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Chair

Mr. Leon Benoit

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● (0845)

[*English*]

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

I imagine all members of the committee are aware that this committee will be sitting around the clock for the next 24 hours and possibly beyond. It's certainly something—

Was there a point of order, Mr. Regan?

Hon. Geoff Regan (Halifax West, Lib.): I'd just like to ask what day is it today? What's today's date? I forget.

The Chair: What day is today, clerk? I don't keep up on things like that.

Okay, I didn't get very far on that.

Some hon. members: Oh, oh!

Hon. Geoff Regan: Sorry.

The Chair: This is April 1, isn't it? Yes, okay. I have to do better. Next time I'll try to do better.

Anyway, good morning, everyone. We are here today—hopefully not meeting around the clock—to continue our study of the cross-country benefits of the oil and gas sectors of the Canadian economy.

We have five witnesses with us today. I'll start with Jayson Myers, president and chief executive officer of the Canadian Manufacturers and Exporters. Welcome.

From the Canadian Fertilizer Institute we have Roger Larson, president, and Emily Pearce, director of government relations. Welcome to you.

We have from the Canadian Association of Petroleum Producers Janet Annesley, vice-president. Welcome.

We have by video conference from Vancouver today as an individual Robyn Allan, economist. Welcome to you.

By video conference from Calgary as an individual we have Michael Priaro, professional engineer. Welcome to you, sir.

So we will take the presentations in the order that you're listed on the agenda today, and the order I've just read. I'd ask you to keep your presentations to seven minutes or less. We'll go ahead starting with the Canadian Manufacturers and Exporters.

Go ahead please, Mr. Myers.

Dr. Jayson Myers (President and Chief Executive Officer, Canadian Manufacturers and Exporters): Thank you very much, Mr. Chair. Good morning, everybody.

I would like to speak specifically to an analysis that we've completed of the economic benefits, particularly for Canada's manufacturing sector, of the oil sands developments and investments in the oil sands, although I'd be more than happy to comment or answer questions on any other aspect of the economic benefits of resource or energy development, particularly for manufacturing.

The analysis that we've completed is based on Statistics Canada's input-output analysis. It's based not on economic projections of projects under way, but on projects that we know are approved or under construction right now. More than anything else, it's based on 10 years' experience that we've had in trying to connect manufacturers across the country with the opportunities of oil sands development.

Canadian manufacturing sales are closely related to investment in oil sands projects as well as the operating expenses that these projects incur once they're under way. I want to point out that oil sands are a bit different from other oil and gas operations in that they're manufacturing operations. They continue to produce and they continue to generate demand for products and services as they run—for maintenance, repair, and other operating expenses. So demand for manufactured products is driven both by new project investments as well as by continuing maintenance, repair, and operating expenses.

I believe the executive summary of our report has been distributed to members of the committee. The full report, of which I'm going to just point out some highlights, is available on www.cme-mec.ca. I just want to point out a couple of highlights of the report.

One of the things we've found is that demand for manufactured products, both imported and from Canada, has been pretty stable over the past 10 years. It's not that difficult to try to project forward what the demand will be. Some of our findings are that for every dollar of new investment in new projects in the oil sands, 62 cents is spent on manufactured products, out of which 28 cents is derived from domestic manufacturing, and 34 cents from goods that are imported into the country. Every dollar in maintenance, repair, and operating expenses generates about 30 cents in demand for manufactured products, out of which 16 cents comes from domestic manufacturing and 14 cents from imported products.

The types of manufacturing products that are in demand on oil sands projects extend from heavy equipment—construction, mining, and excavation equipment—to heavy transportation equipment, and everything that's used in that equipment, from structural steel to the tubes, pumps, and valves that are part of the infrastructure not only of the oil sands projects, but also, as I said, the continuing maintenance and repair and operation. So the demand really covers almost every sector of manufacturing operations.

Let me give you some quick statistics. In 2012, the last year for which we have full statistics, $49 billion was invested in oil sands projects, $28 billion in new investment, and that generated $7.6 billion in demand for manufactured products from Canada. Twenty-one billion dollars was spent in maintenance, repair, and operations, and that generated demand for $2.9 billion dollars in manufactured goods from within Canada. The overall impact was $10.5 billion, and that is the equivalent of 105,000 person-years of work. A lot of that was captured within western Canada, about 66% from Alberta and Saskatchewan, but almost 10% was from Quebec, and 14% to 15% from Ontario. The Atlantic provinces were involved, particularly in fabricated metals.

So this really is of national significance.

● (0850)

In fact, over the past 15 years, from 1997 to 2012, over $300 billion has been invested in oil sands projects, with $173 billion in new projects or new investments and $118 billion in maintenance and repair in operations. In total, that generated demand for $64 billion of domestically produced manufactured goods, and that's about the equivalent of 640,000 person-years of work.

Based on projections going forward up to 2013—and there is a range of these projections—we're looking at somewhere between $972 billion and $1.8 trillion of new investment in oil sands up to 2030. If that is the case, then we'd be generating $211 billion to $387 billion of demand for domestically generated manufactured goods, and that's the equivalent of 2.1 to 3.9 million person-years of work.

Those are all numbers that can be found in the report, but let me point out just a couple of things very quickly. That does not include the services that are also generated to repair or to maintain the products that are being purchased by the oil sands projects. There's a huge array of services around this as well. It doesn't include the additional benefits from expanding downstream operations in terms of upgrading or refineries. That's a sector that already generates about $2.5 billion and about 100,000 jobs in Canada in value added. It doesn't include the economic benefits of having cost-competitive fuel for the entire Canadian economy. And it doesn't include the benefits of the infrastructure or the public services that are paid for as a result of the taxes paid by oil sands operations. So this is really only looking at demand for manufactured products in the oil sands themselves.

As I say, I don't think the numbers tell the full story either. First of all, if it were not for the oil sands, the downturn that we saw in manufacturing would have been much more severe than it was. The oil sands probably saved about 100,000 jobs between 2008 going into 2009 and 2010 in the recession. It also doesn't tell the story about the innovation that's being driven and the technological development that's being driven as a result of the need to develop new products and new technologies for the oil sands. Companies are taking those technologies and today have the capability not only to supply oil sands development but also to take those international as well.

There are a lot of constraints: skills, infrastructure, regulations that impede cross-border trade within Canada, innovation.... All of these things need to be a focus of government policy. We can talk about those in a minute, but I don't think we should take our eye off the value and the jobs and the potential for overall economic growth that can be generated as a result of this fabulous resource in Canada.

Thank you.

● (0855)

The Chair: Thank you, Mr. Myers.

We go now to the Canadian Fertilizer Institute.

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

Mr. Roger Larson (President, Canadian Fertilizer Institute): Thank you very much for your invitation, Mr. Chairman, to appear before the natural resources committee.

Good morning, members of the Committee.

My name is Roger Larson. I'm president of the Fertilizer Institute and Emily Pearce is our director of government relations. I'll be handling the initial presentation.

CFI represents the basic manufacturers of nitrogen, potash, phosphate, and sulphur fertilizers, as well as the supply chain of major wholesale and retail distribution companies in Canada. Our members produce over 25 million tonnes of fertilizers annually, and over 75% of this is exported to more than 60 countries worldwide. Canada accounts for about a third of world potash production and 45% of world potash trade.

A recent report from Natural Resources Canada cited potash as the number one valued mineral in Canada. Canada is also home to a considerable amount of nitrogen fertilizer production, supplying about half of the United State's imports of fertilizers and making our country a world leader in the fertilizer sector.

We've accepted this invitation to appear before this committee to highlight a unique aspect of the oil and gas sector, using natural gas as a raw material or feedstock to produce other products. This can in turn generate investment, create employment, and help grow the economy.

Natural gas is a raw material essential to nitrogen fertilizer manufacturing, as well as the energy source for fertilizers and many other value-added industries. About 6% of ail natural gas consumed in Canada is used to make fertilizer. Natural gas represents about 20% to 25% of the total input costs for potash production and 70% to 90% of the input costs to manufacture nitrogen fertilizer. With Canadian natural gas exports increasingly facing being pushed back by U.S. shale gas production, Canadian natural gas needs to reach new and growing markets and some of those are in Canada.

The purpose of this study is to consider policies that will allow industries, including fertilizer, to capitalize on the further development of the oil and gas sector to benefit all Canadians. CFI believes there are several key components to this: ensuring that government policies support value-added natural gas resource upgrading to enable major new capital investments; transportation and export infrastructure to better move expanded volumes of fertilizers within Canada and exports to the U.S. and offshore; tax policies that support major new investments in capital projects; immigration policies and skills training programs that ensure the availability of skilled workers; and strong trade agreements to ensure fair access for new exports.

First, CFI recommends government policies that support value-added natural gas resource upgrading. These policies drive industry, including fertilizer companies, to make long-term capital investments. This means more cost-competitive products and enhanced access to key markets, including the United States.

Next, modern, reliable road and rail transportation is vital to maximizing traditional and emerging export markets. Our ultimate consumers are farmers and we must deliver our products to them in a timely and effective manner, whether those products are destined for Canadian farmers, U.S. farmers, or overseas to produce the world's food. This infrastructure must also be capable of responding to new export volumes. In short, we urge the federal government to be mindful of the importance of road and rail transportation when reviewing all policies and regulations to ensure accessibility, reliability, and cost competitiveness of transportation services.

On the fiscal side, keeping corporate tax rates low and the extension of the accelerated capital cost allowance have resulted in undeniable benefits for Canadian industry, including the fertilizer and oil and gas sectors. Canadian potash companies are undertaking major expansions of their existing mining operations and to date have invested or announced nearly $15 billion in new major capital projects in the last 10 years.

● (0900)

We encourage the federal government to make the accelerated capital cost allowance permanent. A predictable tax and regulatory environment is critical for business planning and will bring to Canada more large capital investments and more jobs. Indeed these policies not only benefit the fertilizer sector, but all industries in the supply chain.

On the labour front, our members face the same challenges as the oil and gas sector regarding the availability of permanent and temporary skilled workers. This skills shortage is a challenge for all regions of the country, but is especially felt in rural areas of Canada where resource-based industries are usually centred. We thank the federal government for introducing the Canada jobs grant.

Streamlining entry requirements for foreign skilled workers and allowing the entry of temporary foreign workers for these high-skilled, high-paying jobs will also ensure that the labour force supports the needs of the fertilizer industry to grow. Our industry stands ready to work collaboratively with the government to improve these programs.

Finally, strong trade agreements ensure fair access for new exports. If our farming customers are growing more crops, and exporting more of their products, and receiving higher prices on global food markets, they will need more inputs, more fertilizer and its components, including natural gas. Markets captured by the Trans-Pacific Partnership and other bilateral agreements in the Asia-Pacific region present tremendous economic growth opportunities for our industry and others. We encourage the government to continue an aggressive pursuit of international trade agreements, while ensuring that the outcomes maximize the long-term competitiveness of Canadian industry.

In closing, I want to thank the members for the opportunity to present our views. A good dialogue between government and private sector is important as industrial policies are contemplated, ensuring a good understanding of the opportunities and challenges that business faces, as well as opening the door for partnerships that strengthen Canada's economic competitiveness. We welcome the opportunity to continue this dialogue, and are pleased to answer any questions.

Thank you.

The Chair: Thank you, Mr. Larson.

We go now to Janet Annesley, vice-president, the Canadian Association of Petroleum Producers, or CAPP.

Go ahead with your presentation, up to seven minutes.

● (0905)

Ms. Janet Annesley (Vice-President, Communications, Canadian Association of Petroleum Producers): Thank you.

As the committee is aware, Canada possesses tremendous resource wealth with the third largest reserves of crude oil in the world, some 173 billion barrels. We are also the world's sixth largest producer of natural gas.

In terms of financial investment and jobs, the upstream oil and gas industry is today Canada's single largest private investor, forecast to inject some $68 billion into Canada's economy this year, and that capital provides direct and indirect employment for more than 550,000 Canadians and countless other sectors that do business from Main Street, Saskatchewan, to Bay Street, Ontario.

Overall, Canada's oil and gas sector's annual revenues are about $110 billion, which, measured against other major product selling categories, places hydrocarbons as Canada's largest product selling industry, larger, for example, than automobile manufacturing.

Importantly, domestic oil and gas companies typically invest every dollar of their cashflow plus more into the ground, which makes the sector unique. The multiplicative effect of these dollars circulating in Canada's economy means the stakes of maintaining the industry healthy are very high.

Today, crude oil is Canada's single largest export commodity, the value of which has increased more than tenfold over the past decade due to production increases and price changes. In 2004, 1.6 million barrels per day of crude oil exports netted Canada $7.1 billion. In contrast 2013 exports of 2.5 million barrels netted Canada $81 billion.

While the loud discussion about Keystone XL continues in the United States, each day Canada quietly provides one third of America's oil imports, making us their largest crude oil supplier.

But to ensure we can continue to fully realize the value of our non-renewable resource products, market diversification and access to new markets, especially to growing economies in Asia, is strongly advised. Because the benefits, be they safe energy or jobs or government revenues, are the reason we develop oil and gas, I'd like to touch briefly on what these benefits look like at the local level.

Let's start with B.C. British Columbia is Canada's second largest producer of natural gas and is home to some of the largest shale gas deposits in North America. With global demand for natural gas expected to increase by 55%, according to the IEA, B.C.'s endowment positions it perfectly to serve emerging markets in Asia.

With natural gas exports to the U.S. in decline, as we have heard today, developing LNG export facilities to Asia is needed and could contribute as much as $1 trillion to the B.C. economy over the next 30 years, creating 54,000 jobs and generating some $47 billion in tax revenue to support the delivery of B.C. public services. As natural gas development and proposed LNG facilities occur in and around first nations land, partnerships with and significant economic benefits to aboriginal people, such as the Haisla, are accruing and will continue to accrue.

To give you some scale, if one project alone, the Kitimat LNG project, proceeds it would be the largest construction site in Canada, providing training and well-paid union and non-union jobs in a region desperately needing employment, especially given the recently announced pulp mill closures.

Alberta, what is there to say about Alberta? Jobs for one. According to the recent RBC report, Alberta created some 67,900 new jobs, nearly two-thirds of all the net new jobs in Canada. Yes, these were in oil and gas, but they were also in housing, retail, and the personal services sectors.

While the image of oil and gas workers is often corporate like me, Alberta's oil sands industry delivers great jobs in many unexpected places. The industry is the single largest employer of skilled trades in Canada, including the largest employer of unionized skilled trades, and in a country needing skilled workers, Alberta has become a skilled trades training powerhouse. We have one third the population of Ontario, but twice the number of apprentices.

Oil and gas benefits also accrue to aboriginal peoples. Over the past 14 years, aboriginal companies have earned more than $8 billion in revenue through working relationships with the oil sands industries. Contracts awarded in 2012 alone were some $1.2 billion, and about 1,700 operations jobs are staffed by aboriginal people. This is certainly just a glimpse of the type of business partnerships and entrepreneurism that could become the aboriginal economic potential.

● (0910)

Saskatchewan today produces 480,000 barrels of oil per day, about 15% of Canada's total, second only to Alberta. Along with potash, this has firmly made Saskatchewan a have province.

Surprisingly to many, Manitoba is Canada's fourth-largest oil producer and more than 5,500 wells have been drilled in Manitoba. As of the end of 2012, the fields there have produced some 315 million barrels of oil. Many of these jobs, as I was told by Minister Struthers the other day, are in rural communities, providing boosts to local economies through not only direct employment but also through other business opportunities.

Although Ontario is home to 2,500 producing wells, the primary benefit Ontario receives from the oil and gas industry comes in the form of affordable energy imports and from the billions of dollars in goods and services that oil sands companies source from more than 500 Ontario suppliers, a number that is only expected to grow. As the former finance minister said, oil sands development has become such a major market for Ontario goods that projected sales for Ontario's goods and services to the oil sands sector could potentially surpass Ontario sales to traditional markets such as China or Hong Kong. According to the Conference Board, Ontario workers could earn $41 billion from natural gas and $36 billion from oil sands over the next 25 years, with the industries contributing $57 billion and $63 billion to GDP respectively over the same time period. Some examples of Ontario benefits were described here today by CME. More broadly, there are other ways that many Ontarians don't realize. Oil and gas companies comprise 20% of the TSX and many office towers in growing energy cities like Calgary are owned by Oxford, which is part of the Ontario Municipal Employees Retirement System.

Like Ontario, the majority of local benefits to Quebec result from oil and gas procurement of supplies of goods and services. Over the past few years, CAPP has featured Quebec companies such as Prevost buses and Ezeflow in our TV commercials and we have lists of hundreds of more companies, each of which has its own niche and own story. The list and stories of Ontario and Quebec manufacturers involved in the oil sands are multiplying like bunnies.

More obviously, Quebec's financial sector is heavily invested in the oil sands from the Desmarais investment in Total SA, which has leases in the oil sands, to the Caisse, which U.S. filings indicate holds some $4.7 billion in oil sands equities. The oil production potential around Anticosti Island and the shale gas resource potential are also both interesting developments to watch in the province.

Finally, Atlantic Canada has about 5,600 people directly employed and thousands more indirectly employed in oil and gas and we support over 800 local supply and service companies.

The Chair: Excuse me, Ms. Annesley, if you could just wrap up as quickly as you can. I'm sure questions will bring out further information but you're running a little late there, thank you.

Ms. Janet Annesley: Of course.

New Brunswick also plans to develop its shale gas resources, the debate of which is ongoing along with the discussion with stakeholders.

In closing, I'd just like to say that in many cases when we talk about oil sands and oil and gas development, there's a propensity to want to keep all the value added or processing jobs in Canada. I would liken this thought to trying to keep all the jobs associated with pasta manufacturing in Canada, for example. The solution here is not to flood the market with cheap wheat in order to prop up the manufacturing industry but rather to create two vibrant sectors which can each sustain themselves on their own and be competitive on their own.

It's not likely in that scenario that Canadians would appreciate that type of pasta sector. They would say, hang on a second, look what we're doing to our farmers.

While farmers are far more sympathetic witnesses at a government committee than me, thank you for this opportunity to present.

The Chair: Thank you, Ms. Annesley.

We go now by video conference to Vancouver, British Columbia, and we have with us as an individual, Robyn Allan, economist.

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

Ms. Robyn Allan (Economist, As an Individual): Thank you, Mr. Chairman.

I appreciate this opportunity to appear before the natural resources committee to contribute to your study of the cross-country benefits of the oil and gas sectors of the Canadian economy.

This industry has historically played a significant role in providing Canadians with a high standard of living and quality of life. Continued development of our resources is an important component in Canada's industrial plan; however, benefits arise from resource development, not resource exploitation. There's a huge difference between development and exploitation. I'd like to address this difference by focusing on the strategy pursued in the oil sands today.

Development means enhancement, value added, wealth generation, and societal improvement. Exploitation occurs when benefits from rapid resource extraction are captured by large and foreign interests, while much of the costs are borne by the Canadian public and the Canadian economy. The excessive need for diluted bitumen export pipelines and condensate import pipelines, along with the significant tanker traffic these pipelines trigger, is characteristic of resource exploitation.

Pursuing the rapid extraction and export of bitumen by relying on a growing import dependency of foreign condensate is a plan to hollow out our oil sector and inject increased volatility and uncertainty into the industry. Bitumen is not an export-ready crude oil product. Oil sands bitumen is like tar. It cannot flow through a pipeline when it comes out of the ground. It can either be upgraded to synthetic crude oil to enable it to flow and be utilized by most refineries, or mixed with a diluent like condensate to change its chemical composition so it flows through a pipeline to a limited number of refineries configured to handle its density and sulphur content.

This committee is interested in assessing benefits, so clearly it is interested in understanding net benefits and maximizing those benefits. It would be silly to evaluate the business success of a company by looking only at its gross revenues, because this would not tell you anything about the company's commercial viability. Similarly, the economic success of the oil sector cannot be evaluated simply by looking at the gross benefits presented to you by pipeline proponents. Exporting a barrel of bitumen achieves 35% of the value of bitumen. Upgrading bitumen in Alberta captures 70% of its value, while refining it into petroleum products captures 100% of the value. To export diluted bitumen you need twice the pipeline capacity than what is required for a barrel of upgraded bitumen or synthetic crude oil. To export diluted bitumen you need twice the pipeline capacity than what is required to ship refined petroleum products such as gasoline or jet fuel. When diluted bitumen is water-borne, you need 50% more oil tankers than if synthetic crude oil or refined products are transported.

Canada is already a net condensate importer. Import dependencies are difficult to break. Policy-makers are struggling with an eastern Canadian import dependency for light crude oil that will not be solved even if TransCanada's Energy East is approved, unless requirements are put in place to ensure eastern Canadian refineries upgrade their facilities to accept oil sands bitumen or bitumen is upgraded to synthetic crude oil in Alberta before it's shipped east.

It's important to understand that the requirement for companion condensate import pipelines was not always the plan. As recently as five years ago, oil producers announced a wide range of upgrading and refining conversion projects to process bitumen at home. Alberta's oil producers planned projects that would have seen upgrading capacity in Alberta grow from 1 million barrels per day to 3.5 million barrels per day by 2015. These plans were to ensure upgrading capacity grew with extraction capacity. These plans would have ensured that much of the value added from our non-renewable oil resources would be captured domestically.

Then the financial crisis hit. Quickly thereafter the planned pace of bitumen extraction returned, but most of the upgraders and all of the refineries were shelved in Canada. Instead, investments in upgrading refineries were made in the U.S. in order for those facilities to accept Alberta's heavy bitumen.

● (0915)

The majority of those investments are linked to companies that produce bitumen in Canada. Those investments were facilitated by legislated U.S. subsidies.

In 2008 Prime Minister Harper promised bitumen would not be exported to Asia before being upgraded to synthetic crude oil. He stated bitumen export restrictions were necessary because domestic upgrading meant economic wealth from value-added job creation and control over environmental standards. This government continued to support upgrading in Canada until Enbridge filed its application for Northern Gateway in 2010. Publicly this policy has not been withdrawn.

Exporting bitumen is not good for Alberta and Canada's value added, and it's not good for the environment, but Canada's energy strategy is being determined in the boardrooms of a handful of multinational corporations, and by the governments of foreign countries through their state-owned oil companies. Their energy plan is to rapidly extract oil sands crude, mix it with imported diluent to allow it to flow through pipelines, and export it as diluted bitumen to the U.S. Gulf Coast, California, and Asia. To do this they need more heavy oil export pipelines, more condensate import pipelines, and more risky oil tanker traffic. Canadians deserve better.

It is important the committee recognize Canada is the only major country in the world not looking after its energy security, investment in value added, and control over price stability and volatility. It's time to design a made-in-Canada energy policy for the benefit of Canadians.

Thank you.

● (0920)

The Chair: Thank you very much, Ms. Allan.

We go now by video conference from Calgary, Alberta to, as an individual, Michael Priaro, professional engineer.

Go ahead please with your presentation, sir.

Mr. Michael Priaro (Professional Engineer, As an Individual): Good morning. *Bonjour.*

Extending an opportunity to benefit from the development of the oil and gas industry across Canada is a Canadian energy strategy. Maximizing that benefit to all Canadians is a “Canada-first” Canadian energy strategy.

The terms “oil sands” or “tar sands” refer to the same thing and are commonly used to frame the issues politically. This brief uses the scientifically correct and politically neutral term “bitumen sands”. By definition, bitumen is crude, having a density greater than fresh water.

Alberta enjoys a total original oil-in-place resource of 2,268 billion barrels. This exceeds estimates of 1,300 billion barrels by the United States Geological Survey for Venezuela's oil resource, and 716 billion barrels for Saudi Arabia's oil resource, the other rivals for the largest oil resources on earth, combined.

Alberta's oil reserves are sourced in the following ways: by strip mining shallow bitumen sands deposits, where 90% recovery of original oil-in-place is achieved; by in situ extraction of bitumen sands in deeper deposits using cyclic steam stimulation, now achieving recovery factors of 35% to 40%; by steam-assisted gravity drainage, typically achieving recovery factors exceeding 50%, and sometimes up to 70%; by in situ extraction of bitumen carbonate deposits, where two successful commercial-scale pilot projects in the Grosmont deposit are now both proceeding to full scale-development; and by multiple fracking of horizontal wells in tight oil shales containing a large oil resource little developed as yet, but classed as “proved undeveloped”, based on success exploiting analogous tight oil shales in the U.S.

These recent developments and improvements in recovery factors indicate Alberta's proved oil reserves are 848 billion barrels. Alberta's oil resource and proved reserves are the largest on earth by far.

The ERCB's reserves estimates widely reported as proved are in fact established reserves—a very restricted subclass of proved reserves, as detailed in the appendix to this brief—and vastly underestimate Alberta's oil reserves, especially in comparison to proved reserves of other countries.

In valuing Alberta's proved oil reserves, raw bitumen is valued at production costs of about $35 to $50 a barrel. Dilbit obtains the benchmark Western Canada Select price of about $60 to $75 a barrel. Upgraded bitumen, or syncrude, obtains the WTI price of $85 to $100 a barrel, and requires no diluent. Syncrude and conventional crudes obtain the Brent price of $105 to $115 a barrel at tidewater. Refined products such as gasoline and diesel obtain $200 a barrel at retail of $1.25 a litre, and U.S. $160 a barrel at U.S. retail of U.S. $3.80 per U.S. gallon.

The undiscounted value of Alberta's 848 billion barrels of proved oil reserves at $100 a barrel is $84.8 trillion, equivalent to $2.4 million for each and every Canadian.

However, economic benefits accruing to Canadians as a result of developing the oil and gas industry fall far short of potential.

This is due, first, to foreign ownership of bitumen production, which is currently estimated at 50% to 70%.

Second, it's due to exports of low value raw bitumen as dilbit because all in situ projects produce dilbit, of which only about 7% is upgraded at this time. The recently commissioned Imperial/ExxonMobil Kearl and, in development, Suncor Fort Hills projects, the first bitumen sands strip mines without upgraders, together with Imperial/ExxonMobil's announced Kearl in situ project, will produce a total of 687,000 barrels per day of raw bitumen, contained in almost 1 million barrels a day of dilbit for export.

Third, it's due to Alberta bitumen royalties of only 1% to 9% until project payout. In 2012, Alberta produced 1.5 billion barrels of oil equivalent, and collected $6.13 billion in non-renewable royalties, which is only $4 per barrel of oil equivalent.

● (0925)

Fourth, on Alberta's subsidy of raw bitumen production, which effectively encourages the export of raw bitumen, this disadvantages companies that upgrade bitumen and denies Canadians added value and tax revenues.

Fifth, with regard to high diluent costs, the cost to purchase diluent on the gulf coast at a premium to West Texas Intermediate, pipeline it to northern Alberta, pipeline it back to the gulf coast as dilbit, and then sell it as dilbit at a discount to WTI, approaches $25 per barrel of bitumen. As a result, Canadians are receiving not much more than 15% of the potential economic benefit of proved bitumen reserves.

Additional take-away capacity from new infrastructure projects, such as Energy East and a potential Energy East line 2, expansion of the Trans Mountain pipeline to Vancouver, expansion of Enbridge's Canadian mainline, reversal of Enbridge's line 9 in Ontario, and new railcar crude oil terminals in Alberta, will add 4 million barrels per day. That will be sufficient until about 2028, making Northern Gateway and Keystone XL pipelines unnecessary until then.

In conclusion, Alberta’s crude oil resources and proved reserves are the largest on earth, by far. Increasing exports of low-value dilbit, high foreign ownership, costs of diluent, low bitumen royalties before project payout, and subsidies for exports of dilbit, result in failure to capture more than a fraction of the potential economic benefits of the largest oil reserves on earth.

New pipelines connected to bitumen upgraders in Alberta, and refineries and marine terminals on Canada’s east and west coasts, maximize the cross-Canada value of the largest oil reserves on earth, provide energy security, and by adding 4 million barrels a day of capacity, together with new crude rail terminals, make low-value export pipelines such as Keystone XL and Northern Gateway unnecessary until 2028.

Thank you.

The Chair: Thank you, Mr. Priaro, for your presentation.

Thank you, all, for being here and for your presentations.

Before we get to the questions, first of all, I want to acknowledge that Chris Charlton is the new critic for natural resources and won a hard-fought election for vice-chair of this committee at the last meeting.

Ms. Chris Charlton (Hamilton Mountain, NDP): It was my impassioned speech, right?

The Chair: It was much better than usual. No, no, I'm just kidding.

Congratulations on that and welcome to the committee.

Before we get to the first round of questioning, I want to mention that we've had requests from three witnesses—I know our lists are closed—to appear before committee. I'll just note that. They are the Pacific Northwest LNG, Progress Energy, and the Business Council of British Columbia.

We will start our seven-minute round with Mr. Leef, followed by Ms. Charlton, and, finally, Mr. Regan.

Go ahead, please, Mr. Leef. You have up to seven minutes.

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

Thank you to all our witnesses for being here today. There's a lot of information and I'm rifling through everybody's testimony here to get down to really what we're hoping to achieve in this study. I appreciate the detail. Of course, there are lots of numbers and figures that at times are a bit staggering in nature when we're talking billions and trillions of dollars.

Being a member of Parliament for the Yukon, I know we're pretty localized, small, and we like to bring things back to that kitchen table kind of benefit that this sector brings to the Canadian economy.

I will get a chance to ask Ms. Allan a couple of questions on her presentation, but what's interesting is that one of the remarks in it was that we're being given a picture of the industry that the industry wants us to see. I guess what I see, and it has been articulated in some of these that I think are most meaningful to the Canadian public, is the largest employer of first nations people in Canada is the oil sands. I see development corporations in the Yukon being built not just around the energy sector but development projects, and for all intents and purposes development projects can be one and the same when we're talking about benefits purely. We see a quality of life that we haven't seen before, I think that would be the same realized in Alberta. I see Yukon workers who have gotten skilled training jobs and have left the territory, and continue to leave the territory and come back to seek jobs in Alberta, and work and then return those dollars to our territory.

Maybe, Ms. Annesley, you could talk about just what you see in terms of the Canadian workforce migrating around the country to find jobs, and what they do in terms of bringing that back to their home provinces when they seek employment. And what is the industry looking at doing to enhance and develop jobs within the workforce's own provinces to keep people working where they live? I think that while they all appreciate moving around to get those jobs, it would be nice to have people at home working as well. So maybe touch on those two things for us, if you can.

● (0930)

Ms. Janet Annesley: It will be my pleasure.

Skills mobility is one of the biggest issues the oil and gas sector faces. There's some debate about whether or not we have a skills shortage in Canada. I don't know a major project manager who does not have labour at the top of their risk assessment for major project execution. The risks of inflated costs for skilled labour could put Canada at a major competitive disadvantage.

That's where I think the oil sands has been a success story. Working, frankly, with many of the building trade unions, a lot of those sites, as I mentioned, have a huge number of apprentices. Ensuring that we use our industrial development in these large construction sites to train the next generation of skilled workers—up to 20% of the workers on some of these sites are apprentices—is essential. Having those apprentices come from the Yukon, from Ontario, from other areas to train in the oil sands and then return to their provinces, go to work on LNG facilities, maybe go to Muskrat Falls, go to work on the offshore.... Yes, Alberta producers know that they're competing with opportunities back in people's home provinces where they'd obviously prefer to work rather than be in camp.

Dr. Jayson Myers: Can I just add a couple of things that I'm seeing?

One is that because of some of the capacity constraints around where these projects are occurring, and particularly in Alberta and in Saskatchewan, companies are changing the way they're operating. We're seeing a lot of companies that perhaps once were suppliers directly to oil sands projects now becoming integrators and partnering more across the country to expand capacity in other provinces where labour issues are not as dire. That's giving a lot of new opportunity for arm's-length supply chain relationships and very innovative types of modular manufacturing, for instance, that don't necessarily have to occur locally but can occur in other places across the country.

The other thing too that we're seeing in all provinces is that people who have been employed and whose skill levels have really improved as a result of their work in these projects are coming back to their local communities and may not actually be working in resource development at all. These are the skills that are required in engineering and technology and in general trades that all communities need to set up very productive businesses. I think we do need to look at a more general, economic, value-added strategy that is not just focused on the benefits of energy development, but looks at our ability to translate some of those skills and some of the innovations that we're seeing to communities. That's what will be sustainable in the end around our energy developments.

● (0935)

Mr. Ryan Leef: So it's the development of a highly transferable skill set that exists in or outside of the energy sector?

Dr. Jayson Myers: Exactly, especially in the future. The future of the Canadian economy is going to be based on our ability to use new technologies and on our ability to build things and to incorporate services in those as well. The oil sands, in providing energy and resource development generally, are providing a tremendous opportunity to develop those skills that are really in need right across the country. It's a tremendous opportunity I think, frankly, to develop skill sets that are not being provided in other areas of the country but that are coming out of northern development.

Mr. Ryan Leef: Thank you.

Mr. Larson, the fertilizing end of it is an interesting angle that we don't hear a lot about. It's really some downstream discussion here, and I'll take this vein. Your industry's involvement in the oil sands and the utilization of natural gas for fertilizers is helping the farmer. Of course, there's cross-utilization of infrastructure between roadways and rail, and then, you know, you support the farmer. The farmer needs to get their product off the fields and into market, and if there's cross-competition with rail—

The Chair: Mr. Leef, I'm sorry, but I'm going to have to leave that as a statement, a great statement—

Voices: Oh, oh!

The Chair: —but there's no time for an answer, so we will go now to Ms. Charlton for up to seven minutes.

Go ahead, please.

Ms. Chris Charlton: Thank you very much, Chair, and thank you very much for your warm welcome.

I want to thank everybody who made presentations this morning. I have questions for just about all of you in the long seven minutes that I have to do so.

Let me start with Ms. Allan. Thank you so much for focusing us on the lost opportunities, if you will, in terms of having adopted a rip-and-ship policy when there's so much more that we could be doing if we wanted to be serious about maximizing the benefits out of the oil sands.

As you're an economist, I have a specific question for you in that regard. You'll recall that the International Monetary Fund, which is hardly an NDP think tank, for any of you who are wondering, suggested that there's a lot of dead cash in the economy right now. They in fact chided Canada for having the most dead cash in the G-7. That amount now actually exceeds our national debt, so we're talking about a significant amount of money. I think that right now it's in the neighbourhood of $626 billion, and 60% of that, the IMF suggests, is actually in the mining and energy sector.

Given your position that we could do so much more, I wonder if you could comment on how we could best use some of the dead cash and how much of it, frankly, would be reasonable to think about reinvesting, and on what we could do with that to move towards sustainable development and really maximize the oil sands in the way that you talked about in your presentation.

Ms. Robyn Allan: Exactly. I think it's very important to recognize that over the last decade or so, the subsidization of industries—particularly in energy—with a reduced tax rate has resulted in a stranded amount of capital, and it hasn't been re-injected back into the economy at its maximum potential.

If we actually recognize that Canada is the only major country that does not have an energy policy to support its economy in enhancing value added, we need to figure out how to develop a value-added policy that will actually deliver the maximization of our vast wealth.

Most countries have national oil companies. They deliver public goals. Most countries have policies to support the value added. If you look at the U.S., you see that they have the 1975 energy policy and export act, which restricts crude oil exports until that crude oil is turned into valuable products like petroleum, gasoline, jet fuel, diesel, etc. They have the Jones Act in the United States, which restricts the shipping industry, and somehow, at a cost of around four times what it would cost without the legislation, that industry is profitable.

Really, we need to take a look at redirecting the policy to ensure that the energy sector delivers industry that will diversify our economy to its potential and strengthen our economy, so that when the inevitable booms and busts happen, we are so strong that we can weather those storms. If, for example, all we delivered was what Mr. Harper promised, which would be that bitumen would not be exported to Asia, upgrading and refining in Canada would become profitable pretty quickly.

That would get industry doing what they should be doing for the Canadian economy, because they're already doing it for their bottom lines, and four national oil companies are already doing it for their countries. All we need is a policy in place to provide them with the incentive to take that money and reinvest it in value added. That would slow down the pace of development of production, and that would allow sustainable solutions to be determined so that in the next 30 or 40 years we actually would remove the kind of dependency we have today and the kinds of problems we're dealing with today.

● (0940)

Ms. Chris Charlton: Thank you.

Mr. Myers, I'd like to ask you a similar question. Jotting down some of the figures you gave us—I'm right-handed, so I couldn't get them all, sorry—I think the way you presented them was that the benefit to the manufacturers and exporters of oil sands development was roughly 15%.

Is that right? For every dollar invested in the oil sands, your members—

Dr. Jayson Myers: Overall it's about 20%.

Ms. Chris Charlton: Even better: 20%.

Have you done an analysis of what kind of benefit your members would experience if there were more value-added production in the oil sands, and of what the spinoffs would be in your sector?

Dr. Jayson Myers: We haven't really done an analysis looking at the refining and upgrading part, but I know that the fuel association has looked at the spinoffs of the refining. Clearly, if we were to develop more refining capacity, more upgrading capacity, there would be much more opportunity for inputs for manufacturing from other sectors of the economy. That is important, I think.

I would like to say a couple of things about maybe some of the issues around making those investments. There is a considerable amount of investment already being made. Sometimes when we look at this issue of stranded cash, there is a lot of cash sitting on books, but there are also a lot of short-term liabilities as a result of the financial crisis. We have to take that into consideration too.

At the end of the day, though, there has to be a return on investment. One of the biggest constraints that...and this goes to some of the issues we've been discussing. Clearly an upgrading of refining capacity or expanded capacity in Canada would have significant economic benefits for the country. The issue is how do we encourage that type of investment? Is that through subsidies, as many have referred to? We're seeing it in manufacturing. American governments are paying a lot in terms of subsidies to expand capacity in the United States. Some of it just comes down to the price that producers are able to get in markets, too. We are trading on a reduced, discounted price level here. If that price does not provide the return on investment, it's hard to make the argument that there is an economic reason for those investments.

I think the whole investment argument or the return on investment calculations need to be reviewed. We do need to ask, okay, if clearly more upgrading, refining is good for the economy, how do we then try to encourage more of that investment to take place?

Ms. Chris Charlton: Thank you.

Do I have any time left?

The Chair: Your time is up.

We'll go now to Mr. Regan, for up to seven minutes.

Hon. Geoff Regan: Thank you very much, Mr. Chairman.

Thanks to the witnesses for appearing, and in some cases for getting up very early in the morning to do so.

Let me start with you, Mr. Myers. I'm sure you saw yesterday's story in *The Globe and Mail* about their C-suite survey of Canadian CEOs. They reported that 62% of those CEOs said that governments put too much emphasis on the extractive industries in Canada, because they're concerned that it's a very cyclical sector, obviously.

Obviously some of those people would be members of your organization. What's your take on that, and how would you respond to them?

● (0945)

Dr. Jayson Myers: First of all, I think the whole point of our analysis is that we shouldn't look at the extractive sectors in isolation. An awful lot of manufacturing, construction, utilities, service sector and public services are all part of that.

I think I would agree with everyone who says, well, we can't simply look at the extractive sector in isolation and put all of our eggs in that one basket. It was, by the way, a very effective basket in terms of the economic recovery from 2009 to 2011, but we see the impact as prices have come off and global demand has come down a bit. We're not seeing as much activity in that sector right now.

In terms of what we need to focus on, as Roger Larson was saying, what is it, across all of industry, that encourages more investment? These are things like regulatory policies, infrastructure development, skills development, our trade agreements, and measures to strengthen investment. I don't think we should be looking at one sector at a time but rather at that whole broad approach to investment and innovation, skills development, and economic development in Canada, which, by the way, is changing not only in the resource sector but across manufacturing and in many of the services. It's changing very dramatically with the introduction of new technologies here. We need to be on top of that as well.

Hon. Geoff Regan: Some Canadians would argue that we don't need to put any of our eggs into the oil and gas sector because it's doing very well on its own and doesn't need subsidization or tax breaks and so forth.

I was going to ask you, related to that.... You're talking about how to encourage value added in our economy and what our value added policy should be. My first question is, did you just answer that question with your last answer? If so, I'll move on to the next question.

Dr. Jayson Myers: A great deal of the economic and job potential of the Canadian economy going forward is going to depend on our ability to bring new products, new services, and new resources to market. I think we need to look at the development and discovery of new resources and at production—how we add value to those resources—as part of the innovation challenge we're facing.

It depends on investment and capital, on our ability to find the people and develop the right skills to capitalize on all of those developments, and it depends on our ability to get our products to market. And that's not just in the oil and gas sector; it is also a question of our ability to penetrate new markets through either new trade agreements or through encouraging....

Frankly, one of the biggest challenges we're facing in manufacturing and in resource development in Canada is access to the United States. That has to be a very important part, I think, of our consideration of various options to develop our value added strategy here in Canada.

Hon. Geoff Regan: Speaking of access to the United States, let me turn to Ms. Annesley.

You mentioned that one third of U.S. oil imports come from Canada. What do you see happening to that figure over the next five or ten years?

On a related note, what is your response to the argument about diluent, and to what degree is it recycled?

Ms. Janet Annesley: First, it's anybody's guess what's going to happen with Keystone XL, that being a major project for access to the United States market. Regardless, we see our ability to export crude to the United States increasing. There are some other projects that will increase the amount of capacity.

Hon. Geoff Regan: So, despite U.S. development of—?

Ms. Janet Annesley: Despite U.S. development, there are still plenty of foreign imports to displace from the U.S. market. Growing economies in Asia could use those barrels from Saudi Arabia or Algeria much more than the U.S. could. Canadian production has the opportunity to displace those barrels. The U.S. is a major consumer of oil, and there's still quite a lot of running room, despite the increase in production out of the North Dakota Bakken, for example.

● (0950)

Hon. Geoff Regan: How does that fit with the argument about the need to be able also to get it to tidewater to export our oil outside of Canada?

Ms. Janet Annesley: The key there is that we have to have another customer, so that market diversification will allow us not to suffer a discount or see inefficiencies in the market such as we have seen over the past couple of years with the flood of crude oil at Cushing.

That was a good example of what some people are talking about today. If you flood a local market with cheap crude oil, you can bolster your refining industry, but as soon as that margin disappears.... It's essentially a false economy.

We have to find efficient markets as crude producers, in which we can get the maximum value for our crude oil. That market may be in the U.S.; it has been for a large number of years—that's why pipelines all go there. But now, the growing energy market is in Asia, and we need to access the prices there.

Hon. Geoff Regan: And the diluent...?

Ms. Janet Annesley: Some of the diluent is recycled, for sure. We import diluent and we also have the opportunity to produce more diluent in Canada. Fracking in the Bakken, for example, produces a lighter oil that could also be used for diluent. But diluent can be recycled. It's not a major input cost to the business; it's simply a part of doing business that ends up back in the hydrocarbon value chain.

The Chair: Thank you, Mr. Regan. Your time is up.

We now go to the five-minute rounds, starting with Ms. Crockatt, followed by Ms. Block and then Ms. Duncan.

Go ahead, please, Ms. Crockatt, for up to five minutes.

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

Again, thank you to all of our witnesses for being here. These are always very interesting sessions.

We have some new members of the committee who might not be aware of some of the testimony we have previously heard about the feasibility of doing more upgrading, as they say, in Canada. We've had witnesses here who have made it quite clear to us that the margins are best in the areas we are currently utilizing them in, and that refineries are not the highest margin area or else they would be being built in Canada right now. Nothing is preventing them.

I just wanted to start out making that point, and also the point that the oil sands are the largest high-tech project in the country, providing the largest number of high-tech jobs.

I want to move from that to something you said, Ms. Annesley, about Oxford Properties Group developments. Can you tell us about the Ontario Municipal Employees Retirement System and the Ontario Teachers' Pension Plan investments in the oil sands, please?

Ms. Janet Annesley: Yes, few people realize the significant investments that major public pension plans have in the oil sands. It's hard to get the exact numbers in Canada, because our disclosure rules around pension plans are not very good. In the United States API did a major study. When people think about who benefits from oil and gas, they often think about a C-suite executive in Calgary, but it's really nurses and teachers. One of the largest pension plans that was invested in the AOSP, the Shell joint venture project I was involved with for many years, was that of a bunch of dentists out of California. Those are the people who are benefiting.

One of the criticisms of our sector is that while we came out of the recession looking pretty good, stock prices have not bounced back to the level we want them to be at, and our investors every day are saying that they want the maximum return. Many of these are your next-door neighbour on the street.

Ms. Joan Crockatt: Is it fair to say, when we're talking about benefits from the oil and gas sector, which is the subject of this study, that when the oil and gas industry does well, then the pensions of average folks such as teachers and nurses and so on do well?

Ms. Janet Annesley: That's absolutely the case, as long as they're invested in our industry, as many of them are, for anywhere from 20% to 40%.

Ms. Joan Crockatt: How many did you say?

Ms. Janet Annesley: Many are invested in oil and gas. All have their ratios, but many invest in oil and gas, and oil sands specifically, from 20% to about 40%.

Again, if we had better disclosure in Canada we could be more accurate with those numbers.

Ms. Joan Crockatt: So, do most pension funds have 20% to 40% in the oil sands?

● (0955)

Ms. Janet Annesley: Again, it's hard to say because of the disclosure situation. Many of the public pensions will have their ratios. The asset managers we checked with in about 2011 reported about 20% to 40% exposure to Canadian oil and gas.

Ms. Joan Crockatt: That's pretty interesting.

I want to move from that to some of the benefits to aboriginals. Could you expand upon your comments about aboriginal employment in the oil and gas sector? I think this is something Canadians may not be aware of.

I'll ask a variety of witnesses to comment. Janet, you could start, and then we'll go to Jayson.

Ms. Janet Annesley: Sure.

Aboriginal employment in oil and gas, in my view, is a huge success story for the industry. The oil sands were developed back in the 1970s and with a keen eye to delivering local benefits, such that the development in that region was not to go forward unless local people could benefit. As a result, you see a lot of the innovative programs still around today at Syncrude or at Suncor, which now all the other producers have adopted.

I would also say that in terms of models of conflict resolution, the ability to work with groups such as Fort McKay First Nation, in the recent agreement that was reached in the Dover discussion around Moose Lake, shows that we can work productively, that we can reconcile with first nations and provide them with the economic development they need while respecting their treaty rights.

Ms. Joan Crockatt: Mr. Myers.

Dr. Jayson Myers: I would add that this is more, I think, than an issue of getting approvals for projects or, on a transactional basis, of companies needing workers. What I see in aboriginal communities is not only a great deal of skills development, but of communities being intent on taking that and making the communities self-sustainable, whether the future is in oil and gas or in other resource development or in some other economic development area.

This is what I think is important in the future. The platform that oil and gas or other resource development provides for aboriginal skills development is really the platform for overall economic development and social development.

The Chair: Thank you.

Thank you, Ms. Crockatt.

We go now to Ms. Block for up to five minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I would like to join my colleagues in welcoming you all here today and thanking you for your testimony. This has been a very informative study, and we're nearing the completion of it—I think we have three more meetings after this. But we have learned much about the benefits of the oil and gas sector to all of Canada.

My question is around our government's responsible resource development plan, and perhaps any one of you here in the room could comment. Our government has worked to streamline the regulatory process for major projects. This includes setting timelines for project reviews and simplifying the process to follow the model of one project, one review. I'm wondering if any of you are able to comment on how important streamlining the regulatory process is to your industries in particular.

Ms. Janet Annesley: I'll go ahead.

Streamlining the regulatory process provides a level of investor assurance that there will be a decision in a set time period. That is essential so that these projects don't move on and drag on for decades, as we've seen around some of the pipeline projects.

I would add that it's not just the oil and gas sector that thinks it's important. It's many other sectors. In fact, in the survey in the C-suite piece that Mr. Regan recalled from *The Globe and Mail* yesterday, people in that survey identified the streamlining of regulatory processes as the number one thing that can be done to support Canada's economy.

Dr. Jayson Myers: I totally agree. Around the projects themselves, it provides greater certainty. That just backs up all the way through the supply chain in terms of potential customers, potential business, which is extremely important.

I think what I would very much like to see is that same streamlined approach being applied to other approvals for development as well, both the approvals process and our very complex regulatory system in Canada. I see a lot of investment that we lose simply because of unnecessary regulatory compliance. That's not to say the outcomes aren't.... We need healthy, safe, secure consumer protection and environmental protection, but we add on all this complexity and high cost. If we could make regulation easy to comply with and less costly to comply with, you would get better compliance in the regulation.

What I see in particular, in terms of the ability of people or the ability of companies to move product across the country, are again significant barriers to internal trade within Canada as a result of different product standards, different standards for trades, and different standards for labour mobility and credential recognition in Canada. Foreign companies can take advantage of this market far more easily than other companies in Canada can, because they don't have to face the interprovincial barriers to trade that other companies in this country actually face.

● (1000)

The Chair: Go ahead, Mr. Larson.

Mr. Roger Larson: Thank you.

We haven't had a greenfield mine or manufacturing facility major expansions since, I think, the early 1990s, but the resource project management approval process has been primarily handled provincially, both for our nitrogen fertilizer manufacturing plants and our potash mines. Having said that, the one project, one approval process makes eminent sense to any business leader.

I would like to focus, as Jay Myers just mentioned, on regulatory compliance. If we're looking at NPRI greenhouse gas inventory reporting, a single window between the provinces and the federal government would be of tremendous support to our competitiveness, and outcomes for Canadians and to protect the public would be identical.

Mrs. Kelly Block: Thank you.

The Chair: Thank you, Ms. Block.

We'll go now to Ms. Duncan, for up to five minutes.

Go ahead, please.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): Thank you, Mr. Chair.

Thank you to all. It's interesting testimony.

My first question will be to Mrs. Annesley.

Certainly, we do have high employment in Alberta. We also have the highest percentage of temporary foreign workers. There have been a number of issues in British Columbia and Alberta about the way this program is being delivered.

At the request of the ironworkers, I met with them several times last week in my riding. They shared with me the correspondence between the ironworkers and one of the major brokerage companies that bring in the temporary foreign workers.

In the case of Imperial Oil's Kearl project, it is now well known that close to 80 ironworkers were laid off and replaced with Croatian temporary foreign workers who, based on the correspondence by the broker, were less trained, and I presume, paid less.

Among the laid-off workers were first nations, who presumably were employed in accordance with benefit agreements. Only one third of those workers were rehired on the site, and most of them lost their equipment.

My question to you is about the brokers for temporary foreign workers. Are they paid when they bring the workers into Canada, or are they paid when they displace the Canadian workers?

Ms. Janet Annesley: I don't know how the contractual arrangements with the specific brokerages are made; however, I can speak to a lot of the engagements I've had with the UA and others who have had similar situations to what you describe with the ironworkers.

Although workers who are in the trades move from site to site, oftentimes there is that mobility that needs to occur. They might move from, say, the Kearl site, but there's certainly another job ticket waiting at another site. I'd really like to follow up with you to understand more about this situation, because that's how I understand the process works, at least in the case of the UA.

Overall, when we talk to our building trades colleagues, they reinforce to us that there is a skilled labour shortage. In fact, the UA, again, is one of the biggest groups bringing in foreign workers from the United States. They've even developed their own system with a travel card, where if you have a certain card in the United States, you can come to Canada, to Alberta specifically, quite easily. That is purely as a result of our skilled trades shortage.

So I think there are some wrinkles in the system, and I'd like to delve into this particular issue. But there is a skilled trades shortage, and we do need access to foreign workers.

● (1005)

Ms. Linda Duncan: Thanks. I'm not sure I got an answer to my question, but I appreciated your effort.

To my second question, if there's time, I would appreciate a response from Dr. Allan, Mr. Priaro, and Mr. Myers. It's on the theme of economic diversification versus diversification of markets. Generally speaking, I think that people would agree that's currently what the economic strategy is in Canada—to find more diversified markets for our raw bitumen.

We had very heart-rending testimony from representatives from New Brunswick a few meetings back, particularly from the mayor of Saint John. When the question was put to him whether the people in New Brunswick were grateful for the jobs being provided in Canada, he shared the story that first of all, they lost the workers, and then they lost the parents of the workers because they wanted to be with their kids, and now they've lost the grandparents, who want to be with their grandkids who relocated to Alberta. They're trying to make a strong case that they would like a piece of pie, and obviously, they would support the east-west pipeline.

My question is to each of the three of you. Would it be fair to say that there would be majorly extrapolated increased benefits to Canadians, including in western Canada—Alberta, Saskatchewan—and eastern Canada, if there was upgrading in Alberta or Saskatchewan, for example, which would then allow the shipping of the crude and refining in eastern Canada, whether it's Ontario, Quebec, or the Maritimes?

Dr. Jayson Myers: Maybe I could go first and just say yes, clearly there would be. I think what we need to do is look at what could encourage that type of investment to happen, looking at all parts of the investment equation there. But clearly, providing more value added in the processing, as well as in all of the supply around that, is very important. We have a number of companies in New Brunswick that are very active in manufacturing there and exporting into Alberta and Saskatchewan.

But I think a part of your question too is this diversification of product versus market, which is key. It would take over 100 years of exporting to China to get the same benefit out of this great domestic market that we have in Canada. I'm seeing a tremendous amount of product innovation being driven as a result of that within the manufacturing community.

So the more value added, the more diversification of product. And if you diversify your product, you're naturally going to find new customers in new markets.

The Chair: Thank you.

Thank you, Ms. Duncan. Your time is more than up.

We continue the five-minute round with Mr. Calkins, followed by Ms. Moore, and Mr. Trost.

Go ahead, please, Mr. Calkins, for up to five minutes.

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

I appreciate all the testimony that's been brought forward here. I've been trying to keep up with it. Ms. Annesley, you had a lot of interesting statistics, and Mr. Myers you did as well. I'm looking forward to reviewing some of the comments you made in your testimony before this committee. It's an incredibly staggering amount of information.

I'm going to follow up on what Ms. Duncan was talking about, opportunities in Atlantic Canada. But the first thing I want to highlight is unless you live in Fort McMurray, even Albertans have to get on an airplane or drive to work in the oil sands in northern Alberta. So it doesn't matter what part of the country you're from, even Albertans have to leave their families at home for good lengths of time to take advantage of those employment opportunities in the northern part of our province. However, that being said, we understand that it is a tremendous economic driver.

Ms. Annesley, you're a representative of the upstream or the extractive companies. This committee has heard from the refineries, from midstream processing groups as well, about the economics of value added. Some arguments are being made about whether or not regulatory changes or changing the subsidies or changing the incentive policies of the Government of Canada would get some of this cash that's sitting on the sidelines injected into the economy.

I'm not sure where we would do that in Alberta. Right now, the most common sign I see in my riding is “help wanted”. I constantly meet with business leaders in my constituency who say the biggest problem they have is finding labour and that's right across the whole gamut. It doesn't matter if it's somebody serving coffee at a restaurant or somebody doing engineering technology for an engineering firm: help wanted is help wanted, and those jobs are there and available.

The question I have is from an overall labour force capacity perspective. Ms. Annesley, you referred to the oil sands as almost like on-the-job university training at the workplace of tomorrow. Could you talk a little more about those impacts? I think you made some statement about how many people live in Alberta. There are only 4 million people in Alberta. Could you give us again some indication of the educational benefits to the oil sands?

● (1010)

Ms. Janet Annesley: Yes. In particular, people have the impression that the average oil and gas worker is an engineer or a geophysicist, but increasingly the average oil and gas worker is a graduate from a technical college or institute, a skilled tradesworker in essence or a power engineer or an engineering technologist.

The oil sands have been incredible in that, as Jay Myers and the CME outlined, they're essentially a manufacturing business. So when you have these very large construction sites of 15,000 workers, in some cases the project labour agreements have up to 20% of that labour force as apprentices. That provides an absolute scale of training and opportunities to move people quickly through their apprentice rankings and up to the full Red Seal. In that way, the oil sands is a skilled trades training powerhouse. With one third of the population we are turning out more apprentices in Alberta than the entire province of Ontario, and that has come as a result of many decades of very focused work by NAIT/SAIT, and the industry, as well as non-union and unionized workers.

Mr. Blaine Calkins: That's fantastic.

Mr. Myers, I think you touched on it, but there's been a significant regulatory...like one project, one review, streamlining. Could you elaborate a little more on how important that is to your member companies?

Dr. Jayson Myers: As Roger Larson said, it makes so much sense to have a one-window approach so that companies operating across Canada do not face a multiplicity of different compliance requirements. It isn't an issue about the regulatory outcome. We should be focusing on what delivers health, safety, better environmental management, and consumer protection. Those are the objectives.

We need to look at how we can simplify the compliance process so it's easy and less costly for companies to achieve those objectives. Right now we have a lot of duplicated and, many times, unnecessary differences in compliance requirements from province to province. As Roger said, if we could move on to a one-window approach, whether that's with respect to the environment or approvals or health and safety, that would be the best outcome.

Mr. Blaine Calkins: I found it striking, your comment about foreign companies having less burden to deal with than the pan-Canadian companies dealing with interprovincial trade barriers. It's unbelievable.

The Chair: Thank you, Mr. Calkins.

We go now to Ms. Moore followed by Mr. Trost, and then another New Democrat member.

Go ahead, please, Ms. Moore.

[*Translation*]

Ms. Christine Moore (Abitibi—Témiscamingue, NDP): Ms. Allan, my question is fairly simple. However, getting an answer to that question sometime seems less simple.

It is the question I hear most often when I am in my riding. People wonder about this. Given that we have an oil industry, why are they still paying such high prices for gas? Since we are extracting oil from the tar sands, they cannot understand why they as consumers are not benefiting.

Could you please explain that to them?

[*English*]

Ms. Robyn Allan: It's a very excellent question and thank you because I have the same question. Why is eastern Canada dependent on foreign imports when Canada has vast resources? It goes back to if we do not upgrade bitumen in Alberta and turn it into SCO so it can be used in eastern refineries, we will continue that dependence, and when we're dependent on foreign imports, they determine our prices. They determine our prices for inputs and they determine our prices for petroleum products. So Canadians across the country are paying world prices for petroleum products while refineries in western Canada are experiencing very high profits because we're paying prices in Canada as if we bought all our oil based on Brent.

So now we have a country where Canadians and non-oil producing businesses have huge costs for resources, and if those prices could come down we would stimulate the entire Canadian economy. We would not have the problems we have inter-regionally. Every single country in the world protects its economy. In China they have price controls for their consumers. OPEC nations have price controls for their consumers because they know that the costs people bear for energy have a tremendous impact on economic growth and stability. But in Canada we continue to pretend that exporting raw bitumen will stimulate this economy and it won't. It will increase our importation of condensate and it will get us the lowest possible value for our vast resources that we can't renew.

So I have the same question you do.

Thank you.

● (1015)

[*Translation*]

Ms. Christine Moore: By doing things differently, would it be possible to lower their costs as consumers?

[*English*]

Ms. Robyn Allan: We could do things differently if we wanted to bring the cost down for consumers. In Canada there seems to be a huge resistance to having any form of protection of consumers and the prices they pay. So if you add value and stimulate the potential of our economy to maximize its value, then you strengthen the entire economy and so it has the same impact in terms of overall health and prosperity as if we had lowered prices. But until we have a value-added policy that protects our economy and does what every other major nation is trying to do for its economy, we will continue to have the minimum benefits from this resource and the maximum costs.

And we haven't even begun to talk about environmental costs.

[*Translation*]

Ms. Christine Moore: I would like to ask Mr. Myers a similar question.

In the manufacturing sector, would it be possible to lower prices for Canadian consumers by doing things differently?

[*English*]

Dr. Jayson Myers: Definitely, by becoming more efficient, by increasing productivity, and this is important not only for consumers but for industry as well.... One of the biggest challenges that producers in energy face, and in resource development generally, is the need to lower the cost of the projects, bringing those projects in on time, and that is driving an awful lot of efficiency and innovation through manufacturing itself.

But I'd say we have to be careful because we can't be looking at putting in mandatory price controls or lowering prices or talking about cutting off our delivery systems to new markets, which would also reduce the price that is available, and at the same time expect companies to invest in new capacity or new technology, because those investments are being driven by expectations of a return on those investments. I think we have to be very careful.

Clearly, we have to look at how to incent new capacity, innovation, and more productivity, and that's what's going to deliver the benefits at the end of the day, to consumers as well as to the industry.

The Chair: *Merci*.

Merci, Ms. Moore.

We have now Mr. Trost, followed by Ms. Charlton and Mr. Leef.

Go ahead, please, Mr. Trost, for up to five minutes.

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

Ms. Annesley, when you were giving your testimony, you used this phrase that I wrote down—I think I got it right—technological innovation going international. Could you expand on and/or give examples on what you mean by technological innovation is going internationally? How does it affect our companies, and how does that spin off into the broader economy?

Ms. Janet Annesley: As Mr. Myers has outlined, when you have a robust industry that's able to invest in new technologies, then there's a competitive advantage to these technologies, and we could have a situation where with COSIA and the pooling of intellectual capital and then intellectual property on an unprecedented basis in Canada we have billions of dollars of investments in oil and gas technology. We have heard some talk today about the merits of perhaps the private system of capital versus a more state-owned system of capital.

One thing that the private system does very well is innovation, as compared to the state-owned system. When you look at the world of oil, half of the free world's private investable oil reserves are in the oil sands. The technologies that we develop there in heavy oil extraction, particularly on the environmental front as it may relate to, say, non-aqueous extraction, or carbon capture and storage, these types of technologies, those are going to be highly exportable to other oil-producing countries, places like Venezuela and others where they just don't have the kind of innovation culture that private enterprise brings.

● (1020)

Mr. Brad Trost: Does that technology development just take place in Fort McMurray, or is it spread out throughout the country? Is this something that's very isolated, or do we see benefits from Vancouver to St. John's?

Ms. Janet Annesley: That technology is spread out absolutely across the country. I sometimes say in jest that it's not the dot.com but it's the person who is going to find the solutions to fix tailings who is going to be Canada's greatest high-tech entrepreneur, that we need people coast to coast, and we have people coast to coast. In fact, recently I talked to a company in Quebec that is actually working on the tailings issue, and whether it's private companies that are innovating, or working with colleges and universities, we've brought in people from coast to coast.

Mr. Brad Trost: My colleague here, Mr. Calkins, was making a comment at the end of his questions about how interprovincial barriers hold back Canadian business. I think it was Mr. Myers who had said that. So let me follow up on that and ask, is this one of the issues that's holding back the geographical dispersal of the benefits of the oil sands and the benefits of the oil and gas industry? Would we see more widespread benefits outside of the immediate oil- and gas-intensive neighbourhoods of Canada if we started to lower our barriers internally?

I'll open that up to anyone who wants to answer.

Mr. Myers.

Dr. Jayson Myers: Let me give you maybe two examples.

One is the difference in welding standards in Alberta. The qualifications for a welder in Alberta are so high that it makes sense for companies to manufacture and to weld outside of Alberta and to import into Alberta, increasing the cost of the projects, but also making it very difficult for manufacturers to make sense of doing a lot of production in Alberta. That's one example and it affects Alberta itself.

Another is pressure vessel standards. We should have one system of pressure vessel standards across the country that takes into consideration the differences in the use of those pressure vessels, but again one window that would make it much easier. So if you're doing business and if you are successful in Canada in doing business in ten provinces and three territories, you are regulated 13 or 14 times, versus someone who is outside of the country and who only needs to go through one standard approval to get the product into the market. It is a major barrier to our ability to capture the economic benefits of resources, and not just on the energy side, but of doing business across this country.

Mr. Brad Trost: Mr. Larson, do you have any quick comment on that?

Mr. Roger Larson: Mr. Trost, our products are federally regulated to one standard, so we don't have a lot of interprovincial barriers on our trade. Certainly if you see some of the challenges that the agricultural industry has faced, it would encourage the continuation of a federal standard and consistency across Canada.

The Chair: Thank you.

And thank you, Mr. Trost.

Ms. Charlton, you have up to five minutes. Go ahead, please.

Ms. Chris Charlton: Thank you very much, Chair.

I'm happy to be able to ask another round of questions. I want to follow up. I think Mr. Larson was the only person who spoke in his presentation about the skill shortage, but it's certainly come up since then in conversation. It's a vexing problem for us right now, because we have high unemployment in some parts of the country and we have labour shortages in other parts of the country, particularly in Alberta in the oil sands, and we've certainly spent a bunch of time at the human resources committee talking about that unique circumstance.

One of the issues, of course, relates to labour mobility, which is a bit of a fix to that situation. I had put a bill before Parliament, C-201, which was supported by the building trades, and I'm sure, Ms. Annesley, your organization supported it as well, and many contractors did. It would have allowed building and construction trades to write off their travel and accommodation expenses if they worked more than 80 kilometres away from home.

I wonder if I could ask all of you if you support that kind of initiative as part of the solution. I'm not at all suggesting that it's the ultimate fix, but I would very much like to have your views on record on that.

Ms. Annesley, maybe we could start with you.

● (1025)

Ms. Janet Annesley: Certainly. We supported that when it was proposed, and we'd still like to see it go ahead. In fact, tomorrow I'm meeting with the UA and we're having a discussion about what other ways we, as an industry, should think about to support enhanced labour mobility. I think Alberta's pretty good. We have good access to Alberta for skilled trades from other provinces, but we have a lot to do. The job grant was a step in the right direction, but implementing and maintaining the rigour of the Red Seal program.... Sometimes in our industry, between the contractors, the building trades, and the construction project issues, there are different issues related to actually moving people through their apprenticeship and getting them to actually obtain their Red Seal; and we have to do a better job of that as well.

The engineers will say you also have to increase the funnel. So we just have to do a whole lot of work in attracting more people into the skilled trades. Sometimes I look at, for example, other women who might work in more low-paying jobs and I ask myself why they aren't training, especially with the job grant and the potential of an interest-free student loan to take a skilled trade. It's a 16-week training, and you can get on a site.

Ms. Chris Charlton: Can I ask you about the Canada job grant? I think one of the criticisms of the Canada job grant, especially as it relates to the skilled trades, is that you can't go through an apprenticeship in four weeks. The Canada job grant is a very time-limited support. Does it really help someone who wants to start an apprenticeship to actually be able to come out with a trade with a Red Seal certification?

Ms. Janet Annesley: It does increase that funnel. It attracts people into the skilled trades and increases the front end of the funnel. In that regard, we think it's a step in the right direction. We know there's more out there. Our industry, whether it's specific companies or CAPP, has a huge range of other educational supports in the range of scholarships and other opportunities.

The actual best part about an apprenticeship is that people can earn wages while they are learning their trade, which absolutely I did not have the opportunity to do, as a university graduate.

Ms. Chris Charlton: Now one of the things that I think is true in Canada, when you compare us especially to countries like Germany, is that when we encourage people to go into apprenticeships, the average starting apprentice age is 26. In Europe they actually do a much better job, encouraging people at a much younger age to start and therefore complete their apprenticeship, which I think would make a really positive difference in the oil sands.

Ms. Janet Annesley: Absolutely.

Ms. Chris Charlton: I wonder, Mr. Myers, if you have any thoughts about either the apprenticeship program or labour mobility and Bill C-201 in particular.

Dr. Jayson Myers: Labour mobility is a major issue. We talk about the details of the bill and, generally, we need to look at what can facilitate better labour mobility. It's more than simply subsidizing travel. I think it's also.... I meet a lot of people flying from the Maritimes, for example, out to Fort McMurray and back on a regular basis, and one of the reasons is they just simply can't afford to live in Alberta and simply can't afford to sell their house in the Maritimes and move out to the west. So, there are major issues here around labour mobility that we have to focus on.

There's an age component in here, too, in that it's very difficult for someone who's spent all of their life, maybe in an area of skills and trades, to all of a sudden pick up and move somewhere else. Canadians, probably even more so than Americans, are very reluctant to.... Older Canadians, past 25—

Some hon. members: Oh, oh!

Dr. Jayson Myers:—are reluctant to make that move. So, it's about the training of young people and reducing that apprenticeship age. I think companies have to take a much more active part in training and in apprenticeships, so we need to think about how they can do that here.

To me, a part of that—I hear from all over the place, especially from small companies—is that they're unwilling to take the risk of investing in new apprentices or training young people because they're sure that someone else is going to come and poach them. To me that's one of the benefits of the jobs grant, that it can help to alleviate some of the upfront risk of doing some training and incorporating new hires into the company. But that is clearly an issue, not just for the oil sands and for energy development. It's something that is facing the entire country. We have as many challenges in manufacturing in Quebec, Atlantic Canada, and Ontario as we do in trying to find skilled people in the west.

● (1030)

The Chair: Thank you, Mr. Myers.

Thank you, Ms. Charlton.

We go now to Mr. Leef, followed by Ms. Crockatt, for five minutes.

Mr. Ryan Leef: Thank you, Mr. Chair.

Mr. Myers, I just want to try to summarize something that you talked about and see if I understand this correctly. It was based on the price control discussion that Ms. Allan was talking about. Her presentation talked about development versus exploitation, and it's an interesting cross-comparison around this price control issue. You mentioned that cheaper goods don't necessarily equate to capital retention of profits, and then those in turn right now lead to innovation, improvements on efficiencies like environmental protection from emissions, water consumption, and reclamation projects that Canadian companies are, at times, world leaders in.

It would seem to me, and correct me if I'm wrong here, that straight off the board just cheaper goods without any forethought and planning in this would ultimately lead to immediate greater consumption of a product that then in turn has some detrimental environmental impacts because you're consuming at a much higher rate. Then that doesn't leave the companies with that capital investment to create that innovation unless they're highly subsidized by the government. Would that be a sort of close summation of this issue?

Dr. Jayson Myers: To be able to develop the economic diversification we've been talking about and the value-added businesses and jobs around energy development, we need investment, particularly in new products that drive new processes. It's as true in upgrading and refining as it is in the entire supply chain. So the issue is what drives a business to invest and it's basically the return on investment and cashflow.

To give you an example outside the energy sector, in Ontario we've seen small companies like Automatic Coating Limited, or Promation, or Aberfoyle Metal Treaters Ltd. These companies have changed their entire business simply by focusing on new product development for the oil sands.

A lot of these companies right now are facing.... It's a big risk to go from an automotive producer to a producer of products for energy. What we're seeing is that a lot of that is driven by internal cashflow. So if you reduce the price, you reduce the cash and you reduce the investment.

We've been talking about how we incent investments. I'm not so sure the government...that we should be calling on taxpayers to subsidize. I think we should be looking at how we incent companies themselves to spend more money in these areas and very important... taxes are important and other costs, mandatory compliance costs and things like that are important, but so is financing. One of the biggest issues that we're seeing, particularly as companies are going into a recovery stage and a growth stage based on new products is that often they don't have the backing from the finance, the banks, to do that.

So these are some of the issues I think we need to focus on, particularly on the smaller manufacturing side. It's all about cashflow and about return on investment. If you reduce the price, you reduce the cash and the investment.

● (1035)

Mr. Ryan Leef: How much time do I have? One minute.

Maybe if you have a chance, you could comment on that question as well, Ms. Annesley.

We did start this discussion in the last round of questioning around some of the other things that are being done in the trade sector. Budget 2014 also introduced the Red Seal student loan program. And I know some of the colleges, at least in our territory, are dealing with that dual credit aspect: high school into....

Do you have any comments on that and maybe the previous discussion?

Ms. Janet Annesley: I think the north leads the way in some of those dual credit programs whether it's in Fort St. John, British Columbia, where there is some great work through Northern Lights College with local high schools....

And when you meet someone who's in their third year of apprenticeship and they're 19 years old, who is going to be an electrician, that's pretty impressive. Those programs are excellent for local communities, matching people up with contractors, matching apprentices up with business owners or contractors.

And also in the Yukon....

I will comment just briefly on what Jay was speaking about and oftentimes I want to say that the industry is criticized.... The IISD, for example, issued a report on fossil fuel subsidies and oftentimes we hear that the fossil fuel industry is subsidized. I'd like to point out, though, that most of those subsidies labelled in that international report are actually pump price subsidies. The types of price controls, the artificial relief for consumers, that could lead to consumer behaviour...for example, increased consumption of oil and gas. Surprisingly, the oil and gas industry actually believes we should be more efficient, not less efficient, and some of those price controls could have unintended consequences.

The Chair: Thank you, Mr. Leef.

We go now to Ms. Crockatt and then Ms. Duncan.

Ms. Joan Crockatt: Thank you very much, Mr. Chair.

I just wanted to go back, Mr. Myers, to review some of the things you said, because a lot of those numbers went by really fast and I think they were quite profound. I want to make sure I have them here correctly.

So for every one dollar of new investment in oil and gas, I believe you said 62% is spent on manufactured goods. Is that correct?

Dr. Jayson Myers: That's correct. That's been a fairly constant trend over the last ten years.

Ms. Joan Crockatt: Can you drill down for us how that actually works, how the rubber hits the road? How does that actually translate into benefits for Canadians?

Dr. Jayson Myers: You're creating a tremendous amount of demand for manufactured products, so it's creating jobs in a couple of ways that I've seen.

First of all, in some areas like structural steel or steel tubes, pumps, valves, it's just an increase in demand, so of course the more massive production there is, the more jobs there are.

Ms. Joan Crockatt: Sorry to cut in, but are there any individual examples that you might be able to cite? One from Ontario, one from Quebec, that kind of thing?

Dr. Jayson Myers: I'll give you one example. Promation is a company that was....This is the other part of the opportunity, because it's at a time when we're coming out of a recession. The oil sands provide an opportunity for many companies to transition from auto, for example, that isn't doing as well, to supplying for the energy sector.

Promation was a welding shop in Mississauga, Ontario. As a result of the recession, they were looking at other customers. They started doing a very unique type of welding in pressure vessels, originally for the oil sands. From that, they've developed the world's only automated welding technology for pressure vessels. That's now being used throughout the nuclear sector. That's where their biggest exports are coming from right now. That's an example of how a company, through the opportunity of supplying the oil sands, has really developed a very unique product, a unique technology, and has not only kept itself open but is now growing on the basis of this very specialized technology.

We have a number of examples. I have to say, though, that I see a difference between manufacturing in southern Ontario and manufacturing in northern Ontario and in Quebec. That's something I hear about quite a bit from oil sands companies and engineering companies. The companies that have traditionally supplied the auto sector are used to providing high-volume, small-scale, and precision-made parts. For the oil sands, it's a different type of business. Usually these are big-scale, small-volume, and very specialized types of manufacturing parts or equipment. One thing I hear is that it's more difficult for a company in southern Ontario to make that transition. It's easier for some of the manufacturers in Quebec or in northern Ontario that are more used to the project type of development.

We can't take a look at manufacturing in broad strokes. We have to look at what drives investment decisions and where the relative opportunities are, but I can tell you that companies like Promation—

● (1040)

Ms. Joan Crockatt: May I just cut in? I know that my time is going to run out.

Do you have any examples of companies in Quebec or northern Ontario that have made that transition? We hear a lot about this in generalities, and I'm just wondering if you can bring that home for us.

Dr. Jayson Myers: Well, I think the bus company in Quebec—

Ms. Joan Crockatt: Besides Prevost bus lines. We're all well aware how—

Dr. Jayson Myers: Yes, exactly.

A voice: Ezeflow?

Dr. Jayson Myers: Yes. There's Ezeflow. There's Canam, which is a major manufacturer of structural steel products. We can certainly provide a list of companies—

Ms. Joan Crockatt: Janet, could you give us Ezeflow's story in the brief time I have left?

Ms. Janet Annesley: Ezeflow is a Quebec-based manufacturer that manufactures steel and other fabricated parts for the oil sands. It's a case where they were able to access, as Jay has outlined, a growing market that provided an opportunity for their business to grow.

What I love about meeting some of these entrepreneurs, whether it's Prevost or Ezeflow or others, or Watson Gloves in Burnaby, is that they're just so excited about their business. They love employing people locally. They love delivering value. It's not necessarily about the oil sands at all. It's about the fact that they can do what they do well, and that is so rewarding.

Ms. Joan Crockatt: For Watson Gloves, just briefly, can you tell us a little about them? Do we have any jobs numbers for these guys?

Ms. Janet Annesley: We're calculating some of the jobs numbers now. Unfortunately, the reporting.... A thing that the oil sands don't do well, necessarily, is track all of their contracts between the construction owners and the engineering procurement and construction management companies and those types of things.

Watson Gloves and also a boot company in Vancouver, which we're more recently developing a story around, are both family-owned businesses that develop very nice leather goods. In the case of Watson Gloves, they still make these gloves by hand in Burnaby. They've turned their business from making a consumer glove more to making a work glove. As for the boot company in Vancouver and their Dakota boots, Johnny Depp loves to wear them. They have a fashion boot but they also now have turned their attention towards creating a work boot. It's a family-owned company that has been in business for many years.

The Chair: Thank you.

Thank you, Ms. Crockatt.

We close the meeting today with Ms. Duncan for three minutes or so.

Ms. Linda Duncan: Thank you.

In those three minutes, I will give you, Ms. Allan and Mr. Priaro, a chance to respond to the question that you didn't get a chance to respond to before, which was about whether you think it's fair to say that there would be major extrapolated benefits to Canadians if we started pressuring companies to upgrade and refine in Canada.

Ms. Robyn Allan: I think, Ms. Duncan, absolutely there would be tremendous benefits. If we can serve the eastern Canadian refinery market with light oil that they can put in their refineries without having to make increased investments, then that will create energy self-sufficiency in Canada. It will provide more jobs, more diversification, and a stronger economy. There's no question about that.

The Chair: Mr. Priaro.

Mr. Michael Priaro: Well, I have a vision. What we need to do is bring large volumes of partially upgraded or upgraded bitumen to eastern Canada. We may eventually have an opportunity to bring as much as two and a half million barrels to a major pipeline hub near Montreal, where we could expand the existing petrochemical industry and help ensure that the refineries in Montreal and Lévis, Quebec, have a source of feedstock for literally hundreds of years into the future, and to take some of that oil to Saint John and allow Irving Oil to expand their refinery to 600,000 barrels a day to allow them to export more refined products to the U.S. eastern seaboard and Latin and South America. That would also provide an opportunity for the petrochemical industry to grow in Saint John.

I would also like to see an extension of Energy East to Canso, Nova Scotia, and perhaps with a spur to the moribund Dartmouth refinery. Canso is an ideal port for the export of large volumes of upgraded bitumen, Syncrude conventional oil, in particular to India. The shortest distance from Edmonton to India's west coast, where the major refining centres are, is through Canso and the Suez Canal.

I think there's great scope to not only provide energy security but also create some major industries in eastern Canada if we can get an Energy East line and an Energy East line 2 going.

● (1045)

The Chair: Thank you, Ms. Duncan.

I would like the committee to think about whether they want to take any action on the three witnesses who have requested to appear.

I'd like to close the meeting today by thanking all of the witnesses very much for being here today.

Thanks very much to all our witnesses today: Jayson Myers, president and chief executive officer of the Canadian Manufacturers and Exporters; from the Canadian Fertilizer Institute, Roger Larson, president, and Emily Pearce, director of government relations; from the Canadian Association of Petroleum Producers, Janet Annesley, vice-president; by video conference from Vancouver, Robyn Allan, economist; and by video conference from Calgary, Michael Priaro, professional engineer.

Thank you all so much for your input here. This information will help us in our study. Thank you very much.

Mr. Calkins, did you have something to add?

Mr. Blaine Calkins: Chair, did you not ask us for advice on these three witnesses who wanted to appear?

The Chair: Yes. I'm just putting that to the committee. You can come back to the next meeting with your thoughts on it.

Mr. Blaine Calkins: At the next meeting you'd like to discuss this? Okay.

The Chair: Sure.

The meeting is adjourned.