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Chair

Mr. Massimo Pacetti

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• (1125)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Let's get started.

[Translation]

The committee is meeting today, pursuant to Standing Order 83.1, for 2005 pre-budget consultations.

[English]

I just want to welcome all the groups here. I'm sorry about starting late, but we had another group and had to make the change.

I'll allow you a seven- to eight-minute opening statement for your presentation, if that's okay with the groups. Please try to stick to your allotted time so I don't have to interrupt you.

We will start with BIOCAP Canada, Mr. Layzell.

Thank you.

Dr. David Layzell (Chief Executive Officer and Research Director, BIOCAP Canada Foundation): Thank you very much for giving me the opportunity to present today.

My name is David Layzell and I'm the CEO and research director of the BIOCAP Canada Foundation. BIOCAP is a national not-for-profit research foundation that is successfully harnessing Canada's research capacity to find biologically based solutions to the challenges of climate change and clean energy.

Like BIOCAP, the Project Green plan for moving forward on climate change is looking to our vast biological resources to provide 80 million tonnes of CO₂ emission reductions per year. This represents 28% of our Kyoto commitment, and BIOCAP-facilitated research is providing many of the key insights in technologies that will enhance carbon sinks in forestry and agriculture, reduce greenhouse gas emissions and agricultural landfills, and use renewable biomass as a source of energy and biofuels to meet our energy needs.

The BIOCAP Canada Foundation is in the business of capturing Canada's large green advantage to deliver the scientific insights and new technologies that will assist our made-in-Canada transformation to a sustainable bio-economy. In this emerging bio-economy, our vast forestry and agricultural resources will provide more than just food, animal feed, and fibre. They'll provide energy for power generation and steel and cement making; transportation fuels that will reduce dependence on fossil fuels; industrial feed stocks that are

now dried from fossil fuels; and environmental benefits such as carbon offsets, cleaner water, and cleaner air.

Four years ago, the three federal departments of Environment Canada, Natural Resources Canada, and Agriculture and Agri-Food Canada invested \$10 million in the work of the BIOCAP Canada Foundation. That federal contribution agreement runs out in five months. I'm here to ask the finance committee to support our request for longer-term funding.

What has BIOCAP done to justify this request? First, we've created a unique national partnership. In addition to the three federal departments, BIOCAP is supported and sponsored by four provinces, eight leading companies or industry associations, and four non-governmental organizations. There are literally dozens of other industry and government groups that have already partnered with BIOCAP on specific projects. One example is EnergyInet. I believe they talked to this committee last week. These multi-sector partnerships are key to our effectiveness in tackling the complex, cross-cutting demands associated with climate change and the supply of clean energy.

Second, we have developed and implemented an exciting new model for how to harness the research capacity of the nation to focus on issues of importance to Canada and Canadians. This model involves the establishment of a network of eight multidisciplinary national research networks. BIOCAP plays a key role in setting up these networks, and we ensure the rapid transfer of the research insights and technologies to inform policy investment decisions in government and in industry.

Finally, we're not just about promises; we're really about delivering on the promises. Since receiving the federal funding in January 2002, BIOCAP has leveraged the \$10 million to more than \$38 million cash in support of the work of 66 government and industry scientists, 165 university researchers, and over 200 graduate students at 25 universities in 8 provinces. This huge leverage has already provided scientifically sound policy insights to the federal government's offset trading system. It has improved our understanding of how climate change, natural disturbance, and human activities impact carbon stocks and greenhouse gas emissions in our forests, agriculture, aquatic systems, and landfill sites. It has identified opportunities for wood killed by the mountain pine beetle in British Columbia to produce electricity, thereby allowing for the creation of a vibrant, sustainable, bio-economy in the affected communities. It has identified opportunities for large-scale use of renewable biomass to help Ontario's coal-using industries—power generation, steel making, and cement making—meet their energy needs in the future.

As I mentioned before, federal funding for BIOCAP runs out in five months. It has been challenging to find a federal champion for this cross-cutting success story that addresses so many different mandates. Our request is for \$6 million per year for the next 10 years. With this investment we will leverage an additional \$13 million per year in research that is essential to capture Canada's green advantage and move us toward a sustainable bio-economy.

• (1130)

BIOCAP is now up and running. We have harnessed Canada's research capacity. We are a unique national partnership. Our model works. Without federal government support, the plug is effectively pulled. Canada does have a green advantage. We're asking you to please give BIOCAP the opportunity to capture it.

Thank you.

The Chair: Thank you, Mr. Layzell.

Next is Mr. Lewis from the Canadian Foundation for Climate and Atmospheric Sciences.

Dr. Marion Lewis (Vice-Chair, Board of Trustees, Canadian Foundation for Climate and Atmospheric Sciences): Thank you very much, Mr. Chairman. My name is Marlon Lewis. In addition to being the vice-chair of the Canadian Foundation for Climate and Atmospheric Sciences, I'm a professor of oceanography at Dalhousie University and chairman and CEO of Satlantic Incorporated, a high-technology company that specializes in the manufacture of sensors and systems for measuring the ocean environment.

In a speech last month in Halifax, the Honourable David Anderson, Minister of Industry, listed several things that kept him awake at night. In addition to the devaluation of the U.S. dollar, the ascendancy of India and China, and the unsustainable trade and current account deficit in the United States, he listed climate change as one of the key challenges facing the growth and productivity of the Canadian economy.

I concur with the minister that threats do exist, but I also believe from my personal experience that climate change can open up opportunities to enhance the productivity of Canadian industry. Better knowledge and forecasts of climate changes are required to mitigate or adapt to the threat and to realize on the opportunities. Canada needs much better information on climate factors, weather, and impacts in order to predict future climate change and improve forecasts of weather, in particular extreme weather environments. We need this to meet our obligations under the Kyoto Protocol, to develop sound public policy, and to adapt to or perhaps exploit the inexorable warming of the planet.

In parallel, a new generation of scientists and leaders in both business and public policy will need to be educated and trained to manage in what will most certainly be a warmer world.

Climate, weather, and air quality are key factors in Canada's economic growth and the well-being of its population. Weather-related events—floods, droughts, hail storms, and smog—are costing Canada billions of dollars annually and directly affecting people's safety and livelihoods. Around the world, 80% of natural disasters are related to weather. The number and costs of these events are increasing dramatically. The recent experience of Hurricane Katrina is a sobering example, but I've also had personal experience with

Hurricane Juan in 2003, the most severe weather event in Halifax's history.

As a community, we recognize first of all that the Kyoto Protocol, while an important first step in addressing climate change, will by itself have a very limited effect on future climate. Canadians will have to adapt to a changing climate for at least the rest of this century. Knowledge of regional conditions and climatic factors will be needed to allow Canadians to adapt to these changes. Further scientific research is required to understand the natural processes that produce climate hazards and to provide the basis for critical policy decisions. The Kyoto Protocol has demonstrated the need for much better knowledge of greenhouse sources and sinks.

Phase one of the federal government's Project Green program allocates no funding to climate science, adaptation, or an understanding of natural greenhouse gas cycles. Federal support under the earlier climate change action plan has expired, and no equivalent program or plan is as yet in place. Our first recommendation is that the federal government reinforce support for climate research in universities and federal laboratories as part of the climate planning process and the next phase of Project Green.

The Canadian Foundation for Climate and Atmospheric Sciences is the main funding body for university-based research on climate-related atmospheric and oceanic research in Canada. Since 2000 it has invested over \$76 million in cross-Canada research networks and projects in areas such as air quality, extreme weather, climate system science, greenhouse gases, ocean conditions, and Arctic climate. These grants have garnered an additional \$96 million to partnerships with federal granting councils, departments, industry, and other players, effectively doubling the impact of the funds.

CFCAS-funded researchers are also training the scientific leaders of tomorrow—the people who will replace today's scientists and will work on Canada's future climate. Five years of CFCAS-funded science have had concrete results and have earned Canada a respected place in major world climate initiatives. The body of knowledge, as a result, is being actively disseminated to support decision-making in government, in industry, and to the public. For example, at the request of the Prime Minister, the foundation is currently preparing a report to Canadians outlining what we know about climate change.

As a more personal example, I recently had to replace my dock after it was completely destroyed during Hurricane Juan. I rebuilt it half a metre higher, based on observed and predicted sea-level changes.

CFCAS research investments average \$12 million per year. By the end of 2005-06, its grants budget will be fully committed and funding flexibility will come to an end. This comes at a time when the need for climate information is growing strongly and a community stands ready to deliver. Nowhere is this more true than in Canada's Arctic, which appears to be challenged much more than average with respect to a changing climate. The international community has identified 2007 as an international polar year and is looking to Canada for leadership.

• (1135)

Our second recommendation is that the government continue to use CFCAS to target support for climate research to the academic community and to expand the foundation's mandate to climate impacts. We respectfully suggest an additional \$100 million in new funds be allocated to the foundation, with extension of the foundation's mandate to at least 2015.

CFCAS relies on other granting councils such as NSERC and SSHRC, and the federal government's science activities, to complement their efforts. This is particularly true with respect to key infrastructure and logistical support for field activities. As a result we have two recommendations. First, we recommend that the government task an appropriate body with the coordination and federal support for climate research and technology across research and development sectors, including universities, foundations, and federal and non-governmental sectors, particularly as it relates to high-latitude activities.

Second, we recommend that the indirect costs of research in Canada's universities be recognized in federal funding agreements with foundations, and other relevant allocations, and that is in order to support the infrastructure.

As well, Canada's efforts are set in the international context, and it is important that Canada continue to play a leading role in the global climate change community. As a result, our fifth recommendation is that the government reinforce its support for Canadian participation in international activities such as those of the world climate research program, as well as for a limited number of international project offices located in Canada, and that it allocate funds to international coordination and the participation of Canadian scientists in these programs.

In conclusion, it's an auspicious time, as Canada is hosting at the end of next month the 11th Conference of the Parties under the UN Framework Convention on Climate Change. This provides a unique opportunity to highlight Canada's research accomplishments and to influence policy discussion with respect to the Kyoto Protocol. CFCAS has fostered an impressive record of world-class research accomplishments in areas of policy relevance or importance to the Canadian economy. Its secretariat has demonstrated accountability, efficiency, and commitment to Canada's climate needs and objectives. Without new funding support in the current fiscal year, CFCAS will have committed all its funds and will no longer be able to support new activities.

Project Green recognized the importance of Canada's forests and agricultural lands in sequestering greenhouse gas emissions from the atmosphere. It also stated that, "the Government will introduce additional measures as part of this climate planning process..." We

welcome this and propose the existing mechanism—the Canadian Foundation For Climate and Atmosphere Sciences—to manage new research funds, to generate knowledge and highly trained personnel, and to support the continued growth of the Canadian economy in a warmer world.

Thank you very much for your attention, Mr. Chairman.

The Chair: Thank you, Mr. Lewis.

I have a quick question. Where does the funding come from in your foundation?

Dr. Marion Lewis: I understand it's a direct allocation from Treasury Board, sir.

The Chair: From?

Dr. Marion Lewis: Treasury Board.

The Chair: Great, thank you.

From the Canadian School Boards, Mr. Gershon.

Ms. Gerri Gershon (President, Canadian School Boards Association): No, it's Gerri Gershon.

The Chair: Sorry.

Ms. Gerri Gershon: It's okay.

My name is Gerri Gershon and I represent the Canadian school boards across the country. With me today is Patricia Parulekar, our national director, and Michael Clarke, the chief financial officer of the Ottawa-Carleton District School Board.

We thank you for the opportunity to present this to the committee. The CSBA believes in building a constructive, long-term dialogue with the federal government. We are non-partisan and our interests are, first and foremost, without qualification, the excellence of our public education system in Canada.

You may ask why we are presenting today, since the Canadian Constitution places education in the realm of provincial responsibility. We are here because there are areas of specific federal jurisdiction where we do impact together on public education, and we would like to recommend, number one, that the federal government allow school boards the same privileges as Canadian municipalities by giving us the same 100% exemption from the GST. The second thing is to provide proper support for English and French second language learning and provide schools a level of other support that matches the needs of immigrant families. The third thing we're asking is to amend the Copyright Act to allow unimpeded use of freely available Internet information to students in Canadian schools.

The first thing I want to talk about is the GST. We believe we should be given the same exemptions the municipalities received. The GST that the school boards pay is essentially a tax on a tax, which imposes a complex and expensive administrative burden. The federal government is directly demonstrating its support to education through a variety of transfer payments, which is a laudable goal and a reasonable approach.

We do at present have a rebate for about 68% of the GST. Unfortunately, a third of the GST is clawed back. It's safe to say that the provincial government grants and property taxes comprise the major source of revenue for school boards. So charging the GST on school board purchases means the federal government is essentially taxing money that school boards receive through taxation. It is a kind of double taxation that we cannot believe contributes to good policy making or management.

School boards must run a tight ship. Only about 5% to 8% of our budget is discretionary. The current system has become so onerous it forces boards to engage experts to help them obtain the largest rebates possible. There is an entire industry of rebate experts who are making a healthy living from helping school boards earn the rebates. Let's spend the money on the students and schools instead.

Granting school boards the same consideration as municipalities would have the effect of returning back to the schools approximately \$160 million of GST payments currently remitted to the federal government. I think we have new data since the one I handed in to you.

The next thing I want to talk about is the needs of immigrant children and youth. Immigration is essential to our continuing prosperity and to our stability as a neighbour. The 340,000 newcomers we will be greeting each year will have a particular impact on urban centres and urban schools.

Opening our doors to newcomers is not enough. Providing the support to ensure they thrive and integrate successfully is fundamentally important to our future. The focus of the federal government support for immigrants is on adults and employment, and there is little recognition of the needs of children. For adults, the federal government does fund the basic acquisition of English and French through language instruction for new Canadians, the LINC program. Although it's a good program, it doesn't help refugees, nor is it intense enough to provide the workplace language skills these parents need to support their families or to help with homework.

There are other areas where the federal government can provide support without encroaching upon the education mandate of the province.

• (1140)

A host of integration services for families and training of school staff are essential to make the settlement a positive one for our new immigrants. For example, some children have suffered trauma in war-torn homeland countries and need psychological services.

We heard the comments from Minister Minna earlier. We have excellent settlement workers in our schools right now. They are federally funded and they do a terrific job, but they are extremely rare. We need many, many more of those workers.

The universal access point to our future is through our schools. Our various supports to educational institutions must be welcoming and effective. We believe the federal government has the potential not only to get it right but to excel.

I'm going to talk a little bit about copyright.

Another decision of the federal government perhaps unintentionally harms schools. The proposed Copyright Act makes it illegal for students and teachers to participate in routine class activities, where they download, save, and share Internet text or images that were intended to be freely distributed and downloaded. The act will force the removal of Internet access from our schools, and if the schools want to keep Internet access, that means they will have to have a 500% increase in licensing costs.

The Canadian School Boards Association, along with colleges, universities, and the provincial ministries, urge an amendment to the legislation that's now going through the system, to allow the educational needs of students and teachers...to be available for use in our schools at no penalty. The amendment must become part of legislation.

We want our students to use the Internet to do research in our schools. So in the name of Canadian elementary and secondary students, the Canadian School Boards Association asks this committee to recommend an amendment that will properly protect students.

Thank you very much.

• (1145)

The Chair: Thank you, Ms. Gershon.

Mr. Whittaker, from the Canadian Wind Energy Association.

Mr. Sean Whittaker (Director, Policy, Canadian Wind Energy Association): Thank you very much, Mr. Chairman.

My name is Sean Whittaker, and I'm the policy director of the Canadian Wind Energy Association. I thank you very much for the opportunity to come and present some of the priorities of the Canadian wind industry going forward.

I'd like to start with a highlight of the 2005 federal budget and two important incentives that were provided for in that budget, one of which was the quadrupling of the wind power production incentive from 1,000 megawatts up to 4,000 megawatts; and the second was an increase in the capital cost allowance under class 43.1, from 30% up to 50%.

These initiatives have contributed to what has been, happily, a record year for wind in Canada. Up to now, in 2005, we've had 146 megawatts of new capacity installed, and that's a new record. I'm happy to say that in subsequent years we're going to be surpassing that record. There's currently about 400-plus megawatts of wind capacity being constructed, and there's another 16 megawatts of wind capacity with power purchase agreements in place that will be constructed in the next few years.

In the last year, five new manufacturing facilities have been built across Canada—two building towers, another building blades, and then nacelle assemblies and nacelle shells.

We feel these developments are very good news for the Canadian wind industry from a number of different perspectives—social, economic, and environmental. One of the most notable advantages or benefits of wind is its benefits for rural areas. Canada possesses a remarkably good wind energy resource, and experience has shown that many investments into wind go into rural areas, many rural areas that have been hard hit by economic downturns.

There's also the added benefit of no fuel costs, incremental and rapid installation, and of course there are no GHG emissions from wind, nor are there any pollutants related to smog or solid or toxic waste.

At this point, moving up to 4,000 megawatts as established in the last federal budget is a very favourable development, but we really feel that it's only scratching the surface. If you look across at what the various provinces are committing to in terms of wind, Quebec has recently committed to 3,500 megawatts of installed wind capacity by 2013; Ontario has made a commitment for 2,700 megawatts of renewables, a large part of which is wind; and many of the other provinces have made similar commitments. If you add that up, it comes to about 8,500 megawatts installed in the next eight years.

We feel this is an important step from the 4,000-megawatt commitment the federal government has made, but it's important to put that into context. If we go up to 8,500 megawatts, we're looking at about 4% of Canada's electricity being generated by wind energy, and that's in about eight years. Spain right now is at 5%, Germany is at 6%, and Denmark generates 20% of its electricity now from wind.

So we're facing stiff competition from these countries that are not only sitting on substantial wind resources now but are also moving aggressively to expand those resources. As indicated on the slide, Spain is moving up to about 20,000 megawatts by 2011, and the U.S.A. is moving to about 15,000 megawatts in the next few years. So as Canada tries to attract investment to be able to gain the maximum benefits from wind, we're facing some stiff competition.

For this reason, there are four recommendations that CanWEA is putting forward for inclusion in the next federal budget. Two of them have to do with utility-scale turbines and two of them have to do with the smaller-scale turbines. I'll start with the two recommendations on the utility side.

The first is an expansion of the WPPI program from 4,000 megawatts up to 8,500 megawatts. We feel this would be important for a couple of reasons. First of all, it would establish Canada as a leader, or at least put us in the middle of the pack globally, in terms of installed wind capacity. That is the clear, long-term signal that we feel Canada needs to send out to the wind industry if manufacturers are to be drawn here so that we can build a stable industry for the long term. Moving up to 8,500 megawatts would also match the provincial objective, sending a signal to the provinces that the federal government is a willing partner in development of wind in Canada. The expenditures that would be involved here would only start in 2009, and they would be about \$78 million per year up to 2024.

The second recommendation that CanWEA is putting forward is allowance for the use of both the wind power production incentive

along with what's called the Canadian renewable conservation expense. At present, if you receive this, what's called CRCE, then you are not eligible to receive WPPI.

● (1150)

At CanWEA we feel these are two very different initiatives: CRCE on the one hand exists to facilitate test turbines; WPPI on the other hand exists as an industrial development initiative. Because they have different goals, we feel they should be allowed to be used together. Experience has also shown that the use of CRCE results in higher development costs, which can be offset to a degree through WPPI.

The third and fourth recommendations have to do with small wind systems. The majority of work that CanWEA has done up till now, and most of the attention, has been on the large, utility-scale wind turbines that you see across the country. There hasn't been similar growth in small wind turbines under 300 kilowatts in capacity, which are designed for homes, farms, small commercial uses and remote communities. There is a tremendous demand for those systems; I can say that CanWEA receives upwards of 1,500 calls every year from people interested in buying those systems.

There is a significant barrier, and that's the first cost. But we feel that small wind represents a tremendous opportunity for Canada. A little known fact in Canada is that there are machines in the size range of between 20 to 100 kilowatts that are perfectly suited for farms, commercial businesses, and remote communities. There are 10 manufacturers worldwide, and five of those are based in Canada. Anything we do to stimulate that market will necessarily have a huge impact on those manufacturers and will position Canada in a very favourable position going forward.

Development of the small wind industry also supports energy security and is consistent with the objectives of the one-tonne challenge.

It's important to point out that even though an incentive exists for large wind power at this point—through the WPPI program—there is no incentive in place to support small wind power in Canada, and this is something we'd like to see changed. So the third recommendation that CanWEA is making for inclusion in the next federal budget is development of a small wind energy incentive program, or SWEIP. The intention here is to overcome the first-cost barrier by providing a purchase rebate. We're looking at a 25% purchase rebate on systems for homes and for residential, commercial, and institutional uses and a 40% rebate for commercial farms. The cost of the project on a pilot basis would be \$10 million per year over three years, and it could also be extended to other renewables, such as solar photovoltaic. Its objectives are to leverage almost \$30 million in funds and to support the growth of the Canadian manufacturing sector. Estimates are that we would be moving sales of that key 20-kilowatt to 100-kilowatt range from approximately 45 units to 460 units per year as a result.

The fourth recommendation that CanWEA is making for inclusion in the federal budget is a new program called a production incentive for remote communities. When WPPI first came out, it was offered to remote communities, but there was no uptake of it. The reason was that the 1¢-per-kilowatt-hour rebate being offered to remote communities was not sufficient to overcome the extra costs involved in installing wind power in a remote community; you've got higher installation and transportation costs, O and M, etc.

CanWEA feels that in order to bridge this gap, what's needed is a program adapted to the different needs of remote communities. We're recommending a production incentive, through this PIRC program, of 3¢ per kilowatt hour for remote communities with small grids; up to 10¢ per kilowatt hour for remote communities with year-round access; and 15¢ per kilowatt hour for remote communities with seasonal access. The cost would be about \$54 million over 15 years. The objective is to have 11% of all electricity generated in remote communities supplied by wind power.

In closing, Mr. Chairman, I'd like to say that 2005 will be seen as the year in which Canada started to act seriously to exploit its massive wind resources. We've made excellent progress to date; we have cause to celebrate. Going up to 4,000 megawatts is great, but CanWEA feels that moving up to 8,500 megawatts would place Canada solidly in a leadership position in the world. We feel that we need this in order to be able to attract the investment needed to maximize the economic and environmental benefits for all Canadians.

Thank you very much for the opportunity to present our views, and I would welcome any questions you may have.

• (1155)

The Chair: Can I just ask a quick question? You said that Germany has an ability to manufacture more wind power already and that this causes a competition. It's their wind, so how is it in competition with us?

Mr. Sean Whittaker: At present, wind power supplies 6% of all Germany's electricity demand. Germany has embarked on a very ambitious wind promotion program, to the point that the wind industry is presently the second largest consumer of steel in Germany after the auto industry.

The Chair: Thank you.

The next group I have is the David Suzuki Foundation and Mr. Sadik.

Mr. Pierre Sadik (Campaigner, Sustainability Project, David Suzuki Foundation): My thanks to the chair and to the members of the committee for inviting us here today.

Over the course of the meetings, the committee has probably heard a fair number of representations regarding labour productivity and capital productivity. I'd like to address the issue of resource productivity.

Resource productivity is tied to the relationship between resource inputs and the accompanying outputs of Canada's economic system. Traditionally the productivity focus has been on labour and capital. This made sense a hundred years ago when labour and capital were relatively scarce and when resources were considered to be

abundant. However, today scarcity and degradation are two characteristics of natural resources in this country.

Canada's natural resources, which are also known as our natural capital, are both the source of our wealth and the repository of our waste, in the form of pollution sinks. The diagram at page 4 of our written submission provides an illustration of that principle of the relationship between resource wells and the repository of Canada's waste.

Poor planning in the use of Canada's natural capital and over-utilization of our pollution sinks engenders two serious productivity problems. First of all, the inefficient utilization of natural capital requires more input per unit of output, and therefore more cost, than a more efficient utilization. The depletion of our natural capital—both resource inputs and the ability of our environment to absorb waste—can also ultimately impede or halt our production processes and hence our productivity.

As a result of this, it's our submission that the government needs to encourage and incentivize an improvement in Canada's level of resource productivity. Ecological fiscal reform, also known as EFR, which introduces environmental and resource factors into economic decision-making, is a fundamental tool in enhancing Canada's resource productivity.

Unlike other policy tools available to legislators, such as regulations, EFR rewards industry for continuous improvements in productivity. This is the case because regulations alone provide no incentive to exceed a stipulated performance level, whereas EFR-based fiscal instruments generate a continuous economic dividend beyond any given performance target. It's basically the same principle as tying an executive's salary or income to the financial performance of a company, instead of to just a fixed salary regardless of the performance of the company. The former creates an ongoing incentive to find new ways to generate wealth for the company.

Economic markets typically do not account for the external cost of pollution and waste, a cost borne by our natural capital. Fiscal instruments can correct market shortcomings in this regard by sending important price signals about the external cost—in other words, the holistic cost—of economic activities and the cost that is borne by society and our natural capital.

For example, take our water resource. Water is significantly undervalued in this country. Some communities don't even meter it or charge for it. This can lead not only to cyclical water shortages, but to contaminated drinking water as well. Pricing water as though it were worthless is an obvious example of a price signal that most people would agree needs correcting.

But what about another example, such as our air? In Canada, it costs nothing to dump pollutants, toxins, and waste emissions into our atmosphere. In fact, our air is taken for granted as a no-charge, no-fee dumping zone, in a way that other potential destinations for industrial waste, such as landfills, are not. Why is that, and what are the consequences for Canada?

Atmospheric dumping negatively affects Canada, including our productivity, in a number of ways. Dirty air leaves some workers and their children sick, which in turn reduces Canada's labour productivity. A smog-ridden downtown core also encourages companies and citizens to move to the outskirts of town. This in turn increases transportation costs and travel times associated with reduced urban density. Increased transportation distances further diminish our air quality and feed into a cycle whereby the problem simply escalates.

• (1200)

There is a growing consensus in government and in the private sector that if Canada is to achieve sustainable development and enjoy the benefits of enhanced resource productivity, we have to make greater use of EFR-based fiscal instruments. In that regard, the David Suzuki Foundation is preparing a computer model fiscal instrument proposal for the next budget. This proposal will be completed in approximately five weeks.

Our budget proposal is for the introduction of a "feebate" on employer-provided company cars, a perk that many companies offer to their employees. This revenue-neutral measure was first introduced successfully in the United Kingdom in 2002. It involves the introduction of a sliding tax scale for the inclusion into income of the use of a company car.

Under current Canadian tax rules, about 24% of a vehicle's list price is added into an employee's income for the use of a company car. This 24% figure is static. There is no regard given to tailpipe emissions of the vehicle or anything else like that. The David Suzuki Foundation proposes that company cars with elevated tailpipe emissions be taxed at a slightly increased rate and that company cars with lower tailpipe emissions be taxed into income at a slightly reduced rate. In addition to generating a reduction in Canada's tailpipe emissions and a reduction in annual fuel costs for corporate Canada, this proposal serves as a useful pilot project for the introduction of meaningful fiscal instruments in Canada as a means of enhancing our resource productivity.

Thank you.

The Chair: Merci, Monsieur Sadik.

From Go for Green, we have Ms. Lacombe.

[Translation]

Ms. Johanne Lacombe (Executive Director, Go for Green): Thank you.

My name is Johanne Lacombe and I'm the Executive Director of Go for Green. I'd like to thank the members of the Standing Committee on Finance for this opportunity to make a presentation today.

Who are we? Go for Green is a national, non-profit organization established about twelve years ago. Our mission is to encourage Canadians to pursue outdoor physical activities while being good environmental citizens. Our programs include: Active Transportation, Active and Safe Routes to School, Commuter Challenge and Trails Canada, among others.

[English]

Why are we here today? To help the federal government decide where and how to place investments in human capital infrastructure.

Do you know what we're doing right now as a society? We have been and, if we don't make any changes right now, are building a society of the fattest people in the history of the world. You have seen the numbers and statistics in our brief and in other briefs. This is alarming for me, but as a non-profit organization whose mission is to motivate people toward physical activity, we are happy to see that the government is and will be investing even more in human capital.

We have stated, and it is important to repeat again, that Canada is lagging behind the world in active transportation programs. In each province, each municipality, each city, Canada needs to move up to international best practices. It requires funding criteria supportive of active transportation and tied to transportation spending at least equivalent to that assumed by the United States and other major countries in this field. For example, in Copenhagen there has been a cycling increase of about 50% in the last five years. In Oregon, there has been an increase of 75% in cycling because they've put in some investments when it comes to active transportation.

Compared to the U.S., we are eighteen years behind. They just passed a federal transportation law in August 2005 whereby they will invest \$3.5 billion in transportation enhancements; \$370 million in a recreational trails program; \$612 million in a safe routes to school program; and \$100 million in a non-motorized transportation pilot program. In their high-priority projects portfolio, they will be investing in 750 projects, totalling \$1 billion toward trail, bike, and pedestrian projects over the next five years.

• (1205)

[Translation]

That is incredible. This country needs to take action.

[English]

An investment in the physical and human capital of Canada is the one intervention that will work.

[Translation]

Investing in active transportation is simple and inexpensive. All that's needed is the political and social will on the part of the Canadian government.

[English]

This political will will create the basis of sustainable communities where children, adults, and grandparents will be able to rollerblade, cycle, and walk to school, to work, and to the store. Would that not be a perfect picture?

That's where we need investment, in human capital, in infrastructure initiatives. As we stated in our own 2004 business case for active transportation, the economic benefits of active transportation are significant even at current low levels of use. The current total of these economic benefits amounts to \$3.6 billion per year in Canada. If the mode share of active transportation in the country increased to that of its most active community, which is Victoria at 15.2%, the benefits would increase to \$7 billion a year. These mode shifts are easily achievable and require the investment of the Government of Canada.

Active transportation addresses the objectives of the Government of Canada when it comes to air quality, healthy living, sustainable communities, Kyoto commitments, and return on investment.

Air quality. To build a healthier environment and address climate change through reducing emissions, Canadians need to drive their automobiles less.

Healthy living. It was stated in the October 2004 throne speech that better health for Canadians requires more than just timely access to health care; it requires the promotion of healthy living, addressing risk factors such as physical inactivity. Our colleagues at the Chronic Disease Prevention Alliance of Canada stated in their brief yesterday that there is a need for further funding for initiatives to address risk factors such as physical inactivity over and above the \$300 million investment announced last week.

Sustainable communities. To build healthier, more competitive cities we must address traffic congestion and infrastructure design that currently values cars more than people. That's where we support one of the Heart and Stroke Foundation of Canada's recommendations to have tax breaks for the purchase of public transit passes.

Kyoto commitments. For active transportation programs to make a significant impact on the Kyoto commitment, the focus should be on transportation to work and school and on support for connections to urban transit.

Return on investment. Active transportation programs will make a meaningful and significant contribution to issues of environment, health, and community. The facts are there.

If you look at our brief on page 10, we have a chart that shows very clearly that auto dependency does make us fat. Obesity falls sharply with increased walking, cycling, and transit use in countries like Italy, France, and the Netherlands. Canada is the number two country in terms of obesity rates, after the U.S., where citizens walk, cycle, and use public transit a lot less compared to the rest of the world.

• (1210)

[Translation]

We are concerned that for the first time, within a generation, parents will see their children dying. That is not normal.

[English]

We ask you, as the Standing Committee on Finance, as the Government of Canada, as citizens, to take the political leadership and consider our three recommendations: in partnership with provincial and territorial governments, set a goal of increasing the

use of active transportation modes among Canadians by 15% to 20% over the next 10 years; undertake the creation of a national secretariat for active transportation to be the critical component of Canada's strategies to address climate change, community transportation issues of congestion, and population health issues caused by physical inactivity; establish a national requirement that 7% of all infrastructure funding allocated to urban transit, road, and other transportation construction be set aside for active transportation infrastructure.

Sometimes we overlook the simple, obvious solutions. A national active transportation strategy is an essential element of meeting the Kyoto obligations, health care reform, and sustainable, liveable communities. The bottom line: investment in human capital will pay a high dividend.

I would like to thank you.

[Translation]

Thank you very much for listening to what we had to say.

[English]

The Chair: Merci, Madam Lacombe.

From the Green Budget Coalition, Ms. Gelfand.

[Translation]

Mrs. Julie Gelfand (Chair, Green Budget Coalition): Thank you for inviting the Green Budget Coalition to address the Finance Committee today.

The Green Budget Coalition is a coalition of 21 environmental and conservation organizations, including national groups such as the World Wildlife Fund, Nature Canada, the Sierra Club, the David Suzuki Foundation, Ducks Unlimited and Pollution Probe. The Coalition was founded in 1999 and it brings a broad array of environmental and economic expertise to bear on environmental issues. Our focus is on the main challenges that Canada faces.

[English]

Today we will highlight two prime opportunities: the creation of a national conservation fund and a shift of oil and gas sector subsidies to help Canadians deal with rising energy prices. Together these could play a key role in improving the lives of Canadians and preserving our natural environment for future generations.

There's an increasing consensus among government, industry, and civil society that Canada must pursue policy options that simultaneously advance enduring economic prosperity and environmental and social health, rather than developing these policies in isolation, which often works at cross-purposes.

The 2005 budget echoed this view, stating:

The pursuit of sustainable growth requires that economic and environmental considerations be integrated into all aspects of decision making.

This was recently reiterated by the Clerk of the Privy Council in June of this year.

An ideal means of doing so would be to develop Canadian fiscal policy in the context of maintaining and growing our natural capital. Pierre already mentioned natural capital, and you may actually be wondering what it is. It's a relatively new concept, even though it underpins much of Canada's economic activity. Allow me to quote from the Canada West Foundation's 2003 report, which was entitled *Western Canada's Natural Capital: Toward a New Public Policy Framework*. They define "natural capital" as:

Natural capital includes resources such as minerals, timber, and oil and gas which provide the raw materials used in the production of manufactured goods. However, it also includes the land and water resources that anchor our quality of life and support economic activity such as agriculture, forestry, tourism and recreation. Furthermore, natural capital includes living ecosystems—grasslands, oceans and forests—that cleanse fouled air and water, reinvigorate soil, and contribute to a predictable, stable climate. (Wetland systems, for example, provide water storage, flood control and filtration.) Like produced capital, natural capital is subject to deterioration....

Most of our natural capital is finite and can be degraded or depleted. So while our economy has been based on goods that flow from our natural capital, it has been treated in a completely different fashion from other forms of capital, such as our human capital or our produced capital.

Imagine a scenario where a business is not dealing with one of its major forms of capital without knowing its real cost. We don't really know the real cost of our natural capital. We don't understand the rate of its depletion. We don't know how to reinvest in order to maintain the productivity of our natural capital and we don't work to maximize its effectiveness in serving all of its markets.

No business would ever act in this fashion in terms of one of its main sources of capital, and yet this is how Canada has treated one of its most valuable assets, our natural capital. The thing is, though, we're lucky. We are privileged because we were born rich. Really, we have tons of it. We have lots of water, we have a cottage, and we have lots of forest. We don't think anything is under stress. We were born rich, but we're squandering our wealth. Compared to most developed countries, we are resource hogs, and it's costing us.

Think of the \$4 billion we spent after the collapse of the cod fishery, or the \$400 million it's costing Canada to try to clean up the Sydney tar ponds, or the incredible record number of smog days in Ontario. We had to double the scale of the chart because in previous years there were between 25 and 30 days and now it's up to over 55 days, and those associated health care costs....

The Government of Canada must start now to weigh the value of these and many other natural capital assets. Economic and environmental signals must be better aligned in decision-making. This will result not only in proactive and effective management of our natural capital but will also lead to increased resource productivity and economic prosperity.

There are a lot of things that need to be done in order to manage our natural capital well. We have to align decision-making; we have to put values on air and water, as Pierre indicated earlier. One of the

things we have to do is get Canadians engaged in protecting our natural capital and protecting our nature.

The Green Budget Coalition recommends for this fiscal year that the Government of Canada make a leadership investment to establish a highly leveraged national conservation fund. This fund would support priority, on-the-ground conservation actions across the country, engaging every single community in this country. It would also increase the government's capacity to work with Canadians toward natural capital conservation, a key recommendation of the National Round Table on the Environment and the Economy's 2003 report on natural capital.

● (1215)

The fund could help Canada secure important lands and waters, work with hundreds of thousands of individual Canadians to restore degraded ecosystems, and prevent other systems from becoming degraded. This is not a new idea; it's an extension of a project that was actually supported by the federal government in the years 1997 to 2000, leading up to the millennium, when the Honourable Herb Gray made a \$10 million investment in four national conservation groups—Ducks Unlimited, World Wildlife Fund, Nature Canada, and the Nature Conservancy of Canada. We were able to leverage that \$10 million into \$40 million of conservation action and engage hundreds of thousands of Canadians in their communities, cleaning up the water, protecting important bird areas, and talking to Canadians about environment climate change and what they need to do to protect our natural capital. So that's our first recommendation.

On a slightly related but different topic, we're concerned about rising energy prices, which similarly provide an opportunity to advance Canada towards long-term economic and environmental prosperity rather than introducing short-term, politically expedient fixes. We commend the government for its resolve not to reduce energy-related taxes.

The Green Budget Coalition proposes that the federal government help Canadians reduce their fuel costs by investing in energy efficiency and conservation in homes and small businesses, as well as green mobility, using revenue obtained from reduced subsidies to the oil and gas industry.

Recent dramatic increases in the prices of gasoline, home heating oil, and natural gas are already causing distress among lower-income Canadians, as well as many small businesses that are high users of fossil fuels. At the same time, just today announced, oil and gas companies are reaping enormous windfall profits from these increases in fuel prices. Meanwhile, federal tax subsidies to the oil and gas sector are estimated at \$1.4 billion a year, based on the latest available data.

The Green Budget Coalition believes these government expenditures are not warranted to a sector experiencing record profits, and believes these resources can now be used much more effectively to drive Canada towards a sustainable energy future. In addition, these tax subsidies work against other policy goals, such as the viability of cleaner renewable energy sources, energy conservation, and reductions in climate change risks, smog, and related respiratory illnesses.

The Green Budget Coalition therefore recommends, first, that particularly flagrant subsidies to the oil and gas sector, such as the accelerated capital cost allowance for tar sands mines, be discontinued in favour of a more typical capital cost allowance that reflects the useful life of the capital asset being depreciated.

Second, the Green Budget Coalition recommends that current federal programs be expanded to promote and implement energy efficiency and conservation in homes and small businesses and to support a green mobility program whereby transit passes would become a non-taxable benefit. The purchase price of low-emission vehicles would be subsidized, and loans to car-sharing organizations would be guaranteed.

To conclude, we ask you to hold paramount the long-term integration of economic, environmental, and social policy objectives. If pursued effectively, such an approach could play a key role in ensuring that Canadians have a healthy environment and a prosperous economy. A national conservation fund could play a pivotal role in engaging hundreds of thousands of Canadians in the long-term protection of our natural capital—while we still have the chance. The redirection of oil and gas subsidies could be an important tool to protect Canadians from energy price rises both now and into the future.

Thank you very much. Merci beaucoup.

• (1220)

The Chair: Merci, Ms. Gelfand.

I'd just remind the witnesses that the members have five minutes for both questions and answers, so if you could keep your answers concise, I would appreciate it.

Mr. Penson, Monsieur Bouchard, Ms. Minna, and then Mr. Cullen.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair.

I'd like to thank this panel. It's been a very interesting panel. I agree with a lot of what's been said here today. It seems to me that whoever made the suggestion that we often overlook the obvious is right on track. I've been thinking the same thing in regard to a number of sectors that have been talked about—agriculture, for a start, the wetlands issue, the nitrogen fixation issue, biomass. You know the old story: one man's garbage is another man's gold. I think we're starting to find that out. Sometimes we do overlook the obvious.

I do want to say that there is a huge sector in Canada that's struggling. In fact, there's massive social disruption going on in the agriculture industry, in western Canada in particular. Many of those people will be out of business. There's a sector that can act as a heat sink, a carbon sink, for some of the problems we have. There's a

huge opportunity in the biomass sector in that industry, as there is in forestry. I agree, Ms. Gelfand, that there are some things we can do.

If farmers are asked to look after endangered species by protecting wetlands or habitat, farmers are happy to do that, but they're not going to do it on their own. They can't afford to. The Canadian public has to help here. You can't expect them to take that kind of hit economically, because it means they have to change their practices. You talked about Ducks Unlimited. Our farm has participated in that program, and it's a very good program. I suggest you're on the right track with that.

We have limited time, and I want to move to Ms. Lacombe. I agree with you on the issue of obesity, childhood obesity in particular. I'm sure glad I lost 20 pounds over the summer, so I wouldn't be in the category you're identifying. We have a massive ticking time bomb there, I think, and you're on the right track in suggesting that we need to have more active participation. But we also have some problems. When I go by the schools in our area, I see all the parents lined up, picking up their kids at 3:30. And it's the same in the morning when they are taking them. They're not walking to school any more. Part of that is a safety issue that we have to address. People are concerned about their children; they're concerned about their safety. We need to be looking at that aspect as well. I encourage you. You're on the right track. If we can do more, we can save a lot of money. It's a double reward.

I'm sorry that I can't spend much time with anybody, but I do want to move to the BIOCAP sector and suggest that I really believe you're on the right track as well. Grande Prairie, my home town, has just gotten a cogeneration operation. Where they used to burn the waste wood from the huge sawmill—it used to go up in flames and there was fly ash all over the city—now they're collecting that heat in steam generation. I do want to say that one thing that makes that possible is the deregulation of the energy industry. You have to be able to feed back into that grid, and it isn't always on a consistent basis. It's the same with wind energy. It seems to me that this is an important factor here. I would encourage you—I see that you're leveraging your grants from some government agencies in some cases—and I think you're on the right track.

If anybody wants to jump in, you're certainly welcome, but I think this is an important initiative that many of you have undertaken. I just want to remind people that back in the early 1900s, we didn't know about commercial fertilizer. We didn't know until I think Cominco was in a big international dispute because the product they were emitting from their stacks in Trail, B.C., was doing some damage to the food industry in Washington State. They were required to put scrubbers in their stacks, and the result became the first commercial fertilizer. So these are not waste products. These are basic elements that can be used again, and we should look at them as resources rather than as waste.

If anybody wants to comment, you're welcome in the limited time you have.

• (1225)

The Chair: Ms. Lacombe and Mr. Whittaker, please.

Ms. Johanne Lacombe: Thank you very much for your comments. I appreciate them.

We are working very closely with the school boards now throughout Canada to see what we can do when it comes to safety issues. We do have some programs we're putting in place where we go to parents and show them that driving their kids to school is maybe not the right thing to do. We have some programs, like the walking school bus, where parents meet children at different corners. There are some things we're working on, and as you said, we're on track and we are developing more things, which are coming up.

Thank you.

The Chair: Mr. Whittaker.

Mr. Sean Whittaker: You mentioned the importance of promoting the agricultural sector, in particular farms. As you may know, in southern Alberta, where there's a preponderance of wind farms now that have been growing at a steady pace, many of those installations are on farmers' fields. One of the advantages of wind, as I mentioned, is that the economic benefits tend to be quite significant for rural areas. Many of these farmers have wind turbines on their land and they receive lease payments for those wind turbines. The turbines only occupy 5% of the land, and in many cases the farmers allow their cattle to graze right up to the base of the turbines. That certainly is something that's important from the wind industry's perspective as well.

The Chair: Thank you, Mr. Whittaker.

Thank you, Mr. Penson.

Mr. Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

Thank you all for your presentations.

My first question is directed to the Canadian Foundation for Climate and Atmospheric Sciences. However, the question also applied to the Canadian Wind Energy Association as well as to the David Suzuki Foundation.

You stated that investing in research into climatic factors should be a priority, that the numerous weather disasters were very costly to Canada and that implementing the Kyoto Protocol was the first step in fighting climate change. The representatives of the David Suzuki Foundation talked about bringing in a tax.

I'm interested in hearing your views on the Polluter Pays Principle. My party believes that this principle should be enforced under the Kyoto Protocol. Some regions of Canada rely on fossil fuels as a source of energy. Quebec, however, is primarily dependent on electricity. This source of energy is less polluting than fossil energy.

• (1230)

[*English*]

Dr. Marion Lewis: Merci.

I'm not entirely sure what you're asking here. We would certainly support a diversity of energy resources within Canada, and increasingly so in the future. Our mission is to carry out research on climate-related issues, and hydroelectricity is not immune to the problems associated with climate change. Climate change has a large impact on the hydrological cycle, which alters the flow of waters to

feed hydroelectric systems, so the risks associated with either drought or flooding are particularly relevant to that industry.

One of our goals is to try to better understand the hydrological cycle as it applies to Canada, in particular the hydroelectric power industry, and to provide better forecasts there to allow good decisions to be made in the future.

The Chair: Mr. Layzell.

Dr. David Layzell: I could comment that one of the networks BIOCAP has set up has been in partnership with Hydro-Québec and with Manitoba Hydro. This is to look at the greenhouse gas sources and sinks associated with hydro dam construction, as well as other impacts on aquatic systems, like nutrient loading and acid rain and the effects of acid rain nutrients, as well as hydro reservoirs. Certainly, hydroelectricity has much cleaner, lower greenhouse gas emissions, but there are some, and there may be ways we can build our hydro reservoirs to reduce those emissions and reduce the environmental footprint.

The Chair: Monsieur Whittaker.

[*Translation*]

Mr. Sean Whittaker: Thank you very much.

The wind energy industry is mindful of the fact that when it comes to the cost of producing electricity, external or social costs, such as health and environmental effects, are not taken into account at the present time.

We believe that these costs will eventually be included in the price of electricity. Since wind energy has no impact on the environment, it should be possible to strike a balance. In other words, within the next 10 or 20 years, wind energy and fossil energy costs will be equivalent, since the Polluter Pays Principle will be applied to cost calculations.

The Chair: Thank you, Mr. Bouchard.

[*English*]

Mrs. Minna, then Mr. Cullen.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you, Mr. Chairman.

I want to start with Ms. Gershon, simply to say the GST changes you are requesting make a great deal of sense and address an issue that is very important.

Also, there are the federal workers in the schools in ESL and FSL. Assistance to immigrants when they arrive in this country needs to be focused, it needs to be aggressive, and it needs to be immediate. In my own riding I visited a school just a week ago with the Minister of State for Multiculturalism. Every single child in that classroom was born out of Canada.

There are 12,000 people living in those buildings, and all of them have immigrated since 2001; that's just one of the microcosms. That's to give you an idea that I do understand, and I agree with you.

I want to spend a bit of time on the environmental stuff, one item being wind power. Mr. Whittaker, I should tell you I'm very impressed with your presentation, and I'm especially impressed with the remote communities incentive program. I think that's very impressive.

I wanted to ask you this. In my riding I've got quite a few programs going on with solar. There's a new seniors' building that's being put up that will have solar panels, and there's another building that's got a solar wall. I'm trying to bring in as much alternative energy into the riding as possible. It's one way I think of really getting people to feel it first-hand and to see it as part of that community. I'm trying to get the regional hospital to start looking at retrofitting and doing the same thing.

I wanted to ask you about wind power versus solar. Which is the most effective? I'm not sure. I know that wind power is used around the world tremendously and is very powerful, and I'm not saying we shouldn't invest. I like your proposal, but I had heard that in some instances, maybe in the more open areas in the country, it can cause the desertification of farmland or cause problems. Is that a myth or is that real? I just want to understand.

• (1235)

Mr. Sean Whittaker: Thank you very much for the question.

There have been a great deal of studies in recent years concerning the environmental impact of wind turbines. You should know that any wind turbine or wind farm installed in Canada now is subject to a full environmental assessment. There are a variety of impacts that are assumed. Desertification is not one that has really come up as being a key issue facing wind, but we are seriously addressing the range of potential impacts. That one in particular is not one that has surfaced, to my knowledge, in North America or in Europe as a serious issue.

There have been some issues raised with respect to avian impacts, and there are a large number of studies that are looking at that now. It's interesting to note that the studies are finding that bird kills from things like buildings and household pets actually surpass kills from wind turbines by a factor of about a hundred to ten. It's something we're looking seriously at, and Canadian wind farms continue to be subject to reviews under the Canadian Environmental Assessment Act.

In terms of your first question and the price of generation, utility-scale turbines, the large turbines you see across the country, are able to produce electricity at a very competitive rate, one that is quite close to that of many conventional sources. For smaller wind turbines, for household-based systems, their cost of generation is slightly higher. It's similar to solar, and the price is actually a little bit higher than that of small wind.

What's interesting is that in the purchase decision for small wind systems and for solar systems, as you know, there are many things involved. There's the economics of it, the price of power, but there is also often a desire to get energy security or energy independence. Also, environmental concerns come in quite often.

We have many calls every day from people interested in finding out how they can use wind or solar to help offset their greenhouse gas emissions, for example. They come out of the desire that we put

in place the recommendations for both the remote Canadian incentive program and the small wind energy incentive program, both of which could certainly be applied and extended to other technologies, and we would welcome that opportunity.

Hon. Maria Minna: Thank you. I could go on with this conversation for a while, but I want to go to Ms. Lacombe for a second. Unfortunately, there's never enough time to have a really good conversation, but I think we're going in the right direction on that one.

I want to talk about active transportation. I agree with you on the need for getting people active. It's healthy, but it's also environmentally friendly and all of that. I myself don't drive. I don't have a driver's licence at all. I live in the city and have always used public transit, but for me it's easy, because I walk to the subway station and am there within five minutes, or to a bus station within five minutes, or to a streetcar stop in even less, because I've always lived in the city of Toronto, downtown.

The problem is with what we call the outer suburbs that have been built with cul-de-sac streets that are not public transportation-friendly, actually, because buses can't go through. You go around in circles through them, and it's not as effective as the old city grid, which was north-south, east-west.

I think we have a major challenge here to stop building in a manner that is unfriendly to the environment. In addition, there needs to be more work with the Federation of Canadian Municipalities, in partnership. Quite often we get hit over the head about why Canada doesn't do enough, but frankly, at the municipal and provincial levels there has not been enough—no planning—and there's a huge amount of this still going on. It's unfortunate, because you cannot, in our cold environment.... If people have to walk 15 minutes to a stop, they won't do it.

• (1240)

The Chair: Thank you, Ms. Minna.

Hon. Maria Minna: I'm sorry, I didn't realize I—

The Chair: Thank you. If I can ask the witnesses to hang on for another 10 minutes, I have two more members, Mr. Cullen and Mr. Wilfert.

Mr. Cullen.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Chair. I have a number of questions. I'll try to keep them brief.

Specifically for Madam Gelfand first, one of the considerations that I hope is being brought to the committee, and I'm looking through last year's report and previous reports, is what environmental considerations are made in the tax policy that drives this country. I'm looking through the auditor's report of last year, and there's a resistance, it seems to me, within the culture of Finance, to implement anything like sound ecological fiscal reform. Bill C-48, the research and development investment recently made in the auto sector and the subsidies you talk about going to the oil and gas sector are just a few of the examples.

What I'm struggling with is this. I imagine this committee.... I'll be certainly making a submission that we need to have that consideration up front, that the greenfield be looked through first in terms of the vision. We've been extraordinarily unsuccessful in this country in using our tax policy and using the powers within the finance department to push many of the incentives that were talked about across this panel.

Can you comment on why, with such things as the oil and gas subsidies, or why, when we put \$400 million into auto, we don't ask them for any sort of upgrade in efficiency or incentive towards buying more fuel-efficient cars?

The Chair: Ms. Gelfand.

Mrs. Julie Gelfand: That's a very good question. It's a concern of ours for sure. There's a reluctance on the part of the Department of Finance to look at any measure that could take funds out of general revenue and target them to any particular area. They are concerned about opening up the floodgates. But I think the real answer to the question is about control over resources and political will. If we had the political will to stop giving subsidies to the oil and gas companies, the Government of Canada could do it.

To me it's a big issue about political will. It's about the power of large corporations, in terms of their ability to lobby or to scaremonger. You can blame the bureaucrats at Finance Canada, but I think the bigger issue is political will, and the will of parliamentarians to make difficult decisions.

Mr. Nathan Cullen: That's in terms of the incentive side. In terms of the fiscal regime we live in, I'll read a very small quote. It's a response to last year's auditor's report on the Commissioner for the Environment, where the department responded by saying:

The Department's ability to report on its analysis of specific tax measures or proposals in greater detail is constrained by the need to avoid influencing decision making by economic agents....

It's completely contrary to the whole point, that you are trying to influence those decision-making agents in our communities, both the businesses and the homeowners.

It seems it's a larger topic, and we don't have time to get into it.

Here's a quick question for Mr. Lewis. Just to get you right, there was no funding announced in Project Green for any inclusion of science around climate change whatsoever?

Dr. Marion Lewis: That's correct.

Mr. Nathan Cullen: Okay. I find that incredible. Thank you for pointing that out. That's a huge omission.

Mr. Whittaker, with respect to wind, how would you describe the 4,000-megawatt goal in terms of, say, our OECD partners? Is it ambitious? Is it underestimating our capacity and potential?

Mr. Sean Whittaker: It brings us up to about the lower quarter or lower third.

Mr. Nathan Cullen: That brings us to the lower quarter.

Mr. Sean Whittaker: Yes. If we go up to 4,000 megawatts, that would mean wind would represent about 2% of all generation in Canada. As I mentioned, Spain right now is at 5%, Germany is at 6%, and Denmark is at 20%, and they're all announcing targets that will bring them far beyond those points.

If we go up to 8,500 megawatts, that would bring us up to 4% of total generation. That brings us about into the middle of the pack.

• (1245)

Mr. Nathan Cullen: It's ambitious when we have to head to the middle of the pack in a country like ours with the wind potential we have. I am also very interested in your rural aspect. I think there's huge potential there.

Mr. Sadik, this is a large question and we don't do it service. When we use the measurements, particularly around productivity—the current measurements used by Finance Canada and by many critics of our economy, both from the business sector and others—how accurately are we describing the strength of our economy when we use the productivity numbers that are most common, such as GDP over the number of hours worked? Are we taking a proper accounting of the strength and health of our economy?

Mr. Pierre Sadik: The short answer to that is we're really only getting one small piece of the entire picture if we're only measuring labour productivity or a combination of labour and capital productivity. By not looking at our resource productivity, we're leaving out an important indicator—a fundamental indicator—of how Canada is doing and will continue to do in the long term, because of course our resources are an ongoing component of our economy.

The Chair: Thank you, Mr. Cullen.

Mr. Wilfert.

Hon. Bryon Wilfert (Richmond Hill, Lib.): Mr. Chairman, it's nice to be back on this committee even for a short moment as a former parliamentary secretary to finance. As the parliamentary secretary to environment, I just want to make some general observations. Unfortunately, I didn't catch all of your presentation.

With regard to the school boards' presentation, on the MUSH sector, as you know, when the GST was brought in, there was the exemption for municipalities, hospitals, etc., to a tune of about 67%, and when the government decided to move on the municipal sector, there was no question the floodgates would open up. Knowing that we'll have the hospitals here next and everyone else, have you costed how much that will cost for school boards?

Ms. Gerri Gershon: We're estimating about \$160 million across Canada.

Hon. Bryon Wilfert: For school boards alone.

Ms. Gerri Gershon: Yes.

Hon. Bryon Wilfert: Okay. On the recommendations from Go for Green, you have indicated an increase of 15% to 20% over the next 10 years. As you know, we got the greenest budget in Canadian history—this last one. A lot of those fiscal instruments were not in place prior to the budget and now they're starting to work their way through the system, fortunately.

In terms of your active transportation modes, you'd like to see it increased between 15% and 20% over 10 years, which is a laudable goal. The question is again, what are the instruments you're looking for and what is the cost?

Mr. Michael Haynes (Coordinator, Active Transportation, Go for Green): The instrument we would be looking for is development of infrastructure. That would address many of the questions of safety that were addressed by Mr. Penson.

In a recent survey in 2004, a national survey on active transportation attitudes, the number one factor that was identified was lack of safety. By asking for 7% of the federal transportation budget to be allocated toward active transportation infrastructure, we are only asking in fact for the current levels of active transportation use identified in a 2001 Stats Can survey as about 7.2% of the population.

Hon. Bryon Wilfert: What has been the response of provincial-territorial governments to your proposal?

Mr. Michael Haynes: It varies from province to province. Certain provinces, such as the Province of Quebec, have been very excellent with things such as *La Route verte*, which connects in fact more to United States' states than it does to other Canadian provinces.

Certain provinces, such as Nova Scotia, are doing excellent jobs in terms of many of their municipalities creating active transportation plans as part of their municipal plans.

Hon. Bryon Wilfert: The provinces, of course, are very jealous in guarding their own autonomy, and their own approaches are such that we get a patchwork. Do you have any suggestion as to how we can work more effectively with the provinces to achieve that goal? Clearly we do not want to have some further ahead and others behind. Otherwise we reward bad behaviour.

Mr. Michael Haynes: Money, as always, seems to be the inducement. The United States, in its last three transportation budgets, has been very successful with ISTEAs, TEA 21, and what they currently call SAFETEA, which ties matching dollars.

Hon. Bryon Wilfert: Is that money you're suggesting federal money going to the provinces?

Mr. Michael Haynes: It's federal money going to provinces.

Hon. Bryon Wilfert: My big problem with that is that I think we're an ATM machine. That's all we are, and I'm really fed up with the provinces unfortunately not wanting to adhere to federal policy objectives. If you want the money, either you adhere to federal policy objectives or you don't get it; that's my view. I think health care is a good example—when we deal with the reluctance of some of them even on the issue of benchmarking and wait times.

BIOCAP, we met before, and obviously any organization that will ask for a dollar and give me back two, three, or four dollars, I like. I will tell you, having worked for two finance ministers, that's what we're looking for. If we provide dollars and you're able to bring them back in here in terms of either being able to leverage or being able to work with other partners, that's important.

On the wind energy, the major issue I have right now is the issue of commercialization. We're very close. I don't know if you can briefly tell me how close we are or what you think we need to do in terms of pushing it over the line, because that, to me, is extremely significant, and we've obviously invested significant dollars in trying to get to that point, both in terms of tax benefits and others.

• (1250)

Mr. Sean Whittaker: Are you referring to commercialization of large wind turbines, the utility scale?

Hon. Bryon Wilfert: Yes, to be able to produce them here rather than import all of the machinery, the parts, from Denmark or Germany.

Mr. Sean Whittaker: It's an excellent question. This is what we were outlining in the presentation, that we really feel the time is now for Canada to establish long-term, clear policy signals. By moving to the 8,500 megawatts, we feel it sends the kind of clear, long-term signal that Canada is serious about building a wind industry.

We feel it will do a great deal to assist in convincing manufacturers to locate in Canada, because at this point, they're looking around, and there are a number of other countries that have sent out signals. They'll be looking for the jurisdiction that provides them with the most security and the most long-term interest in wind. That's why we really feel we need to go to that 8,500 megawatts, in order to properly secure that, to send that message.

Hon. Bryon Wilfert: I'm certainly supportive of that.

The Chair: Thank you, Mr. Wilfert.

Again, thank you to the panellists. But before I thank them, I want to thank my Liberal colleagues for roughing it out. They're the only ones here.

Ms. Françoise Boivin (Gatineau, Lib.): Sticking to the end.

The Chair: I had a hard time last week. I've been present every single minute, except for an hour last week in Winnipeg because I had a flight to catch, and I got a hard time. So now I want to pay back the opposition, to say that we're all here.

Before we go, I have one quick question.

Ms. Gelfand, you say there are still subsidies in the oil and gas sector.

Mrs. Julie Gelfand: Yes.

The Chair: We were out west last week and we were told there are no more subsidies in the oil and gas sector.

Mrs. Julie Gelfand: We can get you a copy of a recent report that was done by the Pembina Institute that analyzes the subsidies that are given—there are lots.

The Chair: Okay.

We didn't get a brief, just your speaking notes. Do you have a brief?

Mrs. Julie Gelfand: We will be getting one to you shortly.

The Chair: Okay, shortly is better, because next week we end our pre-budget consultations out east.

Thanks again for taking time out of your day. It's interesting. It's a bit tough because of the requests and the varying issues, but for us it was interesting.

I just remembered, Ms. Gershon, the committee did pass a motion asking that the GST be exempt for hospitals and school commissions. Some of the Liberals may have voted against it. There was a bit of confusion because it was introduced, of course, during a pre-budget consultation instead of having a proper debate, because we don't control committees, but the committee was supportive in the end.

So it's a motion, and we'll see what Finance does with it. That's for your information.

Ms. Gerri Gershon: Thank you very much.

The Chair: Thank you again.

I'll see the members this afternoon. This meeting is adjourned.

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