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Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

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● (1530)

[*English*]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone.

We're here to continue our study on market diversification in the energy sector. This will be our last meeting of witnesses on this topic. We have an excellent panel here before us today. I'm very much looking forward to hearing from them.

First, we have from the Montreal-East Industrial Association, Mr. André Brunelle, president, and Mr. Dimitri Tsingakis, general manager. Welcome to both of you.

We have from the Canadian Electricity Association, Mr. Jim Burpee, president and chief executive officer. Welcome to you, sir.

From the Canadian Manufacturers and Exporters we have Mr. Martin Lavoie, director of policy, manufacturing competitiveness and innovation. Welcome to you.

From the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada—which tells a story in itself, a good title—we have Mr. John Telford, director of Canadian affairs, United Association Canada. Welcome to you, sir.

First, thank you all very much for coming. We do appreciate it. We'll have the presentations in the order you're listed on the agenda for today.

We'll start with the gentleman from the Montreal-East Industrial Association.

Go ahead with your presentation. You have up to seven minutes.

[*Translation*]

Mr. André Brunelle (President, Montreal-East Industrial Association): Good afternoon.

[*English*]

Can I do it in French?

The Chair: Sure.

[*Translation*]

Mr. André Brunelle: Thank you very much for your invitation today and for giving us the opportunity to speak with you a little bit about what is happening in Montreal East.

The Montreal-East Industrial Association, or AIEM, currently comprises 13 companies located in east Montreal. This association was founded in 1960. On the slides, you will see that we began our work in the 1960s. We first dealt with air quality and then moved on to risk management and building relationships with the community.

Over the last few years, especially after recent events in the economic sector in Montreal East, we have focused our efforts on the economic aspect. There are really always three aspects to sustainable development. There is of course an economic aspect, a social one and an environmental one. Obviously, an association such as ours could not work if we did not think about the economic side of things.

I would like to draw your attention to one element. We could, of course, talk about numbers and contributions to the GDP. However, I would like to say a little bit about the close relationship between the companies that make up the AIEM. You can see from the slide that there are many arrows and links between the companies in Montreal East.

The next slide shows you how things evolved on our side. You can see the report that was published in 2003 entitled “Profil industriel”, or industrial profile. The Xs represents businesses that have unfortunately disappeared from Montreal East since that time. In 2010, when the Shell refinery decided to close, there was a reassessment of the situation. We saw that something was happening and that we should take a closer look. The message the AIEM received was that a number of things had already occurred in Montreal East and that not enough attention had been paid to them.

On this slide, it is interesting to note that, in the petrochemicals sector, there were really two significant streams in Quebec. One was the olefin stream, which means everything related to polyethylene and polypropylene. There was also the aromatics stream, related to the polyester chain, which still exists in Montreal East.

Unfortunately, Quebec lost its entire olefin sector when Pétromont and Basell closed down. Not only were they closed down, but they were also completely demolished. We no longer have these plants in Quebec.

What we have left is the aromatics stream, and we would like to draw your attention to it. You will see it on the next slide. There are four companies in Montreal East that are interconnected and that make up the only polyester chain in Canada. You will see the word “polyester” on tags on shirts, hockey jerseys and fleece. All of these fabrics are made of polyester. The chain you see on this slide is the only one of its kind in Canada. There are no others.

This chain is made up of four companies. It all starts with a refinery, because our feedstock comes from there. Para-Chem refines and manufactures paraxylene, which is sent to Cepsa which produces a white powder called PTA. This powder is sent to Selenis to be mixed with a glycol to produce an ester. This is then polymerized to produce polyester and plastic beans which, when stretched, can be made into thread and fabrics. When welded, they produce packaging material.

If you look at a bottle, you will see the number 1 on it. This indicates that it is made of PET. That is polyester. These molecules are made in Montreal East. This plastic is completely recyclable. When you put it in your recycling bin, you are giving it value. It is important to mention that.

Today we also have to talk about the supply issue. Someone mentioned the saying about the bear. Let's say that I am a refiner and that Dimitri is also a refiner. We are both being chased by a bear. I do not need to run faster than the bear; I just need to run faster than Dimitri. This is what is happening in North America. There probably will not be any new refineries, but others will close.

The next slide shows that many of the refineries in North America are already using oil from the west, which is cheaper. We hear about this every day. We are currently trying to have more options for where we get our feedstock, because even if you have the best plants in the world, your opportunities will be seriously compromised if you have no flexibility in your feedstock supply options.

To illustrate this, on the next slide, we show that since the Shell refinery closed in Montreal East, other refineries also closed. Rationalization continues.

● (1535)

I would like to add an extremely important point. Although the refineries have been shut down in the east, a lot of equipment and products that can supply the markets do come into the port of Montreal. We are convinced that we have leading-edge facilities and that we are able to produce products well. As long as we are the ones who will be using these products, we are better off producing them locally so that we can get some added value rather than turning to others, elsewhere in the world, to have them manufactured for us.

By having raw material options, we can safeguard the petrochemical cluster located in Montreal East, enabling us to contribute to Canada's GDP. This is more or less the message that we wanted to convey to you today.

Obviously, there are many challenges that need to be addressed. Indeed, this is not only about having access to raw materials. In a competitive market, if we do not have any raw material options, it would be very difficult to ensure the survival of the entire polyester chain.

Thank you very much.

[*English*]

The Chair: Thank you very much.

We go now to the second witness, from the Canadian Electricity Association, Mr. Jim Burpee, president and chief executive officer.

Go ahead, please, Mr. Burpee.

Mr. Jim Burpee (President and Chief Executive Officer, Canadian Electricity Association): Good afternoon. My name is Jim Burpee. I'm president and CEO of the Canadian Electricity Association.

We are the national voice of electricity in Canada and have been since 1891. We represent all industry stakeholders—including utility companies, energy traders, and representatives from the full electricity value chain—that provide electricity generation, transmission, and distribution services to industrial, commercial, residential, and institutional customers across the country.

I'm pleased to be here today to speak to market diversification in the energy sector. I noted that in most committee meetings on this topic thus far, the main focus has been on resource development and diversification of the oil and gas sector. Of course, this is not surprising given the current political climate and the pending approval of Keystone XL. However, I do want to stress that, as governments across the country continue to focus on resource development and diversify into markets in which Canada exports its oil and gas, it is imperative that we also focus on the backbone of all resource development and the whole economy: electricity.

Canadian families and businesses depend on electricity each and every day. Without thinking about it, when you walk into your home, you turn on the lights and the television or crank up the sound on your stereo. Businesses depend on electricity to power the lights in their offices, but also to power new projects. As time goes on, we all become more and more dependent on electricity to power our smart phones, to keep our computers running, and even to wash our dishes.

As governments and businesses look to do more resource development and embark on large-scale projects like Keystone XL and the west-east pipelines, they will expect electricity to be there as it always has been, powering these projects as they move forward. However, most of Canada's electrical power grid was built well over 25 years ago to serve a population of 20 million people. Today, that population exceeds 34 million, people whose lifestyles are increasingly dependent on electrical devices.

As an industry, we are embarking on new, ambitious, and transformative projects to bring electricity in line with the needs of the 21st century. According to the Conference Board of Canada, investment in Canadian electricity infrastructure will be as much as $350 billion over the next 20 years. This is a huge investment, one that will result in an average of 156,000 jobs each year over the same time period. With Canadians using more and more electricity and governments looking to expand resource development, these upgrades in Canada are vital to ensuring that Canada's energy grid can handle the increased demand.

In order to achieve this, we need to look at diversifying our markets right here at home. This means looking at different ways of doing things, including finding more efficient, effective, and cleaner ways of powering our homes and businesses. A key part of this will be looking to develop and access new regional markets across the continent. How do we do that? It's simple, really. We all recognize that electricity is central to our lives at home and at work and to our prosperity as a nation, and we are proud to have a sophisticated electricity system that has for years given Canadian industries a substantial competitive advantage over other countries. To move forward this competitive advantage, with a system that Canadians can count on day after day, we need investment and cooperation.

Decision-makers at all levels need to have a frank discussion about electricity development over the coming years. Now more than ever, the electricity sector needs long-term policy and regulatory certainties to support the necessary long-term investments. There is a need for federal leadership and a comprehensive pan-Canadian energy strategy, one that understands that investing in our electricity system for future generations is essential to economic growth and prosperity across the country. It requires an approach that is sensitive to jurisdiction but supports interprovincial cooperation and efficiencies.

A great example of interprovincial cooperation, federal leadership, and development of new regional markets is the Lower Churchill project. This project, supported by a federal loan guarantee, will bring clean hydroelectricity to two Canadian provinces: Newfoundland and Labrador, and Nova Scotia. Additionally, it will create jobs and growth in the region, reduce greenhouse gas emissions, and increase trade opportunities with the United States. More regional markets like this one can be developed. For example, Canada's north has an abundance of resources and land, but lacks adequate electricity for major development. We urge governments to work together as we all cooperate to upgrade Canada's electrical infrastructure.

While we continue to look to diversify markets here in Canada, we are also strengthening our relationship with our neighbours to the south. Unlike the oil and gas sector, which is looking to diversify away from the United States, the electricity sector is looking to enhance the opportunity for electricity trade with the United States.

Currently, Canada is largest supplier of electricity to the U.S. Our vibrant bilateral electricity relationship has been beneficial to both countries for decades. You may not know that our networks are interconnected at more than 35 points. This has allowed both countries to benefit from numerous advantages.

● (1540)

You may also be surprised to hear that depending on the time of day or other variables, Vancouver Canuck fans in British Columbia could have been relying on U.S.-generated electricity to watch the recent series on their TVs. Similarly, a car manufacturer in Michigan may not know that they use Canadian electricity imports to power their assembly lines.

Our electricity relationship with the United States is quite intricate and dynamic. We are trading electricity with our partners to the south around the clock. This healthy trading relationship provides for long-term capabilities in both countries. All the action can be seen on the trading floor just across the river at Brookfield Renewable Energy Partners. There you will see continuous trade in different time frames: hourly, futures, and real time.

Many people in the electricity sector say the North American grid is the world's largest machine. It underpins the economy, national security, and public health for the 350 million people it serves around the clock. Like anything man-made, our grid requires its fair share of maintenance and servicing. Simply put, investment is vital to having a modernized electricity system that ensures that North Americans can continue to enjoy their quality of life, and it's essential for businesses on both sides of the border that are looking to grow and expand their operations.

Governments and industry need to work together to inform the ongoing public debate about electricity that is happening across North America, with a special focus on price, value, and a need for infrastructure renewal. Canadian electricity is reliable and a pillar of our society and economy, yet often taken for granted.

The costs of increasing capacity to meet the growing demand from a growing population, coupled with the need to replace aging infrastructure, will result in price increases. A frank discussion is needed, but as we've seen through our work as an association, when presented with the facts, Canadians understand the great value of Canadian electricity and the need to maintain the system.

We all need to make sure that development of a 21st century grid is governed by 21st century regulatory regimes—less duplication, less red tape, and less administratively burdensome regulation—while, of course, ensuring proper security and environmental balances. Governments on both sides of the border need to remain vigilant to avoid erecting any additional barriers that may inhibit interjurisdictional power flows.

So what can the federal government do to help us as we move forward with our transformative projects to upgrade and enhance our electricity infrastructure? In Canada the federal government must take on a leadership role and begin a dialogue with the provinces and territories in a pan-Canadian approach to energy where electricity is the backbone. This leadership and dialogue will also allow governments at all levels to assess potential regional markets that can be developed to access cleaner and more efficient electricity sources.

In terms of upgrading the North American grid and enhancing our trading relationship with the United States, the electricity sector is urging governments on both sides of the border to avoid erecting barriers that may inhibit interjurisdictional electricity trade and remain vigilant in reducing red tape and duplicative administrative burdens on importers and exporters.

We also need the government's help in addressing some public misconceptions around investment in electricity infrastructure, as I mentioned earlier, by helping electricity consumers understand the value for money, but also address misconceptions around health and safety concerns. With this, we can ensure Canada's electrical system continues to be there for Canadians as it always has been, at a price they can afford for years to come. It will also ensure that new large-scale projects are properly supported. After all, electricity is a critical enabler for resource development.

More information about CEA's specific recommendations on these topics can be found in the material provided to you today. The first is a policy paper on the need for a pan-Canadian energy strategy that was distributed at a 2012 Council of the Federation meeting. The second is a recent policy paper on Canada's electricity relationship with the United States that offers recommendations for an enhanced North American grid.

Thank you.

● (1545)

The Chair: Thank you very much.

We go now to the Canadian Manufacturers and Exporters with Mr. Martin Lavoie, director of policy, manufacturing competitiveness and innovation.

[*Translation*]

Mr. Martin Lavoie (Director of Policy, Manufacturing Competitiveness and Innovation, Canadian Manufacturers and Exporters): Thank you, Mr. Chair and committee members, for inviting me to appear before you in order to discuss the diversification of the Canadian energy market.

First of all, I would like to congratulate you for embarking on this comprehensive study, which is essential for our economy.

[*English*]

Canadian Manufacturers and Exporters is Canada's largest trade association. We represent about 10,000 companies across the country.

The manufacturing industry is quite concerned, in general, about energy supply and demand, and we strongly believe that the government has an important role to play in making sure that increased supply will meet the needs of our industry.

As large consumers of energy, we are concerned with the price and the diversity of energy available on the market. As manufacturers, we're also concerned with the transport infrastructure needed to make the energy more available and affordable for manufacturers. Finally, as exporters, we believe it is in our interest to make sure we don't limit our production capacity with inefficient infrastructure.

I'll say just a couple of words on the consumption of energy by the Canadian manufacturing sector. As you can imagine, energy is an important element of the cost structure of any manufacturer. Manufacturing accounts for about 68% of energy consumed by all industries in Canada—that excludes commercial and institutional consumption. In Ontario only, about 60 large industrial customers account for one-fifth of all electricity consumption in the province.

Let me talk about the sources of energy consumed by Canadian manufacturers. The dominant energy sources in manufacturing are largely electricity, at 29%, and natural gas, at 27.8%. They both account for 57% of all energy consumption in Canada's industrial sector. If you add all variants of heavy fuel oil, you have about 91% of all energy consumed by the Canadian industrial sector.

Let me say a couple of words on the cost of energy used by industry. That's, of course, a major concern in Ontario. I think we used to have a competitive advantage over the U.S. with respect to industrial electricity rates. However, in recent years the U.S. has quickly found cheaper sources of unconventional natural gas sourcing, using new, innovative methods—we've heard about fracking and other new, innovative ways of exploiting natural gas —which have made this source of energy more affordable to U.S. manufacturers.

Some observers are talking about a resurgence of manufacturing as a result of new forms of cheaper energy. The U.S. production of natural gas has increased by over 350% between 2007 and 2011, and it will continue to grow at least until 2040, given the size of export markets available.

Our competitive advantage is decreasing, especially in Ontario, as I said. While the province had cheaper rates than the average U.S. rates before 2008, we estimate that Ontario industrial rates will increase by 34% by 2017. As a result, the gap between the U.S. and Ontario industrial rate is expected to more than triple over the next five years.

In summary, we believe it is important for Canada to consider the cost of energy and its role in the economic development of the country. We believe that government policy should try to provide reliable and diversified sources of energy at competitive prices. That can be done through regulations, but also and more importantly, through the development of our own reserves of unconventional natural gas, as well as investments in the infrastructure required for transportation.

Let me talk about infrastructure and export diversification. We often refer to Canada as an energy superpower. I both agree and don't agree.

I agree because our oil reserves of over 25 billion barrels of crude oil, our 150 million barrels of economically recoverable bitumen, and our 40 trillion cubic feet of natural gas are amongst the largest in the world.

In one sense I disagree because if we don't have the capacity to extract, transform, and transport these resources, they will remain just a great asset on paper and we might never see the full benefits of them. In order to become a real energy superpower, we believe that Canada needs to increase its production and transport capacity.

In recent years, global investment in Canada has led to an unprecedented development of our oil and gas sector, to a point where our capacity to produce is coming close to surpassing our capacity to transport and export the resource in the same vein. At the same time, we need to diversify our markets. No longer can the United States be Canada's only market. While this may sound like common sense to many of us, increased production and export diversification mean that we need to significantly improve the transport infrastructure for these resources.

As the same time, new forms of extraction are allowing new competitors to rise, as well, in the U.S. In the not-so-distant future, Canadian producers and exporters in the oil and gas sector will face competition from new shale gas and oil producers in the U.S., who can produce at a significantly lower price.

● (1550)

Crude oil and natural gas liquid production in the U.S. is expected to increase by 74% by 2020. New crude oil production from North Dakota, Texas, Colorado, Wyoming, and Utica shale will add 1.5 million barrels a day to the U.S. production. These producers will compete with Canadian producers for access to the same refineries on the gulf coast, among others. Some reports suggest that the U.S. will become significantly less dependent on foreign sources of oil in the next five years, making an even stronger case for Canada to start looking at increasing exports to Asia.

In the natural gas sector, British Columbia is front and centre of the liquefied natural gas export story in Canada. The province has recently produced a liquefied natural gas strategy to guide the development of this new industry. There are now five proposed export facilities along the B.C. coast that would facilitate the export of liquefied natural gas to markets in Asia. Global demand for liquefied natural gas is expected to double by 2020, about the time when some of the proposed projects could be in operation.

In conclusion, I'd like to again congratulate the committee for undertaking this complex study. It is in our interests that any national energy policy that might come out of this study, or even further down the road, looks at the benefits of stable, diversified, and secure sources of energy for all industry sectors and, in particular, the manufacturing sector.

Thank you very much.

The Chair: Thank you, Monsieur Lavoie.

We'll go now to the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada. We have Mr. John Telford, director of Canadian affairs, United Association Canada.

Go ahead, please, with your presentation, for up to seven minutes.

Mr. John Telford (Director of Canadian Affairs, United Association Canada, United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada): Good afternoon, members of the committee, fellow witnesses, and Chair Benoit.

My name is John Telford. I'm the director of Canadian affairs for the United Association of Journeymen and Apprentices of the United States and Canada, commonly known as the UA.

Our association was founded in 1898. The UA is a multicraft union whose members are engaged in the fabrication, installation, and servicing of piping systems. In North America we represent 326,000 members. In Canada we serve over 53,000 members, including 9,000 apprentices. We represent eight major trade classifications, all of which work on natural resource projects both in new construction and maintaining the existing facilities.

Here are a few examples of the kinds of people we represent and the important work they do. Steamfitters and pipefitters are the people who build the massive refineries in the oil, gas, and power sectors. Plumbers are the people who control the quality of the water in these plants, the supply of potable water, and waste water removal. Instrumentation technicians and mechanics control the process and limit pressure for safe operation of plants.

Heating, ventilating, air conditioning, and refrigeration mechanics install and maintain the systems that control the temperature of the plants and the refining processes, along with the air quality. Sprinkler system installers—“sprinkler fitters”, as we call them—provide fire and explosion suppression systems for plant safety.

Metal trade workers work across the country in metal fabrication shops in Quebec, Ontario, New Brunswick, and many of the other provinces, all working on spinoff projects of the natural resource projects. Pipe welders are the people who build pipelines, and perform pressure welding on all high and low-pressure process systems.

We have 30-plus training centres across Canada, and spend nearly $30 million of members' money on training journeypersons and young apprentices every year.

Every day, 30% of our membership is engaged on Canada's natural resource projects. Natural resource projects and the continued focus on our energy economy matter to the men and the women, and their families, that I represent. Market diversification in Canada's energy sector, simply put, means long-term, well-paying careers.

You heard from the building trades on April 25. My remarks today build on those that Mr. Smillie made.

Market diversification means more secure opportunities for Canadians, their children, and their children's children.

In your study backgrounder, it appears that you are undertaking to understand three components: export market diversification for Canadian energy; product diversification in Canadian energy; and diversification of supply sources in Canadian energy.

When Canada exports more energy, diversifies product mix, and entertains new sources of energy, it means three things to the UA: more work opportunities for young Canadian tradespeople and registered apprentices; more training and work opportunities for Canadian youth; and the opportunity to work on policy measures important to the industry and our members.

Currently, my organization, the UA, works approximately 55 million man-hours a year across Canada. Our owner partners plan to invest $250 billion in new construction in Alberta alone in the next six to eight years. This does not take into account anything outside the province of Alberta. It does not take into account Ontario nuclear rebuilds and refurbishments, and offshore development in Newfoundland and Nova Scotia. It doesn't include Nalcor's Muskrat Falls project, or anything in Saskatchewan where resource development is booming.

When the UA is involved in a project, it means professionalism, accountability, and the development of a highly skilled workforce for the future.

The UA has launched a national recruitment campaign. In phase 1 we plan to invest close to $1 million of members' money finding 25,000 new members for our industry. This campaign really has two purposes: to meet the immediate needs of our industry partners in the natural resources sector, capital projects, and shutdowns in the oil and gas industry; and to create awareness for youth and their influencers—parents and teachers—to make sure that we are recruiting young Canadians into our ranks to be the workforce of the future.

As you can see, we are serious about growing and participating in the growth of the natural resource sector is an important part of that.

● (1555)

A growing percentage of our membership is of aboriginal descent, and many of our local union offices are developing formalized partnerships with aboriginal communities in their areas. A few of these are local 56 Halifax, Nova Scotia; local 67, Hamilton, Ontario; local 628, Thunder Bay, Ontario; and local 170, Vancouver, British Columbia. We are able to train and provide work opportunities for more aboriginal peoples on these large natural resource projects. Without this work, none of this is possible.

If Canada is going to get serious about expanding the breadth and scope of our energy extraction market, we also need to get serious about training and the development of skilled trades as a viable destination career for the future. We need your daughters to get interested. We need aboriginal youth. We need new Canadians to get involved in our trades.

Mr. Smillie covered the skill-shortage issues at another committee briefing last month, so I won't repeat any of that. We need help from the federal government to get workers to where the work is. Our contractors and owners, like Suncor and Syncrude, are spending tens of millions of dollars on travel costs for workers. We need the federal government to institute a travel-cost tax credit for mobility, or an EI grant to help people get to where the work is. I believe this proposal has been tabled already at the request of one of the committee members. This would address some of the regional skills-mismatch issues and also reduce industries' reliance on temporary foreign workers.

In summary, the natural resources sector is the backbone of our workforce. The skilled trades workforce is also the backbone of the natural resources sector. We need a predictable and steady partner in government to enable work opportunities for our members.

I look forward to taking any questions.

Thank you very much for the opportunity to speak here today.

● (1600)

The Chair: Thank you very much.

Thanks to all of you, again, for very informative presentations.

I'm going to do something I very rarely do and take the first seven-minute round for our party—and there may be some time left for Mr. Anderson. I'll be followed by Mr. Julian, and then by Mr. Garneau.

I just came back yesterday from a meeting of the NATO parliamentarians. If you wonder what that has to do with this meeting and the issues we're dealing with here today, I chair one of the committees, the economics and security committee, and at my encouragement, one of the issues we're dealing with is strategic oil and gas and how that's changing the world, especially shale gas production and tight oil/shale oil production. The name of the study we just started to look at is, “The Economic and Strategic Implications of the Unconventional Oil and Gas Revolution”. They call it a revolution—and when you look at the numbers, you can see why.

Looking at the United States alone, they have increased their natural gas production just in the last few years by 50%. As some of you have mentioned, electricity is being imported, but so is natural gas into Canada right now.

Australia, within the next year probably, will become the biggest producer of natural gas in the world, surpassing Qatar. So there's a huge change there.

In terms of oil, the United States, as of about a year ago, is producing about seven million barrels a day, and Canada about four million. The United States last year increased its oil production, due to tight oil, by 800,000 barrels. That's going to continue in the years ahead. It means that right now, in fact, they only import about 18% of their oil from the Persian Gulf.

So things are changing.

I have a couple of concerns resulting from this background information that this report laid out. The first is, what is Canada losing right now by the fact that we simply can't export more oil and gas?

Just last week the former Premier of New Brunswick, Frank McKenna, said at a Bloomberg conference in Toronto: ...[The] economy is being damaged by the delays in getting new pipelines built, yet the people who would benefit from higher investments in health care and transportation are “not part of the debate at all.”

He went on to say that “The value destruction in Canada is staggering” due to delays in pipelines.

Three of you have made comments that tie into this.

To the gentleman from the Montreal-East Industrial Association, you talked about the importance of the west-east pipeline, so we can have lower priced Canadian oil feeding your needs. So, first of all, what are your comments and thoughts on the importance of getting at this, getting these pipelines built so that we can get Canadian oil to market, and specifically to meet your needs?

Mr. André Brunelle: Thank you.

You are absolutely right. There is a big focus right now on energy. The United States is doing things very fast, and we have to take that into account.

[*Translation*]

In order for Canada, particularly eastern Canada, to be competitive, it is important that we have access to western oil through the famous reversal of the pipeline referred to as “line 9”.

As you can see from our slides, other locations in North America can already take advantage of this, but we cannot in eastern Canada. So we have to have access to it.

Exporting is also important. Canada and Quebec must have access to this oil. However, should the Americans become increasingly independent, we are going to have to find other export markets. That is clear to me.

Today, by coming to see you, we wanted to focus in particular on the fact that we need to export outside of Canada. It is important that we not forget that Canada is also capable of doing things well. We therefore have to export our raw goods, if we don't have any opportunities for using them here in Canada, otherwise we will be missing out on a quite incredible opportunity. That is in particular what we wanted to focus on today.

● (1605)

[*English*]

The Chair: Thank you.

Monsieur Lavoie and Mr. Telford, you have also made it clear that there would be a real benefit to having these pipelines built sooner rather than later.

There is an additional problem—and this was something that was discussed at the meeting of this committee of the NATO parliamentarians—that if Canada doesn't get access, especially when it comes to liquefied natural gas, if we don't get involved quickly we could lose out entirely and simply not have a market for our liquefied natural gas.

Australia is a huge player. The United States has already applied for export licences, and I believe they've received one. That was the information we got at this meeting. They will become exporters.

The problem with natural gas even in the United States is that to change one of their import terminals to exporting requires about a $10 billion investment. In Canada it will be more than that. These are huge investments. So what we're probably going to see is the countries that want to buy the gas investing in exchange for long-term contracts, possibly 20-year contracts. You can see what is happening here. As other countries sign these long-term contracts, Canada could lose out.

One of the added benefits of Canada exporting gas, for example to China, is that we'd be replacing new coal-fired electrical generation plants. So it would be a good thing for the environment if we could export as well.

The time is almost up. Obviously I'm not used to this.

If Canada doesn't get its export plants built soon, will we miss out entirely on exporting? At the least it might make it more difficult for us to find the markets that we need.

I'd like your thoughts on that, Mr. Lavoie and Mr. Telford.

There's still almost a minute.

Mr. Martin Lavoie: I think you're right.

First of all, natural gas is a very volatile sector pricing wise, as is the energy sector in general. So diversification would also add some security in terms of supply and pricing. Right now I would say that there is a strong economic case to produce in North America for export to Asia, given the cost of exporting other conventional natural gas in other countries.

I agree with you on long-term agreements, because this is a market that is volatile both ways: it can go up and down. The business plans of electricity exporters 15 years ago were based on a price that doesn't make sense anymore in the U.S.

So with long-term agreements, you could lose out, but they could also offer some protection. It depends on the way you forecast price and demand.

The Chair: Thank you.

My time is up, and if I had more practice at this I could maybe shorten my comments and get in more questions, but for now, I'll have to go to Mr. Julian for seven minutes.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair.

Thank you to all our witnesses.

[*Translation*]

You have touched on many interesting topics. Each of you focused in particular on the importance of having a national energy strategy. We will certainly be getting back to this issue during our questions.

[*English*]

I'd like to start with you, Mr. Telford, because I'm a big fan of the building trades and I work with them a lot in British Columbia. The B.C. building trades tell me that they're very concerned about the rampant abuse taking place in the temporary foreign worker program. A lot of folks, including people in the building trades, are being displaced because the government is allowing pretty well any application for temporary foreign workers coming in.

Do you share the concerns that I'm hearing from the building trades in British Columbia about the abuse and the lack of any sort of oversight of the temporary foreign worker program?

Mr. John Telford: Yes, I would agree with you there. Not being in British Columbia every week, I depend on the people like Tom Sigurdson from the British Columbia and Yukon Territory Building and Construction Trades Council. Last week we had a Canadian building trades policy conference. We held it over on the Quebec side, and this was a major topic at our conference. There's a tremendous amount of abuse there. It's not just in that mining program that they were caught. There were other things going on, and I guess when you're living it every day, it's quite a bit different than if you're 3,000 miles away from it.

But I don't believe that it's any less rampant in Toronto. I don't believe it's any less rampant in Saskatchewan or anywhere else. They were caught in British Columbia, that's all. It's going on, and it is straight abuse. It is people drilling a tunnel for a roadway, making $500 a month—in 2011, in Canada. That's disgraceful.

I hate to go back to this, but it's something that really strikes me. In 2008 or 2009, we had three Chinese boilermakers die at Canadian Natural Resources when a tank collapsed on them. Nobody in this room knows their names because on the same day that those three workers died—a tank collapsed on them—we lost 1,500 ducks in a spill pond at Syncrude. That occupied the newspaper for two months, but nobody could tell you their names, and most people in Canada don't even know that those three Chinese workers died. What did they come here for? They came here to make a living, work safely, and get paid.

● (1610)

Mr. Peter Julian: Do you think the government has failed in its responsibility to put in place a temporary foreign worker program that actually addresses temporary skills shortages in certain areas, as opposed to the rampant hundreds of thousands of applications that have been approved by this government currently? Do you think they fail in their responsibility?

Mr. John Telford: I don't think the government has failed; I think corporate Canada has failed. I think it's time that people stopped taking shots at underprivileged workers, or under-represented workers. I'm not saying that everybody has to be unionized, but everybody has to be treated with respect and dignity and go home with the same number of fingers they came to work with. Is it a government issue? I guess you could take it there.

Mr. Peter Julian: It's their oversight.

Mr. John Telford: A major coal producer, one of the major coal producers in the world, should have enough social conscience not to do that.

Mr. Peter Julian: That's true, though the government is the one approving these applications.

But thank you for your comments; they're very helpful.

I'd like to move on. I want to consider the lack of refinery capacity. I'm a former manual labourer at a refinery that is closed now in British Columbia. There is a lack of new upgrading capacity, new refining capacity. This is a major problem. If we had in place a national energy strategy that put the focus on added value and, instead of importing into eastern Canada, put the focus on upgrading and refining here in Canada, would that make a difference to your members?

Mr. John Telford: Yes. There's no doubt that we're in full support of more refining, but we're also cognizant of the fact that refineries need infrastructure to support them. They have to have piping systems to get the refined materials out. So we're hoping that the gentleman in B.C., Mr. Black, can follow through with his program. He's talking about a refinery. We do know that we are going to get the Edmonton West upgrader at Scotford. That is started already. We're hoping that the west-east pipeline will start at least one or two refinery expansions in Sarnia. We believe there's one in Montreal for sure if we get the pipeline in. We've been told that Suncor will be expanding their refinery in Montreal. We're hoping for something in Quebec City, and there was a project by Irving Oil slated for about 2009, maybe 2010. It was called the Eider Rock project. It was shelved because of the price of oil and the ability to get oil—not just its price but the cost of getting it. That project was about three and a half billion dollars. That would have made Irving the biggest refiner on the east coast.

[*Translation*]

Mr. Peter Julian: Thank you very much.

I will go now to Mr. Brunelle and I will ask you the same question.

In your presentation, you recommended that our industries put the emphasis on value added. Do you in fact find that it would be preferable to implement a strategy that would emphasize value added, refining and processing here in Canada, rather than exporting crude oil?

Mr. André Brunelle: Business success relies on the will to do things well in terms of safety, of production, of units of production, etc. Access to the raw materiel is a key component. I don't want to make a bad pun using the term “conservatism”, but it is obvious that we have to be able to export because we have a lot of resources in Canada. But we also have to realize that there are industries, that they are capable of many things, both in Canada and in Quebec, and that we have to take advantage of it.

The port of Montreal, for example, allows for products to enter the country but also for them to be exported. It is a great asset for us, but also our greatest enemy, in a sense. It is true that it is easy to import products into Canada, but we also want to be able to export our own.

Within the framework of a strategy, if you make the raw material accessible to industries that can process it, the will to do things well in Canada will materialize. That primarily is the message we want to deliver today. We cannot simply say that we must stop exporting. I think that Canada needs exports. However, it is critical to realize that we in Canada are capable of doing things well and going beyond the simple export of commodities. If we put the puzzle pieces together correctly, we should be successful.

● (1615)

[*English*]

The Chair: Thank you, Mr. Julian.

Mr. Garneau for up to seven minutes.

Mr. Marc Garneau (Westmount—Ville-Marie, Lib.): Thank you, Mr. Chair.

[*Translation*]

Mr. Brunelle, it was my understanding that you were in favour of reversing the flow of line 9 where east Montreal is concerned.

You did a good job describing the aromatics industry. At the end of the process, you end up with white beads.

Do these beads stay in Canada to be transformed into clothing or other value-added products or do you export them?

Mr. André Brunelle: Given that we represent about 1% of world production, there are possibilities for uses in North America. I could not tell you who all the clients are that use these small white beads, but certainly many manufacturers in Montreal and elsewhere in Canada or the United States are able to use them.

Mr. Marc Garneau: I know there is a lot of them, but do you know what percentage of them remain in Canada compared to the amount that leaves the country?

Mr. André Brunelle: We could ask for that information. That is part of the business strategy of the company based in Montreal.

Mr. Marc Garneau: That would be of interest to me, because it is nonetheless a product that is relatively crude before being processed.

Mr. André Brunelle: Once it has become a bead, it only needs to undergo one more processing stage to become thread or packaging material.

Mr. Marc Garneau: Thank you.

Do you think that reversing the flow of line 9 could bring the olefin industry back to Montreal?

Mr. André Brunelle: I don't think so. If we want to be competitive, we have to look at what is happening next door in the United States. If we want to manufacture ethene, it is better to make it using ethane which is a component of natural gas. If that great project of liquefied natural gas carriers had materialized in Quebec, some ethane would have been available through that process, which would have led to other possibilities. However, in the current context, I don't think that reversing the flow of line 9 could bring back the ethene industry. That has more chances of succeeding if we use natural gas.

Mr. Marc Garneau: Thank you.

[*English*]

Mr. Telford, one of the choke points, if you like, to our being able to develop our natural resources seems to be the skilled tradesmen you represent. Do you have opinions about whether our own community colleges that produce future plumbers and pipefitters are responding to the need here in Canada? I realize it's a provincial matter, but do you speak to them and say that we need more people, and are they responding to that? I'm interested in knowing whether we're growing enough skilled tradesmen within Canada.

Mr. John Telford: That's a good question, and because it's provincial jurisdiction, I don't know if we want to get into province by province.

I can tell you that the poster boy for it would be New Brunswick. In New Brunswick, due to their down economy for a long time now, they understand that a lot of their people have to get out of New Brunswick to make a living. They've devoted community colleges to steam fitters, sprinkler fitters, and welders especially. They've put a lot of time and resources into the community college level for welding—a lot in my trade as well. I don't know about the electrician, the millwright, and ironworker—I can't speak for them.

I would say that the community colleges in Alberta are busting at the seams with apprenticeship. They're doing all they can. I think they're good, and I think they're trying.

Our problem with apprenticeship is the fact that we need journey people to put apprentices out. You can't send apprentices out to work with apprentices; we need journey people.

A lot of people in my industry—and they don't share my opinion—think that temporary foreign worker is a dirty phrase. I don't think it is. For every two TFWs we can bring into this country in my trade, we can put two apprentices to work. If I don't get more tradesmen here, I'm going to be choked on getting apprentices out. We cannot put 15 apprentices together on a nuclear power plant. We can't put 15 apprentices together on a heavy oil project. They have to be mentored by tradespeople.

On the community college thing, I think they're doing a fairly good job, and we back up that training in my organization with night classes and weekend programs.

● (1620)

Mr. Marc Garneau: Thank you.

Mr. Burpee, I have some questions in your area. If I understood, you may have put it in the book here—I'm sure you did—about 70% of our electricity is non-hydrocarbon, and about 30% is hydrocarbon produced.

What is the trend for the hydrocarbon-produced electricity? I'd like to know about all three: coal, gas, and oil. Where is that going ahead of us?

Mr. Jim Burpee: Well, actually in Canada we're about 80% non-CO2 emitting, so non-hydrocarbon. It was roughly 63% hydroelectricity last year, close to 2% wind, and then 15% nuclear. Then of the remaining, about 5% is gas and the bulk of the rest is coal.

Where are we going with coal? Well, under the greenhouse gas regulation for coal-fired facilities, that's going to be dropping off between now and 2030, 2035. In 2010 our install capacity was around 26,000 megawatts. It'll be something like 3,600 by 2030, so it's on a downward trend. A lot of that will be replaced by gas, but also a lot will be replaced by further hydro developments, wind, and if Ontario maintains its commitment to nuclear, then nuclear as well, including the new nuclear.

Mr. Marc Garneau: Okay. Thank you very much.

We talk a lot about smart grid technology, or one hears a great deal about it. Where is your association on smart grid technology for this country?

Mr. Jim Burpee: We are great supporters of smart grid and the evolving technology. Certainly Ontario is a leader, and B.C. and Quebec would be the other ones that are probably the most advanced in terms of starting with smart metre installations, then all the other upgrades to the system to make it a smarter grid.

With that, we can pinpoint problems faster, avoid problems, so reliability gets better. You can make better use of existing assets, and probably a key part is that it will enable a move to electric vehicles in urban areas, because you can better manage the overall system. And as you use more electricity within transportation, you reduce greenhouse gas emissions from vehicles from the transportation sector significantly.

The Chair: Thank you, Mr. Garneau.

We go now to the five-minute round, starting with Mr. Leef, then Mr. Allen, and then Mr. Nicholls.

Go ahead, please, Mr. Leef.

Mr. Ryan Leef (Yukon, CPC): Thank you, Mr. Chair.

My first question is for Mr. Lavoie. This might be repetitive from our earlier committee stuff today. I'm just wondering if you can comment on the general preferential tariff and how that is helping us leverage trade agreements, and what importance that has to being able to diversify markets.

Mr. Martin Lavoie: The general preferential tariff was a foreign aid program from 1974, aimed at providing developing economies with better access to industrialized countries. It hasn't been changed in 40 years. With the changes in the last budget, 72 or 74 countries will be taken off the list. We've been supportive of doing that, from the rationale of it being a foreign aid program. If some of these countries are now bigger economies than ours, there's no point in giving them foreign aid.

The point I made earlier this morning in another committee was that some associations, some other industry sectors, are also advocating the elimination of tariffs just with the narrow view of what that means for consumers. I think we also need to look at how.... If we start eliminating tariffs on everything and other countries don't do it, we're going to lose some negotiating power when it comes time to negotiate free trade agreements. Why would a country negotiate something with Canada if it has access to pretty much everything?

I'm not sure how it would affect the export of resources, because right now there is a demand. There is demand for cheaper sources of energy. I don't think the U.S. producers, for example, need free trade agreements, because they do have a good model.

That being said, as I said, price is really volatile in this business. I think free trade agreements may be some.... They are certainly a political tool to get country-to-country trust and further trade. In that sense, I would say they are a good thing.

● (1625)

Mr. Ryan Leef: This question is for Mr. Telford, and then maybe again if you have time, Mr. Lavoie, you could answer part of this.

It builds a little on what Mr. Garneau was saying about the community colleges. Budget 2013 invested a line item in the Centre for Northern Innovation in Mining in my riding in the Yukon Territory. It's been really focused on this trades and technical facility to graduate people in very specific jobs in trades and training. You made a point about apprentices and journeymen, and they're looking at evolving that into being able to come up with a real creative way of deploying the work force so there isn't that constant and continuous burden on the employer to always have somebody in a training position with them, and spread that out a bit over various fields. It's pretty creative and neat.

Through a diversification lens, how important are those kinds of investments that the federal government makes in community colleges, like the one in the Yukon, to deal with skilled labour market shortages? Two, what is the tipping point for us in terms of our diversifying the market to the extent that, with every market expansion and every web we cast out there to diversify the products we deliver, we would also have to do the same in terms of diversifying the work force, which is already under a fair bit of stress and strain?

Do you have any comments about whether we should narrow that focus in diversification to achieve workers, or are we okay to broaden it, but at the same time we need to broaden that labour market?

Mr. John Telford: On your first question about government funding, I think it's critical that the federal government participate in training, whether or not it's transferring money to provinces or territories and then letting them work the money through the system. The federal government has always supported apprenticeship in this country, and I assume it'll continue to do that. There's no doubt we've got to ramp up our apprentice intake. I think across Canada in the next 10 years in the skilled trades we're going to lose 20% of our work force. That's the number that's been put out by.... I'm not sure what group put it out. Maybe it's the Construction Sector Council or something.

Apprenticeship is paramount. We have to get at it. We've been sitting on it for a while. A lot of people have been telling us about trade shortages for five, six, and ten years, and we didn't really believe it. We saw it two years ago. We're seeing it today, including places in the north, where I had just assumed it would take more funds to do the training. It's just a more expensive place to do business. We see that in the construction costs in the north.

As far as diversification is concerned, I know what you're saying. How many times are we going to cut this pie? We've only got so many workers to go around. I think that's a challenge to us to get our work force up. I think we can do it. I think some of the people who have let us down in pursuing skilled trades are the high schools. I think we've got to go back past the community colleges. They don't teach trades anymore. We don't even talk about trades in high schools. Trades always used to be an option. You go to university for two years and when you fail, your dad gets you a job at the plumbers' union. It's not the case anymore. We're getting the ones who were going to go to university.

The Chair: Thank you, Mr. Leef.

Mr. Allen, for up to five minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you very much, Mr. Chair.

Thank you to our witnesses for being here.

Mr. Burpee, I'd like to start with you. I have a couple of comments on your briefing document, “The Integrated Electric Grid”. Specifically on page 3 you talk about ensuring free, fair, and fluid interjurisdictional trade. One of the comments is about updating and enhancing the efficiency of administrative procedures for authorizing exports of electricity across the international border.

Can you comment as to what some of those administrative roadblocks and bottlenecks are, because those exports would obviously have to be approved by the NEB? What are some of those roadblocks you're running into that could potentially impact our export markets?

● (1630)

Mr. Jim Burpee: Actually, in fairness to the NEB, with the last changes in the act they're actually starting to look at streamlining the process. At the same time, they've also introduced a few other measures, such as administrative monetary penalties. It doesn't stop the permitting process, but I would think that the recent changes to the act actually help us in that case.

Mr. Mike Allen: So this has been updated a little bit then, since that—

Mr. Jim Burpee: Well, it's a generic statement. What we actually get worried about, from either side of the border—this document was for the U.S. as well—is presidential permits. It's no different from what's needed for a pipeline. If you look at some of the transmission lines under consideration right now, they also need presidential permits.

Mr. Mike Allen: Is that the case, then, on page 10, was it the presidential permits that affected your international power line projects, which you say were “pending completion [and] suffered serious setbacks in the project timeline...[with there being] ill-defined and out-of-date parameters around project reviews and scoping periods, particularly under the U.S. framework”.

Mr. Jim Burpee: That's only one part, but it's the same issue. Yes, there were presidential permits, then each state might have its own requirements. Then even within the U.S. federal government, each department has its own review that it has done, depending on what territory the power line crosses. The same way that we dealt with omnibus legislation last year to streamline environmental regulations, the U.S. needs to do exactly the same thing.

Mr. Mike Allen: Is that playing a role, or will it? Do you see that impeding our ability to potentially increase our exports of electricity?

Mr. Jim Burpee: You will have to plan a long, long, time ahead and stick with it.

Mr. Mike Allen: What are the lead times in some of these permitting processes?

Mr. Jim Burpee: Oh, they can be up to 12 to 14 years. In fact, this was a U.S. only project, but it's indicative. A power line that crossed two states, some 150 miles or something like that, took 14 years of permitting and one-and-a-half years to build.

Mr. Mike Allen: Okay. I'm glad that we did what we did last year.

As companies and large manufacturers go to more renewable types of energy and maybe displace electricity, and even from some of the things we changed in the tax code with respect to the accelerated CCA for renewable equipment, will it provide an opportunity for businesses to cut down on electricity usage and at the same time create an environment where we have more electricity to export to the U.S.?

Mr. Jim Burpee: There's no question that increased overall efficient use of electricity creates available electricity for other uses. Whether it's in electrifying transportation within Canadian cities or U.S. cities, our whole approach to electricity is that it's a North American grid, a North American business. We have many members with assets in the U.S. We have many members that sell a lot of electricity into the U.S., so we take a North American approach.

There's no question that as our own businesses become more efficient, there's a huge market still in the U.S.

The other thing to keep in mind is that if you look at North America, by 2050, outside of our own hydroelectric assets, pretty well every generating station operating today will likely be life-expired and have to be replaced. There are a few new ones that have come on since then, but there's a huge opportunity coming up on the North American and U.S. scale for increased exports from Canada into the U.S., if we continue building our infrastructure.

Mr. Mike Allen: Picking up on the comment about expired assets and running out, we have a generating station in Mactaquac, New Brunswick, that is an example of a hydro station coming to an end-of-life decision. There's a big debate going on about returning the river to its normal state as opposed to maybe putting new generation on the other side, which I think is a no-brainer, because we need to do it.

How are some of the utilities in your group facing those types of issues?

Mr. Jim Burpee: There's no one who would every consider decommissioning the dam and returning it. It has happened in a few small cases in the U.S., but it's pretty unique. By and large, once you have the dam the value of being able to store water does not go away —especially as when you increase the number of wind and other non-dispatchable sources, such as solar, you need somewhere to store that excess energy from time to time. You can't beat hydroelectric. So in the case of Mactaquac or any other hydro, occasionally you have to replace the rotating equipment, upgrade the turbines, and replace the generators within the plant itself, but the dam lasts a very long time and we should never even consider decommissioning the dam.

● (1635)

Mr. Mike Allen: I agree.

Thank you.

The Chair: Thank you, Mr. Allen.

Mr. Nicholls, for up to five minutes.

[*Translation*]

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): I would like to thank our witnesses for being here. My first questions are for Mr. Brunelle.

If I understand correctly, the only polyester chain we have in Canada is located in Montreal. Is that what you said?

Mr. André Brunelle: That is correct.

Mr. Jamie Nicholls: If we lose this polyester chain because of the loss of public confidence, government administrative deficiencies and a completely botched environmental process thanks to the legislation adopted last year, we will lose the ability to replace imports with purely Canadian products, such as polyester clothing that is manufactured here from start to finish. Is that what you are saying? If we lose the polyester chain, it is game over for the PET product manufactured here?

Mr. André Brunelle: When we say that it is game over, it is important to keep in mind that this is the only polyester production chain in Canada. As I said a little earlier, and as you probably see in the document, we represent 1% of world production. All that will happen is that, in the future, we will continue to buy clothing made of synthetic fleece and packaging made out of PET, but it will be someone else in the world who will be very happy to sell it to us. At that point, we will have lost the value added.

I was just talking about the olefin chain. People were producing polyethylene. I keep using the analogy that we continue to buy bleach water in polyethylene bottles, but they are produced abroad. People will continue using this product. Therefore it is more a question of losing value added, because we are able to do these things well. Unfortunately, Canadians will lose out on the value added.

Mr. Jamie Nicholls: If a project like line 9 is not accepted due to public complaints, you are saying that this will affect the profitability of your industry. You need the cost difference between Canadian crude and foreign crude?

Mr. André Brunelle: Obviously the raw material used to make polyester comes from a refinery. Right now we are lucky to have two refineries in Quebec. It is clear that if these refineries don't have the option of accessing oil from out west and they then become less competitive, this will create additional pressure on their choices of raw materials for the polyester chain.

Mr. Jamie Nicholls: A number of my fellow citizens who are in favour of using Alberta's oil and refining it in order to have value added in Montreal are not convinced that the government is responsible enough to manage this project along with the National Energy Board. They have questions about the project's safety. In this respect, I don't think that the government has paved the way for marketing this project to the population. I do hope however that someone will come out and say that the rules will be respected.

[*English*]

My next question is for Mr. Burpee and it's about the smart grid. You said that implementing the smart grid would take a dialogue with the provinces, but it really goes far beyond that doesn't it?

The federal government does have a role to play. Different agencies of the government— CMHC, NRCan, NEB, and different R and D programs—could help lift up this idea of smart grid and promote it. In my riding alone we had something called the net zero energy home. I'm not sure if you're familiar with it, but one of the studies on this home said that regulations can act as a catalyst to create new market sectors. So right now something like the net energy home would be too expensive for most people to build, but it could open up all these different sectors in the market, and the end result would be greater job creation, greater market products linked to energy efficiency in the electricity sector.

Could you address both the smart grid question and the idea of energy efficiency as a market driver and job creator.

Mr. Jim Burpee: In terms of smart grid, the federal government is playing a role in certain areas through support, say, for Sustainable Development Technology Canada and some of the investments they have. As well, we work with the Standards Council of Canada in trying to harmonize standards per smart grid equipment.

There are a number of areas. NRCan is supporting it as well, recognizing that energy, in this case in electricity specifically, is with the provinces. It can be a bit of a challenge to bring everyone together, but I would say that the smart grid in general is an area where there is a lot of cooperation and a lot of movement, and where people are learning from each other.

The issue of the smart-zero or net-zero home usually means that they have some form of solar in there as well, which produces more than what they use in a year, but not every time they need electricity. It still needs a grid to support it and it's still at a cost well above what conventional programs or conventional generation can produce.

One of the challenges overall is that the price of electricity, the price of energy, notwithstanding what the manufacturers all think, is actually relatively cheap, which makes it more difficult sometimes for energy efficiency, although I would say that my experience is that all the manufacturers, all the industrial facilities, really put in a lot of effort to be efficient.

It tends to be when we get to some commercial buildings, although even they are moving.... But individual people and their houses and how energy efficient they are when it.... You know, to save a few kilowatt hours doesn't really cost that much. The average cost of electricity per day for a residential user is anywhere from $3 to $6 per day.

● (1640)

The Chair: Thank you, Mr. Nicholls.

Continuing the five-minute round, we'll have Ms. Crockatt, followed by Ms. Liu and then Mr. Calkins.

Go ahead please, Mr. Crockatt. You have up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much.

I just wanted to pick up where you left off, Mr. Chair, and talk a little about the urgency of market access, which is I think something that we haven't perhaps touched on as much. We've heard a little bit about how the world situation, with regard to both tight oil and tight gas, has dramatically changed, so I wanted to ask a couple of you this question.

Maybe I'll start with you, Mr. Lavoie. With the U.S. on the verge of becoming self-sufficient in natural gas and Australia also potentially beating us out to other international markets for our products, what would you say about the urgency of developing our international market access right now?

Mr. Martin Lavoie: I'm not sure about “urgency”, but if there's a market window, there's a market window. If you can get a price that makes economic sense, you have to take advantage of it.

We know from the past that natural resources in general are quite cyclical. What is new now is the innovation that comes with these new and unconventional sources of natural gas, for example. I guess if you're not in front of using the innovative methods, right in front, I think there could be an argument made about how you are going to catch up later on with these new innovative ways of extracting or transporting the resource.

Ms. Joan Crockatt: Okay.

Mr. Telford, maybe you could just address that. The CIBC also came out with a recent study saying that we're losing $75 million a day in Canada because we only have access to one market for oil and gas. Are you concerned about either the loss of funds right now or the potential loss of future markets because we are not acting quickly enough? Or are you not?

Mr. John Telford: Yes. We're very concerned about the bottlenecking that's going on right now. It's not just in Alberta, but that seems to have been the hot topic for the last four or five years. We have to move some product. If we don't get some product moving very soon....

We've already lost the Suncor Voyageur project. That project has been restarted three times. It's a massive mining project. I think it's 600,000 barrels a day. It has now been shelved again. Kearl Lake, too, is now shelved. ConocoPhillips is pulling back on a project.

I'd like to make a point here. Maybe it's away from your question, but if I could, I'd like to make a point. We do a lot of maintenance in northern Alberta, with six-week, eight-week, and 10-week shut-downs. The timing on them is critical. We hit them with huge amounts of men and we work for 10 weeks. It's okay for a journeyman to pick up three of those a year; he can make a living. I need capital projects for apprenticeship. I can't expect apprentices to go to work for six weeks, then be off for three months, and then go back for six weeks. That's not an apprenticeship.

We need capital projects. We need Kearl Lake too. We need Voyageur. We need ConocoPhillips. We need Syncrude to go ahead with their major expansion. If we can't get some of this oil out of Alberta, they're not going to go ahead. I'm sorry, but that's just the way it's going to be.

My perfect world is Keystone XL first. It's the closest one that we could export oil with. The next one would be west-east to help out our friends in Sarnia, Montreal, Quebec, and especially New Brunswick, who dying for help. After that, we could work on getting Gateway and Kinder Morgan online.

● (1645)

Ms. Joan Crockatt: What would you say to Canadians who might be influenced by a vocal minority that is opposing pipelines? You've obviously given this a lot of thought.

Mr. John Telford: The first thing I'd tell them is that they probably don't know very much about a pipeline. Some of the problems we had in Michigan and some other places were because of 45-, 50-year-old pipelines. We're getting the absolute best pipe in the world now, the best welding procedures, the best detection systems. These things are going to be “safetied” like you wouldn't believe, and so they should be. If you put a brand new pipeline in the ground right now, you won't have any problem with it. There's going to be a time when there's going to be a problem with it. Time wears out things.

Ms. Joan Crockatt: I was intrigued by your comments about how we need our daughters to get interested, how we need youth, how we need aboriginals. I'm sure you're aware that they are some of our underemployed Canadians—

Mr. John Telford: Yes, for sure.

Ms. Joan Crockatt: —that we're trying to target. To tie us back to the study, do you think that international market access represents an opportunity for those underemployed groups in Canada?

Mr. John Telford: If we put an LNG and an oil transport at Kitimat, what's most of the population around Kitimat going to do? They're going to go to work. We've had what we consider a huge success in northern Alberta with natives and women in the trades. Five years ago, I probably wouldn't have had this position, but I've always supported women in the trades, and now I've seen women in the trades. They're coming to the trades now and are very efficient, very good workers, the same as everybody else. They just want to make a living. There's a terrific living to be made in the skilled trades.

The Chair: Thank you, Ms. Crockatt.

Go ahead, Ms. Liu, for up to five minutes.

[*Translation*]

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you to all the witnesses.

Let's come back to the question of reversing the flow of line 9. Mr. Brunelle, perhaps you could talk to us a little more about the expected consequences for Montreal in terms of jobs and private investment if the line 9 flow reversal were to go ahead.

Mr. André Brunelle: First of all, when we talk about reversing the flow of line 9, I think you are all aware that in fact, we are talking about a "re-reversal". When this line was built in the 1970s, it was in fact designed to bring oil from the west to Montreal. It is always a question of markets and options. Then the direction changed. Now the goal is to reverse the flow back in the original direction.

People often ask me what this would change and if it would create new possibilities. The key to success is to be able to preserve what we have. Obviously when we have different options available to us in terms of raw materials, this allows us to look further ahead. I was listening to one of the witnesses speak about Suncor earlier. I don't know if you listened to the speech that was given in front of the shareholders, but he was talking about the flow reversal of line 9 and saying that he had some ideas for making investments. This is what gives people options when it comes to raw materials. People can plan further ahead. They can explore how to benefit from existing equipment, change it or add new elements to make this industry even more competitive.

Ms. Laurin Liu: Do you think the future of the Suncor refinery in Montreal will be threatened if Enbridge does not get permission to reverse the flow of line 9?

Mr. André Brunelle: I clearly cannot speak on behalf of Suncor. However, like all investors, we are considering the options. If other refineries or other locations provide better options, then we will have to make some decisions.

I will continue asking the association to give us equal options compared to the others, and that way we will be confident that we can do things well in Montreal East. That is our main message. Other refineries elsewhere in Canada and in the United States have access to this oil. I come back to my bear theory: give me the opportunity to run as fast if not faster than my neighbour. We will be able to do it with a plant that runs efficiently.

Ms. Laurin Liu: You make a good point. Your presentation focused particularly on the need to maintain the value added of our natural resources.

The line 9 project raises a serious concern, because Enbridge is considering one day extending their pipeline to Portland. In that case, Quebec would not benefit from oil transiting across its territory. Basically the province would be taking on the risks without reaping the benefits.

Is it a risk in your opinion? Do you support the idea of extending the pipeline to Portland?

● (1650)

Mr. André Brunelle: After reading the published figures, I understand that, currently, the flow reversal of line 9 linking Montreal to Portland would produce up to 300,000 barrels per day. The Suncor refinery in Montreal produces 140,000 barrels per day, and the Ultramar refinery from the Valero group in Lévis produces 270,000 barrels per day.

By doing some basic math, one will realize that there isn't an extra drop of oil that can go any further. Clearly Canada needs exports. We shouldn't be preventing oil from going further, because we are creating a niche market. That's not how things work. It is by giving us access and letting us compete that we would be able to do things better than others, and hopefully, thereby obtain value added. That is the message we meant to convey, not that we fear the oil will be transported further. If we have access to that oil, we will have a chance at competing.

I would like to mention something important about new pipelines. The gentleman is right, the quality of today's pipelines is better. However, one must not underestimate the older pipelines, because there are programs that monitor the quality of pipelines and technology has evolved significantly in this field.

I have noticed myself that certain pipelines are quite old. However the quality of these pipelines is not on the inside but often on the outside. Thanks to modern-day inspection systems, we can now identify the specific location on a pipeline where it is damaged in order to replace the section in need of repair. There is no need to be worried about old pipelines, because maintenance and link detection technologies are much more advanced today.

Ms. Laurin Liu: As my colleague mentioned earlier, I feel that the Conservatives have undermined the social acceptability of these projects by gutting the Canadian Environmental Assessment Act last year. This means that many citizens do not trust the federal government's environmental evaluation process.

If I understand correctly, you are not in favour of extending the pipeline to Portland.

Mr. André Brunelle: Am I against extending the pipeline to Portland? I am not taking a stand on that question. All I am saying is that there currently is not enough oil to go further. We have to have the option of getting our hands on that oil from the west in order to be competitive.

Like I said, I am not afraid of competition because we have a strong workforce and we are able to do things well. We should be given access to this oil in a competitive context to be able to do our job well in the east of Montreal.

Ms. Laurin Liu: Thank you.

The Chair: Thank you.

[*English*]

Mr. Calkins, go ahead for up to five minutes.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Chair.

Mr. Telford, I just want to follow up with you on the line of questioning that my colleague Ms. Crockatt was working on.

I'm an Alberta member of Parliament, as she is. I was formerly an instructor at Red Deer College, and I know very well about the massive investments that most of our community colleges have made in training tradespeople. It's wonderful to see virtually full employment in Alberta.

The sign I see most often in my riding in central Alberta is "help wanted". That's a good problem to have, but we have to get these things right.

I do represent a large first nations community that still suffers from very high unemployment, notwithstanding the fact that they do have some oil and gas assets on reserve and some companies that do some work. They're not situated proximal to the oil sands, which is where the advantage of the Fort McKay band actually lies.

You said that in 2009, 10% of the oil sands workforce was aboriginal people and that there were contracts of up to $1 billion. Where do you see your organization playing a role in making sure that we can capitalize on what is the fastest growing population?

I represent the four bands at Hobbema. Over 50% of the population of those bands—some 16,000 people who live there—is under the age of 25. Unemployment is between 50% and 80%, depending on the numbers you believe.

Where can we go in terms of government partnerships and so on with an organization such as yours to make sure that we fill those gaps and make sure that Canadians have jobs?

● (1655)

Mr. John Telford: There are two things.

We run a program at our hall in Edmonton called Trade Winds To Success, and it is strictly for native youth. We bring them in, and don't hold me to this, but I think we hold them for about 30 weeks. We pay for it all. They don't come in as plumbers, pipefitters, and welders. They come in and we show them every aspect of the construction industry, we evaluate them, we take the young girls aside at the end and say. “We think you're suited to be an operating engineer. We think you are suited to be heavy equipment operator or a welder”.

I would imagine most of those people are Edmonton-type natives. I'm not sure where your people are from.

Mr. Blaine Calkins: No, that's fine.

Mr. John Telford: We also have contracts now with oil companies that write in aboriginal content. We have apprenticeship content written into their commercial contracts. I know that on the pipeline—I sit on the pipeline advisory board for Canada—we have aboriginal content written into those contracts.

The aboriginals get a lot of work in clear-cutting, getting the ground ready for the pipeline. They haven't cracked into my trade as much as they should; they have done so on the pipefitter institutional commercial side more than on the pipeline. But the pipeline's a very small group of people. When you compare the work that goes on in Wood Buffalo versus the work that it would take to get that line from Hardisty to Saint John, New Brunswick, Wood Buffalo is where the jobs are. That's where we should be concentrating on getting our young aboriginal youth working, up in that area, and writing into the contracts that they have to hire them.

Mr. Blaine Calkins: Fair enough. That's a good thing. I agree your sentiments, that we should be hiring Canadians first, training Canadians first, and doing everything we can to do that.

In your opening remarks, you mentioned a travel cost tax credit. Could you elaborate on that? Other than just the notion or recommendation, do you have anything specific you could bring to the committee that your organization—

Mr. John Telford: I could give you an example.

Mr. Blaine Calkins: Sure.

Mr. John Telford: When I was a younger man living in Kingston, I used to leave home to go to Thunder Bay. A buddy and I would jump in the truck, whoever's truck it was, and we'd drive to Thunder Bay for a 12-day shutdown in one of the paper mills up there. We had one overnight stay. It's an 18-hour drive from Kingston to Thunder Bay. We had one night in a hotel getting there. On a 12-day shutdown, because we were travel cards, we weren't local members, we probably got 10 days. I had to keep myself in a hotel for 10 days. I had to feed myself. If the job were in Bowater, which is downtown Thunder Bay, there was no travel and no board. I can't write off my hotel room. That's all I'm asking for: write off my gas, write off my hotel room, write off my gas home. The salesman who sold the welding rod that I used on that job got to write off his travel expenses and his supper.

Mr. Blaine Calkins: He was an independent contractor, though, an independent businessman.

Mr. John Telford: I wasn't a contractor.

Mr. Blaine Calkins: That's the issue, that's the difference.

Mr. John Telford: What do you mean?

Mr. Blaine Calkins: That would be the difference: you would have these writeoffs if you were self-employed.

Mr. John Telford: But I'm the guy who needed it. I left home for 10 days' work.

Mr. Blaine Calkins: Fair enough, I'm not disputing that, but there are differences. There are ways you can capture that, but you're saying there's a way we can capture that from a tax credit perspective.

Mr. John Telford: Truly.

Mr. Blaine Calkins: I know many people fly in all the time. I fly back and forth from Ottawa. Flights originate in Atlantic Canada and in Montreal; they stop in Ottawa, pick up folks like me to fly me back home. I see so many people from what I consider eastern Canada, flying to Alberta every week to work.

Has your organization looked at anything to make some of that more palatable, whether it's the EI system or anything else—

Mr. John Telford: Most of those costs are picked up by the client.

Mr. Blaine Calkins: Right, but it's millions of dollars.

Mr. John Telford: It's millions of dollars.

We used to get an EI travel credit. When you left home and you got a job somewhere, then you let EI know that you were able to secure some work, and at that point they'd pay you a certain amount of money. Guys used to come from New Brunswick to my local, and I think they used to get about 450 bucks. I'm talking about the early nineties. But they would get a cheque from EI for the $450. At least it paid the cost of their coming from New Brunswick to Kingston. They'd work there for three or four months, then they'd go home. They're off employment insurance, they're contributing to the income tax system. It's a win-win, and we don't seem to be able to get any support for it. To tell the truth, we've been pounding that for 10 or 12 years.

● (1700)

The Chair: Thank you, Mr. Calkins.

Continuing the five-minute round, we have Monsieur Gravelle, then Mr. Trost, and then Mr. Anderson.

Mr. Blaine Calkins: Can I have some of your unused time, Chair?

The Chair: I'm pretty sure I don't have any.

Go ahead.

Mr. Claude Gravelle (Nickel Belt, NDP): He's used it all, and unlike the chair, I'm not going to give you my opinion, but I'd like to hear your opinion.

Voices: Oh, oh!

Mr. Claude Gravelle: I don't want to waste my time with that.

I've got some good news for you, Mr. Telford. My colleague Chris Charlton has a private member's bill that would cover the exact costs you were talking about, the costs of your travelling to Thunder Bay. I think that's a great idea.

I want to talk a little about upgrading a refinery. How many jobs would upgrading a refinery create for your workers, roughly, just a general view?

Mr. John Telford: At the Edmonton West upgrade at Scotford, my particular trade had 4,000 people on the job. That job lasted for over three years. It was a 12,000-person job. That's an upgrader.

Mr. Claude Gravelle: You said four years.

Mr. John Telford: It was a three-year project.

Mr. Claude Gravelle: Once this refinery is upgraded, how many of your members would end up working at the refinery?

Mr. John Telford: The Irving Oil refinery every day has about 185 of my guys working. You can sort of figure the size of Irving Oil.

Mr. Claude Gravelle: Those jobs would last for how long?

Mr. John Telford: Oh, they're forever.

Mr. Claude Gravelle: Compared to pipeline jobs?

Mr. John Telford: They're forever.

Mr. Claude Gravelle: How long would it take to construct, for example, the Canadian portion of the Keystone XL pipeline?

Mr. John Telford: All that's left right now? We only have about 500 K left. That's two seasons for us. A season lasts about nine weeks.

If he were to give us the permit today, we would have a summer season, once it dried up, of eight to nine weeks. We'd have a winter season once it froze up for another eight to nine weeks. We'd be done with the pipeline portion.

But it allows us to keep working up north.

Mr. Claude Gravelle: So in other words it would be much more beneficial for your workers if we were to upgrade a refinery as compared to building a pipeline.

Mr. John Telford: No. We need the pipeline. We need—

Mr. Claude Gravelle: I'm not saying you don't need the pipeline. What I'm saying is more jobs—

Mr. John Telford: There are more man hours in refining and upgrading than there are in building pipelines.

Mr. Claude Gravelle: And they last longer.

Mr. John Telford: Forever.

Mr. Claude Gravelle: There you go. That's what I wanted you to understand.

Mr. Burpee, in your opening remarks you said that we needed federal leadership in the energy field. Could you expand on that, please?

Mr. Jim Burpee: With respect to electricity, it sometimes takes the federal government to help the provinces work together. That's basically what we're after in this case, at one level in terms of an energy strategy.

So every province in Canada took the approach that it had to be electricity self-sufficient. The first change to that is now Nova Scotia, and through the utility doing a deal with Nalcor and Newfoundland and Labrador. The federal government played a key role in that by providing a loan guarantee to support the infrastructure build, which allowed them to borrow at a lower rate, which is what made it work. That's to the benefit of all the electricity consumers, both in Newfoundland and Labrador and in Nova Scotia.

Beyond that it's really about standardization for a smart grid and for other improvements in the overall system so that we are able to harmonize the approaches. That's where we're looking for federal government leadership.

Mr. Claude Gravelle: In northern Ontario we can produce electricity for about 2¢ per kilowatt hour, but we can't do anything with it because there's no grid. What would it take to build a grid that would transport electricity from coast to coast to coast?

Mr. Jim Burpee: Actually, a lot of the grid does exist today, more than people recognize. Ontario has as much interconnection with Quebec as it does with New York or Michigan, which are the other two main interconnects.

The weakness in Ontario is the poor interconnection across Ontario. So if you look at the tie from Thunder Bay to Sault Ste. Marie, there's one. There is a plan under way to strengthen that tie now and upgrade it considerably. It's going through the regulatory process to actually select the group that will build it. That will start to tie in also, not only to strengthen that connection, but to open up where there are some other hydroelectric resources, such as Little Jackfish, north of Nipigon. There are a few places like that.

When you say it's 2¢ per kilowatt hour, that's not for anything new; that's for existing.... You can't build anything new at 2¢ per kilowatt hour.

● (1705)

Mr. Claude Gravelle: No, but we're not using it because there's no grid.

The Chair: Thank you, Mr. Gravelle.

We now go to Mr. Trost for up to five minutes.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair.

I'll start with Mr. Telford. As we've been pointing out, we will only really get energy export diversification with a better labour force. Listening to the testimony I was thinking of this in relation to two things: one, the apprenticeship grants, which have been done for the last few years, etc., and the government's still rolling out of the education grants announced in the new budget.

Thinking first of the apprenticeship grants, do you have any commentary on how those have worked or not worked for apprentices coming in and for your membership?

Also, what advice would you give with this new education program being rolled out by the government or new job training grants that are coming out? Again, they're not fully formed. How would they help to meet the needs that you see? What advice would you give? I know we're not the human resources committee, but what is the basic advice you would give so that we can meet the needs that we've been talking about today?

Mr. John Telford: I think you had two questions there.

First of all, the training grants that are out there are very important to us. You know, 15 or 20 years ago every apprentice who came to us was 18 years of age, right out of high school. We're having 27-, 28-, 30-year old apprentices now with a wife and two kids.He's already got the bills. It's a different lifestyle. Those grants are very important to those types of people. Anything that they can get to help pay some of their tuitions and things like that is all a help.

I think I've understood your second question. Where I see a little bit of waste is on teaching trades or skills that have no job at the end. One of the aspects of my trade is welding. If you can't get that person to be a certified welder, you're wasting your time. There are no jobs for uncertified people. The people—male, female, whatever they are—have got to be able to pass government-standard tests. To waste a lot of time on people who can't do the work is not productive for them or for the people who want to hire them.

I'm not so sure about some of the trades that they teach at the community colleges. I think they should look around and really see where the deficiencies are. Heavy crane operators have been in short supply in Canada for 10 years, yet you can't find a community college that would offer a crane operator course.

Mr. Brad Trost: This is why I'm asking this question, because your guys are the boots on the ground.

What do you advise us to do with this new program to make that fit and work so that, as you said with the heavy crane operators, jobs like that get filled, so people who are not using their full potential can actually get involved in our natural resources sector? What would be your recommendations as to what Jim Flaherty and what Stephen Harper need to do with their new program to make it work?

Mr. John Telford: Zero in on the specific trades—don't use the shotgun effect. They've got to zero in on where the shortages are. I would say that the most TFWs right now for such a small workforce are in heavy equipment operation. We need heavy equipment operators in this country, and you can turn out heavy equipment operators in a couple of semesters with some training at community college.

We need welders; we desperately need welders. I'm heading to Venezuela in about four weeks to look at welders. I don't want to bring in welders from Venezuela. I'm sorry, call me what you want, but I don't want to bring in welders from Venezuela. I want to teach young Canadians how to weld.

Mr. Brad Trost: Can you expand on that that point? I was a geophysicist before I got into this, not from the trades, but I worked with guys who were in the trades. Could you explain again, because from what I understood, you're basically saying, or intimating, that we should have temporary foreign workers for things like journeymen so that we can then get more apprentices trained, and then we can phase out the journeymen as we get more people through—

Mr. John Telford: You can phase out the temporary foreign workers.

Mr. Brad Trost: You can phase out the temporary foreign worker because then you would have Canadian journeymen. I got that right.

Do you want to expand a little bit more on that?

Mr. John Telford: If you looked at jobs in Alberta right now, they're desperately in need of welders. We don't have any more in Canada; we're tapped. If we got five welders from the United States—and that's where we're going now—on a job site, two Canadian pipefitters are going to go to work for each welder. Those are ten Canadian pipefitters who are going to work. If ten Canadian pipefitters go to work, five apprentices go to work. So we get five TFWs and we put fifteen Canadians to work.

That's what happens in my trade. I don't know about the other trades, but those are the numbers in my trade.

Mr. Brad Trost: Thank you.

● (1710)

The Chair: Thank you, Mr. Trost.

Go ahead, Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I want to follow up on that, then, as well. I'm going to ask you how we compare with the United States, with what they're doing there.

I'm from southwestern Saskatchewan, so I've seen what's going on in southeastern Saskatchewan and just across the border as well. How do we compare in terms of our training for journeymen compared to what's going on in the States, and are they—

Mr. John Telford: Miles ahead of them.

Mr. David Anderson: —stealing ours, or are we borrowing theirs?

Mr. John Telford: No, none of our guys, or none that I know of, are heading to the United States. We're importing Americans.

Regarding trades training, the Canadian system is miles ahead of the American's. I shouldn't say that because those people pay me, but that's the way it is. That's the truth of the matter.

Mr. David Anderson: Okay. Let's take up again a little bit longer strand of what Mr. Trost talked about.

We've got the five temporary welders, was it, foreign workers or whatever?

Mr. John Telford: Yes, if you had five welders.

Mr. David Anderson: If they've got five of them there, what would be your plan to go from having five temporary foreign workers and fifteen Canadians working to having twenty Canadians working? How would you see us through to where we don't—as the NDP has been saying for weeks—need as many foreign workers as we have? Do you have a plan or do you have a suggested plan going from bringing those temporary foreign workers in to training Canadians to do those jobs so that in the future our young people are doing them instead of having to go to other places?

Mr. John Telford: We're accelerating our welder program because we know that we're low on welders. We've neglected it for far too long. It still takes three years to produce a top-quality alloy welder. In the time that it takes us to get those people up, we're going to have to use some temporary foreign workers. We like to use Americans, because Americans go home. At the end of the job they go back to where they came from and leave the jobs in Canada, for Canadians.

Mr. David Anderson: We've had discussions here at committee numerous times. We have the same challenges all across energy, all across the oil and gas sector. When we did a study on the north, we heard how they're short 8,000 to 10,000 people. Do we have enough Canadians? Can we train enough, quickly enough, to deal with what we need to do over the next 10 to 15 years?

Mr. John Telford: I don't think we can train enough to look after what's in front of us now. I also think there is some work to be done within the industry. I think that if we could get the oil companies to stagger shutdowns and expansions, we could utilize the workforce. Unfortunately, everything is market-driven. They want to get to market. Suncor wants to get there before Syncrude, and Syncrude wants to get there before Suncor.

If you look right now, we have five major projects going on in Alberta, all at the same time. We did nothing in 2008 and half of 2009. The economy was down, that's why it wasn't done. We'd be severely challenged to meet what's in front of us right now, but we will have most of it.

Mr. David Anderson: I know where the treasury is in our province—it's in the young aboriginal workforce, which we really need to get engaged in employment.

Mr. John Telford: There's no doubt that there is a tremendous workforce in the aboriginal communities. It's not being utilized.

Mr. David Anderson: Mr. Lavoie, did you have a comment?

Mr. Martin Lavoie: Generally, in our sector, we welcome the Canada job grant because it puts the money in the hands of the businesses. In light of the skills shortage, we've been supporting it. It's very close to one of our recommendations in our pre-budget submission—to provide a tax credit. But in the end, it's the same purpose.

What I hear from our members is that those who are outside the big cities may be facing more temporary foreign workers, because they have a more difficult time attracting workers. What I hear a lot is that most of our members would rather train someone than go through temporary foreign workers, because the TFW program can take up to six months to get done, and it costs approximately $10,000 in fees associated with the labour market opinion.

One thing that we didn't like in the budget bill, as I mentioned at the finance committee, is that the government wants to exclude the labour market opinion fees from the User Fees Act. That, to us, is a bit concerning, because then you don't have a framework with regard to how government will set the fees for labour market opinion.

● (1715)

Mr. David Anderson: Mr. Burpee, we've heard a couple witnesses come here and talk about energy corridors—pipelines, electrical transmission lines running in the same areas, and those kinds of things. Do you have any comments on those, or anything that you'd like to speak to? Is it practical? Is it a dream? What do you think?

Mr. Jim Burpee: I guess in the long term it would be practical, if it's getting two very independent industries to work together. There's always a challenge in building linear infrastructure like that—no one wants it near them. I think if you could put it together, it would actually be manageable, but right now they're completely independent planning processes.

The Chair: Thank you, Mr. Anderson.

We have Mr. Julian, followed by Mr. Garneau, and then a Conservative member.

Go ahead, please, Mr. Julian.

Mr. Peter Julian: Thanks, Mr. Chair. I'll be dividing my time with Ms. Liu.

I want to come back to you, Mr. Telford. You've been very eloquent in talking about the abuses of the TFW program and the fact that the government has not carried its responsibility forward on this. But it is troubling to me that we're also seeing cutbacks by this government in training and in manpower development. What we're seeing is a worsening of the situation, really, if we look forward ten years, because of cutbacks in training budgets. Even though I know that the UA is doing its part and a number of businesses are doing their part, the federal government is simply not there.

What we see, then, on the horizon is that not only will the abuses continue within the TFW program, but that we'll also see an increasing number of TFWs brought in because we haven't done our work as a country and the federal government has not been putting in place the training programs that are needed—for welders, for example, of which you've spoken very eloquently.

I want to ask you a question around Keystone. You talked about two seasons of eight to nine weeks to complete that project. The Alberta Federation of Labour has estimated that it costs about 40,000 jobs to export that raw bitumen rather than have it upgraded and refined here in Canada, and we continue to have a government that looks to exporting raw bitumen on the one hand and importing refined products into eastern Canada on the other.

Don't you think it's a more practical approach, in a national energy strategy, to put in place programs such that we have the upgrading and refining capacity here to create those permanent jobs that you spoke about so eloquently when Mr. Gravelle asked you the question? Isn't that a better approach?

Mr. John Telford: We would love to see an energy policy whereby you could force the big oil companies to build a refinery around.... Say, if they had three mines, they would have to have one refinery; if they have two mines, they would have to have an upgrader. I don't know; that's your bailiwick, not mine.

But if we say right now that we're just going to put the industry on hold while we build a refinery, I would point out that it would take you 10 or 12 years to build a new refinery. The engineering alone would take you four or five years, and then there's the environmental stuff.

Right now what we need is to move some bitumen, and then we have to get our heads around more upgrading, for sure. I don't know whether refining is in the cards, but certainly upgrading is in the cards, and there's basically as much work for us in an upgrader as there is in a refinery.

Mr. Peter Julian: Thank you.

I'm going to pass my speaking time over to Ms. Liu.

[*Translation*]

Ms. Laurin Liu: Thank you.

I would like to thank our witnesses for being here today.

Let's talk a little bit about Montreal's history. As we know, Montreal was once the biggest refining hub in Canada. Mr. Brunelle, that's a fact that you surely acknowledge.

A petrochemical industry developed around this hub and integrated reasonably well. When I speak to scientists in Montreal, I notice that they think promoting this industry is a very good thing. However, at the beginning of the 1980s, the industry was in a major decline.

Can you tell us what the reasons were for this decline?

Mr. André Brunelle: That's a subject we could talk about for some time. We know, for example, and the figures support it, that at the beginning of the 1970s there were about 40 refineries in Canada, and now only about 19 are left. One of them will probably disappear soon. As for refinery capacity, it has not really diminished. The players who have remained are therefore better integrated.

Obviously, all of the environmental rules have been positive. As I was in east Montreal during the 1970s and 1980s, I can tell you that air quality was a serious problem. That's not the case anymore, and it's not simply because the refineries have disappeared. The players that remain today are on the leading edge of technology and apply excellent environmental measures. They can compete with all the other refineries that are still on the market.

We can talk about the past, but what is important to know is that we still have a good industrial framework in the east which still allows for development. The key to success is to have options in terms of raw material.

● (1720)

Ms. Laurin Liu: You announced the publication of a study done in collaboration with the Polytechnic School. It deals with the petrochemical industry.

Could you give us an idea of the content?

Mr. André Brunelle: We are very enthusiastic about this study, which we are conducting with Montreal's Polytechnic School. Thank you for mentioning it. It was in the documents that we submitted to you.

Obviously, there is a great deal of talk about a decline, but in Montreal East, there's a large industrial framework and many sites. With Montreal's Polytechnic School, we consider the industrial framework available to us and what is being done elsewhere throughout the world in the field of industrial ecology. From there, we consider technologies that will allow us in 5, 10 or 20 years to encourage investors to become stakeholders in this industrial framework. We want to ensure that, in the case of Montreal East, there's talk of gains rather than declines. That's why we are so enthusiastic about the subject of this study that we are completing. Once it is done, it would be our pleasure to come to talk to you about it.

Ms. Laurin Liu: Indeed, if you could submit it in its entirety to the committee, we would appreciate it.

Thank you.

[*English*]

The Chair: Merci, Ms. Liu.

Go ahead, Monsieur Garneau.

Mr. Marc Garneau: Thank you, Mr. Chair.

My questions are for Mr. Burpee.

I find this chart on page 7 of the document that shows imports and exports very interesting. It specifically mentions that the big producers of hydroelectricity, Quebec, Manitoba, and British Columbia, sometimes—well, in Quebec's case it's very clear—export their surplus electricity.

I'm interested in the British Columbia one, though, where it talks about exporting almost 11,000 gigawatt hours, but it also imports about 8,000. It's kind of curious. Can you explain that one a little bit? If 11,000 is excess and they're importing 8,000, is this because of geography and other things? What is it?

Mr. Jim Burpee: It's time of day and time of year and the fact that in B.C. you have good hydro storage. But, in general, the trade of electricity is very dynamic and there's not one U.S. market; there are several. So B.C. interconnects with the western market; Ontario is into the midwest ISO and New York; and Quebec is into either New England or New York. In that case, they all interact, and it's traded depending on the market prices by hour. It's actually traded by hour.

B.C. had a net surplus of just under three terawatt hours last year, and I think the year before it was actually a net importer. It had a really high water year, so it had an opportunity. In B.C. there's an interplay with Alberta next door to it, a 300-megawatt tie, as well as into Washington State and all the way down to California.

That just reflects various times of the year, times of day, how much water is available, how much can be stored, and what electricity prices are. For B.C. Hydro, through Powerex, if they see market prices are really low in the U.S., they'll actually buy it, store it, and then sell it when prices are high.

Mr. Marc Garneau: So this would seem to suggest a really highly integrated market between British Columbia, anyway, and probably all of—

Mr. Jim Burpee: Yes, it's B.C. and then Manitoba, Ontario, Quebec, and New Brunswick. As I said, these transactions occur hourly. It's really dynamic.

Mr. Marc Garneau: Hydro storage, is that literally pumping the water back up using excess electricity that you don't need at that time?

Mr. Jim Burpee: No, when we talk about hydro storage, it means not operating your unit. So you don't run your water; you buy from somewhere else when it's cheap. It's the same thing as storing that electricity.

In the case of Hydro-Québec, if it buys out of the Ontario market, it won't run its facilities. That power will power part of industry, and it could be in Montreal. Then when the price in Ontario comes up, it'll stop buying out of Ontario and then it'll run its own facility. It's the most efficient form of energy storage.

A lot of what's coming out of Ontario now was produced out of wind, an excess produced out of wind and nuclear overnight. So it's very efficient, because you're just not operating and then when you have.... Hydroelectric is very efficient to begin with. Pump storage is less efficient because you actually have to pump the water up.

● (1725)

Mr. Marc Garneau: These are north-south grids, just like with oil, and now we're talking about east-west or west-east. Are there any potential east-west infrastructure programs that could be on the horizon? We could look at Muskrat Falls. That one is interprovincial. Are other examples that may be on the horizon that may make sense?

Mr. Jim Burpee: I would say in the long term you would look at Ontario, Quebec, Newfoundland and Labrador, and look at how they work together to move south, and this is over a very long period of time.

Mr. Marc Garneau: If you can get over some political issues....

Mr. Jim Burpee: Yes, as I said, there could be one or two along the way.

Then going to the west, I know the reason Manitoba is focused south is that there has been a bigger market there.

Looking at Saskatchewan, one thing we didn't mention in terms of diversification is being able to keep coal in the mix, and Saskatchewan's SaskPower, through Boundary Dam unit 3, has a major carbon capture and storage plant under way that will be operating by this time next year. If it operates and operates well, then it preserves coal as an option for the future, because it proves out carbon capture and storage.

If that does not work out, then in the long term there might be other opportunities from, say, Manitoba going west.

Mr. Marc Garneau: Thank you.

The Chair: Thank you, Mr. Garneau.

I would ask a question, but I'd only get one-third out before the time is up.

Mr. Anderson, ask a short question, please.

Mr. David Anderson: I guess I have only a minute or two.

Mr. Brunelle, what is the value of your polyester chain right now through its links, and what do you see as its potential if a Line 9 reversal takes place?

I don't think we got those numbers, and I'm just wondering if you have them or if you know what they are. What is the value of that chain now, and what do you consider it will be if Line 9 is reversed?

Mr. André Brunelle: I don't have numbers for you right now on how much money it is. We have some numbers in there about all of the structures of the AIEM members.

But for sure, it's doing a product in Canada, which we are using, and it's using the value added that we can do on it—

Mr. David Anderson: Do you have job numbers?

Mr. André Brunelle: There are some jobs, but I don't want to be misinterpreted.

Mr. David Anderson: Okay.

Mr. André Brunelle: Really, the message is to give us options, and we will be able to build on that.

Whatever the number is, if we don't have options on feedstock, well, it will be difficult for the future. If we have options, then it's open and we can build on it. We can try to do better and do more, and obviously bring value added for Canada.

Mr. David Anderson: Thank you.

The Chair: Thank you, Mr. Anderson.

Thank you to all members of the committee for your questions and comments.

Thank you especially to the witnesses from the Montreal-East Industrial Association, Monsieur Brunelle and Monsieur Tsingakis; from the Canadian Electricity Association, Mr. Burpee; from Canadian Manufacturers and Exporters, Monsieur Lavoie; and from the UA, Monsieur Telford.

Again, thank you all very much.

The meeting is adjourned.