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Chair

Mr. Brent St. Denis

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•(0900)

[English]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): Good morning, colleagues. *Bonjour, tout le monde.*

I'm pleased to call to order this October 6 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology. Today we are hearing additional witnesses on our fuel and gasoline price study, which we started on September 22 in an all-day session.

We're pleased to have with us today witnesses from Green Communities Canada and from the Communications, Energy and Paperworkers Union of Canada. We have one hour with these witnesses, who we appreciate being here, and then we have a separate hour with the competition commissioner.

Without any further ado, gentlemen, we'll go in the order that you are on the agenda. We very much appreciate that you've taken some time from your busy schedules to help us and Canadians at large better understand what happened in the wake of the two hurricanes, in particular, in the U.S. gulf region, and the complexities around the whole industry.

Mr. Pearce, we'll start with you. The clerk has probably advised you that five to seven minutes in total would be ideal. Please proceed.

Mr. Bruce Pearce (Vice-Chair, Board of Directors, Green Communities Canada): Thank you, Mr. Chairman.

Hello. I'm Bruce Pearce, vice-chair of Green Communities Canada. I'm here to talk to you about the urgent need to establish a national low-income energy efficiency program in this country to address the very issue you're here to talk about today. We're talking about the long-term stuff, not following the bouncing ball of the price game. We're talking about long-term enduring national policy approaches. Thank you very much for this opportunity to speak to you.

Green Communities Canada is a growing national association of 40 non-profit associations that deliver innovative, practical environmental solutions to Canadian households and communities. We're actually a unique Canadian invention. In the United States, the environmental movement wishes they had a pan-national umbrella group that delivered an array of services that are common across the country to help Americans tackle issues like this. We have it in Canada.

Over the last eight years, Green Communities has completed 42,000 EnerGuide for Houses energy audits in partnership with Natural Resources Canada. Our national association and our member organizations are leaders in this program.

For example, we developed the EnerGuide for Houses retrofit incentive, which was embraced by the federal government in 2003 and is enormously popular with the able-to-pay homeowners market. Perhaps some of you here on the committee have already had your EnerGuide audit and have completed the retrofits and are reaping the benefits that Rick Mercer's been talking about.

The incentive has helped boost average measured savings in space-heating energy use among participants to over 30%—that's average, not maximum. EnerGuide for Houses is a great program, and we salute the federal government for its growing investments in this valuable and effective tool—and the other parties who have been promoting the need for these types of initiatives.

But EnerGuide is designed primarily for the able-to-pay market. Those who own their own homes and can pay for retrofits primarily benefit from the program. This is unlike the situation in the U.K., where they've been able to target the low-income market and can't get people with higher incomes to participate in their national programs. There's a lot of across-the-pond learning happening about why it's happening one way in Canada and the other way in the United Kingdom.

EnerGuide for Houses doesn't serve the needs of those who are least able to shoulder the growing burden of energy costs. That's why we're here today. Green Communities Canada believes firmly that Canada urgently needs a national energy efficiency program that specifically targets the needs of low-income housing. Our organization has been funded by Natural Resources Canada, Canada Mortgage and Housing Corporation, and the Federation of Canadian Municipalities, at our request, to study the most cost-effective design for a new Canadian program.

A number of sectors—municipalities, environmental NGOs, and housing advocates—all agree on the need for a national low-income energy program. This is really an opportunity for you as committee members to help shape a new national social program that I think is going to be a permanent feature of the Canadian scene.

Green Communities Canada is joined by a growing and diverse list of organizations, such as Canadian Housing and Renewal Association, which represents the voice of affordable housing groups across the country; Équiterre, which is our member group in Montreal and which has developed a Quebec low-income program together with the Quebec government; the Federation of Canadian Municipalities, which I don't need to tell you about; Habitat for Humanity; the National Anti-Poverty Organization; the Low-Income Energy Network, which is based in Ontario; the David Suzuki Foundation; Share the Warmth, which is sponsored by utility companies to help address the needs of those with bill arrears; Raising the Roof, Canada's only national homelessness charity; and the Canadian Energy Efficiency Alliance, to name a few. A list of endorsers has been provided to you.

A national low-income program will address an important gap in social, economic, and environmental policy for Canadians living in all types of low-income housing. I can't stress how important this is, because when you see today's announcement, we need to be thinking about the underlying principles of delivering the program. I think if you're low income, you should be eligible; it shouldn't matter which type of housing you happen to live in. Private rental should be as eligible as social housing, and equally, owner-occupied.

The program will help Canadians living in what we call "energy poverty". This is also a new term in our country: households who must spend 10% or more of their annual income on fuel and electricity. By this measure, Statistics Canada tells us that about one in four Canadians live in energy poverty.

I've brought you a copy of the breakdown by jurisdiction so that you can see each province in the country and how it stacks up in terms of the spread between the average household and the lowest income quintile. In my home province of Newfoundland, the second income quintile also pays more than 10% of its income on energy. So energy poverty exacts a heavy toll. Canadian households in the lowest income quintile spend more than triple the share of income spent by the average household on fuel and electricity. It's hard to believe.

• (0905)

It's not like they have more Sony Playstations, gadgets and equipment. This is the face of inefficient housing speaking in statistics. That's 13% of income for the poorest one in five Canadians versus only 4% of income for the average Canadian household. In some provinces the split is even greater—for example, as I mentioned, in Newfoundland.

The enormous energy burden for those living in energy poverty reduces access to affordable housing. That's the business I work at in my day job through the National Homelessness Initiative. I see it every day. There are additional impacts on health and well-being, including exposure of children and the elderly to dangerously low temperatures in winter and high temperatures in summer, as we saw this past summer.

Interestingly, in the United States, 22% of all residential fires—that's 120,000 avoidable fires a year—are caused by those little supplemental heaters people plug in. You don't need those if you have efficient housing. Imagine how many more people we could have living in safe conditions if we didn't have that situation.

Energy-inefficient low-income housing is a major contributor to energy poverty. Efficiency retrofits delivered through a national program, on the other hand, will make a serious and lasting contribution to affordability. Further, low-income energy efficiency is not only about affordability and warmth; it is also about equitable participation in meeting Canada's Kyoto climate change commitment—an inclusive Kyoto, as we call it, that engages 4.7 million low-income Canadians and ensures they share the benefits that efficiency programs offer. Why would we have it any other way? That would mean the other 28 million of us have to row that much harder to get to our targets. It is also making more productive use of energy, which this committee knows is essential to the health of Canada's economy. A low-income program will also create jobs and economic opportunities in every community.

Canada needs to catch up to countries like the U.S. and the U.K., both of which have substantial national low-income energy efficiency programs, and we need to take a long-term commitment to upgrade our low-income stock. We envision federal government leadership within a results-based framework that enables plug and play partnerships with provincial and territorial governments, utilities, energy companies and housing providers. In the U.S. energy utilities are major cash partners in delivering the American programs. We expect this also will be true in Canada.

I'll finish with three important points in terms of designing this new Canadian program. I think it's extremely important because it's going to be announced today and the die hasn't been cast yet.

One is retrofits, not just rebates. Canadian governments are understandably concerned about the immediate impacts of high prices. Our view is that rebates have a place, but they are usually a one-time response and not a long-term solution. So we ask you and the federal government to invest in energy efficiency improvements that will achieve ongoing savings in combination with lasting environmental benefits.

Two, let's go deep. Our experience as Green Communities shows that most Canadian homes built before 1980 have the potential for deep savings, a quarter to a third of annual space heating costs. So to save big you have to spend big—in the order of \$3,000 to \$5,000 per house, in our experience—and spending has to be taken seriously as an investment. Fortunately, this investment will more than pay for itself in savings over the lifetime of measures such as draft proofing, insulation, and heating system upgrades.

And finally, let's get it right. The bad news is that Canada lags seriously behind the U.S. and the U.K. The U.S. has been in this game for almost three decades, since President Carter brought in their national program. The U.K. has set serious targets and helped almost a million households with budgets to match. They want to eliminate fuel poverty.

The good news is that we have an opportunity in Canada to build on their experience and design the best possible program in the world. We look forward to working with the federal government and other parties to design and implement the best possible Canadian program. Meanwhile, let's not wait to act. Let's watch this announcement and shape it and not lock ourselves into delivering it through existing programs. We think we need to build it on top of new programs.

• (0910)

The Chair: Thank you, Mr. Pearce.

Who will be speaking?

Mr. Huget. Please go ahead, sir.

Mr. Robert Huget (Administrative Vice-President, Communications, Energy and Paperworkers Union of Canada): Thank you very much.

Good morning, Mr. Chairman, and good morning, committee members.

My name is Bob Huget, I'm administrative vice-president of the Communications, Energy and Paperworkers Union, Ontario region. Appearing with me is Mr. Joe Hanafin, who is our communications director here in Ottawa.

I want to thank you for the invitation to appear today. The topic of your study is obviously the issue of the day in Canada. We believe Canada needs innovative and urgent policy initiatives in order to stem any serious long-term economic effects of what looks like permanent high prices for gasoline and other fuels.

I should say at the outset that the topic is near and dear to us insofar as we represent the Communications, Energy and Paperworkers Union of Canada, an organization of 162,000 workers from coast to coast to coast. Approximately 40,000 of our members are employed in the oil, gas, and petrochemical industries across the country, including the Alberta tar sands and the refineries of Montreal and in the Atlantic. While these members make their living in the industry and want to see a vibrant oil sector in Canada, they also recognize that the kinds of prices we are experiencing today are not good for the economy as a whole. They too are consumers and taxpayers, and they too are just as perplexed as other Canadians about what they see at the gas pumps.

To average Canadians, it just makes no sense that a litre of gasoline can sell for 99¢ on their way to work and for \$1.16 or more on their way home. It really defies belief when they see the prices change almost in the same millisecond at competing stations on the same block. Frankly, how can they not suspect a conspiracy or price fixing?

By the way, if you think you've heard outrage over gasoline prices at the pumps this summer, just wait until you get back home over the

Christmas break and people start talking to you about their home heating fuel costs.

The government's announced solution of rebating \$250 to specified families makes for good press for a day or two, but it is no real solution to what is happening in the marketplace today. The money for this program announcement, remember, is coming out of our pockets. So we get to pay the exorbitant prices at the pump, and then we get to pay, through our taxes, for the much-needed relief payments for low-income families. All so that the industry can keep all its windfall profits to itself. The notion is bizarre from where we sit.

Instead, why not tax the windfall profits being made by the industry and rebate that money back to all consumers, and implement conservation and other measures needed to sustain our economy? A monitoring agency, on the surface at least, is a good measure, but only if it operates totally independently of the oil and gas industry. If it relies solely on industry for its data, it will make absolutely no difference to the current or future situation.

Conservation policies and incentives are naturally a good thing and are urgently required if we are ever going to maintain our status of living in this country over the long term. But even the most draconian of conservation initiatives will not bring relief to the auto workers who get laid off this year because of low sales, or the paperworkers who are losing their jobs in the thousands because of high energy costs, or to every Canadian consumer who already is paying more for literally thousands of items because of increased transport costs.

We think Canada needs a national energy pricing policy that is good for Canadians. The first thing we need to examine as part of that policy is refining capacity. There is growing sentiment and evidence from across North America that the industry as a whole has deliberately reduced refining capacity as a market control strategy. To solve today's pricing crisis, we don't need more exploration or crude production. Even if we doubled output from the tar sands tomorrow morning, we could not refine the product. Why? Because the industry has been closing refineries over the past decade in order to maintain higher market prices.

• (0915)

As an aside by the way, since the announced closure of the Petro-Canada refinery in Oakville, Ontario, in 2004, Canadian imports of refined European gasoline have jumped significantly. That's a bit like Canada importing wheat. It makes no sense for Canadian consumers or for the national economy. The only people who benefit from this situation are the oil companies.

So step one in creating a made-in-Canada pricing policy is the adoption of measures to increase refining capacity. We think step two is a regulatory agency that actually looks out for the public good. That is supposed to be the job of the National Energy Board. In our view, the NEB has become nothing more than a rubber-stamping agency for the issuance of short-term export permits. As the NEB watches the natural gas flow south of the border, thousands upon thousands of Canadian households this winter will suffer real hardship in order to keep their families warm.

If the NEB needs a new mandate, let's give it to them, and let's make it clear and simple—guarantee Canadians a secure supply of energy at rates that make sense for Canada. If that means establishing a domestic pricing structure different from that of the North American or world market, so be it. If that means tearing up the North American Free Trade Agreement, then let's do that too.

NAFTA has become the excuse far too often for our government's either doing nothing or, worse, implementing trade practices, especially in the energy sector, that feed the American behemoth south of the border but hurt Canadians. The softwood lumber dispute has proven in spades that the U.S. has abandoned NAFTA as a workable treaty, and we agree with that.

Thank you again for your attention. We welcome your questions and comments.

The Chair: Thank you, Mr. Huget.

We're going to start with John. Then I have Marc, Andy, and then Brian.

Colleagues, because we have four sessions today that are stand-alone, an hour each, I'll have to be very tight with the time. We're going to aim for four or five minutes per person.

John, we'll start with you.

Mr. John Duncan (Vancouver Island North, CPC): I'll start with Mr. Pearce, because he was first with us.

I really appreciated your approach on this. I happen to be one of those people living in a home that was built before 1980. The potential for deep energy savings came to fruition in my home, so I can sure confirm that.

I think you're saying that we need a national energy strategy, but we also need a national energy conservation strategy. We have a long way to go. So often we end up in these circumstances where we're doing a short-term fix instead of a long-term one. I think we heard you very clearly.

The only intelligent question I could ask is why...? I may have missed something. You were talking about Newfoundland and the eastern part of the country being more energy dependent. Is that a reflection on the fact that they tend to use a lot more heating oils in their mix?

• (0920)

Mr. Bruce Pearce: Yes. In my own province of Newfoundland about 30% to 40% of consumers use heating oil. But I also overlay on the fact that we have a higher than national average poverty rate, about 18%. If you look at the tables you have, in contrast with Ontario, the lowest quintile spends 12% or 13% on energy. The average Ontarian spends about 4%. In Newfoundland, the figure is a little higher for the second quintile. So the lowest in the second quintile, about 40% of the households are spending more than 10% of their income on energy.

I'm pleased to hear that you had an EnerGuide assessment, and that you've reaped the benefits. I know that "conserve" is the root word of "conservative". So I'm glad to hear you say that, sir.

Mr. John Duncan: Well, I'm a conserver Conservative and I did not use EnerGuide, but I can tell you that my furnace used to run

eight hours a day and now it runs less than two during the winter months. I did that on my own.

In terms of the CEPU presentation from Robert, I have CEPU in my riding—I'm on the west coast—and we certainly have people in the forest sector who are not working. That would include CEPU members. They're not working because of the price of fuel. I heard your words, quite strongly, about how a response should be more than targeted; it should go back to all consumers, including, I might add, our industrial consumers, because that's an input to their business, and that's hurting employment in your area as well.

I wouldn't mind exploring this refining capacity. We've had hearings on this. There has not been a refinery built in the United States in 35 years. I'm not sure exactly what the situation is in Canada, but it's probably similar. There's been quite a bit of focus in this area. We're now saying that one of the main problems is actually upgrader capacity, not refinery capacity per se. There is also the fact that so much of our existing refinery capacity is in one place, so when there's a disaster, it can take out multiple....

My question is, isn't that really the nub of the problem, not new refinery capacity, but upgrader capacity and spreading our risk?

Mr. Robert Huget: It's a complicated industry, in particular, on the refining side. But you're absolutely right that there have been no new refineries built either in Canada or the United States for a significant period of time. That's not really the end of the story. The fact is that they are closing refineries in the United States, particularly in the eastern seaboard states, and some others, as well as in Canada. They are reducing the capacity to refine crude oil, not staying the same or increasing the capacity.

I think successive groups of individuals and committees have looked at the fuel pricing issue from a price-fixing standpoint, and I would suggest to you that's probably not where the problem is. The problem is refining capacity. There are no independent refiners. We simply don't have enough refining capacity—whether that's in an upgrader situation or a refining situation—to manufacture, and we don't have enough gasoline, diesel fuel, and other products, which the markets need. In fact, the exact opposite approach has been taken by the oil industry on both sides of the border. They have reduced refining capacity. The only reason for that, in my view, would be to keep the prices for their products strong.

• (0925)

The Chair: Thank you, Mr. Huget.

Marc, please.

[*Translation*]

Mr. Marc Boulianne (Mégantic—L'Érable, BQ): Thank you, Mr. Chair.

Welcome. My question is for Mr. Pearce. We all agree in saying that targeting low-income households is a very good initiative. They are all too often neglected. We seem to only talk about industry. In principle, it is a good idea; however, we are still worried about the issue of ineligibility to national programs. Obviously, we are talking about identifying households, eligibility criteria, consumption, and over all a series of criteria that are factored in and are cause for concern.

At times, it can be very difficult to benefit from your programs or to be eligible to them. On this matter, can you reassure people?

[English]

Mr. Bruce Pearce: Thank you, Mr. Boulianne. It's an excellent question.

We are very much preoccupied with the question of eligibility. Of course, we're in the third sector, the community sector, working with this population. We are completing a study on the shape of the national program. We very much want to engage all sectors—provinces, territories, municipalities—in designing a program that is second to none in the world.

I really think that if you're low income, using Canadian measures, we need to investigate the eligibility cut-offs to make sure we don't leave someone outside who is just barely outside. We might have to look at a sliding-scale approach, for example, in terms of designing a program, because if it's a Kyoto initiative, why wouldn't you? It's not just about addressing poor people's needs, it's about meeting our targets internationally. We need everyone in the boat rowing together.

The Americans have long experience here, and we're actually learning from them. They have 30 years of experience in delivering the program. They transfer the funds to the states; the states—and first nations, and utilities, and community action groups—deliver the program. We're very much thinking of how we design a Canadian program in that respect, because Quebec, actually, is the only province with a low-income energy efficiency program, and we would very much like to make sure we work in partnership with existing initiatives, rather than just putting it all into the basket of existing federal programs, which I'd be happy to speak to later if you have questions.

I think that's where this government may be going with the announcement. I haven't seen it yet, but we need to have a stand-alone, distinct program that targets this sector.

[Translation]

Mr. Marc Boulianne: You have already begun answering the question I was going to ask. You say that Canada is lagging behind the United States and the United Kingdom. What measures can we take to catch up as quickly as possible? You have already given us at least one example. Can you give us a few others?

[English]

Mr. Bruce Pearce: Could you be more specific about measures?

[Translation]

Mr. Marc Boulianne: For example, you say that Canada must catch up with the United States and the United Kingdom. Those

countries have, without a doubt, taken effective or spectacular measures. Which of these measures can we adopt for ourselves?

[English]

Mr. Bruce Pearce: Very interesting.

The U.S. took very much an energy security approach from OPEC in the 1970s. That was their stance. The low-income program became an annual entitlement program, almost like a social program. It just rolled on year after year—\$2 billion a year in federal funds going into doing nothing but this ever since. Reagan topped it up in the 1980s. Bush has topped it up again. Regardless of which side of the House they've been on, they've supported the program.

In the U.K. they've taken a very different approach. They started later, like us, in 2001. They tied it to Kyoto because, like us, they're a signatory nation.

First they came up with an indicator, which the U.S. doesn't have: if you spend 10% or more of your income on energy, you're fuel-poor and we'll help you. Is that the indicator for Canada? We don't know. We have to report on it by December.

Second, they said they wanted to eliminate fuel poverty by 2010—get rid of it—so they have a very aggressive program. They have assisted almost a million households already with retrofit support. They've taken a different approach.

I think Canada has to look at where it's going to go with its own program. Interestingly, we're the coldest of the three countries. Sometimes I wonder whether our politicians realize that the world is actually tilted on its axis and that winter comes every year, because we seem to wake up in November with the urgent need for a strategy.

Having said that, though, I'm encouraged by what I'm hearing about the announcement later this morning putting the emphasis on conservation. I don't think the media even picked that up; they keep talking about the rebates. This is a new national program that's going to be a major feature of the Canadian landscape. It's quite exciting, if we can make it work.

● (0930)

The Chair: Thank you, Mr. Pearce.

Thank you, Marc.

Thanks for your cooperation on the time, colleagues.

Andy.

Mr. Andy Savoy (Tobique—Mactaquac, Lib.): Thank you very much.

I think we do realize that the world is tipped on its axis.

You mentioned \$3,000 to \$5,000 per house, Mr. Pearce. Let's take \$4,000 per house. What does that work out to in terms of investment by the Government of Canada? Have you done the figures on that? Could you give us a rough estimate of the spending required for the Government of Canada to spend \$4,000 per household?

Mr. Bruce Pearce: I'm thinking the announcement today may be around a billion dollars for conservation measures.

The \$4,000 per household includes the overhead program, direct-installed—professionally installed—measures, all that stuff, plus the capital cost. Starting at the per-house level, what you're talking about is insulation, improved energy system upgrades, furnace upgrades, appliance change-outs, and air sealing. Those are the typical measures we'd be talking about. We'd have a basket of measures that households could choose from to achieve a target.

In terms of doing the math on a billion dollars divided by \$4,000 per house, I haven't done that yet, but it will tell you roughly how many households we'll be able to reach with this new program and whether it's enough.

Mr. Andy Savoy: You suggest spending \$4,000 per household. You said that to save big you have to spend big, in the order of \$3,000 to \$5,000 per house. So at \$4,000 per house, what are the numbers? What do they work out to?

Mr. Bruce Pearce: In terms of the benefit? I'm trying to understand. The \$4,000 is the cost of—

Mr. Andy Savoy: In your second suggestion, you say, let's go deep. Then you said that to save big you have to spend big, in the order of \$3,000 to \$5,000 per house. So at \$4,000, the average, what does that work out to in numbers?

Mr. Bruce Pearce: Okay, here's what you get. If I understand you correctly—

Mr. Andy Savoy: it's a very simple question.

Mr. Bruce Pearce: Well, I thought the numbers included the basket of measures I just mentioned. That \$4,000 will buy you fridges, stoves, furnace upgrades, air sealing, weatherstripping, caulking, and a scientific audit using EnerGuide for Houses or another pre- and post-assessment measurement tool.

We can't just go in and do what we did in the seventies and insulate places. We have to have a pre- and post-assessment, so the federal government can be assured that it's achieving certain results. That's what you get for \$4,000. It's a pretty low price.

Mr. Andy Savoy: Give me the number—\$4,000 per house times how many households, in your estimation? What's the end cost?

Mr. Bruce Pearce: Oh, poor households? I'm sorry, 4.7 million low-income Canadians. That works out to \$1.7 million households living in poverty. Whether all those are in energy poverty we haven't.... You see, we're still in the middle of our study. I think that's why you're probably frustrated with my answer. We'll know in December when we have our report completely finished.

Mr. Andy Savoy: If it's 1.7 million households times \$4,000, it's \$6.8 billion. That's what you'd have us spend?

Mr. Bruce Pearce: Right, over a period of time. You don't have to do it all tomorrow. Remember the \$1.4 billion rebate in 2000? Over \$1 billion of that went to people like me. I got two cheques in my household. It is heated with electricity. It didn't have a price spike.

So we can get to those households later, because they'll get the shock through the slow IV drip of rising energy prices over a number of years. I think that's how I would approach it. It's \$6.8 billion over the life of a program. We're talking a 20-year program. The government may be announcing five years, I understand.

Mr. Andy Savoy: Mr. Huget, the tax on the windfall profits of the sector is an interesting concept that's been put forward before. In terms of this sector, I assume you're saying that because this sector has such a significant impact on consumers and business within Canada, so you would think the government would be justified in taxing it. What other sectors would you extend that to, where we should tax windfall profits?

Mr. Robert Huget: To be clear in this scenario, I don't think anybody around this table is not clearly aware of the record profits that have been made in this industry over the last three to five years. There is no one around this table who is not clearly aware, in particular, after the two hurricanes in the United States and perhaps post-9/11, that prices rose dramatically for products.

In Ontario we pay eastern seaboard wholesale rates for gasoline, which is based on western New York prices, for products that are manufactured in Canada. The cost is in Canadian dollars, sold in U. S. dollars. So on a reasonable day, people are making good money. On a big day, they're making a lot of money. In that particular industry, because it is Canada's resource, frankly, I have no reservation whatsoever in asking the industry to come to the party.

Instead, what's happened is continuous tax reductions and corporate tax reductions to companies, including those, frankly, who need it the least. There isn't a room big enough for some of them to pile the money in. I think it's fair for them to come to the party on conservation programs. A tip of the iceberg was just given to us here by Mr. Pearce. Look at the cost factor. Those conservation programs are sorely needed, in particular, for low-income households. My problem is, why am I the only one paying for it?

• (0935)

Mr. Andy Savoy: If you're looking at this from a public policy perspective, obviously that approach to taxing windfall profits should apply to other sectors. Would you apply it to the pulp and paper sector and the forestry sector, where we're price-takers and huge exporters of our product? Do you think when we actually make windfall profits in the pulp and paper sector we should do the same?

Mr. Robert Huget: I don't know what your recent experience is with the pulp and paper sector, but I can tell you mine. Their products are going out the door. They might as well put a \$100 bill on every roll of paper they export.

Mr. Andy Savoy: On the windfall profits....

Mr. Robert Huget: The pulp and paper industry is closing pulp and paper plants across this country, and in Ontario there's a significant problem. In British Columbia it's a significant problem.

Mr. Andy Savoy: I know the situation.

Mr. Robert Huget: There are no windfall profits in that industry.

The Chair: Okay, thank you very much.

I have Brian, Werner, Denis.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

The first question is to Mr. Pearce. Will your study be doing analysis on job creation through retrofits of low-income housing and how that has an impact on local communities, employment, and manufacturing, as well as service industry analysis? Will you be doing it, and do you have any preliminary numbers about that?

Mr. Bruce Pearce: Yes, it will, and they should be due in December. And yes, I can tell you from previous experience that this type of investment is a "net job gain" factor. Part of it is using avoided costs that are going out the window and putting people to work.

In Newfoundland, wherever there is an idle hand, of which there are many, and an inefficient building, fish plant, or house, we can put the two together and pay for it in part with the avoided energy costs we've been wasting—partly your dollars federally. This is very much an economic development and job creation strategy.

We did a study for Natural Resources Canada in 2001, just after the last rebate. We were approached by NRCan, who asked, if we were looking at a long-term program, what would it look like? The cost-benefit analysis is available, and I'd be happy to table it with committee members to review. Keep in mind it's a bit stale-dated—it was pre-Kyoto, pre-Parliament ratification, and all that stuff. We proposed a \$350-million five-year program that would have retrofitted 645,000 Canadian households. It would have created, if I'm not mistaken, 13,000 person years of net job gain.

It was a fairly shallow program we proposed. We were fairly cautious; this was new territory. I think we have an opportunity now, with this announcement, to do something much deeper.

In the homelessness sector where I work in Newfoundland, I work with a United Church agency that employs people doing carpentry training who receive provincial income as social assistance recipients. They want to retrofit all the low-income housing stock in that city, because there isn't a sector trained to be able to do this type of comprehensive basket of initiatives we're going to be calling upon the sector to do. We need to train our Canadian workforce to be able to do this type of measure and also create jobs and employment in local communities.

Mr. Brian Masse: Mr. Huget, one of the things that came out of our testimony from other witnesses—from Michael Irving—was that he defined the profits from the refining industry during Hurricane Katrina as spectacular. You make a good point about the fact that the

corporate tax rate for this industry is actually depreciating, from 28% in year 2000 down to 21% in 2007. There are record profits, as you well note. We haven't talked enough about this at committee; we haven't talked about how the industry is benefiting.

Why, in your opinion, is the industry not reinvesting in refining capacity? You make a good point, that it keeps prices high. There's another concern as well, in terms of national security, about there being no redundancy in the system. Could you give some comments on that situation?

Mr. Robert Huget: As far as why—it would be speculation on my part—the industry is not investing in refining capacity is concerned, I think the paramount reason is the market price issue. I believe that if we are under-supplied, those prices stay high. That's the evidence in the United States and the evidence in Canada, and it could be the prime driver for not investing.

Frankly, in my view, oil companies in this country in recent years have wanted to spend as little as possible on the ground for anything or anybody. They're quite content—in fact, some of them are very proud—in their annual reports about the number of facilities they close, people they lay off, job reductions, and job cuts. Their interest, in my view, in contributing to the Canadian economy in a meaningful way is a thing of the past. They are concerned with getting the most they can out of our resources as cheaply as possible, making as much money as they can, and getting it to market somewhere to whoever will pay the highest price.

There is no real incentive for them, in my view, to continue doing what they've done in the past, and that is to create decent jobs, to have refineries, to have refining capacity. It's just a case of getting it out of the country as quickly as you can. Raw natural gas is exported across the border as fast as they can get it out of here. What that's going to do to the petrochemical industry, because it's a feedstock in the petrochemical industry, is kill an industry in Alberta, Ontario, and everywhere else. There is absolutely no incentive to put investment into this country. I have not seen it.

My prediction is, frankly, unless government.... We have a responsibility to look at security of supply from consumers' points of view, but also from industrial strategy points of view, in this country. The horse is already out of the barn, but if we don't start doing it soon, we're never going to see its tail; it'll be long gone.

● (0940)

Mr. Brian Masse: I have a question to the clerk or to research. I keep forgetting to ask this.

There seems to be a debate about numbers. What are the annual government contributions and research grants over the last ten years to the oil and gas industry? There are different numbers floating out there, and I'd like to have that information.

The Chair: We'll get that for later.

Mr. Brian Masse: Yes, it's not for now, but later for our report.

The Chair: You can discuss that with Jean-Luc afterwards to make it clear.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: Thank you.

Werner, Denis and then Jerry.

Mr. Werner Schmidt (Kelowna—Lake Country, CPC): Thank you, Mr. Chairman.

I want to thank you, gentlemen, for being here this morning.

I want to ask a couple of questions. I think both of you, Mr. Huget and Mr. Pearce, indicated the need for a long-term strategy. The question I have for both of you is this. We have these—as I think you labelled them—short-term kinds of things such as this rebate program that's supposed to be announced today and some of the retrofit programs that have existed. All of them were short-term programs, and there's a need for them.

I would like to put my question in two parts. First of all, why isn't there a national energy program for Canada? What good would it be if we did have a national energy strategy program for Canada?

Mr. Bruce Pearce: I think there may be a policy for Canada. I would probably argue that some of its priorities need to be shifted for today's carbon-constrained world and rising energy prices.

Mr. Werner Schmidt: Do you think we have one now?

Mr. Bruce Pearce: It's called one. I met with Minister Dion last week and 150 environmental non-profits that are getting ready for the Montreal summit. The world is coming here to talk about this very issue that you're talking about.

One of the things we asked the minister to explore—and I think you've heard it here at this committee; I've read the blues—is to take the \$1.5 billion in subsidies the fossil fuel sector gets and invest those in renewables and efficiency. I think that in the United States they have set the table in such a way federally that utility companies have played as cash partners in the low-income program that I'm passionate about, for example. In a state like Vermont—which I'll give you as one example—the state and utility together put more dollars into the low-income energy efficiency program than the federal government does, but the federal government provides leadership, coordination, and sets the table, if you like, and obviously is a cash partner. I think that's the kind of program we need to develop.

I hope that answers your questions.

Mr. Werner Schmidt: In part. The energy program would have to be a lot more than that. It would have to deal with sustainability development, technology development, and also the affordability factor, which is a very significant one for all of us at all times. And the quality has to be there.

Mr. Huget.

Mr. Robert Huget: Clearly in my view we do need a policy that's made for Canadians. This is, after all, a non-renewable resource. It is a major component of what makes our country economically viable and valuable. It's something that frankly we need to pay attention to in terms of end-use, refining capacity, exports—all of those things. My sense of it is that we have not had a policy—or at least, if there is one, I'm not aware of it—where people actually look at the security of supply in this country and look at the affordability in terms of pricing that Canadians can afford.

This is not 50 years ago; this is now. It is a non-renewable resource. There is an end to it. Canada, in my view, very desperately needs an energy board that actually does something. It does not need an energy board that rubber-stamps exports. What it needs is to start examining strategic questions such as you very properly raised.

● (0945)

Mr. Werner Schmidt: Yes, we've heard you say that at least once before.

How much more time do I have?

The Chair: A minute and a half.

Mr. Werner Schmidt: I'd like to go on to another question, which is totally unrelated to this one, although I'd like to explore this policy thing a lot further.

We have heard from the International Energy Agency, for example, that no one energy supply is going to be sufficient to meet the world's rising demands. So we're going to have to go into all kinds of renewable energy sources, the traditional hydrocarbons—we're going to have to go there. It would seem to me that a national energy program would have to include the development of all of those sectors, not just hydrocarbons. Hydrocarbons are our conventional reliance, but we need to go much broader than that. It has to be an overall national program.

I'd like to move specifically...and this one's for Mr. Pearce in particular—

The Chair: It's almost time to wind up, but go ahead.

Mr. Werner Schmidt: I'm sorry.

Should we be dealing with building codes? I'm particularly concerned about new construction. I'm talking about long-term building codes. The specific reference here has to do with leaky condos. It's all very well to talk about retrofits and these low-income situations. You're suggesting \$3,000 to \$5,000 per house. Well, I happen to know that in some cases of the leaky condos, which have been a very real problem and involved an awful lot of people, the individual condo requires between \$50,000 and \$100,000 just to take the moisture out of the situation.

The Chair: I think you put your question.

Bruce.

Mr. Bruce Pearce: Yes, retrofitting is stopping the bleeding. We are going to be launching a new national housing framework, I'm told, and there's going to be quite a bit of money going into it. This committee, I think, should recommend among the terms and conditions of a new national housing framework that every stick of housing that's built with public dollars should be built to maximum efficiency. Some provincial governments are already doing 25% or more better than the model national energy code for buildings, and I think we also need to look at the model national energy code.

In the national policy, remember that conservation is new supply. Canada has created more supply from conservation since the 1970s than all sources of new energy combined. I talked to Danny Williams about that in Newfoundland, because there's a lot of chest-beating about new oil, but remember: the low-hanging fruit, the easy stuff, the conservation, we should be doing first.

The Chair: Thank you, Mr. Pearce.

I have Denis, then Jerry.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Thank you, gentlemen.

Mr. Pearce, I know that in Quebec, the EnerGuide Program had a trial run. Additional funds were invested. Results for the first year were 3 per cent, and for the second year, 5 per cent. To say that subsidies are needed in order to allow households to make changes in order to properly assume these energy obligations is good; however, do you not believe that we have to go even further. Setting aside funds is not the only thing that counts; people have to be made responsible. The government has a role to play, but the public must also take charge.

What should we do? I find that it is all too easy to turn to the national government. The government then sets aside funds. However, this is downright insufficient, in my opinion. Keeping in mind this country's common goals, how can we adopt a strategy that will make all communities responsible so that each and every one has a key role to play, without creating an overlap?

Even when we talk about accountability regarding energy, we talk about changing mentalities, changing culture. I believe that ultimately, it is a matter of culture. I would like to hear your thoughts on this.

[*English*]

Mr. Bruce Pearce: Well, new ideas can make actions happen, I agree. They march down the paths of action, and that's exciting. I think people do need to take ownership. Half the battle in the initiative I'm talking about is consumer, tenant, and homeowner education and awareness—how to use the new systems that would be put in place.

But remember, we need to set the table so it's easier to conserve energy than it is to waste energy, and I'm afraid in our country it's too easy to waste energy. I remember, as a kid, growing up in the ParticipACTION campaign—the average 60-year-old Swede is more fit than the average 30-year-old Canadian. Well, we have flabby housing in this country; we shouldn't. We have the best housing systems in the world; we have CMHC; other countries are buying our programs. Come on, Canada; let's make our housing the most

efficient. We're the coldest; we should be the most efficient. Keep the cold outside, not inside the house.

The program we're talking about would include an education component. Education and public awareness would need to be a piece of it, because it's a low-cost measure. I have to tell you that, sitting home in Newfoundland working on the homelessness initiative and seeing—God love him—Rick Mercer, our very own, walking across the screen saying, “Come on Canada, pull up your boot straps”, I think of a single mom with five kids who rents her place, whose landlord isn't very nice and hasn't invested in the property for years. We haven't provided her with the tools to make it easy to conserve; she doesn't control the means.

The public sector shouldn't be involved in everything. This is definitely an area where we should have started our national Kyoto program with those most vulnerable, rather than providing grants to people with SUVs who are able to pay. We started the other way around, and that's not the Canadian way.

● (0950)

[*Translation*]

Hon. Denis Coderre: I'm very familiar with the ParticipACTION program. We need a prevention strategy, as well as curative methods. Without having to resort to an environmental policy, how can we approach those who cause the problem? I am referring to companies, as well as individuals who do not have a sense of responsibility. In municipalities, water metres as well as other such devices are being increasingly set up.

Do you believe that we should take coercive measures to make sure that environmental standards are complied with?

[*English*]

Mr. Bruce Pearce: I don't know about coercive; it's not a term we'd use. But I don't know that you mean that either. I think you're talking about beefed-up regulations, mandatory requirements. I think, in the future, you should walk into a house that you're thinking of buying and there should be an EnerGuide label on the fuse box; otherwise you can't see the invisible energy mortgage you and your family are going to be saddled with. We now have voluntary programs, but I think at some point in the future—and this will be your decision, not mine—EnerGuide and these types of programs should be mandatory when properties transfer, and prospective buyers should say, “As a condition of buying, I want an EnerGuide done”.

Hon. Denis Coderre: You're for mandatory.

Mr. Bruce Pearce: Well, I would explore it; I certainly wouldn't take it off the table.

One thing I should say, to toot our own horn, is we've built a national network that's delivering on-the-ground stuff like this: active transportation, home energy audits, and so on. We're the go-to guys in communities that environmental groups point to and talk about; we're not advocacy. I think if you want a national strategy that's from the ground up, you should have a national green communities initiative.

Hon. Denis Coderre: Mr. Huget, you were pretty outspoken today. I understand the frustration, and I think everybody at the civil level feels the same.

How can you conciliate to respect Kyoto and build more refineries? Do you believe we should not depend only on fossil oil—that we should have renewable energy instead?

Secondly, you said that we had a lot of job cuts. I don't know if you have some numbers for us, but that would be very helpful. At the same time, do you believe there are better ways than to tax those people? We are in the same boat here. We're all trying to figure out how we can make sure those people who have huge profits, especially through the refineries.... What's the miracle solution?

The Chair: Thank you, Denis.

Mr. Huget.

Mr. Robert Huget: On the issue of Kyoto, it's a matter of public record that we are strong supporters. We are strong supporters of all the conservation and alternative energy sources that are contained in the principles of that agreement.

We think an energy strategy needs to look at not only security of supply for Canadians and prices that Canadians can afford, but alternative energy sources and conservation. It's all part of the puzzle. I think any initiative needs to look at that as well.

On the ability to pay, I want to be clear that I think Canadians will all benefit from energy conservation programs. They will all benefit from retrofits. The problem I have is that the Canadian taxpayer is paying the freight. I don't believe companies that are making huge profits on our resources are paying their share. In fact, corporate tax levels have been reduced for them. Royalties have been reduced in Alberta for them over and over again. So some of the Canadian public might think, as I do, that enough is enough.

● (0955)

The Chair: Thank you, gentlemen.

Jerry, please.

Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.): Thank you very much, Mr. Chairman.

I find that need is often the driver of change, particularly at this juncture. We're at a point of very high energy costs; there's no question about that. I don't see that dropping; I see it continuing to go up. If we compare our costs of energy with Europe's, we're way below. If we compare them with Asia's, we're way below. If we look at the resources we have, I think Mr. Huget was quite right that we are operating basically at 100% of capacity, and 97% is the industry figure. When you're working at 97%, you're using virtually all your refining capacity in the country.

To put refineries in, we all know, is a huge cost and a long process. In accordance with the information this committee has received from industry—and from other experts, by the way, not just from industry—you're talking about ten years in the future to develop a refinery and billions of dollars in cost.

There are short-term alternatives, as Denis pointed out—renewable fuels and other things—but as I grew up, leaving the lights on and keeping the heat up and all of these things didn't really mean a lot, because you could buy gas to put in a car, when I was very young, at 10¢ a gallon.

As the price has gone up, people have become more aware. I think one of the problems we have in Canada right now is more rapid awareness.... But at the same time, I have to visualize what is happening here. Lower-income Canadians are usually the ones who are in older housing that is more drafty and less energy-efficient. And so the burden doesn't shift equally to all Canadians. Those with new houses have new technology, insulation, and all of the types of things they require in a house. A single mother, as Bruce pointed out, with five children is usually not in that better housing situation. It's usually the one who's going to take the burden of the older car and less efficient fuel systems who has the difficult time. To me, as a public concern we really have to focus on that low-income family, the low-income Canadian first and foremost.

I really like the presentation you've given, Mr. Pearce. How do we balance that public opinion, though? Everybody wants things for less. There's no question about that. There's always going to be criticism about large profits, but the profits in the oil industry are world-wide. We're not the price-setters on fuel.

To me, Canada should be moving with a low-income.... I certainly would look for comments on how we can sway public opinion to see that need over every other need we have in the energy sector.

The Chair: Thank you, Jerry.

Mr. Bruce Pearce: I think Canadians will support a national low-income energy efficiency strategy. We've had no opposition from any sector we've talked to—homebuilders, energy companies, utilities, provinces. It's a good idea; it's important that we do it. The question now becomes, how do we do it right? As parliamentarians, you can spend a billion dollars well and you can spend a billion dollars badly. I really hope you'll listen to us and work with us. We have a lot of experience in this area at the community level working with this population.

I sympathize with what you're saying. Thank you for your support and comments. Anything you can do as a committee to push things in the right direction would be appreciated.

My specific comment on the design and delivery of this program is, don't rush to the design and delivery tomorrow. The rebates will take care of those who are in most immediate need in the short term, in my view—three million Canadians—the same as the case was in 2000. We shouldn't just put it all into the residential rehab assistance program of CMHC, or the EnerGuide for Houses program, which I think is what's likely to happen. We need to have a distinct program, as well as those; I'm not saying don't do those.

When our study comes, I hope you'll read it with interest and that we'll be able to use it to shape the best program in the country. Otherwise, I feel we've been capsized in the wake of a rush to a government announcement, and all this good expertise and research we've done.... We've engaged all sectors across the country in talking about this issue for the past year, and they'll be sorely disappointed if someone decides in a room somewhere that we're just going to build upon existing programs. I think we need to be creative about it.

• (1000)

The Chair: Thank you, Mr. Pearce.

It's just a minute short of 10 o'clock. I don't have anybody else on the list. That said, I want to thank our witnesses very much for their time this morning. It's very helpful. You are on record with our committee reporting service. So anybody who wants to follow up on this testimony can do so.

So we'll thank you, excuse you, and we'll take brief suspension to get to our next session.

• (1002)

(Pause)

• (1004)

The Chair: Good morning. I'd like to reconvene this October 6 session of the Industry, Natural Resources, Science and Technology committee.

We are now on Bill C-19. We are pleased to have Ms. Sheridan Scott, the competition commissioner.

As you've been here before the committee often, Ms. Scott, you know the drill. We ask you to make a presentation that's five to seven minutes, if you would, and then we will do our best to manage the time with questions.

We'll invite you to—

• (1005)

Mr. Werner Schmidt: Excuse me, before we go there, Mr. Chair, if I might just ask, I thought we were supposed to have some amendments to Bill C-19.

The Chair: I could only say, Werner, that the clerk and I have not received any government amendments.

Mr. Werner Schmidt: So what are we going to do now?

The Chair: Ms. Scott, are you able to proceed with...?

First of all, let me just lay out the context. The committee had agreed some time ago to have Ms. Scott back to have a second opinion or second visit with her, after having heard from any other witnesses. It was raised this week that maybe there would be government amendments here.

Is there any problem for you in proceeding without government amendments?

Ms. Sheridan Scott (Commissioner of Competition, Competition Bureau): It's my understanding, Mr. Chair, that what you wanted me to do today was to table the report I had committed to bring back before you that relates to market references. During the questioning you did two times ago, there were a number of requests for more information on how we might do market references, whether we like market references, what was being done internationally. I think I reported to you at the time that we were in the process of doing further investigations. I'm back before you today, if that's all right, simply to report back to you on the work we have accomplished over the course of the summer. I'm not sure one needs amendments to discuss that part.

The Chair: Okay, I think it's clear we can proceed.

Werner, if you want to register an objection to the fact that they're not here.... Although I do expect that they will be here, I don't think they're going to arrive in the next hour.

Do you have a comment, Jerry?

Mr. Werner Schmidt: The purpose of the meeting has now shifted. I thought we were going to do Bill C-19, and obviously we're not.

The Chair: Well, the commissioner's report is in the context of Bill C-19, so it does advance Bill C-19.

Jerry.

Hon. Jerry Pickard: Just to alleviate Mr. Schmidt's concern, certainly if amendments come forward and we wish to further pursue those with our Competition Bureau, that can be done. I'm not sure at this time whether there are significant amendments to be tabled or not.

What I have to say to you is, rest assured we have this to get out of the way, for sure, so we have to move through this. If we have an hour here to do that, then at another time we may take less time rather than have a long process.

Mr. Werner Schmidt: It's just that there is a complete shift in my thinking. I thought we were going to be dealing with Bill C-19. This may be background for Bill C-19, but clearly we're not dealing with Bill C-19. If that's the wish of the committee, then let's proceed.

The Chair: I think we will proceed, Werner.

It is related to Bill C-19, and as I think has been suggested, we all, including Jerry, wished the amendments were here today, but they're not. But when they do arrive, we'll be able to look at those—

Mr. Werner Schmidt: I just want the committee to be as efficient as we use energy.

The Chair: Yes, very good.

With that, we'll invite Ms. Scott to make her presentation.

Thank you for coming back.

Ms. Sheridan Scott: Thank you, Mr. Chair and members of the committee.

Before I begin, I would like to introduce my colleagues who are with me today. Richard Taylor is deputy commissioner of the civil matters branch, and Suzanne Legault is assistant deputy commissioner of the legislative affairs division.

When I had the opportunity two weeks ago to appear before this committee for a special hearing on gasoline prices in Canada, I promised to table a report on a review of other jurisdictions that have the mandate to conduct market studies. I'm pleased to discuss that report today, and hope to return in the near future to answer any final questions you may have on any aspect of Bill C-19.

The proposed amendments found in Bill C-19 will strengthen Canada's competition framework in a global economy. We believe the proposals in the bill reflect a careful balancing of the interests of consumers, small businesses, and large firms. These proposals will give us greater flexibility in our work and will effectively deter and remedy anti-competitive behaviour in the marketplace.

[*Translation*]

During this committee's hearings on Bill C-19, it was suggested many times that the powers provided for in the Competition Act should be expanded in order to allow the bureau to rigorously evaluate the state of competition in the Canadian economy through the use of what is commonly known as market studies. The suggestion was to provide for recourse to formal powers, in the appropriate circumstances, to gather information that would allow the bureau to dispose of all relevant data, including delicate trade information which is not in the public domain. This would allow for a more in-depth analysis of industrial sectors.

In 2003, we held consultations on a similar proposal put forth by the Member for Pickering—Scarborough-East, Mr. McTeague. Those who supported this power agreed on the principle that Canadians should be informed on the state of competition in all sectors of the economy. Foreign stakeholders also were in favour of this. As you will see in the document that I will table today, many other jurisdictions already require market studies. It has been said that this power has turned out to be a valuable asset.

● (1010)

[*English*]

For example, the U.S. Federal Trade Commission conducts research and policy inquiries. Among other things, it has published reports on the petroleum industry and the structural changes that have occurred over the last 20 years on cigarette sales and advertising, credit card accuracy and completeness, consumer fraud, and the potential role of competition in health. The latter report made a number of recommendations to improve the balance between competition and regulation.

The European Commission has the power to conduct general inquiries into any sector of the economy if "the trend of trade between Member States, the rigidity of prices or other circumstances suggest that competition may be restricted or distorted within the common market". Two sector inquiries were launched in June 2005—one into competition in the energy sector, specifically gas and electrical markets, and another into the financial services sector.

That being said, I think it is important to keep in mind the concerns that were raised about market studies during our

consultations. Opposition to increasing the mandate of the Competition Act centred around charter concerns and costs for business. Related to this was a worry that such a proposal might be used as an inappropriate means to divert political or popular pressure to the bureau to take enforcement action even when there was no evidence of any wrongdoing or significant competition issues affecting the public interest. With respect to charter concerns, there was some worry about the possibility of the power allowing the bureau to engage in a fishing expedition and the possibility of self-incrimination by those providing market information.

Any amendments proposing to introduce such a power should therefore guard against these dangers. For example, publicly disclosed terms of reference could be provided for each study, clearly outlining the circumstances in which a judge would order the production of documents. These types of studies would need to be done for legitimate purposes, with a view to assessing the state of competition in markets, and not be disguised enforcement inquiries. In addition, such studies should be carried out as quickly as possible. It would also be important to ensure that confidential information would not be disclosed.

With respect to the burden on business, a power to study markets would need to appropriately balance the need for timely and accurate information and the cost burden on companies to provide it. Addressing the concerns regarding the scope and length of market studies that I've just spoken to would also address some of the concerns on cost to business.

If a power to conduct market studies were to be introduced, it would have a number of advantages. A better understanding of the state of competition in various industry sectors could lead to a more effective enforcement of the Competition Act. It could also lead to improved advocacy. It could contribute to the development of good policies to achieve economic objectives, which would benefit all Canadians. Finally, it would lead to enhanced transparency in the marketplace for businesses and for consumers. In our view, it would be feasible to introduce a market study power, as has been done in other jurisdictions, as long as careful attention is paid to the concerns I have outlined today.

I'd welcome the opportunity to return before this committee to discuss any questions you may have on Bill C-19.

Again, I appreciate having been asked today to appear on the question of market references. We would now be pleased to answer any questions you have.

The Chair: Thank you, Madam Commissioner.

We'll start with Brad, Gérard, Denis, and then Brian. We'll be tight with the time because we only have an hour.

Thank you, Brad.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): As you know, Mr. Chair, I have to leave a little early today, so I will be tight.

In looking at the international...and looking through your brief very quickly, you have concentrated quite a bit on comparing the overseas experiences: Australia, United States, EU, United Kingdom, etc. My question is this: what economic effects have they noticed specifically from doing these studies in various jurisdictions? The pragmatic side of me says a report has to have some ultimate effect to the benefit of the economy. Could you go through what their experience has been in all the jurisdictions, because they do have differences, and whether one has been more beneficial than the other? They do the study. What's the spin-off and what has been the effect? Are there any specifics on that you can address?

•(1015)

Ms. Sheridan Scott: I'll just say a few words of introduction before asking Suzanne to comment. It was her team that did the examination of what has gone on in other jurisdictions, although I must say we were more focused on the mechanics of how they did it and whether it was feasible and how they addressed some of the very basic concerns that were raised during the consultations.

If one looks, generally speaking, at the benefits that would flow from such reports—and I agree with you it's important to look at the benefits that would flow from this sort of work—what we're looking at, I guess, are a number of advantages.

One would be a better understanding of how markets work in various sectors. We would end up being better informed as to why one sees what's going on in the marketplace, and we believe that would give us a better understanding that would allow us to be more effective in our enforcement actions. So should there be an investigation into anti-competitive activity in the marketplace, we would better understand the basic workings of that particular marketplace.

Another advantage that we see is transparency. One of the comments I've heard from the consumer groups I worked with recently, but also a theme that's frequently repeated by businesses, is the need to understand better what the Competition Bureau does, what it thinks about things, how it analyzes things. In most jurisdictions you would find these reports are made public, shared with the public, and so businesses would have the benefit of understanding how it is that we approach that market, how we understand the market, what our assumptions are.

I'll check and see if Suzanne has more information on whether there are particular economic benefits.

Suzanne, do you know anything about that?

Ms. Suzanne Legault (Assistant Deputy Commissioner of Competition, Competition Policy Branch, Competition Bureau): The main benefit is in having a better set of information for business, government, and anti-trust authorities. That's the main benefit. From an efficiency of enforcement perspective, what it does is create a groundwork of intelligence in terms of how the markets work.

If I put it in the Canadian context, in Canada we have some sectors that are highly concentrated, and we also have various sectors that are highly regulated or that have all sorts of restrictions placed on them. When we look at the state of competition in markets, outside of an investigation into a specific anti-competitive action, what it allows you to understand is the whole framework of that market, not

only concentrating on a specific anti-competitive action. So I think it would provide significant information to policy-makers, not just anti-trust authorities, and that's the main benefit of these studies.

Mr. Bradley Trost: At this point, with the research you've done—and maybe it isn't out there, maybe it wasn't in the scope of your inquiry—their experience hasn't been that this has led to greater productivity in industry because of more competition, etc. I'm looking for real economic data spin-off.

The four points you made in your presentation are excellent, but at the end of the day some of this is rather think-tank theoretical. I'm curious as to what the boots-on-the-ground economic impact is.

Ms. Sheridan Scott: I'm going to pass the microphone over to Richard for a moment, but just to say that really wasn't what we thought we were being asked to do, quite frankly, when we were asked to provide an international comparison.

Richard, did you have something you wanted to add?

Mr. Richard Taylor (Deputy Commissioner of Competition, Civil Matters Branch, Competition Bureau): Yes, I'm familiar with a number of the actual studies that have been undertaken.

In the U.K. a few years ago, the price for cars in the U.K. was considerably higher than it was on the continent, and there was concern about that price differential, given that they're in a common market. They analyzed that particular trend. They confirmed the trend and they looked to the possible reasons why, and they felt it was generally a systemic low level of competition among dealerships. So they took action to actually allow dealers to carry more than one line of cars. With that activity, prices for cars came back in line with the European level within about three years.

They did a similar thing with the breweries and the vertical integration between the breweries that owned all the pubs in England, and they did take action. They again observed a problem. Whether it led to lower prices for beer, I don't know. I can tell you there is action taken. These studies aren't just filed on a shelf to collect dust.

•(1020)

The Chair: Thank you, Brad.

Would it have increased consumption too, presumably?

Ms. Sheridan Scott: That's a good thing for Canadians that we have cheaper beer prices, too.

The Chair: Do you want to say something for the record, Brad?

Mr. Bradley Trost: I do want to say something for the record. Any information you may have on those specifics—that's precisely what I was looking for—would be very helpful.

The Chair: Thank you, Brad.

Gérard, then Denis.

Gérard, please.

[*Translation*]

Mr. Gérard Asselin (Manicouagan, BQ): I would like to personally thank the people from the Competition Bureau for being here this morning.

I would like to talk about a current issue, specifically the increase in gas prices. For several years, the Bloc Québécois has been calling on the government to intervene by vesting powers in the Competition Bureau that would allow it to conduct an inquiry. We would like to see the Bureau assume its true role, that is to determine whether or not there's complicity between gas companies.

Today, natural disasters, ranging from events happening in the Middle East to Hurricane Rita, are being used as excuses to increase gas prices. Yet, the role of the Competition Bureau with respect to this is unknown. The Bureau is supposed to be a watchdog and check whether or not there's complicity between gas companies, refineries, or retailers. The Bloc Québécois, for several years, has been urging the government to carry out an inquiry on this subject. It would seem that this is not being done, that things are running more or less well, and that it doesn't bother those whose role it is to watch over competitive prices.

At the end of the day, it is the consumer who foots the bill. In Manicouagan, there's only one single highway, everything is transported by land. Let me tell you that the cost of gas seriously affects a region's economy. In addition, the gas spikes may lead to the death of the trucking and taxi industries, because these industries depend on gas and diesel to survive. Moreover, the cost of heating oil is very expensive for those living in the North and in the Far North.

I would like to know what the Bureau is currently doing in the face of this gas crisis. This situation did not arise over night. We have been worried since gas prices hit 75 cents a litre; today, it is double that.

Therefore, I would like to know what the Competition Bureau's true mandate really is. Do government statutes allow you to act as a watchdog over these matters? What role do you play with respect to gas prices? Do laws have to be amended to give you additional powers to operate?

Personally, I need to be informed on this subject. I have the impression that the Competition Bureau is powerless, not to say "useless". Perhaps I am wrong. You probably have an important role to play, but as parliamentarians, we lack information on what your mission is.

Ms. Sheridan Scott: With respect to complicity, we most certainly have the authority to conduct the kind of inquiry that you were referring to. It is illegal to fix prices; collusion is illegal. Without a doubt, we would not hesitate to act if a judge rules that the law has been broken.

For several years, studies have been conducted to see if the law had been breached. Five market studies were completed without securing evidence. Had we found any evidence, we would of course have been able to take legal action against these people.

We have all of the powers necessary. We have the power to have documents produced, carry out search warrants, and make telephone interceptions. We are also able to hire experts, and interrogate market contacts. Therefore, we have the tools to conduct inquiries on whether or not complicity has occurred within industry.

However, following the five studies, we were still unable to find evidence that price fluctuations were the results of complicity or collusion rather than market forces.

• (1025)

Mr. Gérard Asselin: You would agree with me in saying that if the cost of a barrel of crude oil is \$70, then any given refinery will pay \$70 a barrel.

It seems likely to be the refinery that processes crude oil that brings maximum profits. On the other hand, it is also said that retailers only profit from this situation by a few cents a litre.

I will give you an example. On the north shore, in the Baie Comeau and Sept-Îles area, Ultramar delivers gas to the Shell, Petro Canada, Canadian Tire, and Ultramar gas stations.

Suppose some weirdo wakes up one morning and decides to increase gas prices by 9 cents a litre. His neighbour across the way, who thinks this is not such a bad idea, decides then to encourage him by doing the same. One gas station increased its prices yesterday, today it is another, and tomorrow a third one will follow.

One of my brothers-in-law is a retailer. He owns a Canadian Tire gas station. He has never received a notice to either raise or lower gas prices at the pump. He waits for Petro Canada or Ultramar to increase their prices, and then he follows suit. If one day Ultramar increases its prices, the same is done by Petro Canada the next day and my brother-in-law repeats the trend. At this point, there's complicity.

The Chair: Thank you, Gérard.

Ms. Sheridan Scott: Perhaps there is another explanation. It is a very competitive market because those who supply products on the market react to market forces. When a competitor changes his prices, others do the same because it is a competitive market.

It must be said that the retail industry is very interesting. It is one of the only industries where tradespeople know their competitors' prices through open display. Therefore, people can decide which gas station they will buy their gas from. In fact, they can walk down the street or drive by a station and know exactly what price they will pay for the product they want to buy. Not all industries work this way. That is simply another explanation.

However, that is exactly the question that is being asked: is there collusion going on or is this the result of a very competitive market?

This is why we monitor prices very closely at all times, because if we have proof that price fluctuations—as you say price hikes—is a results of collusion, I can assure you that we do indeed have the possibility to take action. We have done so 13 times in the past, and seven separate charges were laid.

The Chair: Thank you.

Denis.

Hon. Denis Coderre: Ms. Scott, it is always a pleasure to have you with us.

First and foremost, I agree that political pressure should not be put on the Competition Bureau. Policies, must be established, but we must not politicize the Competition Bureau. It is fundamental to the very spirit of the Bureau's role.

I have a few questions for you. Ultimately, I believe that you need preventive and coercive powers. As it's said often, you have a lot of good faith, but few teeth. I like what Gérard has said earlier, we have to find a way to give the Bureau the ability to fully play out its role as watchdog.

Through your expertise, you have already proven that even with limited powers, a series of studies can allow you to paint a portrait. However, I would like for us to go even further.

I found your study interesting, particularly when you compare the Inquiries Act to the Canadian International Trade Tribunal Act. Before getting into the Canadian International Trade Tribunal, can you tell us what you mean by "delicate trade information"?

• (1030)

Ms. Sheridan Scott: It is confidential information.

Hon. Denis Coderre: All right.

Therefore, you have the capacity to search for all information necessary to properly carry out an inquiry?

Ms. Sheridan Scott: Not an inquiry, but a market study. What we are proposing is to gain a subpoena power. That would be one way to expand our powers to better conduct our study. This power would allow us to ask people, companies, and members of the industry to produce confidential documents.

Hon. Denis Coderre: Essentially, whether it is an inquiry or a study, the goal is the same: to obtain information.

Ms. Sheridan Scott: We already have this power for inquiries. When we conduct an inquiry to determine if there has been a breach of the law, we have several powers at our disposal: a subpoena power, search powers, an even the power to make electronic interceptions. In our opinion, the subpoena power would be appropriate for the market studies. That would allow us to ask participants to hand over information that is not in the public domain.

Hon. Denis Coderre: If you had had additional powers, would the findings of your five famous studies, which pointed to no collusion, been any different?

Ms. Sheridan Scott: It is very difficult to answer that question and to compare something that is non-existent to something that does exist. We were satisfied with the answers given by companies from which we gathered information to do these studies. We benefited from the advice of experts hired, as well as market experts who were familiar with confidential information, because very often, they have worked in the industry and have a vast experience. We have had contacts in the market. We also had partial access to confidential data, but we do not have all data. Richard was involved in these studies. Personally, I feel that we have gathered enough information to draw reliable conclusions.

Hon. Denis Coderre: I am trying to create the proper environment that would allow you to get answers. This is the purpose of the amendments to Bill C-19.

Do you believe that it is necessary to amend certain sections of the Criminal Code in order to expand your powers?

Ms. Sheridan Scott: The Criminal Code?

Hon. Denis Coderre: Are there areas where you have all powers?

Ms. Sheridan Scott: I will ask Suzanne to answer that question.

Hon. Denis Coderre: Let us hear from Suzanne.

Ms. Suzanne Legault: The Criminal Code vests very far-reaching powers in us. In fact, the most recent amendments now allow us to conduct electronic surveillance under the most serious provisions of the Competition Act, including conspiracy and fraudulent telemarketing. These actions are subject to the same conditions as any other police action: the same type of information must be provided before a judge. I don't believe that anything should be added on that front. Currently, there are certainly elements of an electronic nature that could be amended in the Criminal Code. I know that the Department of Justice is looking into this. We would also like to...

Hon. Denis Coderre: I am referring to the Internet and other electronic tracking devices.

Ms. Suzanne Legault: Exactly. We are currently working with the Department of Justice. It will be in the context of...

Hon. Denis Coderre: All information technology.

I have one last question, Mr. Chair.

In collaboration with the Canadian International Trade Tribunal, can the Competition Bureau become a leading edge organization? Could there be complementarity, or are the two organizations completely different entities? It is all mechanics.

[English]

The Chair: Thank you, Denis.

[Translation]

Ms. Suzanne Legault: I will try and answer that question. When we held consultations in 2003, the proposal moved by Mr. McTeague provided for the Canadian International Trade Tribunal to inquire exclusively. The motion did not garner a lot of support among the stakeholders consulted. They felt that the Canadian International Trade Tribunal did not have the expertise needed, and they preferred having the Competition Bureau conduct these market studies. One of the reasons why a previous statutory measure was repealed was because there was duplication of the process: there was the Competition Bureau, followed by the Commission on Restrictive Trade Practices. We are not in favour of this.

• (1035)

[English]

The Chair: I have Michael, and then Jerry.

Mr. Michael Chong (Wellington—Halton Hills, CPC): The concern I have is that this is a bit of a knee-jerk reaction to Dan McTeague's hyperbole over gas prices. We were studying Bill C-19, looking at that in a bigger context, when suddenly we had this thrown into it because of Mr. McTeague's request to have this issue examined. So I'm not sure what the commissioner thinks and if that's a concern for her in terms of...

This is an issue that was studied in 2003. There was a lot of criticism of the proposal at the time, but there was support for it as well. Suddenly, when we have this spike in gas prices, we're all jumping around in a knee-jerk reaction trying to figure out in panic mode what we're going to do. Suddenly we're resurrecting this idea of allowing the Competition Bureau to initiate its own studies. Could the commissioner generally comment on that?

The other question I have is, if the Competition Bureau were to have the authority to initiate its own studies, do you see that...? I think of the June 2003 proposal. There was the suggestion that the Canadian International Trade Tribunal participate or have a role to play. I'm wondering whether she feels that would also be a part of this. That's my question.

The Chair: Thank you.

Ms. Sheridan Scott: With respect to your first point, just to be clear, we're actually back here this morning as a follow-up from the November 18 appearance before this committee. We were questioned on that occasion about market references, which had been part of the consultations that took place, and we had simply committed to come back before you, once you took up your study of Bill C-19 again, to report back on that. That's why we're here this morning, or that's why I understood that I was invited back here this morning. And we've tabled our results of that study.

With respect to the 2003 proposal on the CITT, during the consultations on market references, some parties had expressed concern about the CITT because it has a slightly different jurisdiction. It would mean that the Competition Bureau would not have in its hands the whole wealth of information that would be obtained during one of these market studies, because we would not necessarily have access to the information, and in particular, the confidential information that the CITT would have gathered during its market study. Suzanne may wish to add something to this.

I guess it was from our assessment, after having considered the various comments we received from parties, and our analysis of what they are doing in other jurisdictions and what not that we felt we could say before you this morning that we would be comfortable with a market reference power as long as it was a circumscribed power. You would have procedural protections built around it to address some of the charter concerns and what not. You'll see this type of power is present in most anti-trust agencies around the world. So it's not that this would be unusual.

In any event, this is something you would consider during the clause-by-clause, I assume, whether you wish to bring these sorts of amendments to the legislation.

Suzanne, did you want to say anything? No? Okay, fine.

Mr. Michael Chong: In your submission, you show what different jurisdictions do regarding initiating market studies. I

actually recall the study that was done in the U.K. I think it was done in December 2002, because I was in the U.K. at the time and I remember all the press reports on it. Whatever came of that? Did any action actually get initiated? I'm interested to see if other jurisdictions initiate these studies but no action is ever taken. Then what purpose do they serve?

• (1040)

The Chair: Thank you, Michael.

Ms. Sheridan Scott: Richard.

Mr. Richard Taylor: Which industry?

Mr. Michael Chong: That was the retail automobile dealership study.

Mr. Richard Taylor: Yes, they actually did take an action. As you know, right now auto dealerships are limited to deal only in the brand of the car. A GM dealer can only carry GM product; it can't carry Toyota. In the U.K. they changed that. They identified that there wasn't enough competition at the dealer level, so they opened up dealerships to multiple manufacturers' product. And I understand that now car prices in the U.K. are more comparable. So they did actually take some action.

It's not always the anti-trust authority that takes action. Interac fees or merchant fees on the credit cards and debit cards are an issue around the world for consumers. Right now, I know Australia and the U.K. are looking at that because consumers and retailers don't like having to pay these high fees. They make recommendations to the various ministries of finance who have the regulatory authority. Those recommendations may or may not be—I'm speculating here because the studies aren't finished—to cap the fees.

Mr. Michael Chong: I have one more question.

The Chair: Very short.

Mr. Michael Chong: With regard to the studies they're initiating on credit fees, are you talking about the annual fees or are you talking about the interchange rates that are charged to retailers?

Mr. Richard Taylor: The first one they're looking at is the merchant fees that are charged to retailers, that's right.

Mr. Michael Chong: So the interchange fees, the 1.9% that they charge.

Mr. Richard Taylor: Right, and they're also looking at the debit card fees that we pay for using a non-branch bank.

Mr. Michael Chong: Okay, thanks.

The Chair: Thank you.

Jerry, and then Gérard.

Hon. Jerry Pickard: Thank you, Mr. Chair.

Just to start, I want to make a correction on the process of why we're dealing with gasoline pricing. To my recollection, it wasn't a knee-jerk reaction to Mr. McTeague; it was a request from the Bloc Québécois, supported by the NDP, and a request of the Liberal and Conservative parties, which we supported. So it was totally irrelevant to the Competition Bureau or to anyone else. It was an internal request by this committee that put us on that track, brought us back here for study, and then continued today.

To my mind, we have a driven concept—public perception—on what you can do. Obviously, that public perception is not in the realm of your authority, which creates a major problem. Even the questions from the committee today make it clear to me that not everybody understands your role and what your role should be.

To me, the suggestion of having a public watchdog, or whatever we call it, to inform the public—price per barrel, refinery cost, wholesale yesterday in the market, price in this market—should be here at a maximum, something to do all that. The reason that pops into my mind is as an aid to the public and to help the public better understand. I know that the price of gasoline, in particular, in Europe is way higher than it is here. Their taxes are way higher than they are here. It's the same with Asia, the same with almost every other developed country in the world. With the United States we're relatively close. We may be a tad higher in some jurisdictions. But the public has the perception that our prices are outrageously high in comparison to everyone else, and that's just not the case. So a public information opportunity would be good.

The reason I raise this is that when I was home two weeks ago I noted that prices fluctuated very dramatically. Somebody pumped the price up while we were having our studies two weeks ago. One service station putting the price up from \$1.03 to \$1.50 caused an avalanche of movement to every other gas station, which in turn, when they heard the rumour, put their price up. So it was market forces trying to respond ahead, rather than behind or with actual information. Somebody was looking for extra profit, there's no question. But it was all at the retail level. It had really nothing to do with the wholesale level. The wholesale level was a 2¢ change the night before. The refinery costs were the same. There was no change there. It wasn't passed on, but the price was pumped up at the retail level. Sometimes it might happen at the wholesale level; sometimes it might happen in other areas. So the price per barrel and the potential of Rita caused the markets to respond to the cost about price per barrel because of the reduced refinery capacity over the next short while, which basically we're dealing with.

There are all different structures within the industry that cause a knee-jerk reaction. A knee-jerk reaction is what the public is very concerned about, and I think that's what the committee here is very concerned about.

What I saw happen I thought was very good, and I'd like your comment on it. Some well-informed people from the industry said that because of what has been happening in the last couple of weeks, the price per service station...the highest you should be paying in this region is 95¢. That was on the radio, in the newspaper, in the public realm. The next day, the price on the pumps in my local area dropped 5¢ or 6¢, to be more in line with what that public advocate said—it wasn't a public advocate, it was what informed people said.

● (1045)

Is that a means by which any country has operated, and is that a practical way? I think the only way we're going to deal with this in a reasonable way is through public information. It has to be done in some way rather than by the accusations, innuendoes and charges, which really you've investigated, and that hold no validity.

The Chair: Thank you, Jerry.

Ms. Scott.

Ms. Sheridan Scott: I'm a big fan of transparency and the power of transparency and the power of information in the hands of consumers. I think those are all very powerful tools.

I think when I testified before you a couple of weeks ago on gas prices, I indicated that when I had met with the group of consumer associations that I meet with on a regular basis, they had said they felt their constituents just didn't have information that would allow them to understand how prices were moving in the marketplace. I think I indicated at that time how impressed I was with disclosure of information by some private sector companies in Australia, for example. Shell has an excellent website where it provides very interesting information for consumers to do international comparisons like you're alluding to, to look at the movement of prices in the marketplace, to try to understand what it means for them, whether they should change their buying behaviour and what not.

So I believe there is an important role that businesses could play in providing more information. The more information we have, we are happy to try to share that with consumers to the extent we can, if it's not confidential information, to give them a better understanding of the marketplace.

We can do that now to some extent. Talking about market studies, if we did look into a particular sector, we would of course publish the results of our examination, and that too could provide interesting information for people, so they could better understand the functioning of a particular market.

The Chair: Thank you, Ms. Scott.

Gérard, please.

[Translation]

Mr. Gérard Asselin: Personally, I expect the Competition Bureau to have all powers and staff necessary to allow it to do its job effectively. You tend to be labelled as a watchdog. I used that expression earlier, and it has since been used by several of my colleagues. We talk about a watchdog in the figurative sense, but we refer more to a chihuahua that barks but does not bite. It is not worth much. If it is a matter of characterizing you as a watchdog, I would like to see you characterized as a pit bull. You could be spoken of as an organization that applies regulations, have powers, tools and staff to do the job that must be done. We would have access to reports on the work at issue, and when a file is handed over to the Competition Bureau, there would be results.

Currently, do you feel more like a chihuahua or a ? Am I wrong by saying that the Competition Bureau wants to do a good job? Yet, given everything that is happening in Canada, whether it be in the petroleum products industry or in other sectors, the Bureau seems powerless. I would like to know what you are lacking that prevents you from carrying out your role as watchdog, and if you have the tools, staff, and powers necessary to make things work properly. Only then, will you be taken seriously.

• (1050)

Ms. Sheridan Scott: With respect to the implementation of the act, as regards competition, I think we are doing extraordinary work. However, one must consider the responsibilities we have. For example, we have been very successful in cracking down on fraudulent telemarketing. There have been convictions, people have been sent to jail, and fines have been imposed. With respect to collusion, we have uncovered international cartels. Since 1997, I believe that the value of fines imposed amounts to \$220 million. That is not bad, considering that these monies return to the Consolidated Revenue Fund of Canada. Personally, I would say that we are doing a very good job. However, there's perhaps a gap between what the public expects of us and our responsibilities.

Excessive pricing does not fall within our mandate, that is for sure. In addition, it would be inappropriate if such were the case. In order for prices to not be excessive—I'm not talking about anti-competitive prices—regulations must be applied, and this is not our responsibility. In the case of the oil and gas industry, that is incumbent upon the provinces. Quebec, Newfoundland, and Prince Edward Island have already taken regulatory measures. Quite frankly, I would say to you that we're doing a very good job.

Mr. Gérard Asselin: We are aware of that.

Ms. Sheridan Scott: It is very interesting to raise that side of the issue. People are not sufficiently informed of the work that we do. It is a bit complicated. We do not regulate prices, that is a simple fact to understand. We monitor the market. We must determine if there's a market or if anti-competitive actions are preventing the market from functioning properly.

Mr. Gérard Asselin: It is possible that the public has expectations of you concerning areas that do not fall within your mandate.

Ms. Sheridan Scott: That is why I talked about excessive prices. Some people believe that we are responsible for price regulation, which is not the case.

[English]

The Chair: Merci, Gérard.

In the two slots left, we'll go to Jerry, then Werner, just to follow the order on the list.

Did you want to go next, Werner?

Hon. Jerry Pickard: I'm fine going next.

Is that okay with you, Werner?

Mr. Werner Schmidt: Well, you just had a time.

The Chair: I'm just following the agreed—

Hon. Jerry Pickard: We have an agreed order.

I'm going back to public perception. How many people know the price of a chesterfield? Do we know the retail price of it? Do we know the wholesale price that comes out of the factory? Do we know the price on the material and the textile that goes into putting that together?

I think because that price is posted up on a sign it becomes a target for public opinion. This is almost a political media-driven issue. I'm not sure we can compare in this environment what is right, what's fair, what the profit margins are. I don't know what the profit margins of a chesterfield company are. Every spring I know there are winter sales in the price of the clothing we buy. There's always 25% off. If you go into every mall here in January, you'll see it. You'll see it in December, just before Christmas—pre-Christmas sales.

There are patterns that all industries use to sell or market—use the high-end, the low-end and whatever. Gasoline gets attacked because the price seems to go up on the weekends, holiday weekends. Gasoline gets attacked because there are certain times when everybody seems to put the price up in the market.

From logical points of view, the public is in full knowledge of what the final price is, and so those get reacted to relatively strongly by the public. I don't see any reason why the price of a litre of gasoline should go up at a special summer vacation time or in the wintertime or other times. Maybe it is a reserve question. Maybe our reserves get less and therefore it needs to be. But the distribution system is there, with the same profit margins for the retailer, the wholesaler, and the refiner.

Why do we have such fluctuations? Is that just market driven? Is it when you know you can make a profit, you're going to make a profit, and when you can't, you can't? Quite frankly, that is the general business trend—supply and demand. It doesn't matter if it's clothing, automobiles, or what the product is; there are sale times and there are non-sale times with every product. Is that just the general pattern or is there something...? This is why the public responds.

If you've looked at other markets, do other publics in other countries and in other regions respond in a way similar to how Canadians respond each time there are fluctuations? We're trying to deal with that public opinion even more than the reality of what—

● (1055)

Ms. Sheridan Scott: I'm going to have Richard add a bit on explaining price movement in the oil and gas industry. Let me just say a few words by way of introduction.

First of all, I think the retail gas industry is quite unique for the reasons you give. You can see the price posted outside, and it's very visible and it's very easy to change too. The person inside the station can often just electronically key in a new price and change it immediately when he sees his competitor change the price across the street. That means it makes the pricing in the marketplace a little bit different.

In terms of the movement of price that I'd like Richard to address, I'd say some of the observations you made, the anecdotal observations you've made.... It's one of the reasons we like to do some of the studies that we've done already. It's interesting when you actually look at the data as to whether those anecdotes or those observations that we all have are borne out in reality. For example, on the one you mentioned, gas prices going up before long weekends, in fact when the Conference Board looked at this in quite some detail in 2001—so it's a bit dated, and it might be useful to look at this particular facet again—they did an extensive statistical analysis of this and they found that it wasn't true. They found that in fact prices perhaps go up for the weekend—that might be part of the pattern—but it was not true that they go up more before long weekends than before other weekends. Interestingly enough, although we may all feel in our heart of hearts that this is going on, the facts don't seem to bear it out, or at least they didn't in 2001.

Richard, do you want to talk a bit about the fluctuations of price?

Mr. Richard Taylor: I'll just start with the basics of crude, and crude representing 70% basically of the x tax price of a litre of gasoline. When crude goes up, as it did this year, from \$40 to \$70, the rule of thumb is that a dollar increase in crude will average about a cent a litre increase in the retail.

So obviously we're tied to crude. Numerous studies have shown that about 85% of the variability over the last ten years of the price of gasoline is due to crude changing price. But what we've been seeing more and more in the last three years are deviations from that crude trend, and spikes, if you will, that don't follow crude, and that's what we've seen after Katrina. We're looking at other reasons, and one of the reasons may be—and we're trying to confirm this—that the U.S. is razor-thin on refining capacity. More and more they're having to import gasoline and go to the world market to buy gasoline—they get it from Europe, they could get it from us—and that's driving the price higher than crude would justify. Last year it was refinery shutdowns and a couple of refinery fires. This time it's Katrina. And it may well be that's what's taking over a little bit from crude.

So that's the cycle with which we look at crude. If we look at the retail side of things, we're looking at a number of reasons that explain differences between communities in terms of their pricing. It can be transport costs. It can be the degree of competitiveness in local markets, which is very important. There may just be more

competitors. Another one is the size of the players. The bigger you are, the lower your costs, because the more you can get extra revenue from sales of candy bars and cigarettes. So if you have a lot of big players in your market, you can get lower prices.

The third issue is, why do prices in one location go up and down so much? The average station now changes its price seven times a day, and it's not always up. It's up and down. There's a cycle where they're trying to attract customers, because customers are so sensitive to small differences. There's a cycle that other anti-trust authorities have found. Indeed, the Australians put this on their web. Prices come down slowly over time, over the week, and then they jump up and restore. The consumer only sees the five or six cent restoration, but if they'd looked at the prices over the last five days, they would have seen them come down those five cents.

So there's this saw-tooth pattern. Prices slowly coming down as they compete. Prices get to a point where no one's making any money. One puts it up, and the others follow.

So it's a very complicated market. I can't do justice to the three areas I've tried to explain just briefly here.

● (1100)

The Chair: That was an excellent summary, if I can say.

Last word to Werner.

Mr. Werner Schmidt: Thank you very much, Mr. Chairman.

Thank you very much for being here this morning.

I want to really come back to this study and the significance of determining what a market is: do we have a market or don't we have a market in a particular sector? I wish we'd had Mr. Taylor here before, Mr. Chairman. That was probably the most concise summary that we've had—

The Chair: I think you were here.

Mr. Werner Schmidt: I don't mean with the Competition Bureau. I meant with some of the industries when they were here. Nevertheless, that's not exactly the point.

The question I really want to know is whether you do the sort of thing you've alluded to just recently in the last couple of remarks. Is that a continuing activity of the Competition Bureau?

Ms. Sheridan Scott: Looking at the movement of...?

Mr. Werner Schmidt: Yes.

Ms. Sheridan Scott: We follow gas prices pretty regularly. With respect to the extensive studies, we've done five of those extensive studies. We don't do those regularly. When we see movements of prices that look unusual, that might be a time when we decide a study would be appropriate to determine whether those anomalies are due to anti-competitive acts rather than the normal functioning of the market. The most recent one was the result of the price movements in the spring and summer of 2004. The study we published earlier this year was looking at that sequence.

So we watch this market. We don't monitor prices on a daily basis, but Richard's team, as you can see, is pretty knowledgeable about how prices are working in this area.

Mr. Werner Schmidt: I was asking because earlier I think it was you, Ms. Scott, who said that we do monitor, and so I really wanted to pursue that. This was an example.

How intense is your monitoring? How widespread is it? What sectors do you choose and on what basis do you choose them? You've given some indication, but the Competition Bureau deals with more than just gas prices. That's a huge area. I want to know what you monitor, what are the conditions under which you do it, and what criteria you apply before you initiate a monitoring process or whether it's ongoing.

Ms. Sheridan Scott: I would say gas is one of the more monitored sectors. We have ten sector teams inside the bureau that are keeping an eye out—and I wouldn't call it monitoring, I would say keeping an eye out—on developments in their industry. I don't think there is another industry—and Richard, you can correct me if I'm wrong, and provide more details—where we pay the amount of attention to price movement as we do in the gas industry. Let me pass the microphone to Richard to tell you what we do, but I think gas is the exception rather than the rule, quite frankly.

Mr. Richard Taylor: We've just learned from experience that gas price increases over 5¢ or 6¢ result in a large concern on the part of consumers, a lot of complaints. We don't want to be there saying, we'll get back to you in six months. If we stay on top of gas, we can give people some real answers in real time and try to allay their frustration. There are a couple of other markets that we follow

because we also get complaints from consumers on these markets: financial markets—credit card fees, debit card fees, bank fees—and insurance. You'll recall about two years ago there was a large increase in the price of property and casualty insurance. We sure heard about that. I think the prices went up about 30% or 40%. Those were very specific.

Gas is the only one we stay on top of. We have a person who monitors the pricing, and I know when I see, driving into work, that there's been a price increase overnight of more than 3¢, I'll be getting a call from the commissioner in the morning and we'll have to try to explain what's going on, because we know the consumers will have that request.

• (1105)

Mr. Werner Schmidt: That's part of the answer. I really wanted to know in more detail.... You must have a list of criteria that you use. I know that this is a real-time question, but do you ever anticipate...? The fundamental question here is, how do you determine whether there is or is not a market? You say you do this. How do you determine whether there is or isn't a market? Do you do this ahead of time, or do you do this after there's an apparent problem?

Mr. Richard Taylor: It's pretty well established. When you talk about a market, you're talking about a market of buyers and sellers and whether gasoline is a market. That's an economic concept. We're pretty good at that. When you ask why we monitor an industry, I think it's the level of complaints, the impact on consumers, the volume of commerce, the degree to which it touches consumers, and the likelihood that there have been unexplained price rises. We never rule out the fact that there may be anti-competitive conduct.

The Chair: Commissioner, we want to thank you for being here with your colleagues. We will certainly be back on Bill C-19 and other issues in the months and years ahead. We thank you very much.

Colleagues, thank you. I will just remind you that at 3:30 this afternoon our first session with Minister Goodale is in room 237-C in the Centre Block.

We are adjourned.

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