



June 10, 2008

Opening Remarks

To the Standing Committee on Natural Resources

“AECL and the government's decision to discontinue the MAPLE reactors project and its ramifications on the supply of isotopes”

Good morning, my name is Steve West, President of MDS Nordion and accompanying me is Grant Malkoske, Vice-President Strategic Technologies and John Campion, Counsel to MDS.

We have a statement to make to this committee and are available to answer your questions.

We would like to share some background relative to the supply of medical isotopes to the world and MDS Nordion's involvement in it. That history shapes our views here today.

Secure, long-term isotope supply assurance has been and continues to be a fundamental requirement for the nuclear medicine community. When MDS purchased Nordion from the Government of Canada in a 1991 privatization, long-term supply was a critical component.

Our 1996 agreement with AECL required them to complete two new dedicated reactors for medical isotope supply—Maple 1 and Maple 2—and a processing facility. MDS agreed to invest \$145 million to build these facilities and AECL agreed to have them in service by November 2000. MDS saw this as an important investment in providing for medical isotope supply security after the life of NRU.

By February 2006, AECL had not completed the project. MDS had invested over \$350 million dollars in the project. The parties reached a mediated agreement. That agreement provided for an exclusive long-term supply of medical isotopes for 40 years and an interim supply from NRU until the completion of MAPLE. The agreement also established a series of in-service dates for the MAPLE project during the 2008 through 2010 time period.

On May 16, 2008, Atomic Energy of Canada Ltd. (AECL) and the Government announced their intention to discontinue the development of the MAPLE reactors at Chalk River.

That announcement was a surprise to MDS. Prior to May 16th, AECL did not notify or consult us on their decision or the announcement, as would be expected under our contract. We learned of it on May 16th.

As a customer of AECL, we were – and remain – very disappointed about the current intention not to complete MAPLE despite significant investment and effort over the past 12 years.

We held regular meetings with AECL and we had been consistently reassured that they were working on solutions to the MAPLE technical issues and would complete the project.

Continuity of medical isotope supply for patients, both here in Canada and worldwide, is very important to all of us. Canada supplies more than 50% of the world's medical isotopes.

The Government has stated that there will be no disruption of supply and has asked AECL to pursue the extension of the NRU operation beyond its current license in 2011. This is an important commitment to maintaining a steady and reliable supply of isotopes in the near to mid-term. We appreciate this commitment.

A decision to re-license NRU, however, does not address isotope supply after the life of NRU. MAPLE was intended to replace NRU and to establish long-term continuity of isotope supply. This was the basis of the substantial investments we have made into this public-private partnership to build market leading reactor capacity in Canada. We look forward to learning more about the plans for addressing long term supply from the Government and AECL.

There is one additional point we want to make. Last Thursday's testimony by AECL publicly highlighted a significant difference between our and AECL's view of the interim and long term supply agreement. We have a very different view of that contract than AECL has articulated in its testimony and by its conduct. Among other things, we believe the contract obligates AECL to bring the Maple reactors into service and provide 40 years of isotope supply.

We are currently evaluating our options and intend to pursue appropriate steps to protect the interests of patients, customers and shareholders. We respectfully request the committee to understand that these issues involve matters of commercial and legal confidentiality and will limit what we can speak about today.

Thank you.