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Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

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• (1535)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Thank you and good afternoon, everyone. Welcome to meeting number seven of the Standing Committee on Transport, Infrastructure and Communities. Our orders of the day, pursuant to Standing Order 108 (2), are the study of the national public transit strategy.

Joining us here today, from Motor Coach Canada, are Doug Switzer, president and CEO, Réal Boissonneault, chair of the board of directors, and Trevor Webb, a member.

I know that you've been given instructions. Please present, and then we'll move to questions.

Thank you.

Mr. Doug Switzer (President and Chief Executive Officer, Motor Coach Canada): Thank you very much.

Good afternoon. I'm Doug Switzer, president of Motor Coach Canada, the national association representing the private transit operators of Canada, the motor coach operators supplying scheduled, charter, transit, and tour services.

Joining me today are Réal Boissonneault, the chair of Motor Coach Canada and president of Groupe Tourcar and Autocar Excellence, and Trevor Webb, director of transit operations with Pacific Western Transportation.

We very much appreciate the opportunity to speak with you today regarding the establishment of a national public transit strategy, an idea that we strongly support and feel is long overdue.

While we support the need for a national strategy, I do have one concern with calling it a "national public transit strategy". I would like to suggest that you may consider renaming it the "national transit strategy". The name "national public transit strategy" implies a limit to the scope of the strategy, a limit that excludes the private providers of transit services.

The important role that private bus operators play in providing transit services is all too often overlooked when discussing transit policy. Strategies for expanding transportation options for the movement of people and reducing reliance on personal automobiles have traditionally focused exclusively on taxpayer-funded public transit systems, ignoring the private bus operators.

We believe it's time for a fresh approach, one that recognizes that publicly funded systems are not the only—or even necessarily the best—way to provide transit services. The private bus industry can

and should be a full partner in the provision of transit services, working with governments at all levels as well as with the public transit systems themselves. We hope that any national transit strategy will reflect that perspective and include the private transit operators in the new strategy.

A fresh approach to the provision of transit services is desperately needed. If this committee's deliberations become simply a process for demanding increased government spending to prop up an outdated service delivery model, it will be a wasted opportunity.

Simply throwing more money at the issue is not the solution. Governments at all levels—and indeed, all across the world—are facing severe budget constraints and continuing to spend beyond our means. Running up deficits is not sustainable.

We need to look at how transit services are delivered to see how we can break out of the same old circular arguments about a lack of funding. We hope this committee will do that when it develops a national strategy. Let me be clear. We do understand that more funding may indeed be needed, but if funding is the only issue addressed by the strategy, the committee will have missed an opportunity to articulate the bold new vision that's needed.

We would like to make three specific recommendations for inclusion in the national strategy.

First, we recommend that transit systems receiving federal funding be encouraged to partner with private operators by competitively tendering for the operation of their bus services.

Second, we recommend that private transit operators be treated the same as public transit operators with respect to tax policies, safety regulations, and other government policies.

Finally, we recommend that publicly funded and operated transportation systems be discouraged from competing directly with private operators, either in scheduled service or chartered services, unless they can demonstrate that the public need and convenience aren't being met by the private operators.

Many municipal transit systems are already successfully partnering with private operators because of the significant savings they can achieve by doing so. One estimate is that nearly a third of the systems in Canada are already contracting out at least part of their services.

Trevor and his firm, Pacific Western, have extensive experience in this area, and I'd like to ask him to take a moment at this point to discuss that experience.

Mr. Trevor Webb (Member, Motor Coach Canada): Thank you, Doug.

Good afternoon. I'm Trevor Webb, the director of transit operations with Pacific Western Transportation. We are a progressive, industry-leading private carrier in Canada, with operations in motor coach charter, scheduled service, and employee transfer. We have significant operations in student busing and municipal transit. Our current inventory of rolling stock is around 3,000 units in Canada. We also operate and maintain the world's largest fleet of hydrogen fuel-cell buses.

PWT, as a private sector leader, ran a comprehensive transit program for the highly successful 2010 Winter Olympics in Whistler. This was an undertaking that utilized approximately 150 buses and provided five-minute transit service at any stop 24 hours per day.

I believe that you've been provided a copy of my handout, but allow me to briefly summarize.

We operate transit systems under two-party and, in some cases, three-party contracts. Usually we provide full operations, including maintenance and operations services, and we can provide vehicles if required.

Our relationship with local governments is a more dynamic and proactive partnership than the public sector operations, while allowing the local government complete control over the provision of services. Private companies bring a higher level of expertise, efficiency, and accountability to the management and operation of systems. The contractor usually assumes responsibility for cost control, and the municipality or the local government divests its responsibility for the day-to-day management of an operational system.

Cost savings of between 20% to 30% over publicly operated systems ultimately translate to more efficient transit service to the public, which has to be the goal if we are to encourage higher ridership in Canada.

With that, I'll turn it over to Doug.

Thank you.

• (1540)

Mr. Doug Switzer: Thank you.

The bottom line is that the savings to taxpayers that can be achieved by partnering with private operators are substantial. A recent study conducted for the Ontario Motor Coach Association compared the operating costs of a group of private carriers with those of large regional public transit operators and concluded that competitive tendering of bus operations could save the public transit

systems approximately 21% on their operating costs. We've provided a copy of that study to the clerk. I understand that he'll be circulating a copy of it to you shortly.

I want to dispel one myth about contracting out services: the idea that savings are achieved by replacing well-paid union jobs with lower-paid non-union jobs. That's simply not true. Most private sector operators that would be able to take on significant transit contracts are in fact already unionized and their drivers are paid wages similar to those of public sector drivers.

Private operators are able to achieve lower operating costs through better equipment utilization, more flexible work rules, lower maintenance costs, and lower management overhead costs—in short, through higher productivity and efficiency levels. These savings can be returned to taxpayers through lower transit fares, reinvested by systems by expanding services, or used to reduce municipal, provincial, or federal subsidies in order to reduce budget deficits.

How the savings should be spent is a decision for governments to make. You may wish to make a recommendation about that in the strategy, but what we can tell you is that the savings are there to be had if we have the courage to change our thinking—and they are substantial.

We would therefore recommend that the national transit strategy contain a recommendation that all transit systems should explore possible partnerships with the private sector for the provision of bus operations. In our view, it should be a requirement for receiving federal funding that such a review of the feasibility of tendering services is undertaken.

Our second recommendation is that governments at all levels cease discriminatory practices that unfairly treat public and private transit operators differently. For example, sales tax is charged on tickets sold by private operators of scheduled bus services, but not on transit fares. Public systems are exempt from some of the safety requirements that private bus operators have to meet. Also, in some cities, privately operated buses cannot use high occupancy lanes whereas public transit buses can.

The national transit strategy should place private and public transit operators on an equal footing as equal partners in the transportation system. Private bus operators should be treated the same way that public transit is with respect to certain tax issues. Private buses should have the same access to infrastructure as publicly operated buses. Also, all bus operators, regardless of whether they are public or private, should comply with the same safety standards.

Finally, it is unnecessary and wasteful of taxpayers' dollars for publicly funded transit systems to expand their taxpayer-subsidized service in direct competition with existing scheduled services being offered by private operators. Expanding public transit service into areas already being served by scheduled service from private operators—and requiring additional subsidies to displace existing services that were operating without subsidy—is a waste of taxpayers' dollars.

It's equally unproductive for government-funded systems to begin aggressively expanding into the provision of charter services—again in direct competition with private operators. This forces the private sector operator to reduce or even abandon their service to that community, which then has to be replaced by more taxpayer-subsidized services. This insourcing by transit systems—displacing viable private services with services requiring taxpayer subsidies—is a trend that should be discouraged as a waste of valuable resources that could be spent better elsewhere.

In the end, the goal of the government-run systems should be to increase services to the public, but not necessarily public services.

With that, I'd like to turn it over to Réal to make a few concluding remarks.

Mr. Réal Boissonneault (Chair, Board of Directors, Motor Coach Canada): Thank you, Doug.

I'd like to conclude by saying that for us the key issue is inclusion in a national transit strategy. For far too long, private bus operators have been on the sidelines of the policy debate over transit services. The development of a new national transit strategy is an opportunity for the government to recognize that we do in fact play an important role in the transportation system and that we can be part of the effort to meet the challenge of providing more and better transit services to the people of Canada.

You can help us to help you improve transit in this country by encouraging competitive tendering for the provision of bus operations, by removing the tax, safety, and other policy distinctions that discriminate against private operators and prevent us from operating on the same level as public systems, and by preventing public systems from competing with existing privately run services.

Thank you for giving us this opportunity. We look forward to your questions.

• (1545)

The Chair: Thank you.

Mr. Nicholls.

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): Thank you, Mr. Chair.

My thanks to the witnesses for their great presentation.

I notice in your presentation that you mention discrimination and discriminatory practices in talking about how “tax is charged on tickets sold by private operators of scheduled bus services but not on transit fares”.

Given that Canadian families are having a tough time making ends meet and getting a budget together, and that living from paycheque to paycheque is quite difficult, are you proposing to put a tax on

transit fares as well? Is that the idea behind the lack of discrimination?

Mr. Doug Switzer: No. I think our intent would be to remove the tax on the private tickets, not to increase taxes on public transit.

Mr. Jamie Nicholls: I see. So would the proposal extend to all forms of transit? To remove all forms of taxation on, say, air transit or train transit...?

Mr. Doug Switzer: I wouldn't speak to that, because I think they're in slightly different businesses than we are.

Mr. Jamie Nicholls: But let's say a VIA train: would you be willing to take the tax off a VIA train?

Mr. Doug Switzer: We certainly would—I don't know if the government would—but we're not necessarily in direct competition with them.

When I say we're in competition, there are instances where we have a private bus operator, say Coach Canada or Greyhound, on one side of the street, and directly across from them there is a public bus system. In Ontario, the GO system is right across the street from them. They're both selling exactly the same service—a bus travelling from community A to community B—but on one side of the street you pay tax and on the other you don't.

The other forms of transportation that you're mentioning, such as airlines, are not necessarily in the same business and competing the same way. I wouldn't want to address their level of taxation as to whether it's fair or not.

Mr. Jamie Nicholls: What about an inter-municipal train that runs on a public service? Would that be a situation similar to that of public transit buses and chartered buses?

Mr. Doug Switzer: You wouldn't pay tax on your train ticket if it was a publicly run system.

Mr. Jamie Nicholls: Right, but if you're taking a VIA train, you'd be charged a tax, I assume.

Mr. Doug Switzer: I don't know. You'd have to ask the train industry about that.

Mr. Jamie Nicholls: Do private transit operators have any existing partnerships in Canada?

Mr. Doug Switzer: You're talking about contracting out...? Yes, about a third of the systems in Canada currently contract out some portion of their operations. Quite often it's not the entire operation. They usually keep some portion of the system run by the municipality and contract out a portion. But in other cases, it's entirely contracted out.

Mr. Jamie Nicholls: Would you be able to table any reports or figures on their success?

Mr. Doug Switzer: Sure.

Mr. Jamie Nicholls: Thank you.

I'm going to share the rest of my time with Madame Morin.

[*Translation*]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): Thank you for joining us today.

In your presentation, you said that operating costs would be lower through better equipment use, more flexible work rules, lower maintenance costs, and lower management overhead costs. But we should not sacrifice passenger safety for profit.

I am interested in Great Britain's case where public transit was privatized, including trains and all sorts of public transport modes. But the number of accidents went up and the private infrastructure company in charge went bankrupt. The UK national audit office found that the savings from privatization were 40% less than what was anticipated. There was a permanent fare increase of 20 to 30% for public transit passengers.

Could you tell me how you will make sure that operation costs will be lower if agreements are signed with the private sector?

[*English*]

Mr. Doug Switzer: Public-private partnerships, like any government policy tool that is used, are not universally perfect. You can always poke holes in the idea of contracting out or of public-private partnerships by pointing to places where it hasn't worked well. Not all of them have been perfect.

Many more have been. There are many more examples of highly successful partnerships. As I said, it's not a new concept in Canada. Many municipalities are already doing it.

• (1550)

[*Translation*]

Ms. Isabelle Morin: How do I know that things will work with you? You have just reassured me that operation costs will be lower. How can you be sure?

[*English*]

Mr. Doug Switzer: Because it has been demonstrated in many other municipalities. I think the answer to the London example you gave us was that it happened in the seventies, when the idea of contracting out was in its infancy. As with any new idea, people made mistakes at the beginning. I'm not an expert on what happened in London, but the fact is that this was a leading-edge idea at the time. There have been many, many more successful public-private partnerships since then.

The reality is that right now if you look at Ontario, for example, with which I am more familiar, you'll see that in the Toronto area, out of ten operators of buses, eight have better safety records than the government-run GO system. So if you just look at the actual performance, forgetting the contracting-out circumstance, the actual performance of private motorcoach businesses is comparable with, if not better than, the safety records of public systems.

[*Translation*]

Ms. Isabelle Morin: On another topic, you have asked for provincial subsidies for your company. I guess you are in favour of

federal grants from the gas tax fund. I also understand from your report that you want the Department of Finance to take action in order to guarantee services where there is a demand.

Could you tell me what your take is on the federal government's role in establishing regulations for a project like that?

[*English*]

Mr. Doug Switzer: I want to clarify that. I don't think we asked for a subsidy. We're not asking for a subsidy. We're actually offering to return a subsidy to the government. We would operate it at a lower cost than the currently subsidized system. We're not looking for a subsidy or a break on fuel taxes. That's not part of what we're asking for.

[*Translation*]

Ms. Isabelle Morin: I have no further questions.

[*English*]

The Chair: Mr. Coderre.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Good afternoon, gentlemen.

Earlier we were talking about safety. Are you saying that the public transit system puts people's lives in danger? Are you telling us that there is currently a safety issue with public services? I'm a bit worried about that.

[*English*]

Mr. Doug Switzer: No, I don't think we're saying that at all. We're saying that we're comparable to the public systems.

Safety is always a relative thing. There's no such thing as a perfectly safe system. Today, as we speak, in the city of Toronto a debate is occurring about having mandatory drug testing for TTC drivers because of an incident in which a TTC driver allegedly under the influence of a narcotic caused an accident that killed a passenger. Would I say that it's an unsafe system? No, but I would refute the argument that it's any safer than a privately run company.

[*Translation*]

Hon. Denis Coderre: I am trying to understand, Mr. Switzer. I know that your role is to make a profit, and that's fine. Your job is to say that things will cost less with you, that you are going to give us more, and that you are much more competent than the current public system in terms of safety. That is what you said.

It is important. Your company's role and that of other transit companies is first and foremost to provide good service. So the issue of safety is extremely important.

Do you have any studies with you to show us that, if we chose to use your services under a PPP—public-private-partnership—your services would be much safer than those currently provided by the public sector?

[English]

Mr. Doug Switzer: We can certainly give you information that they are as safe. I frankly don't want to get into a debate about which is safer than the other—

Hon. Denis Coderre: You started it.

Mr. Doug Switzer: No, actually she started it, by accusing us of being less safe.

Hon. Denis Coderre: She was asking a question.

Mr. Doug Switzer: The point is that I don't think there is anything particularly ennobling about being paid out of the public purse or particularly demonizing about being paid by a private company.

• (1555)

Hon. Denis Coderre: I'm a Liberal, which means I'm at the radical centre, so I don't have any problem with profit and I don't have any problem with services. I want to make sure that the person who is receiving that service is safe, and if your goal is profit, I want to make sure that the service is inclusive, that everybody using a service has the capacity to have that service.

So the discrimination is not just based on your tax issue; it's a question of whether, if you have a monopoly or you are taking over a service, you will eventually have the capacity to raise those prices so that you will provide fewer services for those who are supposed to have them through public transit at a certain level. Okay?

Mr. Doug Switzer: Right.

Hon. Denis Coderre: And I'm not in philosophy, so we're talking about the real thing here.

Mr. Doug Switzer: Absolutely, and again, we can provide the committee with information on the safety record.

But again, as part of our presentation, too, one of the areas of inequity, which I want to touch on just briefly, is that right now many of the public systems operate on lower safety standards than private carriers do. We have to do things that they don't. Basically, they have exemptions from some of the requirements—

Hon. Denis Coderre: That's an important issue, because at the end of the day the public sector is accountable. It's not the same accountability at the private level as at the public level, and that's why it's important that.... It's a kind of hybrid way now; it's not just a private thing or a public thing. If there's a PPP, there are some regulations that you have to take a look at and that you are bound by.

[Translation]

I want to make sure that everyone has access to the appropriate service so that there is no discrimination. I think that is what you mean.

[English]

What's the difference between service and profit? If you're saying you want to have the same fiscal approach as the public sector, you will still have a profit. You'll have a bigger profit. How do you guarantee that the money you make because of that will truly be reinvested in the services so as to have an impact on ticket prices for future users?

Mr. Doug Switzer: Actually, I would answer that by going back to the accountability issue for a moment. The way you guarantee it is through the contract.

The process, to simplify it somewhat, is this. A municipality is currently operating a system that costs them a million dollars a year to run. They put it out for tender, companies bid on it, and they will now operate it for \$800,000 a year. The municipality, in that contract with them, will set out the standards they must meet in terms of routes and fares. All of those service issues remain in the control of the municipality running the service. The municipality tells the operator that they must do this and they must do that. They set those service standards.

As to where the money is reinvested, the money isn't going into the bus company's pocket. The extra \$200,000 in savings stays in the municipality's pocket. That's why I said the way that you spend the \$200,000 is up to the government. You can use it to reduce your—

Hon. Denis Coderre: Here is my last question.

Mr. Doug Switzer: Yes?

Hon. Denis Coderre: I'm new in this portfolio. Are there any studies already in existence or are there any examples of cities or areas in which you already have a PPP that is working?

Mr. Doug Switzer: Yes. Trevor's firm operates—

Hon. Denis Coderre: That's one? Okay.

[Translation]

What about you, Mr. Boissonneault?

Mr. Réal Boissonneault: As you know, we have intermunicipal transport boards or CITs in Quebec. That is exactly what happens in all Montreal CITs. The CITs say what service they want. They call private companies and ask for bids to find out who is going to offer the service at the lowest cost. At the same time, they are the ones deciding on the service they are requesting.

The private company has a three-year or a five-year contract, depending on each case. The company had better do a good job if it still wants to be there in five years. Otherwise, another company will be called in. Yes, it must make money and survive, but it also has to provide the service. If all it does is pocket the money without providing the service, it is not going to be there in five years. That is not the objective of a private company. The objective is to be there in five years and to keep on being there.

That is exactly what is happening right now, and those models are working very well.

[English]

The Chair: Mr. Albas.

Mr. Dan Albas (Okanagan—Coquihalla, CPC): Thank you, Mr. Chair.

I'd like to thank our witnesses who are here today.

I was a city councillor in the municipality of Penticton. About 30 years ago, Penticton was one of the first early adopters of public transit. We have always had a lot of seniors in the community. It was felt at the time by the city elders that they should invest in public transit. They have actually had, for almost the whole 30 years, Berry and Smith, which has operated with an excellent safety record.

Also, just to appease the concerns that have been heard about safety and accountability, on a regular basis at the transit committees or at city council we would receive updates, and if there were questions from the public, I guarantee that they were getting service right away.

So I certainly am glad to hear that we have other institutions that are serving the public, but my first question actually has to do with asking you to elaborate a bit on transit systems receiving federal funding being encouraged to partner with private operators by competitively tendering the operation of their bus services. At previous meetings, we've discussed the necessity to come up with a formula, maybe, to make sure there are enough users to pay for a system, but I'd like you to just elaborate a bit more on this, because there might be some other criteria we may want to consider moving forward.

● (1600)

Mr. Doug Switzer: I think our suggestion is a fairly soft suggestion. We're not suggesting that every municipality has to contract out if they're going to get funding. Again, we're not rigidly ideological about whether public or private is better. Both bring things to the table. Both have strengths and both have weaknesses.

In some cases, it may not make sense for a municipality to contract out, but what we're suggesting is that part of the formula should be some evidence that there was at least a study done or a pilot run—some evidence that the municipality gave consideration to this tool. And that's really what it is: contracting out is a tool. It doesn't work in every circumstance. You don't use a hammer when you need a saw, but when you need a hammer, it's a good hammer, so use it. That's what we're suggesting. You may want to make it a requirement that they look at whether it would make sense in their community and, if it does, that they try it.

Mr. Dan Albas: I appreciate hearing that, simply because if, as you said, there are 20% to 30% lower costs, this may make some public transit options that may not meet the user fee formula we were discussing a real option there. I appreciate that.

I have another question. Just to go back to the profit model, if you're in business, you're in business to serve. You don't make profits unless you're looking after your clients. Just getting back to that, profits are a good thing, because it shows that the contract is being looked after and looked after well.

In talking about levelling the playing field, I'm very alarmed to hear that there are some cases where public systems are exempted from the safety requirements that private bus operators have to meet, and that in some cities privately operated buses cannot use high occupancy lanes while public transit buses can, and then the sales taxes.... Are there any other specific things where there isn't a level playing field, in your opinion?

Mr. Doug Switzer: No. I think those are the three that jump out the most.

On the safety issue, again, I really don't want to get into "we're safer than public transit" or "they're safer than we are", but I think it is worth noting that the bar is higher for private operators than it is for public operators. It's not usually substantial. For example, GO Transit is exempt from underbody inspections that private carriers have to do. They're expensive, and they're annoying for our guys, and that's why GO got exempted from them: so they could save money.

The idea that the private companies cut corners to save money and public entities don't is not actually true. Public entities find all kinds of way to save money.

If I could, I want to speak to you just for a second on the idea of profit. Companies measure profit in dollars and cents, but public entities also make profits. There is a political profit motive, where councillors or politicians will make decisions with respect to the operation of transit systems based on votes. That's a form of profit. All of these systems are run by people who are, to one extent or another, self-interested in doing their thing.

Accountability is actually stronger in a contracting-out situation because, as Réal pointed out, if you don't live up to the level of service the contractor expects, you lose the contract. If you're a public entity and you don't live up to a certain level of standard, well, there's an internal argument.... How accountable are they? Theoretically, they're accountable to their councils, but they are like any big bureaucratic institution.

Accountability in big bureaucratic systems is a difficult thing to nail down, whereas in a contracting-out system it's much more black and white: this is what you're expected to do, this is the safety record we expect, this is the service level we expect, and if you don't do it, you're gone.

● (1605)

Mr. Dan Albas: You also mentioned there's a broad amount of experience related to coming up with these agreements so that municipalities can win and, obviously, the private operators would have a level playing field. Would your organization or the associations you participate in have any kind of best practices that would help the committee further your inclusion of some of these ideas?

Mr. Doug Switzer: We don't, but frankly that's something we would like to encourage the federal government to do. That could be part of the strategy: the provision to municipalities of a manual, if you want to call it that, for best practices for contracting out, to make it easy for municipalities to understand how they should do it. Again, as was pointed out, mistakes have been made. There have been unsuccessful P3s over the years, but there have been many more successful ones. Codifying that and putting it down on paper is perhaps a very useful exercise, and maybe it's something that could come out of this process.

Mr. Dan Albas: That's great. Thank you for your time.

The Chair: Mr. Poilievre.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): Thank you for an excellent presentation.

Let's start with your first point: "that transit systems receiving federal funding be encouraged to partner with private operators by competitively tendering the operation of their bus services". Can you give me some examples of where this kind of thing has been done before?

Mr. Doug Switzer: Sure.

Trevor, maybe you could, since you actually do this.

Mr. Trevor Webb: As I mentioned in my presentation, we do two-party and three-party contract arrangements and we receive federal funding. In British Columbia, for example, the federal government puts a lot of money into transportation. That is part and parcel of some of the capital costs associated with operating the fleet.

In British Columbia, for most of the locations, there is a three-party system with a crown corporation and BC Transit, and in fact they provide the rolling stock for many of the operations in British Columbia.

Mr. Pierre Poilievre: Can you give us an example of where there have been partnerships with private operators?

Mr. Doug Switzer: Sure.

Réal.

Mr. Réal Boissonneault: There are some in the Montreal area. There are a lot of them in the Montreal outskirts, not in downtown Montreal, on the Island of Montreal. But in all the suburbs of Montreal, that's the way it is. This is what I was explaining—

Mr. Pierre Poilievre: They just contract out—

Mr. Réal Boissonneault: Yes.

Mr. Pierre Poilievre: —to a private bus operator.

Mr. Réal Boissonneault: Yes, they send out an RFP to carriers that want to bid on that.

Mr. Pierre Poilievre: Do they just reimburse on a per-passenger basis?

Mr. Réal Boissonneault: No, it's per hour. There's a base contract, but it's mainly per hour of services.

Mr. Pierre Poilievre: Does the municipality prescribe routes? How does that work?

Mr. Réal Boissonneault: What do you mean? The money goes back to the municipality.

Mr. Pierre Poilievre: I understand, but who actually determines the routes?

Mr. Réal Boissonneault: The municipality does.

Mr. Pierre Poilievre: So they determine the routes.

Mr. Réal Boissonneault: Absolutely. It's in the RFP.

Mr. Doug Switzer: If you're looking for some examples, in the Ontario area, Milton contracts out theirs. The City of Vaughan contracts out theirs. A number of municipalities do.

The fact is that most people don't know this, because when you contract out, the buses usually are painted with the city transit colours. They don't run as a Coach Canada bus or a Greyhound bus. They run as City of Vaughan buses, but they're actually owned and operated by a private company.

Mr. Pierre Poilievre: Second, you say "that private...operators be treated the same as public...operators with respect to tax policies, safety...". Are you just talking about the taxes on fares or are you talking about gas taxes paid? Where is the tax inequality right now?

Mr. Doug Switzer: It's primarily on fares. That's the major irritant. We're not suggesting that they be exempted from paying corporate taxes or anything like that. In fact, it's not really the tax treatment of the company, it's—

Mr. Pierre Poilievre: It's the passenger.

Mr. Doug Switzer: Exactly: it's the taxes the passenger pays to use the service.

Mr. Pierre Poilievre: Okay, got it.

We don't have a lot of time. Forgive my ignorance on this point, but do public transit operators pay the gas tax, the excise tax?

Mr. Doug Switzer: That's a good question.

A voice: They do.

Mr. Doug Switzer: I think they do.

Mr. Pierre Poilievre: They do?

Mr. Doug Switzer: They do.

Mr. Pierre Poilievre: So there's already equality in that regard. Your concern is with the passenger fare.

• (1610)

Mr. Doug Switzer: That's right. Our concern is not our taxes; it's the passengers'—

Mr. Pierre Poilievre: What about the tax credit for public transit use? Would you recommend that it be extended to those who buy fares from private operators?

Mr. Doug Switzer: Right. The basic principle is exactly as you said: the taxes are paid by the customer, not the company.

Mr. Pierre Poilievre: Okay. That's good.

The bottom line here is that the savings to taxpayers that are achievable by partnering with private operators are substantial. Tendering bus operations could save public transit systems up to 21% on their operating costs. To what do you attribute those savings?

Mr. Doug Switzer: Essentially they're attributable to more efficient operations, to three mechanics doing the work instead of six—

Mr. Pierre Poilievre: Okay.

Mr. Doug Switzer: —and management overhead costs and that sort of thing.

Mr. Pierre Poilievre: Do you have data to back this up other than an assertion here in these remarks? Can you provide the committee with some factual support, with some studies?

Mr. Doug Switzer: We can. It's in the study that the clerk is going to circulate. I will say that the analysis in there isn't a complete line-by-line breakdown. We unfortunately couldn't provide that because the information was provided by the private operators on a confidential basis.

Again, Trevor's experience has been that there are 20% to 30% savings. There are a lot of studies around the world. We can provide you with lists of those other studies from other jurisdictions as well.

Mr. Pierre Poilievre: You say that most private sector operators that would be able to take a significant transit contract are in fact already unionized. Why is that relevant?

Mr. Doug Switzer: It's relevant because usually the criticism of contracting out is that you're doing it on the backs of the driver by slashing well-paid union jobs and replacing them with low-paid non-union jobs. Our point there is that it's not true. In fact, it's usually the same union. It's usually the Amalgamated Transit Union on both sides.

The savings—

Mr. Pierre Poilievre: That would seem to limit the competition, then, wouldn't it?

Mr. Doug Switzer: Well, it costs about \$125 an hour to run a bus. The driver usually gets paid about \$25 an hour. The cost savings come in the other hundred dollars.

Mr. Pierre Poilievre: Okay, but that said, I don't think we should be discriminating against operators that are non-unionized—

Mr. Doug Switzer: Not at all.

A voice: No, not at all

Mr. Pierre Poilievre: —because those workers matter too.

Mr. Doug Switzer: No, we're not suggesting that. We're just saying that's really not legitimate criticism of contracting out.

Mr. Pierre Poilievre: Next, a private operator should be treated in the same way that public transit is with respect to certain taxes....

Oh yes, on your last point in your brief, you say, "Finally, we would suggest that it is unnecessary and wasteful of taxpayers' dollars for publicly funded transit systems to expand their" operations in direct competition with...private operators".

Can you give examples of where this has occurred?

Mr. Doug Switzer: Sure. In Ontario recently, GO Transit proudly expanded their service to the community of St. Catharines by running GO buses from St. Catharines to Toronto. There was already an existing Greyhound bus service. Again, it's a case of them literally opening up across the street from the Greyhound terminal, and they started cannibalizing Greyhound's business.

Mr. Pierre Poilievre: Would you suggest, then, that the federal government require that there be an examination of whether there are existing or potential private sector alternatives prior to considering a federal capital investment in a public transit market?

Mr. Doug Switzer: Yes.

Mr. Pierre Poilievre: Thanks.

The Chair: Thank you.

Ms. Chow.

Ms. Olivia Chow (Trinity—Spadina, NDP): Right on that line, I notice that in 2009 you threatened—I'm sorry, Greyhound, not you—to pull all bus routes out of Manitoba, and most of the bus routes in northern Ontario. That was 30 jobs in northern Ontario and 200 jobs in Manitoba.

Then, in January 2010, there was again a cut to 60 communities across eastern, central and southwestern Ontario: Barrie, Orillia, Alliston, etc. Is the Greyhound business shrinking or is it growing? It sounds like a lot of those more remote communities are losing their bus services.

• (1615)

Mr. Doug Switzer: That's right.

Ms. Olivia Chow: Is it because you can't cross-subsidize them or is it because they're just not making enough money? There used to be a lot more services in northern Ontario. I've taken many of those Greyhound buses. Now some of them either don't show up for a long time or they don't go there at all—

Mr. Doug Switzer: Right—

Ms. Olivia Chow: —which cuts off all the services and makes it really difficult. It's not as if they're replaced by GO buses that go to Wawa, for example.

Mr. Doug Switzer: Right.

Ms. Olivia Chow: I know the Wawa bus was saved, but that seems to be the trend. I also notice that there's consideration of cutting bus services in Alberta, Saskatchewan, B.C., Yukon, and the Northwest Territories. I was speaking to folks in Yukon and they said, "My gosh, there's no way for us to get from one community to another because Greyhound is not running their services". So.... You're shrinking your service.

Mr. Doug Switzer: That's probably true. There's a couple of different issues there. What we're talking about now is the provision of transit services, which are government-funded transit services, to support communities—

Ms. Olivia Chow: That's not what I'm talking about, because—

Mr. Doug Switzer: No, I know you're not. In those cases, I guess that really the answer then is that they are private sector companies. They need to operate to make money. If there are not enough people who want to take that service, then they cut the service.

But if it's important for the government to have that service there, perhaps it should be taken over as a transit service with a subsidy paid to the bus company to keep them operating that service, just as there are subsidies for transit systems.

You're right. In remote communities, it's hard to maintain bus service to all points if there isn't the ridership to justify the service.

Ms. Olivia Chow: But bus ridership, say in Toronto, even though the density is higher than in Whitehorse, let's say... Even in the city of Toronto, most of the bus routes, with the exception of the Spadina streetcar, are subsidized by somebody, because the fare box itself is not enough. Even though it's 80 cents per dollar in the fare box, which is the highest you can possibly get, it still takes the 20 cents to subsidize them.

So really, you are asking that the federal government and/or the provincial government subsidize some of the private operators in order to continue to run services in the remote communities. Am I correct?

Mr. Doug Switzer: No, not really. I don't think we're making—

Ms. Olivia Chow: So how would you be able to continue the services? Because in the last 20 years, it's been shrinking.

Mr. Doug Switzer: Well, again, it's sort of a different issue than the provision of public transit services. But I guess if you wanted to roll that into it, you might say that we should expand the concept of public transit to some of these intercity bus operations and find a way for government to play a role in encouraging private operators to continue those services by giving them that 20-cent subsidy.

Just as you say, the fare box doesn't cover the cost of running the service. When the fare box doesn't cover it for a public entity, they can get a subsidy. For a private company, when the fare box doesn't cover it, if they're the ones providing the service, they will have to withdraw the service.

Ms. Olivia Chow: Okay. Let's put aside "private" and "public". Let's assume that the word "public" is out of the bill, okay? Let's call it a national transit strategy—

Mr. Doug Switzer: That's right.

Ms. Olivia Chow: —or transportation strategy, whatever you want to call it. Ultimately, there has to be a plan so that residents in Mount Pearl in Newfoundland, or in Yukon or Wawa or Sault Ste. Marie, will be able to continue to get some kind of service if they don't drive, especially seniors or young people going to school. These people need to have a way to move about.

Don't you agree that the federal government should try to bring together all the players to come up with some kind of plan? We need

to figure out a way to sustain this transportation mode so that the service is available. Eventually, one way or another, someone has to pay something and that has to be on the table to be discussed. My concern right now is that there's no forum for that to be discussed other than when things break down and services get cut and everybody runs for cover.

Mr. Doug Switzer: I couldn't agree with you more. That is the bottom line of our presentation. We're not usually on anybody's radar screen, in government or out of government, until there's a crisis. We would welcome that kind of constructive dialogue about how we maintain those services.

The Chair: I have to stop you there.

I live in Manitoba and we had some services reduced. To answer Ms. Chow's comment, it was a provincial decision. They had the contract with the supplier of the service, which at that time was Greyhound, and they had to make the decision as a provincial government about whether they would continue to top up the fare box to provide services, particularly to northern communities.

I think that whether it's public or private, if you have to pay to get somebody to that service, the private company can provide it; it's just a matter of how much the subsidy is going to be. Or the public service can, depending on how much they're willing to shell out. Would that be a correct statement?

• (1620)

Mr. Doug Switzer: Yes, I think that's fair.

The Chair: Yes, because I know Greyhound continues to provide that service. I'm sure their margins are a lot smaller, but they're still providing that service which we desperately need.

That was my question. How do we come up with a policy that...? We talk about providing transit in Toronto or Montreal, but I don't have that luxury. How do I benefit from a national transit strategy that doesn't provide any services to me?

Mr. Doug Switzer: Right. As I said, that's something that should probably be included in it, how we deal with that.

In fairness, it widens the scope considerably when you talk about the whole health of the motor coach industry. There are a lot of other issues around economic regulation, and our industry faces a lot of challenges.

I know that the government did a study on the health of the intercity bus industry a couple of years ago. There were some recommendations in there as well about how to improve the overall intercity bus industry. So for us there are certainly a lot of other challenges beyond the whole issue of transit operations specifically and how we maintain intercity services.

The Chair: Mr. Watson, I'll charge my time against you. You have about 30 seconds.... No, you have three minutes.

Mr. Jeff Watson (Essex, CPC): You're such a good man, Mr. Chair.

With friends like him.... Anyway, he's off my Christmas card list now.

Gentlemen, thank you so much for your presentation today.

Forgive my ignorance, but I'm trying to explore the boundary of where the private ends and the public begins here in your presentation.

Just so I'm clear, are you encouraging the federal government, in terms of a national transit strategy, to continue providing funding for capital improvements to transit systems, or are you now arguing that the federal government should also be involved in the operational costs and should therefore consider the operational costs of transit systems?

Mr. Doug Switzer: The distinction is sort of moot. It depends on how you do the contract. You can contract out the capital cost as well. There are different models for contracting for the services. In some of them, the municipality owns the rolling stock and the company just provides the management and drivers. In other cases, you can contract out the capital risk as well, and the private company buys the buses and brings them to the table. It's not just a capital and operating issue; it can be both.

Mr. Jeff Watson: Okay.

Mr. Doug Switzer: We're suggesting the idea be included that contracting out is an efficient tool and that municipalities should look at that. There are different ways in which they can use that tool.

Mr. Jeff Watson: I see. Okay.

Returning to the question of safety requirements, you're suggesting that some public systems.... You mentioned that no underbody inspections are performed by GO Transit. Are there other examples where there is an increased safety burdens on private operators or carriers that isn't borne by public transit authority systems?

Mr. Réal Boissonneault: I know there are some in Quebec. We have what we call the PEVL—I don't know the exact translation—which is a program of evaluation of the performance of a company, of a carrier.

If a driver loses points by driving too fast, or if we have a mechanical problem or something, we lose points. We have, I don't know, 15 points or so, and if we lose too many points we go before the commission. We have to make some serious adjustments or we lose our permit and cannot operate any more.

But those public transit authorities don't have that at all.

•(1625)

Mr. Jeff Watson: Okay.

In terms of the role of the private sector, is there a model you're recommending as being better than another? For example, is it 100% private provision? Or are we talking about fifty-fifty? What is the best example out there? What is the model you think is best for Canada?

Mr. Trevor Webb: There is a variety of models: everything from the municipality owning the equipment to the private contractor providing all equipment and services. It works out as what's best for the local government in that particular location.

Mr. Jeff Watson: Are there differences between the capital and operational costs of private versus public? If so, what are they?

Mr. Trevor Webb: If we go back to using the example of British Columbia—

Mr. Jeff Watson: I don't mean just operational, but on the capital side as well.

Mr. Trevor Webb: There is very minimal capital required of an operator in British Columbia because the crown corporation, BC Transit, supplies the actual buses. There's your largest cost of capital.

In Alberta, for example, we have systems in which we own the buses and provide all services, and we have other systems in which the municipality actually owns the rolling stock.

Mr. Doug Switzer: It's hard to say that there's one perfect model. If you look around, TTC is one kind of transit system, and it's a very different beast from Transit Windsor or one in a small community that only has a half a dozen buses operating. It's hard to say that one model fits all, because transit systems come in all shapes, sizes, and colours. It's whatever works for the local community.

The Chair: I have to interrupt there.

I thank our guests for being here today. You've added a different perspective to our study, so we appreciate your time today.

Committee members, we're going to take a quick break. Our other guest is here. We'll get him moved into the chair and continue.

• _____ (Pause) _____

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•(1630)

The Chair: Welcome back to part two of the Standing Committee on Transport, Infrastructure and Communities.

Joining us today from Encana Corporation is Dr. Sam Shaw, vice-president, natural gas policy development.

Welcome.

In front of you is a powerpoint presentation. I'll ask Dr. Shaw to begin and then we'll follow with questions.

Dr. Sam Shaw (Vice-President, Natural Gas Policy Development, Encana Corporation): Thank you so much.

Members of the committee, thank you for allowing me to be here today.

I share your interest in public transit, having used regularly the LRT in Edmonton, the GO Train, the subway, buses in Toronto, buses in Vancouver, and buses in Halifax, and once I'm through my residential renovations, I will be using the LRT in Calgary.

But today I wanted to give you a different perspective on public transportation, and that is about using a different kind of transportation fuel, that is, looking at natural gas. It is being deployed throughout North America by a number of public transit authorities. It is now accounting for 20% of all new bus orders, because natural gas is abundant, affordable, clean, and reliable. I think it's important to understand those concepts.

On the next slide that we have here, which I am sure will challenge your reading ability, suffice it to say that for anything I say that is forward-looking, as an investor in Encana, or as a future investor, please take it with caution. Now we can go on to the next slide.

In terms of looking at Encana, I just want to give you a very quick overview. It is a Canadian company. We have natural gas plays throughout North America. Again, one of the key elements to our portfolio is that, in terms of looking at providing that for different jurisdictions, we're the largest producer of natural gas.

As we start looking at one of the elements in terms of natural gas, as I indicated, it's not only abundant—and I'm going to show you something around that—but affordable, and it's clean. So it may be looked at in terms of deploying that not only for the public sector, but also in terms of end users. Also, it's reliable, and it certainly is a domestic solution, which is an important consideration when you're looking at fuel sources.

One of the elements around natural gas is that, again, it offers a competitive price for vehicles. This is important as you start looking at public transit, where the fuel costs have been increasing. Then there are also the health benefits, and you're certain to see the social benefits being factored into electricity regulations that are coming out of Environment Canada. This is a big component in terms of looking at “why natural gas?”: looking at air quality and, again, important elements to that.

The other aspect to looking at natural gas highways is looking at the creation of jobs and looking at government revenues through the royalties and so forth and also in terms of economic growth. Again, I think it's important to look at how abundant it is. When we get to the next slide, you'll see a map of North America, roughly, and again, I think the important takeaway from this slide is simply that we have a 100-plus years of supply.

In fact, I think what's interesting is that the new United States Energy Information Administration recently indicated that gas production has been increasing. It is now at a new level of 66 billion cubic feet per day, yielding a tremendous surplus supply in the U.S. Again, that's an important element.

In looking at the next slide, you'll see that this is instrumental in terms of pricing. You'll see on the right-hand side of those graphs that the price of oil and the price of natural gas are at a gap. That has occurred since 2008 and that's what is creating the opportunity with natural gas in terms of affordability.

You might ask if it will go back up. No, because again, since 2008 you're getting surplus of supply, and the supply is so abundant compared to estimates from about five or six years ago. So one of the elements to this is that, as you can see on the right-hand side of that graph, there are possible fuel savings of between 20% and 40%, depending on the region and your driving habits.

Again, these are certainly elements to take a look at when you start looking at public transportation.

● (1635)

In the next slide, you'll see simply that natural gas accounts for some really interesting emissions reductions in carbon dioxide, carbon monoxide, sulphur oxides, nitrogen, mercury, and particulate. Again, these are the elements that are driving the cities' clean air initiative in the U.S. A number of the cities, which I'll show you later, have switched to compressed natural gas. Again, I think this is an important element, particularly in large urban areas where you have other fuels that are generating large emissions.

I think one of the other interesting aspects is that when you look at the Senate report, you see that it certainly had some good information on looking at natural gas. The report accounts for 29% of the energy consumption being in the transportation sector, while in fact transportation accounts for only 1% using natural gas.... Again, there's a lot of opportunity to use natural gas for the transportation sector. However, that said, the transportation sector does account for 36% of GHGs. So again, there is a big opportunity for Canada to lower its emissions through the use of natural gas.

One of the elements in terms of how we position natural gas is looking at what the rest of the world is doing. That's an important element to consider. There are 12 million natural gas vehicles in the world, but there are only 140,000 in North America. You have jurisdictions such as Italy, which has over 600,000 natural gas vehicles, and they import 89% of their natural gas, most of which comes from Russia, by the way.

Again, if we're looking at clean air emissions and affordability, in many jurisdictions you have OEMs producing natural gas vehicles. Certainly that's true in terms of what we would call medium-duty and heavy-duty vehicles. When you start looking at what is available on the marketplace in terms of new vehicles, there are roughly 63 passenger vehicles, 28 light commercial vehicles, 42 buses that are manufactured to run on natural gas, 26 medium commercial, and 12 commercial.

One of the most instrumental manufacturers of natural gas engines in North America, and indeed the world, I would say, is Westport Innovations in Vancouver. We have a homegrown innovation manufacturer of natural gas engines, which I think is very important to note.

Encana has been looking at how natural gas can be deployed, particularly in terms of how we might work with cities. That brings in the transit buses, but also the airports and return to base. When you think about all the shuttles that transport people, a very important component would be to look at natural gas. A number of airports throughout North America have embarked upon compressed natural gas as their fuel source for some of their shuttles.

Again, using natural gas in a number of transportation areas, we could look at green corridors, particularly from Quebec to Windsor, and Edmonton to Vancouver, where there is heavy transport, and also in terms of operations, if you will, as well as off-road vehicles that use natural gas.

What we have focused on with respect to cities is looking at transit. We have been working with cities such as Edmonton and Calgary and we're planning to work with other cities in terms of giving them information and looking at what is out there for natural gas transit buses.

But as you start looking at municipal fleets, again, there's a whole host of them, such as garbage trucks. How many of you have been at home when the garbage is picked up? The garbage trucks idle and you get a lot of emissions. If you deploy them with natural gas, they're quiet, and the drivers say they're a pleasure to drive. That goes for transit buses as well.

Certainly, some jurisdictions, as I indicated, are also deploying natural gas for taxis and some consumer vehicles as part of the service component to transit authorities. The incremental cost differential for a transit bus, on average, is roughly \$40,000. You get roughly about \$11,700 in fuel savings per year, but there are also operational savings in terms of maintenance. You actually have a CO₂ emissions reduction of about 25,000 tonnes per year per transit bus. Again, that's an important element.

• (1640)

I think what's important here is that many transit authorities are now starting to look at deploying natural gas for a number of reasons, which I've already alluded to.

In terms of looking at some of the payback, I've provided that in the presentation, but I think it's important to note some of the jurisdictions that have embarked upon natural gas transit buses. L.A., for example, retired their last diesel bus in January 2010. They are now running on natural gas. New York, Washington, Boston, Fort Worth, Dallas, Cleveland, Seattle, Denver—the list goes on and on in terms of the deployment. I think that's important.

There have also been some interesting innovations, if you will, in terms of that deployment. In DeKalb County in Georgia, for example, they've ordered natural gas trucks. They'll use the natural gas from their landfill site as the fuel for those trucks.

Mayor Hayward out of Pensacola said that moving to natural gas vehicles is going to have an huge impact on the overall air quality for the entire region.

Tulsa Transit, for example, is looking at paying \$3 per gallon right now, and they're going down to \$1 per gallon with natural gas.

A number of jurisdictions, including New York, have gone to that. Currently in North America, between 11,000 and 15,000 natural gas buses are operating.

I don't know whether the committee would consider the school bus as public transit, but it's an important vehicle to all the school divisions that are seeing increased transportation costs based on fuel. A number of OEMs—original equipment manufacturers—manufacture school buses that could be deployed on that side as well. I think it's an important thing to consider as you start to look at a public transport strategy.

We talked a little bit about garbage trucks. The interesting aspect there is certainly on the air quality and the savings and the quietness in neighbourhoods. Many jurisdictions, as I've indicated, have a number of trucks that operate on natural gas. Suffice it to say that I think it's important to look at natural gas as a transportation fuel.

The one recommendation I have—I do know the light's on, Mr. Chair, and I know I'm being drawn to a conclusion—is that municipalities need some support, certainly from the capitalization side. Again, I think the provinces, and maybe the federal government, could look at how that might be deployed. In looking at how it might be deployed, my one recommendation is to undertake a study to really look at how that might happen, at what some of the restrictions are on barriers for OEMs, and at what standards would need to be adopted.

With that, Mr. Chair, I'll bring my presentation to a close.

• (1645)

The Chair: Thank you.

Before I recognize our first member, I will mention—I'm surprised you didn't—that the gas truck display is available on Sparks Street this afternoon. It ends at six o'clock. It's located between Metcalfe and O'Connor.

I went down there earlier, and I'd encourage you to check it out.

We'll go to Mr. Sullivan.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you, Mr. Chair.

Your company is basically a fuel company, so you're competing for the fuels that drive the public transit systems. Essentially, that's... and you've had some success. I was impressed both by the levels of savings and by the levels of pollution reduction available through compressed natural gas.

Do you think it's right for the federal government to be in the business of encouraging or discouraging types of fuels? Is that something we should be doing as part of a strategy?

Dr. Sam Shaw: First, let me correct you and say that Encana is a producer of natural gas. To the end that natural gas is available for your barbecues and so forth, it may actually come from Encana.

From that perspective, we think there should be some competition in the marketplace with what's there right now. Natural gas has been deployed in the past. The federal government has been looking at incentives over the past 20 years and so forth. So there is a track record of trying to get an industry to adopt certain kinds of initiatives for particular reasons.

I think one of the drivers, if I might, is environmental, but another is looking at how to lessen the cost on public transit to make it more affordable. It may be through having cheaper fuel alternatives.

Mr. Mike Sullivan: My question is, if the fuel is that much cheaper, why haven't the municipal transit authorities adopted natural gas in a much bigger way? What has held us back from switching everything from diesel—which is ugly, dirty, noisy, and costly—into something that is apparently cheaper, cleaner, and better for us?

Dr. Sam Shaw: Maybe I could turn that question back to the federal government to ask why you haven't switched your entire government fleet over to natural gas. Part of it is that the investment has already been made in vehicles. Typically, what you will find with municipalities is that they've kept their buses between 12 and 20 years. The rotation of that capital is really very slow, so they haven't committed.

If you look at the numbers that I have given you, you'll see there are a number of transit authorities in North America that are switching out their old capital with new capital, because the technology has changed dramatically. I would say to you that the innovation for natural gas engines has come about in the last five years. Again, that's entering into the marketplace, but it's also with the OEMs.

Mr. Mike Sullivan: Coming back to that same issue, then, if the ideal is to switch fleets over to a natural gas type of fleet, is that someplace where the federal government should be assisting municipalities and other fleet owners with the capital costs, with the infrastructure cost, to adapt their fleets to natural gas? You can't just switch tanks.

Dr. Sam Shaw: I think there are two elements to your question. One is the infrastructure. Let me tackle that one first.

I think you'll find that private companies like Encana and others are building the infrastructure to support natural gas for transportation. We recently opened up a Strathmore compressed natural gas station in September. Industry is making those strategic investments to the tune of millions of dollars.

Would they participate with transit authorities in terms of looking at providing natural gas and so forth? Again, that would be a relationship with the transit authorities and the municipalities, and I think that would occur.

In terms of looking at switching over the capital side and incentive, one of the things I can tell you is that the incentives in the U.S. are significant, both for municipalities switching over to transit with natural gas and also for passenger vehicles—and, I might add, home refuelling. If you have natural gas coming to your barbecue, there are some states that have incentives for you to adopt home refuelling to wean yourself off gasoline or diesel.

Those are happening south of the border. In front of Congress now, as you may or may not know, the natural gas bill is being supported both by Democrats and by Republicans. That will provide further incentives. There have been tremendous incentives by the federal government in the U.S. for municipal authorities to switch over to natural gas, mainly from the Clean Air Act—emissions and so forth. So there has been a role for the federal government.

I think there is a role for the Canadian federal government in that area.

• (1650)

Mr. Mike Sullivan: Is there a large vehicle—I'm thinking of a railway locomotive—that can run on natural gas?

Dr. Sam Shaw: Oh, that's a great question. Thank you so much for that one.

Let me give you this example. There is a locomotive in the U.S. delivering coal to a coal-fired generation plant, and it's running on LNG. It is happening, and there are companies like Caterpillar and so forth that are working on LNG for locomotives. There is LNG for marine vessels. The Staten Island Ferry is looking at that. Also, BC Ferries are looking at operating on LNG.

Mr. Mike Sullivan: Currently it's not commercially available to a major company like CN, CP, or GO, for example...?

Dr. Sam Shaw: It is. The engines are available.

Mr. Mike Sullivan: The engines are available, but they would have to switch their fleet?

Dr. Sam Shaw: It's the same thing with the municipal transit.

Mr. Mike Sullivan: So we're coming back to whether there's a way for this to happen in a more rapid way. It requires some investment on the part of the federal government to make it happen.

Dr. Sam Shaw: I think that really is the tool upon which the federal government could make that happen to lessen the burden and the risk on the capitalization.

Mr. Mike Sullivan: Okay.

The Chair: Thank you.

We do have flashing lights, and we're trying to verify if there's a vote call in the chamber.

I'll go to Mr. Coderre until we have confirmation.

[Translation]

Hon. Denis Coderre: I was just told that there will be a vote in about 25 minutes.

If need be, we can deal with the motion next Monday.

Thank you very much.

[English]

The Chair: I have to check with my colleagues at the committee level. We're obligated actually to terminate the meeting at the ringing of the bells unless there's an agreement to continue. The timeframe is tight, so I'll leave it up to the committee as a whole. I regret that, but....

Mr. Jamie Nicholls: How long do the bells ring here?

The Chair: It's 25 minutes until the vote. There is a vote.

Ms. Olivia Chow: When is the vote?

The Chair: The vote is in 25 minutes.

Hon. Denis Coderre: I suggest five minutes for us and five minutes for the government.

An hon. member: Yes.

The Chair: It's up to the committee. I don't make that decision.

Okay? It will be five minutes, starting now.

[Translation]

Hon. Denis Coderre: I will postpone the study of my motion to the next meeting. Is that okay?

[English]

The Chair: We'll defer it to the next meeting.

[Translation]

Hon. Denis Coderre: Thank you very much. I have to say that I really liked that the presentation was given in both official languages. I appreciate it.

I don't have a problem with natural gas being used, on the contrary, since it can be clean energy. But I have three questions about the recommendations in the final report.

First, when we talk about natural gas, we are also talking about shale gas. But the extraction of shale gas poses problems in terms of fracking. The gas in vehicles might not create any problems, but getting the gas could lead to environmental problems. What do you think about that?

Second, do you think that the Canadian government should have a transition fund to allow municipalities or the provinces to change the types of engines they use? That would also entail investing in research and development.

Lastly, in terms of diversification, Quebec chose electricity, but there is also natural gas. According to you, the national strategy should give a choice between various sources of clean energy. You are saying that natural gas is an option, but there can also be other options.

[English]

Dr. Sam Shaw: Yes, and I would support your recommendation. The Robert trucking company, for example, has embarked upon looking at natural gas for the trucking industry. Gaz Métro has been a leader. I would absolutely say yes. I think the federal government, in looking at municipalities, could ease that for municipalities in helping them over that bridge of the capitalization.

In regard to looking at extraction of natural gas, there is conventional and unconventional, and you're referring to unconven-

tional. I can say to you that the industry is coming out with principles around hydraulic fracking. In Alberta we've been hydraulic fracking for 30 years, so again, I think there are some really good principles and testaments of how well industry has responded to making it a responsible steward kind of opportunity to extract resources. Again, I think it's important that industry has responded to the regulations and so forth. So it is being done.

Hon. Denis Coderre: Thank you.

Dr. Sam Shaw: Thank you for your questions.

● (1655)

The Chair: Thank you.

Pierre.

Mr. Pierre Poilievre: Dr. Shaw, thank you very much for being with us today.

I have a couple of questions for you. To start with, there is a clear price advantage for natural gas right now. Your graphs show that. All of the public data confirms it.

There's a capital cost involved in switching over to natural gas powered vehicles of any kind, whether it's the infrastructure within the vehicle or the fuelling station. We can only determine whether or not that infrastructure investment is worthwhile by looking at the payout in savings on fuel prices over the long term, as represented by the gap per million BTU between gas and oil.

Here's my question. Are you sure that this price advantage is here for the long run? Or are there factors like the shipping of LNG to big markets like Asia that could increase natural gas prices in North America and eliminate that price advantage, thus undermining the return on investment on the infrastructure side?

Dr. Sam Shaw: Thank you for your question.

Let me just raise the caution on any forward-looking comments I may make to an investor or a future investor, but if you look at most of the data that's been presented—again, referencing the Senate committee on energy—you'll see that the long-term view of natural gas prices remains low. Certainly, EIA from the U.S. supports that view, because of the supply and because of the surplus.

Even if you look at export markets of LNG to Asia, you should also be aware that Australia and China do have finds of natural gas. I mean, the marketplace is a limited one right now. Asia certainly would pick up on the LNG. But I don't think that in the long term you're going to see sharp prices in natural gas.... That's why that uncoupling is really being predicated based on what we know of the supply today.

If you look at the price of natural gas today, you'll see that it's \$3.68 BTU, so it would have to go a long way, and certainly when the supply goes up, you're going to have more supply and demand, and again, that will push the 100-year supply. So I doubt very much, long-term, that it in fact would impact that decision. I think it would be a justifiable decision to go to natural gas because of the long-term relationship of having a low natural gas price.

Mr. Pierre Poilievre: Are there obstacles that governments are putting in place that are preventing the conversion from petroleum-based gasoline to LNG or CNG?

Dr. Sam Shaw: I don't know whether I would position it as barriers. Certainly, standards are one thing we need to look at, interprovincial standards. As I said in the presentation to the FINA committee, we need to look at these standards. There needs to be harmonization between the U.S. and Canada. That's very important. Certainly, as you look at public transit and at the actual capital, it needs to be seamless with the U.S.

The other element to this is certainly in regard to looking at some of the programs that come out. If you look at the eco-programs, I would ask any member to find the reference to natural gas on the transportation side—I didn't see it—as alternative fuel. So in terms of some of the programs that are already there, we need to reference that there are opportunities for natural gas.

The Chair: I have to interrupt there. I'm sorry, Dr. Shaw. Because of the vote, we'll shorten this meeting. I'm sure we'll get an opportunity to visit with you again.

Dr. Sam Shaw: May I ask the clerk to distribute the materials? Also, if there any questions, please, if they go to the clerk, I would be happy to answer them.

The Chair: We will do that. Thanks very much.

The meeting is adjourned.

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