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Chair

Mr. Alan Tonks

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● (1110)

[*Translation*]

The Chair (Mr. Alan Tonks (York South—Weston, Lib.)): Good morning, ladies and gentlemen.

[*English*]

Welcome.

I'm very pleased on behalf of the committee to welcome our witnesses today.

This is the 36th meeting of the Standing Committee on Environment and Sustainable Development. Pursuant to Standing Order 108(2), we continue to review the implementation of the Kyoto Protocol, part III, reducing demand.

Members of the committee, today we have the representative of the Canadian Vehicle Manufacturers' Association, Mr. Mark Nantais, who is the president.

We also have, from the Communications, Energy and Paperworkers Union of Canada, Mr. Brian Payne. Welcome, Mr. Payne, and Mr. Keith Newman, who also just arrived.

From Ducks Unlimited, we have Barry Turner, director of government relations, and Rhonda I. McDougal, research scientist. Welcome.

From the Canadian Auto Workers Union, we have Ken Bondy, coordinator of the health and safety fund, from the Windsor regional office, and we'll have Mr. Watson definitely on his best behaviour today.

Thank you very much, all of you, for being here. We look forward to the input you will be providing and the questions.

In terms of the procedures, we allow for approximately 10 minutes from each of the witnesses, and then after the witnesses have finished collectively, we have 10 minutes for each of the parties to ask questions. When that is exhausted we have a five-minute question and answer period.

I understand Mr. Nantais from the Canadian Vehicle Manufacturers' Association is going to lead off. Maybe we'll turn the floor over to you, Mr. Nantais.

Thank you once again, to all of you, for being here.

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): Thank you very much, Mr. Chairman and members of the committee. Good morning, and may I say thank you on behalf of my member companies, Daimler-Chrysler, Ford, General Motors, and International Truck and Engine Corporation. We very much appreciate the opportunity to contribute to your deliberations on the implementation of Canada's obligations under the Kyoto Protocol.

Let me begin by saying that while our industry has a major manufacturing footprint in Ontario, our industry has a very wide-reaching impact on most of the Canadian economy in almost every region of Canada through our retail distribution and supplier base.

I'd also like to comment on a few things related to strategic public policies, namely the Auto Pact and free trade agreements, which have played a very crucial role both in developing this large and productive automotive industry and in terms of creating high-value assembly and auto parts jobs in Canada. These policies, along with economic and business realities, have resulted in an automotive sector that has become highly competitive, highly integrated, and definitely truly global in nature.

I think we have benefited as Canadians because of manufacturing and market integration right across North America. Canada is a relatively small market, with roughly 8% or about 1.5 million sales of the total North American vehicles sales, which total some 20 million units annually. However, on the production side, Canadians produce over 2.5 million light-duty vehicles, or roughly 15.5% of the annual North American total of 16 million units.

As a result of the economies of scale enabled by the NAFTA market, Canadians actually enjoy vehicles meeting the most stringent national emission standards in the world and the most comprehensive and advanced safety systems and standards at some of the lowest prices. North America is considered to be a single market. We share driving conditions and a shared environment, in which case coordinated product regulations make good business and practical sense.

The motor vehicle is one of the most highly regulated products, yet many of the advancements in both safety technology and emission controls have been introduced in Canada through voluntary memoranda of understanding agreements with manufacturers. In fact, under certain circumstances, some of the voluntary initiatives taken by our industry have actually advanced environmental and safety public policy goals when the government's own legislative structure was too constraining or inflexible and as a result could not keep pace with the industry itself in these areas. We see MOUs, as we call them, as a very positive step in the regulatory development environment in an area where greater attention should be paid by governments to solve future challenges and avoid differences that we are faced with today. We have a track record on many fronts of achieving environmental and safety policy objectives through more than 10 voluntary agreements.

Given its Kyoto obligations, the federal government announced its plan on April 13, but prior to that the industry actually announced a major milestone and signed an agreement actually on April 5. That agreement was in response to the federal government's request that we as an industry voluntarily achieve on a fleet basis a 5.2 megatonne reduction of GHG emissions from our products sold in Canada. The entire industry signed this landmark agreement, and the agreement is unique. Unlike other sectors that are being asked to reduce GHG emissions from their processes or operations, this agreement seeks to reduce GHG reductions from a product whose efficiency and environmental performance is actually dependent on another product produced by an entirely different industry and whose success in the marketplace is driven by consumer preferences.

Our industry has responded favourably to this request of government with a memorandum of understanding that actually exceeds the target outlined in the 2000 plan. We have agreed to a 5.3-megatonne reduction, and it will be achieved by 2010, well in advance of the end of the Kyoto first commitment period. This agreement is a balanced approach that achieves environmental objectives, builds in a means to monitor progress and report publicly, and helps to ensure investment certainty for one of Canada's largest strategic economic sectors.

To achieve the 5.3-megatonne reduction, we, as the Canadian automobile industry, will deliver on a broad action plan that will offer and promote a wide variety of fuel-saving vehicle technologies, including hybrid powertrains, cylinder deactivation technology, advance clean diesel technology, alternate fuel compatible vehicles, and other emerging technologies. We will pursue design and engineering improvements without compromising vehicle safety. We will bring forward technologies that promote fuel saving, such as enhanced onboard diagnostic systems and tire pressure monitoring systems.

● (1115)

We also intend to help Canadians understand what they can do to reduce GHG emissions, and we will support positive consumer and driver behaviour with respect to the purchase, maintenance, and operation of cars and light-duty trucks right across Canada, working with our dealer network. We will encourage the appropriate use of alternate fuels, such as ethanol, clean diesel, and biodiesel, and we will work with the government and fuel providers in this regard.

We will work with the government to support Canada-based research and development related to future technologies with the potential to significantly reduce GHGs after the 2010 period. These are such things as hydrogen fuel cells and the development of a hydrogen fuel infrastructure in Canada, again, along with other emerging technologies.

This voluntary memorandum of understanding, as part of the 2005 updated national climate change plan, is a balanced voluntary agreement to reduce emissions, recognizing the need for our industry to produce vehicles that are consistent with the integrated North American market and variables that exist within that marketplace. It is an agreement that recognizes that meaningful GHG reductions can best be accomplished by providing industry and individuals with the flexibility they need to be able to make GHG improvements where they make the most economic and technical sense, as well as to be responsive to consumer demands, and the fact, I might add, that much more progress can actually be made by focusing efforts on the entire on-road national fleet, rather than just a few new vehicles on an annual basis.

These undertakings, I might add, also build upon very significant achievements made to date in the area of smog-causing emissions, which are actually very different from GHG emissions. New tier 2 emission vehicle technologies now entering the market are expected to reduce smog-causing emissions by over 99% from pre-controlled levels. These standards, which will contribute very significantly to improved air quality, are the most stringent national standards in the world, and for the first time they will apply equally to both passenger cars and light-duty trucks, including sport utility vehicles.

Let me give you a couple of practical examples that can best illustrate just how clean these vehicles are. Burning just one cord of wood in your fireplace this past winter will have created more smog-causing emissions than the entire lifetime emissions produced from 10—I repeat 10—tier 2, mid-size SUVs. Putting it another way, you would have to drive 37 tier 2 SUVs around the earth's circumference to equal the emissions from burning that one cord of wood. Or take, for example, painting a room with one gallon of interior water-based paint, which generates more smog-causing emissions than driving a tier 2 vehicle from Toronto to Vancouver and back.

The small size of the Canadian market, combined with the massive costs associated with the design, development, and implementation of new vehicle programs, which are in the area of many hundreds of millions of dollars, makes designing vehicles for unique-to-Canadian standards very unrealistic. Unique-to-Canadian standards or regulations typically either increase the cost of a new vehicle or actually limit the product offerings available to Canadian consumers. The end result of this increased cost to consumers is typically a decrease in the rate of fleet turnover, as we call it, which in itself may limit the desired benefits of any regulations. Additionally, in aggregate with other factors and variables, this may limit production opportunities for Canada. If a vehicle cannot be sold in a jurisdiction, it will typically not be produced in that jurisdiction.

I need to also comment on potential future policies going forward. The automotive industry, with our agreement, has committed to a 5.3-megatonne reduction, but we were greatly disappointed with the reference in the 2005 budget and the 2005 "Project Green—Moving Forward on Climate Change" plan just announced, given the government's intention to evaluate the concept of imposing "feebate" taxes on the sale of new vehicles to improve fuel efficiency. While we understand that this has been referred to the National Round Table on the Environment and the Economy for further study, we remain very concerned that this is even being studied at all. In reality, feebates could actually delay the rate at which new technologies enter the marketplace and are adopted by consumers.

Feebates are a very ineffective, inefficient tax on new vehicle sales, which again, by the way, represent the cleanest, safest portion of the on-road fleet, and they do nothing to address the higher-emitting, older-technology vehicles on the road, and they could actually encourage consumers to keep their older, higher-polluting vehicles on the road longer. In addition, they do not address how a vehicle is used. Clearly, the distances travelled and the amount of gasoline that is consumed is directly proportional to the amount of CO_2 released.

Feebates unfairly target vehicle purchasers by increasing ownership costs for consumers, who legitimately require particular vehicles for business, geographic, or family needs. Feebates, in effect, are just another tax on consumers and represent an unhelpful intervention in the new vehicle market. In addition, various studies have documented the effectiveness of these feebates, and I do not intend to go into those studies today except to point out that feebates...for instance, the transportation table, conducted in 1999, pegged feebates as one of the most costly, less effective measures that could be undertaken, at $279 per tonne of carbon reduced.

We really question again why this analysis would be undertaken at all.

● (1120)

I also need to comment very briefly on our manufacturing and assembly operations in the context of the Kyoto Protocol.

CVMA member companies, in their manufacturing operations, have been minimizing the environmental impact of overall operations since the early 1970s. Our industry has a very exceptional record in terms of improving fuel efficiency in our operations through voluntary actions, again, and commitments under the Canadian industry program for energy conservation, or CIPEC, as it is known—CVMA member companies were one of the founding members—and through the voluntary challenge and registry.

From 1990 through 1999, the industry has reduced the energy intensity by 18%, and since 1999, each CVMA member company has further committed to reduce energy consumption per unit of production by 1% per year through the end of this year.

CVMA member companies simply do not qualify for the large final emitter program. Natural Resources Canada and Industry Canada recognize that automotive manufacturing is not energy intensive and that direct energy use in the automotive sector is small, in both absolute and relative terms, with manufacturing emissions being only a fraction of a percent of the other industry sectors in the large emitters program. However, as automobile manufacturers, we are quite concerned about the implications of the climate change policies, including the LFE program, on the competitiveness of the Canadian supply base and in turn the impact on our competitiveness.

In conclusion, let me emphasize that the Canadian automotive industry is doing its part in addressing the issue of climate change. The 5.3-megatonne reduction for auto is unique in that we are the only sector whose program depends on consumer choice and the availability of appropriate fuels, that is, its products, not its processes.

We intend to deliver on our obligation by 2010, and we will continue to work in future advanced technologies that could potentially, and very significantly, reduce GHGs after that point in time, including such things as hydrogen fuel cells and other emerging technologies.

By the way, we are also looking for opportunities to capitalize on our research and development centres of excellence right here in Canada. Other policies and activities by the government could impede the progress on climate change and the industry's ability to actually deliver on reduction of smog-causing emissions that would impact air quality.

An integrated, more realistic, and focused approach that deals with the current realities of our industry and other Canadian businesses that focuses the attention on maintaining and attracting new investment is actually critical to our nation's ability to address its climate change obligations and to ensure that the economy and the environment both benefit.

Mr. Chair, I'll conclude on that point. We certainly would be willing to entertain any questions the members may have. Thank you.

The Chair: Thank you very much, Mr. Nantais. If nothing else, I can certainly assure you there will be questions. We appreciate your input.

Mr. Payne, with the Communications, Energy and Paperworkers Union of Canada, we'll now go to you. Welcome.

Mr. Brian Payne (President, Communications, Energy and Paperworkers Union of Canada): Thank you, Mr. Chairman. Thank you, committee, for the opportunity to present before you this morning and to discuss the Kyoto implementation protocol.

CEP is Canada's largest energy union. Our union represents 30,000 workers employed directly in all facets of the energy industry. From the Hibernia offshore platform to the tar sands in Fort McMurray, our members extract, process, and refine natural gas and oil. We distribute and process the gas for consumers and the industry, and we certainly manufacture oil and gas into chemicals and petrochemicals. It's very much, as we say, our industry's, or Canada's, energy union.

We also represent some 130,000 other workers in Canada in many other workplaces that are heavy users of energy, be they sawmills, pulp mills, paper mills, and so on, and we have other members across many industries in society. Of course, as I said, the pulp and paper industry in particular is a heavy consumer of energy.

I certainly am pleased to be here before you this morning.

Several years ago our union undertook an exhaustive process to develop a modern-day policy on energy. It certainly makes sense for our organization to have such a modern policy. In 2002, our union adopted unanimously what we refer to as our energy policy. We brought some copies of the policy along for you this morning. At that time, many of our employers in the oil and gas industry were very much opposed to Kyoto. But our members understood that to survive, the industry of the future must be as green as possible. Quite frankly, our view and their view was that their long-term job security depends on the industry being as green as possible.

In 2002, I and other senior staff from our union met with Minister Anderson and advised him that our union supported Kyoto. Of course, our 2000 members in the tar sands in Fort McMurray support Kyoto. As I said, we know, and they understand, that the future, their long-term job security, is enhanced by cleaning up pollution and emissions, which Kyoto was all about.

Or policy also includes support for what our union calls just transition. Just transition is a program of assistance for workers—and for their communities—who may lose their jobs as a result of societal decisions dealing with the environment. We believe the number of workers who could lose their jobs as a result of the Kyoto implementation—certainly in our industry—will be relatively small, but if any do, they should be fairly treated.

We believe the Kyoto Protocol should be implemented and that substantial measures to reduce greenhouse gas emissions must be taken at once. We were dismayed, quite frankly, at the delay. Almost three years have passed since Parliament signed onto Kyoto, and yet, as we see it, very little has been done to implement the accord. In fact, we think we've gone backward in those years and we must now reduce our emissions by an even larger amount.

From our perspective, we don't understand the delay. An ambitious implementation plan will make our industries more competitive as they adopt new technologies and processes to increase energy efficiency. Once implemented, our cities will become more livable as expanded use of mass transit relieves traffic congestion and air pollution. Many jobs will be created as new technologies are developed and used here and abroad, buildings are retrofitted, and infrastructure and equipment are built to accommodate new public transportation systems.

Manufacturing industries that consume large quantities of energy also need to be more efficient. For some, such as the pulp and paper industry, there are energy efficiency limits. The very nature of their processes requires large energy inputs. The elimination of waste across the economy should help critical industries such as this by reducing the overall energy demand elsewhere and freeing up capacity at a reasonable cost. Leading industries will be helped and good jobs made more secure, in our view.

Of course, Kyoto is also about new technologies, the jobs of the future, and a better society. Implementation of the Kyoto Protocol is an opportunity to seize, not a problem to avoid.

While we think the recently released Project Green plan is a bit of a disappointment, and I'll say more about that in a minute, we see it as a positive and critical step forward. It does firmly establish Canada's commitment to Kyoto. That's important. We recognize that many groups would prefer not to address climate change. While these groups assert otherwise and produce ineffective alternatives, the simple fact is that climate change must be dealt with through the Kyoto Protocol. So we applaud the government's intention to honour our international treaty commitment and obligations.

● (1125)

Under the Kyoto agreement, we are committed to reducing our greenhouse gases emissions over the 2008 to 2012 period to a level 6% below 1990. Since our emissions in 1990 were about 596 million tonnes, this means the Kyoto target is 560 million tonnes. In 2003, our emissions had risen 24% above 1990. If nothing is done, it is expected that by 2010 our emissions will continue to rise to about 810 million tonnes annually, 36% more than 1990, and a hefty 45% above our target.

The government's plan under Project Green is to reduce our emissions by 270 million tonnes per year during the five-year reference period, and we support that ambitious target. We also support the principle of polluter pay, and there should be some relationship between the quantity of greenhouse gas emissions produced and the effort polluters are required to make.

We understand that for competitive reasons it may not be possible to fully apply the principle of polluter pay to all industries. Still, we note that large final emitters of greenhouse gases account for nearly 50% of Canada's greenhouse gas emissions, yet their contribution to reduction is only 13%.

Large final emitters consist of companies in the mining and manufacturing, oil and gas, and thermal electricity sectors. A target set for all of these industries is the same regardless of the financial and technical ability to contribute to the Kyoto effort, but certainly some sectors could easily afford to contribute more than they're being asked for.

For instance, the oil and gas industry, which we know only too well emits fully 20% of the Canadian greenhouse gases, is responsible for only 6% of our targeted reduction, yet the maximum cost to the oil and gas industry of buying international carbon credits to offset its emissions would amount to only 25¢ per barrel of oil under the government's guaranteed $15-per-tonne price cap for credits. This is an insignificant levy with oil trading in the $50 U.S. range and likely headed higher.

In our view, the oil and gas industry should be required to make a much larger contribution to offset its large and growing emission of greenhouse gases.

Our union calls on government to undertake substantial measures as soon as possible to reduce greenhouse gas emissions, and we expect the government to fulfill its commitment to make major on-the-ground implementation steps in all areas of the plan before the end of this year. Clear timelines and interim targets for each section of the plan are urgently needed. We do not see them in Project Green.

CEP also believes that a major portion of Canada's emissions reductions should be achieved domestically. It's Canadians who should be the prime beneficiary of our investments to reduce pollution, and this should be clearly spelled out in Project Green. We do recognize that Canada will need to purchase more international carbon credits than was originally believed. The Kyoto reference period begins in two and a half years, and reduction measures will take many years to implement and have measurable effects. The consequence of delaying Kyoto implementation is that we must now purchase appreciable quantities of international carbon credits to meet our treaty commitments.

Our union supports the purchase of international credits on the condition that they will result in real reductions of greenhouse gases. Under the clean development mechanism available to developing countries under the Kyoto Protocol, the purchase of credits by Canada could help fund wind farms, retrofit energy-wasting equipment, buildings, and so on. Measures such as these will significantly lower greenhouse gas emissions and slow climate change. In addition, some international projects will lower pollution in Canada. For example, mercury emitted from coal-burning plants in other countries leads to serious and environmental impacts on Canada. Canadian investment in cleaner energy overseas will reduce this pollution in our country.

Furthermore, Canadian technology could be used for these projects and, when appropriate, be part of the conditions for financing.

We also call on the government to urgently implement a plan for energy security for our country. Energy security is alluded to in Project Green, and we support this goal, but Project Green gives no specifics and indeed does not deal with the critical issue of natural gas exports, especially to the United States.

● (1130)

As the union that produces and distributes natural gas, we are very concerned about its rapid depletion. Natural gas, as we know, is an excellent fuel for meeting Kyoto targets because it's relatively clean. A number of industries currently depend on it as a reasonably priced source of energy. Natural gas also constitutes an important feedstock for the petrochemical industry, where many of our members work.

Strangely, Canada currently exports 50% of its production of this critical raw material to the U.S., yet we are rapidly running out of it. We think there must be a moratorium on exports of natural gas to the United States. It is our view that no new pipeline capacity should be added for additional exports, and current gas exports must be progressively scaled back and diverted to Canadians in order to help us meet our Kyoto commitment and provide energy security for our citizens in Canada.

One aspect of Project Green that we fully support is the goal of building an east-west electricity grid to make use of excess, non-polluting hydro power available in several provinces. Indeed, this was a measure proposed by CEP in our energy policy booklet.

Where electricity is concerned, NAFTA conditions should cause worry for all of us. We have no problem selling surplus electricity to the United States, but under NAFTA, if we need it, we can't get it back. There should be an immediate moratorium on new electricity exports to the United States; no additional power lines for growth of exports should be built; and current exports should be progressively scaled back.

Finally, our union urges government to assess the effects on jobs in the energy sector and related industries. If it's likely that jobs will be lost, as I said at the outset, transition measures for displaced workers and affected communities are essential. For workers, these include: needs assessment; training; relocation assistance; and, potentially, early retirement programs. Communities will require assistance for local or regional economic development.

The recent closure of the Petro-Canada oil refinery in Oakville, Ontario, provides a sad example, in our view, of the consequences of the absence of a just transition plan. Workers there are losing their jobs because the company involved, Petro-Canada, is not upgrading that facility to meet current or new sulphur standards. That refinery could have been switched to alternative fuels, but that was not done. Those workers will find themselves out of work as a result of the required change in that facility and the decision to close it. There's no proper or just transition fund available to those workers.

We're dismayed that the transition for workers is not contemplated in Project Green. We met with Minister Anderson, and, as people on the front line, we pledged our union support for this initiative a few years ago. We were assured that a just transition for workers would very much be part of this initiative, so we certainly call on government to correct that oversight in the shortest possible time.

Let me just sum up by saying that we support these changes and what Kyoto is all about, because in the long term we think they are good for our industry. As our members understand, their long-term security is in clean industries, and when society moves forward with these important initiatives, workers should be protected in the context of any displacement.

Thank you for your time. I look forward to your questions.

● (1135)

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

We'll now go to Mr. Bondy from the Canadian Auto Workers Union.

Mr. Ken Bondy (Coordinator, Health and Safety Fund, Windsor Regional Office, Canadian Auto Workers Union): Thank you.

CAW Canada is the country's largest private sector union representing approximately 260,000 members from coast to coast to coast. Predominantly our members are working in the transportation industry—rail, automotive, manufacturing, shipbuilding, and so forth.

The CAW took a clear position in favour of signing the Kyoto Protocol. Our leadership across the country have spoken favourably and defended the Kyoto Protocol against those who would suggest that supporting Kyoto would somehow undermine the economy.

We want to stress today that the study of Canada's implementation of the Kyoto Protocol is an important initiative, important both because Canada has spent far too long elaborating on a clear plan for effective action and because Kyoto is just the beginning of what must be a fundamental transformation of the economy if we are truly to succeed in addressing the problems of climate change.

It is our belief that not only is more immediate effective action needed, but it is essential that a Kyoto plan is developed as part of a long-term approach. It is also our belief that the most immediate and effective measures can be taken in the areas of conservation and energy efficiency; the promotion of renewable energy; transportation measures; and measures to reduce emissions related to manufacturing, including measures to reduce material input and increase the disassembly and take-back of vehicles.

We believe that encouraging active participation, such as suggested now, by citizens of Canada in greenhouse gas reductions is important, but the Government of Canada should place primary focus on structural changes that lead to long-term, significant reductions in emissions rather than on the role of an individual solely.

Finally, we believe that taking such action can help to develop the economy and create jobs. In fact, action to protect against climate change can be a driving force for economic renewal. We reject the false choice that is often posed between jobs and the environment.

Our support for environmental protection more generally and the Kyoto Protocol in particular must be linked to a parallel call for job-creating investments to ensure that a sustainable economy will also be a vibrant, growing, high-employment economy. It will require proactive economic measures by government in concert with environmental measures to ensure that jobs and the environment do indeed go hand in hand. We want to meet our Kyoto commitments, but we want to do it in a way that enhances the economic well-being and security of CAW members and all Canadian workers.

Today we will concentrate on the issues directly related to the CAW and our organized workplaces.

The auto industry is Canada's most important manufacturing and export industry. The future of this industry is of critical importance to the CAW and to our country, since one-third of our members work in the auto and the auto parts sector and many others work in other industries that feed that particular sector.

Auto is also an industry that's been tagged, rightly or wrongly, with a lot of the blame for climate change. Many media portrayals have created a stereotype that global warming is entirely the result of gas-guzzling SUVs. But Canadians' total light-weight vehicle use, including SUVs, accounts for barely one-tenth of Canada's total greenhouse gas emissions—one-tenth. In other words, we could stop driving altogether and still meet less than half of our Kyoto commitment to reduce emissions. There is no doubt that reducing light-vehicle emissions will be an important part of our overall Kyoto strategy, but we can't lose sight of the fact that there are other, larger culprits out there, not just people who drive SUVs.

Since new vehicles are already more fuel efficient than those produced just a few years ago, and since the fuel efficiency of new vehicles will continue to improve, the purchase of a new vehicle, combined with the retirement and recycling of an old vehicle—extended producer responsibility processes—is actually good for our environment.

● (1140)

There is no reason to believe that protecting the environment means consumers need to purchase fewer vehicles. In fact, purchasing more new vehicles, not fewer, is a good way to reduce total emissions. And if those new vehicles incorporate above-value-added conservation measures, the benefits for the auto industry will be enhanced. In all of these ways, the goal of reducing automotive greenhouse emissions can be good for the automotive industry, not bad.

The federal government has proposed that the auto industry improve the fuel efficiency of new vehicles sold in Canada. The fact that Canada's auto industry is fully integrated into a North American market means that our strategy for improving fuel efficiency must be implemented carefully and thoughtfully.

First of all, fuel efficiency standards must be established for all weight classes of vehicles, instead of being applied on a fleet average basis for each corporation. Light trucks, including pickup trucks, mini vans, and SUVs, will continue to make up a significant portion of the new vehicle market in Canada. Improving the fuel efficiency of these vehicles will be important to the overall Kyoto strategy.

Manufacturers of small vehicles must also be required to improve the fuel efficiency of their cars. This will not occur if fuel efficiency standards are set on a corporate average basis. A weight-based fuel efficiency standard will ensure that all automakers, not just the big three, are required to make equitable, proportionate contributions to fuel efficiency improvements. Much like my colleague, we are not in favour of the study or the implementation of a feebate system. We feel that would create considerable job losses and negative impacts on the economy of Canada.

Many other opportunities exist for helping Canada's automotive industry make its rightful contribution to the climate change effort, but in a manner that enhances its important contribution to our economy at the same time. We need more research and development spending in Canada to develop domestic fuel-efficient technologies and capabilities.

We need incentives to promote the early commercial production in Canada of zero-emission or low-emission vehicles—those are the types of products we could build right in my home town of Windsor, Ontario, where we have large manufacturing facilities building engines today—along with parallel measures to promote their use in Canada.

We need extended producer responsibility regulations that will take those old polluting vehicles off the roads, retire them, and replace them with new-technology vehicles that are fuel efficient and pollute less.

For CAW members and all Canadians, the Kyoto Protocol poses both great challenges and great opportunities. By stepping in with meaningful and well-funded programs to stimulate energy-saving investment, encourage new technologies, and boost industries that will benefit from Kyoto, the federal government will ensure that we not only meet Kyoto targets, but that we also end up with a strong economy at the end of it all.

Broad types of measures that will be required if Kyoto implementation is to be effective but also economically beneficial include: regulations to require the production and use of more energy-efficient factories, buildings, vehicles, and appliances; incentives to encourage the adoption of cutting-edge environmental practices and reward companies and consumers for investments in conservation; and transition measures to assist workers and industries that are negatively impacted by the Kyoto Protocol, something that we also call a just transition process.

There are some specific measures related to industries in which the CAW is represented.

On rail, investment in railway infrastructure is needed to expand and strengthen the infrastructure for cross-Canada affordable and accessible rail passenger systems. Continued efforts are needed to support commercial rail transport.

On public transit, major investments are needed in infrastructure and service. Procurement policies should be used to strengthen the Canadian mass-transit equipment sector.

On trucking, there should be subsidization of energy-efficient measures and re-regulation of the trucking industry in a way that promotes energy conservation and the reduction of environmental impacts.

On shipbuilding, Canadian container ships should be rebuilt and expanded.

On mining and smelting, there should be government credits and incentives for technological improvements.

● (1145)

In summary, we believe that in spite of the delays in developing a comprehensive implementation plan for Kyoto, the federal government is in a position to clearly define an agenda, take decisive action, and not only contribute to a Canadian strategy to attack the growing problem of climate change, but become a world leader and contribute to the international efforts on climate change.

There is no excuse for Canada to rely on the purchase of credits to meet the Kyoto commitments, but there is a need for leadership, and there is an opportunity to strengthen our economy by making our society sustainable.

Thank you for this opportunity.

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

Mr. Turner, you're up to the challenge.

Mr. Barry Turner (Director, Government Relations, Ducks Unlimited Canada): Mr. Chair, thank you. Good morning, committee members.

I'm the director of government relations for Ducks Unlimited Canada. My colleague, Dr. McDougal, and I really appreciate your flexibility in fitting us in between your industry witnesses today. In fact, we feel like we're the ducks out of water this morning.

Yesterday I went into an Ottawa elevator and a stranger looked at me and said, “You work for Ducks Unlimited”. He saw the pin on my lapel. I said, “Yes, I do”. He said, “You're the model conservation company for all of Canada”. Needless to say, I did not disagree.

I'm going to give you some quick facts about our company, and Dr. McDougal is going to give you a bit of an overview on a presentation regarding prairie wetlands as carbon sinks on agricultural landscapes, which in effect does tie into the Kyoto discussions.

Ducks Unlimited was founded 68 years ago in 1937. We now have offices across the country, with about 450 staff persons and a budget of $80 million a year. We host 700 events annually that are attended by 94,000 people, and we have 8,200 volunteers across the country. Of course, our main mandate is to protect and restore wetlands across Canada for the benefit of not just waterfowl, but water, wildlife, and people. We've been involved in protecting millions of acres across the country.

Our research takes us into the boreal forest, the shores of the Great Lakes, and both coasts of our country. We also have extensive educational programs in primary and secondary schools across the country and agreements with thousands of landowners to protect wetlands and habitat on their lands, particularly in prairie Canada. Our sister organization in America, Ducks Unlimited Inc., is very much involved in similar activities.

With only about 30% of Canada's wetlands remaining in our country and more being lost every day, we need now more than ever to have legislation and policies to protect these wetlands, their surrounding habitats, and our watersheds.

On that note, I'm going to ask my colleague, Dr. Rhonda McDougal, to give you a more scientific, technical update on some of the research we have been doing.

● (1150)

[*Translation*]

Dr. Rhonda I. McDougal (Research Scientist, Ducks Unlimited Canada): Good morning. I'd really like to address the committee in both French and English, but my French isn't very good. Therefore, I will stick to English. I apologize beforehand.

[*English*]

I did have some slides to show you this morning, but unfortunately, due to some miscommunication, we're not set up to show those pictures this morning, so I'll try to explain the situation—the role of prairie wetlands as carbon sinks in the agricultural landscape.

Is this is an opportunity for Canadian agriculture, for wetland conservation, and for the environment? While our focus is more on enhancing the carbon sinks for Canada, we're also working towards emission reductions in agriculture through changing management practices, both at the farm gate and at the policy level. Both of these goals should continue to be important parts of Canada's Kyoto action plan.

Under the Kyoto theme of human-induced land use change, we asked the question, can the restoration and management of prairie wetlands contribute to Canada's biological carbon sink in agricultural soil? We found that nobody knew the answer. It's research that has never been done. So our research is aimed at answering this and other related questions. Recently we have found that several federal government departments have realized that this is very important research. We've just negotiated an agreement with Environment Canada and with Natural Resources Canada for significantly increased funding to carry on and ramp up this research over the next three years.

Now you may be wondering why we should bother about wetlands. Well, we're slowly beginning to realize that wetland ecosystems provide many valuable and often irreplaceable environmental services to the benefit of all Canadians. A recent study done in the prairie pothole region of Minnesota puts the value of wetlands at a U.S. dollar figure of $4,000 per acre. A similar study that was just done in Alberta estimates that the value of economic gains to the Alberta economy from Alberta wetlands is over $500 million a year. That's a significant amount, particularly in an area of the country where agriculture is struggling to remain a viable part of our Canadian industry.

For this research study we pulled together some of the top soil scientists, greenhouse gas experts, and wetland ecologists in Canada. Through this network of collaborators, we've fostered links to other national initiatives in this area, including activities funded under NCGAVS, which is the national carbon and greenhouse gas accounting and verification system of Canada; the action plan 2000, which is just wrapping up; and PERD, which is the program of energy research and development.

We also maintain close communication with our research counterparts in the U.S. portion of the prairie pothole region where they are engaged in similar wetland agriculture-focused research. In addition to providing the first quantification of greenhouse gas fluxes and carbon storage in these types of systems, we're also assessing the effect of agricultural management practices on a whole-landscape scale. And most importantly, we're looking at how to scale up from those field measurements to regional and national scales through modeling.

I'd like to emphasize that we're looking at the whole landscape in this study, not just at wetlands in isolation. When landowners make management decisions for their farms, they do so on a landscape scale, not on a two-metre research-plot scale. So we feel it's very important to look at the emissions and the carbon storage along with the entire transect, from the uplands, which may be planted to grass or may be an annual crop, down the slope through the riparian area, where you find the willow rings, the cattails, etc., and into the wetland basins themselves.

Any recommendations for beneficial management practices that we provide to farmers and to Agriculture Canada from this study have to make sense on both economic and ecological scales. The best management practices for farmers will provide not only carbon storage benefits, but also fertilizer application efficiencies, water quality benefits, competitive crop yields, and solidly defined environmental sustainability benefits for future generations.

One of the practices that we know is detrimental to long-term carbon storage in soils, as well to the health of wetland ecosystems, is the plowing of dry wetland basins. The plow breaks up the carbon and it blows off to the atmosphere in what is called the “champagne effect”. So one of the main messages we need to put across is that a wetland is still a wetland, even when it's dry.

● (1155)

Unfortunately, there have been contrary policies in the past, such as the grain quota in the prairies. These policies encouraged farmers to break up wastelands such as wetlands and small forested areas. This has meant that we have lost a significant number of these wetlands. If decreasing greenhouse emissions becomes an important goal for agriculture in Canada, we need to discourage this practice. We can do this best by providing accurate measurement of the loss process. This is one of the things we're doing in our study.

Early evidence from our study suggests that the wetlands and grasslands act as biological sinks on the landscape. This is extremely important right now as we look at the shrinking base of our biological sinks in Canada. We now understand from increased research in forestry that we have problems with fire and pests in the forestry carbon sink, and this puts more onus on our ability to produce a solid and well-defined agricultural soil sink. Part of this soil sink in the prairies has to include the wetlands, which are pockmarked across that landscape.

One of our major strengths in this research project is the involvement of highly skilled scientists from a number of different disciplines and organizations. Many researchers have been involved from a number of organizations, including Ducks Unlimited, Environment Canada, Agriculture and Agri-Food Canada, Alberta Agriculture, the University of Manitoba, the University of Saskatchewan, the University of Western Ontario, and the Nova Scotia Agricultural College. It's a very mixed group. One of my first challenges was to drag the soil scientists down the hill into the wetlands and the wetlands scientists up the slope into the agricultural fields.

To help with this, we have organized an annual sampling school in which all participants, scientists, and students take part. We have begun to take our research findings to the various federal departments involved at the research or funding level.

This study was spearheaded with funds from Ducks Unlimited Canada. We had found this area to be falling through the cracks of the usual funding initiatives. Because this research crosses the boundaries of agriculture, the environment, economics, and policy, it does not fit neatly into any one mandate. However, last year we were successful in obtaining an NSERC/BIOCAP strategic grant, which highlights the leading-edge nature of this scientific research in Canada. More recently, in further recognition of the importance of our research, we received major funding from Environment Canada and Natural Resources Canada.

I'd like to take this opportunity to acknowledge all of those funding sources—in particular the federal departments that have supported this excellent cross-disciplinary research.

I thank you for this opportunity to tell you about it. There is an information package that will be distributed to the members at a later time, after it's been translated into French.

Thank you.

● (1200)

The Chair: Thank you, Dr. McDougal. I appreciate both you and Mr. Turner being here along with the other witnesses.

We'll now go to the top of the batting order, and we'll ask Mr. Richardson to lead off.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Tonks.

I thank this group of presenters. That was very impressive.

I was interested in the remarkable point brought up by Mr. Nantais, which compared vehicle emissions with those from a cord of wood.

I wanted to clarify the nature of these tier 2 vehicles, the SUVs. How much more efficient are they than the previous generation of vehicles, or are the numbers somewhat similar? How many of these tier 2 vehicles are presently on the road, and how many will be on the road in five years?

Mr. Mark Nantais: With the tier 2 vehicles, the actual regulation for the 2005 model year started in January 2004. It's a milestone. It's the first emissions regulation aimed at smog emissions, as opposed to GHG emissions, that applies to passenger cars, light trucks, and sport utility vehicles.

We're down to hundredths of grams per mile in emissions, so these vehicles are extremely clean. It now applies to light-duty trucks as well as SUVs, so it's a significant step forward. Previously, vehicles other than passenger cars had a much less stringent emission standard to meet. That's changed now. We started to introduce some of these vehicles before January 2004. Our phase-in period for all vehicles will be from 2004 to 2009. By that time, 100% of the fleet will be tier 2.

Mr. Lee Richardson: When you say 100% of the fleet, that would be of new car sales? Is that your point?

Mr. Mark Nantais: Of new car sales, exactly.

Mr. Lee Richardson: Could you give us a rough idea of how many that would be? What is the turnover in five years?

Mr. Mark Nantais: Oddly enough, and this is why we're against things like feebates that delay fleet turnover, generally new car sales account for 8% of the fleet turnover per year. We sell 1.5 million vehicles a year in Canada. So roughly between now and 2009, probably half of the fleet on the road, at least for sale anyway, would be tier 2.

Mr. Lee Richardson: Okay. I'll just be quick, because we're very anxious to get to Mr. Watson today.

I was looking at these smart cars the other day, and every one I looked at was diesel. Do they produce more smog than gasoline engines?

Mr. Mark Nantais: Clean diesel technology is something that is an option for the automotive industry in terms of meeting its GHG obligations. That requires, of course, appropriate diesel fuel quality for them to perform as they're designed to perform. Diesels traditionally have been what we call dirtier, but the new technologies have made them considerably cleaner. With the tier 2 standards, however, those standards actually represent a constraint on our ability to bring in clean diesel technology because those standards are so stringent.

So we will be able to bring in limited numbers of clean diesel technologies that would meet probably what we call the Euro 4 standards, but the Euro 4 standards are not as clean as tier 2. The way the program works, you're able to average out certain vehicles against other vehicles, but overall you have a certain objective to meet on a corporate basis, given your vehicle slate.

So they are much cleaner than they used to be. We're making more inroads in terms of controlling the particulate matter that does tend to be higher with diesels, so overall those vehicles are much cleaner than they used to be, and further progress is expected.

● (1205)

Mr. Lee Richardson: Thank you.

I would like to go further and ask some of the other members, but I want to turn it over to Mr. Watson so that he gets a chance to ask his questions.

Mr. Jeff Watson (Essex, CPC): Thank you to all our panellists here.

I just want to pick up on the line of questioning first, Mr. Nantais, that Mr. Richardson started.

What changes to tier 2 regulations would be needed to allow for clean diesel? Can you just elaborate quickly on what would have to be changed in the regulation to allow that? Someone else on the panel could answer that.

Mr. Mark Nantais: First off, I'm not sure our industry would support changes to the tier 2 standards. That's item one. Generally the standards that would have to be adjusted would be those for NOx and particulate, but we would not advocate that.

Mr. Jeff Watson: Would clean diesel, for example, delay other technologies coming on stream that are more important, like the hydrogen fuel cells, things like that?

Mr. Mark Nantais: No. Speaking on behalf of CVMA member companies, our companies operate on the basis or principle of what we call technical preparedness. That's the ability to use technology or be prepared with technologies to meet an ever-shifting marketplace and consumer demand, so that we can, in a highly competitive automotive market, be able to respond to market demand and capitalize on that as we move forward.

So our member companies are working on a whole series of technologies in parallel. It just so happens that in order to meet our obligations there are certain technologies that make more sense for certain vehicles than other vehicles. Some of the technology is ready to go now. Some of the technology is still under development. It all depends on how that technology meshes or dovetails with the product slate, with the market demand.

Mr. Jeff Watson: Given this memorandum of understanding you have for a new target, and knowing the lengthy time it takes for the auto industry to develop product, I wonder if any of your member companies has spoken to the fact that some of their product development will now have to be changed with this new agreement. Or is the new target sort of a business-as-usual scenario for them so that, in other words, current product development doesn't have to be changed in order to accommodate this?

Mr. Mark Nantais: I've talked about this agreement being a balanced approach. It is by no means business as usual, but because it is a balanced approach and concentrates on the full slate of greenhouse gases under the Kyoto Protocol, it does allow us to continue to offer Canadians products on an integrated North American basis. That's a real benefit, because we can continue to keep the cost down, rather than having something unique to Canada, which would definitely elevate the cost. Given that all of these technologies have a premium attached to them—though some more than others—and given that we have a real affordability problem in Canada, the key thing here is to make sure that we can offer these most advanced technologies at the least cost to Canadians, by virtue of levering that larger North American market.

Mr. Jeff Watson: Will this MOU or its target be affected by U.S. legislation, or changes in U.S. legislation? Will that affect you at all, or your ability to achieve the standard, bringing technologies onside?

Mr. Mark Nantais: Is the U.S. legislation you're referring to in the area of corporate average fuel economy standards?

Mr. Jeff Watson: It could be anything happening in the States, or at the state level, that would positively or negatively affect your ability to hit the MOU or to reach your target.

Mr. Mark Nantais: On a national basis in the United States, we do expect that changes will be made to the corporate average fuel economy program, CAFE, as they call it. We will continue to approach those standards on a North American basis.

Mr. Jeff Watson: Is a continental standard needed, or has the piecemeal approach been sufficient?

It seems to me that because of the integrated nature of the market, it would have been a wise thing to move on a continental standard, so that these things could be accelerated and the economies of scale achieved, and those types of things.

● (1210)

Mr. Mark Nantais: You're absolutely right, a piecemeal approach does not work for our industry and has never worked for our industry. With very few exceptions, where it has been done on a one-off basis, the costs generally tend to be higher for those products.

Mr. Jeff Watson: Has there been a discussion of a timetable for the post-Kyoto timeframe and of what types of products they're looking for from the auto industry, or an idea of when those negotiations might be starting? I understand that some of the discussions around the current MOU were pretty late or down to the wire. We'd like to avoid that, I think, for the industry's sake. Has there been any discussion around post-Kyoto?

Mr. Mark Nantais: Give us a chance to catch our breath.

Some hon. members: Oh, oh!

Mr. Mark Nantais: The discussions were fairly intense. We have not started discussions for 2010 and beyond at this point in time. I think we need time to get the memorandum of understanding operational and to monitor progress against the interim targets set, and then towards the end of that a memorandum of understanding, perhaps to start the discussions, if they're required at that time.

Mr. Jeff Watson: I'll just shoehorn in with a quick question. When, in your mind, do you anticipate sitting down and looking at post-Kyoto? Do you have a timeframe for that, or do you have a year in mind when the government should be sitting down with you to allow you the type of advanced time you need, for the industry's sake?

Mr. Mark Nantais: Not at this time.

The Chair: Thank you, Mr. Watson.

Mr. Bigras.

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you, Mr. Chairman. I'll try and keep my comments brief, to leave some time for my colleague and also, in deference to the vote.

Mr. Nantais, you seem to be proud of the voluntary agreement signed with the auto industry and to have a great deal of faith in it. However, it's important to remember that this agreement won't result in lower greenhouse gas emission levels for the auto industry, but in fact will lead to emission levels that will be 18 per cent higher in 2010 than they were in 1990. Therefore, rather than a reduction, we're looking at an increase of 18 per cent.

Secondly, I'd like to hear more about this voluntary agreement on fuel efficiency signed in 1982. This voluntary agreement was supposed to result in increased fuel efficiency. Has that in fact happened, that is are vehicles now more fuel efficient?

Thirdly, in the agreement signed, you projected a decrease in emissions of 2.4 megatonnes in 2007. I'm curious as the plan that you submitted to the government to meet this interim target. Obviously, I'm concerned not only that the Canadian Vehicle Manufacturers' Association is a signatory to this agreement, but also that international automakers have signed on. The members of your associations, namely the Ford, General Motors and Chrysler auto manufacturers, have not really done anything in recent years to improve fuel efficiency or to provide consumers with hybrid vehicles. In fact, the international automakers Toyota and Honda are the companies that have brought hybrid vehicles to market.

Therefore, how do you plan to approach your industry players? How do you intend to tell Ford and Chrysler that they must meet certain objectives so that you in turn can meet your 2007 targets?

I have one last question and I'll try to put it quickly. Government and industry are represented on the monitoring committee that has been set up. However, the Canadian Auto Workers union is not represented. Would you have liked to see the CAW represented on this committee responsible for monitoring compliance with the targets set in the agreement?

[*English*]

Mr. Mark Nantais: If I may, Mr. Bigras, first off, the previous memorandum of understanding that you refer to has delivered in terms of fuel efficiency. It set objectives of 8.6 litres per 100 K, and the industry has met that objective for passenger cars. The fleet now, as it stands, is roughly 7.2 litres per 100 K. So there have been improvements. There have also been improvements given that consumer demands have changed significantly, and they've changed significantly primarily in response to low energy prices.

So that is a program that has worked. It's also a program that has allowed us to maintain an integrated North American approach to our product offering, which does benefit Canadians from a cost standpoint and from a choice standpoint.

Secondly, you refer to the interim targets as they relate to the most recent GHG MOU, which we signed on April 5. I need remind you that this is an industry-wide agreement that both my member companies as well as the international manufacturers have signed onto. This does not relate to any specific company target. The agreement does not provide for that. So it will be up to each company, through their products and through the technologies they intend to bring to the market, to meet that industry objective. That will be assessed against a reference case that was determined by the government, and that reference case is already more than business as usual. Our industry fully intends to deliver on that, because it's not just new vehicles, it's the entire on-road fleet, and clearly the on-road fleet is where most of the reductions can be made.

You also suggest that my member companies have not made fuel efficiency improvements. Clearly, my member companies in Canada build different vehicles. Those companies are also offering hybrid technologies. General Motors is offering a type of hybrid through their pickup trucks, and Ford Motor Company is offering a hybrid on its sport utility vehicle. But hybrids are not the entire solution to the problem; they're only part of the solution. There are other emerging technologies, and other technologies—for instance, cylinder deactivation on demand—that can deliver almost as much fuel efficiency improvement. Those are now appearing in vehicles that my member companies are putting onto the market.

So if we want to talk about a sustainable transportation industry and a sustainable auto industry, the idea here is to ensure that these manufacturers have the flexibility they need in order to respond to the marketplace in a balanced fashion, in a fashion that does not disadvantage one particular manufacturer over another.

I think the last item here concerns specific targets. As I mentioned, there is no specific target for individual companies. In terms of plans with regard to meeting the 2007 interim target of 2.4 megatonnes, again, this is not a case of one company submitting a plan. There is a government industry monitoring committee that will not only look at the projected target for the ensuing year but will also report on the achievement of that target for that particular year. That will be based on the continued provision of the vehicle emissions information system through Transport Canada as well as the tier 2 database that resides in Environment Canada, along with other factors or other sources of information as deemed appropriate.

So you've got a means of monitoring progress. You've got a means of reporting publicly. No one company is going to be submitting confidential product plans, which is maybe what you're suggesting. That is highly confidential information. It will not come to the fore in a public forum.

I hope I've answered your questions.

● (1215)

[*Translation*]

Mr. Christian Simard (Beauport—Limoilou, BQ): I'm a little concerned. You stated that production plans are confidential and cannot be disclosed. That leaves us with the impression that basically, it's going to be business as usual and that, through improvements in existing technologies, the industry will hopefully be able to achieve the 5.2 megatonne reduction without having to make any special effort or having to adopt really restrictive targets. It's simply a question of engineers and technology working to meet the targets and if they fail, so what? The measures are not mandatory, only voluntary.

I have serious issues with some of your comments. Mr. Nantais, you stated in your brief that your MOU goes further than what was requested of you, that is its objective is a 5.3 megatonne reduction, rather than the 5.2 megatonne reduction targeted in the plan. These differences are ridiculous in the case of a voluntary objective. As a rule, the target should have been a 7 or 8 megatonne reduction. We understand that you provide for a margin of error and that's it's easy to be off a little on these projections. As I see it, we're dealing with a public communications error, because you claim that a target 5.3 megatonnes has been set, when in fact you really hope to achieve a 5.2 megatonne reduction, and you brag about the industry policing itself and imposing even more stringent objectives than the government's targets. This may be indicative of a lack of good will on the industry's part.

I also have issues, sir, with the way in which you view industry emissions only in terms of vehicle assembly. You accept responsibility for only a small portion of greenhouse gas emissions associated with the vehicle assembly process, and no responsibility for the actual emissions produced by the vehicles. You do not compare the automobile industry's share of pollution to the 5.2 megatonne reduction that you plan to achieve — or not achieve — through voluntary practices. Your criticism of taxes is thereby weakened in the process. It's rather tempting for the public to say that government should impose stricter standards on this industry which, from the standpoint of automobile emissions, is responsible for a significant proportion of greenhouse gas emissions. Your arguments haven't convinced me.

Mr. Bondy, with all due respect for the CAW, I also think that it would be nice to have a legible French document. Unfortunately, errors were made when the document was put together and the French version is illegible.

I believe you agree that...

● (1220)

[*English*]

The Chair: Excuse me, Mr. Simard, I'm very conscious that we're now into the last few minutes. Can I suggest that you just finish that question and then we reconvene after the vote and have an opportunity to hear the response? There's still time for that.

Do you want to finish your question?

[*Translation*]

Mr. Christian Simard: In fact, I think I'll put my questions to Mr. Bondy after the vote and ask Mr. Nantais to comment right now.

[*English*]

The Chair: You're going to have to excuse us for a few minutes. I'm informed by the clerk that we should be gone for 15 minutes, and I think we'll have the opportunity then to reconvene and take up where we left off. Okay?

Mr. Barry Turner: Only one vote?

The Chair: Yes, just one.

We're adjourning, but we'll reconvene.

● (1222)

(Pause)

● (1247)

The Chair: We'll resume our proceedings.

Before we adjourned, Mr. Simard had the floor. Do you want to just bring your questioning together, Mr. Simard, and then we can engage our witnesses in the answers?

[*Translation*]

Mr. Christian Simard: Thank you, Mr. Chairman.

I was commenting to Mr. Nantais on the lack of constraints and the possibility that the objective, even if set too low, might not be met. He had indicated to my colleague Bernard Bigras that action plans and reference frameworks were confidential. It's no secret, however, that we will not meet our Kyoto targets. That will prove to be very costly and I think Canada's reputation will take a hit. I'm disappointed about our efforts to reduce greenhouse gas emissions.

I would like Mr. Nantais to respond to these comments.

[*English*]

Mr. Mark Nantais: Thank you very much, Mr. Simard. I certainly respect your opinion regarding our GHG MOU. You've certainly shortened up your questions a little bit here.

You've raised a number of very good issues, the response to which I think would shed a good deal of light on what it is we've been able to achieve through this greenhouse gas agreement.

First of all, you made a comment that it's a voluntary agreement, and so what?

The point here is that we have a balanced agreement, as we've mentioned. We've had a great deal of experience as an industry signing voluntary agreements with great success. In many instances, those voluntary agreements have been able to achieve much more than one would be able to achieve through regulation, because in many instances you can't regulate some of the things we've agreed to under a voluntary agreement.

You've also suggested that perhaps we should achieve a 7.8-megatonne reduction target. Again, we have to look at this whole issue from the basis of what is achievable and what's not achievable, and what's going to ensure that we maintain our jobs here in Canada, particularly the auto industry, which contributes fully 13% of our manufacturing GDP, the single largest sector. We cannot save the world, and I think we have to remind ourselves that the GHG agreement is a growth mitigation agreement. Our greenhouse gas emissions as a nation continue to grow, no matter what we do. No proposal that I've seen to date shows that we're going to actually reduce our greenhouse gas emissions as a nation. We're going to continue to grow. All our focus is going to be on mitigating growth, and that's what this GHG agreement does.

The Government of Canada asked in its 2002 plan that we meet a 5.2-megatonne reduction. We've agreed to do that. We're the only sector that has agreed to a specific megatonne reduction target. With respect to the 5.3 megatonnes, that was something that purely came out of the negotiations. I am not in any way suggesting that is a huge agreement beyond 5.2, by any stretch. In fact, we wondered why it was 5.3 ourselves.

I also think it would be a gross mistake to suggest that distances travelled, for instance, do not play a part in how we're going to achieve and reduce the growth of GHG emissions from the transportation sector. When distances travelled equate to the amount of gasoline consumed by consumers—and that's directly proportional to CO_2 emissions—clearly that is only a part, but it's a very significant part, of GHG reductions from the transportation sector. I'm not suggesting that our GHG memorandum of understanding shifts it entirely to the consumers; this is very much driven by technology. This is very much driven by more than a business-as-usual scenario.

I think we also have to remember that the 5.2-megatonne reduction target that has been asked of our industry is one of the highest cost-per-tonne targets that has been listed in the plan. It's $157 per tonne reduced. That's one of the highest in any sector.

So I'm sorry, I have to correct perhaps some of the myths that are associated with this GHG agreement and clearly indicate that this is not business as usual. This is a pretty rigorous agreement, because it also provides the means for monitoring and reporting. I think overall, as I said in my presentation, this is a good balanced agreement that is good for our country.

● (1250)

The Chair: Thank you very much. We're now finished, Mr. Simard, with that envelope of time.

Thank you, Mr. Nantais.

Mr. Wilfert, 10 minutes.

Hon. Bryon Wilfert (Richmond Hill, Lib.): Thank you, Mr. Chairman.

I thank everyone for coming today.

First of all, with regard to the Canadian Vehicle Manufacturers' Association, Mr. Nantais, as you know, the agreement that was reached by the government is not unusual, given the fact that we had, I believe, 14 other MOUs signed. Maybe what is not clear to some members of the committee is the trajectory to which you have committed. How will in fact the trajectory to achieve the 5.3 megatonnes be monitored in order to ensure that compliance is there?

Mr. Mark Nantais: Thank you very much, Mr. Wilfert.

The agreement is monitored through a government-industry committee comprising equal numbers of representatives. There are interim targets for the years 2007, 2008, and 2009, and of course the end point, which is 2010. That committee will certainly analyze and monitor our progress towards each of those interim goals in the course of the final target. What they report will be made public. It will look at actual projections for a given year towards that interim target, in that, of course, it will report on whether we achieve that target or not.

If it's determined or if it appears that we may fall short of our interim targets or the final target, that government-industry committee will assess the factors as to why that may be the case. It will asses those factors that are certainly within our control as an industry, it will assess those factors that are outside of our control as an industry, and it will make that decision or recommendation. The government at any point in time, quite frankly, has reserved its right to regulate us as an industry if it appears that we're not able to meet those targets. So there are several mechanisms built within this agreement that assess the progress, that determine or conclude whether or not we've met our requirements, and of course that preserve that right of the government to regulate at any time.

Hon. Bryon Wilfert: Thank you.

In terms of the approach the Canadian government has taken versus, say, states like California, how do you suggest that it is different? Why would the California approach, although it is clearly a mandatory regulation approach, in the long term probably not be in the best interests, presumably, of the consumer and probably of the industry?

Mr. Mark Nantais: Well, I can't comment on the California situation and the litigation that is under way there, but clearly, again, as I mentioned, the approach that we've assumed under this greenhouse gas agreement is one that continues with the integrated North American approach to our products and provides, therefore, the benefits to consumers, from a cost standpoint, but at the same time provides the most advanced emissions control technologies.

A regulated approach in this particular instance would have been very detrimental to what we build here in Canada and what we ultimately offer in Canada. Again, those costs, as I mentioned earlier, are in the range of $157 per tonne.

● (1255)

Hon. Bryon Wilfert: The good news is we didn't have to go through litigation to get it.

Mr. Mark Nantais: And we avoided litigation.

The Chair: Could I just interrupt you on a clarification?

Mr. Bondy had to leave. He had to catch a plane. Unfortunately, because of the vote and so on, it was a little off schedule there.

I understand, Dr. McDougal, along with Mr. Turner, you also have another appointment.

I wonder if we could excuse those witnesses.

Mr. Nantais, you're really getting the majority of the questions here, and thank you for holding forth.

I wonder, members, so that our remaining guests could have a sense of our timing, if we could finish our 10-minute envelopes of time, and then we could excuse our guests. Unless there's a compelling last question that you want to shoehorn in, I'm sure we can do that, but we'll try to just cut down on maybe the 10 minutes so that we can get that in.

Mr. Wilfert, thank you. Away you go.

Hon. Bryon Wilfert: Mr. Chairman, one last question.

Mr. Nantais, regarding the feebate issue, you were quite clear on your position, which was that you don't favour feebates. As you know, the government has simply suggested the national round table look at them. How do you see that different from, say, the Ontario government's decision to give a thousand dollar rebate for certain fuel-efficient vehicles, or the American Secretary of Energy, which had $2,500 and $2,000 rebates, which have been scaled back? Your comments, which were pretty strong, indicated that you thought it was trying to manipulate the market or affect consumers. Again, this is a proposal that is going to be looked at, and I presume your industry and others certainly will have an opportunity to make representations.

Then I have one more question for our other panellists.

Mr. Mark Nantais: First off, I hope this exchange doesn't dissuade other sectors from assuming voluntary approaches to greenhouse reductions. Clearly, the issue of feebates has a very perverse impact on the marketplace. Some would suggest that changing human behaviour is exactly what they want to achieve by a measure like that.

A feebate does differ from what Ontario is doing in terms of the incentive—and I say incentive because it is not attached to the other side of the ledger, which is taxation—for consumers to purchase a hybrid vehicle, for instance. That's where we think, given the cost of these technologies, governments should be emphasizing or directing their policy objectives, as opposed to a feebate, where you really have to tax one side of the ledger very highly in order to effect any major change in consumers' purchasing decisions. You also have to really load up the incentive side of that ledger.

Ontario is a very interesting example, because aside from that incentive for hybrid vehicles, they also have what they call a tax for fuel conservation. In essence, that is kind of like a feebate system, where they tax higher-consuming vehicles and try to provide quite a small rebate on the more energy-efficient vehicles. Their own studies have shown that measure alone retards new vehicle sales by approximately 1.9%. This is exactly the impact we are saying is attached to a feebate system. The more you load up the taxation side of this, the more perverse impact that will have on the overall policy objective of retarding new vehicle sales and slowing down the fleet turnover, which is absolutely critical in achieving the environmental benefits from personal transportation.

The other benefit of turning the fleet over more quickly is that you're also going to get vehicles entering the market sooner that are equipped with the most advanced safety systems. When you look at the tremendous improvements in reductions in serious injuries and fatalities, they've been primarily the result of the technologies we are putting in our vehicles. Some European studies show that if they turned over their entire fleet, there would be an automatic 50% reduction in fatalities. So fleet turnover is so critical from both an environmental standpoint and a safety standpoint.

● (1300)

Hon. Bryon Wilfert: Would you be able to provide the committee with any of that information?

Mr. Mark Nantais: Our intention is to contribute as best we can to the round table's deliberations.

Hon. Bryon Wilfert: And for this committee specifically...?

Mr. Mark Nantais: In terms of this committee as well, we'd be pleased to do that.

Hon. Bryon Wilfert: I would appreciate viewing that information.

Mr. Payne, with regard to your union, I want to first of all congratulate you. Your members were clearly on board with regard to the issue of climate change at an earlier stage.

Have you had an opportunity to review the plan released by the government on April 13 on climate change?

Mr. Brian Payne: Certainly. I haven't reviewed it, but our senior staff and our union have.

Hon. Bryon Wilfert: How do you see that particular plan impacting on the goals your union has annunciated in the past?

Mr. Brian Payne: I will ask Mr. Newman, our senior research person, to comment on that.

Mr. Keith Newman (Director of Research, Communications, Energy and Paperworkers Union of Canada): We have a lot of goals. The president alluded to the goal of energy security for Canada, specifically with respect to the export of natural gas to the United States.

I just want to make the point that in 2010, according to industry or industry institute research studies, our gas production will be about 6 trillion cubic feet, and 15 years after that it will be down to only 2 trillion cubic feet. That's from the traditional sources. They're hoping that the difference will be made up with offshore oil, which is not allowed, and coal-bed methane, which is virtually not done, and with a variety of other things in the remote areas, but that's only speculation. So we are very concerned both about the Kyoto transition, because we see natural gas as a key fuel there, and the petrochemical industries in Canada, where our members work. So we are unhappy there's nothing about that.

In terms of the Kyoto accord being critical, we believe it's a good thing and really support the government making it clear they are going to go with Kyoto. That is certainly an important goal for us. As was alluded to, the first recommendation of our energy policy is that we should meet Kyoto, and, in the end, Parliament has adopted that. We believe we should just get on with the job.

We also believe it should be a transformation in our way of life and not be fiddling at the edges and essentially having business as usual—and maybe a tiny bit more. We believe this is an opportunity and that there should be challenges to industry and to consumers. It should be a project for us; Canada should be the greenest of the major industrial countries in the world. Why we're so timid and don't want to spend relatively small amounts of money to do this kind of stuff really mystifies us, frankly.

Hon. Bryon Wilfert: We've been told that this is probably the most aggressive plan among the G-7, and in fact the greenest budget in history. Hopefully, once we start moving in that direction, and as the consultations and other rollouts occur over the next six to ten months, we will in fact be able to put that in place.

I noticed that you had some documentation there. Since I didn't receive a handout, I wondered if that would help to elaborate some of your points, which we could look at.

Mr. Brian Payne: Mr. Chairman, we have copies of our actual union policy on energy. Unfortunately, there are not enough for every committee member, but this policy is also available on our website. In addition to the comments I made from the document that I was reading from today, we will provide a completely translated version of that document. Unfortunately, we just didn't get the translation done in time.

Our energy policy is very public; it's on our website, and I would commend it to you. It's a product of a lot of consultation and work that we did, including not just our shop across the street here in Ottawa, but also the industry and others. It's not a collaborative effort in that context, but it's certainly written with all of the realities of our world and mine, as we see them.

● (1305)

The Chair: Thank you, Mr. Payne. We'll ask the parliamentary secretary to provide us with an executive summary of that.

Mr. Brian Payne: It also covers off the point that I stressed at the beginning and at the end about the issue of a just transition, which obviously is important. If you're going to be on the front line of supporting that kind of change, you've also got to expect this. This is not the typical kind of technological change that might be implemented by industry, when society says we should start doing something differently. Obviously, we think society has a role in the remedy for workers as well.

The Chair: Thank you very much.

Mr. Cullen, you have 10 minutes now.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair. Thank you to the panellists who remain.

I have just a couple of questions for Mr. Payne. To pick up on your last point, one is about just transition. What faith do you have in the government's ability to address this issue based on your experience trying to negotiate a just transition with government policy in the past?

Mr. Brian Payne: I am trying to be an optimistic person. I know we face all kinds of challenges, from collective bargaining to issues like this. Mr. Anderson and I discussed this point a few years ago, and we threw our support behind the initiative.

I am concerned that the government will not provide an appropriate just transition, given the societal change involved. This goes way beyond figuring out how to get somebody EI. I'm always optimistic, but I've yet to be reassured that this will happen. Those of our members who support this are doing so because they believe it's in their long-term interests. They would feel let down if people didn't use the mechanisms available to them, including a small wealth generation tax on industry, to respond to this challenge. So I'm optimistic, but the proof is in the pudding.

Mr. Nathan Cullen: In respect of the conversations you had with the former environment minister, when your union signed on to this, was the negotiation contingent upon their being an element in just transition? The green plan was recently released without any comment whatsoever. I'm curious how you remain supportive and confident. Was this not a contingency in the negotiation?

Mr. Brian Payne: There is a contingency. Many of us are caught in this as citizens as well. As citizens, we believe it's the right thing to do.

A lot of our members who aren't affected by it, at least in their immediate workplaces, have no problem saying, “Fair enough, let's support Kyoto”. It's like someone outside of the forest industry saying, “We should quit harvesting trees in Quebec”. It affects us as citizens.

We put our support behind this because there was a quid pro quo. It is absolutely unconscionable to do it any other way. It is a big step for energy workers to say, in effect, “We're prepared to be put out of work in some locations. We're prepared to quit making this type of product if the world says that it shouldn't be made any more, or that the plant making it should be cleaned up.”

When we say that, we expect there to be some quid pro quo. This is not just a struggle between us and an employer somewhere. We think that when society is part of this, they have some obligations. If you ask me on the street as a citizen, that's another question, but for our union, quid pro quo is an important part of it.

Mr. Nathan Cullen: I have a couple of questions for Mr. Nantais.

With respect to this memorandum, I have some difficulties with its not being a mandatory system. I'm trying to look at it from a business perspective. If they made our pay packets a voluntary agreement, rather than a fixed agreement, many members and others would have concerns.

Individual companies are not asked to report on their greenhouse gas reductions. Is that correct?

● (1310)

Mr. Mark Nantais: Under the GHG MOU, the reporting will be done on an industry basis. But individual companies will continue to report on their corporate average fuel consumption under the corporate average fuel consumption program.

Mr. Nathan Cullen: What happens if the industry chooses to withdraw from the memorandum? It's voluntary, based on both parties being happy with it. If you folks decide to pull out, or the members you represent pull out, what are the consequences?

Mr. Mark Nantais: If any major company pulls out, we're at a very important juncture in that memorandum.

Mr. Nathan Cullen: Are there penalties for pulling out as an industry, or as an individual company?

Mr. Mark Nantais: No. That's why the government was absolutely clear that the agreement can be terminated at any time. The government could then choose to regulate. So if one or more major companies decided to pull out of the agreement, then we would have a whole new set of circumstances. At this point, the government would evaluate its option to regulate.

Mr. Nathan Cullen: Under this scenario, would regulations follow?

Mr. Mark Nantais: There would be a good chance.

Reference was made to the 14 or more voluntary agreements that we as an industry have undertaken on various issues, including safety, emissions, and pollution prevention at our plants. The fact that chief executive officers have signed these agreements means the commitment is right at the top. When we as CVMA member companies sign an agreement like this, we consider it to be de facto regulation.

Mr. Nathan Cullen: Okay, I appreciate that. I'm still confused about why, if there is that seriousness, they couldn't be made mandatory.

In 2002, the transportation department reported many problems in the reporting of efficiencies throughout the industry. What, if any, are the penalties for parts of your sector not reporting on the improvements or lack of improvements they've made?

You understand where I'm trying to go with this?

Mr. Mark Nantais: Yes.

Mr. Nathan Cullen: I can go back to the Canadian public, who we represent, and say that it's a solid agreement, there are lots of assurances, there are lots of backstops, and if, for whatever reason, the industry decides not to make these reductions, we'll pin them to the wall and make sure this happens and that the air will be cleaned up.

Mr. Mark Nantais: I certainly understand that and appreciate that.

For the reports to Transport Canada under what they call the V-fees program, which is where we report the corporate average fuel consumption data, I don't know of any company that has failed to report.

There have been certain circumstances when, by virtue of the process, it would appear that certain reporting has been delayed. In other words, they didn't make it by the deadline for the submission of that data, but they followed up with that data shortly after that deadline. So I do believe that every company, to the best of my knowledge anyway, is reporting.

There may be some instances when there may be delayed reporting, but the whole process here is intended to make sure that initially, one company submits what we call “projections”. Then they follow up those projections with real world data, if you will, in terms of sales, because sales are part of the sales-weighted average for calculating their corporate average fuel consumption. So there may be some instances where delays have occurred. Some of those delays, quite frankly, are because of the process itself at Transport Canada, so we're working with them to improve that.

Mr. Nathan Cullen: Allow me to interrupt just to understand how much time I have left. So this mixed relation, in terms of the quantity of vehicles sold and the makeup of vehicles, is part of the equation being used by industry. My understanding is that the reason a percentage was not used and this megatonnage number was used is that you have this mix.

The overall goal is to make more efficient vehicles and to cause less pollution and also less greenhouse gas. Correct? The profitability, to my understanding, is in the SUV and small truck market, and many of the cars being sold in this country, I'm told by industry, don't make money, and in some cases lose money.

It seems to me there's an incentive to continue making large vehicles, and that also creates an incentive to allow further room to have more greenhouse gas production. Why not use a percentage? Why use this megatonnage and why use this floating figure of a mixed...? I'm trying to remember the actual term for it. There's a two-word term used in the memorandum that talks about this model.

● (1315)

Mr. Mark Nantais: Sales mix?

Mr. Nathan Cullen: There's another term, but regardless, I have some concerns with an incentive for selling more cars and selling bigger, less fuel-efficient cars, as opposed to some of our OECD partners, who have moved towards more efficient, smaller vehicles.

Mr. Mark Nantais: Maybe I could start, Mr. Chairman, with the OECD or the European situation. They did sign an agreement, but it was an industry agreement, again, and substantial progress has been made towards their target, which is CO_2 on a grams-per-kilometre basis, I believe. Most of that progress to date has been through the introduction of clean diesels, which I spoke about earlier. And clean diesels are now just over 50% of the market. So they've been able to make progress because, quite frankly, their emission standards aren't as stringent as ours, as I also mentioned, but also because of the favourable tax treatment of clean diesel fuel itself, which we still have to make progress on here in Canada.

So there are some factors that are at play in Europe that aren't at play in Canada. On top of that, their agreement also speaks to the issue of economic harm. If a company is going to be unduly harmed by virtue of this agreement, there are some what we call “off-ramps”. That's not the case in Canada at all. There are no off-ramps here as they relate to economic harm.

What else did you ask? I forget.

Mr. Nathan Cullen: I'm concerned about time and I want to allow Mr. Jean some time.

The concern was over vehicle sales and the sales mix.

Mr. Mark Nantais: Right. I think—

Mr. Nathan Cullen: If industry is making most of its money from the larger, more-consuming vehicles.... Even if it becomes more efficient, an SUV is an SUV and is consuming more fuel than a smaller car. It's something in the agreement that the industry doesn't have direct control over.

Mr. Mark Nantais: Well, we don't have direct control. This is why I think we needed to assume an approach that allowed us to respond to consumer preferences—in other words, to continue to offer the full choice of vehicles to consumers.

Yes, the profit margin is on larger, luxury vehicles. Whether it's cars or trucks, it tends to be higher. We don't make a lot of money on small cars. We need to be able to cross-subsidize, if you will, for lack of a better term. When you lose on one, you have to make up on the other. Ultimately here you have to generate a profit, which you can, in part, turn in to your research and development for new technologies.

We think the agreement is more of a balanced, sustainable approach to our industry, recognizing that consumer preferences do change and, quite frankly, the fact that in Canada we do have higher fuel prices and higher taxation on vehicles, and that does actually play a role in the makeup of our fleet in Canada. We have a much more fuel efficient fleet in Canada, for instance, than we do in the United States.

If you look at the continuum, for instance, of the makeup of the fleet, 40% of consumers in Canada already purchase compact and sub-compact cars. At the other end of the continuum—roughly 20-plus per cent—you have those people who, because of their personal disposable income, can afford anything they want and will continue to afford anything they want, which means they will continue to buy a vehicle whether it's a sport utility vehicle, a luxury passenger car, or whatever. They don't seem to be willing to adjust their purchasing habits.

In the centre of that continuum you probably have another roughly 30% or so of people who are comprised of families who buy mini-vans and entrepreneurs who require light pickup trucks or full-size vans for their businesses. It's very difficult to move them out of those categories as well. What you end up with, in short, is maybe 30%—if that works out roughly—in which you can to try to shift people's purchasing decisions. You can't get people out of their sub-compact cars, because they've already made a prudent decision, quite frankly. With this other 30% in which you might be able to shift people around, that is driven by vehicle price and fuel pricing.

Ultimately we think that even though it's not part of our agreement, we are committing to help educate the consumer through our dealer networks, helping them understand that through their purchasing decision and how they use their vehicle—prudent use of a vehicle, proper maintenance, all of these things—they contribute to reducing greenhouse gas emissions. That's part of what we intend to do, even though it's not part of our memorandum of understanding.

● (1320)

Mr. Nathan Cullen: Thank you.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Cullen. Thank you, Mr. Nantais.

Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you to the presenters for coming today.

I have two questions.

As you are aware, and of course we've heard today, Alberta is a large emitter of CO_2, and of course Alberta is also driving the economy right now in most of Canada. We provide many high-paying jobs, approximately $85,000 a year to most people who live up in that area who work in the oil sands. Something, quite frankly, shocked me recently when it came to my attention that in Alberta, under division aid, and with the cooperation of the current Liberal government, there is a proposal in motion, and I understand it is currently law, to allow temporary foreign workers to fly directly into the oil sands area and take the jobs of Canadians and quite frankly fly out again.

Obviously we don't have a problem with immigration in the sense of opening up the immigration gates to qualified workers to come into this country on a full-time basis and raise their families here. But I'm worried, and I'm wondering—we have huge pockets of unemployment in this country, up to 25% in Quebec and other areas—what is your position on this particular venture as far as the economics and the environmental impact of allowing this to happen? These people are not trained as Canadians and don't have the same priorities, I would suggest.

Mr. Brian Payne: I can take a shot at it from my perspective as president of our union. I'm not physically on the ground in Alberta every day. I am aware of the issue, though, but not as closely as some might be.

Let me work backwards by saying that as a union that represents a lot of industrial workers in Canada and a lot of skilled trades in all kinds of major industries, for the last decade we have been beating our heads against all kinds of walls, including here in this building, trying to get people to get their heads around the fact that there's a whole bunch of people in that industry who look like a lot of us, an aging population. Half the tradespeople, for example, in many of those big industry complexes are going to retire in the next three or four years. It's a huge travesty, and, for all kinds of reasons, very little is being done about it.

Most employers in many industries, simply because of finances and whatever, are just somehow hiding on the issue. So very little is being done to upgrade skills training in a real way in Canada to meet not just a sudden blip that has occurred, of course, in the oil sands—although you could see that coming—but the obvious impact of what's going to be needed when a whole bunch of people leave the workforce. Unless we plan to shut everything down, it's a huge problem.

So no real work has been done, with some very minor exceptions. On this latest manoeuvre, to allow foreign workers in, let me start out by saying, in theory, as you said, immigration, foreign workers being brought in with skill sets, properly brought into the country, is obviously a component that should always be there, I guess, and certainly to the extent that it's usable today, compared to post-Second World War, in real terms, is okay, but what's happening in Alberta in the oil sands is not that at all.

From what I understand, through some arrangements that have been made and some legislation amendments, including hours of work and overtime, and all kinds of things that have been put forward that result in some serious lessening of conditions, there is an influx. I think it has been driven by some industry types, among others, who are desperate to get their hands on workers for the sort of gold rush scenario we have going on up in the oil sands.

I have no doubt that it's going to cost a lot more than it's going to save. I think you're going to see not only some serious personal injuries, but probably some serious damage to the environment and equipment as a result of us trying to manage this huge explosion—pardon the term—in that industry up there in a kind of ragtag way.

So I'm very concerned about it. Our union is concerned about it. Those in Alberta who are in our union are much closer to it than I am and could better answer your question, but I can give you that answer. It's a situation that we're very concerned about. But the issue is driven by, among other things, our inability as a country, as I see it, to get our head around some obvious numbers, called the aging population and skill sets.

Mr. Brian Jean: I want to wind up by saying that I think it's going to come as a shock to most people. I'm from Fort McMurray, and I've lived there 38 years. I've never seen a potential explosion like I think is going to happen up there. I don't think people have any recognition of what's happening, and quite frankly, I don't understand why our government can't get its head around the 50% who are going to retire.

● (1325)

Mr. Brian Payne: The part that boggles my mind a little bit...and while I don't live in Fort McMurray, obviously our members live and work there. I've been there several times. I think a lot of things get sort of hidden from reality because Fort McMurray is a little further north. If Fort McMurray was in downtown Toronto or something, or if the tar sands were, people would have a different view of things.

It's a huge oil reserve. It's a huge economic engine, and it's very important. There are the societal issues and all that go with it. We all read the articles about people. The small employers in that town can't afford to hire people because nobody can afford to live there, that kind of thing. I use the term “gold rush”. It's kind of that scenario.

I think there's reason in this country for the federal government and the Government of Alberta, if they can ever figure out how to get in the same room, to spend a lot of time sorting out, in the best interests of Canadians overall, including the oil industry and the fuel that will come out of there, how to properly manage our Saudi Arabia, which is Fort McMurray.

Right now, it's a disaster waiting to happen. There's money running down the streets, but there are also drugs and alcohol and a whole bunch of other serious problems up there, as you well know. I think it's very mismanaged. That's not an attack on individual employers, but it is a huge economic engine that I don't think is being properly coordinated by this country. I'll leave it at that.

The Chair: Thank you very much to our witnesses. Mr. Nantais, thank you for fielding so many of those so well, I might say. Thank you also to Mr. Payne and Mr. Newman for being here past the time.

Thank you to the members who showed up so that we could maintain the quorum to ask those very important questions.

The meeting is adjourned.

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