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## Standing Committee on Natural Resources

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EVIDENCE

**Monday, November 2, 2009**

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**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

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• (1535)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):** Good afternoon, everyone. Welcome. It's good to be back here at our Monday committee meeting.

We have with us today the Minister of Natural Resources. She will be here for two 45-minute segments, the first dealing with the state of the nuclear industry in Canada and abroad, which of course is the issue we've been dealing with at this committee for the past several meetings.

In the second part of the meeting, the minister will be dealing with Bill C-20, the bill we've had before this committee before. It is an act respecting civil liability and compensation for damage in case of a nuclear incident.

A point of order, Mr. Regan.

**Hon. Geoff Regan (Halifax West, Lib.):** Mr. Chairman, may I presume that the intention is for the minister to make two separate statements? I would have thought that one at the beginning would not use up as much of the committee's time. We're anxious to hear from her, obviously, and that's fine. But normally ministers come and have an allotted time for speaking; they don't have double that. Hopefully, she will take only as much time as she needs, and not very much, so we can get to discussion and questions and answers. But if she is taking up double the normal time, that would be a concern.

**The Chair:** Mr. Regan, we'll go ahead with the agenda as it is written here. I did mention this at the last meeting.

**Hon. Geoff Regan:** Mr. Chairman, you did not indicate that the minister would be speaking twice.

**The Chair:** Order, please, Mr. Regan.

We will have the minister present for up to 10 minutes for the first 45-minute segment and present again on the bill itself for 10 minutes. It seems appropriate that the meeting be conducted that way.

**Hon. Geoff Regan:** I challenge the chair. I challenge your decision on this, Mr. Chairman.

**The Chair:** Mr. Regan has challenged the ruling of the chair, I guess, so I—

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** A point of order, Mr. Chair.

**The Chair:** I have to deal with this one first, Mr. Anderson.

**Mr. David Anderson:** Well, we need a point of clarification. What is he challenging? Is he challenging you or the agenda of the meeting? What is it he's challenging? Your comments? This is ridiculous.

**The Chair:** Mr. Regan, I think we do need some clarification on that. Exactly what are you challenging?

**Hon. Geoff Regan:** Mr. Chairman, you were about to ask for a vote. It must be clear to you already. You must have had this discussion.... But the point I was making is that I have challenged your decision to have the minister speak twice rather than once, which is the normal fashion for when a minister visits.

I think that's clear already to you and that's why you were about to ask for the question as the rules provide.

**The Chair:** So the question is that the ruling of the chair be sustained, and we'll go to a vote on that question.

Mr. Anderson.

**Mr. David Anderson:** Mr. Chair, I'd like to be clear about what we're voting on here. The ruling of the chair is simply to affirm the order of the meeting. In order to change the order of the meeting...I understand it takes unanimous consent to change the agenda. Are we just voting on your comments now and then we'll do something more? I don't know if this is because the cameras are on—Mr. Regan seems to do this regularly—but anyway, it's a little bit annoying right now. He never came and talked to us ahead of time. He never raised the issue. The agenda went out as it is and as it is being presented, and I'm not sure what his reasons are for doing this.

**The Chair:** Yes, Mr. Anderson, I think, all that's accurate. He has indicated that he is challenging the agenda, my decision to have the agenda broken into two parts, having the minister present at the first of each part.

I'll go directly to the vote. The clerk will read the names and you can each announce your position on sustaining the decision of the chair.

(Ruling of the chair sustained)

• (1540)

**The Chair:** The decision of the chair has been sustained. Now let's get on with the business of the meeting.

There's one other thing I would like to say before we go to questions. As you know, traditionally at these committee meetings, when the minister is before the committee, there is a wide range of latitude in the questions being asked, as long as they deal with the responsibility of the minister and the business that is properly before this committee. In this case it's the committee on natural resources. I'll let you think about that as the minister makes her presentation.

Minister, welcome. Thank you very much for being here with your people.

Please go ahead for up to 10 minutes. I thank you very much for making yourself available. I know with your schedule it was very difficult to come so quickly. We do appreciate it. I know you take the business of the committee very seriously. That's why you're here, that's why you're going to make your presentations, and that's why you're going to answer the questions.

Go ahead, please.

**Hon. Lisa Raitt (Minister of Natural Resources):** Thank you very much, Mr. Chair. I appreciate the time of the committee.

Let me start by thanking the committee for the opportunity to be here to talk about the state of the nuclear industry here in Canada. I do appreciate the value of the work the committee has undertaken on nuclear issues, particularly in the past number of weeks.

The industry, as you know, is very important to the country and it's something we do well. We have a strong and proud history in the nuclear field, and we've been technological pioneers within the industry for decades, literally since the infancy of the nuclear era.

The nuclear industry and its place in our society today is I think perhaps often underestimated, and it's improperly associated with some negative connotations. The reality is that the nuclear industry employs more than 30,000 Canadians, and many of these jobs are highly skilled and high-paying employment opportunities. About 15% of Canada's electricity, and fully half of Ontario's, comes from nuclear power. The industry as a whole has an annual power output valued at approximately \$6 billion.

With nuclear power set to play an increasingly important role in balancing the need for power with a desire to reduce greenhouse gas emissions not just here at home but around the world, this industry clearly has tremendous opportunity for growth in the coming years and decades. The Canadian industry needs to be positioned to take advantage of these global opportunities.

I recently met with my international counterparts at the International Energy Agency ministerial meeting in Paris. One of the key priorities that many of the energy ministers highlighted was the need to continue allowing, as well as promoting, nuclear power into the global energy mix. And indeed, this past summer that was part of the G-8 communiqué.

Nobu Tanaka, who is the executive director of the IEA, has advised that to achieve the greenhouse gas reduction goals, 32 nuclear power plants will need to be built every year between now and 2050.

The Government of Canada has a critical role in fostering the conditions for this industry to be able to take full advantage of those

opportunities and for the safe, secure, and environmentally sound development of the nuclear industry. So we have set out our policy, based on three clear objectives. First, meet Canada's clean energy needs economically, safely, and reliably; second, maximize return on Canada's already great investment in nuclear energy; and third, position our nuclear industry for growth in both the domestic and the global market.

We have been acting on these objectives to deliver results for Canadians. We've extended the funding for both AECL and the Canadian Nuclear Safety Commission to carry out their mandates. We brought in Bill C-20, which was referred to committee in June of this year and which is today to be considered by this committee and which will be further studied in the coming weeks.

Bill C-20 has been drafted to modernize the framework for nuclear liability. We've also made the decisions that needed to be made to advance the framework for managing nuclear waste. We have a program under way to begin the cleanup of nuclear legacy liabilities at Chalk River. And the Port Hope area initiative has recently received a five-year licence from the Canadian Nuclear Safety Commission to move forward on the design of the Port Hope project.

As you know, this government has endorsed the adaptive phased management approach recommended by the Nuclear Waste Management Organization for dealing with nuclear fuel waste. A consultation process designed to identify a willing host community has commenced and is expected to continue for several years under government oversight in accordance with the Nuclear Fuel Waste Act.

These are all necessary actions that are vitally important to bolstering and building public confidence in what is a very important industry for Canada and for Canadian workers.

So there's a great deal of action and progress under way in all things nuclear in the country, but I think there are two clear priority areas where we all want to see some concrete progress in the coming months and years. And while I'm going to keep my comments brief today, I want to talk about these two priority areas: isotope production and the restructuring of AECL.

On isotopes, due to the comprehensive work this committee has already undertaken on behalf of all Canadians, more specifically by focusing your attention on the issue of the supply of medical isotopes, you have performed an important service for Canadians.

I'd also like to take this opportunity to reiterate my personal thanks and those of the government to the medical community for their tremendous work to ensure we have been able to cope with the supply issues of recent months.

• (1545)

I have been clear that going forward, AECL's top priority must be the NRU's return to service as expeditiously and safely as possible. AECL officials continue to inform the Canadian public that they believe the NRU reactor will return to service in the first quarter of 2010. I've been meeting weekly with the CEO and chair of AECL to hold them accountable to the schedule. AECL, at the end of the day, is accountable to the taxpayers of Canada, and we shall continue to insist that AECL meets the expectations of all Canadians.

My department and I have also been taking a leadership role in mobilizing international collaboration to maximize the global isotope supply, and we will continue to do this. We shall continue to consider the medium- and long-term options for isotope production as well. These considerations and decisions will be vital to our formulating plans and policies for the coming years.

Turning to AECL restructuring, the second priority, it will begin to take clearer shape as the review team continues to work through the many submissions received. The review team will assist us in paving the path forward. I am confident in our ability to make the necessary steps to strengthen Canada's nuclear industry and put us in a better position to access business and construction opportunities, both at home and abroad.

My special advisor, Serge Dupont, is here today. He went into detail earlier this month as to why we are intent upon restructuring AECL, so I'll try not to be too repetitive.

In short, AECL's structure and its business model need to change, and AECL needs to be in a position to have access to new business and investment partners if it's going to be truly competitive on a global scale. If we're going to protect, and hopefully grow, tens of thousands of jobs, AECL needs to be restructured in a thoughtful and considered fashion. It also needs to change if we are going to protect the taxpayer by bringing in risk capital up front to share some of the risks while increasing the potential for success. As it stands today, the Canadian taxpayer shoulders both the front-end investment costs and the downside risks of the business. This can be a particularly heavy load to bear, and we've seen an example of this in the first-of-a-kind refurbishment projects.

We are working to position the Canadian nuclear industry to retain and create skilled jobs. We recognize and value the contributions the hard-working employees in this industry are making to nuclear science, to technology, to our economy, and to our international reputation as a world leader and a technological pioneer.

Without a doubt, the nuclear industry's employees, the engineers and scientists, are world class. We as a government are very thankful for these contributions, and we need to highlight the employees' successes and the expertise on the world stage. Quite frankly, some of the world's biggest and brightest thinkers in the nuclear industry live and work here in Canada. Our government is acting now to ensure that these highly skilled employees will have every opportunity to actively participate in high-value projects, designing, building, and servicing nuclear energy technology in Canada and abroad.

Similarly, we need to act to improve AECL's R and D activities. The Chalk River labs and the company's R and D infrastructure as a

whole need to be part of a culture that promotes innovation and excellence, feeding the industry at large, not just a reactor business. We need to be looking at new models of management. A government-owned, company-operated structure, for example, is one alternative possibility that we're taking a serious look at.

On that note, Mr. Chairman, I'm going to end my remarks simply by saying that I am committed and this government is committed to seeing the nuclear industry in Canada overcome some serious challenges to become a stronger, better, and more successful industry than ever. This is an industry that, given the conditions to grow properly, has a very, very bright future. It's a source of growth, innovation, jobs, and clean energy, things we all agree are critical to this country's future success.

Thank you very much, and I'd be happy to take questions.

• (1550)

**The Chair:** Thank you for that very informative presentation, Minister Raitt. We do appreciate your giving us that as a starting point for our discussion here this afternoon.

We'll now go directly to the questioning, beginning with Mr. Regan for up to seven minutes.

Go ahead, please.

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

Welcome, Minister. It's always good to have you here.

**Hon. Lisa Raitt:** It's good to be here.

**Hon. Geoff Regan:** The government received the report from the National Bank in August of last year, and I gather you've had the report from Rothschild for several months now. We've been hearing from people in the industry that the result of the uncertainty about AECL's future, which we've seen since May when you announced the intention to do something with AECL and which is still not clear, is making it very hard for this to go forward.

For instance, we've seen with the Government of Ontario's process for replacing the Darlington reactors, to build reactors there, that things are up in the air. They're waiting to see what the Government of Canada is going to do. We've heard from the industry that this is causing great concern and that damage is being done to the industry. How much more damage will be done before a decision is made? How much more will the industry suffer as result of this delay?

**Hon. Lisa Raitt:** Thank you very much for your question.

I'll just give you a chronology of the timing of where we are in the process, because I think it's really important. One of the things that I said in my remarks very clearly is that this is a comprehensive, complex area. Quite frankly, it's an area that has suffered from great inaction over the past 15 years. As a result, we do have a lot of cleaning up to do.

In 2007, it was announced by this government that there would be a review of AECL. Natural Resources Canada set up a review team, and National Bank Financial was engaged to provide financial advice to that review team. Now, I bring that up only because that review team produced a summary report, which was made publicly available in May of 2009. We announced on May 28 of that year that the review was complete, and what that review was anticipated to do was to set the framework with respect to where we would be going. The decision was taken and it was told to the general public that we would be moving forward with a restructuring of the corporation.

That same AECL review team, inherent in Natural Resources Canada, is proceeding; it's looking for feedback from the market and from stakeholders. I'll come back to talk about the uncertainty issues after I just give you the chronology.

Where we are right now is in that portion of determining what the restructuring plan will look like. For a restructuring to happen, of course Parliament will have to weigh in on it, and at that point in time, there will be a matter before Parliament to decide.

On the uncertainty issues, there are two things. On the Government of Ontario, the most beneficial thing that could have happened for AECL and for the restructuring, quite frankly, was that the Ontario process not be suspended. But it was suspended in June of this year for a number of reasons, one of which they indicated they wanted to understand where the government was going on restructuring. As a result, we have been keeping in close contact with the Government of Ontario and letting them know what we were doing and whom we were speaking to—

• (1555)

**Hon. Geoff Regan:** Madam Minister, I'm sorry to interrupt you, but I think you know I only have seven minutes, and I—

**Hon. Lisa Raitt:** I'm at the uncertainty part.

**Hon. Geoff Regan:** Well, I was looking for the question of damage. I recognize it takes some time to answer, but I think I've been very patient. So if you could—

**The Chair:** Go ahead, Minister.

**Hon. Lisa Raitt:** Then to put it more directly, Mr. Regan, there is no damage to the industry. What this government is doing is actually beneficial to the industry, and it is welcomed by the industry. I met with the organization of CANDU industries on Friday at their annual meeting. They welcome the restructuring. They understand the time it takes for it to go. We've been getting great feedback from the stakeholders.

As far as the Government of Ontario is concerned, as I indicated, it would be very helpful if they would move on their procurement process. However, we can't make them move any faster, therefore we continue with our restructuring.

**Hon. Geoff Regan:** Minister, through you, Mr. Chairman, we certainly heard something very different here from the industry last week at the committee.

Let me ask you, some are saying that in fact this privatization will be the death knell for CANDU technology. In view of that concern we're hearing, are you in fact looking at breaking up the CANDU sales side of AECL from the research part at Chalk River?

**Hon. Lisa Raitt:** As we indicated on May 28, what we've determined, based upon the advice that's been received from the AECL review team, based upon their input financially as well as talking to stakeholders, is that it makes the best sense for the corporation to be divided into two pieces: one taking a look at Chalk River and the R and D there, and the other side dealing with the aspects of marketing, and selling, and delivering on CANDU technology. We think that's really the best way to structure so that we can take advantage of the nuclear renaissance.

**Hon. Geoff Regan:** If I have time, let me turn to some of the issues that AECL has been facing.

There was \$100 million included in this year's supplementary estimates for cost overruns at Bruce and Point Lepreau. Was that to cover off-balance-sheet liabilities, or has that figure been adjusted through the ongoing problems at Point Lepreau if it wasn't enough for the off-balance-sheet liabilities? If it's otherwise, what is the figure now? Won't the government be on the hook for the cost of Lepreau, regardless of whether it's AECL's problem or not?

**Hon. Lisa Raitt:** Atomic Energy Canada Limited expects to complete its part of the Point Lepreau refurbishment project about 16 months late. They're working with New Brunswick Power on the refurbishment process. We also expect they'll honour their obligations under the fixed-price contract that was entered into in 2005.

**Hon. Geoff Regan:** Okay, but that doesn't answer the question about whether it's \$500 million. If AECL is worth about \$300 million, is someone else going to assume the \$500 million in off-balance-sheet liabilities? What's the intention in relation to that? Are the taxpayers on the hook?

**Hon. Lisa Raitt:** As I indicated in my opening comments, that's the difficulty with AECL right now. The government and the taxpayer are responsible for the front-end costs associated with their annual budgets, as well as any cost overruns, as we are experiencing currently with Point Lepreau.

**The Chair:** Thank you.

Thank you, Mr. Regan.

We'll go now to the Bloc Québécois and Madame Brunelle for up to seven minutes.

[*Translation*]

**Ms. Paule Brunelle (Trois-Rivières, BQ):** Good afternoon, Minister.

Good afternoon, gentlemen.

To continue on the topic of AECL restructuring, I see in your presentation that you are looking at new management models. You referred to a government-owned, company-operated structure, for example, one possibility that you are taking a serious look at.

I would like to have a few more details on what you mean by that. Isn't that the kind of model that was adopted with MDS Nordion concerning isotope management? We saw that that model did not work very well because now the company is suing the government.

•(1600)

[English]

**Hon. Lisa Raitt:** I believe the honourable member is talking about the Chalk River labs side, which is the government-owned, company-operated model. It's a model used around the world—in the United States and the United Kingdom as well. It's looked at as a way to ensure there is focus, innovation, and excellence in the delivery.

It's also a way to ensure that they won't be looking just at CANDU reactors; they'll be doing research on all kinds of different R and D priorities in the nuclear field here in Canada. On the benefits associated with this management model, it will bring in private sector expertise and ensure it's being managed as best as possible and that we're unleashing the best aspects of our scientists for R and D.

It is a model that we're considering. Much work has been done by the department on it, but our current focus at Chalk River is really to ensure that the NRU is brought back into production as expeditiously as possible. That's the most important, pressing matter right now at Chalk River.

[Translation]

**Ms. Paule Brunelle:** My comment was more general. I am concerned that what is most lucrative for companies working in the nuclear industry will go to the private sector and that what is the most costly, such as disposing of nuclear waste and all that, will remain a government responsibility.

More specifically, you referred to a renaissance in the nuclear sector. However, we get the sense that AECL is an isolated player on the global market of major companies. There is a great deal of criticism around the CANDU reactors. Are you not concerned that, by restructuring AECL, you will leave the door open for the CANDU market to be purchased abroad and that, in the end, it will be eliminated by international competitors and that this technology will leave Canada?

[English]

**Hon. Lisa Raitt:** Again, thank you very much for the question.

The CANDU reactor division.... As we indicated in the opening remarks, there will be a point in time when we need to build a great amount of nuclear reactors every year in order to deal with the reduction in GHG emissions that we're seeking in the world. That being said, only a handful of companies around the world can do that. The CANDU technology is a niche product, but it is a very much sought after product for certain countries. There is a good fit with certain countries in the world, and they continuously approach us. We have reactors working in Korea, in China, and of course here in Canada. As well, there is great interest from Ukraine, from Lithuania, and from other countries in Europe.

The main reason is because of the ability for it to work on unenriched uranium, which is of course of great importance, and because of the safety. Indeed, when I was at the IEA, the minister from Japan commented that the one thing about CANDU is that it has the highest rate of efficiency for power in the world, and it has a stellar reputation. We want to take advantage of that technology, and we believe there's a marketplace for it. What we're currently lacking

are the tools and the skills and the abilities to sell that to the marketplace in the world.

What we want to do in the AECL restructuring is to actually become versed in what you indicate is the fear of what will happen. We want to build an industry; we want to preserve these jobs and make Canada a world leader on CANDU technology.

[Translation]

**Ms. Paule Brunelle:** How much have Quebec and Canadian tax payers invested in AECL since it was created?

[English]

**Hon. Lisa Raitt:** It's \$8 billion.

[Translation]

**Ms. Paule Brunelle:** How much is AECL worth? How much will you sell it for?

[English]

**Hon. Lisa Raitt:** Currently, we are actually reviewing the appropriate way for the restructuring plan to happen. We don't have evaluation with respect to AECL. It really is a case, as Mr. Dupont indicated when he appeared before you, that the value will be determined by the market. The market will determine the value of it. An example of that, as I referred to as well in my opening remarks, is the intellectual property, the expertise, and the human capital that we have invested in AECL over the past number of years. The sheer knowledge there is of great market value. Until we understand from the market what that value is, we won't be able to have a number on it.

One of the three priorities for this government is to ensure that there's a fair return for taxpayers on their investment.

•(1605)

[Translation]

**Ms. Paule Brunelle:** Some groups, such as Greenpeace, tell us that AECL is worth \$300 million. What is your opinion on that?

[English]

**Hon. Lisa Raitt:** As I indicated, I think AECL is worth what the market will pay, and that's the true value of assessment. As Canadian taxpayers, we've made an \$8 billion investment, and we have received much out of it. We are, as I indicated, a world leader in the CANDU technology, but it's time to take advantage of the next push for nuclear new builds in the world, and that's what we're positioning for.

What we're looking for isn't a wholesale sale of AECL/CANDU. What we're looking for are partners and expertise and capital infusion, making sure that the risk associated with new builds isn't too strenuous on the Canadian taxpayer and that we can take advantage.... To give you an example, AECL was not able to take part in the nuclear bidding processes in the United Kingdom because they simply did not have the capacity. That's a lost opportunity that Canadians should have been taking advantage of.

**The Chair:** Thank you, Madame Brunelle.

We go now to Mr. Cullen from the New Democratic Party. Go ahead, please, for up to seven minutes.

**Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP):** Thanks, Chair, and welcome back, Minister.

I'll make you a deal. I'll try to keep my questions short, and the answers will hopefully correspond somewhat.

One quick question on the subsidy. Is the \$8 billion in adjusted dollars or is that in figures that were applied at the time?

**Hon. Lisa Raitt:** I have to look to my officials for that.

**Mr. Tom Wallace (Director General, Electricity Resources Branch, Department of Natural Resources):** It was the figure at the time.

**Mr. Nathan Cullen:** Okay. The only reason I raise that point is to caution the use of the amount that Canadian taxpayers have put in, because we rarely, in business or government, use dollar figures that are not adjusted to modern terms, to give people a proper sense of what the actual investment would mean in today's world.

A question about the Ontario move. I know this is not delicate, but it's a fine line to cross to suggest what Ontario should or shouldn't do. The Ontario government suspended its bid process. One of the things they came out with during that discussion was that they wanted a subsidy from Ottawa. They wanted Ottawa to come on and help subsidize the new builds that they were looking to have happen in Ontario. Does your government have any official policy on what a subsidy limit might be, or whether to subsidize at all in terms of builds for AECL?

**Hon. Lisa Raitt:** We've made the very clear decision that the procurement process is the appropriate place that we're competing in. We put in the price, along with answering the questions with respect to risk, as we were asked to do on the Ontario process.

They indicated two things: one, they wanted to know where we were going on restructuring; and two, they wanted to be able to have a conversation.

I have not had the conversation with Minister Smitherman about it. What we are doing is working on AECL's restructuring in order to give them assurance that we'll be in a better place to deliver on the contract.

The second part is that Ontario and the Government of Canada share a common interest, in that there are 30,000 jobs in southern Ontario in the nuclear industry. So it's a point of conversation for both of us, but they have suspended their process at this point. But we must continue with restructuring.

**Mr. Nathan Cullen:** This is a very small thing: I'd love to see the source of the 30,000 jobs statistic—where it comes from. I don't need it today, but perhaps one of your officials could offer it later.

What you just said about the conversation you haven't had with Mr. Smitherman is interesting—that Ontario wanted to have a conversation about support for their bid through a taxpayer subsidy. That conversation hasn't happened. What I've been trying to understand, in terms of the state of the nation involving the nuclear industry here in Canada, is that the government announced that a privatization option is on the table. That created a certain amount of uncertainty, to which you just alluded, that was involved in the Ontario bid's not going forward. My concern is that in this uncertain environment, the price Canadian taxpayers are going to get for our

investment over the years would naturally be less than it would in a certain environment.

My point is this. You've mentioned the word "renaissance", which is thrown around a fair amount in nuclear promotion circles. There are 130-plus new builds going on in the world, and AECL has none of them. It's in this discussion about potentially privatizing and yet is not in a conversation with the bidder for the only potential bid on the table, which is Ontario, about you folks possibly kicking in some money to make it happen, thereby raising the price Canadians might get for AECL.

It seems like a strange conundrum we've locked ourselves into here. Am I wrong in my reading of this?

• (1610)

**Hon. Lisa Raitt:** I don't think it's a conundrum; I think, quite frankly, it's the reality. Ontario stopped its process not only for the reason they indicated with respect to AECL, but they received their bids and the bids came in at the price that is associated with nuclear new builds in the world. They also indicated that they would like to have a discussion regarding the price associated with the proponents. We're not the only ones involved in this; there are other proponents involved as well.

AECL is in charge of their procurement policy; they are the ones having the conversation. When you indicate that I haven't had any conversation, I haven't had any conversation. My conversation with Minister Smitherman has been all about assuring him that what we're doing with restructuring AECL is to make it better, so that we can continue the service and continue to do R and D, and indicating that we have a common and shared interest in the industry.

**Mr. Nathan Cullen:** Okay.

We had some testimony from the workers, whom you have talked about as being the biggest and brightest thinkers. Have you had any consultation with the workers at AECL concerning potential privatization?

**Hon. Lisa Raitt:** Yes. I've done two town halls and have met with SPEA, the Society of Professional Engineers and Associates. I met with them as well at Sheridan Park and have been to Chalk River.

**Mr. Nathan Cullen:** I have some curiosity about the cost overrun notion. I'm finding this a little perplexing. It was raised earlier about Lepreau specifically, but it concerns some of the liabilities that AECL holds. Your testimony earlier today said that liability would be passed on to the eventual owners of AECL.

What's confusing is that while I appreciate that the Canadian taxpayers will no longer be on the hook for these very expensive bills, I don't know how an offer to an outside buyer to pick up a million-dollar-a-day tab that's going on in New Brunswick, and other things that AECL seems to have on the books, would possibly and successfully be included in a sale.

My last question, just in case I don't get it in, is this. I have an order paper question here, signed by you. We had asked some questions about the bonuses that were included....

I'll read it exactly:

(c) what amount went to executive compensations, including performance bonuses, and which executives received such compensation....

The response we got back, signed by you, was that you wouldn't tell us, that you were withholding that. I find it confusing that, concerning an arm's-length crown corporation that has been going through a serious number of problems, when we ask a question about performance bonuses—which I hope aren't being given out—the answer is that you are not going to bother to tell the taxpayer what we're paying for their bonuses.

**Hon. Lisa Raitt:** Right.

I'm going to address the first part, if I may. You indicated that I have said liability will be passed over to the new corporation. We've not prejudged what kind of restructuring deal would be in place. I think what I said was that in the future it's inconceivable for the Canadian taxpayer to be the sole call for both front-end load and for overrun liability. No decisions have been taken and no deals have been fleshed out with respect to how things come together. I don't want you to be mistaken.

Regarding the bonus issues, I'll turn to officials as to.... I will get back to you. I assume something has to do with private information in terms of compensation. But I give you my undertaking that I'll go back and ask them. We'll definitely come back and let you know.

**Mr. Nathan Cullen:** Thank you.

**The Chair:** Thank you, Minister, for that. Thank you, Mr. Cullen. We'll be looking for that to come to the clerk of the committee.

**Hon. Lisa Raitt:** You're welcome.

**The Chair:** We go now to the government side, to Ms. Gallant, for up to seven minutes.

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

Through you to the minister, your department is dealing with many intertwined issues arising from nuclear science, technology, and business, such as Canada's nuclear industry competitiveness, the restructuring of AECL, defining a future mission and management framework for Chalk River Laboratories, and gathering expert advice on the security of Canada's isotope supply. In the past, NRCAN has provided stewardship for Canada's nuclear enterprise from the viewpoint of natural resources and our energy mix.

In considering the future of Chalk River Laboratories and the possible replacement of the NRU reactor with a new multi-purpose neutron facility, could you foresee that these endeavours might well be matched to another ministry or agency whose primary concerns are science, technology, innovation, and the competitiveness of Canadian industry in general?

• (1615)

**Hon. Lisa Raitt:** Thank you very much for your question.

Mr. Chair, the honourable member is correct. The restructuring is an opportunity to take a look at all aspects of how we're delivering on our nuclear dollar that the Canadian taxpayer is fronting.

With respect to CANDU, we've spoken a lot about the industry side. But on the Chalk River side, the ingenuity and the expertise we possess on the R and D side and nuclear needs to have the opportunity to flourish and to compete on the international scale. We are envied in the world for the skill and the expertise and the sheer volume of nuclear engineers we have, quite frankly.

I've met with my counterpart in the United Kingdom, where they are trying to restart their nuclear program. They don't possess the capabilities we possess here. And it behooves us to make sure we are maximizing that ingenuity, that innovation, we have.

In terms of taking a look at how we spend the dollars, a number of round tables are upcoming with respect to R and D, specifically from Natural Resources Canada. One is non-fossil fuel research and development. And I'm hoping I'll be hearing some ideas from stakeholders about the role nuclear can play and what kind of research they'd like to see.

But Chalk River certainly is a unique place. It has unique scientific tools and expertise. And part of the reason we want to restructure is to make sure we leverage these the best way.

**Mrs. Cheryl Gallant:** In terms of the files you oversee on the nuclear issues, how important is the NRU's return to service? In your opinion and in the government's opinion, what level of priority should AECL give to returning the NRU to service?

**Hon. Lisa Raitt:** We've been very clear with AECL that Canadians expect to have the return to service as safely and as expeditiously as possible.

I've been to Chalk River to tour the site. We receive weekly briefings. I receive weekly briefings or I have weekly contact with the CEO and with the chair of the board to ensure they understand the importance of making sure that, as project managers, they're on schedule and continue to move forward as quickly as possible. So their number one priority is to return the NRU to service.

**Mrs. Cheryl Gallant:** Minister, there was a press release from the CREATE group, which as you know stands for Chalk River Employees Ad hoc Task Force for a national laboratory. The press release highlighted their report asking the government to build a new national laboratory. I'm wondering if you have any comments on that report.

**Hon. Lisa Raitt:** We're very grateful to have the report. One of the reasons we announced on May 28 that we were proceeding the way we were was in the hope of bringing together these kinds of groups that would give us feedback and input and stakeholder positions regarding the future of AECL. So we're very receptive to receiving it.

My staff has received the report, as have the officials at NRCan, and it's all part of the mix. It's all part of the advice that is being received to come up with the best restructuring plan in the best way to maximize the Canadian taxpayers' dollars, keeping in mind not only the physical assets but the intellectual assets we have as well.

**Mrs. Cheryl Gallant:** I'm interested in the funding history of AECL. We've heard here in committee—and I believe it's something that Canadians and certainly all members of this committee seem to recognize, as I believe Mr. Cullen and others have mentioned in the past—is that one of the causes of the problems we're seeing with AECL, including the recent problems with the NRU, is that over 13 years the Liberal government starved and neglected funding for AECL. This neglect has led to some serious problems, and we see the Liberals—including the previous Liberal ministers of natural resources, Ralph Goodale and John McCallum—trying to exploit these problems for partisan political gain. Do you believe the long-term neglect from the past Liberal governments has left AECL with significant challenges in the current nuclear environment?

• (1620)

**Hon. Lisa Raitt:** I certainly think the facts are the facts; AECL's annual appropriation was reduced by 40% in 1989. For the past three years, we've tried to catch up to that funding gap, and as a government we've funded an estimated \$1.15 billion, whereas between 1993 and 2006, the total funding was only \$2.1 billion.

Certainly it's the case where if you're only given a limited amount of money as a crown corporation, you need to stretch it as far as you can. In this situation, we ended up having to play catch-up to ensure we were well-positioned to take advantage of what was happening in the world, which was the AREVAs of the world and the GEs and the Hitachis and the Mitsubishis coming together to form strong partnerships to move forward and sell nuclear reactors in the world, and we slipped.

**Mrs. Cheryl Gallant:** Thank you.

Do you feel there are immediate and longer-term opportunities for Canada in the global industry? Do you believe there's a need to bring AECL's strength to that opportunity now?

**Hon. Lisa Raitt:** Yes, I do. That's the other part of it. I know I speak a lot about the workers, and it's not just lip service, because they really are a phenomenal group of scientists and innovators who possess a knowledge that is second to none in the world. It really is our opportunity to make sure that Canada takes advantage of it. We've invested in it for so long, and it makes sense for us to be able to take advantage of the timing of it, so we want to restructure, we want to make sure that people have the tools to take advantage of it. I believe the stakeholders are indicating they understand, and certainly the people who work at these two facilities and facilities across Canada understand as well.

**The Chair:** Thank you, Ms. Gallant, and thank you, Minister.

We are out of time for the first 45-minute segment of this meeting, so I will suspend for two minutes while everyone gets their information organized. We'll come back in two minutes with the minister's presentation to lead off the second session.

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(Pause)

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• (1625)

**The Chair:** Okay, we're here with the second part of our meeting today, dealing with Bill C-20, an act respecting civil liability and compensation for damage in case of a nuclear incident.

We'll start off this part of the meeting with a presentation from the minister once again. When she is finished, we'll go to questions from the members and answers from the minister.

Madam Minister, if you would, go ahead with your presentation, please.

**Hon. Lisa Raitt:** Thank you very much, Mr. Chair.

I'd like to tell the committee on this one that I do have a much shorter presentation; therefore, you'll have lots of time.

I'm pleased to have this opportunity to speak to the standing committee today on Bill C-20, an act respecting civil liability and compensation for damage in case of a nuclear incident. The legislation passed second reading in the House of Commons in June, and it's to repeal the Nuclear Liability Act and bring Canada's liability legislation in line with the other pieces of our modern nuclear regulatory framework.

As committee members know, a strong nuclear industry brings great economic and environmental benefits, but there's also responsibility to ensure that the public interest, health, safety, and the environment are protected through strong legislation and regulations, and to ensure the legal framework is in place to allow nuclear development to proceed efficiently.

Canada's nuclear safety record is second to none in the world. We have a robust technology, a well-trained workforce, and we have stringent regulatory requirements. The three main pieces of legislation that govern Canada's nuclear industry are the Nuclear Safety and Control Act, the Nuclear Fuel Waste Act, and the Nuclear Liability Act. Both the Nuclear Safety and Control Act and the Nuclear Fuel Waste Act are modern pieces of legislation that put Canada at the forefront of nuclear regulation. The Nuclear Liability Act, while standing the test of time, does need to be updated to complete our modern legislative framework for nuclear power.

In Canada, we put in place the Nuclear Liability Act over 30 years ago to establish a comprehensive liability framework for injury and damage arising from nuclear incidents. Both this earlier legislation and Bill C-20, now before the House, apply to the following: nuclear power plants, nuclear research reactors, fuel fabrication facilities, and facilities for managing used nuclear fuel. The framework established under the initial Nuclear Liability Act is based on the principles of absolute and exclusive liability of the operator, mandatory insurance, and limitations in time and amount. These principles are common to nuclear legislation in most other countries such as the U.S., France, and the United Kingdom, and these principles are just as relevant today.

Mr. Chairman, the underlying principles of Canada's existing nuclear liability framework balance the needs of victims with society's interest in nuclear development. It has provided the stability and the security needed to support the continued development of Canada's nuclear power industry.

However, although the basic principles underlying Canada's nuclear liability legislation remain valid, the act does need updating to address issues that have become evident over the years and to keep pace with international developments. As a result, the Government of Canada has conducted a comprehensive review of the act and is proposing the new legislation that the committee is considering.

Bill C-20 is a major step forward in a comprehensive modernization of Canada's nuclear liability legislation. It puts Canada in line with internationally accepted compensation levels, and it clarifies definitions for compensation, and as well the process for claiming it.

The challenge for the government in developing this legislation was to be fair to all stakeholders and to strike an effective balance with the public interest. The bill is the culmination of years of consultation involving extensive discussions with major stakeholders, including nuclear utilities, the governments of nuclear power generating provinces, and the Nuclear Insurance Association of Canada—and it has received broad support.

I know that some nuclear operators may be concerned about cost implications for higher insurance premiums, but they also recognize that they have been sheltered from these costs for some time. Suppliers welcome the changes, as they provide more certainty for the industry. Nuclear insurers appreciate the clarity provided in the new legislation and the resolution of some long-standing concerns. Provinces and municipalities with nuclear facilities have also been supportive of the proposed changes.

In conclusion, Mr. Chairman, Canada's nuclear safety record is second to none in the world. The Nuclear Safety and Control Act and the Nuclear Liability Act provide a solid legislative framework for regulating the industry, and have done so since Canada's industry emerged as a world player: the former seeks to prevent and minimize nuclear incidents, while the latter applies should an incident occur. However, unlikely as it may be, we must be prepared for the possibility of a serious nuclear incident that could result in significant compensation costs. For these and other sound reasons, I would ask the honourable minister to support this legislation, and I stand open for questions.

• (1630)

**The Chair:** Thank you, Minister, for your very concise statement.

We'll now go directly to questioning, starting with Mr. Tonks from the official opposition. If there is time left, we'll go to Mr. Regan.

Go ahead, Mr. Tonks.

**Mr. Alan Tonks (York South—Weston, Lib.):** Thank you, Mr. Chairman.

I thank the minister and staff for being here.

Minister, I want to ask a question on your previous presentation with respect to the expert panel on medical isotope production, and you are indicating we will receive the report on November 30. You also indicated that this report will provide the government with advice on medium- and long-term options for isotope production.

When the committee was hearing from expert witnesses, specifically on the MAPLE technology with respect to isotope production, I'll admit, and I'm sure the committee is aware, that many of the people had a firsthand operating and research interest in the MAPLEs. We are aware that there was an expert panel that came up and did an evaluation.

The question I would think the committee would like to have an answer on is, will the expert panel be dealing with the technological shortcomings, if you will, of the MAPLE reactors, or will they be emphasizing the business case aspects of it? Is it technological, is it business case, or is it both?

• (1635)

**Hon. Lisa Raitt:** Thank you very much.

You're very correct. We created an expert review panel to identify and recommend the most viable options for securing supplies of isotopes over the medium to long term. They have been meeting since we announced them.

To answer the last part of your question, technical versus business plan, we're actually trying to encapsulate both. I will tell you the members of the expert panel to give you an indication of the flavour.

The chair of the panel is Peter Goodhand, who is a patient advocate for the Canadian Cancer Society. He is actually president of the Canadian Cancer Society. Dr. Éric Turcotte is on our panel. He is one of Canada's foremost nuclear medicine researchers. Richard Drouin is counsel in the law firm of McCarthy Tétrault to help us on the business side of it. Dr. Thom Mason, one of the world's leading nuclear scientists, is at the Oak Ridge National Lab in the United States, but he is Canadian, having been brought up in Dartmouth, Nova Scotia. He's adding the expertise to it.

On the MAPLEs question specifically, the call for proposals process has provided interested organizations the opportunity to raise their ideas regarding the MAPLEs for the experts' consideration. Not knowing what the panel specifically is considering, I would assume, because we have seen some press reports, that the panel will be taking a look at the MAPLEs. They possess the inherent capabilities to look at it from a business and a technological point of view.

**Mr. Alan Tonks:** On the presentation you made with respect to the Nuclear Liability Act and so on, when we think of nuclear reactors we think of huge mainframes. If I can use a technological analogy, we used to talk about mainframe technology before we had laptops. We had an opportunity to talk with people who are doing a great deal of development in the north where there is a concern with respect to energy production from diesel and small diesel applications. These people were from the small part of the nuclear industry that are developing small nuclear capabilities for micro applications.

In the overview that you have constructed for insurance purposes, the feedback we had was that there are aspects of the application of the insurance provisions that will make it onerous for small operators with respect to liabilities and matching those liabilities with the process and quantity of insurance liability in the act.

Would they have an opportunity to have input with respect to the application of the nuclear liability?

**Hon. Lisa Raitt:** Mr. Chair, the honourable member is absolutely correct. The current nuclear power reactors in Canada vary from about 500 megawatts all the way to 934 megawatts, which is much larger than the smaller slow-poke ones you're talking about. I think that is a very exciting development, should research and development be able to bring them to commercial utilization.

There are always those catch-all provisions in the acts. If you look at clause 66, regulations can be made regarding prescribing classes of nuclear installations, and fixing an amount of reinsurance for nuclear installations as well. There's flexibility built into the act so you can react to these specific instances that don't exist currently. My officials can get into the weeds on the exact application, but I would assume that the regulations aspect would be able to take those kinds of R and D into consideration.

**Mr. Alan Tonks:** Okay. Thank you.

**The Chair:** Mr. Regan, you have one minute.

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

Minister, on Point Lepreau, you said that the project is 16 months late. It's \$100 million so far. How much more do you expect the taxpayers will have to bear? I trust that your department has a number in terms of what it anticipates. What is that number?

**Hon. Lisa Raitt:** AECL is working with New Brunswick Power with respect to the refurbishment at Point Lepreau. They have given a date to New Brunswick Power that they expect it to be back on line in October of 2010.

• (1640)

**Hon. Geoff Regan:** But you have no idea what the number is?

**Hon. Lisa Raitt:** We have an understanding that they're over budget and they will continue to work. As you know, if they're over budget now and they know they've been delayed, it's going to exceed the anticipated fixed price.

**Hon. Geoff Regan:** So it's \$100 billion over budget now and you don't know how much more it's going to cost the taxpayer.

**Hon. Lisa Raitt:** I'm going to look to my officials as to whether they have any further information for you, Mr. Regan.

**The Chair:** Go ahead, Mr. Dupont.

**Mr. Serge Dupont (Special Advisor on Nuclear Energy Policy to the Minister of Natural Resources, Department of Natural Resources):** The annual report put out by Atomic Energy of Canada Limited, with numbers to March 31, 2009, cited a loss on their major projects—that's Point Lepreau and the other refurbishment projects—of \$333 million. Those were the losses as of March 31, 2009, which took account of the situation at that time and re-estimated the revenues and cost for those projects to completion. Those numbers may evolve over time.

AECL reports on an annual basis, and these reports are made available to Parliament. Those were the losses, to March 31, 2009, on the refurbishment project.

**The Chair:** Mr. Regan, I'm sorry, you're out of time.

We will go now to Madame Brunelle, from the Bloc Québécois.

You have up to seven minutes, please.

[*Translation*]

**Ms. Paule Brunelle:** As concerns the losses at Pointe Lepreau, we know that a request was made to the government to cover them.

Will the government do so? Will all of Canada subsidize New Brunswick's hydroelectric power?

[*English*]

**Hon. Lisa Raitt:** As we've indicated, New Brunswick Power and AECL are working together on completing the project at Point Lepreau. There is a contract that has been signed. We're standing behind the contract, and we'll respect its terms.

[*Translation*]

**Ms. Paule Brunelle:** Minister, you say that Bill C-20 puts Canada in line with internationally accepted compensation levels, which is valid.

How important do you think this bill is as part of the AECL restructuring? Does it have an impact on the desire to sell AECL? Is security required for the private sector to be able to buy AECL? Is this bill part of that?

[*English*]

**Hon. Lisa Raitt:** No, I see it as a separate piece of legislation dealing with the nuclear power industry in total. This is something that the current operators want. We spoke to the builders and suppliers of nuclear new builds, and of course they are interested in making sure there is certainty around the liability aspect of nuclear power. This bill makes it very clear that it is the operator. In the sense of giving clarity and actually adding to the amount of people who can bid in Canada, it is more beneficial from a competitive point of view.

[Translation]

**Ms. Paule Brunelle:** This bill refers to alternate financial security, where the manager of a nuclear site may have to provide such security up to a maximum of 50% in excess of the amount stipulated. We are told that this security should be sufficient and that it is verified and approved by the minister. Since these crown corporations that produce energy and operate nuclear power plants are often owned by a provincial government, do you not think that these agreements should be negotiated with the provincial government that owns the crown corporation, instead of letting the minister make the final decision in this case?

[English]

**Hon. Lisa Raitt:** With respect to the insurance aspect of it, the honourable member is correct. For the most part, the operators for nuclear power reactors in Canada are crown corporations, or associated with provinces, but they are still entities unto themselves. As a result, they have indicated to us that they would be able to be on the receptive end of the insurance capacity that is there. In fact, everyone we have spoken with in terms of stakeholders have agreed that this is an appropriate bill and it makes sense.

• (1645)

[Translation]

**Ms. Paule Brunelle:** As to the fact that it is the minister who says whether this security is sufficient, do you not think that she should be negotiating with the provincial government instead?

[English]

**Hon. Lisa Raitt:** Much as we did in the bill itself, we of course would consult with the appropriate stakeholders in the province in the assessment of the appropriate amount of insurance.

[Translation]

**Ms. Paule Brunelle:** I have another question concerning Bill C-20. This bill limits the liability of the operator of the nuclear facility to \$650 million, instead of \$75 million under the current legislation. Obviously, \$75 million was far too little and our laws are often outdated.

How can we differentiate risk? For example, there are operators who have only one nuclear reactor, such as in Quebec and New Brunswick, and others that operate several reactors with the same risks. What is the operator's financial liability? Is it the same whether the operator has one reactor or several?

[English]

**Hon. Lisa Raitt:** I'll ask for some help on that one.

**Mr. Tom Wallace:** The financial liability is related to the nuclear installation, so in the case of Hydro Quebec, it would be the Gentilly-2 and in the case of Lepreau it would be Point Lepreau. In the case of Ontario, where there's a number of reactors on one site, it's often the case that the liability is attached to a set of reactors. So Pickering A would have one group, one liability envelope associated with it; Pickering B would have another. That's essentially the way the act works.

[Translation]

**Ms. Paule Brunelle:** So, if I have understood correctly, when there are two reactors, there are two separate liabilities of \$650 million for each reactor. Is that correct?

[English]

**Mr. Tom Wallace:** It depends on the definition of what's a nuclear installation, and that would be established in the regulations. I believe you'll eventually be getting into clause-by-clause review, and we will have experts here who have more expertise in exactly how much is attached to each installation. But in broad terms, sometimes it's one reactor and sometimes it's four reactors, if they're all located at an individual site.

[Translation]

**Ms. Paule Brunelle:** Is that all?

[English]

**The Chair:** *Merci, madam Brunelle.*

We go now to Mr. Cullen from the New Democratic Party.

Go ahead, please, for up to seven minutes.

**Mr. Nathan Cullen:** Minister, the question I was hoping to put... you talked about the isotope business that Canada has been in for a long time having an historical and important role. Do you believe that role should continue, and for how long?

**Hon. Lisa Raitt:** The Government of Canada believes the health and safety of Canadians is their top priority, and that includes the supply of medical isotopes from the NRU. That's exactly why we've done a couple of things. One is to ensure that it's being brought back into service as safely and expeditiously as possible. Second, we are also pursuing the licence extension at the NRU to ensure that there's a number of years associated...and we've also embarked upon the expert panel.

What we're doing is taking a look at those medium-term and long-term options, because if you take a look at the number one priority, it is the health and safety of Canadians. The supply of medical isotopes to them is of great importance to us, and we've turned to an expert panel to help us determine the medium and the long term.

**Mr. Nathan Cullen:** I only ask because in the midst of all this the Prime Minister also talked about Canada needing to get out of the isotope business, at the same time as we were doing all the things you just said about extending the life. I think it sends some strange messages.

I want to talk about Bill C-20; this is the main part of your appearance here. You talked about it as new legislation, and yet this is its third or fourth incarnation as a bill. The department has been working on it and consulting for a long time. It worked on an initial prospect in 2004; we're now on the edge of 2009-10. This concerns a liability limit in the event of nuclear accidents. The question I have for you is, do you believe that the \$650 million that's cited in the bill is sufficiently high, in the global market of what other regions of the world set their limited liability at?

•(1650)

**Hon. Lisa Raitt:** I do, for a number of reasons. The limit was set based on the following considerations: it reflects the international norm; it reflects available insurance capacity, which of course is important, because operators have to be able to obtain the insurance; it addresses the reasonable risks, as studied by NRCan and the Canadian Nuclear Safety Commission; and it also reflects the recommendation of the Standing Senate Committee on Energy, the Environment and Natural Resources, which suggested in 2002 that the limit be raised to at least \$600 million.

One other aspect of it as well is that, if the \$75 million operator liability established in 1976 had been adjusted for inflation...inflation, it would amount to over \$350 million today. So we've made a significant move.

**Mr. Nathan Cullen:** We won't adjust for inflation—

**Hon. Lisa Raitt:** I appreciate that.

**Mr. Nathan Cullen:** —if we can help it.

I have to say I'm confused, though, when you talk about world standards, because the \$650 million represents about half of what other countries are proposing for their own liability: Japan, \$1.2 billion; Europe, in adjusted dollars against the euro, about \$1.2 billion; in the U.S., it's pooled and unlimited; in Germany, \$2.5 billion.

I'm looking at a 2007 study, not one from 2002, which is when this number was first floated. We're now seven years beyond that; I think things have changed. The federal government did a study of what a dirty bomb going off in Toronto would mean, in terms of cost, and estimated the cost at around \$24 billion. That was a defence department study of the cost for repair of a major accident. We don't wish to foretell of major accidents, but we need to incorporate the idea of what it would actually cost if one of these nuclear facilities had a serious accident. I'm a bit confused about how we come to this figure of \$650 million, and then, going around the world, see that the limits are much higher—twice as high, in almost every instance, as what is being proposed in this legislation.

One question I have for you is, are you aware of the government's willingness to raise this limit? Do you know of this committee's ability to raise the limit through this process?

**Hon. Lisa Raitt:** Here are a few things on the limit itself. It increases the operator liability from the current \$75 million to \$650 million. That's absolutely necessary. It's a nine-fold increase. It's going to make a six-fold increase in operator premiums, which they're going to have to pay.

The bill, to answer your last part, provides that the limit must be reviewed by the minister at least once every five years to determine whether or not it needs to be increased. So that ability is in the bill, and that increase will be by regulation.

As to looking internationally, the bill provides that in the event of a nuclear accident, the minister tables a report on the cost of the accident in Parliament and a recommendation on the need for any additional appropriation. That's part of the bill as well.

**Mr. Nathan Cullen:** Let me stop you there, because that was my next point.

So the limit to the operator hits \$650 million. Anything beyond that—and one can imagine, having looked at Three Mile Island and Chernobyl and the rest, that because it's not all concentrated around the site of the nuclear accident, the costs and liabilities can go far beyond, depending on the wind and where the contamination lands.... Just so I'm clear, this bill imagines that Parliament—the taxpayer of Canada—would pick up anything that went beyond \$650 million. Am I right in understanding that?

**Hon. Lisa Raitt:** No, I think it allows a latitude, an ability to make a report on the accident in Parliament and the ability for the minister to make a recommendation, if there is a need, for additional appropriations. But I think what's important to remember is that this number is based upon what is happening internationally, what is an acceptable increase for operators in Canada, and as well upon a risk assessment of the costs associated with a nuclear incident.

Then finally, just in terms of other countries—you mentioned liabilities being pooled in other countries—the reality is that the other countries are not completely backed up by insurance, and in fact in this case they would be backed up by insurance, to \$650 million, which is a difference. The minister's ability to make recommendations on additional appropriations is embedded there.

**Mr. Nathan Cullen:** No one disputes the need to update from \$75 million. My point and question is that when we do any scenario of a major nuclear accident within the Canadian facilities, in terms of the likely compensation required, you crack through \$650 million without breaking a sweat. The only place we see that being compensated for is from the Government of Canada.

We have this limited liability regime, and what I'm worried about, to be frank, is that this is all taking place in the conversation around privatization of AECL. We don't want to set a limit of liability that is somehow an enticement for folks to build reactors on this side of the border instead of the U.S., where you have a pooled liability and an unlimited cap, and folks can end up suing for quite a bit more.

The cost of insurance is part of the cost of doing business. In the nuclear industry no one insures these things because they're so risky, whether in cost overruns or in terms of accidents, and we don't want an enticing aspect of the Canadian build project to be that it has a much lower limit of liability than they do south of the border.

I'm looking around the world and seeing much, much higher rates everywhere, simply everywhere, than what is being proposed here.

•(1655)

**The Chair:** Thank you, Mr. Cullen. I think you've made your point.

**Hon. Lisa Raitt:** Do I get to respond, Mr. Chair?

**The Chair:** Minister, if you would like to respond, go ahead, please.

**Hon. Lisa Raitt:** I think it's really important to remember that electricity production is the choice of the province. Each province will be choosing the operator of the nuclear installation. It is the operator that is responsible for the liability associated with it. The scenario that the honourable member has brought to our attention couldn't happen, because the operators are chosen by the provinces and they'd be the responsible ones. Surely the province would make a very judicious decision in ensuring that the \$650 million liability limit in place was sufficient and satisfactory.

**The Chair:** Thank you, Mr. Cullen. Thank you, Minister.

We go finally to Mr. Trost, from the government side, for up to seven minutes. Go ahead, please.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair.

After listening to some of the earlier questions from some of my colleagues, I think this was partially covered, but perhaps you might want to elaborate or expand a bit. You were being asked questions about how companies view the stability and the future of the industry. Do you want to elaborate any more on that? How is this bill going to impact future nuclear development in the country? How is the industry viewing it? Is it a priority? Going forward, how will it affect projects?

**Hon. Lisa Raitt:** Thank you for the question.

Certainly industry operators, suppliers, and contractors have indicated to us that this is a priority bill for them. They want to have certainty. They recognize that there will be construction of new facilities in Canada in the coming years and they want to make sure that there's a level playing field vis-à-vis the United States in terms of liability. That's what Bill C-20 addresses.

As has been indicated already, this is something we've been working on for many years, and it's time to modernize this last piece of legislation.

**Mr. Brad Trost:** One of the other things you mentioned in your testimony was Canada's excellent safety record. As you've handled this portfolio and from your experience dealing with people in the industry, what do you feel are some of the major reasons? Is it legislation like Bill C-20? Is it our regulators? Is it that we have particularly conscientious companies? What is the core of the reason we have such a good safety record in Canada?

**Hon. Lisa Raitt:** I think it's a combination of regulation and technology, and underpinning it all is very good training in health and safety for people who work in the industry. There's a great pride. I've spoken already about people who work in the industry. There's a great pride in the people who work in the industry in terms of how safe they are. As well, people who work in the industry feel a great responsibility to the host or to the operating community, and a great amount of regulation governs what kind of reporting has to happen. Finally, the CANDU technology is simply the best in the world, both in terms of the systems in place to ensure safety and in terms of our use of unenriched uranium for the facility itself.

All those factors give us that strong base, that strong safety record, and it is a very attractive prospect to sell to the rest of the world.

**Mr. Brad Trost:** Mr. Cullen was talking about the different liability limits. The bill we have before us, Bill C-20, talks about

\$650 million as the liability limit. He was noting that currently it's less than the limits in other countries, although with the way the Canadian dollar is rising, \$650 million Canadian may be more than \$1.2 billion American in a couple of years.

Is there anything in this legislation that would prevent the government from raising the limit in future years?

• (1700)

**Hon. Lisa Raitt:** No, not at all. Actually, as I've indicated, we have two abilities. One is to review the operator's liability limit on a regular basis, and that has to take place once every five years. We take into consideration both the consumer price index as well as international agreements. And as an overall catch-all, the minister can take anything else into consideration that he or she may think is relevant in reviewing the operator liability limits.

**The Chair:** Thank you, Mr. Trost. You can finish your time with the officials. The minister has completed her time here.

Thank you very much, Minister, for coming here today and giving us the information on the two subjects that we've dealt with today. We appreciate very much your presentation and your answers to the questions.

Thank you.

**Hon. Lisa Raitt:** Just before you suspend for a minute, Mr. Chair, I gave the honourable member my undertaking that I would find the answer to a question he had. I have it.

It was with respect to the question number 323 on the order paper about possible bonuses paid to AECL executives. My staff were able to provide me a copy of the answer I gave, and I recall indicating that I thought the reason was privacy. And my memory, in fact, was correct on this. I think that comes from too many years of dealing with access to information requests. But it is very clearly indicated in this order paper that the information is withheld under the Privacy Act. Despite the suggestion of Mr. Cullen, I suggest the reason for this response is absolutely clear on the face of the answer itself, and I trust this satisfies any undertaking I may have given to the committee. I'm happy to leave this with the clerk.

Thank you.

**The Chair:** Thank you very much, Minister.

We will suspend for one minute while the minister leaves, and we'll come back with the minister's officials until 5:30.

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\_\_\_\_\_ (Pause) \_\_\_\_\_

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• (1705)

**The Chair:** We have roughly 25 minutes left in the meeting, and we have three officials still at the table. Two may have been introduced, Mr. Wallace and Mr. Dupont, but could either of you just introduce the third official who has come to the table now, please?

Mr. Dupont.

**Mr. Serge Dupont:** This is Mr. Dave McCauley, from Natural Resources Canada, who is the expert on the matter of the bill.

**The Chair:** Good. Thank you very much.

Mr. Trost, you had some questions left. Do you want to go ahead with those?

**Mr. Brad Trost:** I'll use up my last two minutes, Mr. Chair.

**The Chair:** You have three minutes.

**Mr. Brad Trost:** I basically have one question. It's been noted that other countries have different liability limits, etc., but Canada is compared with the United States particularly.

It's my understanding that we have structured our liability, or how we do it, differently from the United States. Having been on this committee before, I've had this explained to me once before, but could you again repeat and explain how Canada and the United States' numbers cannot be compared apples to apples, because it's a different comparison? Could you compare the two and note their differences and similarities?

**Mr. Serge Dupont:** The U.S. has two components—and Mr. McCauley may wish to add to this response. There is a limit on the liability of an operator in a range of \$310 million. If damages exceed that amount, there can then be a call on the other reactors in the United States, up to an amount of \$120 million per reactor. It's almost a self-insured pool. Given the large number of reactors in the U.S., this approach is more readily feasible than it would be in Canada, given the smaller pool of reactors here.

So that's how you get to a higher threshold. They don't need to buy the equivalent of the higher limit in the insurance market. It is basically a "tax" on the other reactors in the event of an incident.

**The Chair:** Mr. Trost, you still have a minute and a half left.

**Mr. Brad Trost:** Thank you, Mr. Chair.

Would that then be a cost advantage for Canadian operators in the Canadian system—albeit I'm not sure if this would be possible or even probable with provincial utilities? Would it be a cost advantage for the Americans? How would that affect people's decisions and the costs of production and running their plants?

**Mr. Serge Dupont:** I would suggest it's difficult to say, Mr. Chair. The original limit per operator may be lower in the U.S. than in Canada, but then they also have a contingent obligation, if you wish, to contribute to indemnify in the case of any other accidents. So one would have to work out those two components and their relative probabilities versus the one number in Canada.

**Mr. Brad Trost:** But as far as you know, there has been nothing the industry has stated one way or the other on whether there would be a cost advantage or disadvantage?

• (1710)

**Mr. Serge Dupont:** I think the one thing that's clear is that the higher limit in Canada will provide for a more balanced position vis-à-vis the U.S. and therefore I think a greater sense that the Canadian industry and operators have the same type of responsibility and potential liability as exists in the United States. It will certainly be more closely aligned.

**The Chair:** Thank you, Mr. Trost.

We go now to the second round of questioning, starting with the official opposition, and Mr. Regan, for up to five minutes. Then it goes to the Conservatives, the Bloc Québécois, and the Conservatives again for five minutes each.

Go ahead, Mr. Regan.

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

What we've heard from the medical experts who have appeared before the committee is that the lack of isotope production is pushing them to the brink. We've heard, for example, that there are people who are actually leaving the study of this because of the problems existing now. We've heard there are doctors who are no longer referring patients.

Dr. Urbain, the president of the Canadian Association of Nuclear Medicine, told us in fact that because people are not being referred for the tests using medical isotopes, what's effectively happening with some of them, obviously, is that the cancer is growing. And they've said—

**The Chair:** Mr. Regan, you have strayed from the jurisdiction of this committee and department to the health department, I believe. If you could stick to the issues that properly should be dealt with by this committee, it would be appreciated.

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

I'm sure this certainly relates to isotopes and isotope production, which is what I said in my statement. And we've had discussions in this committee before with the witnesses I'm speaking about. They appeared here, not in the health committee, and I'm talking about what they told us.

What I want to ask about is the fact that in June, the minister told us in this committee, Mr. Chairman, that the Chalk River reactor, the NRU, would be down for three months. Now we know it will be down for nine or ten months.

**The Chair:** Mr. Anderson has a point of order.

**Mr. David Anderson:** This section of the meeting was given over to the discussion of Bill C-20. I don't know if Mr. Regan understands that, but he's definitely not talking about Bill C-20.

**Hon. Geoff Regan:** Mr. Chairman, you made it clear last week—

**Mr. David Anderson:** The officials are here to discuss Bill C-20. That's what they've come prepared to discuss, not last June's meetings.

**The Chair:** Thank you, Mr. Anderson.

When the minister is here, there is a lot of latitude allowed in the questions asked, as long as they're questions that belong before this committee. We have the officials here now. They've come on Bill C-20, and I believe that any question outside the scope of Bill C-20 should be asked of the minister. There are ways. Of course, Mr. Regan, you can do that.

**Hon. Geoff Regan:** Mr. Chairman, you made it clear last week and at the beginning of this meeting that everything was fair game. We had a discussion about these topics. We have officials here who can answer some of these questions. We've had discussions on two issues today. Right?

Just a minute, Mr. Chairman. This is on the point of order. This is on the point of order we're now considering.

**The Chair:** This is on the point of order.

Ms. Gallant—

**Hon. Geoff Regan:** We've had two sessions. This appears to be the third session. But the expectation of the members was that the officials could answer questions on general issues as well as narrow ones. I can't imagine why you wouldn't allow that to happen, unless it's a directive of the PMO.

**The Chair:** Mr. Regan, there's a difference between what we ask the officials and what we might ask the minister. I have allowed great latitude in questioning the minister, as long as the questions dealt with proper committee business.

We have the officials here now. It would be appropriate if you would ask them questions on the issue they're here to talk about, which is Bill C-20.

**Hon. Geoff Regan:** Mr. Chairman, I can use the time to make a statement about that as well.

**The Chair:** I guess Ms. Gallant doesn't want to pursue this.

Go ahead, Mr. Regan.

**Hon. Geoff Regan:** Mr. Chairman, throughout today's meeting you and the government side have tried to ensure that as little time as possible was spent holding the government to account. It's the responsibility of members of Parliament, in my view, to do that. You ensured that at least 20 minutes was taken up by the minister in making two separate statements.

Mr. Chairman, to Ms. Gallant, I'm entitled to try to make an objection and arrange things so that we have more time to ask questions and hold the government accountable. People are concerned about what's happening with medical isotopes and the production of those isotopes. It's shocking to me that you don't want me to ask questions about this. You don't want to hear the officials answer those questions.

• (1715)

**The Chair:** Mr. Regan, do you have a question?

**Hon. Geoff Regan:** Mr. Tonks asked earlier about small operators. What's your position on that?

**Mr. Serge Dupont:** I think the minister indicated that there would be flexibility in the legislative construct to address special requirements for nuclear installations different from those prevalent in the Canadian industry today.

**Hon. Geoff Regan:** Do you mean that the government would support amendments to that effect? Are you suggesting that the present drafting would permit this?

**Mr. Serge Dupont:** Mr. McCauley can give you the answer.

**The Chair:** Mr. McCauley.

**Mr. David McCauley (Director, Uranium and Radioactive Waste Division, Electricity Resources Branch, Department of Natural Resources):** It's a matter of regulations. The government is able to set a lower limit of insurance for smaller facilities such as the reactor that Mr. Tonks discussed. This makes the insurance less difficult for them.

**The Chair:** Thank you, Mr. Regan.

We go now to the government side. Mr. Anderson

**Mr. David Anderson:** That's a good point, the last one that was made. As for Mr. Regan's, I'm not sure they are relevant. But the last point, which dealt with there being enough flexibility to allow smaller operators to go about their business, is important. That was part of the bill, the previous bill. It was passed by this committee earlier, when the minister referenced the Senate committee by saying they had recommended \$650 million. I should point out that this committee made the same recommendation. It took the bill from last time, passed it through the committee, and sent it back to the House of Commons in its present state. So this committee supported those limits and the structure that's presented here.

I would like to ask about the ability of people and institutions to get compensation in the event of an incident, and I would like you to talk a bit about the role and responsibility of the tribunals. Tell us how this is an improvement over the present system.

**The Chair:** Mr. McCauley, are you prepared to answer that?

**Mr. David McCauley:** Certainly. Thank you very much.

The issue is that under the existing legislation there was provision for what's known as an administrative means of dealing with claims in the event of an incident. That administrative system was known as the Nuclear Damage Claims Commission. The problem with the existing legislation, however, is that the system wasn't really elaborated on.

Under the new legislation the government has provided details on the operation of what is now known as a tribunal. This is a quasi-judicial body that will deal with the effects of an accident using administrative means. These means have generally been considered to be more efficient and equitable than judicial means in dealing with mass tort accidents. So we see this as a major improvement in the new bill versus the existing act.

**Mr. David Anderson:** There's also an opportunity to receive some compensation earlier in the process than there used to be. Is that correct?

**Mr. David McCauley:** Exactly. Under the new legislation, interim payments will be able to be made to victims prior to a complete assessment by the insurers. Those payments will be tracked and monitored so the \$650 million limit is not exceeded. There is provision to ensure that victims in need get compensation quickly.

**Mr. David Anderson:** I wonder if you can you talk a little about the reciprocity provisions of the agreement as well. A lot of the installations are near the border. Just talk about the way the bill would be applied in terms of liability if there were an incident along the border. Talk about the U.S. system as well and how it works.

**Mr. David McCauley:** We currently have a reciprocity agreement with the United States. As a result, if any incident in Canada caused damage in the United States, American victims would be able to come to Canada to have access to compensation under our legislation. Similarly, under the United States' legislation, the Price-Anderson Act, they would avail themselves to claims from Canadian victims in the event of a U.S. incident that resulted in such victims.

The U.S. system is very much like the Canadian system. We have legal channelling in our legislation and say that the operator is absolutely and exclusively liable for damages resulting from the incident. In the American system they use what's known as economic channelling, but the bottom line is that the result is the same. Operators are liable for damages irrespective of any other parties. As Mr. Dupont explained, the American system includes higher limits in total. The individual operator has less of an onus to carry insurance than what would be the case under the new Canadian system.

**Mr. David Anderson:** If you take the premium system we're proposing and compare it to the American system, they would be paying less for individual installation. Is that correct? The direct cost to them would be less and they would have to contribute to the pool as well. Is that how it works?

**Mr. David McCauley:** I think Mr. Dupont covered this. Certainly the first tier of the American insurance is less than what Canadian companies would be carrying as their first tier of insurance. The question becomes what premiums are being paid by American operators versus Canadian operators? Second, what kinds of financial arrangements are in place to secure the second tier of funding that would be available in the event of an incident?

• (1720)

**The Chair:** Thank you, Mr. Anderson.

Thank you for your answers.

We'll go now to Monsieur Guimond from the Bloc Québécois for up to five minutes.

[Translation]

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

Like Mr. Regan, I thought that we were allowed to ask questions on both of the minister's presentations, but since you don't want us to, we will stick with Bill C-20.

You evaluated all of this and came up with these figure of \$650 million. I assume that you studied what is done elsewhere in the world. Are there legislative authorities in other countries that opted for an unlimited amount of liability?

[English]

**The Chair:** Who would like to answer that?

Monsieur Dupont.

[Translation]

**Mr. Serge Dupont:** What I can answer is that in most countries, liability is limited. Some countries, such as Switzerland and Germany, have established unlimited liability. However, we would

have to see how this unlimited liability would apply in the case of an accident, because that would basically mean that operators would see all of their capital depleted. The facilities would still be there and would then have to be operated or re-purposed in one way or another. Legally, it's different. In practice, though, the outcome may not be very different.

**Mr. Claude Guimond:** Thank you.

Would it be a good idea for Canada, the United States and Mexico, our continent, to sign an agreement concerning nuclear liability, like the Europeans have done?

Could the three countries look at that possibility together?

**Mr. Serge Dupont:** Indeed, and certainly with regard to the United States, because of the proximity of the border, there could be cause for an agreement, and I think that issue has already been raised. A first step would be to have a law concerning liability, like the one before us today, which would allow us to raise our standards to bring them more in line with the American system and thereby facilitate the signing of such agreements.

**Mr. Claude Guimond:** So you have thought about it. In your opinion, would it be a good idea to sign such an agreement?

• (1725)

**Mr. Serge Dupont:** We would certainly have to study it, but first, updated legislation would be required. That would be an important first step. You're absolutely right. It is something that merits in-depth analysis on our part.

**Mr. Claude Guimond:** Are the operators of research reactors and the producers of medical radio-isotopes also required to take out insurance during this process?

[English]

**Mr. David McCauley:** Yes, they do need to be included in the process. Any facility that has material that can have a nuclear reaction in it is covered, and the research reactors are included in that grouping, as are nuclear fuel waste facilities, fuel fabrication facilities, and uranium conversion facilities.

[Translation]

**Mr. Claude Guimond:** I have no more questions, Mr. Chair, if we are not allowed to discuss the minister's first presentation.

[English]

**The Chair:** *Merci*, Monsieur Guimond.

We go finally to Mr. Mike Allen from the government side, for up to five minutes.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you, Mr. Chair, for that formal introduction.

Thank you to our guests today. I have just a few questions on the bill and one in general. When we're looking at insurance, it seems to me the big thing about that is related to safety and risk. There's always this discussion, and I think we sometimes get clouded in our discussions about AECL and then try to blend that into Bill C-20, and neither of the two shall meet. From my standpoint, in each of our installations in Canada we typically have a utility that is operating that installation. Do we see any of that restructuring having an impact on this bill, and do we think anything will be any less safe in Canada as a result of the restructuring of AECL, or will CNSC be impacted by that?

**Mr. Serge Dupont:** The bill simply clarifies the liability of operators. It does not affect, fundamentally, the responsibilities of suppliers, and there is indeed no direct linkage between a restructuring of Atomic Energy of Canada and this bill.

**Mr. Mike Allen:** On the side of alternative forms of security, we talked about the \$650 million. There's a discussion in the bill that there can be a presentation of alternative forms of security, which have to be approved or can be revoked by the minister. Is self-insurance an option on that? What is it that the operator has to do to approve this alternative form of security?

**Mr. David McCauley:** Yes, self-insurance was considered to be one of the options for alternative financial security. Another one was a provincial guarantee, for example. We would eventually be providing guidelines on the types of alternative financial security that operators might be providing to cover their risks. However, the view is not to be definitive on exactly the criteria for such things as self-insurance, but rather to seek proposals from the operators, and

then those would be considered by the minister and a decision would be made.

**Mr. Mike Allen:** As part of the compensable damages that you have in here—if I read this right—if the facility cannot generate electricity while it is out due to damages, any income loss or any other loss is not covered by the insurance. Is that correct?

**Mr. David McCauley:** That's correct.

**Mr. Mike Allen:** My last question is just to follow up on one of the comments that Mr. Dupont made. It's with respect to the \$330-some million on March 31 on AECL for Lepreau and its other refurbishment projects. They are carrying a liability there. How many other refurbishment projects does that include?

**Mr. Serge Dupont:** The other refurbishment projects are in Wolsong, South Korea; Gentilly, Quebec; and Bruce, Ontario.

**Mr. Mike Allen:** There are four projects then. Thank you, sir.

**The Chair:** Thank you very much, Mr. Allen.

Thank you very much, gentlemen, for staying with us until the end of the meeting: Mr. Tom Wallace, director general of the electricity resources branch; Mr. Serge Dupont, special advisor on nuclear energy policy to the Minister of Natural Resources; and David McCauley, director of uranium and radioactive waste division of the electricity resources branch.

Thank you very much, gentlemen. We much appreciated the answers and the information you've given us today.

The meeting is adjourned.

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