

## News Story

Defence & Security: Getting in the thick of things  
By Roman Zakaluzny, Ottawa Business Journal Staff  
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While Ottawa won out in the end, there had been a strong possibility beforehand that OSI Geospatial could have ended up south of the border instead, said its chief executive.

"It had been a discussion point for quite some time," CEO Ken Kirkpatrick told the *OBJ*. "We just really needed to . . . have more of a presence where the action is happening. We openly discussed the possibility of redomiciling the company into the U.S."



Instead, the Vancouver-based maker of navigation systems decided in February of last year to look east.

"We concluded that Ottawa positions us well for access to the U.S. and Europe. So, (it) wasn't just a whim, it was something we were talking about for the last few years," Mr. Kirkpatrick said.

Pacific Safety Products, or PSP, also announced it would move east. Unlike OSI, it opted to relocate its whole kit 'n caboodle – both its corporate headquarters and its manufacturing facilities – to Arnprior, about 50 kilometres west of Kanata. It's an operation scheduled for completion July 1.

Why the Ottawa area? For both companies, one of the prime motivations was the proximity to clients.

PSP, a maker of body armour and other personal protection equipment, was formed in Kelowna, B.C. in 1984. While early growth made sense there, it started making less sense as the Canadian and U.S. governments became more important purchasers, said Jacques Bonaventure, vice-president of corporate development for PSP. With the feds making up 25 per cent of his annual sales, it made budgetary sense to move from the B.C. Interior.

"(Having) senior management headquartered in Kelowna was becoming a logistical challenge," he said. It also didn't hurt to be closer to PSP's secondary facility in Tennessee, geographically a lot closer to Ottawa than Kelowna.

"We're more north-south centric than east-west."

OSI Geospatial also counts Washington, D.C. and the Department of National Defence in Ottawa as clients. Mr. Kirkpatrick added that being based in Ottawa allowed for a lot more spontaneity, as well.

"For our business, it definitely was a positive move," he said. "It's opening up opportunities that we couldn't in Vancouver."

"There's conferences, there's meetings that you can go to last minute," he said, including CANSEC 2008, taking place April 9 and 10 at Ottawa's Congress Centre. Attending that from Vancouver would have been challenging.

"Just the simple aspect of travel, for the team to be able to go to Washington, D.C. from Vancouver – there and back, it was two full days of travel. Whereas (in Ottawa) you're on a plane at 6:30 a.m., and you're in the meeting by 8:30."

According to Tim Page, president of the Canadian Association of Defence and Security Industries, Ottawa is a good place to be if you sell products in the sector because it has a solid number of well-qualified workers.

"Ottawa is home to a large number of technology-oriented people. It's also the home of the federal government, and many of the decision makers around defence and security requirements for the whole country. Maybe within those two reasons, there's a rationale in their move from the West to here."

But was the move worth it? In PSP's case, the move cost the company in excess of \$1 million. After news of the move broke last October, PSP's share prices dropped from about \$1 per share to today's price of around 40 cents.

Mr. Bonaventure admitted that some of the promised benefits of the relocation haven't yet been realized.

"There's going to be economies of scale and savings," he said. "The (lower stock price) may be reflective of the fact that some of our contracts have been delayed, and some of our sales have not been what we thought they'd be this year."

Mr. Kirkpatrick said so far, OSI's relocation has cost about \$400,000. He said there was no connection between the share price at the time of the announcement – about 70 cents – and the current share price of about 40 cents.

"It's completely unrelated. I think the general view from the market as it relates to the move itself, people understand it. The logic's there.

"There are many other factors impacting our stock price. Everyone has their own idea to do what that is. I think it's generally been received very well."

#### **PSP's facilities, old and new:**

PSP's old Kelowna facility, about 40,000 square feet in size, had a staff of about 100 at its peak, and is now down to about 60.

PSP's consolidated manufacturing and administrative facility in Arnprior is about 60,000 square feet in size, and will employ 125 staff when the move is complete on Canada Day. Currently, about 100 workers are on the payroll.

#### **OSI Geospatial's facilities, west and east:**

Burnaby B.C.: Some 70 employees currently occupy the 16,000-square-foot building.

OSI's March Road facility in Ottawa currently has eight employees working in 3,000 square feet. CEO Ken Kirkpatrick, however, said that all future growth of the defence firm will be at its Ottawa facilities.

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