

# Selling Off the Rights to RADARSAT and its Data

The Canadian government privatised the marketing and sale of all RADARSAT-1 data. Then, the entire ownership and control of RADARSAT-2 was privatised. In both cases, the lucky beneficiary was Vancouver-based MacDonald, Dettwiler and Assoc. (MDA). At the time of these privatisation deals, MDA was wholly-owned by Orbital Sciences, one of America's largest rocket manufacturers and a major supplier for the "missile defense" weapons program.

Through the Canadian Space Agency, MDA received government contracts to help build two of the world's most advanced satellites, namely RADARSAT-1 and -2.

In 1995, the year RADARSAT-1 was launched, MDA was purchased outright by Orbital Sciences for a mere \$67 million.<sup>1</sup> (See p.29.) Considering that MDA was to benefit from the Canadian government's privatisation of the world's most advanced commercial satellites, worth about \$1.15 billion, this U.S. war industry got a great deal.

An even bigger U.S. "missile defense" contractor, Lockheed Martin, which is the world's top war industry, also got a piece of the RADARSAT action. Lockheed Martin, had the exclusive rights to sell RADARSAT-1 data in the U.S. from the day it was launched until September of 1999. The media release announcing the launch noted that "Lockheed Martin... has distribution rights in the United States."<sup>2</sup>

## 1998: A Sweetheart Deal

In 1998, another wholly-owned subsidiary of Orbital Sciences, namely Orbital Imaging (aka ORBIMAGE), signed a sweetheart deal with its Canadian "sister" company, MDA. ORBIMAGE thus received the "worldwide sales and distribution rights" for all of the imagery from Canada's RADARSAT-2 satellite.<sup>3</sup>

In this "license agreement," MDA sold to ORBIMAGE "exclusive

use of the data collected by the satellite until 2008." The agreement was expected to "generate US\$60 million in revenues until...2003, and US\$10 million per year until 2008."<sup>4</sup>

MDA, then owned by a U.S. "missile defense" firm called Orbital Sciences, sold to another subsidiary of its parent company, namely ORBIMAGE, "the full rights to all economic benefit from RADARSAT-2, in exchange for certain payments to MDA dur-

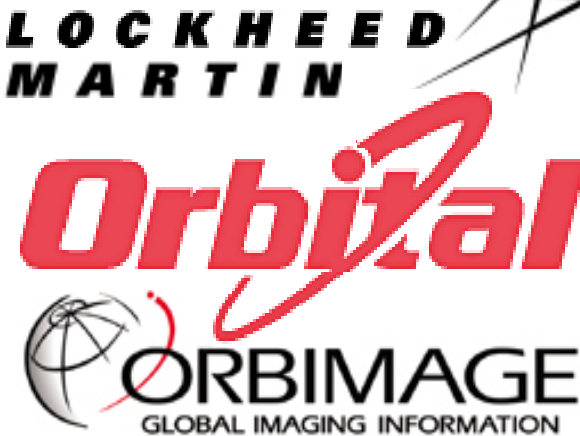
tively "doubled" the volume of imagery that they were able to sell access to.

"RADARSAT-2 will provide ORBIMAGE with the ability to acquire imagery at night and through clouds. With up to 75% of the Earth's surface covered by either darkness or clouds at any given time, its space-based radar imagery *should double the effective imagery capacity of the ORBIMAGE constellation of satellites.*"<sup>10</sup> (Emphasis added.)

At the time, ORBIMAGE noted that "advanced imagery products generated by RADARSAT-2" were "expected to be of interest to users in a wide variety of market applications" including "national defense."<sup>11</sup>

With this deal in place, ORBIMAGE began selling RADARSAT-2 data to non-Canadian customers, although the satellite was not yet launched.

Before the end of 1999, ORBIMAGE acquired even more control over the sales of RADARSAT images. In September, the two Orbital "affiliates" issued a joint media release to say that ORBIMAGE had been "appointed" by MDA to be



The Canadian government privatised the marketing of RADARSAT-1 data and the ownership of RADARSAT-2, handing them over to MDA, which was then owned by US "missile defense" firm, Orbital Sciences. RADARSAT-1's global marketing rights were sold off first to Lockheed Martin, the world's largest weapons maker and then to ORBIMAGE, another subsidiary of Orbital Sciences.

ing its construction and operation."<sup>5</sup> So, in exchange for making what was a relatively small investment in the building of RADARSAT-2, ORBIMAGE "acquired worldwide rights to the data."<sup>6</sup>

The ORBIMAGE contract with MDA gave the U.S. firm the rights to "exclusive distribution of the RADARSAT-2 data"<sup>7</sup> to clients in all countries besides Canada. It was "ten-year exclusive license"<sup>8</sup> that gave

"beneficial ownership to all data or capacity of the [RADARSAT-2] satellite that was not used by the Canadian Space Agency."<sup>9</sup>

ORBIMAGE had also acquired the data-marketing rights for other satellites besides RADARSAT. However, when it announced its deal with MDA in January 1999, ORBIMAGE gratefully noted that its purchase of worldwide rights to sell RADARSAT-2 data effec-

"the principal distributor for the sale of RADARSAT-1 synthetic aperture radar (SAR) imagery in the U.S."<sup>12</sup>

The companies' joint statement said "ORBIMAGE will offer RADARSAT-1 imagery to other U.S. distributors and directly to customers through its Internet web site."<sup>13</sup>

In February 1999, MDA made a strategic purchase to gain control of Radarsat International, a company created in 1989 "to market, process and distribute data worldwide from Canada's RADARSAT-1."<sup>14</sup> RSI began as a "consortium of shareholders" comprised of four big Canadian military-related companies that built RADARSAT-1: Spar Aerospace, Com Dev, Lockheed Martin Astronautics and MDA.<sup>15</sup>

When the government's privatisation deal gave MDA the "contract from the Canadian Space Agency to

## Foreign Marketing Rights for RADARSAT Data

RADARSAT-1 (U.S. Sales)

1995---Lockheed Martin--> 1999-----ORBIMAGE-----> Present

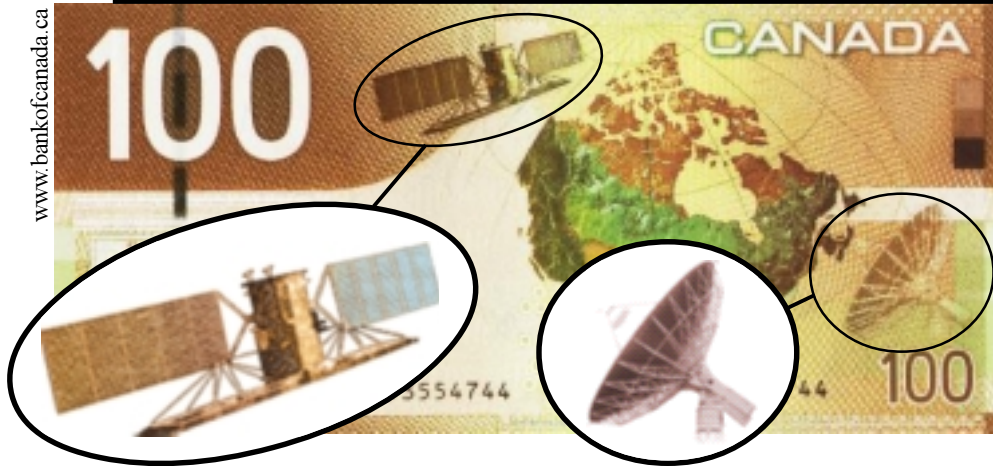
RADARSAT-2 (All sales outside Canada)

1998---ORBIMAGE-> 2001-----MDA-----> Present

RADARSAT-2 (U.S. Sales)

1998-----ORBIMAGE-----> 2003--MDA--> Present

www.bankofcanada.ca



This \$100 bill, issued in 2004, celebrates RADARSAT-1.

- RADARSAT-1 orbits at an altitude of 798 kms.
- Since a \$100 bill is 15.2 cms in length, it would require 5.25 million \$100 bills to reach as high as RADARSAT-1.
- The cost of RADARSAT-1 and -2 is about \$1.145 billion.

If placed end-to-end, the number of \$100 bills spent on RADARSAT-1 and -2, would stretch from the earth's surface all the way up to RADARSAT-1 *and back down to earth again!*

*In fact, there would even be \$95 million left over, which is more than Orbital Sciences paid for MDA in 1995.*

build, operate and own the RADARSAT-2 satellite," it was a "was a natural step forward for MDA," said its Vice-President Bernie Clark, to buy a controlling interest in RSI.<sup>16</sup>

"We are confident that teaming the new capabilities of RADARSAT-2 with the marketing experience of RSI, MDA and ORBIMAGE will ensure the highest level of market penetration from RADARSAT-2."<sup>17</sup>

With the "Canadian" subsidiary of Orbital Sciences now firmly in the helm of RSI—which had overseen the marketing of data from RADARSAT-1 for ten years—it was just another "natural step forward" for even more data from this Canadian satellite to be handed over to the other subsidiary of Orbital Sciences, namely ORBIMAGE.

By the fall of 1999, ORBIMAGE was appending a blurb at the end of its media releases, saying:

"ORBIMAGE also holds the exclusive, worldwide imagery distribution rights for the Canadian RADARSAT-2 satellite and non-exclusive distribution rights for the RADARSAT-1 satellite."<sup>18</sup>

This whole arrangement of sweet-heart deals went along unchanged for another year and a half until February 2001. At that point, ORBIMAGE and MDA renegotiated their contract regarding the rights to sell RADARSAT-2 data outside of Canada.

ORBIMAGE transferred back to MDA the licence, purchased in 1998, to market and sell RADARSAT-2 data to foreign clients, other than those in the U.S.. In other words, ORBIMAGE still retained all of its rights to sell RADARSAT-1 and -2 data to U.S. customers.

It was important for ORBIMAGE to maintain this control over sales of all RADARSAT data to U.S. clients, particularly the lucrative government contracts. The prime U.S. purchasers of RADARSAT data are, of course, U.S. military and intelligence-related departments and agencies (See pp.33-35.)

### 2001: Valentine's Day

ORBIMAGE's February 14, 2001, media release stated that it would:

"retain the exclusive distribution rights for RADARSAT-2 imagery to customers in the U.S., the largest market in the world, and the worldwide satellite capacity necessary to service this market. ORBIMAGE will return license rights to customers in other parts of the world to MDA."<sup>19</sup>

In a simultaneous Valentine's Day announcement, MDA said that through its wholly-owned subsidiary, RSI, it would now control the "worldwide rights to RADARSAT-2 distribution, except for the U.S."<sup>20</sup>

What led to these Valentine's Day business announcements?

"In 1999, ORBIMAGE agreed to pay

MacDonald, Dettwiler [US]\$60 million in exchange for global marketing rights to data from RADARSAT-2.... After ORBIMAGE paid about half of that sum, the two companies agreed to restructure the deal [in February 2001], cutting ORBIMAGE's total payment to [US]\$40 million and limiting its marketing rights to U.S. customers."<sup>21</sup>

On the surface, things seemed to be going smoothly for these two subsidiaries of Orbital Sciences. In May 2002, RSI recognized the great job that ORBIMAGE was doing in selling off RADARSAT-1 data to the U.S. government, by announced that it had given ORBIMAGE the "Outstanding Distributor Award" for "excellence in sales in Eastern North America."<sup>22</sup>

For its part, ORBIMAGE's Senior Vice President of Worldwide Marketing and Sales, Timothy J. Puckorius, said his company was

"honored to receive this recognition... for our achievement in selling RADARSAT-1 data to the U.S. user community.... We continue to work hard to provide our U.S. based customers with the best image products and services our industry has to offer. RADARSAT-1 data...complements our optical capabilities which we hope to further expand with the enhanced capabilities of RADARSAT-2."<sup>23</sup>

## 2003: The Break Up

Behind this facade, ORBIMAGE was going broke. They claimed that many of their financial woes were due to delays in RADARSAT-2's launch. In early 2003, ORBIMAGE sued MDA

"alleging that it had been misled by the Canadian firm about the progress on RADARSAT-2."<sup>24</sup>

However, by September 2003, Orbital's two subsidiaries resolved their spat and announced a settlement which "essentially washes ORBIMAGE's hands of the RADARSAT-2 program. MacDonald, Dettwiler will pay ORBIMAGE [US]\$10 million immediately and another [US]\$2 million over the next two years."<sup>25</sup>

In exchange for this US\$12 million from MDA, ORBIMAGE agreed to "return its limited licenses in RADARSAT-2 [re: sales to U.S. clients] back to MDA."<sup>26</sup>

The September-2003 settlement ended five years of RADARSAT-2 image sales by ORBIMAGE. ORBIMAGE, however, still serves as the sole marketer of RADARSAT-1 images to customers in the U.S., just as it has done now for seven years. As it says on the company's "Radar Imagery" products webpage: "In the U.S., ORBIMAGE is pleased to offer the satellite imagery products of RADARSAT-1."<sup>27</sup>

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## UK Military Agency "Top" RADARSAT Distributor in Europe, Africa and Middle East

In 1997, a branch of the UK Ministry of Defense (MoD), the Defence Evaluation and Research Agency (DERA), received the "Top Regional RADARSAT Distributor" award for "achievements in...sales and marketing of RADARSAT satellite imagery" in "Europe, Africa and the Middle East."<sup>1</sup>

DERA, and a consortium it established called RadarSolutions, won the RADARSAT International award again in 1998,<sup>2</sup> 1999<sup>3</sup> and 2000.<sup>4</sup>

DERA, which began selling RADARSAT data in 1995,<sup>5</sup> does most of the MoD's "non-nuclear research, technology and test and evaluation" work. With 12,000 staff, it is "one of Europe's largest...research organisations." Its facilities include "ranges for air, land and sea launched weapon effectiveness trials [as well as] underwater target ranges."<sup>6</sup>

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