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Mercredi 28 novembre 2001

**Select committee on
alternative fuel sources**

**Comité spécial des sources
de carburants de remplacement**

Chair: Doug Galt
Clerk: Tonia Grannum

Président : Doug Galt
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LEGISLATIVE ASSEMBLY OF ONTARIO

**SELECT COMMITTEE ON
ALTERNATIVE FUEL SOURCES**

Wednesday 28 November 2001

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**COMITÉ SPÉCIAL DES SOURCES
DE CARBURANTS DE REMPLACEMENT**

Mercredi 28 novembre 2001

The committee met at 1001 in room 151.

The Chair (Mr Doug Galt): I call the select committee on alternative fuel sources to order. We have three delegations this morning. Two of the ministries have indicated that they are not prepared to present. These memos and letters have been distributed, one from the Ministry of Training, Colleges and Universities and the other one from the Ministry of Municipal Affairs and Housing.

We have three ministries prepared to present this morning: the Ministry of Finance, the Ministry of Economic Development and Trade and Management Board of Cabinet.

To begin with, we've allocated 20 minutes per presentation. In view of the fact that we do have two hours, would the committee be interested in giving each a half-hour if more time is needed, or would you like to keep it at the 20 minutes, as originally agreed to? Any thoughts?

Mr Ernie Hardeman (Oxford): Mr Chairman, I have no problem with giving extra time if that's required.

The Chair: Great.

MINISTRY OF FINANCE

The Chair: Maybe we can call our first delegation forward from the Ministry of Finance. You're all by yourself this morning?

Mr John Pringle: I have some colleagues with me.

The Chair: Would they like to join you at the table? We have room for up to four there. Maybe to start with, if you don't mind, just state your name for the sake of Hansard and begin.

Mr Pringle: I'm John Pringle from the Ministry of Finance property tax policy branch—my colleagues Murray Mann and Agnes Krzemien, and we also have Len Koskitalo from OEP.

I was planning to do a very quick briefing with an overview of property taxes, property tax reform—that will go quite quickly; I'm sure a lot of people are familiar with that—and then talk a bit about what we have done for various energy or fuel-related properties since 1998.

The first page is just a background on the property tax reforms that have been ongoing since 1998, the goals of that, to put this into context. Basically, the province is committed to ensuring that the system is updated and fair, and there are several goals to meet this commitment.

Establish updated assessments: I'm sure everyone is familiar that we now have current-value assessment. There was a reassessment in 2001, there was the first in 1998, and these are province-wide reassessments.

We also wanted to provide businesses with a level playing field on which to compete and to ensure the new system is understandable and accountable for taxpayers. An example is, because the assessments are all on the same years, people can compare their property values, not only within municipalities but across municipalities.

We also wanted to give municipalities the autonomy and flexibility to respond to local needs. There are a number of tools that they have at their option to provide that function.

Also, finally, establish mechanisms to ensure the transition to the new system is manageable: some of these are mandatory across the province, such as the 5% limit on business properties; others are at the option of the municipalities.

Turning more to, and to start off considering, property taxes and their effects on energy-related properties, I thought it would be good to talk for a few seconds on the property tax liability. Basically for each particular property the property tax liability is based on, as I mentioned, current-value assessment, and by 2003 that will be updated annually. The assessment is generally based on land value and improvements, including buildings and other structures, but excluding machinery and equipment.

The community where the property is located: both the commercial and industrial property classes have different rates by upper- and single-tier municipality. So it will depend on that; also the classification of the property, whether it is residential, commercial, industrial, multi-residential etc. That will determine which municipal and education rates are applied in that upper- or single-tier municipality. It's also, as I'm sure everyone is somewhat familiar with, some of the mitigation tools as the properties move to CVA, particularly the business properties with the 5% limit that is bringing them up there gradually and making the update of the whole system more manageable and certain for businesses.

Turning now to page 3, which is more in line with what we came to talk about, basically an overview of property taxes and energy-related properties: first of all, property taxes are not applied to fuels; they're not considered land and improvements. However, property taxes do play an important component of the production

and distribution. There are several types of properties we'll be discussing in terms of production facilities, and I would note that they're generally taxed at the industrial rates. Industrial rates tend to be higher than the commercial rates and other class rates. This has to do with coming out of the previous system where there is a business occupancy tax, and the industrial component was taxed at a higher rate for the business occupant.

Facilities that we'll be looking at and you may be aware of: we made a move starting in 2001 to provide different treatment for hydroelectric generating facilities. We'll talk about that. We'll talk briefly about wind power—I know there may be further questions on that—and also talk about non-hydraulic generating stations.

In terms of distribution, we'll take a quick look at hydro rights of way and pipelines and, if you want, transformer stations; I'm not sure they're of as much interest to you.

Perhaps the biggest move we've made occurred this year in terms of something new to promote clean air alternative fuel use, and that was the new gross revenue charge on hydroelectric generation. As I mentioned, that starts this year. It will promote the use of sustainable energy to help improve air quality. The new GRC replaces the past property taxes and provincial water power rental charges. I could leave with you the press release that has more details on this, but I will go through it very quickly. If you want to stop at any point and ask questions or do that afterwards, I'm perfectly comfortable.

Basically, the GRC is based on the gross revenue of each facility, power dam. It has graduated property tax rates for the property tax component and a flat rate for the water power component. The graduation helps to ensure that the smaller sites that might not otherwise be developed are given an impetus to be developed and to maintain the existing sites in the province. It really is twofold.

The second component of this was a 10-year holiday for rebuilt, redeveloped or expanded hydroelectric properties. There's also a continuation of the 10-year holiday for water power rentals. Some dams, when they were built, did get such holidays, but it was not certain. They would have to go through and request it. We've made that more certain.

1010

The other thing is, by basing the taxes on the gross revenue, it takes away some of the risk for the owners and developers of the power dams. If it's a low year in terms of water flow, the taxes are lower. It's more responsive than the previous property tax system, which was difficult, because with structures like these, basically, all the value is in the site and structure. There's some in the turbines, but some of these sites have massive dams associated with them. They attracted very high property taxes because of the nature of the site and the dam, and the government felt it would be more appropriate to move to this system, which did save—our original estimate was about \$44 million in total in tax

savings on an annual basis. That will vary with production and, obviously, the prices of electricity.

I move now to wind power generation. Ontario currently has two wind power generating facilities. One was recently built. Another one was, perhaps, an experimental station near Kincardine. Under the current system, the property assessment applied to wind generating systems would be based on the following guidelines: the towers and foundations would be assessed using the cost approach, based on replacement cost less depreciation. The land component would be assessed using industrial land tables. The whole facility would be considered in the industrial class because it is producing, as are all the other generations. As I mentioned, the industrial class attracts some of the higher rates, although the province is bringing down the education rates. Where they're above the provincial average, that seven-year tax cut is being implemented, and that would be helping.

For non-hydraulic generating stations, if they're owned by private producers, they're basically assessed at full current market value based on replacement cost. As mentioned, it's an industrial rate for both the education and municipal taxes. I would note that they would be subject to the 5% limit on increases due to reassessment, ie, they would be protected, or any changes due to reassessment would be made more manageable through the protection system that is mandatory across the province.

It's significantly more complicated in terms of the generating stations owned by Ontario Power Generation, Hydro One or MEUs. MEUs do have a few, I believe. I'm not sure. I know they have power dams. We have met with them about that. Basically, the land is assessed, and the tax, at the industrial rates. The buildings, for municipal purposes, are taxed at a rate of \$86.11 per square metre of inside ground area. That is what is put on the roll as return. That's what the municipality uses to tax. When we levelled the playing field with the privates, there was a gap there. That was a PIL, and that was less than what the current value would be. The remainder of that, ie, the remainder of the value of the building, goes to stranded debt. So the owner, whether it's OPG, Hydro One, or an MEU, is actually paying a comparable amount to the private, but part of that money is flowed to the government for stranded debt.

In terms of hydro rights of way and pipelines, bearing in mind that reassessments are becoming annual, with different methods in place prior to this, we needed to consider both the unique nature of these properties and, as I mentioned, the treatment before property tax reform. For one thing, they were not subject to business occupancy taxes, which the tenant of a property or the occupant would pay, so they paid lower amounts in 1997 than other properties. In 1998, we did away with the business occupancy tax. That was incorporated into the rate structure for the current system, to be applied to the current value. So there is a need to protect them.

We did this for hydro rights of way. The rights of way are subject to per-acre taxes. Basically, we divided it into nine geographic areas. We provided uniform rates and

provided an eight-year phase-in, where there were different rates in the municipalities. They are moving to those uniform rates by company. The same type of system is used for railway rights of way.

In terms of pipelines, to ensure that the tax burden did not increase through the reforms, they were put in a separate property class. What's called transition ratios for municipalities, ie, how much their taxes could be, relative to the residential, were determined based on their 1997 tax burden. They were also given education taxes based on their 1997 tax burden. So it was a form of protection from removing the business occupancy tax.

The move also for rights of way: they had been assessed based on abutting land values. That was difficult. They're long, narrow corridors. They're not necessarily as valuable as the adjoining, the abutting, properties which are developed for industrial or whatever purposes. So I believe this is a much fairer system for them and provides them with greater certainty.

Transformer stations: I'll just say very quickly that they're similar to the treatment of the non-hydraulic generating stations in that the transformer components are assessed at \$86.11. That goes on the roll, plus the land value, and the difference goes to stranded debt.

That ends the formal presentation. We're certainly happy to entertain questions.

The Chair: We have approximately 15 minutes remaining, so maybe we'll divide it among the three caucuses, starting with the Liberal caucus.

Mrs Marie Bountrogianni (Hamilton Mountain): Is there any consideration for a tax holiday for future private wind farms, similar to hydro? For example, in Europe they have anywhere between five- to 15-year tax holidays.

Mr Pringle: That has not been brought forward to us. We could certainly take it into consideration. I know the wind industry has met with our deputy and made quite a number of recommendations. I'm not sure that a holiday was one of those recommendations. There are some of the same people on the wind industry that we met with on the water power task force. With the water power, one of the unique features is, because of the significant investment at the start, that it takes at least 20 years before they make any money, so the upfront costs are extremely important to them. But we could certainly review that.

Ms Marilyn Churley (Toronto-Danforth): If I still have a voice, I'll ask you questions. You are more specifically talking about property taxes. I don't know if you have anybody here with expertise in some of the other areas around economic instruments to help get alternative green power into the market. As you know, there are some specific problems they are facing right now. For instance, you mentioned the stranded debt and the issue around green energy, the alternative energy. Renewables coming on stream are asking the Ministry of Finance to lower the threshold for them. I don't know if you know about this issue, but it's critical to be able to come on stream.

Mr Pringle: I have been somewhat involved in the Hydro restructuring. I'm not sure, Len, if you feel that we should get back to them.

Mr Len Koskitalo: I think that would be more appropriate, because the people who are more familiar with that issue are part of what we call the electricity restructuring secretariat.

1020

Ms Churley: I appreciate your presentation. It's good to have all the information. There are some things about property taxes related to this issue that I didn't know, and they're good to have. But I have some specific questions that I asked of officials from the Ministry of Finance on the very first day, and they weren't the right people there—not that you're the wrong people, but for my specific questions.

I suppose I could ask you, beyond the specific property tax issues, if you know if there are some other economic instruments, tax breaks. Is there a plan and a program to help get these green industries on stream? We talk a lot here, and we've had discussions and we'll have more, about the externalities of the costs of the present electricity generation, and that is—you know what I'm talking about—from the coal-fired plants' pollution, nuclear plants, what to do with the waste, all of those things that aren't taken into account. What we talk about here to some extent is that everything is turned upside down, and it costs more to get green energy, cleaner energy, because we're in this now tradition of, in a way, subsidizing the non-renewables because that's what we've had.

So even with the changes that are happening with the restructuring—of course, that's all up in the air now, so we don't know where that's going to go; that's another subject—it's still difficult with the existing regime, as you know. You hear from those who have been involved in the alternative side of things for some time. They're still having a very hard time, if not an impossible time, getting their foot in the door. I don't know if there's anybody here who can tell me what's going on within the ministry and your relationship with, of course, your finance. Obviously, the Minister of Finance has a lot of say in the policy changes that we need to have made here.

Mr Pringle: I don't think we should be answering that. I apologize.

Ms Churley: It's not your fault.

Mr Pringle: Our area is property taxes. I'd love to talk about those issues, but I think they should turn off my mike if I did.

Ms Churley: I'm sure you have some ideas, but I see what you're saying.

Mr Pringle: Perhaps someone—I don't know. Len can relay your concerns.

Ms Churley: All right. Thank you for your presentation. Perhaps we'll invite specific other officials from the ministry to talk more about those issues as well. But I do appreciate your presentation. As I said, there are some

interesting things that I didn't know were happening under the property taxes. So thank you.

Mrs Bountrogianni: Just on that, I would support that request because that was one interest of mine as well.

The Chair: We were looking for more than just property tax, but we appreciate the fact that that's your specialty. We'll move on.

Mr Jerry J. Ouellette (Oshawa): My concern is very similar. This is not the first time we've asked this ministry to present before us. I specifically asked for taxation rates on fuels to be discussed. It's not your fault that you were sent here, but this is not the first time we've asked for specific questions to be answered. I don't know. Isn't there anybody here who can talk about taxation rates on fuels at all?

Mr Pringle: No, we would not be qualified to do that. We will take that message back to the ministry.

Mr Ouellette: Yes, because this has gone on for quite a while. We have competitors around the world who are trying to get into Ontario, and this ministry is deliberately not making a decision as to how we can tax these individuals so they can get on the market. We're trying to bring the Ministry of Finance here to determine policy within the ministry so we can establish, can these green energies and the fuel alternatives come forward?

I would recommend, Mr Chair, that we get the right people who can deal specifically with at least my concerns: the taxation rates as they relate to alcohol, to propane, to natural gas and to the standard fuels that we utilize now. I think Mr Johnson has some questions that may be relevant to these individuals.

The Chair: Maybe what we can do at the end of the meeting is package what we want and sort out when we'll get that presentation.

Mr Ouellette: Sure.

The Chair: I would add to your comments vehicles that consume those fuels.

Mr Bert Johnson (Perth-Middlesex): I don't know if it applies to the expertise of this panel, but I'm interested, just because of my riding, in the alternative fuel, perhaps, of used tires for the making of cement. If that comes within the jurisdiction of assessment and taxation, I wouldn't mind your comments on that.

Mr Pringle: I don't think it would directly. A cement plant would be an industrial plant and that's basically where the assessment and property taxes lie. I don't think it would affect it whether it was using shredded tires in making the cement or not, in terms of that. There might be some land-planning issues there, I don't know, about storing tires, etc, that you might want to ask the Minister of Municipal Affairs and Housing about.

Mr Johnson: OK. One other question, I guess, and that is on the issue of windmills for hydro generation: they usually sit out on a piece of land. I wonder when the windmill is a capital project and when it's a piece of equipment. One would be assessed tax and the other one wouldn't.

Mr Pringle: Our understanding, and we are not assessors, is that roughly 60% of a wind operation, in-

cluding the land, is the turbine and that would not attract property taxes. But structures, including the tower—and from the pictures we've all seen, they can be quite large—would be considered assessable in improvement or structure and taxable along with the land. The question is what tax rate and whether the towers should be taxed.

Mr Johnson: OK. Then along with the other point, if I could, the question that we would like answered is: what department in finance houses the people that we would like here? Can you help us with that, or should we seek that out of—

Mr Pringle: I think Glen is working—

Mr Koskitalo: John, I believe some of these questions about the taxation of fuels were answered in written responses to specific questions raised at the session we first appeared at. If those aren't complete or if you wish more detail I suppose that could be done.

Mr Johnson: But is there a separate department? Who do we phone to—

Mr Koskitalo: There is within the Ministry of Finance a group that looks after property taxes, another that deals with commodity taxes such as gasoline taxes, another that deals with corporate income taxes and another that deals with personal income taxes. This might affect consumers' behaviour—

Mr Johnson: OK, and if I were phoning in my—I have a book of all the different departments. I'll find those listed, a telephone number for them?

Mr Koskitalo: Yes.

Mr Johnson: That's great. Thank you.

The Chair: Mr Hardeman, quickly.

Mr Hardeman: I would just reiterate what everyone else has said. It seems to me that, though this property tax has been quite an issue for quite a number of years, it really doesn't apply to the work of this committee to any great extent. It would seem to me, particularly if it's not the first request, that it's kind of curious that, of all the people we have over at finance, we can't get people here to tell their story, where it fits in.

The one thing that does fit in, and I think Mr Johnson just mentioned it, is the taxation on wind turbines and how that relates to obviously the cost of generating energy with wind turbines, how it relates to putting it on an open field and at what point that becomes an industrial piece of land. I guess, just to kind of put it in context, I've had contacts with a number of people who have communication towers and they put them on the back of the farm. All of a sudden the farmer—because they don't own the land—gets a tax bill for double the value of his farm because they've now made this a commercial piece of land. If you do that same thing with wind turbines, you've eliminated their ability to generate electricity in an economical way. Has the Ministry of Finance got regulations that would prevent that from happening, to arbitrarily make it more expensive?

Mr Pringle: Not at the moment. In terms of a level playing field based on use, it would be considered industrial, as other production facilities are. That would

have to be a specific exemption or change, which would affect both the education taxes and the municipal taxes.

Normally when you're putting in an industrial site, a big cement plant, the land and the planning have to be zoned for that use. I'm not sure about the planning restrictions in locating wind power, whether there are any, whether it has to conform and has to be an industrial site for that. But at the moment it would be considered industrial; it is a production site.

1030

Mr Hardeman: One final question then, if I could—

The Chair: We're going to have to move our way over, to be fair. Ms Churley signalled a quick question, and then Jerry would like to make a comment.

Ms Churley: If I may quickly, I forgot to ask you, on the property tax side, do you know of property tax breaks for people, industry or homes doing energy efficiency retrofits in buildings?

Mr Pringle: No.

Ms Churley: There are no property tax breaks for that.

Mr Pringle: There is no property tax break, no.

Ms Churley: OK. That would be a good idea, wouldn't it?

Mr Pringle: It's difficult because it's the sales value of the home, but yes. There were things done this year for disabled, where the home is retrofit for disabled or along those lines.

Ms Churley: Right. That's something that the committee may want to take a look at.

The Chair: A comment from our researcher, and then we should move on.

Mr Jerry Richmond: One of the items the committee discussed earlier was the possibility of certain biomass or methane collection facilities, say at landfill sites. For example, at the Keele Valley site that's operated for the city of Toronto, they have a private operator collecting the methane and generating power that they sell into the Ontario Power Generation grid.

Maybe you could just comment briefly for the benefit of the committee: how would facilities like that, if private developers went across the province and tapped into existing landfill sites to generate power? Maybe you could just review how they would be treated from a property tax perspective?

Mr Pringle: That, I am afraid, I can't answer. We could get you a written answer back. We will ask the Municipal Property Assessment Corp how they would treat those sites and get a written answer to you.

I would note that in the letter that we got, it was stated that "the committee would like to address any ministry policies with respect to property assessment and tax treatment" and that is why the group is here that is here on this particular one.

The Chair: OK. Thank you very much for coming forward. We appreciate your information on assessment. That was quite complete but there are others that we're looking for, and we look forward to your response on that last one.

Mr Hardeman: You can never hear too much about property taxation.

The Chair: I think I've heard too much over the last few years.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE

The Chair: We'll move on and call the next delegation: the Ministry of Economic Development and Trade. Welcome. For the sake of Hansard, just state your names. We look forward to your presentation on how we can get more alternate fuels, green energy, involved in our system, both in transportation as well as in electricity.

Ms Bonnie Winchester: I'm Bonnie Winchester from the Ministry of Economic Development and Trade. My colleague who is with me today is Al Wahba.

It's a pleasure to be here this morning to talk about potential opportunities in the export of alternative fuels and alternative fuel technologies. I thought it would be useful to start the presentation by setting the stage and helping you understand a little bit about Ontario Exports Inc, which is part of the ministry, so that you understand who we are and what we can typically do to help Ontario firms that would be interested in this area.

Ontario Exports Inc was established in 1999. It's predecessor was the Ontario International Trade Corp. It is an agency of the government and also a division of the Ministry of Economic Development and Trade.

Basically, in its simplest form, our mandate is to assist Ontario firms, particularly small and medium-sized enterprises, in marketing their products or their services internationally. Our programs, to give you a flavour, range from individual consulting with specific companies that would be customized to the organization of trade missions; it would take companies into the market to further explore our export potential; we do seminars to inform Ontario companies about what opportunities there may be in export markets.

One of our programs, which has been highly successful, is called the new exporters to border states program, which takes Ontario companies to the border and introduces them to all the processes and regulations they would have to deal with if they were going into the US.

On page 2 is our organization chart. The agency reports both through the ministry and to a board of directors from the private sector. Our chairman is Mr Bill Saunderson, a former MPP and cabinet minister whom many of you may know. Organizationally—across the bottom—the way we're organized in terms of dealing directly with Ontario companies is that we have three groups: one is international capital projects; another is the Americas, covering North and South American opportunities; then we have a group that deals with all the other international markets.

On page 3, our client group really represents the diversity of all of what I would call the dynamic and innovative companies across Ontario. We've been very

successful in working with them. Last year we dealt directly, consulting with just under 500 firms. We hosted about 75 seminars that helped companies understand more about the opportunities in international markets, and we also participated in 50 trade shows, covering the participation of about 600 companies.

On page 4, I highlight some of our experience that may be relevant to the subject of this committee. Typically our work in the energy field historically has focused on hydroelectric generation. We have typically assisted firms in bidding on major foreign power projects. Two examples would be Acres International, an Ontario engineering and consulting firm that actually was successful in terms of working on Iran's Karun II river dam project—this was a huge opportunity for that company, resulting in about a US\$32-million project—and we have also helped firms that have been involved in bidding for projects in China, specifically the Three Gorges power project.

Something we're looking at currently, page 5, is the Brazilian market. This would potentially have opportunities for traditional power export opportunities, as well as alternative sources. Brazil is currently experiencing a major shortage in power. This has been driven by a number of things. First of all, they have an expanding economy, but an even more significant factor is that they've been suffering from a severe drought so that they're having trouble with their hydroelectric capacity. It was a very closed market in the past, but because of the fact they have a huge issue in terms of supply, they're in the process of deregulating that market.

We sent someone to Brazil in early fall and he met with Brazilian power executives to discuss possible roles for Ontario firms. The reception was good enough and the opportunities were judged significant enough that we're following up on that. We have scheduled, for December 7, a big event called the Brazil Power Forum. We will be bringing people who are knowledgeable about the opportunities in that market and we will be inviting Ontario companies to come and learn more about what the opportunities are for them in Brazil.

This could be opportunities, as I mentioned, in traditional power sources but also alternatives. We would include companies such as equipment suppliers, service firms, technology companies, private power developers and financiers of all those projects. Our plan is that if there's sufficient interest after our December 7 event, we would take a group of companies to Brazil in early spring to further explore what kind of specific opportunities there may be.

1040

On page 6, this chart basically shows you that we feel there certainly is long-term potential for the export of alternative fuels. I guess it's always dangerous to predict the future. Someone in my group has told me, for example, that in the area of energy it's even more dangerous, because apparently at the very beginning of the nuclear age, some had predicted the atom would provide unlimited power that was just too cheap to meter, and I

guess we're not there yet. However, we see a number of global trends that would seem to indicate there's an awful lot of potential for alternative fuel exports in the future.

I'm sure you're aware of these in the work of your committee, but the three we think are particularly relevant to export are, first of all, the fact that there is an increasing framework of agreements that cover potential alternative fuels that would work at reducing fossil fuel emissions. Kyoto has the highest profile, and I think regardless of what the US decides to do in that regard, Kyoto will be a factor in terms of the exporting of fuels and fuel technologies.

The second point is that there is a depletion of conventional fossil fuel sources and also full development of hydroelectric power in a number of countries. Japan would be one example of that.

Finally, I think that in Ontario we have an awful lot of research and development and innovation happening, and there will be a broader range potentially of alternative fuels and alternative fuel technologies that will be available for export at a potentially reduced cost. So we really feel the future of export for Ontario firms is quite bright.

On page 7, we've identified a number of markets that perhaps would have priority if we were going to be directing companies—Mexico and China, for example. Natural Resources Canada did a study in 1999 and identified those countries as having potential, particularly in the area of transportation. In fact, a lot of the examples we've looked at are currently in the area of transportation.

We talked about Brazil a few minutes ago and certainly there are opportunities for transportation in Brazil as well. We were looking at a recent article in the Oil and Gas Journal and it stated that ethanol already accounts for about 6% of Brazil's total fuel market.

Japanese automotive firms, as you may have heard, are working very hard to secure the lead in fuel-cell-powered vehicles. Finally, when we look at the European Union, the EU secretaries last year announced that by 2010 they estimate about 22% of total power production is expected to come from renewable resources.

Ontario firms are already beginning to capitalize on these opportunities. Two of them I know have appeared before your committee in the past, but one example would be Hydrogenics of Mississauga, which has recently signed agreements with Nissan and Toyota for the use of their fuel cell test and diagnostic equipment. Another company that's been very aggressive in terms of international opportunities is Stuart Energy. They're working currently on pilot projects around the world. They're in Cairo, Sao Paulo, Mexico City, Shanghai and Beijing. So that, I hope, gives you a sense of what some of the emerging opportunities are.

Finally, on the last page, I thought I would outline how Ontario Exports Inc could potentially assist companies that are in this sector. We basically are ready to work with firms that are interested. Our staff have expertise and contacts in markets and we could help

firms that are interested in entering an export market or interested in bidding on future capital projects that may be located in international markets in the area of alternative fuels.

If companies come to us, we can help them in terms of identifying what markets might be most appropriate to them. We can help them in things like contract negotiation and also, although we don't offer direct financial assistance, we can certainly help people find the financial assistance they may need for these kinds of projects.

I'd like to thank you for this opportunity.

The Chair: Thanks very much for the informative presentation. We have about 15 minutes left for questions, five minutes per caucus.

Ms Churley: Thank you for your presentation. On page 6 you talk about the development of new alternative energy sources and technologies. I'm still trying to get a sense of beyond—you talk about assisting companies in trade shows and things. What exactly do you do to help promote green energy, alternative energy? What kinds of programs? For instance, would you be working on projects with people from the Ministry of Energy? What is your role in the larger field in developing technologies, helping us move forward?

Ms Winchester: Specifically in the green area, I have to admit that we haven't had a lot of past experience. I think it's an emerging area. Although we've certainly been proactive in certain sectors, we typically are more reactive in terms of companies that have indicated an interest in exporting and need assistance. However, based on what we've learned during the preparation for this—there are a number of companies that may be potentially in the export business—it would be worthwhile for us to contact them and talk to them about the opportunity. So that's typically the way we would do it, but in no way, shape or form can I say that we have been very active in this particular sector in the past.

Ms Churley: You mentioned that the European Union has established green energy generation targets, which are quite phenomenal compared to where we are. I assume from your previous answer that in a way, being asked to come and speak to this committee has been beneficial to you in terms of discovering that green energy is a new and emerging industry in Ontario and Canada. Have you had an opportunity to look at what they've been doing in Europe? Because it is a very aggressive target to get to that target in the year—what did you say?

Ms Winchester: In 2010, actually. Personally, and I know within our group, we wouldn't be involved in the policy area. So I can't really answer your question in that respect.

Ms Churley: No, that's fine. But I assume from your presentation, then, that there is a recognition now within your ministry—I understand your role and that you don't do a lot of the policy work; it's there to develop and assist industries to grow. Some of the green energy sector, you may have heard in previous questions, is really having a difficult time in getting into the market

here in Ontario for a whole series of reasons. We touched on a few of them this morning. I'm not sure what role you could play in a ministry, and I'm understanding that you don't set the policy. But in terms of sitting down with this emerging industry that not only is not exporting at this point but is having difficulty getting in the market here, could you play a role in that?

1050

Ms Winchester: We potentially can. Probably the question that would have to be asked is, is there a big enough market domestically in the short term? Typically, a company would exploit domestic opportunities, to begin with, before going into the challenge of international markets. But certainly I think there is a role for us in terms of informing companies in Ontario that are interested, or potentially would be interested in the longer term, in export opportunities.

I'm new at Ontario Exports Inc, but I certainly know that the ministry always is looking for a balance between looking at helping traditional industries, today's industries, and also looking at emerging companies and making sure that we're not missing the opportunities there. So I think this is potentially something we should be taking a closer look at to see what we can do for Ontario companies.

Mr Ouellette: Two things: I see Brazil and I take it that you're going to Brazil on December 7. How long is that for?

Ms Winchester: Actually, the event happens in Ontario, at the Ontario Investment Service.

Mr Ouellette: So they're coming to Ontario for December 7? On December 7 there will be a group from Brazil?

Ms Winchester: Yes. We have some speakers coming from Brazil and then we have invited Ontario companies. So the event is here.

Mr Ouellette: The group we contracted out is one of my areas of concern: looking into low-flow hydro generation. I hope that any communication or information regarding low-flow hydro or, as you've listed here, mini-scale hydro, can be passed on to our people just so we can have that information.

My key concern or interest with your ministry: the Premier signed a deal at the Canadian trade mission in Japan a number of years ago with an Ontario company that is currently selling fuel in Japan, and I believe the deal was about \$3 billion. This same company is having difficulty getting into Ontario, yet they can sign a \$3-billion deal in Japan. The Ministry of Finance has now said that your ministry is one of the ministries to sign off, to give them the OK, before they will review how they're going to tax this particular new fuel that will fit directly into the vehicles with no modifications. Do you have any policies on how you're going to view these new fuels, and what sorts of recommendations are to come forward when you review the fuels?

Ms Winchester: Our area is not involved in policy. Again, I'm in the same position as the previous presenter. We can certainly take those questions back to our policy

area. Our ministry has the lead, in terms of policy development, in what we call the entire economic and business development cluster. So I'm sure that there would be some answers there.

Mr Ouellette: Unfortunately, that deal was signed about two and a half years ago, and an Ontario-based company can't sell the fuel in Ontario until we get the policy going. So I felt it was necessary to get on the record. Mr Hardeman has some questions.

Mr Hardeman: Thank you very much for the presentation. I take it from the presentation that you are somewhat in the facilitation business, to bring all the partners together and make things happen around the world.

Ms Winchester: Yes.

Mr Hardeman: I just want to focus on ethanol and what position the ministry or your company would take. Should we be exporting or trying to export or facilitate the production of ethanol around the world or should we be producing the ethanol and working on exporting the actual product? The reason I say that—I think it comes together with the whole focus of what we need to do in all sectors of our economy. Obviously, if we just export the technology, we're not going to be using our raw materials to provide the ethanol. It would seem to me that, as a government organization, we would promote the avenue of the alternative fuel that would generate the greatest amount of activity in our economy, not just facilitate the selling of a piece of equipment or a piece of technology that would then at the end of the day decrease our ability to market the raw material, such as the corn and so forth, that's going to be used to facilitate that.

Do you go that far in looking at the needs of our economy and working toward the area where we're going to have the greatest benefit?

Ms Winchester: Typically, that's the way we would prioritize something. If we were going to be proactive in terms of a particular sector or group of companies, we would absolutely take that into consideration. As you've gathered, it's a new area for us where we don't have a lot of expertise, so in terms of being able to specifically answer a question on ethanol, we can't, but certainly the overall economic impact is one of the guiding principles of where we would spend our time and attention. Al, do you have anything to add to that?

Mr Al Wahba: Essentially, it's a relatively new area, but we would obviously be looking at the maximum return to the province in terms of the actual production of the ethanol and the export of ethanol versus the manufacturing side.

Mr Hardeman: I guess I would just caution or question to make sure that when someone approaches with—

The Chair: We're out of time so make it very quick.

Mr Hardeman: When someone approaches you to do that, obviously their benefit is selling the technology. We, as representatives of government and of our economy, would say, "Wait a minute. Why don't we find an investor here to build the facility and export the finished product as opposed to the raw material?"

Mrs Bountrogianni: Thank you for your presentation. Just for the record, you mentioned Natural Resources Canada. The international energy association and OECD in Europe speak very highly of Natural Resources Canada. I just wanted to put that on the record, that they're good partners internationally.

Just to be clear then, up until this point you have not assisted firms involved in renewables production for export purposes, but you're willing to.

Ms Winchester: That's correct, absolutely.

Mrs Bountrogianni: Then I guess my original questions are moot, but that's fine. I'm glad to hear there is a future for it, because obviously you do a lot of work in the other areas, so it would be excellent. We are behind in Ontario, as you know, as far as exporting renewables is concerned. It's just amazing what's going on in Europe as far as exporting is concerned. For example, Spain exports most of the wind turbines. It used to be Denmark's bailiwick, and it's expanding and it's seen as an opportunity.

I guess I can't ask any relevant questions because you're not in the business yet, but I would be really happy to hear when that starts occurring, because I think we have to get there pretty quickly.

The Chair: Thanks for your presentation. It's much appreciated. We're looking forward to getting more renewable, green, whatever, alternative fuels into Ontario and moving ahead with this. We look forward to assistance from your ministry as we do.

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MANAGEMENT BOARD OF CABINET

The Chair: I call forward the next presenters, the delegation from Management Board of Cabinet. We are providing a full half-hour. That's why we're running a little later than originally planned. I hope that's in order with you. After your presentation, whatever time is left we'll divide between the three caucuses.

Mr Tony Pierro: My name is Tony Pierro, acting CEO of the shared services bureau with Management Board Secretariat.

Ms Barbara Ko: I'm Barbara Ko. I work in the Management Board Secretariat. I'm director of the agency relations office and one of my primary clients is the Ontario Realty Corp, an agency of Management Board Secretariat.

Ms Angela Mazzotta: I'm Angela Mazzotta. I'm vice-president of facilities support with the Ontario Realty Corp and I'm here to provide any supplementary information to Barbara and Tony.

Mr Pierro: Thank you for the opportunity of coming here. Today, Barbara Ko, director of the agency relations office, and I will spend a few minutes going through an overview of activities that MBS has underway related to alternative fuel, energy efficiency and conservation in government operations. I assume you have the package.

The Chair: Yes, we do.

Mr Pierro: As a bit of an overview and a bit of background so you have an idea of how we fit into the whole scheme of things, Management Board Secretariat manages government resources and develops the policies and standards for internal operations of government, including business resource planning and monitoring; human resource policy and planning; the whole IT, the information and technology area and policy and planning for that function; and administrative management policy.

The shared services bureau of MBS is responsible for the provision of business support services to the OPS, including payroll and benefits; procurement, where again there's a bit of greening that I'll talk about later on; passenger vehicle fleet management, which is something you asked to have some information on; and the green workplace.

The Ontario Realty Corp, an agency of MBS, is responsible for managing the real property assets of the Ontario government.

On slide 3, Management Board Secretariat has a statement of environmental values that lays the foundation for managing government operations in an environmentally conscious manner. Some of the components of the MBS statement of environmental values include:

"MBS believes that, in the operations of government and the public service, the health of the natural environment must be sustained for practical, economic and aesthetic reasons."

"MBS corporate procurement policies incorporate environmental considerations such as waste reduction, reuse and recycling in the development of product specifications for significant purchases" when we go out to tender or for RFPs.

"The ministry's property development and management practices sustain and conserve a healthy diverse natural environment."

Through the next slides we will be speaking to how the statement of environmental values actually has been woven into the activities of MBS in terms of how we do procurement and some other items.

On slide 4, the green workplace program is one of the components of the MBS statement of environmental values. The green workplace program was introduced in 1991 to promote greening in the OPS workplace. The program supports the protection and conservation of a healthful environment by encouraging all government employees to be environmentally responsible in their activities at work, by raising their awareness in terms of recycling and encouraging environmentally friendly practices such as alternative transportation and recycling.

From its introduction, the green workplace program was the responsibility of the Ontario Realty Corp. With the change in direction for ORC, that function has been transferred to the shared services bureau. So in May 2001 the responsibility for the program was transferred to us, and what we're in the process of doing right now is establishing a unit to actually look after the green workplace program.

On slide 5, a bit of background: we are in the midst of developing the organizational framework for the green workplace program. But before we actually hire the manager for that unit, some of the preliminary work that we are carrying out is developing a bit of a state of the nation in respect of greening and how to leverage on some of the past successes.

What we are currently doing is developing a bit of a database on some of the best practices, including what some of the OPS policies and practices are, and looking for best practices and program models in other jurisdictions, whether it's some other provinces or the federal government. This foundation work will actually assist us in understanding how to target the programs and raise employee awareness related to environmentally friendly practices. SSB will also be reviewing opportunities to maximize the integration with other OPS entities in terms of greening; for example, procurement practices, fleet management and facilities management.

On page 6, just to go over some of the procurement components, the Ontario government's procurement practices are designed to ensure it obtains the best value for money expended by acquiring supplies, equipment and services through the competitive process. The government is committed to ensuring that the principles of fairness and transparency are applied in its tendering procedures and that qualified suppliers have open access to government businesses.

The procurement policies actually recognize the importance of environmental considerations and provide a springboard for environmentally conscious procurement. Subject to the overall requirement to ensure that all procurement is undertaken in a geographically neutral manner and does not create any discrimination or preferences, environmental considerations such as reduction, reuse and recycling measures are incorporated in the development of the commodity specification, the terms and conditions and the contract-award decision for all tenders estimated to be over \$10,000.

On slide 7 is some information related to the passenger fleet program. The shared services bureau recently assumed responsibility for the management of the passenger fleet across the OPS. This is one component of the overall government's fleet management. As you are aware, we have snowplows and a lot of other types of fleets out there.

In August 2001, a contract was awarded to ARI Financial Services to provide passenger fleet management services. ARI Financial Services is one of Canada's leading fleet management companies, with over 78 years of experience. ARI currently manages approximately 55,000 vehicles across Canada. The current size of the passenger vehicle fleet within the OPS is approximately 6,000 vehicles.

The objective of the new fleet program is to have passenger vehicles and passenger vehicle management operations provided in a very cost-efficient and effective manner. This includes the full cycle of acquisition, operation, administration and remarketing. The full cycle will

optimize the replacement of vehicles to ensure that newer, more environmentally friendly, fuel-efficient vehicles are utilized. Due to environmental concerns, the automotive industry has responded over the past few years by improving fuel efficiency and lowering the emissions on new vehicles. By replacing our vehicles with newer ones, we're actually going on more of an environmentally friendly course.

On page 8, continuing on with vehicle fleet, where it is cost-effective and operationally feasible, the use of alternative fuel vehicles will be considered. In fact, in the next slide I'll talk about a couple of alternative fuel vehicles that we actually have in place. As part of the terms of the ARI contract, the service provider will be reviewing the existing fleet and recommending opportunities to improve fuel emissions and fuel efficiencies. As part of the ongoing fleet management service that we have with ARI, recommendations will be made by the service provider regarding opportunities to increase the use of alternative fuels and measures for decreasing fuel emissions from the current fleet as we start to replace them over the next few years. As part of this work, we will be looking at successes and best practices from other jurisdictions, as well as related costs and limitations, to ensure that we are proceeding in a manner that addresses environmental, fiscal and operational considerations.

I'd also like to add that the current vehicle acquisition tender we currently have with ARI allows manufacturers to identify alternative vehicle specifications other than the standard Ontario vehicle specifications. This was done to encourage automakers to propose alternative fuels such as natural gas, propane, ethanol, electric-gas or gas-electric or even fuel cell technologies with some of their vehicles. The evaluation criteria for the selection of a contract bid for passenger vehicles includes the assessment of fuel economy as part of the overall total cost of maintaining that vehicle.

Other than by exception, passenger vehicles will be leased—that's the new directive we have within the government—and we will be targeting for vehicles within the passenger fleet to be no older than four years. Vehicles under four years of age are designed to be more fuel-efficient, as you are probably aware. As we move to a leased environment, we expect to see improvements in our fleet in terms of emissions and efficiencies due to the improved technology available in newer vehicles.

On page 10, just to give you a couple of examples of some of the things we are doing, currently the OPS practice and interest in environmentally friendly fuel-efficient vehicles has included the acquisition of 11 hybrid vehicles, 30 dual-fuel vehicles and 20 propane vehicles within our fleet. The 11 hybrid vehicles, which our ministry is actually testing out right now, represent a very new technology that's less than one year old. The initial business process review conducted by ARI, who is our vendor of record, will analyze the existing alternative fuel vehicles, including the 11 hybrids, to determine their feasibility within the OPS to see whether we should be expanding the program. The annual business process

review that will be done by ARI will be reviewing and encouraging the use of more fuel-efficient and alternative-fuel vehicles, again, where operationally feasible and cost-effective.

1110

As you are aware, we have a travel management policy within the OPS. The mandatory requirements for renting vehicles on government business include the size of the rental car, which is to be the smallest possible for the business task at hand. Providing control over the size of the vehicle rented contributes to a reduction in overall vehicle emissions and, as a result, of employee travel. Wherever possible, local transportation is to be used in preference to autos and taxis, and we've just recently negotiated a volume discount with VIA Rail so that, again, when we're going between cities, we can actually use VIA Rail for intercity travel.

That concludes the component related to vehicles and procurement. I'm now going to pass it on to Barbara Ko, who will deal with the ORC and building efficiencies.

Ms Ko: The committee has asked the Management Board Secretariat to address policies besides fleet that may be of relevance to the committee deliberations. In the interim report that Dr Galt released yesterday, it's mentioned that energy conservation and efficiency measures continue to play a very important role—

The Chair: Just an interruption: we haven't released the interim report as yet. It'll be tabled today at roughly 2 o'clock.

Ms Ko: It will be tabled today. Sorry, I jumped the gun. I apologize.

Mr John O'Toole (Durham): You haven't received a leaked copy of it, have you?

Ms Ko: No. I do apologize to the committee members.

The Chair: We would look forward to seeing it.

Ms Ko: Just to continue, energy conservation and efficiency measures continue to play a very important role in reducing energy consumption and greenhouse gas emissions. I'd just like to touch quickly on some of the measures that are in place right now in government buildings.

Ontario Realty Corp is the agency that looks after real property for the government, including all facility management. ORC and its service providers have adopted an energy management plan, and we have outlined some of the things in this energy management plan, which include tracking energy consumption in government buildings, conducting energy audits and raising tenant awareness through various forums such as educational sessions, newsletters, posters etc. In fact, Profac, the service provider for ORC in the GTA and the southwest, has put out bulletins that encourage tenants to save energy, they have provided energy-saving tips and building energy efficiency tips for building operators and they promote people's powering down their computers to save energy. We have examples of the newsletters, if the committee members are interested in taking a look at them, just to show that we are taking active measures to encourage energy conservation.

As well, energy conservation and alternative fuel sources will be part of any capital project considerations whenever there are opportunities, both in new buildings and in renovating and redeveloping existing buildings. Any energy-efficient initiatives will be included in any of the considerations and will be part of the project.

Turning to page 12, part of the energy management plan also includes implementing pilot projects to analyze the efficiencies and cost-effectiveness of various products and systems, looking at setting reduction targets as well as exploring opportunities for bulk purchasing of energy and fuels.

To provide a few more examples of what has been done, turning to page 13, in government buildings there has been the installation of automatic lighting devices, lighting retrofits and lowering of water consumption. There are installations and upgrades to building automation systems to control lighting, cooling and heating. Wherever opportunities arise, there are natural gas conversions to create the most instant savings. In all building retrofits—for instance, in any sort of roof replacement—there will be additional insulation put in to make sure that we introduce the most energy-efficient methods and use the most energy-efficient materials. As well, there is replacement of heating and cooling equipment with more energy-efficient ones.

The last three slides conclude the very brief examples of what is in place right now in government buildings. On behalf of Tony and myself, I'd just like to turn to page 14 in terms of the conclusion from the Management Board Secretariat. The Ontario government supports the increased use of alternative fuels in its operations and we will pursue opportunities for the use of alternative fuels wherever it's appropriate and feasible. We'll continue practises with energy-efficient and conservation in place right now, and any decisions on the policy framework and actions will be determined by balancing the environmental, the business and the fiscal considerations.

I'd like to thank you for the opportunity for us to make the presentation, and my apologies again for mucking up the report.

The Chair: That's OK. There's no problem. I just thought I'd bring it to your attention, though.

Thanks very much for your informative presentation. There's no question—I've heard comments and the committee has commented about the need for government to lead, to demonstrate to the public the importance of the use of alternate fuels.

We have about three minutes per caucus, starting with the government on this round.

Mr Ouellette: One of the policies mentioned was that it was a requirement that the smallest vehicle be utilized. Yet the Crown Victoria, for example, probably one of the largest vehicles out there, is using E85 fuel, an environmentally friendly fuel. But according to policy, people wouldn't be allowed to use that. When the policy was developed, were things like this taken into consideration? Although they may not be the same size of vehicle, new technologies coming forward may be

able to be put in the most popular vehicle. From a rental basis, when government employees are out there, this eliminates them from utilizing the most environmentally friendly vehicles. Has that been taken into consideration?

Mr Pierro: That I'd have to go back and check.

Mr Ouellette: One of the other things: this committee has discussed recommendations for a mandatory phase-in of environmentally friendly vehicles for the government whereby—and I think it was Mr Gilchrist, if I remember correctly, who recommended or discussed it—a 10% per year turnover of new, environmentally friendly vehicles be purchased by the government. I think you mentioned the figure of 6,000, which would mean we would purchase 600 new environmentally friendly vehicles, whether they be E85 or the combination vehicles, whichever the case may be. What would be the impact within the recommendations of your ministry if that were to proceed?

Mr Pierro: I wouldn't be aware of what the implications are, but one of the reasons for moving to the ARI tender is to actually replace a lot of the older vehicles that we have on the road right now. Over time we intend to have only four-year-old vehicles on the road, which means that we'll be eliminating a lot of older clunkers.

In terms of the 10% rollover for environmentally friendly, I'm not aware of what that means.

Mr Ouellette: Essentially, the recommendation would be that the government would be supporting an industry by making part of its fleet environmentally friendly.

1120

Mr Pierro: I think currently we are supporting that because we have—I'm trying to remember the number now—a number of alternative vehicles in place. We have roughly about 60 alternative fuel vehicles on the road right now that we are testing.

Mr Ouellette: So about 1% of the fleet?

Mr Pierro: That's right.

The Chair: We have another half a minute. Mr Johnson?

Mr Johnson: You have 6,000 vehicles. You're going to do that in four years, so that's 1,500 of them a year. You've given the management of them to ARI. You're concerned about the emissions. I guess I want to know a little bit about the cost. I'm not supposed to ask it, but does that increase or decrease the costs of the operational fleet?

Mr Pierro: No. In fact, the reason for moving to ARI is that it will decrease the overall fleet management costs of the Ontario government.

Mr Johnson: No, I didn't mean having them manage it. I meant the emissions or the more proper fuels, I guess.

Mr Pierro: The newer vehicles, as I mentioned before, are all better economy in terms of being fuel efficient. So the intent is to move out of the older vehicles we have that have a very high energy use—

Mr Johnson: OK, not necessarily going to fuel cells or natural gas or those other alternatives?

Mr Pierro: We are looking at that as part of the program to see what's efficient in terms of moving from an economic and also environmentally—

Mr Johnson: One of them is natural gas?

Mr Pierro: Yes.

Mr Johnson: There are some people who are very allergic to it. I guess you wouldn't want to provide cookies with peanuts in them to staff who have peanut allergies.

Mr Pierro: We definitely have to take that into consideration.

Mr Johnson: OK, thank you.

The Chair: We'll move to the official opposition and our researcher has a question to ask on behalf of Dr Bountrogianni.

Mr Richmond: Ms Ko, I think this question should be directed to you. Mrs Bountrogianni was interested in your presentation. I think you used the phrase that energy considerations enter into Ontario Realty's design for new buildings or something to that effect. She was wondering if, when you look at new building designs, whether you consider things like energy-use targets or whether the ORC would look at certain innovative pilot projects, like the installation of solar panels or the like? I wonder if, on Mrs Bountrogianni's behalf, you could respond to that, please?

Ms Angela Mazzotta: Maybe I should respond to that on behalf of the Ontario Realty Corp. All of our building designs and specifications are constantly revised to ensure that energy conservation measures and products are included in that. Solar energy projects have been considered, and in fact there are pilot projects occurring as we speak across the province. It wouldn't be fair at this point to comment on how well they're doing or whether it's something we would be implementing across the board, but definitely, as we indicated earlier, there are pilots that have been implemented. They are being evaluated and we'll probably be able to ensure that if they are successful, those will be considered in future projects.

Mr Richmond: Could you possibly, for the committee's benefit, provide any further information after today on those pilot projects?

Ms Mazzotta: We certainly can provide that, yes.

Mr Richmond: Where they are; what ORC has done.

Ms Mazzotta: Sure, no problem.

The Chair: Just a comment: I think part of this question may be coming from the thinking of large institutional buildings with big flat roofs—great places to set up solar panels. We understand it's happening in other countries. We were hoping that the Ministry of Training, Colleges and Universities would have been here to talk along that same line; hospitals, similarly.

Ms Churley, it's your turn.

Ms Churley: Following up on that, I think that would be a very good recommendation coming from this committee to set the tone and set some policy around that, because of course you follow government policy and you

would have a good opportunity to put some of those pilots in place.

I wanted to follow up on the conservation and energy efficiency work that you're doing. Have you had a complete energy audit of all government buildings—and I know there are a lot of government buildings—over the past five years or so? I'm just trying to get a sense of what we know about our existing buildings.

Ms Mazzotta: I guess I had better answer that one as well.

Ms Churley: And also, if I may add, what would those energy audits consist of? What do you do?

Ms Mazzotta: The answer to your first question is, yes, we do carry out energy audits, predominantly on what we call our primary facilities, where we have full responsibility, the larger, more complex type of facilities across the province. Those energy audits are occurring as we speak. There is a plan and a program that is being undertaken, and as part of that they go through all the various components of a facility and how well and how efficiently it's working, so that basically is happening.

Results from the energy audits obviously are what we use to improve and to introduce new methods, systems, products and whatever else. That's the only way you're really going to be able to determine how well you're doing. We haven't completed the energy audits. ProFac, our service provider for the GTA and the southwest, as I said, has implemented the program and is currently working on those; we have a list of buildings that the audits are being conducted in. In all fairness, at this point I do not have that information readily available as far as what we're doing and how they're being carried out, other than to assure you that they are happening as we speak and we do have a program for that.

Ms Churley: Do you have some information on that that you can provide for the committee?

Ms Mazzotta: We have information on that and we can provide that.

Ms Churley: I'm not talking about piles and piles of paper, but so we have—

Ms Mazzotta: Just sort of the components, yes.

The Chair: It would be good if you could condense it to one page.

Ms Churley: Because you should see my office; there's paper everywhere. But I would be interested in what kind of audits are done, who's doing it, and if you have results from some of those audits. Would you have recommendations yet as to what should be done?

Ms Mazzotta: I'm not sure at this point—

Ms Churley: Are retrofits being done, or is that waiting until the audits are complete?

Ms Mazzotta: Retrofits do occur on an ongoing basis as we do projects to improve our facilities. That's weighed against the audits, obviously. When we have the results of the audits, it will determine what the costs are, and as Barbara had indicated earlier, costs are obviously woven into the equation. The environment, the impact on programs for clients, all of those things come together when you're determining what to do in a facility.

But yes, in fact, the reason we're undertaking the audits is obviously for the purposes of determining what needs to be done in a particular facility to make it more energy-efficient. Having said that, those recommendations that come out of the audits will be taken into consideration when developing our capital planning programs on an annual basis, and that's where those recommendations will be implemented.

Ms Churley: Would you have any data on payback, for instance, on a retrofit of a building: putting in new windows, many of the things that you might do—changing the heating source, caulking the windows, all those sorts of things? As we know, you have to put money upfront, but it saves money in the end. Do you have any of that data?

Ms Mazzotta: As a matter of fact, every project we undertake has a business case with it.

Ms Churley: Right. That would be part of it.

Ms Mazzotta: Of course you would know that there is going to be a payback within a certain amount of time and what that payback would be, and what the initial investment is. So the answer is yes, we do have that. The projects that do go forth are the ones that will be substantiated by a business case to ensure there is a payback.

The Chair: OK, thank you very much. Thanks for coming before us. It's much appreciated. Take care.

Mr Ouellette was asking earlier about tax information from the Ministry of Finance on taxation of other fuels in particular and those vehicles and possibly other areas. Maybe we're going to have to put it in writing and be a little more specific as to what we would like from that ministry, or would you like to make some comments at this time?

Mr Ouellette: I just believe the taxation rate as it relates to natural gas, standard petroleum that's utilized and propane for vehicles should be looked at, as well as diesel. We should have a presentation that deals with the taxation rates of those fuels and new fuels coming in because, as it stands now, my work with those ministries has indicated that they don't have a policy. It's difficult to bring new fuels in. As I mentioned in committee, here in Ontario we have a company that has been selling in Japan for two years and can't sell its own product here in Ontario as of yet.

1130

The Chair: Would we be wise, Mr Ouellette, to look at some of our hearings that we plan to have in February, invite them in, and through our clerk give them very precise, detailed information on what we're looking for?

Mr Ouellette: I believe that would be helpful.

The Chair: What they came forward with today on assessment was just fine, in my opinion. However, there was just that one little chunk, and we're looking for the big picture.

Mr Ouellette: Yes.

The Chair: Can you store that away and maybe even let them know now that we want more information and

that we'll be asking for them maybe as one of our first presenters when we get into hearings in February?

Mr James J. Bradley (St Catharines): Mr Ouellette has certainly identified a major problem, and I think your suggestion to have them in early in February is a very good one, because there's no doubt that if you are going to introduce new fuels, one of the considerable factors is going to be the cost, and the cost is influenced by the amount of taxation on that fuel. You can either be punitive or provide an incentive.

I think we recognize, as people who represent others in our communities, that people are very sensitive to price when talking about any fuels. You need only have the price of gasoline at the pump go up and your office will receive at least half a dozen calls asking why it has gone up. So that is important.

I think particularly initially, Mr Chairman, and you've made reference to this in other meetings, when you are bringing in a new product, a new fuel, that is usually the time where you have to have some kind of incentive. Perhaps as you move along, that incentive may change in terms of the monetary value of the incentive, but Mr Ouellette makes a very good case. There's a situation where we have, in another major industrial country of the world, a product that is having a much easier time than it is in our own country. This committee can have a significant influence on that through the recommendations, so I think your suggestion that they be one of the early people in in February is a good suggestion.

The Chair: Maybe we could just move it a little further and include home heating, all fuels.

Mr Bradley: Exactly.

The Chair: Also, as it related to insulations, I would have thought the Minister of Housing would want to talk to us about that. How they tax insulating materials in general I would think we would want to hear about as well.

OK, we'll leave that with our clerk. I think it's all printed in Hansard. You can pick that up and maybe send it to him just to indicate in how much detail we want to look at this, and maybe we need to give them an hour in total at that time. Maybe we can sort that out a little later, but I think we want to spend a lot of time with them to get a good understanding.

Ms Churley and then Mr O'Toole.

Ms Churley: I think that's a good idea and I support that. I just want for the record to state my extreme frustration at the inability of the Ministry of Finance to come forward and be able to answer specific questions. I know that came on the record. We've all put that on the record before.

With all due respect to the people who were here today, as we stated, they came and did what they were asked to do, of course, by the ministry at our invitation. But it is true, as I think Mr Pringle mentioned at the end, that we had asked for people from the finance ministry to come, and it is true that some answers that weren't able to be provided at that very first meeting—I don't know how many of you were there. Remember that? We got

almost no answers to questions. We were provided with some answers, but it's some time since I looked at them now. I'll review them again, but some of those answers were extremely inadequate in terms of what we're trying to get at.

I wanted to do some follow-up and talk about some of the problems that are identified. I have problems with some of the answers and the approach that the Ministry of Finance is taking. And of course the stakeholders out there are having huge problems in buck-passing, so to speak, on who is responsible, the Ministry of Energy or the Ministry of Finance, for some of the economic instruments we need to see in place and some of the problems.

What we need are real people in here from that sector who can respond specifically to the questions we've asked before, and perhaps we can enter into a dialogue about some of the problems they're facing in terms of bringing some of those tax incentives or whatever in place, to make green energy feasible in the marketplace. That's what we're trying to get at here.

The Chair: I think what we'll do, Ms Churley, in just checking with the clerk, is to extend the invitation specifically to the deputy and then the whole ministry will be covered. Then it's up to him or her to bring with them the necessary staff for support. Then we'll be able to cover the whole area and set aside—I'm suggesting an hour, so it wouldn't be quite complete with them.

Ms Churley: Can I make a suggestion? I wonder if it would be useful to have the specific point people responsible for this area come, along with—I don't know, would it be from OPG and/or the Ministry of Energy? I know we don't want a roomful of people and for it to be convoluted, but what happens is that sometimes it's difficult to sort out who is responsible for what. If you've got representatives who deal with those issues in the room at the same time, if one cannot answer or says, "That's not our responsibility, it's theirs," then we can get answers from both.

The Chair: Maybe what we should do is have a subcommittee meeting to try and sort out how we're handling things.

Ms Churley: Perhaps. I think this is such a key piece to what we're trying to do here and the recommendations we make. We really need to understand what's going on now and what changes we need to recommend, to make sure that we're able to carry out our mandate here.

Mr O'Toole: I hope what I have to say has some value. I just want to respond. We are filling time here.

Mr Bradley: You're setting yourself up there, John.

Mr O'Toole: I just thought, it's so close to lunch, why start further work?

In response, and with respect to Mr Bradley, I just want to say on the record here, he did indicate that you change the price of gas, or fuel for that matter, and you see instant buying decisions made. At 100 kilometres an hour, they'll do a U-turn for 0.3 cents. My point is, though, with all respect, and I co-chaired the gas price task force some time ago, there's a lag effect. I think we're seeing today the results of the work we did.

Considerable effort went into that report and many of the recommendations, which were price notice and all those kinds of things. Clearly we're seeing it in the marketplace, playing itself out.

Ms Churley: Is he talking about the gasbusters?

Mr O'Toole: I co-chaired that activity and I'm very proud to see gas under 60 cents a litre.

On a more serious note, I think Ms Churley's point on the joint considerations with respect to energy are complicated. The Ministry of Energy, Science and Technology has a role, sort of at the policy level, but most of the huge implications are in finance. If you talk about one without the other, if you look at the role of SuperBuild, as an example, and any rollout of partnering or P3 kinds of things, you're going to find out that it's in SuperBuild and in finance and tax policy.

There's a good suggestion that if they're there, get the two key point people, who might be David Lindsay and somebody else representing finance, and I applaud that. It's like Mr Ouellette said; the whole issue of policy direction is very much implicated with the financial decisions on tax and incentives, if you will. So I think it's a good idea to have, not a whole roomful, but two or three of the so-called experts who can say, "Yes, these are our options."

The Chair: Anything else?

Ms Churley: I like the idea of inviting David Lindsay.

Mr O'Toole: He's a very knowledgeable guy.

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Mr Bradley: Mr Chair, if you could indulge me briefly, I was unable to be with you a little earlier, and if you've dealt with this, just tell me you've dealt with it and that will be the end of it: the letter from the Honourable Chris Hodgson, Minister of Municipal Affairs and Housing. I'm not being partisan to say it, but I was disappointed that they were unable to provide us with some input. The Ministry of Housing deals with the building code, I thought, and the Planning Act. I thought they could have been helpful to us in providing us with information.

I note in the letter from the minister that they declined to appear. Someone may wish to ask of the minister if perhaps with further clarification or detail they might be able to help us out a bit in informing the committee, and perhaps if they have some pet projects that may advance our cause, they might be able to suggest them to us. I understand what the minister is saying in the letter. It doesn't directly look as though they would be involved, but I thought housing and municipal affairs, particularly the housing end of it, would have been helpful for us, to be able to chat with them a bit about it.

The Chair: Possibly the subcommittee might want to direct the clerk to write and give specific instances where we're interested and maybe just looking at our broad directions. They didn't appreciate the role they might have, and I can understand that, but I too was disappointed that they chose not to come before us.

Ms Churley: I missed this letter. I think it was I who had asked that they come forward in the first place and I

thank Mr Bradley for bringing it to my attention. I think if we're very specific about our need to talk to them about policies around conservation and efficiency and the building code, what's in place now—there's a new building code coming forward, or has come forward, and energy efficiency and conservation are not addressed in it.

To follow up on that, there is a letter as well from Colleges and Universities making the same case. They say they've "undertaken to survey training and post-secondary institutions for such information" and will forward anything we might consider relevant.

One of the things you mentioned, Mr Chair, was that we were interested in discussing solar panels with them, pilot projects and things.

We want information. If there is anything in place, let's hear about it. But also, this committee's job is to try to set some policy for the government and for our colleges and universities and other sectors. So perhaps we can deal with it in subcommittee. Perhaps we need to be a little clearer with people as to why we're inviting them forward. It's not just to get information from them, which is part of it, but also to share our thoughts and have them aware of what we're trying to achieve here. It's also a communications exercise.

The Chair: If they look simply at the terms of reference, they may not fully appreciate—we may need to fill them in just a little more than we have.

OK, I guess we've covered that topic. For the committee's information, I'll be tabling the report this afternoon at 1:45, 2 o'clock. At 4 o'clock, we're going to have a little media event. If the media have any questions, I'll make a two- or three-minute statement and then a rep from each party can make a comment. That's at 4 o'clock in the media room.

At our next meeting in a week's time we'll be looking at some travel in January. Mr Ouellette, we're planning on travelling in the last week of January. We're trying to make it flexible and work for everyone. I think I heard a rumour that that might be a difficult week for you.

Mr Ouellette: Yes. I don't have a calendar directly in front of me, but there are a couple of days that I will not be able to—I think the 29th and 30th are the days that I

have difficulty with. I can meet up with the committee after those dates, that's fine, depending on where they're going and if that's possible.

The Chair: The week of the 26th through the 30th.

Mr Ouellette: Is the 26th a Sunday?

The Chair: Monday. No, sorry, the 25th to the 29th.

Clerk of the Committee (Ms Tonia Grannum): The 28th would be the Monday.

Ms Churley: The 25th to the 29th?

The Chair: Oh, I'm sorry, 2002. You're right, it's January 28 to February 1.

Mr Ouellette: The 29th and 30th are difficult. I could come out on probably the 31st. It depends on where.

The Chair: What's going through my mind is, as a committee, could we look at the first week in February for the travel and do hearings in the last week in January?

Mr Ouellette: That would be fine by me.

The Chair: Does that create a problem for anyone? I want to be as flexible and get as many people going as possible. So look at your calendars, because it's awfully hard to catch up with the committee. It's just as expensive to travel with it for the whole week, so if we can find a week when all nine of us can go, great. If we can't, we might have to flip a coin.

Mr Ouellette: If I'm the only one, I don't have any problems with—I'm not saying change it on my behalf. I'd rather have the committee go ahead.

The Chair: The other thing is—it's unfortunate we couldn't chat with Mr Gilchrist—we would like to have a little demonstration of the fuel cell. He's either looking at next Wednesday or the following Wednesday, something as a demonstration for the media.

Ms Churley: When is the subcommittee meeting?

The Chair: When would you like it, ma'am?

Ms Churley: Do we need to have it before the next meeting?

The Chair: Maybe look at the week of the 10th or 11th, in there.

Ms Churley: Of December?

The Chair: Yes.

Ms Churley: Sure. Sounds good.

The Chair: OK. The meeting is adjourned.

The committee adjourned at 1146.

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