

# CHECK AGAINST DELIVERY

October 19, 2009

## Opening Remarks

### To the Standing Committee on Natural Resources

#### **“Study of the Atomic Energy Canada Limited Facility at Chalk River and the Status of the Production of Medical Isotopes”**

Good afternoon, my name is Steve West, Chief Operating Officer of MDS Inc. and President of MDS Nordion. Accompanying me is Jill Chitra, Vice-President Strategic Technologies for MDS Nordion.

Today I would like to focus my remarks on the following:

- the current status of the medical isotope supply shortage
- the future of long-term medical isotope availability
- and Canada’s critical role in the nuclear industry

In order to better appreciate the industry in which we are a global leader, MDS Nordion often works to understand the perspectives of the medical community. Recent market intelligence has led to a better comprehension regarding the impact of the medical isotope shortage on the North American and European Technetium-99m (Tc-99m) end user market. Although our work is qualitative and directional it does provide relevant observations of the impact. We believe further quantitative research would validate these findings.

From our market research, we learned the following:

- Not surprisingly, the 2009 NRU shutdown has resulted in a significant decrease in Tc-99m supply to hospitals and clinics.
- Hospitals have altered their behaviour to mitigate effects of the shortage but in ways not perceived as sustainable for the long term.

Based on our review, we estimate there has been a 15% decline in Tc-99m administered doses in North America and Europe due to the current supply shortage.

The actual impact of the medical isotope shortage, however, is greater than this estimation, but due to changes in patient scheduling, work hours and greater overall efficiency of preparing and administering Tc-99m to patients, the medical community has reduced the impact.

However, many end-users we have spoken with believe this is not sustainable for the long-term.

In addition, and of critical importance, is that our discussions indicate Canada has been the hardest hit across North America and Europe, where we estimate a greater than 35% reduction in Tc-99m end use supply. This is significantly greater than the US impact we estimate of approximately 20% and of the impact in Europe, which we see as negligible.

Based on expected supply scheduling in the global supply network, the outlook for 2010 is not any better, and in fact, has the potential of being much worse.

The HFR reactor in Petten will require an estimated shutdown of 26 weeks starting in mid-February.

Potentially, there will be a 6 week time period where both HFR and NRU are scheduled to be out of service, representing approximately 70% of the global medical isotope supply. This assumes that there are no issues with the NRU and HFR restarts. Any delays will only magnify the severity, increasing the periods of shortages.

The impact becomes critical both here in Canada and globally. In addition, specifically in the April to September 2010 timeframe, there is the potential to have periods of time where only 1 or 2 reactors are operating due to regularly scheduled reactor maintenance shutdowns. As well, new supply entrants which expected to be on line earlier this year continue to be delayed.

The completion of the NRU repairs are imperative. The CNSC has currently granted the NRU a license to operate until 2011, and the Government has asked AECL to apply for an extension of that license. This will assist in furthering the life of the NRU reactor. We strongly support these efforts.

However, the extension of the NRU license is not a long-term solution for medical isotope supply. It does not preclude future NRU issues or provide a solution for supply beyond the extension period.

This brings me to my second point regarding the future outlook and plan for long-term medical isotope availability beyond 2011.

At the end of July, expression of interests were submitted to the Government of Canada's Expert Review Panel on medical isotope and Tc-99m generator production. MDS Nordion submitted a proposal and collaborated on several others. To date we have not been approached by the panel or their expert consultant SECOR for any details or clarification of these highly technical and industry specific proposals.

At this time, we are not aware of what decisions and/or actions will be forthcoming from the panel's report designed to address the medical isotope supply issue in Canada. We are also unaware of any definitive plan or timeline as to what occurs in November once the proposals are reviewed. It is also not clear what the recommendation to the Government will entail or how long before we will have an implemented solution.

In the meantime, the Netherlands has publicly stated that they have no intention of giving up their European leadership role in the nuclear industry with the announcement of their Pallas reactor project intended to replace the Petten reactor. The United States is moving forward with funding for domestic supply and Australia is making an entrance into this market. Canada, the long-time global leader and one of the hardest hit by the shortage, appears to be sacrificing its leadership position to rely on foreign countries to supply its medical isotope needs. This does not equate to a reliable long-term supply solution.

If the Netherlands or the U.S. had the MAPLE asset available to them today, I am sure they would be willing to evaluate and invest in a solution to bring those reactors on line.

As a global health science company headquartered in Ottawa, secure, long-term isotope supply assurance has been and continues to be a fundamental focus for us. It is essential for the global nuclear medicine community, the patients they serve and the future of innovation in healthcare.

We believe the role of government is critical. Governments provide biomedical infrastructure for research through hospitals and universities. Health is an investment...an investment that produces economic wealth and creates a better economy and a better world.

Canada has been a leader in isotope production and has fostered an innovative industry that creates high-value Canadian jobs, research and development opportunities and economic value creation. Other nations will benefit from investing in this innovative and growing industry — an industry that started in Canada.

To foster healthcare technology for Canadians, we need medical isotope production capacity to advance innovation and maintain global leadership.

Thank you.