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Chair

Mr. Leon Benoit

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• (1135)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone. We are here today, of course, to continue our study of the decision of Atomic Energy of Canada Limited and the government to discontinue the MAPLE reactors project, and the ramifications on the supply of isotopes.

Today, as our witness, from the Office of the Auditor General of Canada, we have Sheila Fraser, Auditor General of Canada.

Auditor General, maybe you could go ahead with your short presentation, and then we'll get directly to questions. You've indicated to me you're willing to stay until 12:30. We do appreciate that. I know there's a scheduling problem there. If you could introduce the gentleman with you, we'll get right to it.

Thank you very much for being here.

Ms. Sheila Fraser (Auditor General of Canada, Office of the Auditor General of Canada): Thank you, Mr. Chair.

We thank you for the opportunity to discuss our 2007 report of the special examination of Atomic Energy of Canada Limited. I am accompanied today by Jean-Pierre Plouffe, the audit principal who was responsible for this audit.

As most of you will recall, we appeared before this committee in January to discuss the results of our report on AECL, shortly after the corporation posted that report on its website. For the sake of convenience, I have attached a copy of our opening remarks from that hearing. You will note that paragraph 12 includes our comments on the two MAPLE reactors. Essentially, we pointed out that there had been delays and increased costs, and that the corporation had yet to resolve certain technical issues.

Mr. Chair, we have not done any further work on these matters since our report in 2007. Therefore, we cannot comment on recent developments, such as the decision to discontinue the work on the MAPLE project.

[Translation]

We are currently completing, with a joint auditor, the audit of the corporation's 2007-08 financial statements. The audited financial statements will be included in the corporation's annual report which will be provided to Parliament through the Minister of Natural Resources. The corporation expects to submit its second report to the minister by the end of this month. As the report is not yet public, I am sure that you will understand that I cannot comment on it or on our audit results.

That concludes my opening remarks. We will be pleased to answer any questions from the members.

[English]

The Chair: Thank you, Auditor General.

We'll go directly to the questions now, beginning with the critic for the official opposition, Mr. Alghabra.

Go ahead, for up to seven minutes, please.

Mr. Omar Alghabra (Mississauga—Erindale, Lib.): Thank you, Mr. Chair.

Good morning, Madam Fraser. Thank you for coming before us today. It's good to see you again.

One of the things you mentioned in your report was the 40-year contract with MDS Nordion. The only statement there is that AECL has a 40-year supply contract. Now we're hearing from AECL that they dispute that it was contingent on the completion of the MAPLE reactor.

Can you comment? I'm assuming your office has reviewed the contract. Can you give us your thoughts on that contract?

Ms. Sheila Fraser: Obviously, Mr. Chair, I have seen the testimony that has been given in recent days. There would appear to be some disagreement about interpretation of that contract between AECL and MDS Nordion. We will, of course, leave it up to the lawyers to sort out the interpretation of that and any potential consequences that could arise. That would be looked at in the course of our audit of the financial statements of the corporation.

Mr. Omar Alghabra: I understand there's a legal dispute, and I'm not asking you to prejudge it. But your office usually audits and supervises how crown corporations or government departments conduct their business. In your statement you said it was a 40-year contract. So from your office's perspective, it was a 40-year supply contract for the isotopes. Is that correct?

• (1140)

Ms. Sheila Fraser: At the time we wrote that report, it was even the opinion of the corporation as well as our opinion that there was a 40-year supply agreement in place. I understand from testimony that has been given before the committee that the corporation believes that the commitment is no longer valid, given the decision to not continue the project, and that there is a dispute around that. That will of course have to be resolved, I presume through negotiations between the two parties or through legal action.

Mr. Omar Alhabra: On a different topic, the last time you were before this committee, you talked about your concern and the ramifications of the firing of Ms. Keen. You said that in your opinion it might cause a chill among public servants.

We had the minister before us here telling us and the media that he's confident the commission will extend the licence of the NRU by 2011. Some people are interpreting that as a strong message to the commission that they had better renew the licence by 2011.

I don't mean to put you in a difficult position—

Ms. Sheila Fraser: But you are.

Mr. Omar Alhabra: —but you know you're very capable of dealing with difficult positions, as you have always been in the past, and very eloquently. So I'm very interested in hearing your thoughts on that.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): On a point of order, Mr. Chair, the minister said that he would work with the CNSC and AECL to try to make sure they can extend the licence. I think we need to be accurate in what we're saying.

The Chair: Mr. Anderson, that is debate.

Go ahead, please, Mr. Alhabra.

Mr. Omar Alhabra: So I want you to get back to that point. There are people wondering why the minister would say he's confident that the commission is going to extend the licence when we already know that the previous commissioner, or president of the commission, was fired because she did not do what the minister wanted her to do.

Ms. Sheila Fraser: Mr. Chair, obviously I'm not going to comment on why the minister would or would not say something.

What I would say is that the commission has certainly had a reputation for doing very rigorous work, as I think all Canadians and everyone would expect them to do, given the sensitivity of the role they have as regulator of a very important industry. I think it would be our, and everyone's, expectation that they would continue to fulfill that role in a rigorous manner, doing the kinds of inspections necessary and giving the assurance that were the licence to be extended, that would be appropriate.

Mr. Omar Alhabra: The MAPLE reactor project appeared to be in trouble when your office did the audit. You highlighted that in the report. Also, we saw a briefing note that had been presented to the minister last November, describing three options for him: staying the course, changing the type of fuel, or ending the project. The briefing note preferred the last option, ending the project and reaching a settlement with MDS Nordion. But it also said that it would cost \$7 million per month, I think it was. That was November, and now we're in the middle of May.

Do you think that was a wise expenditure of \$7 million a month, even though in November we had a briefing note telling the minister that the wise decision would be to cancel the project then?

Ms. Sheila Fraser: As I indicated in my opening statement, Mr. Chair, I can't comment on that. We have not done any further work on the issue since our special examination dated March 2007.

Mr. Omar Alhabra: The problem here is that we have seen reports from you and briefing notes for the minister about the

project's uncertain future. The decision was made quickly, without consulting the actual customer, who has a 40-year contract. And the supply of isotopes is still at risk because we don't have a plan B.

I'm making a statement here; I'm not expecting a response.

It is very troubling. A lot of Canadians still have a lot of doubts about the supply of isotopes and are very anxious to hear what AECL and the government have in store for that supply and the security of that supply.

Have you seen in the audit any other plans that AECL has—

• (1145)

The Chair: Mr. Alhabra, your time is actually up, and then some.

We'll go to Madame DeBellefeuille for her seven minutes.

[*Translation*]

Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ): Thank you, Mr. Chair.

Welcome, Mrs. Fraser. It is always a pleasure for me to say that the your family is from Dundee, in my riding. I mention it at every opportunity because it is a great source of pride for us.

Mrs. Fraser, I would like to ask a question flowing from the testimony of MDS Nordion. When a Crown corporation signs a contract with a private company and that funds are committed, what are the powers of the government? In this case, we are dealing with a failure that is extremely costly for the taxpayers and for a private company since it amounts to more than half a billion dollars. When can government decide that enough is enough? The Crown corporation invests money and the government provides financial help but we are dealing with an arm's-length Crown corporation as well as with a private company, MDS Nordion, which have concluded a contract. At the end of the day, it is taxpayers who will have to pay for this failure and for this bad business partnership.

When can the government be involved, and should it be? What is its responsibility in this type of situation?

Mme Sheila Fraser: Generally speaking, the government, through the minister, can always give directions to a Crown corporation. The government has various methods to do so. It can use the business plan submitted by the Crown corporation to state its plans for the following year. That is why we have stated several times that the business plan of the Atomic Energy corporation of Canada had not been approved during long periods of time. That organization was functioning without having its operations approved by the government.

Mrs. Claude DeBellefeuille: You say that it was functioning without the agreement of the Minister. Was the Minister aware of that? Did that not create any problems?

Ms. Sheila Fraser: Yes. At the time, we mentioned that the business plan had not been approved. According to normal procedures, government has to approve the activities of a department and the direction it intends to follow.

There is another process that is even more precise. It is for the government to give directions to the Crown corporation through a minister. I can give you a famous example. The minister responsible for Canada Post, a Crown corporation, gave it the order to maintain rural postal deliveries. So, the government can order a Crown corporation to do certain things. It can intervene at any time to tell a Crown corporation what to do.

I want to remind the members of the committee that, during our last audit and during the special examination that we concluded at the end of March, the corporation was still stating that it believed it would be able to meet the requirements of the contract and that the MAPLE reactors would start operating in 2008.

Mrs. Claude DeBellefeuille: All right.

An independent expert, Mr. Waddington, has told us that, when independent experts looked at the MAPLE project, they could not find any solutions to the design problems of the reactor and that, consequently, that reactor would be unable to supply isotopes. Despite that, the project went ahead and money continued to be invested. In 2006, Atomic Energy of Canada Limited, after a disagreement, reopened the contract to sign another agreement with different conditions. At that stage, many people were still in doubt about the future of the MAPLE reactor.

I fail to understand why, when Atomic Energy of Canada negotiated a new agreement with Nordion, the government did not get involved to underline that the taxpayers ran the risk of having to invest more money, of being faced with legal action and of having to pay compensation. There were obviously major problems.

In 2006, should the government have been involved to warn Atomic Energy of Canada Limited that there was an enormous financial risk, instead of letting it sign that contract? And the end of the day, it is taxpayers who will have to foot the bill.

• (1150)

Ms. Sheila Fraser: Today, with hindsight, it may be obvious that the problems were more serious than could be estimated at the time. Obviously, the corporation as well as MDS Nordion believed then that there would be technical solutions and that the problems could be resolved. Otherwise, why would they have signed that agreement?

On March 31, 2007, during our special examination, technical experts of the corporation were still telling us that they were confident they would find solutions. At the time, I presume, everyone was relying on those experts or, perhaps, on other experts who also believed that a solution could be found.

Mrs. Claude DeBellefeuille: I do not know if it is fair to talk about a financial disaster in this case but the fact remains that the money spent for this project came from taxpayers.

Do you believe that these events would justify a comprehensive audit from your office in order to understand this situation better? Could we have done something to avoid this failure instead of wasting those huge sums of money?

Today, in 2008, we end up with an old reactor that is close to 60 years old. We have no short-term solution since the MAPLE project has been canceled but we still need a supply of medical isotopes.

Some have said that the license could be extended until 2016. Indeed, according to the testimony of MDS Nordion, the situation would be less troublesome by 2016. Do you not think that this deserves an in-depth study in order to see how this matter has been concluded on a financial and contractual basis?

Ms. Sheila Fraser: Quite frankly, I expect the corporation to carry out its own analysis of those events and the government to look at the matter. As far as we are concerned, I would tell you quite frankly that we do not have the required expertise for a proper assessment of the technical issues and of the seriousness of the problems encountered. There are many highly technical issues at play here. So, we rely on experts in this field as well as on the Commission. I believe it would be useful for the corporation and the government to do this analysis and to learn some lessons for the future.

[English]

The Chair: *Merci, madame.*

Mr. Trost, you have up to seven minutes.

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

I'll start off by saying that a lot of the questions I've been asking other witnesses keep going back to the question of risk. Now, I can very much understand what you were saying to Madame DeBellefeuille about not having the engineering and so forth. That's not your department. But we had witnesses last week who were telling us that, no, no, this was a low-risk project, which it turned out not to be. We had witnesses the other week who said it was high-risk.

Looking back, there was, I believe, even before the MAPLE 2, the MAPLE X, which they decided not to go ahead with because it wasn't going to work. It was too risky, I guess, from the perspective of the late eighties and early nineties.

That said, I'd like to go to the Auditor General's report from 1998, dated April 2. On page 12 there's a section on capital construction. I'll give you a second to get there.

This is what it says here: "We audited AECL's management of two projects in early construction stages: the MMIR project in Chalk River to build two MAPLE reactors and a processing facility.... Both of these projects involve significant risk to AECL. MMIR has tight timelines and budgets and an unexpected regulatory event." So in your 1998 report you noted that there was significant risk.

In your opinion, did AECL have the appropriate risk management tools in their corporation, in the culture, for this project, etc.? If they did, why? And if they didn't, why not? What should they have done at that point?

Now, this is just reference to one element of it.

•(1155)

Ms. Sheila Fraser: Mr. Chair, I'll quote from that report of 1998, to continue on. In that particular section on page 12, in the next paragraph—this is for the China CANDU project as well as the MAPLE reactors—we said both projects “are in very early stages. In this context, we found appropriate management of each project compared to accepted project management standards.” We were looking at it as really the construction phase of that, and we found at that very early stage of defining the project and determining roles and responsibilities that they were doing that appropriately.

When we come to the special examination that was done in 2002, the project, of course, was much further advanced. There we raised a number of issues around the quality assurance and the management of that within the corporation. There were concerns raised then.

Mr. Bradley Trost: I can give you the page. It's page six at the bottom.

Ms. Sheila Fraser: We talked about weaknesses in quality assurance that can lead to additional costs and timing. There were several weaknesses in the quality assurance program, the main problem being inconsistent application. We've quoted in here that there were a number of audits done from 1999 to 2001 on the MAPLE reactor project, known as MMIR at the time.

There were a number of issues there, and there was mention of delays. We also mentioned in 2001 that there were a number of actions taken to correct the weaknesses that had been identified, but there were still concerns expressed by the regulator. That obviously became the major problem—the technical problems, that were not able to be resolved.

Mr. Bradley Trost: You're following my line of questioning here pretty well.

Between the 1998 report and the second 2001-02 report, some action was taken, but evidently not enough. Was it a problem only to this particular project, or in your opinion was it systemic? Were they having risk management problems throughout the culture? This is not specifically dealt with in the time from 1998 to 2001. Is there an overall problem here, or is this merely a project-specific problem with risk management?

Ms. Sheila Fraser: There were a number of problems. As we said in here regarding the quality assurance program, we actually felt it was significant enough that we qualified it as a significant deficiency. Significant deficiency means that there is a weakness that's serious enough to affect the operations and success of the corporation.

That was one of the three significant deficiencies that were raised in 2002. It wasn't related only to the MAPLE. From what I read, the MAPLE was the most significant project, but it was the case more generally throughout the corporation.

•(1200)

The Chair: Thank you.

Mr. Trost, you still have some time left, but there was a change made to the Standing Orders about a month or two ago that now requires that there be unanimous consent given to continue with committee once the bells start. We used to just continue until there was maybe 10 minutes left.

I will need unanimous consent. I'm asking to continue with the Auditor General for about 20 minutes, to leave us 10 minutes to go back to the House. Is there unanimous consent for that?

Mr. Anderson.

Mr. David Anderson: Is it a 30-minute bell?

The Chair: It is a 30-minute bell.

Mr. David Anderson: We'll go 20 minutes, leave, and then probably not come back afterwards.

The Chair: Then we'll just have the Auditor General. We don't want to keep her. I know she can't stay, since she has other commitments.

We'll go until about 12:20. That'll give us time to get to the votes.

Some hon. members: Agreed.

The Chair: Mr. Trost, you have about two minutes left.

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

In your opinion, between the 2002 and the 2005 reports, were there continued improvements in the risk management tools and procedures at AECL?

Ms. Sheila Fraser: Yes, we noted in the report that the management practices in that regard had improved, and the major issue that we raised in our special examination in 2007 was the need to address certain strategic challenges, including the MAPLEs, but largely related to the funding that would be required. There were significant sums of money, and it was not obvious where that funding would be coming from. We also expressed some concern in the report about the delays, but it was largely related to funding.

Mr. Bradley Trost: I don't know if you can answer this one, but as has been noted repeatedly, in September 2005 AECL and its customers agreed to terminate their original agreement and replace it with a 40-year supply agreement dated February 22, 2006. Other testimony we've had here before the committee says there had been other technical problems, but they were beginning to realize about that time that they were having major problems with the positive power coefficient.

In your opinion—again, not from the engineering but from the Auditor General financial perspective—if you know you're having major technological problems with your core technology and you don't have a backup plan, is it good risk management policy to sign a 40-year agreement in that place at that time and that sort of situation?

Ms. Sheila Fraser: It's very difficult to talk about this specific case, because one has to assess how serious those risks were considered to be. When we did our audits, both the financial audit as at March 2007 and the special examination, which was largely at the same time, the corporation certainly indicated to us that it felt these technical difficulties would be resolved and that they would meet the commitments of that agreement.

Anyway, I would think, just in general business terms, you don't go in and sign a 40-year agreement if you think you're not going to be able to respect it. That doesn't make sense.

Mr. Bradley Trost: There is the possibility—and this is where I'm going with my thinking—that maybe they were a little bit too optimistic in the engineering, and the management wasn't quite fully communicated.

That's not a question for you to answer. That's just a statement a member is making in the committee, wondering out loud what the heck was going on.

The Chair: Thank you, Mr. Trost. We'll leave it with the wondering out loud.

Ms. Bell, do you want to have seven minutes? You weren't here when your turn came up, but if you'd like to, go ahead, please.

Ms. Catherine Bell (Vancouver Island North, NDP): I'm sorry I'm late. I got stuck in the House with changes.

I'm sorry I missed your presentation and haven't heard what questions have already been asked, so I may be a little bit redundant.

We're obviously here to talk about the review, the reports that the Auditor General did on AECL, but with regard to the isotopes. I seem to recall that in the report you had pointed to a lack of funding or insufficient funding on a number of fronts. Did that lack of funding or insufficient funding hamper in any way the development or the work done to make sure that the MAPLEs were going to be operable?

• (1205)

Ms. Sheila Fraser: To my knowledge, that was not the case. It was not a question of lack of funding, but rather, a technical issue that could not be resolved.

When we referred to funding related to the MAPLE, the company had estimated at the time of the special examination that it would take significantly more sums of money to continue the research and the development, although they certainly indicated to us at the time that they were quite confident they could resolve this but they would need that additional funding, given the delays that were being incurred. It was not obvious where that funding, combined with other funding that was required either for the development of the advanced CANDUs or for the installations at Chalk River, was going to be coming from. That's the issue we were pointing out, that they did have these strategic challenges and that they had to resolve the question of funding, because that was obviously going to hamper their ability to move forward in those three areas.

Ms. Catherine Bell: Did you have any comments on that, Mr. Plouffe? No?

With the next generation of CANDU, was there more money going into the research, development, and production of that technology at the time, which maybe took away from the MAPLE? I'm just curious to know. If more money had been made available at the time, would we have seen more technicians working on the problems on the MAPLEs or discovering ways to overcome the problems that were hampering it from coming online?

Ms. Sheila Fraser: I really don't know that, Mr. Chair. That is really a question the corporation would have to address.

Ms. Catherine Bell: The NRU, the Chalk River facility, is going to be in existence for much longer than anticipated. Do you have any

sense of how much money will be needed to continue long-term operations there? I suspect you wouldn't.

Ms. Sheila Fraser: No, I don't know that.

Ms. Catherine Bell: Will you be doing any more audits on that facility in the near future?

Ms. Sheila Fraser: We do an annual financial audit each year on March 31. We will be doing a special examination again in four years' time, because it's required once every five years, so we will be doing a special examination when it is required.

Ms. Catherine Bell: Okay, so that's 2013.

Ms. Sheila Fraser: That would be 2012.

Ms. Catherine Bell: It's 2012, and it was supposed to only last until 2011. I just wonder if you would do one sooner, a special one, because of the issues around it.

Ms. Sheila Fraser: It's not currently in our plans. We'll have to see what develops. Obviously in doing the financial audit, we will be looking at the consequences of the decision to cease the MAPLE project, because that will have financial consequences on the corporation in two ways. I will perhaps explain that for the committee.

One factor is that certain costs have been capitalized in the financial statements of the corporation, and each year we have to do what we call an impairment test to make sure those assets still have value. That will be done as of this year.

Under accounting principles as well, whenever a project or a part of an operation is ceased, one has to estimate all the costs of ceasing that operation. All the costs related to closing the project, even costs that may go forward for several years, have to be estimated at the time the decision is made and recorded in the books. That is another area we will look at, and of course we'll be looking at agreements and things like that, and potential consequences there.

• (1210)

Ms. Catherine Bell: Thank you.

The Chair: When do you anticipate doing the study on the closing of the MAPLE project?

Ms. Sheila Fraser: There will obviously be some effect on the financial statements at March 31, 2008. Those statements, as I mentioned in my opening statement, are not yet public, but they should be in the report that is to be tabled, I believe, by the end of this month.

The decision to actually cease the project was made in the 2008-09 fiscal year, so those costs would all appear in the financial statement as at March 31, 2009, next year. Obviously we will be working with the corporation to make sure they adequately document and assess all the costs so that we can do the audit.

The Chair: Thank you.

We go now to the official opposition again. We'll go to Mr. Scarpaleggia, and to Mr. Alghabra if there is time left.

Mr. Francis Scarpaleggia (Lac-Saint-Louis, Lib.): There'll be time. I haven't been part of this study, so I don't have many questions.

I heard a rumour, I guess you could call it, that going back in history with this project, the cost estimates were terribly underestimated by a factor of five or six, and that they had already surpassed their cost estimates for the entire project before they even began digging. That is the way it was put to me.

The other thing I heard is that there were internal management problems so bad that AECL—or more specifically, I suppose, the MAPLE project team—started to hemorrhage scientists.

I'm just wondering if you'd ever come across those things.

Ms. Sheila Fraser: That certainly has never been indicated in any of the reports we have done, so I really can't comment.

Mr. Francis Scarpaleggia: To Mr. Alghabra.

Mr. Omar Alghabra: Thank you.

Madam Fraser, as the ultimate overseer of the government's assets and resources—

Ms. Sheila Fraser: No, in fact, that's you all here.

Some hon. members: Oh, oh!

Mr. Omar Alghabra: Thank you, and that's why I'm about to ask you this question.

Thank you for that clarification, but we certainly couldn't do our job effectively without your help.

Ms. Sheila Fraser: Thank you.

Mr. Omar Alghabra: What steps, in your opinion, should be taken if a government is about to, or choosing to, privatize a crown corporation? What are some of the due diligence steps or consultations that should be undertaken, and would you be involved in that prior to the decision?

Ms. Sheila Fraser: There are obviously, as the member has mentioned, a number of steps that should be taken in any kind of due diligence. One is obviously an options analysis. Another one would be a very good evaluation of the worth of the business, because establishing a price is always a process of negotiation, and so the government would have to have a very good idea of what the business was worth.

As in any kind of negotiation, what concessions are you willing to make? How much are those worth? What long-term agreements or commitments will be put in place? How do you protect public assets in that—should there be public assets? Or how do you protect public safety? Every crown corporation has, or should have, a public policy role. So how do you manage that aspect? It's not simply a question of selling the assets or the business, but the public policy role in all of that. Then you would need to have really good negotiators who are able to understand the business deals that will be made.

It is very unlikely that we would ever be involved in that, other than perhaps to express an opinion on how the transaction would be reflected in the books of the government.

Mr. Omar Alghabra: So how do we make sure that if a process like that is taking place, those factors you just mentioned are applied properly? Do we have any checks and balances within a department, or with your office? Or do we only have the opportunity to do this after the fact, when a policy decision has been made?

•(1215)

Ms. Sheila Fraser: Obviously the policy decision is critical in that, and we do not comment on policy decisions.

We have done work in the past when certain assets have been privatized. I know we've done work on the airports; we've done work on Petro-Canada, and I believe we did work on Nav Canada as well. So we did work on a number of privatizations in the nineties; the office did look at those to see how they had been managed and what lessons should be learned.

Mr. Omar Alghabra: After the privatization?

Ms. Sheila Fraser: It would have been after the fact, yes.

Mr. Omar Alghabra: So we don't have an opportunity for someone like you to act as a second verifier of the process to ensure that all of the factors you mentioned are taken into account: public policy, the public good, and that prudent financial assumptions are made prior to the selling of an asset.

Ms. Sheila Fraser: Yes. I know that in some cases, in contract awards, for example, there are fairness monitors or those kinds of experts involved. Potentially, I guess, that could work in this kind of transaction as well. But I think it really depends on the quality of the people who are put together. If there is a negotiating team, it's really the quality and the expertise and the knowledge of those people that are really crucial to the success of a transaction.

Mr. Omar Alghabra: Thank you.

The Chair: Thank you, Mr. Alghabra.

Madame DeBellefeuille, do you have questions? Take just about two minutes, as I'm going to leave two minutes for Mr. Allen.

[Translation]

Mrs. Claude DeBellefeuille: Thank you, Mr. Chair.

I would like to continue to our earlier discussion, Mrs. Fraser. You said that you do not have the expertise required to pass judgment on the contracts signed by Atomic Energy of Canada Limited and MDS Nordion.

If you, the Auditor General, do not have the tools required to carry out an audit and have to rely on AECL to do this, is this not like asking the fox to mind the henhouse? The corporation asking money from the government and from the taxpayers to do the study would be the one that said the projects are viable.

You said that, as the Auditor General, you do not have the expertise required to assess those contracts. That being so, would it not be wiser in the future to demand that projects of this scale, with financial risks, be assessed by independent experts so that the government and the Crown corporation be able to make their decisions in the interest of the taxpayers?

Ms. Sheila Fraser: Allow me to clarify a few things. For example, at paragraph 6 of the special examination, we mention that we did not do any technical assessment of the safety and security of the facilities because that work is done by the regulatory Commission. Therefore, we rely on the assessment of a third-party that is independent from the corporation.

Those people have to be satisfied and we rely on their opinion. For example, on the issue of waste management, they had approved the plan of the corporation. We did not want to start verifying that because we are not experts in nuclear waste management. As far as the MAPLE project is concerned, they said that the corporation did not meet the requirements and that they were not satisfied. There again, we relied on them and, through discussions with the corporation, we tried to assess the seriousness of the situation. In any case, we do not carry out our own technical assessment of the facilities.

Mrs. Claude DeBellefeuille: When you say that you rely on “them”, who are you referring to?

[English]

The Chair: *Merci, madame DeBellefeuille.*

We just have two minutes for Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair, and thank you, Ms. Fraser, for being here today.

My question is going to be fairly quick, but I don't know if the answer is going to be quick.

From more of a broad policy standpoint, I want to ask my question. It relates to crown corporations and specifically the actions they take.

For AECL, we've seen at least two of these kinds of projects sort of get stuck in the mud, including the MAPLEs. Overall, what kind of risk management framework do we have or not have in these crown corporations so that we know...or what can we put in place to reduce the risk of entering into some of these contracts by crown corporations when we are involving new technology like this? What kinds of things should we be doing better?

Ms. Sheila Fraser: I'm not sure there's a short and simple answer to that.

● (1220)

Mr. Mike Allen: I didn't think so.

Ms. Sheila Fraser: Obviously these are projects that do have a risk involved, and many crowns are involved in projects that do carry risk with them—in fact, government departments. That is the nature of doing business, and to say that you will only go into projects if there's no risk is not appropriate either.

Especially in the crown corporations, I would go back to basic principles, such as the composition of the boards, the expertise that's on the boards and are they able to bring in outside experts to help them assess what management is telling them, and what kind of oversight, the standard, really good management practices around construction or development projects, periodic independent reviews, which could be from internal audit—it doesn't necessarily have to be from the external audit—of the information that is being provided to the board and to government.

Those are some of the things that can be done—and, I think, just a good regular assessment of risk management. There are a lot of very standard processes, and in fact, government has itself a pretty good policy on risk management practices. That doesn't necessarily mean there aren't projects that will go astray and that people believe they will find solutions, which may not be possible.

Mr. Mike Allen: Thank you.

The Chair: Thank you, Ms. Fraser, and thank you, Mr. Allen.

Our time is up here. We have to get off to the votes. But thank you very much, Ms. Fraser and Mr. Plouffe, for coming today. We appreciate it very much. I apologize for the interruption. In this place, we really can't control that.

Again, thanks very much. I guess we really won't have time to come back afterwards. If anyone has any questions about the witnesses when the notices come out, just give the clerk or me a call and we'll certainly talk about that. I was hoping we would have time to discuss that today, but I guess that's not the case.

So the meeting is adjourned.

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