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Chair

Mr. Massimo Pacetti

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• (0905)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everybody. I'd like to get started. There's a big group of witnesses who want to testify, so I want to get this going.

Welcome. Thank you for taking time out of your day. You're the first group on our second day here in Vancouver. We're here

[Translation]

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

[English]

The way it works is I'm going to allow the group seven to eight minutes. I don't want to cut you off, so if you can keep the opening brief to seven to eight minutes, I would appreciate it, because then the members are going to want to ask questions.

I have a list here of the groups that are going to go in order. First I have BC Transit, Mr. New.

Go ahead.

Mr. Steve New (Senior Vice-President, Municipal Systems Program, BC Transit): Good morning, Mr. Chairman and members of the committee. My name is Steve New, senior vice-president with BC Transit. Joining me today is Ron Harmer, vice-president, technical services, with BC Transit.

BC Transit wishes to thank the committee for the opportunity to share with you our exciting initiative for showcasing Canada's commitments to research and development that will lead to a more sustainable economy and a healthier environment. BC Transit is a provincial crown corporation, and we provide planning, marketing, fleet, and funding support for transit systems across B.C., outside of the greater Vancouver region. We work in partnership with local governments and private operating companies to deliver transit services in communities ranging from greater Victoria, with some 200 transit buses, to the very smallest rural regions such as in the Okanagan and the Kootenay region of B.C., as well as in unique communities such as the resort municipality of Whistler.

As you know, Canada will be hosting the 2010 Olympic and Paralympic winter games in Vancouver and Whistler. With the eyes of the world watching, BC Transit would like to deploy 20 hydrogen fuel cell buses in regular operation—a world first on this scale—to augment Whistler's fleet during that time for the movement of spectators and volunteers. This project will demonstrate Canada's

leadership role in hydrogen technology and support the Olympic organizing committee's goal to provide clean, sustainable public transportation during the games. The project includes bus and fuel cell technology and, as important, the necessary infrastructure to support that technology. Fueling stations, maintenance, staff training—these are the elements that have to be put in place to test such a large-scale operational project.

The House of Commons finance committee has an opportunity to participate in this exciting initiative by recommending to the Minister of Finance that adequate funding be provided to support this project. In order for the buses to be operational by 2010, BC Transit will need to secure funding for this project by the end of this fiscal year. The federal Department of Natural Resources has funded a feasibility study that is currently being completed. The study included a very successful forum that we held in Whistler in June with key industry stakeholders from across North America and beyond. These key industry experts provided important information to the study team in the development of this feasibility study.

Building on base provincial and municipal funding for incumbent technology, it is estimated that the incremental cost of this project will be \$55 million. The benefits of the project to Canada are that it would build on the federal government's previous investments in this field of research and development; it would brand Canada as a leader in environmentally friendly technology; it would be a catalyst for the commercialization of hydrogen fuel cell technology; it would strengthen the economic position of Canada's hydrogen industry; and lastly, it would support the development of an important regional economic cluster in British Columbia.

If I may make a further point, Mr. Chairman, BC Transit is a member of the Canadian Urban Transit Association, and I would be remiss if I did not remind members of the committee of the importance for the federal government to support the demand side of public transit as well as the supply side. As a member of the executive of that association, I can report that all transit systems across Canada appreciate the investments the federal government announced this year to renew our existing transit infrastructure and to expand capacity, but what is also required is a parallel measure to support increased ridership. Transit systems would therefore like to see the government amend the Income Tax Act in order to eliminate the inequity that exists between auto and transit commuters.

Surveys show that free parking is a common benefit that employers provide to about 80% of employees/auto commuters. One way to compete with that free parking is to encourage employers to offer transit benefits by the federal government making those benefits tax exempt.

In conclusion, Mr. Chairman, BC Transit recommends that the federal government allocate \$55 million for the deployment of hydrogen fuel cell buses in Whistler for the Vancouver 2010 Olympic and Paralympic winter games, and that it amend the Income Tax Act to eliminate the inequity between employment benefits for drivers and transit users by making employer-provided transit benefits income tax exempt.

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

• (0910)

The Chair: Thank you, Mr. New.

The next group I have here is the Canadian Federation of Students, from the British Columbia component, Ms. MacLeod.

Ms. Lisa MacLeod (Chairperson, Canadian Federation of Students - British Columbia Component): Thank you.

Good morning. My name is Lisa MacLeod. I'm the B.C. chairperson for the Canadian Federation of Students. With me today is Scott Payne, who is B.C.'s representative to the federation's national executive.

The B.C. component of the Canadian Federation of Students represents over 150,000 students across B.C. On behalf of our members, we'd like to thank the committee for the opportunity to provide input on the fiscal priorities of Canadians.

Our recommendations to the committee will focus on how the federal budget in 2006 and beyond may enhance access to post-secondary education and reduce student debts, and other suggestions for the future.

Access to post-secondary education is a top concern for students in western Canada. Here in British Columbia we have seen tuition fee increases of upwards of 100% over the previous four years, which has had serious effects on the ability of students from lower- and middle-income families to pursue a post-secondary education. Average university tuition fees in B.C. have risen from \$2,592 in 2001 to \$4,872 today. Research shows that tuition fee increases mean that students from less economically advantaged backgrounds

are not just more likely to be deterred from pursuing higher education, but are also less likely to complete their studies.

Researcher Thomas Kane, an economist at the University—

The Chair: You should slow down. The translators are going to come after you.

Ms. Lisa MacLeod: I am sorry.

Researcher Thomas Kane, an economist at the University of California in Los Angeles, found that every \$1,000 increase in tuition fees resulted in a 15% drop in enrolment, almost exclusively from low-income and minority groups. Further, researcher Edward St. John, working for the national post-secondary education survey in the United States, found that every \$1,000 increase in tuition fees lessened the chance that lower-income students would be able to return to their studies the next year by 16% to 19%. This statistical information is corroborated by anecdotal events in British Columbia. Enrolment at nearly half of B.C.'s public post-secondary institutions has declined since B.C.'s tuition fees doubled, and many student unions have observed an increase in the number of students requiring emergency financial assistance, using campus food banks, working full-time while attending classes, or dropping out due to unmanageable costs.

There is a disparity in access to post-secondary education as a result of the financial barriers that tuition fees and other costs present. HRDC estimates that three-quarters of all new jobs in Canada require some post-secondary education. Given that those youths who would like to pursue a post-secondary education overwhelmingly list finances as their primary barrier to pursuing and accessing post-secondary education, we put these recommendations to the committee.

It is one of our primary recommendations to this committee that the federal government increase the existing needs-based grants program to cover the full cost of tuition fees for low-income students. Research on student financial assistance consistently demonstrates that giving aid in the form of needs-based upfront grants is the most effective method of enhancing access for lower-income students.

While the federal grants program that exists has established a good starting point, it's somewhat limited in its ability to truly impact access. This year's increased loan ceiling, which was implemented to assist students in coping with those increasing costs, is little more than a stopgap measure and will simply see that students graduate with even more debt than the current average of \$25,000. Those who need an education the most and have the fewest resources are forced to borrow the most heavily to cover the upfront costs of an education. Expanding the grants program will address the issue of upfront barriers for those most in need and ensure that post-secondary education graduates are able to participate meaningfully in the economy, instead of trying to pay off staggering debt loads.

Augmentation of the grants program, while offering a substantial relief to lower income students, needs to occur in conjunction with an increase in federal funding for post-secondary education if it is to really promote access. Some of the massive federal funding cuts that students endured in the 1990s have been restored and per capita funding for post-secondary education is currently at about \$107. However, compared to 1993 funding levels in real dollars, there is still a funding gap that totals nearly \$1.2 billion annually. There's no question that post-secondary education is a vital investment in ensuring Canada's long-term economic health.

As economic conditions locally and globally shift, there is a need for a flexible and well educated work force. But without adequate federal funding for post-secondary education, the individual cost of an education will continue to rise, eliminating opportunity for many Canadians and compromising the success of any other efforts to improve access.

While acknowledging that provinces bear much responsibility for the delivery of post-secondary education, by closing the funding gap the federal government can ensure that per capita and per student funding for post-secondary education is no longer in decline, as it has been in B.C. over the past several years.

The best way to ensure long-term predictable funding for the provinces would be a dedicated transfer for post-secondary education administered under a Canada education act. By creating a national vision for post-secondary education in cooperation with the provinces, the federal government can increase its investment in post-secondary education and ensure transparency and accountability for those funds. This vision must include provisions for increased access through reducing tuition fees and increased quality, essentially ensuring that the funding goes to maintaining and improving current educational standards.

There are existing areas of post-secondary education spending that could be used more effectively to increase access and reduce student debt. Programs that disperse tax credits, such as the Registered Education Savings Plan, represent over \$1.15 billion in federal spending, yet they do little if anything to increase access for students. Taking the example of RESPs, those who receive the maximum benefit must invest \$2,000 per year, yet the vast majority of families able to do so are from the over \$80,000-a-year income bracket. In fact, this spending is going to support those students who are probably least in need of financial assistance.

Transferring the funds that are currently distributed through tax credits and RESPs could allow the low-income grant program...and could result in a huge reduction in student debt, by our estimate up to 40%.

• (0915)

Another area where much money has been spent with little success is the Millennium Scholarship Foundation. Created in 1998 with the goal of reducing student debt by up to \$12,000 per student, the foundation has delivered at best only a fraction of that amount and at worst has resulted in virtually no debt reduction. Students who most need their debt reduced would be much better off were the remaining funds allocated to the foundation, disbursed to the Canada student loans program, and the foundation dismantled. We certainly

recommend to this committee that the foundation not be extended beyond its current 10-year mandate.

To provide the perspective of students in B.C., students in British Columbia did receive a marginal benefit from foundation funds for some years as the province of B.C. negotiated to use those funds to augment an already existing upfront grants program. However, a change in government priorities resulted in the elimination of this grant program, resulting in increased student debt in B.C. Those funds are now being disbursed in a far less effective back-end grants program, and because the foundation is ultimately unaccountable, there is no recourse for students in B.C. who are now worse off due to the nature of the foundation's activities.

I'll also touch on the unfairness of the prohibition on declaring bankruptcy on student loans. While Bill C-55 would reduce the limits on declaring bankruptcy on student loans from ten years to seven years, this does give a nod to the discriminatory nature of these provisions of the Bankruptcy and Insolvency Act, but graduates of college and university who find themselves in the most dire of situations will be much better off if these provisions are eliminated.

To sum up, I'd like to underscore the role the federal government can play in increasing access to post-secondary education and in providing opportunities for the future for ordinary Canadians in the west and across the country. Tuition fee increases, coupled with long-term funding shortfalls, have resulted in significant barriers to access for lower- and middle-income students, and there is evidence that access for students from middle-class backgrounds is decreasing. Students in the west are looking to the federal government to provide leadership in increasing access, providing stable funding for which the provinces are accountable, and making existing spending in the post-secondary sector more effective in order to foster a sustainable economy and a healthy society.

I'll be happy to answer any questions you may have in the question period and will be pleased to discuss further solutions with you.

• (0920)

The Chair: Thank you, Ms. MacLeod.

The next group is the Early Childhood Educators of British Columbia, Ms. Tannahill.

Mrs. Kathy Hart (Director of Personnel, Early Childhood Educators of British Columbia): Actually, I'm with the Early Childhood Educators of British Columbia as well. I'm Kathy Hart, director of personnel for our association, and with me is Diane Tannahill, our president.

I would like to give you a brief introduction to our association.

The Early Childhood Educators of B.C., or ECEBC, is a non-profit organization representing professional early childhood educators in British Columbia.

ECEBC is a member-based organization whose members consist of child care providers who hold licences to practice, ECE students, administrative directors, early childhood education instructors, and professionals who work in related fields. We have been serving the early childhood community since 1969 and represent over 700 early childhood educators in B.C.

ECEBC works toward setting standards of regulations to ensure the highest quality of care for the children and families it maintains in our community. ECEBC wishes to thank you for the opportunity to speak with you today. ECEBC is encouraged by the federal government's commitment to building a national child care system.

Now I will turn it over to Diane to speak about our recommendations.

Mrs. Diane Tannahill (President, Early Childhood Educators of British Columbia): Good morning. I'd like to echo my colleague, Kathy, and thank you for giving us the opportunity to speak with you today.

First of all, we'd like to acknowledge the commitment the federal government is making to a national child care plan. We are encouraged by your commitment to this. Five billion dollars over five years is a good start to building a national child care plan. We encourage you to continue this investment beyond the five years. We would also like you to reconsider our recommendations from previous years that you use 1% of the gross domestic product in the continuation of building this plan. This would amount to an annual contribution of \$10 billion, and it is our understanding that this is what is needed in order to continue to build a national child care plan in Canada.

I'd like to speak a little bit directly about what's happening in B.C. Over the past four years, child care in British Columbia has been devastated by over \$40 million in provincial spending cuts. The recent provincial announcements have us believing that all new spending on early learning and child care is coming from new federal transfer payments. Even with these new federal dollars flowing into B.C., spending on child care in B.C. will not reach the levels of funding we were at in 2001—and I'll give you a bit of an example.

In 2001-02, total B.C. child care funding was \$203 million, compared to the proposed budget in 2005-06 of total spending of \$183 million. This does include the federal dollars, and this is a \$20-million cut in child care overall. Just to go into a little more detail around that, specifically around B.C., in 2001-02, B.C.'s contribution to child care was \$198 million, and the proposed budget for 2005-06 is \$158 million. That's where we see the \$40 million cut in provincial spending.

Therefore, before you commit additional dollars to a national child care plan, we encourage you to ensure that the provinces will use these dollars and future dollars to enhance spending and not to replace provincial cuts.

We all know—and research supports this—the important role quality plays in early learning and child care. We know that licensed, regulated child care provides early learning experiences for children in care, yet in B.C. we see an emerging split between early learning

and child care. They're not seeing it as one, they're seeing it as two different entities.

Recent announcements have us concerned about the allocation of federal dollars. We understand that a portion of the federal dollars will be allocated to the Ministry of Education and be targeted to early learning initiatives such as learning centres, which would focus on early literacy and all-day kindergarten. These learning initiatives will promote school readiness. That's their goal.

ECEBC feels strongly that child care is the cornerstone of early learning and provides a holistic approach to learning opportunities for children. We go beyond the targeted initiatives and we actually provide services that look at social, emotional, cognitive, physical, and spiritual development in children. We feel that to split the federal dollars between two ministries reflects serious misunderstandings about the role quality child care plays in promoting childhood growth, development, and early learning. We further question how these learning initiatives would meet the needs of working families in the province, which is the goal for child care.

Further, we know that quality is directly linked to the training, education, and retention of professional early childhood educators. Early childhood educators do not receive appropriate remuneration based on their experience and education. We feel that until this issue is addressed, we will continue to see problems related to recruitment and retention of trained early childhood educators, and this will have a direct impact on the quality of care that children receive.

In recent provincial announcements, the first installment of federal dollars will be split among three areas: child care subsidies, child care operating funds, and capital funding.

● (0925)

Not listed specifically was a component to address the recruitment and retention of early childhood educators. In the absence of a clearly articulated provincial plan, there is no guarantee that increased operating funding will be used to address wages and working conditions in the field. We are asking that the federal government continue to play a role in monitoring the spending of these dollars to ensure that they are being spent according to the intent of the QUAD principles and are directly linked to the components of quality.

Our understanding is that communities are to hold governments accountable for adhering to the principles outlined in the federal and provincial agreements. I just learned yesterday that we will see a report coming out this week, but in B.C. we have not yet seen the 2003-04 provincial spending report. This has us concerned about communities' ability to hold governments accountable for their spending. We encourage you to implement mechanisms that will aid the communities' ability to ensure that the dollars are being spent according to the principles outlined in QUAD.

The last point we'd like to make is that children are in care beyond age 6. In 2003, over 200,000 children in B.C. between the ages of 6 and 12 had mothers in the paid labour force. These children require before- and after-school care on regular school days, and full-day care for up to 13 weeks of annual school closures. Quality school-age care supports children's growth and development, builds children's sense of belonging to their community, and helps to prepare them for a positive transition into adolescence. We understand that the early learning and child care dollars are to be allocated to children 0 to 6; however, we encourage you to consider broadening the funding to ensure that the QUAD principles are applied to all children, including children beyond the age of 6.

In closing, we would like to highlight our recommendations. First, we ask that you ensure that sufficient federal and provincial dollars are allocated to build a sustainable, quality child care system in Canada. We ask that you monitor and establish clear reporting procedures to ensure compliance from the provinces with these early learning and child care agreements. And we ask that you ensure QUAD principles extend beyond 0 to 6 and address the needs of licensed school-age care.

ECEBC feels strongly that Canada's children and families are in need of a comprehensive, inclusive, quality child care system and have the right to access such a system. We continue to look for you to provide the federal leadership that is required in order to reach this goal.

Once again, thank you for providing us with the opportunity to speak with you today. We hope you take our recommendations into consideration.

The Chair: In terms of information, the 1% of the GDP is now at \$12 billion to \$13 billion.

Mrs. Diane Tannahill: Okay, thank you.

The Chair: The next group is the Federation of Canadian Municipalities, and we'll hear from Ms. Kovach.

Mrs. Gloria Kovach (Councillor, City of Guelph; First Vice-President, Federation of Canadian Municipalities): Thank you.

[*Translation*]

Good day.

• (0930)

[*English*]

Good morning, Mr. Chair. I'm Gloria Kovach, councillor for the City of Guelph, and the first vice-president of the Federation of Canadian Municipalities, and with me today is Mr. James Knight, who is the CEO of FCM.

[*Translation*]

I want to thank you for inviting me here today

[*English*]

and speak to you on behalf of Canada's cities and communities.

We meet at a critical time in the evolution of the government's new deal. The last year has seen the municipal sector make substantial progress. The government, with the support of all members of Parliament from all parties, took significant steps to meet the pressing needs in our communities. The transfer of a portion of the gas tax revenues represents investments of some \$5 billion over the next five years. This and other measures—a faster payout of the \$1 billion municipal rural infrastructure fund, a full refund on the GST paid by municipalities, and the promised replenishing of the existing infrastructure program—are important steps in the right direction.

The last budget also boosted investments in public transit and affordable housing, all critical elements of liveable cities and communities, and there is no doubt that these measures help municipalities meet pressing immediate needs. But now we need to move to the next phase and we need to develop a long-term plan to eliminate the municipal infrastructure deficit and make sure we never fall that far behind again.

Municipal infrastructure—they're our roads and our water systems, our bridges, sidewalks, and traffic control networks—is something we take for granted. These things don't make the news unless they fail, and without them, our quality of life would collapse and our cities and communities would grind to a halt within days.

The recent disaster along the U.S. gulf coast demonstrates dramatically what can happen when key infrastructure fails because plans were not made to upgrade and maintain them. Physical infrastructure is the foundation on which our communities and cities rest.

To stay competitive and maintain our quality of life, we need cities and communities that function well, that attract talented people from around the world. These are cities and communities where transportation networks work well, where the air and water are clean, where recreation and culture are readily available, and where everyone enjoys a basic level of security and quality of life.

Unfortunately, that's not what we're seeing these days, and this is the product of years of trying to meet too many responsibilities with too few dollars. The harsh reality is that our municipal governments have not been able to maintain infrastructure and meet the growing list of responsibilities imposed on them by other governments.

This is not the way to build a competitive economy or strong communities, and it is not the way to stay in the front rank of nations. What is needed is a long-term plan to eliminate the deficit once and for all. Why long-term? Most infrastructure projects take years to plan, deliver, and finance. The infrastructure deficit is so large that all governments must do their share to eliminate it, and it has been done in concert, as part of a national plan, based on strategic priorities.

Specifically what we're asking the Government of Canada for are three things. One is to commit to a framework for the gas tax transfer beyond the current five years. That is critical. The second is to maintain the funding of existing infrastructure programs at current levels or higher; this is also very critical. And third is to establish a set of negotiated targets for erasing the infrastructure deficit.

And let me be quite clear. Ultimately we need to have the government's support for this plan enshrined in legislation with guaranteed financing and a negotiated timeframe. Uncertainty would stifle resolve and make our planning more difficult, and developing this plan obviously must be respectful of provincial and territorial jurisdictions. You will see in our submission that we are not calling for a specific amount of money in the federal budget to achieve this goal.

We are proposing the development of a long-term strategic plan that will reduce the infrastructure deficit to zero within this generation. With a healthy budget surplus, the federal government can now afford to take this long-term strategic approach, and we have a successful model. When he was finance minister, the Prime Minister set a series of targets that provided accountability and fostered political discipline. The approach worked. It shrunk the budget deficit to zero and laid a foundation for today's healthy surpluses.

We think this same approach will work to erase the infrastructure deficit: a twenty-year national plan with targets, accountability, and long-term commitment from all orders of government. And the sooner we get started, the better.

• (0935)

As a recent FCM study demonstrated, the longer it takes to eliminate the infrastructure deficit, the greater the cost to our taxpayers. The infrastructure deficit follows the same logic of compounding as the budget deficit; preventative maintenance costs much less than outright replacement. Every day we delay will cost our Canadian taxpayers millions of dollars and further erode our ability to compete and maintain our quality of life.

Eliminating the federal budget deficit produced dividends for the Canadian economy, including the current surplus and the freeing up of resources for health care and other purposes. Eliminating the infrastructure deficit would relieve the economy of the drag of outworn, inefficient infrastructure always in need of repair.

At our annual conference in St. John's last June, the Prime Minister compared the new deal for cities and communities to the building of the Canadian Pacific Railway in the 19th century. He called it a national project of our time; eliminating the infrastructure deficit is a key part of the new deal. Canadian municipal

governments are ready to get started now and will be there until the last spike is driven.

Merci, thank you, and I will be happy to answer any questions you may have.

The Chair: Thank you, Ms. Kovach.

The First Call: BC Child and Youth Advocacy Coalition, Mr. Kerstetter.

Mr. Stephen Kerstetter (Member, Co-ordinating Committee, First Call: BC Child and Youth Advocacy Coalition): Good morning, ladies and gentlemen. I'm Steve Kerstetter, a member of the First Call coordinating committee. With me this morning is Adrienne Montani, who is First Call's community mobilization coordinator.

First Call: the BC Child and Youth Advocacy Coalition is a coalition of provincial and regional organizations, smaller groups, individuals, and mobilized communities that share the common belief that children and youth should have "first call" on the resources of government.

I would like to underline several of the points in the written brief we submitted to you some time ago. Our recommendations regarding program improvements cover a great deal of ground. They cover federal child benefits, child care, housing, minimum wages, and parental leave. We believe that all these improvements need to be made and in fairly short order if we're really going to make a dent in child poverty in Canada.

I should add that First Call is a partner of the national campaign, Campaign 2000, to eliminate child poverty in Canada at the earliest possible date. Our program recommendations are fully consistent with recommendations you've already heard from Campaign 2000 and other partners.

We sometimes get the feeling that the folks at Finance believe they can pick one item from a list and consider the job done. When we're talking about child poverty, this is a concern to us. There's no one magic bullet that will eliminate child poverty. An example we use in the brief is the example of poverty among seniors. It wasn't one thing that was done; it was a series of things that were done in conjunction with each other.

On the taxation side, our overall goal is to find ways to cover the cost of needed improvements on our income support programs and social safety nets on a continuing basis. More specifically, we would like to see a more progressive tax system and tax changes that have a meaningful impact on Canadians.

In our brief we give the example of tax deductions for RRSP contributions. Under the present system, rich taxpayers get a 29% tax break federally and poor taxpayers get a 16% tax break. That's simply not fair, and it costs the federal treasury huge amounts of money. The latest taxation statistics suggest that shifting to a 16% tax credit for all contributors would save the federal treasury some \$1.7 billion a year and make the tax system fairer at the same time.

We also raised the question of meaningful tax breaks. The 2005 budget proposals on personal and spousal amounts are an example of what not to do, in our view. The eventual cost of raising the amounts is estimated in the budget papers at \$3.5 billion a year. But the benefit to individual taxpayers may be almost too small to notice.

Another more recent example of what not to do is the budget surplus legislation tabled by the Minister of Finance earlier this month. In our view, it's a very poor substitute for proper budgetary planning and proper management on both the spending and revenue sides of the federal balance sheet.

We thank members of the committee once again for this opportunity to present our proposals, and we'd be happy to answer any of your questions.

The Chair: Thank you, Mr. Kerstetter. You're the winner. I think I have to pay you for all this time you've given us. Thank you.

From the University Colleges of British Columbia Consortium, Mr. Buchan.

● (0940)

Mr. Robert Buchan (Executive Director, University Colleges of British Columbia Consortium): Thank you for seeing us. I'm here today with Skipp Triplett, the president of Kwantlen University College. We represent the three university colleges in British Columbia: Kwantlen, which serves Richmond, Surrey, Delta, White Rock, and the Langleys; the University College of Fraser Valley up in Abbotsford, Chilliwack, Mission, Hope, and Agassiz; and Malaspina University-College, centred in Nanaimo and also in Cowichan, Parksville, Qualicum, and Powell River.

We're publicly funded, comprehensive, undergraduate universities that offer a wide range of baccalaureate degree programs, including arts, science, business, and selected graduate degrees. Just as importantly, we offer a full range of trades and technical training. Each university college now has more students attending than over half the traditional universities in Canada, and last year we collectively enrolled 62,000 students and conferred over 5,100 degrees, diplomas, and certificates.

The themes of this year's finance committee were focused on enhancing productivity growth in Canada and investing in entrepreneurial capital, human capital, and physical capital. So we're going to present our views and a couple of recommendations regarding post-secondary human resource issues, as well as resource commercialization and knowledge transfer. We note in that context the Conference Board report this morning that Canada has dropped from sixth to twelfth place in the economic pecking order, giving reasons around productivity and research spending. So it's a fairly timely conversation.

Our first area is the recruitment and retention of faculty. University colleges, like all post-secondary institutions, face a pretty

serious demographic challenge. Student demand, fuelled by higher graduation rates, higher post-secondary participation rates, and demographic growth, is expected to grow significantly in B.C. over the next decade. In fact, the provincial government is committed to funding an additional 25,000 seats over the next five years to accommodate this growth.

However, over the same period, the university colleges of B.C. will be required to replace 34% of their full-time faculty. Our faculty is notably older than the overall B.C. workforce. For instance, 21% of permanent, full-time university college faculty are 55 years of age or over, compared to 9% of the overall B.C. workforce. As an added pressure in this area, the Laurier Institute estimates that B.C.'s traditional universities will have to replace 72% of their current faculty over the same time period—and they recruit their faculty from us. So the implications are clear for us: no teachers means no teaching. While we're going to take advantage of B.C. having the second-highest rate of Internet connection in Canada with online studies, we still need to compete to recruit faculty, especially doctorate levels at the national and international levels.

So our first recommendation is to put more professors in the classrooms to accommodate more students. In the same manner that all levels of government have worked together to provide incentives in recruiting other scarce critical occupations such as physicians, we recommend that the federal government consider incentives to train, recruit, and retain doctorate-level faculty. There are already various scholarship programs to reduce PhD training costs, but the federal government should consider recruitment and retention incentives, such as increased research grants, coverage for sabbaticals, and performance bonuses.

The second area we want to talk about today is research and development. B.C. lags behind the Canadian average in research and development investment. When it comes to research and innovation, Canada's future depends on creating the best research and innovation climate in the world. The B.C. Progress Board reports that in 2000, B.C.'s research and development spending as a per cent of GDP trailed that of Ontario, Quebec, Nova Scotia, and Manitoba.

We're currently successful in accessing limited research innovation funding through various sources, including Western Economic Diversification, the knowledge development fund, provincial research chairs, Industry Canada, and other national research bodies. However, through the challenge of competing for funding with internationally renowned research universities such as UBC, as well as onerous requirements for local cost-sharing partnerships, the innovation research needs of rural B.C. are not being met. This gap contributes to lost opportunity, knowledge transfer difficulties, PhD recruitment issues, and reduced economic spinoffs, particularly outside the catchment areas of the traditional research university.

● (0945)

We believe that a priority of federal funding should be to extend the research and development footprint of B.C. so all regions benefit fully from federal research and development initiatives.

Post-secondary institutions perform multiple functions, but most would agree that the chief among these are instruction and research. University colleges are suggesting that these functions could be funded independently. The federal government could fund post-secondary innovation or research, and the provincial government could fund post-secondary instruction costs. Moving to a system similar to that in the U.K. would allow for a transparent system of funding teaching and research in B.C.

In B.C., the province's general operating grant to post-secondary institutions covers instruction and research. Separating provincial instruction and federal research funding would allow Canada's knowledge and innovation strategy to extend itself beyond the current research footprint to university college and community college locations throughout the province. This kind of policy would allow the province to respond to the population pressures and demand for post-secondary education where they are heaviest—in the Lower Mainland, Fraser Valley, and Okanagan. It would then allow the federal government to respond to the research and development needs in other parts of British Columbia.

Following a model similar to the national child benefit, the federal government would supplant the research portion of the provincial operating grant to post-secondary institutions, allowing the province to redirect that portion of funding to the instruction side to meet the challenge of student demands. Taken together with federal government PhD programs, there would be both research funding and qualified research recipients to allow government to extend its innovation agenda into the regions of B.C. most starved for help.

So our second recommendation is, using federal-provincial-territorial social service funding models, flow research and innovation agenda resources beyond the urban B.C. footprint in consultation with university colleges and community colleges of B.C. This action would relieve rural B.C. of unattainable matching requirement, kick-start rural economic opportunities, assist recruitment of doctoral-level faculty, and extend meaningful federal innovation agenda influence into non-traditional geographic areas.

We think Canada's innovation strategy hits the mark when it says Canada depends on universities and colleges for research and our supply of highly qualified people. We will need more graduates with research-based master's and PhD degrees, and not just from our largest universities. While few universities excel in all disciplines,

none can afford to be less than excellent in some. Pressures for specialization and depth will grow as global competition increases. This will be particularly true for smaller universities. Our research agenda, which is solidly based in curiosity-driven inquiry, must increasingly contribute to the economic and social well-being of Canadians.

In summary, the opportunity we outlined for federal consideration of recruitment and retention of PhDs, along with better access to research funding, comes together in our institutions where doctorate-level teachers bring research into the classroom, the community, and their careers. In turn, that research activity raises instruction quality, builds local economies, generates a new pool of instructors, and increases our competitiveness in the education export market. At the end of the day, our B.C. communities are stronger for it.

Thank you.

The Chair: Thank you.

We're on time, so we'll go to seven minutes for questions and answers. Please keep your answers precise and brief so the members can ask more than one question.

Ms. Ambrose.

Ms. Rona Ambrose (Edmonton—Spruce Grove, CPC): Thank you, Mr. Chair.

Thank you for all of your presentations today.

I have a brief comment to Ms. Hart and Ms. Tannahill. I think you probably know by now that our party doesn't necessarily agree with the Liberal policy on day care. But I sympathize with you, because I have seen, as provincial accords have been signed across the country, that the implementation has not been what was promised at the federal level. In particular, we see that with federal-provincial agreements in terms of accountability and transfer, and that's now what the provincial governments are dealing with.

You brought up compliance. Last week the Prime Minister said he will not interfere in how provincial governments deliver not only health care but day care.

I sympathize with where you're coming from, which is why we feel strongly that we shouldn't give the money to politicians. We think it should go straight to families. We think that will be more accountable. It will also ensure that families who may not use the program or who might choose to use other programs aren't excluded. I only wanted to say that I sympathize with the battle you're having at this point.

I want to talk a little more about accountability and compliance with regard to post-secondary education. I think it's a recommendation our finance committee could perhaps make in terms of how the money is allocated. You brought up the notion of a targeted transfer.

You talked about anecdotal evidence. I myself started my master's degree and I had to quit. I wouldn't consider that I was low-income at the time. I came from a middle-class family, but I couldn't afford to stay for my master's degree and had to quit. Then I returned to it later.

Many of us are in the same situation. I like to brag that our caucus has more elected young people than all of the other three parties combined. All of us have gone through this post-secondary issue.

This year we've adopted a policy of exactly what you're asking for, which is asking the government for a targeted transfer specifically for post-secondary education. This is so important, because, as we know, when the money is transferred, it doesn't necessarily create new spaces and it doesn't necessarily help tuition reduction.

Could you talk to the committee a little more and explain why it is so important to have a targeted transfer specifically for post-secondary education?

● (0950)

Ms. Lisa MacLeod: Well, there are a couple of things.

We've submitted a written submission to the committee. If you look at pages 7 and 8, it goes into a little more detail about having a targeted transfer for post-secondary education.

The vision is for the federal government to sit down with the provinces and really articulate a national vision for post-secondary education. It would be one in which the provinces are accountable for the money they receive, similar to the Canada Health Act; where education is publicly administered; where there are provisions for accessibility in order to reduce tuition fees and to ensure that students from average families can attend post-secondary education; comprehensiveness of instruction would be ensured; quality would be ensured through, for example, reduced class sizes, increased instructional support, and things like that; and other things that are important, such as academic freedom, would be ensured.

I think it's important, because if you look at some of the initiatives around federal funding for post-secondary education, some of them tinker around the edges a little bit, but we really need to sit down and look at the whole system. Students really need the federal government to provide adequate funding for post-secondary education. The best way to do that is through a national transfer that's administered under a Canada education act to ensure that the money goes where it needs to go and to ensure that students from all backgrounds will have access to the education they need.

Ms. Rona Ambrose: I want to make sure we're on the right track here. I think the other thing to know from our meetings with student groups is on the issue of a targeted transfer. Right now with CHSC everything is kind of rolled into one. The province then decides where the money goes, and it doesn't necessarily go to post-secondary education. The idea would be that it would be targeted specifically for that.

Is that what you're asking for?

Ms. Lisa MacLeod: Could you clarify that?

Ms. Rona Ambrose: With the Canada health and social transfer mechanism, right now the money that goes towards post-secondary education isn't targeted. It kind of comes in a lump sum, I guess. My understanding, from groups we've been meeting with, is that it would be targeted specifically so that there would be more accountability and transparency. The provinces and post-secondary institutions would know how much money they're getting.

Mr. Scott Payne (B.C. National Executive Representative, Canadian Federation of Students - British Columbia Component): Yes, absolutely. The problem with the CHST right now is that it's very difficult to figure out exactly how much money is going to the provinces for post-secondary spending. It's very difficult to hold the provinces to account to make sure they're spending that money responsibly and that it's going towards the best interests of the institutions in the provinces and the students in the provinces.

If we had a dedicated transfer payment, it would more clearly delineate how much money is coming in. It would enable students and different post-secondary stakeholders to actually hold provincial governments to account for the money that's being transferred and to make sure it's going towards benefiting students in the provinces. You're absolutely correct.

Ms. Rona Ambrose: Okay. Thanks.

Do I have more time?

The Chair: Yes.

Ms. Rona Ambrose: I want to review another issue with the BC Transit Authority, Mr. New.

You probably heard that our party recently announced an idea for a transit tax policy. I want to get your feedback on that. We got feedback from a lot of environmental groups like the Sierra Club, which supported it, and other municipalities.

The idea is to use tax credits for families. They can get a tax credit for buying on a personal basis or buying for dependants. It's a way to increase ridership, get people out of their cars and into public transit, and then of course hopefully increase the municipalities' help to the community to invest, whether it's for greener technologies or more public transit.

Could you just comment on whether using a tax credit like this is something that can help?

● (0955)

Mr. Steve New: Yes. Our association, the Canadian Urban Transit Association, supports the idea of a tax credit. We don't have any firm position with respect to the Conservative proposal that was announced this summer. There's a slight emphasis on the employer-provided transit benefit that was originally proposed by the association as perhaps being a more administratively direct way to direct those benefits, but we're open for discussion on those points.

Ms. Rona Ambrose: Can I ask one more?

The Chair: Just quickly.

Ms. Rona Ambrose: Can you just explain what you're suggesting with employer-provided transit benefits? I understand, but is it as universal as it should be? I mean, are seniors going to be able to benefit from this? Is it just for people who are working? Is that what you mean?

Mr. Steve New: It would be directed primarily towards commuters in order to boost ridership and provide some of the benefits we're looking at in terms of cleaner air, reduced greenhouse gas emissions, less roadway construction, and less parking infrastructure.

Ms. Rona Ambrose: This is for people who are working. Is that correct?

Mr. Steve New: That's correct.

Ms. Rona Ambrose: Okay. Thank you.

The Chair: Thank you, Ms. Ambrose.

Monsieur Bouchard, sept minutes.

[Translation]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman. Thank you as well to all of the witnesses for sharing their views with us and for making a submission. My first question is for the Canadian Federation of Students — British Columbia Component.

You talked about the fact that the Canada Millennium Scholarship Foundation had not achieved its objectives. You are the second group to voice this opinion in this forum. The first was the Canadian Association of University Professors. Appearing before the committee in Ottawa, this association called for the outright abolition of the Canada Millennium Scholarship Foundation. Basically, you are of the same opinion. Quebec only signed the agreement respecting this Foundation after several years of putting up some resistance. My party was also opposed to the creation of this entity.

Do you believe that the Foundation should never have been established in the first place, given its failure to meet its objectives? It's fair to say that students are as indebted today as they were in 1998.

[English]

Ms. Lisa MacLeod: Thank you for your question.

It's true that the Millennium Scholarship Foundation was created in 1998. As I said, then Finance Minister Paul Martin asked that the foundation reduce students' debt by up to \$12,000 for those students who were most in need and borrowing most heavily. You're absolutely correct, the Millennium Scholarship Foundation has not achieved that goal, and in fact there are some provinces where the Millennium Scholarship Foundation has contributed but done nothing to reduce students' debt. So, yes, the funds that the Millennium Scholarship Foundation—created with a 10-year mandate—received would absolutely have benefited students more had it gone directly through something, for example, like the needs-based, upfront grant program through the Canada student loan program. That would have ensured that students who were most in need would receive the money they needed, and it would also have ensured transparency and accountability for those funds.

[Translation]

Mr. Robert Bouchard: My second question is for the Federation of Canadian Municipalities. You stated that municipalities have too many responsibilities and too little money. You also said that a long-term plan should be developed and that the infrastructure deficit should be eliminated.

I was happy to hear the Federation of Canadian Municipalities say that jurisdiction should be respected. My party and my province, Quebec, are very serious about upholding jurisdictions because in some respects, municipalities are provincially created entities. You see where I'm going with this.

In the opinion of the Federation of Canadian Municipalities, are federal transfers to the provinces and subsequent provincial transfers to municipalities, the solution to eliminating the infrastructure deficit?

• (1000)

[English]

Mr. James Knight (Chief Executive Officer, Federation of Canadian Municipalities): Thank you very much for the question, and thank you for your initial comment in support of these programs, which have been really quite important for our sector in all provinces and territories.

With respect to elimination of the deficit, we did underline in our submission that there have been a number of commitments that have been very useful, but it's really critical that we have a long-term plan. That would mean, for example, on the gas tax, that we have more than five years. Five years is not enough time to plan major projects. The other program funds, for the most part, are pretty well used up. There was a commitment that they would be renewed. We need to know well in advance that those renewals will be in place so we can plan against that.

But also I think there is a sense that we've moved ahead quickly on these programs and we need to conduct an analysis to ensure that we're on the right track. We need a policy framework to prioritize types of investment. We need discussions—federal, provincial, municipal—to make sure we maximize the value of these funds. That's our proposal. We need a long-term plan. We think that's the way to eliminate the deficit for all time.

[Translation]

The Chair: You have one minute remaining, Mr. Bouchard.

Do you have another question for the witness?

Mr. Robert Bouchard: No.

[English]

The Chair: Thank you.

Ms. Crowder.

Ms. Jean Crowder (Nanaimo—Cowichan, NDP): Thank you, and I'd like to thank the panel for their presentations.

I'm going to make a couple of very brief comments. Because of the nature of this, I don't want to ask everybody a question. One is that one of the underlying themes that has come out consistently over these past few days is that we need to hold the provinces accountable for the federal money that comes into the provincial governments. We've heard about child care, housing, health, education, and transit. So if any of you have any magic solutions on how we might want to do that, because of course provinces resist that.... I'm not suggesting we have that discussion today, but it is a problem.

I'm going to just make a couple of quick comments. To the Canadian Federation of Students, you're right about sticker shock. You're right about the millennium scholarship. On Bill C-55, I would absolutely agree that we need to reduce the bankruptcy protection for students to zero. That is what we would be suggesting as the NDP.

With regard to the consortium from the universities and colleges, research and development is the underpinning of our productivity. We absolutely must invest money in that, and we must also engage in the knowledge transfer that moves it from research to actual commercialization, so I would actually support that as well.

With transit, I would support your recommendations around the tax incentives to encourage employers to have their employees commute rather than use roadways and cars. That's a very important incentive. We know we get what we measure.

For the child care, we had extensive discussions yesterday, so I'm not going to specifically ask a question, but we support a national child care program.

For one of my favourites, the Federation of Canadian Municipalities—I was a former municipal councillor, so I have a great deal of interest—I do have a question. The downloading to municipalities that has happened in some provinces has been almost criminal, because as we all know, there is only one taxpayer. Municipalities have a very limited ability to raise funds, and mostly it's from property taxes. In British Columbia we had something that was called not only “downloading” but a lovely new term, “soft-loading”. What that meant was that the provincial government determined they were no longer going to provide or perform a service and it was up to the municipalities to choose whether they offered it or not, so it was an inadvertent way of pushing down decisions.

One of the other things I've noticed about municipal governments is that they are often required to find partners to provide programs. I'd like you to comment specifically on the challenges for smaller communities in finding partnerships in order to deliver some infrastructure programming and on what you would suggest the federal government look at in terms of the smaller municipalities. The big cities have a mechanism to put a lot of pressure on the government, but the smaller municipalities don't and they're often left out of the equation, and per capita funding doesn't work for smaller municipalities—or smaller colleges.

● (1005)

Mr. James Knight: We won't pretend for a moment that this is not a very difficult challenge. You're quite right that the larger communities have more diversified resources, probably a higher level of skills on staff, and a greater ability to manage their affairs. Not that they don't face enormous challenges; they do, but when we

get to very small communities whose populations may be declining, whose property tax base may be declining, it is really a great challenge to know how to proceed.

Some of the programs that are put in place are designed for smaller communities. The municipal and rural infrastructure fund, for example, recognizes that there needs to be a particular focus and tries to respond to that. As well, in some jurisdictions the funding formula for smaller communities has eliminated the municipal component; the federal and provincial governments have agreed to that between them, and that's a model that might work for other jurisdictions. This is typical in some eastern provinces.

Finding public sector partners for those small communities, if you meant public-private partnerships, probably is not a direction that will work for many of them. The scale is inadequate. Perhaps you could bundle many opportunities on a regional basis. If it's waste water, you could perhaps bundle opportunities so the scale is large enough for private sector interest, and that has happened as well. I think there will be a need for these small communities to find ways to work together among themselves on a regional basis, potentially sharing services, potentially sharing staff.

Ms. Jean Crowder: But what could be a role for the federal government in that, because we're specifically looking at the federal government role here? My experience with smaller communities is they often don't have the capacity to do those kinds of things, so what's the role for the federal government?

Mr. James Knight: I think the B.C. model on the gas tax is interesting because it has moved to what they call “pooled funds”. These are regional projects that will be supported, primarily. This has not happened in other provinces, but the Government of Canada has responded favourably to that initiative from British Columbia, and this very much is in the federal thinking. To what degree it will play out I can't be sure.

Certainly I would say this, that we're in an early period of recovering the infrastructure deficit. We've been working at this really for only a short time, and there is a lot of policy work and a lot of thinking that needs to go on between the Government of Canada and the provinces for us to get to the root of the problems you've identified. We called for that in our brief, a real reflection about the policy structure here.

● (1010)

Ms. Jean Crowder: Thank you.

I just wanted to make a comment. Yesterday the board of trade provided us with a sampling of nations more productive than Canada, and interestingly enough, countries like Sweden and Norway are more productive than Canada yet have substantial social infrastructure.

Mr. Kerstetter, this is a question for you. I heard a comment thrown out: well, how are we going to pay for all that? I would argue that if we don't pay for it, we actually end up paying for it in other ways through health care, through justice, through our education system, and through our social services system. I wonder if you could specifically comment on the kind of investment that is needed in people, in children and families, in order to prevent that spillover into other departments.

Mr. Stephen Kerstetter: Thank you very much for the question.

The costs of the kind of proposal we're talking about really are substantial. We were talking about child care a couple of minutes ago. Most of the experts say a full-fledged, high-quality national child care system would cost in the order of \$12 billion a year, and that's a heck of a lot of money. But we believe the purpose of government is to marshal resources and to solve problems within the population at large, and we feel this would be a very worthwhile use of the money that's collected by government.

You hear this argument sometimes as to whether Canadians are taxed properly, undertaxed, or overtaxed. It was interesting; I looked at the taxation statistics a couple of weeks ago, and for the group with incomes of \$250,000 and above, the effective tax rate both federally and provincially on that income is 33%. That tells me there is ample room here to raise money more efficiently and more fairly and more progressively in order to support the big-ticket items like child care, enhanced child benefits, public housing, and other things that really are important to individual Canadians.

The Chair: Ms. Montani.

Mrs. Adrienne Montani (Co-ordinator, Community Mobilization, First Call: BC Child and Youth Advocacy Coalition): I wanted to respond to your suggestion that prevention is actually cost-effective and just reinforce the notion that this is something we know from the research, that the investments in prevention, though large, will dramatically de-escalate the costs we require for crisis intervention in the education system, in the health system, in the criminal justice system, etc. We know that doing well by our children and families in their early years is the most economical investment we can make.

I just wanted to thank you for the comment and reinforce that.

Ms. Jean Crowder: I have just a quick comment. Tax credits are often thrown out as a panacea for this, but we have a significant percentage of the population who pay very little tax, so tax credits really don't benefit them all that much.

The Chair: Thank you, Ms. Crowder.

Mr. Bell.

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

Mr. New and Mr. Harmer, I noted the two recommendations you had. First of all, there was \$55 million for the hydrogen fuel cell buses, and the other was the reference to the employer-provided transit benefit. You've indicated in response to Ms. Ambrose's question that the reason you're targeting that is because it addresses the main thrust, which is the commuter traffic, which is where the congestion is, if we're dealing with the costs of congestion.

I guess you're aware that we've got some hydrogen fuel buses. I was at a celebration—if you want to call it that—last week in North Vancouver in my riding, where Sacré-Davey, who are innovators in hydrogen fuel cells, had a bus and some vehicles, and they're moving ahead. There's \$12 million of federal funding that has gone into that innovative technology to make Vancouver in fact a demonstration area.

For the Canadian Federation of Students, Lisa and Scott, I have three questions. With respect to debt reduction, starting on page 6,

recommendation 4, you talk about 12,000 borrowers and you suggest this should apply retroactively. Are you in effect then talking about 60,000 students?

Ms. Lisa MacLeod: Sixty thousand students who should be reassessed for the criteria?

Mr. Don Bell: Yes, because I think you're saying that instead of 12,000, it was about 500. By asking for the retroactivity, are you suggesting potentially, or in effect, that we try to meet that target of 12,000 students per year?

Ms. Lisa MacLeod: I guess that's one potential implication. I think the material we provided in support of this recommendation demonstrates that the debt reduction in repayment program, while it looked really good on paper, actually has done very, very little to assist those students it was implemented to help. So one way would be reassessing those previous applicants who were denied debt reduction in repayment under the more stringent criteria that existed before those were loosened up a little bit.

Mr. Don Bell: In your assessment would it be 12,000 per year? If your recommendation is followed, are you in fact talking about going back to 60,000 students? I guess that is my question.

Ms. Lisa MacLeod: Well, the 12,000 students a year are those Paul Martin promised, as finance minister, this program would assist. If it were to meet the targets that he originally set out for the program, then potentially it could reach that number.

● (1015)

Mr. Don Bell: On page 7, in recommendation 5 regarding the Bankruptcy and Insolvency Act, your recommendation is for the repeal of the 10-year prohibition. In reading your presentation and listening to you, you mentioned that the original recommendation that came out was to go from ten years to five years and that the bill is now ten years to seven years. Do I understand your recommendation to be its elimination, or to not have any?

Ms. Lisa MacLeod: That's correct.

Mr. Don Bell: What is the incentive then for students to pay?

Ms. Lisa MacLeod: I think there's some mythology around the idea of students declaring bankruptcy on their student loans. There's a leading expert in the area of debt and bankruptcy in Canada who points out that the vast majority of students who declared bankruptcy on their student loans had annual incomes of less than \$14,000 a year. Clearly these are students who are in dire straits.

When you consider that the cost of post-secondary education has increased dramatically in Canada over the last 10 years and that there are many students who graduate with \$25,000, \$35,000, or \$40,000 in debt, the students who have to declare bankruptcy are those in the most dire economic situations. Bankruptcy is not something that's easy to do and not easy for an individual to go through; it obviously has serious ramifications for a person's future, and it is not something people take lightly.

These recommendations simply ensure that those students who do find themselves in the most desperate situations have a final recourse.

Mr. Don Bell: I noted on page 10 that you also supported the PM's plan to separate the portion of the Canada social transfer, as you say, to improve transparency and accountability. You also make reference to a theme that's come up today in wanting to see specific and binding conditions on those transfers so that they go to their targeted purposes.

Thank you.

To Diane Tannahill or Kathy Hart, do you know what the vacancy rates in child care are right now? We had some conflicting discussions yesterday, with some suggesting there were lots of vacancies and other suggesting there weren't.

Mrs. Diane Tannahill: You mean the vacancies in spaces currently?

Mr. Don Bell: Yes.

Mrs. Diane Tannahill: I don't know the number of them, but I do know there's a twofold answer. There are actually long waiting lists for some ages of care, and there are vacancies, I think, in school-age care, because it has been devastated the most.

I don't know the total number of what's vacant in the province.

Mr. Don Bell: There was a suggestion that there were lots of spaces available and others said there weren't. I didn't know if you have....

Mrs. Diane Tannahill: I think it depends on what community you're looking at as well. I think it also depends on the age range you're looking at. For children under the age of 6 who are in care, I doubt there are very many vacancies for them; in fact, a lot of organizations have long waiting lists for that type of care.

Mr. Don Bell: Thank you.

To Jim Knight and Gloria, welcome. You know that I served on the board. Congratulations on finally getting the gas tax after all those years of battle.

I had one question about your reference to the gas tax. I looked at your brief, but then I heard you verbalizing something different. You said it needs to go beyond the five years. Something we're trying to make very clear is that the gas tax commitment is beyond five years; it's to ramp up over five years and then to carry on as sustainable funding, which is what the goal of the FCM was.

Mrs. Gloria Kovach: Thank you, Don. You're right, and we acknowledge that. I think what we need is a firmer commitment, something that is perhaps legislatively enshrined. I know it's ramped up over five years, but we're still really not clear on what happens after that five years. We're hoping, and certainly our discussions have

been, that it will continue, but we haven't got a clear commitment to us yet on what will happen after that.

• (1020)

Mr. Don Bell: Just so you know, I've asked that question of the Prime Minister and we've asked it within our own caucus. The ramp-up is just to get it up to the five cents. It's not five cents of the gas tax; it's the equivalent of five cents of the gas tax, so that if in fact we're successful in moving away from fossil fuels in the future, that money will not be lost to municipalities. It will be the value of the five cents, and the value would be maintained by some kind of an inflation adjustment so that this value or the five cents would stay there. That's meant to be permanent. It's what we talked about as sustainable funding for municipalities.

Mrs. Gloria Kovach: And that's clearly what we're asking for in this submission. I know it's unusual for us to come before you and not have a specific dollar amount we're asking for. What we're really asking is, let's firm up that commitment; let's get it down so that—

Mr. Don Bell: I'll see if we can find something, because there are lots of references to it being permanent.

Mrs. Gloria Kovach: Thank you, Don.

The Chair: Thank you.

Mr. Penson.

Mr. Charlie Penson (Peace River, CPC): Thank you, Mr. Chair, and thank you to the presenters here this morning.

I'd like to direct my comment and questions to the Federation of Canadian Municipalities in particular and just remind you and Mr. Bell that James Moore, one of our members from this very area, put forward the idea of a gas tax rebate to the municipalities almost five years ago. The current Prime Minister, who was the finance minister at the time, and the Liberal Party voted against it. So you could have had it quite a bit earlier if it had passed in the Commons at that time.

I've been around here for 12 years now and I've heard this debate a lot, about how the municipalities work as a function of the provinces and the three levels of government, and it always concerns me, because to me it seems like the closest level of government to the people is the municipality. The municipalities are on the front line. They can make the decisions that are closest to the people and design the best programs. Yet you don't have the power to determine your own fate, to a large degree.

It seems to me that rather than coming hat in hand always to federal governments if a provincial government won't honour its jurisdiction—we see that a lot—or coming to the provinces, the best approach is to try to define a new role for the municipalities as an actual form of government, not a delegated form, and have the ability, as you've talked about in your brief, to be able to raise your own sources of revenue so that you can make those kinds of decisions locally. That, to me, is the ultimate goal, and I just ask you what type of work or success is being done on that front in order to try to bring more awareness that this is a big concern.

The municipalities are a growing level of government in terms of how many people they service, and yet you don't have the resources or the legislative means to do your work. So can you inform us what's happening in that area?

Mrs. Gloria Kovach: Thank you for your questions and for your comments. I endorse your comments. Certainly municipalities are experiencing a difficult time keeping up with just the cost of living, let alone the added responsibilities that are coming to them, and you're quite right about having to go through the different orders of government. We need to respect that. We need to respect your positions and those of the provincial and territorial governments; however, as another order of government, we need to be respected as well. I think we're moving in that direction with the new deal. Yes, we look at the new deal and we talk about the gas tax revenues, but also included in that is a new partnership, and I think we need to work as we're doing today and in the future. And we will be on the Hill in December to speak with you further about our partnership and how we can actually work together, because we all live in these communities and we all want to see them prosper. Certainly the community is the grassroots, and it affects all the orders of government.

We were talking earlier about the issue of taxation, and it came to mind that if I were to ask people what they have paid in GST over the last year, unless perhaps they're accountants or keep much better books than I do, most wouldn't be able to answer that question. But if I were to ask them what they paid in property taxes, I'm sure they could tell me down to the dollar. It's such a regressive tax, and we need to move beyond that.

So in answer to your question, it is our hope that the new deal is the first step in establishing those relationships with all parties that we can then move forward.

• (1025)

Mr. Charlie Penson: Ms. Kovach, I think you've identified in your brief one of the perverse aspects of the property tax, which is that you get this urban sprawl because you need the resource money from the property tax. I come from the Grande Prairie area of Alberta where we have some beautiful farmland—in fact that's my background—and we see the city bulldozing it off and piling it up. We see this all across the country, where really good farmland is being taken up because we have this sprawl. And part of the reason, I gather from your brief, is because that's one of the only sources of revenue for municipalities. So that's something that needs to be corrected, from what I understand from what you're saying.

Mrs. Gloria Kovach: Absolutely, you're quite correct in that. That's why we're looking at a long-term strategic type of plan for funding. Granted, Mr. Bell has talked about future commitments, and

we'd like to see those established so we know we can work together as municipalities. Smaller municipalities can be planning for infrastructure needs so we won't see this type of sprawl. Of course, the growth does not pay for itself and it's not sustainable. What we're going to see is an enhanced quality of life in our community and more strategic direction—

Mr. Charlie Penson: I do want to pick up from what Mr. Bell was saying about enshrining this in legislation and yet not dedicating any moneys towards it. What is the purpose of that? My concern is that you have sort of empty legislation then. Would it just be a general motherhood statement that yes, we support municipalities and that infrastructure in the future? Or what do you envision?

Mrs. Gloria Kovach: Of course I envision it being enshrined in legislation and as well seeing dollars flowing to municipalities on an ongoing and sustainable basis. For each of us as individuals in our homes, it's great if we were to buy a 6/49 ticket and get a lottery windfall. You can do lots with it, but that's not the way to plan for sustainable communities, hoping we can put our hands out and get windfalls. We need this long-term strategic plan so we can plan out that growth in our communities.

Mr. Charlie Penson: I'm sorry to interrupt you. It's just that my time is short.

Would that also envision that more of the excise tax on gas could be used? Right now there's only five cents a litre committed in that program, and the actual excise tax the federal government collects on gasoline is ten cents.

Mrs. Gloria Kovach: Actually, we're not asking for an increase in the gas tax sharing revenue. I think what we're looking for is a long-term commitment, and as well a continued commitment to things such as MRIF and other funds we are currently receiving so we see that sustainable commitment carry through.

Thank you.

The Chair: Thank you, Mr. Penson.

Okay, we'll have just two quick questions, one from Mr. Bouchard and one from Mr. Bell.

[Translation]

Briefly please, Mr. Bouchard.

Mr. Robert Bouchard: My question is for the University Colleges of British Columbia. You talked about the difficulty you have recruiting staff and teachers and retaining current staff, as well as the difficulty recruiting students at the doctoral and master's level. I understood you to say that the problem was due to demographics.

My riding is home to one of Quebec's smaller universities. Because of demographics and low enrolment, this university has a problem maintaining certain programs. As we know, university funding is based on enrolment levels.

Do you see Canada's demographics, or British Columbia's demographics in particular, as being a problem? Does it impact your universities?

[English]

Mr. Skip Triplett (President, Kwantlen University College, University Colleges of British Columbia Consortium): Yes, they are.

[Translation]

I'm sorry, but I speak very little French.

[English]

In the interest of time, I'll speak in English.

In the rural areas of British Columbia, some of the smaller colleges and the university colleges are all fairly large. But as you go into the rest of the provinces, to areas served by colleges, you are quite correct that some programs will not attract sufficient students to make up a critical mass so that funding on a per student basis works. What has been working fairly well in British Columbia—certainly better than in the past—is something called block funding, whereby an institution is funded on the basis of all of its students as opposed to program by program. That at least allows the college or the university to move those funds into programs that are needed. But you are still left with the overriding problem that things tend to be funded on the basis of the number of students. If you go into small colleges, for example, in Terrace or Prince Rupert, to northwest community colleges, their costs are higher because of where they are. Also, they have more problems recruiting, not just faculty but administrative personnel, and the cost per student will be higher. So as a matter of public policy, I think it's important that they are funded at a different level from that of a straight per FTE or full-time equivalent student count.

•(1030)

The Chair: Thank you, Mr. Bouchard.

Mr. Bell.

Mr. Don Bell: Going back to the FCM for a moment and your brief—and the point was raised, I think in Mr. Penson's question, about other sources of revenue for municipalities—there is one comment I would make, having attended the conference of U.S. mayors. On one of the issues, the reference you make in your brief is that U.S. cities have a lower percentage of reliance on property tax and have other sources. In some cases, they have sales tax. In some instances, the information I have is that over 50% of the taxes of the municipalities or cities in the U.S. come from sales tax. Just as you've pointed out that property tax can spur urban sprawl, though, sales tax can do the same thing, because then you have cities battling over who gets big box stores, shopping centres, and tax deals.

The experience I had at that conference was that reliance on sales tax, which fluctuates based on sales and the economy, was a real problem for cities. When the economy took a downturn, there was no sustainability. And that's one of the things we've said with the gas

tax: even if the sales of petro-fuels drop off, that amount of money, the equivalency, will stay there. So it's sustainability that's important.

I just wanted to point that out, because it was an issue you raised. Don't rely on cyclical taxes that would be there.

I want to say, by the way, that Mr. Moore is to be congratulated. The FCM fought for a lot more than five years to get that tax, and it was Prime Minister Martin who did, with the urging of the FCM, change his opinion.

The Chair: Thank you.

I have one or two quick questions.

To Mr. New, from BC Transit, on the \$55 million that you want to allocate for the fuel cell, how do you want us to recommend this? Is it through the buyer buying the buses, or the manufacturers?

Mr. Steve New: I'll let Ron Harmer describe the full project costs.

Mr. Ron Harmer (Vice-President, Technical Services, BC Transit): Our intent is to purchase the bus for a long-term deployment, so our intent is to have the money focused toward BC Transit, and we would engage the industry. The industry has told us that they're ready, the time is right, and the technology is here.

The Chair: Thank you.

And a question for Ms. MacLeod on the supposed \$1.2 billion gap. If we were to close that gap, where would the money go specifically? I understood you to say decreased tuition fees, but I use the example of Quebec. You can't get any lower than what we're paying in Quebec. If we look at Nova Scotia, where the tuition fees are probably the highest in the country, their enrolment is high. We can provide the money, but there just doesn't seem to be any accountability. I think some other people have addressed it, but it's a problem.

Ms. Lisa MacLeod: I'm sure tuition fees could go lower in Quebec; they could be free. But that aside, making up the difference in the \$1.2 billion funding gap is something we would recommend, in conjunction with looking at, for example, a national transfer for post-secondary education.

These recommendations are meant to be taken in party with one another. While simply providing the funding will give some measure of relief for the provinces that need more funding for post secondary education—

•(1035)

The Chair: So it's a mixed bag solution—giving some back in student loans and giving some to the institutions.

Ms. Lisa MacLeod: Funding for post-secondary education is obviously a complex issue. But if we look at per capita funding for post-secondary education, to bring it back up to 1993 levels, \$1.2 billion is the estimated guess that we've calculated.

The Chair: Fair enough. Thank you again.

It's tough when we have six or seven groups here, because the time is limited. Some probably didn't have the opportunity they thought they would, but it was very engaging. Thank you again for taking time out of your day. It was good for us.

The meeting is adjourned.

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