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Chair

Mr. Leon Benoit

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• (1135)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, ladies and gentlemen. It's really good to have our committee up and running here and dealing with some business that is obviously important.

Today we are dealing with parts of the second budget implementation act, Bill C-43. I'll let the witnesses explain that in more detail, but pursuant to Standing Order 108(2) we're starting a two-meeting study on the subject matter of clauses 376 to 381 of Bill C-43, a second act to implement certain provisions of the budget tabled in Parliament on February 11, 2014, and other measures.

Today we have witnesses, first of all, from the Department of Natural Resources.

Thank you, all, by the way for being here today, and I apologize for the delay. That's the way this place works. You probably have experienced it before, and there's really not a lot we can do to control that.

Before I introduce the witnesses, I would suggest to the committee that we take the full hour with the departmental witnesses. They have been here. They are waiting. We had them scheduled for an hour. It's probably going to be pretty hard to adapt presentations and have any time with them at all.

I'll put that out as a suggestion. We don't want to get into a long discussion on this, but is it agreed that we proceed in that fashion?

Ms. Charlton.

Ms. Chris Charlton (Hamilton Mountain, NDP): What does that mean for our other witnesses?

The Chair: We would only have half an hour with them.

Ms. Chris Charlton: I think we should split the time evenly. I don't think it's respectful of the witnesses for the second hour.

The Chair: Okay. What's the feeling of the committee members? Should we go then until a quarter or twenty after with the departmental officials and the others, and then roughly the same time for the second group? Is that agreed? Great. Thank you very much for your cooperation.

From the Department of Natural Resources, we have Mark Pearson, director general of the external relations, science and policy integration sector. Susan Weston is senior policy advisor, international relations, science and policy integration sector. Then we have Jean-Frédéric Lafaille, director general, AECL restructuring.

From the Department of Justice, we have Ekaterina Ohandjanian and Lisa Jacobson, legal counsel from legal services.

From the Treasury Board Secretariat, Dominique Laporte is the executive director, pensions and benefits sector, and David Vicente is a senior program analyst, from the program analyst and regulatory policy, pensions and benefits sector.

Welcome, everyone.

Witnesses from Atomic Energy of Canada Limited will be here in the second hour.

Please go ahead with your presentations, and then we'll go to questions. Again, we'll go until about twenty after.

Thank you again for being here and for your patience.

Mr. Mark Pearson (Director General, External Relations, Science and Policy Integration Sector, Department of Natural Resources): Thank you, Mr. Chairman. Thank you, committee members.

I have some short opening remarks I would like to make regarding the extractive sector transparency measures act. The act is designed to implement Prime Minister Harper's 2013 G-8 commitment to contribute to global anti-corruption efforts by introducing new reporting and transparency obligations to the extractive sector.

In 2013 G-8 leaders noted that in many developing countries there's a huge potential for economic growth based on abundant natural resources reserves. However, the lack of strong systems of transparency in the management of natural resources in some resource-rich countries has often allowed revenues to be misallocated or diverted. Raising global standards of transparency will contribute to deterrence of corruption and other illicit activities.

In Canada, resource development is a major economic driver. Canada's mining, oil, and gas sectors directly and indirectly support about 10% of Canada's gross domestic product and about 625,000 jobs. Globally, Canada's industry also has a significant impact. Canadian mining companies now have mining interests worth nearly \$150 billion in over 100 countries around the world. The stock of investment by Canadian oil and gas companies abroad was about \$75 billion in 2013.

Domestic implementation of these reporting requirements will brand Canada as a responsible resource developer and contribute to the emergence of a global standard. In an effort to ensure a level playing field for Canada's extractive sector, the federal requirements are broadly aligned with those in the United States and the European Union, including the reporting requirement and the requirement to break down reported payments by project. The act also provides for authority to make regulations that are strictly tailored to ensure that Canada's standards remain aligned with the global standard.

To avoid red tape, the act allows industry to comply with the act by submitting the same report they have submitted to another jurisdiction with reporting requirements that the minister has determined to be an acceptable substitute. Further, the enforcement measures are designed to address non-compliance with the obligations under the act. Non-compliant entities can work with the minister to take corrective measures to meet their obligations under the act. Entities that choose to remain non-compliant risk prosecution and a fine of up to \$250,000 per offence committed.

Since July 2013, the government has engaged provincial, territorial, municipal, and aboriginal governments and organizations, industry, and civil society on this initiative. We have sought feedback on key reporting requirements and implementation issues and also kept stakeholders informed on the government's progress in establishing the extractive reporting standards.

Recently at the August 2014 Energy and Mines Ministers' Conference, all provincial and territorial governments pledged support for mandatory reporting standards, and agreed to continue working collaboratively in the interests of implementing mandatory reporting standards for the extractive sector.

Also at the Energy and Mines Ministers' Conference, the government announced that it will defer the obligation for industry to report on payments to aboriginal governments for two years following the coming into force of the act. During this period, the government will continue to engage with aboriginal governments and communities to discuss how the standards apply to the industry and their relevance to aboriginal governments and communities. Engagement will also continue with stakeholders on the development of the template and industry guidance for reporting payments on a project basis that will be required to comply with the act.

This concludes my remarks.

• (1140)

The Chair: Thank you very much for your presentation, Mr. Pearson.

We go now to the second presentation, from Mr. Lafaille, director general, AECL restructuring.

I assume there are just the two presentations and then we go to questions and comments. Go ahead, please.

Mr. Jean-Frédéric Lafaille (Director General, AECL Restructuring, Department of Natural Resources): Thank you, Mr. Chair, members of Parliament, ladies and gentlemen. Thank you for having us today.

I will speak to division 29, and start with a bit of background just to explain the context for this.

[Translation]

In 2009, the government announced and initiated the restructuring of the crown corporation Atomic Energy of Canada Limited, or AECL.

[English]

[Translation]

The first phase of the restructuring was successfully completed in 2011 with the sale of assets of the commercial CANDU Reactor Division to Candu Energy Inc., a subsidiary of SNC-Lavalin.

[English]

The second phase of the restructuring is ongoing and concerns AECL nuclear laboratories. The government announced in 2013 that it would transfer the management and operation of the nuclear laboratories to the private sector under what we call a government-owned, contractor-operated model, or GOCO for short.

As a first step, the laboratories' employees in operations were internally reorganized into a wholly owned subsidiary, which has been named Canadian Nuclear Laboratories or CNL, which we find in division 29 of the BIA. Ultimately, while AECL would retain ownership of its property, facilities, and intellectual property, the ownership of CNL would be transferred to a private sector company. There is a competitive procurement process under way to select this company. Under this new private sector ownership, CNL would become responsible for the planning and execution of the operations of the nuclear laboratories.

I will now turn to some legislative authorities.

[Translation]

The government's authority to restructure AECL, to create the Canadian Nuclear Laboratories, and to transfer the shares of CNL to a private-sector contractor is rooted in the Jobs and Economic Growth Act of 2010.

Pertinent to today's discussion are the provisions of division 29 which relate to the implementation of this new model for the laboratories of AECL. They amend the Jobs and Economic Growth Act to provide the necessary powers for the restructuring of AECL to address two specific issues.

[English]

This is really what division 29 is dealing with.

The first issue division 29 deals with is clarifying the crown agency status of CNL as we go through the restructuring process that I have just very briefly described. The purpose of the amendment is to expressly declare CNL to be an agent of Her Majesty for the period in which it is wholly owned by AECL and then to revoke CNL's agency status when the ownership of CNL is transferred to a private sector entity. When the ownership of CNL is transferred, it would be inappropriate for CNL to continue to be an agent of Her Majesty. That was the first issue.

The second issue that division 29 deals with is the provision of transitional pension coverage to CNL employees.

• (1145)

[Translation]

In July 2014, CNL was added to part 1 of schedule 1 of the Public Service Superannuation Act, allowing CNL employees to continue to contribute to the Public Service Pension Plan while CNL remains a crown corporation.

That said, when the shares of CNL are acquired by a private sector company, CNL will itself become a private sector company.

Providing transitional coverage will ensure that existing employees continue to participate in the Public Service Pension Plan for three years after the divestiture of CNL to the private sector contractor.

[English]

During the transitional coverage period, existing CNL employees would continue to contribute toward the public service pension plan, continue to accrue pensionable service under the plan, and have access to all the entitlements and options available under the plan. In short, during the transitional coverage period, CNL employees would be treated as would any other member of the pension plan.

At the end of the transitional coverage, CNL employees would cease to be active members of the public service pension plan. At that time, their pension benefit options would be the same as those that would be available to any other public service pension plan member.

To be clear, the pensionable service accrued under the public service pension plan would always be used in determining these employees' pension benefit options and in the calculation of their public service pension. During the period of transitional coverage, CNL would be required to establish a new pension plan. At the end of the transitional period, affected employees would become members of this new plan.

[Translation]

The clauses also provide that Treasury Board may subsequently make divestiture regulations which protect certain pension benefits of affected employees. It is important to note that the proposed measures have the effect of treating CNL employees the same as those former employees of AECL who were transferred to the private sector during the first phase of the restructuring. They too had been transferred to the private sector at that point.

These measures, if implemented, would provide clarity at this pivotal point in the restructuring.

[English]

First, it would remove uncertainty for CNL employees with respect to the treatment of their public service pension at the time that CNL ceased to be a crown corporation. Second, it would also allow for bidders in the GOCO procurement process that is under way to understand their obligations when they acquire the shares of CNL.

In closing, I want to be clear that, for CNL employees with pensionable service accrued under the public service pension plan,

this service would continue to be used in determining benefit options and in the calculation of their public service pension.

Colleagues from the Treasury Board Secretariat and from the Department of Justice and I would be pleased to answer any questions that distinguished members of the committee might have for us.

Thank you very much.

The Chair: Thank you very much for your presentation.

We will go to questions and comments now. For the next half hour we will take questions and comments from members on either part of the budget implementation act. For the second time period, about three quarters of an hour, we will be dealing with the AECL transition, and that issue alone. At the meeting on Thursday we will deal with the transparency part of the budget implementation act.

With that in mind, we go first of all to the Parliamentary Secretary to the Minister of Natural Resources, Kelly Block.

Go ahead, Ms. Block, for up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for joining us today. I look forward to the conversation we're going to have about these two important measures in the budget implementation act.

Welcome to all of the committee members. It's been a while since we've met. I look forward to the conversation we're going to have.

I'm going to start my questions for the folks around the mandatory reporting measure. I note that you mentioned the G-8 summit in 2013 and that it was the Government of Canada's commitment to establish mandatory reporting standards for Canadian extractive companies with a view to enhancing transparency on the payments they make to governments.

I want to ask, how does Canada's approach align with approaches in other countries?

• (1150)

Mr. Mark Pearson: At the G-8 in 2013, the U.K. Prime Minister, Prime Minister Cameron, who was the chair that year, asked that countries, G-8 leaders, contribute to a global standard on mandatory reporting.

In this regard, the United States has legislation in the works to bring in mandatory reporting standards. As well, in the European Union they have the transparency directive, which was passed around the time of the G-8. Now countries in the European Union are bringing in legislation within their jurisdictions, by July 2015, with similar reporting standards. The United Kingdom has recently tabled in parliament their legislation, which they plan to have passed by the end of this calendar year.

So Canada is very much in alignment with the European Union and the United States on this.

Mrs. Kelly Block: Just following up on that, is there an international group that's meeting to ensure the legislation we are creating aligns with the others' legislation?

Mr. Mark Pearson: There's not a formal group, but we do....

In terms of the United Kingdom, they have been sharing with us, as they can, information on their legislation. We have also visited with the U.S. Securities and Exchange Commission. We went down there in the spring, although they're now in the middle of their process, which is a confidential process so they cannot share.

We have aligned with the same categories of payments and thresholds. For example, in the European Union, they're looking at a threshold of payment of 100,000 euros. In the United States it's \$100,000 U.S. Our legislation proposes \$100,000 Canadian by the exact same payment categories. We are aligned in that regard.

Mrs. Kelly Block: Good. Thank you.

Also, how does our increased transparency contribute to global anti-corruption efforts?

Mr. Mark Pearson: At this point in time, as I noted in my opening remarks, Canada has quite a global reach for its mining and oil and gas industries.

What can often happen is this. Our companies that operate in some of these countries—they operate, for example, a mine—pay their taxes and royalties to the government, and then for whatever reason the money does not seem to make it back into the economy of the country. The local citizens feel that perhaps the companies are not paying their fair share of taxes.

This legislation will allow this information to be made public. It will brand Canada as a responsible resource developer in these countries and at home, because we're implementing the same standards at home. This information will be available on an annual basis. Citizens around the world can then hold their governments to account for the amounts of money that have been paid through taxes and royalties, etc., to these governments.

Mrs. Kelly Block: I recognize that there's a huge benefit for citizens in any given country to have that information available to them.

What will be the benefits to Canadian extractive companies as a result of this act?

Mr. Mark Pearson: It will brand them as a responsible resource developer internationally. Canada has a very good reputation, and this will enhance that reputation even further when operating abroad. Domestically, by implementing the same standards at home, it shows that we're walking the talk, which was a commitment that Prime Minister Cameron was looking to G-8 leaders for back in 2013.

Mrs. Kelly Block: I'll move over to AECL.

We've read about the transition that's taking place with AECL, and it can sometimes appear very complex. I'm wondering if you would be able to help us understand the transition and explain briefly to us the relationship between AECL and CNL. I know you covered it a bit in your opening remarks, but perhaps you could just expand on that for me.

•(1155)

Mr. Jean-Frédéric Lafaille: Yes, certainly. The restructuring of AECL has been going on for a little while, so maybe I can speak to where we are in this process. Basically there are two main streams.

There is a procurement stream and there is kind of a governance stream to make sure that we go through the restructuring and make sure that in a year from now, roughly speaking—this is the time that we have right now—we can complete the restructuring.

In terms of the governance piece, I mentioned AECL and CNL. What happened very recently is that AECL created what is called Canadian Nuclear Laboratories. This is a wholly owned subsidiary. This subsidiary is now really the operator of the nuclear facility. They have the licence from the regulator. They have transferred all the roughly 3,400 employees. They are all now part of CNL going forward.

CNL will be transferred at the end of the ongoing procurement process to the private sector. There is a procurement process going on right now to select a private sector contractor. At the end of this procurement process, the winning bidder will actually acquire the shares of CNL. This is how CNL will be transferred to the private sector.

The procurement process is going on, the restructuring of AECL is going on, and ultimately, in roughly a year from now, the restructuring will be completed by the transfer of CNL to the winning bidder in the procurement process.

I hope that clarifies it. It's a very simple and fast explanation, but I hope it helps.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

Ms. Charlton, you have up to seven minutes. Go ahead, please.

Ms. Chris Charlton: Thank you very much, Chair.

Thank you very much to the witnesses for being here today. I'll focus my questions, at least initially, on AECL and CNL, on the pension issue in particular.

As you can imagine, every time you raise changes to a pension plan it generates fear and concern, obviously, about the future of benefits. I want to make sure that I'm understanding clearly what you've presented today.

I think in your comments you focused mostly on what happens to existing members of the pension plan. If I understood you correctly, you said that their coverage in the existing public service pension plan would continue for the three transitional years, right?

Mr. Jean-Frédéric Lafaille: If the legislation is passed, of course.

Ms. Chris Charlton: Right. But what I didn't hear you comment on very much is what would happen to new hires in the interim three years. I wonder if you could just talk about that.

Mr. Jean-Frédéric Lafaille: I might ask my Treasury Board Secretariat colleague to complete my answer, but you're quite correct that the transitional coverage would apply to CNL employees who were CNL employees at the time of being transferred to the private sector. So the three-year coverage would apply to the same employees.

I think your question relates to a new hire after the shares transfer. The new hire would not be eligible to participate in the public service pension plan. The employer at the time, whoever is acquiring the shares of CNL at the time, will have to have this mission in place to make sure that all the collective agreements and requirements under the labour code are satisfied. But it will be the responsibility of the CNL management at the time to ensure that it is the case.

I will defer to my Treasury Board Secretariat colleague if he wants to complete the answer.

Mr. Dominique Laporte (Executive Director, Pensions and Benefits Sector, Treasury Board Secretariat): Thank you. I have nothing to add, as that was accurate.

Ms. Chris Charlton: Is there any guarantee, then, that the pension plan of the new hires will be comparable to the pension plan that existing employees will have for those three years?

Or let me put it into the more negative: is it possible that whereas existing employees will have a defined benefit plan, new hires may actually find themselves in a position where they have a defined contribution plan? Is that possible?

Mr. Jean-Frédéric Lafaille: It will be the responsibility of the Canadian Nuclear Laboratories management at that time to determine the pension plan that should be in place.

Ms. Chris Charlton: So I take that as a yes. It is possible that one group of employees would have a defined benefit plan and another would have a defined contribution plan?

Mr. Jean-Frédéric Lafaille: It's not impossible. It would be the responsibility of the company, which would be under private sector ownership at that point, to determine the pension plan that fits the needs at that time.

Ms. Chris Charlton: Okay. I still think I'm hearing you say yes, that is possible. Right?

Mr. Jean-Frédéric Lafaille: It is possible.

Ms. Chris Charlton: Given the trends in industry generally, where there is a move away from defined benefit plans and a move toward defined contribution plans, what do you think the impact would be in the workplace of essentially allowing the creation of a two-tier pension plan through this legislation?

• (1200)

Mr. Jean-Frédéric Lafaille: I think it will be up to the company to look at the compensation package as a whole at that time. The pension plan of course is a key component. It's key for employees, and we heard that as part of stakeholder engagement with these employees. It's a key concern of theirs, and we understand that.

As we go through this process the laboratories will carry on very important missions; the minister has been quite clear about that. A science and technology mission and the decommissioning and waste management mission are ongoing. To deliver these successfully the laboratories will need highly skilled employees. They will need the expertise. In order to retain and attract this expertise and to deliver successful products they will need these employees.

They will have to come up with a compensation package that will be commensurate with their success.

I cannot prejudge what this will be at this point, but I know that to be successful the private sector will have to come up with an attractive compensation package.

Ms. Chris Charlton: I think you're getting right to the heart of my question. I am profoundly worried that in an industry like the nuclear industry it is in our best interest to attract the best and the brightest and obviously one of the tools we have for doing that is our compensation package. Pensions are a key part of that compensation package.

I'm wondering why your approach to the pension issue was not to keep all employees on a par in the three-year transition period, not to have them all in the same pension plan, which would obviously have an impact on negotiations down the road as well. You're creating one pension plan for all employees and they would all be in the same position as they negotiated the pension plan after the three-year transition period. I wonder if you could just speak to the rationale for not including new hires in the same plan.

Mr. Jean-Frédéric Lafaille: I might defer to my colleague from the Treasury Board Secretariat for the rules of the game, but once an entity moves from the public service to the private sector they are not eligible to participate in the public service pension plan. These are the existing legislative requirements.

The Chair: Monsieur Vicente, go ahead, please.

Mr. David Vicente (Senior Program Analyst, Program Analyst and Regulatory Policy, Pension and Benefit Sector, Treasury Board Secretariat): From the legislation we see that this transitional coverage is based on the model that has been used before, so the transitional coverage is meant to transition the existing employees, the existing members of the pension plan, to a successor plan.

There is no such transition for new hires. Therefore, we haven't previously applied transitional coverage to new hires who are brought on after a transfer date.

Ms. Chris Charlton: Okay. But that's a conscious decision not to do that. There's nothing prohibiting you from doing that.

Somewhere a decision was made that we would not just leave everybody on a par for the three transitional years and that new hires would be treated differently. You're saying it's simply because that's how it was done in the past, so we're going to apply that same model here. There's no rationale specific to this situation?

Mr. David Vicente: The rationale is the same for the existing members of the plan. So, yes, there was a conscious decision to go along with the same model.

The Chair: Thank you, Ms. Charlton.

Do you have a very short question to follow? Go ahead.

Ms. Chris Charlton: I'd be another 30 minutes.

Some hon. members: Oh, oh!

The Chair: Then I will go to Mr. Regan.

Thank you, Ms. Charlton.

Mr. Regan, you have up to seven minutes.

Hon. Geoff Regan (Halifax West, Lib.): I thank Ms. Charlton for her honesty.

Mr. Chair, I'll be focusing on the extractive sector provisions here. I want to begin by making it clear that the Liberal Party welcomes these efforts to make corporations more responsible and accountable for their actions in developing countries. We hope these measures will empower local citizens and enable host governments to manage their resource development effectively.

As you know, Mr. Chair, and as my colleagues will know, it's of course something that my colleague from Scarborough—Guildwood has championed for years. We also believe it's generally an important measure that will allow Canadian companies to enhance their reputation for openness and transparency. Overall, they have a very good reputation around the world.

However, while division 28 is a step we think in the right direction, it could have been stronger. I'm sure we'll hear from witnesses with a number of proposed amendments, in all likelihood, to correct some of the flaws in this legislation.

Let me begin with my first question to Mr. Pearson and his colleagues. NRCan documents and the bill itself refer to division 28 as being done to “fight...corruption”, and background documents use the phrase “deter corruption”. I assume you're talking about situations where companies are operating in third world countries. What evidence is there, if any, of corrupt practices within this sector inside Canada?

• (1205)

Mr. Mark Pearson: In this case, it does apply in the domestic context as well.

Prime Minister Cameron, when he asked G-8 leaders to support the common global standard, pointed to a lot of corruption that's happening in developing countries. For example, in Nigeria, they went through a process whereby they determined that over \$8 billion had gone missing. This was determined through the extractive industry's transparency initiative, which reconciles the payments industry makes to government with what government says they receive. They went through that process and determined that over \$8 billion had gone missing. They've recovered most of it, although there's just less than a billion that they're still searching for.

But Prime Minister Cameron also asked that leaders walk the talk and apply it in the domestic context as well. In this case, Canada, along with other G-8 leaders, agreed to implement these standards. It affects them both domestically and abroad to create a level playing field in the global context.

Hon. Geoff Regan: You've given me the rationale for applying this domestically, but I haven't heard an answer to my question, which is, what evidence, if any, is there of corrupt practices in this sector inside Canada?

Mr. Mark Pearson: I don't have any evidence of that.

Hon. Geoff Regan: Thank you.

The legislation doesn't provide for the creation of an office of the ombudsman and therefore doesn't give that office a responsibility, obviously, for developing guidelines for best practices or the ability to table an annual report in the House of Commons. Why did the

department decide not to go the ombudsman route? What sort of discussion took place around that issue? For instance, was it proposed by the department and nixed by the minister's office?

Mr. Mark Pearson: As I said in my opening comments, we're trying to align with the common global standard. The issue of the ombudsman has not been raised in this regard in terms of the legislation that's being brought forward in the U.K. and the European Union. With respect to the U.S. legislation, that was not a key focus. It's about companies reporting, on an annual basis, their payments to allow citizens in these countries to be informed.

Hon. Geoff Regan: Let me ask you about the aboriginal aspects of this. Groups like the Chiefs of Ontario and the Mennonite Central Committee and others have expressed deep concern with the application of these standards to our aboriginal entities in Canada. In fact, there have been calls to remove payments to aboriginals from the reporting standards or to at least delay the application beyond two years to, say, five years, or once you've had a situation where first nations, government, and industry have had an opportunity to work together to develop comprehensive guidelines and come to agreement on them.

Why isn't that happening? What would be wrong with doing that?

Mr. Mark Pearson: Well, when we went out to do our consultations, engagement and information sessions with stakeholders over the past year, we heard from industry that because these payments are oftentimes included in impact benefit agreements with aboriginal organizations, they felt it would be useful to defer that particular item so it could be discussed more appropriately with aboriginal communities. When we talked to the aboriginal communities, they felt it would be helpful to do more outreach, to actually go to the communities, explain the situation, to make it clear that the obligation is not on the aboriginal governments to report but rather on the reporting entity or the industry to report those payments. At the Energy and Mines Ministers' Conference in August, provincial and territorial energy and mines ministers also supported the idea of deferring the payments for two years to allow further discussion with aboriginal organizations.

What we are planning to do over the winter months is to go out to the aboriginal communities across the country to talk about the legislation and inform them of how this will work, so that we are prepared after the two-year deferral or two years after the act comes into force. The payments will then be reported by those entities and we'll all be on the same page.

We indeed have listened to what we heard from aboriginal organizations, from industry, and from our provincial and territorial counterparts. I think that even civil society would support this—I'm sure you'll be hearing from them—to ensure we can move the legislation forward in a timely way and bring in those payments once we've done our due diligence on engagement and information to the aboriginal communities.

• (1210)

Hon. Geoff Regan: When you speak of going out to these first nations over the winter, there are a lot of first nations who could be impacted by this.

How many first nations are you planning to meet with over the course of the winter, and what resources have been assigned to provide for that? I know from my own experience that when you add a lot of consultations it costs money. What resources have been made available for this, and how many first nations?

Mr. Mark Pearson: We are planning to go across the country to visit with first nations communities. We are developing the plan now. We haven't finalized our plan or our budget, but we do plan to do a comprehensive engagement.

The Chair: Thank you, Mr. Regan.

We go now for five minutes to Mr. Trost, and maybe there will be a couple of minutes for Mr. Leef.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair. I'll get to it fairly quickly here.

In consultations and readings about this legislation, one of the questions that has been brought up is the level of detail as far as reporting. You could have a level of reporting that says \$1 million to the government of X, Y, Z country, but that may not break down the Jaguar car that went to the minister, the Rolex watch that went to the official, etc.—all the stuff in there—along with the proper payment to the government.

Could you explain how much detail is going to be required and how it's actually going to break out the corruption? That's what we're trying to get at here. It's great if it's reported, but you could have a talented accountant or person who is covering it up. Honest people will report everything, but we're trying to go after the dishonest people who will try to work around this.

Explain to me how the details are going to make it more difficult for the dishonest people to hide their illegitimate payments.

Mr. Mark Pearson: Okay.

As I noted earlier, the threshold is \$100,000, and that's broken down by categories of payment. The payment categories are taxes, royalties, fees, production entitlements, bonuses, dividends, and payments for infrastructure improvements. Those are the broad categories.

The way it's going to work is that if \$100,000 is paid in one of these categories, or more, either in one payment or a series of payments over the course of the year, then the entity is required to report on those payments. As I said earlier, this is aligned with what is happening in the European Union and the U.S.

With this alignment, we're hoping to have quite the global reach, not only within Canada, because it will apply to publicly listed companies as well as medium and large private companies, but globally, in an aligned way.

In terms of deterring corruption, by making that information available it allows citizens around the world to be informed of those payments and to hold their governments to account on what has happened to the money.

Mr. Brad Trost: Okay. I get how the different categories would then help the companies, and the companies aren't going to want to be shaken down. Also, I understand why you might want a \$100,000 threshold, because you'd have too much paperwork for the problem.

But how does one, then, get at—how should we put this?—the petty corruption? If, instead of paying off the top guy a million bucks a year I'm then going to pay off a lot of small guys \$50,000 to \$75,000 a year, I slide right under that threshold. Are we just moving it down to a different level rather than dealing with it?

Mr. Mark Pearson: I'm going to ask my colleague Ekaterina to respond to that.

Ms. Ekaterina Ohandjanian (Legal Counsel, Legal Services, Department of Justice): The purpose of the legislation and the design of the actual details of implementation are measures to shed light on payment practices. Should there be evidence or suspicion of corruption, then that's a different step that takes place, and an investigation takes place to address the issue as a criminal matter.

For purposes of the act, we have built in certain safeguards by way of requirements to make sure that payments to individuals that relate to their public capacity are then attributed to the government that receives the payments. The onus is on the industry to report those payments. Then we have offences in the act that say, "thou shalt not do creative transaction design in order to avoid the rules". We have a strict liability offence against failing to report, and other attribution rules. There are mechanisms.

● (1215)

Mr. Brad Trost: I see where you are going. With 45 seconds to go, can I ask one last question?

There's always a question about how much you put in the legislation and how much you put in the regulations to organize later on. Some of the NGOs have put to me that we should have been more detailed in the legislation and left less to the regulatory approach. Now, I understand drafting is a complicated thing. Why did the department feel we didn't do a more prescriptive drafting into the legislation? Why was somewhat more of what to do left to the minister's discretion and to regulations?

Ms. Ekaterina Ohandjanian: It's the government's view that the policy and its enforceability hit the mark in terms of how enforceable it is, because if you take a careful look at the legislative framework, it's all linked together. It becomes a legislative requirement. The detail requirements are fixed administratively but they become a legal requirement, because the minister specifies.... Industry is on notice. It becomes an offence if you don't comply with the act in its entirety, which brings in certain detail requirements that the minister specifies.

One of the key reasons we went administratively was that we were trying to ensure that our industry was not disadvantaged as compared to the industry of the U.K., E.U., and U.S. members. We need to have that flexibility to react quickly to ensure that our report meets the requirements of the other jurisdictions' reports. It's suited to an evergreen kind of approach, because it deals with how you comply, whereas the substantive obligation on what you comply with is in the act.

The Chair: Thank you, Ms. Ohandjanian.

We go now to Mr. Leef for two minutes.

Mr. Ryan Leef (Yukon, CPC): Thank you, Mr. Chair.

I have a note that says that payments of \$100,000 or more would be reported, and that the amount is more in some categories. Is that accurate, or is the threshold a little bit higher in some categories, and if so, what categories would they be?

Mr. Mark Pearson: No, I outlined the categories. Once payments—either one-time payments or a series of payments—hit the \$100,000 threshold, they have to be reported. There's just one threshold.

Mr. Ryan Leef: I was just confused about it being \$100,000 or more generally and not \$100,000 or more in some categories. Fair enough.

You mentioned there are strict liability offences and that “you shall not try to get around the rules”. Also, as you mentioned, there'd be different investigative means and mechanisms if there was evidence that somebody was trying to get around those payment rules. It draws back to the \$100,000 category. I know you've talked about parity with other nations to make sure Canada is on an equal playing field and we have that consistency, which makes a lot of sense. Do we know the rationale around the \$100,000? It would seem to me that in some locations \$100,000, or just under that, could seem like a pretty significant payment, and in other areas it might not be that significant.

During Mr. Cameron's chairmanship, did they indicate how they initially came up with that \$100,000?

Mr. Mark Pearson: No. The U.S. was the first out of the blocks, and they used a \$100,000 threshold. Then the Europeans followed suit with 100,000 euros, and then for us, to try to align, it was \$100,000 Canadian.

Mr. Ryan Leef: On a global scale, we're a little bit lower at present-day dollar prices.

Mr. Mark Pearson: What I can say is that when we consulted with industry, some of our larger companies said the threshold should be much higher, for example, \$1 million. They said even \$100,000 for them is quite granular. Some of the smaller junior companies said maybe \$10,000 would be appropriate, because \$100,000 is too high. We felt that by landing on \$100,000 it was generally consistent and aligned with international practices. If companies want to report to a lower level, they certainly can do that on a voluntary basis.

• (1220)

Mr. Ryan Leef: Thank you.

The Chair: Thank you, Mr. Leef.

Thank you to all of the witnesses from the Department of Natural Resources, the Department of Justice, and the Treasury Board Secretariat for being here today for an abbreviated time. I think you've given us good information and we do appreciate that.

We will suspend the committee until we can get the witnesses for the next panel to the table. Again, thank you very much.

• (1220)

(Pause)

• (1220)

The Chair: We'll reconvene the meeting with a new panel of witnesses.

From Atomic Energy Canada Limited we have Dr. Robert Walker, president and chief executive officer; and Jonathan Lundy, acting president, chief transition officer, corporate head office. Also, from Canadian Nuclear Laboratories we have Dr. Robert Walker, president and chief executive officer. That's not a mistake; there are two different institutions in the transitional period. I don't know if you get twice the pay. If you want to comment on that you can certainly do that, but probably not.

From the Professional Institute of the Public Service of Canada we have Jonathan Fitzpatrick, president, Chalk River professional employees group; and Vince Frisina, vice-president, Chalk River professional employees group.

Welcome to you all and thank you very much for being here today.

I'll look for two presentations here, I assume, starting with Dr. Walker. Go ahead, please, and again, thank you very much for being here today.

• (1225)

Dr. Robert Walker (President and Chief Executive Officer, Atomic Energy of Canada Limited, Canadian Nuclear Laboratories): For the record, I get half the pay twice.

Voices: Oh, oh!

The Chair: Yes, okay.

[Translation]

Dr. Robert Walker: Thank you, Mr. Chair.

I am joined by Jonathan Lundy, Chief Transition Officer for AECL.

As noted in the previous session, Canada's nuclear labs have a new name. On 3 November, we proudly launched a wholly-owned subsidiary of AECL called Canadian Nuclear Laboratories, or CNL for short.

As discussed by NRCan colleagues, ownership of CNL will be transferred to a private-sector company next year. AECL will retain ownership of site facilities, intellectual property and liabilities on behalf of the government.

[English]

Now it's important to note that this government-owned, contractor-operated approach, or GOCO, has proven to be a success. It has enabled national nuclear laboratories in other countries to provide excellent careers for their employees to excel in science and technology and to grow their business lines.

The new CNL, with private sector management, operation, and approaches, will be better able to seize market opportunities in order to strengthen Canada's nuclear sector worldwide.

In the decades ahead, the employees of CNL will focus on three main missions. The first is to safely and effectively manage Canada's radioactive waste and decommissioning responsibilities. The second is to ensure that nuclear science and technology capabilities support the government in health protection, public safety and security, and environmental protection. And third, CNL will provide access to industry on a commercial basis to provide innovative nuclear science and technology expertise.

The government is our customer for the first two missions and industry for the third. These critical missions obviously require a sizable and highly skilled workforce. I believe personally that restructuring is a good thing for our employees, for our industry, and for our communities. For example, when leaders from local municipalities visited vibrant GOCO-run labs in the United States, they liked what they saw. The elected officials in our surrounding communities are excited about the synergies inherent in the GOCO approach.

At CNL, we've been working diligently on restructuring with our federal government colleagues. We have been working side by side, supporting the government with all our resources to achieve a smooth and successful transition for our employees. Within CNL, we are ready for GOCO. We've been improving our performance. Increased operational efficiency has allowed us to decrease our funding ask of government while increasing our commercial revenues and margins.

While these are exciting times for CNL with much future promise, we also realize that organizational change can introduce stress and uncertainty in our workforce. Our aim is to try to make the transition to GOCO as seamless as possible for our 3,400 employees while respectfully listening to concerns and addressing them as best we can. We are sensitive to, and have been diligent in addressing, the needs of our employees to help answer their most important questions. Naturally employees want to know what restructuring means to their jobs and career plans. They want to know how working for a private sector company will affect their pensions and benefits. We're providing comprehensive information to our employees through many internal communication initiatives, frequent face-to-face staff engagements, online restructuring, frequently asked questions, and regular CEO meetings with our union leaders. We've rolled out human resources programs to support our people. We continue to be sensitive to the essential need to maintain trust in our organization at all levels through open, honest, and timely two-way communications. One of the most frequent employee questions has to do with pensions. That is why we welcome Bill C-43 because if implemented it will provide clarity and certainty to our employees regarding transitional pension coverage.

When the shares of CNL are acquired by the private sector GOCO company, CNL will become a private sector entity. As a consequence, employees at CNL will no longer be eligible to participate in the public service pension plan, or PSPP. Bill C-43 provides for the grant of transitional coverage to employees of CNL so they may continue to participate in the PSPP for a period of three years following the date when CNL ceases to be a crown corporation. This will provide sufficient time for the new private sector management of CNL to set up its own pension plan.

The proposed measures in the bill have the effect of treating CNL employees in the same way as former AECL employees who were transferred to the private sector during the first phase of restructuring, but this news comes much earlier in the process. Although employees of CNL will eventually cease contributing to the PSPP and will begin contributing to a new plan, they will retain the benefits accrued over their years of pensionable service under the PSPP, including eligibility for the public service health care plan. Future access to the options of an annuity, a transfer value, or a return of contributions will be protected.

In conclusion, we're confident that a GOCO-managed CNL will enjoy the same success as it has in other jurisdictions: exciting work for employees, modern facilities, and competitive compensation. These essential ingredients attract and retain the highly skilled educated workforce that we will need for decades ahead. With the new GOCO organization, our focused missions, and the ongoing capital investment by the government we will successfully project our experience and capabilities to a broader array of customers at home and abroad.

Thank you.

• (1230)

John and I would be pleased to take your questions.

The Chair: Thank you very much for sticking to the seven minutes and for a good concise presentation.

We go now to the Professional Institute of the Public Service of Canada, to Jonathan Fitzpatrick, president, Chalk River Professional Employees Group.

Welcome again, sir, and please go ahead with your presentation for up to seven minutes.

Mr. Jonathan Fitzpatrick (President, Chalk River Professional Employees Group, Professional Institute of the Public Service of Canada): Thank you, Mr. Chair. I am joined today by Mr. Vince Frisina, vice-president of the Chalk River Professional Employees Group, and Mr. Steve Hindle, vice-president of PIPSC.

Our union represents almost 900 engineers, scientists, and technicians at the Chalk River and Whiteshell sites of Canadian Nuclear Laboratories, formerly known as AECL. These professionals are at the very heart of the Canadian nuclear industry. Collectively we are the bearers of a tremendous amount of knowledge and experience. Together we have endured the ups and downs of the nuclear industry's eventful history. Nuclear energy supplies a big part of our country's energy needs. It is also an important contributor to our medical, industrial, and innovation requirements.

Our members are a key part of Canada's science and technology knowledge infrastructure, and they collaborate with advanced nuclear research institutions worldwide. We provide the research that the Canadian Nuclear Safety Commission, the industry's regulator, requires to keep this industry safe and online.

Nuclear contributes \$5 billion to our economy and tens of thousands of direct and indirect jobs in this country as a result of domestic needs and international trade. Canada's long history as a nuclear nation has been built on this research and expertise.

Division 29 of Bill C-43 includes measures related to the implementation of a new model for the laboratories of Atomic Energy of Canada Limited, an entity now known as Canadian Nuclear Laboratories. These measures include the provision of transitional pension coverage to CNL employees following the share transfer, after which CNL will become a GOCO, a government-owned and contractor-operated facility.

Ensuring that this new management model works means ensuring that CNL can continue to retain and attract the best and brightest nuclear scientists and engineers. These scientists and engineers are needed to maintain Canada's status as a tier one nuclear nation and to meet the federal government's long-term obligations to public safety and scientific innovation both nationally and internationally.

We are here today to voice our deep concern that the pension measures in this bill do not meet this requirement and would put this capacity at risk. Let me explain.

Bill C-43 would allow existing employees to continue to participate in the public service pension plan for a transitional period of three years. The public service plan, however, would not be extended to any new employees of CNL, and there would be no requirement to maintain a similar standard of defined benefit pension as provided under the Public Service Superannuation Act once the transition is complete. In fact, the RFP prepared for prospective new operators requires them to have an alternative pension plan in place at the time of share transfer. By excluding new hires from the transitional coverage, the message to industry workers is that the next pension plan will not be equivalent, comparable, or for that matter, negotiable.

As a result, the Canadian industry and, more specifically, the new corporate entity will be at serious risk of failing to attract and retain the best and brightest nuclear expertise. To be clear, we agree that transitional pension coverage under the PSSA should provide certainty and stability for both employees and the bidders in the procurement process. Unfortunately, by not extending the same treatment to new hires, Bill C-43 undermines the objective of a seamless transfer from AECL to CNL.

In fact, putting in place a two tier pension system for the first three years of the new entity would be divisive in the workplace and would have an impact on collective agreement negotiations. Once the new plan had been imposed on new hires and eventually on all employees of CNL, it would be very complex to successfully negotiate a different plan at a later date, so that would be highly unlikely.

This, in our view, would place the labs at risk of being programmed to fail rather than set up for success. It sends a clear message to highly skilled professionals at CNL to start looking elsewhere in a very competitive industry.

I should note that, while our union represents 900 employees at CNL, all 3,400 employees would be affected by these pension measures. The future prospects of Canada's premier nuclear labs

depend on a fair, stable, and predictable pension plan being put in place for all employees. We believe the best, the easiest, and the most cost-effective avenue to achieve this goal is to have the three-year PSSA transitional coverage applied to both existing employees and new hires at CNL following share transfer.

• (1235)

Transitional pension coverage should give the new employer and its employees three years to negotiate a deal that pleases everyone. But this will only be possible if participation in the PSSA is extended to new hires following the share transfer.

Thank you for your time. We look forward to your questions.

The Chair: Thank you very much, Mr. Fitzpatrick.

We'll go directly to questions and comments now. I think we'll go with all five-minute rounds starting with Mr. Trost.

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

Mr. Fitzpatrick, you were arguing that there needs to be an equal playing field for both new hires and current employees. As you were talking, you were suggesting that the public service pension plan be extended for new hires as well. But the alternative, if it has to be absolutely fair, is that we just not do this three-year extension in the first place.

Now, if fairness is the underlying issue, that's another option. If the concern is that the next pension plan will have less than the current one, it would be hurting current employees relative to the future. Do you understand where I'm going with what I'm saying there?

So let me then pose this question: Is the underlying issue a concern about compensation going down in the form of a weaker pension plan or is it fundamentally about fairness? If we had a situation in which a new pension plan was better than the old one, I suspect current employees would want the right to transition over to it as soon as possible. Would that not be correct?

So isn't the fundamental question based on nervousness about the level of compensation rather than on the issue of fairness?

Mr. Jonathan Fitzpatrick: I would agree with you. If the replacement pension plan were to be of greater benefit, obviously there would be no concern. The concern is that the new pension plan will be imposed on employees, and the union-represented groups will not have the opportunity to negotiate with the new employer. Those are our concerns, besides recruitment and retention issues, going forward. Faced with the loss of their pension plan, some people might seek other employment in the government in other departments.

• (1240)

Mr. Brad Trost: I completely understand that. As members of Parliament, basically as of next election, we have dramatically cut our pension plan going forward. No one was particularly wildly thrilled about it even though we thought it was the right thing to do, so I can understand that.

Would you also say the value of your organization is in the people? We have the machinery; we have the equipment; we have everything.

What I don't understand about this is that if they start to lose people, the value of the organization goes down. Why wouldn't the new owners or operators of this want to have a compensation package that is competitive with that of the rest of industry?

I'll throw this out to both Mr. Walker and Mr. Fitzpatrick. Basically whoever is operating this is stuck. They have to give the market rates. Otherwise the talent and the value of the organization, which is almost exclusively in its people and not so much in its equipment, will up and go. The only way to keep this organization valuable is to pay the market rate. If the market tightens up in other places, the value of compensation will go above what it currently is. If the market loosens up because all of a sudden there is no longer a need for this, it will drop. So, more than anything else, are we trying to guess what the market is rather than dictating what the salary and pension benefit levels are?

The Chair: We'll hear from Mr. Fitzpatrick followed by Mr. Walker.

You have less than a minute each for your answer. Please go ahead.

Mr. Jonathan Fitzpatrick: Thank you.

Again the concern is with the perception by employees. As Dr. Walker mentioned, the top concern among current employees is pensions. We expect the new employees to have the same concerns. Again, as you mentioned, the concern is what the market will bear. Once the three-year transitional coverage measures have elapsed, that will be our concern as well.

Dr. Robert Walker: The contractor must attract and retain Canada's best. That is the future, and for the contractor to succeed, that's what must be accomplished. The contractor, I expect, will approach this through three lenses collectively. The first is to make sure that there is attractive and interesting work to be done. The three missions, given the labs, secure that. The second is that we have modern facilities. The government has started to recapitalize labs, and with the GOCO model, it intends to accelerate that process. Finally, the compensation package as a whole—salaries, benefits, and pensions—needs to be competitive.

The Chair: Thank you very much, Mr. Trost.

We go now to the official opposition and Mr. Ravignat.

Go ahead, please, for up to five minutes.

Mr. Mathieu Ravignat (Pontiac, NDP): The word “competitive” can mean a few things. Competitive can mean “compared to other industries”. Competitive could mean to make sure that you attract the right people.

In the context here, there was a certain level of pension that was negotiated with the various employees, so I think it's pretty natural that the employees would want to ensure that what was negotiated in the past, during the transition period, remains at that level. That's the nature of the bargaining process.

Mr. Walker, is there any guarantee that pensions will remain at that level as this transition moves forward?

Dr. Robert Walker: It would be entirely speculative on my part.

As the government clarified in the earlier session, it intends to incentivize the contractor to find the solutions that will work best for the labs going forward. In that, it must also respect the collective bargaining process, existing agreements, and, as has been identified, put in place a pension plan, together with other elements of compensation to make this package attractive, to not only retain but also to attract future Canadians to this employment.

Mr. Mathieu Ravignat: Mr. Fitzpatrick, in the advent of bankruptcy of one of these companies going forward, there is nothing in the legislation that protects employees as creditors for their pensions. You know that. In other natural resource industries, this has happened consistently. A company goes bankrupt, transfers assets to another company, usually a dummy company, and basically betrays the agreement that is in place with the employees with regard to their pensions.

Is this a worry that you have?

• (1245)

Mr. Jonathan Fitzpatrick: Our concern, in general, is that the pension benefit we currently enjoy will be subsequently diminished with the new employer. That is our main concern.

What we would like to see with the three-year transitional coverage is that we have the opportunity to negotiate a new and fair and reasonable pension that both parties agree to. That's the reason for our request to include the new hires of CNL, so that we're all treated similarly and fairly under the three-year transitional period and that we have that opportunity to negotiate with the new employer.

Mr. Mathieu Ravignat: Mr. Fitzpatrick, how would you amend this current piece of legislation in order to ensure that going forward?

Mr. Jonathan Fitzpatrick: As I stated in my opening remarks, our request for the new hires, the ones hired post share transfer, is that that they be allowed to participate under the public service pension plan for the same three-year transitional period.

Mr. Mathieu Ravignat: Okay. So, basically, the idea of attracting the best and the brightest to this industry is a fundamental principle. I think it's in the best interest of both the employees and the employers; there's no doubt about that. However, we see that in the case of the public sector, when you do touch pensions it has a direct impact on the type of people you can attract. Equipment is not going to do it necessarily; compensation is a fundamental issue.

Going forward, what other industries are you going to compare this compensation package with, or what other industries do you think this should be compared with, to ensure that we do in fact attract the best and brightest in our country?

Both of you can answer. You would both have ideas on that.

Dr. Robert Walker: The reality is that when young Canadians are considering career opportunities, they look across many sectors to see where those opportunities exist. We come back to what young Canadians are looking for by way of career employment. What's important to note is that the Canadian Nuclear Laboratories, based on past records, have a proven record of attracting people for careers. People come in at a young age.

What keeps them working with us? Compensation is an enormously important part of it. However, for science and technology workers, the notion of the quality of our facilities and the equipment is actually a premium, as well as the interest in the breadth and complexity of the tasks at hand. That is actually an entirety here.

I believe that when the contractor looks at it, he will be looking across broad science and technology manufacturing industries, including the nuclear industry, because that is what the young Canadians will be looking at for their career opportunities.

The Chair: Mr. Fitzpatrick.

Mr. Jonathan Fitzpatrick: Thank you.

I would agree with Dr. Walker on the recruitment aspects, the facilities and the job opportunities that are presented, but once employees are at Chalk River or the other sites, they stay for the pension, the other benefits, and the continued salary. These are important factors to consider for the retention aspect. Our concern is that while pension may not be such an important factor for recruitment, it certainly is for retention once you're here for 5, 10, 15 years, and you want to stay and make this your community and your home.

The Chair: Thank you very much.

We will go now to Mr. McCallum for up to five minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Mr. Fitzpatrick, I think I heard you twice say that the pension would be imposed on the workers. Is that correct? Is it not a question of bargaining?

• (1250)

Mr. Jonathan Fitzpatrick: My understanding from the information that has been provided to date is that there is a requirement on the new employer to establish a new pension plan on day one for the new hires. The issue is that once that new pension plan has been imposed, it makes it that much more difficult for the bargaining representatives to negotiate over that three-year transitional period.

Hon. John McCallum: Okay, I understand.

Mr. Walker, do you agree that the new pension plan would be imposed on day one, that it would not be negotiated, it would be imposed?

Dr. Robert Walker: This is an interesting and difficult question. I'm not a pension expert, but my understanding is that there are a variety of options, including bridging, that can get from the point of new employees coming in to an ultimate solution with a go-forward pension plan for all, but I'd be in speculation mode as to which option the contractor would choose to put in place.

Hon. John McCallum: Okay, that comes to the main difference that I detected between you, which is whether or not the new employees should be under the old pension plan for the three-year transitional period.

Mr. Walker, I assume the company does not agree with that and would not do that, or else it would not be a disagreement. Would the reason for not doing that be a question of the additional cost?

Dr. Robert Walker: We've been very much following the lead of government as to what it has put forward as the solution.

Again, I'd come back to say that as we observe what is being considered as industry practice elsewhere in Canada and around the world, this notion of needing to meet the requirement for pension coverage for new employees and a go-forward pension does not mean that you're imposing the ultimate answer through what new employees have on day one. There may be some kind of bridging arrangement placed to get you to an ultimate solution. However, the government's view is that those are all the conditions that the incoming contractor must take leadership to establish.

Hon. John McCallum: Okay. There's some debate about whether the new pension will be better or worse than the old one. I can't imagine it would be anything other than worse, in the sense that public sector employees—and I can use this term because the same thing applies to members of Parliament—have what some people call gold-plated pension plans, whereas the norm in the private sector is decidedly not as generous. I think that's a statement of fact. It's a pretty safe assumption that the new pension plan will be less generous than the old one.

Is that a fair statement?

Dr. Robert Walker: One can look around the world and see where the trends are going. I recall in the earlier comment that observation was made.

My observation is that the private sector approaches this issue of compensation as a whole. It is about salaries. It's about performance pay. It's about benefits. It's about pension. And as a collective, it needs to be competitive. So to come back and say that by taking the issue of pensions and neglecting the larger piece of competitive compensation...is probably not, I'd suggest, the way the contractor would approach this.

Hon. John McCallum: Okay, I have one last question.

It's a bit late to do anything about it, but I wonder if there's an element of seller's remorse on the part of the government, because we heard recently that China is buying two reactors at a cost of \$5 billion to \$7 billion each, and the government sold AECL back in 2011 for \$50 million.

Does this new development suggest the government may have made a mistake?

Dr. Robert Walker: I'll be a little careful and not speak on behalf of the government, but what I will highlight is that the new opportunities that Candu Energy, the company that took over the assets of our CANDU reactor division, has identified in China are good for Canada, and good for the supply chain.

I'll also highlight that the terms of the sale were that should it be successful commercially, royalties will be paid to the Government of Canada based on those sales. So if Candu Energy is successful, the Government of Canada will be successful.

The Chair: Thank you, Mr. McCallum.

Ms. Crockatt, you have up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today.

Dr. Walker: I want to congratulate you on the birth of Canadian Nuclear Laboratories on November 3. As we've been talking about, AECL is going through a period of change. For many employees that represents excitement, because they know that there are opportunities and there are new opportunities coming. We just talked a little bit about those opportunities. They also want some certainty, whatever certainty might be able to be provided, for their futures. And that's reasonable.

Now, I've been through quite a few restructurings in the newspaper industry. It seems to me that the three-year transition period we've been talking so much about today is a very long and generous period of time as far as the private sector goes. I wonder if you could just comment on that and maybe talk about what the transition period was the first time, during stage one.

• (1255)

Dr. Robert Walker: I will confirm that the coverage provided to AECL employees who were transitioned to Candu Energy in the private sector was also three years. This is also about fairness and treating the employees in this part in the same manner in which employees were treated in the first phase of the transition.

On the notion of certainty, I would say that for our employees, the most visible sign of certainty is in fact the 100-foot crane on the site at Chalk River that is building our new \$100-million science complex that the government is investing in. It's investing in labs that will be with us for 40 and 50 years. There are going to be well-paid jobs for a long, long time. The government's investing.

Ms. Joan Crockatt: Great.

Did I hear you say this morning that there's even more notice being given to employees this time around?

Dr. Robert Walker: I would confirm that in the first agreement, the notice of transitional coverage was only provided to employees literally a few weeks before the actual transaction occurred. We're receiving that notice approximately a year before it would occur. That is much earlier in the process for employees to have the certainty—provided this legislation's passed—that they will have transitional coverage.

Ms. Joan Crockatt: In phase one was there a loss of expertise, or did most of the staff continue to stay, going forward? Do you have information on that?

Dr. Robert Walker: Just for clarity, you're talking about the employees who moved in to Candu Energy?

Ms. Joan Crockatt: Yes.

Dr. Robert Walker: This was a large part of the negotiation. I was not part of that negotiation, so I'm observing it from a bit of a distance. My understanding is that all unionized employees went across, unless there were cases of people wanting to depart the company. Candu Energy is of course in the private sector and is looking at growing its business around the world, and that, of course, in an up-and-down business, has some challenges and opportunities. Going forward, we see sometimes fewer people and perhaps more people coming along—for example, as the China opportunity presents itself.

Ms. Joan Crockatt: Mr. Lundy, in general terms how is the transition going?

Mr. Jonathan Lundy (Acting President, Chief Transition Officer, Corporate Head Office, Atomic Energy of Canada Limited): I would say it's going well. My chief responsibility is to set up really the new AECL that will emerge. Right now we have maybe eight employees, and we are probably growing up to around 50 to prepare ourselves for managing the contract that will be put in place in November about a year from now.

Ms. Joan Crockatt: What's the mood of employees? How is morale? How are things?

Mr. Jonathan Lundy: Well, I would think that Bob could better answer that, but I think that with restructuring—you've said that you've gone through it yourself, as have I—there is apprehension. One of the things I like about the legislation here is that it takes away a big worry about the pension well in advance. It's a big issue for employees. It may not get all employees exactly what they want, but it goes a big step towards allowing the contractor to come in and for the first three years of a contract take that worry away and be able to negotiate something competitively for all of its employees, not just the union employees.

Ms. Joan Crockatt: Would you say that in many cases, or in some cases, employees have more of a certainty than in other areas of the public sector; that they know they're going to have this pension for another three years?

Mr. Jonathan Lundy: Yes.

The Chair: I'll go to Mr. Leef, abbreviated again. I have a request for a short question from Mr. Ravnat. Could we do that as well?

Go ahead, for three minutes.

• (1300)

Mr. Ryan Leef: Okay, I'll ask one question and then I'll turn my time over. It will be for Mr. Fitzpatrick and Dr. Walker of course.

Mr. Ravnat had asked a question about how you would look to amend this legislation if possible. Mr. Fitzpatrick, your recommendation was to move this pension to public service benefit for the new hires in the interim period. We had the officials just before you were in and we did ask that very question, if that was indeed possible. The response we got from the officials was that legislatively it's not allowed to have non-public service employees, in other words private sector employees, benefit from a public service pension plan, so legally it can't be done. Is that your understanding as well?

Mr. Jonathan Fitzpatrick: I believe I heard from the representative from Treasury Board that it was a conscious decision to exclude the new employees but I will defer to the record.

The alternative would be to have language regarding an equivalent benefit for pensions for the new hires during that three-year transitional period. It would also meet the intent of our position to include them under PSSA. Apparently there is no pension equivalent language in any of the collective agreements or in any of the other policies or procedures for Canadian nuclear labs.

Mr. Ryan Leef: Dr. Walker.

Dr. Robert Walker: Perhaps the issue here is whether the contractor will have the tools and ability to address this issue, which is one of how we put in place appropriate pension arrangements for incoming employees and not ultimately create two pension systems. The question at the heart is does that require legislation to ensure that this unfortunate situation results or can existing tools be available to the contractor to be able to achieve that.

Mr. Ryan Leef: Thank you.

The Chair: Thank you, Mr. Leef.

You can have one question, Mr. Ravignat.

Mr. Mathieu Ravignat: Chalk River is just across the river from my riding, so you will excuse the question, but it hasn't been all that successful with regard to performance. What is it about the Chalk River facility that will allow it to turn a profit?

Dr. Robert Walker: Thank you. That's a very profound question.

First, national nuclear laboratories around the world do not work for profit and these are their customers. The fundamental change that the GOCO model implements is first and foremost it creates a customer-supplier relationship with its largest customer, the Government of Canada. It does that under the rigour of private sector management, focused on safety, results, and the bottom line. That model, looked at in other jurisdictions as delivering value at the appropriate cost, has been proven to work. We believe that moving to the GOCO model, establishing the customer relationship with the Government of Canada as well as growing our commercial business, which has been on a growth curve, are the ingredients for success. A big part of the solution is also to recapitalize the laboratories and to

invest in the capital infrastructure, facilities, and municipal infrastructure needed to modernize the campus. The government has already signalled it intends to do so and believes that the delivery of that capital program under a GOCO model will be of a higher performance.

The Chair: Thank you very much.

Just before I thank the witnesses, I want to say that on Thursday we come back dealing with the section on transparency for the extractive sector for an hour and a half, and then we have half an hour to put together a letter to send to the chair of the finance committee. Then, as agreed to by the committee, the Parliamentary Secretary to the Minister of Natural Resources has gotten agreement from the minister to be here the Tuesday after, at committee, to deal with supplementary estimates. We have arranged that, so the committee has business for the next two meetings.

Thank you, gentlemen, very much for being here today, Jonathan Lundy, acting president and chief transition officer in the corporate head office of Atomic Energy of Canada Limited; from the Canadian Nuclear Laboratories, Dr. Walker, president and CEO; and from the Professional Institute of the Public Service of Canada, Jonathan Fitzpatrick, president, Chalk River professional employees group, and Vince Frisina, vice-president, Chalk River professional employees group.

Thank you so much, gentlemen, for being here and giving us this information, which very helpful to us indeed.

The meeting is adjourned.

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