HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Transport, Infrastructure and Communities

TRAN • NUMBER 027 • 1st SESSION • 41st PARLIAMENT

EVIDENCE

Tuesday, March 13, 2012

Chair

Mr. Merv Tweed

Standing Committee on Transport, Infrastructure and Communities

Tuesday, March 13, 2012

● (0850)

[*English*]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): I call the meeting to order.

Good morning, everyone. Welcome to the Standing Committee on Transport, Infrastructure and Communities. This is meeting number 27. The orders of the day are, pursuant to Standing Order 108(2), the study of innovative transportation technologies.

Joining us today from the Canadian Trucking Alliance is Mr. David Bradley, the president and chief executive officer; Ron Lennox, the vice-president of trade and security; and Geoffrey Wood, the vice-president of operations and safety. From Groupe Robert, we have Claude Robert, president and chief executive officer.

We welcome you.

I think everybody has been told about the process in committee. I'm not sure if either one wants to take the lead on it, but maybe I will start with Mr. Bradley. Then we will move to Mr. Robert, and then open it up for committee questions.

Please begin.

Mr. David Bradley (President and Chief Executive Officer, Canadian Trucking Alliance): Thank you very much, Mr. Chair and members of the committee. It's our pleasure to be here today. I commend you for the topic. This is something we've wanted to be able to address parliamentarians on for some time.

First I'll give you a little background on the Canadian Trucking Alliance. We're a federation of the provincial trucking associations in Canada, representing over 4,500 trucking companies from across the country, in all regions, all sizes, and all commodity specializations. We, like the industry, are basically an organization of small family-owned establishments. Almost 40% of our members have fewer than 10 trucks.

Certainly technology is a driving force in our industry. We're in the midst of a cultural change. Our industry is now about 20 years into deregulation. If you look at any industrial textbooks, we're now reaching the point where we're becoming a much more sophisticated business. We're still very entrepreneurial, but technology is helping to drive that cultural change or to facilitate the change that is already under way.

Our members hold some pretty strong core values. One is that competition should be based on service and price, recognizing that price includes the true cost of compliance by everyone. We have been told by governments ever since economic deregulation that they were going to regulate on the safety front and that they were going to be sure to enforce the safety rules. We now have technologies that enable governments to do that more than ever before, and we urge governments to adopt those practices so that we're all competing on a level playing field.

Second, in terms of the environment, and specifically with regard to reducing greenhouse gas emissions, the economic goals of our sector are aligned with society's goals more than they have ever been in our industry's history. Technology exists today to help make the industry safer, to help level the playing field, to make the air we breathe cleaner, and to reduce the risk of climate change. The goal has to be to take these technologies that already exist today and accelerate their penetration into the marketplace. We believe this can be accomplished through a combination of regulation and investment incentives.

There are barriers we need to overcome. Sometimes we need regulation to make it clear what the technologies are, what they are supposed to do—this is an industry that has been sold snake oil in the past—and that the technology will do what it says it will do. Sometimes we need to get everybody on board. Therefore, regulation is unavoidable.

In our industry there are a couple of examples right now of emerging technologies that we would like to see the Government of Canada pursue on the regulatory front. For one thing, we believe electronic on-board recorders should be universally mandated. The public would call these black boxes. They are used to monitor driver compliance with the hours-of-service regulations, which are arguably the most important safety regulations the Government of Canada has with respect to trucking. We believe that all trucks for which the driver is currently required to have a paper logbook should, in this day and age, be required to have an electronic on-board recorder.

Similarly, we now have something called electronic stability control, which helps to prevent rollovers of trucks. It basically takes the decisions away from the driver, or at least accelerates the decision-making for the driver. The United States will be moving to mandate this technology. We have supported this technology for years. It's cheap insurance.

There are other barriers. We are an industry that crosses borders, and not just the Canada-U.S. border. You will see in the documents we have provided to you that we look to opportunities for harmonization with the U.S., although “compatibility” is probably a better word; harmonization for the sake of harmonization is not always a good thing. As well, the provinces basically have responsibility for, or have been delegated, the administration of extraprovincial regulations. That can also make it difficult in terms of trying to come up with national standards.

However, we also need to stimulate investment in this country. Canadian business on the whole is undercapitalized compared to the United States.

In particular, trucking is a very undercapitalized business. Not only with respect to other industries outside of transportation, but even compared to the railways, for example, we're very under-capitalized. There are three or four trucking companies that are publicly traded; the rest are dependent upon debt financing, and that, of course, has become more difficult in recent years.

Also, for certain things it's virtually impossible to get financing. For example, if you want to do retrofits of environmental devices on truck trailers, which can certainly have a significant impact in terms of improving GHG reduction, it's virtually impossible to get financing for that retrofit. If you buy a new trailer or a new tractor, you can get financing for that, but if you want a retrofit, you can't.

In some areas we believe there's a role to be played by government in helping to stimulate this investment. We are in the age of the smog-free truck in Canada now. By law, as of 2007, all new tractors and engines produced in North America have basically zero smog emissions. They've eliminated NOx and particulate matter emissions.

The problem is that the fleet is aging, the capital is not there, and the industry is not growing particularly. The question I think you have ask yourselves is this: do we want to wait for 30 years for that to have an impact and eventually replace the fleet, or is there something that can be done now to accelerate that penetration? I look to Quebec as an example, where the new smog-free trucks have a 60% straight-line depreciation rate, which is really helpful.

We're soon to be in the age of regulation of GHGs from heavy truck engines. There is a regulation being developed right now by Environment Canada. I won't get into all of the details, but it's different from the smog regulation in that it doesn't say, “This shall be the GHG-compliant truck”, and that's something that we think should be part of the regulation so that people know what to buy.

Again, there should be credits, accelerated capital cost allowances, for those GHG-compliant trucks. Just about every other industry gets super-acceleration for investment in environmentally friendly technology.

The other thing is that the regulation only covers new tractors. It doesn't cover trailers, nor does it cover existing equipment, so again, in terms of its relative impact, it will take a long time before we start to see the GHG benefit, whereas there are things now, some of them actually manufactured in Canada, and there's at least the prospect for a fledgling industry to develop. When the Canadian Transportation Equipment Association comes before you, I think they'll be able to talk to you about that a bit more. In any case, we need to create a market here.

We think that the regulation for a GHG truck should be accompanied by a program of voluntary measures to stimulate a retrofit of the aerodynamic devices: the wide-base single tires and the trailer side skirts and those sorts of things that have a proven impact in terms of reducing GHG.

LNG tractors and engines are also showing great potential, particularly for those trucks that operate on regular routes where you can have a distribution system set up at either end; however, the reality of it—and this has been borne out by an industry-government paper on the subject—is that those trucks cost twice as much as conventional trucks, so again, if you want to get into that business, there is no way that you're going to be able to make anything other than the most modest of penetration without introducing the kinds of measures that we see in other industries.

Again, Quebec is taking the lead here. They're providing 80% straight-line CCA rates for investment in LNG tractors. That's something we're going to have to think about if we want to grow this segment. Again, there's a Canadian technology there. It works, and there's no doubt it reduces greenhouse gas emissions, but if we want to get it into the marketplace, we're going to have to make the price more attractive. Monsieur Robert will be able to speak to that in much more detail than I can.

● (0855)

We've provided you with a one-pager that we hope tells you our whole story, and those were my comments in a nutshell.

We'll be happy to answer any questions you might have, but I think Mr. Robert has some comments.

The Chair: Thank you very much.

Go ahead, Mr. Robert, please.

Mr. Claude Robert (President and Chief Executive Officer, Groupe Robert): First, thank you very much for inviting me. I'm very honoured.

Groupe Robert is a family-owned company. I will give you some numbers, very briefly. About 2,600 people work for the company. We are in almost every type of trucking as solution providers, including warehousing and everything you could imagine that goes with it. Many of you have seen our yellow and black trucks on the road, so I'm sure you're familiar with us.

Today I would like to leave you a couple of messages. I believe that productivity comes from two things. It comes from changing things around, and it comes from working with—

The Chair: I'm sorry; if I may interrupt you, we're having some challenges with interpretation. Is it that you're just not picking it up?

[*Translation*]

Ms. Isabelle Morin (Notre-Dame-de-Grâce—Lachine, NDP): You are too far away from the microphone.

[*English*]

The Chair: Sorry about that.

Please continue.

● (0900)

Mr. Claude Robert: Certainly I could talk all day, but I know I have 10 minutes. I will not talk about Transport Robert, but about the preoccupation of the industry.

Mr. Bradley has touched on many issues. One of the things that concerns me as an individual who has been in the trucking industry for 45 years is that if we want to make things more productive tomorrow, we need to create changes. If we leave things as they are today, nothing is going to happen, ever. In our industry, we need to change. We need to change; we need to go with new technologies to take us to 2020, 2030.

We keep our trailers 20 years, which means that if I make a decision today on equipment, that trailer's going to be on the road until 2030. People do not realize that the decisions we make are long-term decisions. It's not a car that you trade in every three years. We need to go with new technology, and these technologies come from Europe and from all around the world.

We have the privilege in Canada to have a corporation called Westport, which is manufacturing a new injector technology that uses natural gas. If there is a commodity that is abundant in Canada and abundant in the United States, it is natural gas. I have left six packages for you that are very detailed about the technology of LNG. I have offered to give the clerk, Alexandre, all the information electronically for your laptops so that you can understand in detail.

This is very peculiar in terms of technology, but the beauty of it is that you automatically use about 4% to 5% fuel, and the rest, 95%, is natural gas. This natural gas has to be liquefied, and the liquefaction of the gas means that it is carried on the vehicles and into our yards at minus 260 degrees. In order to be able to be able to cope with this extreme temperature and the characteristics of the LNG, we need to make major investments.

In our industry, if you put a tank in your yard to get LNG, well, you pay for it. If the same organization that manufactures the tank puts a tank in development for new technology, they will get grants and support or additional amortization or accelerated amortization to do the investment. In our case, we don't get any of that. Only in Quebec do we get a small portion right now, and I'm here to pledge that we have to sensitize the people of the country to the need to get together and ask where our future is.

Even though we export—well, we try as, you know. I'm not going to comment on the situation in the west with the United States, which you know that better than I, but, as you know, in the east we import all our basic petroleum. We do have natural gas reserves, and we could heat our houses, fuel our trucks, and eventually do a lot of other things.

I'm future-oriented. I know I'm going to die soon, although I don't know when, but one thing is certain: the gas of the future is natural gas. The alternative gas is will come about through natural gas. Look at the formula of natural gas: CH_4. What is important? It's the H_4. What is the "H" for? It's hydrogen. The trucks of the future, the cars of the future, are going to be using hydrogen. Where is this hydrogen going to come from? Certainly not from water, because water's only H_20; it's going to come from CH_4.

● (0905)

Whether people like it or not, they should look ahead. I feel so bad sometimes when I discuss with people who do not have that vision. I swear to God, I was in a shop in Phoenix and saw that people were running engines on hydrogen right now, using methane to produce the hydrogen. It does exist today—not tomorrow, but today—so what are we going to do to bring Canada up to par and into that environment of tomorrow? I thank the people who invited me, Monsieur Coderre and others, but this is the message I'd like to bring over to you.

As well, we have a pile of technology coming from Europe, but through Transport Canada we decided to shut the door on these technologies. Why did we do that? The answer is that a deal we signed a long time ago with the Americans says that all the trucks should come from the United States.

Well, this is not true anymore. Even the Americans are importing the Hino and other trucks of the world that are made by Toyota. They come Japan. It's fine if they come via the United States to Canada, but in Canada we cannot stand up and say that we could have a partnership with Europe. All the advanced vehicles are made in Europe. In Europe, they adopt technology that is recognized worldwide, whereas here in North America we use the EPA standard.

Earlier I showed some of you a document I picked up yesterday. The title is "EPA's cost analysis of 2004-2010 emissions mandates questioned". A group of people created an organization, EPA, under the government's support, and today it's costing us an average of $20,000 per truck to support EPA. We've lost two miles a gallon on fuel economy. In our case, that represents 25% of our consumption.

People are still supporting EPA standards without question, whereas we have standards that we could develop, working together with Europeans, that would be worthwhile and that are much more efficient. The beauty of it is that now the Europeans are buying into Westport's natural gas technology to bring it to Europe; we in Canada use the Westport technology, but through EPA, so for 4% and 5% of diesel into our engines, we respect EPA and we pay $20,000 more per truck. That is what we are and this is where we are.

I certainly wish I could speak with you for hours, because I know the details and everything behind this. These were some of the things I wanted to share so that you'd be fully aware that the world doesn't stop here. The world is far ahead of us, and we need to have an open horizon to look at things differently. If we want to change, let's look for the change. I keep saying that if you keep looking into your mirror, you only look at the past, because what is behind you is behind you—it's the past. You need to look through the windshield to look ahead, to look in front. That's my philosophy of life and that's what I wanted to share.

Thank you.

The Chair: Thank you very much.

Go ahead, Ms. Chow.

Ms. Olivia Chow (Trinity—Spadina, NDP): Thank you.

I have a question for Mr. Bradley.

When the vice-president of engineering of the National Research Council was with us a few weeks ago, he basically confirmed that the studies they did, and a lot of European studies, determined that side guards—not side skirts, and he was very clear about that—resulted in a reduction of greenhouse gas emissions and fuel consumption of anywhere from 5% to 20%.

You and I have an ongoing discussion about whether it's side guards or side skirts, but one way or another, it's a piece of plastic among all the other plastic that you attach to a truck that would result in $561 million of savings for the entire trucking industry if we calculate it using just a 5% reduction in fuel.

If that's the case, whether you talk about guards or skirts or whatever, because the payback period is anywhere from two years to three years at most, it really makes a lot of sense to invest in it. What you're saying is that a lot of the owners just don't have a lot of available cash, and there's no government program to give that extra push.

Last year in the immigration committee I suggested a repayable loan program under which you'd lend money to immigrants, and once they were established, they would pay it back. Now the government is, in fact, starting that repayable loan program.

If the greenhouse gas emissions are going to be reduced and fuel savings are going to make money eventually for the trucking industry, and if the government had a program for repayable loans or repayable grants that would have to be paid back within five or 10 years, because you will capture that dollar amount, would that assist the industry in installing any number of these devices? Could we really reduce the greenhouse gas emissions of the trucks and save money in the meantime?

● (0910)

Mr. David Bradley: Yes, definitely.

We'll set aside whether we're talking about side guards or side skirts. I'm talking about side skirts, and there's no question that side skirts—you'll see them in our diagrams—do improve fuel economy.

Perhaps somebody has made a side skirt that can also be a guard. We're not aware of them here in Canada, although we've had some discussions about what they may or may not be doing in Europe. If someone could develop and bring to market here something that does both, that would be great.

However, there are a couple of other aspects. You're seeing more and more companies now investing in side-skirt technology when they're buying new trailers. As Claude said, a trailer lasts 20 years, so the turnover rate is slow, but more and more companies, when they buy new trailers now—and you'll see them out on the highways—have those side skirts.

We have to distinguish among the types of trailers and be clear about where the fuel economy can happen. It depends essentially on the type of van and on the kind of trailer. You can see in the diagram that there is a van type. There are all kinds—tank trailers, flat deck trailers, and those sorts of things—but the fuel economy savings for a van trailer operating at highway speeds are not in dispute. They have an impact.

What we would like to see and what we've been promoting for the last few years, under a program called enviroTruck, would be options for the industry. If you're operating a van trailer, there are certain things you can do; if you're operating a tank trailer, there are certain things you can do. One option would be a side skirt. You could retrofit your existing equipment to get the bang for the buck, in terms of the environment, more quickly.

One of the principal ways we thought that could be done was through a repayable grant. Sure, we'd love to have an outright grant, and there are lots of success stories in that connection. There used to be a program for auxiliary power units that had a real payback to government and to industry. It involved a very small investment on the part of government and a significant investment on the part of industry.

However, given the current times, we recognize that may be difficult, so a repayable grant system would help to create the capital that is not there right now.

Ms. Olivia Chow: If that is the case, can you explain a bit more about Canada and the U.S. developing harmonized fuel efficiency regulations in 2014 if new tractors come online? Does that mean that trucks going to the U.S. have to be mandated to reduce the greenhouse gas emissions?

By the way, Coca-Cola's big trucks have side guards and not skirts. Anyway, through the ongoing discussion—

● (0915)

Mr. David Bradley: Yes.

The pop trucks, again, operate within city centres. That's why you see side guards on those. Those side guards, I can guarantee you, are not creating a fuel economy benefit in that particular case, because they're not travelling at highway speeds. They're not highway vehicles. That's why they have side guards; it's because they tend to operate more in urban areas.

In terms of what's happening right now both in Canada and the United States, the U.S. announced last May that it was going to introduce regulations for fuel economy standards/GHG emission reductions for new heavy trucks. Canada, at the same time, said that it was going to mirror those regulations, and that is in the process right now.

I think we obviously want to be as compatible as we can, but I'm not sure that just adopting the U.S. regulation is necessarily the way to go. In fact, we've proposed to Environment Canada some areas where we have to make sure, because Canada has a different weights and dimensions regime, that the base vehicles that they use for measurement don't put the Canadian industry behind the eight ball.

Also, there were some areas in which we felt we can and should go further in Canada, and those things are being worked out right now. I don't know whether that will come to pass or not. The regulation is somewhat different from the smog regulation. The smog regulation said that by such-and-such a year, the truck manufacturers in North America will eliminate the emissions of particulate matter and NOx, two major precursors to smog. They basically said, “We don't care how you do it, but you're going to do it.”

In this case, it's not really as prescriptive as that. What the regulations, as we understand it, will say to manufacturers is that a portion of their sales have to obtain a certain reduction in greenhouse gas emissions. They will either be given a credit, if there's a market for it, or perhaps there will be some penalties or lack of credit if they don't get there.

There's nothing that compels the customer to buy what we would call a GHG-compliant truck. If somebody walks in and wants to buy the same big old thing—I won't use the brand name, because they take heat for it, but they also produce good trucks—with way too much horsepower and all the bells and whistles on it, they're going to sell them that truck. It's going to take a long time for this regulation to have the kind of effect on GHG that they think it will have, but it is a step in the right direction. What we've been arguing is that it should be supplemented by a program of complementary measures that would allow us to retrofit existing equipment and include trailers. The EPA has said that they are considering regulating GHG from trailers because it's all part of the aerodynamic drag, and you have to look at the whole vehicle. They're considering it by maybe 2018.

The Chair: I have to interrupt you there, Mr. Bradley. We're way over the time limit.

I have to go to Mr. Coderre.

[*Translation*]

Hon. Denis Coderre (Bourassa, Lib.): Thank you very much, gentlemen.

Mr. Robert, obviously, I stand behind your rallying cry. We are indeed facing certain realities. Both you and Mr. Bradley spoke to that complexity, and I realize this isn't just a Transport Canada issue. It even involves the Department of Foreign Affairs and International Trade and Environment Canada.

Do we need to define a new trucking policy in Canada? From everything we have learned from you and Mr. Bradley today, it is clear that the complex and inconsistent regulatory regime is hurting the industry and can have a direct impact on environmental issues.

I am especially disappointed that we cannot diversify the technology as far as Europe is concerned. Is there a Canadian or Quebec technology that would allow us to be competitive? If not, why wouldn't the government sign an agreement with Europe to give us access to that technology?

● (0920)

Mr. Claude Robert: Thank you very much for opening that door, Mr. Coderre.

If you have been to Europe—as I am sure everyone has—you probably noticed that all their trucks have what we call cab-over-engines. As far as conventional trucks go, it has been shown that our technology has hit its limit. We can't do anything more in terms of reducing aerodynamic drag, or wind resistance.

As Ms. Chow asked earlier, we could talk about side skirts. We could indeed incorporate side protection elements, as they do in Europe.

Now, they use single tires. I am not trying to change the subject, just answer the question. The Europeans have adopted more efficient technologies, beginning with the tires. Next, they made phenomenal improvements to the truck. Third, they reduced the distance between the cab and the trailer, what we call the gap. That's even more significant than the skirts, which came afterwards. It all started with single tires. The single-wide tires you see are the most important feature.

The other feature that is even more important, believe it or not, is the driver. If I tell you to drive to Montreal in your car at 90 km/h, you will probably get 40 miles to the gallon. But if I tell you to drive at 130 km/h, you might get a bit less. Do you know what I mean? So, the most important part of the equation is the driver.

What is done in terms of the driver? Europe has adopted a maximum speed limit of 90 km/h for all trucks, while there are still states in the U.S. that allow speeds of 75 mph or 140 km/h.

Hon. Denis Coderre: Mr. Robert, I don't have a lot of time. But if I understand correctly, you are saying that the Canadian government must revisit its agreements and allow us to do business with Europe, not only to protect the environment but also to be competitive given the other technologies that exist.

Mr. Claude Robert: Absolutely, that would be my first wish.

I would like to make another comment, if I may. Companies such as Volvo—and this is no secret—are working with Westport in Vancouver on new technologies for their European trucks. So, if the Europeans realize the merit in the Canadian natural gas technology developed in Vancouver, I don't understand why we, here in Canada, don't adopt a similar approach. This creates a lot of other problems, but I won't list them all off.

As it stands, our trucks do not allow us to maximize the cost savings and efficiency required within the current system. The list of restrictions is so long that I could cover every wall in this room.

[*English*]

Hon. Denis Coderre: Mr. Bradley, when we're talking about regulation, when we're talking about diversifying our market, what does your organization believe is...? What's wrong? Is it because of a lobby? Is it because we're too close to the Americans? They are our friends, but it's good to see if there's a better market somewhere else.

From what I understand, we're talking about an interprovincial issue, we're talking about a Canada-United States issue, and we're talking about an international trade issue. How do you manage that?

Mr. David Bradley: Well, it's very difficult.

First, I would say that we have a problem right here at home, in that the provinces themselves can't seem to agree on national standards. Even where the government has constitutional authority over extraprovincial transportation, it chooses not to exercise what clout it does have.

For example, on the wide-base single tires, in Ontario and Quebec they are allowed to carry the same weight as the old conventional duals, so there's no payload penalty by getting more environmentally GHG-friendly. However, when you move across the country to Alberta, they're adamant there that they're not going to equalize the weights. They believe that the tires—and they're looking at an old generation of wide-base tires—have an impact on the infrastructure. As a result, we have the case that you can't use wide-base environmentally friendly tires in some parts of Canada.

I think the reality right now is that it was many years ago that Canada lost its heavy truck manufacturing business to Mexico and elsewhere, and all of the heavy trucks—the class 8s—in Canada now are manufactured in the United States. It's still our largest trading partner, so there is a need to harmonize and be compatible. I think that's understood. However, it's starting to change insofar as the big American truck manufacturers are more and more now owned by Europeans. We're starting to see some of that technology come over, but to an extent we do have blinkers on in terms of what might be happening in the rest of the world.

I'll say this: as a class, there is no trucking industry in North America—not in the United States, not in Mexico—that is safer than the Canadian trucking industry. Mr. Robert and his counterparts wipe up in the U.S. industry's truck safety awards every year. The Americans get their noses out of joint because Canadians win all the time. Similarly, with respect to—

Hon. Denis Coderre: So if we—

Mr. David Bradley: Let me finish this point, if I could, please.

● (0925)

Hon. Denis Coderre: Sorry; go for it.

Mr. David Bradley: Similarly, on the environmental side, Canadian carriers are very far ahead of their U.S. competition in terms of the need to improve fuel economy, which has the byproduct of improving GHGs. Whether that's because fuel was always more taxed here and more expensive here, I don't know, but the U.S. industry feels it's their God-given right to burn as much fuel as they want, when they want. We shouldn't lower our regulatory expectations to meet theirs.

Hon. Denis Coderre: I have a simple question. Do we believe, then, that harmonization will lower our standards?

Mr. David Bradley: No—

The Chair: Briefly, please.

Mr. David Bradley: —not necessarily, but it can.

The Chair: Thank you.

Mr. Van Kesteren, welcome.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Mr. Chair.

Thank you for the invitation. It's a great committee. On my part too, transportation is of great interest.

Mr. Bradley, it's good to see you.

I want to tell everybody here that they missed probably the best event I've ever attended—

Ms. Olivia Chow: Oh, that's right.

Mr. Dave Van Kesteren: Yes, Olivia was there. When the invitation comes out again, I would urge all of you to take up the invite, because it was a great event. I think it's also important that we're able to touch base with our parliamentarians.

I want to direct my questions to Mr. Robert. I want to talk a little bit more about natural gas.

I think it's probably safe to say that we are tied to the States, whether we like it or not, and I don't think your industry would want to see regulations that would impede your traffic in the United States. Those are things that we must recognize.

The fact is that we're playing in a big sandbox; it's not our sandbox, unfortunately, but there are things we can do. I know that you've been a strong advocate of natural gas. You've put your money where you mouth is. You went out and invested in a number of trucks. You were one of the first.

I appreciate your information on Westport. It is an exciting new innovation and a Canadian company, but I want to just give you a little bit of time to maybe tell the committee.... You seem convinced that natural gas is definitely an avenue and an opportunity for trucking.

We're acting as partners. I appreciate what you do in your industry —you're a leader in that as well—but if government and industry were to act as partners, what would you tell the Canadian government in regard to what the necessary steps would be to move forward with this natural gas initiative? It's something you firmly believe in and it's something we could possibly lead the way in and develop more technology in, which would create more industry for this country.

● (0930)

Mr. Claude Robert: As you know, quite often we forget to go and visit the United States. Last night at 10 o'clock my son sent me an e-mail, a *courriel*, that will illustrate how many refuelling stations they are going to have by the end of 2012 in the United States. I could give it to the clerk after the presentation, and that should be your answer.

While we preach against natural gas and try to develop alternatives and other things, we forget that the best technology comes from Canada, but in the United States they don't talk, they act. By the end of this year they are going to have over 250 refuelling stations in the United States.

Mr. Dave Van Kesteren: How many do we have here in Canada?

Mr. Claude Robert: Right now there are two in the Robert yard and one in Calgary. We have a CNG operation in B.C., but that's what we've got.

I can't believe that people do not see these things. I will transfer the *courriel* to you and you could share it with the audience today. You're going to see that President Obama didn't say it in a speech, but he went to Chrysler and told them that natural gas was going to fuel the vehicles of the future. In the meantime they have given grants to companies like Clean Energy, Chesapeake, Shell, and these people are building.

In fact, even if we wanted to get a third refuelling station right now, we would have to put our name on the list; it's a year and a half delivery before we can get a refuelling station from Chart, which is the only real manufacturer of refuelling stations in the United States. There's a second one, but it's a very small player.

There's the potential in Canada of developing and manufacturing natural gas tanks. There are two tanks on a truck, and they're worth $35,000 apiece, so you have $70,000 worth of tanks on a vehicle. If tomorrow you believe that there are 125,000 to 150,000 trucks in Canada and multiple that $70,000 by that number of trucks, imagine the amount of investment that could be made in new manufacturing in Canada.

Right now we import all this from the United States, which imports a lot of it from China and other countries. We keep importing, and then we wonder why our trade balance is going down the drain. We need to start producing. As we are one of the top producers in the world, we have a big opportunity with natural gas, so why don't we do something about it?

When I see the speed at which they are doing it right now in the United States.... They have adopted technology other than Westport's right now, and they are going to burn a lot of fuel—not efficiently, because the Westport technology is the best technology in the world right now. They find other technology that works, and that means they are powering the trucks. Whether they do it the right way is something else, except they are EPA-okay.

This is where we stand, and those are my concerns. Canada cannot carry two carriers, Vedder in the Calgary and Moncton areas and Robert in Quebec and Ontario. Let's not joke. Let's be serious. We cannot be two carriers running 75 or 100 trucks in Canada and say we are going to promote LNG and natural gas. If we want to be serious, we need to make the facilities available and just work accordingly.

Keep in mind one thing: people like the ones at Clean Energy. They used to own a company and sold it to Exxon. They were the largest producers of petroleum in Texas. They sold their company and went into natural gas. They got all the grants; now they have the money to put a network across the United States. Tomorrow they are going to control the distribution of natural gas in the United States.

● (0935)

Mr. Dave Van Kesteren: How much time would we need to put proper corridors in place? For instance, we've talked before about a Quebec City to Windsor corridor, one from Edmonton to Vancouver, and then possibly a spoke on the east coast. How many filling stations would we need to encourage other trucking companies to start looking at natural gas?

I want to point out something else. I know you're environmentally conscious, but you are a businessman first, so you must be convinced that natural gas has some real value.

The Chair: Please be very brief, as we are very close to the time.

Mr. Claude Robert: First of all, if we are 10% of the United States and they will have 300 stations by the end of this year and probably 500 by the end of next year, divide that by 10 and you should have your answer.

Second, I believe that the trucking industry is ready to go for it, but right now we do not have the support that goes with it. The investment is absolutely outrageous, and there are regulations that we have to fight all the time. For example, in municipalities when we come to install a refuelling station, everybody associates it with propane. They ask if LNG and propane are similar. The difference is that when LNG evaporates, it is so light that you lose it. Propane is so heavy that it stays on the ground, with the risk of explosion and everything, but all the regulations we have to meet are for propane. The fire people, the cities—everybody is using propane to monitor LNG. It doesn't make sense. It would be like comparing water and Pepsi.

The Chair: Thank you.

Mr. Poilievre is next.

Mr. Pierre Poilievre (Nepean—Carleton, CPC): Mr. Robert, you've offered some fascinating testimony today. I want to get right down to what we can do to get out of your way so you can succeed.

Just for full disclosure, I don't support any form of grant to help the industry in this regard. I believe business is meant to produce wealth rather than consume it. However, I'm interested in ways we can make your regulatory life simpler, ways you can import technology with fewer obstacles, and other ways we can allow you to invest your own money to get a return on that investment and help the environment at the same time.

In the most succinct way possible, list the regulatory obstacles we could remove, or work with our provincial and municipal partners to remove, so that you can succeed.

Mr. Claude Robert: As you know, it's a matter of cashflow. Once you buy a truck and pay twice as much for it, we don't want a grant; we just want accelerated depreciation so that we get deferred income tax. Trust me, we will pay the tax back.

Mr. Pierre Poilievre: Is that on the full price of the truck, or on the incremental cost associated with the natural gas engine?

Mr. Claude Robert: In the United States they can amortize a truck over a period of four years to mostly zero. In Canada it takes up to eight years before you get to zero, roughly.

Mr. Pierre Poilievre: That's for the whole truck.

Mr. Claude Robert: Yes.

Mr. Pierre Poilievre: You want to accelerate the portion that is associated with the natural gas engine. Is that correct?

Mr. Claude Robert: Yes.

Mr. Pierre Poilievre: What do you propose: 50% a year, 80% a year?

Mr. Claude Robert: I suggest you look at what has been done in Quebec.

Mr. Pierre Poilievre: It is 80%, right?

Mr. Claude Robert: It's 80% of 60%. It's true that you can get a little more, but in reality—my accounting background—once your deferred income tax reverses, you pay more tax.

● (0940)

Mr. Pierre Poilievre: That's right. It's a deferral, not a tax benefit.

Mr. Claude Robert: That's not something to be too worried about. That would my first step.

Mr. Pierre Poilievre: Okay, so you would like accelerated capital cost allowance.

Mr. Claude Robert: Second, Natural Resources Canada should take the lead by promoting natural gas. I've been to at least seven or eight meetings with Natural Resources trying to explain this and that and convince them. These people must receive clear direction to promote this product across the country.

Mr. Pierre Poilievre: The department has actually produced a full report on it, so they are aware of it.

Mr. Claude Robert: I know they are aware.

Mr. Pierre Poilievre: What regulations can we remove to make it possible for you to succeed in natural gas-powered trucking?

Mr. Claude Robert: It's full of restrictions. For example, in the municipalities, each municipality takes the habitation code and whatever, and they come and apply it to a resource called LNG that they know nothing about. They use propane as a reference, as I said earlier.

The propane standards are so high that it takes months and months. It took seven months in Mississauga, and it took a year in Boucherville, just to illustrate, and nothing has been built. You cannot order the station, which takes another year, unless you have cleared this up. That's number one.

Number two is that the vehicles are much longer. The trucks are about 1.5 feet to 2 feet longer. The regulations in Canada were made for trucks that were shorter, so now we cannot use these trucks everywhere. We can use them in certain corridors. The provinces, because they have their own restrictions, come and impose on you. They say, “Sorry, but your truck is too long.”

Mr. Pierre Poilievre: Does that have to do with natural gas or just the truck in general?

Mr. Claude Robert: It's the natural gas. It's because we use these stupid conventional trucks with the long nose. If we were to use—

Mr. Pierre Poilievre: Are you saying natural gas vehicles are longer than traditional diesel ones?

Mr. Claude Robert: Yes. In fact, the way these trucks have been built, the fuel tanks are much bigger. The tank you see is 7 feet long by 26 inches in diameter, but in reality only a small tank inside it contains the LNG. The rest is all insulation.

Mr. Pierre Poilievre: So the length restrictions at a provincial level are an obstacle for you.

Mr. Claude Robert: Yes, because with the EPA and with all the systems that you have and the anti-pollution measures that are imposed on the natural gas truck, you have to put a DPF, you have to put a catalytic converter, and you have to put an SCR tank. Once you put all in these things, plus natural gas, you use a lot of electricity. If you're wondering why, it's because we have sensors everywhere to make sure there is no explosion. This is using batteries.

Mr. Pierre Poilievre: It sounds like the full EPA certification framework is geared towards diesel, then, not recognizing—

Mr. Claude Robert: Absolutely. They have refused to do it for Westport technology, but they have adopted another technology in the United States, called EcoDual. That technology, which, trust me, is not even 25% as sophisticated as the Westport technology, meets the EPA, whereas Westport doesn't meet the EPA.

Mr. Pierre Poilievre: Do you think that's a deliberate protectionist measure or do you think it's just an accident?

Mr. Claude Robert: For me it's clear as crystal. For others, they will argue with lawyers for 300 days.

Mr. Pierre Poilievre: Cross-border, we are an integrated trucking business. If we were to move our rules outside of the EPA certification, then how would we continue our cross-border business?

Mr. Claude Robert: One thing is certain: sooner or later they are going to adopt technologies that will meet their EPA, but the EPA they will meet will not necessarily be the standard that we had developed in Canada for their EPA.

Once these trucks start to come to the border, between you and me, if you see one of our trucks running on LNG and another one, how do you know? This is the real question.

The truck of tomorrow.... You take an electric car. I drove an electric car last week for a test. I was at the corner of the street, and nobody could tell. It's no different with the trucks today.

● (0945)

Mr. Pierre Poilievre: You mentioned EEA imports from Europe. Is it again the EPA certification that's preventing us from importing some of these high-quality trucks from Europe?

Mr. Claude Robert: Absolutely.

Mr. Pierre Poilievre: So we need to work on finding a way to remove those obstacles.

Mr. Claude Robert: Euro VI is better than EPA 2010. Right now, here, here in Canada, if I want to import some Volvo Euro VI vehicles, which are 2012-2013-2014, right—

Mr. Pierre Poilievre: You can't, because they are not EPA certified.

Mr. Claude Robert: Exactly. Canada refuses.

Mr. Pierre Poilievre: I have a final question. You mentioned a company in Phoenix that is running on hydrogen from methane. First of all, are they doing that in a commercially viable fashion, or are they subsidized to do it?

Mr. Claude Robert: This is in a lab.

Mr. Pierre Poilievre: It's in a lab, so it's technologically but not commercially feasible right now.

Mr. Claude Robert: It's a matter of time.

Mr. Pierre Poilievre: Would you be able to provide for us, Mr. Robert, a list of the municipal, provincial, federal, and international regulations that are standing in your way? Can you give that to us as soon as you possibly can so that we can ask our officials in front of this committee why those regulations exist and then potentially recommend to the government their removal?

Mr. Claude Robert: Absolutely.

Mr. Pierre Poilievre: Thank you.

The Chair: I think it is going to be a problem. I come from western Canada. Our trucking industry basically goes through the U. S. now. If we go to a natural gas product, I suspect that we're going to see more and more migration into the U.S., travelling east to west. I think it's a pretty high number as it is right now. I know that we had a couple of trucks on the road in our business, and we basically tried to avoid provinces because of the rules and regulations from one province to another. There was licensing and registration. They were just obstacles.

Even now, in trucking through the U.S., we avoid certain states simply because their rules are different. I don't know if it's similar for your companies. If you are underweight in one state, you could be overweight in the next and subject to all the fees and penalties.

Mr. Claude Robert: You are right, and your remark is so exact.

In the meantime, I will tell you what I'm afraid of.

Right now they are going to put a refuelling station in Detroit and one in Syracuse. I know that they are putting one in PA, New Jersey, Connecticut, and Boston. I have the list. I will give it to the clerk after the meeting.

That's only one company. That's only Clean Energy Fuels. Chesapeake Energy is doing the same, and Shell is doing the same with Flying J. Imagine the number with the multiplication. These guys are going to run LNG and come and compete with our industry, while here in Canada we will still be running on fuel before we develop an infrastructure. At the speed we are going today, it will be 2015 before we get something that makes sense.

In the meantime, they would be running 400 to 500 gas stations stateside. With the autonomy they have, they can refuel in Syracuse, come to Montreal, and go back to Syracuse and say, “Bye-bye, love, I took your freight away.” They benefit from the cheaper price.

And the Canadian trucking industry is going to do what? Right now, my trucks can go to the United States. They are EPA-approved, but there is no station as of yet. In a month's time, there is going to be one in Detroit.

Yes, we are going to start to run them. We have started to run one truck in Boston. We are running that truck back and forth to Boston, because I have found a friend there who has trucks on natural gas. He said, “Claude, you can come and fuel whenever you want.” I'm fuelling right in his yard. That is the beauty of it.

Keep something else in mind: all of the natural gas on the eastern seaboard is coming from Russia through *méthaniers* on LNG. The price of this compared to the price in Canada at the pump is not even 25%. Tomorrow we are going to stop bringing petroleum on boats; we will start to use *méthaniers* to bring natural gas from somewhere else.

I think we need some time to get together and do something. Electricity is too expensive. The price is too high. This is this, this is that. What are we going to do? Even our water we are going to probably import from *Maroc* or somewhere. That's just to illustrate how sometimes it can be nonsense.

● (0950)

The Chair: I have to go to Ms. Morin.

[*Translation*]

Ms. Isabelle Morin: Thank you very much, Mr. Chair.

I want to thank our witnesses for their presentations.

Mr. Bradley, you want the government to provide financial assistance to stimulate truck investment. I did a quick calculation. If we want to put an electronic on-board recorder, an electronic stability control system and a GHG compliant trailer on every truck, it would cost $10,000 a piece.

You said you wanted a grant, but how much? What exactly do you mean? What sort of government grant would enable you to properly equip a truck, incorporating the three technologies I just mentioned?

[*English*]

Mr. David Bradley: You're not necessarily going to put all of those things on all trucks, so the cost could be $10,000 or it could be something less.

What we're talking about is repayable grants. We don't have a specific number, and I don't expect billions to fall from the sky tomorrow. We had programs up until very recently—ecoFREIGHT and whatnot—through Transport Canada that were on the order of a few hundred million dollars, but they were for all sectors, not just trucking. It also applied for rail, air, etc. I think those numbers were sufficient to stimulate investment.

The APU program was a 17% investment on the part of the government, with 83% on the part of the industry. It really did help to stimulate investment. That said, if it is a grant program, repayable or not, we have a timeframe during the next few years when I think we can really make some headway. We're emerging from the recession and people are seized of the need to improve fuel economy, so we would favour a time-limited program that would apply to specific products.

The problem with ecoFREIGHT was that these were all called demonstration projects. Companies had to provide so much paperwork that some of them, particularly small ones, had to hire consultants to write their reports. The result was that after a while they didn't bother going after the funds, so it was the big companies that got the money. If we said these are proven, currently available technologies and limited the time, we could make it happen.

The grants would be only for retrofit; if you're buying new equipment, you can get that stuff added on and you can get financing for it yourself.

Mr. Ron Lennox (Vice-President, Trade and Security, Canadian Trucking Alliance): There is a precedent here in Quebec. I have a document about a program they put in place for the trucking industry. Claude, and I think David, talked about the accelerated CCA for the newer trucks, along with the LNG, but in addition to that, they put in place a program in 2009 directed at the introduction of new technologies to reduce fuel consumption, and by extension greenhouse gases.

You were asking about numbers. In the Quebec program, they will rebate 30%, up to $3,000, for an auxiliary power unit. Side skirts make up another category—it's 30%, up to $1,500. The program is sunsetted. It doesn't last forever; it expires in 2013. The total cost of the program is $27 million for the trucking industry. That's an example of the sorts of things that could be done.

Mr. David Bradley: There are so many ways you can skin the cat. I appreciate Monsieur Poilievre's comments on grants. I only wish it were true for things like biodiesel and whatnot; billions were provided in grants for something that we're not sold on as a fuel. We could also be looking at LNG and stuff like that.

Governments find ways to do different things. The Prime Minister, back in 2008, promised he would eliminate 50% of the excise tax on diesel fuel. That hasn't happened. What we said at the time was that there were good arguments for getting rid of that archaic tax, particularly in a GST/HST environment, but rather than getting rid of it and having the money go off wherever, why not take that money the government would otherwise lose and put it into a program like this, where at least the companies that are doing the right thing would get some benefit from it, as opposed to just reducing the tax?

We have to decide as a country whether we're really in the game of reducing greenhouse gas emissions or not. The industry is moving in the direction we want; it's a question of whether we want to get there in the next few years or in the next 30 years. That's really the issue.

● (0955)

The Chair: I have to stop you there and go to Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you very much, Mr. Chair.

I'd like to thank our guests for attending today. I find the information that you've provided thus far to be very helpful.

You know, my New Brunswick dad was a truck driver almost all his life.

The Chair: I thought it was your mother.

Mr. Ed Holder: No, she never drove.

Mr. David Bradley: There are a few more of those these days too.

Mr. Ed Holder: Well, she never drove.

My father always said that if you want to know how the economy is going, follow the trucking industry, because the trucking industry will be farther ahead in the economy. If you see a lot of activity, it means that going forward you'll see a stronger boost to the economy, because they really precede the activity. Conversely, if you see fewer trucks on the road, then you know that some real challenges are going to happen.

I think that's as good a barometer as I have seen, and that's why I appreciate your comments today.

I have a few questions for you, Mr. Robert. One thing you talked about was the lack of what I will call “natural gas centres” for your vehicles. It's good that you have a friend in the United States who lets you use his resources.

Why has that not taken off in our country? What's your sense of it? It would seem to me that with the cost of natural gas versus, say, diesel fuel....

What's been the impediment, from your standpoint, for this not expanding exponentially?

Mr. Claude Robert: As with any new technology, I believe, people are scared.

The big difference is that in the United States.... I don't want to take too long, but I'll tell you the first thing the federal government did. In California, as you know, they gave the drivers one shot to eliminate old trucks that were polluting, which was something like 500 trucks. Then they started to give grants in California, right or wrong, to all the trucks going to the ports to eliminate smog in the cities of L.A. and San Francisco and others. They gave all the supports so that everybody could switch to natural gas. Right away there was a big impact.

As well, some large corporations, UPS and others, have gone with compressed natural gas, CNG, instead of liquefied natural gas, LNG. These people started with this, but at the same time, since they had the fuel station, they decided to have some LNG trucks as well.

The states of Texas, California, Arizona, Nevada, and Utah have all started to develop the natural gas side very strongly. Naturally this development has created a market of replacement parts, maintenance, facilities, and all the things necessary to support a fleet of maybe 150,000 trucks altogether.

Here in Canada we started from scratch with one truck, five trucks, ten trucks. You cannot live with one truck, five trucks, ten trucks, and I'll tell you why: it's because methane is a gas that has to be kept at minus 260 degrees. If you don't keep it at that temperature, it evaporates into the air. In order to keep your truck fuel-efficient and to keep the truck going, you have to refill your refuelling tanks every three days, at the latest.

Now, if you have one truck, five trucks, ten trucks, you cannot start a business. We quickly discovered that. The first six months we operated, we were throwing our gas away, because we were losing it. Very quickly we made the decision to expand from ten or 15 trucks. We now have 43; we will be at 70 trucks on May 1.

At 70 trucks, we will have just enough to be able to maintain our two refuelling stations, one in Toronto and one in Montreal; with fewer than that, we can't. Imagine if we are by ourselves, pulling the gas from the gas station; we just cannot do it.

● (1000)

Mr. Ed Holder: But you've made a commitment, it's clear to me, from what you've just now said, to use natural gas as your way forward.

Mr. Claude Robert: Yes.

Mr. Ed Holder: Why would you make that decision, with the lack of availability as it is, when you could just as easily have gone to diesel fuel?

Mr. Claude Robert: It's like when you're pregnant: you have to go to the end.

Mr. Ed Holder: I don't know what that feels like, but...

Voices: Oh, oh!

Mr. Claude Robert: Once you're in it, you realize you have no way to turn back. When we made the decision initially, I don't think we were told the whole truth, but we discovered the truth, our route, going forward. Now we know that to make it a viable solution for our company, we need to have about 125 to 150 trucks running all the time.

Now we have the people from Midland and Day and Ross approaching us. They want to work with us, trying to develop a network from the Maritimes to Toronto. You've got a lot of other people. You've got the railway, which is going to have locomotives running on natural gas before we have gas stations refuelling our trucks in Rivière-du-Loup, I'm telling you.

Just to illustrate, right now we do not have the support to put in the network, so it's like the chicken and the egg. The owners don't want to buy the trucks because they don't have the gas; on the other hand, they don't want to put in gas stations because they don't have enough trucks to support them. We found out ourselves the hard way, and it cost our company a lot of money, but we were into it, so what could we do?

We begged Peterbilt, our supplier of trucks, to build more trucks, but their slots were full. They had sold 1,000 trucks. They can manufacture them at about a truck a day, and they've sold 1,000, so when I want to get 25, I have to call the president and I have to bang on the table. I told him he's selling trucks today because of me, so he ought to give me 25 more trucks. That's how I get my trucks.

That's why I'm looking for another supplier of trucks; otherwise, we are done. Even if you want to order 500 trucks tomorrow, good luck; maybe they'll be available in 2015.

The Chair: I have to interrupt there.

Go ahead, Mr. Nicholls.

[*Translation*]

Mr. Jamie Nicholls (Vaudreuil-Soulanges, NDP): Thank you for being here. I found your presentations very helpful.

Mr. Robert, your remarks were very heartfelt. I am quite impressed. My father was a truck driver most of his life. He always wanted the same thing as you, a better future for his sons.

Can you tell us a bit about Groupe Robert's partnership with Gaz Métro and the Quebec government?

I believe the goal of the project is to establish the first liquefied natural gas-fuelled freight transportation corridor. What did you do to get a project of this nature off the ground?

Mr. Claude Robert: First off, negotiations with Gaz Métro were quite tough. They had a big advantage: the only liquefaction plant in eastern Canada. There aren't many in Canada, as you know. The plant is used to liquefy natural gas solely for Quebec's heating needs. It provides gas to heat Quebec. It is important to understand that the liquefied gas is restored to its natural state in the winter and delivered through pipes. That is how homes are heated. This liquefaction plant costs hundreds and hundreds of millions of dollars, but it just idles seven months of the year.

So, from Gaz Métro's standpoint, this was a worthwhile endeavour. As you know, in a year, just one truck uses as much gas as roughly a thousand homes. Gaz Métro saw a lot of potential in this. They realized it could extend beyond road transport. It could apply to ferries in Quebec, among other things. As for locomotives, it won't be long before they run on natural gas; it is simply a matter of time. Without realizing it, we opened the company's eyes to a new market. This is an important project to them, but they don't want to invest in a system without the trucks, and we won't have the trucks if we don't have the system.

Two weeks ago, I was in Quebec City with Sophie Brochu. I told her that she had to use stations to attract drivers. If you tell them that a station will open on a specific date, they might buy 10 trucks. If you have a public station, more people will fill up there, a lot more than I would at my own station. In our sector, you depend on yourself; you can't depend on others. And yet, all truckers fill up at a public station, so the gas isn't lost. Otherwise, it evaporates and that causes problems.

I am, of course, putting a lot of pressure on Gaz Métro, which will need a lot more help. My worry is that giant U.S. producers and distributors will swoop in and capture the market. As a public utility, Gaz Métro has to operate within certain parameters, just like Hydro-Québec, but you know exactly what I mean.

In the commercial and retail world, it is a completely different story. You have to adapt. This is ridiculous, but a driver is not going to get off at exit 114 to fill up and then get off at exit 122 to eat and shower. The gas station has to be in the same place as the truck stop. It is silly to say, but it's just plain common sense.

You have to give a project like this commercial appeal. If you buy a car, are you going to buy gas from a station in the middle of nowhere, where there isn't a sole around? Of course not, you will go someplace with a Tim Hortons and you'll buy a coffee and a chocolate bar. That is how people work. Truckers are people too, no different. They have to be treated as such. They want to fill up somewhere with services. Otherwise, it won't work.

You have to partner with other organizations specializing in retail. That is the only way to sell natural gas. Everyone has their speciality. If someone asks me about steel products, I cannot give an answer because I don't have that knowledge. I am better off partnering with someone who makes steel. I don't have the capacity to manufacture tires, I prefer to buy them from Michelin, whose job it is to make them. The same goes for us. The same goes for gas. We need experts in distribution, networking and so forth. That's the way to make things better. Right now, that is not happening.

● (1005)

[*English*]

The Chair: Thank you.

Mr. Adler is next.

Mr. Mark Adler (York Centre, CPC): Thank you, Chair.

Mr. Robert, how's business?

Mr. Claude Robert: All together, we're working hard.

Mr. Mark Adler: I know you're working hard, but is business good?

Mr. Claude Robert: The economy is slow. What is going on are the big projects like mining, this and that, but the economy itself.... A good measure is to look at the LTL, the loads that are less than a truckload. As you know, right now there are many more imports coming to Canada from the States than manufacturing from Canada going to the United States.

What is going to the United States? There are a lot of commodities —for example, petroleum from the west. Sure, there's still some lumber, there's a little paper, there's this and that, but there are very few manufacturers. In their principle of consolidation the Americans have brought back a lot of manufacturing to the United States, so Canada has lost tremendously.

For the trucking industry, all the concerns we used to have about export borders and things like that are not present. I hope manufacturing will come back; manufacturing has to start a comeback. We need to process our goods in Canada. We need to process our aluminum, our zinc. We need to add value in Canada in all the commodities. We need to stop exporting all these goods. It looks good on the balance, but in reality this does not create jobs for the service industries like us.

● (1010)

Mr. Mark Adler: What percentage of your business is U.S. versus Canada?

Mr. Claude Robert: We used to have over 40% to 45% in the U. S. We are now down to about 20%, and the rest we have diversified to go into other industries. We were able to concentrate on truckload and LTL going to the United States and Canada before, but today the truckload and the LTL represent less than 50% of our gross sales. It's specialized tankers, dump trucks, flatbeds.

It is stupid. We used to have three glass companies in Canada, but if you want to break a glass, you know you're going to break an American glass. It's clear, because they shut down the three plants. We carry glass, but now we pick up the glass in the United States. All the glass you use in Canada comes from the United States. There is some from Europe; it's very specialized. Other than that, there's no glass in Canada.

It's the same for a lot of things. That's a little picture of what's going on.

Mr. Mark Adler: Mr. Bradley, how many members do you have?

Mr. David Bradley: We have more than 4,500.

Mr. Mark Adler: Has that gone up or remained steady over the last few years?

Mr. David Bradley: It's remained more or less steady. People who belong to trade associations or companies tend to be a little better at running their businesses than those who don't. The industry has seen a lot of capacity leave the marketplace through business failure and, in the last year, through merger and acquisition activity.

From a business perspective, Claude is absolutely right in saying that things are slow, but there is more of an equilibrium in terms of the capacity and the volume than perhaps there was in the past. Because we've gotten rid of capacity, we're hanging in there.

I think we can remain optimistic about trucking. It may shrink as a sector, and it certainly has in the last few years, but whatever moves, whatever people consume, we will ship.

For 20 years our growth was stateside, moving south, and that market has.... Well, it started prior to 2008, when we saw the dollar appreciate by about 20% six or seven years ago. We could see the shift in the economy before the economists did, and it's going to be hard to come back.

The northbound marketplace is, oddly, relatively strong. Things have sort of turned on their head because the Americans are producing, and Canada's been a good market for them with the problems they've been having in their own marketplace. As a result, there are opportunities to bring freight back from the U.S., but you have to have a truck down there in the first place, and we still operate under some very archaic cabotage laws in terms of what you can do in the other country. To have a truck that just happens to be within 50 miles of that load that's coming north is problematic.

The Chair: I have to stop you there; sorry.

Go ahead, Mr. Sullivan.

Mr. Mike Sullivan (York South—Weston, NDP): Thank you, Mr. Chair, and thank you to our guests. It's been a very lively and engaging discussion.

Monsieur Robert, looking through your windshield, you correctly pointed out that liquefied natural gas is perhaps the next thing, but what comes after that? We have to reduce our greenhouse gas emissions by not 25% but 75% by 2050. I'm intrigued by the notion that we can take liquefied natural gas and extract hydrogen from it before we burn it, which then produces zero greenhouse gases.

Do you see that as the natural evolution of the vehicles, from taking liquefied natural gas and burning it with carbon dioxide to taking natural gas and extracting the hydrogen? Is that 30 years ahead?

● (1015)

Mr. Claude Robert: I would like to tell you that it's not that far. To be frank, the technology is coming fast. That's why I keep telling my counterparts in my industry we have to move now, because there's going to be a new technology tomorrow. If you don't move now, you're stuck for the next 15 years with an old technology. We can't afford to trade in the trucks and trailers every two or three years. Our business does not allow that.

Carrying cryogenic gas on our trucks is one way to get to tomorrow. Maybe tomorrow will be more creative. Right now, we have a problem of autonomy. We don't carry enough gas on our trucks. Maybe eventually we will have a tank under the trailers that we can plug into the truck, which will allow us to get the natural gas into the truck so that we can carry more and have greater autonomy, and that way we can get into the boonies without a refuelling station. Right now, we can't do that.

To answer your question, I strongly believe that with the creativity of the research people doing this, from what I've seen it's not that far away. It may take longer to commercialize it, but for a lot of people, unless you have to change, you don't change. People are not enthusiastic about changing for the sake of changing. They want to change because they are forced to change. Eventually, I believe, I will have a museum of old trucks; maybe one of these days I won't be able to run them anymore because I won't be able to get fuel to put into them. You understand? They may be worth nothing.

I used to have an iPad 1. My grandson took it. I got an iPad 2, but now my granddaughter wants it, so I'll have an iPad 3 soon. Just to illustrate, in a year's time, we went through three iPads. What are we going to go through in terms of technology is a very good question. My feeling is that natural gas is the first step to get into a new type of gas. As soon as you get into cryogenic tanks, you have gone to step number one. Are we going to have combustion engines tomorrow? Are cars going to be like a locomotive, just an engine running on generators and batteries, with electricity powering the wheels? Probably.

If you go to Europe, you can see this. If you go to Hanover, you will see buses running 100% on electricity, with a small engine at the back that starts if they need it. It's a small generator. They just recharge the batteries so that they never run out of power. The engine is that low. That's all it takes.

Mr. David Bradley: We're not far from the hybrid electrics now. Class 6 and 7 trucks are pretty much there; the class 8s will come.

Mr. Mike Sullivan: Explain what class 6 and 8 are.

Mr. David Bradley: Well, class 8 is your big, heavy tractor-trailer. As you go down classes, it's a weight class, so they're the smaller trucks.

Mr. Mike Sullivan: You're saying it's there now for the smaller trucks. It needs to be developed—

Mr. Claude Robert: Again, these trucks are very expensive, and for people buying them.... Coca Cola, for example, does it for show.

● (1020)

Mr. Mike Sullivan: Right, but not for—

Mr. Claude Robert: They couldn't afford to do it if they were truckers; because they sell Coke, they can do it.

The Chair: I have to go to Mr. Toet.

Mr. Lawrence Toet (Elmwood—Transcona, CPC): Thank you, Mr. Chair.

You'll have to excuse me this morning. I'm somewhat raw.

I'd like to get back a little bit to the regulation issues, and I was very intrigued by what you said about propane being the baseline for the LNG regulations. Have you put anything forward to the regulators in regard to LNG? What are our opportunities there to work with them to really go back to a baseline that is an LNG baseline and not a propane baseline? How are we going to go about that? Have you given that some thought, and do you have anything we could actually bring forward to the authorities on that issue?

Mr. Claude Robert: To be very open with you, with all the people we've met, we had opportunities.... If you go on the Internet and you punch in LNG, you get about three months of reading. Everything is there, you know. They've discussed it and we've discussed it, but the big question is whether they have the capacity to make a decision and say, “Yes, you have a green light here; go ahead. We are going to talk to the municipal authority, the county, to authorize it. Don't worry; everything is fine.”

It seems they have no authority, so there has to be a direction line because they do have the information now. At the beginning, if I go back two years ago, they did not have the information. They did not even know what LNG was. If you talked about LNG or about CNG and stuff like this, there were some people who didn't even know what it was.

Today they have the information and they know where to get the information about what they did in the States and whatever. There have been some standards established, but in Canada we are restricted on a lot of things we do. It would take too long to tell the stories, but one thing is clear: all our people do is put new regulations in place. There is nobody who is taking the old ones away.

Sooner or later they should clean up their act and say, “Okay, fine. What do we need today?” That's what we need for LNG; let's have only what we need for LNG. Don't look at what is in the book elsewhere. Talk to me about LNG. That will be solved. That's it, because it's not that complicated.

Also, what we need is to convince the suppliers, the people who produce parts, components, and everything, to join the club. We came in to a dealer in Cardinal two weeks ago with an LNG truck. The guy refused to get our truck into the garage. For sure, we have LNG, yes, but if we have a leak, what do we do? Okay, fix it outside. Yes, but it was minus 15 degrees, and it was snowing. We had to tow the truck back to Montreal, because our garage has to be modified and ventilated and everything to accept LNG trucks inside.

There are a lot of things we can talk about, and it goes far beyond saying that I'm running LNG trucks. It's not as simple as this.

Mr. Lawrence Toet: Part of it is education, even an industry-wide education too. If you're running into situations like you talked about in this garage, there's also an educational aspect too.

Mr. Claude Robert: Yes, education is needed for the dealers, the OEM people who do repairs. If you have a flat tire and it's winter and the guy wants to bring the truck inside, when he finds out it's an LNG truck, there's no way he will do it. He won't fix it outside, so you have to go and have it fixed elsewhere.

The Chair: Thank you.

Go ahead, Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you, Mr. Chair.

I appreciate all the witnesses being here today.

Mr. Robert, I have some questions for you as well. I guess I want to talk a little bit about some of the barriers. I know you mentioned earlier some of the issues, such as fuelling stations and garages. I'd like to ask you about that, but you also talked a little bit about the EPA standards. You've talked somewhat about that. Can you tell me what exactly differences there are in those certifications from what we deal with here in Canada?

I understand that obviously the industry is integrated and that we have to cross borders—those standards are important to us as well. Can you just tell me what the differences are, really briefly?

● (1025)

Mr. Claude Robert: To give you an idea, a Westport engine—they call it a GX—is actually a Cummins engine, the 15-litre ISX, that used to run on diesel. The EPA developed a program of certification for this Cummins ISX engine, including a catalytic converter, a PDF, and injection of urea into the exhaust system, and all this to meet the EPA requirements.

On that same engine, Westport changed the injector and modified the ECM, which is a computer that runs the engine. That's all they did, and instead of introducing diesel into it, you have a drop of fuel that creates the fire on the piston; then comes the LNG that creates the explosion, and the piston goes down. That's all there is.

Now you are burning 95% LNG, which is a clean gas when you compare it with diesel. Trust me or not, they applied the same damn regulation to the GX engine made by Westport that they applied to the Cummins ISX engine. This is the same engine. If I were to show it to you, you would never see the difference unless I told you; however, in terms of the emissions, one is virtually at zero naturally, while the other one has to go through three processes to get to half that level.

These three cans cost $20,000 per truck, and you still have to have them on the trucks when you use natural gas, which is ridiculous, because you burn only 5% diesel.

In the meantime, they have just authorized Navistar and other manufacturers. Instead of injecting the natural gas to the piston with an injector, these manufacturers put it into the intake, where the air goes into the engine. They throw the natural gas in there, and they use up to about 50% natural gas and 50% diesel. For them, this is fine—no problem.

You wonder about the EPA attitude, and now everybody is reacting. Even the Americans are saying it's ridiculous, because the largest buyers of Westport technology are certainly not Canadians. We've probably sold 75 trucks in Canada so far this year; in the United States, they have probably sold 2,000 trucks, so the EPA is not done for Canadians.

The Chair: I have to stop. How times flies.

I'm going to end with one more round each of three to four minutes, so if you could keep your questions succinct and the answers the same, we can get a lot in.

Go ahead, Mr. Nicholls.

Mr. Jamie Nicholls: Thank you.

We've been talking about the future today, and we often forget our most important resource for the future, which is water. In finding solutions for a sustainable future, I hope we're not putting the cart before the horse.

I know that there are challenges with natural gas extraction, in certain instances in terms of hydraulic fracturing sometimes jeopardizing water resources. There are challenges with all fuels and with the use of water in the oil sands, so I'm wondering—this is an open question to everyone—about alternative fuels. What about biodiesel? If we look at biodiesel, perhaps it could act as a stimulant to our agricultural sector here, and we could have domestic production of our own fuel in Canada. Is there a future for biodiesels in the trucking sector in any way? Has it been an alternative that's been explored?

Mr. David Bradley: It's the law in Canada now, at least in Ontario west.

Does biodiesel have potential? Perhaps, if there were regulated quality standards so that we could rely on the fuel and if we had assurances that it wasn't going to impair our warranties, which right now are only to B5. Under the new regulation, it's an average 2%, which means at some times of the year it's going to be well in excess of B5.

We don't have the ability as an industry to be able to guard against it. It's even less efficient than regular diesel fuel, which lands us in trouble from a GHG perspective, so I think we have to look at all alternatives. The industry's view is that, rated against some of the other things coming, whether natural gas or hybrid electric, biofuel is not the solution we want to see in the industry. Whether it's the United States or Europe, they're now starting to back away from their biodiesel mandates, so it's not one that's high on our hit parade.

● (1030)

Mr. Jamie Nicholls: My second follow-up question would be about waste gasification, gases made from waste products. Is that along the same line as biodiesel? Is there any future for that? I know there's a company in Houston, InEnTec, that's doing it, and NRCan in Edmonton makes fuels from waste products as well.

Mr. Claude Robert: I can tell you that right now in Quebec, at EBI, two trucks are running on biodiesel. You can recoup methane from the dump site, and people do that. It has to go through a process of compression and then filtration, but they reuse it.

However, in my opinion you have to keep in mind that in 10 or 15 years from now, you won't be able to go to a dump site anymore. Why? Because if you go to Europe today and visit England, Germany, or Holland, you'll see that all the garbage from houses is segregated and all the organic and the other products are burned. They create electricity and steam with it and use it to heat houses and everything. I believe that the dump yards people see today are not going to be very evident in the future.

Maybe we'll have to find a way to recycle some of the plastics. I don't know which types and I'm not a chemical analyst, but from what I've seen—we have a division which is a little into chemicals and biomass—they burn mostly everything. It's incredible.

The Chair: Thank you.

Mr. Coderre is next.

[*Translation*]

Hon. Denis Coderre: Thank you, Mr. Chair.

[*English*]

What strikes me today is that it's kind of common sense versus interest. I truly don't understand why we haven't settled those kinds of issues. It's a matter of political will, I guess, and just connecting the dots. I hope we will all work together and find some recommendations, specifically on the regulation aspect. I just don't understand.

It's also about diversifying. Why can't we go to Europe? It's like we're depending on only one side all the time.

[*Translation*]

Mr. Robert, I want to commend you for your passion. I can see why you have been in the business for over 40 years. It must be contagious.

Now, let's move on to the nuts and bolts.

[*English*]

I'll have the question same for Mr. Bradley.

[*Translation*]

Have you met with the minister?

We make recommendations, and we will make more. The people at the department can take them into consideration, but sometimes that doesn't mean much. Do you get the sense that the department and minister are hearing you? Is anything happening there?

We are natural gas suppliers. I have bad memories of diesel, especially when I think of the Shell refinery that closed in Montreal. It's been converted into a gas storage centre, because they want to move European diesel through Portland. It was not done in the public interest, but in the company's.

What is your relationship with Transport Canada like? How can we help you, both with the minister and the department, so we can push ahead with what you have told us this morning?

Mr. Robert can respond quickly, followed by Mr. Bradley.

● (1035)

Mr. Claude Robert: David and I have had to go to Ottawa nearly 50 times in the past 2 years.

Hon. Denis Coderre: It's a milk run.

Mr. Claude Robert: We've explained the merits of this project to everyone. I try to explain that it extends well beyond Transport Robert. This was a crazy idea thought up by the people in my group, at Transport Robert. We realized we needed to look at alternatives for the future, environmentally speaking and so forth, and to figure out our approach. It is important to note that all aerodynamic processes have their limits. Once you hit those limits, that's it. After that, you have to change the type of vehicle; it's not working with Transport Canada.

Hon. Denis Coderre: Tell me about the outcome. Tell me about Transport Canada and the minister.

Mr. Claude Robert: After that, it was Mr. Lebel. There have been quite a few ministers in the past three years. I can say that we were able to meet with Mr. Lebel. He was aware of the problem, but when it comes time to take action, it's always the same story. We met with Mr. Paradis, the natural resources minister. We met with everyone. But without a shared vision and the desire to take a stand and say enough is enough, we can't move forward. Do you understand? We feel somewhat as though we are preaching in the wilderness.

I agreed to appear before you today because I thought it was a positive forum. To be frank, I'm almost sick of fighting. I will do my own thing in my business, and when everyone else wakes up, they wake up. You know, there is not much we can do. You can't exactly force a horse three times your size to drink water; what can you do?

Hon. Denis Coderre: You can lead him to water, but you can't make him drink.

Mr. Claude Robert: You can't make him drink, if he doesn't want to drink.

[*English*]

The Chair: You've got about 20 seconds, Mr. Bradley.

Mr. David Bradley: I've become conditioned over the last 25 years to continue to try to move that stone up the mountain, and it's frustrating. Looking at the electronic on-board recorders and electronic stability devices—which I wish we had talked more about today, in terms of our relation to the public on the highways—we need some leadership. Whether it's transport or environment, we need a coordinated Canadian approach.

We're not being tossed out of offices or not being listened to, but we don't seem to have the ability to take the step as a country and move forward on some of these things. Trucking isn't sexy, and I think that's part of the problem we have: there are always much bigger fish to fry. They say, “You guys wait over there. We'll save the manufacturers; we'll save these guys or those guys”, but without trucks, the whole things stops.

The Chair: Thank you.

Mr. Poilievre is next.

Mr. Pierre Poilievre: Mr. Robert, you made an interesting comment. You said you focus on what you do well. If you want tires, you go to Michelin; you're not the tires man. I think you've highlighted one of the great marvels of the free market, where people and businesses can specialize in what they do well and buy the rest.

Government is the same. We don't do trucking well. I have no idea how to run your business, nor does Transport Canada or any other department. That's why government should not be running your business.

You also said you've been through three models of the iPad in the last 18 months. That is another example of how private industry is driving innovation in a way that government could never even fathom doing by itself. In fact, I have a report here from our committee analyst on the history of all the transportation innovations in the last two centuries. Almost every single one of them was produced by the private sector and commercialized, with an almost zero role for the government.

I'm convinced by today's testimony that the government is the problem and not the solution. We need your suggestions on how we can get out of your way and let experts like yourself run your business successfully.

I'll close with a very specific question.

You talked about natural gas being a bridge fuel; that is, it is the next generation of fuel power for your tractors, but you see hydrogen being the long-term goal. Natural gas may be a perfect bridge because it contains hydrogen.

Can you tell us how the engineering of your tractor engines makes natural gas a convenient bridge fuel between today's diesel and tomorrow's hydrogen? To whatever extent, describe how the natural-gas powered engine and the future hydrogen-powered engine have similarities, and how one can bridge to the next. I'd really appreciate your insights on that.

● (1040)

Mr. Claude Robert: I may use five minutes here, Mr. Chairman.

You start with diesel. It's an internal combustion engine. Your car uses gasoline. Diesel uses high compression to burn. Westport's technology changes the injector and replaces a portion of the head of the injectors.

Today we use what we call “variable timing” in the engine. That means that the fuel comes to the piston and lights a spark at the piston while the piston keeps going up, and at one point, either fuel or gas comes in. Then the big explosion happens, and this is what makes the engine turn.

I believe that the combustion engine will be here for a good while. Why? It's because this is a solid structure, developed over the years, and in general it is very reliable compared to everything else. If you look at electronics, that's a throwaway situation. If you look at an engine itself, it's very solid. I believe that the combustion engine will stay here for a good period of time.

For the next generation, we need to find a way to break the molecules of natural gas from CH_4. Once you bring air into the piston, it will break the molecules and burn only the hydrogen. What I've seen is that you can burn the hydrogen at around 1,200^{o} instead of at 1,700^{o}. First of all, you recoup a lot of energy. You don't lose your energy.

As well, the combustion engine will become much smaller. Today you have to put water around the chambers to cool the engine, and at 1,700^{o}, you need a lot of water. Tomorrow, at 1,200^{o}, we are going to have much smaller engines that are going to burn gas much more efficiently. What I've seen is that the smaller hydrogen engines were producing 35% more horsepower than comparable diesel or LNG engines. That is just to illustrate that the technology will do it.

There are sites on the Internet, but I'm not going to talk about things on the Internet. They are there. Search for Roy McAlister. In the 1990s I had the privilege of meeting with him. This man had an idea 50 years ago that one of these days we were going to burn hydrogen. I swear to God that he is going to do it, hopefully, before he dies.

The Chair: Thank you.

With that, I'll thank our guests for being here today. It has been a really interesting committee today. I thank you for your time.

Committee members, I will not be here Thursday. I have asked Mr. Nicholls to chair it. Come prepared.

We have invited Westport. We're just waiting to hear from them; maybe somebody could help us out and encourage them to participate.

The meeting is adjourned.

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

SPEAKER'S PERMISSION

Additional copies may be obtained from: Publishing and Depository Services
Public Works and Government Services Canada
Ottawa, Ontario K1A 0S5
Telephone: 613-941-5995 or 1-800-635-7943
Fax: 613-954-5779 or 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Also available on the Parliament of Canada Web Site at the following address: http://www.parl.gc.ca

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

PERMISSION DU PRÉSIDENT

On peut obtenir des copies supplémentaires en écrivant à : Les Éditions et Services de dépôt
Travaux publics et Services gouvernementaux Canada
Ottawa (Ontario) K1A 0S5
Téléphone : 613-941-5995 ou 1-800-635-7943
Télécopieur : 613-954-5779 ou 1-800-565-7757
publications@tpsgc-pwgsc.gc.ca
http://publications.gc.ca

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : http://www.parl.gc.ca