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Thursday, March 3, 2011

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Chair

Mr. Leon Benoit

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• (1535)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): I call the meeting to order. Good afternoon, everyone.

We are here today, pursuant to Standing Order 81(5), to deal with supplementary estimates (C) for 2010-11. We're dealing specifically with votes 1(c), 5(c), 15(c), and 25(c) under Natural Resources, which was referred to the committee on Tuesday, February 8, 2011.

Just before we go to our witnesses for today, I want to mention that, as you all probably know, the budget date was announced for March 22. We had a committee meeting scheduled for the afternoon of March 22.

Is it agreeable that we postpone that committee meeting until after the other meetings that are scheduled?

Some hon. members: Agreed.

The Chair: We have today as our witness the Honourable Christian Paradis, Minister of Natural Resources, and with him Serge Dupont, Deputy Minister.

Welcome, Minister. We're ready for your opening comments.

Go ahead, please, for up to ten minutes.

[Translation]

Hon. Christian Paradis (Minister of Natural Resources): Thank you very much, Mr. Chair.

I would also like to thank the committee members for inviting us. With me today is my Deputy Minister, Serge Dupont.

I must say, it is remarkable how quickly time passes. It has been almost a full year since I have testified before this committee. Today, I have the honour of presenting the Supplementary Estimates 'C' to the Committee, and I am looking forward to responding to any questions hon. members may have regarding the Estimates.

If I may anticipate some of those questions, I am sure the Committee has noted the proposed additional funding for Atomic Energy of Canada Limited. The Committee will also be interested in the ongoing restructuring of AECL. With the Committee's permission, I will devote my opening statement to that subject, and to our Government's objectives and initiatives for AECL and the nuclear industry at large.

[English]

There is no question but that the nuclear renaissance that provided so much optimism in recent years has been slower to ramp up than expected. At the same time, there are opportunities for refurbishment and new-build projects, projects that will generate non-emitting baseload power for decades in Canada and around the world. As a government, we want to ensure that Canada's nuclear industry has the capacity to respond to these opportunities, but we are also cognizant of our responsibility to Canadian taxpayers.

Our decision to launch the restructuring of AECL in 2009 will achieve these goals. This decision was not taken lightly. It was made only after the completion of two separate and independent analyses and based on clear, sound policy objectives. The results of the analyses were clear: only market-driven investment in the commercial activities of AECL, that is, CANDU Inc., could create a stronger platform for growth while protecting taxpayers from the inherent risks of the nuclear market. Restructuring was and is the correct choice.

[Translation]

Our approach was endorsed last week by Luis Echavarrri, the director general of the OECD Nuclear Energy Agency.

He told an audience at the Canadian Nuclear Association Annual Conference that when it comes to the nuclear industry, it's important to separate the public responsibility for establishing a framework from the responsibility of private investors, and that restructuring AECL will take us in the right direction.

[English]

This is a complex process and it has taken longer than expected. AECL has incurred setbacks along the way. The delays and cost overruns at Point Lepreau, Bruce, and Wolsong are well known. They have affected CANDU Inc. and drawn more money from taxpayers.

In supplementary estimates (C), the government is proposing additional funding for AECL. I will not mince words: I am not happy with this. But it is a matter of responsibility, not choice. The Government of Canada will honour these fixed-price contracts and other AECL responsibilities. We are working with AECL to ensure that it draws no more of the funding than necessary while meeting all its obligations, including maintaining the highest standards of safety, security, and environmental responsibility.

I understand that AECL officials are here to discuss their efforts in this regard. Nonetheless, this and previous requests for funds make clear that to maintain and create jobs AECL must be restructured and subjected to greater market discipline.

Looking forward, we cannot expose taxpayers to such risks. AECL has not and will not take on new contracts with material financial risk during the restructuring process.

• (1540)

[*Translation*]

Unfortunately, any restructuring leads to a period of uncertainty. The Government appreciates the impacts of this uncertainty on AECL, its workers and unions, its suppliers, and the nuclear industry in general. We are moving toward certainty, for taxpayers and for the industry. Today, the Bruce, Wolsong and Lepreau projects are performing well within their re-based timelines.

In particular, the independent advisors I appointed say we now have realistic timelines for Point Lepreau. We look forward to a constructive outcome for the Gentilly 2 refurbishment.

[*English*]

There are opportunities. Ontario has signalled a commitment for two new reactors at Darlington. Just last week, at the Canadian Nuclear Association Conference, Tom Mitchell, president and CEO of Ontario Power Generation, said that new nuclear is on the verge of becoming a reality in Ontario. He added that OPG sees the merit in continuing to use CANDU technology, in particular building enhanced CANDUs at the Darlington site.

AECL is assisting refurbishment opportunities in Ontario and in Argentina as well. The company has strong relationships with Romania, Jordan, China, and India.

In other words, the prospects for CANDU Inc. are encouraging, and I am pleased to say that our team is engaged in confidential negotiations with committed investors. While such negotiations are always difficult and success is never guaranteed, both sides are very mindful that time is of the essence.

I will conclude by assuring honourable members that our government remains committed to Canada's nuclear sector. Our government's record of support and engagement is clear.

Just a few weeks ago, I announced a key project for the removal of low-level radioactive waste, as part of our ongoing implementation of the Port Hope area initiative.

[*Translation*]

We made the investments needed to ensure the safe repair and return-to-service of the NRU. We support AECL's plan to re-license the reactor through 2016. In January, I announced funding of four major projects to develop the potential of cyclotrons and accelerators to produce medical isotopes.

Internationally, we have led an unprecedented effort to co-ordinate the global isotope supply chain; signed a nuclear cooperation agreement with India; and joined President Obama's non-proliferation efforts. We are actively studying options for the future mandate and management of the AECL's Nuclear Labs.

These are all major initiatives, and a clear demonstration of our confidence in the people and the future of Canada's nuclear industry.

Thank you and I look forward to your questions.

[*English*]

The Chair: Thank you very much, Mr. Minister, for your opening comments.

Thank you both for being here today.

We will go directly to questions and comments, starting with the official opposition.

Mr. Coderre, you have up to seven minutes.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, Mr. Chair. Thank you, Minister.

This is a little unfortunate for you. The Department of Natural Resources is not one of the government's priorities. They prefer to invest in prisons rather than natural resources, since your funding has been cut by 20%. You may have good ideas, but ultimately, we look at the figures and we see reductions in this case of \$928 million. You are having to deal with cuts of \$235.9 million in operating costs. Grants of \$457 million are being eliminated because they no longer believe in renovations, and \$235.6 million in contributions. We are going to review this together. We are also going to talk about Atomic Energy Canada.

We get the feeling that the process is dragging on somewhat at present. The Ontario government is prepared to buy Atomic Energy Canada. You have one genuine buyer, the SNC-Lavalin Group and the Ontario Municipal Employees' Retirement System, which are bidding for the project jointly.

You are having problems with Argentina because your Department seems to have received a very clear message from its representatives, who are not very happy. Are you satisfied with the way the tendering process is working at present? Why can the Ontario government not buy it?

Also, why is this dragging on so long?

• (1545)

Hon. Christian Paradis: To start with, I would like to talk about the aspect you raised first, the Supplementary Estimates. Let's look at the 20% you're talking about. There was the Economic Action Plan, under which massive economic stimulus investments were made throughout the government. There was a home renovation program that ends on March 31 for which \$745 million was allocated. Your party voted for or against those measures, depending on the budgets. But the total is still \$745 million.

Hon. Denis Coderre: We support the ecoENERGY Initiative.

Hon. Christian Paradis: In the Speech from the Throne, we said we were reviewing all programs. That is what we are currently doing, to make sure that return on future clean energy investments is acceptable to taxpayers.

In terms of the tendering process, as I said, there were two independent valuations indicating that the commercial side of AECL had to be restructured. We undertook a negotiation process with potential investors. Given the sensitive commercial nature of the process, I can't give any more detail. One thing is certain, and that is that we agree that the restructuring must be completed because costs and spending are currently too high. The financial burden is too high for taxpayers.

We also want to make sure that in future, we can keep high-level jobs, while taking opportunities that arise in future. This is a complex negotiation. We are not selling it as if it were a box of Cracker Jacks, but I can tell you that every effort is being made to achieve this.

Hon. Denis Coderre: When the one buying the Cracker Jacks might be the Ontario government, it seems to me to be fairly solid. The problem is that it's going too fast.

Hon. Christian Paradis: I told you there is a tendering process.

Hon. Denis Coderre: Minister, it seems to be a fire sale. I have in hand a document that deals with the human resources in the plan. The problem is that the number of engineers is going to fall from 870 to 340. You talk about protecting high-level jobs. By 2013, the number of engineers will fall from 870 to 340.

Do you not think that it is precisely your role to protect the interests of Canadians and make sure that these high-level jobs are protected?

Hon. Christian Paradis: First...

Hon. Denis Coderre: Why is it going too fast?

Hon. Christian Paradis: We want to do the restructuring properly. As I told you, it's complex. Some refurbishment projects will soon be completed. We're talking about Bruce and Wolsong. There are in fact a possible impact on employees. There are discussions going on about that. That is why we are taking the time to do things right, to optimize internal resources and make coherent and intelligent decisions, while being sure to take the opportunities that arise.

You also mentioned Argentina. We can't take tangible financial risks and make sure there are no more investors that want to participate in the process. We have to balance it. We have to make sure, within certain limits, that we take every opportunity that arises so that we do not scare off potential investors, who will want to manage things their own way, or when the process starts.

Hon. Denis Coderre: Minister, does it not seem that your decisions are having the opposite effect? At present, the Argentinian nuclear commission is prepared to do things. They have the expertise, but they are holding back. They are even threatening us with legal action. Taxpayers may have to pay hundreds of millions of dollars because of legal actions.

Do you not think that things are being done any which way?

• (1550)

Hon. Christian Paradis: No, it's a question of balance. "Any which way" is what we saw in the past in the case of Point Lepreau, where things were pushed too fast. We have seen cost overruns and delays. It was done in political circumstances that you are probably more familiar with than I am because I wasn't there. We don't want to repeat that and sign contracts that are too onerous that we will not be able to justify to Canadian taxpayers. It is always a question of balance.

Hon. Denis Coderre: Minister, you say you are in favour of renewable energies. You have made a few pre-election announcements about that.

But when I look at the estimates, I see that spending is being cut by the most in the ecoENERGY programs. You may have raised budgets in the electrical area, but for the rest... We are talking about modernization projects, projects to make pulp and paper more ecological, energy and development projects, sustainable development technology projects, ecoTRANSPORT Strategy projects, renovation projects, because we know that it calls for prevention measures. How can a minister claim to be promoting clean energy when we see cuts to the ecoENERGY project in the budget?

Hon. Christian Paradis: If you look at all spending since we came to power, it comes to \$10 billion on clean energy. I think that record speaks for itself. We used the Economic Action Plan to accelerate that spending, in fact, and this enabled us to progress faster in that area while creating and consolidating existing jobs.

As I said, all programs are under review, as announced in the Speech from the Throne, so make sure that the investments to be made in future can be justified to Canadian taxpayers. We have to get something for our money, if I may put it that way.

Announcements have been made in recent weeks and we are very proud of them. You talk about investments, but I have to say that these are not pre-election investments, they are investments that were budgeted over the last five years. This is the logical culmination of that entire vision. I would also remind you that there will be incentives that will continue to be invested over the next 10 years.

The Chair: Thank you, Mr. Coderre.

[English]

We go now to the Bloc Québécois.

Madame Brunelle, you have up to seven minutes.

[Translation]

Ms. Paule Brunelle (Trois-Rivières, BQ): Thank you, Mr. Chair.

Good afternoon, Mr. Paradis, Mr. Dupont.

I would like to talk about Atomic Energy Canada Limited. There is something I find surprising in the initial votes. For 2010-2011, there was \$102 million. We see that with supplementary estimates (A), (B) and (C), we get a total of \$872 million for AECL. I am wondering why you are so far from the valuation.

Votes in the last four years were divided as follows: in 2007-2008, \$212 million; in 2009-2010, \$841 million. How can it be so far off? I think that may have a negative effect on the private sector that could want to buy it. It gives the impression that AECL is a bottomless pit. That is the impression we have too.

Also, I'm concerned about isotope production. As you know, this committee has given considerable attention to all the problems at the Chalk River reactor. I am wondering what is going to happen if it fails. The licence extension has been approved until 2016, but what will happen after that?

You have invested in other forms of isotope production with the cyclotrons, but these aren't projects that have reached maturity.

I have concerns about AECL and what will be left once you have finished the restructuring. You said you were keeping the isotope production, but doctors everywhere want some reassurance.

Hon. Christian Paradis: In terms of the Main Estimates, the supplementary amounts you see are distributed in instalments. We are in the process of restructuring. That means that what was in the Main Estimates corresponded to the normal votes for the usual operations.

There are two aspects to the costs. First, in the case of the CANDU, there have been cost overruns because of the refurbishments. Some \$418 million has had to be spent to refurbish the various reactors. When we are operating in instalments, the faster the transaction is completed, the faster we will be able to have better forecasts.

But one thing is certain, and this relates to your other question concerning the private sector. Whatever happens, contracts have been signed by the government and we will honour our obligations. That is why I have asked two experts to consider the Point Lepreau case in particular. We want there to be financial valuations and project evaluations to get more conclusive estimates than in the past.

On the second aspect, there have been massive investments in recent years in the Chalk River laboratories. We know there was an audit done by the Auditor General in 2007. She said the laboratory was in poor condition. The government's role was to spend money to make up for lost time, because there were not enough investments in the past. We have therefore restored it to appropriate condition. That explains the cost of the additional money.

You also talked about isotopes. We share your concern about the fact that the NRU has stopped operating. We have seen how fragile the supply chain is. That is why we have asked other countries to have a coordinating group to discuss how to better plan the isotope supply. We know that it came from five reactors that are not recent, that are old.

As well, we said that we will spend the money needed to make sure that the reactors are in working order and there is another licence until 2016, in addition to looking for alternative methods. That explains why we have made \$45 million in investments to study the feasibility of continuing and pushing for isotope production, whether in the form of cyclotrons or nuclear accelerators, which generate little or almost no waste. This is an alternative method that is very promising and we are continuing to invest in that.

• (1555)

Ms. Paule Brunelle: I think you had confirmed to us that you were going to continue isotope production, at least for Canadian needs. Is that a commitment?

Hon. Christian Paradis: At present, the NRU production represents more or less 40% of global supply. I think we are doing more than our part.

Ms. Paule Brunelle: But we know that the NRU will stop at some point.

Hon. Christian Paradis: That is precisely why we will be doing everything it takes to make sure that the NRU operates until 2016. But some alternative methods are very promising. I think that is good news. Whether in Sherbrooke or in Saskatoon or elsewhere in Canada, there are various centres working on it. It is very promising.

Ms. Paule Brunelle: I will not reiterate what Mr. Coderre said about protecting employees, but we are watching the decline in the number of jobs and the layoffs in positions where there is considerable expertise. This is a loss of Canadian expertise. At the same time, the fact that there are so many terminations, going from 870 engineers to 340, is of considerable concern to us.

I would like to talk to you about something else. We see that in the supplementary estimates there is \$1 million being transferred that was used at Natural Resources for the review of safety and environmental requirements for offshore drilling in the Arctic. Do you have concerns of that nature for Old Harry? Where are you at present in your negotiations with the Quebec government? You know there is a moratorium in Quebec until 2012. The environment is very fragile and there are impacts.

We have learned that Corridor Resources Inc., the manager, if you like, for Canada and Newfoundland, would have carte blanche to get a licence and drill. Do you intend to enter into agreements with the Quebec government, because a large part of what will be pumped is within Quebec? Do you intend to get involved the same way as in the Arctic to prevent the harm to the environment that this might cause in the Gulf of St. Lawrence?

• (1600)

Hon. Christian Paradis: First, I think it's a good thing. That million dollars has been invested more than well. The National Energy Board, an expert regulator in which we have full confidence, made the proactive decision, as early as last May, to do an assessment and involve the people living in the North and people from the industry. That will allow us to review everything being done.

The National Energy Board is very proactive. There are several phases. After the first one, the information gathering, the data will be analyzed and ultimately a report will be submitted. The Board is studying what happened in the Gulf of Mexico carefully, be it in terms of the operations, rescue measures, industry involvement or the cause of what happened with the blowout prevention equipment. Obviously that is still being studied. We are probably going to get some very valuable findings that will help us improve all of the technology in this field.

You mentioned Old Harry. We are in talks with Quebec; we are even in negotiations. That is public, it's an open secret. I think it would be good to reach an agreement with Quebec. The Canada-Newfoundland and Labrador Offshore Petroleum Board is an independent regulator and we have complete confidence in it.

[English]

The Chair: Excuse me, Minister.

Madame Brunelle's time is well past. You may get a chance to finish that answer later.

I'll go now to Mr. Cullen.

You have up to seven minutes.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Whoa, Chair, cutting off a minister; that doesn't look good.

Bonjour.

Hon. Christian Paradis: *Bonjour.*

Mr. Nathan Cullen: These numbers we have before us are staggering. For this year, it is 190% overbudget. Last year it was 140% overbudget. In 2008-09 it was 84% overbudget. It's almost another billion dollars into the nuclear industry, after last year's almost \$1 billion.

To be honest, Minister, I'm a little surprised that you're not more angry as somebody who's in charge of this file, meant to be managing the money that's going into it. It's 190% overbudget, and after years of going overbudget....

I thought you'd come here with a different message for us today, and for Canadians, that you were going to rein this thing in. This is something that you're trying to sell. I guess what's confusing to Canadians is that, if you're trying to sell something, is there any chance that Canada is going to recoup even a fraction of what we're putting into AECL right now?

Hon. Christian Paradis: You know, angeriness is.... I am angry, but being here and showing that I'm angry—I don't know how useful it is. I have to be in solution mode, and this is where I am now.

It shows that we have to restructure that thing; CANDU definitely needs to be restructured. A contract of refurbishment has been signed in the past. We have over-costs, over-delays.

I'm not a professional myself, so when I got into the office I made sure that I had professionals to monitor what was happening on the sites. Now we have revisited the timelines, and I'm quite confident that we have now...

[Translation]

We have more realistic timelines.

[English]

We will get through this now. We know better where we are going with this.

But in terms of being angry, yes, I am angry. This is why it shows that we have to get that thing restructured as soon as possible.

I mean, in saying that this is a fire sale...it's not a fire sale. We can achieve a good agreement that will be useful for everybody. But now, as we speak, the burden is definitely too heavy for taxpayers, and we have to get out of this situation as soon as possible.

Mr. Nathan Cullen: No kidding the burden is heavy; I mean, it's almost \$2 billion in the last two years.

I didn't use the term "fire sale" in my question. My question was this: can Canadians expect to recoup even a fraction of what we're putting into AECL right now when it is finally sold?

Hon. Christian Paradis: As to what Canadians can expect, we have to make sure that we have a viable nuclear industry in the coming years; keep our highly skilled jobs; make sure that we have this form of energy that can be produced. It's a clean energy. But we have to do it in an affordable way, which is not the case now.

This is why we have to go through this restructuring process. We have to achieve it, and this is where I am putting my effort.

So I can be angry and I can shout, and I can...but I am in solution mode, and I work on the process itself.

• (1605)

Mr. Nathan Cullen: The government often calls this an investment. Investments usually have a return of some sort of money back to you.

Can AECL sign any of these refurbishment contracts while it is up for sale? Does the government allow it permission to sign onto these contracts while you are going through the selling process?

Hon. Christian Paradis: The policy is that while we restructure AECL, we won't take any more financial material risk.

Mr. Nathan Cullen: You won't take any more?

Hon. Christian Paradis: We don't want to take any more financial material risk. This is not the way to do it.

Mr. Nathan Cullen: If that is the direction you've given to them, can they...? We've been told that AECL can't sign contracts over a certain amount of money, and it's a very low amount of money....

Is that not true? They can sign any contract they want?

Hon. Christian Paradis: They can sign contracts, and as I said, we do everything possible to seize opportunities. On the other hand, we will avoid taking any more financial material risk. This is a matter of balance, and this is what I said earlier. We cannot go with a company that is overloaded or with extra risk. We have to sit down; we are in a negotiation room with committed investors, so time is of the essence. This is why I said that before; this is everything we have to manage, as we speak now.

Mr. Nathan Cullen: You mentioned the so-called nuclear renaissance. There are 190 new builds that are being proposed worldwide right now. How many does AECL have contracts for?

Hon. Christian Paradis: Do you know that by heart, Serge?

Mr. Serge Dupont (Deputy Minister, Department of Natural Resources): I would imagine that of the 190, there are relatively few that would actually have firm contracts. Those are 190 projects on the books. AECL is pursuing some of those opportunities, but there are none that could be firmly established in the CANDU kind of camp right now. That would be true for many other companies.

Mr. Nathan Cullen: Right. But globally there are no contracts signed for new builds right now. Is that correct?

Mr. Serge Dupont: That's correct.

Mr. Nathan Cullen: Okay.

So in terms of the renaissance, which has supposedly been going on for the last three or four years—five years, even, by some estimates—AECL doesn't have...?

It feels like we're in a chicken-and-egg situation. Excuse the English expression, but it seems like you're trying to sell this thing, and in the midst of the sale you are unable to build any new contracts that would supposedly add value to the sale. But you've put this limit saying....

What's the expression you use, that you're not willing to take on any risks...?

Hon. Christian Paradis: Significant financial material risks: we won't take them.

Mr. Nathan Cullen: What does "significant financial material risks" mean? Does that mean no new contracts for new builds?

Hon. Christian Paradis: As we speak now, when you say we are stuck between the chicken and the egg, this is exactly where we have to get out from. We have to restructure the thing, and while we are doing it, there's no way we will overload the company with extra contracts with...

What is the exact expression?

Mr. Serge Dupont: It's material financial risk.

Hon. Christian Paradis: Yes.

Mr. Nathan Cullen: What I don't understand is that throughout the process of this uncertainty, we're putting in another \$900 million.

Are you prepared to break down the costs that are going into Chalk River, AECL, which is now mothballed, cost overruns at Point Lepreau, Bruce, and Wolsong? Will you break down all those costs for us?

Hon. Christian Paradis: Absolutely. As I told you, we are stuck with contracts that have been signed in the past under the previous government, and there are overcosts and delays and overruns. So it's \$418 million, the aggregate of the refurbishments. This is it.

After that, you have \$102 million, which was in the main estimates. For the Chalk River laboratory requirements, we have \$117.2 million. As I said, there was an audit by the Auditor General in 2007 saying that these laboratories were in a very, very bad state, so we had to put money towards keeping them in good operation. This is a matter of responsibility.

Mr. Nathan Cullen: This is my last question—

The Chair: Mr. Cullen, your time is up, actually. You may get another round.

We'll go to Mr. Allen for up to seven minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair.

Minister and Mr. Dupont, thank you for being here today. I appreciate it very much.

I just want to pick up on where I think Nathan left off. I just want to make sure I heard correctly on this.

Being from New Brunswick, of course, I am quite concerned with respect to the Point Lepreau station and the project that's going on there. I do appreciate your standpoint of taxpayer protection on this, because absolutely we want taxpayer protection on money going forward.

The first part of my question is this. How much money has been provided to AECL? Some of these contracts, as you're aware, Minister, were signed quite some time ago. The NB Power contract was signed quite some time ago. Can you tell us how much there has been for the total refurbishment projects since these things started? Can you say at this point in time when you're expecting these projects to be completed with any level of certainty?

• (1610)

Hon. Christian Paradis: The money allocated to the refurbishment in the last three years was \$130 million. This is where we are—the aggregate of the projects—and this is why I asked two advisers to provide me with some more numbers to indeed have more certainty for the future.

Now, for Point Lepreau we are talking about a timeline of May 2012. As I'm telling you, there are two aspects of this. We have to get through the restructuring, but aside from that, we signed contracts, and we will respect these contracts. This is why, in the meantime, we won't take any more contracts with material financial risks.

Mr. Mike Allen: Okay.

Can you just clarify the \$130 million? You mentioned \$418 million a minute ago, and I just wanted to know what the difference is—

Hon. Christian Paradis: Sorry; *c'est huit cent trente millions*.

Mr. Mike Allen: It's \$830 million?

Hon. Christian Paradis: Yes.

Mr. Mike Allen: Okay.

I thought \$130 million might be a little light.

So it's \$830 million for all these refurbishment projects.

[Translation]

Hon. Christian Paradis: That is a big difference.

[English]

Mr. Mike Allen: That leads me to my next question.

To get these things under control, obviously we need a strong project management plan, and we need a good sense of when we're going to finish and a sense that we have good control of the project, and what the deliverables and the major milestones are. What specific steps are you taking, as minister, to ensure that AECL is on the pin to get this thing done?

[*Translation*]

Hon. Christian Paradis: As I said, shortly after I was appointed Minister I asked for their to be two consultants, one for finance, Ron Thompson, and the other for project management, Pierre Charlebois. Mr. Charlebois is an expert in the nuclear field. These people have helped us to set more realistic deadlines.

In terms of Point Lepreau, as I said, we are talking about a deadline that would bring us to May 2012. The main enemy in this case is always to promise things and not be able to keep the promises. So I have asked whether we could get a genuine picture of the situation and base the work on that. It will help us to progress better in terms of the restructuring and setting a budget. The contract that was signed in 2005 presents a problem. We have always said we would honour it. We have to make sure it is honoured.

At the same time, we have to continue our restructuring. In terms of both management and the tax burden for Canadian taxpayers, solutions have to be implemented. It is all dependent on restructuring. That is why we have solicited the participation of potential investors from the private sector with expertise that can help the company operate in future on a commercial basis. That is how the viability of the company will be achieved.

[*English*]

Mr. Mike Allen: Thank you, Mr. Minister.

We talked about not taking on any more material financial risk. These existing contracts that we have today for the refurbishment jobs—is there anything in these contracts that would be at risk, or any provisions in these contracts that would at risk, on the sale of AECL?

Hon. Christian Paradis: As I stated, we have these contracts. They are our remaining contracts, and we will honour these contracts. Whatever happens with the restructuring process, the bottom line is that we will have to honour them. This might be part of the negotiation with the committed investors, but there is a matter of responsibility here, and we will fulfill our responsibilities.

●(1615)

Mr. Mike Allen: Under the contract, you talked about these two experts and special representatives. Are they actually on site, or are they doing site work at AECL, or are they actually on the project sites of the refurbishment jobs?

Hon. Christian Paradis: Yes, they went on the project sites. This is what I clearly asked for, because that's the way to monitor the things. They spent a lot of time there.

Yes, they were on site.

Mr. Mike Allen: Okay.

Mr. Chair, how much time do I have left?

The Chair: You have one minute.

Mr. Mike Allen: I have one last thing on these contracts, in the minute I have left.

With AECL and the risk, supposing we are able to conclude a deal quickly, as you've indicated, what do you, as minister, see as the major financial saving to the taxpayer?

Hon. Christian Paradis: It's huge.

First of all, our policy is to stop taking contracts with material financial risk. We've seen in the past that these contracts cost too much. As I said, it's been \$830 million in the last three years. We don't want to be stuck with that in the future. It's unacceptable.

We are confident that in going through the restructuring process in the future, these kinds of contracts will be taken on a commercial basis.

Mr. Mike Allen: Thank you.

The Chair: Thank you, Mr. Allen.

We will go to the second round now.

We'll have about three minutes for each questioner in the second round, starting with Mr. Tonks.

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

Welcome, Minister. You should come a little more often. It's been very enlightening in terms of the evolving strategic adjustments you're making.

I have a question with respect to the Newfoundland and Labrador offshore agreement and the sizeable contribution—I think it's \$1.3 billion or \$1.4 billion—that is being made under that program. There is also a line with respect to Newfoundland equalization. What is the historical context of that?

There are two different agreements. My sense of equalization is that it adjusts according to revenue flows and so on. What is the explanation with respect to such a contribution when there was an equalization formula in place?

Hon. Christian Paradis: Once again, it was under the previous government, and it's under the Canada-Newfoundland Atlantic Accord Implementation Act. That provides for equalization of set payments to the Province of Newfoundland and Labrador to compensate for part of the reduction in fiscal equalization entitlements resulting from the collection of offshore revenues.

The act provides Newfoundland and Labrador with transitional protection for 12 years, triggered by the cumulative production of 15 million barrels of offshore oil. This threshold was met in 2000 with production from the Hibernia project. You probably know better than I do—I was not there at the time—but these things are managed by the finance department.

Mr. Alan Tonks: I appreciate that, Chair. I know it's very complex.

I wonder if we could have sort of a storyline on that, so we could understand it a little better. I think we need to have that.

Hon. Christian Paradis: I think you should ask the question to the finance minister himself.

Maybe my deputy minister might have more technical information on that.

Mr. Alan Tonks: Could you perhaps take that under advisement and submit that back to the committee?

Hon. Christian Paradis: Sure.

Mr. Alan Tonks: There is one other question.

In your estimates, what is the allocation with respect to Arctic and offshore drilling safety? This is not part of the deliberations. We've been dealing with energy security, but part of that concern is obviously in the area of safety.

Is there an increase in the allocations in your supplementary estimates, or is there a decrease? It's the safety with respect to nuclear safety, Arctic safety. It's a pretty general comment. Is there anything in here?

Hon. Christian Paradis: It's just the Arctic. The \$1 million you see there is the Arctic issue.

Mr. Alan Tonks: What is that for?

Hon. Christian Paradis: There is no extra money for safety. It was in the main estimates.

Mr. Dupont, were there any safety issues? Are they in supplementary estimates (A)?

• (1620)

Mr. Serge Dupont: I don't think so.

Hon. Christian Paradis: There is no more on safety in the supplementary estimates (C) than the Arctic study that you see there.

Mr. Alan Tonks: I'm trying to understand; we have bits and pieces of a moving target here in terms of concerns that have been raised on response capacity...from a federal responsibility and a corporate sector responsibility. I just haven't seen anything in those lines that even comes around to addressing that.

Perhaps Mr. Dupont could respond.

The Chair: Unfortunately, Mr. Tonks, your time is up. If the minister could give an extremely short answer...or we can get on to the next questioner.

Yes, Mr. Dupont.

Mr. Serge Dupont: Perhaps I could just indicate that the report on plans and priorities that would typically be produced for Natural Resources Canada...safety, security, and stewardship of natural resources is one of the strategic outcomes. We would report part of our expenditures under that heading. That would be in the main estimates.

I don't have that breakdown for you today, but we could certainly get it to you. There's nothing much in the supplementary estimates other than that item and a small other item, which is a transfer from the Department of National Defence.

The Chair: Okay. We've noted that and we will look for it.

Mr. Blaney, you have up to three minutes.

[Translation]

Mr. Steven Blaney (Lévis—Bellechasse, CPC): I am going to use it well, Mr. Chair.

I'm going to start by thanking the committee members for having me here, because ordinarily I chair the Standing Committee on Official Languages. I am going to address that subject first, Minister. I simply want to mention that we have had the opportunity to hear from representatives of your Department at the committee, including your Deputy Minister Mr. Dupont. I want to congratulate you on the efforts your Department has made to implement the act in response

to the last report by the Commissioner of Official Languages. What we were most pleased to learn was that the briefing notes for the Minister had to be translated into French. I have to tell you that this information made committee members smile.

That being said, I want to come back to your presentation. There are two points that struck me, Minister. The first relates to the restructuring of Atomic Energy of Canada. I am pleased to see that the direction you have taken, privatizing Atomic Energy of Canada, if we may put it that way, is approved by Luis Echávarri, the Director-General of the OECD Nuclear Energy Agency. That means that we are on the right track and that is the thing to do. He has clearly said that this will bring AECL business opportunities and that we will not end up, as you said just now, with contracts that are not profitable, for which taxpayers must ultimately pay the cost. I think Mr. Cullen and Ms. Brunelle compared this to a bottomless pit. In my opinion, you are really on the right track for sealing the cracks.

A second interesting subject in your presentation is nuclear reactors. Mr. Coderre mentioned that Ontario had expressed interest in buying advanced CANDU nuclear reactors. I even saw on the news that Argentina is considering that possibility. That is encouraging, in that regard. You also confirmed this afternoon that negotiations are underway. So that's a good omen. I think the subject has been covered well.

Minister, I would like to talk to you about sustainable development. Last Sunday you announced funding for various renewable energy projects. I would like to know the exact nature of the recent investments, and at the same time hear you on the subject of the principle of fiscal neutrality. We know that it is possible, in a program, to bill for expensive measures, for example in terms of energy, and distribute the revenue to those that save energy.

Would you talk about the measures you have announced in relation to renewable energy, please, and your plan to make Canada a clean energy superpower.

[English]

The Chair: Mr. Minister, I'm going to have to ask you to keep your response short, please.

[Translation]

Hon. Christian Paradis: I think the 63...

Voices: Oh, oh!

Hon. Denis Coderre: That's the difference between sounding off and sound logic.

Hon. Christian Paradis: The 63.8 million announced last Sunday will be invested in renewable energy. In terms of ethanol, GreenField Ethanol in Quebec is doing a lot of grain-based ethanol production and is increasingly moving toward the second generation. There is also a renewable wind energy project in Digby Neck, Nova Scotia. Another wind energy storage project will be carried out also in association with the Cowessess First Nation in Saskatchewan.

So this is very promising and we will continue to implement the measures announced in recent years. As I said, there will be other financial incentives for the production of renewable energy over the next 10 years.

• (1625)

The Chair: Thank you, Mr. Blaney.

[*English*]

Madame Brunelle, you have up to three minutes.

[*Translation*]

Ms. Paule Brunelle: Thank you, Mr. Chair.

Mr. Paradis, the Minister of Natural Resources of Quebec says that you have confirmed to him that the federal government would not be funding the installation of an electricity transmission network between Newfoundland and Nova Scotia. We know that this would amount to unfair competition for Hydro-Québec, which has always paid for its own transmission lines. Can you make a formal commitment today not to subsidize this kind of project in any way?

I don't want you to talk about PPP Canada.

Hon. Christian Paradis: I will give you the answer that the government is going to give. I understand that you have concerns, Ms. Brunelle, but I told the Minister of Natural Resources of Quebec that there were no programs at Natural Resources Canada that could subsidize this kind of project in any way.

That being said, what goes on at the Department of Finance is up to the Department of Finance. You should perhaps direct your question to the Minister of Finance.

Ms. Paule Brunelle: As Minister of Natural Resources, do you not think, though, that there would be unfair competition if it were paid for by PPP Canada with Canadian taxpayers' money?

Hon. Christian Paradis: I'm not in a position to state an opinion on that. As I said, I have not seen a plan and it does not come under our Department. However, our Department has to carry out projects like the ones announced in relation to renewable energies. In Carleton and Anse-à-Valleau, for example, \$65 million will be invested over 10 years to produce 109 MW of electricity from windmills. In Baie-des-Sables, \$31 million will be spent over 10 years. In Varennes, we will be putting \$79.75 million into the GreenField Ethanol plant over seven years. In Cité Verte, in Quebec City, \$4.7 million will be provided to support the SSQ Immobilier project.

So I could give you a whole list of projects. This is the kind of initiatives we are proposing at Natural Resources Canada...

Ms. Paule Brunelle: These are programs that you have all across Canada, but as a member of Cabinet...

Hon. Christian Paradis: ...and that produce economic effects in Quebec, as they do all across Canada.

Ms. Paule Brunelle: ...but as a member of Cabinet and a Quebecker, I would hope you would be able to stand up for Quebec, to state your position and tell us whether you think there might be inequitable programs that are going to favour competitors of Hydro-Québec and Quebec.

We will be counting on you to speak for us in Cabinet, Minister.

Hon. Christian Paradis: You can count on me to ensure that the energy mix in Quebec is constantly improved. We are blessed by the gods with so much hydroelectricity, but there is also enormous gas and oil potential. That is why we are in negotiations with Quebec—you were talking earlier about the Old Harry field—and we hope to achieve a result.

I think this offers amazing possibilities for the province, particularly since energy knows no borders. The northeastern United States could become a potential customer, if they ultimately abandoned coal in favour of natural gas, for example. If we sign agreements, we will be in a position to add to the Canadian and Quebec energy mix.

Ms. Paule Brunelle: Because we are talking about green energy, where are you in the evaluation of your ecoEnergy program? Are we going to get the results of that evaluation? You say we will see in the next budget. Have you done a positive evaluation of the projects that have been completed? The public was very pleased with the program, but what do you think about it yourself?

Hon. Christian Paradis: The Minister of Finance will be presenting his budget. Our responsibility as managers of public funds is to make sure that the programs announced are designed to provide the best quality return for the price for Canadian taxpayers.

As I said earlier, \$745 million has been invested in the home renovation program. That program had some success and a lot of applications were submitted. That is why there were four different investments in the Canadian economy totalling \$745 million.

Ms. Paule Brunelle: Certainly there were investments...

[*English*]

The Chair: *Merci*, Madame Brunelle. Your time is up.

Monsieur Coderre, do you have one very narrow, small question?

• (1630)

[*Translation*]

Hon. Denis Coderre: Minister, next week, in committee, we are going to be spending two days talking with representatives of the Canadian Nuclear Safety Commission about an extremely important matter. We mustn't panic, as some parties have done, but when the issue is nuclear waste, it is important that we be serious. Something concerns me about the Main Estimates. What is important in that budget, and I'm talking as a former minister, is the Compliance Program and the Licensing and Certification Program. That is what protects the independence of a commission from an applicant. If it is as important as that, can you explain why that budget has been cut? If there is one important budget, it is certainly the compliance, licensing and certification programs. That budget was cut by more than 10% between 2010-2011 and 2011-2012. If you want proper work to be done at the Canadian Nuclear Safety Commission, don't you think you have to invest in it? All the mayors and authorities in the Great Lakes region and the Aboriginal people have an interest in this. What justification is there for this cut, Minister?

Hon. Christian Paradis: The funds are granted based on the Commission's needs. Because its representatives will be appearing before this committee next week, it would be much more appropriate to ask them the question, to ascertain how their operating fund is doing.

However, there is a point on which I agree with you, which is that this is in fact an independent, expert commission. We have confidence in this regulatory body, which is composed of a group of experts who know what they're talking about. The last thing that should be done is to panic as some people have done, exactly.

However, legitimate questions that have been asked and they should be answered. That is why I started by asking the Commission to be as proactive as possible so that information can be distributed to the public. When the opinions of independent experts are paid for out of public funds, my responsibility as the Minister is to make sure that all of the information needed is available to the public. That is what the members of the Commission have done and will continue to do.

Hon. Denis Coderre: But you understand that the municipalities are worried.

The Chair: Mr. Coderre...

Hon. Christian Paradis: They have access to briefings by the Commission. They can ask for that at any time.

Hon. Denis Coderre: Thank you.

[English]

The Chair: Thank you.

Thank you very much, Minister and Monsieur Dupont, for being here today. The information, I think, is helpful for us in looking at the supplementary estimates (C) 2010-11.

Hon. Christian Paradis: Thank you, Mr. Chair.

The Chair: We look forward to having you here in the future, Mr. Minister.

Hon. Christian Paradis: Yes. Apparently Alan misses me.

The Chair: He does. He misses you dearly.

Voices: Oh, oh!

The Chair: We'll suspend the meeting to change witnesses for the second panel.

• _____ (Pause) _____

•

• (1635)

The Chair: We will resume the meeting with our second panel of witnesses.

From Atomic Energy of Canada Limited we have Hugh MacDiarmid, the president and chief executive officer, and Kent Harris, senior vice-president and chief financial officer.

Gentlemen, if you would like to make a presentation for up to 10 minutes, I would welcome that.

Go ahead, please.

[Translation]

Mr. Hugh MacDiarmid (President and Chief Executive Officer, Atomic Energy of Canada Limited): Thank you, Mr. Chair. Good afternoon, Ms. Brunelle and gentlemen.

On behalf of AECL, I am pleased to be hear to discuss the Supplementary Estimates (C). I would like to introduce Kent Harris, Chief Financial Officer of AECL.

[English]

With approximately 5,000 staff, AECL has two operating divisions: the CANDU reactor division, responsible for commercial operations; and the nuclear laboratories, responsible for R and D.

The CANDU reactor division designs and builds CANDU power stations. It offers a full range of products, services, and engineering support to nuclear utilities. The nuclear laboratories, located at Chalk River, Ontario, have three main missions: the production of medical isotopes, nuclear research and development, and the management of nuclear waste.

As the minister noted, the government is continuing with its process to divest the CANDU reactor division. For our part, we are moving ahead with internal preparations to separate AECL into two entities. AECL is focused on a number of priorities to implement government policy, sustain operations, and meet health, safety, and regulatory requirements.

At Chalk River, these priorities include extending the licence of the site until 2016, implementing the isotope supply reliability program, implementing "Project New Lease" to improve aging facilities, and implementing the nuclear legacy liability program to safely manage historic nuclear waste.

AECL is heavily engaged in preparing an application to the Canadian Nuclear Safety Commission this fall for a five-year renewal of the Chalk River site licence. Our relicensing plan is on schedule and within the agreed protocol with the CNSC. The isotope supply reliability program is mandatory if AECL is to continue to produce isotopes until 2016. This program will ensure reliable, safe, and effective operation in conformity with modern standards and licensing.

Project New Lease is a long-term infrastructure improvement program designed to ensure safety and security for all Chalk River missions. As many of you know as a result of your visit last year, Chalk River labs, established in the 1940s, requires significant ongoing investment to ensure safe and continued operation as Canada's largest nuclear research campus.

Site infrastructure at Chalk River comprises facilities to enable nuclear research and medical and industrial isotope production. It contains facilities necessary to carry out waste management and decommissioning activities. Infrastructure includes not only specialized facilities and labs to work with radioactive substances, but also a heating plant, an electrical switchyard, and waste and water treatment facilities.

Project New Lease expenditures are beyond what can be managed within AECL's reference level. They include construction of shielded modular above-ground storage facilities for low and intermediate radioactive waste, refurbishment of shielded facilities or hot cells, and upgrades to the switchyard and power system for safe operation and code compliance.

The Chalk River site safely manages wastes created during ongoing operations, as well as Canada's historic nuclear wastes. AECL is implementing the government's 70-year nuclear legacy liability program and we are now approaching completion of the fuel packaging and storage complex, which is a significant milestone.

I am proud to report that the World Association of Nuclear Operators, made up of operators for over 400 power reactors worldwide, last month granted the NRU reactor at Chalk River full membership. This is the first time that a research reactor has ever been granted membership in WANO, and this gives AECL access to a rigorous peer review process and important operating knowledge and experience. This will allow AECL to build a stronger safety culture, based on best global practices.

With respect to supplementary estimate (C), AECL has been allocated \$175.4 million. This funding is lower than was expected earlier in the year, owing to our improved ability to forecast projects as technical uncertainty has declined. I would also point out that funding to AECL has not been awarded on a full-year basis during this fiscal year because of the ongoing restructuring. Therefore, the need for supplemental funding at this time is driven by this approach, not by any recent variations in our plan.

AECL funding requests receive detailed and careful oversight through AECL's board and interdepartmental committees. Supplementary (C) estimates include funding to ensure isotope production from NRU, which is operating at full power and is meeting all demands for health, safety, security, and environmental upgrades to meet new regulatory standards to continue CANDU reactor technology design and development, to support life extension projects, and to support restructuring and related costs.

AECL management is committed to taking measures to deal more effectively with risks inherent in our projects and programs.

• (1640)

We have been implementing recommendations from various independent reviews, as well as improving our internal management processes.

I would like to take just a few more moments to complete a high-level *tour d'horizon* of AECL activities. The life extension projects at Bruce Power in Ontario and Wolsong in Korea are tracking ahead of the latest estimates for schedule and cost. AECL will complete its scope for both projects before the middle of this year.

In New Brunswick, the Point Lepreau project is tracking to the latest schedule and cost forecast, which was developed in September 2010. We remain committed to completing our scope of work by May 2012. While there has been a schedule adjustment by Hydro-Québec on the G2 project, we are ready to proceed with the retubing and refurbishment of the Gentilly-2 reactor near Trois-Rivières.

As members of the committee know, I'm sure, life extension projects are highly complex. They involve development of massive new tooling systems and technology, as well as extensive training of skilled trades, and the procurement of highly specialized equipment and materials. As with most "first of a kind" projects and technology, there is risk of encountering unforeseen problems. However, we have overcome significant technical challenges in our projects and we are using this knowledge and experience as a springboard to a stronger future. Our aim is to become a true high-performance culture. We will complete our current life extension project safely with the highest attention to quality, and we will deliver those reactors back to customers so they can generate clean, reliable electricity for another 25 years or more.

In terms of CANDU marketing, we remain active in both new-build and life extension markets here in Canada and abroad. Our ongoing nuclear services business, which supports the CANDU fleet worldwide, is robust and performing valuable work for our reactor fleet customers. Our continued goal is to promote Canada's world-leading CANDU technology with its distinctive attributes of fuel cycle flexibility and natural uranium around the world.

Thank you, Mr. Chair. *Merci beaucoup.*

That concludes my brief overview of AECL. We would be pleased to respond to any questions.

The Chair: Thank you very much, Mr. MacDiarmid, for your presentation. It was very helpful to the committee.

Before we go to questions, I want to remind members that we'll have votes on the four votes at the end of the meeting. It won't take very long, I would suspect. I just want to remind you all of that.

We go now to Monsieur Coderre for up to seven minutes.

Hon. Denis Coderre: Mr. MacDiarmid, it's a pleasure to meet you.

[*Translation*]

You know that this is an extremely complex and serious situation. When it comes to atomic energy, society makes a choice. One of the reasons we think this must not be done at fire sale speed, the previous Liberal governments invested in this sector, is precisely because it is an investment. It is a little unfortunate to see that the government wants to proceed quickly and we are not sure of how things are proceeding at present. I have some questions to ask you.

I am going to talk to you first about the situation of employees. You said, correctly, that we have to protect jobs, that you still have contracts to honour, that it is essential to have this expertise and we must not lose it. Now in your resources plan dated January 25, 2011, we can see that by 2013, the number of engineers will fall from 859 to 340. That means that ultimately, there is going to be collateral damage, that we, as Canadians, will suffer a loss that may have an impact on the expertise of Atomic Energy of Canada itself. Is it not a little hard not to believe that what we are doing is getting rid of an asset, of something important to Canadians? And jobs will be lost. The decision to cut more staff was a difficult one to make, I assume?

•(1645)

[English]

Mr. Hugh MacDiarmid: First of all, I think I should provide some clarification for the chart that you're referring to.

Hon. Denis Coderre: Please do.

Mr. Hugh MacDiarmid: It is not a complete or accurate explanation of our manpower outlook.

That chart represented essentially the manpower profile associated with the backlog of our committed business. So essentially it's always going to go down that way, but it does not include any provision for new business that we expect to get in.

So it's an incomplete picture, if I don't mind saying. There was never any intention that this chart would be made public. It served a particular purpose, but it leaves a large part of the overall story unsaid.

Certainly, when we look at our plans for the future, they are to grow the business. They are to promote CANDU technology on a global basis, and they are to become a major supplier to the province of Ontario for both life extension and new-build reactors.

So it's certainly my hope that AECL, or the future CANDU Inc., and hopefully both, will be employing more people in the future.

Hon. Denis Coderre: So you're telling me that by 2013 the number of employees won't go from 870 to 340; that's not accurate.

Mr. Hugh MacDiarmid: Well, that is accurate under only one scenario, which is that we have no more business coming in whatsoever.

Hon. Denis Coderre: Okay, but right now we're selling AECL, so it means that you don't take new contracts. You have a situation with Argentina...and I will come to that later on. The minister, before you, said no more contracts; we're going to fill up what we have now, but we're not taking any more contracts.

So if we're not taking any more contracts, how can we have more employees?

Mr. Hugh MacDiarmid: I'm certainly not going to try to debate whether we have a manpower issue at AECL in relation to the business intake. We need to have new business in order to match our cost structure.

Again, I think it's an obligation of management to match your costs to your revenues as best you can, so we need to address that on a regular ongoing basis—as we are.

At the same time, I take the government's policy direction at face value, that they want to strengthen our ability to compete and they want us to be successful. That's what we certainly intend to do. Every effort we make right now is to keep alive the situations that represent the greatest prospects for us and be in a position where, post-restructuring, we'll be able to capitalize on them quickly.

Hon. Denis Coderre: Okay.

I have another question—namely, why the Government of Ontario cannot buy AECL.

Mr. Hugh MacDiarmid: That's certainly a question I can't answer. I think the Government of Ontario—Ontario, more broadly—certainly has a huge stake in the future of Canada's nuclear sector.

Hon. Denis Coderre: Of course.

Mr. Hugh MacDiarmid: I'm not going to presume in any way to suggest what their policy direction should be, but they're a very concerned and involved stakeholder. It's important from electricity generation, through the supply chain, through the education system, and the fact that the vast majority of AECL's employees are Ontario residents.

Hon. Denis Coderre: On that I agree with you. So why not?

Mr. Hugh MacDiarmid: I can't speculate on that, sir.

Hon. Denis Coderre: So you think it's speculation? Okay.

Let's talk about Argentina. It was reported by Radio-Canada that Argentina is ready for...

[Translation]

...the Embalse nuclear power station and and that you, and when I say you, I'm talking about your organization, you were threatened with legal action if things did not move along quickly. What is the situation? Are you going to honour that contract?

[English]

Or is it frozen?

Mr. Hugh MacDiarmid: We do not have a signed contract with the Argentine utility at this time. We have been in regular discussions with them, as you can imagine, over a prolonged period of time.

We continue to do our best to maintain a positive attitude and relationship.

•(1650)

Hon. Denis Coderre: It doesn't seem to work.

Mr. Hugh MacDiarmid: Well, it has required substantial interactions and discussions: government officials, diplomatic channels, as well as AECL directly to NASA.

My piece of this puzzle is to try our best to keep that project as alive as we possibly can while the restructuring occurs, and then be in a position where we can serve our important customer quickly.

Hon. Denis Coderre: Last question, yes or no—

The Chair: Be very brief, Mr. Coderre.

Hon. Denis Coderre: It's important, because it's not only based on our reputation internationally, but it's about...and I salute the expertise of AECL. Did Argentina threaten...?

[Translation]

Have you been threatened with legal action?

[English]

Mr. Hugh MacDiarmid: I don't believe that's a matter I should comment on publicly. We have a number of complex technical, commercial, and legal matters that are in discussion between our companies, and I think to comment on that would be hurtful to the process.

We are engaged in good, constructive discussions with them that we hope will lead to a fruitful outcome.

[Translation]

The Chair: Thank you, Mr. Coderre.

[English]

Madame Brunelle, you have up to seven minutes.

[Translation]

Ms. Paule Brunelle: Good afternoon, gentlemen.

I am the member for Trois-Rivières, the riding where the Gentilly nuclear power plant is located. I would like to ask you a question. The Minister has just told us that the refurbishment of the Point Lepreau nuclear power plant, in New Brunswick, will cost \$830 million and the costs have exploded. I had thought that there was a contract between Point Lepreau and the federal government that had been in force since 2005. I am not particularly familiar with how that works. You say that the refurbishment of the Gentilly power plant is part of your plans. What are your responsibilities? I always thought the Gentilly site was managed by Hydro-Québec. If the costs explode during the refurbishment, is it AECL and the federal government that will have to pay the overruns or will it be Hydro-Québec?

[English]

Mr. Hugh MacDiarmid: Thank you for the question. I do want to make sure that it is fully understood—some of the changes that occurred in the contracting process and some of the learning that was applied in negotiating the G2 contract with Hydro-Québec.

It is indeed a fundamentally different contract with a very different scope and very different elements of risk, and substantially less risk for AECL and for the Government of Canada in that contract. Nothing in nuclear has no risk, but relative to the previous contracts, we certainly learned and applied those lessons in the way that contract was negotiated and signed.

We have less scope, we have less exposure to very significant areas of cost escalation, and yet of course we obviously have obligations we have to fulfill. So yes, there is risk. If we did not fulfill our contractual responsibilities, we would need to bear responsibility for that, but the degree and nature of risk is very different and much lower than we undertook in other projects.

[Translation]

Ms. Paule Brunelle: You know there is strong opposition to the refurbishment of the Gentilly power plant for all sorts of reasons, including the business decision. The experience with Point Lepreau, which produces the equivalent of 2.3% of the electricity produced in Quebec, tells us that this was not a good business decision. If I understand you correctly, Quebec will have to make its decisions. If it decided not to go ahead with the refurbishment of the Gentilly power plant, is the Quebec government going to owe Atomic Energy of Canada money?

[English]

Mr. Hugh MacDiarmid: Again, that's a complex commercial matter, and indeed our two companies are in the process of re-engaging to consider what the ramifications are of the schedule change and the accumulated lessons learned from all the other projects. It's certainly my intention, and I believe it is the intention of senior officials from Hydro-Québec, that we come together in a mutually agreeable way forward that will allow the project to proceed on a sound commercial, operational, schedule, and cost basis. That remains to be done, and I certainly hope that we will be able to deliver that.

I will say that the life extension of the Gentilly 2 reactor has the same fundamental benefits as all other life extensions for CANDUs. So the business case, the economics of doing so, are quite compelling when you consider that you get an additional 25 to 30 years of life from the expenditure that's relatively small compared to a new-built reactor.

• (1655)

[Translation]

Ms. Paule Brunelle: Do I have a little time left?

[English]

The Chair: You still have three minutes.

[Translation]

Ms. Paule Brunelle: You tell us that you currently have 5,000 employees at AECL and the CANDU reactor division will be sold. One of the potential buyers is SNC-Lavalin and we hear that what interests it most is the refurbishment. If that scenario comes to pass, how many employees would be left at AECL?

[English]

Mr. Hugh MacDiarmid: The number of employees at AECL is not going to be determined by who acquires the division but by the success we achieve in the marketplace in the future. So we clearly need to secure major new projects for life extension, we need to secure new-built reactor projects around the world and here in Canada, and we will earn our right to employ more people by growing the business to do that.

I don't mean to be cute about it, but truly, I think it is something that, whomever our future shareholder would be, hopefully will bring value in terms of skills, resources, and financial strength; that will help us succeed, but we still have to earn it on our own.

[Translation]

Ms. Paule Brunelle: Is it correct to say that there are very few buyers in the world when it comes to CANDU reactors and so your order book is empty?

[English]

Mr. Hugh MacDiarmid: As was said earlier when the minister was presenting, we do not have a new-build reactor order at this point. The last reactors we delivered, two projects in the last decade, were Cernavoda 2 in Romania and Qinshan 1 and 2 in China. Both of those projects were very successful. We believe we will sell new reactors in both Romania and China. We also expect that we will have good opportunities in other jurisdictions as well as right here in Canada.

The Chair: You have one minute left, Madame Brunelle.

[Translation]

Ms. Paule Brunelle: If the Chalk River reactor stops again, because it is old, do you have a Plan B?

[English]

Mr. Hugh MacDiarmid: Plan A is certainly where I'd prefer to stay, which is that the NRU has proven to be an extremely flexible and powerful machine.

[Translation]

Ms. Paule Brunelle: It is also very old.

[English]

Mr. Hugh MacDiarmid: It has performed admirably into its sixth decade. We all know it will come to an end at some point. But at this point in time, we are clearly doing everything we can to ensure that the NRU is as reliable as possible through to 2016.

[Translation]

We will see.

[English]

What goes beyond that will be the domain of government policy.

[Translation]

The Chair: Thank you, Ms. Brunelle.

[English]

We'll now go to Mr. Cullen for up to seven minutes.

Go ahead, please.

Mr. Nathan Cullen: Thank you, Chair.

Thank you, gentlemen, for being here.

I want to get into the question on cost overruns. How much is the cost so far to the federal government for the cost overruns at Lepreau, and in South Korea, and at Bruce?

Mr. Hugh MacDiarmid: It depends on how you do the math, to some degree. I'll talk in broad strokes, and perhaps I'll ask Kent to comment.

In general, when the minister gave the figure of \$830 million—

Mr. Nathan Cullen: He did.

Mr. Hugh MacDiarmid: —that essentially represents the variance from the planned profit that we were expecting to achieve on those projects.

Mr. Nathan Cullen: Sorry, but just to get that right, it's a shortfall of what you expected?

Mr. Hugh MacDiarmid: That's correct. It's in fact the variance from what we had expected. We do not sign contracts with the intention of losing money.

Mr. Nathan Cullen: I hope not.

Mr. Hugh MacDiarmid: In totality, those three projects in rough terms were expected to generate about \$2 billion in revenue and were expected to make several hundred million dollars in profit. As it turns out, we're going to be about \$800 million off that target.

● (1700)

Mr. Nathan Cullen: In your annual report, you had \$500 million booked in so-called "off balance sheet" liabilities. Can you give us an outline of what they are? It's a lot of money.

Mr. Kent Harris (Senior Vice-President and Chief Financial Officer, Atomic Energy of Canada Limited): Those would primarily be commitments that we would make when we enter contracts. LDs are an example where we have a commitment going forward if there's a financial issue that we're deemed to be responsible for.

Mr. Nathan Cullen: It's essentially money that you're setting aside or you potentially need to set aside if things go wrong or if the project takes longer than it should.

Mr. Kent Harris: Yes.

Mr. Nathan Cullen: Mr. MacDiarmid, in your opening statement, you painted what I would argue is a relatively rosy picture of how things have been going at Lepreau. You said something to the effect that it's somewhat on schedule or maybe even ahead of schedule.

But this past fall, there were more delays in the calandria tubes. Between December 2009 and April 2010, 380 new tubes were inserted, but dozens of them didn't pass the air-tightness tests and all of them had to then be taken out, thereby extending the delay. There are some estimates that it's \$1 million a day in cost overruns for every day the project goes on.

Are both of those statements true?

Mr. Hugh MacDiarmid: The \$1 million a day is a number that is often used to represent New Brunswick's cost. I would not necessarily accept that without some challenge, but it's a matter for others.

Mr. Nathan Cullen: Okay.

Mr. Hugh MacDiarmid: We certainly have an ongoing cost that is hundreds of thousands of dollars per day to continue our work. It's certainly an expensive project by any measure in terms of what it costs us to keep it going.

Mr. Nathan Cullen: Here's the concern that I have. I've looked at the projects, the main ones. We talked about Chalk River, Lepreau, Bruce, and South Korea. This is expensive stuff. The minister said it himself. He said he's angry. He said the money goes fast. It does in the nuclear business. When things don't go right, it's expensive. We saw it at Chalk, and we've seen it at the other projects that have been named.

If what the government is trying to do is sell this, is the value of AECL not downgraded as these things mount up? Any potential buyer is going to look at this and say you've been running over costs. It's been very expensive, but it's all been on the backs of Canadian taxpayers up to this point.

If that had occurred in private industry, they would have been run out of business years ago. You can't sustain those losses in the private sector unless you have unbelievably deep pockets, such as a federal government.

Mr. Hugh MacDiarmid: Very clearly, our belief is that we are going to apply the lessons. They've been very expensive lessons, but they're lessons nonetheless. Lessons were learned during the first wave of the life extension project to become substantially more efficient and to deliver the projects on schedule and on budget for the second wave, which is G2 and Embalse. The third wave then comes right back here to Canada. After those projects are complete or under way, the next reactors to be life extended will be at Darlington and Bruce.

Mr. Nathan Cullen: Let's go to Argentina for a second, because this is an example of something I find very confusing, or perhaps problematic, with this long, painful sale process that's going on.

The Argentinians seem to want to sign a deal for this refurbishment. It's a \$500 million contract, give or take. They have also said to us that they're willing to take on some of the liabilities if there are cost overruns. They're at the point, and we've heard this from them, where they are considering suing the Canadian government to do the contract.

I've never seen a situation like this, for someone who wants to hire you guys. I can't help but believe that you're under some sort of restriction; unable to sign a contract that would make you a lot of money, make you more profitable, and make you a better sale. Would it not? I mean, having this thing on the contracts, having those good folks working on the Argentina project, most of this \$500 million would be spent on Canadians, a bunch of it in Canada.

Why not sign the contract? The minister says there's no restriction on you guys signing this thing. Argentina wants to sign; they're willing to take the liability. My goodness, do they have to actually sue us in order to get this contract off the ground?

Mr. Hugh MacDiarmid: Well, this project is indeed one that I believe is caught up in the restructuring process.

Mr. Nathan Cullen: Okay. So when you say "caught up"—because AECL is for sale and we don't know who the buyer's going to be—it's muddied the waters around our ability to actually sign the contract and put people to work on it.

Mr. Hugh MacDiarmid: I think there's certainly that dimension, and I believe the Government of Canada has taken a pretty clear picture. They do not wish to negotiate a multi-year agreement on

behalf of a future shareholder. And equally they have...the minister's comments, I think, indicated that material financial risk is being avoided, and they see that this contract might have some of that element.

● (1705)

Mr. Nathan Cullen: So help me out on that point, because the minister kept using that term, "material financial risk". It sounds like the Argentinians are willing to take the risk. Is that incorrect? Are they telling us something that's not true?

Mr. Hugh MacDiarmid: I think there are many, many perspectives on this situation, and it is indeed complex. I basically feel that, at this point, I take direction from the shareholder, in terms of how we approach these matters.

Mr. Nathan Cullen: The one that was just sitting at the table? The minister.

Mr. Hugh MacDiarmid: That's correct.

Mr. Nathan Cullen: Okay.

That's what we're trying to understand as a committee, and I think that's what Canadians are trying to understand.

The government has said a couple of things that sound contradictory to their actions. One is that they want to get out of the isotope business. That's what the Prime Minister said. The minister has said, and the previous minister, for a long time, that we want to sell AECL, and we want to sell it for the most that we can get—meanwhile inhibiting you from signing contracts that would make the sale of a higher value to Canadians.

We've put in \$22 billion in adjusted 2009 dollars in AECL over 60 years. That's a significant investment. We're hoping to get some kind of return on that. Holding you guys up from signing contracts seems totally contrary to the purposes of getting value for the Canadian taxpayer.

Mr. Hugh MacDiarmid: I think the minister is the right person to speak on those decisions.

The Chair: Thank you, Mr. Cullen. Your time is up.

We'll go to Mr. Harris, for up to seven minutes.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

It's nice to see you again. Thank you again for that great tour you gave us last year out at the Chalk River facility.

Mr. Hugh MacDiarmid: [*Inaudible—Editor*]

Mr. Richard Harris: Yes.

I want to ask you a question about the Chalk River facility, but also I just want to wish you the best of luck, trying to make up that loss on those three projects.

Just to be clear, you said that there was about \$839 million, if I have the number right, lost to the anticipated profit? Does that mean the net loss was about \$500 million, or is it the anticipated, plus the \$800 million?

Mr. Hugh MacDiarmid: We're going to get into rounding numbers here—

Mr. Richard Harris: Yes, sure.

Mr. Hugh MacDiarmid: —but basically the loss accumulation over the course of the three projects will be in the range of \$400 million, plus or minus.

Mr. Richard Harris: Okay. So then—

Mr. Hugh MacDiarmid: I have to look over here to make sure I don't get myself in too much trouble.

Mr. Richard Harris: Right.

So then the few hundred million you'd expect to make is added on to that; that's where you get that \$800 million number, right?

Mr. Hugh MacDiarmid: The original—and again, I use that as basically.... What I felt was important was that members did not assume that we lost \$830 million on the projects. What we did is have a variance. Again, these are such large numbers—

Mr. Richard Harris: Yes.

Mr. Hugh MacDiarmid: —and I'm not trying to suggest that it's okay, but it's a variance relative to a planned profit.

Mr. Richard Harris: Okay.

Well, first of all, I wish you the best of luck in trying to recapture that, and I'm sure you're going to put a lot of—all—your efforts into that.

We talked about the Chalk River facilities. I'm really interested; I think the repairs that were under way are all done now.

I want to ask you what, in your opinion, are the opportunities for producing isotopes and the research reactor; what do you see? I think 2016 is the end date.

Mr. Hugh MacDiarmid: The current time horizon of the Government of Canada is 2016.

Mr. Richard Harris: What do you see between now and then as to the opportunities for that facility?

Mr. Hugh MacDiarmid: We certainly expect to continue to produce isotopes reliably for the marketplace. We don't control our marketing efforts; it's through our distributor. We have made it very clear that we have to re-earn our reputation as a reliable supplier before the volumes will return to where they were before and/or grow beyond that. We are in the process of doing that. We've made good progress in the weekly and monthly volumes of isotope production and we hope that will continue.

Clearly isotopes are not the only business and the only mission at Chalk River. Continuing the Canadian Neutron Beam Centre and its support for the academic and scientific research communities is an important mission, as is support for the CANDU fleet worldwide. We do very important research and development activities through the CANDU owners group and with utilities.

Naturally enough, the management of the legacy waste is another very important program that we support. We're proud of the accomplishments of our team. We're appreciative of the continued funding of the Government of Canada to support that work, because a lot of it is inherently pre-commercial in nature and it's an appropriate use of government and taxpayer money. Clearly, we're building for the future.

For example, if I may say, I'm pleased that we were successful in recruiting a new executive to head up the laboratories, Dr. Bob Walker, who joined us from Defence Research and Development Canada, where he was the head of the defence research establishment. He is a very, very qualified individual with a tremendous wealth of experience in running a lab. We were successful in attracting Bob Walker because of the great potential at Chalk River. So we have a future there.

• (1710)

Mr. Richard Harris: Perhaps I could just ask you quickly—we could go a long way into this question, but I don't want to—about the cost of producing isotopes. By comparing the cost of producing isotopes to the actual revenue from them, we discovered there was a lot of room there. Do you see any ability to narrow the gap between revenue and cost in the near future?

Mr. Hugh MacDiarmid: Certainly there are some things mitigating in our favour. Frankly, we participate in the increase in market prices for isotopes that has occurred. The shortage and the stress on the supply chain increased the prices. We derived a benefit from that in terms of the net back, or our share of those revenues. At the same time, we have to be mindful that we are continuing to spend substantial amounts of money on the isotope supply reliability program and that spending will exceed the revenues we bring in.

I don't believe there's any basis on which you can make the claim that isotope production is a commercially viable business or an economic or compensatory business for us. We do it because of a government policy direction and social policy objectives, and we're pleased to do it.

Mr. Richard Harris: I want to get to the social policy objectives and the responsibility to ensure a sustainable and guaranteed supply of isotopes. That has a built-in cost, which the government has agreed to handle of course.

Mr. Hugh MacDiarmid: We take that responsibility seriously. We intend to be a reliable supplier. We want to carry our weight as Canadians in the global scene. There are many forces at work and many of them are healthy. A better diversity of supply is coming. I think the world community woke up to the vulnerability we had with regard to having so few reactors and the dependency particularly on the NRU and the Petten reactor in Holland. We are seeing more diversity coming on stream. The government is also funding research into non-reactor based means of producing technetium-99.

It's all healthy and in the spirit of saying what we want to do is provide for the health and safety of Canadians and others around the world at the lowest possible cost.

Mr. Richard Harris: And you think you're getting a pretty good grade on that right now, right?

Mr. Hugh MacDiarmid: We only have one piece of the puzzle, which is to produce isotopes reliably, and right now we're meeting every isotope demand that we have.

Mr. Richard Harris: Good stuff.

The Chair: Thank you, Mr. Harris.

Mr. Richard Harris: Thank you.

The Chair: Thank you to both of you, gentlemen, for being here this afternoon.

We have to go to votes on the supplementary estimates (C), so we will suspend for a couple of minutes.

Again, thank you very much for your input and for helping us review the estimates.

- _____ (Pause) _____
-
- (1715)

The Chair: We will resume the meeting now to go through the four votes on the supplementary estimates (C).

NATURAL RESOURCES

Department

Vote 1c—Operating expenditures.....\$1

Vote 5c—Capital expenditures.....\$1

(Votes 1c and 5c agreed to)

Atomic Energy of Canada Limited

Vote 15c—Payments to Atomic Energy of Canada Limited for operating and capital expenditures.....\$175,400,000

(Vote 15c agreed to on division)

National Energy Board

Vote 25c—Program expenditures.....\$1

(Vote 25c agreed to)

The Chair: Shall the chair report votes 1c, 5c, 15c, and 25c as carried under Natural Resources to the House?

Some hon. members: Agreed.

The Chair: Thank you all very much. Have a great weekend.

The meeting is adjourned.

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