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Chair

Mr. Leon Benoit

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● (1535)

[*English*]

The Vice-Chair (Mr. Alan Tonks (York South—Weston, Lib.)): Good afternoon, members of the committee and invited witnesses.

This is the 34th meeting of the Standing Committee on Natural Resources. Pursuant to Standing Order 108(2), we are engaged in a study on the state of the nuclear industry in Canada and abroad.

We welcome Serge Dupont, special adviser to the Minister of Natural Resources on nuclear energy policy. We also have with us Tom Wallace, director general of the electricity resources branch at the Department of Natural Resources.

Welcome to both of you and thank you.

You know what the proceedings are, so there's no point in going over that.

Mr. Dupont, you were going to make an introductory statement. Please go right ahead.

[*Translation*]

Mr. Serge Dupont (Special Advisor on Nuclear Energy Policy to the Minister of Natural Resources, Department of Natural Resources): Thank you very much, Mr. Chair.

I thank the committee for the opportunity to outline the government's perspective and agenda in respect of the Canadian nuclear industry. My intervention will be brief and organized along the following key messages.

First, there is an important role for the nuclear industry in meeting energy and environmental needs in Canada and abroad. Moreover, Canada's industry has the track record, the resources, the know-how and the technology to participate in this global market.

Second, the Government of Canada has a critical role in establishing the conditions for the safe, secure and environmentally sound development of this industry in Canada and is ensuring that its regulatory framework fosters such conditions.

[*English*]

Third, the investment and sharing of risks in individual projects and technologies must be founded on merits and developed under solid business cases. Where there is scope to do so, the private sector can bring key resources—risk capital and entrepreneurship—to support the development of the sector on a competitive basis.

Fourth, the restructuring of Atomic Energy of Canada is a key, necessary step toward strengthening Canada's nuclear industry and putting it in a better position to access opportunities at home and abroad.

I would hope that members will find this overview helpful as a backdrop to your meetings and I would of course be pleased to take questions after the presentation.

Briefly again on the role of nuclear energy in Canada and the world, obviously it's a very important industry to Canada and we have a track record to demonstrate this. Our presence in this industry spans uranium mining and refining, fuel fabrication, the generation of nuclear power, the production of medical isotopes, the management of nuclear waste, and research and development. Our industry has developed this presence successfully in Canada and in the export markets.

We are the world's largest uranium producer. It all comes from Saskatchewan at the present time, but there are other promising resources in other parts of the country, notably Nunavut. Our high-grade reserves are the richest in the world—by far.

Nuclear energy provides about 15% of Canada's electricity and 50% in Ontario.

There are nine CANDU 6 reactors operating safely and successfully in Argentina, Korea, China, and Romania. They represent a showcase of Canada as a high-technology country. In fact, there are 48 reactors based on CANDU technology in the world today.

Countries around the world are continuing to look to nuclear as a key source of clean energy for the future. This was reinforced last week at the International Energy Agency meetings, which the Minister of Natural Resources attended. Leaders from around the world restated that without a significant increase in nuclear power, the world will be unable to meet its greenhouse gas reduction targets.

In short, the nuclear industry is an important one for Canada and reflects over 60 years of Canadian leadership in nuclear industries.

Approximately 30,000 people are directly or indirectly employed in this industry and many of them are highly skilled and highly paid.

The annual output of the industry is approximately $6 billion.

It's important to mention as well that nuclear energy in Canada displaces between 40 million and 80 million tonnes of GHG annually relative to producing the same quantity of electricity from gas or coal.

● (1540)

[*Translation*]

I will now talk about the Government of Canada's role in the nuclear sector.

Of course, decisions respecting uranium mining and exploration and investments in power generation rest with the provinces.

The federal government, however, plays a very important role and has broader responsibilities in terms of nuclear energy, much more so than for other energy sources. The federal government is responsible for the broad policy framework, including policies respecting waste management and exports of nuclear materials and technology. To that end, Canada has put in place a strong and modern legislative framework, which includes the Nuclear Safety and Control Act, the Nuclear Fuel Waste Act and the Canadian Environmental Assessment Act.

And, as you are aware, the government has introduced Bill C-20 to modernize the 1975 Nuclear Liability Act. I understand that the committee plans to continue its review of this bill this fall.

Through the Canadian Nuclear Safety Commission, the federal government regulates all nuclear activities to ensure health, safety, security and environmental protection.

[*English*]

In addition, the government is taking action to remediate waste issues that date back over several decades. I could go over some examples later, but we'll move on in the interest of time.

On the role in the industry of business cases and business merits, including the private sector, nuclear energy is a technology-intensive, capital-intensive, and risk-intensive business. As such, individual projects and investments, whether a mine, a processing plant, a new reactor, or a refurbishment of an existing reactor, will need to be based on a careful assessment of benefits, costs, and risks. Sound business cases will also be the foundation of a globally competitive industry. In this environment the private sector can make, and is making, an important contribution by providing risk capital, entrepreneurship, the pursuit of commercial opportunities, and the creation of jobs.

The Canadian industry includes private sector companies in uranium mining and processing as well as in the operation of nuclear reactors in Ontario. The supply industry also includes more than 150 Canadian firms supplying equipment and engineering services to this industry.

Fifth, in this context the Government of Canada is moving forward with the restructuring of AECL, as announced by the Minister of Natural Resources on May 28.

The restructuring is guided by the following three key objectives: meeting Canada's energy and environmental needs economically, safely, and reliably; maximizing the return on Canada's substantial investment in nuclear energy over the years; and positioning our nuclear energy for growth in domestic and global markets at a time when this industry, worldwide, is expanding.

[*Translation*]

As you are aware, the initiative followed a study undertaken by Natural Resources Canada with the assistance of outside advisors. The summary report of the review was made public in May, at the same time as the minister's announcement. I have asked that it be distributed to the committee to help with its deliberations.

The review concluded that the current mandate and structure of Atomic Energy of Canada Limited hampers both its success and the development of the nuclear industry in Canada. The review found that the CANDU Reactor Division did not have the critical size to establish a strong presence in high-growth markets.

The structure and business model of Atomic Energy of Canada Limited need to change to provide more opportunities to partner and acquire global scale to leverage AECL's technology, skills, experience and capabilities.

[*English*]

The review also concluded that Chalk River laboratories would benefit from a strong partner to drive innovation and renewal, and that a government-owned, company-operated approach, such as prevails in the U.S. and the U.K. notably, should be considered. Under this model, which is the basis on which many nuclear labs around the world are managed, policy mandate and funding would rest with the government. The operation of facilities would be contracted to one or more third parties through a competitive process.

The government has engaged N M Rothschild & Sons Canada Limited, through a competitive process, to provide advice on the next stage of restructuring. The report from Rothschild will guide the next steps. The minister has also engaged David Leith, former deputy chairman of CIBC World Markets, to act as her adviser on restructuring. I would note that the board of AECL is also actively engaged in the restructuring process.

In conclusion, Mr. Chairman, I hope I have been helpful in providing some context for the role that nuclear energy plays in Canada and in situating recent initiatives. I would be pleased to take questions from the committee.

● (1545)

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Dupont.

Mr. Wallace, did you wish to add anything at this time?

Mr. Tom Wallace (Director General, Electricity Resources Branch, Department of Natural Resources): No, not at this time. Thank you.

The Vice-Chair (Mr. Alan Tonks): Thank you.

We'll now go to our round of questioning.

Yes, Mr. Cullen?

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): I have a quick point of order.

Oftentimes we have the analysts prepare some sets of background information and potential lines of inquiry. Is that what these two documents are that are with us today?

My point is just out of curiosity, because these are just excerpts from a book, and the book is predominantly pro-nuclear. It's an unusual set of research points for the committee to work with and it's not been our standard before in the past.

I'm just curious, is there something forthcoming or is there a reason?

And I do this with caution, not to embarrass anybody. I just want to understand what it's about.

The Vice-Chair (Mr. Alan Tonks): I appreciate that, Mr. Cullen.

I'll just redirect that to our research team.

Mr. Jean-Luc Bourdages (Committee Researcher): Actually, this was basically a first briefing session on a broader issue. We just wanted to provide some general information that is coming from the OECD Nuclear Energy Agency, which has an overview of the state of nuclear energy in the world, basically in the major countries.

Also, there is a second document. It's part of a broader document. The second one is on the future of this industry.

It was just material to help out, basically.

Mr. Nathan Cullen: This is just more of a committee process thing. As we go ahead with the study of this, it might be beneficial to have something of greater breadth of inquiry and background. This is simply one point source. We didn't do that with any of the other investigations the committee has done, so....

Mr. Jean-Luc Bourdages: No, that's right. We wanted to wait to have this first briefing to see where the committee was going with this at this point.

Mr. Nathan Cullen: All right. I understand.

Thanks.

The Vice-Chair (Mr. Alan Tonks): Your point is well taken. Thank you, Mr. Cullen.

We'll go now to our question period.

Mr. Regan.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chairman.

We thank the witnesses, Mr. Dupont and Mr. Wallace. It's nice to have you here.

I also want to note that Mr. Cullen's comments have highlighted, I think, how valuable this research work is to us here. It's an indication to them that we notice.

Thank you for your efforts, which we so often rely on.

Gentlemen, through you, Mr. Chairman, Minister Raitt indicated this summer that she was disappointed with AECL and its performance in relation to Chalk River. She more recently described AECL as a small Canadian crown corporation that cannot compete. Does this diminish the value of AECL?

We noted earlier this year, in January, when the government made its proposal to raise something like $10 billion through a sale of assets during a recession, that this might not be the best time to be selling assets at fire sale prices. It strikes me as odd that a minister who is thinking about selling or seeking private investment in a crown corporation would be making statements like this. Does it have any impact on the value of AECL at all?

Mr. Serge Dupont: As regards the NRU, obviously the minister and the Minister of Health, at the time, as well, were expressing disappointment with the timeline. I think that disappointment was shared by all Canadians who look to AECL to supply that very critical input to our health care system.

I think what is becoming increasingly clear is the amount of effort that AECL is putting into the resumption of the NRU under the guidance of the minister. There is much information on that from a number of sources, including the AECL website, which details quite extensively the amount of the effort.

On the comment with regard to the size of AECL, I would in fact observe, Mr. Chair, that the comment was made, not only by the minister but in fact by the department as well, in the summary report that we presented to the minister, as basically an empirical observation. If one compares AECL in size to AREVA, to Westinghouse, and to other suppliers of nuclear reactors in the world, it does not have the same scale and therefore does not have the same might to enter with the same capacities into markets like India and China, that are the growth markets for this industry worldwide.

If one looks at the minister's speeches, however, and our report more broadly, you will find very strong statements of confidence in the ability of the Canadian technology, in the ability of Canadian workers in AECL—its engineers and scientists—and that is where the value of AECL resides. The fact that AECL does not have the same size to compete with others is a well-known fact.

● (1550)

Hon. Geoff Regan: Yet isn't it true that there hasn't been a point at which AECL has not been building reactors around the world?

Mr. Serge Dupont: That there has not been a point?

Hon. Geoff Regan: Isn't that right? I believe we've heard that from AECL.

Mr. Serge Dupont: That is correct, Mr. Chair. In 2007, they finished construction of the last reactor. They're now in the pursuit of refurbishments. The markets, however, have been selective in terms of the jurisdictions involved, that is the parts of the world where AECL has been successful to date. I mentioned Romania, Korea, and one project in China. I think it's been clear over the last number of years that AECL has decided not to pursue the U.S. market and U.K. market, which were also important markets.

Actually, right now it has to be very adept at pursuing such other markets as India and, again, China, for the next rounds.

Hon. Geoff Regan: Is it accurate that around the world at the moment there are something like 125 requests for proposals from governments, and perhaps others as well, for nuclear power plants?

Mr. Serge Dupont: That is the right ballpark number, Mr. Chair. There are all kinds of numbers, depending on the timeframe one is looking at. I've seen 100 projects on the books to the year 2030. Other scenarios would have an even stronger growth over the next 30 to 40 years, but it's certainly in the range of 100 and up.

Hon. Geoff Regan: You mentioned the timeline a moment ago when I asked about the comments of the minister being disappointed with AECL. Have you been able to identify any steps that AECL did not take or failed to take, or any errors in the steps it took since May, that would lead to the minister being disappointed with that crown corporation?

Mr. Serge Dupont: Well, again, the minister was disappointed with an outcome; I don't think the minister was pointing fingers or saying something had not been pursued diligently. Again, I think if you look at her words, she's disappointed with the outcome, disappointed with the timeline, and wants to ensure that AECL maintains this as a very, very clear focus, an overriding priority. I think that's been the case—and the work is continuing.

Hon. Geoff Regan: Well, I think it was certainly the interpretation of the media and I think much of the public that the intent of the Prime Minister and the minister was to shift the blame to AECL, with the words they were using at that time.

At any rate, let me ask you about the intellectual property that AECL has. What happens to the ownership of intellectual property that it has developed and continues to develop, if it's privatized as proposed?

Mr. Serge Dupont: That's a good question, because in large measure that's the value of the asset to Canadians and the value of the asset to our industry as well.

There are different arrangements whereby intellectual property can be negotiated in a transaction. We are not at a stage where the government has decided on the form of the transaction, the parameters of the transaction, and whether intellectual property is retained but licensed; or acquired and therefore purchased for its value; or acquired with some conditions in terms of ongoing remuneration to the originator of the intellectual property. The treatment of intellectual property will obviously be a very critical ingredient in any transaction.

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Regan.

We're now going to go to Madame Brunelle.

[*Translation*]

Ms. Paule Brunelle (Trois-Rivières, BQ): Good afternoon, gentlemen, and thank you for being here.

My question is very simple. We are talking about privatizing AECL. How much is AECL worth? How much has the government invested in AECL over the past 25 years?

Mr. Serge Dupont: That is a very good question. How much is AECL worth? Mr. Chair, it may not surprise you that I do not have a figure as to AECL's worth. It is important to understand that there are two sides to Atomic Energy of Canada Limited. One side is more of a business, selling reactors and nuclear engineering services, while the other is basically a laboratory, with a lower market value at the end of the day. To be honest, it has no market value. There are no investors who would want to buy the lab with all of its infrastructure because its use is not strictly commercial.

Let us talk about the commercial side for a moment. When investors have an interest in it and they do not really want to see what is currently in place.... Of course, there are people, skills and intellectual property, as the member mentioned earlier. Those two things are relatively hard to assess. Ultimately, it is the market that determines their value, depending on negotiations.

The other value component gives rise to certain questions. How will it translate into various projects? What reactor redevelopment projects could this firm undertake in the future, and what would that mean in terms of profits? What is the potential for reactor sales? Various hypotheses can be used to calculate how many reactors will be sold or repaired. Then it is a matter of considering that figure in terms of the current value. The hypotheses can vary.

You also have to bear in mind that Atomic Energy of Canada Limited has certain debts and obligations that it has to meet. There is what we call waste, which is part of AECL's balance sheet and which represents one of its long-term obligations. So all of this ultimately affects the value of Atomic Energy of Canada Limited.

We know that it is an organization that interests investors in certain segments. It is not an organization that we could sell on the market tomorrow morning, taking it public, for example. The transaction is more complicated than that.

● (1555)

Ms. Paule Brunelle: Is it possible that the government will carve up AECL, keeping the most costly components such as waste management and privatizing the profitable ones?

Given that AECL is struggling, that the industry is dying, that it cannot compete internationally, that it has few contracts and, above all, that it cannot get projects back on track—as evidenced by Pointe Lepreau—is this not the worst time to privatize AECL? Did your committee study the costs? I see that it is not very accurate. Lastly, is this the worst time to make this decision?

Mr. Serge Dupont: Well, you need to consider the global growth markets and the fact that the corporation does not necessarily have the resources at this time to showcase itself in the best possible light. It lacks risk capital, entrepreneurship, and the scale and skills needed to enter into markets. So, from the government's perspective, I think this is the right time. Atomic Energy of Canada Limited may not be any better off in five years, if we do not make some decisions now. I do not think that time is on AECL's or the industry's side, if we do not take steps to revive Canada's industry as far as technology and resources go, especially human resources, which are still strong.

Ms. Paule Brunelle: Could you explain how the restructuring and those transactions will be undertaken? Is the government required to discuss its proposals with the House of Commons or the committee, for example? Who will have the final say?

Mr. Serge Dupont: The government is more than just required to consult the committee and the House of Commons, because when it comes to holding private capital in Atomic Energy of Canada Limited—and by that, I mean partial privatization of the commercial component—an act of Parliament is necessary. So, in that respect, the government cannot move forward with a transaction unless it again goes before Parliament and this committee with a bill.

Ms. Paule Brunelle: In the case of Pointe Lepreau, we are seeing that the people developing the new generating station are asking the government for compensation. Does that mean that the government, through AECL, is still widely responsible and should pay for power generation in other provinces?

● (1600)

Mr. Serge Dupont: I am not sure if I fully understand your question.

Certainly, those contracts should be honoured. Then one of two things would happen. If there is an obligation on a corporation's balance sheet and a desire to sell that corporation, the buyer will ask us to continue meeting that obligation or will lower the price it is willing to pay by the value of that obligation. So we will see what happens, depending on how the negotiations are structured.

What is certain is that Atomic Energy of Canada Limited must and will honour its contractual commitments in Pointe Lepreau and elsewhere. AECL is fully owned by the government, and its obligations will be upheld.

[*English*]

The Vice-Chair (Mr. Alan Tonks): Thank you, Madame Brunelle. You're out of time.

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

Mr. Nathan Cullen: It's nice to see you again, Mr. Dupont.

Something that I think the committee is struggling with is trying to get an understanding or assessment of what the actual value of AECL is under the different scenarios of privatization that have been talked about, such as hiving off Chalk River or selling off the CANDU side entirely.

As you mentioned, one of the criteria was to maximize the return on investment for Canadian taxpayers. Do we know what that total investment has been over the life of AECL?

Mr. Serge Dupont: Thank you for reminding me, because the question was asked by the member, and I wasn't able to....

Would you have numbers, Tom, historically?

Mr. Tom Wallace: Historically, I think if you add it up, it exceeds $8 billion to the end of 2008-09. I don't have the precise figures, but it's in that order of magnitude.

Mr. Nathan Cullen: Does that include any off-book liabilities that AECL has to keep ongoing?

Mr. Tom Wallace: No. I'll have to go back and look at the numbers, but I believe that it's from going back to the 1940s and just adding up all the numbers. It doesn't include the liabilities, in my understanding.

Mr. Nathan Cullen: It's something that would be helpful for your office to provide, because as we ask other witnesses and we seek advice from folks who are in the industry—internationally, as well—we need to understand what the actual assets of AECL are as well as what things might actually end up costing a potential buyer something. I think the question Madame Brunelle was going on was what types of liabilities a potential buyer would pick up in such a sale.

How many contracts does AECL have right now for new builds and reactors globally?

Mr. Serge Dupont: There are no contracts at this time for new builds.

Mr. Nathan Cullen: In the potential sale of a company, having contracts on the books would be seen as something helpful. I know that the push to have the sale of CANDU reactors in Ontario was.... I would imagine, if I were a prospective buyer, that contracts on the books would be seen as helpful.

There are well over 100 projects right now, calls for proposals. I'm a little mystified as to why there are none that AECL holds in any of those contracts.

Mr. Serge Dupont: It's a fair question. Obviously, AECL is participating in the Ontario process. There are different prospects internationally that may, at a point in time, crystallize—or they may not. There are no contracts at this time, in part because of what I mentioned earlier: many of those projects are in the United States. AECL is not competing in the United States at all at this time. That's a business decision the corporation took. The U.S. economy, and basically all utilities in the U.S., have decided to go to light-water reactor technology. Indeed, the world has decided, in majority, to go to light-water reactor technology.

Mr. Nathan Cullen: Maybe that's what I'm trying to get at. The model we have for sale to the world uses heavy HEU—

Mr. Serge Dupont: Not HEU; that's highly enriched uranium, which is a different thing.

Mr. Nathan Cullen: Sorry; yes.

Mr. Serge Dupont: So it's heavy water.

Mr. Nathan Cullen: Right.

But there are some concerns with the uranium also applied through the CANDU system in terms of weapons proliferation. That's been raised by other witnesses at this committee before and not been denied by the government, so I assume that it is part of the consideration. I know the Obama administration has raised it, as well, in international negotiations.

Mr. Serge Dupont: Let me tread this one cautiously, Mr. Chair. It's an important question. I'm not the expert, so I really want to preface it that way.

I think there is certainly a counter-argument to this notion we hear that CANDU is a proliferating technology. CANDU technology is, in many ways, safer than other technologies. It does not require the enrichment of uranium. At least the CANDU reactors that have been sold to date—the CANDU 6, for example, is in Korea, China, Romania, and Argentina—do not require the enrichment of uranium. Through the process of enrichment there is a greater potential source of nuclear materials for military purposes.

The installations, obviously, are under IEA guidance and so forth. I think it would be worthwhile for the committee to hear from experts from the government in this regard. I agree with you; it's an important point. I think we actually have a good story to tell, better than what is maybe being told by some of the competitors.

● (1605)

Mr. Nathan Cullen: That's helpful, as the committee is still building the agenda for this study. These questions, the question of proliferation, the question of enriched uranium, are important.

You mentioned that this technology has been applied in 48 projects we've built globally. Of the reactors that AECL actually builds, do any of them go ahead without a subsidy from the government? Does private money ever entirely make the project go, or does it require government subsidy as a general rule?

Mr. Serge Dupont: It's not a government subsidy in that these reactors have been sold for less than their cost of production. On the way it has worked for AECL in the past, it has incurred costs and been reimbursed by the buyers—utilities or other purchasers. Sometimes export financing was involved, but my understanding is that the projects covered their costs overall.

So AECL's history of losses is not attributable to individual losses on these projects as much as contributions to overhead, the laboratories, and so forth.

Mr. Nathan Cullen: I have a question on the notion of liability. Again, I'm trying to be somewhat objective and think of this as an asset that the Canadian government is trying to privatize.

Point Lepreau is a good example. They estimate that the cost to ratepayers in New Brunswick is $1 million a day. If I were selling this asset I would try to minimize my liabilities and promote the best parts of it. As a buyer I would not want to be picking up any potential liabilities.

There's a series of old reactors around this country that AECL has some liability toward. There are also waste and contamination issues that are extraordinarily expensive. You've put $500 million aside.

I assume that's included, Mr. Wallace, in the subsidies I asked about earlier. Some wouldn't call it a subsidy, but cleaning up the waste from the production of that power would seem to be part of the complement of public subsidy toward the technology.

The review is going on right now within government. The government is looking at different ways to privatize AECL. Is there not a risk that all or many of those liabilities will simply be taken off-book in the sale and eventually held by the Canadian government, the Canadian taxpayer, and the good parts that might actually make somebody some money will be all that's up for sale?

That's an extraordinary concern for me and many others around this table.

Mr. Serge Dupont: I understand the concern. Whatever liability has been accrued by Atomic Energy of Canada Limited, quite a bit of it is acknowledged on the books. Some may not yet be acknowledged on the books and may be related to potential further cost over-runs in some of the projects. But whatever those liabilities are, they are currently liabilities of the Government of Canada, the taxpayers of Canada. The restructuring cannot change that.

Nobody is going to offer to take that off our shoulders. If they do, it will lower what they would otherwise pay for the asset that is going to be purchased. It is the responsibility of the Government of Canada to ensure that those liabilities are met and honoured.

The Vice-Chair (Mr. Alan Tonks): Thank you.

If you don't mind, Mr. Cullen, can we just hold it there? We're well over the time. If you want to expand on that, perhaps you can bring it up in the next round of questioning.

Mr. Nathan Cullen: Thanks.

The Vice-Chair (Mr. Alan Tonks): We'll go to Mr. Shory.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

I'd like to thank the witnesses also for coming out this afternoon. It is always good to have first-hand information from the people who have vast knowledge in this field, this department.

I understand that the nuclear industry is very important to Canada. The government is also committed to an aggressive renewable energy policy that will see 90% of the Canadian electricity needs generated through non-emitting sources by 2020.

What role do you see for the nuclear industry to help Canada meet that objective, Mr. Wallace?

● (1610)

Mr. Tom Wallace: If you're talking about 2020, we're not really talking about new builds in that, or only at the very end of the period, if possible. I think the contribution of the nuclear industry over that period will probably be through the refurbishment projects that are under way now that will enable Candu reactors to have another 25 years of life. That is an important contribution toward the denominator, that 90% target.

Mr. Devinder Shory: AECL is actively undergoing a restructuring process. We all know that.

Mr. Dupont, you said in your presentation that the “restructuring of Atomic Energy of Canada is a key, necessary step toward strengthening Canada's nuclear industry and putting it in a better position to access opportunities at home and abroad”.

What does the government hope to achieve by restructuring AECL?

Mr. Serge Dupont: Again, one has to look at what different partners can bring to AECL. If one looks at the way the industry has reshaped globally over the past number of years, there have been alliances, mergers, and restructuring that have resulted in larger, more integrated, and more competitive companies, with one exception in the domain of nuclear vendors, and that is Atomic Energy of Canada. This is because its governance framework, its legislative framework, did not allow it. Under its current legislative arrangements, Atomic Energy of Canada cannot borrow money from a bank in order to have working capital. It cannot enter into arrangements whereby it could bring in a partner for an equity share that in return could bring particular skills, market reach, resources.

There are a number of Canadian players and global players that can bring some of these additional capacities to Atomic Energy of Canada. I think the government is looking to ensure that we bring the best capacities to Atomic Energy of Canada to develop its full potential.

Mr. Devinder Shory: We are all hearing that the world is entering into a nuclear renaissance. The public has faith in the safety of nuclear technology again, and there is a serious need for many places, not only in Canada but around the world, to increase and replace those electricity generation needs.

With this in mind, what do you see as some of the biggest hurdles the nuclear industry will face over the next decade, and what are the opportunities the industry will have to take advantage of over the next decade?

Mr. Serge Dupont: Mr. Chair, I think I would point out two key challenges for a nuclear industry.

The first is to establish and maintain a sustained public confidence. That is an ongoing challenge and responsibility for this industry. Of paramount importance is a very strong regulatory framework to ensure it is modern and up-to-date, and that it ensures the safety and security of the public, the environment, and so forth. That is for an industry writ large. With that I would include the regulatory apparatus. That's fundamental.

The second one, frankly, is on the economics, the certainty of the projects. Some of the members are asking questions about Point Lepreau; other projects internationally have also incurred some difficulties. AREVA is building a new reactor in Finland, and that too has come under some stress financially. That is a key one for this industry: to show that it can actually deliver projects on time and on budget.

● (1615)

The Vice-Chair (Mr. Alan Tonks): You have about a minute and a half, Mr. Shory.

Mr. Devinder Shory: Mike, do you want to ask a question?

The Vice-Chair (Mr. Alan Tonks): Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): I have a quick question on the refurbishment and the contracts.

The liability for existing operating plants certainly rests with the existing utilities, because they're the ones that actually buy them, although AECL would have been involved in the development, which is the case for Point Lepreau and some of the others as well. AECL's liability would only extend, then, if it signed a contract, as it did in the case of Lepreau, for a refurbishment.

Would the liability of AECL on the CANDU technology that rests around the world now rest solely with a contract if they were doing a refurbishment, or would there be other liability?

Mr. Serge Dupont: That's an excellent question. Your best answer would be from AECL lawyers.

But my understanding would be that you're absolutely correct. When we talk about liability in respect of Point Lepreau, we mean what accrues from the latest contract that AECL has signed for the refurbishment of the reactor. It's not as though there's ongoing liability forever and ever with regard to all the reactors AECL has built around the world.

So I think you're absolutely correct on that. I would like to see that validated by AECL lawyers, but certainly that is my understanding.

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Allen and Mr. Shory.

We'll now go to Mr. Bains. We're in the five-minute round.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Mr. Chair.

It's good to see you, Mr. Dupont and Mr. Wallace.

I have a couple of quick questions. I hope you can comment on this.

First of all, what's the current situation with the proposed Darlington reactors? What's the state of negotiations with the province, if you're able to comment on that?

Mr. Serge Dupont: I have to pause a second, because understanding what is in the public domain and what's not in the public domain, I'm basically forbidden from saying anything about it under the rules of the Ontario process.

So I guess what you would have seen in the month of June, I believe, is that Ontario announced that of the three proposals that had been submitted, only the proposal submitted by Atomic Energy of Canada Limited met the conditions of the Government of Ontario, of Infrastructure Ontario, in the competitive process. But it indicated at the same time that there were two issues that precluded at that time Ontario from being fully satisfied with that proposal, one being the uncertainty around the future of AECL, and second being the price. They felt the price was too high. I imagine they felt it was too high; they said “the price”, so I imagine it was because it was too high.

There have been follow-on, obviously, discussions with AECL and perhaps with other vendors, but I'm not at liberty of indicating under the rules of the Ontario process, which are actually quite strict.

Hon. Navdeep Bains: Are discussions still taking place, or have they been suspended completely?

Mr. Serge Dupont: I guess I would say that the window for discussion is still open, and therefore the rules of the process still apply.

Hon. Navdeep Bains: Okay.

This is just a quick question with respect to this review of the Atomic Energy of Canada Limited report that we just received now as well. When was this report actually mandated to be prepared; when was this report requested?

Mr. Serge Dupont: The report was intended to be released with the announcement of the minister in May—

Hon. Navdeep Bains: No, I mean the National Bank. When were they requested to actually conduct the review?

Mr. Serge Dupont: The review was commenced in November of 2007.

Hon. Navdeep Bains: When was it received by the department?

Mr. Serge Dupont: There are two things there, Mr. Chair.

There were reports from National Bank Financial, which was hired by the department essentially to provide financial advice on Atomic Energy of Canada Limited. I don't have the dates on which those reports were provided to the department; I could get those for the committee.

This is not, in effect, the report from National Bank. This is the department's summary of the analysis that draws on the reports from National Bank.

● (1620)

Hon. Navdeep Bains: How many reports did you receive?

Mr. Serge Dupont: I think we received, over the course of the exercise...and there would have been interim reports. It was basically one report and then one supplementary report.

Hon. Navdeep Bains: When was the supplementary report received? Approximately; I'm just trying to get a timeline here.

Mr. Serge Dupont: No, that's okay.

I would imagine it was around January of 2009.

Hon. Navdeep Bains: So the first report was around August, is that correct? If I recollect from the previous discussions, the first report was received in August. Maybe a supplementary was received in August of 2008, and a supplementary was received in January of 2009? Is that correct?

Mr. Serge Dupont: If you would allow, Mr. Chair, I'd like to go back and check the facts,

[*Translation*]

so as not to mislead the committee.

[*English*]

Hon. Navdeep Bains: No problem.

So the report was actually requested in 2007. You received the final version in January 2009. It was made public in May 2009. Is that correct?

Mr. Serge Dupont: No, that would not be correct, Mr. Chair. I would like to be very clear on this.

In November 2007 the government announced a review. Upon launching this review it hired financial advisers. The financial advisers provided confidential reports to the Government of Canada. These reports are commercially sensitive, because they involve estimates of the value of some of the assets and so forth.

In announcing the next steps in the restructuring, the government did want to provide a sense of the conclusions of that review that would be a document that would be suitable for broader communication and that would not, therefore, have any market impacts, if you wish, and not divulge any of the confidential information contained in the National Bank report.

So it's not that we sat on the reports for four months. We actually had to analyze those reports and come to conclusions with the minister, who then announced that we were moving forward with the restructuring, and at that time it was a good time to publish the summary of the announcements.

Hon. Navdeep Bains: So when did the minister receive the report?

Mr. Serge Dupont: Again, I'd have to go back to see when, Mr. Chair.

Hon. Navdeep Bains: Is this just the summary or is this the whole report?

Mr. Serge Dupont: Again, Mr. Chair, this is not a National Bank report. This is a summary note by the department that would have been done around the time. I guess it's May 2009; that's when it was issued.

Hon. Navdeep Bains: Okay. I just wanted to clarify it, because the timeline here associated—

The Vice-Chair (Mr. Alan Tonks): Sorry, Mr. Bains, I was asleep at the switch. I gave you 30 seconds over. We'll have to compensate somehow for that.

Next is Mr. Tilson.

Mr. David Tilson (Dufferin—Caledon, CPC): Thank you, Mr. Chairman.

I'd like to ask perhaps a very general question. A number of years ago in Europe, and indeed around the world, there was a fear of nuclear power. Perhaps it was because of Chernobyl. I don't know. I expect that was one of the major reasons. Of course, that extended here to North America. But now when you go to Europe that's all they talk about. They're interested in the environment, climate change, energy security. They're worried about the Russians putting a pipeline under the sea through Germany, which is going to take a period of time. Even Sweden, which used to be the greenest country you could think of, is now getting into nuclear power big time. Why? Because they say about wind power and solar power that it's very fine but it's not enough.

What role do you see nuclear power playing in Canada in the future? Obviously all governments, provincial and federal, are talking about it. How do we balance that against the need to protect the environment?

Easy questions.

Mr. Serge Dupont: I think part of what you mentioned with regard to Europe and some of the changes we've seen there, including from some rather prominent environmental spokespersons, I would say, was that on balance there still would be a concern with regard to such things as nuclear waste. But given the non-emitting properties of nuclear energy, on environmental grounds this was a choice that made sense to assist with the global fight against climate change.

Bringing that to Canada makes sense in the same way. Of course in Canada we're blessed with hydro resources in certain parts of the country that provide a percentage of our total electricity mix in Canada. We certainly have a much higher proportion of non-emitting sources than the United States and Europe and any other place. We start from a better place.

● (1625)

Mr. David Tilson: Ironically, Sweden and Canada are very similar. Parts of Sweden are in darkness in the winter, just like parts of Canada.

Mr. Serge Dupont: That's right.

But for Ontario, historically nuclear has been critical at about 50%. I think the government wants to maintain roughly the same proportion, 50%, which will certainly imply refurbishing some of the reactors, certainly most of the reactors currently operating, and, depending on what happens in Pickering and in growth in demand, construction of new reactors. Obviously two reactors are already basically the object of the current process.

Alberta and Saskatchewan are other jurisdictions where nuclear has been considered, where exercises have been conducted, including consultations of different types.

New Brunswick is perhaps less enthused now, given recent developments on Point Lepreau, but certainly they're thinking as well about clean energy corridors and the potential for exports and so forth. I think over time they may again be interested.

I think over time, yes, nuclear will be a factor in reaching the 90% target of clean, non-emitting electricity in Canada.

Mr. David Tilson: Do we, does our country, have a real choice? It is acknowledged in my riding; we're getting into big-time wind power. There's a certain amount of solar power, but clearly the assessment seems to be—and I'm talking about a very general assessment—similar to that of the Europeans, that it's simply not enough. That's together with the fear of fossil fuel—one, the cost of the fossil fuel, and two, what it seems to be doing to our environment.

So I guess my final question, Mr. Chairman, is do we have a choice?

Mr. Serge Dupont: Again, Mr. Chair, what I mentioned in my introductory remarks is that individual jurisdictions will make their choices. I think they will do that on the basis of business cases. They will look at the financial aspects, the environmental aspects, what is base load versus non-base load. Over time we'll look at carbon capture with coal versus nuclear, what the relative costs are.

I think it is very important for places like this one to have those kinds of discussions, those kinds of debates, to look at the various technologies side by side and see how best they can contribute. Our sense is that nuclear will make a contribution. It certainly will make a contribution in Ontario and other parts of the country, and certainly it will make an important contribution globally.

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Dupont.

Thank you, Mr. Tilson.

We'll go to Mr. Guimond.

[*Translation*]

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Thank you, Mr. Chair.

Earlier, my colleague asked you about the value of Atomic Energy of Canada Limited. Pinpointing a value seems to be a very complicated affair, perhaps even impossible. Based on the balance sheets of the past 25 years, could you tell us how much the government has invested in Atomic Energy of Canada Limited?

Mr. Serge Dupont: I think my colleague mentioned $8 billion earlier. That is not necessarily the amount invested, but the total amount spent by the Government of Canada on nuclear energy, over a period of approximately 60 years. Some of that money would have gone to operating costs over the years and would not necessarily translate into capital assets.

As for AECL's current balance sheet, the annual report is available, and the committee could certainly have a look at it. Although the balance sheet does show assets, it also shows significant liabilities over and above those assets, and those liabilities represent the government's recognition of AECL's long-term environmental obligations. I do not have the figures on hand; I apologize. But you could easily consult AECL's balance sheet. I believe it lists $3.5 billion to $4 billion in obligations, representing the long-term cost of managing all AECL waste in the various communities in which it has operated.

● (1630)

Mr. Claude Guimond: Both the government and the industry are talking about a nuclear renaissance. You seem to be saying that we will experience a real boom in the next few years. But the public still seems to have concerns about developing atomic energy.

Do you have an action plan to deal with that? Have you given this matter any thought? People are very concerned about nuclear development, especially in Quebec. What is your view on that?

Mr. Serge Dupont: Earlier, when I was asked about the challenges facing the industry, I said that the first was public confidence. Decisions cannot be made by the various jurisdictions, be it Ontario, Saskatchewan or Alberta, without some degree of public confidence that things can be done safely and securely. The interesting thing in the polls, Mr. Chair, is that nuclear energy has the most support in jurisdictions where it already exists, especially Ontario, where support is the highest in Canada. That is not quite the case in Quebec, which is so rich in hydroelectric resources that the public has little interest in nuclear energy.

Our role, as Canada's government, is not necessarily to choose one technology over another or to opt for nuclear energy rather than another energy source, but to ensure that we at least have a regulatory framework so that the industry can grow in a safe and secure manner. That is why, in my initial remarks, I mentioned the importance of a regulatory framework and the federal government's responsibility vis-à-vis that framework.

Mr. Claude Guimond: We are talking about public opinion and fear of nuclear energy. You have yet to mention international security, terrorism or the fear associated with that. Have you thought about it? Do you have an action plan to deal with that aspect, which I would argue is a very real concern in today's world?

Mr. Serge Dupont: Earlier I said that all of the world's CANDU reactors operate in accordance with the rules of the International Atomic Energy Agency. All sharing of nuclear technology and the buying and selling of goods and services adhere to nuclear cooperation agreements, which set out stringent non-proliferation requirements. So, all nuclear activities are undertaken with the utmost concern for non-proliferation, safety and security.

[*English*]

The Vice-Chair (Mr. Alan Tonks): You just have a few seconds left. Do you want to ask your final question? If so, it will have to be short, as well as the answer.

[*Translation*]

Mr. Claude Guimond: My question is too long.

[*English*]

The Vice-Chair (Mr. Alan Tonks): Okay, thank you.

We'll go to Madam Gallant.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman.

Mr. Dupont, in August, when you testified before the committee, you stated in regard to isotopes that "the model used to date is not sustainable. It isn't sustainable from the standpoint of health or for Canadian taxpayers".

To what extent is the isotope business being subsidized by Canadian taxpayers? And of the total isotope production, what proportion is used by Canadians?

Mr. Serge Dupont: The proportion of isotopes that we produce and comes back to Canada, as you know, after processing, is about 10%. So 90% of it is really for the export market.

I think AECL would be better placed than me to give you a sense of the details of the numbers relating to revenue, which amounts to roughly $35 million to $40 million a year from the sale of isotopes historically—and not just TC-99, but also others—and then the costs of operating the Chalk River facilities and the NRU reactor; therefore, the cost of production of the isotopes. There's complexity in terms of allocation of the costs to the isotopes versus other functions performed at Chalk River and the NRU reactor.

● (1635)

Mrs. Cheryl Gallant: Well, my understanding is that 50% to 60% of the actual cost of the medical isotopes is being subsidized by the Canadian taxpayer. What you are telling me, then, is that only 10% of those medical isotopes are actually being used by Canadians.

How will other countries' waste with respect to the production of isotopes—for example, that of the United States—impact on their ability to supply isotopes and the end-cost to the same end-users?

Mr. Serge Dupont: By waste, do you mean the production of waste through a production process?

Mrs. Cheryl Gallant: The waste from the target material, as well as the fuel.

Mr. Serge Dupont: Okay.

What is clear—this has come up in the international discussions we're having—is that if somebody were to look today at creating a new production facility, including the cost of the waste and of going from high-enriched uranium to low-enriched uranium—which is what the United States wants to do, and involves burning more uranium, because it's not as enriched, and creates more waste—it does represent a very substantial cost that the market is unlikely to bear initially. That is one of the key obstacles to bringing forth new sources of production globally, including in the United States.

What the U.S. is doing right now is that they're advancing some sums to some parties to see whether there are some concepts that can be realized and can move forward in terms of production.

But you're absolutely right: the waste is a big issue in terms of cost and in terms of responsibility with regard to the production of isotopes.

Mrs. Cheryl Gallant: Aside from isotope production, we also have the current NRU as the test bed for the nuclear industry, for this renaissance we're experiencing. Would it be prudent for Canada, in parallel to repairing the NRU, to begin detailed planning for a multi-purpose reactor that could replace the NRU fully—not only for backup on isotopes, but also for supporting research for other medical applications, such as heart valves, stents, coatings for implants, drugs that can cross the blood brain barrier, and as a test bed for the fuel rods that will be required in the ACR, if one eventually is built?

Mr. Serge Dupont: You're obviously well briefed. Those are all good points.

To your question on whether it would be wise to think about that, yes, I think the question will have to be answered at some point in time as to whether Canada wants to invest in a new research reactor. That will have to be a very critical question at a point in time.

At this point, there are a number of files that the government has been working on in terms of the nuclear envelope. But I think the question of whether or not to invest in a research reactor will have to answered sooner rather than later.

Mrs. Cheryl Gallant: Regarding the restructuring—

The Vice-Chair (Mr. Alan Tonks): Sorry, Madam Gallant, you're out of time now.

We'll go to Mr. Regan, and hopefully you'll get a round where you can ask that question.

Hon. Geoff Regan: Thank you, Mr. Chairman.

Mr. Dupont, through you, Mr. Chairman, you may be aware that the Society of Professional Engineers and Associates had a news conference on Monday expressing their concerns about the potential division of AECL.

They said that to design and build a nuclear reactor, you need a comprehensive integrated organization. You also need hands-on technical capability in all aspects of mechanical design, assembly, and construction as well as field experience.

They also talked about the evolution of the science, and said that improvements may stem from the lab but are only realized on the ground. If you separate research from engineering, your ability to design improved fuel is greatly jeopardized. And so on.

There's no doubt in my mind that National Bank Financial may be very good at providing investment advice, but are they better than these engineers at understanding how AECL operates? My sense is that I don't see how they could be.

Why would you ignore these concerns from the people who actually work directly in the industry?

● (1640)

Mr. Serge Dupont: We certainly do not ignore the concerns of the SPEA. The minister has met with the SPEA. We've had discussions with the SPEA and found those discussions to be constructive and helpful, as, by the way, were those with other unions that are also involved.

They're valid points that there will always be a relationship between the commercial part and the lab. That can be organized in different ways. You can have the same corporate entity, as we do now, or you can have different corporate entities that deal with each other on a contractual basis.

The problem we find with the current arrangement is that the leadership of the entity is split between a commercial mandate and a public policy mandate. A clear accountability structure would be to have one entity pursue a commercial mandate to develop and sell reactors and services, and another part that is focused on the generation of knowledge and the advancement of technologies, with some relationships between the two.

Hon. Geoff Regan: The organization pointed out that in the early 1990s.... In fact, the organization pointed out that AECL was put together, that there were two separate organizations. There was a perceived inefficiency of operating two separate organizations that were both integrally required for a successful nuclear operation.

When you combine that with the story they tell of what happened with Ontario Hydro when it was broken up and the ineffectuality that resulted, doesn't that concern you when you look at what's being proposed for AECL? Or can we simply dismiss this?

Mr. Serge Dupont: Nothing is dismissed in this debate.

One can look at another international model, AREVA, which is a large French company. It has a company that does mining and so forth, but it also builds and services reactors. The research is done by the Commissariat à l'Énergie Atomique, which is sort of a parent company but really operates very much at arm's length. They have a relationship between the two. The Commissariat à l'Énergie Atomique does research for a number of other parties and part of it is done for the commercial arm of the company.

There are different ways to go about this. Our sense right now is that it would be clear to have two entities with more focused mandates and clear accountabilities.

The Vice-Chair (Mr. Alan Tonks): You have 45 seconds.

Hon. Geoff Regan: Thank you.

The question of whether to divide up the AECL, to sell it or whatever, is very much a question of what's in the public interest. The public has an interest in knowing what's going on here, yet we have the NBF report that was requested in 2007, and I think it was provided to the department in August of last year, and still none of it has been released. All that has been released is some summary done by the department. It doesn't seem to me that we've seen much transparency.

What's going to happen with the Rothschild report? When is it due, and who is going to see it?

You mentioned that the reason you can't release it is that it has things like the estimated value. We see lots of things that are released with things blacked out, the numbers, for example. Why couldn't you release this? Why isn't there more transparency?

The Vice-Chair (Mr. Alan Tonks): You have 15 seconds.

Mr. Serge Dupont: Those are choices to make. We try to make judgments in terms of what is helpful for the public debate and what is commercially sensitive. The Rothschild report will be treated in the same way. We will have to withhold information that would be commercially sensitive.

Hon. Geoff Regan: And the public can't judge.

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Regan.

We will go back to Mr. Allen.

Try to squeeze something in there for Ms. Gallant, if you can.

Mr. Mike Allen: Well, we'll see.

In some of the handout material that was given to us today there was an interesting comment on the future of nuclear energy, on the second page. It says:

> If the equation consisted only of economic factors with no change in current attitudes, nuclear energy's characteristic high construction and low generating costs could lead, in a deregulated and highly competitive market, to a situation where existing plants are run profitably to exhaustion and not replaced.

Granted, there are some other factors. There are environmental considerations, there is population. There are all kinds of other growth considerations in there. But when you think about that and then you look at the report that was done on building a successful commercial nuclear utility, you see that for companies like Westinghouse, Toshiba, GE, Hitachi, and AREVA, in general the focus is threefold: ensuring access to major markets, securing highly specialized and scarce resources, and acquiring sufficient scale to win multiple contracts and deliver on multi-billion dollar projects. The report goes on to talk about the challenges of AECL, saying that AECL has tried to forge some of these partnerships—this is on page 15 of the report—which has helped it to operate in Canada, but they really haven't seen a breakthrough in the international markets.

I refer to the chart on page 16, where you can see the small share that AECL has of the world market. I wonder if the decision to restructure would be best put into a situation where AECL is part of a bigger player on a commercial basis, and it really starts to lend credibility to.... They do not have the size and scale to be able to compete on an international basis. Should they be a niche player? Is that one of the factors we should be considering?

● (1645)

Mr. Serge Dupont: That's a very good question. I guess what I'd say is that in part you don't really know what's going to be the best-value proposition for Canada until you test the market and you ask different parties to come forward with the best proposition. It could be that some parties would bring to the company the kind of scale to really expand into some of the mainstream markets, or you could have smaller entities that really want to make a go at more of a niche market, with existing CANDU technology, and think there is value in that proposition.

We need to see those propositions come forward to see what's going to be best ultimately in terms of return on investment and the other considerations we laid out.

Mr. Mike Allen: The two major pieces of a restructured AECL, if you will, or a restructured AECL as part of a larger entity, would be developing new business and refurbishing what's out there, because they would seem to be one of the logical entities to provide the expertise that's needed to refurbish. We have 48 of these units out there, some of which are being refurbished now. I expect a lot are of a similar vintage, so we're expecting these to come up.

What is the assessment of the total potential refurbishment market as a potential niche play for AECL?

Mr. Serge Dupont: If one looks strictly in Canada, there are six other reactors at Bruce that basically need to be refurbished. At some point in time, the reactors at Darlington will need to be refurbished. There'll be some decisions that Ontario will have to make with regard to the reactors at Pickering, as to whether those are refurbished or not.

Globally, basically all of them will have to be refurbished, all the CANDU reactors that we have sold. The proposition and the opportunity for AECL may not be the same in the other CANDU-based...the reactors of the 48 are in India. The opportunity may not be as immediate for AECL there, depending on a range of factors. But it is a significant market in and of itself.

Mr. Mike Allen: Can you tell me—

The Vice-Chair (Mr. Alan Tonks): Mr. Allen, you are now going into Mr. Anderson's time.

Mr. Mike Allen: I don't mind doing that.

Some hon. members: Oh, oh!

The Vice-Chair (Mr. Alan Tonks): All right, just as long as you both know.

Mr. Mike Allen: Do you mind, Mr. Anderson?

Oh, okay.

Looking at this competitive aspect, how many people are there at Chalk River Laboratories—2,100 or 2,000 or thereabouts? What is the number of employees?

Mr. Serge Dupont: I think it's around there. It may be a bit higher still.

I'm sort of looking to one of the members here.

It's 2,900, right? Thank you.

Mr. Mike Allen: What do you believe are some of the aspects? Looking at the profile of some of the expertise we have in the nuclear industry, it is getting a little older, just like a lot of other industries. What do we think is the long-term ability to play a role, a bigger role, on the nuclear stage for AECL, as opposed to a niche role, because of the human resource aspects of this?

● (1650)

Mr. Serge Dupont: Well, we think we have a solid human resource base. There are also good programs, good universities, in Canada that turn out good people. So there is some replenishment of the base.

But what's really critical to replenish and maintain the base is to have some activity, and that means some capacity to sell, some projects to move forward. At some point, if you don't sell, if you don't move forward, then the capacity will erode. I mean, these people are going to go elsewhere; they're going to do something else.

That's why we think it's one of the factors behind the urgency of this, which is that we need to put this corporation in the best possible position to compete and to win contracts.

Mr. Mike Allen: This will be my last question before I turn it over to Mr. Anderson.

In Natural Resources Canada's view and your view, from looking at the energy supply needs as we're looking forward in Canada.... With population growth, we've got to understand the energy needs that are going to be out there, and electricity needs are going to require us to have base load. Ontario has talked about phasing out coal plants.

Even though we're looking at new technologies for carbon capture and sequestration, do we believe there is an opportunity—given AECL or not AECL—that we will have a pretty strong nuclear market going forward, and hence a supply chain for fuel and everything else?

Mr. Serge Dupont: We believe so. We think there is a market in Ontario, in Alberta, in Saskatchewan, and in the Atlantic provinces, in New Brunswick and Nova Scotia. Now, there will be choices to be made in those jurisdictions, but is it our assessment that nuclear can make a contribution? Absolutely.

The Vice-Chair (Mr. Alan Tonks): Mr. Anderson, Mr. Allen has left you two and a half minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Okay.

I wanted to actually follow up on the marketplace side of things, which I think Mike had been talking about a bit.

We've had a shift in the last year, obviously, in the global economy. I'm just wondering if you could talk about how that has affected the nuclear future in Canada and then around the world. How do you see that having shifted and changed? And then I want to just follow up on that with a second question, if I get a chance.

Mr. Serge Dupont: I think it has affected nuclear in a couple of respects, and we see it in Ontario. It has basically caused some of the jurisdictions to rebase their demand projections a bit; and secondly, the costs of financing have gone up at least during the height of the financial crisis.

So I think it's put a bit of a damper on things, but the trend, the fundamental trend, is still there. We know that the world will need more energy, more electricity, particularly in some of the emerging economies, and therefore, this really looks more like a temporary pause. But the undercurrent is still for strong growth in the industry.

Mr. David Anderson: In the summary report we've got here, you talk about the four companies that are stronger because of their integration, and you talk about the three things. I think Mike might have read them: ensuring access to major markets, securing highly specialized and scarce resources, and then acquiring sufficient scale to win multiple contracts.

Have they changed their strategies, those four companies, in the last year or year and a half, in order to try to accomplish these goals? Do you see a change in strategy from the big players going forward into the future?

Mr. Serge Dupont: I'm not sure I'd be the best analyst of the international strategies of all these players, but I think one thing that is notable is the very strong push they're making in key markets such as India and China in terms of competing for technology choices there. To do that, to bring a suite of products and services and to be very aggressive about it—and we don't necessarily have the same capacity to do that at this time—will be, as one of your colleagues mentioned earlier, a choice in this process as to whether we wish to have the wherewithal to pursue the exact same-time strategy or go into more of a niche approach. I think the jury is still out, but we will need to have a deliberate strategy, a clear strategy, with some new partners.

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Anderson. I'm going to have to cut you off there. Sorry.

We'll go to Mr. Cullen for final questions.

Mr. Nathan Cullen: Thanks, Chair.

I imagine you've seen the Rothschild report.

● (1655)

Mr. Serge Dupont: I've seen work from Rothschild.

Mr. Nathan Cullen: You haven't seen the final report, though.

Mr. Serge Dupont: Yes, I've seen a report.

Mr. Nathan Cullen: Okay, you've seen the report.

The government hasn't officially announced when it's going to release that publicly to parliamentarians, has it?

Mr. Serge Dupont: No. That's because of the same considerations I mentioned earlier.

Mr. Nathan Cullen: Sure.

The government doesn't actually have to come before the House to do this privatization, does it, by the legislation that guides AECL?

Mr. Serge Dupont: Yes, it does. There are some parts of the effort that could be done. For example, the management contract for Chalk River possibly could be done, under some conditions, under the current legislative framework, but there could not be a substantial sale of the assets of the commercial side of the business, for example.

Mr. Nathan Cullen: Looking through the same report from the minister that was held onto for a while, and the same argument was made that it was the size of AECL, that it wasn't of the proper dimensions to be able to compete, what I'm concerned about is that you mentioned there being a niche market for the CANDU, but the record is, with more than 100 builds out in the world right now, we have none of them. A concern that has been expressed to us is that AECL will essentially be sold for parts, that the technology we're promoting and have promoted for a number of years in this county has not met with any sort of enthusiasm from the current marketplace.

While the government claims $8 billion in subsidies, I've heard numbers much larger in terms of what Canada, over time, if you add it all up, has poured into this particular operation. The fire sale that was mentioned before leads to some notion that Vena or somebody else would come in and simply pick off the best bits in terms of the knowledge, the intelligence we have that was mentioned earlier as well.

What I'm trying to understand here is that the minister, in a sense, has kind of talked down AECL a little bit. She has pointed out some criticisms. It doesn't have any contracts available. Ontario's bid has suddenly gone through the roof and they want subsidies from the federal government to build a CANDU, as the minister has said publicly and then pulled back entirely. All of these things have contributed to a lowering of the perceived asset value of AECL, which we poured many billions of dollars into, and anybody coming along will simply see it as a place to pick up some parts and some potential access to the Canadian market, and that's it, full stop. Whatever results at the end of the day will be a drastic diminishment of what AECL was just a short time ago.

How can you assuage those fears?

Mr. Serge Dupont: You say “diminishment of what AECL was”. I think you're correctly observing at this time that it is not participating in any of the new builds. So starting from where we are now, we have to be realistic about the prospects under the current structure.

As a large measure of the exercise, I cited the three objectives, the third one of which is really to position the industry to be more present in those markets and to enhance that capacity. If the government, upon seeing what is offered from potential investors, doesn't see that this results in more business and more activity and a better future for our nuclear industry than status quo, I would imagine it just won't go forward at that time.

Mr. Nathan Cullen: Let me get back to a subsidy question.

We did a build in China. Was it in 1996 that the contract first came around?

Mr. Serge Dupont: I think so.

Mr. Nathan Cullen: There was $1.5 billion attached to that in guarantees from the Canadian government.

Is that not subsidizing the project?

Mr. Serge Dupont: Again, I'd like to come back to the committee on that point. My understanding is that there was some export financing under the Canada Account. My understanding is that those funds were subsequently reimbursed. Therefore, it would not necessarily qualify as a subsidy. It was some financing provided by the Government of Canada.

Mr. Nathan Cullen: Have we ever done an internal asset assessment of AECL? Has AECL ever gone through the process, prior to this Rothschild study, of saying this is what we think the whole thing is worth?

Mr. Serge Dupont: No, because that was partly what we were trying to get from the financial advisers.

Mr. Nathan Cullen: Many of these reactors weren't built by Canada; they were built by others. There's no causal link between AECL picking up the refurbishment contracts. Is AECL the only one in the world that can refurbish these reactors?

Mr. Serge Dupont: AECL is not the only party in the world that could refurbish the reactors. However, they are CANDU reactors and AECL has a natural advantage in servicing them, relative to the competition. But other engineering companies or others at some point could do this as well.

● (1700)

The Vice-Chair (Mr. Alan Tonks): Thank you, Mr. Cullen.

We have reached the end of our time, and I have just a couple of clarifications.

Mr. Cullen, you suggested the matter of enriched uranium, and on the advice of Mr. Dupont you may wish to submit the name of an additional witness on that. I'll leave that with you.

Mr. Nathan Cullen: Yes, thank you.

The Vice-Chair (Mr. Alan Tonks): You can perhaps ask Mr. Dupont who would be appropriate to bring in.

Mr. Bains asked for clarification on the dates. I think Mr. Dupont is going to submit that for the benefit of the committee.

Mr. Serge Dupont: Yes.

The Vice-Chair (Mr. Alan Tonks): Do I have a motion to adjourn?

Are we all in favour?

(Motion agreed to)

The Vice-Chair (Mr. Alan Tonks): The meeting is adjourned.

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