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Chair

The Honourable Kevin Sorenson

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•(1530)

[English]

The Chair (Hon. Kevin Sorenson (Battle River—Crowfoot, CPC)): Good afternoon, everyone. Welcome to the public accounts committee. This is meeting number 97 of the Standing Committee on Public Accounts. It's Tuesday, May 8, 2018. I would remind our committee that we are being televised.

Before we begin, I would like to mention that with us today is Delphine Bert, an analyst and clerk in the French Senate. She is visiting a number of our committees.

Welcome to our committee. We trust that you will have a really good time while you're here in Canada.

Today we are here to consider the special examination report of Atomic Energy of Canada Limited, of the fall 2017 reports of the Auditor General of Canada.

I welcome the following witnesses:

From the Office of the Auditor General, we have Clyde MacLellan, assistant auditor general; and Patrick Polan, director.

From Atomic Energy of Canada Limited, we have Claude Lajeunesse, chair of the board of directors; and Richard Sexton, president and chief executive officer.

I will begin with Mr. MacLellan. We will hear from the Office of the Auditor General, and then we'll go to our other guests. Then we'll get into the rounds of questioning.

Mr. Clyde MacLellan (Assistant Auditor General, Office of the Auditor General): Mr. Chair, thank you for this opportunity to present the results of our special examination of Atomic Energy of Canada Limited. As you mentioned, joining me at the table is Patrick Polan, the director responsible for the audit.

A special examination of a crown corporation is a type of performance audit. Specifically, a special examination determines whether a crown corporation's systems and practices provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

This special examination covered the period between April 1, 2016 and January 31, 2017.

•(1535)

[Translation]

Atomic Energy of Canada Limited's mandate is to enable nuclear sciences and technology and fulfil Canada's radioactive waste and decommissioning responsibilities. It receives federal funding and delivers its mandate through long-term contracts with a private sector contractor for the management and operation of its sites. In September 2015, the corporation completed a major restructuring which led to a new operating model. The goal was to leverage the experience and capabilities of the private sector in order to enhance efficiency and effectiveness, and to contain and reduce costs and risks for Canadians over time.

This meant that the corporation would be responsible for setting priorities and overseeing the contractual arrangement and overall performance of the contractor. In our special examination, we found a significant deficiency in board renewal. The significant deficiency was related to the delays in the appointment of board members, an area that was outside the control of the corporation. During the period covered by the audit, the corporation was operating with an interim board and without a president and chief executive officer while, at the same time, developing long-term strategic plans.

[English]

Although we found the corporation had many good corporate and contract management practices, we also identified weaknesses in several areas. In particular, we found the corporation's reporting framework did not demonstrate how the corporation would measure the overall objectives of restructuring, which, as I stated earlier, were to enhance efficiency and effectiveness, and to contain and reduce costs and risks for Canadians over time. Although the corporation included some performance measures in its corporate plan, it had not developed a framework for communicating the performance of the new operating model.

We found that the board had not yet implemented a formal, systematic process for monitoring and reporting on risks. In addition, the corporation still faced challenges in acquiring a contract team with the necessary skills and competencies to monitor the new operating model. Improvements were also needed in the areas of strategic direction, communications, and compensation.

The corporation agreed with all of our recommendations, and indicated it would act to address our concerns. However, because our audit work was completed in January 2017, I cannot comment on any measures that have been taken since then.

[Translation]

Mr. Chair, this concludes my opening remarks.

We would be pleased to answer any questions the committee may have.

Thank you.

[English]

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

Mr. Lajeunesse, welcome to our committee.

[Translation]

Mr. Claude Lajeunesse (Chair of the Board of Directors, Atomic Energy of Canada Limited): Thank you, Mr. Chair.

Good afternoon members of the committee.

As the chair already mentioned, my name is Claude Lajeunesse and I am the chairman of the board of Atomic Energy of Canada Limited, or AECL. Here with me this afternoon is Richard Sexton, president and CEO of AECL.

I would first like to thank Mr. MacLellan for presenting the findings of the Office of the Auditor General's special audit.

[English]

I won't repeat what has been mentioned by Mr. MacLellan. However, I do want to provide you with a brief overview of our organization, our views on the report, and the actions we have undertaken to address its recommendations. Please allow me, however, to state up front that we have already addressed the recommendations made by the OAG. Of course, I will discuss these in more detail in a few minutes.

First, let me say a few words about AECL. Atomic Energy of Canada is a crown corporation. Our mandate is to enable nuclear science and technology, and to manage the Government of Canada's radioactive waste and decommissioning responsibilities.

Most of our sites are in Ontario, Quebec, and Manitoba. Our largest site is the Chalk River Laboratories, located about two hours west of Ottawa. The Chalk River Laboratories is Canada's largest science and technology complex. The site has operated since the 1940s, and is the birthplace of significant advancements in nuclear technology. For example, the laboratories developed Canada's own CANDU reactor technology, which has been deployed in many countries around the world: Argentina, Romania, South Korea, and China.

For decades, the laboratories developed and produced life-saving medical isotopes to the benefit of over a billion people. Molybdenum-99, which was produced at Chalk River, served in the treatment for and diagnosis of multiple types of cancers, as well as the diagnosis of cardiac and other illnesses.

We continue to have an important mandate in nuclear science and technology, most notably in managing a program, the federal nuclear science and technology work plan, which serves the needs of 13 different federal departments and agencies in the areas of health, safety, security, energy, and the environment.

An important part of our work is to take care of our radioactive waste in a manner that protects the environment and brings value to taxpayers. We have a responsibility to tackle these challenges now, so as not to leave it to future generations. Most importantly, finding solutions for radioactive waste disposal enables us to protect the environment and reduces risks in the long-term. This involves the decommissioning of old buildings, remediation of contaminated land, and building long-term management and disposal facilities for our radioactive waste in a manner, once more, that protects the environment, the workers involved, as well as the public.

Furthermore, we have been assigned the responsibility for managing the Government of Canada's responsibilities for historic, low-level radioactive waste, where the government has accepted the responsibility for such remediation. This includes the very important \$1.2-billion project to clean up historic waste in the municipalities of Port Hope and Clarington in Ontario.

● (1540)

[Translation]

Beginning in 2009, the government undertook a major restructuring of our organization.

First, the assets of our CANDU reactor division, the division which was responsible for the development and sale of the reactors, were sold to CANDU Énergie Inc. a subsidiary of SNC-Lavalin.

Secondly, a governance model called “government-owned, contractor-operated” or 'GOCO'—was put in place in 2015 for the management of the rest of our operations, i.e. our nuclear laboratories and decommissioning sites.

Under this model, a private company—in this case Canadian Nuclear Laboratories, or CNL—is responsible for operating our sites. AECL continues to own the sites but they are managed and operated by CNL. AECL's role is to identify priorities for CNL and assess their performance according to the terms of our contact with them. We have a team of experts in nuclear science and technology and decommissioning and waste management who oversee CNL activities, approve their annual plans and if necessary, challenge what is proposed. Our goal is to protect the interests of the Government of Canada, the interests of the public, the environment and taxpayers.

● (1545)

[English]

Given that this model was put in place only about one year before the special examination was conducted, the AECL board and management team welcomed very much the OAG's special examination. We viewed the examination as an important exercise that could identify areas for organizational improvement and set the stage for the continued implementation of the then relatively new GOCO, government-owned, contractor-operated, model.

In terms of the findings of the special examination and the report issued by the OAG, let me make a few comments on these findings and on how they have been addressed.

First, let me highlight that the OAC concluded that AECL overall has good corporate management practices and good contract management practices in place.

Second, with regard to deficiencies, a significant deficiency was noted in board renewal, which the OAG acknowledged is outside the control of AECL and its board.

Third, the OAG noted areas that met their examination criteria, but in respect of which there were opportunities for improvement.

In terms of our response, we agreed with all of their recommendations and quickly undertook the steps necessary to address them. Specifically, management developed an action plan, which was approved by our board, and which was posted publicly and is available on our website. I understand that you have been provided with a copy of that action plan.

These actions include implementing formal processes for the board's review of the organization's risk register; the organization of public meetings; the development of a comprehensive performance measurement framework; a review of our approach to compensation; and the implementation of a formal training program for our contract management staff. All of these actions were completed within five months of the report being issued.

With respect to the one significant deficiency that was outside of our control, I am pleased to report that actions have been taken by the government to address the appointments on the board. In February 2017, after the period of the examination, the Governor in Council appointed Richard Sexton as president and CEO on an interim basis, meaning in this case, for a term of one year or until a new president and CEO was appointed. This year, in February, the Governor in Council appointed a president and CEO for a two-year term and selected Richard Sexton.

Furthermore, in June 2017, the Governor in Council appointed the chair of the board, along with four members of the board—two men and two women—consisting of three new members and one interim appointee becoming a permanent appointee.

[*Translation*]

I am very pleased that two of the four new members of the board of directors are women.

[*English*]

I will reiterate in closing that AECL recognizes the areas for improvement noted by the OAG and that management has already taken action to address them. We welcome this expertise. We welcome the exercise as a means to continue to progress in the implementation of this new governance model. Opportunities for improvement are acknowledged and appreciated.

We would be very pleased to answer questions that you might have.

• (1550)

The Chair: Thank you, Mr. Lajeunesse.

We'll now move into the first round of questioning. It is a seven-minute round, starting with Monsieur Massé.

[*Translation*]

Mr. Massé, you have seven minutes.

Mr. Rémi Massé (Avignon—La Mitis—Matane—Matapédia, Lib.): Thank you Mr. Chair.

Gentlemen, I thank you for being here to take part in the work of the committee. Your participation is important and we greatly appreciate it.

In general, the report of the Auditor General is positive for your organization. Certain observations were made—you in fact referred to them. One of them was important and was not directly under your control. Aside from that, regarding the other recommendations, you took prompt action.

I have a question for the representatives of the Office of the Auditor General.

AECL has been involved in an important transformation over a number of years, and this ended in September 2015. I know that this was not the topic of your audit, but I'm curious to know whether you noted anything regarding the goals that were set, which were to identify shortcomings and reduce risk.

Even if this was not the subject of your report, do you have any comments to make in that regard?

Mr. Clyde MacLellan: Thank you for your question.

Unfortunately, the purpose of our audit was not to assess the efficiency of the new structure of the organization. All I can say about that is that in the report, we emphasize that the organization should develop an evaluation framework in order to be able to answer that question specifically.

Mr. Rémi Massé: First, I'd like to say thank you.

Mr. Lajeunesse and Mr. Sexton, I want to give you the opportunity of answering this question. Once again, this was a major transformation, with specific objectives. Were those objectives reached? Did you find any shortcomings, and were you able to reduce the risks?

Mr. Claude Lajeunesse: Yes.

The measures that were taken since the GOCO model was put in place were defined very specifically during the discussions that led up to the creation of GOCO. We put in place the systems that allowed us to ensure that the objectives in the agreement were reached.

On that, I will yield the floor to Mr. Sexton, who will give you more details on some of the initiatives that were put in place.

Mr. Rémi Massé: Perfect.

Of course, this transformation was important. Your organization went from 3,400 employees to about 40. All of the operations are now managed through a comprehensive important.

I'd like you to tell me about the monitoring mechanisms especially, which allow you to make sure that the enterprise, alliance or group that was chosen conducts these operations well. What mechanisms did you put in place to ensure that all of the objectives you had set, and continue to set, are attained?

[*English*]

The Chair: Mr. Sexton.

Mr. Richard Sexton (President and Chief Executive Officer, Atomic Energy of Canada Limited): I think the question that I heard was what systems do we have in place to ensure the performance of our contractor.

Mr. Rémi Massé: That is correct.

• (1555)

Mr. Richard Sexton: This is a fundamentally different model that has been implemented and we've moved relatively rapidly from government-owned, government-operated to this new model. The systems that we have put in place are really mirroring the systems and processes used in other countries to monitor the performance of the contractor, specifically those used by the Department of Energy in the United States and, in the U.K., the Nuclear Decommissioning Authority. They have a very similar set of issues and also a very similar set of contract approaches.

What we had embedded in the contract and embedded in our performance expectation was for the contractor to very quickly put in a system that's used to monitor the performance of their work. It's called an earned value management system. It's used throughout the world to manage very large, very complex, projects. It allows you, in a very systematic way, to monitor what work is actually being done, what does that work cost, is it behind schedule, is it above budget, below budget. It's a relatively complex system and one of the objectives that we established for the contractor day one was to get that system in place.

I think part of your question was how do we know. One of the things we just completed about two or three months ago was AECL brought in an independent auditor. That auditor organization—essentially, this is what they do—goes around the world and evaluates the performance of this earned value management system. They asked: is it embedded into the organization, and does CNL have the necessary procedures and processes?

I'm happy to report that they found that the system put into place at CNL is adequate. It identified areas for improvement, but we always expected it. I've done this work quite a bit in both the U.K. and at the Department of Energy. These systems probably take anywhere from three to five years to get fully embedded into the complex organization. We're well on our way.

Mr. Rémi Massé: Super.

I don't have much time, time is running by really fast, but if you'll allow me, Mr. Chair, I wouldn't mind having a copy of the audit that has been performed to see the conclusion of this internal audit. That would be something which I think the committee would be interested in.

The Chair: Some of these audits can be quite long, so even a summary of what the audit may be, if that's all right.

Thank you, Mr. Massé.

We'll now move to Ms. Gallant, please.

Welcome to our committee.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chair, and through you, to our witnesses.

First of all, I would like to speak to recommendation 28 on communicating with the public and the changes that AECL plans to make in terms of communicating the results.

We hear about decommissioning, but I understand that there's a dual mandate. We're supposed to be enabling nuclear science, as well as the decommissioning of the old buildings to be replaced with new buildings. What efforts is AECL putting forth in order for Canadians and the rest of the world to know that Canada is number one in cobalt production in the world and that we have already have 70 to 80 designs that are being proposed to CNL for the small modular reactors?

CNL has a reputation, as well as a positive regulatory system. Other countries are coming to this site to look to have their prototype built, and in the energy production existing already in Ontario, 62% of our clean energy comes from nuclear. What is AECL doing to communicate this to the public?

The Chair: Thank you, Ms. Gallant.

Mr. Sexton, please.

Mr. Richard Sexton: You're absolutely right. It is an exciting time for the lab. There is a tremendous amount of increased notoriety of the lab across the world that I've seen in the last couple of years as CNL and its transformation has taken place.

In terms of communicating what the lab does, we felt it best, as we set this model up, to allow CNL to take the lead in communicating to the community and the public in terms of the good things that are being done. I think if you were to look at their website to see how they have transformed the way they're communicating and reaching out to the public, you'd see that it's fundamentally changed.

We felt early on that having AECL also communicating the same could confuse it. It's a relatively complex model, and the experience, again, internationally, is that the CNL types of organizations typically take the lead in communicating to the stakeholders and the public.

• (1600)

Mrs. Cheryl Gallant: Thank you.

My next concern is about the recommendation in paragraph 26, the transition of new board members. I see in the background information, Mr. Sexton, that "decommissioning" is mentioned five times, while you do hold two patents for radiation detection equipment. Again, the decommissioning is just one part of one mission of AECL.

When we look at the different board members, we don't see any background on the new board of directors, let alone any real continuity. Can you tell us about each of the board members who have been appointed thus far and provide us with some background?

Mr. Claude Lajeunesse: Yes, I would be very pleased to do that.

First of all, for the four new board members who were appointed, it was a lengthy process, but I can tell you that the outcome was absolutely outstanding, because we appointed individuals who have the pertinent experience we were seeking. The board devised a matrix of the needs that we had—

Mrs. Cheryl Gallant: Pardon me, Mr. Chair.

Mr. Claude Lajeunesse: One of our board members—

Mrs. Cheryl Gallant: Mr. Chairman, what I want to know is something about each individual board member.

Mr. Claude Lajeunesse: Okay.

The Chair: I think the issue there may be that on the website, although you have Mr. Sexton's bio, there are no bios on any of the other new board members.

Mr. Claude Lajeunesse: Martha Tory was appointed, first of all, on a one-year term and then was reappointed for the three years. Martha is an auditor. She retired from Ernst & Young, where she was a partner specializing in serving not-for-profit organizations. She also has served, and is continuing to serve as a senior level board member for more than 20 not-for-profit organizations. She brings to the board the audit background and also the expertise as a board member who can really contribute to the strength of the board.

Jim Burpee was appointed as one of the four. Jim has almost 40 years of experience as a senior strategist in the electricity industry. He has worked in a variety of senior management positions for Ontario Hydro and Ontario Power Generation. He was also president and CEO of the Canadian Electricity Association. He brings to the board expertise on the nuclear side and also with major projects.

The third person I would like to mention is Carmen Abela. Carmen brings in absolutely outstanding expertise as a risk expert, amongst other talents. She was the interim risk officer for the Bank of Canada, and she was the chairperson of the board for The Institute of Internal Auditors of Canada, so her experience is absolutely pertinent to an important part of the report.

Finally, the fourth person appointed was Philip Jennings. Philip is currently the associate deputy minister at Natural Resources Canada, and prior to that he occupied a variety of senior management roles: Natural Resources Canada, assistant deputy minister; major projects offices; and other responsibilities in government. He brings in this knowledge of government, and he's a very important member of our board in the sense that his pertinence on the board is to make sure we keep track of what the government thinks about and needs from the organization.

• (1605)

The Chair: Be very quick.

Mrs. Cheryl Gallant: How will Bill C-69 impact AECL's decision-making process?

Mr. Claude Lajeunesse: My understanding is that the bill is currently being discussed. Once the bill is approved, we will have to look at the implications. However, let's be clear: most of the impact of the bill will be on CNSC, which has the responsibility for the approval of the activities in the nuclear industry.

Perhaps Richard would like to add to this.

Mr. Richard Sexton: Yes, we are aware of the bill. As Claude correctly identified, it's our understanding that it's still being drafted. As many are aware, we have three environmental impact assessments—that is we in the CNL—that are under review by the CNSC. It's my understanding those will proceed as is and will not be subject to Bill C-69 at this point. In the future we do recognize, both CNL and AECL, that if there are other significant changes to the facilities

of the plant that require a full environmental impact assessment, we will have to engage in that process.

The Chair: Thank you, Mr. Sexton and Ms. Gallant.

We'll now to move to Mr. Angus.

Welcome to our committee, sir. You have seven minutes.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you, Mr. Chair. It's an honour to be here.

Mr. Lajeunesse, you mentioned a number of times about decommissioning and waste. Under AECL, what are the responsibilities for decommissioning and waste? You have Port Hope, you have Chalk River, and you have the demonstration reactor. Do you have other sites as well? What is the sum total of decommissioning and waste that you're responsible for?

Mr. Claude Lajeunesse: I will let Richard answer in detail, but let me first of all say that in all of these activities the foremost intent we have is safety and security. We want to make sure this is always the primary consideration in anything we do.

I'd like to ask Richard to move on from that.

Mr. Richard Sexton: I think you identified most of the sites, Chalk River being the largest site for decommissioning and waste management activities. Port Hope is not far behind. It's a relatively large project. There's Whiteshell. There are the two demonstration projects. Then there are what we refer to as "historical waste projects", which are typically in the northern regions, where material was mined and then transported down to Port Hope. Those are the areas we have responsibility for.

Mr. Charlie Angus: What is the long-term plan? Are you looking for one site or are you going to decommission the sites and bury them at the location? What is the plan for assessing the waste at Port Hope or the other sites?

Mr. Richard Sexton: I'll start with Port Hope. Port Hope is fairly straightforward. There's historical material used as fill, from the historic Eldorado processing. That material is being relocated into a highly engineered long-term waste management facility, very similar in design, I might add, to what's being proposed at Chalk River, a near-surface disposal facility. In that case the material is retrieved; then there's an assessment to make sure the material has in fact all been moved; then that material and that facility will be capped; then there's a long-term monitoring program for the long-term disposal facility.

That kind of paints a fairly simple picture, but it's not dissimilar to what will happen at Chalk River, where there are redundant buildings and there are places where soil contamination occurred due to historical operations. Again, that material will be retrieved. If there is approval for the near-surface disposal facility, that will contain the material, and it will then be moved to that facility. Again, it will be capped, and then there will be long-term monitoring of that facility.

• (1610)

Mr. Charlie Angus: The Nuclear Waste Management Organization has looked at a number of sites: Kincardine, Ignace, and Hornepayne. They once came through our region, but we put the run on them in Elk Lake.

Would the stuff from Port Hope be going to one of those facilities if they find a site in the north or do you have a separate site that will be just for Port Hope waste?

Mr. Richard Sexton: I think there are two questions there. On the material for Port Hope and Clarington, there are two facilities being built. One is for Port Hope, and one's for Clarington. That will be placed there in long-term monitoring. I think the NWMO's mandate is the management of used fuel. That's the only material that they are currently managing—

Mr. Charlie Angus: Okay.

Mr. Richard Sexton: —and we do, as AECL, have used fuel. We are working with the NWMO. At the point where they site the facility, then the fuel AECL has will be transported to that facility.

Mr. Charlie Angus: Okay. You would transfer used fuel to a site that they would run, but for Port Hope and the waste there, you would have a site that's relatively local. One of the things we hear about all the time is the transportation of waste, and you are going to run into serious issues with municipalities along the road, so the closer to the site you are, the less blowback you get from the public. I'm just wondering how far you're looking to transport.

Mr. Richard Sexton: Let's take Chalk River. In general, the actual design and the kind of philosophy around the near-surface disposal facility actually address that issue. In general, it's the safest, and it's most cost-effective not to transport the waste a long distance unless you have to.

Let's take Whiteshell. Some amount of low-level waste will be transported from Whiteshell to Chalk River for final disposition in a near-surface disposal facility, so there is some transportation.

Fuel is another example where we intend to consolidate the used fuel at Chalk River as a way to manage it until the NWMO has their facility. It makes it easier. Again, it minimizes the transportation. You have one place to go to, one place to transport it to.

Mr. Charlie Angus: I don't know how you store nuclear waste, but you're going to have soil and you're going to have decommissioned buildings and other radioactive waste. Are you looking at a deep containment? Is that the plan?

Mr. Richard Sexton: Well, it does depend on the waste. Obviously, fuel is the highest radioactive material we manage. The plans are for that to be disposed of in a very deep geological disposal facility. There's a class of waste called intermediate level. We're still looking at how to best handle that for AECL, and CNL is working on that.

The vast majority of the material that's generated out of our decommissioning operation is low-level waste. That is placed in a highly engineered facility that, again, is very similar and almost exactly the same as what has been built and is actually being filled as I speak, at both Port Hope and Port Granby. Those facilities have a lot of layers and engineering. You monitor to see if there's any compromise to the containment. The idea around those designs is to contain the radioactive material.

The Chair: Thank you, Mr. Sexton and Mr. Angus.

We will now move to Mr. Arya, please, for seven minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Mr. Sexton, you've used the term “near-surface” facility. Should we call it an “above-ground” facility?

Mr. Richard Sexton: I'm sorry?

Mr. Chandra Arya: Is “above-ground” facility not the appropriate term?

Mr. Richard Sexton: Well, it's referred—

Mr. Chandra Arya: I'm talking about the above-ground landfill you have for the one million cubic metres based at Chalk River.

Mr. Richard Sexton: Yes, right.

Mr. Chandra Arya: The International Atomic Energy Agency guidance, as you know, states that near-surface disposal is not suitable for waste with long-lived radionuclides, but I see you're going ahead with this here.

• (1615)

Mr. Richard Sexton: In the facility we have, the near-surface disposal is fully compliant with the IAEA guidance. It has—

Mr. Chandra Arya: Doesn't the IAEA guidance state that the best way is to isolate radioactive waste from the biosphere?

Mr. Richard Sexton: That's what these facilities do. They isolate it from the environment.

Mr. Chandra Arya: That's not my understanding. There is a group of concerned citizens from Renfrew County and the area. You must know about these people. Have you interacted with them?

Mr. Richard Sexton: Yes.

Mr. Chandra Arya: Their group also includes some of the scientists who worked at Chalk River.

Mr. Richard Sexton: Yes.

Mr. Chandra Arya: Their concern is that this is going against the IAEA guidance.

Mr. Richard Sexton: First of all, AECL's role here is not to determine whether this is safe or unsafe. Our organization is not set up such that we rely on the Canadian Nuclear Safety Commission.

Mr. Chandra Arya: You talked about expertise with AECL, but now you have contracted out most of the operations to five private sector companies. Is that correct?

Mr. Richard Sexton: Yes.

Mr. Chandra Arya: What does AECL do? The Auditor General's report says you have not implemented a formal systematic process for monitoring and reporting on risk.

Mr. Richard Sexton: Those risks are different. Those are business risks. We rely on the—

Mr. Chandra Arya: What about the operational risks?

Mr. Richard Sexton: We monitor and routinely do oversight of the operational risks. We also rely on the monitoring of the regulator to verify that CNL is complying with all regulatory requirements.

Mr. Chandra Arya: Did you know that the Ottawa Valley is full of fault lines and is prone to earthquakes?

Mr. Richard Sexton: Yes.

Mr. Chandra Arya: Are you still comfortable going ahead with this disposal facility?

Mr. Richard Sexton: I'm certainly not the seismic expert. Again, that's a question—

Mr. Chandra Arya: Whom should we talk to on that?

Mr. Richard Sexton: You would have to talk to the Canadian Nuclear Safety Commission. They have the expertise. They're the ones that provide the licence or permission, if you will. They are the ones that would determine whether the design is adequate or inadequate. We certainly have expertise within our organization to understand whether this is a reasonable approach, but we rely on the CNSC.

Mr. Chandra Arya: I'm sorry to cut you off, but I have limited time.

For the proposed nuclear reactor entombment project, IAEA once again does not recommend entombment except in emergencies. However, that is what you are proposing to do.

Mr. Richard Sexton: First of all, AECL doesn't propose it directly. That's proposed by CNL.

Mr. Chandra Arya: Are you saying that it's not your responsibility? Your job is—

Mr. Richard Sexton: No, it's our responsibility because it's our liability. I'm very familiar with IAEA's view, and I think it's important to note that this is guidance, and that other countries have similar nuclear liabilities. Take, for example, the United States. Their regulatory process allows for what's called entombment, which is very similar, so it's not something that is not allowed or outside what is determined by other regulatory bodies, and it's safe.

Mr. Chandra Arya: I'm sorry to cut you off again.

The Chair: Mr. Arya, let's try to keep it coming through the chair so it's not directed back and forth.

Mr. Chandra Arya: Sorry, Mr. Chair.

Mr. Chair, once again through you, Mr. Sexton mentioned it's just guidance. However, those guidelines are brought forward after a great deal of study, so I don't think it's acceptable to say it's just guidance.

Mr. Richard Sexton: Let me point out that it's not AECL's decision to determine which guidance should or should not.... That is CNSC's clear responsibility. That's not within our mandate.

Mr. Chandra Arya: Are you aware that currently, e-petition 1450 is collecting signatures from Canadians and it deals with this nuclear waste?

• (1620)

The Chair: I'll allow the question.

Again, we want this committee to look more at the scope of the Auditor General's report and recommendations coming out of that. I also recognize that all politics is local, and in this area, you're bringing constituents' concerns, but we do want to try to keep on the scope of the AG. I will allow that question, but just from here on in, we want to stick closer to the Auditor General's report.

Mr. Sexton.

Mr. Richard Sexton: I think the question is, is AECL aware of that? Absolutely. We very closely monitor the concerns that are being raised. We are very aware of those.

The Chair: Thank you, Mr. Arya.

We will now move to Mr. Deltell, please.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you so much, Mr. Chair.

Gentlemen, welcome to the House of Commons.

First of all, Mr. Chair, I want to raise the issue that I am very proud to sit behind the MP for Renfrew—Nipissing—Pembroke, because she knows what she is talking about. Chalk River is in her riding, so this is why I am very pleased. If you have any questions about that, she's the one to ask if you're not here, for sure.

As you are here, first of all, I want to thank you, because it's a very important issue to address. We all recognize the importance and the historical role played by Chalk River, the installation that we have, and the Canadian atomic energy we've had for the last century. We are very proud of what you have done, what you are doing, and what you will do.

[*Translation*]

I would like to bring two points to your attention.

I'd like to discuss the disposal site with you, but first, Mr. Lajeunesse, you said in your statement that your projects included the decommissioning of old buildings, remediation of contaminated land, and building management facilities.

What is your game plan regarding the decommissioning of old buildings and the remediation of contaminated land? How many are there? How much will it cost? How long will it take?

Mr. Claude Lajeunesse: The program has been developed, and the Government of Canada approved substantial funding to allow us to conduct the decommissioning and clean-up operations.

I'm going to ask Mr. Sexton to provide more detail, but the board of directors is well aware of the plans that were developed. These plans will allow us to have a site where there will be far fewer buildings in a few years, and one which will be much cleaner and much safer for employees.

[English]

Mr. Richard Sexton: Yes, thank you.

There is a detailed plan that exists. It has existed for at least probably 10 years, but don't quote me on that. It lays out a long-term plan. I think it ends in about 70 years, and it has estimates on the amount of waste and cost.

I think more relevant is the 10-year plan that we have worked on with CNL. CNL developed very detailed 10-year and five-year plans. I'll give you some examples. There is a plan to decommission about 120 buildings.

Mr. Gérard Deltell: At Chalk River?

Mr. Richard Sexton: At Chalk River.

I'm happy to report that approximately 50 of those facilities have already been decommissioned. In that 10-year plan, it lays out in a good amount of detail in what order the facilities will be decommissioned and what areas will be decommissioned. There is a very similar plan at Whiteshell, which is a closure site. I would say that those are the two that we're really focusing on.

Mr. Gérard Deltell: For the next 10 years, what is the budget, and who will pay for that? Will it be the Canadian taxpayers or will you get money from your operation?

Mr. Richard Sexton: Essentially, the decommissioning comes out of the decommissioning fund. The fund is valued at approximately \$7 million, and it comes out of that funding.

Mr. Gérard Deltell: Does this funding come from taxpayers?

Mr. Richard Sexton: Yes.

Mr. Gérard Deltell: From taxpayers.

• (1625)

Mr. Richard Sexton: Because it's a Canadian liability.

[Translation]

Mr. Gérard Deltell: I was just talking earlier about the benefits of the work done at Chalk River, and reminded people, as did Mr. Lajeunesse, that more than a billion people were able to benefit from medical isotopes. It's important to point that out, because there is a lot of prejudice against the atomic industry—people may say it's awful, it's a scary facility. However, when things are well done, it can be extremely beneficial to humanity as a whole. You have in fact demonstrated this over the past 70 years.

Since I have some time left, I'd like to talk about the disposal site.

Obviously, it is the source of a lot of concern. This is an important project, but many people are wondering why you located the disposal site in a damp area, so close to the river that provides water to millions of people. Why?

[English]

Mr. Richard Sexton: First of all, we are aware of the proximity to the river. In the analysis of the site, the strategy was, again, to minimize the transport of the material. That was the strategy laid out to try to site the facility, which is done very frequently across the world with these types of sites, to have the site at the facilities so you're not transporting this material all over the place.

The decision to site it is a complex one, and not one that I am qualified to say is either the right site or the wrong site. What I can tell you is that it is part of the process by which the CNSC will review the location, and more importantly, the location is not as important as the degree at which the material is contained.

I'll give you an example, actually, at Port Granby. The radioactive material currently is sitting really right on the banks of the lake. What we're doing is simply moving it away from the lake, maybe 700 metres or something, not even a kilometre, and then it's contained.

On the issue at hand, I recognize the sensitivity around impact to water. I can assure you that AECL is equally concerned. As Claude mentioned, we are very conscious of protecting the environment. That's part of our mandate. However, we really have to rely on the expertise of a very robust regulatory process that comes in the form of CNSC to assure ourselves that there will be no impact on the river.

The Chair: Thank you, Monsieur Deltell.

We'll now move to Mr. Lefebvre and Mr. Chen on a five-minute split.

Mr. Paul Lefebvre (Sudbury, Lib.): Thank you, Mr. Chair. We'll do our best to split the time.

Just on the location, very quickly, how long has the Chalk River site been the AECL site?

Mr. Richard Sexton: I think it has been over 60 years.

Mr. Paul Lefebvre: That's what I thought, 60 or 70 years. It has been there as long as I can remember, anyway, and I'm not that old.

Mr. Richard Sexton: I'm told it has been 70 years.

Mr. Paul Lefebvre: Over 70 years?

Mr. Richard Sexton: Yes.

Mr. Paul Lefebvre: First of all, I want to congratulate you on the report. We see a lot of reports come through. In general, you've done a good job, even in the context that the board was changing, as well as the administration. That's just a general comment.

One of the things that came to me that I was surprised about was with respect to public meetings. One of the findings in the report was that since 2009 there had not been a public meeting held. As you are aware, that is a requirement under the Financial Administration Act.

I believe, though, that since then, you've held one meeting. It was held last year. Can you tell me why, from 2009 until 2017, there was not one publicly held meeting?

Mr. Claude Lajeunesse: I can't tell you why, precisely.

Mr. Paul Lefebvre: You can't?

Mr. Claude Lajeunesse: I think it fell somehow during all this restructuring and all the changes that had been made.

Mr. Paul Lefebvre: That's why it's even more important to have public meetings at that point, than not.

Mr. Claude Lajeunesse: Absolutely, and that's why we set up the public meeting last year, which I think was very well attended. This week, actually, we have our second annual public meeting in two years. We'll have that public meeting in Pinawa to allow the individuals in the Whiteshell area, and others, because it's webcast across the country. Anyone who wants to listen in can do that.

I can assure you that in the coming years we will have an annual public meeting every year.

• (1630)

Mr. Paul Lefebvre: I appreciate that, but again, I'm just concerned that there wasn't one for about six or seven years. It's so important, because as Mr. Deltell was saying, it is an industry that is not very well perceived in the sense that there are a lot of unanswered questions and a lot of concerns. The fact is that the less you communicate with the public, the more you actually exacerbate those concerns.

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

The Chair: You have two and a half minutes.

Mr. Paul Lefebvre: Okay, I said I will share with my friend, so I will.

The Chair: Just finish your comments though.

Mr. Paul Lefebvre: Okay.

I'm just curious. I'd like to know from you guys, with respect to the change that happened when you converted to this government-owned, contractor-operated model, what the benefits are. What have you seen? I know you haven't been there that long, but before, it was basically government owned, and now it's contracted out. What are the benefits that you see from that?

Mr. Richard Sexton: The benefits have been seen across the world, because Canada did a great job of going out and saying, "Here's what our situation is with the lab. What are other countries doing? What has been working?"

I would argue that the GOCO model that is being implemented in Canada is truly a Canadian GOCO model. It's based on many of the lessons learned both at the Department of Energy and at the Nuclear Decommissioning Authority in the U.K., which has a \$165-billion liability. Their liability is significantly larger in terms of decommissioning and waste management.

The benefit you get is a cultural transition that occurs relatively quickly. It's one that improves safety performance. There's actual data out there that shows that the performance relative to health and safety and environment actually improves. You also get better value for money. You have a contractor who's able to extract lessons learned across the world on this type of work. It's very complex. It requires a high degree of specialization in terms of understanding how to do this. What you get through the GOCO model is that expertise and a commercial edge to it.

The Chair: Thank you.

We're up on our time.

Shaun do you want to go now? Is it all right if we go here and back?

Mr. Shaun Chen (Scarborough North, Lib.): Sure.

The Chair: All right.

I have Ms. Gallant, then Shaun, Jean, and Charlie.

Mrs. Cheryl Gallant: Just before I go into the next round of questions, I noticed that Mr. Sexton used the term "notoriety". He said that AECL Chalk River has notoriety around the world. Notoriety has a negative connotation, the state of being famous or well-known for some bad quality or deed.

When you use that word, I was quite disturbed as you're now the president.

Would you explain why you used notoriety instead of fame? Why did you use something with a negative connotation about Chalk River Laboratories?

Mr. Richard Sexton: Well, I'm sorry if I left that impression. It probably wasn't the best term to use.

What I really wanted to express is that the status of the Chalk River site has significantly improved in terms of the rest of the world understanding it, understanding what its mission is, and recognizing that it is now in the process of being revitalized. It's now playing a significant role on the international stage relative to things like small modular reactors. It's seen as an example of change using the GOCO model. We regularly interface with the Nuclear Decommissioning Authority, sharing some lessons learned in terms of that.

I misspoke in terms of notoriety. What I meant was that in the most positive way the reputation of CNL has been improved significantly over the last couple of years.

• (1635)

Mrs. Cheryl Gallant: Okay. Thank you.

Now I want you to move to the near surface waste disposal. It was raised earlier.

I understand that CNL is currently involved in another near-surface waste disposal site which is near Port Hope. They are currently taking the materials out of the neighbourhoods and putting them into this facility. They're getting hands-on experience beforehand, and later on they will be applying this experience to the near-surface waste disposal at Chalk River.

When the proposal for the near-surface waste disposal facility was brought to the CNSC initially, they were sent back with 200 recommendations.

Can you tell me whether or not all of those recommendations were addressed?

Mr. Richard Sexton: I can't tell you if all of them were. I can tell you that, when the process is done, every one will be addressed, and that's just part of the process.

In terms of the comments or questions around disposition. That is part of the Canadian Nuclear Safety Commission process. It's a very systematic and robust process, so if there are any questions, CNL would be expected to provide a detailed, written response on whatever the questions were. I know that CNL is well on its way to answering those questions. In this process it's not unexpected that there are several rounds of these types of questions. This is a complex question. The regulator is quite robust, as it should be, to ensure the health, safety, and protection of things like the river. This is part of the process. It's not unexpected that there would be a high volume of questions. That's normal for this type of review process.

Mrs. Cheryl Gallant: Okay.

Through you, Mr. Chair, can you compare and contrast the project under way at Port Hope to that proposed at Chalk River?

Mr. Richard Sexton: In terms of the design, if you actually looked at it, if and when we have approval to build a facility at Chalk River, the average person wouldn't be able to tell the difference. The facilities are simply highly engineered and designed. They have multiple layers of material which prevents any radioactive material from getting into the environment. They also have a fairly complex water purification system which ensures any water that is collected while it's open is processed and the radioactivity is removed from that water before it's discharged into the environment. They are almost identical. The material being placed into the two facilities is somewhat different. There is a wider variety of materials that we find at Chalk River and there are different types of radioactivity that we will experience at Chalk River.

In the case of Port Hope and Port Granby—and I'm looking over to Kim—that material we're retrieving is generally kind of on the low end of low-level waste. It's kind of all the same, except for some of the things that were.... I mean, part of this is that we are going into a disposal facility and we are finding things that were not necessarily expected—chemicals, cylinders, and that type of thing—and we're dispositioning those.

The Chair: Thank you.

We'll now move to Mr. Chen, please.

Mr. Shaun Chen: Thank you, Mr. Chair.

Mr. Sexton, earlier you talked about GOCO lending itself to better value for money. I love that because we want better value and we want to save money. I suspect that was a guiding principle in terms of the restructuring process that was undertaken at AECL because ultimately, we want to increase efficiency and effectiveness while at the same time being able to save money.

The corporation went from 3,400 employees to 40. When those 40 positions were filled, were those positions posted so that existing staff could apply for them and fill those positions under the new restructured corporation or were existing employees transitioned into those 40 roles based on, as I would suspect, management and the board or was it some combination of those two methods?

• (1640)

Mr. Claude Lajeunesse: Thank you.

First of all, I think the other factor in the decision is safety and security. We don't want to give the impression at all that saving

money is more important than safety and security. That's the first principle that I'd like to point out.

On the second point you're mentioning, indeed, the positions were advertised. We had some search firms which looked for some of the key individuals to be hired. There were possibilities for employees of then CNL to apply. Some have applied and have been successful and are still there.

Mr. Shaun Chen: These are new positions, and I'm trying to grasp the discrepancy. From my understanding, during the restructuring process, senior employees were hired and when they were hired, their salaries were set based on the salary of the preceding CEO and president. I know the new president and CEO has a salary that is \$100,000 less than his predecessor's.

I gather from the Auditor General's report that you now have senior staff hired during restructuring, who now fall under the new model and their salaries have been set at what I suspect would be higher because they were hired at a time when the corporation was much larger and the responsibilities were greater. Can you shed some light on that?

Mr. Claude Lajeunesse: Yes, I can.

First, we had two external firms look at the salary structure that would be needed to successfully implement the concept of AECL as the entity that would be responsible for the eventual functioning of CNL and making sure that it does its work the way it should be done. Obviously, that requires some exceptional talent, and even if you look on page 16 of the OAG's special examination report, it does say that some positions may require special expertise with appropriate compensation. Some of the individuals, of course, were hired because of that special requirement. The other individuals who had been hired were hired according to the salary structure.

Mr. Shaun Chen: Fair enough, but let me ask the question to the Auditor General. I'm reading in this report that the salary has been aligned with the previous salary of the CEO and president in a corporation that had 3,400 employees. Without really having any insight into the compensation framework, because that had not been disclosed in the corporation's annual report, I'm left with a lot of questions.

One of the questions is: Do you have staff, senior employees who are being paid more than your CEO or relatively close to the CEO? In my mind, the CEO and the president should be paid the most in any corporation. They are the ones ultimately responsible. Did the Auditor General find any information in that regard?

Mr. Clyde MacLellan: Mr. Chair, if I may respond, when we looked at compensation, and you've raised a lot of different issues in your observation. Suffice it to say that our expectation is not always that the CEO be the highest paid individual in an organization. Although that should be a driving factor, this alignment is also one of the considerations, given that the Governor in Council has the right to set the compensation of the CEO, but it is not necessarily a given that everything falls nicely in line.

What was unique in this situation as described in our exam is that things were in a bit of flux. You had a previous arrangement in which the GIC salary had been established. That was changed after the board had taken a look at how to staff and compensate the new employees. What was of importance for us was the need to have a conversation and engage in an understanding about what was happening and why it was happening so there would be a clear understanding about decisions that were being made in relation to VPs, for example, below the CEO and the CEO's compensation.

This has also been raised in previous special exam reports that we've examined in other crown corporations. It's also an issue that is likely going to come up in some that have recently been tabled in the last few days. For us, this is an issue with lots of moving parts in the entire issue about compensation of senior executives in organizations, and ultimately for us, we think improved transparency is an important aspect.

• (1645)

Mr. Shaun Chen: With respect to that, are you satisfied with how the corporation is disclosing its compensation of employees within its annual report? As a crown corporation, there should be a lot of transparency.

Mr. Clyde MacLellan: At the time we did the audit of AECL, we identified this as a recommendation to consider. As Mr. Lajeunesse has indicated, they have taken steps to respond to the recommendations we have identified. However, as I said in my opening statement, as of today, I have not audited all of them, so I can't respond to your question because I have not completed the audit on what existed.

The Chair: Thank you very much.

We'll go to Mr. Angus and then to Ms. Yip.

Mr. Charlie Angus: Thank you, Mr. Chair.

When I was looking through the audit in terms of weaknesses, I noticed, on the issue of systems and practices, that the board has not yet implemented a formal systemic process for monitoring reporting on risks identified in the corporate risk register. That jumped out at me because you're in the business of risk more than anything else. You have to reassure the public on risk.

I want to go back to the incident of 10 years ago, to the impasse between AECL and the Canadian Nuclear Safety Commission during the isotope crisis. It was about the question of who called what an acceptable risk. There was the issue that the isotopes were not created. It could have serious effects in the medical system. At the time, Linda Keen said the risks were one thousand times greater than international standards. She was overruled and then subsequently fired by the Harper government.

In those 10 years, how has the corporate structure changed in terms of addressing who decides what is an acceptable risk? How do you maintain that with the Canadian Nuclear Safety Commission, and how do you report that risk?

Mr. Richard Sexton: It was a bit before my time. I wasn't involved in it. However, it's absolutely clear now. Who decides whether it's safe or not safe is the responsibility of the Canadian Nuclear Safety Commission.

That's not AECL's role. We certainly are interested, and every day we are out looking at the operations to ensure—

Mr. Charlie Angus: In that case, it was a routine safety inspection. They found there were parts missing that were needed. That's a sales responsibility, is it not?

Mr. Richard Sexton: No, that would be the Canadian Nuclear Safety Commission.

The first responsibility resides with CNL. They're the ones responsible, by their licence, to operate the facility safely and protect the environment and the workers. The first step of that responsibility is with CNL. We expect and demand and monitor that they're exercising that responsibility.

We're not the regulator. It's very clear, both in our contractual structure and the way we interface with them, that we're not the regulator. CNSC is, and will remain, the organization that ensures the safety of their operations.

Mr. Charlie Angus: Out of that issue, did you develop protocols to ensure... If there's a question of weakness in risk monitoring in your risk register, I'm wondering if there are still unfulfilled questions that arise out of identifying who is responsible, how it's transmitted, and whose responsibility it is in the case that the public needs to know.

Mr. Richard Sexton: I think we're maybe getting wrapped around the word "risk". The risk register that is referred to is really around a business risk. It does have health and safety as one of the risks, but there are other risks in terms of running this as a business and running it as a contract.

Managing the type of risk I think you're referring to, in terms of health and safety and operation of the facilities, is first and foremost the responsibility of CNL. They are then assessed routinely by the CNSC, in terms of ensuring that that risk is adequately managed.

• (1650)

Mr. Charlie Angus: Thank you.

The Chair: We'll now move to Ms. Yip, please.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Why was there such a big drop from 3,400 employees to 43 employees? How can the safety of the operations still be sufficient?

Mr. Claude Lajeunesse: All the employees—3,200, I think it was at the time—were transferred to CNL. They're still there doing the work that needs to be done, perhaps with a different approach, with a culture that's perhaps more adequate for the needs of the organization. These employees have not disappeared. The role has just been made in a different way. That is, CNL does the work, the research, the decommissioning, waste management, and so on. The role of the 40 people in AECL is to ensure that the objectives of the government are met.

Ms. Jean Yip: It's wonderful that two out of your four new board members are women, but what is the total composition of your board? Are there ethnically diverse directors on the board?

Mr. Claude Lajeunesse: We get reports regularly on that. I don't have that on hand here, but I could provide you with that information.

Ms. Jean Yip: Thank you.

The Chair: Mr. Sexton.

Mr. Richard Sexton: I think I recall that the overall percentage of women in our organization is 40%.

The Chair: Thank you.

I don't have any other questions. If there are no other questions, we can close.

I'll go back to a question that Ms. Gallant had earlier with regard to the new directors that are coming on.

Mr. Lajeunesse's bio is on the website. Is there a reason that the directors' bios wouldn't be put on the website? All you have are the names of the directors. It almost looks like there's space for bios. It was hard to find out how many of them are actually experienced. I appreciate that you went through it and showed us the experience in different areas that they may have, but I'm just wondering if their bios will be included.

Mr. Claude Lajeunesse: Mr. Chair, I can assure you that these bios will be on the site.

The Chair: All right.

There is one other question that I would ask.

Is it normal practice to have someone who is still, I believe, employed as a deputy minister within Natural Resources also sit on the board?

Mr. Claude Lajeunesse: Yes, that's been the case for at least 10 years.

The Chair: Okay. Is it only within AECL, or are there other places within crown corporations where deputy ministers...where it may be mandated that someone from the department be part of it?

Mr. Clyde MacLellan: Mr. Chair, I may be able to help.

It does occur in other crown corporations. It is not universal, so you're right to sort of recognize it as something that is different from what you might see regularly. Typically, my experience has been that appointments of government officials in an ex officio capacity has a lot to do with the significance of the institution to the broader mandates of the government. Just as an example, the Canada Deposit Insurance Corporation is another where there are ex officio members from, say, the Department of Finance. The Canada Mortgage and Housing Corporation likewise has done something very similar to bring in members from government departments. This is given the systemic nature of some of the fiscal liabilities and issues that those organizations are managing.

The Chair: I think I can understand it with regard to the finance side of it. You have a government that brings forward a vision or a direction in which it wants to go, so it has someone there.

Is there any fear of a conflict in any way? I'm trying to think of an example. The Canadian public is very concerned about nuclear, nuclear energy, and all that entails. I'm not certain what the government's mandate on that is, but it just seems to me that it might be one of those departments where having that government influence sitting on the board could cause a conflict to arise.

•(1655)

Mr. Clyde MacLellan: I think it's a fair question to ask.

One, that needs to be managed. Just as we have reported in some other special examinations where you have representative boards, there are challenges with.... What I mean by a representative board is that you have stakeholders with an interest in the activities of the organization participating in the governance of that organization.

Similarly in those, you have the same question that you raised as to whether or not that potentially poses a conflict of interest. Our position, and what we've recommended, is that this needs to be carefully managed when issues are brought to the board that potentially could be seen in that regard. It needs to be managed as to how the voting and participation of those members occurs with those particular types of events.

The Chair: Are there places where you would expect that this director would recuse himself? We always hear the term that such-and-such is a crown corporation, that it's an arm's-length crown corporation. How arm's length is it if deputy ministers are actually sitting on the board?

Mr. Clyde MacLellan: I think that if it's managed properly in terms of dealing with the particular issues you're raising, you can get the best of both worlds, effectively. You can get the insight into what's important from the principal shareholder. I think it is important not to lose sight that, although we create an arm's-length crown corporation to manage issues outside the normal activities of government, it is still an instrument of the government. The principal shareholder is the government, and it often has a point of view that's important for board members to be aware of. It's a very useful tool in that capacity to allow information to be shared with board members.

You then have to watch where the particular issues might be that may be perceived as creating a conflict and try to manage those, perhaps through recusal, but perhaps by other means as well.

The Chair: Is it public knowledge when a director recuses himself? Who checks that out? It doesn't fall under the Ethics Commissioner. If we had a minister who was in a conflict, he would recuse himself of any decision, any conversation, or any talk during that, but who polices that?

Mr. Clyde MacLellan: First it would be the board itself, and second, all those crown corporations are subject to a special examination by the Office of the Auditor General. One of the things we look at is the way in which conflicts are managed in individual organizations. Certainly the minutes of boards are not public knowledge, to the best of my understanding, so it's largely dealt with through that mechanism.

The Chair: I have one other quick question for Mr. Lajeunesse or Mr. MacLellan.

You said in your report that there was a deficiency in terms of representation on the board. New members have been added to the board. It seems they're capable individuals. There are five sitting on the board, and the statute allows four to seven to sit on the board.

Do you think that having five on the board is sufficient, or are you still looking for more expertise? Are you looking for another position or two to put on the board, or are you quite happy that five is a good working number?

Mr. Claude Lajeunesse: Mr. Chair, the seven members of the board include the CEO, so we have six individuals on the board now.

This past week, we've undertaken with PCO discussions on how to appoint the seventh board member. We have also, over the last four months, redeveloped the matrix of needs for the board and identified precisely where we would like this particular individual to fill the needs of the board.

The Chair: Thank you very much, everyone, for your attendance today. They were good questions. We appreciate your quick, timely response to the recommendations of the Auditor General.

It's quite the thing when we call a committee meeting and, before we get here, the real report is that you've already addressed and pretty well accomplished all the recommendations. We commend you on that, and we wish you all the best as you continue to meet those recommendations fully.

Again, thank you for your attendance today.

Thank you, committee.

The meeting is adjourned.

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