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—
Chair

Mr. Massimo Pacetti

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•(1535)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): I call the meeting to order.

[Translation]

Good afternoon. I am glad to see so many of you today. It is heartening to see that the Committee is so popular and that everybody is happy to be here. I don't know the reason, I don't know which member of the Committee you wanted to see but we're very pleased. It's probably you, Mr. Loubier.

[English]

I'd like to thank the groups for being here. We're going to allow you a five-minute opening statement or opening remarks. Can you keep it to a five-minute limit because we have eight groups? When I give you a signal, please wrap it up because I'd like to allow the members some time to ask questions as well.

I have a list here. We're going to go in the order I have.

The Association of Canadian Community Colleges, Mr. Brown. The floor is yours.

[Translation]

Mr. Gerry Brown (President, Association of Canadian Community Colleges): Thank you, Mr. Chairman. We're pleased to have the opportunity to speak to you this afternoon.

[English]

The Association of Canadian Community Colleges welcomes the opportunity to respond to the House of Commons standing committee invitation to present its views on the measures the government should take to ensure economic growth and job creation and investment in all members of Canadian society.

Representing 150 publicly funded community colleges, institutes of technology, CÉGEPs, and university colleges, ACCC is the national and international voice of Canada's colleges and institutes. Colleges are the largest supplier of advanced adult learning, training, and education, with 2.5 million full-time and part-time students on campuses in well over 900 communities in all regions of Canada.

Canada's colleges and institutes all share a common purpose and mandate: to improve the economic and social well-being of their communities. As such, the association's submission to the Standing Committee on Finance provides a series of recommendations that we firmly believe will contribute significantly to advancing and

achieving the federal government's vision of making Canada one of the most innovative and skilled countries in the world.

Our presentation and our brief really focus on two areas: one on ensuring access to post-secondary education and the other on strengthening the innovative capacity of communities.

Speaking to the first one, we believe the need to ensure access to post-secondary education touches all socio-economic groups in our society. There is a recognition by all parties that there is a serious underfunding of post-secondary education. Any social transfers that have occurred have gone primarily to health. Tuitions are on the rise; where they're not on the rise there are cutbacks in the institutions. Either one of these has a damaging impact, and the have-nots need help. Many of them use colleges as their first line of approach.

In that context, we make a series of recommendations, the first one being the separation of post-secondary education funding from the Canada social transfer and the creation of a post-secondary education transfer restoring the funding to 1992-93 levels, adjusting for inflation and demographic growth.

We also recommend the transformation of the Canada student loans program into what we call a new learners support system, guided by the principles of universality, responsibility, portability, simplicity, and flexibility.

In particular, however, we urge the government to include an expansion of Canada's low-income grant program, providing low-income students access to post-secondary education through grants for the duration of their studies.

There is also a recognition that many aboriginal communities look at colleges and community colleges as their first port of entry. In that context, we support previous recommendations made by other groups here to increase the funding of the Indian and Northern Affairs act's post-secondary student support program.

Finally, since 1965, when the federal government played a key role in creating the infrastructure around our college system—our colleges were created primarily back in 1965—there has been little investment in the area of infrastructure. We would encourage the consideration of a college infrastructure enhancement fund similar to that for federal-provincial-municipal infrastructure. The fund would help colleges address backlogs of deferred maintenance, provide base funding for ongoing maintenance, and provide funding for equipment and acquisition.

In the second area of our brief we talk about strengthening the innovation capacity of communities. Had we been with you this morning when you met with our sister organization AUCC and the research councils, we would have made the case that the colleges and the institutes of technology are increasingly involved. In fact, they are a new strategic partner when it comes to research and development. Our institutions are primarily focused on the D part of R and D, the commercialization of research and development. You would have heard about Precarn involvement for colleges and of course about CFI.

Our recommendations focus on two areas. SERC has recognized the role our colleges play and has created a community innovation program. That program is funded out of SERC's money at this point, and we would urge you to support its research and development activities with the federal granting councils, and in particular expand the science and engineering research council's college and community innovation pilot program by providing an additional funding of \$3.6 million to extend the original six projects by two years.

As well, we have begun discussions with Industry Canada to look at the notion of creating this as a much more pan-Canadian project. They're looking at 100 community economic development initiatives over five years.

The second area in the area of strengthening innovation capacity and community is the notion of the program of college and institute chairs. Presently the federal government, through its funding councils, funds research chairs in universities. There are close to 300 chairs. Unfortunately, not one of those chairs is ever allocated to colleges. We would urge you to start thinking about the possibility of a pilot project that would look at funding research chairs within community colleges and institutes.

• (1540)

We thank you for the opportunity to present this submission and we look forward to responding to your questions.

Merci beaucoup.

The Chair: Thank you.

From L'Association canadienne des professeurs et professeures d'université, we have Mr. Robinson.

Mr. David Robinson (Associate Executive Director, Canadian Association of University Teachers): Thank you.

The Canadian Association of University Teachers welcomes the opportunity again to present its views on the upcoming federal budget.

Founded in 1951, CAUT today represents more than 35,000 academic staff in universities and colleges across Canada. The message we bring to the committee today is a simple but critical one: a renewed federal investment in an affordable, accessible, and high-quality post-secondary education system must be a central priority of this government. A renewed federal role in post-secondary education is essential to ensure that Canada's universities and colleges can fulfill their mandate to promote the economic, social, and cultural development of their communities, regions, and the nation as a whole.

It's true that in recent years the federal government has increased research funding and has spent more on student financial assistance, but frankly, these initiatives have simply tinkered around the edge of the real problem, and that is the reduced core funding of universities and colleges. Adjusted for inflation and student enrolments, core public operating grants to universities are 20% lower today than they were in 1992. The result of this is not difficult to see: record high tuition fees, fewer course offerings, larger class sizes, inadequate resources for learning, and a deteriorating physical infrastructure.

I want to focus for a moment on the issue of tuition, because I think it's absolutely critical and important to all Canadians. I want to ask those members of the committee who had the opportunity to go on to post-secondary education to consider how they would have managed if they had been forced to pay today's fees. In 1986, for instance, a political science student at the University of Alberta would have paid about \$870 in tuition per year. Today that comes to \$4,537 per year. Sociology students at the University of Toronto now pay \$4,185, history and economics students at the University of New Brunswick nearly \$5,000 per year, and political science students at the University of Waterloo, \$5,180. At Queen's University law school, tuition is \$8,961 per year and rising. And just be thankful none of you wanted to be a dentist, because fees at the University of Saskatchewan this year for dental school are \$32,000 per year.

For more and more Canadians there are only two ways they can deal with these steep increases in fees. One is to take on bigger and bigger debts, and the second is to simply give up on pursuing a degree. Neither alternative is acceptable. The evidence both in Canada and abroad clearly shows that opening up access to post-secondary education provides enormous social, cultural, and economic benefits. On this, politicians of all political stripes agree.

What seems to be missing, however, is the political will to act. If post-secondary education really is a key element in promoting social development and economic growth, then surely it needs to be a national priority. The federal government must play a lead role in rebuilding Canada's colleges and universities to ensure these institutions are accessible, affordable, and of the highest quality. The federal government has the fiscal ability to achieve these goals while meeting the other priorities Canadians have identified.

We believe what is urgently required is a renewed partnership between Ottawa and the provinces on post-secondary education. To begin, a new fiscal transfer mechanism is required that is transparent and accountable to taxpayers. The government, following the recommendation of the Romanow commission on health care, has already created a separate funding envelope for health. It must take the next logical step and divide up transfers for post-secondary education and social services.

We would also recommend that a newly established post-secondary education fund be governed by a post-secondary education act. Modelled on the Canada Health Act, this would outline clear responsibilities and expectations for both the federal and provincial governments, establish pan-Canadian guidelines and principles, and provide long-term stable funding formulas.

The federal government has played a decisive role in funding post-secondary education since the 1950s, when inconsistent and low levels of provincial funding made it clear there had to be a federal as well as a provincial role. Today, without the federal government and provinces working together, Canada's universities and colleges are in serious jeopardy. Accessibility and equality will erode further, and our ability as a nation to reap the social, cultural, and economic benefits of education will be increasingly compromised. The time for leadership and action is now.

Thank you.

• (1545)

The Chair: Thank you.

For the Canadian Association of Student Financial Aid Administrators, we have Mrs. Stymest.

Mrs. Judy Stymest (Past President, CASFAA, Canadian Association of Student Financial Aid Administrators): Thank you.

The Canadian Association of Student Financial Aid Administrators, or CASFAA, welcomes this opportunity to appear before the standing committee.

CASFAA is the national professional association that represents financial aid administrators at Canada's public and private not-for-profit, universities, colleges, and technical institutes. Our members oversee the administration of scholarships, bursaries, loans, work study programs, and many other budgeting programs to help students. We also have direct experience in dealing with both provincial and federal governments that deliver student aid programs, as well as service providers and lending institutions. It is this hands-on experience that members of our association bring to policy discussions on student financial assistance in Canada.

As Canada continues its move toward an increasingly knowledge-based economy, its governments must be prepared to continue to invest in our post-secondary education system to ensure its quality and accessibility to all qualified citizens, regardless of socio-economic status. A highly skilled and knowledgeable workforce is the foundation of the high standard of living that Canadians have come to enjoy.

The Canada student loan program was launched over 40 years ago and has allowed generations of Canadians to achieve their personal

and educational goals. Many of us owe a great deal of gratitude to the foresight of earlier generations in assuring us access to a system of education of high quality—and ultimately to a better life. While it is true that more individuals are receiving student financial assistance to attend post-secondary institutions, it is also true that the relative value of the program has undergone a steady decline.

In recent years, the CSLP has not kept up with the rising cost of tuition, and the gap between assessed student need and the availability of government student assistance, the unmet need, continues to grow. Almost half of student borrowers are now at the maximum annual borrowing limit. It is generally agreed that average unmet needs for undergraduate students is in the range of \$3,500.

The negative impact of underfunding students should not be underestimated. Today, more students are working while studying, reducing their course loads and extending their study periods. Many do not achieve their academic potential, and in the worst case scenario they are forced to abandon their studies and their educational goals. The impact of financial hardship cannot be fully measured, and for those of us who work in financial aid offices across the country, it is a daily reality.

CASFAA appreciates the federal budget announcement to increase the weekly loan maximum from \$165 to \$210. This is the first increase in CSL limits in a decade, and the measure will give us \$1,500 more to help students. However, it will not cover the unmet need gap of \$3,500. As well, as ongoing living and tuition costs continue to rise, the benefits of this measure will soon be negated. CASFAA recommends that the CSLP develop a process to review and adjust the weekly assistance limits on an ongoing basis, and at a very minimum, once every five years.

We also wish to congratulate the federal government on its announcement of its grant for low-income students. This form of non-repayable assistance will be a welcome incentive to many low-income Canadian families for whom the prospect of financing PSE is daunting. The grant will cover 50% of a dependent student's tuition fees to a maximum of \$3,000 for the first year's study. It will not provide for the ongoing funding that is essential to support retention and successful or timely completion. So we recommend that the low-income grant be extended to all years of study in a post-secondary program to a maximum of four years, and we also recommend that the low-income grant not simply replace existing loans but be added on top of the weekly loan limit to reduce unmet needs.

Since 1998, the federal government has spent increasingly on student assistance through fiscal measures in the tax system. These measures are universal benefits and are not targeted generally to those in need. In fact, most Canadians are unaware that federal and provincial governments collectively spent almost 40% of all their student financial aid dollars in the form of education-related tax credits and that these tax credits are distributed almost entirely without reference to need. Many studies suggest that families from higher income ranges benefit disproportionately from the various fiscal measures, including scholarship or bursary exemptions, RESPs, credits for tuition fees, and monthly allowances.

• (1550)

CASFAA believes that although these measures are positives for Canadians as a whole, they do little to assist high-needs students and underrepresented groups. We believe that means tested financial assistance that is accessible through a simplified application process that delivers funds at the time that expenses are to be incurred represents the most effective use of taxpayers' dollars.

We have other recommendations regarding interest rates. They are currently much higher than some of the provincial interest rates on student loans and repayment. They are prime plus 2.5% for variable and prime plus 5% for the fixed rate. CASFAA believes these rates are much too high and that students—ex-students—should be treated as preferential customers who took out loans to complete their education, rather than for consumer purposes. Therefore, we recommend that the federal government reduce the interest rates charged to students to prime plus 0.5% for the floating rate and prime plus 3% for the fixed.

We also believe the federal government should invest in the infrastructure and information technology.

I'll leave it there.

The Chair: Do you have just the recommendations?

Mrs. Judy Stymest: Just the recommendations: that the federal government should invest in the development of a comprehensive information system to support all facets of the administration of student assistance, and the database should include lenders, amounts of loans, status of loans, and the amount of student assistance awarded, and it should be accessible to both students and the financial aid staff in the institutions across the country.

The Chair: Thank you.

The Canadian Federation of Students, Mr. Soule.

Mr. George Soule (National Chairperson, Canadian Federation of Students): Good afternoon. I want to thank the committee for this opportunity to present on behalf of more than 75 student unions with a combined membership of over half a million students in universities and colleges across the country.

I'm joined here today with our director of research, Dr. Michael Conlon, and some of our members also join us as they are in town for our 23rd annual general meeting.

As we meet here today, student debt in Canada is at an all-time high. The total outstanding Canada student loan debt is currently over \$10.7 billion, and it is increasing at a rate of \$1.5 million per day. That's about \$1,000 a minute. This is not taking into

consideration provincial student loan debt, which is approximately an additional 40%, or \$6 billion. Neither does it take into consideration interest payments to the federal government, which will amount to \$231 million this year alone.

[*Translation*]

It is important to underline that the figures have not been broken down for all the graduates. Those who reach the post-secondary level with fewer financial resources are those who have to borrow the most. Even though there are many costs related to a university or college education, those that are increasing the most are tuition fees. According to the actuarial report of the Canada Student Loans Program, tuition fees are the first factor in the constantly increasing needs of students.

In the first part of our brief, we look at recent studies on accessibility and financial barriers. I would like to bring to your attention the results of a poll on youth in transition, summarized at Table 2 of our brief. This poll was a longitudinal study of a youth group during their transition in the education system. As you can see, 72% of those who stated that there were barriers to their education after high-school indicated that the most important ones are the financial barriers.

[*English*]

The most effective solution to addressing the inequality that characterizes our system of post-secondary education is a national system of needs-based grants. Two of the leading academic researchers in post-secondary education in the United States, Michael Paulsen and Edward St. John, have undertaken the most comprehensive review of grants versus loans in the U.S. Paulsen and St. John conclude that "all factors held equal, grant aid is the most important factor in promoting access for low-income students". This is but one of the myriad of international studies documenting the effectiveness of grants. Indeed, the Department of Finance is well aware of this research, as it framed the policy background for the introduction of the modest grant program for low-income students in the last budget. The new federal low-income grant should be considered a down payment on a grants program, because the value of this grant will evaporate as tuition fees continue to increase.

We are recommending that the low-income grant be increased to cover 100% of tuition fees. To afford this essential next step, the federal government can wind down what we can all agree has been a failed experiment in administering student financial assistance through a private foundation. We need look no further than the students behind me from Nova Scotia to know that the Canada Millennium Scholarship Foundation is just not working. Students in Nova Scotia have not seen one nickel of debt reduction from the foundation. Students in Ontario are not much better off, and it goes on and on. By rolling the Canada Millennium Scholarship Foundation endowment into a low-income grant, the federal government can build an efficient and effective grants program.

In contrast to the foundation's grants, which are misdirected by most provincial governments, low-income grants are delivered to eligible students directly through their Canada student loan. The introduction of this grant program is an implicit admission of the failure of the Canada Millennium Scholarship Foundation. It is time to take the final step and ensure that we have an effective system of grants. In addition to an increased reliance on grants to mitigate social inequities at the front end of post-secondary education, the federal government must also work to better position the provinces to reduce tuition fees. This can be done by increasing transfer payments to the provinces.

When accounting for population growth and inflation, per capita federal cash transfers for post-secondary education are 50% below 1993 levels. We recommend implementing a dedicated post-secondary education transfer payment. Prime Minister Martin committed to such a transfer during the federal election campaign, and we look forward to working with the government to implement this commitment in a way that is best for students and their education.

To that end, we also recommend that the federal government work with the provinces to establish mutually agreed upon targets for reducing tuition fees with a portion of this transfer payment. Without specific social targets for the funding, the dedicated transfer is pointless.

I would like to close by reminding all of us that the need to improve access to post-secondary education transcends party affiliations and jurisdictional boundaries. I know you agree, and I look forward to your questions. Thank you.

● (1555)

The Chair: Thank you.

The Canadian Alliance of Student Associations, Mr. Kusie.

Mr. James Kusie (National Director, Canadian Alliance of Student Associations): Good afternoon. My name is James Kusie, and I'm the national director of the Canadian Alliance of Student Associations. With me is Toby White, our government relations officer.

CASA represents 19 institutions and almost 300,000 students across Canada. We come to you today with 45 of our members here on the Hill, currently in 30 meetings with MPs, and over 140 face-to-face meetings this week. We bring to you our message of thinking a bigger picture and of building a brighter future.

Within the next five years, 70% of all jobs will require post-secondary education, yet 40% of the Canadian workforce currently holds such credentials. Clearly we have further to go as a society. A post-secondary education is no longer a privilege. It is essential in developing our citizens, developing our society, building a brighter future, and building a better nation.

Post-secondary graduates make up 40% of the working-age population, pay nearly 65% of the nation's personal income taxes, and receive less than one-third of government transfers. The Canada Millennium Scholarship Foundation recently concluded that the Canadian welfare state, as presently constituted, would be unable to function without the net tax revenues of post-secondary graduates.

But society is changing. By 2024, the number of persons retiring will surpass by 29% the number of entrants to the workforce. This will be a serious blow to the labour market since it is accustomed to having at least two entrants for each person retiring. This ratio will decrease significantly to less than one newcomer for each person retiring.

Graduates of the past decade, students currently in our post-secondary education system, and those who enroll in the near future will become providers to our social fabric, yet we are saddling these students with debt, sending nearly half of them out into the workforce with government-sponsored debt loads of \$30,000.

In the year 2020, it is estimated that a four-year undergraduate degree will cost approximately \$132,000. Heaven forbid our graduates choose to have a child or two. How are we going to fund the future of our nation? How are we going to ensure the social, cultural, physical, and economic well-being of our citizens? We need to think well beyond rainy day funds.

CASA has several proposals to ensure that we do indeed consider the future of Canada. They are contained within our pre-budget submission to this committee. They focus on providing greater access to an affordable high-quality post-secondary education.

In brief, CASA calls on the federal government to split the social transfer into two funds, earmarking one for post-secondary education.

● (1600)

[*Translation*]

Last January, six national organizations sent a letter to the Prime Minister recommending the creation of this fund. Recently, members of four of the major provincial organizations financed this document. Together, we represent close to a million students, as well as most of the managers and teachers in Canada.

[English]

In addition, CASA recommends that our governments come together to create a national dialogue on and a common vision for higher education. We call on them to establish a pan-Canadian accord on post-secondary education.

Students from across the country have been signing postcards to tell the Prime Minister how they feel. Tomorrow morning our members will be building a massive wall of debt on this very Hill to illustrate how frustrated students are. And let me tell you, gauging by the size of this wall, they most certainly are frustrated.

In a survey conducted by Elections Canada and CASA earlier this year, 50% of students surveyed said that financing their education was their number one educational concern: 60% of these students had debt and 90% of those students were concerned about paying it back; and 35% of these students said that at some point they had considered dropping out of school due to financial problems.

[Translation]

You should know that low-income Canadians are 2.5 times less likely to go to university than those with higher incomes. The government has to act now. Our Alliance recommends loosening the criteria applied to grants for low-income students. This program should be available not only for the first year of study but for each year of study.

[English]

To put this in perspective, Bill C-5 is expected to cost \$410 million annually at maturation, yet will do little to improve accessibility. For just under half of that amount, \$240 million annually, the federal government could provide annual grants valued at \$6,000 to students from low-income backgrounds.

[Translation]

The Government of Canada must also recognize the needs that are not presently recognized by the financial assistance system. The commitment to raise the loan limit for students does nothing to help students face their debt, which is \$2,000 for undergraduate students and \$5,000 for Master's and Ph.D. students.

[English]

CASA believes the best way to address this unmet need is to create a new granting category under the Canada study grant program.

Finally, we'd like to discuss tax credits. Approximately 40% of student assistance funding takes the form of tax credits. These credits are largely untargeted, with the largest proportion being claimed by individuals who make more than \$50,000 annually. The federal government should target these tax credits to ensure that they benefit students who need assistance. One way to do this would be to give students the option of applying their education and tuition tax credits to the principal of their student loan on an annual basis.

On behalf of the Canadian Alliance of Student Associations, I thank you for allowing us to appear before you, and I urge you to turn our recommendations into reality. Our nation and our citizens deserve nothing less.

Thank you.

The Chair: Thank you.

The Canadian Association for Graduate Studies, Mr. Lennox.

Mr. John Lennox (Dean of Graduate Studies, York University, Canadian Association for Graduate Studies): Thank you, Mr. Chair.

I'm the president of the Canadian Association for Graduate Studies, and with me is Monsieur Jean-Pierre Gaboury, who is the executive director. I have come to speak to you today about higher education in Canada. As a theme, its scope is boundless, and there are advantages to our future as a country that I would like to explain to you. The proposals we bring before you are three, the first of which has to do with enhancing the talents and goals of graduate students.

We all know that the federal innovation agenda places a great deal of emphasis on research and development. We also know that 80% of research in this country is done in Canadian universities, and we also know that crucial to the research done in our institutions are graduate students working in very close association with their professors.

There are networks of research right across the country, and what those who are part of those networks understand is that it is collaboration among different networks of researchers across the different regions of the country that really makes for the kind of synergy that is good for research in Canada, but it is also good for Canada as a place.

One of the proposals that has been reiterated within the Canadian Association for Graduate Studies is a proposal for graduate student mobility whereby students who are at the dissertation stage of their research, that is to say actively involved in scientific research or a scholarship, who wish to take advantage of the expertise of a faculty member, or a lab in another part of the country, or a particular archival holding in another part of the country for a short period of time, should be given the opportunity to be mobile and to be able to leave their home institution and visit the lab or the research resource that will be instrumental to them in furthering their research. This is I think an enhancement of the graduate education that has been supported in this country through federal programs, but it is a value-added element that I think would be a very positive advantage for students who could use this resource.

Secondly, we all know of the Canada graduate scholarships that have been created for our students at the master's and doctoral level. Two thousand of those are at the master's level, 2000 at the doctoral level.

I want now to talk to the international dimension of graduate education in Canada and move to the two proposals that emanate from our submission. The first is that students who are holders of Canada graduate scholarships should be allowed, which is not currently the case, to use their scholarship to study abroad. This is now possible under the SSHRC doctoral fellowship scheme. It is not possible with the Canada graduate scholarship, and it is our opinion that this would also be an enhancement to this very important program, which has made a great deal of difference to Canadian graduate students.

You can understand that in some cases students who do have SSHRC doctoral fellowships are able to travel abroad, but then the students who hold Canada graduate scholarships find that they are not permitted to do so, and sometimes their research and their interests are going to carry them outside of the country, and we would very much like to argue for that kind of flexibility within the Canada graduate scholarship program.

The third has to do with international students. We are a member of the community of nations. We know there is a great demand for Canadian graduate education on the part of international students. We would like to suggest, and we are recommending, that the federal government think seriously of developing a scholarship program for international students admitted to graduate programs in Canadian universities. We do have the Commonwealth scholarships. We need much more than that, and this would represent the further internationalization of graduate education in Canada. And those of you who have been to a seminar or to a tutorial within institutions in this country will know that the international element can be invaluable in terms of what those students bring to the discussion that happens in those fora.

● (1605)

Those are our three recommendations, Mr. Chair, for what we describe as the enhancement of graduate education for Canadian students and for international students in Canada.

The Chair: Thank you.

We now have l'Association canadienne des commissions/conseils scolaires, Mrs. Gershon.

Ms. Gerri Gershon (Vice-President, Canadian School Boards Association): I'm the vice-president of the association. CSBA, the Canadian School Boards Association, is the national voice of school boards. That's JK to grade 12. CSBA has as its membership provincial school boards associations that represent school boards across the country. CSBA exercises leadership by advocating excellence in public education and promoting the value of locally elected school boards through collaboration, research, and information sharing with other partners and all levels of government.

I have with me today, Michael Clarke, who is the superintendent of business from the Ottawa-Carleton District School Board. We'll be going to our recommendations with the hope that you'll be able to read some of the background in our position paper.

But I want to say that while recognizing the distribution of constitutional powers places education as a largely provincial responsibility, CSBA's submission does not propose for the federal government to enter into provincial territory. It does strongly focus, however, on advocating for issues that have an impact on children, families, and communities in a number of critical areas. They are all linked in some way to the vital need to support the infrastructure of schools in every province across Canada and they have ramifications for the future of our society and our economy, which speaks strongly to the policy objectives of the federal government.

The October Speech from the Throne emphasized that our quality of life, job opportunities, and capacity to support our social goals rely on a global competitive economy. The federal government has highlighted that Canada's ability to stay economically viable and to

successfully meet the challenges and opportunities the world presents requires a commitment to excellence and a mastery of evolving technology. This calls for an investment in people, those who are in the workforce now and most particularly those who will be in the workforce in the future. It calls for a strategy to support our young people with the tools and infrastructure they need to be technologically competent.

Opportunities to achieve this competence should not be dependent on the resources available in individual homes. The universal access point is through our school system, and it's critical that our government support its vision for Canada's future on the global stage with practical strategies that can be felt in every place of learning in this country.

● (1610)

Mr. Michael Clarke (Superintendent of Business, Ottawa-Carleton District School Board, Canadian School Boards Association): We have eight recommendations, which are in our brief.

The first deals with the school building as community hub. In most small and medium-sized communities the largest building in the community is the school. It can be used 16 hours a day or more for things including public health services, child care, early childhood development programs, elder care, access to the Internet, training programs, and community recreation, to name a few. It's also the best way to deliver adult education to prepare adults who did not attain high school graduation before they can go on to further education.

Our problem is that at this point we are not funded for that. We are funded to operate those buildings for the eight-hour school day. We have two recommendations on that point.

Ms. Gerri Gershon: Our third recommendation is that the federal government move quickly to articulate specific measures and allocate financial resources that will put into action its commitment to child care and early childhood development. It's unequivocally important that we act on this immediately.

Mr. Michael Clarke: Our next recommendation is having to do with the GST. We ask for the same treatment to be extended to school boards as is given to municipalities. We understand the importance for municipalities in order to improve their infrastructures. School buildings have exactly the same problems and are just as vital to our society.

Ms. Gerri Gershon: Our next recommendation is that we propose that the federal government enter into a new cost-sharing arrangement with the provinces that will ensure that financial resources are allocated by the provinces to support the acquisition by children of new Canadian families of English or French as a second language in the regular day school program, and we hope this will be matched by federal funds.

Mr. Michael Clarke: Our next recommendation is once more on rural education. The school building is actually vital to keeping those communities vital. It's also the easiest way for those communities to reach the Internet and other vital activities. Once more, our school buildings are funded on the number of students, but there is a fixed cost to them.

Ms. Gerri Gershon: Our next recommendation concerns copyright. I'm sure we have the support of our colleagues around the table that the digital copyright legislation should contain an amendment to permit the educational sector to use publically available Internet material at no cost to schools. Right now, it's illegal to do so.

Mr. Michael Clarke: Our final recommendation is on technology, not just computers but all of the other items that make up technology. At this point, once more, we are falling behind with computers. We simply cannot, with our existing funds, keep up with the changes in them. As this committee is all too aware, if we are not able to do that, and the other parts of technology, our students will be at a terrible disadvantage and it will have long-term negative consequences for our economy. Providing adequate resources today translates into a future workforce that can take a global lead.

Ms. Gerri Gershon: For every dollar invested in children today, we save at least ten dollars in future costs of health and social safety nets. The Canadian School Boards Association urges this government to share our concerns and respond to the very real needs that we have brought before you today.

•(1615)

The Chair: Thank you.

[*Translation*]

We will now hear the representative of the Fédération étudiante universitaire du Québec, Mr. Lavoie.

Mr. Guillaume Lavoie (Vice-President, International and Federal Affairs, Quebec Federation of University Students): Good afternoon. My name is Guillaume Lavoie and I am Vice-President, International and Federal Affairs, of the Fédération étudiante universitaire du Québec.

First of all, I want to thank the Committee for giving us this opportunity. The Fédération étudiante universitaire du Québec, FEUQ,

[*English*]

represents 19 student unions, French and English speaking, all over Quebec, accounting for more than 175,000 members. The FEUQ is an independent organization whose action is highly political but non-partisan.

[*Translation*]

I want to emphasize three basic points mentioned in our brief.

First of all, notwithstanding the fact that provinces have exclusive jurisdiction about education, the federal government has an important role to play in funding post-secondary education in Canada, just as it does for health, and perhaps even more. The present underfunding of post-secondary education is mostly due to cuts in the federal transfer payments imposed in the 90s. So, the first major step to take in the next budget is to increase substantially transfer payments for post-secondary education, as Prime Minister

Martin himself recognized publicly on Newsworld during the last elections.

Secondly, about federal taxation, students are still faced with a totally unacceptable situation which is the taxation of their grants. On the one hand, the federal government or other organizations give some of them the amount considered necessary to complete their education but, on the other hand, the same federal government recovers part of the money through taxation. In other words, the right hand takes back what was given by the left hand.

In 2001, the Government of Quebec recognized this problem and decided, in the budget for that year, to exempt all the scholarships and grants provided to students. It behooves the federal government to make the same decision for its own level of taxation.

[*English*]

We truly hope today that this simple, highly needed, good-sense resolution and proposal can become a unanimous recommendation of this committee.

[*Translation*]

Thirdly, the federal government invests significant amounts to help students but, unfortunately, most of the programs are not targeted for those students who are the most in need, low-income students.

Since we do not have too much time, I will give you one example only but we could come back to this issue later. I'm talking about the Education Savings Plan, or the famous Learning and Savings Bonds. This is supposed to provide direct help to students in order to increase access to education. However, this program is rather a program of tax credits or near-grants benefiting the richest Canadian families. We provide grants to the richest families with a program that was supposed to help the poorest ones.

The FEUQ would like the Committee to make the following recommendations about all the direct financial help programs for students: get rid of the RESP program, the learning bonds; get rid of all similar programs; invest all the funds in the Canada Student Loans Program. This is a program aimed at the poorest students. In order to qualify, one must have real needs. It is what is called a needs-based program. It is also a program that is considered excellent in Quebec because it is based on a federal-provincial agreement allowing the province to manage the funds according to its own criteria. As far as we're concerned, these are three essential steps that should be recommended unanimously by the Committee.

The Chair: Thank you.

[*English*]

Just to remind the members, the first round is seven minutes and the next round is five minutes.

We're going to go with Ms. Ambrose first.

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you. I want to welcome everyone here to the finance committee. Thank you for your presentations.

I do want to say that this is an issue that is very important to our party. As you probably know, we're actually the youngest political party sitting in the House of Commons. We have three MPs under the age of 26, and we actually have ten under the age of 35, so student debt and post-secondary education is something we talk about a lot.

I also want to say that I'm heartened to see all the students who are sitting behind you. I was just in a media scrum, and I mentioned that I was really concerned that young people today aren't interested in being a part of the traditional political process, which would be the finance committee. I guess I was wrong, and I'm glad to see you here participating. It's great to see you.

We are concerned, like many of you, about student debt, and that's where I want to go with my questions. A lot of you have mentioned that in the Speech from the Throne there were not a lot of concrete measures to address this issue. Many of you have also mentioned that the learning and savings bonds are just not sufficient.

I'd like to run by you and get your responses to some of the policies that we believe need to be implemented. One of them is for students to be able to pay back their students loans on an income-contingent basis, so that you would only have to pay back a percentage of your loan based on the income you're earning at the time. This is in response to a lot of students who feel they are taking on massive debt. Students I've talked to and people I know have actually had to declare bankruptcy because of the massive debt load they have taken on. The other is, of course, interest-free payments on student loans. This is something we've long believed in.

Another one we brought out during the last federal election, which I'd like your input on, is disassociating parental income from applications for student loans. We're finding more and more students are affected by this because of the huge increase in post-secondary tuition. You've got the situation where students are denied student loans because their parents have a certain level of income, but the reality is they don't make enough to actually help their kids out, or perhaps they have three kids going through university within a period of four years. This is something that I think is really serious.

The other one is something that the Northwest Territories is working on. Of course, this is provincial, but I'd like you to look at it from a federal perspective in terms of Canada student loans. Their proposal or idea is to compensate rural students if they return to their communities after they do finish their education. The way to compensate them would be to forgive maybe a year's worth of their loans. This is to address the problem in rural communities of students leaving the communities and not being able to return.

I wonder if you could address some of those issues, and if you have any other recommendations for us on student loan debt, I'd appreciate them.

• (1620)

The Chair: Do you want to address your question to anybody in particular, Ms. Ambrose?

Ms. Rona Ambrose: The representative from CASA would be good.

Mr. James Kusie: Thank you, Ms. Ambrose.

You covered quite a wide range of proposals. I'll start with income-contingent loans. That's a very, very contentious issue among students, as you may or may not know. There are different models for it. We don't know what you would want to present to us, but income-contingent loans do have the possibility of putting a student into debt almost indefinitely, if there's interest tagged onto it. If you have a model that doesn't have interest on it, we'd have to look at it.

I think student debt in general is a really big problem in terms of debt aversion. Young people aren't going to university or college, or are choosing not to, because of the high debt loads. We put some numbers out there that told you that in 20 years an arts degree is going to cost \$132,000. Tell me who can afford that. Thirty per cent of students who drop out of first-year university or college cite the reason that they can't afford to continue. That's what that low-income grant was set up to do in the March budget, but it's going to be a revolving door. We need to make sure that the money is going to upfront grants in the system to support students through all the years of their study.

Toby, would you like to comment?

Mr. Toby White (Government Relations Officer, Canadian Alliance of Student Associations): Just to cover some more of your points, you mentioned parental contribution. While we don't mention it in our submission, that's a big issue for a large majority of our students. We find it is an issue that especially affects students from middle-class families. The vast, vast majority of students are 18 years old or older, yet they are asked to have their accessibility to student financial aid based on their parents' income. It's a very crude assessment of parental income. I don't have any stats with me right now, but I'm sure you've all heard anecdotal stories of people who cannot get student loans grants because on paper their family looks like they make too much money, which is quite obviously not the case. I can understand why the government is concerned about targeting financial aid, but we don't think using the parental contribution is a good idea. The government last year did commit to changing the tables it uses to determine parental contribution. We haven't seen the results of those yet, but we just don't think it's a fair assessment for financial aid for students.

• (1625)

Ms. Rona Ambrose: I wonder if you could speak specifically, Guillaume Lavoie, to the learning bond issue. You brought it up quickly in your presentation. I wonder if you could elaborate a little more on it.

The Chair: Mr. Lavoie.

Mr. Guillaume Lavoie: Sadly, this is a very ill-conceived public policy to give tax breaks or tax credits to families to help them put money aside so they will be able to afford increasingly more expensive education in the future.

The first thing is that to be able to put some money aside or to be able to benefit from tax credits, you ought to be able to make enough money to be paying some taxes. So the richer you are, the better off you are under this program. The very idea of the program is to first target poor students who live, I assume, in the poorest families that don't pay much tax, so they don't benefit. They don't give a damn about tax credits, do they? That's the idea.

Basically we have two federal programs. I'm talking about the learning bond and the savings bond scheme. They basically give money or tax breaks to the richest families. So we would like to recommend that we abolish those two federal programs, but save the money, of course, because the money is highly needed. Then put that money back into a federal program that already exists and is entirely needs-based, which is the Canada student loans program. Of course, it's not perfect, but it's still much better than a program that benefits the richest families in Canada.

Also under this program, a great deal for Quebec would be to have a deal between the Government of Quebec and the federal government to transfer between 20% and 25% of that money directly into the Quebec financial aid program, which is basically recognized by both governments as being a very good deal. In our sense, it would be like killing two federal programs and putting the money back into a program that already exists that actually targets the very students this program exists for.

The Chair: Thank you.

Monsieur Loubier, Mr. Bell, and then Ms. McDonough.

[Translation]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chair. Welcome to the Finance Committee.

We all know that we each have some level of meanness or aggressiveness in ourselves but I find that you are somewhat meek in putting your demands. I am not complaining. I'm speaking mostly to students and, were I a student today and comparing my situation to that of students past, I would see that the federal government broke the social contract it had signed with the provinces and with the world of education, according to which it funded half the costs of post-secondary education, and I would probably be much more aggressive. At the present time, the federal contribution is 13% and some are saying that it should increase slightly from that level. I find it shameful that we find ourselves in this situation today: a federal government providing only 13% of education funding at a time when it is swimming in surpluses.

The accumulated surplus since 1998 has reached \$61 billion. This year, it is \$8.9 billion. Mark my words, if Mr. Goodale speaks of \$8.9 billion for 2004-2005, you can be sure that it will be much higher because, in the past, the surplus has always been underestimated by about 500 per cent.

In all their speeches, politicians, whether Liberal or not, claim that education is an investment for the future. In the meantime, they let students be crushed by debts, which ensures that they will have to keep paying during 10 or 12 years. We also let our research and education infrastructure crumble all over the country while we claim to be investing in the human capital and in the importance of

education. Don't you think that you should be a bit more aggressive when speaking to the federal government?

I will have other questions after that. For the time being, I am addressing this question to the representatives of students, teachers and researchers, because this situation impacts everyone.

The Chair: Mr. Soule.

Mr. George Soule: This is quite true. I was in Newfoundland when Mr. Martin stated that he would create a direct transfer for post-secondary education. I was even happier when I heard him say that he wanted the amount to be \$7 or \$8 billion. Making such an investment would be a recognition that he cut transfers far too much when he was Minister of Finance. This is a man who cut \$3.3 billion over the past 10 years. This is why it is important for us that he recognize the need to re-invest. We are anxious to see this new direct transfer for post-secondary education. As Mr. Robinson said, he also referred to a federal post-secondary education Act. The federal government has a role to play in this field and it is high time to re-invest.

• (1630)

The Chair: Thank you.

Mr. Lavoie.

Mr. Guillaume Lavoie: I would like to mention one of Mr. Martin's promises that can be confirmed in the records. It happened in St. John's during the last election campaign on a TV show, *The Great Canadian Job Interview*. Mr. Layton, of the NDP, and Mr. Martin spoke to us live on Newsworld. I went to the microphone and asked this question: "Mr. Martin, Mr. Prime Minister, by how much are you going to increase transfer payments to fund post-secondary education?" Here was Mr. Martin's answer: "The post-secondary education transfer payment should reach \$7 or \$8 billion in time." I supposed that "in time" meant in the time it would take him to be elected. Unfortunately there was nothing about this in the Throne Speech.

I am speaking to all the members of the Committee, whatever their party. I'm talking about a clear commitment from someone who wanted to become Prime Minister and who is now the head of our government. We want him to respect his promise, he has the money.

The Conservative member referred to the income-based loans repayment program. The real problem is not related to how students are going to pay back their debts, it is that enormous cuts were made in transfer payments and that students had to bear a huge part of those cuts. The government may well create very complex programs to help students to reimburse their debts, or to cut the amount that they owe, through adequate funding of post-secondary education. Let me say in passing that this should not be an expenditure made *on the side* since it is the cornerstone of economic development for Quebec and Canada.

Le président: Mr. Brown.

Mr. Gerry Brown: I agree completely with this answer. In our recommendations, we state quite clearly that it is high time to come back to the funding level of 1992-93, where the share was 50%. This is what is being asked by the students in our 150 colleges.

Mr. Yvan Loubier: Nobody has yet talked about EI. Every student pays some premiums. In fact, everybody pays but very few can draw on the fund. I have heard it said that about 16 per cent of young people who become unemployed can collect money from EI but they all pay the premiums.

Nobody has yet mentioned the Bankruptcy Act either, which is discriminatory for students since it forbids them to declare bankruptcy during the ten years following the end of their post-secondary education.

Are these things a concern for your organizations?

The Chair: Thank you. Mr. Bell.

Mr. Yvan Loubier: You can answer later, even if you are asked other questions.

[English]

Mr. Don Bell (North Vancouver, Lib.): Thank you.

The question I want to ask of James Kusie and Toby is with respect to the point that had been raised by Ms. Ambrose from across the table with respect to income-contingent loans. This was raised during the recent election in the discussion at Capilano College, which is in my riding. I met with the students there.

Your comment that it's contentious is what they had said. In fact, they didn't support it because I gather the experience in New Zealand, which, as I recall, they made reference to, was that it resulted in students carrying a significant debt. Is that primarily because of the interest question? You said you might be interested in discussing it if it was interest-free, but was that primarily the interest?

There seemed to be a deferral, and then it allowed the interest to carry on, on the deferred debt, over a longer period of time. Is that correct?

• (1635)

Mr. James Kusie: Quite simply, CASA wants to get all qualified Canadians into post-secondary education who want one. We want to keep them there so that they complete their program, and when they exit their program, we want them to have as little debt as possible. In any program that relieves debt that the federal government is looking at implementing, we do not want to see students in debt any longer than they have to be. Any type of program, be it income-contingent or not, should keep that in mind, that debt loads are crushing. If the federal government, from an economic standpoint, expects these big contributions to society in terms of net tax revenues that we mentioned, that won't happen if half a generation is coming out, starting their lives with \$30,000 of debt. It certainly wasn't like that 30 years ago.

Mr. Don Bell: No, it wasn't like that 40 years ago, and that was the point.

I'm a new member of this House, but the point I made was that I talked about either interest-free loans or low-interest loans at the very least.

On page 6 of your presentation you made reference to this independent Canada education transfer, and you came up with a figure of \$3.99 billion. I don't know if that's from your marketing

program, where you figured, sort of like the supermarket, that that sounds better than \$4 billion, but where did that figure come from?

Mr. Toby White: I can answer that.

That is the level of funding that the federal government provided for post-secondary education in 1992-93, I believe, indexed to inflation.

Mr. Don Bell: All right. Thank you.

My next question is for Dave Robinson from the university teachers' association. I'm referring to page 3 of your presentation.

I just want to categorize this. We've been asking a question about the utilization of funds, and a number of groups from different categories have talked about what they think should be done with the surplus. You say some of the surplus should be utilized for social programs, and you refer to education, universities, and colleges. As someone who's involved—in this case, teachers—what do you think the balance should be with debt reduction or a reduction in taxation? Have you given any thought to that?

Mr. David Robinson: Do you mean in terms of the other priorities of government?

Mr. Don Bell: Yes.

Mr. David Robinson: Given the history of what has happened in terms of the federal government over the past while, the bulk of the surpluses that have existed have gone to debt reduction and tax cuts. I think it's time now to focus on the other priorities, the social deficit, so to speak, that has arisen since then.

So in addition to post-secondary education, you'll see in our brief that we also talk about early childhood education and child care programs. All of these things are important to address real needs that exist right now, I think, to address the real priorities of Canadians.

Mr. Don Bell: Okay.

I want to ask a question to Judy Stymest from the Canadian Association of Student Financial Aid Administrators.

You talked about the Canada Millennium Scholarship Foundation and the experience you had. In one part of your brief you mentioned four provinces, including B.C., and then you dropped B.C. from the second reference, and you suggested the money has gone somewhere else. Where did it go, and what's your current experience in B.C.?

Mrs. Judy Stymest: I'm sorry, are you speaking about the millennium foundation?

Mr. Don Bell: The Millennium Scholarship Foundation. It was recommendation 3 in the presentation.

Mrs. Judy Stymest: I don't think that was my presentation.

Mr. Don Bell: It would be the second time today I've done that, if that's the case.

All right, I'll pass.

The Chair: That would be Mr. Soule.

Quickly, please.

Mr. George Soule: Michael.

Mr. Michael Conlon (National Chairperson, National Graduate Council, Canadian Federation of Students - National Office): In terms of the Millennium Scholarship Foundation in George's presentation, the suggestion was that about 50% of students in Canada are seeing absolutely no debt reduction whatsoever from the Millennium Scholarship Foundation. So our recommendation was to wind down the operations of the foundation and transfer those funds into the low-income grant, thereby expanding the grant.

Sharing the concern the Auditor General has echoed about the idea of issuing student financial assistance through a private foundation, there's no value-for-dollar audit. As we've outlined in great detail in our brief, students in Nova Scotia are seeing no benefits whatsoever, students in Ontario are seeing a minimal benefit, and, from our standpoint, it's simply not working.

This is a revenue-neutral way for the federal government to make the grants program more effective.

● (1640)

Mr. Don Bell: And it was your presentation. Thank you.

The Chair: Ms. McDonough.

Ms. Alexa McDonough (Halifax, NDP): Thank you very much.

Before I ask four very brief questions, I just want to say that I'm struck by the quite high degree of consensus in the presentations. Clearly you've addressed some different perspectives, but it just sounds like, if you summed up the presentations, they would say, we understand the importance of post-secondary education; now why doesn't the government just do it, in terms of the funding that's needed, in the most efficient ways known to do it?

The Chair: Just one second, Ms. McDonough.

Can you not be at the table, please, Ms. Wasylycia-Leis?

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): All right. We'll get those rules clarified.

The Chair: Yes, I'm sorry. I'm not the one who makes up the rules.

Ms. Alexa McDonough: It's a different rule from any one I've ever seen at another committee, but let's get on with hearing from our witnesses.

I just want to ask.... Not everybody may have a chance to deal with all of these questions in the committee, so I'm sure it would be appreciated if people followed up with any further responses. My first question is whether the proposal—which certainly has been expressed by some—to wind down the Millennium Scholarship Fund in favour of direct funding of needs-based grants is one that is shared across the board.

Secondly, I'm sure we all know we have Bill C-5 before the human resources committee right now, which is really to support the government's learning bond and savings bond policies. There's already been some expression of concern that these should be scrapped in favour of more needs-based grants. I wonder if I could just ask you for the view of your respective organizations on that.

Thirdly, it's been suggested that a big push should be made to get the Prime Minister to live up to his commitment that there will be a dedicated education transfer, which could result in \$7 billion or \$8

billion reinvested. I'm wondering, if that were honoured, would it in fact bring the level of post-secondary education funding back to where it was when the Liberals came to power in 1993.

And finally, is there across-the-board support for the proposal of a pan-Canadian post-secondary education act to be modelled along the lines of the Canada Health Act? I don't mean precisely in detail; I mean the concept of establishing those principles and the enforcement mechanisms that would result in eliminating those incredible differences from one province to the other to achieve what we all agree is in the interests of all citizens in this country.

The Chair: Do you have someone in particular you want to ask that of?

Ms. Alexa McDonough: Well, actually, it's a very straightforward question I'm asking.

The Chair: It's because I've got a few people who want to answer.

Mr. Brown, and then Mr. Kusie.

Mr. Gerry Brown: I'll take the one on the Millennium Scholarship Foundation and maybe touch back on your earlier question on Capilano, because I think one of the challenges we have with the Millennium Scholarship Foundation is that, as mentioned earlier, it's not going to all students as we had hoped, or as the vision was.

But more importantly, for college students, there is a regulation out there that says the first year does not play; you can't get any money for the first year. So students at Capilano, students at Nova Scotia Community College, don't get access, but then they graduate a year later. So as a result—

Ms. Alexa McDonough: ... *[Inaudible—Editor]*... the needs-based grant system?

Mr. Gerry Brown: Yes, that would be the alternative. Or, I know the Millennium Scholarship Foundation is looking at the possibility of first-year students being part of that new granting formula, but again, it depends on the types of relationships that exist with the provinces, and we know some of the problems we have with some of the provinces.

The Chair: Mr. Kusie.

Mr. James Kusie: Briefly, with the Millennium Scholarship Foundation, we need to ensure that the money goes to the students who need it the most. The Millennium Scholarship Foundation is wrought with problems and needs a major, major overhaul. We do need to see the money going to the students who need it the most.

Second, the learning bond is like giving a low-income family \$500 and a Mercedes-Benz and expecting them to finance the car. It is very unreasonable to expect a family to contribute \$4 a week to a registered education savings plan. Study after study has shown that low-income families can barely afford to put food on the table, much less save for their child's education.

Ms. Alexa McDonough: So scrap it?

Mr. James Kusie: Pretty much, yes.

In terms of the transfer payment, will it curb tuition? It may, but we need to see an agreement with the provinces on how they're going to spend that money; you can't just give a blank cheque to the provinces and expect results, as we've seen. We've got a health accord, we've got an equalization agreement, and all the premiers came out of the equalization agreement mentioning the opportunities they missed with the federal government to tackle fundamental social issues in our country, namely, post-secondary education. We need to ensure that if there is a fund, there is no displacement from the provinces on how that's spent.

• (1645)

The Chair: Mr. Soule.

Mr. George Soule: Starting again with the Millennium Scholarship Foundation, the federation holds the Millennium Scholarship Foundation to the same standard that was actually set by the Prime Minister himself when he rose in Parliament to announce it as our Minister of Finance—that is, that it should reduce student debt by \$12,000 over the four years. The fact is, that's just not the case.

Again, our members from Nova Scotia have seen zero improvement in financial aid since the implementation of the Millennium Scholarship Foundation. In Ontario, they might be \$500 ahead. Our members from Capilano, who you met with, sir, again, are basically at the same point they were before the foundation even started. That is why we have been unequivocal, pretty much since the foundation was brought into effect, that it should be wound down and that money should be reinvested, as we said, to actually improve that low-income grant.

The low-income grant is a great start, but obviously there's a long way to go. There's a national consensus to have a really comprehensive and solid solution to grants in this country, and I think that's a good system that works within the Canada student loans program. There already is an agreement with Quebec to make sure they're seen as a distinct society. So I think that's obviously the way it has to go.

With regard to the transfer payment, no, it does have to be governed by an education act. That's why, along with the CAUT, we've worked a long time with David to make sure that happens.

If we just write a blank cheque, we've seen what happens with the provinces. However, if we have a national education act, as we do with the Canada Health Act, we can be sure that there are some standards set at the federal level, and then we can make sure that education becomes accessible, so that not only the grants but tuition fees are under control as well.

The Chair: Thank you.

Mr. Solberg.

Ms. Judy Wasylcyia-Leis: Mr. Chairman, on a point of privilege

The Chair: Ms. Wasylcyia-Leis.

Ms. Judy Wasylcyia-Leis: Thank you, Mr. Chairman.

I'll just give notice of privilege, so that I don't detract from the proceedings of this important session dealing with education.

My notice of privilege will be that as the NDP finance critic and a member of this committee, I have a right to sit at this table even when I have designated my speaking spot to a colleague of mine—in this case, Alexa McDonough.

The Chair: That's not what it says in the—

Ms. Judy Wasylcyia-Leis: It's a notice. We can deal with it later.

The Chair: Well, no, I want to deal with it right now. I asked that both of you not sit at the table at the same time, and you're doing it right now. So I suggest that according to the regulations, you are not allowed. I'm not the one who made them up.

If you choose to do so—

Ms. Alexa McDonough: Mr. Chairman, out of respect for our guests, I'd like to withdraw and turn it over to the finance critic.

The Chair: Thank you.

Ms. Alexa McDonough: In doing so, let me say that this is not the ruling that applies in other committees on which I sit, but it's not an important point to the future of the education system.

The Chair: That's exactly it, so I don't understand...

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thank you very much, Mr. Chair.

I want to thank the groups for being here today. This is a very important issue. You've given us lots of good input and lots of things to think about, and some possible solutions.

I want to ask a question of Mr. Lavoie with respect to the bursaries and grants.

This is the finance committee, so I have to ask the obvious question: have you costed this? Do you have any idea what kind of tax expenditure this would be, to make these things tax exempt?

Mr. Guillaume Lavoie: When the Government of Quebec proceeded with the same measure for its part of the plate, it cost us \$7 million to \$8 million. So our evaluation is that from the whole country it should cost no more, or just about \$30 million. So it's \$30 million to not tax, money given on a needs basis mostly, compared to a \$9.1 billion surplus. We don't know why we still talk about this, but to make a clear point, it should cost about \$30 million.

Mr. Monte Solberg: Just to follow up on that, a lot of those bursaries and grants obviously go to low-income families—or a number of them would anyway, I would think. You're talking really about the Quebec situation, but do you have some kind of breakdown of how these fall across income groups or anything like that?

• (1650)

Mr. Guillaume Lavoie: Not that I have with me right now, but we know the system works that way. Grants are tax free, up to \$3,000, but as soon as you're a graduate student—say, a master's student or a PhD student—most grants will be above that, which is quite normal. So in that case, we don't see why they should be taxed.

Mr. Monte Solberg: I'm just wondering about the issue of the education transfer. I appreciate that what we're trying to do here is hold the provinces to account for this money. I think it's laudable to try to do this. It's also very difficult, as we just found out in the health accord, where we tried to ask the provinces to meet particular standards for accountability and that didn't happen.

I'm wondering if you have any reason to feel that we should be optimistic about making this happen in a way that will ensure this money actually does get to education now, whereas in the past, of course, that didn't always happen, when there was a specific transfer for these things. Do you have some ideas on how we could make this stick this time?

The Chair: Mr. White.

Mr. Toby White: I think what we need to see is the federal government work with the provinces before they implement programs like this. There's been a lot of talk around the table today about the many problems that the Millennium Scholarship Foundation faced. That's because the federal government basically dropped the Millennium Scholarship Foundation on the provinces and did not consult or work with them. Then the provinces were left with figuring out how to deal with that. As a result, we saw many students across the country not helped by it. That's why we are calling for an accord on post-secondary education, and you've heard some other people call for an act. We want to see the federal government take a leadership role, sit down with the provinces, discuss these issues as a federation, and find out where we can go and what we can do. This is really in the best interests of all of us, and we want to see Canada's governments working together.

The Chair: Mr. Robinson.

Mr. David Robinson: I think this is an important question. It's also been a perennial problem, going back to the EPF transfers. I'm from British Columbia and the joke used to be that the highways of B.C. were paved with post-secondary education transfers. It's been a constant problem.

I think what we need to do is develop a framework on an equal partnership level and not get back to the situation where it's one government against the other. The federal government and the provinces need to see themselves as equal partners in post-secondary education and develop a framework to identify what the priorities are and to recognize that built into any kind of accord or agreement must be some flexibility because those priorities will differ from province to province.

In Quebec, tuition fees are not as big an issue as they are in Alberta. In Alberta, money may be needed to reduce tuition fees. In Quebec, it may be needed to build infrastructure or something. We need to have a flexible framework but also something that provides accountability—not to the federal government. It's not the federal government looking for accountability. It's the taxpayer looking for accountability. Right now, if I asked you how much money the federal government is spending on post-secondary education, you would be hard-pressed. I think that's a bit scandalous that parliamentarians can't tell us how much money we're spending on post-secondary education, because really it's going into a black hole.

The Chair: Thank you, Mr. Robinson.

Mr. McKay, and then I have Mr. Côté and Mr. Hubbard.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, presenters.

First of all, I'd like to declare a conflict of interest. I have a son at the University of Toronto studying philosophy and physics in third year, I have a daughter at the University of Waterloo in second-year arts, and I have a nephew at McGill University on a scholarship doing political science, so I have some acute interest in what you're saying from a personal standpoint. Interestingly—this is just an anecdotal observation—you do get cheap tuition in Quebec, no doubt about that, but the infrastructure seems to leave something to be desired. The resources and facilities at McGill seem to be somewhat below standard. I just make that as an observation, and I don't know whether that's a trade-off or that's a fact.

I'm having trouble squaring the circle here, because if I look at the transfers of the federal government over the course of the last 10 years, when we took over the shop here, we were just a touch under \$40 billion in tax points and cash transfers. It actually went up for the next three years, and then of course we had to deal with the \$42 billion deficit and we had to get real, and there were cuts. In 1996 and 1997 the transfers of cash and tax went down to about \$38 billion. And from then it's just been on a steady rise—\$40 billion in 1998; over \$42 billion in 1999; just a touch under \$50 billion in 2000; still under \$50 billion in 2001; \$50 billion at 2002; and last year, the last fiscal year, \$53 billion to \$54 billion; and then this past few months, \$3 billion in equalization moneys and another \$4 billion on an annual basis in health money.

It seems to me that the argument that somehow or another the federal government is no longer there is not a valid argument. As I understand it, and this is a bit of a generalization, what you're saying is forget all this millennium scholarship stuff, forget all of these foundation things, forget all of this playing around with RESPs and things of that nature; just transfer us—I think this was one of the presentations—the tax points and vacate the field.

That somewhat tracks to Mr. Solberg's question. I think a lot of these things are set up because we don't think the students are being well served by some provincial governments. I'll use my own as an example—Ontario—where clearly the millennium scholarship money was clawed back. I don't think that's right. The federal government makes an effort to actually increase. To Mr. Solberg's question, which is also my question, if in fact we went to your proposal, and again I'm generalizing, if we went to tax points or cash transfer, what assurances do we have that five years from now if the same panel is reconvened you're not worse off than what you presently are?

• (1655)

The Chair: Do you want to go through the chair?

Hon. John McKay: I don't see anybody jumping at my question.

The Chair: I can take Mr. Soule and Mr. Conlon. Then I'll have Mr. Lavoie and Mr. Robinson and Mr. Brown.

Mr. Michael Conlon: Very briefly, our organization is not in favour of a holus-bolus tax point transfer to the provinces. I think that would simply replicate the problems that we're already seeing.

But I think part of what's been enunciated here is the difficulty in creating the political will and the political capital among the provinces. And I don't think there is any way that any of us is going to give you folks a magic bullet to fix that. But I think what we're saying, and not in unison but for the vast majority of us, is that it depends on what federal instrument is used to deliver the program.

The Canada student loan program, for example, is the vehicle through which the low-income grant is being administered, and there were no complaints from the provinces. I think everyone at this table complimented the federal government on the introduction of that program because it was a program that had built up significant political capital with the provinces over a 30-year period.

The millennium scholarship, on the other hand, was a program that was created about 10 days before the budget started, and the provinces have never ever accepted the validity of that program, whereas the provinces have never ever questioned the validity of the federal government in the Canada student loan program. So I don't think the model is completely broken. I think it's the instruments that were used to deliver the aid to students. Students are getting every cent of that new low-income grant. And you know what's happened to the millennium scholarship money.

Hon. John McKay: Student loan good, millennium fund bad? Okay.

The Chair: I have Mr. Robinson, but can I ask the group to stay about another ten minutes? Is that okay with everybody here? I have one more presenter, and I want to get this question answered.

I have Mr. Robinson, then Mr. Lavoie, then Mr. Brown.

Mr. Robinson.

Mr. David Robinson: I'll be very quick. In terms of the actual transfer and the way you outlined how much more money is coming from the federal government, we have to keep in mind that there have been population increases as well over that period. On a per capita basis, the transfers have not been fully restored to where they were. Also, health care is taking a bigger share of the overall transfer. In fact, some provinces are saying that only about 10% of total federal transfers are now going to post-secondary education.

Hon. John McKay: But in percentage terms of the Ontario government's budget, it's risen every year. That's what I have to compare it to: what share of the transfer is—

• (1700)

Mr. David Robinson: But where is the—

Hon. John McKay: It's true in Quebec, it's true in Ontario, and in most provinces.

I interrupted you. I apologize.

Mr. David Robinson: But where has it risen from? To include the tax points is a bit of a stretch. The tax point agreement was from the mid-seventies. Those tax points flow into—

Hon. John McKay: That's what he wants; he wants tax points.

Mr. David Robinson: I don't think he said that, but we can follow up with him on that.

Hon. John McKay: It's in his brief.

Mr. David Robinson: In terms of how you make this work, you make it work through political will and political leadership, which is precisely what Canadians are looking for from parliamentarians. They don't want to hear from parliamentarians, "We can't do it because the provinces don't want to do it." They're looking for leadership. I think that's part of the cynicism out there: people don't see the leadership from either level of government to address what the real priorities are. The way you make it stick is to come to the table in good faith and say, "Here are the objectives we want to achieve, and Canadians are going to hold us to it." When you create fiscal mechanisms that are transparent and accountable, then the taxpayer, the voter, can look and make a judgment.

The Chair: Monsieur Lavoie, and then Mr. Brown—quickly, please—s'il vous plaît.

Mr. Guillaume Lavoie: Yes, thank you.

This is just a thing on the tax points. I know it's in our document. It is preferable, or it could be transfers also, but it would not be the first time there had been some sort of special arrangement for Quebec. It serves Quebec students very well in terms of financial aid, so I don't see why it should be a problem here.

I just want to focus on one point you alluded to, that somehow federal funding is back on track. Well, I strongly disagree. The pressures on the provinces are very strong. They lead to higher tuition fees in Alberta, or lower investment in infrastructure in Quebec, but there is definitely a problem there. We ballpark it to \$3.6 billion to \$4 billion only to catch up what's been cut. Basically, if you assume the federal money is back on track, then the Prime Minister himself not a year ago said it should be invested. There's basically \$4 billion missing, and we're saying \$7 billion to \$8 billion eventually. So yes, there's been some new investment, but we're far from seeing exactly the level that was there before, and the needs are greater than they were before.

The Chair: Mr. Brown.

Mr. Gerry Brown: I don't have your numbers here in front of me, but my sense is, if I listen to those numbers, we're talking about the social transfer per se. But there's no guarantee it is going into post-secondary education. In fact, with the tremendous marketing blitz that's been put around health, I suspect—in fact I know—the vast majority of that money has not gone to post-secondary; it has gone to health.

The flip side, though, is I'm encouraged by the accord that has occurred in health, because if we could now move forward with the same types of priorities and the same type of political will from the point of view of both the provincial and federal governments and deal with the issues around post-secondary education, I'm encouraged about the possibility that we could have an accord there as well.

The Chair: Thank you.

Monsieur Côté, and then I have Mr. Hubbard.

[Translation]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you for your presentations. What you have just told us, Mr. Lavoie, demonstrates once again that, even though it may be true all over the country, one should be especially skeptical when Mr. Martin speaks in Newfoundland.

I would like to come back to the points raised by my colleague relating to the Bankruptcy Act which forbids students from declaring bankruptcy during a 10 year period after the end of their studies, and about the impact of the Employment Insurance Act which forces all students to pay premiums while about 80% of them cannot qualify for benefits. Mr. Lavoie could start.

Mr. Guillaume Lavoie: First of all, about Mr. Martin's statements, I am not willing to pass judgment yet. I am not a mistrustful person and I want to believe him. However, I would like to see those \$7 or \$8 billion. He will have the opportunity to do the right thing in the next budget.

As for EI, we don't see why there should be discrimination against students. Why would a student be less eligible to EI than any other worker? There should be only one eligibility criterion for EI. All workers, students or not, should be equally eligible.

As far as the debt level is concerned, it is quite clear that, in Canada, for a reason that does not seem to make sense, there are only two classes of people who cannot declare bankruptcy: prisoners and students. As if it was easy to declare bankruptcy! In Canada, anyone who wants to declare bankruptcy has to obtain the authorization of a judge. I don't see why students should be locked in between a debt sentence and being forbidden to declare bankruptcy when it is in fact extremely difficult to declare bankruptcy in any case.

Thirdly, as far as grants are concerned, students have to pay income tax on them even though they have received them because they needed financial assistance. If the government decides that they need \$3,000 of financial help, does it make sense to then recover part of that money through taxation?

• (1705)

[English]

The Chair: Merci.

Mr. Hubbard.

Mr. Charles Hubbard (Miramichi, Lib.): Thank you, Mr. Chair.

I would like to thank all the presenters for coming, but I can't help but think there is still a lot of confusion out there. We have so many problems, and it appears not too many solutions. In fact, I would think sometime in the future, after we look at this budget....

We're trying to make a report for just a couple of weeks from now. It's going to be difficult to try to look at something new, and we have so many things on the table already.

With the community colleges, of course, we have the EI fund, which supports some students. The same doesn't apply for students at universities.

Then, of course, we have the student loans program, both federal and provincial, the millennium scholarship program, the education bond, and I think we've heard today some criticism of all those different programs.

I am concerned about students finishing school owing debts of \$30,000 and \$40,000, and probably in the long run we'll have to look at some method of overcoming this extremely frustrating obstacle that a young person has when they enter the workforce.

I know we certainly can make recommendations in terms of what we've heard, but the long-term solution has to receive more attention than what we're hearing and what we're able to do in the next couple of weeks. So it is interesting to hear, but also very confusing to try to come up with some application. But I would hope that in terms of what the long-term might be, either this committee or the human resources committee would attempt to look at a very difficult situation for a lot of families, both students and parents, and that somehow we come to a better solution.

In terms of the provinces, we know a lot of this is provincial jurisdiction. We know that we send money there. We don't know what it's being used for. We have no attempt to really say that so much is dedicated for education, for post-secondary education, and so forth.

From my perspective, I know we can certainly integrate some of the points, but it's a bigger solution that we need to a very complicated problem.

Thank you.

The Chair: I happen to agree. I don't think we're looking for a band-aid approach, but we'll see where the committee takes us.

I want to thank the groups for appearing. Thank you for your time in a busy schedule. I think it's the highest attendance we've had up to now of all the committees, so I want to thank the audience.

Thank you very much.

The meeting is adjourned.

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