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Mr. Brent St. Denis

Standing Committee on Industry, Natural Resources, Science and Technology

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● (1535)

[*English*]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): I would like to bring to order this December 14 meeting of the Standing Committee on Industry, Natural Resources, Science and Technology as we continue our study of Canada's industrial strategy—what it is and/or what it should be.

We have with us a fine panel of witnesses made up of delegations from the Canadian Council of Chief Executives, SNC-Lavalin Group Inc., the Canadian Chemical Producers' Association, and the Canadian Association of Petroleum Producers.

I thank you all for being here. The order we'll go in is simply the order in which the clerk has put them on the sheet. It was more or less random, I think, but I understand Mr. Alvarez has to leave at 5 o'clock. We will make sure you have your chance, Mr. Alvarez, to get out by 5 o'clock.

To each of the witnesses, we'll ask you to keep your opening remarks to five to ten minutes maximum, if you can. That will allow adequate opportunity for committee members to ask questions. We appreciate you're helping us understand Canada's industrial sector, writ large, in a better way.

We'll get right down to business and ask the Canadian Council of Chief Executives to start.

Mr. David Stewart-Patterson (Executive Vice-President, Canadian Council of Chief Executives): My name is David Stewart-Patterson. I'm the executive vice-president of the council. With me this afternoon are my colleagues John Dillon, who is our vice-president, regulatory affairs and legal counsel, and Sam Boutziouvis, vice-president, policy and director of research. Between us, we'll be happy to answer any questions you may have on specific issues within the area of industrial strategy.

I thought I might open with some broad comments about where we might go, from the point of view of the chief executives of major Canadian enterprises.

I think we have to start any review of industrial strategy from a couple of basic assumptions—first of all, of course, that we've been doing something right in recent years. The fact is that Canada is enjoying large trade and current account surpluses. Our pace of economic growth and job creation is amongst the best in the industrialized world, and having cut personal and corporate tax rates, the federal government at least is now raking in more tax revenue than ever before, as well as boosting social spending to new highs.

At the same time, I don't think we can take the good news of recent years for granted. New powers such as China and India are generating fierce competition in selling goods and services and in attracting skilled people and investment from around the world. The North American Free Trade Agreement, once the leading edge of global trade liberalization, is now being eclipsed by a host of bilateral and regional deals in Europe and in Asia.

Canada cannot seem to close its productivity gap with the United States, which acts as a persistent drag on the standard of living of Canadians. The United States, which buys most of our exports, is in turn suffering from large fiscal and current account deficits that are pushing its dollar down and pushing its interest rates up. What that means is that Canadian exporters face a risk of economic slowdown in our biggest market at the same time as a rising currency pushes up their cost base.

It seems to me the fundamental goal of industrial strategy is to reinforce Canada's reputation as a land of opportunity. People from across our country and from around the world have to be confident that there's no better place for them to build better lives for themselves and for their families. As our counsel said in launching what we called our Canada global leadership initiative several years ago, we have to aim to make Canada the best place in the world in which to live, to work, to invest, and to grow.

As I said to the Standing Committee on Finance last month, sound fiscal and tax policy is a prerequisite for competitiveness and economic growth. Robust growth in turn is vital if the government is to sustain the extensive commitment it has been making to social programs.

On the fiscal front, the government should remain prudent in its planning. It should continue to run surpluses and pay down public debt. It should work hard to free up resources through a rigorous and continuing review of existing spending, and it should consider a second major round of tax cuts, this time with a focus on reducing the effective corporate tax burden in ways that would help Canadian companies to move faster in boosting their productivity and responding to global competitive pressures, in particular to the rapid rise of the Canadian dollar over the last couple of years.

Tax policy, however, is not the only way for government to create a business climate that fosters innovation and provides a significant competitive edge for Canadian communities as well as Canadian companies.

The most exciting opportunity, in our view, for immediate reform lies in the field of regulation. The report of the external advisory committee on smart regulation published in September in our view provides a compelling blueprint for making Canada's regulatory system more effective, responsive, cost-efficient, transparent, and accountable. I want to suggest this afternoon five reasons why members of this committee should consider the smart regulation report as the centrepiece of your recommendations on industrial strategy.

First, smart regulations serve social as well as economic goals. Smart regulation is not deregulation. It links the concepts of opportunity and sustainability and enables citizens to feel safe while encouraging a more dynamic economy that can sustain Canada's well-being into the future.

Second, smart regulation cuts costs without cutting protection. Canada's regulatory standards are part of our competitive advantage, but its processes take too long, are too complex, too costly, too unpredictable. Better rules, backed up by more effective and transparent processes, would reduce administrative costs for governments at the same time as compliance costs for business.

Third, smart regulation reduces duplication and delay. Many areas of regulation are shared between different levels of government, and that leads to duplication, delay, and uncertainty. I'll offer two examples of how to do better. The advisory committee itself highlighted the advantages that would flow from a single-window approach to environmental assessments. At the council, we have focused over the past year in particular on the need for a single regulator for standard securities markets.

Fourth, smart regulation strengthens Canada's competitiveness within North America. Canada and our biggest trading partner share similar regulatory goals and the desire for high standards and consistent enforcement. But what's been called the “tyranny of small differences” penalizes both consumers and manufacturers unnecessarily. Here are two examples out of the smart regulation report.

● (1540)

Why does the United States allow the additives BHA, BHT, and caramel colour to be used anywhere in a frozen pepperoni pizza, while Canada approves these additives anywhere in the pizza except the pepperoni? Is the health of Canadians better protected because we define cheddar-flavoured popcorn as having less than 49% real cheese instead of 53% as in the United States?

Fifth, and finally, smart regulation enhances Canadian leadership globally. International cooperation is increasingly important to provide high levels of consumer, social, and environmental protection. Canada should be a leader in encouraging better regulation worldwide and in making sure Canadian rules live up to global standards as they evolve. The advisory committee has recommended that regulatory policy be a fundamental pillar of Canada's foreign policy, and we would agree.

Before I conclude, this committee has asked for comments on one area of regulation in particular, and that is foreign ownership. In our view, foreign investment is highly positive for any economy. In Canada, the economic evidence has been pretty consistent. It suggests that in addition to the direct benefits they brings in terms of job creation, inward flows of foreign capital are highly associated with flows of people and ideas, flows that stimulate greater adoption of innovative technologies and more frequent and more rapid development of new products for global markets. These benefits are also generated by Canadian-based companies as they invest and expand operations abroad. In short, robust investment flows in both directions are good for Canada.

Our major concern in this respect flows from another issue the committee is studying in depth, that of competition policy. In many industries, global competition is driving considerable consolidation through mergers and acquisitions. Canadian companies have been active both as buyers and sellers. This two-way process is healthy, but let's recognize there are clear advantages to Canada in maintaining the employment and influence that flow from having head offices in our communities. As my colleague John Dillon said to this committee a couple of weeks ago, Canadian firms have to have the size, skills, efficiency, and capacity to compete effectively against global leaders in their sector, who are often larger and continuing to grow. Canada's Competition Act, therefore, should facilitate rather than inhibit the kind of strategic alliances and new business arrangements companies need to operate effectively in the global marketplace.

If I may conclude, Mr. Chairman, I think the time has come to combine sound fiscal and tax policy with a serious push for regulatory reform. The blueprint provided by the external advisory committee on smart regulation stands out as a realistic way to drive innovation and growth without adding to the burden on taxpayers. I'd ask members of this committee from all parties to become champions for this cause and make regulatory reform the centrepiece of your own recommendations on industrial strategy.

Mr. Chairman, thank you.

The Chair: Thank you, Mr. Stewart-Patterson.

From SNC-Lavalin, we have Mr. Robert Blackburn—for five to ten minutes, if you could keep it within that range, please.

Mr. Robert Blackburn (Senior Vice President, Government and International Development Institutions, SNC-Lavalin Group Inc.): Thank you, Mr. Chairman, members of the committee, ladies and gentlemen.

I don't intend to read my remarks. I think you have my text, so I'll just hit some of the high points.

The subjects you're focusing on today, both smart regulation and the role of investment, inward and outward, are very important for a company like SNC-Lavalin. We are one of the leading engineering, construction, and infrastructure ownership and management companies in the world. Our 2003 revenues were about $3.25 billion.

We're kind of interesting among Canadian companies, because almost half of those revenues come from outside North America. Actually, it was 40% last year, but often it's a higher percentage than that. So we're active in the Canadian market, and to a certain extent in the States, but basically we're operating in about a hundred countries in the world.

The Canadian government has talked a lot about Africa recently. We've worked in 50 of the 53 African countries over the last 10 to 15 years. We're a very international company.

Today I will focus on the area of smart environmental regulations. I will be rather narrowly focused, looking particularly at hydro power generation and transmission, because we feel the key to attracting the investment that we need to develop Canada's huge hydro power potential is an investment friendly environment and smart regulation.

We have about 120,000 undeveloped megawatts of power in Canada, and some of the biggest projects you've heard of: Gull Island in Newfoundland and Labrador; Eastmain 1-A and the Complexe Romaine in Quebec, which we will talk a bit more about; Conawapa in Manitoba; Site C in British Columbia; and other major sites in the Northwest Territories. We know that with the Kyoto obligations coming into effect in February—since it's been ratified by enough countries—having clean, environmentally friendly power will be very important. We also learned something, I think, from the Ontario and eastern North America blackout in the summer of 2003.

Why are we interested in all this? It's a little known but interesting fact that since 1911 SNC-Lavalin has installed more hydro power in the world than any other company. We have been there for a long time and we're one of the world's major companies in that sector.

I should have introduced my colleague Paul Dufresne, who is head of the power division in SNC-Lavalin, which is focused on hydro power. He is senior vice-president and general manager of our energy division.

I'm sorry, Paul, I said power, but it's energy.

He's also a member of the board of the Canadian Hydro Power Association, and president of the management committee of the Table de consertation de l'industrie électrique du Québec, which brings together unions, industry, and government in Quebec. So he's an expert to pursue some of these questions of hydro power development and regulation.

Under the Environmental Assessment Act, we have one of the most rigorous environmental protection regimes in the world, which is a good idea. But we think its application to power and other major resource development leaves a lot to be desired—and I'm not the only one who thinks this. In October of this year the Minister of Natural Resources was at a meeting of 24 energy ministers, and he said:

> ...I found out very quickly that of the 24 ministers, including myself, around that table, Canada by far—by far—had the worst regulatory system. We don't do things concurrently—we don't look at how time costs money in business development. If you apply for a permit and have to go through the environmental process, when you do up your budget, in the case of any energy company—and I referenced at that time the offshore oil and gas in Newfoundland and Labrador—and it takes two years to get a permit approved, the budget that you put together two years previously is absolutely useless then.

Obviously that is a situation that we want to have something done about, and our major involvement with Hydro-Québec right now, which Paul can speak to a bit more, is Eastmain 1-A and the Rupert diversion project in the James Bay region.

The Department of Fisheries and Oceans has been named the lead agency, and last month the Minister of the Environment appointed a five-man independent review panel to look at all of the environmental and social impacts and the project justification.

So here we are at the beginning of a process which is inevitably complex, costly, and frequently lengthy. It's vulnerable to issues of lack of coordination between levels of government, to what we call scope creep, and to inadequate regulatory resources. The laws pass; they must be applied. We cooperate fully, but the regulatory agencies on the government side often don't have the resources they need to respond in a timely way. We need a proper process that operates in a timely way by known rules, not one that's invented as we go along.

● (1545)

I know that Ottawa and the provinces for at least a decade have been trying to rationalize their environmental protection processes. And for Eastmain 1-A, we're in pretty good shape. There was an agreement signed by the federal, Quebec, and Cree regional authorities in April 2003. So we appear to have at least the intergovernmental coordination thing in good shape for the time being.

But the next thing we're worried about is the scope creep that I referred to, which really is an increasing amount of information requested that departs increasingly from the subject of the project. There doesn't seem to be any limit to this. It adds cost, and there's an impression of disconnection between the policy objectives being pursued and the way the regulations are implemented by the different agencies involved.

An example related to the Eastmain project is that there are two couples of a rare species of bird in the project area. They are rare in the area, but they're very copious in the rest of the country. Is the intention of the CEAA really to have $2 million spent studying these two bird couples?

Lack of resources among the regulatory agencies was a real problem we faced when we were getting the 407 eastward extension approved two or three years ago now, I guess. The right of way had been expropriated by the Ontario government. The environmental study had been approved by the Ontario government. We were part of the group that bought the project. We then took another year working to meet the federal regulation. Fortunately, the Ontario government and federal government processes came out in the same place, but after a very lengthy delay and a lot of cost. So obviously getting those processes together is really important.

For that reason, we really welcome an initiative that that the Council of Energy Ministers and Minister Efford have taken, and I guess it reflects what he was saying about his reservations about Canadian processes. They've brought together an initiative to improve the efficiency of the environmental assessment process as it applies to hydro and related transmission. Quebec and Manitoba are leading the study that we're expecting in early 2005, and it deals with most of the issues that I've raised. It's going to make one proposal that is potentially a good idea, as long as it doesn't duplicate what's going on elsewhere. It's a process of looking at, if you want, the project justification. Is it really needed? Are there alternatives? There's going to be a proposal, and I think there's a process separate from the environmental impact statement that looks at those issues.

Internationally, hydro power also has a basic role in meeting development needs. Again, I'll just make a brief quotation from a conference in Beijing last October. It reads: "...two thirds of economically viable hydropower potential is yet to be tapped and 90% of this potential is in developing countries. In Africa, less than 5% has been developed." It goes on to say, "...we are convinced of the need to develop sustainable hydropower, along with other options, including the rehabilitation of existing facilities...."

Well, we think Canada has a big role to play there. We hope we have a role to play there as a company, as we have in the past. But to do that, we're going to have to be flexible, and the Canadian agencies involved, whether it's EDC, CIDA, or the Canadian government, need to recognize the sovereignty of other countries in the environmental regulatory area. We need to look at the outcomes and not at the particular processes.

● (1550)

I'm sorry, I've gone on a little long. I'll stop, except to say that I support very much what David Stewart-Patterson said about smart tax regulation. We are particularly sensitive to that in the services sector.

Also—I'll shut up after this one—we really need more tax treaties with developing countries and emerging market countries, because tax treaties and investment protection treaties are really important for us to create the confidence to do business in some of these new markets.

Thank you, Mr. Chair.

● (1555)

The Chair: Thank you, Mr. Blackburn.

We'll move to Richard Paton from the Canadian Chemical Producers' Association. Thank you for being here.

Mr. Richard Paton (President and Chief Executive Officer, Canadian Chemical Producers' Association): Thank you very much, Mr. Chair.

I represent the Canadian chemical producers industry, but I'm going to speak a little more broadly than that about resource and resource-based industries in Canada and some of the challenges we face.

I really welcome the work you're doing on industrial strategy. I think it's a very important priority for the country. It involves, as you've already found, a lot of issues, from smart regulation to energy, to taxation, and many other issues.

I guess my main message today is that Canada, as you well know from your ridings, is a country rich in natural resources. We've built industries based on forestry, mining, steel, and chemicals. They add value to those resources and produce jobs for Canadians.

Notwithstanding the obvious and clear importance of those sectors to Canada and its economy and development, it's very hard to find much policy or leadership in the federal government in these areas. That's going to be my theme today. There are some issues here, and it's time the government provided some leadership. Many of the issues I share with Pierre and others are really the result of a lack of priority, a lack of attention, and a lack of leadership.

Ours is a \$24-billion sector, with about 65 companies. The key issues we face are the high cost of energy, regulatory uncertainty—and I certainly support all the comments that both Bob and David have made—and the rising cost of the dollar, which is now affecting considerably the amount of money we get from the exports to the U. S. particularly. All those are significant challenges to our competitiveness.

Just to give you a really telling example, of the next 27 investments in the world in polyethylene plants—polyethylene is the key petrochemical produced that leads to the development of our entire industry—none will be in Canada, and none will be in North America. So that strikes right to the heart of some of the competitiveness issues we're facing in this country. In our sector alone, in the last two years we've lost five plants. We've lost jobs in Alberta, and we've lost jobs in Ontario. A number of the issues I'm going to raise with you today are some of the reasons why we're losing those plants.

Some of these developments are related to the global realities we face, but some of them are also related to the fact that there is a very poor policy framework at the federal level that helps guide our industry, and the federal government can play a role in helping facilitate growth and investment.

I would say—and I think this would be fairly broadly shared among a number of other sectors in our kind of business—the federal government has largely taken resource-based industries for granted and has not adapted its policy structure to keep up with global competitive threats. It has let its policy capability in energy and natural resources decline, and has instead focused on other priorities. When it talks about economic policy, it tends to be on high-tech, aerospace, autos, and skills. But you don't see a lot of focus on manufacturing resources, resource-based development, or value-added resources.

Our sector has faced a lot of conflicting priorities, particularly the chemical sector: climate change on one side and energy policy on the other. There's been fairly random support for various alternative energy sources like ethanol, but no support for key priorities for industry, such as cogeneration, which also have a great positive impact on the environment.

So what can the committee and the federal government do about this? If you take a look at the Speech from the Throne that came forward and the political priorities that were presented by the government, it's pretty clear that I didn't see energy, resource sectors, or resource upgrading mentioned. I saw some interesting economic priorities, but basically they were the same priorities we've been hearing about for a number of years.So in the work of your committee, perhaps you could bring forward some other priorities and perspectives on the economy and industrial strategy that are badly needed in our country.

● (1600)

One of those particular areas is energy. I know we've had this discussion with the chairman before, but we need an energy framework in this country, and I'm very pleased to see that Minister Efford has been talking about the need for that. But if you take a look right now at what the energy policy of the federal government is, I can't seem to find an energy policy for the federal government. Yet we are making decisions constantly about energy, either by supporting ethanol, deciding that coal-fired plants are not a good idea, or indirectly by not supporting the development of our peers' industries that would produce oil, natural gas, or other resources that are critical feedstocks for our industry.

It's critical that we move past the old national energy program bogeyman days and start focusing on what we need for an energy future for this country. Our industry is based on energy. Without low-cost, reliable energy from pretty well all sources, including wind and others, we're not going to have the energy base from which to grow and create investments.

That leads me to the climate change side. If you take a look at the climate change debate over the last few years, it's absolutely remarkable that we managed to ratify Kyoto but didn't seem to relate it to energy policy. Climate change means increasing energy efficiency and reducing greenhouse gases, which is basically all about energy. But somehow we managed to come up with a climate change approach that doesn't seem to deal with energy. So it's pretty hard for me to see how we're going to make much progress on climate change without addressing the energy challenge.

So I come to some recommendations that may be a bit broader than just the chemical industry. First, as a country, as a Parliament, and as government, we have to recognize the richness of our natural resources and resource-based industries and make that a priority in the development of an industrial strategy for the future. The government has done—as David pointed out—a very good job on the macro-economic side, with our deficit and our overall growth. We're certainly better than most OECD countries, if not the best. But on the micro-economic side there's still a lot of good policy work that could be done on energy, smart regulation, and many other issues, which would significantly affect the growth and development of these industries.

Secondly, we need to invest in technology as a country. Governments need to provide the enabling framework of policies and programs that will do that. More important, the federal government should be looking at tax changes that would speed up capital investment, capital stock turnover, and probably more environmentally friendly technologies.

Thirdly, we need a policy and fiscal framework that keeps pace with global reality in regulations, energy, taxation, and climate change. We need to work on those things to create the possibility of an economy that can be both an economic leader and an environmental leader.

Finally, we need strong government champions to play the serious and difficult policy role that promotes natural resource industries, resource-based industries, and value-added industries. We don't see that in the current role Industry Canada's playing. We see the beginnings of it in Natural Resources Canada, but there's still a long way to go. There are some positive signs, with the new cabinet committee on sustainability and environment, that might lead to ways to address some of these issues. But there's still a long way to go to create the right policy framework to enable our industry and many other resource and resource-based industries in our country to grow. I welcome the committee's report on that issue.

Thank you.

The Chair: Thank you, Mr. Paton.

Next, from the Canadian Association of Petroleum Producers, is Pierre Alvarez.

Mr. Pierre Alvarez (President, Canadian Association of Petroleum Producers): Thank you very much, Mr. Chairman.

It's a pleasure to be here today on behalf of our 150 members, who represent about 98% of the production of crude oil and natural gas in Canada.

One additional comment I have is on how pleased we are with the revised mandate of the new committee. I think it's fair to say that many of us in the natural resource sector over the last number of years have felt a little like orphans in the federal committee process. We are pleased to be included as part of the industry, science, and technology committee. I think that's a tremendously positive step, Mr. Chairman, and I congratulate you and your colleagues for structuring it that way. It does send a tremendously important message to some of us who have been crying from outside for some time. To you and your staff, congratulations.

There are three things I'd like to do today, Mr. Chairman. The first is to try to locate the oil and gas industry in the Canadian economy. The second is to try to locate the Canadian industry in the international marketplace. Finally, I'd like to make a few comments, which will be very similar to those of my colleagues, in terms of what it's going to take to be successful. I think there are few sectors that have been as successful over the last dozen years as the oil and gas industry, as we now are active in every jurisdiction except the Nunavut Territory. On odd years we even drill in P.E.I. There are pipelines being built across the country and there's drilling in numerous areas.

The tripling of our sector has led to some remarkable numbers. Sometimes the numbers are a little hard to digest. The chart we sent to you called “Sizing Up the Energy Economy 2003-2005” tries to do just that. It is based on a three-year rolling average of prices and revenues. I'm just going to pick out a few notes for you.

The first is, if you look over the last three years, the average revenue in the sector will be approximately $80 billion. If you were to include just 2004 in that number, our expectation of it would be close to $95 billion of straight revenue.

Where does the money go? I'll pick a few of those out. Twenty billion dollars of that flows directly to governments in the form of royalties, taxation, land payments, property taxes, etc. Nine billion dollars of that flows back to investors, whether in the form of dividends, trust distributions, or capital outflows. Another thirty-one billion dollars is spent on an annual basis on capital expenditures—and I will come back to that in a moment and tell you a little about where it goes. Forty-six billion dollars a year is on general O and M and services. Let me give that to you in terms of something without a billion in it; that's roughly half a million jobs, from coast to coast to coast, directly associated with the oil and gas industry. That brings us back to, on average, a reinvestment ratio of somewhere between 85% and 90% of revenue going back into the ground in various forms.

Where does all that expenditure take place? If you would refer to the third chart, the one on the oil and natural gas industry's capital spending, we have just released this week our spending forecasts for 2005. These are capital expenditure numbers exclusive of mergers and acquisitions. I think you'll find the numbers quite interesting.

The first and biggest number is in the traditional western sedimentary basin—B.C., Alberta, Saskatchewan, and parts of a small corner of southern Manitoba. Our expectation of those capital expenditures are somewhere in the range of $24 billion. This year, that will translate into somewhere around 23,000 wells being drilled in western Canada. In addition to that, the oil sands of the northern Alberta, Fort McMurray, Peace River, and Cold Lake areas will be somewhere in the range of $6 billion to $7 billion—these are Canadian dollars, I should add.

For northern Canada, the expectation this year could be in the range of $500 million, but I think that is one of the true sleepers. If there is progress on the MacKenzie Valley pipeline this year, and people are confident that application will proceed in an efficient way, you could see the $500 million escalate to four or five times this amount. In a recent poll we just did of our members, we found that capital expenditure north of the 60th parallel, with the right regulatory conditions, could be in excess of $2 billion a year.

● (1605)

The east coast has been, I think it's fair to say, a disappointment over the last number of years as exploration success has been less than we had hoped. But there are significant investments of $1.2 billion proceeding. A big part of that is the White Rose project in Newfoundland. Perhaps at another time we can come back and talk about some of the regional aspects of the industry and what it would take to get that going.

The last expenditure is international spending of approximately $6 billion. This is by Canadian-based companies, not multinationals, Mr. Chairman. These are the EnCanas, the Nexens, the Petro-Canadas, the Canadian Naturals, etc., who are out...and I'll come back to this, as well.

When you add the numbers up, the oil and gas industry, along with the mining industry, is by far the largest single private sector investment in Canada. Combined, they represent about 28% of the capital expenditures in Canada on an annual basis, with the oil and gas industry close to 24% or 25% of that annually.

Interestingly, Statistics Canada has just released a similar study on environmental spending. I think you would not be surprised to find that the spending by this sector far outstrips that of any other sector on the environmental technologies and improvements side as well. As Richard and David said, a big reason for this has been that Canada has had a sound policy environment. There are signs pointing toward a continuation of those improvements, particularly as they relate to smart regulations. As Robert described it, the Council of Energy Ministers and the energy industries as a whole have banded together to try to advance the smart regulation initiative.

From our point of view, it falls into three areas. The first is an improvement of the regulatory efficiency and timelines within the federal government, focusing on Environment Canada, Department of Fisheries and Oceans, and Indian Affairs and regulatory bodies.

Our next area of focus is on the reduction of the federal-provincial overlap, particularly as concerns things such as the Canadian Environmental Assessment Act, the Species at Risk Act, and the application of the Fisheries Act.

The third and final area relates to aboriginal issues. The smart regulations report pointed to the importance of aboriginal issues and the integration of comprehensive land claim settlements and self-government agreements into the regulatory framework. That's particularly important for us—but I know it is for mining, forestry, and other industries, too—as 100% of the oil sands resource in this country, and 60% of the natural gas potential, is contained in areas of predominant aboriginal interest.

In many ways it is a story of success. But if you look at it from an international perspective, you will see that investments in the Canadian industry are in the bottom quartile compared to opportunities in the Middle East, Central America, and the Asia-Pacific region. The big reason for this is that our resource is harder to find, further from market, and requires further processing.

For those of you who have not had the opportunity to visit the oil sands, I would encourage you to go. Mr. Chairman, if the committee is so inclined, we'd be happy to arrange a visit there. If there ever was an example to show you how hard it is to actually make money in the oil and gas business in Canada, I think it is certainly the oil sands.

What this has meant is that Canadian companies, while setting record expenditures in Canada, are also setting records in spending on opportunities outside of Canada, as we expect to see in the range of $6 billion spent by Canadian producers outside of Canada. That compares to less than $500 million 10 years ago.

Mr. Chairman, in conclusion, I'd really like, more than anything, to pick up the comments that have been made by my colleagues who have presented before me. What do we need to keep the record of success? We need to focus on global competitiveness, particularly regarding tax policies, and we need to look at foreign investment. It's great when it's Canadian champions investing around the world; it's not great when we're driving investors out of Canada because of the complexity of the system.

This leads to my second comment on our very strong support for the direction of the smart regulations implementation initiatives—perhaps not for all of them, but I would say we support 90% . We would ask you, Mr. Chairman, if nothing else, to ensure that the report does not get left on the “too hard to do” pile, because it is full of challenges.

Last, on the issue of productivity, I'd leave you with two thoughts. The first is, when energy prices collapsed in the 1980s, we all got out of the energy R and D business. I think we are the poorer for it. Energy technology is the way we will improve our environmental footprint, reduce our greenhouse gas emissions, and keep investment in Canada.

● (1610)

Finally, we need to address the existing skill shortages. We are out of people who can work from the rigs, through the processing plants, to the design stage. We have simply maxed out the labour pool. It's not of great comfort, but because of revenues in our sector, we're able to hire them away from others. The worm will turn someday, and from a Canadian point of view the solution is not our picking off each other. We have to deal with the chronic shortage, and in our case particularly in first nations and remote communities. It's a tremendous shame.

I'll leave that with you, Mr. Chair. I had hoped to release with you a document called *Our Petroleum Challenge*. Unfortunately, the translators are having a little bit of challenge with some of the jargon in our industry, but if members would like me to send it to them directly, in English only, I would be happy to do that. As they say, it's in translation. We'll get it back to you, but if members would like to leave me their names, I'd be happy to do that.

● (1615)

The Chair: We encourage you to get the translation done as quickly as possible.

Thank you for your presentation, Mr. Alvarez, and all of you.

We're going to start with John Duncan, please.

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

Thank you. We got a mutually reinforcing message today, which is what we had hoped to get. I think it's most appropriate that Pierre brought up the visit to the oil sands, since we have Brian Jean from Fort McMurray with us today. I'm sure he'd be happy to help host that, and we should all do it.

You did make reference, Pierre, to the Mackenzie Valley pipeline. The rumour right now that I've heard is that we are not looking very good on that project from the standpoint that the American Alaska pipeline proposal looks like it's going to receive very early approval. They are moving ahead very quickly, and if that should occur, then it would really mean the very important, for Canada, Mackenzie Valley project, would sit on the shelf in all likelihood for some period of time.

Is that an accurate representation from a generic Canadian Association of Petroleum Producers standpoint?

I realize you have members and it might make it a little difficult to comment, but what I'm trying to get at is that this project is very important for Canada, for Canadian investment, for Canadian jobs, and I think strategically for us as well, and it's hung up because of the fact that there are 2000 various approvals required. It's like the poster boy for dumb regulations instead of smart regulations.

Could you clarify all that for us, what the status would be, from your organization's perceptive?

Mr. Pierre Alvarez: Watch me dance.

Mr. Chairman, let me make a couple of comments.

The markets are calling for more gas. Richard's folks are calling for more gas. The North American marketplace is calling for more gas. Our point of view is, whether it's Foothills gas, Alaska gas, or Mackenzie gas, the markets are calling it. These projects need to be brought on stream in an efficient way. I won't get into one versus the other. I think we want to see them both go.

But John, let me answer the question in a slightly backhanded way. I lived up north for 11 years and was there when the current regulatory regime was brought in. We warned them then about what was going to happen, and I think unfortunately, not just we ourselves, but the mining industry and others are finding that the northern regulatory environment is the most complex in Canada, if not the world, in which we are trying to operate. It is the result of a whole bunch of factors—distance, conditions, land claim settlements, a number of things—but it is without a doubt the most complicated.

The regulators are trying to improve it. The NEB led a group of 22 regulators to sign what is called “The Cooperation Plan”, which I think is 200 pages thick, which is just the handbook on how the various regulators are going to work together to make the approval happen. John, I won't get into the two, but I think you can see that a project the market is calling for that is relatively benign from an environmental point of view is facing challenges that are probably disproportionate to the benefits that it brings to the country.

● (1620)

Mr. John Duncan: Would it be fair to say that if the Mackenzie Valley pipeline were built first, it really wouldn't be detrimental to the progress that would likely be made on the Alaska route, but that if it's done in reverse it would in all likelihood, because of the volumes involved, seriously set back the Canadian proposal?

Mr. Pierre Alvarez: I think there's still a split opinion on the volume issue, but there is one thing I will comment on. There are not enough labour, expertise, or engineering firms to build them and plan them at the same time—Alaska's $20 billion, Mackenzie's three, or four, or five, depending on where you want to draw the lines. If Alaska gets ahead, it will absorb all the capacity, from people to pipe.

Maybe SNC-Lavalin wants to comment on this. There is no way you will build two big pipes out of the north at the same time.

Mr. John Duncan: The smart regulations are a focus of this committee, and I think industry wants that. Now, one response of the federal government, which is one of the recommendations, has been to assign an individual to the Mackenzie Valley project to try to expedite the thing. Has that been successful in any way? Is there any way to measure that? It's a singular response, and it probably has to be much broader than that.

Mr. Pierre Alvarez: It is a start. It is providing some clarity, but I think this is a huge task up there. I think it's an important first step, but it's not going to be the only thing required to see that the project goes forward efficiently.

Mr. John Duncan: On the presentation from Richard, you talked a lot about the requirement for an energy framework, and that's what a lot of the focus has been on as well in discussions at the committee. I was wondering, do you have evidence that not only industry wants this, but the public as well?

Mr. Richard Paton: I don't know if the public yet has fully registered what energy costs are doing to them or can do to them, but I remember an example. If you take consumers of natural gas right now, I remember a discussion I had with one of Mike Cleland's—from the gas association—member companies that they were having to turn off people's supply of natural gas at their houses because they couldn't afford to pay for it, and they were just absolutely amazed at the amount of this happening. So I think the consumer is paying a heck of a lot more for energy. If we take a look at where electricity costs are predicted to go in Ontario, probably a 30% to 35% increase in the next four years, at some point in time the consumer is going to push back, much like they did on auto insurance in the Maritimes a few years ago. There's a certain point at which this absorbs so much of the disposable income of a budget—and you throw in increased gas prices at the pump—that you have a problem for the consumer.

I have to say, though, I don't think it has become a big political issue with the consumer. We probably feel it more closely because we're living and dying on whether we have feedstock to run our plants, and the cost difference for us for high natural gas versus a lower price is so huge that it affects us so much more directly than the consumer. But I think that ultimately if we don't get our energy policy right in this country, it is going to become a consumer issue and it's definitely going to become a voter issue.

The Chair: Thank you very much, Mr. Paton.

We're going to go to Paul, please, and then Jerry.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you. First, I have a technical question concerning the oil and gas industry.

In your tables you refer to the five-year return on cumulative capital costs. You differentiate between three categories for Canada: mineable oil sands, conventional and mineable oil sands, and Canada conventional. All of the other percentages represent the overall situation for part of the world.

If one were to add up those three categories, would the percentage be on the same part of the graph?

● (1625)

[*English*]

Mr. Pierre Alvarez: Thanks very much. It's a great question, and I can provide that to you, but let me give you a first pass.

One, there are very few parts of the world other than Canada and Venezuela that have oil sands that are anything comparable, so it's us and Venezuela and that's about it.

The other issue is would the numbers change. They would change, but they would not change significantly. One of the biggest challenges we have in Canada is the seasonal restrictions, because we are forced to only work when the land is frozen, and you can only get on the land further in distance. But it's a great question. We have that breakdown, and I'll be happy to provide it to you through the clerk.

[*Translation*]

Mr. Paul Crête: Without going into details, if we added the three categories, would the percentage be somewhere near the global average?

[*English*]

Mr. Pierre Alvarez: It would drop it a little, but it would not drop it significantly. I'll provide that through the clerk.

[*Translation*]

Mr. Paul Crête: Thank you.

My second question concerns hydro- electricity in Africa. I find this very interesting. Can you give us more detail on what you expect from the Government of Canada in the context of its initiative for Africa?

If there were a large increase in international aid, could that be integrated into this budget?

Mr. Robert Blackburn: There is a great deal of potential where Africa is concerned. The Government of Canada has already begun taking action. It set up a fund within the African Development Bank for the planning of large infrastructure projects. But this only became available a short while ago.

We are also awaiting with a great deal of anticipation the creation of the Canada Investment Fund for Africa. It was announced in Kananaskis three years ago but it still has not been set up. It will be a very important measure.

No one is expecting the Government of Canada to fund the entire project, but we have to provide...

Mr. Paul Crête: ...leverage.

Mr. Robert Blackburn: ...we have to prime the pump to shore up investors' confidence. If we all work together it will be possible. That is essential. Indeed, we cannot talk about development if we don't have electricity, for instance. There will be no investments without it.

I am optimistic as to the results of the Blair Commission—our minister of Finance is taking part in this—which will be tabling its report at the G-8 summit which will take place in Scotland next summer. More attention will be devoted to infrastructure in Africa, as this has been ignored or set aside up till now by the G-8.

In my opinion, the time has come to act. There has been a great deal of rhetoric, of fine words on the part of politicians, but Africans are growing impatient. Nothing is being done. They can't do this themselves. We have to create the conditions that will allow Canadians and others to work on this. Funding is the key.

Mr. Paul Crête: I have a more general question for all of the witnesses here. If we are to have a healthy planet, and if I want my children, in 30 or 50 years, to be able to live on a healthy planet, the energy choices we make are of prime importance. This is an industry that generates a lot of pollution if things are not done carefully.

Within the framework of an industrial strategy, what choices should Canada make? For instance, to meet the Kyoto objectives, what choices do you think are the best if we want to ensure a healthy planet? No one talked about renewable energy. Do you think that sector might become more important? I would like to know what everyone thinks about this.

Mr. Paul Dufresne (Senior Vice-President and General Manager, Energy Division, SNC-Lavalin Group Inc.): Mr. Crête, with your permission, we'll begin over here.

Hydroelectricity is a renewable energy. There is no doubt about that. It may not be considered as such, because when people talk about renewable energy they often refer to new energies. But it is one nonetheless.

Each type of resource that is used will have different impacts on the environment. We need to look at the issue of diversity of supply. We also must take into account where resources are located throughout the world.

It is clear that hydroelectricity has local impacts. They are very well known, as a matter of fact. They are in large measure incorporated into project costs. In our opinion, hydroelectricity has a large capacity to provide electricity with minimal impacts. There are some, nevertheless. In fact, any human activity has impacts on the environment. When we develop projects we attempt to assess those impacts carefully. Afterwards, we make sure that we put measures in place to mitigate those impacts in order to make them disappear, or at least to counteract them as much as we can. Most projects try to reach that objective.

As for energy resources used in the production of electricity, coal —depending on where it is produced—oil, natural gas and hydroelectricity are the four major available resources. The other sources of energy are emerging and may be able to provide part of that electricity. But we are still far from having other sources of energy that are capable of producing this basic capacity. Everyone is working on it, everyone hopes to see this. No one here wants to destroy anything.

We hope that the money which will be used to fund the projects will be spent wisely, in order to meet other needs that have to do with protecting the environment. That is what all of us want here: let us use the funds for the implementation of the projects effectively, so that they become reality.

● (1630)

[*English*]

Mr. Richard Paton: Maybe I could add one comment.

For our industry, these petrochemical plants that are not being built in Canada depend on natural gas, so if we don't have natural gas, we don't build petrochemical plants. If we use natural gas to produce electricity in this country instead of using coal or nuclear or wind power, or any other renewable, we are using up a precious resource that only we can transform, usually at 40 to 50 times its value, into a higher-level product. Therefore, you can see very quickly how energy policy relates to industrial policy and then to environmental policy.

Our view is that we have an energy supply problem in this country. We are probably going to need all sources of energy, including renewables—and coal, as long as we can get it cleanly— and nuclear. You can't really make choices on those; if you do, you're probably going to end up with no supplies. So you're going to need all you can get; and flexibility; and you should look at the energy sources in the most efficient way for the total economy and the environment. If you approach it with both of those thoughts in mind, I think we can have a very sound policy for the country that will improve the environment and will enable the economy to grow.

However, we have not yet seen that kind of thinking. We've had people who've said, no, we can't do coal, or we have to do more wind, or maybe ethanol is the solution. We've had a lot of pieces, but we haven't had a policy perspective linking energy to industry development to the environment. Those three things have to be looked at together.

The Chair: *Merci, Paul*.

Mr. Alvarez.

Mr. Pierre Alvarez: Just very quickly, Monsieur Crête, I don't think there is a single analyst anywhere in the world, from the International Energy Agency to Shell International, who doesn't forecast very significant, increasing energy demands on a global scale over the next decade. We need all types of energy.

I think what we really need to do, as we focus on looking beyond that, is the R and D side. We got out of the energy research and development business a long time ago, and I think we're going to have to see a very substantial commitment. Whether it's the hydrogen economy or clean coal, there are a suite of issues we're going to have to address in partnership with the two levels of government and industry, because we're going to need them all.

● (1635)

Mr. John Dillon (Vice-President, Regulatory Affairs and General Counsel, Canadian Council of Chief Executives): Just very quickly, Mr. Chairman, as Pierre has already indicated, every forecast we see says that energy use is going to continue to increase, and that pretty soon the majority of greenhouse gas emissions, at least, will come from developing countries. Countries like China, India, and Brazil are growing substantially and their use of energy is growing substantially. I don't think we, as Canada or the developed world, are going to be able to tell them what forms of energy they can use.

What we can do, though, is do our part to develop the technologies that produce the kind of economic development they're looking for with much lower environmental impact. It gets back to the kinds of things we talked about today: what's going to ensure that we stimulate the development of that technology, whether it is the hydrogen economy, whether it's clean coal technology, whether it's carbon dioxide capture and storage, or whether it's wind and other forms of renewable energy? We have to make sure Canada is playing its part in developing those technologies and making them available to those countries.

The Chair: Merci. Thank you.

Jerry, please, and then Brian.

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

Gentlemen, thank you very much for coming to the committee today.

I guess I should probably be a little better informed about some of the directions with regulation and with regard to future energy in Canada. But from my perspective at least, we look at some of the problems you've raised today on regulations and overlapping agencies, the complications under which you have to work. I understand that in the long term, we have this drive to get the environment right and environmental protection right in the future, but what you're telling me is that so many agencies have been built into our opportunities in northern Canada, and probably across Canada in general, that it makes it almost impossible to move forward.

Have you consulted with and received reasonable dialogue, I guess, with different federal agencies about this overlapping problem? You mentioned all the agencies and federal-provincial application problems and all of the issues, I guess, around smart regulations and being able to move those forward. What is the answer, in your mind? Is it to harmonize those regulations? Is it to have a central agency under which you can put everything into a box and start working from?

I really don't understand where you want to go as an industry in looking for correction, or better smart regulations, in the future.

Mr. Paul Dufresne: Perhaps you will allow me to start again with hydro. There is right now an agreement between Quebec and Ottawa on looking into hydro projects, because the process has been very well defined in the province over the last 30 to 40 years. One of the points of this agreement is to try to complement the work that has to be done on environmental impact assessment, and not to duplicate it. This is where the big, big difficulty arises because of jurisdiction: this is my domain and I have to look into it. Anyway, we could talk about that for days.

But basically, if we could find a way to use what already exists in various jurisdictions where it is well implemented.... I could imagine that in the oil and gas industry in Alberta, for example, or other provinces where hydro has been studied through provincial legislation, we could complement that and assure that it is covering what is required in the federal laws. That would be, in my opinion, a big step forward. This is what has been tried right now on some of the hydro projects being studied in Quebec. Definitely, if a big effort is made in the sense of continuing on that and making sure that from the policy level it is brought down to the various agencies, and making sure they stay focused on those particulars and not try to creep it out, we would certainly be well within what we now accept is needed.

But one thing I would like to say, using the words of the president of Bruce Power, who talked in Ontario a week ago, is that these projects take time, and we cannot teach an elephant to dance. In terms of energy policy, we are facing the eleventh hour and we have to find a process that works. Give a year, two years, or three years, perhaps, but let's see an end in sight.

● (1640)

Hon. Jerry Pickard: I really appreciate what you're saying, and it sounds like a fine opportunity between the federal government and Quebec, but we have 10 provinces that we're dealing with. We have different resource sectors. We have NRCan, Environment Canada, and the Department of Indian Affairs and Northern Development. All of them have various regulations and various controls. I'm scratching my head and saying, how do you work through that maze?

Is there a way the industry sees in which this maze can be improved, so that at least maybe the federal government is working with a single voice and working with the provinces to try to pull it together? But you can't have every agency and every group, or you end up 10 years down the line having achieved very little.

Mr. Paul Dufresne: You have your finger right on the pulse there. This is what we're trying to achieve through the projects that are being studied right now. Certainly anything that can be done to keep the process within the present limits will be the first big step, to try to find a way to complement and not duplicate, through discussion and saying, okay, you doing this and we're doing that, and just come back to the basics and look at whether that does the trick. We could achieve a lot by doing that.

There is one project in Quebec where perhaps because of its implication, where it is situated, called Péribonka, it was done in 12 months. So we believe it can be done.

Mr. David Stewart-Patterson: Mr. Chair, perhaps I can just offer an observation in a broader sense. I think the right way to sort out the bowl of spaghetti depends on the issue involved. In some cases a harmonization approach is going to work best, and in some cases a single body will do better than a whole bunch of existing bodies. In some cases, a mutual recognition kind of arrangement might work better.

We also have to keep in mind that this is important to sort out, not only within Canada but in terms of how Canada fits into the regulatory environment within North America and globally.

For example, in an area like drug approvals, on a North American or global basis, we might be best off looking at a mutual recognition kind of thing. If a drug has been tested and has been through a series of tests as rigorous as the protocols that we think are necessary, do we need to duplicate the work or can we accept those results, and vice versa?

On the other hand, I think within Canada the business community, at least, would conclude that the mutual recognition process is not enough to deal with the issue of securities regulation. Canada has a relatively small capital market. It's competing for investment and investors in a much bigger global market. If we keep ourselves fragmented, we're simply maintaining a level of costs that's too high and a level of investor protection that's too low. The only way to really work efficiently as a country is to get down to a harmonized set of rules and a single agency. I don't think it matters whether that agency is worked out between the provinces, between the provinces and the federal government, or as at least one legal opinion for the Wise Persons' Committee suggested, the federal government says we have the right to step in and we can do it ourselves.

I think the preferred approach is to have the existing bodies and the provincial governments work it out amongst themselves and decide whether there's a role there for the federal government as well. One way or another, to deliver the results that Canadians need, we have to get down to a single body, but I don't think there is one solution that's going to fit every regulatory area.

The Chair: Thank you, Jerry.

Hon. Jerry Pickard: Thank you.

It's a good question, though.

The Chair: Brian Masse, please.

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair, and thank you, gentlemen, for appearing today.

One of the concerns is that we're so dependent upon the energy sector for all our manufacturing and industrial growth. One of the concerns that have been raised to me is an item of national security, in a sense, the access to having the resources necessary to drive our manufacturing and industry as well as our consumer consumption, and so on.

The issue over foreign ownership, I agree, can be quite good if the proper investments are made, but at the same time, we come across situations now where foreign state governments can purchase Canadian resource companies that affect our ability to distribute those resources back into our economy and to protect our natural resources.

I'd like to hear from everybody here in terms of whether they believe—and I'm talking about non-democratic state governments that buy Canadian companies—that's an acceptable situation for us to be in, or whether there is a difference, for example, between China and North Korea or Iran and Saudi Arabia versus England, the United States, or Australia, where private investment is made from a democratic private company. Once again, it's a state government that's buying Canadian natural resources.

We're faced with these situations now, and in terms of our energy sector, I'd like to hear whether that should be permissible.

● (1645)

Mr. David Stewart-Patterson: Let me tackle that on a couple of levels.

On one end, you have to be careful to distinguish ownership of a company from the ability to exploit a resource and do what you want with it. The fact is that no matter who owns a particular company, if you're exploiting natural resources you're subject to a whole host of regulations in terms of what you can do and how you behave, and so on. So I don't worry about the ownership picture on that.

I actually raised a similar question at a tri-national meeting over the weekend. I asked an American energy expert, given their concerns about energy security, were they worried about seeing Chinese firms in particular shopping around the oil sands?

Mr. Brian Masse: They're not firms, though. It is the government.

Mr. David Stewart-Patterson: Yes.

They said, look, Saudi Arabian-owned companies own a big chunk of the refining capacity. They don't worry about the ownership as long as they can control what's done with the resources.

The other thing that is important to take into account here comes back to the issue of competition policy, because it does raise the question that if we're worried about foreign ownership of any of our sectors, we have to ask ourselves, are we preventing alternative solutions that would keep the ownership here? If we're not happy with the prospect of, whether it be a Chinese government-owned company, a Russian company, or a company from anywhere else in the world, buying up a major Canadian one, how are we structuring our competition policies? Are we preventing Canadian companies in the same industry from making competing bids there because they would be too large within the Canadian context?

That's why I say the broader point is that we have to make sure our regulation is suited to Canada's role in the world. As long as Canada is an open market and Canadian consumers have access to competing products from around the world, should we worry so much about combinations of companies within Canada as an alternative?

Mr. Brian Masse: Would you encourage the Canadian government, then, to purchase or nationalize resources?

Mr. David Stewart-Patterson: No.

Mr. Brian Masse: The difficulty I'm having with this is that it's okay for other state governments to purchase Canadian companies, but not Canada itself.

Mr. David Stewart-Patterson: Again, the ownership of the company isn't a licence to do whatever it wants. If you look at a company like Noranda, it is a world-class company. It is run by a lot of smart people. It has access to resources. But the company is more than the assets in the ground that the company owns. What makes that company work, what makes that effective, is the people who work for it.

No matter who comes in and buys a company like that, they're only going to retain the value if they can retain the people, and in order to retain the people, you have to respect the norms that those people expect. In other words, talent is mobile, and talent is globally mobile. Therefore, when companies from a country, whether they're state-owned or not—we have state-owned companies—go elsewhere, they have to adapt to the reality of the societies in which they do business. The engagement of state-owned companies from China in North American markets means they are going to have to learn to deal with North American regulation and North American expectations, just as they are going to have to adapt to the realities in any other country that they go and do business with. I think that engagement is part of changing the way people behave, and it can be a positive force.

The Chair: You're going to run out of time, unless you want others to answer.

Mr. Brian Masse: Yes, I would. It's a curious problem we're facing. There are advocates who will say the Canadian government can't nationalize or be part of ownership of any type of industrial base, but we're allowing other state nations, some non-democratic, to have that right. That's where I want to hear from—

Mr. David Stewart-Patterson: We don't think it's smart policy. In fact, if another country thinks it's good policy, that doesn't mean we have to agree that it's good policy here.

The Chair: Are there any other takers on Mr. Masse's question?

Mr. Pierre Alvarez: I'll just respond very quickly, Mr. Chairman.

There are few industries that are as entwined with the state as the energy industry. They release rights in the first instance. We don't get to go out and drill. We don't get to build an oil sands plant. We get them from the Crown, whether it's federal, provincial, or increasingly, aboriginal. Every activity we do is scrutinized, approved, and regulated many times over. So from an operations point of view, from a fiscal point of view, it is something in which, from our point of view, the governments in Canada are well positioned to manage the activities.

We want to invest around the rest of the world. I get very nervous when we talk about capital flows. When you're looking at spending $30 billion to $35 billion a year, the Canadian markets are not sufficient to fuel that on an ongoing basis, and it's a very, very slippery slope if we start going down that route.

● (1650)

Mr. Brian Masse: What I'm getting at specifically, quite frankly, is that I want to know from this industry whether it's okay for other nation-states to own our natural resources.

I agree with what you're saying. I just don't understand what—

Mr. Pierre Alvarez: But they're purchasing the right to exploit those resources from the Government of Canada. Whether it's the provinces that issue the rights...they don't walk in untrammelled. They follow the laws of the country at this point in time, and our sector would simply say it's part of an increasingly global industry.

The Chair: That was an interesting question. Are there any other comments?

Monsieur Dufresne.

Mr. Paul Dufresne: In terms of activities, in recent years we have seen utilities from various countries buying production capacity or transmission capacity from other countries, so it has happened. Companies that come to mind are Hydro-Québec and Electricité de France, which have done it.

In some instances it has not been a good experience. Some have retracted their involvement in that. American companies, though privately owned, were putting investment in places where it was almost a national...taking place there...a large portion of the activity going on, so it has happened. It may happen.

Overall it can be efficient. It can also be very inefficient for all sorts of reasons. You could go in many directions. In the end we are looking for and everybody should be looking for efficiency in every operation. For that, when it becomes inefficient or it's directed from the top, if you're talking about non-democratic countries taking over, well, if they wanted to subvert a company that's going well like this, as Pierre mentioned, people would just walk away.

The Chair: Thank you very much.

We're going to Brian Jean and then Andy Savoy.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair, and thank you, gentlemen, for coming today.

First of all, Mr. Alvarez, I want to make a comment in relation to what you said about oil sands being only in Fort McMurray and, I think, South America. There are some, I think, in Russia and there's also some like technology in Australia with Shell that is similar, which Suncor tried but with no success.

I do invite everybody up to Fort McMurray. I've lived there for 40 years. I would highly recommend that everyone from this committee and others come up there, but bring your own sleeping bags and bring your own Tim Hortons coffee. You can't get either one in Fort McMurray without a long wait because of one of the problems you specifically mentioned. We have a huge shortage of technically trained people, which trickles down to everyone. We don't have to worry about the minimum wage in Fort McMurray because it's already double or triple that anywhere else in Canada.

What I'm concerned about is what you said in your conclusion. You suggested there would be a potential shortage of skilled labour in that market, but it's not “potential”; it's there today, and there'll be a steady increase until 2010, when it will drop down about 70%. I'm wondering first of all what you can suggest should happen there with the demographics being the way they are. Fort McMurray of course had a huge boom in the late seventies and early eighties. Those people are retiring now and they have great pensions; they're not sticking around for anybody.

Second, there are the alternate sources. I'm worried about the gas consumption in the oil sands, where the industry uses a huge amount, and water as well, which is a resource we're losing. I'm concerned about those, especially given that Lake Athabasca, the largest lake in Alberta, is right north of there; it offers fantastic hydro potential and also wind potential on the south shore of the lake.

Those are my two questions.

Mr. Pierre Alvarez: Let me see if I can get through them in order.

Our point about potential is that we're going from a bad situation to a potential crisis as we see the number of projects coming home. Absolutely, it is a huge sink for people, and that is before western Canada sees, hopefully, the strong resurgence in the forestry industry over the next little while, which we're hoping for, potentially the construction of two or three pipelines, and the upcoming Olympics.

If you're talking about a recipe on a regional basis, look out. We need more federal-provincial cooperation; we need to tap into untapped sources, primarily the aboriginal community. It takes time, because with respect to the demographics you talked about, it's not just the oil sands; it's the whole industry, and in fact it's the resource industry as a whole. That's challenge number one.

On the natural gas side, I think five years from now you'll see natural gas not being used as a fuel in the new oil sands plant. We're being driven to coal gasification, into vapour recovery, and into a number of things. Technology, I think, is going to displace that very quickly, because they don't want to use $6 or $7 gas. It makes no sense for them, and I think you're going to see a significant change there.

On the water side it's a huge issue. It is something we spend a tremendous amount of time on. We've approached it from two points of view. One is the technology point of view. We are now recycling 95% of the water used in the oil sands project and the Vapex project. That is a huge change.

From a risk management point of view, as was quite rightly said, northern Alberta does not face a water shortage right now. Southern Alberta does, and it's where as an industry we've really focused. Technology, again, is the one that's going to take us down that road. I think you'll see some tremendous leaps over the next little while simply because the economics will be driving it, but there will be tremendous environmental improvements as well.

● (1655)

The Chair: Mr. Blackburn wanted to jump in, I think.

Mr. Robert Blackburn: Yes, it's just to get another cut of it on the table. An interesting source of energy for the oil sands that's been investigated and looks pretty attractive in economic terms is a nuclear power plant. You save the gas that way and you have a clean fuel source, and that hasn't come up at this hearing at all.

Certainly, if we're looking at our energy policy mix and we're looking at Ontario, we'll find the role of nuclear energy is really essential, and it's going to continue to be. Plants are being extended in the States, and right now AECL is working with an American consortium. They have U.S. Department of Energy funding to develop an advanced CANDU reactor for the state of Virginia—two, actually.

In the oil sands we work a lot in the conventional technologies, but nuclear technology has real things to offer in terms of both industrial power and power for our grids.

The Chair: Do you have anything else, Brian?

Mr. Brian Jean: I was just going to say there is such a shortage of good labour up in the oil sands and all over Alberta. In Fort McMurray, for instance, it costs $1,500 to $2,000 for a one-bedroom apartment. There are a combination of factors, and supply and demand is not going to work in this case. There has to be government intervention and working with industry to find people who are trained, first of all, but also to find them places to live and eat and sleep. It's not working right now.

The Chair: Thank you very much.

We're going to go to Andy.

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

I'd like to ask four questions, directing one to each of you.

First, to SNC-Lavalin, I've heard a lot of criticism about Canada's policy towards FDI, especially for small and medium-sized service providers in international markets.

The Chair: Did you say FDI?

Mr. Andy Savoy: That's foreign direct investment.

A lot of other G-7 countries—I think they all do, in fact—take an equity or debt position, or they work in proposal development in foreign jurisdictions. For example, a small engineering consulting firm may be competing with a German firm. Often they will get FDI aid from Germany, France, or a number of other countries, and they have a competitive advantage, as I said, because these countries will take an actual equity or debt position or provide money for proposal development.

I realize SNC-Lavalin is certainly a large enough organization that this doesn't present a hindrance to you, but in terms of SMEs, especially in the engineering consulting sector but in construction as well, do you see that as a hindrance to our developing foreign markets?

Mr. Robert Blackburn: I talked earlier about the Canadian investment fund for Africa, and I'm chair of the Canadian Council on Africa. Even for SNC-Lavalin it has to do with building confidence and availability of money. Equity is the toughest part, and if you can get equity, then you can bring debt in.

Canada has been very behind there, as you say. Most of the other OECD countries have something they call a development finance institution, which provides small amounts of equity to help their companies develop projects in the developing world. Mr. Masse was talking about state intervention. Well, French and German DFIs, government companies, often go in and support their industries in developing business in the developing world.

It doesn't happen in Canada. We're very hopeful this investment fund for Africa will be the first of similar funds addressed to other markets. The Americans run about six or eight of these development investment funds, and Canada is going through very great birth pains just to get the first one on the road. We're hoping that when that happens, it will be followed by others.

Finance is the key problem. Canadian banks aren't there, and EDC is critical for getting the Canadian act together. It starts with CIDA to help develop a project, it includes the investment fund for Africa and similar funds to help bring equity together—not all of it, but a little slice that builds confidence—and then there's EDC. They're all important instruments, and they need to be brought together to support smaller SMEs, but also bigger companies.

It's a tough market out there, and to be competitive with the sorts of competition we're seeing, we have to work in partnership.

● (1700)

Mr. Andy Savoy: Thank you very much.

David, in terms of some of your recommendations, I agree with you on making sure that we keep the headquarters and centres of excellence that we have now in terms of the core competency of our large companies.

You specifically mentioned that the Competition Act should facilitate, rather than inhibit, the kind of strategic alliances and new business arrangements that companies need to operate effectively. If you could look at the Competition Act through that lens, what specific recommendations would you make?

Mr. David Stewart-Patterson: I think that it really boils down to this. Are we making sure that our competition law is written in a way that allows Canadian companies to hit optimum size? That optimum size isn't the same for all industries.

I don't know, John, if you want say anything specifically from a technical point of view, but I think that from a broad strategic perspective, it's not that there's anything hugely wrong with the Competition Act as it's now written. We have run into cases where companies say whether it's a bid from a foreign company for a major Canadian enterprise, or whether Canadian companies are looking to bulk up in order to compete more effectively abroad, those have clearly been issues. The kinds of things that have been put on the table, or might otherwise have been considered, haven't been pursued.

The question is this. Do we want the Competition Act to look specifically at what the relevant market area is? That's really what it boils down to. The fact is that the bureau traditionally has taken the view that it's the Canadian market that matters. They look at how much dominance you have within the Canadian market. Canada is an open economy. In a global market, the relevant market area is much bigger. I think we have to worry less about how large our companies are in the Canadian context and look at how large they are in the global context.

Mr. Andy Savoy: Thank you very much.

Richard—actually I wanted Pierre too, but he's gone—in terms of innovation you mentioned that Canada has to look at investing in technology. Of course, a large component of that would be R and D. We have a very lucrative R and D tax credit system of 35%. We know there's a hindrance for small businesses applying because it costs a lot of money, For larger corporations in your sector, I assume it's not a big issue. What else can we do in terms of promoting innovation and technology?

I'm a big fan of “shop for innovation”, the IRAP program, the ITAs that tour the country, and now, of course, SMEs. In terms of actual innovation and technology development, whether it's tech transfer or R and D, do you have any recommendations? I know that depreciation is one in terms of CCRA, specifically for manufacturing and processing, but are there any other recommendations such that we can really stimulate innovation specifically in your sector?

Mr. Richard Paton: I think the R and D tax credit is very useful, and the IRAP program you mentioned is also.

When I mention capital cost allowance, given that the government is trying to encourage industry to be more environmentally sensitive and make more investments in environmental technologies, I am thinking there is an option for how you deal with the CCA rate on investing in environmental technologies. One could see it as a priority and maybe look at it, much as we used that kind of priority when we did IT investments when we had the big year 2000 scare. There was a speeded-up CCA for IT investments so that people could make that transition. I think there is an area.

It would be hard to define this. That's one of the problems they would have. What is an environmental technology? It could be a process change in a factory, and therefore you'd end up with some difficulties. But in fact we used to have this back in the eighties, so I think there must be some experience with how to do it.

That would be one recommendation. It would be a more generalized approach, which may be the best, because in a sense it works well with the normal tax system and doesn't discriminate among technologies.

Second—and we're seeing some of this issue now in Alberta—one of the issues for us, as I mentioned, is natural gas supply and cost. We have plants right now that literally do not have enough natural gas to be able to run. They've built these billion-dollar plants and they can't run them, or they spend all day trying to get feedstock. We're looking at the oil sands. The oil sands represent a potential huge feedstock source for us.

Right now we can't use oil sands products for petrochemical plants, because we use natural gas as our feedstock base. But there is out there a potential technology frontier that would allow you to move from oil sands to a feedstock we could use to produce petrochemicals. It would require huge front-end investments, government cooperation, cooperation between petroleum refiners and chemical industry petroleum producers. The risks would be high, and it would be very hard for any one company to put a lot of money on the line to invest in that technology for some payback maybe 10 years from now, or that may never come.

The Alberta government is involved in it. It's not too clear how much the federal government's involved in it, but I would say this is an example—and clean coal would be another example that the U.S. is putting a lot of money into—of new technologies that are going to require huge investments.

It's much like the earlier point about the market: there are some points where the market won't solve the problem and where there is a role for government. This is one of those areas.

● (1705)

Mr. Andy Savoy: Thank you.

The Chair: Thank you very much, Andy.

We're going to Serge, and then to Werner, please.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chairman.

Gentlemen, good day. I apologize, I was not here for your presentation. I'm just jumping into things. I did have time to read a few points. I note that we have heard some of this before at previous hearings.

Since we are talking about energy today, I would like to remind everyone that since 1970 the federal government has invested close to $66 billion in the oil and gas industry, close to $6 billion in the nuclear industry, approximately $328 million in renewable energy, and nothing in hydroelectricity. So there have been some considerable investments.

Today we hear talk about sustainable development. If amounts comparable to those invested in conventional energy since 1970 had been invested in renewable energy or in technology to reduce pollution emissions from fossil fuels... We know that energy is a very important element in a country's industrial strategy.

The Government of Canada has for some time been telling us that it is drafting an energy policy. There is a report that says this here also: Canada must draft an energy policy. We also know that a continental energy policy is in the works.

You have very close ties to the energy sector. Can you tell us what the status of this policy is? You must have been consulted. If you were, can you give us a status report about Canada's energy policy? Could you also tell us what the situation is with regard to Canada and the United States with respect to the energy policy?

● (1710)

[*English*]

Mr. Richard Paton: I can't comment on the Canada-U.S. policy dialogue. I really am not familiar with it. I think the U.S. has as much trouble getting an energy policy together as we have. You have to look at whether Congress is or is not going to actually do something. I think there's still an open question.

I noticed that one of the new executives, who has been appointed for the second term, has “reduce natural gas costs” as his number one priority as a cabinet secretary for Mr. Bush. At least, I think they have reached a point where they think it's a priority, but whether they'll move forward is another question.

[*Translation*]

Mr. Serge Cardin: I also referred to Canada's energy plan. You must have been consulted on that. According to you, what direction should Canada's energy policy take?

Mr. Paul Dufresne: I was not involved in the drafting of an energy policy or plan for Canada. I can however tell you about my experience in this area. There are energy resources available in this country but we have a great deal of difficulty bringing them to market.

Producing electricity is increasingly costly. We have to put means in place so that these costs are as low as possible. We mentioned this when we talked about the need for well-structured and effective environmental assessments.

North America's natural gas needs are enormous. There is increasing talk of liquefied natural gas to be imported by ship. North America's energy needs are enormous. The energy policy will have to take that into account.

To this must be added the necessity of making effective use of that energy, be it electrical energy or some other kind. There is a debate about this in Quebec and surely in the other provinces as well. There is a Power Smart program in Manitoba and British Columbia to encourage the effective use of energy. We can only say that we subscribe wholeheartedly to that. I'm sure that my colleagues feel the same way; this is essential.

We are in a situation where the energy program, the energy policy must be well thought out, sufficiently in advance so that we don't find ourselves with our backs to the wall. We can't teach an elephant to dance. These are decisions that will have very long term impacts.

Mr. Serge Cardin: Mr. Blackburn, earlier you made a passing reference to nuclear energy. You talked about it as a potential source of clean energy. However, we can't ignore the fact that this activity generates nuclear waste. I think that people who promote nuclear energy forget that aspect, the nuclear waste this energy produces. They don't consider the downside and they talk up the advantages of nuclear energy. Your position is thus somewhat opposed to that of certain European countries who are backing away from the use of nuclear energy.

Would you recommend a greater use of nuclear energy in Canada's energy policy?

Mr. Robert Blackburn: The issue of nuclear waste is of course very important; it has been studied. There are solutions. Good solutions have been devised and some would be available if we wanted to use them. We think it is possible to control this waste in such a way that it does not endanger society.

In Canada, in particular in Ontario, Quebec and New Brunswick, nuclear energy plays an important role in supplying electricity. In Ontario—and this is often the case now in the United States—the life of nuclear generators is being extended. After a pause of several years we are again hearing talk about new nuclear projects. Do not be alarmed; I believe that they will be subject to very careful regulation.

You referred to Canada and the United States. Since the August 2003 blackout, a Canada/US task force has been working on the issue of energy transmission and the safety of the energy grid. This task force will continue its work to strengthen transmission networks so that the whole system is safe and able to meet our societies' needs.

There are disadvantages, in my opinion. Nothing is easy, nor free. We think nuclear energy will provide some good solutions and that it has a very important role to play in the diversification of energy sources. If we think about the Kyoto protocol and the security of our energy supply over the long term, I think that nuclear energy will have to play a role both today and in the generations to come. It will not be the only source of energy, but it has an important role to play.

As for nuclear waste, we can't ignore the problem. We will continue to work on that issue. There are some good solutions. But one always has to deal with the NIMBY syndrome, “not in my backyard”. We could say the same thing for petrochemical projects, oil sands or others. There is always some aspect of the question that has to be controlled to make sure that we don't adversely affect society. Nuclear waste is a good example of that.

● (1715)

[*English*]

The Chair: Mr. Dillon.

Mr. John Dillon: This is just a quick follow-up, Mr. Chairman. Thank you.

When you talk about the nuclear policy in Europe, I think it's important to look at what they're actually doing, not at what some of the governments state they're doing. The reality is that very few of them have phased out nuclear to anywhere near the degree they say they're going to. Some of those countries are building nuclear again. Japan is certainly building nuclear again.

Some of those countries have also said they're going to phase out the use of coal, but the reality is they haven't been able to. Why? In some cases it's because coal is still a major employer in those countries, and in other cases it's because the cost of replacing it—as Ontario is about to find out—is very substantial. So one has to look carefully at what's actually going on in some of those countries.

The Chair: Thank you very much.

Merci, Serge.

Werner, please.

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

Thank you, gentlemen, for being here. One of our frustrations on this committee is that we have some extremely knowledgeable and very competent people here as witnesses—and you gentlemen have all proven to us that you have deep knowledge of what's going on—and yet we can't go everywhere. We can't develop a nuclear policy here, an energy policy there, and all the rest of that, which we've kind of been skirting around all over the place.

We started off talking about smart regulations, and that's really where we want to go. Throughout the whole presentation we heard about the lack of investment, the lack of R and D, and the frustrations all the way through because of the regulatory system. That's part of our problem. And here we are, all over the world, talking about things that really are very relevant, very interesting, and very important, but....

We used to have a system, at least in northern Canada—and I'm sorry that Pierre had to leave—where it was relatively easy to go ahead and do something. All of a sudden, it's now the worst place to do business. You have to put together a 200-page document on how you're going to cooperate with one another? I mean, this is really something else.

By the way, I can't help but recognize that there are seven members of the opposition over here and one Liberal on the other side. I just want to make sure you recognize that.

● (1720)

The Chair: It took you long to say that, but I guess you've done it now.

Some hon. members: Oh, oh!

Mr. Werner Schmidt: I mean, that's supposed to be a joke, but it's also said in deep seriousness. I believe, gentlemen, you have focused on a very significant issue for us in a variety of areas. Could we now bring it back and find out what went wrong?

All of a sudden, we have a regulatory framework that doesn't seem to meet our needs. That seems to be the problem. It's not only your industry; virtually every sector that we've talked with comes up with that as a problem.

Can you help us with this? How best can we solve this problem? The advisory committee has given us a bit of a plan, but we have to go way beyond that to actually make it work. Can you help us?

Mr. Richard Paton: This relates a little bit to what I was talking about in my presentation.

Mr. Werner Schmidt: Exactly.

Mr. Richard Paton: Regulations come for a reason. When I worked at Treasury Board, I was head of regulatory reform policy, so I know a little bit about this. David talked about drug approvals. There's a reason why Canada has drug approval policies the way it does. There's a reason why we have environmental assessment policies, and all kinds of rules and regulations that are going to affect hydro plant development.

In the last decade, in the absence of a very strong recognition of the energy supply curve, which John talked about, and the energy demand and the need to have supply and flexibility of supply, and the lack of real understanding of what the economy needs in terms of resource development and upgrading, the agenda has been driven by, to a large extent, the environmental agenda. As we went forward, we added regulation after regulation to cover this possibility and that possibility—all the things that can go wrong, all the things that can hurt the environment.

Certainly my association is a very strong supporter of environmental performance and environmental quality. All these things can be very good. At the same time, if they are done in a way that doesn't also balance them with speed, time to market, capital costs, investments, or even the availability of drugs for Canadians, and you don't put all those factors into the mix, then what you get is one department pursuing its objective single-mindedly, forgetting everything else.

That is pretty well what I believe has been happening on the policy front for the last decade. We have not been able to bring the multiple perspectives together. Exactly the same thing is happening on Kyoto right now—exactly.

Mr. Werner Schmidt: So how can we bring them together now?

Mr. Richard Paton: The only way to deal with this is to recognize that every single policy issue or regulatory issue that comes forward is going to have multiple dimensions. It's going to have a health side, but it's also going to have a cost side, or a competitiveness side. You have to make sure that the parliamentary committee deals with it in those terms. That's one reason why I liked Pierre's comment about this committee bringing together a number of perspectives. Normally, such as in the case of the CEPA legislation, it would only be the environment committee. You guys wouldn't even get to play on it. The competitiveness issues would then be somebody else's problem.

So I think you need a fundamental shift in the process that enables government to deal with issues in a multifaceted way, which is the reality of the economy. For your committee, the smart regulations report I think opened the door to doing some of that, but this won't be easy, because you're going against all the institutional biases of government today.

Mr. Werner Schmidt: David, go ahead.

Mr. David Stewart-Patterson: As Richard said, every regulation is crafted for a reason, and I'm sure usually for a good reason at the time. But what hasn't received a lot of attention over the years is the way in which different rules overlap and start interacting. Doctors worry about patients who can get sick because they're taking three drugs; each drug individually may be good for them, but they can cause a toxic reaction when they interact within the body. I think the same kind of thing has tended to happen in the regulatory world.

You have to recognize that these issues are very complex. They're complex to unravel not only politically and institutionally but also from the point of view of what's good policy, and what's the best way to kind of simplify things down. You do need to get relevant expertise into play here. I think one of the approaches that the smart regulation committee recommended was to pick a couple of sectors, get a SWAT team of experts together, tackle one or two of these at a time, get something going, and see what we can make happen.

Really, that's probably the best way to do it. If we try to do everything at once, we're just going to get bogged down. If we pick a couple of sectors and get together a good group, one with expertise, so that you're confident they will unravel the problem as opposed to adding some more knots, and let them go to it with a specific deadline and some recommendations, I think that's probably the best way to get started.

The other thing you have to look at, from a more process point of view, is that somewhere you have to get back to a real challenge function. If the regulation has been on the books for *x* number of years and nobody's looked it, there should be somebody who looks at it and asks, wait a minute, does this still make sense? If somebody is proposing a new regulation, there ought to be a body within the government, Treasury Board or somewhere else, that asks, wait a minute, why is this needed, and have we looked at how it's going to interact with the rules already on the books?

I think there should be that central challenge function, and something with teeth, too. In the same way you need a challenge function for new spending, I think you need to have a challenge function for new regulation.

● (1725)

Mr. Werner Schmidt: I thoroughly agree with you. One of the reasons you gentlemen were invited to come, along with other groups, is that you work with these regulations virtually every day, or else the companies you represent work with them every day. You know where the problems are. I have found, through my past management experience, that the best way to find out where the problems are is to ask the people who work with them.

There are sectors that we have identified—the oil and gas sector, for example, the textile sector, and pulp and paper—where SWAT teams are ready to go. Obviously, you think that's a good way to go, and that this will help us.

Now, given the kind of background you have in your particular industry—I'm looking particularly at Richard here—if you did get together a SWAT team like that, would they come up with a clear guide that we could give to the government as a recommendation and say, look, these will help make regulations smart, make it all more efficient, and encourage investment dollars to come in, giving us a more efficient oil and gas or chemical producer sector?

Mr. Richard Paton: The short answer is that I think it can be done, I agree with David. In terms of the SWAT team concept, I visualize the government people also being involved in that. I don't think it can just be industry. We have to accept the reality that there were reasons for those regulations, and we have to deal with those reasons.

Mr. Werner Schmidt: But those reasons change.

Mr. Richard Paton: That's right. But depending on the issue, my idea of a SWAT team would be somebody from Industry Canada, somebody from NRCan, somebody from Environment Canada, somebody from Health Canada, somebody from the Environmental Assessment Agency, if it happens to be involved with the pipeline issue or whatever. You bring together industry and government, and multi-departments. Sometimes you may even have to involve provinces.

The Chair: Mr. Blackburn, a brief comment, I think, and then we'll wind up.

Mr. Robert Blackburn: Just as a very brief comment, please don't lose the issue of regulatory resources. I tried to raise that in my statement. The problem is that as there's an accumulation of these regulations over time, as the scope of the regulations expands, the government departments involved in implementing them often don't have the resources to respond in a timely way.

That's another thing you have to look at: are you capable of implementing these things in a reasonable way? I mean, we've been involved in major projects where we looked at the scope, which was going all over the place, and thought, does it make sense to go and fight this in court? We might win in five years; better just to cooperate and give the information. We'd go out and get the best expert, provide the information required in 48 hours, and then wait for six weeks. In a couple of cases, I think it was six or eight weeks before the department, the expertise in the government, was able to respond and say whether this met the need or not.

That's the other aspect: is the rule needed, and is it being implemented efficiently? If not, you could have the most beautiful system in the world.... For instance, we say that in a lot of developing countries they have a lot of nice laws, but the laws aren't implemented very well. But you could say that about a lot of our environmental regulation, too. It's just not efficient.

The Chair: Thank you.

We have very short questions from John and Brian. We'll start with John.

Hon. Jerry Pickard: I have one, Mr. Chairman.

The Chair: Do you have a short one?

Hon. Jerry Pickard: It's from a long time ago.

The Chair: Okay. Well, if you could all make sure you don't leave until we do a little business afterwards, we'll go to John, Brian, and then, Jerry, for short questions.

John.

Mr. John Duncan: My question is directed to Richard. The chemical producers are part of the energy dialogue group. Am I right?

Mr. Richard Paton: There are two coalitions or groups. The energy dialogue group is more the producers. We have another coalition of industrial users, but we basically have the same policy base.

Mr. John Duncan: That wasn't my question. My real question is this. Between those two groups or associations, which cast their nets very widely, they're rather unique in a sense, but they do involve the energy sector. Would it be possible, in your imagination, for the two groups to come to a consensus on a national energy framework for Canada from their perspective? Could they actually come to a consensus proposal?

● (1730)

Mr. Richard Paton: The short answer is yes, we actually have a consensus on what we see as the major elements of a framework.

In answer to the question that was addressed earlier, we haven't seen what NRCan is finalizing, but we've had input. We have positions, and they're quite consistent. They're fairly high level, but they definitely address energy supply, cost, flexibility, environmental performance, and investing in long-term technologies. Those are four or five elements that we would see. It's market based, and it has to be federal-provincial. The federal government can't go into this area as if it owns it. It's provincial.

Mr. John Duncan: Does it talk about the components? Does it talk about renewables or non-renewables?

Mr. Richard Paton: It's to use all sources and maximize them all, and renewables are definitely one of those sources.

The Chair: Thank you, John.

Thank you, Mr. Paton.

Brian.

Mr. Brian Masse: I have a question for Mr. Stewart-Patterson. I hope it will be easier than the last set that I bombarded you with.

In your opinion, how would you categorize the importance of smart regulations for the auto industry and moving on that?

Mr. David Stewart-Patterson: Again, on what is right for a particular industry, you really have to talk to the people who are in that industry. In a horizontal organization like ours, we can look at the broad brush. We know which themes come up consistently, but the fact is, when you get down to the nitty-gritty on what this industry needs, you have to get the relevant expertise at the table.

Mr. Brian Masse: Okay. Thank you.

The Chair: Thank you, Brian.

Jerry, hopefully you'll be brief.

Hon. Jerry Pickard: I only wanted to clarify a point that was made earlier on the discussion about Noranda-China, a non-democratic country possibly purchasing.... This is all speculation. I want to interpret it properly.

Clearly, the answer I heard was that they have to operate under the public policy of Canada and within the regulations of Canada. However that's structured, they don't have the leeway to be anti-democratic or anything else in this country. In fact, the purchase and the owner would be controlled by the regulations in this country and would abide by the regulations of this country. It's the only option there is. There would be no fear of foreign ownership of that company by a foreign government, or any other corporation outside the country, with the regulations put in place to make sure the public policy is correct.

Mr. David Stewart-Patterson: I would add to that the fact that China has now joined the WTO, so it's also subject to all the international disciplines of trade. Not only do they have to abide by the regulations here, if China tried to provide an unfair advantage through government ownership, they would also be caught by the international rule structure.

Hon. Jerry Pickard: Again, this is speculation.

Mr. David Stewart-Patterson: Yes, exactly.

Hon. Jerry Pickard: It applies to every country of the world or anyone who tries to purchase a Canadian resource.

Mr. David Stewart-Patterson: Yes. China is hardly unique in having state-owned companies that are active abroad. The general point I was trying to make earlier is that I don't think the state-owned companies, generally speaking, tend to be that efficient. If other countries want to depend on bloated state-owned enterprises as their engine of growth, I'd say let them go to it. It gives the rest of us who depend on an active and competitive private sector an advantage.

Hon. Jerry Pickard: And I have just one other really quick point. With the auto industry, CAPC was the organization structured in order to a get good relationship between all the auto assemblers and the federal government. Is that something that would be beneficial to the energy sector as well, the formation of this type of organization that could give direct input as to the barriers, the regulatory regime, and other aspects that are hindering your ability to generate the energy that's going to be required in Canada in the next 10 years?

Mr. David Stewart-Patterson: Every industry would be able to put together a pretty good list in fairly short order of its top five problems. If you did that across a bunch of industries, what you'd also see emerging are some common themes. I think those common themes, dealing with regulatory processes, overlaps and duplication and so on, are what we tend to address as a horizontal organization. I think both aspects of that are important.

● (1735)

Hon. Jerry Pickard: Thank you, Mr. Chair, for your indulgence.

The Chair: Thank you, Jerry.

Thank you, colleagues. We're going to suspend for just a few seconds. We have some committee business to do.

I want to thank our witnesses for their help today. Who knows, some of you may be invited in the future to come back and talk to us again. We appreciate your cooperation thus far. Have a safe trip back to wherever you have to go.

Colleagues, we have just a little business to do.

Mr. David Stewart-Patterson: Thank you. Have a great Christmas.

Mr. Werner Schmidt: That's what I was going to say. Merry Christmas to you gentlemen.

The Chair: Thank you, Werner.

Thank you very much. Merry Christmas and Happy New Year to you.

Members, let's see how much we can get done in a few minutes.

The first item of business is a request that we amend our original motion on the 24-hour notice of motion to make sure those notices are provided to the clerk in both official languages. In 24 hours she doesn't always have enough time to get the translation done. You could have a one-sentence motion, or you could have a motion of half a page.

Is somebody prepared to move that motion, that except for amendments to bills, 24 hours' notice be given before any substantive motion is considered by the committee, and that the motion be filed in both official languages with the clerk of the committee and circulated to members?

Mr. Brian Masse: I so move.

The Chair: Thank you, Brian.

(Motion agreed to)

The Chair: The second piece of business is this. Werner had made a proposal regarding the industrial strategy study. It's been circulated. Just by way of update, the researchers are going to provide a snapshot of our industrial study hearings up to today.

On this, let me first say that this may be Lalita's last meeting. Unless she has her baby here, this will be her last meeting before she goes on some maternity leave.

So we wish you well, Lalita. She will help Dan with the review before she leaves. She is indispensable, but we wish you well.

Ms. Lalita Acharya (Committee Researcher): I might be here for one meeting.

The Chair: The January 30 one—that's cutting it close. Are you due in February?

Ms. Lalita Acharya: Yes.

The Chair: Well, we hope you are here for one more meeting. We hope it goes well if you're not.

I also want to acknowledge that Brian Masse, as you know, had asked the committee to suspend Bill C-19 subject to a message from the government that it was serious about amending the Income Tax Act to disallow the deductibility of fines. I commend Brian for that. The bill is before the House today, and debate has started. Sometime between now and early February I'm going to ask the committee if you will un-suspend Bill C-19, but we'll deal with that later. I just wanted to acknowledge Brian's effort. It won't always work out as well as that, but in this case it has.

Again, back to Werner Schmidt's proposal, it's my plan going forward that...we're going to Mondays and Wednesdays, by the way, in the spring—3:30 on Mondays and 3:30 Wednesdays. No committee is stuck with this Thursday afternoon time slot for a whole Parliament. We have it out of the way, and we shouldn't see it from now until the next election, whenever you guys decide to call it.

Mr. Bradley Trost (Saskatoon—Humboldt, CPC): If attendance is like this all the time, it will happen.

The Chair: That's right. You're going to get your way a lot.

For the Monday we come back, I propose that the first three meetings on the industrial strategy be sectoral. This was Werner's idea, and I think Paul Crête had raised this idea too. We'll do one on automotive, one on textiles, and one on petroleum or oil and gas, not in that order. The order would be determined by the witness list that you'll be invited to help with, and the clerk's in the process of contacting of witnesses. The sequence will simply be based on an administrative decision in terms of what's first, second, or third. So we'll start with three sectoral studies, oil and gas, textiles, and automotive, in whatever order; we don't know that yet.

● (1740)

Mr. John Duncan: You're saying oil and gas, but you really mean energy, don't you?

The Chair: We'll discuss that, mostly with the Conservatives, but anybody else who has ideas on that.... I thought oil and gas, but if you think it should be energy, then we'll—

Mr. John Duncan: We want to hear from the renewable energy people, from the nuclear—

The Chair: Let's call it an energy sector session then.

Mr. John Duncan: Yes.

The Chair: There is agreement, at least informally, that because of the number of bills we have, the first Monday we come back and every second Monday from there on will be devoted to our study. That would give the clerk lots of time between those study sessions to gather witnesses, which is a lot more complicated for this process than it is for bills. With bills, the people out there let us know that they want to come, basically. For our study we're inviting people in, so it's a little different.

Mr. John Duncan: For the study, would the witnesses be here on Mondays?

The Chair: Unless there's a problem, the first Monday we're back—the 31st in the afternoon—will be on one of the three sectors we just discussed. Is that okay?

Mr. John Duncan: I'm suggesting that it's good because it allows them to travel on a Sunday or a Saturday. It's actually the better day, otherwise they'd blow their week.

Hon. Jerry Pickard: Mr. Chair, who decided which bills we're going to handle? I believe there's unanimous consent across the board for Bill C-29, the technical amendments to move forward on the Africa issue. I think probably with unanimous consent across the board on that one, it might be a good one for us to move on and get out of the committee as quickly as possible.

The Chair: I'm not aware of any negotiations on this, but is that agreeable, that we get it done within the first couple of meetings? Is that what you mean?

Hon. Jerry Pickard: Yes.

Mr. Werner Schmidt: You're talking about the fees on the patents—

Hon. Jerry Pickard: That's right.

Mr. Werner Schmidt: —and then getting the Senate on that group.

I think at the moment it looks like that would be the case. I think we should still study it as a group and make sure we get everything on the table.

Hon. Jerry Pickard: But I'm saying that, as a committee, it might be a good idea for us to get Bill C-29 moving.

The Chair: If there's no disagreement, maybe on the Wednesday afternoon of that first week we can deal with Bill C-29.

Does anybody have any problems with Bill C-29?

Mr. Brian Masse: No, I think there'll be agreement. But I think we have to spend a few moments to look at some other weaknesses of the bill and the implications of the changes that we have made. It's pretty significant—

Mr. Werner Schmidt: Exactly.

Mr. Brian Masse: —the reputation of this nation, given the attachment of this bill and what the government's made out of it. There really are some issues that need to be addressed in it.

Mr. Werner Schmidt: I think you're right, and some stuff has to go on the record.

The Chair: If there's consensus then, the first Wednesday afternoon, February 2, will be for Bill C-29.

Mr. Brian Masse: That's a good idea.

The Chair: Then we'll have three bills in the hopper—that one, Bill C-19, which is suspended for the moment, and Bill C-21.

Mr. Werner Schmidt: Through you, Mr. Chair, to the clerk, I think it would be really helpful if we had a reminder halfway through January or something that this was going to happen in order to prepare ourselves properly for it. I'm concerned as well about the point Brian has made. I don't think there's going to be a big debate about it, but there are some points that have to be made. In order to make them efficiently and use our time well, it might be useful to have enough lead time to prepare ourselves.

The Chair: I'll work with the clerk on that.

Mr. Brian Masse: Fair enough.

The Chair: Moving forward to item three on the prior review of order in council appointments, we did have a brief discussion of this before the election. If I remember correctly, the committee agreed to leave them all there on the list. I don't know if there's a sense now that we should take some names off.

Are there any thoughts on the order in council appointments?

Mr. Brian Masse: Just a hope that they're not tied to patronage, but aside from that, I don't have any.

Mr. Werner Schmidt: Dream on.

The Chair: Is it the consensus that we leave it the way it was? It was an in camera meeting, and there are no minutes. I just have a memory that we did it that way before.

Mr. Werner Schmidt: I thought there were a couple we had taken off, but maybe there weren't. My memory is not perfect.

The Chair: Do we need a motion, or can we report back that we'll just leave the list as is? I can write a letter on behalf of the committee. Okay, we'll have minutes of this meeting, so at least we have that on record.

Finally, I feel as bad as colleagues about the short notice on the certificate of nomination for Dr. Pierre Coulombe. The government has proposed his nomination and has asked us to consider that nomination.

Just so you know—and I would totally understand if committee members today felt they couldn't—Dr. Coulombe cannot start until the committee has done one of three things. One thing you can do is to let 30 sitting days go by without doing anything, then automatically it's deemed that we accept. Thirty sitting days takes it into March. The other thing is that you can call him before the committee, which means that wouldn't happen until we got back. And the third thing is that if you agreed that it was okay, you would pass a motion that you don't need to see him. You do it in the negative—that you don't need to see him

I'm in your hands. I've already given some message to the minister's office that they need to change the way this has been done. Maybe the timing has been a problem. I think the gazetting and everything has just happened, so there may be timing issues here for which nobody is to blame. We do have to have a better process of getting CVs.

Apparently neither the government nor our committee can simply translate somebody's CV. It's their property. They have to do it, or if someone does it for them, they have to sign off on it. Although he is a francophone Quebecker, his CV came in English only. I have his English CV and could not give it to the committee because I can't give out a unilingual document. It's three pages long and very impressive. You only have a summary in the press release.

Just so you know, if we don't take a pass on the review, it'll be February or March before he can be appointed.

● (1745)

Mr. Werner Schmidt: I'd like to make some comments on this, Mr. Chair, if I could. Number one, this is probably one of the most significant appointments that the government can make. It's the National Research Council, a very, very significant council, and the appointment will automatically be compared with Dr. Carty, who was the president for a number of years. It's so significant that I think to simply go with it is wrong.

The second point I'd like to make is that an interim president has been in place now for, I think, three or four months, or more than that. It's probably close to seven months now that he has been there, and I'm sure the NRC will not fold if they don't get a replacement within the next 90 days.

So I would like, as a semi-recommendation, to suggest that we ask Dr. Coulombe that the curriculum vitae be circulated, that we ask him to appear before the committee, so we have a chance to at least have a chat with him about the responsibilities, of the vision he has for the NRC, and that we then approve it as quickly as possible. I don't think we should leave it out for 30 sitting days. I don't think that's appropriate. I think we can speed it up, but I don't think we should approve it today.

The Chair: Are there any other comments?

Is there a consensus? I need a majority anyway, and there are four right here so I'll do the math.

What I would do on your behalf is, through the minister's office, ask Dr. Coulombe for his consent to a translation of the CV, get it distributed during January, and invite him to come to the committee. We've agreed on Bill C-29 for the Wednesday we come back, so would the following Monday be okay? That would be the Monday, February 6, or something like that.

So with that, seeing no more business, I don't think—

Mr. John Duncan: I have a suggestion.

The Chair: Yes, John, a suggestion.

Mr. John Duncan: When the government is coming to employment fruition offers with people, why doesn't it get a check-off system, where they check off that their CV can be translated and given? I don't understand this. It's ridiculous.

● (1750)

The Chair: I'm actually with you on this. I think the lesson here is, look, Dr. Coulombe is not a stranger. His name has been in the pot for a while. To simply get his CV done in the other language, get him to sign off on it that yes, it's correct, and then distribute it ahead of time I think makes a lot of sense. So I think out of this there is a lesson.

Hon. Jerry Pickard: Mr. Chair, I'd like to make a couple of comments, because I think it is important to realize there's a process that has to be followed.

First of all, we placed ads in the *Canada Gazette*to make sure candidates had the opportunity to put their names in or come forward. We also put ads in national newspapers, the *Globe and Mail*, *La Presse*and other newspapers across the countries. We established an interview panel that went through the applications and came up with a very short list for the government, which was part of the process again. The recommendation to shortlist came forward to the minister and we're just trying to move this agenda forward as quickly as possible.

It's not a matter of a snake and ladder game or anything. It's just a fact that this process has gone on, but there were steps that had to be done publicly. And setting up an outside committee that could make the recommendation back to the minister is extremely important.

So quite frankly, if you look at the timeline from where we started in October to get it to this point, I think you can understand that this time came forward. I guess, in enthusiasm, we tried to get this forward in the committee and tried to move the agenda, but obviously there is reservation about moving it forward without the curriculum vitae. I understand that. I understand you don't have his resumé, but there was a process. I don't believe in any way you can criticize—

Mr. Werner Schmidt: Let me make it absolutely clear. This is no aspersion on either the Minister of Industry or Dr. Coulombe, the candidate, none whatsoever.

Hon. Jerry Pickard: Or the department. I think they've done everything they can to move this forward properly.

Mr. Werner Schmidt: Or the department, yes. I'm sure there were a lot of other people.

I think it's partly because of the adjournment for the Christmas season.

The Chair: Exactly. If we had adjourned on Thursday, we would have had time.

Mr. Werner Schmidt: Yes, we could have had it, exactly.

Hon. Jerry Pickard: And this was one of the reasons they tried to do it before. I understand the reticence of the committee, but at the same time I understand the enthusiasm of the department in trying to do it.

Mr. Werner Schmidt: I think we all do.

And I would like to wish them all a Merry Christmas too, including you.

The Chair: Merry Christmas, all, and to all a good night. Happy New Year, and safe travel over the holiday.

Thank you, colleagues. We're adjourned.

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