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Chair

Mr. Brent St. Denis

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•(1000)

[English]

The Chair (Mr. Brent St. Denis (Algoma—Manitoulin—Kapuskasing, Lib.)): I now call this open meeting of the Standing Committee on Industry, Natural Resources, Science and Technology to order.

We're honoured to have with us the Minister of Transport, the Honourable Jean Lapierre.

Thank you, Minister, for being here. The clerk had advised your office, and we had positive feedback, that you may appear here too pursuant to the motion on gas prices. We have another motion on border issues; there may be some issues. I think you have officials with you in that regard, on border issues.

We only have an hour, colleagues, so I'm going to be as strict as I can be with you on the time so we can get everybody in.

Minister, we invite you to speak for a few minutes—five, six, seven minutes, if possible—then we'll go from there. Thank you.

[Translation]

Hon. Jean Lapierre (Minister of Transport): Thank you, Mr. Chairman, ladies and gentlemen. With me are three people from the department: Mr. Roger Roy, Mr. Robert Lyman and Ms. Isabelle Trépanier. I'm pleased to be here today to discuss the important issue of fuel prices.

While this is a fascinating subject, as Minister of Transport, I am not responsible for fuel prices. I prefer to refer you to my colleagues at Natural Resources and other departments. This is not a Transport Canada responsibility. However, I'll be pleased to do three things today.

First, we're going to set the stage in terms of why fuel prices have risen to the extent they have. Second, we're going to talk about how they're affecting the transportation industry and third, I'm going to see with you what Transport Canada can do to reduce fuel consumption. I'll be able to tell you about the programs we have at the department.

As you know, the price of crude oil, and refined petroleum products, has increased gradually for the past two years, but in recent weeks Canadians have experienced significant fuel price increases. The retail price of motor gasoline and diesel fuel reached record levels in the first week of September. We need to understand why this happened.

The recent declines in crude oil prices, following a period of prolonged increases, reflects just how volatile the market is. Prices

for gasoline and diesel fuel are being influenced not only by the traditional supply and demand forces, but also by abrupt changes in inventory levels. They are also influenced by considerable nervousness among those who trade in crude oil internationally.

So, when stocks are temporarily low, there is a disproportionate increase in crude oil prices. When stocks are temporarily high, prices drop disproportionately. Clearly, consumers, and industry, would benefit if there were more predictability in the market, because they cannot always pass on cost increases due to contract restrictions.

Right now we live in a world that has an enormous appetite for oil, starting with us here in North America. However, we now also have rising economic powers such as India and China looking to buy more oil to fuel their economic transformations. So, for the last five years, demand has been high, usage has been growing, and prices have been rising.

In a world that's using oil in increasing levels, even small disruptions can have a major impact for consumers, companies and governments. That's why, when Hurricane Katrina sank more than 50 oil and natural gas production platforms in the Gulf of Mexico and knocked out about 1.5 million barrels of oil production per day, the global energy system was severely strained. Hurricane Rita, of course, delayed repairs and affected other areas of the Gulf Coast.

According to a recent report by the Wall Street Journal, oil producers around the world have at most 1.5 million barrels of spare crude-pumping capacity to tap in a crunch — which was about the same amount shut down by Katrina and Rita. To get the system back in order, roughly 3.5 million barrels are needed.

The outlook for quick relief isn't good because cheap gas in the 1990s led many oil producers to cut costs and limit investment in exploration and production. As a result, there's been less of a gas surplus when a disaster hits. We saw that clearly last month.

The good news is that investment is picking up again. But it takes up to a decade to bring a new oil project on line. While this is happening, we need to remember that demand for oil continued to soar — by 2.9 million barrels a day last year.

When oil prices go up, people begin talking about unfair pricing by the oil companies and the need for governments to intervene and even consider regulating fuel prices. However, a regulatory intervention would prove to be futile, since the price of crude oil is set outside of Canada. From a global perspective, Canada is a relatively small market, both in terms of demand and supply, and consequently cannot influence world prices. Market forces in North America determine the price of transportation fuel.

• (1005)

Besides, under NAFTA, Canadian refiners will not charge different prices for domestic and U.S. customers. All buyers get the same wholesale price.

Canadian refiners selling gasoline at a price below U.S. prices would lead to a shortage on the Canadian market. As a result we'd end up paying the same price that we are now.

Instead, I think we have to consider the big picture.

The United States continues to consume vast amounts of oil each year — and is also facing a reduction of natural gas with winter approaching. They're importing as much as they can find and are depending on both domestic production and Canadian imports for most of their needs.

It's important to remember that the United States, with only four per cent of the world's population, burns 25 per cent of the world's fuel. Half of this is used to power cars and trucks.

Additionally, oil companies are not investing in new refineries to turn crude into refined products. In fact, it has been almost 30 years since a new refinery was built in the United States. Therefore, one-third of the American refining capacity remained concentrated in the Gulf Coast — exactly where the two hurricanes hit.

Canada has been feeling the effects of this problem in production. There is little we can do about outside influences such as the hurricanes, but we have been taking some significant steps to reduce our fuel consumption and have created programs for a more sustainable environment. I will get to that in a few minutes.

[English]

In terms of how rising food prices affect the transportation industry, it is quite simple both here and around the world. When industry pays more for energy, that cost often gets passed along to you and to me, the users. Right now, those in the transportation industry who cannot pass along increases to users feel the brunt of rising fuel prices.

However, most transportation contracts now come with provisions for rates to adjust automatically to unforeseen fuel price increases. This will go some way in helping industry cope with the current increases.

In rail, for example, contracts between railways and shippers have provisions allowing the carriers to pass cost increases, including fuel costs, to users.

Ferry services may need regulatory approval for increases, which means they are forced to absorb the additional cost for the short term.

In trucking, smaller carriers and owner-operators are most vulnerable, since they are not always able to pass the increases on because of contractual constraints.

In terms of air transportation, what typically happens when fuel prices rise is the majority of airlines will increase passenger fares by introducing a fuel surcharge. Two major Canadian air carriers and some cargo airlines have done just that.

In spite of the additional fuel costs, however, Canada's two largest passenger air carriers reported profits for the second quarter of this year, and third-quarter results are expected to be positive as well. High fuel costs could have a more pronounced effect on fourth-quarter results, but already airlines are looking at ways to conserve fuel and control costs.

As I pointed out at the beginning of my presentation, containing or regulating fuel costs does not follow into the mandate of Transport Canada. However, we are doing many things to help limit fossil fuel consumption.

• (1010)

[Translation]

Transport Canada partners with other federal departments, other levels of government, academia and industry, to research and develop more efficient transportation systems, with responsible energy use and positive environmental goals.

For instance, some research and development work is looking at reducing fuel use, developing alternative fuels, and supporting energy infrastructure in support of "green" transportation choices.

I'd like to point to the efforts being made by the automobile industry to market more fuel-efficient vehicles in Canada. By 2010 new vehicles should be on average 25 per cent more fuel-efficient than they were in 1998. This government will play an important role in promoting improved fuel economy.

First, we'll continue to provide Canadians with information about the fuel efficiency of new vehicles, and to verify it through rigorous testing. We'll also ensure that each vehicle is labelled with fuel consumption information so that consumers can make well-informed decisions.

Second, through the Advanced Technology Vehicles Program, we'll continue to showcase new, high technology vehicles that excel in terms of fuel efficiency and emissions.

By testing these vehicles — there are currently 126 in our fleet — for fuel economy, emissions and safety, we'll assess their merits for the Canadian market. Showcasing these new technologies will help create demand for their entry into the marketplace.

Third, the Government of Canada is examining economic measures that could further stimulate both supply and demand for fuel-efficient vehicles.

For example, at the request of the government, Canada's National Round Table on the Environment and the Economy is now studying the possible introduction of a combined system of fees on inefficient vehicles and rebates for highly efficient vehicles.

By changing the initial purchase cost of a vehicle, such a system could help to change consumers' purchase decisions.

Some extreme measures have been taken. For example, I was wondering how public transit was so successful in Hong Kong, where I was the other day. I asked people there what kind of public transit incentives they had. They told me they levied a 100 percent tax on all cars. That doubles the price of cars. That measure wouldn't be very popular in Canada. Over there, they're implementing an extreme measure, more than an incentive.

We also have the Urban Transportation Showcase Program, which has supported new projects so that Canadian cities can demonstrate all aspects of sustainable transportation. These include proper land use planning, transportation planning, construction and operation of roads and transit systems, along with demand management.

The lessons learned will prove invaluable, not only for the cities sponsoring the showcases, but also for other cities in Canada, and other countries, that seek solutions to their urban transportation problems.

There's also the Moving on Sustainable Transportation program — or MOST. MOST provides funding to help organizations with projects that produce the educational and analytical tools necessary to make sustainable transportation a reality.

Increasing fuel prices place an additional burden on freight transportation service providers. The competitive nature of this business makes it important to find ways to reduce the impact of high fuel prices.

The Freight Efficiency and Technology Initiative, which Transport Canada leads with the cooperation of Natural Resources Canada, addresses this need.

This initiative is intended to reduce the growth of energy and greenhouse gas emissions through demonstration projects, training programs and through participation in emission reduction agreements.

In addition, the Freight Efficiency Program aims to reduce energy use and greenhouse gas emissions by Canada's freight-transportation sector. It does this by encouraging the use of technology and

equipment that reduce emissions cost-effectively in the rail, marine and air freight transportation sectors.

These Transport Canada programs should help shippers, consumers and commuters find ways to reduce their fuel consumption.

● (1015)

[English]

By creating a more sustainable transportation system, we at Transport Canada are not only working with Canadians to ease up on our oil intake, but we are also supporting Canada's international commitment to reduce greenhouse gas emissions. By acting locally we will produce results globally, as well as in small towns and cities right across Canada.

On top of that, Budget 2005 allocated.... I don't have to talk to you about the gas tax; you all know about it. As you know, my colleagues Ralph Goodale and John Godfrey are responsible for that.

This is where we are. This is what Transport Canada is doing. Obviously I'll be happy to answer questions.

The Chair: Thank you, Mr. Minister.

Colleagues, I'll try to budget the time to get everybody in, so around about the four-minute mark I'm going to be giving you the heads-up.

John, you're going to set a good example for us. Thank you.

Mr. John Duncan (Vancouver Island North, CPC): As I always do.

Thank you, Minister.

I thought your opening was very inventive—to suggest that you have nothing to do with the price of fuel. Surely you have an opinion. The Standing Committee on Transport certainly has an opinion.

The aviation sector asked for a moratorium and removal of taxes. We talked to those people from the aviation sector in this committee, and right now the consumer is being very much damaged. The small carriers are in big trouble, because they cannot pass on the costs. The price point is affecting the amount of travel in Canada. You have done nothing to affect the other taxes and burdens that fall on carriers as well. There are a whole bunch of special surcharges.

You might want to comment on that.

I also want to talk to you about your role in our national highway system. We have less than 2% of our fuel taxes going back into our national highway system. Meanwhile, the provinces are spending all of their fuel tax revenues, plus some, in many cases, on their highway infrastructure. This is doing great damage to Canadians. It's increasing fatality rates, accident rates.

I was crossing Canada on the Trans-Canada when 9/11 happened, and I saw what happens when Canadian trucks stay in Canada instead of going across the border. We are losing huge opportunities because of our inadequate highway system. In 2000 there was more money spent on the British Columbia side of the border by the U.S. government than by Canada. Canada spent zero, and the U.S. put some money into the border crossing on the Canadian side.

So those are my questions. Everything the federal government does involves taking money and never reinvesting it in what's good for Canadians.

The Chair: Thank you, John.

Hon. Jean Lapierre: Well, maybe we don't see the same things when we travel the country. You should have attended the last federal-provincial conference of ministers of transport. We had unanimous consent on everything. We even had to finish the conference early because everybody agreed on everything, and that included the national highway system. I had two of my colleagues with me—Minister McLellan and John Godfrey—and the provincial ministers of transportation were pretty happy. They were thanking us for everything we were doing, frankly.

If you're talking specifically about B.C., well, I just tabled in the House Canada's Pacific gateway bill. Stay put, because tomorrow I'm going to be in Vancouver making a major announcement on how we're going to be helping B.C. and the west with the Pacific gateway.

We are taking a lot of initiatives. You talked about air carriers. Last June we decreased the airport rent by \$8 billion over the course of their leases. Every airport in Canada, or almost—except maybe one—applauded. So I think we've been pretty active helping the carriers. As a matter of fact, when you look at how Canadian carriers are doing compared to the U.S. ones, you should be proud of Canadian carriers. Look at the situation in the U.S. I guess the measures you were proposing were like the American ones. I don't think they've had much success up to now. I don't think we have any lessons to take.

We have a very good, viable transportation system. The air sector is going very well. The traffic is up quite a bit. I met with people from the airport community over the last few days, and they were telling me about the demand they are getting; they're pretty happy. So I have difficulty understanding where you see all the gloom and doom.

• (1020)

The Chair: Thank you, John, and Mr. Minister.

We're going to go to Paul, please.

[*Translation*]

Mr. Paul Crête (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, BQ): Thank you, Mr. Chairman. Good morning, minister.

Under Bill C-66, funding is allocated to the most disadvantaged individuals, but I think it's important that substantial amounts also be set aside to provide assistance to people who are part of the economy, including independent truckers. Trucking industry people told us that gasoline represented approximately 30 percent of their

overall costs. It's the second highest cost after labour, which has obvious consequences.

I'll give you a concrete example. Since gas prices went up, and despite the current fall-back, an independent trucker who used to be able to pay himself wages of \$800 a week now has nothing. As a result of his situation, he's no longer competitive.

Here's another example. Back home in Rivière-du-Loup, we have a sod company that exports to Texas. However, its profit has been wiped out by the fuel price increase. As a result of the situation, it will have to close down its operations in that field.

Wouldn't it be appropriate for a portion of the price increase that goes to the oil companies, which enables them to generate major profits, to be redistributed to the people who play the role of economic multipliers? We're not talking about ordinary consumers here. Wouldn't it be appropriate to see that these people are given back a certain amount of consumer power, as has been done in the case of the most disadvantaged individuals? The idea here is to enable the economy to continue turning over and to prevent it from undergoing a major slowdown. In terms of inflation, the current cost increase will become apparent in two, three or four months. You said that would be the case in the fourth quarter in the air transportation industry.

Have you made plans to assist these people, or do you intend to include measures for that purpose with the current Bill C-66?

Hon. Jean Lapierre: The answer is quite simple, Mr. Chairman. When the government considered measures related to the overall energy bill, we looked at the impact of the increase on all sectors and opted for support for individuals.

I noted in listening to you that you were very generous about giving federal money to farmers, taxi drivers and so on. However, if we start creating subsidy programs for a specific sector...

Mr. Paul Crête: It was originally their money.

Hon. Jean Lapierre: Yes, I understand. However, we opted for sectors where we thought the program could improve the situation the most. There were definitely people who made bids at very low prices. We know, for example, that many independent truckers are bleeding to death. This is an area where some people are working for virtually nothing, and I'm aware of that fact.

Will their market eventually improve? Will people see that it's pointless to bleed to death because, ultimately, they're working for nothing? I couldn't say. Whatever the case may be, to date, the Minister of Finance has not considered it appropriate to proceed on a sector-by-sector basis and to create distortions. That's the government's choice thus far.

• (1025)

Mr. Paul Crête: I see that that's the case, but I want you to continue thinking about the issue. The idea obviously isn't to use funding already provided in the budget. As regards international speculation, the industry has organized the refining business so that the slightest increase has a direct impact on the incomes of those operating in the regular economy.

You clearly said that the major trucking companies were protected by contract for six months or a year. Ultimately, the impact will nevertheless be felt. Many people aren't protected in that way. Couldn't this kind of measure be implemented to assist those people? In the present situation, we're talking about an economic slowdown effect. We're not requesting these measures for the sake of these people, but rather for the sake of maintained economic activity.

Hon. Jean Lapierre: I've heard your arguments and taken note of them. However, to date, our position is not to intervene directly in given economic sectors.

Mr. Paul Crête: [*Inaudible - Editor*] optimistic about the future.
[*English*]

The Chair: Merci, Paul. Very good.

Larry, Brian, and Werner.

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

I just want to say at the beginning that I'm in support of adding the Dempster and Klondike highways to the national highway system, as was proposed, because they're in my riding.

Do you have any stats on the reduction of usage in transport because of increased gas prices? Are people using less gas? Does the department have any stats related to this?

Mr. Roger Roy (Director General, Economic Analysis, Department of Transport): If you look at the data right now, there is no evidence of a drop in the use of energy by the transport sector yet. The adjustment takes a while to factor into the economy.

When I was listening to the previous questions, the owner-operators are probably the ones who are most vulnerable. I could decide tomorrow that I can become an owner-operator and I may not know my costs well enough. These people usually are the ones most affected.

If you look at what the trucking associations have done for a number of years, they have tried to capture these kinds of individuals and teach them the fundamentals of costing, so that they can reflect those costs in the prices that they charge for their services. But if you look at the energy consumption in the transport sector, so far there's no evidence that there has been a decline in the use of energy by the transport sector.

Hon. Larry Bagnell: That would indicate there hasn't been much negative alteration in the economy, at least using that indicator.

My second question is totally different and is related to the auto sector, which you talked about. Some people say we have the most leading agreements in the world about cutting emissions, such as the one we made with the auto sector, primarily because it's voluntary. Modern management suggests you get a lot more buy-in and a lot more effectiveness on voluntary agreements, especially in a sector that has lived up to, I think, 14 other voluntary agreements.

Would you agree that as a professional management modern theory, voluntary agreements are more effective?

Hon. Jean Lapierre: We were part of the negotiations with the auto sector, and obviously our first choice was to have a voluntary

agreement. You know, you could always go back into regulation and what have you.

From what I saw there, I thought the auto sector was very responsible. This thing is going to be very viable. It's not like a leap of faith; they'll have to show results. Maybe Robert could comment on the mechanics of that.

We feel good that the agreement we got with them is the best agreement we could get. Not only that, we see it as a win-win agreement, which is better than forced regulation.

Mr. Robert Lyman (Director General, Environmental Affairs, Department of Transport): The agreement includes not only a target for 2010, but also a number of interim targets, so there will be a capacity to measure and assess performance. Of course, this is a key element of management as well.

There is a committee that has been established, including representatives from Natural Resources Canada, Environment Canada, and Transport Canada, to monitor progress and to track it with industry so that at the end of the first year and in each succeeding year we'll be able to report to the government as to whether the interim targets have been met and whether the industry is on track to meet that 2010 target. If not, we'll report that back to ministers and they can make appropriate decisions.

• (1030)

The Chair: Thank you, Larry.

I have Brian, Werner, and Denis.

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

Thank you, Mr. Minister, for appearing before our committee and also for being available for questions on the border. I have some that I'd like to ask. There are plenty related to the oil and gas industry, but I'm going to use my time to focus on the border in particular.

Back in January of 2004, following announcements that were supposedly short-term in 2002, the Prime Minister said, "We are not going to do this unless it really conforms to what the people of the city"—of Windsor—"want.... So now it's a question of getting onto it and determining how the city wants to see us do it." This is in reference to solving the infrastructure border problems and processing problems between Windsor and Detroit, which is the busiest place in North America and the world and most influential on our Canadian economy.

In a question in the House of Commons, I asked you about the Schwartz report, and you told me specifically, back on March 7:

The money is there. We will follow the province. We also support the Schwartz report. We will follow the province fifty-fifty on every expense.

Since that seven months, can you specifically tell me what you've done to support the Schwartz report?

Hon. Jean Lapierre: I think our people have been working closely with the city and the province. We went down with the Deputy Prime Minister and we made some announcements. For example, we hired an engineer—you know all about it—an independent engineer who produced a study. We had a reaction from the city in the paper on the weekend: “No, no, don't do anything about it this year”. I don't know if you've read my open letter on that. If the city says “Don't touch our property”, we won't.

Mr. Brian Masse: What's the next step then? Because the city has been quite clear and also the Province of Ontario about not using EC Row Expressway. Why would you spend the time to then bring that forth as an option? And what's the next step?

Right now we have breaking in the city of Windsor—and maybe I'd like your opinion on that right now.... Are you familiar with who Matty Maroun is? For those who don't know Matty Maroun, he owns the Ambassador Bridge. He's a private American citizen. He owns a customs plaza and he owns a series of different operations over there. *Forbes* magazine has his annual income estimated at \$1 billion a year from revenue related to this business of border crossing. He now wants to move the entire operation on the American side. What is your response to that?

Hon. Jean Lapierre: My first response would be that if we could pass Bill C-44, it would confirm the authority of the Parliament of Canada over international crossings. And I'm sure I will need your help to pass that bill, which will help all of us have more authority over every international crossing.

Then the real answer is going to come through the binational process. We are going to be looking at the results of that, and then we'll be in a position to do whatever we have to do according to the laws of Canada and the laws of the U.S. We just want to respect that process and not take any decisions that could put this process in jeopardy, where we could be sued for the rest of our lives, with nothing happening for years and years to come.

Mr. Brian Masse: Who would sue us? I'd like to know who would sue us. And secondly, I would like to get a commitment from you and find out whether you're in favour of public or private ownership.

The City of Windsor has declared universally that the DRTP project is not something they can support—as well as the twinning of the Ambassador Bridge. Those are two private entities that have basically been hammering city residents and people, marketing for their own profits at the expense of the people.

Will we have a public crossing as the next one from this government, as it's done everywhere else, or are we going to continue down the private road that has created the vulnerability today of our Canadian trade quarter? Will you commit to public ownership of the next crossing? And why is this the only area that does not have a border authority or some type of a commission as part of its operations? It is an anomaly in the system.

Hon. Jean Lapierre: First of all, if you want us to be able to have regulatory authority over even private crossings, please help us pass Bill C-44.

Mr. Brian Masse: Bill C-44 does not have that in there.

The Chair: Brian, Brian.

Hon. Jean Lapierre: I'm sorry, but it does.

• (1035)

Mr. Brian Masse: Not an authority or commission.

Hon. Jean Lapierre: If you look at the broad powers that Bill C-44 would give the Government of Canada, with that authority we could exercise or do whatever we have to do with international crossings. This is the basis for the legal authority of this Parliament.

Mr. Brian Masse: You don't need Bill C-44 for that.

Hon. Jean Lapierre: Well, do you want me to answer your questions or not?

The Chair: Brian. Order, please.

Hon. Jean Lapierre: If you want to put on a show for your local press, I don't have a problem with that, but the reality—

Mr. Brian Masse: It's not being televised.

Hon. Jean Lapierre: The reality is that I want to respect the binational process; I'm not here to prejudge the binational process. I want us to have a new crossing at Windsor by 2013, and I'm not going to put that in jeopardy just for political expediency, like you're doing.

The Chair: Thank you, Mr. Minister.

Thank you, Brian.

I have Werner, Denis, and Paul.

Mr. Werner Schmidt (Kelowna—Lake Country, CPC): After that exchange, I'm not sure—

The Chair: How about gas prices?

Some hon. members: Oh, oh!

Mr. Werner Schmidt: Yes, right.

An hon. member: Gas is less volatile.

Mr. Werner Schmidt: No, it's not.

Anyway, thank you, Mr. Minister, for appearing. I would like to think that the enthusiasm you demonstrated at the beginning of this meeting in making the presentation you did is also reflected at the cabinet table—and I'm sure it is. As I suspect you have certain influence at the cabinet table that is very significant, I'm going to ask you a question that perhaps goes a little bit outside of gas prices directly but very much affects them indirectly.

This has to do with Canada's national energy framework. We have tried to figure out what that framework is, and we're unable to discover any kind of suggestion that there even is a national energy framework. Sometimes we get the distinct impression from the various energy sectors, gas and oil in particular, that there are three problems with it. First of all, there is no framework. Second, the regulatory framework is such that there are contradictions between the various departments, so that progress cannot be made—and the Mackenzie Valley pipeline, specifically, is a very, very good example of that. And the third one has to do with the question of the use of certain kinds of blended fuels that might be useful.

I don't want to put all of those questions into one, but I'd like you to address them first, and then I want to ask you a specific question on blended fuels.

Hon. Jean Lapierre: I'm not the person to answer that question, frankly. It's certainly for my colleague, the Minister of Natural Resources, to answer that. We are users of energy, and I'm concerned about energy efficiency and safety and security in the transportation system. I would love to have a wider range of responsibilities, but I don't. I have some ideas of other things that we could do in that department, but they would not have to do with Canada's energy framework.

I invite you to talk to my colleague, the Minister of Natural Resources.

Mr. Werner Schmidt: There's no doubt that we are going to do exactly that, and we will. The issue I have, though, for you is to clearly identify—whether you like it or not—that you do have a responsibility in dealing with your colleague. I think it's very significant that your influence be exercised toward the creation of a national energy framework. That's the point I'm making. Do you really believe that you have no influence there?

Hon. Jean Lapierre: Well, we always have to be modest about influence, because it changes by the day.

Mr. Werner Schmidt: Good answer. The fact remains, however, that you do have influence.

I want to move into two other areas—

The Chair: You've got two areas. Get them on the record quickly, okay?

Mr. Werner Schmidt: Okay.

I just returned from Brazil. In Brazil, they have a requirement to have 25% ethanol in fuel. I'm wondering, to help you with your transportation costs and the gas price costs, is there any plan to blend ethanol into fuel used for transportation vehicles?

Hon. Jean Lapierre: There is certainly no plan to have that forced percentage of ethanol, but I know we're encouraging the use of ethanol.

Robert, maybe you could tell people what we're doing in our department.

We like the use of alternative energies, but we're not forcing anybody to do anything at this time.

Mr. Robert Lyman: Yes, Minister.

The programs to promote the production of ethanol reside within Natural Resources Canada, rather than Transport Canada, but Transport Canada has responsibility, as the minister mentioned earlier, for the advanced technology vehicles program, under which we assess the use not only of new vehicles, but of new fuels, in the marketplace. We use the vehicles that we have demonstrated and have tested, to take them to different areas in Canada and showcase them for the public so they can see the benefits of the use of new technologies and the use of new fuels. In fact, our program has reached seven million Canadians already.

That is the extent of our direct involvement in ethanol.

● (1040)

The Chair: You have about 30 seconds.

Mr. Werner Schmidt: Okay, that's good enough.

The Chair: Maybe you want to pass. Just get it on the record and maybe we can get an answer later.

Mr. Werner Schmidt: Okay, the question is, what are you doing, Mr. Minister, to mitigate the trade barriers or travel barriers on highway requirements from province to province across Canada?

The Chair: Thank you, Werner.

Very quickly, Minister, if you can.

Hon. Jean Lapierre: This is an area where we're working with provincial governments. I know that deputy ministers are also meeting regularly on this.

Is there anything specific? Because I know that on every issue we have seen differences.... The good thing about transportation—that's what I really like about this department—is that it's not philosophical. It's really about deal-making and making things work. Frankly, on transportation, the provincial governments really want it to work. I don't feel it's a protectionist attitude or what have you. They know every time, whether it's about working hours for truck drivers or any other issue. There's also the pressure from their own people to make it work.

If you have any special thing you'd want us to push and that you see as an impediment, I'd be happy to take it. This is the most practical department, and, frankly, the most practical bunch of provincial ministers. I get on the phone with one or another of them almost daily, and they make things happen.

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

Denis, Paul, then Jerry.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Mr. Minister, I didn't go to Brazil, but while coming back from Joliette, seeing that companies were in dire straits, I thought it was important to see what could be done on the subject.

I know your role doesn't enable you to set prices. I was pleased to hear you talk about prevention and safety. I'd like you to discuss those issues in a little greater depth. I believe that, in the context of your safety measures, which concern, among other things, what is in cars, you can play a prominent role in prevention and consumption.

Hon. Jean Lapierre: The number of accidents and the mortality rate clearly suggest that Canada has a good prevention system. It must be said that the work is being done in cooperation with the provinces.

As regards the materials used and tests conducted, we're trying to implement intelligent regulations so as not to put too great a burden on manufacturers. Clearly, in the area of prevention, more specifically as regards energy savings, there are codes of conduct, particularly for truckers. I know there are incentives in this area. We're working with the Private Motor Truck Council of Canada, among others.

[*English*]

Maybe, Robert, you could give more details, especially for truckers, on the measures we're helping them with.

Mr. Robert Lyman: The measures that we have in the trucking industry and broadly in the freight industry are related primarily to reducing greenhouse gas emissions. That, of course, often involves, first and foremost, reducing fuel use.

The program basically encourages trucking companies and those who are sponsors of new technologies in trucking to apply for contributions. This will demonstrate new technologies in the marketplace. We have an independent committee that assesses these proposals, and those that are considered to be most meritorious are provided contributions of up to 50% of the cost.

[Translation]

Hon. Denis Coderre: One thing is clear: as a government, we've decided not to allocate funding to certain sectors of the economy. We've decided to give it directly to the individuals who need it. So that means that you're going to encourage certain measures.

It's good to talk about what's going to happen between now and 2010, but what are you telling those people today? For example, will they be able to adjust to the new consumption situation? That means that you're going to permit gasoline replacement in the medium term. Is that in fact what you're telling us this morning?

• (1045)

Hon. Jean Lapierre: There's that, but other measures can be taken, such as intelligent transport measures, for example. Let's take the example of truckers who travel to the United States. We could install signs telling them not to go to a particular border crossing, not to go to Windsor, for example, because there are waiting lines and that would take a lot of time. We're increasingly realizing that the use of technology can save a lot of time and money, particularly for truckers.

That could be done across the country, but particularly in the border areas, since that's where people lose time waiting. First, we're trying to improve the system at border crossings to ensure truckers know where to go. I'm not alone in this. Ms. McLellan, for example, has increased the number of customs officers because waiting times were absolutely unacceptable and that was also reducing Canada's competitiveness.

So traffic is moving — particularly at border crossings — so-called “smart” technologies that enable people to choose a route or border crossing, particularly in southern Ontario. These measures aren't producing readily quantifiable results, but they're helping to make traffic flow and save money.

We're going to have to invest more money and do a lot of demonstration projects. We're not just doing it for truckers; we're also doing it for international trade.

[English]

The Chair: Thank you, Denis.

Hon. Denis Coderre: Just short? Thank you.

[Translation]

So we'll have to implement the recommendations of the report on smart regulation to ensure that every department takes part in this planning process. It's like management of the subcontracting system. We've often worked in isolation; however, to achieve this flow, you all have to talk to each other. Is that correct?

Hon. Jean Lapierre: Especially in the case of border crossings. For example, there are major challenges at Lacolle, and we'll all have to address them together. We've just signed an agreement with the Government of Quebec for Beauce, among others. Roads lead there, but once people are there, they're stuck at the border. In some instances, infrastructure is inadequate, but personnel is lacking. There are all sorts of examples of this kind.

We're increasingly working together because we realized that, if we didn't, it would be to the detriment of the Canadian economy.

Earlier we were talking about Windsor. We've made substantial progress there. People told us about the traffic in Windsor and about the lines of trucks. Substantial progress has been made, but we know that a lot more has to be done, while complying with the legislation, of course.

[English]

The Chair: We're just going to have time to squeeze in Paul, Jerry, and Michael.

[Translation]

Mr. Paul Crête: Mr. Minister, I'd just like to talk about Lacolle. The problem is a major one. The executive director of the Plattsburgh-North Country Chamber of Commerce told this committee that the Americans had done work totalling nearly \$100 million, but not us. That's for the Quebec City-New York corridor.

As the minister responsible for Quebec, can you tell us whether we're going to expedite matters? For the moment, we look like poor cousins. I understand perfectly well that something had to be done for Beauce. However, Lacolle is the border crossing where most people go. That has a major economic impact. What can you tell us about that?

Hon. Jean Lapierre: First, with regard to roads, we agree on that. And work is under way that has to be completed so that, for Lacolle, our problem is less serious in terms of infrastructure spending. Together with the province, we're completing the connecting roads as part of one of our border infrastructure programs. So there's no problem as regards roads.

Now, the problem lies in the area of processing capacity. In response to pressure by the Fédération des chambres de commerce du Québec — which, incidentally, is doing a remarkable job in this file — regarding the substantial increase in volume at the border crossing, which is not a longstanding situation — I believe the last work was done in 1997 — I discussed that with Anne McLellan. That has to be our current priority in Quebec.

We were starting to review needs planning, but we said we would do that much later. I asked the minister to see whether we could speed up the needs assessment in order to do the work as soon as possible. We can't have shorter waiting lines without doing the necessary development work.

• (1050)

Mr. Paul Crête: There have still been no construction announcements?

Hon. Jean Lapierre: No.

Mr. Paul Crête: All right.

On another subject now, I'd like to address the mandatory passport issue.

Are you, as Minister of Transport, or the Government of Canada taking part in the current consultation with the Americans on this obligation, or are you going to do so? Can we make sure that there is a formal opinion by the Government of Canada that mandatory passports would be a fundamental mistake for both economies?

Hon. Jean Lapierre: It would be a fundamental mistake, and Anne McLellan, who is responsible for borders, in particular, is making submissions at the highest level. However, all members of the government who have been in contact with the Americans, as I have with Secretary of State Minetta, have taken a position. We're not the only ones who would be hurt; they would as well. Sometimes you have to show the Canadian perspective in measures that are taken.

I can give you another example...

Mr. Paul Crête: Couldn't there be a formal notice by the Canadian government in the context of the consultations — or during Ms. Condoleezza Rice's visit, for example — publicly asking the Americans at least to delay the decision, and possibly to find another solution? This directly affects the trucking industry, among others.

Hon. Jean Lapierre: Canada's position on this issue is very firm, and we've expressed it on numerous occasions. Every time we've had bilateral discussions, we've raised it...

Ms. Isabelle Trépanier (A/Director, Highway and Border Policy, Department of Transport): The consultation period for the American process ends on October 31. This week, there was a consultation in Ottawa with the provinces and stakeholders, such as the chambers of commerce, the Tourism Industry Association of Canada and others, to gather their opinions before preparing the Canadian position that is to be submitted for October 31.

Mr. Paul Crête: Will it be submitted before October 31?

Ms. Isabelle Trépanier: Yes.

Mr. Paul Crête: Thank you very much.

[English]

The Chair: I appreciate the members' cooperation.

Jerry, then Michael, and then we'll wind up.

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

Mr. Minister, thank you very much for coming.

I want to go back to the Windsor question, because there are several things we talked about in regard to investment in Canada compared to the United States.

One of the things I'm aware of is that Minister McLellan, you, and all other ministers involved in the border made a very hard push with U.S. customs people because the backups were in Canada. They were not caused by Canadian people, but caused by the Americans not putting enough people at the border to do our trucking, so we had huge backups through Windsor. So it was the Canadian officials who got involved in that and moved the issue forward.

We have been working as close as we can to make sure the Americans live up to that commitment. They put the resources at the Mexican border, not at the Canadian border, and they thought they were doing fine. I think most people should realize that.

As well, we have two engineering studies in Windsor, and those two engineering studies tell us where traffic should flow, but we've made a much bigger commitment. The binational is an important issue for the Province of Ontario, the federal government, the State of Michigan, and the federal government in the United States.

I don't like the timeline. I think it's way too long. I'd like your comment on that. But in fact we can't usurp the binational commission or we'll end up in court. We won't get anything done. I am just trying to be as fast as I can, but I want your comments, because I think some things are misconstrued about what was just said a few moments ago.

Why is the binational so important? Can you do anything about the timelines? And what else can ease that tension that's going on right now when we don't have solid answers as to what to do?

Hon. Jean Lapierre: Jerry, first of all, I want to say how much you have been instrumental in everything we've done in Windsor. Obviously we are trying to do everything we can to relieve the pressure on the residents of Windsor. That's why my own deputy minister was in Windsor last week and spent almost a day with the mayor trying to find a rail solution, trying to look at the short-term projects we could do that everybody would agree with.

But for the new crossing, we have to follow the rules of binational process. I'm impatient, and the Prime Minister is even more impatient than we are. But in the end, if we try to prejudge and make moves that show we have a preference, there are groups.... Especially we all know that in the States they're faster to go to lawyers than we are here, so it would create delays of incredible proportions. So we don't want to risk that. We know that 2013 is pretty far away, but when you're talking about a major international crossing, there are a lot of things that have to be done, so it's pretty close.

Maybe Isabelle would like to add something. We're committed, but we want to make sure we do it right.

● (1055)

Ms. Isabelle Trépanier: Just on the timeline, 2013 is very ambitious if you look at different international crossings that have been put in place in numerous other places in Canada. For example, there is a new crossing being built between New Brunswick and Maine, at St. Stephen in New Brunswick. That process has been ongoing since the early or mid-nineties, and that new bridge will not be available until 2008.

So the time period for a major crossing such as Windsor-Detroit is actually quite fast, but achievable.

Hon. Jerry Pickard: Why did we take on five projects? Let's get Windsor moving up front and try to deal with those five projects, rather than dealing with the whole aspect of what's happening in Windsor. I think there's a critical problem in Windsor. Why did we pick those five?

The Chair: Thank you, Jerry.

Ms. Isabelle Trépanier: I guess the five projects were originally—

Hon. Jerry Pickard: The overpass, the—

Ms. Isabelle Trépanier: Yes. Those five projects were originally picked because they could be implemented rather quickly compared to the other projects that were announced last April. Their environmental assessment requirements, for example, had already been done, or could have been done in a much shorter period of time.

Hon. Jean Lapierre: None of those projects show any preference for a potential crossing. Those things didn't prejudice the binational process, and this is fundamental. I know some people would want us to do this or that, but then they would circumvent the binational process by doing so. That's what we're trying to tell everybody: don't risk the whole project and the whole crossing by making decisions or investments that will show your preference.

We have to be totally clean about this process. We're going to make sure that Canada and the U.S. do it according to the law, in a way that we're going to be able to deliver. We think capacity right now will be okay until 2013, but we will need the crossing by then. So we cannot jeopardize that by being politically motivated and trying to be smartasses, frankly.

The Chair: Thank you, Minister.

The last question is to Michael. We have the foreign affairs committee outside waiting to get in, so thank you, Michael, for your cooperation.

Mr. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair, and thank you, Mr. Minister, for appearing.

I just want to reiterate my colleague John Duncan's point that the government is collecting billions of dollars in gas taxes, yet we have a completely inadequate national highway system. It's a joke. I've driven it. We're the only major western country that doesn't have a proper national highway system. Then you wonder why the ties that bind us from east to west are weakening. I would strongly urge your department to take a more serious look at that.

But I want to focus on another area of your responsibility, and that's the impact higher fuel prices are having on the airline sector. Ticket prices have risen as a result of rising fuel prices, but instead of trying to mitigate these rising fuel prices you've put an additional burden on the country's largest airport. Your department, the Government of Canada, is overcharging rent at Pearson International Airport, the GTAA.

Toronto International Airport handles about 30 million passengers a year, about one-third of the country's total passenger volume, yet the new formula that your department has created is going to charge this airport about 50%—one in two dollars—of all airport rents in Canada. This new formula is putting the country's largest airport and all the economic activity associated with that airport at a competitive disadvantage vis-à-vis other airports in this country.

I am asking if you and your department are willing to reconsider the formula you've created to determine rent at Pearson airport, which last year was \$130 million. It's putting at risk the economic activity of the airline industry at this airport and all the associated economy around that airport.

• (1100)

Hon. Jean Lapierre: There's a little problem there, because the lease that was signed by the GTAA would have made \$5 billion more in the next fifty years. Nobody was forced into signing that lease. I guess those business people around the table who signed the lease with Transport Canada a few years ago knew what they were doing.

We have now decreased the rent for the airports in Canada. In Toronto, we're talking about—

Mr. Michael Chong: I just want to point out that this was done under a different management team. There is a new management team at the GTAA, and things have changed significantly. In fact, the formula is based on revenue. The problem is that the GTAA has made significant investments in the airport, to the tune of over \$4 billion. Therefore, they have significant debt service payments to make, and they must therefore increase revenues. For an airport that has made significant capital investments because of an under-investment by Transport Canada over the last number of years, it's not fair that you're going to penalize them now by basing your rent on a percentage of revenue. It's completely unfair.

The Chair: Let the minister comment, and then we'll adjourn.

Hon. Jean Lapierre: Toronto is getting a \$5-billion rebate on its lease. Out of \$8 billion that we got from the fisc, \$5 billion is a bonus and a gift to Toronto—\$5 billion out of \$8 billion. Now, if Toronto has made other investments decisions, it will have to carry them.

I have given everything I had to this battle. I've left blood on the floor, and I got this \$8 billion. Every other airport in Canada is very happy. They're all thanking me and sending letters. And the same formula applies to Toronto, like it does in the rest of the country.

The Chair: Mr. Minister, it's my pleasure to thank you for being here today. We have the chairman of the foreign affairs committee patiently waiting at the back.

We're being chased out of the room, Michael. Let's—

Mr. Michael Chong: It's a simple vote. I think we have time for it.

Let's call the vote. It's on the agenda. The motion is right there. I tabled it, it's properly prepared, and we just have to vote on it.

The Chair: We have to have a quorum at the table to do that, but we don't have a quorum at the table right now, Michael. We'll take care of it first thing Tuesday morning.

With that, we're adjourned.

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