



House of Commons  
CANADA

# **Standing Committee on Industry, Natural Resources, Science and Technology**

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INDU • NUMBER 055 • 1st SESSION • 38th PARLIAMENT

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**EVIDENCE**

**Thursday, October 6, 2005**

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**Chair**

**Mr. Brent St. Denis**

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## Standing Committee on Industry, Natural Resources, Science and Technology

Thursday, October 6, 2005

• (1530)

[English]

**The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)):** I would like to call to order this October 6 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology. Today we are continuing our study of gas prices, which was prompted by the recent retail price increases in the wake of the hurricanes in the gulf region of the U.S.

We are very pleased to have with us today the Minister of Finance, the Honourable Ralph Goodale. The minister is aware that we'll ask him to keep his remarks to under ten minutes, then as we get into questions, colleagues, I'm going to keep you as close to the five minutes as I can so that we can get everybody on before the hour is up.

I'm not going to waste any more time with my opening remarks.

Mr. Minister, thank you for being here. We look forward to your remarks.

**Hon. Ralph Goodale (Minister of Finance):** Thank you, Mr. Chairman and members of the committee. It's a pleasure to be with you.

Canadians have become increasingly concerned about the effects of rapidly rising energy costs on their available disposable incomes. It's not merely a home heating issue; it is energy costs more generally. The Government of Canada obviously shares many of those concerns, especially in relation to our most vulnerable low-income citizens.

While the spike in energy costs is clearly a worldwide event arising from global causes with global consequences and against which no complete shield would be at all possible, the Prime Minister asked me and a number of my cabinet colleagues and government caucus colleagues to develop some practical, effective, and responsible options for government action.

There are already a number of automatic shock absorbers built into federal programs and policies to deal with inflationary issues: full GST rebates to businesses and to municipalities, for example; partial rebates to schools, hospitals, and universities; the sharing of the federal excise tax on gasoline with cities and communities; the full indexation of our tax system and key social programs. These will all help by providing several hundreds of millions of dollars in cost offsets that will flow to individuals, enterprises, and local governments over the next twelve to fifteen months.

On top of that I was pleased to announce today \$2.4 billion in a package of measures designed to offer some additional help against energy costs. As I have said repeatedly in the House, Mr. Chairman, we have been focused upon three basis questions.

First, building on the solid work that was done by one of our colleagues, Dan McTeague, and a committee of government MPs, the questions are these. How can we provide Canadians with more reliable and understandable information about energy pricing and price fluctuations, and how can the marketplace become more transparent? Second, what can we all do to ward off some of the consequences of energy price spikes and actually cut our costs—not just this year, but every year—through greater energy efficiency, conservation, and innovation? And third, how can we deliver some tangible short-term assistance to our most vulnerable citizens, and do so in an efficient and timely manner?

To deal with market transparency and accountability, the Minister of Natural Resources will create a new office to monitor energy prices and provide clear and current information to Canadians. Moreover, the Minister of Industry will take a number of steps to deter anti-competitive behaviour in energy markets. He will give more powers to the Competition Bureau, and we will strengthen the Competition Act.

To achieve permanent energy savings, the ministers of natural resources, the environment, housing, and infrastructure will establish certain new programs and strengthen existing ones to encourage Canadians to use less energy and thereby reduce their fuel bills, particularly in their homes and through better urban transit. The cost savings could amount, on average, to as much as \$400 or \$500 per family per year every year on an ongoing basis.

To provide one-time help for those with low disposable incomes, the ministers of human resources and social development and the minister for seniors will utilize existing program delivery systems to target existence to vulnerable families and the elderly. We will be providing \$125 to single low-income seniors, \$250 to low-income senior couples, and \$250 to low-income families—all of that, federally, tax free. We expect more than three million payments to be delivered.

I have three final points, Mr. Chairman, before I conclude.

First, public policy responsibilities for energy matters and for income support systems are shared with provincial governments, so we invite the provinces to build on our federal initiatives to further benefit their own residents. We know that at least some of the provinces are in fact planning to do so, and we certainly welcome that. We would also encourage all provinces to ensure that any clawbacks that are built into their social support systems do not apply to diminish the value of these particular federal payments.

• (1535)

Secondly, we call upon all players in the Canadian energy markets to adhere to the highest principles of competition and transparency. Canadians are skeptical. They suspect gouging. They have questions about why prices rise so fast but come down so slowly. And they deserve complete and respectful answers. I know, Mr. Chairman, that some members of this committee have asked those very same questions.

Finally, beyond energy issues, the Government of Canada is anxious to improve the disposable incomes of Canadians more broadly, and especially those of middle and modest means. Our energy plan is just a first step aimed at our most vulnerable citizens in the context of the current energy situation. Further action with respect to better disposable incomes more generally can be expected in the context of the government's agenda this fall for greater Canadian growth and prosperity.

Thank you, Mr. Chairman. I would be glad to try to answer some questions.

**The Chair:** Thank you for your concise summary, Mr. Minister.

We're just going to ask the two officials with you to introduce themselves so we can get proper name plates made for them.

**Hon. Ralph Goodale:** Very good.

**Mr. Bob Hamilton (Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** I'm Bob Hamilton, the assistant deputy minister of the tax policy branch at the Department of Finance.

[Translation]

**Mr. Denis Gauthier (Assistant Deputy Minister, Economic Development and Corporate Finance, Department of Finance):** My name is Denis Gauthier and I'm the Assistant Deputy Minister, Economic Development and Corporate Finance, with the Department of Finance.

[English]

**The Chair:** Thank you very much.

We are televised, colleagues, just so you're aware.

I'm going to ask colleagues to be very helpful to me. I'm going to give you a four-minute warning. Try to keep it around five minutes, if you would.

John Duncan, please.

**Mr. John Duncan (Vancouver Island North, CPC):** Thank you very much.

Thank you, Minister, for appearing.

What you have announced today basically confirms the government's addiction to tax revenues and that the government is interested only in one-time rebates in election years—the last one in 2000—not in consumer relief.

Yesterday the Treasury Board announced an increase to public service travel allowances that also impacted on members of Parliament. From our questioning and your answers in the House today, we have resolution, I believe, on that issue. We oppose the increase as long as the government is doing nothing to reduce the price at the pump.

The total expenditure of your announcements today is equal to what the government collects from 1.2¢ a litre in gas tax. Your Department of Finance officials told this committee that 2¢ relief was insignificant. So I would argue, why should we believe that 1.2¢ is significant?

My question is, what part of the 17¢ a litre that the government collects on gas will you be cutting and offering to consumers in broad-based tax relief? It's certainly not in your announcement.

• (1540)

**Hon. Ralph Goodale:** Mr. Duncan, the issue you raise of tax reduction is a very important one in terms of public policy. And while the consumption tax in the GST is the most visible manifestation of taxation with respect to fuel, the experts on this subject say that if you really want to have an impact on the economy, the far better thing to do is to focus on other forms of tax reduction, for example, like income tax reduction. That is an area where I've indicated we are interested in pursuing some options. If there is a penny or two taken off at the consumption tax level, right at the pump, it would remain tangible and visible from the consumer's point of view for a few days, maybe a few hours, and then because of the volatility and complexity of the marketing chain, it would largely disappear and it would no longer be apparent to the taxpayer that they've actually had a tax reduction. Government revenue would go down, but it may well be that the gas price at the pump would go up.

So my approach here is two things. First of all, to the extent that there is an increase in revenue overall to the Government of Canada from the *ad valorem* effect of the GST, that will be recycled into the resources that are necessary to pay for the energy efficiency initiatives that were announced today. But we will also be looking at all of the other ways we can improve the disposable incomes of Canadians in a way that will be more measurable, more lasting, and more tangible from the point of view of the taxpayer.

**Mr. John Duncan:** Thank you. That's the same answer we got from the officials earlier on.

I'll just pass it on to one of my colleagues.

**The Chair:** We're going to make sure your colleagues all get on.

Paul Crête, please.

[Translation]

**Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ):** Thank you for being here, Minister.

First of all, I want to say that I'm delighted with the amendments to the Competition Act. We've been calling for changes for quite some time now. In our opinion, the power to conduct investigations, if this in fact corresponds to what we had in mind, will certainly help to improve the situation. We also believe that creation of the Office of Petroleum Price Information is a positive move. Had the government decided to act on this sooner, we'd be better off. From what I've seen, there is no mention of the OPPI having a mandate to make recommendations to the House, merely a mandate to disseminate information. In that respect, it's only half of what we were requesting.

Have you done a comparative analysis of the profits earned by oil companies in 2004-20056 and 2005-2006? Would you care to share your findings with us?

[English]

**Hon. Ralph Goodale:** I would be happy to do some research, Mr. Crête, on that question to see if I can provide you with the statistics, to the extent that the information is available to the Government of Canada. Obviously that could not be on a company-specific basis, and I think you would appreciate that. But you're looking at industry-wide calculations. I will ask my officials to work with those in the Department of Natural Resources and see if we can provide you with those statistics.

[Translation]

**Mr. Paul Crête:** Are you telling us, sir, that you did not do these analysis when you drew up your plan? You have no idea how much additional revenue has been generated this year as a result of the increase in gas prices. Did you not do an estimate? This would mean that you ruled out from the start any possibility of charging oil companies higher taxes on their profits. If you can't give us a figure, this must mean you didn't do this analysis.

[English]

**Hon. Ralph Goodale:** Mr. Crête, the oil industry, like every other business in the country, pays taxes annually. The fact of the matter is that most of those statistics are not collected at this part of the year. This price spike, as you know, started to become particularly evident in the mid-part of the summer and has risen over this last period of time—

• (1545)

[Translation]

**Mr. Paul Crête:** If you forecast a given surplus or deficit during the year, for example, after six months, that would mean that you did evaluate your revenues. Surely we're looking at a substantial sum of money and I'm rather surprised that you're not able to give us any figures.

[English]

**Hon. Ralph Goodale:** The data that are available to us now are obviously data that have accumulated prior to this date. The precise statistics on what corporations earn and the rates of tax they pay become available in tangible form only at the end of the year, Mr. Crête. We could provide our best ballpark estimates to you, but I

hasten to say that they are estimates and serve to be corrected at the end of the year.

[Translation]

**Mr. Paul Crête:** We note that the proposed government program does not extend to low-income earners without children. Did you estimate the cost of including this group in the program? Why did you arrive at this decision? These individuals suffer just like everyone else when gas prices rise.

[English]

**Hon. Ralph Goodale:** We have focused on the most vulnerable members of our society in terms of those who receive the national child benefit supplement and those who receive the guaranteed income supplement—young families and the elderly—because those are the statistical bases and delivery systems that are within federal control and available to us readily, as the Government of Canada.

You may recall a previous program that used a different database, that used the GST rebate, which was the subject of great criticism from all members of the opposition as well as a number of Canadians and the Auditor General. We decided not to use that delivery system this time and instead chose two that have a pretty good track record in terms of delivering to Canadians.

[Translation]

**The Chair:** Briefly please, Paul.

**Mr. Paul Crête:** Are you saying that for administrative reasons, a young couple without children, each earning \$45,000 a year, would not be entitled to any kind of compensation? Obviously, the only reason that they are excluded is that the government hasn't been able to come up with a way to compensate them. It might be a good idea to consider other possible solutions, to ensure that these individuals receive some form of compensation.

[English]

**Hon. Ralph Goodale:** No, Mr. Crête. As I said earlier, beyond the initiatives that we put on the table today, we are looking at a variety of other means by which we can improve the disposable incomes of all Canadians, including most particularly those of moderate and middle-income means. We will take the first step in that direction, beyond our initial package with respect to energy, tomorrow, and there will be other steps to follow.

**The Chair:** Thank you very much.

Andy Savoy, please.

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

I'm pleased to be joined here today by my colleague from Madawaska-Restigouche. We worked together on this file very aggressively.

In terms of your first step, as you called it today, which I thought was an excellent step, there are a number of areas you touched on that involve this committee, and in fact involve the industry, in looking at gas: an oversight mechanism, strengthening competition laws through the Competition Bureau. Could you go into more detail in terms of your specific initiatives related to the Competition Bureau? That's number one.

Number two is the issue of fuel taxes. I know there have been experiences in other jurisdictions that have been studied by provincial ministers, finance ministers, and treasury ministers. What has their experience been, and in which jurisdictions, to your knowledge?

That's a twofold question.

**Hon. Ralph Goodale:** On the first one, Mr. Savoy, we plan to take two steps.

First of all, there will be the creation of the energy price information office within the Department of Natural Resources to make sure that not only government, but all Canadians, have access to the most reliable, current, and understandable data about price trends in the marketplace—when the price begins to move and for what reason, the margins that go into that movement, and so forth. I think a lot of Canadians have no access to this arithmetic, and therefore the whole system seems to be quite mysterious, and when it's mysterious it leaves a sense of suspicion. So it's important to lay out all of that, and that's what Minister McCallum will be doing within the Department of Natural Resources. He's the information gatherer and publisher.

Then the issue comes to what you do with that information. If it reveals questionable behaviour, there could be two responses, Mr. Savoy.

One would be when the behaviour looks anti-competitive or collusive. If that is the case, it will trigger certain initiatives under the Competition Act. We are going to strengthen the Competition Act and we are going to strengthen the Competition Bureau to deal with these issues. I understand that Minister Emerson will be here later today, and he will be able to go into the exact details of how that will happen within the Competition Bureau.

On the other side, if it doesn't amount to collusion, if it doesn't amount to anti-competitive behaviour, which is within federal jurisdiction, if it's more an issue in relation to the appropriateness of pricing or market behaviour, then it falls within provincial jurisdiction. Some provinces have exercised that authority in the past, others have not, but at least the provinces will have the information upon which to base a judgment. And they don't have that information today.

In terms of what other governments are doing, obviously there are conversations that go on regularly among ministers of finance and finance officials. Several provinces have indicated to us, and I will allow them to speak for themselves, that they intend to institute programs of their own that will be complementary to what we've announced today. Some of them have asked us when our payments are likely to flow so they can time their payments in appropriate tranches to flow in the most convenient way to consumers. There are a number of provinces that I think will take up our invitation to come

forward with their own income assistance measures, as they should properly do.

● (1550)

**Mr. Andy Savoy:** In terms of other provinces and their consideration of cutting fuel taxes, which some people are proponents of, other provinces in the past have considered that, as I understand it, and some are considering it now. Has anybody in Canada, in your mind, looked at this seriously? Have they had deliberations on this in the last fifteen years? Do you have any examples of situations where that attempt has been tried? And what were the results?

**Hon. Ralph Goodale:** I have no specific current examples. I can't think of one finance minister in the country who has said to me that they plan to move in that direction in these current circumstances. I understand that historically there have been cases where provinces have attempted to do this. I believe this may have happened in your own province of New Brunswick, where the attempt was made in the case of energy prices some years ago. The benefit disappeared quite literally overnight, and there was nothing of enduring benefit to the consumer.

**The Chair:** Thank you, Andy.

Brian, please, then Michael Chong.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Minister, for appearing today at this committee.

The first thing I'd like to talk about is the fact that there will be many Canadians left behind from this announcement. Mr. Crête touched upon the fact that we have Canadians who could, for example, be a couple earning only \$20,000 per year but will not be eligible for any of these programs if they do not have their children living with them anymore and/or do not have children. Do you not feel that those Canadians are entitled to support through this type of program?

**Hon. Ralph Goodale:** Mr. Masse, the effort we have made here has been as broad-based as we could possibly make it. We are putting \$2.4 billion on the table to try to be of assistance. We have focused upon those who are most vulnerable in our system, and those for whom the Government of Canada has some direct administrative responsibility. I'm thinking of through the national child benefit and through the GIS.

As I have answered to Mr. Savoy and others, through their income support systems for which they have responsibility, provinces may well come forward with support systems of their own. But most importantly, perhaps, do not view this initiative as a single one-time effort that stands alone in isolation. We have moved today in relation to energy prices and we've taken action that will improve the disposable incomes of some Canadians—in fact, those who are most vulnerable. We will take some more steps tomorrow, and we will take further steps a little way down the path this fall to constantly try to improve the disposable incomes of Canadians, and we will be focused on those of middle and modest means.

● (1555)

**Mr. Brian Masse:** Your answer seems to be an indicator of money, and the \$2.4 billion is where you've reached your limit in terms of assisting Canadians.

**Hon. Ralph Goodale:** In terms of this package. That does not include the other initiatives we will take.

**Mr. Brian Masse:** Your policies in the past have been to lowering the corporate tax for this industry and they're going to continue to get corporate tax cuts right now, despite having record profits. But the fact of the matter is they're not investing back into, for example, refineries.

We've heard testimony at this committee from the industry itself that from Katrina, the refinery profits were spectacular. That's the language they used—spectacular. Do you agree that it's okay for the refining industry and the industry itself to profit through these types of circumstances? Or should there be actually a cap, for example, on the industry, rather than a lowering of their corporate tax right now, and a return of that to citizens who could benefit from them immediately?

**Hon. Ralph Goodale:** Mr. Masse, first of all, the government will collect its full fair share of taxes from all corporate citizens in this country.

**Mr. Brian Masse:** I'm talking about the tax cut they're going to get from you.

**Hon. Ralph Goodale:** Mr. Masse, what's important is to make sure the tax regime is fair in human terms and is effective in economic terms. We will make sure that every industry in this country pays its full, fair share of taxes, and we will administer the programs of the Government of Canada to make sure Canadians are treated fairly and generously.

**Mr. Brian Masse:** Maybe you can explain to the Canadian public, then, when you've been lowering corporate taxes to this sector, how it hasn't resulted in lower prices at the pump and there hasn't been an investment in this industry—for example, into refineries. In fact, testimony at this committee about this issue said that there was in North America no new refinery operations in the foreseeable future and beyond, and we are at 97% capacity in terms of refining. We have no redundancy in the system.

How is it that if we continue to give them corporate tax cuts, which you have been doing, that will lead to lower prices at the pump? Where are consumers going to see that lowering of corporate tax cuts back to their pocket and investment in Canada, which is not happening from this industry?

**Hon. Ralph Goodale:** Mr. Masse, there are two points. First of all, it is not likely the case that raising taxes will in effect help the situation.

**Mr. Brian Masse:** I'm suggesting stopping the current tax cut.

**Hon. Ralph Goodale:** In fact, raising taxes, and that's the effective result of your question, would make the situation worse.

But you do raise an important point, and the industry has acknowledged this with respect to refining capacity, and that is a worldwide challenge. It's not only in Canada; it's in the United States, it's everywhere around the world, and the particular need is in terms of the facilities that will be able to handle the heavier crudes and the oil sands products and the heavy oil, especially from Alberta and Saskatchewan. That's where I think the focus for the future needs to be, to make sure we have the capacity to appropriately bring that supply to the needs of Canadians.

**The Chair:** Thank you, Mr. Minister.

**Mr. Brian Masse:** Mr. Chair, for the record, I want it to be noted that I'm not talking about raising taxes. What we're talking about is stopping the current tax reductions that the industry is entitled to right now under the current policy.

**The Chair:** Okay, your point is made.

We have Michael Chong, Denis, then Marc Boulianne.

**Mr. Michael Chong (Wellington—Halton Hills, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Minister, for appearing in front of this committee.

There's no doubt that the main reason for rising energy and gas prices in this country is the underlying rise in crude oil prices, but there is a secondary story here, Mr. Chair, which is that for every cent rise in gas prices, federal government revenues soar. While the government can't entirely ameliorate the effects of rising gas and energy prices, there is something it can do to mitigate the burden that's been put on Canadians, and that is to reduce taxes and put in permanent tax relief. But instead, we're being told today that the government is going to cut about three million cheques, starting in January 2006, costing the treasury about \$565 million in \$125 cheques, and \$250 cheques for couples.

So I'm actually quite disappointed, Mr. Minister, in this public policy response. I think it is nothing more than a cheap political gimmick that will do little to help Canadians. As a matter of fact, cutting cheques just before an election is nothing more than Tammany Hall style politics to buy votes before an election. The last time the government did this was in October 2000, just before another federal election. In 2001 the Auditor General issued a devastating critique of that program and said that only \$350 million out of the \$1.4 billion doled out actually made it into the right pockets. I have the report here, and I quote: "The relief was poorly targeted". Only one-quarter of it made it to the appropriate hands. Of the remaining three-quarters, 4,000 people outside of the country who didn't even live in Canada got cheques, 1,600 prisoners got cheques, and 7,500 dead people got cheques. As a matter of fact, in addition to that, according to the Auditor General's 2001 report, 90,000 low-income Canadians did not even get any relief because of their previous year's low income.

As the finance minister, you know that productivity growth rates in this country are low and the single biggest threat to our future prosperity. One of the biggest reasons for these low productivity rates is that our tax system discourages investment in Canadian business. Instead of proposing to restructure our tax system to provide some tax relief to Canadian individuals and businesses, you've decided to engage in a very cheap political gimmick to issue cheques just before an election to buy votes.

You might be able to buy off people like David Dingwall, but you're certainly not going to buy off the average Canadian.

In conclusion, Mr. Chairman, before I ask my question, I'm actually very disappointed. I think this is a very cheap and sleazy public policy; I think it's poor public policy.

So my question is, what are you going to do to ensure that 7,500 dead people and 1,600 prisoners don't get cheques in January, and why don't you do something that's going to provide for permanent tax relief for Canadians and real productivity growth, instead of engaging in this cheap type of Tammany Hall politics to buy votes just before a spring election?

• (1600)

**Hon. Ralph Goodale:** Well, that was a nice speech, written by the Conservative research bureau, but the fact of the matter is that all of the experts would say that if you want to have the best impact on productivity, you maintain consumption taxes and you reduce income taxes. That's what the experts say. That's what your own experts say, and that's where our emphasis is going to be, on reducing the income taxes of Canadians and reducing the tax burden in a way that will contribute to productivity. That's part of the government's agenda. That agenda will proceed in addition to the relief from energy prices that we're going to provide to the poorest Canadians, those who receive the guaranteed income supplement and those who receive the national child benefit.

The administrative system that you referred to was an administrative system based on the rebate system in the GST. We are specifically not using that system for the very reasons implied in your question. So we have eliminated the administrative structure that was used the last time, and we're relying on the national child benefit and the guaranteed income supplement, which are established systems that deliver benefits to Canadians literally every month—and they are very accurate systems.

**The Chair:** Thank you, Michael, and Mr. Minister.

Denis, then Marc, then Larry.

[Translation]

**Hon. Denis Coderre (Bourassa, Lib.):** Minister, I'd like to ask you some questions, rather than make a speech. The gas price crisis demanded timely action. You acted accordingly. Some people will receive some compensation.

At the same time, any timely initiative taken must demonstrate a measure of equity and redistribution. If oil companies are seen to be making outrageous profits, I wonder what the Department of Finance can really do to recoup some of that money and restore some semblance of balance to the equation. This crisis calls for a collective effort, and that means not only taxpayers, but also the government, through its shares, and those making the profits must contribute to the cause, without affecting productivity.

As Finance Minister, how can you prevent or alleviate a problem of this nature? The government could find a decent, pragmatic and respectful way of addressing this situation, while ensuring that a collective effort is made.

[English]

**Hon. Ralph Goodale:** It's a very important question, Denis, and there are two or three things I'd like to say in response.

First of all, because of the nature of our tax system, as higher profits are made, a greater contribution is made to the revenues of governments—municipal, federal and provincial. So the profitability of corporations adds to the economic success of the country and adds to the revenues of all levels of government.

It's an interesting phenomenon in the last number of years, and a major contributor to the fiscal situation of the Government of Canada, that corporate profitability has been improving. It varies a little bit from year to year, but the statistics show that it goes up in the range of say 15%, and the revenues to government have been going up, in some cases, by as much as 20% or 25%, while tax rates have been going down, which obviously indicates a high degree of success in the corporate sector and an increase in the contribution by the corporate sector to the well-being of the country and to the revenues of all levels of government. That makes it possible for us to pay not only for the energy initiatives that we've taken today, but also for all of the other responsibilities of government, including health care and education.

• (1605)

[Translation]

**Hon. Denis Coderre:** The public is surely abuzz over the government's plan to bring in measures to help low-income earners. However, those who think taxes should be reduced at the pump haven't understood how things work, because profits will be found elsewhere. These people really haven't understood how the economy works.

That being said, each time the price rises, we will see an increase as well, because of our share. Personally, I would prefer to see a dedicated fund, like we saw in the case of agreements with municipalities.

How do you respond to the concerns of taxi drivers? What do you say to people who depend on gasoline for their livelihood when they raise the issue of transportation costs and so forth? I think everyone is asking the same kind of questions. I understand that you're talking about fathers and mothers who, if they fall into the category you mentioned, could benefit from this allowance.

We'll be putting this question to the Industry Minister later, but can some way be found to include all of these individuals in the compensation package? There is no indication that prices will fall. Therefore, this will likely be an ongoing problem for people.

[English]

**Hon. Ralph Goodale:** There are several ways in which we can move on that, Mr. Coderre. As I've indicated, this package today focuses on the most vulnerable, and it does so through delivery mechanisms that the Government of Canada has direct responsibility for. So we will take that step today.

In addition, there are some automatic shock absorbers built into the system. For example, the GST rebate for all businesses means that the GST is recoverable by the business enterprises to which you referred. In addition, in an enterprise like a trucking or taxi operation, fuel is one of the major operating costs, and it's largely deductible against income. So there are ways within the system where these things are either offset or compensated for.



At the bottom line, what we need to do is focus on trying to improve the personal disposable incomes of Canadians. These measures today help a little bit with those who are in the most vulnerable of circumstances, but they need to be thought of as part of a much larger picture with a number of other steps that need to be taken. One of those steps will be taken tomorrow, when we introduce new legislation in the House of Commons. There will be further steps to come where we move to improve those disposable incomes that are really the measure of Canadians' quality of life.

**The Chair:** Thank you, Mr. Minister.

Marc, Larry, and then Werner.

[*Translation*]

**Mr. Marc Boulianne (Mégantic—L'Érable, BQ):** Thank you, Mr. Chairman. Welcome to the committee, sir.

We've been discussing since yesterday this plan to help low-income earners. I believe the Prime Minister alluded to it in response to a question from the Leader of the Bloc Québécois. You talk about the most vulnerable members of society as well. We can't be critical of honourable intentions. The principle behind the plan is excellent.

However, as we mentioned earlier, the plan has a number of shortcomings, and holds some unfortunate surprises as well. Very often, large-scale national programs are difficult to administer, particularly across Canada and in Quebec. Moreover, we saw what transpired in 2001 with the family allowance program where at times, 1999 income levels were used.

Therefore, there are always some surprises in store and Canadians and Quebecers are concerned. We've already received some telephone calls since the plan was unveiled. What will you say to people to reassure them about the plan's administration, effectiveness and rigour?

• (1610)

[*English*]

**Hon. Ralph Goodale:** I would like to be able to say that every administrative system is absolutely perfect, but unfortunately, as you and I both know, that kind of perfection, no matter how hard we try, is not achievable. The delivery mechanism that was used a few years ago was subject to a great deal of criticism at the time. In fact, it turned out, when all the statistics were in, to be about 99.9% accurate. The 0.1% error rate caused a great deal of controversy, and even provoked concern from the Auditor General.

Unfortunately, then, no one can claim perfection, but we are relying, in the delivery of this program, on two very well-established systems: the national child benefit and the guaranteed income supplement. Neither is 100% perfect, but certainly they are programs that have a pretty decent track record in servicing the needs of Canadians.

An area where I think we have to make sure Canadians don't get missed is regarding those senior citizens who may not know they are eligible for the GIS. There are some, and there have been public reports about the seniors who don't realize that you actually have to apply for the GIS in order to be on the list. I think we have to communicate very effectively through this fall to make sure all of those people who might be eligible for this benefit know that they

might be eligible and have the opportunity to get on the appropriate list.

Another area I'm concerned about—and I want to make sure it's covered—is aboriginal people. They are entitled to the GIS, they are entitled to the national child benefit, but sometimes they live in rural and remote locations where they may be inadvertently and unfortunately overlooked. I want to make sure every Canadian who does legitimately qualify for this has the opportunity to take advantage of it.

[*Translation*]

**Mr. Marc Boulianne:** Thank you, Mr. Chairman.

[*English*]

**The Chair:** Larry, Werner, and then Jerry.

**Hon. Larry Bagnell (Yukon, Lib.):** Thank you for coming, Mr. Minister.

I would just like to quickly put some facts on the table, and you can comment on anything you want.

First of all, in the structural area, of course, by the gas tax going to the municipalities for sustainable communities, you've helped cut consumption. There is a myth that government...or there was a statement that government revenues soar when the price goes up, but there are a number of aspects and ramifications when gas prices go up. Government revenues go down and our expenses go up. People use less gas, so we get less taxes, and there are more gas costs to government, who are big users. Inflation causes more expense for us in things like our GST rebate and our indexed government pensions. People have less disposable income in other areas, so we get less GST revenue. There are higher costs on other items the government buys that are transported. Transport costs go up.

As well, thank you for putting all our money toward low-income people. As was proved in our hearings recently, across-the-board tax breaks to a large extent don't get passed on. Examples exist in provinces and states that have tried them.

In the transportation and other industries, there are surcharges because of this gas, so that gets passed on to consumers. It's good that you're giving the benefit to those consumers who become low-income. For taxi drivers and farmers and airlines, eventually the prices balance, but if those people become low-income citizens, then they are eligible. So it's not to say that we don't have any relief, because they are as eligible as any other low-income citizens for this relief. Even the people without children are also eligible for some relief in our program, because the low-income housing rebates are for all low-income people. It's not just for seniors or ones without children.

I'd like to congratulate you for the Competition Act ones. I know that Dan McTeague and I have been pushing for those; in fact, Dan McTeague has for years. In the previous rounds, it was proved by the Competition Act that there was no hanky-panky with gas prices, but this time crude didn't go up. So I'm glad you put that in the Competition Act.

There was a comment about general tax relief. I'd just like you to confirm that we are in the process of the largest general tax relief in Canadian history. The comment about no new refineries is true, but the refinery capacity has gone up by expansions and improvements in Canada. It's gone up in total volume, even though there are less refineries.

Finally, I'd just like to thank you for getting it on record that the Conservatives think Katrina coming just before an election is a dirty political trick.

•(1615)

**Hon. Ralph Goodale:** Mr. Chairman, Mr. Bagnell has invited a general response. Maybe I'll focus on one dimension that hasn't gotten a lot of attention so far but that I think is a very important part of our package—namely, the emphasis on energy conservation and energy efficiency. This is really the gift that will keep on giving.

I know that the measures in this package—ways to improve the retrofitting of homes at all income levels, a new program that focuses on home retrofitting at the low-income level, measures to replace old and inefficient heating systems with new and modern systems, ways to retrofit buildings in the institutional sector for municipalities, hospital, schools and so forth, and measures to improve urban transit—are sometimes difficult to quantify, but the experts who have looked at this package say that it will likely achieve, for those who take advantage of it.... Of course, it depends on how efficient or inefficient their present operations might be compared with the improvement they will achieve by introducing some new innovations into the system, but on average, a family taking advantage of the measures in this package could expect to save something in the order of \$400 million...or \$400 to \$500 per year—I wish it were \$400 million per year—in lower energy costs for the future, year after year after year.

In the long term, that may be, apart from the short-term issues, one of the most beneficial dimensions to this.

**The Chair:** Thank, Larry, and Mr. Minister.

Werner, then Jerry Pickard.

**Mr. Werner Schmidt (Kelowna—Lake Country, CPC):** Thank you very much, Mr. Chairman, and thank you very much, Mr. Minister and colleagues, for being here this afternoon.

I would like to ask a number of questions, some of which I think relate to statements you've made here this afternoon. Many of them are forward-looking, and they suggest certain promises for the future.

One of the statements was this: we will reduce income taxes. My question is, when?

**Hon. Ralph Goodale:** I have a number of opportunities for doing that, but the—

**Mr. Werner Schmidt:** No, that wasn't my question. My question was when, not how many different ways. When?

**Hon. Ralph Goodale:** The normal time would be in a budget. If I have the opportunity to move more quickly, I will, but the normal time in is in the budget.

**Mr. Werner Schmidt:** Okay.

The other questions have to do with the National Advisory Council on Aging. Last week they issued a report, which referred to some 300,000 seniors who do not qualify for the GIS. You indicated in an earlier answer to one of my colleagues that efforts were going to be taken to make sure these people were found. What is your plan to find them, and how will you actually find them?

**Hon. Ralph Goodale:** The one thing that I will be inquiring of the National Advisory Council is whether they have those individuals actually identified by name, address and postal code, or whether this is a generic estimate of the numbers of people they think may be missed. If they have specific names that should be on the GIS list and are not, then that would be a great help to us or, more particularly, the Department of Human Resources and Skills Development and the Department of Social Development, to reach out to those people and get them on the list.

•(1620)

**Mr. Werner Schmidt:** That means your commitment is that the National Advisory Council can in fact put people on the list to receive this money and also to get the GIS.

**Hon. Ralph Goodale:** Obviously they need to qualify for the GIS, but assuming they have a list of names of people who ought to receive the GIS and presently do not, we will act.

**Mr. Werner Schmidt:** We have that assurance on record now.

**Hon. Ralph Goodale:** You do.

**Mr. Werner Schmidt:** Good.

The other point that was made was about the earlier rebate program. I believe it was announced in October 2000, and I believe it was supposed to terminate about February the following year, yet it seems to me that, even as of 2003, cheques were still being made under the auspices of that earlier program, which was actually supposed to be finished.

**A voice:** What's your question?

**Mr. Werner Schmidt:** Are they still being paid, and will the new program actually terminate when it's supposed to terminate, or will it continue indefinitely?

**Hon. Ralph Goodale:** Let me ask Mr. Hamilton, who is responsible for tax issues, to describe the administrative process.

**Mr. Bob Hamilton:** When you have a program like this, there is an administrative trail such that, even if it's a one-time program, as people move on in years and they are reassessed for previous years, or they suddenly find out that they were eligible for that program, they can go back and open up that tax year. So there is an administrative trail that goes on for these programs for a certain period of time.

**Mr. Werner Schmidt:** For as long as two years?

**Mr. Bob Hamilton:** Yes, it can go on. You can keep your tax years open with CRA for—

**Mr. Werner Schmidt:** Okay, that automatically begs the next question. The people who die between now and January do not have to file their income taxes for quite some time. What happens in those cases? These people are no longer alive. Will they be paid the rebate? That's what happened last time.

**Mr. Bob Hamilton:** If you were not alive at the time eligibility is determined, you don't get it, but if you are alive at that time, even if you haven't received your cheque, you are eligible.

**Mr. Werner Schmidt:** The point is, how would you know that?

**Mr. Bob Hamilton:** I'm not quite sure I'm following the question.

**Mr. Werner Schmidt:** If the income tax return isn't done until 2006, where will you find the information that they are in fact alive or dead?

**Mr. Bob Hamilton:** The department that runs the program, whether it's social development or CRA, gets information about deaths. That gets reported more regularly now. Indeed, one of the issues with the previous program was that they weren't getting those reports often enough. They get updates on that, so they get that information. There can be a small time lag, but not a long time. That's not a problem.

**Mr. Werner Schmidt:** How long is that in years?

**Hon. Ralph Goodale:** That information, Mr. Schmidt, is the purview of provincial departments of vital statistics. They provide that information to their federal counterparts on a regular basis.

According to the statistics, the sad fact is that there may be as many as 800 Canadians who will die today. The processes of government and public service can't stop because of that fact. We have to find a way around that very sad statistic, to administer as accurately as we can.

**The Chair:** Thank you, Werner.

Jerry, and then we may have a minute for you, Dave—or two, tops.

**Hon. Jerry Pickard (Chatham-Kent—Essex, Lib.):** Thank you very much, Mr. Chairman, and thank you very much, Minister Goodale, for coming today.

I have to congratulate you. When I look at the vulnerable Canadians you have targeted, those on GIS, those on child support systems, it's obvious they don't have the extra dollars to pay for the extra costs of energy. They also don't have the dollars to pay for upgrading homes and so on. They're usually the group that would live in homes that need extra insulation, that have high energy costs of living. They're the older homes in many cases. They're not usually brand new homes with all the bells and whistles that we've had lately.

So you're dealing with two very primary basic considerations for Canadians. Number one, those who can't afford it, you're going to help. I'm very surprised the opposition railed against that and sees it as not a worthwhile measure.

I also think you've got it dead right, because we're coming down the line, and the left side seems to say you're not doing enough. So somewhere or another, you've got it right down the middle, and I think that's great.

My concern, though, is lower-income Canadians. You talk about the savings that they'll make—\$400, \$300—on some of these home renovations. Oftentimes if you don't have those extra dollars, you can't get it in. How can they do some analysis or look at things so that we can encourage those low-income Canadians to initiate steps in those programs with their very limited resources to pay up front for them? Even if we're paying for part of it and they're paying for part of it, what steps will we take to try to help them further along the line to initiate some of those savings?

• (1625)

**Hon. Ralph Goodale:** Mr. Pickard, the experience with the EnerGuide program has generally been pretty positive. The programs are reasonably accessible and understandable. The programs provide some assistance in the first instance for people to make the assessment of their homes, for example, to see the ways in which energy could be saved. Is it by weatherstripping, is it by better insulation, is there some other defect in the structure of the home and so forth? So the first step is to do an energy audit to determine exactly the quality of the housing, and that audit will indicate what repairs ought to be made to save the money. And then there's assistance to get the repairs completed.

Minister McCallum would have the full details, but we have taken the EnerGuide program that is available generally to Canadians; we've increased the number of resources in that program to make it possible to cover, over the next five years or so, perhaps as many as three-quarter of a million households; and then on top of that, we have made an extension of the program to reach lower-income Canadians who may have thought the EnerGuide program was just inaccessible to them. It's a bit more generous, and I think, quite frankly, that we all have a responsibility to make sure every citizen in this country knows that initiative is available to them.

Typically, they are operated right at a community base. There are people in the community who do the audits, who explain how the system works. I'm sure the Department of Natural Resources would be more than happy to prepare for each member of Parliament an information bulletin that members of Parliament could distribute to each and every one of their constituents to make sure Canadians know how they can gain from this, how to apply for it, how to participate in the process, and thereby end up saving for them and their families perhaps as much as \$400 or \$500 per year in energy costs that they will no longer have to pay.

**Hon. Jerry Pickard:** Now, the other question I have regards the list.

The lists are our lists of GIS and low-income family benefits, so that's very much under control and any misappropriation or errors that pop into the system are pretty well kept in a very concealed area, or are small amounts, I guess. You're always going to have people pass away. We talked about that. That makes a lot of sense.

But how often do these lists get updated, and how do we have the assurance that we can contain any problems within those lists?

**Hon. Ralph Goodale:** In terms of the GIS, of course, they are mailing income support cheques to low-income elderly Canadians on a monthly basis, so there's a very current way to track the GIS. If I remember correctly, the national child benefit is distributed monthly as well. So obviously those lists are updated on a very current basis.

But you are correct to point out, Mr. Pickard, that no system can be 100% perfect. And there will be errors between the time a cheque is processed, mailed, and received—two or three days go by—and according to the statistics, there will be unfortunately 2,400 Canadians who will die in that period of time. That is a fact of human existence that you just can't protect against with an administrative system.

**The Chair:** Thank you, Gerry, and Mr. Minister.

The last two minutes, maybe three, go to Dave Batters. Then we'll suspend the session.

• (1630)

**Mr. Dave Batters (Palliser, CPC):** Thank you, Mr. Chair, and thank you, Mr. Goodale and colleagues, for appearing before this committee.

Given the time, I'll just skip over much of the energy rebate program. I think Mr. Crête already addressed the fact that a number of people have been left out in the cold in this announcement, particularly low-income Canadian couples who do not have children, and also many thousands of seniors who do not receive the guaranteed income supplement, not to mention farmers who, I'm told in my riding, are putting \$1,000 a day worth of fuel into their combines, and also truckers, taxi drivers, and all other Canadians—not only those who rely on reasonably priced fuel to make a living, but motorists in general.

I want to turn to the Liberal government's 1.5¢-per-litre deficit reduction tax on the price of gasoline. The point of this tax, Canadians thought, was to eliminate the deficit. Canadians had every right to believe that once the deficit had been eliminated, this tax would be removed. Thanks to the efforts of Canadians, at the end of 1997, the deficit was eliminated. Since then, the government has continued to charge this 1.5¢-per-litre tax. According to the Canadian Taxpayers Federation, this tax alone has resulted in a \$4.7 billion surplus.

Will you today, Minister, commit to your constituents in Regina and to my constituents in Regina and Moose Jaw, and to all Canadians, that your government will eliminate this deficit surcharge now that there is no deficit? I ask you, sir, how can you possibly justify a tax grab that takes money out of the hands of hard-working families and puts it into the coffers of the Liberal government?

**Hon. Ralph Goodale:** Mr. Chairman, I have four points.

First of all, all of the benefits of the environmental measures that I announced today are fully available to all Canadians; all Canadians are included. It's only the direct income payments that are focused upon the GIS and the NCB.

Secondly, with respect to businesses, the GST is already fully rebated on all of their purchasing, and the fuel cost absent the GST is a deductible business expense.

With respect to the 1.5¢, I would point out that the GST has not changed since 1995. The rate has not gone up since that date. The proceeds that fluctuate because of the *ad valorem* nature of the GST, to the extent that they fluctuate this year as a result of the high wholesale cost of petroleum, are all being recycled back into benefits for Canadians, particularly in terms of energy efficiency. And half of the excise tax on fuel will ultimately be shared with municipalities.

**Mr. Dave Batters:** Minister, I wasn't talking about the—

**The Chair:** Get it on record, then.

**Mr. Dave Batters:** Absolutely.

I wasn't talking about the GST. We're talking specifically about the 1.5¢ deficit reduction tax that Canadians are looking forward to seeing the end of, hopefully. And Canadians have very little faith in your promises to lower income taxes when you and your government have consistently overtaxed working Canadians, and that is why you have amassed massive surpluses, sir.

**The Chair:** Thank you, David.

Your final comment, Mr. Minister.

**Hon. Ralph Goodale:** Mr. Chairman, the fact of the matter is that we have reduced taxes in every budget since 1997, including the two budgets that I presented in 2004 and 2005. And just watch me. We're going to do it again.

**The Chair:** Thank you very much, Mr. Minister.

We're going to take a one-minute, maybe two-minute suspension while we invite Minister Emerson to the table.

• (1634)

(Pause)

• (1636)

**The Chair:** I'd like to reconvene this October 6 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology. We're now into our second hour on our study of the oil and gas price situation in Canada, as witnessed by all Canadians in the days following the terrible hurricanes that rocked the gulf region of the U.S.

We're pleased to have with us Minister David Emerson, the Minister of Industry.

We thank you, sir, for being here. We invite you to keep your remarks under 10 minutes, if you would, sir. Then we will do just as we did in the first round and get everybody on for a five-minute question, maximum.

So I'll have you proceed.

**Hon. David Emerson (Minister of Industry):** Thank you very much, Mr. Chairman.

Honourable colleagues, it's good to be here.

I'd like to introduce, if I may, the one staff person from Industry Canada I have with me. His name is Glenn MacDonell. He is the director of the energy branch in Industry Canada.

We did have a very constructive debate in the House last week on the matter of energy prices and the impact on Canadians. I think there was broad recognition amongst most people that energy prices have become a serious issue for Canadians. I think people also recognize that the international interaction of supply and demand was a fundamental factor driving energy prices on the demand side. Many people recognize that the Canadian and U.S. economies have been a very strong demand-side factor influencing energy prices and that the growth of China has been a huge factor. I think people recognize that there have been some serious issues on the supply side, some of them spontaneous and unexpected, but some of them have been a little deeper issues on the supply side, most notably the general squeeze in terms of demand versus the available production in the world energy hydrocarbon market, which has made the marketplace much more vulnerable to the kind of disruption that was brought on by Hurricane Katrina.

So we have a nice edge in terms of the energy market that not just Canadians but also people around the world are having to deal with. We have seen our vulnerability, and the effect on Canadians has been quite serious, particularly on those at the lower-income end of the scale.

I've been one contributor to the government's response to that. My own view is that the government has put forward a balanced, responsible approach to dealing with energy prices. I don't think it's been a knee-jerk response. I think we've recognized that we need to help those Canadians who are disproportionately affected by rising energy prices and by the spike that we've seen. I think the finance minister has produced a responsible approach to mitigating the effect on lower-income Canadians. I think that the package of changes and programs and incentives that ministers Fontana and Dion have put forward are again another critical pillar under the approach, which is to say, high energy prices are here to stay and we have to, as a society, start moving more aggressively and more quickly toward adjustments that will take us to a cleaner, leaner energy future.

For my part, I've been focusing on the energy marketplace. In cooperation with Minister McCallum, we have been focusing on ensuring that we have the mechanisms in place and the tools in place to ensure that Canadians have an efficient, transparent energy market.

I think every Canadian will have scratched their head and shaken their head in bewilderment at some of the local spikes and wondered why that could be, and they have had suspicions that perhaps the market isn't operating as transparently and as competitively as it should. As a result, it's given me an opportunity to go back and review the Competition Act and the work of the Competition Bureau and to assess whether there are some further enhancements to the Competition Act that could be helpful in an energy pricing context. Again, this is not to be a knee-jerk reaction just to the energy situation, but to recognize that the Competition Act is an act of general application, and therefore any response in terms of changes to the Competition Act should be responsible changes that are applicable across the economy.

In addition to the amendments that are contained in Bill C-19—the changes to the Competition Act, which will be substantial and meaningful changes in terms of improving our ability to ensure a

competitive marketplace—we are going to be proposing to the committee further amendments. Those were announced today.

• (1640)

We will be suggesting that the committee consider supporting change in the maximum fines under the criminal conspiracy pricing section of the Competition Act. Those maximum fines today are \$10 million. We'll be suggesting that those maximum fines be raised to \$25 million, so they're more meaningful in terms of the era we're in and the inflation that has occurred since the \$10-million figure was set. I might note here that the United States has a \$100-million maximum criminal conspiracy fine.

So that is the first additional amendment to Bill C-19 we will be bringing forward.

The second one is again something the committee has familiarity with. It has a long history. Members of this committee have been involved in the debate over the years. Dan McTeague, from the government side, has been involved for a number of years. That's in relation to giving the Competition Bureau more power to instigate market studies to assess where there are apparent irregularities in pricing and behaviour in certain markets. It is to give it the power and authority, with certain checks and balances, to investigate particular markets to see whether there is a basis for further action, either regulatory or through some form of prosecution under the Competition Act.

That tidies up the Competition Act package. Members will know that on the general reform of section 45 of the Competition Act, the section dealing with criminal conspiracy to collude and set or fix prices, there is an ongoing investigation. I think Sheridan Scott has briefed you on that, a consultative process that will culminate in some possible amendments coming forward later on next year.

Members will also know that as a companion piece, Minister McCallum will set up a petroleum price monitoring agency that will be able to work hand in glove with the more strongly empowered Competition Bureau to make sure the information it collects is available to the Competition Bureau and forms part of the essential base of information that we require to ensure the protection of Canadians from anti-competitive conduct, and to identify other areas where government action may be appropriate to intervene in the marketplace to protect the interests of Canadians.

Thank you, Mr. Chairman.

• (1645)

**The Chair:** Thank you, Mr. Minister.

If there are no objections, I'll follow the same order as we had last time. You were all very disciplined in your timing, and I'm requesting the same for this round.

John Duncan, please.

**Mr. John Duncan:** Thank you very much, and thank you, Minister Emerson, for coming today.

You made some comments about reviewing the Competition Act and what they might do or what might be appropriate. We did have them before the committee. They certainly are asking for more resources. I think there was some money dedicated to that today, but they certainly were not shy about indicating how they had been starved, and that there are increases in their mandate that would be very helpful.

In terms of the monitoring agency, you mentioned that you're looking for a transparent energy market. One thing that I think would be very useful, but I haven't heard anyone talking about, is the taxes. It would be very good if the taxes and royalties were also very transparent, because I understand that the inputs to the Canadian economy and to our greater welfare are huge. From Fort McMurray alone, it maybe as much as \$1 billion every six weeks. So I guess I'm asking you if that is something that would be within their public mandate in terms of transparency.

I guess we have living examples of jurisdictions, Prince Edward Island being one, where they monitor and regulate prices. During Hurricane Katrina, prices in Charlottetown increased 35¢ compared with an increase of 28¢ in the rest of the country. So I guess my question is, why should we believe anything will be any different as a consequence of setting up this monitoring agency?

Finally, we have some people agitating for higher fuel prices and elimination of government spending in the way of subsidy—what they term a subsidy—for the oil and gas sector. The monitoring agency that you're proposing amounts to government paying for what the industry currently pays for. So I'm wondering why you are proposing this subsidy.

**The Chair:** Thank you, John.

There are several questions there.

**Hon. David Emerson:** Thank you very much, honourable member.

On the Competition Bureau and starvation for resources, it's clearly our intention and we have attempted heretofore to ensure that the Competition Bureau does have adequate resources to deliver on its mandate. Clearly, with the amendments to the act under Bill C-19 and these further amendments, there will be a further requirement for resources. I believe we have indicated that \$13 million over the next five years is going to be required to give them the additional support they require. They will be provided with the resources they need to do the job; there's no doubt in my mind about that.

In terms of the monitoring agency and whether that will monitor taxes and royalties as well, this is in Minister McCallum's area, but I have to assume that it would be very difficult to give clear, transparent disclosure of what I think of as the energy pricing chain without identifying the elements along the chain and identifying the price components. That's something you'll want to confirm with Minister McCallum.

I will say this, that in any use to which the Competition Bureau would put that data, they would want to be extremely thorough in making sure any sort of pricing anomalies or irregularities were clearly not driven by taxes and royalties. They want to get at anti-competitive behaviour and the pricing conduct of private sector companies. The taxes of governments and the royalties charged by

governments are not a central part of the competitive puzzle other than that they are a cost factor governments have to account for. So I believe we would have to be quite thorough in getting at that part of it.

In terms of regulation, I have not as Minister of Industry been commenting on regulation at the retail end. It's a provincial responsibility—unless we were inclined to declare a national emergency. My own opinion is that a national emergency is not in order right now. What we're going to have to do is ensure that we have the tools and we have the information out there that will do a couple of things. One, it will create deterrents, and I believe that the deterrent effect of changes to the Competition Act and the fact that we are monitoring prices throughout that energy supply chain will change behaviour in the private sector. That will do more, probably, than anything else to give people comfort and have an effect on the way pricing takes place in the market.

Secondly, on the...I forget what I was going to say next.

• (1650)

**Mr. John Duncan:** A subsidy.

**Hon. David Emerson:** Yes, you did talk about a subsidy. What subsidy are you—

**Mr. John Duncan:** Basically, this agency will replace the work M.C. Ervin is doing.

**Hon. David Emerson:** Oh, I think not. I don't view that as a subsidy at all, and I think if it were just a matter of obtaining and assembling secondary sources of information, that could be done relatively easily. I think we're going to have to be creating new information and ensuring that there in fact is value-added created by this agency.

**The Chair:** Thank you, Mr. Minister.

Minister McCallum will be here on October 25.

Next, Paul, please, then Andy, then Brian.

[*Translation*]

**Mr. Paul Crête:** Thank you, Mr. Chairman.

For several years, we've allowed the oil companies and many other businesses to believe that they could do whatever they pleased, without having to worry about the consequences. The government had neither the power, nor the desire to investigate their actions. Admittedly, Mr. McTeague has done some interesting work in this area. Fortunately, he has been persistent, because if we had relied solely on the government...we're still waiting to hear where it stands.

Once the amendments are in place, I hope that we'll be hearing a new message. We'll be following developments closely and hoping for some results.

If the Commissioner of Competition wanted to investigate the profits of oil companies on their refining operations, would these amendments allow her to do that directly? Would she need a minister's warrant or could she initiate the action unilaterally? Who instructs the Commissioner of Competition to investigate, pursuant to this amendment? For example, will the Commissioner be authorized to investigate profits on refining operations?

[English]

**Hon. David Emerson:** Well, I can assure the honourable member that I as minister—and, I would expect, any subsequent minister—would not be directing the Competition Bureau in any way. The Competition Bureau is set up as a legal regulatory body. It is and will be empowered to undertake these investigations. They should not be directed by the Minister of Industry.

There will have to be some general circumscribing of the way that power is used. Obviously there are lots of people in the private sector who would worry that the power might be used, for example, just to go on fishing expeditions, looking for data that may lead to some kind of follow-up prosecution. It will be important that the Competition Bureau demonstrate clearly and disclose clearly where they're going to do these investigations, what they're going to do, how they're going to do it, and how long it would take. But it would clearly not be the Minister of Industry who would be directing it, nor any minister of the Crown.

•(1655)

[Translation]

**Mr. Paul Crête:** So then, who has the authority to order investigations? I wasn't implying that the minister wanted to be in control. I'm simply wondering who will exercise this authority.

[English]

**Hon. David Emerson:** The power would rest with the head of the Competition Bureau. They would look at marketplace activity. They would hear complaints and commentary. They would have access to the information being produced, for example, in the petroleum prices monitoring bureau.

Remember, there are other sectors as well. It could even relate to the professions and the pricing behaviour in the professions, so it's broad-based and would affect the whole economy.

[Translation]

**Mr. Paul Crête:** Therefore, an investigation could proceed without a formal complaint. That means investigations will be conducted if there is a perceived need to evaluate the market. Unlike the situation today, an investigation can be launched in the absence of a formal complaint.

[English]

**Hon. David Emerson:** That's correct. There would not be a requirement for an official complaint.

[Translation]

**Mr. Paul Crête:** Moving on to another topic, according to Option consommateurs, the legal concept of abuse of market power is not sufficiently broad in the act. This organization maintains that the concept should encompass all practices aimed at imposing unfair contractual terms, something that we see in European law. Do your planned amendments go as far as that?

While I'm not saying that the oil sector has been guilty of abusing its dominant position, it's fairly obvious that the potential for that happening does exist. We've seen oil companies cut back on their refining capacity over the past ten years.

Have you considered amending the act so that any practice aimed at imposing unfair contractual terms would be seen as an abuse of dominant position?

[English]

**The Chair:** Thank you, Paul.

**Hon. David Emerson:** Clearly, we're trying to get at predatory pricing and abuse of dominance. If there was a good basis for broadening that provision, it is something we would clearly consider. I have not received any advice to date that there was a requirement to broaden that, but if there is a good case to be made, we'll certainly consider it.

[Translation]

**Mr. Paul Crête:** If we're going to do some housekeeping, we might as well do a good job.

[English]

**The Chair:** Merci, Paul.

Andy, then Brian, then Michael.

**Mr. Andy Savoy:** Thank you very much, Chair, and thank you, Minister, for coming.

As I mentioned to you previously, the seat of the trucker protest we saw approximately a month ago was in my riding in western New Brunswick. Obviously the spike in gasoline prices had a huge impact on the operations of small businesses in the trucking sector, farming sector, and forestry sector. They were looking for deterrents, and I think this achieves that to some extent.

Now, when you were looking at your figures and arriving at the \$25-million figure, number one, what was taken into consideration to reach that figure? Number two, if the Competition Bureau now can initiate investigations on their own, what estimate was used to look at the additional resources required for them in this new operating environment?

**Hon. David Emerson:** In terms of the \$25-million figure, I would be lying to the committee if I said there was a precise science on how to arrive at that number. We looked at the fact that \$10 million was established in 1993, I believe. I understand that inflation alone would have taken that number to about \$17 million by now if it had been indexed to inflation.

But the critical thing is to create a high enough number for a maximum fine so that the Competition Bureau, if it is to pursue investigations and get a conviction, can have a range in which the fine would be in proportion to the gravity of the offence. A broad range is needed because, for some very large companies, \$10 million is barely a drop in the bucket. It was a balance to determine what would be a strong signal and a strong deterrent.

We also took into consideration the fact that over the years there have not been very many successful prosecutions under the criminal conspiracy provisions. It's very expensive and very demanding in terms of resources to bring a criminal case, and it takes a long time. You need a number that is high enough to make it worth your while to expend the resources to go after these cases. Those were the kinds of considerations that were brought to bear.

On the other hand, we didn't want it to be seen by industry to be arbitrary and punitive. I think that we've struck a pretty good balance. The deterrence effect will be there. The administrative monetary penalties that we've proposed in Bill C-19 will be very important, because people in the marketplace will realize that the Competition Bureau doesn't have to sit back until it finds a criminal case to prosecute. In fact, once you can proceed on a civil basis and have a substantive fining authority, I think that behaviour is going to change. People will be more cautious and conservative about pricing practices. I'm quite confident that this is going to work very well.

• (1700)

**Mr. Andy Savoy:** How did that \$25-million figure compare to other jurisdictions? I'm sure there were comparisons done. I know the U.S. is at \$100 million, as you said, but at what figure are other jurisdictions?

**Hon. David Emerson:** I've only looked at the U.S. I can get back to you on that. I don't know what they are in other jurisdictions, but I can get you those figures. We know that it's \$100 million in the U.S.

**Mr. Andy Savoy:** Thank you.

**The Chair:** Thank you, Andy.

Brian, Michael, and then Denis.

**Mr. Brian Masse:** Thank you, Mr. Chairman.

Thank you, Mr. Minister, for appearing before the committee today.

Let me follow up on a line of questioning in terms of the \$25 million.

In your statement, you said that you didn't want the penalty to be punitive to the industry. What type of penalty is it if, first of all, you're looking at the cost recovery of the expenditure to go after somebody for price-gouging consumers and, second, you don't want the industry to think it's punitive?

Last, what type of message does this send to a company like Esso, which had about a \$7.6-billion profit margin last year, for this type of scenario?

**Hon. David Emerson:** I think there's a difference between deterrence and being punitive. To be realistic, most of the prosecutions under the Competition Act are not going to be criminal prosecutions; they're going to be civil prosecutions. To be honest with you, that's the most effective way, because by the time you finish the criminal prosecution, you could have gone through 10 or 15 years of courtroom activity. I think the protection of Canadians is more effectively achieved by being able to move quickly in a civil way. That's why the other changes in the Competition Act are more likely to have an effect and to be a strong deterrent.

Companies like Imperial Oil are also going to be very cautious about their brand and their public reputation. For most companies, their brand is the most important asset. To be subject to investigation and an easier and more transparent review, I think, is going to cause them to modify their behaviour.

**Mr. Brian Masse:** At the end of the day, price fixing will be illegal but profiteering won't. Under the scenario that we've laid out here, for example, how would it have affected the Katrina situation,

where the refining industry had profit measures that were described as spectacular to exceptional? How would this change that?

Once again, it's not based upon price fixing; it's based upon profiteering. That's where they're getting their margins from.

**Hon. David Emerson:** Right, which is why the other amendments in Bill C-19 are so important, because it's those that would have been most important to deal with some of the possible abuse of pricing that may have occurred. I think most people would conclude—and we don't know this because there hasn't been an investigation—that the price spikes related to Hurricane Katrina were unlikely to have been a conspiracy. It's more likely to have been gouging activity, possibly pricing behaviour that might be predatory in some cases, and those are dealt with elsewhere in the act.

**Mr. Brian Masse:** But if this is based on price fixing, how will that affect the new situation? I would ask at this point in time that if we do suspect some improper activity in terms of the industry, what else are you doing to investigate that? People's lives were devastated by Hurricane Katrina. On top of that, across North America people's lives have been turned upside down in terms of paying extra money at the pump. If there's a question mark out there, why don't we solve it and get that money back to people if they have been gouged?

• (1705)

**Hon. David Emerson:** The Competition Bureau in fact is carrying out an investigation right now of the possibility of some abuse of market activity that may have gone on. Until it's ready to disclose that publicly, I can't comment more specifically on it.

There is no doubt that dealing with the situation we've just dealt with is going to take some time, and it's going to take, I think, a change and an increase in the transparency and the level of deterrence that is in the marketplace.

**Mr. Brian Masse:** You noted in your initial commentary that you believed we have to move quickly in terms of energy efficiency and moving into the forefront of that. I still argue for a national auto policy to drive this, but we still haven't seen it yet.

But I would ask, in terms of the administration that you belong to right now, do you believe that the oil and gas industry still deserves the \$1.4 billion in grants and contributions that it gets right now? Wouldn't it be wiser for Canadian taxpayers' money to be invested in energy efficiency, producing and manufacturing automobiles and new products in our country, for example, to get ahead of the technology, instead of handing the money over to the industry itself? Why does it deserve a corporate tax cut, which it's currently getting right now? It continues to get corporate tax cuts. Also, it gets massive subsidies.

If we want to encourage real change, why don't we apply that resource back into energy efficiency and improving our technology so that we burn less, and we don't reward the industry?



**Hon. David Emerson:** I think it's fair to say—and I think you know this, honourable member, as well as anyone here—that we are applying an auto policy right now. We're in the final stages of preparing a document for review at this committee. I've notified the committee chairman that we're ready to come and talk about auto and other sector strategies. We've entered into agreements with auto companies on voluntary emission reductions. The green plan of the government has literally billions and billions of dollars to support the transformation of the economy toward a cleaner, more energy efficient economy.

I would just note, honourable member, that we all like to beat up the energy companies. It's great sport. But if you look at the marketplace today, the Toronto Stock Exchange marketplace has lost something like 300-plus points in the last few days because the energy business is suddenly going sideways. People are fearing that prices are falling. Prices are now lower than they've been for a couple of months in the energy sector. So while we get aggressive and angry about the high prices, there is another side to the spike. We have to recognize that price spikes are spikes. It's a rise and it's a fall, and we have to get in there to make sure that Canadians are protected as much as possible.

But supply and demand is there, and I, for one, would not want to destroy the wealth-creating capacity of the energy industry in this country. You've benefited from it, your constituents have benefited from it, and the people of the country have benefited from enormous amounts of tax revenue and economic spinoff activity from the energy industry. And I, for one, am not about to move in any kind of knee-jerk way to attack the energy industry.

**The Chair:** Thank you, Mr. Minister.

Michael, Denis, then Gérard.

**Mr. Michael Chong:** Thank you, Mr. Chair.

Thank you, Minister, for appearing in front of the committee today.

I'm going to be highly critical, but I hope you don't take it personally.

The reason we're here today is because of high gas and energy prices. A lot of that is out of the government's control. We realize that—at least, I realize that. It has to do with the underlying price of crude oil, and I've said this repeatedly. However, for every cent rise in gas prices, the government's revenues do swell, and the government can do something about it. The very thing the government could do to provide real, substantive relief is to provide for some tax relief, but that's not something the government is prepared to do.

I'm very disappointed. The three things you're proposing—to revise to the Competition Act, to create an office of petroleum price information, and to issue 3.1 million cheques in January—are not solutions to the problem.

The first two I don't find offensive. I don't think they're going to make any difference to Canadians. It's the third one that I find especially offensive—and I mean so in a sincere way. The last time this was done, which was in 2000, the Auditor General criticized the program. Three in four people who got these cheques didn't deserve

to get them. You had 90,000 people who should have gotten cheques and didn't. You had 1,600 prisoners who got cheques. You had 7,500 dead people who got cheques. Yet here we are five years later about to repeat the same mistake. It's something I can't understand.

I know the cheques in 2000 were based on the GST, and the argument today is that it's based on the child tax benefit and the GIS, but in 1996 the Auditor General said more cheques were issued for the child tax benefit than there were actual children in the country who were eligible for it. So that's not going to be a reliable indicator.

In terms of the GIS, there are tens of thousands of seniors who don't know they're eligible, who are poor, low-income seniors who do not collect GIS. So how are we going to provide relief for them when they're not even on the lists?

So this program is just a recipe for disaster. But I think the thing I find most offensive about the 3.1 million cheques that your government is planning on cutting in January is that it's patronizing. It's the type of thing that used to be done in the 19th century. We're supposed to be a modern, 21st century government. Cutting cheques just before an election smacks of patronizing Tammany Hall style politics. It's not the kind of thing that I would have expected out of your ministry or from the Minister of Finance.

We have an opportunity here. We have a massive surplus. We have the first chance in a generation, in arguably two generations, to do something good that will lay the foundation for prosperity in this country for the next 30 or 40 years—that is, to restructure the tax system so that we can provide for some real productivity growth, so that we can encourage Canadian companies to reinvest back into their own businesses. It's one of the shortcomings of our economy. It's something that has been consistently identified. So we can do things like reform capital cost allowance, reform capital taxes, reform dividend taxes. Instead, we're squandering the surplus on this cheap gimmick to issue 3.1 million cheques, most of which probably won't even go into the right hands.

So I ask you, Mr. Minister, when you sat around the cabinet table, why did you not argue with the Minister of Finance and with your other cabinet colleagues to put in smart tax restructuring, smart initiatives that are going to increase Canadian productivity and prosperity, instead of these cheap pre-election gimmicks to issue cheques to 3.1 million Canadians?

● (1710)

**Hon. David Emerson:** Thanks, honourable member.

I think I can understand where you're coming from. I think you're being a little partisan. I think that those Canadians who are feeling the pain of high energy prices, whether it's at the pump or in the home, are certainly not going to be happy to hear you suggest that in fact this is related to election timing. It's related to the fact that we've had a very serious energy spike.

Are we going to get some cheques in the wrong hands? There's no doubt that will happen. In fact, I think we all understand that something like 800 Canadians die every day. It's unfortunate, it's tragic, it's true.

So you are going to be in a world where you're going to get far better than 99% accuracy in terms of ensuring that people get these benefits. You do have a challenge. We are going to have to make sure we communicate with people, that people who are eligible for these benefits are made aware of it. That's going to be a big job.

But I want to say that we do not, and Mr. Goodale does not, view this as a substitute for further tax reform. I am certainly on the same page as you are in suggesting that we need changes in government policy to support productivity, to improve competitiveness, to improve investment in capital, and equipment, and technology in Canada. I think you've probably heard me say that enough times to bore you to tears.

So I am on that page, and I know the Minister of Finance is not treating this as the last step. This a package to deal with the here and now of a very urgent situation that Canadians are facing. To me, I think we have actually avoided the temptation to do something knee-jerk, which wouldn't be effective. You could tweak the GST or you could tweak fuel taxes, but really, it would not hit the people who need the help the most. What we have tried to do is be responsible fiscally and try to get as much benefit as we could into the hands of the people who need it the most.

• (1715)

**The Chair:** Thank you, Mr. Minister.

Denis, Gérard, and Larry.

[Translation]

**Hon. Denis Coderre:** Thank you, Mr. Chairman.

[English]

So instead of having sound bites, I'd like to talk to you about industry.

[Translation]

Indeed, sir, we want to increase consumer awareness and make them more energy conscious. We agree on that point. However, I don't quite understand — perhaps it's a matter of perception — why a country that is self-sufficient in energy must rely more heavily on speculation than on demand. If we look at how prices have fluctuated compared to normal — and we're not likely to see those days again — I'm a little concerned to hear you say that high prices are here to stay.

[English]

So how can we talk about competitiveness and growth when we are facing an oligopoly?

**Hon. David Emerson:** What did you say about oligopoly?

**Hon. Denis Coderre:** Sorry, *oligopole*.

**A voice:** A monopoly.

**Hon. Denis Coderre:** No, it's not a monopoly, it's an *oligopole*. I'm learning English, too.

**Hon. David Emerson:** Faster than I'm learning French.

**Hon. Denis Coderre:** We'll help you.

**Hon. David Emerson:** Thank you.

I think the fundamental reality is this: the price of oil and the whole chain of energy prices is set in the world marketplace. Canada is only a very small portion of the world marketplace. To come to the conclusion that we can control the price of oil within Canada, I think it's just not so.

Moreover, the whole issue of competitiveness in the oil market is not a Canadian phenomenon specifically. Sure, there are parts of Canada and there are parts of industries where we have to watch carefully for anti-competitive conduct. But, as you say, the world oil market is dominated by some very large players, operating on a global basis.

We now have, thanks to the good work of the Competition Bureau, the capacity to enter into investigations with other countries, like the U.S., like Japan, like Australia, to try to get at anti-competitive situations that cross international borders.

To me, when I say that the price of energy is going to continue to be high, it's simply a recognition of the fact that fossil fuels, the available reserves, are not growing as they have in the past. There's going to be an ongoing shortage. We're going to have cost pressures, in terms of energy, from our transformation to a clean energy economy. It's going to be more expensive, it's going to be more costly, but it's something that we have to do, as a society. The whole world is going to have to come to grips with the fact that just to protect the planet we're going to have to change our energy consumption habits. It's going to cost money, but it's an investment we have to make for the good of the world.

[Translation]

**Hon. Denis Coderre:** Consequently, we need to think about a real sustainable development policy. Industrial sectors certainly need to adapt down the road.

Quebec generates hydroelectric power. Our climate provides us with an opportunity to invest further in alternative energy sources, such as wind. The problem is not the future, because I have the feeling that you've adopted a preventive strategy, and that's good. The problem is ensuring that people in need are receiving timely assistance. Contrary to my colleague who claims the government is trying to buy votes, I believe that elderly Canadians who will have to pay more to heat their homes and who will have to choose between paying their heating bills and paying for their medications will be very pleased to see the government redistribute the nation's wealth.

Getting back to questions, it's important to give the Competition Bureau more power. Could our actions possibly be coercive as well? We have the impression that a small group of individuals is controlling prices and jacking them up every Thursday. A long weekend is approaching and prices are poised to increase once again.

We feel that oil companies could be slapped with a fine — and I'd like to close on this note —, but I'm not so sure that we can succeed in getting them to stop complaining as they do all too often that they are victims of global market conditions when in reality, they are really just pocketing more money.

• (1720)

[English]

**The Chair:** Merci, Denis.

**Hon. David Emerson:** I really believe that when you combine the measures that we've put in place—the monitoring bureau that's going to give us better price transparency in the marketplace, the administrative monetary penalties embodied in Bill C-19, more resourcing and more power to do market studies to the Competition Bureau—that is going to have a very strong impact out there in the marketplace.

Lets always remember that the Competition Bureau and the Competition Act deal with anti-competitive behaviour. There is pricing behaviour out there that may in fact be unpleasant. It may be in the category of gouging. The Competition Act is not intended to deal with gouging. It's designed to deal with anti-competitive behaviour as a cause of gouging, and I think we're going to get at that quite effectively.

**The Chair:** Thank you, Mr. Minister.

Gérard, Larry, and then Werner.

[Translation]

**Mr. Gérard Asselin (Manicouagan, BQ):** Minister, this morning we heard from Competition Bureau representatives and put some questions to them. However, I have my doubts about the Bureau's work and the effectiveness of its operations. While the Bureau has been designated as a kind of watchdog, I wonder if it has the necessary authority, staff and tools to carry out its true mission, namely monitoring competition.

Also this morning, I said the intention was to make the Competition Bureau into a real watchdog in the eyes of the multinationals and major oil companies. However, if the Bureau is no more than a little chihuahua that is all bark and no bite, they won't be bothered too much. I'd rather see the Bureau be a watchdog, a real pit bull, that has the necessary resources, tools and authority to do its job, tackle problems and resolve them. That's when the real collusion between the oil companies will come to light.

As Mr. Coderre was saying earlier, we're heading into a long weekend. I'm not a fortune teller, but I predict that tomorrow, Friday, right before the start of a three-day weekend, gas prices will go up. We saw this happen over the Labour Day weekend and during the summer holidays. I also know that when one company makes the first move to raise prices by 2 cents a litre, another company will be the first to increase prices two days later.

I believe oil companies act in collusion. There's no getting around it. And to prove it, the Competition Bureau must conduct a genuine investigation. The government must give the Bureau all of the powers and human and financial resources it needs to conduct this inquiry. There is collusion. I'm convinced of it, sir, and I've no doubt that you're convinced of it as well. You may not admit it, but at least give the Competition Bureau the tools with which to do its job properly.

I believe consumers will then appreciate our efforts to work on their behalf here in Ottawa.

Thank you.

[English]

**Hon. David Emerson:** Thank you very much.

I think it's fair to say that the amendments proposed in Bill C-19 are to do just that. The further amendments we will propose will improve the powers of the Competition Bureau.

We're also suggesting more resources so they can be more effective. They will have access to the information generated by the petroleum prices monitoring agency. They are going to have a lot more resources. They're going to be better than they've been before. I think they're going to be much stronger going forward than they have been looking backward.

When we come forward next year with more substantial changes to section 45 of the Competition Act regarding criminal conspiracy to fix prices, that will be yet another opportunity to ensure that the act is as strong as it needs to be so the bureau can deal with this. As you say, it can be a very subtle and complex phenomenon and very difficult to get at to the standards of proof required by our legal system. But we're moving in the right direction. I think if we can have your support, it will help.

• (1725)

**The Chair:** Merci, Gérard.

In the spirit of cooperation, Werner and Larry are going to switch their order so that Werner can get to his plane. Thank you, Larry.

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

And thank you, Larry, for accommodating my request. That's really very nice of you. Someday I'm sure I'm going to have to pay my debt.

Mr. Minister, thank you very much for appearing here this afternoon.

There are three things that came forward in the emergency meeting we had about two weeks ago on Thursday with the various industry people. There were three things that came out very loud and clear, and they were that taxation levels are too high, that smart regulation or the intrusion of regulations is a major stumbling block, and that there is a lack of a national energy framework. These were the three big things that came forward. And they told us very clearly that the demand for energy is increasing faster than the supply of energy, and it's going to require more than any one particular sector of the energy industry to meet the increasing demand.

So, Mr. Minister, I'm really surprised that when the industry and the consumers and all the rest of us are saying that taxation is too high, you consider any suggestion of changing the taxation system and reducing tax as tweaking it. Mr. Chairman, I just can't understand that at all, because any reduction in taxes is going to be welcomed.

I feel equally strongly about the lack of a national energy framework. This little stuff that's happening—a monitoring agency and so on—important as it might be... Where is the big national energy framework that gives us direction?

I know, Mr. Minister, that you've been a chief executive officer of a huge corporation, and you know the significance of a major framework to go forward. Yet here we have a nation that is a major contributor to energy in the world, and there is no national energy framework. Can you help us and really solve the problem, and help us with lower taxes and smart regulation as well?

**Hon. David Emerson:** When I referred to tweaking taxes, I was referring to the short-term, immediate response to the energy price spike. I was not referring to the fact that I believe we do need taxation reform. Mr. Goodale believes we need taxation reform. It needs to be of both a personal and a corporate nature because we've got a variety of issues around both the personal and corporate tax incentive systems. So we're not precluding that.

**Mr. Werner Schmidt:** Does tax reform mean cut?

**Hon. David Emerson:** Tax reform, to me, will mean that on average we need to reduce taxation levels. I think if you look at some of the studies that are out there, from a competitive point of view there is a need to reduce taxes that drive investment and skilled people away from Canada. So fundamentally, that's my belief.

Does it mean there will never be a tax increase on anybody? No, it doesn't mean that. It just means that federal, provincial, and municipal governments have to strategically and collectively bring the tax level in Canada to a level that ensures that we're going to have a competitive economy going forward, that we are going to attract investment going forward.

We have recognized, through our security and prosperity initiative, that smart regulation is an issue, not just in Canada within the federal government across ministries, but across provincial governments and also across national boundaries. So smart regulation is part of it. Is it a quick fix? I have to tell you it's not a quick fix. It's a messy, detailed exercise that really requires an awful lot of people with a rigorous, disciplined approach to clean up some of the regulatory morass that is clearly in place. And I know that.

On national energy, this government is in fact working on a national energy.... I notice you used the word "framework". It must be that you're too close to Alberta, with your Kelowna roots. Your colleague on the right would have bonked you if you had said a national energy policy.

**Mr. Werner Schmidt:** Well, Mr. Chairman, I can't help it. I have to speak to that, because "framework" is a deliberate use of the word, and there's no way we will ever support a national energy policy.

**Hon. David Emerson:** That's what I thought.

**The Chair:** Thank you, Werner.

Do you have a final word on that, Mr. Minister?

**Hon. David Emerson:** My final word is that we are also working on a national energy framework, and I think it has to recognize that the energy sector is a very important contributor to national wealth. But we do have a transformation in our use of energy going forward that has to take place but not stop the generation of wealth that's so important for our economy and for Canadians.

• (1730)

**The Chair:** Larry, Jerry, David. We're going to try to squeeze in everybody in the next few minutes.

Larry.

**Hon. Larry Bagnell:** Thank you.

First I want to go on record as saying that Liberals don't think that giving out cheques is something from the dark ages or is patronizing. We don't think people getting GST cheques or social assistance or worker's compensation or disability cheques or government pensions is patronizing.

And to all those people in Canada, you'll continue to get your cheques.

I'm glad you've taken the \$565 million and given it to the poor people, because if we'd just given a tax break to everyone, first of all, people like me, who don't need it, would have gotten it. It was proven, when that was tried in the States and in provinces, that a lot of it didn't get through. So it would be less than \$565. A couple of hundred million would have gone to all Canadians, many of whom wouldn't have needed it as much as the poor people.

I'm not sure people are aware of how many people there are—maybe over a fifth of a million people—involved in the energy sector in Canada, feeding their families and having important jobs in that sector, and that it's a very competitive sector. For example, there are liquid gas terminals popping up all over North America. We could lose those jobs, so it's important that we not alter the tax structure or do anything that would make us less competitive.

The second point is about the return on investment. People mentioned figures like \$7 billion in profits. But what is it really as a return on investment when you get into the actual, real figures for the industry, the ones that are important?

**Hon. David Emerson:** I would just say this. The energy resources of Canada and our energy sector are today seen around the world as one of our most critical assets, which is why we see countries like China, like the U.S., like Japan, so interested in creating strong trade and investment relationships with Canada. It is a huge asset. We have to nurture it; we can't destroy it. It has linkages to small communities throughout Canada. It's not just in northern Alberta or in the territories; it's in British Columbia, it's in Newfoundland and Labrador, it's elsewhere in Canada. So it has tremendous reach.

And it's not just multinational oil companies. There are small communities, and there are aboriginal business people and aboriginal workers who are getting a tremendous opportunity to get into the economic mainstream and make a contribution to their families and to Canadian economic life because of the energy industry.

It's absolutely vital, and we should be very pleased as Canadians and proud of the strength of our energy sector and the opportunity it gives us to build a strong, powerful economy going forward.

**The Chair:** Thank you, Larry.

I've just been informed that you two have a flight problem, so Jerry and Dave, I'm going to try to get you to come to your questions as quickly as you can.

Jerry.

**Hon. Jerry Pickard:** Mr. Minister, I want to thank you for the work you've done on the Competition Bureau, Bill C-19. That's really good, and I think your explanations today were very clear.

I think the policy we put forward in helping those who are in greater need in this country than anyone else, to cushion that effect, is important. But I often think information is power. Oftentimes, the general public out there doesn't realize...and so many witnesses come forward today, or have done so in the last few weeks, suggesting that we're not a price-setter, we're a price-taker per barrel of oil.

We have a refining industry that is pressed to the max. We have wholesale and retail industries in the country and they are making profits. One of the things that I think most Canadians don't realize, though, as we go through this chain, is basically the margin of profit or the cost that should be there. When we look at the price of a barrel of oil going up by a dollar, it suggests that 1¢ a litre is a fair match. That's basically where we've been for the last eight or nine years, according to testimony we've heard.

Is there a way that we can notify the public, inform the public and keep them informed, about approximate changes in the wholesale, in the refining, all of that system that we have, so that they know that if the price of gasoline goes to 95¢—and it's very visible, it's on every sign in the country and triggers people's reaction very quickly—they know that's a legitimate variable in the sector itself? In some way we have to get that information to the general public, what's fair in accordance with the world price and the world that we operate in, so they don't feel that every time they turn around they're being gouged.

• (1735)

**Hon. David Emerson:** There is no doubt in my mind that all facts are friendly and the more information we have and the more information we get out to the public, the better understanding there is.

On the question of what is an acceptable profit margin, I think the reality is that you have to be very careful when you talk about profit and profit margin, because while everyone is perturbed with refinery profit margins today, part of the reason why we have very high refining profit margins today is that the profit margins in the past were so bad that we under-invested. As a result, we now have undercapacity in the refining industry in North America, and all of a sudden, because of that shortage of refining capacity, people are feeling outraged that the refining business has become profitable again. Well, it's part of a cycle that tends to go on in terms of these kinds of businesses. They're very profitable for a period, then they go into a period of losing money.

What we have to ensure is that when we think and talk about profit margins, we're talking about the long-term, durable, sustainable profit margins in the business; are they at an appropriate level; and if they're not, are they too low or are they too high? If they're too high, are they too high because of inappropriate conduct in the corporate community, i.e. some form of price fixing or anti-competitive conduct?

**Hon. Jerry Pickard:** Perhaps I may, very quickly.

Two weeks ago, we saw a day when the wholesale price of gasoline in this country went up 2¢ but the retail price in some areas jumped 50¢. The Canadian public didn't have information on that.

I really feel if they knew what the wholesale price was, the retail price rush to the pumps wouldn't have happened. So I think it's an information issue, not necessarily saying exactly what the price should be, but saying, "There is no reason for this. The wholesale price yesterday only went up 2¢, so this shouldn't be happening".

**Hon. David Emerson:** There is a lot of panic behaviour out there.

**Hon. Jerry Pickard:** And we need to protect the public from that.

**Hon. David Emerson:** And there is panic behaviour in other markets.

We see this week the decline in energy stocks that is hitting the market, hurting people's pensions and savings. How much of that is because of all the talk and the reaction to energy prices and energy-producing companies, we don't know. But there is an awful lot that affects the market that is not grounded in solid fact. It's grounded in speculation.

**The Chair:** Thank you, Jerry.

We're in your hands, Mr. Minister. We have only one member who hasn't had his turn. At this hour, do you have a minute or two for him?

**Hon. David Emerson:** I'm happy to do a quickie. I do have a plane to catch and my family depends on it.

**The Chair:** David, I guess you will be really to the point. Thank you for your cooperation.

**Mr. Dave Batters:** Thank you, Mr. Minister. I will be fast.

I thank you for appearing with your colleague.

Canadians will be asking themselves how many studies or investigations can we pay for regarding spikes in gas prices. The monitoring agency for gas prices proposed to be set up by your government is of questionable value. Any Canadian can log on to GasBuddy.com or similar websites to monitor gas prices all over Canada.

According to the Canadian Taxpayers Federation, the Liberal government's tax-on-tax scheme has cost Canadian motorists another \$4.8 billion. The Liberal government has the power to make a real difference in the price Canadians pay at the pumps. Why won't the government use this power and immediately lower gas taxes by simply removing the GST that is charged on top of other taxes? Have you, sir, lobbied the Minister of Finance to stop charging GST on top of other taxes on fuel?

The plan of our party, the Conservative Party of Canada, is to axe the tax on tax. Does that not sound like a reasonable plan, a good plan, for Canadians?

**Hon. David Emerson:** Well, I thank the honourable member.

We are clearly having discussions around what is the most efficient tax system to have. Those kinds of discussions do take place. Minister Goodale, I think, has been very forthright and open to consideration of a number of tax changes on a go forward basis. So this is something that's under consideration.

I would say this, and say it again: if you were to deliver the equivalent amount of benefit that we are delivering to lower-income Canadians and spread it across everybody who's buying gas in this country, you would end up with a very, very small benefit to a lot of individuals, and many of them would be quite wealthy individuals. We believe that as an immediate response to the energy pricing situation, we are delivering the maximum benefit to those most in need.

• (1740)

**The Chair:** You have 20 seconds, and then we'll adjourn.

**Mr. Dave Batters:** With 20 seconds then, Canadians would certainly welcome any help at the pumps, and they don't buy Minister Goodale's argument that 2¢ to 3¢ a litre wouldn't make a difference. It would make a large difference to people in my riding and Canadians generally.

I have two quick questions: how will the price monitoring agency be funded and how much will it cost?

**Hon. David Emerson:** Well, the price monitoring agency is going to be under Natural Resources Canada, under Minister McCallum. It's going to cost \$15 million, it sounds like, over five years. You'd want to confirm that with him.

The additional funding to the Competition Bureau so that we can get involved in market studies self-instigated by the Competition Bureau is not specific to the energy sector. Be clear about that. They could self-initiate investigations in any sector, and it's \$13 million in funding enhancement over five years.

**The Chair:** Thank you very much, Mr. Minister.

Thank you, colleagues, for your cooperation this afternoon.

Everybody have safe travel home and a good Thanksgiving weekend.

This meeting is adjourned.

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