

Atomic Energy of Canada

were seen as essential for the continuity of the nuclear energy industry in Canada until the domestic market had grown to the required level. Given the nature of the competition it faced, and the rapid transition of the character of the corporation, it had always been recognized that there was considerable risk that losses would be incurred in AECL's first major foreign sale. Indeed, given the international competitive climate in the industry, it would have been surprising if this were not the case. The size of the potential loss, however, must be viewed very seriously.

Of the \$170 million provision for projected losses, nearly \$37 million is related to the provision of engineering services and heavy water to the domestic nuclear program. Most of this potential loss is associated with the Gentilly II reactor now being built for Hydro Quebec. Nearly all of the balance of the loss provision, about \$130 million, relates to the Cordoba nuclear station in Argentina and arises in spite of the \$70 to \$80 million saving from last year's renegotiation of that contract. The new number makes provision for large contingency items and delay penalties.

The Corporation's serious financial situation calls for vigorous changes in both the short and long term. Additional working capital is required in this year and possibilities for its provision are now being explored. One appropriate measure would be to vest in the Company the federal government's return on AECL's investment in Ontario Hydro's Pickering power station. That investment is now achieving a substantial return because of the efficient and highly competitive nuclear power technology developed by AECL. For the longer term the board of directors has undertaken to provide the government with a proposal for a major financial restructuring of the Corporation early in the fall.

It must be recognized that the roots of the projected losses lie in management decisions taken a number of years ago and the inflationary international situation that broke upon the world in the early 1970's. When the situation first came to light I immediately took the steps appropriate for a minister in his relation with a Crown corporation to secure the major management and financial reforms that were necessary. As part of this process I moved last year to alter the composition of the board of directors to bring greater business experience to the direction of the company's affairs and closer coordination with government policies. Management consultants were brought in to advise the board and senior management on the introduction of new financial management control systems. Indeed, it was this program of reform and special audits undertaken by management which produced the figures on projected losses for uncompleted projects which I am reporting today.

In addition, a new vice-president for finance was brought in from the private sector to build a strong team of financial managers. Details of the reforms introduced so far were tabled in the public accounts committee on May 10 and have been commented on favourably by the Auditor General.

Nevertheless, the serious financial situation facing the Corporation has reinforced the board's concern to increase the

[Mr. Gillespie.]

commercial competence within the top level of management. To this end the board of directors recommended to me that Dr. J. S. Foster be asked to step down as president and chief executive officer and I have already acted on that proposal. It is an action which we all regret having to take. Dr. Foster is one of Canada's most distinguished nuclear engineers whose contribution to the design and development of the highly successful CANDU system has brought great credit to Canada and himself.

Some hon. Members: Hear, hear!

Mr. Gillespie: I am hopeful that the Company will continue to benefit from his pre-eminent technical knowledge and experience in the nuclear field. A committee of the board is now engaged in a search for a new president and chief executive officer with the business training and experience needed to manage AECL.

AECL has passed through a year of controversy and difficulty. It is a large company composed of many highly skilled and dedicated men and women. They have developed a unique and complex technology of which Canada is justly proud. AECL is Canada's chosen instrument in a highly competitive international industry of enormous importance not only to our future but that of people in many countries. When the situation now disclosed was first manifested the government chose to remedy it by developing a strong management team. In selecting that path I believe the government has chosen not only the fastest and most effective course but also the one which best protects the future potential of the Corporation. AECL with its revised board of directors and changes in management procedures is well on the way to remedying the problems it faces. More reforms will be decided upon by the board and implemented during the next few months under the direction of Mr. Ross Campbell, the chairman of the board of AECL, who has agreed to the recommendation of the board transmitted to me that he be requested to serve on a temporary basis as president and chief executive officer. No doubt, the public accounts committee will wish to keep abreast of the progress in this regard and I am certain that when management reports in the fall the Committee will be well satisfied with what has been accomplished.

I ask the indulgence of the House to receive the annual report in one language only, Mr. Speaker, English. The French copies will be tabled just as soon as they become available; otherwise it would, I believe, have delayed this statement of mine until after parliament had adjourned for the summer. With your permission I should like to table two copies.

Mr. Speaker: Is that agreed?

Some hon. Members: Agreed.

Mr. Don Mazankowski (Vegreville): Mr. Speaker, the announcement by the minister this afternoon and the tabling of the annual report of AECL for the fiscal year 1976-77 is yet another sad chapter in the bizarre and unwieldy operations of AECL. As the story unfolds it causes further embarrassment