure that over time, to the extent that Canadian users require our capacity, and it's been made available elsewhere—the CRTC has the ability to effectively pre-empt the non-Canadian user; we have to make the capacity available to the Canadian user. The CRTC also has the authority to set rates. It is largely forborne from doing that, given that the market is competitive, but there are provisions in the Telecommunications Act that should the CRTC choose to enforce, it can, and it can set rates as well.

Mr. Mike Lake: I'll move to Mr. Bureau for a second. That leads nicely into a question.

You've stated I think that you're comfortable with that in terms of protecting Canadian culture; it's far enough removed from Canadian culture, and those guidelines are in place. You used a Verizon/Rogers example, though, for your sector, that I found interesting. How is Rogers controlled now, in terms of what they...?

Mr. André Bureau: I don't know, quite frankly. The family—

Mr. Mike Lake: Sorry, not controlled from a business sense. How are they regulated now, in terms of making sure they carry Canadian programming?

Mr. André Bureau: In cable, Rogers, Vidéotron, Shaw, and Cogeco, who are the bigger players in the field, are all regulated under the Broadcasting Act because they play a role in our activities. We like to call them a partner—sometimes we have to remind them they are—but they really are very fundamentally linked to our operations. We use them at a cost, but we use them to distribute our services, and they are governed or supervised by the CRTC. They are regulated by the CRTC because of that, so if you're only a telecom provider, like, for example, some of the new entrants will be at the start, in that position they are only regulated by the Telecommunications Act. But the minute they start distributing broadcasting services, they take the role of a BDU—broadcast distribution undertaking—and then they fall under the Broadcasting Act, and that's where we belong in terms of the sector itself.

• (1020)

Mr. Mike Lake: I guess the next question that follows from that is this. You're comfortable that Rogers has rules in place that make them, in effect, carry your programming. Why wouldn't that apply to anyone operating here in Canada under the Broadcasting Act?

Mr. André Bureau: It does apply to all cable operators, all satellite operators like Bell ExpressVu and Shaw. They are regulated by the CRTC under the Broadcasting Act.

Mr. Mike Lake: But it applies to them on the basis that they're operating in Canada, under Canadian law, not that they're owned in Canada.

Mr. André Bureau: They have to be owned and controlled by Canadians, under the Broadcasting Act. They have to prove that they are Canadian-owned and have effective control of the operation in Canada.

Mr. Mike Lake: But what makes them carry your programming is the operational fact—the rules that state they have to operate in a certain way if they're going to operate in Canada. It really has nothing to do with ownership, right?

Mr. André Bureau: The law requires that those distributors of programming services be Canadian, be under the control of Canadians, and effectively control their operations.

I'm trying to answer your question, because I have to start from the legislation itself.

The minute an entity starts distributing broadcasting services, they fall under the Broadcasting Act. But they have to be Canadian. In other words, if the U.S. company Comcast wanted to come into Canada and distribute services, either by satellite or by cable, they could not because they are not owned by Canadians and they are not controlled by Canadians.

The Chair: Thank you very much, Mr. Lake and Monsieur Bureau.

Mr. Masse.

Mr. Brian Masse: Thank you, Mr. Chair.

Mr. Bureau, one of the things that's been suggested by the CRTC is to open up to 49%. What is your opinion on that?

Mr. André Bureau: First, you should all realize that having the guts to challenge the CRTC is not very good for our operations. I'll start with that. I've been chairman of the CRTC, so I know how I used to behave.

We're saying we should start by looking at it. We've done that for the competition law and the telecom law, so why don't we do it for broadcasting also, to determine whether it's a good move, a good change? Let's look at how it should be done.

If the government felt it was urgent and they didn't have time to do that study, we would look at the proposal offered by the CRTC chair that would let them go up to 49%, provided they were still controlled by Canadians. We're just saying, let's look at the overall picture and make sure we analyze it properly.

The system is in an accelerated mode of change. Why not look at it and determine how it should be supervised, governed, and regulated in the future? Then we can come up with some solutions that will benefit all parties.

•(1025)

Mr. Brian Masse: One of the scenarios that's been floated, even by the chair of the CRTC—and it's one of my concerns—is that if we open it up, it would be very attractive for one of the world giants to gobble up some of the companies we currently have so that they have an immediate footprint and a beachhead in Canada. From there they could roll in their massive-scale operations to compete. That could lead to one or two others thinking about doing the same, or some convergence. At the end of the day, the consumer would be left with maybe three or four operators in the market.

Can I have your opinion about that scenario? Some have painted it as a doomsday scenario, but I think it's quite real when you look at the size of the other operations that would then have access to the unfettered market.

Mr. André Bureau: When we look at the possibility of foreign ownership, of course, we think they will probably be Americans. It's not the capital funds that will come and buy the Canadian assets here in this sector; it will be the major players in the United States. They already provide us with some programming. They already have some relationship with us. It would be a natural thing to come and gobble up the operations here. So it's not a far-fetched story to imagine that it could happen. That's why we say let's look at the situation as of today, and in its developments with the Internet, with the mobile services that will exist, let's look at what our system should be in the future. Let's determine what are the rules that are essential to maintain, according to the Broadcasting Act, our distinctive culture and our distinctive identity. Let's look at those that can be modified and what are the possible new rules that could be put in place to make sure we maintain the objectives of the Broadcasting Act.

So we're not saying don't do anything; we're saying we're prepared to sit down and discuss with a panel of experts to see what could be developed for the future.

Mr. Brian Masse: Mr. Goldberg, I've asked other proponents of this difference of... Right now there is no restriction on foreign capital. One of the things that's never distinguished enough is that controlling shares is where the restrictions are. And some of the companies that have been presented here have very good returns, over several years, that are very attractive for people to invest in, but they still want the opening up of the investment.

What's the difference in terms of when you're going out to get capital versus the non-controlling and controlling shares in the market? What's the value for you? I'd like to understand it from your perspective.

Mr. Daniel Goldberg: We've been very successful, I would say, in raising debt financing in the market. I think that, bluntly, investors outside of Canada have a better understanding of the nature of our business and are more comfortable lending to a business like ours. That's where most of the satellite financing comes from. It's coming from Europe, it's coming from the U.S., and those are the sources of capital that we tapped when we did our debt financing.

Why is that inadequate, just the ability to raise debt, or why is it inadequate to be able to raise equity financing but through non-voting shares? One, there is a discount that non-voting shares will trade at relative to voting shares. You have to have somewhat

complicated capital structures, and there are some funds that are restricted from buying non-voting shares, so you've immediately taken yourself out of that tier in the market. Two, if you want to use your stock as an acquisition currency, it's just not that attractive to a selling shareholder to be given a stake so that they can be part of this new, more efficient, larger entity, but they have no say whatsoever in terms of the governance of that new entity, which is what happens when you get non-voting shares.

That's why, for us, just having access to the debt markets and having access to the equity markets but with non-voting shares just doesn't get us to where we need to go.

•(1030)

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

Mr. Braid.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here this morning. It has been very educational.

Mr. Goldberg, starting with you, please, you mention in your presentation that you feel that Telesat Canada is at a competitive disadvantage vis-à-vis your foreign competitors in terms of your ability to do business in Canada. Can you give us sort of a tangible example of how the current scenario has adversely affected your ability to do business or to compete effectively in Canada?

Mr. Daniel Goldberg: I think the issue is that because these ownership restrictions are in place, it does limit our ability to continue to grow Telesat. I've said that I think we have reasonable good scale in providing a service here in North America. We have eight, almost nine satellites that are really dedicated to serving North America. But what we don't have are orbital positions that allow us to expand our overseas business adequately.

In Canada, for instance, we've lost business for DND. Defence needs access to capacity to serve overseas markets. We would like to be able to add orbital positions and launch new satellites that are capable of serving some of these overseas markets. I'm thinking in particular, for instance, about Afghanistan. We had—and we have—good coverage of Iraq with our existing satellite fleet, but guess what, most of the government's and the allied governments' interest has shifted from the Iraqi theatre to Afghanistan. We don't have an orbital position that has good coverage there. As a result, we're just not well positioned to even capture some of the Canadian requirements that would serve that market. So I'd say that is an example, and there are others as well.

Mr. Peter Braid: That is very helpful. I presume because of the strength of the Canadian dollar, perhaps, conditions are ripe for an acquisition.

Mr. Daniel Goldberg: We are maybe one of the few companies in Canada that I think benefits from a strong Canadian dollar. We report our numbers in Canadian dollars, so when the Canadian dollar strengthens, it actually has the effect of reducing our revenue. We have a lot of non-Canadian dollar revenues, so when we translate into Canadian dollars, when the Canadian dollar is stronger, it tends to understate or depress our Canadian reported revenues in EBITDA, but most of our capital expenditures are in U.S. dollars. Our two big capital expenditures are buying satellites and buying rockets, and the supplier of those pieces of hardware tend to sell in U.S. dollars. So yes, when the Canadian dollar is strong, it helps us a lot.

I also mentioned that we have a significant amount of debt, and as I mentioned, most of our borrowings were achieved outside of Canada. The U.S. market simply has a better understanding of our business, and U.S. lenders as a result are more willing to lend to us. Most of our debt is in U.S. dollars, so when the Canadian dollar is strong, we translate that U.S. debt over into Canadian dollars, and as a result our debt is reduced. That helps us.

Mr. Peter Braid: If you're not provided the opportunity to make an acquisition, what potential adverse consequences might that have?

Mr. Daniel Goldberg: The adverse consequence is that there will be more consolidation in this sector. We know that when we participate in these consolidation exercises, we will be up against our foreign competitors. They're looking to continue acquiring and integrating other companies as well. What will happen is we will lose out. They'll acquire the entity; we won't. We'll have lost an opportunity; they'll have gotten bigger still, exacerbating our already sub-scale position.

That's the point of what we're talking about, the increasing marginalization of our business over time. I wouldn't be so stark as to say that in the absence of the elimination of these restrictions, Telesat is out of business 24 months from now. It's not going to be like that. What it will mean is that we'll be less and less productive relative to our larger competitors. We are not going to be able to expand to these overseas markets, and those overseas markets are growing more quickly than the North American market. We'll simply become marginalized, and we won't be able to sufficiently leverage not only the investments that we have made in our facilities and our satellites, but we'll not be able to leverage our people. That's not good.

• (1035)

Mr. Peter Braid: Your explanation of how orbital space works was interesting. Is orbital space a factor of geographic space? For example, does Canada have more orbital space because we have a larger geography, or does it not work that way?

Mr. Daniel Goldberg: It doesn't work that way. Think of an orbit as a circle. It is 360 degrees. Satellites typically need to be at least two degrees apart from each other so that they don't interfere with one another in space, so if you take that 360 degrees and divide it by two for the two-degree orbital separation, you are talking about roughly 180 useful orbital positions.

As you can imagine, they are distributed evenly around the world. But I would say that the space over...there are some portions of the

geostationary arc that are more desirable than others, because of the geographic areas they can serve.

Mr. Peter Braid: If Mr. Garneau built you five satellites tomorrow, where would you put them?

Mr. Daniel Goldberg: We would put a couple over the Atlantic ocean region, but more east, so it would be a satellite that could cover the eastern portion of Canada and the United States, in order that you could connect to that market, but it would see as far east as possible. It would see all of Africa, it would see the Middle East, it would cover...and there are satellites that can do this. Sadly, we don't have any of them; our competitors do. It would see Afghanistan, it would see into the "stans", part of the world that is growing significantly. We would put some there, and then we would put some further east still, so we would have some satellites that would serve southeast Asia, northeast Asia, southwestern Asia, so the Indian subcontinent, Pakistan—it would see that geography. We would love a couple of satellites out there. And when we think about M and A activity, it's animated by a lot of that, wanting to have more exposure to those geographic regions.

Mr. Peter Braid: Thank you.

A final question for Mr. Bureau. With respect to the telecommunications sector, do you feel one of the issues or challenges or obstacles that we face is the fact that BDUs are too powerful?

I thought I would save that one until the end.

Mr. André Bureau: As a communications consultant, one is surely aware of a number of things related to these types of issues.

We don't believe they are too strong. We believe the fact that there are at least four or five big ones creates enough competition among themselves, except for the French language market. You have to realize that in the French language market, Vidéotron has 66% of the subscribers in the province. It means that if you're not on Vidéotron, you cannot survive. That's probably one of the very few particular instances of insufficient spread in the competition among the BDUs.

The Chair: Thank you very much, Monsieur Bureau.

Go ahead, Monsieur McTeague.

Hon. Dan McTeague (Pickering—Scarborough East, Lib.): Thank you, Chair, and I thank the witnesses for being here.

I'll go very quickly to you, Mr. Goldberg. I got a kick in the shin from Mr. Rota, and I think he probably got one from Mr. Garneau. We may be sharing a few questions. Let me go to mine very quickly.

You spoke to one disadvantage of being licensed in Canada, and that's the question of the fees you pay, which are, if I understand what you said earlier, five times greater than those in the United States.

Assuming a scenario in which control and ownership are changed, what would stop a company like yours from relicensing in the U.S. if it looked more profitable?

Mr. Daniel Goldberg: There's a wonderful barrier to that: Canada has the rights to these orbital positions. The orbital positions are scarce, they're desirable, and Industry Canada would not allow this valuable Canadian resource to be abandoned and given over to another administration. There are very clear rules and priorities in terms of which countries have rights to which orbital locations.

Hon. Dan McTeague: Then there's a possibility they could be shifted or taken away from you in favour of someone else.

• (1040)

Mr. Daniel Goldberg: If we violated our licence conditions, yes, that's right. I have every expectation that Industry Canada, maybe after a reasonable cure period, would revoke our licence and make the rights to those particular orbital locations and frequencies available to one of our competitors.

Hon. Dan McTeague: One of your competitors would also have the same makeup of a substantial amount of leveraging or support from international foreign credit or foreign ownership, correct? Would it be fair to say that no other Canadian player could assume the position you currently have with respect to those satellites as we speak?

Mr. Daniel Goldberg: There's another Canadian operator today. They're called Ciel. We battle with Ciel at Industry Canada for orbital locations, and based on Ciel's behaviour in various regulatory processes, I think they'd be very keen to get access to our orbital slots.

I also think that if we were ever so idiotic as to allow some of our slots to be made available to other entities, given the strength of the business that we've established at those orbital locations, there would be no shortage of entities coming forward and applying to Industry Canada to make use of those resources.

Hon. Dan McTeague: I'm wondering if we may be entering into what could be called devil's bartering, in which you have to give up ownership and control in order to achieve the greater mantle of international access and to compete with the larger ones at the same time. To do it, you might possibly have to give up your own backyard in order to survive.

Mr. Daniel Goldberg: I don't think so. I would emphasize that every other developed country that plays host to a major satellite operator doesn't have these restrictions. They are in many ways relaxed about the ultimate ownership of these entities because they know that they can achieve all their policy objectives through licensing mechanisms and the other statutory requirements that these operators have to comply with.

Hon. Dan McTeague: Would that be every country?

Mr. Daniel Goldberg: Would it be every country? No. I'm thinking about the countries where our larger competitors are, meaning the U.S., France, and Luxembourg. None of those entities, even though they're headquartered in those countries, is owned by a preponderance of individuals or institutions that are resident there.

Hon. Dan McTeague: We've had difficulty in the past, or I certainly have, with the nature of hedge-funders, leveraged buyouts, etc., and I don't need to raise the spectre of Goldman Sachs, Lehman Brothers, or anything like that. Let me put it from a more positive perspective. If something along the lines of liberalization were granted by Parliament—by regulation, by order in council—are you

prepared? Have you targeted potential investors who currently don't know the value of your assets?

Mr. Daniel Goldberg: No, I wouldn't say we've done that at all. We've had some conversations with different banks about maybe taking Telesat public at some point. If we took Telesat public, the likelihood is that there would probably be a dual listing, potentially, where we would list both in Canada and in the U.S.

Beyond that, no.

Hon. Dan McTeague: You don't see a situation where a company such as, say, SES comes in and acquires you, as they did Verestar just a few years back.

Mr. Daniel Goldberg: Our desire to have these rules reformed is to help us grow, and to really—everyone uses the term—level the playing field. But look at our playing field. It's not level. Our foreign competitors aren't subject to these rules when they do business here.

If it were to happen that one of our larger competitors that has been trying to consolidate the sector came to Canada and wanted to acquire Telesat, they would have to demonstrate under the Investment Canada Act that there's a net benefit to Canadians. The government would review that, and unless they're able to persuade the government that there is a net benefit, the transaction would be rejected.

Hon. Dan McTeague: That sound was the second kick in the shin from Mr. Garneau. I'll let him proceed.

Mr. Marc Garneau: That hardly answered the question, but looking into the future, let's say hypothetically the budget implementation plan passes, part 23 of Bill C-9 goes through, and one day, 10 years from now, SES or Eutelsat makes a bid to buy the whole of Telesat. Am I right in assuming that the Investment Canada Act would apply here because it's a total foreign takeover?

Mr. Daniel Goldberg: Absolutely.

Mr. Marc Garneau: And that would be the only consideration, as far as I understand. We're not talking about any other acts coming into play.

Is that correct?

Mr. Daniel Goldberg: Yes. Under the Investment Canada Act, someone would have to demonstrate a net benefit, and then, as I understand it—and I'm no expert—there are also national security considerations that can be taken, which are part of the act.

• (1045)

Mr. Marc Garneau: Those are part of the act. But the Telecommunications Act, the Broadcasting Act...none of that would come into play.

Mr. Daniel Goldberg: None of that would come into play. All of those statutory protections and whatnot would continue to apply to

M. Marc Garneau: To whoever takes over.

Mr. Daniel Goldberg: Precisely.

Mr. Marc Garneau: I just wanted to ask that.

The Chair: We're going to go to Mr. Lake.

Mr. Mike Lake: Thank you, Mr. Chair. This is a really interesting meeting today, and I commend the witnesses for that.

I want to clarify a few things technically in terms of my understanding of how the system works.

Mr. Goldberg, do all Canadian distributors using satellites use Telesat or this other Canadian competitor of yours?

Mr. Daniel Goldberg: Do all BDUs use us? Probably directly or indirectly.

For instance, Rogers isn't a customer of ours, but it's probably the case that some of the signals they ultimately put over their own cable infrastructure are off our satellites. Equally, all the BDUs, I would say, are also receiving signals from non-Telesat satellites.

Mr. Mike Lake: Okay, and if they are, it's the BDU itself that would be subject to broadcasting rules as opposed to the satellite provider.

Mr. Daniel Goldberg: That's right.

Mr. Mike Lake: The next question comes from Brian Masse's question earlier, and I just want to have an understanding in terms of coverage.

You say that one satellite covers a third of the earth's surface, right?

Mr. Daniel Goldberg: A satellite is capable of covering a third of the earth. The larger the footprint, the more diffuse the energy that's coming down from the satellite, which means the less powerful the signal is.

So again I'll use the flashlight analogy. Ideally, there's sort of a trade-off. You want to cover large geographic areas, but you also want your satellite to be reasonably powerful. The more powerful the signal is, the smaller the dish on the ground can be that's receiving the signal. That's important if you're providing direct-to-home satellite services. You don't want massive dishes hanging outside people's balconies and whatnot. And the more powerful the signal, the more bits you can get through that signal, the more throughput you can get.

Mr. Mike Lake: Using an example that we might be familiar with, I have Bell ExpressVu at home. When they're sending that signal down, are they covering the entire footprint of Canada with that signal? They're not covering a third of the world, but there's no sense for them to send it beyond our borders.

Mr. Daniel Goldberg: That's exactly right.

With the satellites we provide to ExpressVu, the coverage is tailored over the entire Canadian land mass.

Now again, you've heard us say that satellites don't respect national signals. It's not like at the border there's a hard cut-off. But you'd be surprised at just how much we can tailor the power. Once you get south of the border, the power really starts falling off and you need a bigger and bigger dish to receive that signal.

Mr. Mike Lake: Is any satellite that would be in Canadian airspace, so to speak, fully capable of covering Canada? Even if it were above Vancouver, could it still—

Mr. Daniel Goldberg: Yes.

Mr. Mike Lake: Its footprint would be enough to take it to the far...?

Mr. Daniel Goldberg: Yes. We think about it in terms of longitudes. When you think about that portion of the geostationary arc over Canada, it's probably the case that any geostationary satellite in the portion of the arc located between 65 degrees west longitude on the eastern side and probably, call it, 130 degrees west longitude can see all of Canada.

Ideally, you want to be over the middle, because the further out to one side you are.... Just picture the satellite up in the sky way over the east; if you're all the way out at the Queen Charlotte Islands, your dish is going to be more or less looking at the horizon. Ideally the satellite is right above the dish, so that there are no line-of-sight pointing issues and the like.

Mr. Mike Lake: Would there be a competitive advantage simply because of the footprint we have in Canada—the amount of airspace we have in relation to other countries that are near us, particularly the U.S.? On the northern border, you would probably be able to reach into parts of Europe and Asia. Is there any kind of competitive advantage there for Canada? How much of the world can you cover from Canadian airspace, if you draw—

Mr. Daniel Goldberg: All of the geostationary satellites are over the equator. You see as far north and as far south as you can from those slots. We have some challenges here in terms of providing services for arctic sovereignty purposes. Once you start getting away up to the northern pole or towards the southern pole, the coverage given by geostationary satellites is prejudiced.

• (1050)

Mr. Mike Lake: I wasn't thinking about that: geostationary satellites are all over the equator. So none of them are over Canadian airspace anyway.

Mr. Daniel Goldberg: Again, they're capable of seeing Canada.

Mr. Mike Lake: But they're not directly.... Okay.

Mr. Daniel Goldberg: No, they're all over the equator.

Mr. Mike Lake: Right.

Here is one last question, and it's in a totally different direction; it has to do with just your company.

How did Telesat get to the size it is now? You talk about your being fourth in the world in size right now, relatively. Has that always been the case? What's the historical relative size and—

Mr. Daniel Goldberg: There are two ways, just as we alluded to in our comments. It's been a combination of organic growth and some inorganic growth.

Up until 2007, it was all a function of organic growth, just building one satellite after the other, getting them up there, building the base of the business, building the revenue stream, and the like. Then in 2007, when Bell Canada sold us, one of the companies that acquired us—it was PSP Investments, the Canadian pension fund—and Loral....

Loral operated a smaller satellite operator that didn't really provide service in North America. I mentioned that we had two satellites licensed by the FCC, one in Brazil and one in Tonga. Those all came over from Loral.

In 2007, we took that business, integrated it into Telesat—Telesat was larger—and overnight grew the size of our fleet by 50% and grew our geographic reach from a North American-focused company to a global company. Now, our global coverage is a little thin; we only have a few satellites serving those overseas markets.

So that's how we got to where we are today: a lot of organic growth, and then we were catapulted to a larger global position through this merger with Loral.

From that time, we've launched probably another four satellites. I mentioned that we have two more under construction, soon to be three. It's been a combination of those two.

And that's my expectation going forward. It's a combination of more organic growth, but it has to be complemented and accelerated by inorganic growth, and that's the area in which we need the restrictions removed.

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

Madame Lavallée.

[Translation]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): I would just like to point out at this time that I am not a regular member of the Standing Committee on Industry, Science and Technology. I usually sit on the Standing Committee on Canadian Heritage. However, I have been taking part in meetings on the foreign ownership of telecommunications firms. Quebec's cultural community is very concerned about this threat to Quebec and Canadian cultural content.

In the field of telecommunications and broadcasting, the reality is that whomever controls access controls content. While you may disagree with me, Mr. Goldberg, this principle also applies to satellites. We can talk about that more later. Mr. Bureau and Mrs. Émond eloquently described the era of convergence to us. We also live in an era of wireless communications and smartphones. Wireless smartphones, as we have observed, have become broadcasting devices. I could give you several examples, but I will limit myself to one.

Bell, a Canadian company, is currently running an advertisement for 16 free applications and cultural choices, such as access to CBC Radio, *Maclean's* and *CBC Hockey*. Bell is also offering videos and radio stations through Disney instead of Astral. It could have made the Canadian choice of offering Astral, but instead, opted for the American choice of Disney. And Bell is a Canadian company. Imagine if it were an American company or if Canada did not have control over the situation.

You have to see that expanding foreign ownership of telecommunications poses a real threat to the broadcasting community. Increasingly, telecommunications and broadcasting are becoming one and the same thing. During the course of these hearings, a number of people have told me that even though the discussion has moved away from opening up the field of telecommunications to

foreign ownership, we still need to consider solutions to this problem. Increasingly, telecommunications devices are becoming broadcasting devices. As you noted, Mr. Bureau, this issue needs to be discussed within the context of another study.

I'd like to hear your views on this subject. As the former head of the CRTC, I'm sure you are aware that the new head of the commission told committee members that the telecommunications, broadcasting and communications acts should be combined into one piece of legislation. You also said that a communications department should be created. Even without the threat of foreign ownership, should we not be doing an in-depth analysis and proposing some similar solutions?

• (1055)

Mr. André Bureau: There are three parts to my answer.

First, the advertisement you mentioned targets the English market. Bell also distributes our services. There is no mention of our company in this advertisement, but we are mentioned elsewhere.

Secondly, merging the two acts into a single one, as the head of the CRTC suggested, is one of the options that should be examined by the proposed panel of experts. We need to look at where we are going and at the kind of linkages we have today, or that technology will allow in the future. Then, we need to establish a system, a structure and regulations that will apply to these new mechanisms. We're not here to complicate matters, but rather to remind you that there will be repercussions and that the process is complex. Even Rogers admitted that it was difficult to imagine how the two could be separated in such a way that broadcasting would not be impacted. They are taking a serious look at this issue. We are also doing that and, in light of everything on the horizon, new media and mobility, we believe, without question, that we must adjust our way of doing things. I hope that this study will preserve the principles that make our Canadian system unique. Once we have this assurance, then we can look and see how we can adapt to this new reality.

The Chair: Thank you, Mr. Bureau.

Thank you, Mrs. Lavallée.

I have a question for Mr. Goldberg.

[English]

My head is still reeling from this 37,000 kilometres, but I have more of a terrestrial question for you.

In your opening remarks you stated that Telesat is keenly interested in remedying its sub-scale position in certain markets by acquiring other operators and gaining access to additional foreign capital.

If the Government of Canada lifts foreign ownership restrictions in the satellite sector, what assurances can you give this committee that your two shareholders, Canada's Public Sector Pension Investment Board and Loral Space and Communications Inc., won't simply, instead of pursuing acquisitions, sell their shares to one of your three larger foreign competitors as an exit strategy, rather than growing organically or through acquisition?

Mr. Daniel Goldberg: I would say that in many ways actions speak louder than words. These two shareholders have owned our company now for coming on three years; it will be three years at the end of October. They have been extremely supportive of the company concerning green-lighting every new investment opportunity we have come to them with. Rather than looking to find opportunities to take money out of the company, they've been very much supportive in the other direction. Since these shareholders have owned us, we've launched four new satellites and we have two new ones under construction and a third one still.

So the first thing I would emphasize is that these are shareholders who have been extremely supportive of the company and its strategic direction and in wanting the company to grow. That's the first thing I'd say.

Second, over the longer term, PSP as a pension fund has a very long view. At the end of the day, if they did want to sell their shares, that transaction would be reviewed by the Government of Canada. In the absence of somebody's demonstrating that there is a net benefit, the transaction just simply wouldn't be approved.

I'd say look at their past history, look at the tools the government has to make sure that nothing contrary to the public interest takes place, and I think that Canadians would be well served with the change.

• (1100)

[*Translation*]

The Chair: Thank you.

I want to thank our witnesses.

I have some information to pass along to committee members. The Alberta Enterprise Group would like to invite you to attend a series of meetings on Parliament Hill on May 10, 11 and 13. Since these officials are from Alberta, they want to share some information and talk about Alberta's industrial sector with MPs from Ontario, Quebec and eastern Canada.

[*English*]

I told this organization that I would extend an invitation to all members of the committee, especially those members from Quebec, Ontario, and other eastern parts of Canada. They're interested in talking to you to discuss with you issues of concern to Alberta's industrial sectors, including the oil sands sector. You should have received a copy of that invitation, and I encourage you to attend.

Merci.

This meeting is adjourned.

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