House of Commons
CANADA

Standing Committee on Environment and Sustainable Development

ENVI • NUMBER 021 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Tuesday, February 22, 2005

Chair

Mr. Alan Tonks

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● (1105)

[*Translation*]

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

[*English*]

Bonjour, and welcome to the committee. If everyone could take their seats, we could begin. We're just a little bit late. Thank you.

Ladies and gentlemen, good morning. We are welcoming the Minister of Public Works and Government Services, Scott Brison, along with the minister's officials. We have François Guimond, Associate Deputy Minister, Public Works and Government Services; Yvette Aloïsi, Assistant Deputy Minister, Corporate Services, Human Resources and Communications Branch; and, Bob Davidge, Director, Environmental and Sustainable Development Services Directorate.

We have allocated one hour for the minister's presentation and a question and answer, back and forth. I will just remind members of the committee, if we need reminding, that today we are continuing with respect to Canada's implementation of the Kyoto Protocol, part I, setting the stage, and we're reviewing the current situation. We've had witnesses for the past several meetings who have given us input with respect to their take on Kyoto, the implementation plan, and so on, and today we have the Minister of Public Works and Government Services.

Without any further ado, Mr. Minister, we'll turn it over to you. We usually have 10 minutes for a presentation, followed by 40 minutes, in this case, of question and answer. So I'll turn it over to you, and welcome again.

Thank you.

[*Translation*]

Hon. Scott Brison (Minister of Public Works and Government Services): Thank you, Mr. Chairman.

[*English*]

I welcome this opportunity to participate in the committee's deliberations on Canada's compliance with the Kyoto Protocol.

It's important for me to be here for a couple of reasons. Our department, first, has huge environmental implications in terms of our ongoing operations. We're the nation's largest landlord, as an example. We manage, as a department, over 6.7 million square metres of office space—office buildings that we own, in some cases, and office space that we lease, in other cases. We also operate our own vehicle fleet, another source of greenhouse gas emissions, of course.

So in one sense, if you look at it, you could say that we're part of the problem, but in fact, the scope of our department and the scale of what we actually do provides us with an opportunity to be a significant part of the solution. We can have a hugely positive impact on the environment by improving the efficiency of our buildings from an energy consumption perspective, and our fleet, and by encouraging others to do the same across the 98 departments and agencies of government.

I can tell you that Public Works was the first department to sign on to the program for transit passes after the pilot project proved to be successful. Just to give you an indication of how successful that has been within our department, we now have over 700 of our employees in the National Capital Region using the Ecopass system, and over 2,100 passes since the launch of the program in the fall of 2004. That's a very successful program and an example of some of the innovative work we can do, working with our employees as partners in progress for a cleaner, greener Canada.

We're very consultative, and to give you some insight into how interested we are in ideas, David McGuinty approached me last week and asked a very good question in terms of whether the department took into account proximity to public transit when we participated in site selection for office space on behalf of departments. I worked with the deputy and we verified that in fact we do sometimes, but we've made a decision that, on a go-forward basis, that would be part of our criteria whenever we are doing site selection for office space. Proximity to public transit will in fact be part of the ongoing criteria for selection of office space.

As the nation's largest purchasing agent, we can influence supply and demand for environmentally sound products and services. As the department that plays the central role in environmental cleanup of federally contaminated sites, we can play a leadership role in Canada in building and helping to harness private sector efficacy within the industry side. In fact, I would like to see us play a leadership role in terms of helping develop that efficacy within the private sector, so that it can clean up not just federal sites but help clean up a lot of industrial sites across the country.

Beyond that, if we get really good at it, this can be an exportable service that can help clean up sites around the world. I really believe it can be a very positive and growing industry. If you consider for one moment the potential of environmental or toxic site remediation, working with CIDA and DFAIT, I believe our department can actually form partnerships and offer that to the developing world as part of our tool box.

We're good as institution builders. As a country, we're recognized internationally as institution builders, in building a more peaceful, stable, and democratic world, but the fact is, in the developing world, one of the huge challenges faced by most of these countries is in the area of remediation of toxic sites. So I'd like to see us develop that efficacy within Canada, that Public Works play a leadership role within Canada, harness that private sector skill set, and work with CIDA and DFAIT to help include that in our tool box that we offer the world, particularly the developing world.

As you may know, I have proposed some fundamental changes within our department that will transform the way our department, and in fact the whole government, does business. One of our key objectives in terms of this change is to contribute to Canada's goals for sustainable development and environmental protection. I believe our department must produce economic and environmental dividends for Canadians, as well as social dividends. This reflects my own personal views, but also the views of our government.

● (1110)

When the Prime Minister asked me to take on this portfolio, he asked me to play a role within the department and within the whole of government to help accelerate the greening of government, working with the President of the Treasury Board and the Minister of the Environment in part. I see this as part and parcel of our strategy for transforming the way we do business, by buying smarter, rationalizing our approach to real property or real estate, and making the best possible use of technology.

Our department's sustainable development strategy provides a framework for our efforts to green the Government of Canada. It identifies four overarching goals: first, to green the department's operations as a custodian of common-use office space for the 98 departments and agencies; second, to green the services we provide to federal departments and agencies as a common service agent; third, to green the department's internal operations; and last, but certainly not least, to provide national, and in fact international, leadership on the greening of government operations.

The strategy sets out a long list of initiatives that will move us towards these goals. I won't be able to touch on every one of those today, but I would like to highlight some of the broad areas where we're showing leadership through action.

The issue of greenhouse gas emissions is central to your hearings, of course, but it's also central to our deliberations within the department as we craft our new policies in “The Way Forward” package that we are implementing. As the committee well knows, Canada's commitment is to reduce our emissions to 6% below 1990 levels by the period between 2008 and 2010.

Perhaps most important, it requires strong and visionary leadership by the Government of Canada, both to reduce its own emissions and to provide the tools and incentives for others to do the same. Our department can be a contributor positively on both fronts.

Between 1990 and 2003, Public Works improved its energy efficiency by 33%, which resulted in a 20% reduction in annual greenhouse gas emissions and a savings of $16 million per year in operating expenditures. This was achieved by systematically upgrading the energy efficiency of our building inventory. It's worth noting that many of the energy efficiency upgrades in Public Works' buildings have been implemented at no capital cost to the government. This has been achieved through an innovative financing approach that allows private sector energy services companies to pay for and to implement energy retrofits and then recover their investment from the resultant energy savings. After a specified cost-recovery period, all future energy savings go directly to the government.

This program, the federal building initiative, has resulted in $40 million in energy savings over the past decade and has reduced our department's greenhouse gas emissions by more than 50,000 tonnes a year.

We're not resting on those laurels. Public Works has set an ambitious goal of reducing greenhouse gas emissions from its own operations by 40% below 1990 levels during the Kyoto timeframe. We are pursuing that target vigorously, while at the same time strengthening and improving the quality of our reporting of emissions reductions.

For example, we will continue to implement federal building initiative projects in as many of our facilities as possible. Among other projects, we are looking at ways to modernize the government's central heating and cooling plants here in Ottawa, a measure that will reduce greenhouse gas emissions from Public Works' office building inventory here by 8% to 10%. We're also looking to reduce the operating hours of equipment and facilities to ensure that operating hours of the buildings more closely match the working hours and functions of the occupants.

For new federal buildings, our commitment to green building design has made our department a leader in this field. Public Works already requires that new federal buildings be designed to be at least 25% more energy efficient than the standard prescribed in the model national energy code for buildings. In future, we'll be aiming for buildings that are 40% more efficient than the standard, while still being cost-effective to build and to operate.

Also, in regard to green building design, the department has helped the Canada Green Building Council create the Canadian version of the LEED green building rating, developed initially in the United States. As of 2005, Public Works will aim to attain the LEED gold standard for new long-term leases or construction. In fact, we have two new buildings—one in Yellowknife and one that's going to be built in Charlottetown—that are being designed along the LEED gold standard.

We've also begun to develop a life cycle assessment system for major building projects. What I mean by that is we're going to be taking into account life cycle costs at the time of construction, which will automatically force us to consider the long-term energy costs as part of our upfront design decision, and as such, economic decisions and environmental decisions will be considered in lockstep. Such a system will allow us to analyze greenhouse gas emissions and other environmental impacts of the basic materials used in the building frame and the overall cost envelope.

Another way to reduce emissions from federal facilities is to increase our use of renewable energy. The department is working closely with Natural Resources Canada and with Environment Canada to achieve the government's target of purchasing 20% of federal electricity requirements from low or non-emitting renewable energy sources, a measure that on its own would reduce greenhouse gas emissions by about 235 kilotonnes annually. As part of this effort, federal facilities in Alberta, Saskatchewan, and Prince Edward Island are already purchasing wind-generated energy.

Moving to the procurement side of our business, there is a great deal we can do, and are doing, to help both ourselves and other federal departments and agencies make environmentally smart purchasing decisions.

For instance, Public Works' first ever buyer and supplier forum was held this past January, with a goal of stimulating the demand for and supply of environmentally responsible goods. The forum was very successful and proved to be a great vehicle for exchanging information and improving understanding of some of the innovative products and services that are available to government.

[*Translation*]

This requires concrete actions in all sectors of society and on the part of every Canadian.

● (1115)

[*English*]

We're nearing completion of the most comprehensive review of government procurement policy that has been undertaken in Canada since the early 1960s. It has been led by Walt Lastewka, who's with us today as parliamentary secretary. Those changes will involve our department playing a more central role in the procurement for all 98 departments and agencies.

We're working with IBM to implement the Government of Canada marketplace. This is an innovative e-procurement portal that will ensure faster and better buying, but also greater control over the procurement process than we have currently, and it will enable us to have better information. This Government of Canada marketplace will facilitate sustainable purchases by identifying green products and giving us the ability for the first time to really track green procurement.

The department has established more than 100 standing offer arrangements that include provisions for green goods and services already. Our standing offer, for instance, for digital printers favours suppliers that promote recycling and have qualified for environmental certification such as EcoLogo. We also offer outreach sessions to acquaint other departments with green procurement tools and have established the green procurement network, a website that provides federal employees with information and guidance on how to green their purchases.

Specifically, in regard to the procurement of vehicles, I am pleased to say that almost 40% of our fleet vehicles now run on ethanol, propane, or natural gas. We in fact operate the largest alternative fuel fleet in the country. When procuring light duty vehicles that use regular gas, whether for ourselves or other departments, the vehicles' purchase price, fuel consumption, and anticipated greenhouse gas emissions are all taken into consideration.

Our department continues to work with Environment Canada and Natural Resources Canada, who are our co-champions, if you will, in the greening of government, to fulfill this commitment.

● (1120)

[*Translation*]

Our goal is to put into place a policy that is respectful of both the business sector and the environment and that strikes a proper balance between protecting the environment and efficient use of the taxpayer's money.

[*English*]

I also want to advise the committee that we are considering the establishment within Public Works of an office of sustainable operations, staffed by people with an understanding of and the skills in policy, engineering, contracting, and other areas. This office would have an impact on all the policy we create within the environment through an environmental lens and would monitor the implementation of these policies. It would act as a centre of expertise and best practice for advancing the green agenda within Public Works and across all of government.

Although not directly related to the Kyoto Protocol, our work in the area of contaminated site cleanup is another example of our department's commitment to sound environmental stewardship. As the committee is aware, the federal contaminated site accelerated action plan is under way with approved funding of $100 million a year for four years. An additional $3.5 billion was committed in the March 2004 budget to clean up federal contaminated sites over the next 10 years, plus $500 million for non-federal sites.

Public Works itself is not a significant owner of contaminated sites, but we do play an important role, a leadership role, in fact, in supporting the cleanup and remediation work of other departments. For example, we recently signed an MOU to provide technical and procurement assistance to Indian and Northern Affairs Canada in its effort to manage contaminated mine sites in the north. We're also demonstrating leadership in Nova Scotia as the lead federal player on the cleanup of the Sydney tar ponds project.

We will continue, and in fact I want to see us expand, our remediation program of toxic sites in Canada. As I mentioned earlier, I want us to play a leadership role in helping develop and harness a burgeoning private sector efficacy in the cleanup of toxic sites that can really be a great business opportunity for the country. At the same time, it will enable Canada to play a bigger role in building a cleaner world.

In closing, Mr. Chairman, let me reiterate that Public Works has a central role to play in making the Government of Canada a model of environmental excellence not only in our own operations but also across the 98 departments and agencies of the government.

We will be building on the work of my predecessors to ensure that we fulfill our leadership role and extend our influence beyond the federal government by sharing our knowledge, expertise, and best practice models with others. We also want to learn from other governments. We will be studying best practice models from around the world to determine that we are in fact pursuing the best possible course of action here in Canada. Through this work we will not only contribute to Canada's implementation of the Kyoto Protocol, but we'll also address many other very important sustainable development issues.

I can't necessarily discuss...and you'll understand, due to budget secrecy...not only because of the fact that I'm not aware of all those items, but because of the fact that it would be inappropriate to discuss some of the more granular items in terms of what may or may not be in the budget tomorrow. But I do believe you're going to continue to see a strong leadership role played by the federal government to produce policies that make a real difference in the greening of government.

● (1125)

[*Translation*]

Thank you again for inviting me to discuss this subject with you today.

I am now available to answer your questions.

The Chair: Thank you, Mr. Minister.

[*English*]

We are now going to go to the top of the order.

We'll ask Mr. Mills if he will lead off our question period.

Mr. Bob Mills (Red Deer, CPC): Thank you, Mr. Chairman, and welcome, Minister.

I guess the biggest thing is that we've heard a lot of words, and we've heard those words over the last 10 or 11 years about the environment. The key thing is to turn them into action.

I also have to question the minister a little bit on his deathbed conversion in that he now feels Kyoto is going to deliver all of this. You know the quotes, Mr. Chairman, but just to put them on the record, he says this government couldn't organize a two-car funeral. He says that Decoma International Incorporated has said the Canadian company is building a new plant in the United States and not in Ontario because of the Kyoto Protocol.

He questions the fact that job losses from Kyoto ratification will affect all regions of Canada, and he says that the Liberal members of Parliament from Ontario should really start asking the government questions about that—the minister has said this. He says that instead, the government's plan in terms of the Kyoto agreement was basically written on the back of an airplane napkin on the way to Kyoto.

So obviously we have to ask a few questions about the minister's sincerity and about his deathbed conversion to all of a sudden supporting Kyoto and how wonderful it's going to be.

My questions relate to a few things.

First of all—

Hon. Scott Brison: Mr. Chairman, may I respond?

The Chair: The process we use is that we have 10 minutes, and the member can take that time up in any way.

Obviously, he sees that you're just wanting to get into this. He's going to come to the focus of his questions right now.

Mr. Bob Mills: Basically, the environment commissioner says that strategic environmental assessment is one of the most important environmental decision-making tools of the federal government. After 14 years they are still not being used to guide policy and plan program development. So obviously, I would like to know....

You have indicated a number of things that are going to happen. I know the former environment minister, Mr. Anderson, put forward a communiqué to all the departments saying here's what we would like you to do, here are the cars we would like you to purchase when you're purchasing new cars, and he got exactly one response from his cabinet colleagues at that time. Only one of them said they were even interested in green procurement.

I wonder how now, all of a sudden two years later, you're going to convince your cabinet colleagues that they should all be interested in green procurement and driving a Prius, or whatever it is you think they should be driving.

Secondly, the Kyoto Protocol, quoting from article 3, paragraph 2, says, “Each party included in Annex I”—that's us—“shall, by 2005, have made demonstrable progress in achieving its commitments under this protocol”. In other words by January 1, 2005, as written in the protocol, we have to show achievements.

We can show that we have spent or budgeted $3.7 billion. We can show that instead of 20% above our 1990 levels we're now close to 30% above 1990 levels.

I don't think that's the kind of progress the writers of the Kyoto Protocol had in mind.

Finally, again, with this whole cooperation of departments, I really wonder how the minister plans to accomplish that when I walked into the Centre Block today and looked at the cars that are being driven by cabinet ministers; I looked at all of them sitting there idling, sometimes for hour after hour. I really wonder how he's going to get that commitment for green procurement—30%, 40%—from those departments when the ministers aren't setting any better example.

● (1130)

Hon. Scott Brison: Thank you very much.

First of all, Mr. Mills quoted something from I think 2002. If he were asked to use some other quotes, he would find from some of the speeches I gave in the House that I recognize that: “We cannot extricate economic policies from environmental policies. They have to be integrated.” Every policy and every initiative that we put forward needs to be considered from both an environmental and an economic perspective, in lockstep, and I believe very strongly in that, Mr. Mills.

Further, while I may have had some concerns about implementation and consultation.... For instance, at that time the issue was consultation with the provinces around ratification of Kyoto. The Progressive Conservative Party, under the leadership of Joe Clark, whom your party used to call “Kyoto Joe” because of his support for Kyoto, never once questioned the legitimacy of the science behind global warming. We never once questioned it. In fact, that was one of the defining differences between the Reform Alliance Party and the Progressive Conservative Party, because we believed in the science of greenhouse gas emissions and that we have a responsibility as Canadians to make a difference.

I can also say that I'm glad we did, as a government, ratify Kyoto. I'm glad we did do that, and I was wrong at the time. I say that absolutely, that I believe it was the right thing to do to ratify Kyoto. Canadians want their government to be playing a leadership role on environmental issues, both within our country and as a country that is respected internationally as a multilateralist, playing a leadership role in international fora, for instance, through the Kyoto Protocol.

I hope that has helped elucidate your thoughts about that.

Mr. Bob Mills: Could you deal with the jobs issue?

Hon. Scott Brison: The fact is, I also believe that good environmental policy can be good economic policy, as I enunciated earlier. There is a great opportunity for my department to help harness and build a private sector skill set that is going to create jobs in Canada in environmental remediation, as an example, that can be exported as a service around the world. So in fact it's good economic and environmental policy.

On the procurement issue.... First of all, you were asking about strategic environmental assessments. We have completed eight within our department and we have one under way. In fact we're about to begin another, so we've been active on that front.

In terms of procurement, our capacity, for instance, to effect real change on the green procurement side has in the past been somewhat limited, and I'll tell you why. With 98 departments and agencies, all of which have independent, autonomous mandates to do their own procurement, it's not only difficult for us to achieve best value in terms of harnessing the purchasing power of the Government of Canada to save tax dollars, which some people see as being the focus of procurement reform, but it's also difficult with 98 departments and agencies doing their own thing on procurement to be able to harness that buying power to achieve positive environmental progress.

The changes that are being implemented by our department, in terms of “The Way Forward” agenda, which will lead to a more coordinated approach to procurement by our department for all 98 departments and agencies, will not only enable us, Mr. Mills, to get better value for tax dollars, but will also enable us to build a cleaner, greener Canada, because we will have the capacity and the power to in fact work with departments to ensure that we are buying technologies and goods and services that.... So you can count on that being a major part of everything we do.

In terms of the government's movement on our Kyoto commitments in a general sense, I think first of all this is not a sprint; it is a marathon. I've run a few marathons. You may be a shorter-distance runner; I tend to like the longer runs. But the fact is, this is going to take a long-term approach that will get real results on behalf of Canadians.

● (1135)

Mr. Bob Mills: But 2005 was the first target.

Hon. Scott Brison: We're committed as a government, and I can tell you I'm committed as minister of our department, to playing a central role in the greening of government, and I think you will find that not only will we deliver better value for taxpayers in terms of our procurement, in terms of our real property strategy, but we're also going to achieve much better environmental results, and that will help significantly.

The Chair: I'm going to have to jump in there. We'll come back in our five-minute interchange, but we're out of the 10 minutes now.

I'm going to go to Mr. Bigras.

Mr. Bigras.

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you very much, Mr. Chairman.

Welcome to the committee, Minister. You said your department is ready to follow the path of sustainable development and that there are two ways to fulfill its objectives: your department is the largest owner of real estate in Canada and it owns a large fleet of vehicles. Each of these could have a large impact on greenhouse gas emissions in Canada and you are probably right on that.

I have before me a document that was prepared by the commissioner for environment and sustainable development that reviews the commitments made by all departments under the Sustainable Development Strategy. In the commitments inventory for 2001-2003, your department, which is all the way down the list, is shown as having made no commitments under the Sustainable Development Strategy in relation to climate change. If your department is ready to commit to action on climate change and to implement the Kyoto Protocol, how do you explain that the commissioner found you made no commitments under the Sustainable Development Strategy?

Furthermore, looking at the commitments inventory for 2004-2006, there is none by your department under the Sustainable Development Strategy. Even worse, while your department promised for 2001-03 major commitments in terms of energy efficiency, for 2004-06 you reduce your objectives and make only minor commitments. It is difficult to understand. On the one hand, you say you want your department to act against climate change, but how can you apply your political will when your department has made no concrete commitments under the Sustainable Development Strategy?

Hon. Scott Brison: Thank you very much for your question. We have already made many changes to our policy and our approach, not only in order to provide better value for the taxpayers but also to protect the environment.

[*English*]

A lot of the changes we have made over the last 12 to 14 months, you will see, will have a massive impact on the greening of government.

I can table some of the documents that list not only the goals and long-term objectives but some of the achievements within our departments that we're already.... When I talk about green building design, that's not an esoteric description of something we may do in the future; it's something we're doing right now. The new building being designed for Charlottetown is a LEED gold building. The new building for Yellowknife is a LEED gold building. When we speak of procurement and changing our policies fundamentally to consider as part of our upfront decision-making and our upfront costing the life cycle cost, what we are doing, Mr. Bigras, is internalizing in our current decision-making long-term costs of energy consumption. That inherently creates better environmental policy.

These are real steps that we are not just planning but are doing right now.

● (1140)

[*Translation*]

Mr. Bernard Bigras: Mr. Minister, the document before me is dated February 17, 2004. How many alternative fuel vehicles do you presently have in your fleet? Do you have a figure?

[*English*]

Hon. Scott Brison: We have the largest fleet in the country. I can say that in effect you....

[*Translation*]

Mr. Bernard Bigras: How many?

[*English*]

Hon. Scott Brison: I'll give you that.

How many alternative fuel vehicles do we have now?

Mr. François Guimond (Associate Deputy Minister, Department of Public Works and Government Services): The number we have right now is 104, which is essentially 38.8% of our fleet. Our fleet has been reduced from 677 vehicles down to 277 vehicles, and we're planning to reduce it further to about 260 vehicles. The point I'm making is that of that pool of vehicles, the number is 104.

Hon. Scott Brison: Yes, but 40% of our vehicles are alternative fuel vehicles.

Mr. Bigras, respectfully, I think you'd agree that it is a leadership role we are playing. There is no one else in Canada doing it. We're going to do more of it—I'm committed to it—and you're going to see that number go up.

[*Translation*]

Mr. Bernard Bigras: The Kyoto Protocol was signed in 1997. How come that seven or eight years later there are still no alternative fuel vehicles in your fleet? Canada is part of the Sustainable Development Strategy by virtue of its participation in the various Earth Summits. Do you not think that over eight years it would have been possible to gradually switch our fleet to alternative fuels? But there are only 38% of such vehicles, as you said yourself.

[*English*]

Hon. Scott Brison: Okay, but with respect, Mr. Bigras, the fact is that much of the hybrid technology—

[*Translation*]

Mr. Bernard Bigras: I drive a hybrid car. How about you?

[*English*]

Hon. Scott Brison: —as an example, and the availability for hybrid vehicles, as an example, has grown significantly due to market demand in the last couple of years. In fact, our response to that has actually been quite timely and will continue to be.

There is a fundamental shift in terms of vehicle and engine manufacturing in this regard as well. That is playing a role as well. To say that seven years ago we should have been buying all hybrid vehicles.... It would have been a little bit of a challenge, Mr. Bigras, to have done that at that time. It's much easier now that manufacturers are actually making them.

Mr. Bernard Bigras: I'll pass.

The Chair: Mr. Simard, you have two minutes left.

[*Translation*]

Mr. Christian Simard (Beauport—Limoilou, BQ): You took initiatives as a department but—and this is a major partof your mandate—you are supposed to influence other departments. You are part of the Green Procurement Working Group of the Sustainable Government Operations Initiative. I hope this group is as efficient as its name is long.

We can see that some thinking has taken place but in their procurement policies other departments do not seem to apply environmental criteria. They did not use this criteria in reviewing the efficiency of their procurement policies. How can the federal government hope to achieve anything by making your department the champion, seing how small you are compared to the other 98 departments and agencies combined.

[*English*]

Hon. Scott Brison: Firstly, our department has had an important role in government procurement, but now that role is becoming a more central mandate for the department. That more important managerial function of procurement across the 98 departments and agencies that has resulted, frankly, from an audit of the procurement reform work that Mr. Lastewka has led not only enables us to do a better job of utilizing that government purchasing power and getting better value for tax dollars, but it also gives us more power to achieve social and environmental goals, in this case, through green procurement. We have not had in the past the ability, as a department, to effect the kind of change across 98 departments and agencies that we are going to have once we have made these changes.

Everybody looks at what we're doing in terms of the department now, in terms of the way forward.... I should say, most people focus on what it's going to save the government in terms of money. I really believe that the changes are going to enable us to help, as a country, contribute to the saving of the planet, enabling Canada to build a cleaner Canada, but also enabling Canada to play a role and set an example that can help build a cleaner world.

● (1145)

The Chair: Mr. Simard, you're out of time.

[*Translation*]

Mr. Christian Simard: If the committee does not have any environmental criteria, nothing will change. You may improve efficiency...

[*English*]

The Chair: Mr. Simard, we're going to have to bring time to that. Thank you.

We'll now go across the committee room to Mr. Wilfert.

Mr. Wilfert, go ahead, please.

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

Thank you, Minister, for being here.

The Commissioner of the Environment and Sustainable Development reported on the various activities of departments across the government. Her report, to say the least, wouldn't give an A to all of the departments, obviously. Some of them would barely get a passing grade.

The question is, first of all, in terms of the structure that you and other ministers work with, in terms of coordination, do you feel that we are properly structured in such a way that the message gets across to all ministers and all departments, and that we're able to operate effectively in terms of the mandate of providing a sustainable development strategy in terms of our implementation of climate change?

Your parliamentary secretary wrote a very good report, I thought, in the fall, which was presented, but the issue of green procurement per se was never mentioned. I would ask, why was that omitted? Yet I hear in your comments today the talk of the 2006 green procurement approach, which, of course, the Minister of the Environment has also talked about.

Hon. Scott Brison: First, we take the reports of the Commissioner of the Environment very seriously. They enable us to have an external evaluation of what we're doing and help us build a consensus to do things better. In fact, we are, and I think we're being recognized as having done some very positive things, which is great. We have a long way to go.

Part of the changes on procurement—and Mr. Lastewka may want to speak to this as well. Mr. Lastewka's proposal and his study were focused on changing the machinery of government for procurement. Now, some people consider that purely a dollars and cents issue. But to my way of thinking, whether it's to achieve better value for tax dollars or to strengthen our procurement on the green procurement side, in terms of achieving environmental goals, we have to change the machinery first. That's what Mr. Lastewka focused on.

The fact is, for any acquisition, whether it's a vehicle or the construction of a building, if we consider life cycle costs and, as such, energy consumption as part of that, we're automatically going to be making not only better economic decisions but at the same time, in lockstep, better environmentally sustainable decisions.

Walt, would you like to...?

Hon. Walt Lastewka (Parliamentary Secretary to the Minister of Public Works and Government Services): I'll just add a little bit.

Mr. Wilfert mentioned that green procurement was not in the study. Neither were set-aside programs and other programs of the government, but value—to the government, to the taxpayers—is repeated throughout the study.

You can imagine...we are going to change from a purchasing transactional department to a proactive procurement department. That's a big change. That is the reason you will see “commodity” in the report and “commodity counsel”. This is where suppliers will participate in guiding the government on whatever values we decide to have in the procurement, which will be green procurement.

One of the criticisms of the suppliers to us is the inconsistency across government, because we're dealing with 98 departments. So you can imagine, as we switch to a proactive procurement department, that we will then be the stoplights when things are not being done as per the values, as per the policies of the government, government-wide, rather than the transactional. In effect, we will be able to accelerate making things happen across government, because we will be able to watch that and measure it.

You will see a number of performance measurements in the report. We didn't specifically outline exactly each one, but we will now be able to have good government-wide performances. How are we implementing those items, especially in green procurement, set-aside programs, and the other programs of the government? We will be able to have that calculation on an ongoing basis, because everything will funnel through, as far as information flow. We will have that at our fingertips.

● (1150)

The Chair: Thank you very much.

Mr. McGuinty, you have five minutes.

Mr. David McGuinty (Ottawa South, Lib.): Thank you, Mr. Chairman.

Thank you very much for joining us this morning, Minister and colleagues in the government.

I'd like to pick up, Minister, on some of your remarks on some of the work, and to congratulate you, the department, and the government, first, for resourcing the cleanup of the government's federally owned contaminated sites, and second, for actually accounting for these to the Treasury Board as general liabilities on the government's balance sheet. Most western governments haven't done that yet.

But I'd like to dig down deeper and wider on the contaminated sites issue for a moment, Minister, and get your response. I'd like to get some sense as to how your procurement pull—your demand pull, as you examine the federal procurement policy—might be further accentuated through provincial and municipal procurement policies, because if we look at the combined purchasing power of all governments in this country, it is massive.

So I'd like you to consider how there could be better vertical integration in the purchasing power of all levels of government, so we can give rise to sunrise industries—which my colleague, Mr. Mills, doesn't believe Kyoto will give rise to—as we see the demise of the sunset industries, something we've seen in our economy for 150 years—those going away and those coming forward.

I want to speak to you about the December 2001 reference by the Prime Minister, when he was Minister of Finance, asking his now national Round Table on the Environment and the Economy to come up with a national brownfield redevelopment strategy. At the time, being involved in that process, we found it was impossible to give full effect to what you spoke to a moment ago, which is trying to create a new market for contaminated sites—30,000 to 40,000 sites in Canada, 750,000 sites in the United States, and 1.5 million sites in the European Union. Most of these sites are in urban areas. They are fully serviced with transit, water, electricity, with some capital costs. The Toronto waterfront is a prime example.

What we found is that in order to give the fullest effect, the fullest impact in the market, we needed to see reform at all three levels of government. We needed to see procurement pull from the federal government. We needed to see lender liability reform, which is a provincial jurisdiction matter. We needed to see municipal variations on, for example, development charges. It costs less to develop downtown, in a brownfield site, than it does to plow up farmers' fields in the outskirts of Toronto and run pipes in the ground.

That whole strategy was given to the government two years ago, chiefly the Department of Finance. In it also is a series of federal fiscal measures that would have to be brought to bear to unleash the full force and effect of the market. A team of 40 of the best minds in the country came together and said this was a $6 billion industry, that it had the largest multiplier effect at Finance Canada—

The Chair: There won't be time to respond if you don't come to the question.

Mr. David McGuinty: —of any industrial sector. I wanted to table it with you to see where your thinking is going in terms of taking the next step.

Hon. Scott Brison: First of all, Mr. Chair, I'm willing to stay a little longer, if that's fine with you folks.

The Chair: Thank you, sir.

Hon. Scott Brison: First, on the shared service agenda kind of approach, again, here's a case where we're already starting to work increasingly with provincial governments. I participated in a meeting of provincial public works ministers in Vancouver a couple of months ago, hosted by Joyce Murray, the minister there, on ways that we can work together on procurement. I believe that there are some provincial governments that are actually doing some pretty innovative things on some public policy items that we can learn from. In some cases, they can learn from us.

I want that best practice model to apply on procurement. If we develop, say, the Government of Canada marketplace, and I believe the IBM e-procurement portal is going to be very powerful, and can negotiate better deals with suppliers and at the same time attain greener technologies in goods and services, it's in our interests to have provinces and municipalities have access to that system, because the more you buy, the better value you get. And for a smaller municipality, or for a smaller province.... It's not hard for the Province of Ontario to achieve economies when it negotiates with a larger company or to implement a policy aimed at greener procurement, but it's tougher for a smaller province to put together that kind of infrastructure to do it. If we can get it right as the federal government, that is something that provincial governments and municipal governments can piggyback on, and the results can be staggeringly positive.

● (1155)

The Chair: Mr. Minister, you have 30 seconds now, if you could answer the second question on the brownfields.

Hon. Scott Brison: I've heard, and I know you worked previously on the environmental front, and I've heard you use the phrase, “physician, heal thyself”. I think in terms of the remediation of brownfields or contaminated sites, we have to clean up our own and demonstrate leadership on that front, but I have every confidence that we will have the capacity to do that.

I've just been informed that remediation of risk management plans have been prepared for 158 of the 238 known contaminated sites in crown-owned or leased or purchased properties. That's a step in the right direction.

I really do believe that if we can help build that private sector skill set, that's going to lead to a commercialization of, in some cases, disruptive technologies that can speak to that exact sunrise type of industry, and Canada can be a leader internationally. That's where our commitment to Kyoto is an example. It may create economic opportunities in Canada that may not exist as greatly in the United States. So it is possible, if we get it right and we use the tax incentives properly, as you articulated, for us to be a best practice model and an economic engine for sunrise industries right here in Canada.

The Chair: Thank you.

Mr. Cullen.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair, and thank you to the minister for coming and staying for a little extra time.

I suppose today there's a bit of discrepancy, and this is what the committee is struggling with, between the testimony that we've heard around Kyoto, with the government's actions, and what we're hearing from you today. Your initial opening remarks were glowing with respect to what your department has done, and, if correct, I applaud you for them. This is about transparency and accountability. I'm sure, being the head of your particular department right now, those words resonate strongly with the work that you've been trying to do.

I have three series of questions, and I'd ask you to match the length of your answer with the question, because I would like to get through them.

Let's take the fleet for a moment, in terms of vehicles. I want a correction on the number. How many vehicles do we actually have in the Canadian fleet right now?

Mr. George Butts (Director General, Acquisition Program Integrity Secretariat Sector, Department of Public Works and Government Services): The Canadian government's?

Mr. Nathan Cullen: Yes, the Canadian government's fleet.

Mr. George Butts: I can give you the number that were purchased in the year 2003-2004, and that's 3,431.

Mr. Nathan Cullen: With regard to the reduction that was claimed earlier in your remarks, have you broken down how much of the greenhouse gases that have been taken out of the system are due to a reduction in fleet size and the amount of subcontracting that goes on within the federal government right now? As I talk to people within the bureaucracy, I hear that the government has moved more and more toward subcontracting. I would hate for us to be taking credit for any of the reductions when it's because of vehicles simply not being there.

I would ask the same question in terms of the government buildings and the greenhouse gas emissions that are going out the door that way. I know government has moved to a philosophical standpoint of not necessarily owning everything we operate and renting quite a bit more. That's my second area of questioning.

This is my third one. This is the contradiction we're facing. Madam Gélinas came forward as recently as this October and said that the federal government cannot assure Canadians that it systematically assesses environmental issues in new policies, plans, and programs submitted to cabinet and ministers for decisions. That's according to the Commissioner of the Environment and Sustainable Development.

After 15 years the cabinet directive came down. After 15 years we heard this from the auditor for the country. It doesn't meet with the report I heard at the beginning of this meeting in terms of the initiatives and moving forward.

So my question is, have you had success through the voluntary movement forward, or do you actually tie—and this is around accountability—the reduction of greenhouse gases to the performance of the people working within your ministry? Is it simply an option that we would like to reduce these greenhouse gases, or is it put in the directive for each of the employees who work for you with regard to their decision-making powers or purchasing powers? How is it that you've achieved these remarkable numbers you talked about at the beginning?

● (1200)

Hon. Scott Brison: Thank you, Mr. Cullen.

In terms of the reductions in emissions and our own vehicles, those have been largely as a result of our choice of alternative fuel and more efficient vehicles, not as a result of subcontracting.

François, do you wish to expand on that?

Mr. François Guimond: Yes. I'll be brief, Minister and Mr. Chairman.

Reporting is done by Treasury Board. They tie their reporting on a yearly basis because of the Alternative Fuels Act, which is their responsibility. I am not aware, unless my people here correct me, that we—meaning Treasury Board or ourselves as a department—account for the actual reduction.

We have a number of alternative fuel vehicles. As you probably know, alternative fuel vehicles have various types of greenhouse gas emission reductions. An E85 will behave differently from an E10, with 10% ethanol. The point I'm making here is that I am not aware of any reporting of greenhouse gas reductions as it relates to the number of alternative fuel cars we have.

On the issue of contracting, as per NRCan policy, if we farm out something through contracting, we don't count the actual emission reduction. It's not counted in our pool.

Mr. Nathan Cullen: Do you account for the emission contribution by contractors?

Mr. François Guimond: No, we don't.

Hon. Scott Brison: That's a very interesting point. That's something we should incorporate as we establish a green procurement policy. That's part of it.

In terms of real property, 40% of our office space is in fact leased. That has occurred over a longer period of time. We are now negotiating as part of our criteria green leases. We are seeking office space that matches the same types of goals we would have when we build facilities in terms of moving toward LEED-certified buildings, both on a leased and ownership basis. So that's in lockstep. We don't differentiate in terms of our goals in that regard.

In terms of monitoring on an ongoing basis everything we do within the department through an environmental lens, our Office of Sustainable Development will help achieve that.

But I think good environmental policy is good economic policy. If we take into account life cycle costs in everything we buy, build, or lease, and if we take into account the long-term costs of our purchasing and leasing decisions, we're going to make not only good economic decisions, but good environmental decisions. I prefer that to a more platitudinous approach where we talk a good line but don't do anything. Why don't we just change those processes? Then we're going to make good long-term sustainable decisions.

Mr. Nathan Cullen: I appreciate that perspective.

With respect to the last question, in terms of achieving success within your departments, has the voluntary approach worked? Is it a simple suggestion to employees or is it much more directive, much more connected, and much more of a mandatory nature within your department? I want to really get a measure of how serious you folks are with respect to this.

Hon. Scott Brison: Within our department we actually occupy a fairly small amount of space. We use a fairly small amount of goods and services within our department solely, but we buy for 98 departments and agencies. The real question is, how much influence can we have over the procurement and leasing decisions of other departments? That mandate for us is a more central, coordinated mandate or role within the government, and that's being strengthened. That's going to give us the ability, as part of our plan—that's what Mr. Lastewka's work has led to on the procurement side—to actually have more power, if you will, within the government across the 98 departments and agencies.

In the past our department looked at other departments and agencies as client departments: if you want something, we'll get it for you; we buy things for you; if you want this good, we'll buy it for you. Increasingly, we look at other departments and agencies as colleague departments, and we're going to seek to get the best possible goods and services at the best possible value for Canadians. At the same time, we as a government will undertake actions consistent with long-term environmentally sustainable behaviour.

● (1205)

The Chair: Mr. Cullen.

Mr. Nathan Cullen: You mentioned that everything we do, we do through a green lens. Since you look at these other agencies as colleagues, is it now a requirement, when anyone such as Transport or Health comes to you, that the purchase be done through a green lens? The Alternative Fuels Act, passed in 1995, called for 75% of all federal motor vehicles...April of last year. We missed it by a mile, so the trust isn't there.

I'm wondering, do you have the strength, when other federal agencies come to you and want to procure another vehicle, to simply say it must go through the green lens? I haven't heard that through any of the testimony so far.

Hon. Scott Brison: Part of this is a cultural shift within the whole of government. The policy changes that are necessary and that will move forward involve more than just our department. Treasury Board is going to be a major player in that. We've had extensive discussions with Minister Alcock, and he is absolutely committed to his department playing its important fiduciary role in terms of, in this case, environmental policy and enforcement.

But it's not just Treasury Board—

Mr. Nathan Cullen: There's a 15-year-old cabinet directive, though. There is no higher order in government, to my understanding, in terms of saying you're serious about something than a directive coming down from cabinet saying to do this, in this case with respect to the environment. The question is, why should we trust you now?

The Chair: If you have an answer, please respond.

Hon. Scott Brison: Fifteen years ago I was paying my way through university by renting bar fridges to students at Dalhousie University, so you can't really hold me accountable for that.

What you can hold me accountable for is the work we are committing to today, much of which has been led by a very strong executive team over the last 12 to 14 months. We have a very serious mandate here and we are going to fulfill it.

The other thing too is that we're not going to get anything done if we consider the Department of Environment over here with their mandate and have Industry over here, Treasury Board over here, and Public Works over here. This has to be a whole government approach and that's exactly what it is. I'm delighted to see the amount of cooperation that exists now between our ministries, Environment and Industry being an example. Minister Emerson and Minister Dion are working very closely on that front, and we're working closely with them in terms of what we're doing. Treasury Board is a key player in that, and I can assure you that we're moving in lockstep and that we are going to do this.

The Chair: Thank you, Mr. Cullen.

Minister, this is just so we get a feeling about your time here. We now go into five-minute sessions. Do you have time for two?

Hon. Scott Brison: I want to make sure everybody gets in. Are you folks fine? I'm fine.

I notice you guys get to eat sandwiches.

Some hon. members: Oh, oh!

The Chair: That's another issue we're going to deal with, but, Minister, we also have another set of witnesses to come forward. Could I suggest we take one from each side?

Hon. Scott Brison: That sounds pretty good. I do want to make sure everybody gets in.

The Chair: We'll go up to Mr. Richardson and then across to Mr. Paradis.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chair, and thank you, Mr. Minister. I always enjoy your visits.

I was sitting recalling another old Conservative appearing before a committee years ago, and that was John Diefenbaker asking the public works minister at the time when they were going to finish resurfacing the bridge across the Ottawa River outside here. The minister said, “Well, we're going to do that. We have a plan. We're going to get to that. It's our intention to finish it soon”—

Hon. Scott Brison: We finished that project, by the way.

Some hon. members: Oh, oh!

Mr. Lee Richardson: Apparently. I think it was a Conservative government that finished it.

In any event, Diefenbaker said “The road to Hull is paved with good intentions”.

Some hon. members: Oh, oh!

Mr. Lee Richardson: I was encouraged by some of your remarks, and if we were to believe them, we would have to suggest that it sounds like you also have good intentions. On the Kyoto file we've been hearing this for a long time, but we've heard, as you noted in the House, a lot of dithering and felt a lot of hot air. In looking at the file this morning, I noticed that you had said at one point not long ago, “In the U.S., you have a government that did not ratify Kyoto but has a plan to reduce greenhouse gas emissions. In Canada, we have a government that ratified Kyoto but has no plan to reduce greenhouse gas emissions....”

Now that you're on the other side of the House—they like to keep things secret from Canadians and the opposition particularly, Mr. Minister—and you have access to the government benches, can you tell us, is there a Kyoto plan?

● (1210)

Hon. Scott Brison: That's an excellent question.

First of all, there has been significant progress made. I'm responsible for one department within the operations of government, but as described earlier, it's a department with a huge mandate and capacity to effect positive change on the environmental front. That's what we're doing, whether through green procurement or through real property. Our plan to reform the way Public Works functions is, I believe, the most significant change to the way we do business as a government that the country has seen in 40 years, both on real estate and on procurement. That's going to enable us to in fact make better decisions on environmental projects.

What's interesting in the U.S. is that many of the policy decisions on environmental issues are made by state governments. Look at states like California, for instance, where there's leadership on a lot of these issues. California is ahead of just about any jurisdiction anywhere in the world in terms of decisions.

I do believe there is a real opportunity for Canadian governments to work not just with the national government in the United States, but with governments in places like California, and to share best practice models and discussions. In many ways, if you look at what is being done by some of those states in the U.S. and at some of the desires President Bush has expressed in terms of environmental policy, you see there is a potential role for Canada to help multilateralize and internationalize some of those laudable goals.

But the fact is, you can't clean up the environment purely unilaterally. Pollution or greenhouse gas emissions don't stop at a border. I think there's a real capacity for Canada to play a leadership role, not just within North America but globally. We are trusted internationally as a multilateralist; that's why Kyoto is important. We're also trusted by the United States as a friend, and I think we have an important role to play in helping multilateralize environmental policy by working with the U.S. I think we probably share those laudable goals.

The Chair: Thank you.

Mr. Paradis, please.

[*Translation*]

Mr. Denis Paradis (Brome—Missisquoi, Lib.): Thank you, Mr. Chairman.

I would like to congratulate you, Mr. Minister, for reducing by 40% the fleet of traditional vehicles. I would also like to congratulate my colleague Mr. Bigras for using a car that respects the new environmental standards.

Mr. Chairman, I would like to congratulate the Minister for looking at creating a renewable energy office within his department. There happens to be in today's La Presse an article by Pierre Fortin that says:

> In order to save Kyoto, Canada needs to concentrate on developing and implementing a national strategy based on renewable energy.

Further, the author makes this suggestion: Why not establish a national secretariat for renewable energy which would be mandated to carry out this strategy and to increase coordination between the federal government and provincial and territorial governments as well as between relevant departments?

I believe this is an excellent suggestion. It is along the same lines as setting up an office within your department.

As MP for Brome—Missisquoi I would like to raise the issue of renewable energy in relation to electrical power. In your presentation you said that renewables are another way to achieve reductions. You also said that the government aims at purchasing 20% of federal electricity requirements from low or non-emitting renewable energy sources.

There are people in my area who want to promote renewable energy. They manufacture solar panels that can be used to heat large buildings. We are not talking electrical power here, but nevertheless renewable energy. It seems that the rules set out by your department mean that procurement is focussed on electricity produced from renewable energy sources. These people would prefer the emphasis to be placed on the purchase of renewable energy itself.

For example, you mentioned in your presentation new and innovative financing methods. At the present time, these people install solar panels on the roofs of buildings to provide hot water. This could be used, for example, for federal penitentiaries throughout the country. They bill monthly, just as electricity suppliers. This system also comes with a financing plan.

In order not to be limited to electricity from renewable energy sources, it would be advisable to talk rather about purchasing direct renewable energy, so as to include thermal solar energy.

● (1215)

Hon. Scott Brison: Thank you very much. I greatly appreciate your question.

We could make all sorts of changes to the design of our buildings. There are lots of ideas out there that could improve our approach. I like very much the concept of using

[*English*]

solar power. With some of these technologies up front there's a significant...any disruptive technology, whether you're talking about it on the IT side or about environmental technology is very expensive up front. The government has in some ways a real capacity to help, through procurement, make decisions to buy some of this, and that would outwardly lead to a commoditization of the technology, so it becomes cheaper for the general public or for business.

I think as we make procurement and design decisions for our buildings, for instance, we ought to take into account that sometimes these technologies.... You know, if we don't do it, nobody else will. That's why the decisions we're making on procurement, for instance, can't be made without working with other departments. We're increasingly working with Industry Canada and Environment Canada. Industry Canada have a capacity within their department to recognize economic benefit issues. We don't have that. They have that. So if we work with them they may see that this has the potential to be a sunrise industry in the future, and perhaps we ought to be playing a more entrepreneurial role in terms of helping spawn that industry. Environment Canada, of course, has a responsibility in terms of sustainable policy in a macro sense.

So I'm very interested in that. The office of sustainable development will help, but I don't want it to be a bureaucratic thing that simply leads to more square footage, more people, and no results. We need to monitor what we do through an environmental lens, but it can't just be adding to a bureaucracy.

Thank you very much.

The Chair: I'm going to have to bring this to a close now because we have other witnesses who are coming forward.

We'd like to thank you for being here.

Hon. Scott Brison: Mr. Chair, if you want me back sometime, I'd —

The Chair: From the response of the members, I think we'd look forward to that, perhaps after the budget, after you have an opportunity to see how the budget is going to influence some of the programs.

Hon. Scott Brison: Sure. That would actually be a little easier.

The Chair: Thank you, Mr. Lastewka, for being here.

Mr. Butts, whom I didn't introduce, thank you.

Thank you very much.

Hon. Scott Brison: Thank you very much to all of you.

The Chair: Very quickly, so that we don't shortchange our other witnesses, if you could remove yourselves from the witness pew, we could then have the Canadian Natural Gas Vehicle Alliance come forward. We're going have to do this quickly.

I would like to welcome Mr. Rick Thomas, president of the Natural Gas Vehicle Alliance. Thank you for being here.

We have Graeme Feltham, general manager, regulatory, for ATCO Gas. Please have a seat.

We also have Kerry Van Camp, who is the business development lead for NGV from ATCO Gas; Brian Maher, manager ofnatural gas vehicle sales, business development, for EnbridgeGas Distribution; and Gerry MacDonald, director,natural gas vehicles, business development, for Enbridge GasDistribution. Gerry, welcome.

We have Al Basham, executive vice-president of Clean Energy. Did I get that right?

● (1220)

Mr. Al Basham (Executive Vice-President, Clean Energy, Canadian Natural Gas Vehicle Alliance): Yes, you did, sir.

The Chair: Thank you.

We also have Charlie Ker, director,government and industry affairs, Westport Innovations.

Welcome to all of you. Thank you for being here. I hope you found the first part of the deliberations interesting and relevant to what you're all about.

We apologize in advance for shortchanging you, but we can go over a little in terms of making up the time for you.

With that, Mr. Thomas, have you arrived at who is going to lead off?

Mr. F.S. (Rick) Thomas (President, Canadian Natural Gas Vehicle Alliance): I am.

The Chair: Okay.

You've seen what our procedure is. We have roughly 10 minutes for witness input and then we go into a process of questions and answers.

Mr. Thomas.

Mr. F.S. (Rick) Thomas: Thank you very much.

Mr. Chairman, and fellow members, I'd like to thank you for inviting the Canadian Natural Gas Vehicle Alliance to appear before your committee today.

As you were mentioning earlier, a number of representatives of the alliance are here today, including: Al Basham from Clean Energy in California; Charlie Ker from WestportInnovations in Vancouver; Gerry MacDonald and Brian Maher from Enbridge GasDistribution in Toronto; and Graeme Feltham and Kerry Van Campfrom ATCO Gas, which is located in Calgary.

By way of introduction, the Canadian Natural Gas Vehicle Alliance is the umbrella organization representing an innovative, growing high-tech industry dedicated to reducing greenhouse gas and smog-causing emissions in Canada and around the world through natural gas vehicles.

There is a perception, which many experts consider false, that natural gas has or is becoming a scarce commodity and that its use in natural gas vehicles would add to the supply issue. Gas is in abundant supply, but it's being flared in many countries due to a lack of infrastructure. Many liquid natural gas projects are now in the planning stage. When they come on stream, the supply of natural gas will be greatly increased.

For example, we estimate that 100,000 natural gas vehicles would only increase domestic natural gas consumption by about one-half of one-tenth a percent per year. Given that Canada has vast reserves of natural gas and exports almost one-half of our production each year, we do not think that a shortage of natural gas is an issue for Canada. Investment may be more the issue.

I understand that Michael Cleland, president and CEO of the Canadian Gas Association, will be appearing before the committee in mid-March. I expect he'll expand on these issues for you.

Returning to the CNGVA, a terminology that I will use at times with respect to the alliance, you were saying that I have about 10 minutes to make my presentation. I'll try to run through this as quickly as I can because I understand you will perhaps have some questions.

The Chair: Mr. Thomas, are you speaking on behalf of all of the group, or are members of the group also going to—

● (1225)

Mr. F.S. (Rick) Thomas: No, I'm speaking for the 10 minutes, and then we'll open the floor for questions.

The Chair: Then I'd suggest, with the committee's agreement, that the 10 minutes be flexible—let's say 10, 12, or 15 minutes, but not more than that.

Mr. F.S. (Rick) Thomas: Okay, put me on the clock and away we go.

I'd like to focus briefly on the four themes that are outlined in the submission we made to you: natural gas vehicles; policy, regulation, and programs—and the minister was talking about some of that beforehand, so that might be an interesting area for conversation; Kyoto implementation or the climate change plan; and the pathway to hydrogen, which we consider natural gas will be a very important part of for the future.

With respect to natural gas vehicles, natural gas, which is about 95% methane, or CH_4, one carbon and four hydrogens, burns significantly cleaner than gasoline or diesel fuel—diesel fuel, for example, is what's referred to as $C_{14}H_{30}$, so you have 14 carbons and 30 hydrogens—and as such produces fewer smog-causing emissions. Light- and medium-duty natural gas vehicles can provide, at the moment, between 20% to 28% fewer emissions, and, for example, in heavy-duty vehicles such as transit buses, greenhouse gas emission reductions can be in the order of 6%, and even up to 16% when the new technology comes up. By using natural gas buses rather than diesel buses, significant savings will be found through reductions in NO_x, SO_x, and particulate matter. The result is cleaner air for all of us.

Who operates natural gas vehicles? High-mileage fleet owners are the largest buyers of light-duty vehicles. In Toronto, for example, approximately 10% of the taxi fleet is natural gas powered. By fueling with natural gas, it is estimated that each vehicle produces, on average, about 13 fewer tonnes of greenhouse gas emissions per year. That's a very high mileage vehicle that we're talking about there that could do up to about 120,000 kilometres per year.

The other side of the equation, of course, is the idling issue. You may not necessarily be doing as many kilometres each year, but if you're idling, there can be significant greenhouse gas emissions, so you want to look also at the fleet that's doing a lot of idling.

Other uses include transit buses and refuse trucks, to name but two important applications.

I mentioned the policy, regulatory, and program tools. First, in procurement—and the minister was talking about this earlier—the natural gas vehicle industry was encouraged by the introduction of the Alternative Fuels Act in 1997. Starting in 2004, the act requires that federal government departments and agencies use alternate transportation fuels on 75% of automobiles, passenger vans, light- and medium-duty trucks, and buses where it is cost-effective and feasible to do so.

While the report tabled by the President of the Treasury Board noted full compliance with the act, we think the government could do more. However, we recognize the challenges of government departments with respect to activities that take place in rural areas where it may be difficult to find natural gas refueling stations. However, in the large urban areas, including Toronto, Vancouver, and Calgary, there are over 120 natural gas refuelling centres—some of them private, some of them being used by the utilities, and so on, but we estimate that there are over 120.

In addition, should fleet levels warrant, the Canadian natural gas vehicle firms are prepared to install dedicated refuelling centres at the fleet sites. We'd like the government to revisit their evaluation criteria in order that a higher percentage of alternate transportation fuel vehicles can become part of the federal government fleet.

Also—and it was mentioned here earlier with respect to the contractors and subcontractors to the Government of Canada—we think serious consideration should be given to providing, say, bonus points on the evaluation criteria to suppliers that are prepared to use alternate transportation fuel vehicles in delivering goods and services to the Government of Canada.

In regard to regulation—and again this was raised vis-à-vis California—from the regulatory perspective, we think the government should demonstrate the same leadership as the South Coast Air Quality Management District in California. South Coast has a very clear public policy objective: to deploy the cleanest, proven, commercially available technologies as early as possible to reduce emissions from diesel engines. This policy objective focuses on reducing emissions and is both fuel and technology neutral. There's no reference to a specific fuel, such as natural gas or hydrogen, or technology, such as hybrid or fuel cells, to be used to reduce emissions.

● (1230)

In our view, if this clear policy objective were used by the Government of Canada, we think the outcome would be the same in Canada as in California—the purchase of natural gas vehicles using Canadian technology.

Regarding programs, in our view, change requires more than regulation. To convert from a traditional gasoline internal combustion engine to a gaseous one using natural gas—and, in the future, hydrogen, for fuel cells—will require incentives to help defray the cost of the new technology and to encourage behavioural change.

To this end, the natural gas vehicle industry was delighted with the announcement by the federal government in May 2004 that natural gas vehicles have been included in the climate change plan for Canada. With $9.9 million committed to this initiative, Natural Resources Canada and the Canadian Natural Gas Vehicle Alliance entered into a pilot contribution program scheduled to end March 31 of this year. The pilot provides $1.4 million for initiatives for purchasing original equipment manufacturers' natural gas vehicles—that's like Ford or General Motors—and $700,000 for purchasing conversion natural gas vehicles. Those are gasoline-using vehicles that are converted to natural gas.

While it's unfortunate that the OEMs have recently withdrawn from the Canadian market—and that was done for cost-saving measures, in our view—the conversion component of the pilot program also provides an incentive of $3,000 per vehicle, and it is now beginning to pay off, as fleet owners are beginning to make investments in natural gas vehicles. The Natural Gas Vehicle Alliance strongly endorses this program and requests the government to extend it to at least March of 2007. It's a modest pilot program of less than $10 million in total; it certainly is very affordable, given that we understand there may be more than $2.5 billion announced in the budget for the Kyoto implementation plan, and indeed even more.

What about Kyoto and greenhouse gas emissions? The transportation sector is recognized as a significant contributor to air quality problems, contributing to approximately 25% of all Canadian greenhouse emissions. Natural gas is the cleanest burning alternative transportation fuel, and it can assist Canada in meeting its obligations to reduce greenhouse gases, provide improvement to our cities' air quality, and reduce the impact on public health. The natural gas vehicle industry across Canada is already a leader in this field, and many of the natural gas vehicle technologies were developed in Canada. The right set of government policies in the coming years will capitalize on the advantages and ensure Canadian companies remain global leaders.

The member companies of the alliance have prepared a comprehensive natural gas vehicle strategy for the federal government. While the plan expands on the support for the light-duty market identified in the current contribution program, it also includes movement into the diesel market, development of financial packages to support customer acquisitions, funds to enhance the refueling infrastructure, and an investment in research and development for cleaner natural gas engines.

The plan identified a total cost of $160 million over five years. The Minister of Finance, in his February 8 appearance before this committee, outlined criteria to guide the new climate change plan, such as cost effectiveness, contribution to economic development, competitiveness, ease of implementation, fairness, and behavioural-changing measures. We are confident our plan meets these criteria.

Finally, I will talk about the pathway to the hydrogen economy. Like many other nations, Canada has set ambitious goals to establish fuel cells as the power source for the future. However, we also need an implementation strategy to get us from today's world of internal combustion engines, using petroleum as the engine source, to the future fuel cell propulsion systems, using hydrogen as the energy source.

Hydrogen can be created in a variety of ways. Ideally, non-polluting, renewable sources of hydrogen—such as solar, wind, and hydro power—will be the long-term solution. In the short to medium term, extracting or reforming hydrogen from hydrocarbons will be relied upon. Natural gas is the best choice of a hydrocarbon to reform, as it has the highest hydrogen-to-carbon ratio. The majority of commercial hydrogen in use in North America today is reformed from natural gas, due to its competitive cost and widespread distribution.

Today's commercially available natural gas powered vehicles and tomorrow's hydrogen fuel cell vehicles share one key element—both are powered by a gaseous fuel, stored at pressure on board the vehicle.

● (1235)

Fundamentally, this means that the fuel delivery system components on board today's natural gas vehicles will be the same as the fuel delivery system components of tomorrow's hydrogen fuel cell vehicles. It also means that the equipment and expertise associated with today's natural gas refueling infrastructure will be required for tomorrow's hydrogen refueling infrastructure, as follows: fuel storage, fueling stations, home refueling, training, regulations, and public acceptance.

In conclusion, the Canadian natural gas vehicle industry is well-placed to help Canada meet its greenhouse gas targets and reduce emissions that are harmful to our air quality. The industry requires a two-pronged federal government strategy—incentives and regulation—to assist in moving to a gaseous-fuel-based transportation system. The industry needs the incentive program to continue until at least March 2007, and to have regulations like those in place in California, to deploy the cleanest proven technology to reduce emissions.

We endorse the government's efforts on green procurement and would like to see them expand it. We want the natural gas vehicles to be part of the climate change implementation plan. The use of natural gas vehicles will help Canadians have better air quality. Natural gas vehicles and the infrastructure and expertise that are here now can help Canada move from a petroleum-based economy to a hydrogen-based economy.

With that, my colleagues and I look forward to your questions and comments. And hopefully I have not consumed more than my allotted 10 to 12 minutes.

The Chair: You were right on 12 minutes, actually, so thank you very much for that. You've covered a lot of territory, Mr. Thomas, and I'm sure you have provoked a lot of questions from the members of the committee.

We'll go to the top of the order, Mr. Richardson, and Mr. Watson would like to crowd in on that 10 minutes. Then we'll go to Mr. Bigras.

Mr. Lee Richardson: Thank you, Mr. Chairman, and thank you, Mr. Thomas.

It's fascinating. As an Alberta member, I think obviously we're big cheerleaders for your industry and wish you well, particularly the ATCO guys.

I'm wondering, if you even got to the government incentives and the continuation of current programs—because you were limited in your remarks—do you see a light at the end of the tunnel in terms of being able to wean away from government incentives? Are we getting to a point where a number of the shortcomings are overcome? I recall things such as the weight of the tanks, the conversion costs, and this kind of thing. Are manufacturers building more cars at the factory now? Are we going to be able to get the costs of conversion down? What sort of timeline do you see in terms of this being not only environmentally friendly but economically friendly as well?

Mr. Gerry MacDonald (Director, NGV Business Development, Enbridge Gas Distribution Inc., Canadian Natural Gas Vehicle Alliance): By the way, thank you very much for inviting us here today. On behalf of Enbridge, I just wanted to mention our interest in this is that we operate 33 retail stations at which you can purchase natural gas, most of them in partnership with Shell Canada. We're also involved in the vehicle conversion business.

With respect to your question, there's been a plan put together involving the incentive money we're requesting that essentially sees the incentives weaned off over time. I believe we're now projecting that by 2009-2010 essentially the incentives would no longer be required. The way we've done that is to work with the conversion kit manufacturers on the economies of scale that would be required to get rid of the incentives.

To answer the other part of your question, Ford and GM or the OEMs no longer make natural gas vehicles. We've had to jump into the breech, and we now work with the kit manufacturers who actually made the kits for Ford and GM. We facilitate that process today—Enbridge and some of the other members around the table.

● (1240)

The Chair: Mr. Watson.

Mr. Jeff Watson (Essex, CPC): I'd like for a moment to have you guys explore some of the pros and cons of natural gas buses, say, versus hybrid buses. Would anybody like to speculate on the pros and cons?

Mr. Charlie Ker (Director, Government and Industry Affairs, Westport Innovations Inc., Canadian Natural Gas Vehicle Alliance): Again, thank you for inviting us here today. I am here representing Westport Innovations out of Vancouver. One of our partners is a joint venture company called Cummins Westport. We are in the medium heavy-duty market. So we are totally, 100% focused on developing gaseous fuel, natural gas, blends of hydrogen and natural gas, as well as pure hydrogen internal combustion engines. The market we have been successful in is the bus and truck market.

In terms of where we are today, in answer to Mr. Richardson's earlier question about incentives and how much longer incentives will be needed, it's an interesting time for the industry right now, especially the medium heavy-duty industry. Let's take buses, for instance. There are, as you may be aware, very strict emission regulations that are coming into play in 2007. That is really where we see—we've always had an environmental benefit over diesel engines. Come 2007—which really falls in line, as that's the next procurement when you're talking about transit bus purchases—we will no longer be only an environmental leader. We're going to see a shift in the economics, in the life cycle cost of diesel buses as the introduction of ultra-low sulphur diesel comes into play, and changes in terms of how diesel engines adapt to that fuel and adapt to the new emission requirements that are going to impact the efficiency of those engines. Natural gas, as was stated by Mr. Thomas, by virtue of its lower carbon content, won't need as intrusive an after-treatment system to reach these extremely low levels. So we really see an economic case in natural gas's favour, both against diesel and against diesel hybrid.

Mr. Lee Richardson: If I could just follow that, Mr. Ker, would you suggest that the large manufacturers might get back into the game by 2007 as a result of those economies?

Mr. Charlie Ker: Yes, and this is again a distinction that has to be made. Historically, the natural gas vehicle market, when you look at the industry, has been focused, I think it's safe to say, on the light-duty segment of the transportation market. We, as a new entrant into this industry, are focused on centrally refuelled, high-volume fuel users. An example of those, of course, would be transit buses, refuse trucks, and shuttle buses at airports, where the economics of siting a station and the volume of fuel that goes through those stations make the economic case.

It is also at these primarily urban sites where you get a significant air quality benefit and greenhouse gas benefit. Since a lot of our business is in the States, those two targets, as well as energy diversity, are the three things the United States is looking at right now.

The Chair: Thank you very much.

Mr. Carrie, do you want to ask your question now?

Mr. Colin Carrie (Oshawa, CPC): I noticed in the presentation you said with the smaller light- and medium-duty natural gas vehicles you get a 20% to 28% reduction in greenhouse gases, and with the larger vehicles it is only 6% to 16%. Why is that?

Mr. Charlie Ker: It's a different application, a different duty cycle. The natural gas engines that were developed 15 years ago and the technology that is available today, and will be available come 2007, are drastically different, both in their combustion characteristics and their efficiency. We're going to see a great leap in terms of greenhouse gas benefit from these engines.

● (1245)

Mr. Colin Carrie: Have you ever considered not only a natural gas bus but a natural gas bus with electrical regeneration as well? I notice General Motors has that type of product, and what a great combination it would make.

Mr. Charlie Ker: Our company's stance has always been that what is applicable to a diesel is complementary to natural gas. So absolutely, we could most certainly put a natural gas engine into a hybrid configuration. Down the road, when you look farther down the path to hydrogen, you're looking at a potential hydrogen internal combustion engine with a hybrid configuration.

But again, it comes back to when you look at the life cycle costs of operating a hybrid bus versus a natural gas bus. You have to look at what the environmental benefits are and how much it is costing you. I think it's safe to say that the hybrid bus technology that's out there is a marvellous technology, but in terms of what the experience of natural gas has been and what the experience of hybrids has been, it is still in its infancy. I think my colleagues would agree with me there.

Mr. Gerry MacDonald: Just to build on what Mr. Ker has been saying, we are looking at a natural gas electric hybrid, actually across the river with STO. We've had ongoing discussions. They've received some money from the federal government in terms of a hybrid demonstration and they've invited us, when the time is right, to respond to the RFP with a proposal for a natural gas hybrid bus, and we intend to do that.

The Chair: Mr. Carrie, we're going to have to go on. The 10-minute envelope is finished.

Mr. Bigras.

[*Translation*]

Mr. Bernard Bigras: Thank you, Mr. Chairman.

I get the impression that the discussion revolves around hybrid vehicles, but it remains to determine what specific type. Are we talking a diesel and natural gas hybrid or rather an electrical vehicle? I would like to discuss this aspect. It is a rather important issue in view of the fact that the government is considering tax measures to promote the purchase of hybrid vehicles. If we want the government to chose a greener vehicle, what would be the reference: propane, electricity?

I would like you to provide a concrete comparison. Are cars using natural gas and diesel more efficient or less efficient than hybrid cars using electricity and gasoline, those that are already on the market? I myself drive a gasoline-electrical hybrid. I can fill up my tank at any gas station. Is such a vehicle more energy-efficient than a car that uses natural gas?

You mentioned the California regulations and I have a question on this. We know that under these regulations there is a classification system for cars. I would like to know how cars fueled by propane are classified under the California regulations. Are they considered as being a low emissions vehicle?

[*English*]

The Chair: Mr. Basham, probably from a California perspective, you're right on to answer the last one anyway.

Mr. Al Basham: Thank you.

Just before I answer, I do appreciate the question, and thank you, Mr. Chairman, and the committee.

I'd just like to explain that I am Canadian. I was transplanted to California. I wished to be transplanted to California in 2001 when our company merged with a U.S. company, and now I make my living down there, where natural gas vehicles are actually so well-known that people at my golf club say, “Oh you're in natural gas vehicles; sure, we know about that.” So I just thought it would be interesting.

I'd also like to mention that since then, I've brought three of the brightest people in our company down from Canada to work in the U.S. One of them is working in the Bay area, selling natural gas vehicles and putting in stations. There's lots of activity down there, and we wish we could have some up here; that's why I'm here. We wish we could recreate the conditions under which natural gas flourished in Canada, and move ahead.

With respect to the questions, I believe that the green guide the state of California publishes on how green various vehicles are—and I believe this is on their website, and I'm sure we can find the reference and provide it to you—listed the Honda Civic GX, a dedicated natural gas Honda Civic made in the U.S., as the cleanest and greenest vehicle there is. I believe the Prius was either second or third, but I'm not sure. Natural gas is definitely very, very clean and very green, both on a greenhouse gas basis and a tailpipe basis.

As for how propane vehicles are categorized in California, I must admit I'm not an expert on emissions. However, I understand that there are not any propane vehicles sold in California; I don't believe they're certified. They would have to be certified to an EPA standard, as you're saying, and I don't believe that any propane vehicles have been certified, whereas natural gas vehicles have been certified.

● (1250)

The Chair: Mr. Simard.

[*Translation*]

Mr. Christian Simard: My question is of a more general nature.

It is often being said that petroleum and diesel are not good, while natural gas is so good that it could be eaten. However, if we look at the list of gases to be eliminated under the Kyoto Protocol, methane is there prominently. In terms of greenhouse effect, it is 21 times more powerful than CO_2, which is the gas emitted by vehicles. So I need some clarification. For the layman these things are difficult to understand.

You talk about natural gas buses that produce real reductions. What I am interested in is the total life cycle of methane. It is extracted from the ground, processed, transported, distributed and burned. Throughout this cycle, lots of methane escapes. Firstly, if my understanding is correct, each molecule that is not burned strongly contributes to the greenhouse effect. Secondly, what comes out of the tail pipes of buses fueled by natural gas, if not CO_2? I must admit my complete ignorance in this regard. Are those emissions also 21 times more powerful than CO_2? I would like you to better understand this whole area.

[*English*]

Mr. Graeme Feltham (General Manager, Regulatory, ATCO Gas, Canadian Natural Gas Vehicle Alliance): Good afternoon. I'm Graeme Feltham from Alberta.

I'll take a stab at this one. It's a very technical question. Thank you for it. The science around global warming has, by convenience, compared everything to CO_2. CO_2, carbon dioxide, is not the only the greenhouse gas. There are many greenhouse gases. Methane is a greenhouse gas. Water vapour is a greenhouse gas. Carbon dioxide is a greenhouse gas. By convenience, they've simply taken a blend of gases and then made them equivalent to CO_2, so you can compare apples to apples.

Indeed, methane in the atmosphere is not a good thing. When you burn it, actually when you burn any hydrocarbon—gasoline or diesel—the absolute best thing you could possibly do is turn it into water vapour and carbon dioxide. That's the hydrocarbon combustion. That's absolutely the best you can do. The fewer carbons you have in your fuel, the better. Methane—natural gas—just has one carbon. One molecule of methane, if you burn it properly, will turn into one molecule of carbon dioxide.

When we're talking about greenhouse gas reductions and using it as a fuel, obviously it's getting compared to the tailpipe envelope, the bag of exhaust fuels, and then that's turned into a CO_2-equivalent. But obviously it's not just CO_2 that's coming out of the tailpipe.

On the concern about leaking, since natural gas is a gaseous fuel, it gets transported at high pressure. It's a sealed system. That's just a technology hurdle that they've had to cross before. It doesn't leak. You can't spill natural gas when you're filling up, for instance, like you can overfill your car, your truck, or your motorcycle. You can't spill it because it's a sealed system. It locks on, fills up, unlocks, and comes off. Then it's stored at 3,000 pounds in your vehicle, and it's sealed as well. There are no evaporative emissions like you get with gasoline.

There are a couple of other questions around when the automotive manufacturers are going to get back in the game. It's important, when you look at Canada, to realize that Canada is just one little part of the world, and if you look in other parts of the planet, the automotive manufacturers are making natural gas vehicles. The automotive manufacturers are very much fuel-neutral. They don't care what fuel you burn in your vehicle. They want to sell vehicles. They sell natural gas vehicles into natural gas vehicle markets. That makes sense for them.

The retreat that you've seen happen in Canada is for business reasons, that and because the North American manufacturers didn't have such great years the last couple of years, so they've retreated on those kinds of leading-edge technology programs.

I had a call from the Volvo dealership in Edmonton, and he had a call from his head office about a natural gas vehicle program that was happening in Canada. Since he's in Edmonton, he must know everything about the natural gas industry. They wanted to know if they should be bringing the Volvo natural gas vehicles into Canada. That's something that, to my knowledge, has never been sold in Canada, but in Europe there are at least a dozen different platforms available on natural gas. The product is there; it's just whether or not they want to jump over the hurdles to be able to sell their product in Canada.

● (1255)

The Chair: Thank you, Mr. Simard.

I'm going to have to bring that 10 minutes to a close.

We're going to go across to Mr. Wilfert and Mr. McGuinty for ten minutes.

Hon. Bryon Wilfert: I preface my remarks with the fact that your alliance has a picture of a vehicle here from the Los Angeles Metropolitan Transportation Authority. That's all very nice, except I was in China with the Prime Minister in January in the same situation. Four companies got together and sold hundreds of buses to the Beijing transit authority.

Vancouver, to my understanding, has six prototypes. The difficulty is we hear urban governments in Canada talk a lot about public transit. The question is, what part of the market are you involved in with regard to the public transit? What are the barriers you see with regard to public transit in terms of alternative fuel sources such as your own?

The difficulty is that my own region went out and bought all new vehicles, all built in Belgium, which of course is just wonderful, and none of them, of course, are what we're talking about today. In fact, none of them are of an alternate fuel source.

That would be my first question. Then I want to ask you about the proposal regarding a clean energy trust.

Mr. Al Basham: Thank you for the question. If I can speak from my limited personal experience, when I was in Vancouver I worked very closely with what was then BC Transit. We did an initial demonstration project in approximately 1990 followed by two rounds of bus purchases of 25 buses each, the last one being about 1996, and these were all natural gas buses. They had early technology engines and the engines were not satisfactory to the operator. They found that they had to do more maintenance on the engines than what they had been used to with the diesel engines. They did have savings on the fuel, and actually considering the savings on the fuel the maintenance costs were still not enough to make it...in other words, there was still a net saving after maintenance cost. However, the agency felt that they could not reliably meet their rollout requirements and they have parked those buses. Those buses are being re-engined under a new program now with new natural gas engines. We're very hopeful that TransLink, which is now the operator of the bus service, or the owner of the bus service, in greater Vancouver, will, in their next round of buses, at least consider natural gas buses.

I believe if there were federal money available to level the playing field between natural gas and diesel they would be open to using new natural gas technology in their buses. However, they are now looking at a cost premium of approximately $50,000 per bus. Whether or not that gets repaid over the life of the bus in fuel savings doesn't matter because they just don't have that much money.

So I would urge the members of this committee to think about whether the Government of Canada could help Canada's transit agencies across the country and encourage them to use natural gas.

● (1300)

Hon. Bryon Wilfert: Mr. Thomas talked about creating the conditions in Canada. Why are the conditions so different in places like Beijing, where they obviously have decided that they have a significant smog problem, significant issues, and they have now decided that Canadian technology is the way to go? Not only did they like what they had, but they've now added to their fleets, and yet in Canada we have city governments who have only a few experimental ones. There is the odd jurisdiction, but certainly in my own region north of Toronto, one would have expected that they would have had an opportunity.... And they're not even Canadian-made buses, which is enough to make my skin crawl. I have to tell you, I was very upset, not only as the parliamentary secretary to the Minister of the Environment, but because none of them were environmentally friendly.

So the question is, what are those conditions that you think you need to have here? We seem to be able to export our technology abroad very successfully but not here?

Mr. F.S. (Rick) Thomas: With respect to Toronto, there's an agreement between Infrastructure Canada, the Province of Ontario, and the City of Toronto on the transit side that is $1 billion, of which I think the government is putting up about a third. Part of it is looking at green transit, and they identify hybrid or alternate fuel technologies.

I was at the City of Toronto with the review of the 180 diesel hybrid electric bus purchase a couple of weeks ago. These buses average $750,000 each, relative to $550,000 for a natural gas bus; however, the argument that was being made by the city is that if you look at the life cycle costs associated with diesel hybrid electric buses versus natural gas buses...their decision was that they should go for the more expensive ones. They think they are going to save money with fuel savings, and because of the federal incentive, it was helpful for them.

The problem t we see is identifying hybrid, because when you identify hybrid you are identifying a specific technology that then allows the transit commissions to continue using diesel, and, as I said in my remarks, it is very difficult to have behavioural change take place. There would be arguments that we need a whole new infrastructure, we need to train our mechanics, we need to deal with the additional costs associated with using natural gas fuel versus using diesel. In fact, we're going to get clean diesel and they want to stay with one particular fuel system. So that is a very difficult barrier for us to overcome.

What we would like to see is an approach like the one California takes, where they are both fuel-neutral and they are technology-neutral, and they allow the competitive process and the companies that are around the table here to have the opportunity to at least compete. With the City of Toronto, they did look at natural gas buses very early in their procurement process and then decided that they would not continue on. However, in the testimony that we made to the Toronto Transit Commission, I think there was a bit of a learning exercise there. They perhaps were not aware that we are now in third- and fourth-generation natural gas buses, that they are very clean, they are very reliable, they are now in use in Beijing, in California, in other parts of the world, and they want to revisit it and they want the Toronto Transit Commission to take a hard look at natural gas buses. So hopefully we'll have another opportunity to get back in.

The Chair: We have time for one more question, and then Mr. McGuinty.

Hon. Bryon Wilfert: The irony is that many of these politicians travel to these places and see what's going on there, but they don't do that at home.

The clean energy trust, in terms of research, development, demonstration projects.... How do you see your industry, if that were to come about, being an active participant?

● (1305)

Mr. F.S. (Rick) Thomas: I think there are a number of companies around the table here that do research and development, such as Westport. I think you would find that they would be very attracted to the program, a research and development program. As we've talked about, the 20% to 28% reduction in a gasoline engine, I'm sure that companies would want to work with the original equipment manufacturers to improve that, especially with people who make the conversion kits. With respect to buses such as diesel buses, Cummins Westport would look at moving that efficiency from 6% and 16% to even beyond that. I could see that there would be very active participation by the companies around the table.

Mr. Charlie Ker: One comment to that point. A couple of weeks ago, Westport announced a partnership with the U.S. Department of Energy to bring in an engine in 2007 that meets the 2010 emission regulation. Again, we're always setting the bar in terms of emissions, but this would be the type of bus that would be of great benefit to Canadians in places like Toronto and Vancouver, where, again, it's air quality, greenhouse gases, and diversifying your energy source.

Another comment. While you were in Beijing, I was in California with the Canadian delegation last month and they went to three cities. They went to Los Angeles, which, as you mentioned, has 200 of our latest natural gas engines in their fleet with an option for 400 more. They went to Sacramento, where they have close to 250 engines—their last purchase was 106 buses with our engines in Mississauga-built Orions. They went to Santa Monica, where they saw the first brand-new bus, one of 58 New Flyer buses, again with our engines in it.

The Chair: I'm sorry, we're out of time, Mr. McGuinty. We'll go across to Mr. Cullen.

Mr. Cullen, you have ten minutes.

Mr. Nathan Cullen: Thank you, Mr. Chair.

We've gone down to the municipal levels and I want to broaden it back up to the federal for a moment because that's the perspective I have, and I would hesitate to wait on some of our municipal councillors.

One quick question and a curiosity about manufacturers stepping away from the vehicles. That was a bit of a surprise for me to hear and I need more assurances. I know industry has suffered a little bit over the last couple of years. Has the consumer demand slipped off? There's a concern for me. I'm a natural gas fan in terms of promotion and meeting Kyoto, but hearing that industry has stepped away is usually a sign of something, either in the consumer market or in the manufacturing, that's worrisome.

Mr. Al Basham: We worked with Ford Motor Company since 2000, in my current company, in marketing and sales of their product, and that program was ended last year. There were a couple of reasons, but the primary reason was a restructuring within Ford, elimination of almost anything other than their core business. As you know, they had very severe losses.

General Motors continues to produce the pickup truck. It is not for sale in Canada because it's so difficult to get a small-run vehicle across the border. You have to do the Canadian crash testing. I would suggest that if the committee could look at how we could allow vehicles that are crash tested in other jurisdictions, either in Europe or the U.S., in limited numbers to come into Canada to allow the market to begin, that would help with getting Honda in and also GM pickup trucks, and then the European vehicles as well. I think you'll find those crash standards are not onerous for us.

Mr. Nathan Cullen: I'd like to move back to California where you've had these great successes that Mr. Ker has talked about in terms of procurement. I'm having a struggle not connecting their regulatory environment to the success of your industry there. Do you folks make that connection? California has been on the leading edge for obvious reasons, with the amount of pollution in their cities, in terms of regulating the industry and requiring certain emission standards. Has that been part of the equation for you folks doing well? I imagine Canada as being as progressive as California. Would that not be a thing that you folks would look for?

Mr. Al Basham: Absolutely. The South Coast has a series of fleet rules that specify that for public fleets, trash truck fleets, transit bus fleets, airport fleets, and, by the way, street sweeper fleets, those are specific proven applications where there is a model of a vehicle that is cleaner than what the average is and can work. In all of those segments, the South Coast has implemented rules. That says that if you buy a new vehicle and you're in one of those fleets and your fleet is of a sufficient size, usually 25 vehicles, you must buy the cleanest available technology. If you don't, you're subject to all kinds of fines and penalties. You can reapply for an exemption or a waiver. That's what's really propelled the business for us in the South Coast. All of the transit buses are natural gas because of that.

● (1310)

Mr. Nathan Cullen: Essentially, this is because of the regulatory environment set up by the politicians. They're saying you will incur penalities otherwise. We see this as a public good. So having a similar regulatory environment around our emissions would also be seen as a progressive movement and a positive movement.

Mr. Al Basham: Yes.

One thing we haven't talked about is health care and health costs. Diesel emissions are considered by the South Coast to be toxic, and that's the main reason they are so anxious to get diesel off the road.

Mr. Nathan Cullen: You represent various companies, in general some energy sector companies. The federal government currently is involved in long negotiations with the auto sector around mandatory or voluntary requirements. What's likely to come out is another set of voluntary requirements, which I have great suspicion over. They aren't likely to be met or to promote your types of businesses. Coming from Alberta, do you folks get an impression from the energy sector—again, broadening the horizon beyond just natural gas—of a resistance toward any sort of mandatory fuel requirements in the country?

I don't know if you follow my question.

Mr. Graeme Feltham: Yes, I follow your question. I'm not sure any of the companies represented here are actually involved in energy production. ATCO Gas, Enbridge Gas Distribution, and ATCO Electric just distribute the gas or electricity.

Mr. Nathan Cullen: I'm asking you to speculate on your familiarity with the energy sector. You work with all sorts of different folks in the sector. We've heard the resistance from the auto manufacturers in terms of anything mandatory. Does the energy sector care? Is it important to them?

Mr. Graeme Feltham: I would hesitate to speak for CAPP.

Mr. Nathan Cullen: Oh, go ahead.

Some hon. members: Oh, oh!

Mr. Graeme Feltham: There's a little bit of hesitation, for sure. I think they think natural gas should be burned in power plants and not in vehicles, if I can summarize some of the opinions I've heard. It's not a strong opinion. They're in the oil and gas production business, and as long as there's a market for their product, they're happy.

Mr. Gerry MacDonald: From Enbridge Gas Distribution's point of view, we've been in the demand-side management business for probably 10 years. I'll have to confirm this number, but I think we've reduced gas consumption by our end-use customers by the equivalent of half a million cars being taken off the road, if you want to do a math sort of thing. Plus we're protected by the regulatory regime in Ontario against the losses due to improved efficiency. So we're big supporters of it.

Mr. Nathan Cullen: Big supporters of what?

Mr. Gerry MacDonald: Of increased energy efficiency, at least from our end-use customer point of view.

Mr. Nathan Cullen: Thank you.

The Chair: Have you finished, Mr. Cullen?

Mr. Nathan Cullen: That's fine.

The Chair: Thank you.

Thank you very much for the input you've given. We've cut you just a bit short, but I think the input has been excellent.

We're going to have a steering committee meeting.

Mr. Basham, you wanted to add something.

Mr. Al Basham: I apologize, Mr. Chairman, but there's one point I wanted to bring up. There was a lot of discussion earlier about the Alternative Fuels Act and how many vehicles the government procures. I would sure like to know the answer to how much alternative fuel is actually consumed. I think it is a very small number. For example, if you buy a flex-fuel vehicle, a light-duty vehicle capable of using ethanol, how much ethanol is actually consumed?

The Chair: That's a good point.

Thank you for your input.

Thank you, members of the committee.

Ladies and gentlemen, we'll now bring the proceedings to a close.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

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