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Mr. Massimo Pacetti

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• (0935)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning. Let's get started, because we have a big panel, and members are going to want to ask questions. The way we're going to work it is, we're here

[Translation]

pursuant to Standing Order 83.1, to resume the pre-budget consultations 2005.

[English]

I will allow the witnesses seven to eight minutes for opening comments or statements regarding their briefs, and then the members are going to want to ask questions.

I have a list here of the groups, so we're going to go according to my list. I have the Canadian Housing and Renewal Association, Ms. Chisholm.

Ms. Sharon Chisholm (Executive Director, Canadian Housing and Renewal Association): Good morning. I'm Sharon Chisholm. I'm the executive director of the Canadian Housing and Renewal Association.

Today Canada is facing a crisis in its neighbourhoods and communities that involves a growing concentration of poverty, increased hopelessness and violence in some communities, crowding in others, and eroding programs for newcomers, with the result that information on resources, such as where jobs are, is not being accessed.

Unaffordable housing and reduced community supports are leading to a spiral of decline that will have a significant impact on productivity. That is really the subject of my comments today.

Mr. Mark Holland (Ajax—Pickering, Lib.): Mr. Chair, I have a point of order.

I apologize greatly for interrupting the witness, but there's been a motion that's been outstanding before this committee for some period of time. It was my understanding we were going to deal with that motion this morning. What's the status, and when are we going to do it?

The Chair: It's not on the order paper, so we're not going to address it.

I'm sorry, Ms. Chisholm.

Ms. Sharon Chisholm: CHRA has consulted with Canadians and liaised with a broad range of sectors connected to housing. We've

worked with Campaign 2000, with Green Communities Canada, with the Co-operative Housing Federation of Canada, and the United and Anglican churches, to name just a few.

Through our work we have established a clear link between affordable housing and health status, and even with reductions in health care.

The link between affordable housing and children's performance at school is proven. Having secure housing means that one can be part of a neighbourhood, develop social capital, find and sustain employment. Decent, affordable housing lifts children out of poverty, thereby giving them a fairer start in life and increasing their chances of making a productive contribution to society.

Over the past few years a number of funding commitments have been made by the federal government in support of affordable and social housing. Our members are incredibly grateful for these moves and for the implicit recognition that housing plays an integral part in the well-being of communities as well as of individuals.

However, we remain concerned that progress on building and acquiring new homes is painfully slow. In 2001, \$1 billion in funding was announced in Quebec City, and a further \$1.6 million was announced as the result of negotiations on Bill C-48 in June of this year.

Yet since 2001, only about half a billion dollars has been spent on homes for low-income Canadians. We do not yet know how the funds from Bill C-48 will be spent, even though we have a very limited amount of time in which to spend them.

Why can't we make these initiatives work, when so many families and communities are waiting? There is clearly a need to learn how to work together, within governments and between governments. Communities want to participate as partners, and we believe community groups are best positioned to deliver on housing in a manner that not only provides shelter but builds better health outcomes, better outcomes for children, increased inclusion in neighbourhoods, and increased employability, just to name a few benefits.

CHRA therefore recommends that the federal government fund the production or acquisition of 25,000 units of permanently affordable housing that will be well integrated into communities and will strengthen neighbourhoods and communities to increase productivity. This is something that was done in the past and that was quite successful, and we believe it should be started again.

Also, we recommend that the federal, provincial, territorial, and municipal governments decide what their various goals are with respect to affordable housing, and that measurable outcomes be established, along with a predictable, ongoing delivery mechanism, and we're a long way from achieving that.

We also believe that means should be identified to build the capacity that's needed in communities to deliver on these goals. Such capacity at the community level will ensure that housing initiatives are delivered in a cost-effective way that will result in benefits across the country and will build communities.

We also think energy poverty is going to be a huge issue this winter. We were very pleased to see measures that were announced to allow families to do retrofits to their homes and improve their energy efficiency. But we believe high energy costs are here to stay and that families and individuals are going to have ongoing problems. Therefore, we really should implement an energy audit program and an education program that will enable Canadians to do the best they can to reduce their energy consumption. This will not only reduce their costs and make more income available for other essentials, but also reduce greenhouse gas emissions. We think some progress has been made in that area, but let's get it right and get the education and the audits in place.

We suggest that the following indicators of success be considered as measurable outcomes of a decent housing program, so that when we look back in a number of years—let's say 10 years, having invested the huge amounts of money we're talking about today that we hope will get built out—we should be able to see that better shelter for families and individuals has been provided; that children are faring better than they otherwise would have; that there has been a reduction in greenhouse gas emissions directly related to housing investment; that there's improved employability in communities that have had reinvestment; that there will be better integration of newcomers as they arrive in our country and are given a fairer chance to participate in the benefits that are provided; and that housing programs are in place that were developed by aboriginals and with programs designed by aboriginals—“by and for aboriginals”, Mr. Chair, is what we're looking for there—and that in the communities that have had investment, there is increased social inclusion, so that people are able to participate well in their communities.

● (0940)

Thank you very much for your time today. We look forward to discussion.

The Chair: Thank you, Ms. Chisholm.

Before I pass it over to the next witness, I want to remind the members that I understand a motion has been tabled, but I'm not going to go to it because our steering committee decided we weren't going to address any of the motions.

I reviewed the motion. There's no rush. We're going to address it the first time. If the members decide to do something else, it's up to you guys. We're here for pre-budget consultations, and out of respect for the groups, we're going to go through the pre-budget consultation process. What you do after that is up to you guys. Okay?

Next is Ms. Griffith from the Movement for Canadian Literacy.

Ms. Debbie Griffith (President, Movement for Canadian Literacy): Good day. Chair, members of the committee, researchers, thank you for this opportunity to speak with you today about literacy and its impact on Canada's progress and productivity. It is especially fitting that we address you today, because this is Literacy Action Day on Parliament Hill.

I am here as the executive director of the Saskatchewan Literacy Network and as president of the Movement for Canadian Literacy, our national coalition. MCL represents provincial and territorial literacy groups and, in turn, thousands of literacy stakeholders across Canada.

My friend Carey Rigby-Wilcox is also here from Saskatchewan. She is the learner spokesperson from MCL, and Carey is here to tell you her story.

Ms. Carey Rigby-Wilcox (Spokesperson, Learner Advisory Network, Movement for Canadian Literacy): Hi. I'm very honoured to be here today.

For many years I kept a secret. I kept a secret because I was very embarrassed and ashamed of myself. I thought I was the only person in the whole world who couldn't read. I tried to keep this secret for many years. Back in elementary school I would always hide behind the other students or go to the bathroom, because I just didn't want to participate in school.

One time we were to pretend we were the librarian and read to the class, and I remember grabbing a book that a librarian had read to us; I had memorized it, and I took that book and read it to the class, flipping through the pages and thinking I was reading the words, but I wasn't. When I was done, I thought I'd pulled it off and nobody knew my secret, but then one kid yelled out and said, “That's not the way the story goes”. The teacher said, “That's okay, don't worry”, and she smiled at me—and that was it; I never had to read again.

After that, outside of school, my mother took me to private tutoring. Through that, the tutor told me that if I were to have nose surgery, I would then be able to read. Thank God my mother did not go through with this.

Then I went to another clinic, where they told my mother that I was mentally handicapped and I would never function in the everyday world. They determined that by simple block tests and blot tests.

There was a changing point in my life. That was when I became pregnant at 18. I received a set of children's books. I was flipping through those pages and realized I could not read the words in a children's book, so I thought I should get some help. I did not want my son to be embarrassed by his mother, and I didn't want him to have the same challenges and struggles I had to go through, so I went to READ Saskatoon, and I found a volunteer one-on-one tutor we've been working with. Right now, I have a sense of freedom because I can read now.

I am a mother of four, I own my own business, and I am now trying to be a spokesperson for learners, just to show that you don't have to be scared any more and you don't have to hide. There are other people out there just like you. Also, it's to educate adults who don't realize there are adults out there with learning difficulties.

I hate to tell my story, but I hope it helps by saying it.

I would like to hand it back to Debbie.

• (0945)

Ms. Debbie Griffith: Thank you, Carey.

Carey's story is inspiring because she has had the courage to ask for help and because the community was lucky enough to have the resources to provide the help she needed. However, there are millions of Canadians who do not have the skills they need to thrive and to adapt in today's ever-changing information society and economy. We know there are millions because of the latest Canadian literacy statistics, released this year by Statistics Canada.

The new study shows that nine million working-age Canadians face serious literacy challenges. A more in-depth national snapshot is due next month. It will break down the statistics by region, and eventually riding by riding.

These millions of Canadians face significant barriers: in finding and keeping decent work; in giving their kids the best head start for success at school; in deciphering health information; in participating fully in our democracy; and in adapting to today's constantly changing workplace, being innovative, and helping to build the economy.

This massive loss of potential has a cost to our society and to our economy. If we want to strengthen the economy and fuel innovation, we must tap into the vitality and strength of all of our citizens, including the millions whose literacy barriers have forced them to the economic margins.

Here's the good news. If improving productivity is the goal of this committee, then improving literacy is one sure way for success. A report from the C.D. Howe Institute released earlier this month shows that a 1% increase in literacy would lead to a 2.5% rise in productivity and a 1.5% permanent rise in GDP, which amounts to an additional \$13 billion a year.

The authors of this report also state that raising literacy skills of people with the lowest levels of literacy is more important to economic growth than producing more highly skilled graduates. While you are improving our national productivity rates, you will also be improving the lives of millions of Canadians. People with low literacy are more likely to be unemployed or to work in low-paying, insecure jobs. One in four people at the lowest level of literacy are unemployed. Today more than ever before, we need to read the word, but also to read the world. And good literacy skills are essential for reading today's world.

Until recently, the federal government has not shown the leadership we believe is necessary to address these literacy challenges. Literacy supports are very uneven across the country. Most literacy agencies are underresourced and overextended, with little capacity for long-term planning. Only a very small percentage of Canadians who could benefit from literacy services are actually being helped.

However, there's a second bit of good news that I can share with you today. The last federal budget committed the government to action on literacy. As a result, Minister of State Claudette Bradshaw has been working with our community and with government

officials to move forward on a plan. To feed into this process, the literacy community was asked to develop our own ten-year action plan for literacy. The executive summary of the plan is in the Literacy Action Day kits I have provided to you.

Our key recommendation is calling for the support of a pan-Canadian literacy strategy. We are asking for an investment of \$5 billion over ten years, with the goal of significantly increasing the literacy skills of at least one million Canadians. This commitment is comparable to those investments made by other countries, which realize that improving the literacy skills of their people is key to their economic futures.

Carey and I thank you for your time.

• (0950)

The Chair: Thank you, Ms. Griffith.

From the National Council of Welfare, we have Mr. Murphy.

Mr. John Murphy (Chair, National Council of Welfare): Good morning, ladies and gentlemen. My name is John Murphy. I'm from Canning, Nova Scotia, and I'm chairperson of the National Council of Welfare.

As many of you are aware, the council is an independent citizen body whose role is to advise the federal Minister of Social Development on issues of importance to low-income Canadians and those living in poverty.

I thank you for the opportunity to speak to you today on the theme of prosperity and productivity and on the council's budget priorities.

The National Council of Welfare eagerly looks forward to the day when all people living in Canada have the opportunity to realize their full potential and are able to participate in the economy of the 21st century.

We share the vision that was so well articulated in the 2004 Speech from the Throne, and I quote:

We want a Canada with strong social foundations, where people are treated with dignity, where they are given a hand when needed, where no one is left behind.

This vision is in stark contrast to the reality taking place in Canada, where we continue to tolerate high levels of poverty. In 2003, there were 4,917,000 poor people living in Canada; 1,200,000 of those were children. It is simply unacceptable, in a country as rich as Canada, to leave this many people behind.

Many people wonder why poverty persists from year to year. The simple explanation is that the country's vast bounty is very poorly distributed.

About 4.9 million Canadians live on incomes that can best be described as meagre. At the same time, a relatively small portion of the population accounts for nearly half of all the country's personal income.

Social inequality is increasing in Canada, and in our view the benefits of any tax cuts in the federal budget in 2006 must be targeted to low-income citizens.

A look at the income statistics between 1980 and 2001 suggests that the market is doing a very poor job in providing incomes for the poor and a very good job in providing incomes for the rich. Many of Canada's poor are working full time and still cannot make ends meet. Our council's report, entitled *Income for Living?* demonstrates that Canadians who work full time for a full year at minimum wage find themselves well under the poverty line.

Minimum wages must be increased in this country. The federal government must set an example for provinces and territories by increasing the minimum wage for federally regulated workers.

We have carried out extensive research on welfare systems, welfare incomes, and welfare reform. It is our view that welfare policy in this country of Canada has suffered serious neglect and is an utter disaster. Canada's helping hand is not working, and people who must live on welfare are being left behind. In 2004, 1.7 million Canadian children, women, and men relied on welfare, Canada's income program of last resort.

Welfare incomes across the country are at levels that simply do not allow people to maintain the most basic standard of living. Welfare incomes vary according to where you live in Canada and your family type.

I will give you a couple examples of how low these incomes are. These are 2004 statistics. For instance, a Manitoba person with a disability received \$8,576 per year on social assistance. As another example, a single parent with one child living in Toronto, Ontario, received \$14,251, and the poverty line there was around \$25,000.

It is clear that welfare rates are not tied to the real cost of living. Instead, the rates are set arbitrarily by provincial and territorial governments. This must change. Welfare rates must be tied to the cost of a basket of goods and services, and these rates must be adjusted annually to keep pace with inflation.

The federal government shares in the costs of welfare through the Canada social transfer. Severe cuts to the CST by the federal government a decade ago have resulted in severe and enduring cuts to welfare incomes.

● (0955)

The National Council of Welfare recommends that the federal government increase the CST and negotiate minimum standards with the provinces and territories.

Finally, the national child benefit supplement, which has been successful in reducing poverty in working families, is not available to all welfare families in Canada. This is because certain provinces and territories claw back the supplement from welfare families, the poorest of the poor.

In 2004, the national child benefit supplement was clawed back from 255,300 single-parent and two-parent families living on welfare. In total, 300,000 children were denied this benefit. This is a big step backwards in the fight against child poverty. Governments must work to end the clawback.

These are just a few of the reasons we need a new deal among governments to rebuild the national system of income security for our most vulnerable citizens. This government's commitment to

child care and early learning will alleviate poverty for many families by enabling them to participate in the workforce. Likewise, commitments to affordable housing are critical for moving families out of poverty. The council recommends increasing these allocations to accelerate action in each of these areas.

The council would like to see a concerted effort to tackle poverty in this country. Some progress has been made, but these efforts are not sufficient to deal with the magnitude of the problem. The council is encouraged, however, by two recent developments. First, in May of 2005, the Minister of Social Development, Ken Dryden, stated that he wanted:

...to generate a discussion with governments, communities, the business and voluntary sectors, and with the public in general about poverty, about how it is best understood and measured, about what priorities we should have and about what targets we should set.

Second, the parliamentary standing committee on human resources will be undertaking a study on the Canada social transfer. This is welcome news. It is our hope that participation by low-income Canadians will be actively encouraged.

These recent developments signal that there is some political will to deal with poverty head on.

The Right Honourable Paul Martin stated in his reply to the 2004 Speech from the Throne:

...we must strengthen our social foundations; we must build a 21st century economy; and we must ensure Canada's role is one of pride and influence in the world.

Ladies and gentlemen, to ensure Canada's role is one of pride and influence, we must help move 4.9 million Canadians from poverty to prosperity.

Let me just give you a quick summary of our budget recommendations.

First, target tax cuts to low-income citizens. As well, increase the federal minimum wage; increase funding for welfare and social services by increasing the Canada social transfer; for transparency and accountability, establish separate transfers for welfare and social services; negotiate minimum standards, based on the actual cost of a basket of goods, for welfare and welfare rates; bring an end to the provincial and territorial clawback of the national child benefit supplement; and lastly, ladies and gentlemen, increase funding for housing and child care.

I thank you for your attention today. I look forward to answering any questions you may have. Thank you, Mr. Chair.

● (1000)

The Chair: Thank you, Mr. Murphy.

Next, from the National Organization of Immigrant and Visible Minority Women of Canada, Ms. Bose.

[*Translation*]

Ms. Anuradha Bose (Executive Director, National Organization of Immigrant and Visible Minority Women of Canada): My name is Anuradha Bose.

[English]

I'm the executive director of the National Organization of Immigrant and Visible Minority Women of Canada, an organization with which I believe the Honourable Maria Minna is acquainted.

Hon. Maria Minna (Beaches—East York, Lib.): If I may, Mr. Chair, very much so. I was the co-founder of the organization.

The Chair: Congratulations.

Hon. Maria Minna: I'm very happy to have her here. Welcome.

Ms. Anuradha Bose: We are mandated by our membership to give voice to the concerns of immigrant women and their families. I'm grateful to the committee chair and the clerks for having made possible our appearance today.

Canada today is the envy of the governments of most OECD countries. The economy has been very strong for several years, and between 1998 and 2002 the GDP has grown an average of 4% after adjustment for inflation—but, alas, Canada remains a relatively low-wage economy by international standards. She stands in sharp contrast to Finland and more in line with the U.K.

One in six of all Canadians in full-time work earns low pay—that is, works at a job that pays less than \$10 an hour. Two million Canadians have been left behind. These are the ones that Saunders categorizes as being vulnerable workers, those who find it difficult to access work that provides decent income and working conditions that meet societal norms.

There is both a strong gender and a racial dimension to low-wage work. Over a quarter of recent immigrants received low pay, compared to one-sixth of those who are Canadian born. Today visible minorities are the most vulnerable of all immigrants, especially if they are black males.

Almost one-third of visible-minority immigrants are in low-paid work, compared to less than one-fifth of the non-visible minorities. They continue to eke out precarious livelihoods in “Mcjobs” in the major cities of this country, as their credentials and work experience are unrecognized and undervalued.

Newcomers are also victims of flexible labour markets or of non-standard employment. Even the federal government has seen a sharp rise in non-standard employment—from 12.4% in 1981 to 19% in 1997, not including outsourcing or temp agency staff.

Canadians expect that the labour market should provide a living wage for all who participate in it, but, alas, that is not so. In today's world, the family unit is only able to stay above the low-income threshold if both earners have stable incomes, which is very rare in the low-wage sector. This leads to growing instability in the family unit, which in turn carries high social costs.

Anecdotal evidence from the immigrant community shows that immigrant families are under a great deal of stress, and that women and children bear the brunt. There are many more marriage breakups now within our community.

There is also a link between the lack of adequate income and ill health. In the case of children, it affects academic performance. NOIVM agrees with the Hon. David Blunkett, the U.K. Secretary of

State for Work and Pensions, who has said that he sees work as the best route out of welfare.

NOIVM recommends that the Government of Canada raise the federal minimum wage incrementally over a two-year period to \$10 an hour, and thereby set an example to the provinces, and that the Department of Finance immediately explore the idea of the earned income tax credit, as in the U.S.A., or the working families tax credit, as in the U.K., as a way of increasing employment and decreasing poverty among the working poor.

We concur with many of our colleagues in calling on the Government of Canada, as part of the tax collection agreements, to actively discourage the provinces from clawing back the national child benefit supplement from poor families on social assistance. We recommend that the Government of Canada incrementally increase the NCTB over a three-year period to reach \$4,900.

Employment insurance is a social support that is meant to cover periods of involuntary unemployment and active job search. NOIVM believes that the way EI is presently structured does not allow recent immigrants to access EI benefits. This creates extreme hardship for new immigrant families in the large metropolitan cities of Toronto, Montreal, and Vancouver. In order to establish eligibility, new immigrants must work for 910 hours a year, which is equivalent to a full-time job for six months.

A CLC study shows that 28% of immigrant men who experienced at least two weeks of unemployment received EI benefits at some time in 2000, compared to 32% of non-immigrant men.

• (1005)

Among women, it is terrible. Just 19% of immigrant women in 2000 also collected EI benefits, compared to 30% of non-immigrant women. It is likely that immigrant women were ineligible because of the nature of the work they do and, more importantly, because all women bear child rearing and care giving responsibilities, which result in long absences from the labour force. NOIVM recommends that the Government of Canada reform the Employment Insurance Act to conform with the realities of a flexible labour market and that the eligibility requirement for employment insurance be fixed at 360 hours for all workers.

You are well aware that there is a significant gap between the earnings of recent immigrants to Canada and other Canadians. The reason usually given is racism. Every wave of immigration has been met by racism; it has always been an aspect of Canadian history—yet immigration is the foundation upon which Canada has been built. About 15% of Canada's population was born elsewhere. The more recent arrivals have on average considerably higher qualifications than native-born Canadians. You are also aware that there is a considerable brain waste due to the lack of recognition of credentials earned in countries of origin and in third countries. The catch-up period for newcomers is lengthening in spite of their high qualifications. A joke circulating in immigrant circles says, "If you need a doctor, call your local taxi company."

NOIVM recommends that the Prime Minister of Canada create a time-bound, well-resourced office for the acceleration of credentials within the PMO along the lines of the inclusion unit at 10 Downing Street. Canada in the 21st century needs a more nuanced understanding of its immigrant population. The Government of Canada, we recommend, should not treat visible minorities as a homogenous group for employment equity strategies, but commission independent research to better understand the impact of visible minority status, immigration, and gender on employment outcomes.

Budgets are not gender-neutral. All government spending decisions have differential impacts on women and men, since they occupy different economic and social positions. NOIVM believes there is a need for a culture change at the Department of Finance. The federal budget framework stresses strong economic growth but makes little reference to equity or equality. There seems to be a disconnect somewhere between social policy and macro-economic policy. NOIVM recommends that the Ministry of Finance carry out a gender impact analysis on all fiscal measures in order to ensure that gender equity is served, in particular on the distribution of the beneficiaries of past tax cuts and of tax cuts to come.

The theme of these pre-budget hearings is enhancing productivity growth in Canada, but NOIVM is wary of any definition of productivity that is expressed solely in terms of the growth of GDP.

•(1010)

The Chair: Ms. Bose, excuse me, can you just wrap it up, please?

Ms. Anuradha Bose: So we have one final recommendation. The committee might consider asking the Department of Finance to emulate the Kingdom of Bhutan, the only country in the world so far that measures its well-being by gross national happiness, not gross domestic product.

Thank you.

The Chair: We now go to Mr. Baldwin from Statistics Canada.

Mr. John Baldwin (Director, Microeconomic Studies and Analysis, Statistics Canada): I'm director of the microeconomic analysis group. We are primarily responsible for the production of productivity statistics. I have been asked today to discuss briefly the nature of our measurement process and some of the statistics we have on the performance of the economy in this particular area.

Statistics Canada measures the growth and productivity over time, not as Bhutan measures it, but as a measure using gross domestic product and the extent to which we manage to increase our gross

domestic product relative to the rate at which we increase the inputs of labour and other inputs in the system. Productivity statistics provide a snapshot of increases in the efficiency of the Canadian economy in terms of turning those inputs into outputs. Changes in productivity capture our progress in improving our capability to produce output as we increase our inputs.

Productivity growth thus captures the increase in our productive efficiency, and these increases in productivity stem from improvements in knowledge and in production techniques. They also occur because plants become larger, exploit scale economies, use higher-quality labour, or introduce better-quality products. Many of these changes arise from organizational changes in management or the way in which production is organized on the shop floor.

To measure productivity in the economy is a large and diverse task because of the size of the economy. We use the national accounts framework to put together estimates of output and integrate into that framework measures of labour and capital and materials that are utilized.

There are two or three different measures that are used, some of them more popular than others. The most common measures of productivity that are used in discussions of productivity performance of economies are partial productivity measures and in particular labour productivity, the extent to which gross domestic product is increasing relative to the number of hours worked. But there are other partial productivity measures that many analysts use, such as output per unit of capital, output per unit of energy, and output per unit of materials inputted into the process.

Economists long ago argued that these partial productivity measures were inadequate because they didn't give us an overall view of just how well the economy was doing in transforming all of the resources that were put into the production process into output; therefore, they argued, somewhat more comprehensive measures were required. Those measures are referred to as multifactor productivity measures. They effectively are measures that look at how much output has been produced relative to the entire bundle of goods going into the system.

Productivity measures can be looked at on a time trend or growth rate—we can ask how well we're improving the extent to which we are generating more for what we're putting into the process—or can be compared across countries by asking what the level of productivity is in Canada, say, relative to the United States. Statistics Canada tends to focus on the former, primarily because the cross-country comparisons are more difficult.

The international community has devoted a fair amount of attention, however, over the past twenty years to standardizing the way in which productivity measures are put together in each country because of the increasing importance of comparisons country by country that policy makers in many different countries, western countries, have placed on understanding productivity differences across those countries. In the recent past, Statistics Canada has begun to look at the extent to which we can produce not just comparisons of the rate of growth of productivity in Canada as compared to other countries, but also what our level is compared to, say, the United States.

We have prepared a set of slides for you that illustrate the relationship between the productivity measures that we produce and some standard GDP growth measures. If you would turn to those, I will go through those slides very quickly. I think those were distributed to everybody.

•(1015)

The Chair: Yes.

Mr. John Baldwin: If you look first at slide 2, it shows you the trend in the growth rates of real GDP over a long period of time, from 1961 through 2004, and compares it to the rates of growth of hours at work, the basic input measure that we use in these productivity statistics, and the growth of labour productivity. You can see over the entire time period, between 1961 and 2004, GDP grew at 4% per year, our labour productivity grew at 2%, and our hours worked grew about 2% as well. In effect, therefore, if you hadn't had productivity growth over this period of time, your real GDP would have been halved.

You can also see that the changes over the decade subsequent to that between real GDP and labour productivity are almost one to one. When we did very well in labour productivity growth, we did very well in terms of real GDP growth. There's a very close relationship, therefore, between how well the overall economy is doing and producing goods and services, the goods and services that are available for us to consume or to invest, to renew our capital stock, to find new resources, to support our hospitals, etc.

If we then turn to the next slide, slide 3, we've actually divided up in this slide the rate of growth of GDP per capita into its two components. GDP per capita is just equal to GDP per hour worked times hours worked per population, the number of hours worked that every person on average puts into the economy. You can ask, to what extent did we get an increase in GDP per population or per capita over time from each of these sources? And you can see, again, over the longest period, from 1961 to 2004, and then over each of the subsequent decades, the black part of the bar chart shows you the proportion of the growth in GDP per population that came from increases in labour productivity—and it's quite substantial.

Now why else do analysts tend to track what we produce in terms of productivity estimates? Because it turns out that real wage rate growth in the economy tracks labour productivity growth very closely. In slide 4, we've presented the real hourly compensation increases that come out of the national accounts against the rates of growth of labour productivity. Once again, in each decade, real hourly labour compensation goes up by about the same amount as labour productivity has gone up. So once again you can see the interest in doing better on the productivity front.

Now, I've been referring in each of these graphs to the importance of labour productivity and how it tracks these large aggregates in which other people are interested, but analysts also ask, what determines labour productivity? When they do that, they tend to break down the determinants of labour productivity into three areas. There clearly are a very large number of areas, but we've simplified things here in graph 5, where we've broken down the sources of labour productivity growth—once more over these long time periods—into that which comes from essentially increased labour skills; that which comes from increased capital intensity, having

more machines and equipment, more buildings, more infrastructure to work with for every hour worked in the economy; and what we call multifactor productivity, the growth, the residual, the technological change.

You can see that over these long time periods this technological change has contributed different amounts to the total growth in labour productivity. Interestingly, in the glorious period of the sixties and seventies, when labour productivity growth was extremely high, we had very high technological change, and we've had a little less of that in the recent past.

This gives you some overview of why analysts tend to use these productivity numbers when trying to understand the macroeconomy using the standard national accounts numbers. In slides 6 and 7, I've gone on to provide some comparisons of Canada to the United States using the aggregates that go into labour productivity numbers. Slide 6 compares the performance of Canada to the United States both in terms of its real GDP growth trends and the hours worked trend in those two countries over a long period of time. Once again, I'm not looking at short periods; I'm looking at long periods in order to understand whether there's any major structural problem.

You can see that over the long period of time since the sixties, Canada has done relatively well on the GDP side. It's done much better than the United States on the hours worked side. We have a much more dynamic labour market.

•(1020)

You will, however, note also that on page 6, in the graph on the left side, Canada has a much more volatile economy. As we go through recessions, we fluctuate a great deal more.

Slide 7 compares Canada and the United States over the long term in terms of the rates of growth of labour productivity, all of this being indexed to 1961. You can see that basically there's no difference in these two economies. We actually did better in the middle period, they caught up, and they've surpassed us a little bit at the present time.

The final slide gives you a comparison of how well we've been doing relative to the United States in terms of level. The green line on this chart shows that Canada's labour productivity compared to that of the United States has remained relatively constant over the last two decades.

We have done relatively poorly in terms of GDP per capita, because for a very long period of time our labour markets were far less dynamic relative to our population. That essentially came about because the number of jobs we were providing for everybody in the population fell, relative to the United States.

With that, I draw my presentation to a conclusion.

The Chair: Thank you, Mr. Baldwin.

Mr. John Baldwin: I will answer any questions about this deck should they arise.

The Chair: It's a little bit of a technical analysis, but you've also engaged some of the other groups, so I think you've done a good job.

We'll go directly to the next group, the Grape Growers of Ontario, Ms. Zimmerman.

Debbie Zimmerman (Chief Executive Officer, Canadian Horticultural Council, Grape Growers of Ontario): Thank you very much, Mr. Chairman and members of the committee. I appreciate the opportunity to speak to you this morning as a representative of the Canadian Horticultural Council and as CEO of the Grape Growers of Ontario.

One of the largest segments of Canadian agriculture today is the tree and grape industry, which accounted for over \$300 million of farm gate value in the year 2004. In Ontario alone, this translates into \$1 billion of economic value. The brief I am presenting today sets out a national competitiveness strategy to lead our producers to increase that farm gate value by 50% over the next 15 years. Increases in farm gate can be achieved by both increasing the value per unit and by increasing the volume of units on the same land base. The need to compete in international markets and to capture more of the domestic growth market has never been more challenging for our producers across Canada.

Economists often measure competitiveness by reference to sustained market share. Canadian producers of grapes and tree fruits have gradually lost market share, when in fact both fresh and processed forms have been growing. Simply put, our producers are losing their competitive edge. Increasingly, however, Canadians are consuming more fruit, heeding the advice that eating more fruit can lead to a healthier lifestyle. In fact, more and more clinical studies document the value of phytochemicals and nutrients in grapes and tree fruits. But Chinese apple imports are increasing at a rapid rate and moving into our traditional markets. Washington State has flooded our market with cheap products. Our grape and wine industry is competing with imported wines from countries like Australia, New Zealand, South Africa, and Chile.

This brief outline of our growth challenges has led us as partners to come together to present a unified approach, a partnership for our industry, not unlike what you will hear from the wine industry and Mr. Beal.

We represent all tree fruit and grape growing provinces: Ontario, Quebec, British Columbia, Nova Scotia, New Brunswick, and P.E.I. Collectively our goal is to grow, and the following proposal creates a public-private infrastructure renewal program initiative to achieve this goal. The goal of this program is simple: to achieve a renewal of 25% of Canada's orchards and vineyards over the next seven years. The actual acres in production will not increase, but the infrastructure of the orchards and vineyards will be renewed to increase productivity and market returns. The average cost to renew a vineyard and orchard is roughly \$12,000 an acre. Nationally, British Columbia has contributed to a replant program for 15 years and Nova Scotia for five years. Our goal is to achieve the same commitment from the four remaining provinces.

Today, however, we are asking the federal government to take the lead and commit to this program with \$100 million of total federal investment, with matching contributions from our growers and provincial governments over the next seven years: in other words, one-third federal government, one-third provincial government, one-third growers. This proposal ensures trade neutrality with a proactive approach and with a commitment and equal contribution from all sectors. This investment of \$100 million over seven years translates to \$4,000 per acre, with a remaining commitment from producers

and their respective provincial governments. As time is limited, the details of this program are outlined for you in the handout, with more detailed information in the brief.

Mr. Chair, to succeed in agriculture today, we need government investments. Our growers are prepared to achieve success with you. Let me explain.

Ontario, for example, has suffered through one of the worst grape harvests in our history. Winter damage has seen a normal grape crop of 50,000 tonnes of wine grapes drop to less than 10,000 tonnes.

• (1025)

We know hardier varieties are needed to meet the demands of our climate. We know that our wines are world-class. As you will hear from Mr. Beal, our vineyards contribute to the \$1.2 billion in retail sales of wine in this country. The renewal of our vineyards is a critical success factor for our wineries as well. You will hear this morning that the reduction in federal excise tax will encourage and create growth in the Canadian wine market. We support our winemakers in this endeavour, as any growth in wines of Canada is a growth in our vineyards.

The need in Ontario is urgent. Given the current climatic conditions, the need for renewal is critical. In contrast to asking for a subsidy for grape loss and crop loss, we are asking for an investment to match the growers' investment and to match the provincial government's investment. It is a uniquely Canadian solution designed to meet the needs of Canadian producers in a fiscally responsible manner.

We know that replant works—just ask the province of British Columbia or the province of Nova Scotia. The uptake for these programs has been remarkable. Growers are prepared to share in the risks to enable innovation in the vineyards and orchards. Unlike other crops, tree fruits and grapes need three or four years until production is at its best, and over eight years to meet commercial production levels. For example, many of our juice grape producers in Ontario have lost all market opportunities. This program will allow them to renew old Concord vineyards and move into a market opportunity like ice wine, one of our premier products in Canada. Producers are prepared to invest significant capital to renew their vineyards and their orchards. National leadership is needed to establish common criteria and equitable access to all regions of this country.

Mr. Chair and members of the committee, we need the federal government's support, we need the federal government's leadership, to drive this vision forward. And as producers of grapes and tree fruits, we are prepared to share in the cost of this vision. We know Canada can compete with the rest of the world in quality and cost—just ask Mr. Beal if his wine can compete with other wine-producing countries in this world. We can assure tree- and/or vine-to-table traceability and food safety, which is demanded by Canadians today. We will build brand loyalty to the Canadian brand. We know our industry is in a growth category. We want to reduce our need on safety net programs.

Thank you for your consideration of this proposal, and I'd be very happy to answer questions at the end of this session.

• (1030)

The Chair: Thank you.

Just a quick question, Ms. Zimmerman. Would the funding come from Agriculture Canada or Industry Canada? How would you see this being funded?

Debbie Zimmerman: It would come from Agriculture Canada through the Minister of Finance.

The Chair: Thank you.

Mr. Beal from the Canadian Vintners Association.

Mr. Norman Beal (Chair, Board of Directors, Wine Council of Ontario, Canadian Vintners Association): Thank you, Mr. Chair, and thank you, members of the committee. My name is Norman Beal. I'm the chair of the Wine Council of Ontario and also a board member of the Canadian Vintners Association, which is our national body. I'm also the owner of a small winery in Beamsville, Ontario, in the Niagara Peninsula.

Our time is short, so I'll be brief and get straight to our case. Our proposal is about providing excise tax relief to an industry that is made up largely of small and medium-sized businesses. Furthermore, it's about providing our members with a level playing field in the highly competitive foreign winery market, particularly the growing industry just south of the border.

We must not forget that our members are farmers, wine producers, and the operators of tourist attractions who contribute significantly to the Canadian economy. It is a mix that separates us from other beverage alcohol producers, and it is a mix that requires relief from the current excise tax regime.

We contribute to the economy in a number of ways. The presentation before you shows that, as an industry, our sales of 100% Canadian and blended wine exceed 100 million litres or \$1.2 billion in retail sales. We generate over \$600 million in revenue to the provinces, and we generate well over \$120 million to the federal Government of Canada. We attract over a million annual tourist visits, resulting in revenues of some \$400 million. And a recent study shows that overall economic activity generated on 100% Canadian wine sold in Canada is \$450 million or about \$4.25 per litre, compared to about 56¢ per litre that would be contributed by an imported bottle of wine. Simply put, we are significant contributors to the Canadian economy, and we are the mainstay of many local economies.

We are asking you to recommend to the Minister of Finance that in the next budget he include the following proposal: 1) an exemption from excise tax on sales of 100% Canadian wine of up to 500,000 litres per winery; 2) the phase-in of an excise tax on a graduated scale for winery production between 500,000 litres and 900,000 litres; and finally, 3) a cap on the excise tax rate of 51.2¢ per litre.

This proposal is exactly the same excise tax relief provided in the United States for their small and medium-sized wineries. The one exception is that their cap on excise tax is only 28¢. In terms of international comparisons, I think you know—but let me remind you—that many other wine-producing countries recognize the economic importance of their wine industries and provide direct support to this sector. Most wine-producing regions do not charge excise tax. Those that do provide rebates and incentives that more than cover the excise tax component.

Our most pressing concern right now is the growing threat south of the border. A favourable tax regime has led to the establishment of wineries in all 50 states of the United States, including Utah and Alaska. In New York State alone there are now some 200 wineries, and that number is growing every day.

One example I would like to share with you is that of the region just south of the Niagara Peninsula, which is very, very similar in viticultural climate to our own. It's now being promoted heavily by Senator Hillary Rodham Clinton as the next Napa Valley, the Napa Valley of the north. If I moved my winery 23 kilometres to the east across that border and I was producing about 50,000 cases of wine, I would save about a half of a million dollars in excise tax. That's the competitive advantage my U.S. counterparts have.

Two years ago there were no wineries in that region; today there are six, and I can promise you that in about another 10 years there will be 50. To add insult to injury, the wineries in the New York region have established their own wine route modelled after ours and are marketing it as a tourist destination based on our hard work and the credibility established by our members. The favourable U.S. tax regime, along with lower land costs and the proposed passport law—with which I'm sure you're all familiar—combine to pose a significant threat to the Canadian wine tourism revenues.

I'd like to close by speaking to the effects of the excise tax reduction. Reductions in the excise tax will allow for reinvestment in the vineyards, the cellars, and the hospitality areas to improve quality. They will improve the bottom line, making businesses more competitive. They will provide employment and skills development opportunities. They will provide a level playing field for Canadian wine producers against foreign competition.

• (1035)

As most of our members are small to medium-sized businesses, most will be fully exempt from excise, thus reducing the regulatory and administrative burden we must all deal with.

In summary, Mr. Chair, I want to reiterate that our members seek neither protection nor subsidy. The estimated cost of this proposal is relatively modest, between \$5 million and \$7 million. However, that modest injection through excise reduction will allow for greater investment and reinvestment in our winery operations that will increase quality and competitiveness. The beneficiaries of this proposal are small and medium-sized business people who farm their land, produce wine from grapes they grow, and provide a destination to tourists from all parts of the world. On that basis, Mr. Chair, there is an additional beneficiary, and that is the Canadian economy.

Thank you very much for your time. I look forward to your questions.

The Chair: Thank you, Mr. Beal.

I just want to remind the witnesses that I'm going to allow the members five minutes. That includes questions and answers, so if you can keep your answers to a concise intervention, we'd appreciate it.

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson, for allowing me the ability to go first today.

Thank you to all the presenters.

I have lots of questions for everyone, but in five minutes or less let me ask three, one first to Sharon Chisholm on the housing crisis. For me, in my experience, at least, coming from an older neighbourhood and a north end constituency, housing is probably the number one issue facing Canadians and the number one reason we're not able to enjoy the economic prosperity that so many Canadians now enjoy.

On that issue, I would like to pursue Bill C-48, the budget bill that was arrived at after the NDP put forward its proposal. It is a deal that calls for \$1.6 billion for affordable housing, with no obligation for provincial matching funds, and it will include housing for aboriginal Canadians. That's the exact wording from the deal.

I am concerned that you haven't heard anything, because it was intended for work to begin immediately. Money can flow fairly quickly; it doesn't have to wait until the end of the fiscal year. I want to know if you have any sense of whether or not this government is prepared to flow the money quickly, in consultation with community groups, as opposed to going through the provincial jurisdiction route. We're all worried that it might be the case of it's being saved up for an election call that could happen any time. We're worried that this may become a bit of a pawn in a political situation as opposed to a substantive program. That's the first question.

For Debbie, on literacy, we've received correspondence from Literacy Partners of Manitoba expressing concern about the possible merger between the National Literacy Secretariat and other HRSDC programs. I'd like to hear a bit more on whether that's something that's a real possibility and what your major concerns are with respect to that proposal.

And then to Anuradha Bose, you're the first presenter we've had on immigration for this entire pre-budget hearing, at least the first I'm aware of. I think we need to hear just what the government should be doing with respect to ending the chaos in the Department of Immigration, the backlogs that are happening, which has a

disproportionate impact on visible minority women and immigrant women.

• (1040)

Ms. Sharon Chisholm: Thank you for the question.

We're very concerned that there have been no announcements on the funding for housing that has come out of Bill C-48. As we know, and as everyone here knows, we have a two-year time envelope to get that money out and delivered in communities.

In order to do that, we've got to get the capacity to communities, allow communities the ability, to go out and find land, procure land, and do the work that has to be done in terms of architectural drawings and various development permit applications, so that they're ready to deliver.

There hasn't been any announcement of ways in which our community capacity can be built. We lost it in 1993 when all programs were cancelled. We need to get that back in place. We're still waiting to hear how communities can be involved in delivering the funds from Bill C-48.

We are hearing there might be announcements around quick-start projects, but our question is how communities can participate. Where do communities go when they have projects that are ready to go, when they're bringing equity to the table, in some cases land or various kinds of contributions? Communities, as we all know, are best positioned to deliver on increased health benefits, on better starts for kids, on finding a secure, long-term place for families to live and grow and contribute to the economy.

We want to make sure the funds are well spent in a way that will have the best outcomes. We want the best kind of investment, and we believe—and I think we can show—that it's by community involvement. At this point, communities don't have any kind of direct message that we can pass to them on how they can participate in this money.

We've worked over the last few years to bring money in. We brought in \$1 billion in 2001—it's only about half spent, and it's been dribbling out the door—and another \$1.6 billion, and our members are all saying it's great, we've done really well, but now I have to ask if bringing the money to the table is enough, because there isn't the functionality at the government level, between intergovernmental discussions, to just roll things out the door. So we've got a real problem. We've got to unlock those funds and get them moving.

Ms. Judy Wasylycia-Leis: Thank you.

Debbie, may we hear from you?

Ms. Debbie Griffith: Thank you for your question.

We share the concern of Literacy Partners of Manitoba about the proposed merger. As you may know, the National Literacy Secretariat is currently the federal agency that has responsibility for and has provided tremendous leadership for literacy in the country. We strongly support not just maintenance of the National Literacy Secretariat, but an increased role as well.

We feel they are in the best position to provide a leadership role to set the direction, the vision, and the policies that are needed to roll out a pan-Canadian literacy strategy. I think one of the key roles that the National Literacy Secretariat has played in the past, and one that is critical for success as we move forward, is in developing tremendous partnerships with provinces and territories around literacy. They have also been able to develop partnerships with other sectors at various levels of government—health, justice—and a variety of other agencies, so we want that focus to remain intact and to be strengthened.

Thank you.

The Chair: Thank you.

Ms. Bose, give us some quick comments, please.

Ms. Anuradha Bose: First of all, you asked me about backlogs. It seems a terribly intractable problem. I think we would say that probably the department needs more personnel at that level. The government needs to act on part of the IRPA, which was promising us an appeal process for the refugee board.

More than that, it's the settlement question as well. Jurisdictional issues, owing to the nature of Canadian federalism, do not allow a quick resolution to the question of credentials earned in countries of origin or third countries.

I think political will is needed. I say again that we need a time-bound, well-resourced office within the PMO for the acceleration of credentials, along the lines of the inclusion unit at 10 Downing Street.

Thank you.

The Chair: Thank you, Ms. Wasylycia-Leis.

We'll go to Mr. Penson and then Mr. Bouchard. Then we'll go to the Liberals afterwards.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair.

I'd like to welcome the panel here this morning. We are winding up our pre-budget hearings. We have a week out next week, but we've been hearing issues similar to those you've identified—from a lot of Canadians.

Like Ms. Wasylycia-Leis, my time is short. Unfortunately, we don't have much time to explore these, so I'd like to go to just two individuals this morning.

Mr. Beal, I noticed in your presentation that the amount of excise, duty free, that you're asking for per litre has increased from 400,000 litres to 500,000 litres. Is that correct?

• (1045)

Mr. Norman Beal: I think the original submission was for 500,000 litres.

We're trying to marry what is actually going on now in the United States. In the U.S. every winery has full excise tax exemption up to 500,000 litres.

Mr. Charlie Penson: Mr. Beal, I'm certain you're aware our committee did study this matter. We issued a report last year recommending that 400,000 litres be tax exempt, followed by a phase-in.

Mr. Norman Beal: Right.

Mr. Charlie Penson: Is the phase-in you're talking about—from 500,000 litres to 900,000 litres—the same as what our committee recommended?

Mr. Norman Beal: Yes, it is.

Mr. Charlie Penson: So other than the 400,000 litres versus 500,000, is the recommendation we made similar to your proposal?

Mr. Norman Beal: It's exactly identical, yes.

Mr. Charlie Penson: If we were to restate it in our committee hearings this time around, and something actually happened as a result of it, would that be a step in the right direction?

Mr. Norman Beal: Yes, that would be a very positive step in the right direction.

Mr. Charlie Penson: Well, we did considerable work on it and made that recommendation, although it's 400,000 litres as opposed to 500,000 litres, but the issues remain the same, I gather—you're feeling pressure from competition.

Mr. Norman Beal: Absolutely, particularly from south of the border.

Mr. Charlie Penson: Thank you very much. I'm hopeful that we can renew that commitment this time around and that we can get some movement from the Minister of Finance.

I'd like to move to Mr. Baldwin. Mr. Baldwin, you've been here before, and we've had discussions. I thank you for the work you do at Statistics Canada to try to put some numbers around the productivity issue.

One of the problems I think is that Canadians have difficulty understanding how productivity really relates to their daily lives. I know that you know it's a measure of living standards, to some extent. You have said that how much GDP is increased per hour of work is one of those measures.

If I look at your chart number 2, GDP growth reflects productivity growth, and we take out the first section—I know it's your average from 1961 to 2004, but it's been a downhill slide from 1961 to 1973. We heard from the Governor of the Bank of Canada that there was no productivity growth in 2003, zero productivity growth in 2004, and we are at 0.07% so far this year in 2005. That must be a bit of a worry to many people. Does that confirm what you're seeing in your numbers?

Mr. John Baldwin: There are two questions. First of all, has there been a downward slide in terms of productivity growth in the post-1960 period? The chart clearly shows there has been. It's a downward trend that effectively took place across North America, and it's concerned economists for many years that they never really did manage to explain why it suddenly began to decline. At the moment, I think people have just said simply that maybe it was an unusual period in the post-war era.

The second question has to do with what's happening in the post-2000 period. In these graphs, I've given you long decades, except I've also put in the post-2000 period, primarily because when I end these graphs with 2000, everybody says I've forgotten about the last four years, a time in which we were not doing too well. Indeed, that's the case. We haven't been doing too well in the last four years.

I caution, or at least I usually indicate to people who use the data, that productivity numbers are volatile across the cycle. It's only over a full business cycle that you get a good idea of what the long-term trend has been. We could take various periods over the last 20 years, especially periods of slow growth or recession or deviations, and we'd find we weren't doing terribly well, especially against the Americans. In the early nineties we didn't do terribly well, in the early eighties we didn't do terribly well, but by the end of the decade we'd caught up, and there wasn't a lot of difference between the two economies.

So yes—we haven't been doing too well in the last four years, and we haven't been doing well compared to the Americans at all, but it's difficult at the moment to discern whether that's a long-term trend or just part of the normal cycle that takes place. We've had other events take place in those years.

• (1050)

Mr. Charlie Penson: I see in your presentation that you talk quite a bit about capital, its relationship to productivity investment—investment in machinery and equipment—and how that brings the necessary innovation in new technologies. In your graph on page 5, 2000-04, it's a little surprising that the capital intensity basically doesn't exist. You'd think that with the Canadian dollar being quite a bit higher during the last while, companies would be using this opportunity to invest in machinery and equipment. Can you explain that?

Mr. John Baldwin: All I can do is observe that over this four years, the capital-labour ratio has actually fallen because the investment rate has been relatively low. By the way, it was relatively low in the early 1990s as well; it eventually caught up during the decade.

Some work has been done at Statistics Canada that asks if we see the investment profile at about the same point in the economic cycle at the moment as it was back in the early 1990s. The answer is yes, the profile is about the same.

We really didn't do too well during the beginning of this new decade. We didn't do too well at the beginning of the last new decade, but we began to invest huge amounts as we came out of those economic cycles, and we did relatively well by the end of the decade.

Now we're into an area of prediction, and I stay away from those.

The Chair: Thank you, Mr. Penson.

Mr. Bouchard is next.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. Thanks as well to each of you for your excellent presentations. I won't be able to ask all of your questions, but I have targeted a few of them.

My first question is for the Canadian Housing and Renewal Association.

You said we should build 25,000 housing units a year. You also said that Canadians should have better housing and that it should be more accessible, but you didn't talk about the situation at CMHC and its surplus. It has a surplus of \$4 billion.

Are you in favour of us being able to use a portion of that surplus to implement the housing construction program immediately?

[English]

Ms. Sharon Chisholm: Thank you for the question.

Yes, there are two different kinds of surpluses at CMHC that I'd like to differentiate. One is the surplus on their activities around mortgage insurance and the sale of mortgage-backed securities. It has been generating a surplus every year.

The other, which we refer to as legacy savings, is the money that will be saved as mortgages are paid off on the 600,000 units of social housing built through CMHC since the 1960s.

CHRA has really been targeting those legacy funds to make sure they're kept in place for social and affordable housing—to make sure the 600,000 units we built continue to be in good repair, that they continue to be targeted to those families that are in need, that they are maintained, and that we are able to increase the stock. If that budget is kept in place, we'll have no difficulty doing that over time.

The question you really brought to bear, though, is the first source of surplus, which is surpluses made from Canadians through the sale of mortgage-backed insurance and insurance on their getting mortgages. I think it is a very important issue. That money should be funnelled back to those Canadians who aren't well served currently by housing policy.

As you know, Canada Mortgage and Housing Corporation has been able to create a very good housing environment for most Canadians. About 80% of Canadians can access homes or whatever, but 20% can't, and they don't get the same kinds of subsidies and assistance that other Canadians do from programs.

We believe, as your party has brought forward, that those funds should be funnelled back into the Canadian households that aren't currently benefiting. I thank you for that point.

• (1055)

[Translation]

Mr. Robert Bouchard: Thank you very much.

My second question is for the representatives of the Movement for Canadian Literacy. Ms. Rigby-Wilcox, I thank you and congratulate you for your testimony. It was really moving.

I noted an important figure. You said that nine million Canadians have literacy problems. That's a lot. I agree with you: the fact that so many Canadians don't know how to read is an enormous waste for Canada's economy. You're seeking \$5 billion over a 10-year period to teach one million Canadians and Quebecers how to read and write.

Since literacy falls into the field of learning, and learning means education, and education is one of the provinces' responsibilities, are you open, and even favourable, to having these programs under provincial jurisdiction and having the federal government transfer money to the provinces so that they can take charge of this major responsibility?

[English]

Ms. Debbie Griffith: Thank you for your question.

We do feel there is a key role for the federal government to play in addressing the literacy challenges of the nine million Canadians we've talked about. We feel the government has made commitments over the past number of years to addressing this issue, and we're hoping for that leadership.

We are also hoping the federal government can work with the provinces and territories to develop multi-government accords or agreements, so that the dollars that are needed for programs are in place.

[Translation]

The Chair: Thank you, Mr. Bouchard.

[English]

I would ask the witnesses to hang on for about another five minutes, if that's okay, because we are going to go over on the time. We're going to give ten minutes for the three Liberals to share.

Mr. Holland, Ms. Boivin, and Ms. Minna.

Mr. Mark Holland: So we have five minutes to share among the three of us?

The Chair: No, it's ten minutes.

Mr. Mark Holland: Thank you, Mr. Chairman.

My thanks to all those who were good enough to come before us today. We very much appreciated your presentations.

Briefly, I'm going to start with the Movement for Canadian Literacy. I do agree that literacy is an important national imperative, and I'll join in congratulating Ms. Rigby-Wilcox for coming and sharing her story. I have a similar story.

I was diagnosed with dyslexia. I was told in grade 4 that I wouldn't make it through high school at even the most remedial level. I had an extremely persistent mother, and it was actually through books, as well as special schooling, that I was able to overcome that problem. So I think we need to recognize the importance of learning disabilities and their impacts upon issues later on, like social welfare and others.

I'm interested, obviously, in your thoughts on the pan-Canadian literacy strategy that's currently being worked on. When you say you want the federal government to give \$5 billion toward that program over ten years, can you give us a sense of what you have in mind and what you'd specifically like to see as part of that expenditure over the ten-year period?

Ms. Debbie Griffith: I will refer you to the information that is provided in your Literacy Action Day kits. We do have an executive summary of the ten-year plan that has been put forward by the Movement for Canadian Literacy in partnership with other national literacy organizations, and also in partnership with provincial and territorial literacy organizations.

I would also just like to mention that we are working with Minister Bradshaw. There is a ministerial advisory committee with representation from across the country, and it is through that group

that they will be flushing out and providing the further level of detail.

Mr. Mark Holland: I'll look at that carefully.

I know I have very limited time, so I'm going to ask two additional questions. One is for the Canadian Housing and Renewal Association, and it comes to your point of social inclusion. I think it's an extremely important point as we move forward.

I think we've learned from some of our mistakes in the past in terms of how we made social housing that was isolated from the rest of our communities. You didn't reference it, but I think it's important to talk about secondary units, as well as the way in which communities are built. I don't know if you're also involved, at a planning level, with how communities are built from the start, because if you're building new subdivisions you obviously need to incorporate social housing into them right off the top. As well, there's a problem we have in my own riding, for example, with literally thousands and thousands of illegal units, which are the only type of affordable housing people have right now.

• (1100)

Ms. Sharon Chisholm: Thank you for the question. I think that's an excellent point. In my volunteer life, I'm the chair of the City of Ottawa's Health and Social Services Advisory Committee. Through the rezoning process, especially given the lack of land we have, we have put forward the idea that every new development should have 25% of its unit capacity set aside for affordable housing so that everyone can participate in the benefit of land development. That passed through not as a requirement but as a target, and we feel the Province of Ontario should support those at the city who would like to make it a requirement, because the current legislation doesn't really enable that to be a requirement.

The point you make is a very important one, because we don't just build shelter when we build housing. We build places. We build neighbourhoods and communities that are safe and allow people to participate. We know they're going to be there for a while. Even though they can't afford to buy their own home, they know it is where they are going to bring up their kids, where they're going to participate in the community, and it gives all those kinds of good benefits to which you're referring. I think they're incredibly important.

Now that we're doing a number of infrastructure agreements with cities and we're starting to put principles and requirements in place, I think a measure that we could consider would be a requirement that cities have official plans that incorporate that kind of thinking; that when they're planning new communities, they incorporate and insist on a place for low-income households within those communities. That could be a condition of their getting funding for infrastructure in their communities. Why not?

There is so much to be gained from having all orders of government put forward what they can do best. In this case, it is municipalities that really govern how that work is done. Now that you're working with municipalities, here's a chance to make sure that kind of work is done from the bottom up.

Mr. Mark Holland: Thank you.

I know my colleagues have a number of points, so in respect to them, I'll just throw out my very last point and then move it over to Madam Boivin.

To the National Council of Welfare, one thing you didn't mention was the child tax benefit. That has been a very successful program, with its potential for augmentation and its potential impact on the issues you raised, as has been the guaranteed income supplement. So perhaps in some of your answers, or at some point later on, you could talk about those two programs as well.

I'll just leave it at that, and hope and trust that at some point you'll be able to get an answer in.

The Chair: Thank you, Mr. Holland.

Ms. Boivin, I'll give you five minutes and I'll give Ms. Minna five minutes.

Ms. Françoise Boivin (Gatineau, Lib.): You are too kind, Mr. Chair.

Merci, Mark, I very much appreciate that.

[Translation]

I'm going to try to take a little less time so that my colleague can speak. We know we have to hear other people after you. I would summarize this morning's meeting with the following words: "Social inclusion equals productivity."

I don't want our friends Ms. Zimmerman and Mr. Beal to feel they've been shoved aside, but I believe the issues addressed by the other speakers, as well as their speeches, were extremely important. I don't think Canada will ever be as productive as it could be until we have ensured there is fairness among all groups of individuals. For that reason, I congratulate you on the work you're doing.

I simply want to make a few remarks on certain statements, certain false ideas. As Chair of the Liberal Party Women's Caucus, I can tell you that the issues you're dealing with are a concern for us, whether it be literacy, social housing, poverty among women and children, immigration or immigrant integration.

Mr. Murphy, you rightly read the passage from the Throne Speech stating that we want a Canada built on a solid social foundation, where people are treated with respect and supported when necessary, and where no one is abandoned. Too many people are still abandoned in Canada, and we're aware of that.

However, we're in politics. We mainly get criticism, and rarely compliments. Consequently, I'm pleased that you praised the outstanding literacy work of my colleague Claudette Bradshaw. I'm pleased that you emphasized the statistics. They are still extremely alarming, but I have confidence. When you talk to Claudette, even if it's only for 30 seconds, she always finds a way to reassure you. She is so enthusiastic about this issue. I want to send a message of hope to Canadians who are listening to us. We often use the expression "Canadians and Quebecers", but when I say "Canadians", I include Quebecers. I have hope, but we must never stop; there are still way too many illiterate Canadians. The statistics on the subject are alarming, but I congratulate Claudette for her work in this field.

Ms. Chisholm, with regard to social housing, we've made a few announcements in my riding. I feel that things are happening in the area of social housing and affordable housing. I'm thinking of another enthusiastic colleague, and I think we have to recognize this. I'm talking about Minister Fontana, who eats, sleeps and breathes social housing.

[English]

So I think we're doing a lot, maybe not exactly to the point where we will have everybody in Canada with a decent roof over their heads, but we're aiming at that objective.

[Translation]

It's important to emphasize that Minister Fontana has publicly announced that the SCPI program will be renewed without interruption because it's extremely important. Together with your groups, we're working hard for that to happen. I believe the Minister of Finance is open in this regard, and I'm convinced we'll be hearing some quite serious recommendations on the subject.

Mr. Murphy, you spoke on behalf of the National Council of Welfare about the importance of early child care and education services.

As a Quebecker and a member from Quebec, I'm very proud to say that Quebec will be the first to sign an agreement with the federal government, despite the fact that we often hear it said across Canada that relations between Quebec and the federal government are very poor. In my opinion, justice has been done since Quebec is in the forefront of early child care and education services. That's also good news.

In my office, sometimes I called Pollyana because I'm an extremely optimistic person. If we weren't, I can assure you I'd leave politics tomorrow morning. It's good to see that issues are resolved at some point. So I say bravo. However, work remains to be done, and we're aware of that.

That was the essential message I wanted to give you.

If I have 30 seconds left, I'd like to ask you a question about immigration.

[English]

In a nutshell, Ms. Bose—

● (1105)

[Translation]

Ms. Anuradha Bose: You can speak in French.

Ms. Françoise Boivin: With regard to immigration, there's a lot of talk about integration problems. I feel that Canada is a welcoming land, but there are enormous problems with integration. What issue do you think should be resolved on a priority basis? What should be done right now? We have to make a 180 degree turn so that our immigrants feel like Canadians as of tomorrow morning.

[English]

The Chair: Thank you, Madam Boivin. We're way over the time.

[Translation]

I said that people only had five minutes for questions and answers.

Ms. Minna, over to you.

[English]

Hon. Maria Minna: Thank you, Mr. Chair. I'll be quick so that we can allow some input from the other side.

On the literacy, just briefly, I'm one of the MPs working with Claudette on that program. It's excellent; she wants to involve the community. You in essence will dictate I think what it's going to look like at the end of the day. I'm really excited about that, and I'm glad to hear that it's.... We'll keep in touch.

On the federal minimum wage, I support that. I'm very proud to see that the child tax benefit is working. I'm proud to say that I was one of the godmothers. There were some godfathers as well. There were actually eight of us who fought for this for a whole year to get it started, and we're proud to see that in fact it is now working. Now we want to see it increased to \$4,900, and I agree with that. The clawback has to go, there's no question about that. The other fight was child care, and again, I'd like to see that increased, because we need to now start building on that. We've got the foundation; we need to now build.

I don't think there's any disagreement on any of those, so I want to focus a bit on the immigrant issue, because we have not really dealt with that at this level at all. One of the things I want to say is that people quite often think of immigrant issues as just immigration—what the lineups are like, how we get people here, what the problems are—but that is not the main issue.

Madam Bose is here. I was one of the co-founders of that organization, because at that point immigrant minority women were being excluded. Can you imagine that at that time, the Government of Canada had a policy where women could not get ESL language training because they were not expected to go into the labour force? In the mid-eighties I was involved with a charter challenge to the Supreme Court of Canada, through LEAF. So that goes back a while, and the foundation of this organization I think goes back to 1986 or 1987. I know it was in the mid-eighties, because I was there at the time.

Now, I know the answer to this question, but I just want to get it on the record. Give me a very brief description of the Downing thing and how that works. Yes, the general analysis has to happen. My suggestion—and I just want you to let me know if I'm right or wrong—is that as soon as a person arrives in this country, they should get ESL integration; immediate acknowledgment of their credentials, or a decision on what, if anything, they need, such as upgrades; a decision on where they're going to go for finance and help; and then a bridge to employment, because there are still barriers to employment.

That kind of aggressive, proactive action I think is really badly needed. What do you think?

• (1110)

Ms. Anuradha Bose: First of all, the settlement agencies need to be better resourced, with better-trained personnel.

On the Downing Street one, I'd be very happy to send it to you by e-mail, because that's a long haul.

Hon. Maria Minna: Okay.

Ms. Anuradha Bose: I think the Government of Canada could institute an a priori process through which people intending to immigrate can have qualifications evaluated before they arrive. I know that some professions do it, but it could be more widespread. Plus, there has to be some connection between labour market realities and the people we are bringing in. We have a very highly trained crew of doughnut makers and hamburger flippers right now. That is never figured into the productivity equation, that there is brain waste, as Jeffrey Reitz has called it.

Hon. Maria Minna: I agree 100%. Every time I hear an argument about brain drain, I've always said there's brain waste. We were lobbying on this issue back in 1981 and 1983—I know I was involved in it, with you and others—so I think it's time we solved it.

Thank you.

The Chair: Thank you.

Mr. Baldwin, I have just a quick question with regard to your chart on page 4, on productivity versus real hours. I think the bars are much closer in the decade from 1961 to 1973. It does seem to get larger in 2000 and 2003. I think you had said there wasn't much of a discrepancy, but I see it as being quite a bit of one. Is there a reason for that discrepancy?

Mr. John Baldwin: We don't know the reason for it. The discrepancy has gotten larger over the post-2000 period. Part of that discrepancy may be a cyclical phenomenon similar to the one I was referring to earlier, with regard to Mr. Penson's argument. We find that these relationships tend to exist over long periods of time, and they do deviate in short periods of time.

The Chair: Would one of the factors be that more machinery was being used in the 1961-1973 period than today?

Mr. John Baldwin: No, I don't think so.

The Chair: Okay.

Mr. Murphy.

Mr. John Murphy: Mr. Chairman, some of the members asked about the child tax benefit. I did mention that it's advantageous to the working poor, not to people on welfare, and the clawback needs to be removed. I think there are some positive things happening. There's the whole Quebec issue on child care and early learning, which is a good model for the rest of the country. I think we're moving on that.

There are some positive things that I'm hearing from government in terms of what Tony Martin is thinking about, what the Prime Minister is talking about, and what Ken Dryden is talking about. But people have not mentioned anything about people living on welfare—the 1,700,000 people living on deplorable, *deplorable* earnings, 60% below the poverty line. If government is going to treat fairly all Canadians, with some equity, then we need that particular issue addressed, and I think we need to make sure that does happen.

The Chair: Time is running short, so perhaps I can reply to that. The fact is we consider it a provincial jurisdiction, and we have enough on our plate where the provinces are telling us not to interfere. I would imagine that's why it wasn't brought up. But we see it in your brief, and we'll probably address it in our deliberations for the report.

Mr. John Murphy: I hope you do—in addressing the Canada tax.

The Chair: The CST transfer is one of the things we've been seeing from a lot of the groups, student groups especially.

Mr. John Murphy: Yes.

The Chair: Thank you to the witnesses. Thank you for taking time out of your day.

It's difficult when we have so many groups of varied sectors or different areas of interest, but that's what we're here for, and that's going to be our challenge, to try to put that into a report.

The meeting is adjourned.

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