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Chair

Mr. Laurie Hawn

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● (1530)

[*English*]

The Chair (Mr. Laurie Hawn (Edmonton Centre, CPC)): Let's call this meeting to order. Welcome to meeting number five of the Legislative Committee on Bill C-30.

[*Translation*]

Welcome to all of the witnesses.

[*English*]

It's going to be a full two hours, so we need to move fairly briskly. As was the case this morning, the chair will be fairly strict on the question times.

We would ask the media to take their leave, please.

We'll call on each of the witnesses to give us a statement of ten minutes or a little less if possible. That way we can get through 50 minutes of statements and about an hour and ten minutes of questions, and we'll all leave here a little smarter and better informed than we were when we came in.

Welcome, all.

Was there an announcement that you wanted to make first, Mr. Warawa?

Mr. Mark Warawa (Langley, CPC): Thank you, Mr. Chairman.

The members of the committee asked for specifics as to when the minister would be able to come. As I've said before, he is looking forward to coming here. He will be here on Thursday. He has changed his schedule so he'll be able to be here for the full two hours, and he looks forward to meeting with the committee members.

I don't believe we have a schedule for Thursday yet, so perhaps we could just have the minister taking up the full two hours.

Thank you.

The Chair: Thank you, Mr. Warawa.

Mr. Nantais, from the Canadian Vehicle Manufacturers' Association, are we ready to go?

Mr. Mark Nantais (President, Canadian Vehicle Manufacturers' Association): We are ready to go, Mr. Chair. Thank you very much.

Good afternoon to the members of the committee.

Let me say that we thank you for this opportunity to address members of this committee, specifically as it relates toBill C-30 and the changes that would be implied under the Motor Vehicle Fuel Consumption Standards Act, which is contained therein.

The direction this legislation could take could have very serious implications for our member companies, their plants, and the products that they produce right here and sell in Canada.

Given the one percent emissions contribution of new vehicles to the total inventory of GHG emissions from all sectors in Canada, we believe an overly narrow focus on regulating fuel economy alone will fail to yield the emission reductions one might anticipate.

A recommendation to you is that if the government regulates fuel economy for the 2011 model year, as was referenced a couple of hours ago by the Prime Minister, those regulations need to also be underpinned by a series of integrated and mutually supportive policy initiatives in order to achieve the significant reductions that one is expecting. The integrated approach is what the automotive industry wants to talk to you about this afternoon.

With respect to Bill C-30, the automotive sector is committed to providing consumers with vehicle technologies that deliver fuel economy improvements and can achieve sustainable reductions in smog and in greenhouse gas emissions. But to achieve the meaningful emission reductions, the sector supports a series of integrated and comprehensive actions that have been proposed in Canada to accelerate greenhouse gas reductions—and I want to emphasize “to accelerate greenhouse gas emission reductions”.

Greenhouse gas emissions related to climate change, primarily carbon dioxide, which is the primary emission when one burns gasoline from automobiles, cannot be filtered or converted by technology alone. It must rather be addressed by reducing our dependency on non-renewable carbon-based fuels like gasoline and by shifting to clean renewable alternate fuels and/or advanced propulsion technologies.

In addition to new vehicle technologies, Canada really requires an integrated strategy for cleaner fuels and fuel diversification through renewable fuels, related tax and infrastructure supports and strategies, coordinated government and commercial vehicle fleet strategies, consumer incentives to support technologies that reduce greenhouse gases, support for the commercialization of new advanced technologies, as well as incentives to help retire Canada's oldest higher-polluting vehicles.

As was the case in the reduction of smog-related emissions, fuels play an extremely critical role. Canada's strategy needs to include fuel quality standards and incentives to diversify Canada's reliance on gasoline and other non-renewable fuels.

For instance, Canada should move beyond current policies to accelerate E10 availability and to support E85 biodiesel and other fuels that can cut individual vehicle greenhouse gas production by more than 50%. Incentives and support for an alternate fuel infrastructure to provide consumers with access to biofuels such as E85, biodiesel, and ultimately, in the longer term, hydrogen are also required.

For example, while flex-fuel E85 vehicles are now widely available, and we have roughly 326,000 of those vehicles now on our roads, at minimal or no cost to Canadians, the fuels that offer the most significant reductions—and I'm talking steep reductions here—are not available.

Government and commercial fleet fueling strategies can significantly accelerate the adoption of lower emission vehicles in fuels. Federal, provincial, and municipal governments should lead by example, which we haven't yet seen, with their fleet purchases. It could be purchases of hybrid vehicles, alternate fuel vehicles, and a whole slate of other fuel-saving greenhouse-reducing types of vehicles. Fuel infrastructure and vehicle incentives should similarly be provided for private fleets as well. Attaining critical levels of these vehicles and volumes will really go a long way toward actually pulling forward some of these technologies sooner than one might be scheduled to do.

Individual consumers should be offered greater incentives to purchase higher-cost low-emission fuel-saving vehicle technologies. Canada should coordinate such incentives across the country and adopt further incentives that are used in countries like Sweden to encourage the purchase of lower-emission alternate fuel vehicles, while ensuring incentive programs promote the widest array of clean technologies.

We've seen these countries use not only regulation, in some circumstances, but integrate a series of supportive policy initiatives, all of which have produced, in the case of Brazil, for example, ethanol fuels for the entire fleet. They accomplished this some time ago.

● (1535)

We are now seeing that in the United States, for instance, they're not only making regulations but supplementing them with renewable fuel strategies. These may include ethanol from grain, but ultimately they will focus on cellulosic production of ethanol, which really has, on a life-cycle basis, one of the lowest greenhouse gas levels of emissions.

Driver behaviour, ranging from vehicle maintenance, tire pressure monitoring, anti-idling, vehicle speed, trip planning, can all produce significantly reduced fuel consumption. Governments should consider the educational challenges in conjunction with the focus on the provision of improved infrastructure to reduce traffic congestion and offer more attractive public transportation.

As you all may know, the auto industry and ourselves—CVMA member companies, and members of the AIAMC, who are also here today—signed a voluntary agreement to reduce greenhouse gas emissions from vehicles to the tune of 5.3 million tonnes by 2010. We're the only major sector to do so. We're on track to meet those targets, just as we have met 14 other non-regulated voluntary initiatives with the federal government.

The Prime Minister also said today that the days of voluntary initiatives are over, which sort of implies that they were not successful. I would suggest that's quite to the contrary. A lot of the voluntary agreements that our industry has signed have been very successful, and have achieved the mutual policy objectives of the government as well as the industry.

Other changes are taking place in North America, with the United States introducing what we call reformed CAFE standards. President Bush some two weeks ago made reference to this. If adopted in Canada, these new standards would lock in even more stringent and challenging standards as applied to vehicles sold in Canada.

Bill C-30 proposes new fuel consumption regulations beginning in 2011. The industry will support a harmonized North American approach to fuel economy standards that recognizes the highly integrated nature of the auto industry between Canada and the United States. Again we're talking about alignment with the U.S. reformed CAFE standards. But by adopting those standards, plus an integrated strategy, as I outlined a moment ago, we believe Canada can meet its emission goals post-2010, while ensuring a vibrant auto manufacturing sector and market for Canadian consumers.

Our industry accounts for roughly 140,000 direct jobs, and some 500,000 both direct and indirect jobs. It is very important that we look at something that is feasible and economically appropriate, given the contribution our industry makes to the economy.

Let me talk a little bit about success factors.

Supply-side regulatory approaches focused only on vehicle fuel economy will fail without related comprehensive and focused strategies for fuels, fleets, and consumers. After all, greenhouse gases from vehicles are a function of not just vehicle technology but fleet turnover, quality, type of fuel, driver patterns, and the distances we all travel. Harmonized national standards are essential and have worked for reducing smog emissions from vehicles.

There's also the possibility of cross-border sales, or leakage, as we call it, which could result in consequences to Canada if we do not assume a harmonized regulatory approach. As I mentioned a moment ago, the U.S. reformed CAFE is occurring now and will deliver a significantly more stringent standard, while balancing safety and related issues in a manner that is technically feasible.

Careful, sustained, and technologically feasible solutions are essential to avoid unintended economic consequences for our manufacturing sector, already in constant transition within a global environment. We are already fighting every day for jobs in Canada, to get new mandates, to get new investment for Canada. It's something our industry is constantly doing.

On solutions, the reforms under way to enhance the national U.S. CAFE standards provide significant challenges to our auto industry as they continue to balance technical feasibility, affordability, safety, and jobs. By ensuring ongoing harmonization through a dominant North American standard—that is, reformed CAFE—Canada will lock in an even more stringent standard because of the significantly different vehicle purchase profile in Canada, which leans very strongly toward smaller and more fuel-efficient vehicles. In other words, 30% of our fleet, the vehicles that we buy in Canada, are in the compact and sub-compact category.

● (1540)

Canada is also a key location for research and development in engineering and manufacturing of green vehicle technologies, ranging from Quebec's leadership in lightweight vehicle materials to Canadian development and manufacturing of fuel cells, vehicle batteries, and cellulosic ethanol. We're doing those in Canada now, as we speak.

Canada should examine strategies to strengthen and accelerate Canada's role in research and the commercialization of green vehicle technologies. You may have heard today there was the industry committee, an all-party committee, which on a consensus report put forward a number of recommendations, all of which are focused at making our industry more innovative and more competitive. When I say “industry”, I'm not just talking about the auto industry, but all sectors.

While smog-related emissions from new vehicles have been reduced by 99%—and I repeat that, by 99%—there remain over one million 20-year-old or older vehicles on Canadian roads with older technology, which typically produce roughly 37 times more smog-related emissions than today's new ultra-clean vehicles. Canada should offer incentives, we believe, to the drivers of older vehicles to retire their vehicles and consider cleaner alternatives, ranging from the new ultra-clean vehicles to the public transportation alternatives.

Mr. Chairman, I hope I've been able to convey to you this afternoon and urge members of this committee to consider what can effectively deliver real emission reductions. My outline of an integrated and comprehensive approach includes new vehicle technologies, yes, because that's our responsibility, but it also requires an integrated strategy for both fuels and fuel diversification, related tax and infrastructure fuels, supports and strategies, coordination of government and commercial fleet purchasing strategies—you can imagine the buying power one could achieve if governments, whether federal, provincial, or municipal, actually coordinated their purchasing strategies.

It's really interesting, as well, that even between departments within the federal government there does not seem to be any coordinated purchasing strategy for more environmentally friendly vehicles, for instance.

We believe that consumer incentives to support technologies that reduce greenhouse gas emissions have a real role, as does the support for commercialization of new advanced technologies and incentives to help retire, as I mentioned, these oldest highest-polluting vehicles.

From our perspective, we would much rather accelerate progress with a practical integrated plan to reduce greenhouse gas emissions through technology, fuels, and fleets, which all work together in unison, as I've discussed today, rather than to put Ontario's auto industry at risk with an arbitrary west coast fuel economy number that doesn't appear to have any valid technical or economic basis other than a desire to be different and decouple Canada from the integrated sectoral approach we have benefited from so greatly since we actually signed the Auto Pact back in 1965.

Mr. Chairman, in the interest of time I'll stop there and certainly be pleased to answer any questions the committee members may have.

Thank you.

● (1545)

The Chair: Thank you, Mr. Nantais.

We'll group the questions at the end. Thank you very much for that.

Mr. Kenneth Ogilvie, executive director of Pollution Probe. Sir, the floor is yours.

Mr. Kenneth Ogilvie (Executive Director, Pollution Probe): Thank you.

I did bring about 25 or 30 copies of my brief submission. I'll just highlight some key points rather than taking a lot of time.

I did want to make the point that this file on vehicle fuel efficiency is one Pollution Probe has worked on for at least a decade, but intensively in the last two to three years in particular.

I have three key points to make, and I'll make them up front and then give some information behind them. The first is that Canada should be joining leading nations in the design and implementation of a mandatory vehicle fuel efficiency standard. And I do mean mandatory, not a voluntary one. We can talk about that.

We need a design process to do this right. It should not be a lengthy design process. We believe we could do it within 12 to 18 months and gazette a standard by 2008 in order to apply it to the expiry of the auto sector MOU that currently exists, which would mean the 2011 model year.

Finally, we agree with what I've just heard from Mark on the need for the Canadian public to be massively engaged and educated on this topic, both leading through the design of a standard and into its implementation. The consumer plays a very strong role in making this market move.

I don't need to remind committee members here, of course, about the seriousness of the problem, given the recent release of the Intergovernmental Panel on Climate Change report and the economic issues outlined by the Stern report, so I'm not going to touch on any of that. I'm going to deal instead with improving motor vehicle fuel efficiency, which we at Pollution Probe think is an opportunity.

We don't think there is any doubt that the technology exists to significantly improve upon fuel efficiency levels while maintaining essential vehicle attributes that people value. This technology is constantly improving, and we think it will present even greater opportunities in the future.

The first point is that there are no technical barriers to improving motor vehicle fuel efficiency. We have sent to every member of Parliament a copy of our 2005 report on vehicle fuel efficiency standards for Canada. We don't think there really are technical barriers to accomplishing this job.

We also think the public is ready for fuel efficiency standards. We can certainly cite various polls, like the Strategic Counsel survey for *The Globe and Mail*, the Decima Research poll, the Léger Marketing poll, and so on. Canadians believe government regulations are needed to increase vehicle fuel efficiency levels, and in at least one poll they're putting this measure at the top of their list of measures to deal with climate change.

Past experience with vehicle fuel efficiency standards in the U.S. can be drawn upon, as can some efforts internationally. Again, members may be aware that the oil price shocks of the early 1970s led to the U.S. corporate average fuel economy standards, which really went to a doubling of passenger fuel economy levels between 1975 and 1985. A 2002 report by the National Academy of Sciences in the U.S. estimated that 2.8 million barrels of gasoline per day have been saved due to the CAFE standards, relative to what might have occurred in their absence. That translates into roughly 100 megatons of carbon dioxide. The academy also calculated the cumulative benefits of the CAFE to be in the range of U.S. $40 billion to $80 billion, and also found no evidence that the standards had a significant impact on employment levels in the industry.

Of course, in the United States and, paralleling that, in Canada, fuel economy levels failed to increase significantly across the passenger car fleets after the CAFE standards effectively topped out in 1985. The Environmental Protection Agency in the U.S. projects that the 2006 model year fleet of cars and trucks combined will be the heaviest, fastest, and most powerful on record, but no improvement in fuel economy levels is expected over the 2005 model year, despite rising gasoline prices. The 2006 fleet is projected to be 4% less fuel efficient than the fleet of twenty years earlier. Canada, of course, does not have a regulated standard but does track somewhat the U.S. trends.

Outside of North America, other nations are taking significant steps to improve fuel efficiency levels and reduce greenhouse gas emissions. In Europe, there's a voluntary commitment by automakers to reduce greenhouse gas emissions by approximately 25% by 2008. While some automakers are on track, many are not, and the industry as a whole is expected to fall short of the voluntary commitment, so the European Commission is seriously considering a mandatory target for 2012.

● (1550)

In Japan, automakers are ahead of schedule in meeting a 2010 commitment to reduce fuel consumption by approximately 23%. A second round of reduction targets is being finalized now, and it is expected to require reduction in fuel consumption levels of an additional 23.5% by 2015.

So this gives us a sense of scale of what's going on out there.

China is implementing a range of measures. Australia has made some progress toward fuel consumption reduction. In California, of course, we know the standards have been set to reduce new vehicle fleet emissions by approximately 30% by 2016, with ten states preparing to follow California if those standards come into effect.

The actual costs of meeting regulations have been studied in the past, environmental regulations in general and auto sector in particular. I quote a U.S. Natural Resources Defense Council report that found that “the auto industry and its allies have overestimated the actual costs” of meeting standards “by a factor of about 2 to 10 times the actual costs”, while regulators have historically over-estimated costs by as much as two times.

As I said in the beginning, Pollution Probe recommends that a world-class fuel efficiency standard should be designed for Canada over the next 12 to 18 months. “World-class” means benchmarking against the leaders out there. California's is not the most aggressive standard in the world, but it is one benchmark that's worth careful consideration, and there are others.

We believe the standard should be gazetted by 2008, to have legal effect for the 2011 model year. In agreement with some of the words that Mark put forth, we think a parallel suite of complementary measures should be developed to help Canada achieve the standard and provide for further reductions in levels. And by “complementary measures”, we mean such things as fuel efficiency labelling; consumer information and awareness programs; retirement programs to accelerate the replacement of older, more-polluting vehicles; incentives and measures to pull cleaner technologies into the market; and support for research and development on new cleaner automotive technologies.

In other words, the standard doesn't just stand by itself. It as to be attuned to the Canadian market and to Canadian circumstance and opportunities, but it should be forward looking, not defensive. It shouldn't be just trying to parallel what the U.S. federal government has recently announced. We should look at our own interests, look at our opportunities and get the most economic and social benefits out of the standard, but definitely work toward a very clear leadership position on a standard.

Right now, Canada has an obligation to do this, to share its expertise, and to put into effect a really good standard. Leadership by governments is something the public is demanding now, we believe, and we think the public is going to be in a position where they want to see hard numbers and hard targets, not general discussions on where we should be going. We urge all parties to come to some agreement as part of this process on the need for a standard and on some targets and timelines.

Thank you.

The Chair: Thank you, sir.

We'll now turn to Buzz Hargrove, president of the Canadian Auto Workers Union.

Mr. Buzz Hargrove (President, Canadian Auto Workers Union): Thank you very much, Mr. Chairman and members of the committee, for the opportunity to be here today to present the position of our union.

I'm here on behalf of about 150,000 people who work directly in the industry, as well as tens of thousands of others who work in related industries and rely on a successful production system in Canada's most important industry for their jobs.

First let me say, considering the Clean Air Act, Bill C-30, I believe the committee's responsibility, and the government's, as my colleagues have said, is to strengthen our country's commitment to environmental sustainability. Our union supported the Kyoto accord when it was brought out. We still support the principle of international obligations, and we believe it is the only road to take if you're going to deal with global warming or reduce greenhouse gases. It's a lot longer and tougher than we had anticipated, but we still believe that it is the only road to take collectively, as a world of nations.

I just read about three weeks ago in *Time* magazine that in Japan, including the city of Kyoto, in which the accord was adopted, carbon has increased by 8%, in spite of some of the major efforts they've made. They still have a problem, and it is a much larger problem than we have.

I do want to say to the committee members that this is a human problem in terms of what the impact of the environment is on the people of Canada and our neighbours. It's also a human problem in terms of how it impacts on the people who work in the industry.

The major manufacturers who invest in this industry are General Motors, Ford, and Chrysler. They provide 80% of Canada's investment in the auto industry, year after year. They provide 80% of the jobs. They buy almost 85% of the automotive parts that are made by traditional manufacturers, mainly in the provinces of Ontario and Quebec, and by some minor operations in other provinces. They're all struggling. Each of them will lose big time in their North American operations in 2006 and 2007. At the end of 2006, Ford announced a $12.7 billion loss on top of losses from the year before, and they're saying they can't turn the corner until 2009. Whatever we do, it can't be so onerous that it takes already crippled companies that are providing jobs for people and undermines their ability to survive.

I want to reinforce what my colleague from the CVMA said, which is that our industry is responsible for about 12% of greenhouse gases but that if we look at the vehicles produced in the last two or three years, you're talking about 1%. If we could get rid of all the vehicles that were built more than five years ago, the auto industry would have no need to even be talking to us about our commitment and what we've done. We are still willing to work with the government and work with others to try to improve our record.

In our view, the government should put in place standards that will drive environmental improvements in the vehicle industry. The standards need to be achievable, effective, and constructed in a manner that compels improvements at the same time they strengthen Canada's automotive industry. Other countries around the world are adopting tougher standards, but there's a lesson in it for us. In doing so, they are adapting standards that strengthen their industry. Each country is different. There's no uniformity in the European nations, in Asia, or in the United States as to where they go. We have some examples, but I won't go through them. If somebody wants to raise the question in our presentation, Mr. Chairman, I will be glad to deal with them.

I do want to raise a couple of points that have created a problem for us. Our major competition right now, which is killing us, is Japan, South Korea, and the European Community. They're areas of the world that want to build and ship into North America—the most open market in the world—but they won't accept any vehicles being sold back into their market. Where they do, they offset those by exporting themselves. Less than 5% of vehicles sold in Japan are built outside of Japan, and you can't get in no matter what you do unless you're wealthy and willing to pay a huge price to get over the barriers that are there and to buy a very expensive car. In Korea it's less than 3%. In the European Community it's about 12%.

In 2006 the European Community imported about 2.7 million vehicles as that 12%, but it exported 3.3 million vehicles, so it's a net exporter.

● (1555)

For the last 25 years, our country has had the most successful auto industry of any place in the world—quality, cost, productivity, and profitability. We meet every standard. This year we're going to have the first deficit in over 20 years, because of the lack of government recognition of our problems. So in looking at and talking about standards, the government must consider what it's doing to the jobs of Canadian workers in this industry.

We're in favour of new fuel economy standards, on the basis of reviewing the strengths and weaknesses of our domestic industry, and of developing standards that recognize the influence of the U.S. market on our production. We're the only country in the world with an auto industry that is fully integrated with that of another country that is 90% larger in market and production. We're also in favour of establishing standards by market class that will promote and reward technological developments, rather than encourage product substitution.

Because of our development under the 1965 Auto Pact, we build the major big vehicles—minivans, crossover SUVs, pickup trucks, and large cars—and the vast majority of these are shipped to the U.S. Mr. Chairman and committee members, two-thirds of the 2.5 million vehicles built in Canada last year were in the largest size categories.

More than 80% of the engines we build in our plants are V8 engines, and the rest are V6. We do not build a four-cylinder engine. To take a V8 engine plant and build one to produce the four-cylinder engines requires at least $1 billion, and you need to have a market for the fours that is not there today. So those things can't be ignored.

Despite our strong sales last year, our production fell by about 4%. Production has fallen from a peak of over 3 million units in 1999 to less than 2.5 million last year. We've lost over 500,000 vehicles per year from our peak, or 17% of our production, without any threat from mandatory standards that the industry cannot meet.

We are losing jobs in assembly. We are down from our peak in 1999 by 6,000 jobs, and we're down some 7,000 jobs in auto parts. We also have several thousand other jobs scheduled to be lost this year. Jeff Watson will tell you that in the city of Windsor there are over 2,000 Ford workers, and Chrysler's going to make an announcement next week that will also have a major impact on Windsor and Brampton. So our industry is going through incredibly tough times.

I'll end with our union's proposal, Mr. Chairman. We support fuel economy standards. We support the principle of mandatory fuel efficiency standards. In 2003 we joined with one of the political parties and a major member of the environmental community to sign a commitment to improve fuel efficiency standards by 25% by 2010, for the 2011 model year.

We still support a 25% fuel efficiency move, but it must be across all classes of vehicles. It can't apply so that some companies with smaller car or smaller engine production can take advantage to the disadvantage of others. So if it covers small cars, large cars, SUVs, and minivans, it will get us to the same point and not give advantage to some producers over others. We believe that we can reach this by 2014, if my colleague from Pollution Probe was correct and the technology is there.

The industry should be forced to do it. We also have to have enough flexibility as a government to say the industry has put its best foot forward and we've gotten part way there, but it may take a little more time. But I believe the standard is still achievable.

Regarding renewing the fleet, I won't repeat.

Regarding getting old vehicles off the road, I raised this with Mr. Flaherty. Currently we have incentive programs to improve houses, whether it's replacing windows and doors or putting all kinds of things in place to cut down the use of fuel. The same principle applies here.

The quickest way to reduce greenhouse gases in Canada would be a major program to get older vehicles off of the road. I believe the industry should be required to offer incentives. General Motors already does for vehicles over 20 years of age. If you scrap the vehicle—and I mean scrap it, so it can't come back through a used car dealer—they offer a $1,000 incentive on top of every other program.

● (1600)

We also support and propose a new fee rebate program called the green vehicle transition fee. It will be assessed on each manufacturer that sells into our market, based on each company's total Canadian sales. Under our proposal it would be $500 per vehicle. It would be earned back by those companies that make Canadian investments in green automotive technologies.

Finally, reducing greenhouse gases means reducing the amount of fossil fuels we consume. In addition to greater fuel efficiency and new technologies, we need a transportation strategy that will increase the availability, firstly, and the use of alternative or renewable fuels and reduce the use of vehicles overall. This requires investment in clean and alternative fuels, and major investments in mass transit, rail, as well as other efforts to reduce gridlock.

Thank you very much, Mr. Chairman.

● (1605)

The Chair: Thank you, Mr. Hargrove.

Representing Climate Action Network Canada, we have Mr. John Bennett, director, atmosphere and energy, from the Sierra Club. Mr. Bennett.

Mr. John Bennett (Director, Atmosphere and Energy, Sierra Club of Canada, Climate Action Network Canada): Actually, I'm here on behalf of the Climate Action Network Canada as executive director, so two jobs.

I first want to thank you for the opportunity to present the views of the Climate Action Network. We're an organization of over 50 environmental, labour, faith, and aboriginal organizations that was founded in 1989 to call attention to the impact of climate change and to contribute to developing policies, practices, and regulations to reduce greenhouse gases.

I realize today's session is about transportation, and I'll make some specific recommendations regarding the Motor Vehicle Fuel Consumption Standards Act. However, I'd like to begin by reminding the committee that the Climate Action Network has submitted a list of necessary recommendations for changes to Bill C-30, and we hope you'll consider them as you go forward.

The recent IPCC report makes it clear beyond any doubt that climate change is happening and that human activity is causing it. It's incumbent upon all of us as stewards of the earth to do all in our power to reduce greenhouse gas emissions as rapidly as possible. I also remind the committee that Canada has a legally binding commitment to abide by all the terms of the Kyoto Protocol. We are not free to pick and choose convenient sections and claim we are complying. The target of 6% below 1990 levels is a promise we made, not only to the world of today, but to the world of tomorrow. So Canadians are watching and they're demanding real action. We hope that through this committee we'll see some real action for a change.

Before I move on to cars, I'll just say that Bill C-30 is only part of what needs to be done, and would echo the comments that have been made previously about the need for a comprehensive approach to climate change as well as to transportation. I'll have specific recommendations to the Motor Vehicle Fuel Consumption Standards Act, but it has to be done within the context of a wider program to promote better use of transportation throughout the Canadian economy.

I'd also like to point out that the automotive industry has a long history of opposing every single regulation that's ever been proposed. If we had taken their advice, we would not have seat belts, energy-absorbing bumpers, airbags, or catalytic converters. None of those things were economically possible or warranted, according to the industry as we went through time, and now we're still hearing similar arguments.

The industry has had to be regulated at every turn. Fuel economy regulation came into force in the 1980s, and it's very interesting listening to Mr. Hargrove explain the present state of the automotive industry in North America. I know all of us aren't, but I'm old enough to remember the late 1970s, and Mr. Hargrove's description of the industry was absolutely the same in 1979. At that time the U. S. government was proposing fuel economy standards, and the industry was saying they couldn't do it, it wasn't fair. They didn't want to have a standard that meant they all had to do the same thing. Because of the oil crisis at the time, the U.S. government went forward, and as a result the fuel economy of cars increased over 100% in a decade.

Since 1990 we've had about a 7% improvement in fuel economy, despite huge amounts of money being contributed by the Canadian government and largely by the United States government to help the industry develop fuel efficiency technologies, which have not been put into the vehicles.

You can also find quotes from the early eighties from the president of Chrysler reminding the industry that fuel economy standards probably saved Chrysler. If you remember back in 1979, Chrysler actually went bankrupt and had to be bailed out by the U.S. Congress, but the fuel economy standards forced them to redesign their vehicles from large gas guzzlers to the K-car that morphed into the minivan and was the engine of Chrysler's huge resurgence of the last 20 years. So I don't think we need to be so concerned about the present state of the industry when we know that in the past regulation has actually improved things for them, not hurt them.

I'm going to leave with the clerk a section of a report called *The Initial Statement of Reasons*, published by the California Air Resources Board in August 2004. The section I'm going to submit has a complete list of all the technologies and an examination of the cost factors that led the California government to conclude that the standards it was proposing for 2009 were both economically and technically achievable.

● (1610)

The California Air Resources Board has looked back on its 50-year history of regulating cars, and it has repeatedly proven that its suggestions in terms of the actual costs of complying with its regulations are far closer than the costs suggested by the industry. So I would like to just leave that on the record.

As for some specifics in terms of the Motor Vehicle Fuel Consumption Standards Act, of course you realize this act was passed in 1981 and has never been proclaimed. The government has suggested in its Bill C-30process to actually proclaim it and bring it into force. Unfortunately, in the act itself it doesn't mention exactly what it does, other than it gives the minister the authority to set a target. We think that this committee should write into the act the initial target and make a few changes. I'll just list them for you.

First, it should replace the notion of classes and provide a combined target for cars and light trucks. It's the fleet that we want to reduce the fuel consumption of, the overall fleet, not individual vehicles in different classes. A class system will lead to gaming, as we've seen in the United States. There, an extra couple of hundred pounds of weight are added to vehicles so that they become out of class, in a different class. We don't want to see that type of gaming. We want a combined target. We want to see a number embedded in the act for the 2011 model year of 6.7 litres per 100 kilometres for a combined fuel economy for each fleet. We want you to create a section in the act that will require from there an annual improvement of 4%, so that from now on the vehicle fleet will constantly be being improved. It will be one of the things the car companies are required to do.

We would also like to see you—and I think Mr. Nantais would approve of this suggestion—write a provision into the act that if the U.S. rules have the equivalent effect, car companies can abide by those rules in Canada.

We would like to see you require the Governor in Council to establish fuel economy standards for medium-duty trucks. One of the fastest-growing areas of emissions in Canada is medium-duty trucks. These are the UPS diesel trucks you see on the streets in town. These are ideal candidates for using hybrid systems because of the stop-and-go use of them. They are running on diesel and there are no regulations governing them. We would also like to see the Governor in Council have the authority to establish fuel economy standards for heavy-duty trucks. For both classes of trucks, we should also embed a 4% improvement annually henceforth.

This way, we can put this to bed right now and the details can be worked out later, but we'll have a system in which the automotive sector is constantly improving its products and constantly improving its efficiency. That's something that we need to do. The government recognizes that it needs a long-term target going out to 2050. Let's establish a step-down process and not go back to this process every five or ten years and have the same fight over and over again.

I'll be glad to answer any questions.

Thank you very much.

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

Our final witness will be Mr. David Adams, president of the Association of International Automobile Manufacturers of Canada. Mr. Adams, the floor is yours.

Mr. David Adams (President, Association of International Automobile Manufacturers of Canada): Mr. Chairman and honourable members, thank you for the opportunity to appear before you today, and a special thank you to Mr. Watson and Mr. Godfrey for their role in securing my attendance before the committee today.

Our belief is that it's important to hear from our side of the industry as well, because in terms of regulating the automotive industry we are looking at a product compliance issue, not a stationary source issue, as we are in other industries.

By way of background, in 2006 the 13 members of the Association of International Automobile Manufacturers of Canada, who come from Europe, Korea, and Japan, sold over 733,000 new vehicles in Canada, representing 45.5% of Canada's new vehicle market. Additionally, our members sold 61% of all passenger cars in Canada, with fully 50.5% of all sales to consumers.

While our member sales have grown, so has their Canadian investment and employment commitment, with fully 77,000 direct and indirect jobs responsible from our members' involvement in the Canadian economy.

Our members have invested over $6 billion in manufacturing facilities alone. Annual production reached a record of 900,839 new vehicles in 2006, with over 697,000 of those, or 77%, being exported out of the country.

Importantly, a higher percentage of our members' products built in Canada are also sold to Canadians. For instance, 56% of the vehicles that are built at Honda of Canada manufacturing are sold to Canadians. Fully 84% of the vehicles sold in North America by Honda are built in North America by Honda.

On CAC emissions and greenhouse gas emissions, even though the number of vehicles on our roadways will continue to increase, as pointed out by Mr. Nantais earlier, cleaner vehicles will be replacing older vehicles, allowing smog-causing emissions to drop from 9.5% in 2005 down to less than 5% in 2015.

On greenhouse gas emissions, 12.6% of all greenhouse gas emissions arise from the 18.7 million vehicles on the road.

Much of the success enjoyed by the AMC member companies in the marketplace can be attributed to the fact that these companies focus on producing and marketing both affordable and premium fuel-efficient vehicles, incorporating the latest advanced technologies, resulting in reductions in greenhouse gas and smog-causing emissions. Indeed, AIAMC member companies were award winners in eight of ten categories in the EnerGuide Awards for fuel efficiency.

They also continue to research and introduce hybrid technologies, advanced diesel technologies, fuel cell technologies, direct injection technologies for both gas and diesel vehicles, alternative fuel technologies, and the application of lightweight materials, among others, with the goal of reducing the impact of the motor vehicle on the environment.

The proposal under Bill C-30 is to amend and promulgate the Motor Vehicle Fuel Consumption Standards Act. The members of the AIAMC have a demonstrated commitment to providing consumers with vehicle technologies that have delivered real-world fuel efficiency improvements, with attendant reductions in greenhouse gas emissions. Our commitment in this regard will continue.

However, some advanced vehicle technologies are more costly to incorporate into vehicles, and incentives to offset these technology premiums should be considered by government, while being as technology neutral in their application as possible.

Regardless of the employment of any of these new technologies in new motor vehicles—the vehicles subject to regulation—as pointed out by Mr. Hargrove and Mr. Nantais, this will address only 1% of Canada's greenhouse gas emissions. Therefore, in order to address significant emission reductions from the remaining 99% of emissions from the on-road light-duty fleet, other policy levers or incentives need to be exercised.

● (1615)

I'd like to talk about fuel quality for a moment. The quality of Canadian fuels has been a longstanding concern to the automotive industry. While tailpipe emissions from the vehicle are being regulated to increasingly stringent standards, there is no nationally regulated standard for the quality of fuels. Therefore, while vehicle manufacturers are required by regulation to provide a lifetime emissions control performance, there is no federally regulated fuel quality standard pertaining to the fuel that is burned in these vehicles to support the regulation of the vehicle's hardware. The regulation of fuels will benefit not only the introduction of advanced technologies but will also be a significant contributor to the reduction of emissions from the entire on-road fleet.

The lack of high-quality diesel fuel is inhibiting the introduction of advanced diesel engine technology, which has a potential to lever significant GHG emissions benefits.

The use of alternative lower-carbon-content fuels such as liquid propane gas and compressed natural gas and renewable fuels such as ethanol and biodiesel is an important factor in achieving significant life cycle reductions in greenhouse gas emissions. In this regard, the AIAMC members are supportive of the government's renewable fuels mandate that would require fuel producers and importers to have an average annual renewable fuel content of at least 5% of the volume of gasoline that they produce or import beginning in 2010, with a 2% renewable content for diesel following 2012.

The notice of intent pertaining to Bill C-30 appears to contemplate a systems approach to the regulation of Canadian fuel, vehicle, and engine air pollutant regulations in alignment with the U.S. standards. Whether in reference to renewable fuels or traditional carbon-based fuels, national federally regulated fuel standards should be an important objective of the proposed Clean Air Act.

In our view, it is inexcusable that the notice of intent with respect to Canada's renewable fuels mandate on December 30, 2006, suggests that fuel quality issues are best left to private industry rather than imposing these specifications through regulation.

In summary, unlike many of the other sectors addressed in the climate change debate, our industry is a consumer-facing one. Emissions from our products are both the function of technology and consumer choice, factored by vehicle kilometres travelled. As a result, to be effective, government policy must address all of the variables. This leads to issues not only of regulating the product but influencing consumer behaviour through fuel prices, vehicle choice and use, and other alternatives.

Canada also cannot ignore the fact that its automotive industry is integrated on a North American basis with respect to both vehicle manufacturing and vehicle sales. With a Canadian sales market of just over 8% of the entire North American market, unique fuel consumption regulations and an integrated production and sales market are problematic.

Discussions with the government to date pertaining to the regulation of the automotive sector have confirmed that the regulatory approach in Canada will be consistent with that of the United States, so as to allow manufacturers to continue to produce and sell vehicles for the integrated North American market.

A fuel economy regulation for Canada that is aligned with that of the United States provides the least disruption in the marketplace and best balances consumers' purchasing requirements pertaining to vehicle utility, vehicle safety, fuel economy, and emissions. Regulation in Canada linked to the U.S. reformed CAFE would have the effect of imposing a more aggressive standard, given the smaller size of the Canadian fleet.

Those are my remarks. Thank you very much.

● (1620)

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

I think we have just enough time to get everybody in, if we keep moving. We will be fairly strict on the timing.

Mr. Godfrey, for seven minutes, please.

Hon. John Godfrey (Don Valley West, Lib.): Thank you very much.

Thank you all for coming.

Hearing you collectively, one might draw this conclusion, but if anything is wrong with my summary, please correct me:

Firstly, there is no connection, historically, between the problems that the North American auto sector has and the introduction of environmental standards or safety standards. Sometimes the claim is made, but historically, over time, the claim has been disproved.

Secondly, it would seem, at least in some cases—cited by Mr. Bennett and confirmed by Mr. Adams—that not only is there no negative correlation with the imposition of environmental standards, there seems in fact to be a positive correlation, and it is one of the explainers of the success of Mr. Adams' group of companies. Fuel efficiency has not proved to be a barrier to sales; it has been, in fact, an incentive.

Thirdly, when we did impose, as part of the North American process, fuel efficiency standards at the end of the 1970s and the early 1980s, the industry could get there very fast. When we took our foot off the throttle, we failed to make the improvements we could have continued to make over that period of lost time.

The question I'm going to ask the auto sector is, first, if my summary of the past 25 years is correct. Second, given the urgency to not allow what happened in the 1990s to continue—that is to say, the decline in fuel efficiency, which we didn't want —is there anything in the suggestions of Mr. Bennett or Mr. Ogilvie that suggests that we can't meet, as we have before, historically, the more aggressive fuel efficiency targets that are being discussed here today?

I put it to Mr. Nantais and Mr. Adams. If Mr. Hargrove wants to come in, that's fine too.

Mr. Mark Nantais: Mr. Godfrey, let me begin, if I could. Others will possibly join in after.

I think we have to remember here that sales and market share are being fiercely competed for as we speak. Every vehicle manufacturer has a full slate of fuel-saving technologies that are more fuel efficient. There are different perspectives on what the historical scene has been, both in terms of why things happened or didn't happen in terms of fuel efficiency, or the fact that the auto industry has resisted regulations. That's not true. In fact, the auto industry has actually been responsible for the development of things like catalytic converters and what not. It was the development by one company sharing them with other companies that actually got us to catalytic converters on vehicles, which resulted in huge-step reductions in emissions.

Now, of course, we have a different scene. We have a different circumstance out there. We have people now who are clamouring for more fuel-efficient vehicles. Why? Certainly some of the references to climate change and IPCC reports, for instance, obviously have put a different perspective out there, and a fairly persuasive one. But they're also responding to fuel pricing in the marketplace, which is something they've had in Europe and other jurisdictions. There they have always had a smaller, more fuel-efficient fleet because they've had proper high fuel pricing signals in the market. We've never had that in North America, and we still don't have it in North America, quite frankly.

It's very difficult to bring forward and sell vehicles that are more fuel efficient when you have fuel prices that are relatively low. It's very constraining on us to sell these vehicles, which is why we're saying that we need this full suite of supporting policies. It's clearly stated and clearly documented by various studies that fuel pricing is probably the most effective means to reduce greenhouse gas emissions in the transportation sector. That's well documented. But we don't have that, and nobody seems to have the political will to do that.

We're saying that if we can move forward, recognizing the integrated nature of the North American market, the integration of our industry, the fact that we are looking at a more stringent fuel economy standard in the United States.... And we're not kidding when we say that it's a challenge. There are always reports, as I say, that we are overestimating the costs. Well, all of our studies I know have been done by independent research and consulting firms. The fact of the matter is we don't have high fuel prices, so we have to look to this other slate of supportive policies. Clearly the economic impact and the fact that we can bring forward these technologies on an integrated basis at less cost to Canadians means that we can ultimately make it more affordable for them. Being more affordable means that they can buy more of them, which is why we have a higher percentage of smaller vehicles in our fleet.

We have to consider all these things and provide these vehicles in a way that people can afford them and turn over the fleet as fast as we can, which takes us to the point about the higher-polluting vehicles. We also have to look at the co-benefits here. If we're turning over the fleet, we get real safety benefits. All of the reductions in fatalities and serious injuries to date have been primarily due to the technology we put on our vehicles. If we could turn over the fleet now, you would see a 50% reduction in those fatalities. That's tremendous.

● (1625)

Hon. John Godfrey: If we work on those other factors, that is to say, the other cost factors and so on, does the North American-based industry have the capacity to respond to the challenge and produce vehicles every bit as fuel efficient and in as timely a manner as those of your imported competitors, even though some of them are manufacturing here?

Mr. Mark Nantais: Let me tell you about that. We all have those technologies. It's not those companies versus ours. We all have those technologies. You have full slates of hybrid technologies coming to the fore. You have various other technologies, right through to fuel-cell technologies. So it's not them versus us. We all have them and we're all moving forward with that because we're all competing very fiercely in the marketplace for market share, and that's what's bringing those technologies to market.

The Chair: Thank you, sir.

Monsieur Bigras.

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie, BQ): Thank you very much, Mr. Chairman. I want to thank the witnesses as well. We'll be hearing from a broad cross-section of witnesses who will give us some insight into issues such as climate change and greenhouse gas emissions within the automobile industry. We'll be hearing from all of the major stakeholders.

It's clear from its notice of intent that the government wants to wait until 2010 before regulating Canada's automobile industry. On the one hand, Mr. Nantais informed us that members of his association favoured a voluntary approach. On the other hand, the MOU between the automotive industry and the government contained a number of provisions that I would like to review with you. Article 9 of the MOU reads as follows:

> The Parties agree to interim GHG emission reduction goals of 2.4 Mt in 2007, 3.0 Mt in 2008 and 3.9 Mt in 2009, to be measured against the Reference Case for the subject year. Commencing in 2005, the Canadian Automotive Industry will report its projections for GHG emissions for the coming model year by November 30.

Have you reported your projections for GHG emissions?

● (1630)

[*English*]

Mr. Mark Nantais: The entire auto industry, every vehicle manufacturer in Canada, signed that agreement. There is no requirement to report publicly in the first year. We did so with the public report without having to do that requirement. So the first real report is for the 2007 model year in 2008. We have not missed any requirement to report. We fully intend to meet every interim target that is stated in that memorandum of understanding.

[*Translation*]

Mr. Bernard Bigras: You are obligated to report your projections. Do you feel that your projections are in line with the targets set out in the MOU between the government and the automotive industry?

[*English*]

Mr. Buzz Hargrove: If I could, Mr. Chairman, on that, we attended a meeting that was chaired by Mr. Flaherty and that was attended by Rona Ambrose, who at that time was the environment minister. Mr. Bernier and Mr. Lunn were there. There were a number of others there and the total industry was represented. The minister agreed at that meeting that the early reporting of the industry not only had met but had exceeded the standard for 2005 and 2006. So it has been reported. Whether the government has made it available or not is another question. The wait until 2010 is out of respect for an agreement that was signed between the Government of Canada and the industry. So any law, any regulation, should take place after 2010.

In response to John's question, there are two ways to get at issues. One is to let the market dictate what's going to happen. If we left that here, we'd be in big trouble. In spite of all of this rhetoric about how concerned people are about greenhouse gas and vehicle purchases, CTV on February 1 conducted a study. I'll just make one point. In fact buying a vehicle that was better for the environment ranked 23rd among 26 factors for purchase. So people talk one way and act another. Another survey said that everybody, huge numbers, want the government to do something about the environment. Then they asked the next question: “Would you accept higher fuel prices for your home heating oil?” The answer was no.

The market won't take care of it; regulation hasn't. And the industry has resisted, but it has never resisted getting there; it has always resisted the timetable to get there.

I just want to correct Mr. Bennett. I appreciate him giving me credit going back to 1979. I may look that old, but I'm not. I was not the spokesperson for our union in 1979. I got elected in 1992, but I recall that period, as a union representative, when Chrysler was facing bankruptcy. It was only after Lee Iacocca made a statement. He made a lot of statements. I would like to show you the contradictions of Mr. Iacocca. All you have to do is read his book.

We're for fuel efficiency and we're for Kyoto, but we're for an intelligent path to get there that doesn't disrupt our industry. Right now the importers and my colleague Mr. Adams, on behalf of the importers, talk about the vehicles we build here and what we sell here as we undermine those who put the new investment and jobs here. He never mentioned the fact that his country, where they build and ship—25% of the vehicles sold in North America are built in Japan or Korea or Europe.... They never mentioned why they won't let anybody sell theirs. It's very nice to come here, and in addition to being here and selling, to ship over two million more vehicles from your home country in here and throw a lot of people out of work. That's not logical and not acceptable, I wouldn't think, to the committee.

● (1635)

The Chair: We'd like to bring it back to the issue of Bill C-30 and stick to that topic, if we could.

Go on, Mr. Bigras.

[*Translation*]

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

Some predict an economic disaster — specifically in terms of job losses — if Canada were to adopt measures and standards comparable to the ones adopted in California. Some countries, notably in Asia, have opted for higher standards. How is it that this approach can work in a market like California's, which is comparable to the Canadian market, and yet not in this country?

[*English*]

Mr. Buzz Hargrove: If I could answer again, Mr. Chairman, California makes up about 10% of the North American market. Canada is slightly under 10%. Over 60% of their market in California is bought from Japan or South Korea or the European Community, so they don't have any industry to speak of. They have one assembly operation. So Governor Schwarzenegger can say he's going to bring in tougher standards, and it doesn't throw a lot of people out of work. There are three or four other states that do the same thing.

We have an industry that is so successful that we produce one and a half vehicles for every one we sell. Why would we want to throw a lot of people out of work? This is not California. It's a much different environment.

Look at Japan. Thirty percent of the vehicles sold in Japan are mini-cars that are subsidized by tax writeoffs to get people to buy them. But the industry makes no money. The next 30% are the smaller vehicles they sell there, and the remaining 40% are the largest ones, and they're sold, 95%, by Japanese producers in that country. The only way they make any money is that 80% of their profit is made by taking the larger vehicles and shipping them to North America, or in addition to that, by coming to North America, producing here, and selling here.

The Chair: Thank you, Mr. Hargrove.

Sorry, Mr. Bigras, your time is up.

We'll go to Mr. Cullen.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair.

The witnesses will see that our time is extremely limited here. It's a broad topic, and I know you've made submissions, so we'll be looking at those as well.

There are a couple of things I want to start with. Because we're dealing with this bill that deals with the potential for bringing in mandatory standards for fuel efficiency in Canada, I want to focus on what that means for Canada, particularly on the jobs front and on the consumer front. Those are the two that seem to be getting notice. It almost gets to a point of being a given. The parties in this place are beginning to be seized with the issue of the environment. Mandatory seems to be on the way.

I'll ask Mr. Hargrove just a simple question. Do we have a national auto strategy, an industry strategy, here in Canada?

Mr. Buzz Hargrove: No.

Mr. Nathan Cullen: This brings us to an interesting point, because part of the criticism—and I want to bring Mr. Ogilvie into this conversation—is that people are worried and concerned about what the possible effects will be on the industry with the idea of regulations coming forward, particularly in the absence of any type of strategy that may compensate or try to deflect job losses or actually increase the industry.

My question is to Mr. Ogilvie to start. You talk in your deposition about having a regulation standard that's on par with the leading standards. We've seen different references. I think there's some discrepancy about who has the best—I know it's a bit of apples to oranges, sometimes. Is there any advantage for Canadians—for the environment, certainly, we know—in having the better standards for auto? Is there any advantage, economically, for us to seize upon attaining the best standards in North America or in the world?

Mr. Kenneth Ogilvie: I think there are really good prospects for that. Again, I argue that we should dig right in really hard and right now, and in a year's time or so, put this together.

There's no question that the world is moving towards more efficient vehicle technologies. The entire global market is going that way. So how can we lose by having an intelligently designed standard and a set of complementary measures to move the technology onto the market? That is what the standard will do; it'll increase the supply of fuel efficient technology. But then we have to push consumers along and we have to turn the stock over and we have to do research and development. If you put that together as a package and look at our own unique circumstances and design it properly, I have no doubt that we can make it a winner, not a loser.

Will there be some adjustments? Probably. But that's what you look at in designing the standard. Personally, I don't believe that, in fact, we're going to be better off sitting back and waiting on this one. I think we're going to be much better off digging in and thinking our way through it. I think we have all the intellectual capital in this country to do that, and in fairly rapid order.

We are short on data. I make the point that we don't have the kind of data the United States gets because of their corporate average fuel-economy standard. They do compel the information to be put on the table. We're short on data, so we're going to have to make some judgment calls. But I have no doubt that we can design a standard that works for us and the environment at the same time.

● (1640)

Mr. Nathan Cullen: Mr. Hargrove, I have a question to you, with respect. You brought up the discrepancy between the intention of consumers and then decisions they make when they're standing at a dealership or making choices. There have been allusions to how to either remove barriers or give incentives to Canadians when they're seeking to purchase a new car to allow them to buy into a more efficient, less polluting car. I know there's yet some debate about what the tool actually looks like. Again, as we're approaching this bill, which we find desperately wanting, there is an opportunity to put suggestions forward and get them adopted in this place that would allow that. Do you have any that come to mind?

Mr. Buzz Hargrove: Yes. I thought I laid that out, Mr. Chairman, committee members, in terms of putting incentives on the table. For someone who owns a car that is 10 or 12 years old, a very small number keep it because they love it, or for some reason they like old cars, but most are keeping it because they can't afford a new car. If you said to them, look, the government is willing to forgive, for example, the GST on that vehicle, ask the provincial government to forgive the provincial sales tax if it's built in North America, and then you ask the companies to provide a further incentive to buy the vehicle that's made in North America, then you can see the down payment becomes the incentive. They don't have to raise huge capital to pay down, they can handle the payments, which in today's interest rate environment would be fairly low, and most even lower-income families could then look at getting rid of the old clunkers and getting a vehicle.

That is the quickest way—and there's not anyone who can contest this—to get the old vehicles off the road and get new vehicles in the hands of people who drive those old vehicles. Dismantle and remanufacture them, create jobs by tearing the vehicles apart, recycle, and put them back in the system. That's the quickest way to reduce greenhouse gas.

Mr. Nathan Cullen: There seems to be some conversation about the way the cars are designed. If they're thought about at that point when the car is no longer in use it would make the dismantling job creation possible, rather than just crushing them and sending them off to the yard.

Mr. Nantais, you said there was no coordination or virtually no coordination between government departments or in government to buy some of the vehicles that we're talking about today. None whatsoever? We don't buy in bulk? The departments don't talk to each other? We have no green car buying?

Mr. Mark Nantais: Oddly enough, some time ago there was a Senate bill, Bill S-8, which actually set a target of 25%. I don't believe the government has ever achieved that. From what we can determine, from department to department there is no coordinated approach. if you've got 20,000 vehicles out there that are purchased every year, yes, it's high volume. Think of how many more vehicles and how much pull you could create if government departments, municipal governments, and provincial governments actually coordinated that.

Mr. Nathan Cullen: There's something in this debate that Canadians don't tolerate, and it is a sense of hypocrisy from government, the attitude of saying go and buy greener cars and maybe even pay a little more for them, but we in government won't do it ourselves.

Mr. Mark Nantais: That seems to be the case.

The Chair: Thank you.

Mr. Watson.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair, and thank you to our witnesses for appearing here today.

I'm going to ask for brief answers if at all possible because of the short questioning rounds and we've got lots to cover.

I note that industry and labour are both at the table here today. I think that's very important and underscores our serious shared concern, along with the MPs at the table, that we get action on pollution and greenhouse gas reductions.

I'm going to try to direct my questions as much as possible. I recognize the proceedings are also televised today.

I'll start with the AIAMC. Mr. Adams and Mr. Nantais, you may want to chime in on this one.

I understand the industry's preference for voluntary agreements. Are you opposed to mandatory fuel efficiency regulations?

Mr. David Adams: I think the government has made it clear to us that's the direction in which they're heading. Mr. Nantais outlined in his remarks that the industry has a successful history of achieving their objectives with voluntary standards. With respect to mandatory standards, the devil is always in the details in terms of how those get implemented. California was referenced earlier on.

I think our real challenge in Canada, if there is a standard that's put in place, is how do you prevent things like leakage at the border? We're operating in a free trade environment, and if consumers want what consumers want, and if we regulate vehicles that aren't available in our economy, they will go elsewhere to get them, across the border, and that defeats the purpose of the regulation in the first place.

● (1645)

Mr. Jeff Watson: Does that mean you are opposed or not opposed to being regulated?

Mr. David Adams: Our preference certainly is for a voluntary standard. We have a voluntary agreement in place that we will achieve. If we have to be regulated, as the government has intended, we will be regulated.

Mr. Mark Nantais: In the Prime Minister's speech today at noon, he confirmed that they are moving to regulation in model year 2011. I therefore think it's almost academic unless something changes.

Clearly, if the regulation is coming forward, as we have said, we're an integrated industry. That integration that took place in 1965 brought forward literally tens of thousands of jobs, not just in assembly, but in the supply chains. Our parts suppliers are not just in Ontario, but right through into the province of Quebec in a very significant way, and that share still is significant. We want something that recognizes and continues to recognize that integrated approach, which provides benefits to the industry, provides real benefit to consumers, and will provide benefits in terms of the environment.

The new, reformed CAFE in the United States is something that is no longer an average, where you have a higher-consuming vehicle and a lower-consuming vehicle. No. We have what we call a footprint approach. Every vehicle segment, based on its footprint, has to make improvements, so everybody in every segment must do some heavy lifting. That's a huge difference. It's now applied not just in the passenger cars, but in the light-duty trucks as well. There's a significant difference as we go forward here, which is why we promote a line of approach with the U.S. reformed CAFE.

Mr. Jeff Watson: Thank you very much.

Our government certainly believes in achievable results. Mr. Hargrove, in your presentation you mentioned achievable standards. I want to talk about the short-term window and the position the auto industry finds itself in today.

You mentioned Ford. Of course Ford has announced the closure of two plants, the Windsor casting plant and the Essex engine plant. I'm going to ask you a question about the possible effects on the Windsor engine plant.

In the short term, if the standards outpace the ability of technology to put into the vehicles, particularly with respect to engine technology, what does that mean for a plant like the Windsor engine plant, which has 2,500 employees? Can you talk just very briefly about what a typical research and development cycle looks like for the auto industry, from the time they get the idea for something to it actually being in a vehicle?

Mr. Buzz Hargrove: Let me give you the example that was outlined to me recently. If we were to move to the California standards by 2009, that would mean the Silverado that we build in Oshawa and is built in three other General Motors plants in the United States could not be sold in either California or in Canada. So 20% of the market is gone from General Motors. That means we have four assembly plants and one is going to go.

Common sense would tell you that if a country says you can't sell something in Canada and you have to close one plant, you are not going to close a U.S. plant and keep the Canadian plant open when you can sell the vehicle outside of California. So the answer is that there is a direct correlation between what the government does here on the large vehicles and the large engines in the short term, without giving some time to accommodate this.

I'm for regulation. I'm for the government living up to the 2010 commitment and the letters of understanding, but in terms of regulating beyond that, 25% by 2014 would be a very significant improvement. It would have to be phased in. It wouldn't all of a sudden be a 25% improvement in that one year.

Mr. John Bennett: Can I please add something here?

With respect, the California regulations would not prevent any vehicle from being sold in California. It's worked on a wholly average process.

Mr. Jeff Watson: I'd actually like to ask a question about that to the panel. I want to move along to the question of the dominant North American standard. We've talked about where we set the standard. The U.S. federal government regulates fuel economy. We've talked about regulations for fuel economy as well. The states regulate vehicle emissions, which could be an entirely different thing.

First of all, I'd like an update on where the California standard is. I understand there's an injunction. Perhaps you might be able to bring us up to date on that.

And what would this dominant North American standard mean? Should it be based on fuel efficiency, which will have a direct correlation, I would believe, to vehicle emissions improvements as well? Can we talk about that?

Mr. Buzz Hargrove: If Mr. Bennett is right that we can sell everything we build regardless of size and the fuel efficiency of it, in California and Canada, regardless of those standards, then what are we arguing about? Why wouldn't anybody go ahead with it?

● (1650)

Mr. John Bennett: I've been asking that for years.

Mr. Buzz Hargrove: The reality is that our information says that can't happen. Why would you have a fuel efficiency standard when some of the biggest gas guzzlers are the Silverado built by General Motors, the Tundra built by Toyota, and the Ram built by DaimlerChrysler? Why would you have a standard that says you can continue to sell all those vehicles and then try to define it as meaningful? I don't think that's accurate.

Mr. Jeff Watson: Mr. Nantais, Mr. Adams, you can shoehorn in on that.

Mr. Mark Nantais: You're right about the California situation. There is now a court injunction against the state proceeding with its regulation, on the basis that it doesn't have the authority to do that. It is a federal authority to regulate fuel economy.

They're also waiting for litigation going on in the other states that are looking at California and are now on a similar basis. When those court cases are heard, then the court case will go forward in the state of California.

In terms of California, we should really be talking about going forward here. When we talk about alignment with the dominant North American standard, we're talking about alignment with the U. S. reformed CAFE in our industry, and I think Mr. Adams will agree with me on that. When you look at just how stringent that is, because it is an entirely new program, everybody has to do heavy lifting across all market segments and types of vehicles. But with the State of California, hybrid vehicles won't comply now. They just couldn't make the standard because it's so stringent. It's not technically feasible and it's not economically feasible. The U.S. EPA agrees with us on that.

So as we go forward, the dominant standard, as we see it, is a U.S. reformed CAFE. When you add an integrated approach, a broader, more comprehensive approach, to all these other initiatives that we talked about, in terms of supportive policy, that's where we can make some real emission reductions going forward here.

The Chair: Thank you, sir. We'll have to move on.

Mr. McGuinty, for five minutes.

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

Thank you, witnesses, for appearing.

It's too bad our format precludes, Mr. Chair, a more immediate debate among the witnesses themselves, because I think that's what Canadians would really benefit from. That is, hearing whether there is a higher degree of consensus among them as individual witnesses, or not.

In some instances I've seen our environmental representatives nodding in complete disagreement with each other, and sometimes I've seen them in complete agreement with each other. I've seen our domestic and North American manufacturers nodding in disagreement with our international manufacturers, and so on and so forth. I'm going to do my best to help illuminate the differences, and maybe come to some points of consensus.

Is it fair to say that all of you agree that we need new standards? Yes. Is it fair to say that all of you could live with new regulations for standards? More or less? Great. Is the real difference, then, in the kinds of fiscal measures that might be brought to bear to facilitate the transition to those higher standards?

Mr. Buzz Hargrove: And the timing. It's hard to do it without the timing.

Mr. David McGuinty: And the timing and the implementation of it.

Is it fair to say that most of you would agree with the potential? The Prime Minister, to a certain extent, pre-empted the work of this committee at lunch today by announcing that there will be regulations in 2011. We thought part of the debate here was to examine that on the merits of the idea of regulations, but apparently we're going to have regulations in 2011, so that's a done deal.

Can we assume it's a done deal? Right, okay. So the timing, then, and the fiscal measures that we might design going forward to achieve those new standards are what's at play here. Is that the right thing for Canadians who are watching to understand?

Mr. Buzz Hargrove: In my mind it is, yes.

Mr. David McGuinty: Could I get some comments from a few of you on that?

Mr. Buzz Hargrove: I've said that from the outset. I believe we need regulated fuel efficiency standards, but it's how they're applied. If you do the average, then you advantage one company and you advantage imports over what we're building in Canada.

Again, I remind you that 80% of what we build is the large vehicles. Our engines are large engines. Our transmissions are large transmissions. Our stampings are large stampings. It's not because we asked for them, but because the Auto Pact, in 1965, said that companies must produce in dollar value whatever they sell per vehicle. If you sold a vehicle for $10,000, you must produce one of equal dollar value. The easiest way to comply was to put the large trucks, the large cars, the large engines into Canada to meet that. Even though the Auto Pact is now gone, we developed such an expertise that they still put those operations in Canada.

Mr. John Bennett: We're not asking for regulations for what's made in Canada, we're asking for regulations for what's sold in Canada. The vast majority of those vehicles that Mr. Hargrove's members build are sold in the United States, they're not sold in Canada. A fuel economy regulation for vehicles sold in Canada wouldn't much affect what's manufactured in Canada.

● (1655)

Mr. Buzz Hargrove: General Motors has announced a new Camaro in Oshawa. Jim Flaherty and I were there celebrating it, as were a whole lot of other politicians of all stripes. General Motors has made it very clear that if they can't sell that vehicle in Canada.... If all we can do is build it here and sell it in the U.S., which is what my colleague here is suggesting, does anybody really think that same company is going to say okay, we'll put all the jobs in Canada even though we can't sell there? Let's get real here.

Mr. John Bennett: That's not what I said. What I said was that what they're actually doing is selling those cars in the United States, they're not selling them in Canada.

You've heard the numbers already. Clearly, the vast majority of the vehicles that are made in Canada are shipped out of Canada. The regulation we're asking for is on what's sold in Canada. That has a different effect from an effect on what's manufactured.

Mr. David McGuinty: Let me put a question to Mr. Ogilvie. He had his hand up a second ago.

Mr. Ogilvie, you said that we need a national benchmark, that it should be gazetted by 2008, that it should have legal effect by 2011, and then you rhymed off a number of what you called "complementary measures".

You chaired our former government's "issues" table, effectively, on transport, and you did a very good job at it. You were in the middle of reconciling all these competing interests on behalf of Canadians, which was very difficult. Tell me about some of these complementary measures, because this seems to be where the debate really is landing.

The Chair: And do it In 40 seconds, if you can.

Mr. Kenneth Ogilvie: I want to make the point that it's not just technology that makes fuel efficiency happen. It's also the way consumers operate; it's fuels; it's a whole bunch of other things that we do.

The standard is something to drive the efficient technologies in front of the consumer, but you have to get the consumer to buy these things. The more you get the consumer to shift—with information, with labelling, with incentive programs, with education, with some coherence of government policy, and with stakeholders—the more the consumers are going to shift that market on their own. One thing the auto sector can't object to is the consumer. The consumer will decide.

So we don't have to just harmonize everything with the United States, for example; we have a lot we can do that's unique to Canada. We can design around some of these problems that are being brought up, if we have proper attention to them in the design process. I don't see them as militating against the standard. I just see them as issues that are put on the table and resolved in a proper process, which I don't think has to take five years' time, frankly; I think a year to 18 months.

The Chair: Thank you.

Mr. Warawa, you have five minutes, please.

Mr. Mark Warawa: Thank you.

Again, thank you to the witnesses. This is very enlightening.

When a vehicle is manufactured, is it manufactured because that's what consumers want, or do they want it because that's what you've built? It's the chicken or the egg: which came first?

Mr. Buzz Hargrove: You can't manufacture what people don't want; you can't sell it. You can manufacture it, but it doesn't work.

Mr. Mark Warawa: Let me preface my comments.

I had a perfectly good vehicle, a 2005 mid-sized one, and it had decent fuel economy, but I thought I had a responsibility to buy something much more fuel-efficient, so I did. I thought I would like to buy a hybrid.

I couldn't test-drive a hybrid. I had to put my name on a list, and when one came in, in about three months, if I liked it, I could keep it; if not, it would be made available to somebody else.

So I ended up buying a hybrid, and I like it—it's a very nice vehicle—but there was additional cost to make that conversion, and it wasn't necessary, because I had a perfectly good and fairly new vehicle.

The other thing that makes me a little puzzled is that in the newspaper I looked at before flying back on Sunday, there was a full-page ad on new vehicles from a new dealer, and there were three vehicles being advertised. They had 425 horsepower. I thought, that's a lot of horsepower. They were mid-sized vehicles similar to the one I had. I think mine had about 170 or 150 horsepower, or something like that. But 425....

I go back to my original question. Do people want 425 horsepower because it's been built, or are you building it because that's what people want?

What sparked this interest is a comment made, I believe, by Mr. Nantais, that the cost of fuel is low in Canada. I've visited Europe, and yes, the fuel costs are over double what we pay here, and they drive much smaller cars. We just experienced some dramatic increases in fuel prices, yet vehicles such as the Hummer experienced dramatic increases in sales. So here, fuel prices are going up, yet people are still buying bigger and more powerful vehicles.

As the Government of Canada, we have a responsibility and a commitment to reduce greenhouse gas emissions, to make the air cleaner for Canadians. We are moving from voluntary to regulatory, yet Canadians are buying bigger and more powerful cars. Would somebody like to cast light on the apparent inconsistency here?

● (1700)

Mr. Mark Nantais: I would love to do that.

First, large SUVs—perhaps what you're talking about here—really only constitute about 2% of the Canadian market. Those vehicles become the poster child for anything that's anti-environment. The reality of the matter is they only represent about 2% of our products in Canada.

As I mentioned, 30% are compact and sub-compact, and generally speaking Canadians buy more fuel-efficient vehicles. While we have experienced fairly sustained increases in the price of gasoline, prices here are still very low in global terms, as you pointed out.

But what we have noticed—and we have data to show this—is that as the price of gasoline went up, people started to respond, not only in their vehicle purchases, but they started to drive less. Quite frankly, when people pull back on the annual distances they travel, that is where you get the most reductions. There is an obvious correlation that as prices go up, people not only drive less, but also start to make different decisions about the types of vehicles they drive.

So I would suggest that your perception that we're buying more and more larger vehicles is not quite accurate at this point in time, based on what we see in the marketplace.

Mr. Buzz Hargrove: Mr. Chairman, I would like to add that there's been a huge drop-off in individuals buying trucks just for the sake of driving a half-ton truck. Those sales are now more steered to farming, construction, and so on. There's a huge drop-off in individuals buying just for the sport of it—SUVs, including the Hummer—because of gasoline prices.

There's also a very limited market. We're going to build a Camaro in Oshawa. At best, we'll build to 80,000 to 100,000 units, not enough to support even one assembly plant. We're also building the Charger, which Chrysler added last year to its assembly plant in Brampton. We're building about 40,000 units. It's a muscle car, with 400 horsepower. There's a limited market, but it's a drawing card to get people into the sales room, so you can sell them something—and it really does. That's why it's advertised as such.

But as Mark pointed out, 2% or less of vehicles in Canada are SUVs anywhere near the size of the Hummer. Over 30% of our market—one of the best in the world—is small vehicles.

The Chair: We'll have to move on.

Monsieur Lussier, you have five minutes.

[*Translation*]

Mr. Marcel Lussier (Brossard—La Prairie, BQ): Mr. Nantais, you mentioned in your submission that automotive builders had developed 70 advanced technologies.

What is the current situation with respect to manufacturing electric automobiles? Are some companies prepared to move forward with the production of electric cars?

[*English*]

Mr. Mark Nantais: Regarding the electrification of the car, we went through a phase in the early 1990s that didn't quite work out so well. Battery technology did not evolve at that time as far as we would have liked, in terms of meeting customer satisfaction criteria, such as range, durability, reliability, and so on.

We've made tremendous progress in terms of new battery technology. So you're going to see more electrification of the car. You're going to see plug-in type hybrids. At the last Detroit auto show we saw several different types of technologies, all focused on the electrification of the vehicle. This is only one type of technology we're looking at. As I said, there were 70 new ones there. More variations are going to come forward, and this is what competition is all about.

Companies move forward on the basis of technical preparedness, so they can meet customer demands that change quickly in the marketplace. That's the name of the game as we go forward. That's why we all compete very fiercely in terms of the marketplace.

● (1705)

[*Translation*]

Mr. Marcel Lussier: Mr. Adams.

[*English*]

Mr. David Adams: Yes, Mark highlighted the fact that all the companies are competing on an aggressive basis in a global fashion. What you find is that some companies have chosen different technology streams as their lead stream. In the case of some of the Japanese manufacturers, it's been hybrid technology. In the case of some of the European manufacturers, it's been diesel technology. In the case of the North American manufacturers, there's been a focus on E85 alternate fuel technology. But those aren't the sole technologies that are being embraced.

In terms of electric technology, which you're referencing, the real issue at hand is the battery technology that still needs to be developed and refined. I don't know that much about it, but my understanding is that Canada does have a resource base in battery technology. From my perspective, this is something that should be encouraged in Canada.

Mr. Mark Nantais: Mr. Lussier, I think we need to remember that we have companies in Canada that have research facilities. They are developing everything in Canada from hybrids.... In fact, we're going to have the first hybrid built at Ford Motor Company, for instance. It's the first hybrid in Canada. If we have healthy companies in Canada that have research facilities, they're going to continue to do the research and development, and they'll commercialize the technology as we go forward.

We have to ask ourselves what the main objective is. Are we looking for something that's going to cause a great deal of pain for the auto industry? Are we looking for something in terms of regulation that is going to provide something reasonable, something that continues to provide high-value, high-paying jobs in our industry—literally tens of thousands of jobs—and do it in a fashion that will give us environmental benefit and ensure that we continue to do innovation and research and development in this country for high-value jobs, or are we trying to do something that is basically going to hurt them?

I would suggest that we're better off addressing the economy and addressing jobs in a way that can still provide the environmental benefit. I think we can do that if we choose a regulatory direction that is reasonable. We think, with the new changes in the U.S., that it will be aligned with CAFE.

[*Translation*]

Mr. Marcel Lussier: Is your association in favour of the government offering a tax incentive to companies that manufacture electric automobiles or hydrogen-powered vehicles?

[*English*]

Mr. Mark Nantais: Our argument is this. It starts with a series of things. First off, where are you going to get the biggest bang for your buck? Where are you going to get the largest emissions reduction? We would suggest to you that it's in the areas of fuel quality and renewable fuels, because when you add the fuel to the technology, you get maximum environmental benefit.

Second, there is the fleet aspect. There is huge influence there that can be levied by fleets in terms of procurement. The more vehicles we get in fleets, the more people can see that these technologies do work and will provide environmental benefit. In terms of roles, the government has a role there, but there are also private fleets. Why wouldn't we provide incentives to commercial and private fleets as well? Get more vehicles out on the road and get them the fuel they need to do the emissions. As well, what about these older vehicles? We could provide incentives to get the older vehicles off the road. It would help some of the lower-income people as well.

Third is the technology itself. We would suggest that you not pick winners and losers. There's a full slate of technology; some cost more than others, but some technologies provide more environmental benefit than a more expensive technology. We would say to you, because we're all competing very fiercely in the marketplace, that you should not pick in terms of winners and losers, but pick on a GHG basis or something for environmental benefit.

The other one would be research and development. We want to expand research and development in Canada. We want to provide the technologies—made here, sold here, and ultimately exported abroad—because that's where it's going to be at as we move forward.

The Chair: Okay. We need to stop there.

Mr. Jean is next, please, for five minutes.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

It was mentioned that if all old vehicles were taken off the road, there'd be 50% fewer fatalities. I'm curious: if all the vehicles that were one year old or older were taken off the road as of today, what percentage of GHGs would we actually save? Does anybody have any figures on that?

Mr. Buzz Hargrove: It would reduce overnight to 1%. We contribute about 12% today. We would reduce overnight. If you took all the vehicles that are a year old or older, you would be down.... It wouldn't be a problem; we wouldn't be talking about our industry.

Mr. Brian Jean: What is the percentage? It's now 12% of the total greenhouse gas emissions. What percentage would it be, approximately, would you suggest, Mr. Hargrove? What percentage would you suggest? The transportation industry is now at 12% of GHG emissions, correct?

● (1710)

Mr. Buzz Hargrove: Yes.

Mr. Brian Jean: What percentage would you suggest it would be?

Mr. Buzz Hargrove: We are down to 1% on the new vehicles sold. The quickest way to reduce to 1% is to get rid of all the older vehicles. It's not realistic to say that we're going to take everything a year back, but if you went from even ten years back....

Mark, what are the numbers? Is it 37%?

Mr. Mark Nantais: It's 37 to one.

Mr. Buzz Hargrove: Yes, it's 37 to one, so it's a huge improvement. Getting some of the older vehicles off in a hurry would make a big difference.

Mr. Brian Jean: Mr. Ogilvie, do you have a very quick response, please?

Mr. Kenneth Ogilvie: Well, of course 92% of the Canadian public wouldn't be driving a car if you took all the old vehicles off the road. That's one issue, but also—

Mr. Brian Jean: The point was to replace them with modern vehicles with modern fuel systems.

Mr. Kenneth Ogilvie: Yes, but then you'd be much more than 1%.

Anyway, I'll go back to the point about the U.S. EPA 2006 projections. The fleet today is no more fuel efficient, in total, than it was 20 years ago. Had that technology, or at least some of it, been put into fuel efficiency instead of into increased power and speed, we would be much more fuel efficient today. That's what a standard will do for you.

Mr. Brian Jean: I understand.

I'd like to have this question answered by every one of the people here, but I'd like to start with the auto sector. I'd like you to be fast, as well, just simply because of the time. We have a committee chair who holds us to that time.

First of all, what timeframe would you like to see the regulations brought in—the short, medium, and long term—and what percentage would you like to see in each of those categories?

I'd like to start with Mr. Hargrove. Could you take less than 30 seconds, please?

Mr. Buzz Hargrove: I'd like 25% fuel efficiency on every vehicle sold in Canada by the 2014 model year.

Mr. Brian Jean: Do you see any terms—short, long—or is that it?

Mr. Buzz Hargrove: You'd have to start immediately to get there by 2014.

Mr. Brian Jean: Mr. Adams.

Mr. David Adams: Our proposal would be for the end of the MOU, which is 2011. In terms of the percentage, as we've been saying, we need to work in an integrated fashion in the North American environment, which makes that percentage difficult.

Mr. Brian Jean: Mr. Nantais.

Mr. Mark Nantais: Like the AIAMC members, we want post-2010. We want alignment with the U.S. CAFE. We have to remember, of course, that we have a fleet that is smaller in Canada. Actually, the challenge we have is harder in Canada because we have the smaller fleet already. It's much more difficult to shift things forward, but we will end up with a bigger benefit, if you will, if we were to do that.

Mr. Brian Jean: If I understand it, the auto sector is interested in following the American standard, in essence. Is that fairly—

Mr. Mark Nantais: Yes, the reformed CAFE.

Mr. Brian Jean: Okay.

Can I hear from Mr. Bennett, please?

Mr. John Bennett: As I said earlier, it should be 6.7 litres per 100 kilometres combined fleet average for cars and light trucks by 2011, which is about where they should be at the end of the MOU.

Mr. Brian Jean: What percentage would that be off the standard today?

Mr. John Bennett: That's about 25%.

Mr. Brian Jean: Mr. Ogilivie.

Mr. Kenneth Ogilvie: It should be 2011, with annual improvements to a chosen year. Certainly we should be looking at about a decade, if we can. Also, I'd point out that most cars that are purchased aren't manufactured in Canada. Why can't we start standards on those cars immediately and adjust for the situation of our current auto sector as part of that standard process?

Mr. Brian Jean: Do I have any more time, Mr. Chair?

The Chair: You have 40 seconds.

Mr. Brian Jean: Mr. Bennett, I want to be fair, you had some comments to make before in relation to some questions.

Mr. John Bennett: On this 37, they're mixing their metaphors. They're telling you the new fleet is very different on greenhouse gases. It's not. It hasn't improved marginally in the last 15 or 16 years. The number they're giving you is about the improvement in the smog emissions, but their climate change emissions aren't that much different. If you had the last seven years...it's about the same. The standard hasn't changed since 1990, and the fleet hasn't improved significantly since then.

The Chair: Thank you. Your time is up.

Mr. Holland, for five minutes, please.

Mr. Mark Holland (Ajax—Pickering, Lib.): It has been asked a number of times, but perhaps you can get back to us with an answer. The issue on new fleet and reduction of greenhouse gas emissions is not clear at all. Basically we're told that 1% of the 12% is new cars, but the real question is if you were....

I agree with Mr. Ogilvie. It is a stretch to believe that overnight you could replace all the vehicles in Canada. Everybody would agree with that. But just so we have a basis of what kind of difference it would or wouldn't make, if all the vehicles were replaced, then what would that 12% be? Would it still be 12%, or would it be some other number? It certainly wouldn't be 1%. There was some impression that it would be 1%. I don't think it would. If we could have that number, it would be helpful, because it would determine the usefulness of focusing on new fleet, as it pertains to greenhouse gas emissions.

On the comment “don't pick winners and losers”, I agree with that notion, in a broader context. Maybe you, as a panel, could help me with the following problem. We have serious infrastructure issues in terms of bringing either new fuel forward or outlets to deliver that fuel. Let me give you some examples. If we're talking about going in the direction of biodiesel, then obviously we have to find ways to ramp up production and find locations to distribute that biodiesel. If we go the route of ethanol, we have to produce sites to distribute that ethanol. If we go the route of hydrogen, for which possibly the first commercially available vehicles would be in 2010, then we obviously have to have a hydrogen infrastructure in place.

I'm guessing that those of you in the auto industry are not suggesting you're going to provide that infrastructure. Obviously, we would have to, or we would have to be part of it. You say “don't pick the winners”, yet by the same token we have to come to some conclusion about how we actually get these alternative fuels that you are telling us is the real meat of where we can get reductions and improve quality. How would we get that infrastructure in place if we're not picking winners or losers?

● (1715)

Mr. David Adams: If I could start, Mr. Holland, I think in terms of looking at something like E85, it's not particularly technology that my members have embraced as much as Mr. Nantais' have, but I think infrastructure is critical there. I think that's why the focus is on fleet applications in terms of does it not make sense that rather than spread that infrastructure across Canada, you would set up either government fleets or even commercial fleets, where a small infrastructure could be set up for that fuel that could then service a whole fleet of vehicles in a commercial or government application, for instance?

In terms of alternative fuels generally, perhaps a lower percentage of ethanol—for instance, 5% in the mandate that's being looked at—widely disbursed across the country is a more reasonable way to pursue that.

Mr. Mark Holland: Just before others answer, I'm interested in other answers, but you can understand the dilemma that's in front of us, which is that certainly one wouldn't say that we should develop infrastructure for all of the emerging technologies, so how do we deal with that? It becomes extremely problematic, because if the answer is in the fuels, as is being told to us right now, then what fuels are we betting on and what infrastructure are we trying to get? We can't have ethanol offered at every gas station, biodiesel at every station, and hydrogen at every station. To some extent, we have to choose, and that's the dilemma. How do we get around that if it is in fact the reality that fuel is going to be a big or principal driver of these improvements?

Mr. Mark Nantais: The gasoline infrastructure is in place and it's widespread. We have, in the foreseeable future, a dependence on gasoline, but if you can get upwards of a 66% reduction in greenhouse gas emissions by putting infrastructure in place for something like ethanol, particularly cellulosic ethanol, why wouldn't you want to consider that? What's the real objective here? It's to reduce greenhouse gas emissions.

So you have an existing infrastructure. We're not asking every station out there to convert to ethanol. We're saying fleets are a classic case, because everybody has to come home at night to refuel. So you have one refueling place, but you can get all these vehicles on the road and have some real material reductions there.

In the United States, for instance, they're concentrating on independent gas stations. The big brand names don't seem very interested, so car companies are going to the independents and—guess what—there's uptake. But they're providing some support to those stations to put in place maybe at least one pump.

So, no, we're not looking for massive conversion of the infrastructure. We're looking for selective, centralized infrastructure—for fleets, for instance—and some progressive evolution of an infrastructure in terms of retail. We have ethanol, particularly cellulosic; and we have Iogen, for instance, in the city of Ottawa, which is a front-runner in this. Guess what? We suspect their first plant is going to go to the United States. I think we're missing a huge opportunity here, particularly when we have over 300,000 of these vehicles now on the road and running on gasoline, not cellulosic or ethanol. It's missed opportunity.

I'm not sure you still have to make that selection. All we're saying is, in terms of vehicle technology, don't pick winners and losers. Look to some infrastructure opportunities such as I've just described.

Ultimately we could see developing countries and developing economies—and everybody looks to China—maybe actually leapfrog some of the technologies. They might, just like they did on telephones, skip all the telephone lines and go directly to cellular. Maybe they'll leapfrog and go directly to a hydrogen fuel infrastructure.

● (1720)

The Chair: We'll have to cut it off there.

Mr. Manning, you have five minutes.

Mr. Fabian Manning (Avalon, CPC): Thank you, Mr. Chair.

Mr. Hargrove, I just want to touch on a comment you made earlier in relation to surveys that have been conducted throughout the country. I think you referred to one from CTV as an example, and you made a comment that we all agree that there needs to be something done to improve our environment and that the Kyoto Protocol was something that your organization supported.

I have just a quick question first, and then I'll do a follow-up.

Under the Kyoto Protocol, we had certain targets. We've heard from witnesses here about the impossibility of reaching those targets. What's your view on that in relation to reaching the targets that were set out by Kyoto?

Mr. Buzz Hargrove: No country that signed on to Kyoto has been able to meet the targets, but that doesn't mean they're meaningless. As long as everybody is working towards those targets and using their own best way to get there, I still think it's the most important way.

If we were to close all of our industry down and shut down our airlines, our rail, and everything, in Canada we wouldn't solve a portion of the greenhouse gas problem around the world. We're too small. It has to be done as a collective of the nations of the world.

Mr. Fabian Manning: I also made a note of another comment you made on an intelligent path to get there, and I certainly agree with that.

Last night we had a motion in the House put forward by the opposition and supported by the other parties that Canada meet its Kyoto targets by 2008 and 2012. I've been listening to you for a little while, and I'm very concerned. I'd like to ask this. If that motion became law and we followed through on it, could you tell us today what effect it would have on the auto industry in this country and on the jobs here in this country within the auto industry? If we used a sledgehammer on that today, what effect would it have on the auto industry?

Mr. Buzz Hargrove: My colleague says I can't answer that, but I think I can answer it.

First, it's impossible to get there by 2008 and 2012. That would be the point I would make.

Even if Canada did everything possible, it couldn't do it by itself. If the United States doesn't do it, and if other major powers around the world don't move in lockstep, then you still have a problem. Why would we jeopardize everything that Canadians hold dear while others are going merrily along their way?

Mr. Fabian Manning: Would anybody else like to comment on that?

Mr. John Bennett: I would.

There's no reason why we can't make the target. The Kyoto Protocol has numerous flexible mechanisms designed to allow countries like Canada to meet the target.

On my comment to Mr. Hargrove that he couldn't answer the question, well, he can't tell you what effect it would have on the auto industry until we know what regulations are going to be applied and what incentives are going to be put in place. We can't answer that question until we know those answers first.

Mr. Mark Nantais: It's a very loaded question, but I will say this. Mr. Bennett is right in some respects. Until we know how we're going to deal with it and what policies or regulations we might put in place, it's tough to understand.

But to the extent that it affects the auto industry, we look to our full supply chain, right from mining the ore in the ground, through to steel production, plastic productions, and petrochemicals. All of these things are in some way going to be severely impacted by what it is and how we do it in terms of meeting our Kyoto Protocol obligations.

I can't say how it's going to affect us for that reason. We just don't know. But I can tell you that there could be a severe impact on our supply chain.

Mr. Fabian Manning: Let's get back to voluntary versus mandatory compliance and your comment on that earlier. You gave us some idea that over the past number of years you were voluntary compliance.

As a committee, in trying to find a balance to put forward to address some of the concerns we have, like mandatory compliance over a period of years, is there something under a mandatory compliance that you could put forward to us today that you or your industry could accept? Instead of having voluntary compliance, where, even though you've worked on that, it's left to the winds, is there something we could have some checks and balances on through mandatory compliance?

● (1725)

Mr. Mark Nantais: I'm not quite sure I understand the question.

I don't think you're suggesting we should get rid of the MOU that we signed.

Mr. Fabian Manning: No.

Mr. Mark Nantais: Regulatory speaking, I think we've categorically stated where we stand on that. We're an integrated industry. There are real benefits that can be derived to Canada. We have some of the best technology coming to Canada as a result of that, such as on our smog-related emission control systems, the most stringent national standards in the world. We can bring them to Canada at less cost, and we can spread that technology more broadly across the North American market much faster.

We think it's the way to go, because the whole program is changing. It's going to become much more stringent and more difficult for manufacturers to meet. It's why we're suggesting that we cannot decouple ourselves from the United States. It's the way we are. We're NAFTA. We're a free trade bloc, if you will. Quite frankly, why would we want to do otherwise?

The Chair: We'll have to cut it off there.

I'd like to give the last slot to Mr. Paradis, who is the last committee member present who hasn't spoken. We took a slot away from the Conservatives this morning.

If everybody is happy with that, we'll hear from Mr. Paradis.

[*Translation*]

Hon. Christian Paradis (Mégantic—L'Érable, CPC): Thank you, Mr. Chairman.

My question is for the automobile industry representatives.

Under the current Canadian Environmental Protection Act, fuel mixtures are regulated. However, fuel mixture efficiency is not regulated. I see an important difference here.

As I understand from your presentation, sound regulations should start out by focusing on fuel mixture efficiency. I understand that an agreement that one might almost qualify as transitional... You also heard the Prime Minister speak at the noon hour and you stated that regulations were set to come into force.

Is Bill C-30, draft legislation that would regulate fuel mixture efficiency, a necessary starting point on the road to meeting our environmental targets?

[*English*]

Mr. Mark Nantais: First of all, I think I would agree with your initial statement. We can regulate fuel quality under CEPA. I don't know if you need the Clean Air Act or Bill C-30 to do that. Obviously, you could use it to regulate our fuel quality. The point, though, is that the technology requires appropriate fuels and fuel quality. That's what we call the total systems approach, and if you don't have the fuel quality there, then you're not going to get and consumers are not going to get the environmental benefit of the technology they're paying for.

It's absolutely critical that you match the technology and the fuel and the fuel quality in the marketplace at the same time. That's what we call a total systems approach. That's what we need in Canada. As Mr. Adams pointed out, we were very alarmed, actually, with the reference in the notice of intent suggesting that in terms of quality, the commercial fuels should be left up to the industry.

The State of California—not on fuel economy, I want to be very clear, but on smog-related emissions—recognized the benefits you get by supporting the technology with appropriate fuel quality. California has and has always had some of the best fuel quality in the world, and that's why they've been able to achieve such significant reductions in terms of smog.

We don't have a national fuel strategy in Canada. We don't have a national fuel regulation in Canada. We have a guideline, and it's a guideline that is pretty much driven by the industry that produces the fuel. We actually pulled out of the Canadian General Standards Board on the basis that every time we made a suggestion to them about improving fuel quality it was deemed, under their ballot processing, to be non-persuasive.

So we believe there's a role, whether it be under CEPA or the Clean Air Act, to look after fuel quality as well as perhaps additives.

[*Translation*]

Hon. Christian Paradis: Mr. Chairman, I was in fact talking about fuel content. Based on my understanding of Bill C-30, it would allow for the regulation of fuel mixtures containing renewable fuels. I merely wanted to clarify the crux of my question before Mr. Hargrove took the floor.

[*English*]

Mr. Mark Nantais: It's the same answer. Yes, it would apply. Under CEPA, though, blends may be a bit of an issue, and I would have to look into that. But I think if the intent under the Clean Air Act is to regulate blends, whether it be alcohol at E10 or E85, then we would support that.

● (1730)

[*Translation*]

Hon. Christian Paradis: Mr. Hargrove, you have—

[*English*]

Mr. Buzz Hargrove: If I could just comment on that, there are a lot of different options out there. Firstly, every one of them is very expensive. There are a lot of people writing about ethanol now, a corn-based ethanol. You'd have to transfer almost every acre of ground in North America to producing corn to get anywhere near what you'd need for the E85, and then you'd have to put billions of dollars into an infrastructure to make it work.

So putting money into alternative fuels is one way, but the best way is to require the current system to improve fuel efficiency over an established period of time, no matter what you're using—gasoline, E85, or any other—and have each vehicle meet an improved standard, not just the larger vehicles or the smaller, but everybody.

The Chair: Thank you, Mr. Hargrove.

We'll have to cut it off there. The bells are ringing for me and my pals.

I would like to thank the witnesses very much for their time and for sticking to the schedule. I appreciate it. Thank you.

I'd like to get the members of the subcommittee up here just briefly to talk about a subcommittee meeting.

The meeting is adjourned.

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