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Mr. Massimo Pacetti

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• (1405)

[English]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good afternoon, everybody. It's nice to see you all here, on time, and willing and able to go. As they say, we saved the best for the last. This is the last panel we have here in Moncton, so I'm hoping you don't disappoint.

We're here, pursuant to Standing Order 83.1, on the pre-budget consultations for 2005. Basically, because we have more than five groups, I'm going to have to keep your interventions to the time we've allocated, which is seven to eight minutes. I hope you respect the time limit. I don't want to interrupt, but if I have to, I will, because the members will want to ask questions.

We'll go in the order I have here. We have Mr. Davis from the Association of Nova Scotia University Teachers.

Mr. Bernie Davis (President, Association of Nova Scotia University Teachers): Thank you.

I'm Bernie Davis and I'm the president of the Association of Nova Scotia University Teachers. We're the provincial association for CAUT and we represent all full-time university teachers in Nova Scotia, except those at Dalhousie and the Nova Scotia Agricultural College. I'll speak primarily to the importance of human capital.

As Canada's economy becomes increasingly knowledge-based, a well-educated citizenry becomes more and more essential to economic growth. Universities are where education is provided to those who will become the best educated of our citizenry. Canadian universities, however, have been underfunded for the last two decades, and this has reduced the quality of university education. Faculty-student ratios have declined; professors have larger classes and less time for individual students. I suppose, if I looked at the guidelines you distributed, I should take an opportunity to boast about increased productivity of faculty members, but I won't do that. An increase in productivity achieved by increasing quantity at the expense of quality may be appropriate if the product is an item that is to be used once and then thrown away; it is not an appropriate trade-off if the product is the best educated of Canadian citizens.

Another consequence of underfunding is that more and more courses and sections of courses are being taught by part-time faculty. They work very hard for very little pay. I suppose, again, that's an increase in productivity, but they aren't provided with the resources they need to serve students as well as full-time faculty, nor do they usually do research.

University infrastructure during the same two decades has been crumbling around us. I live with this every day. This past weekend, a building on the campus of my university was used as a set for a movie. The moviemakers needed a space that would appear as it did during the FLQ crisis. They found one—the building my office is in. There was a little bit of poetic licence—it was actually last refurbished in 1973.

Atlantic provincial politicians are finally realizing there's a problem following their October 13 meeting on Prince Edward Island. The four Atlantic premiers announced they are switching their funding request priorities from health care to post-secondary education. They even said they need some of that money for infrastructure. Nova Scotia has refused to fund improvements in infrastructure for more than the last decade, so they are finally realizing there is a problem.

Bill C-48 will provide some temporary relief. Thank you, but we really need something more permanent. Our parent body, the CAUT, recommended a cash transfer program specifically designated for post-secondary education and suggested it be tied to GDP, so that it won't simply be given out once and then slowly decrease in value until we have another crisis. Of course, we agree with that recommendation.

We would also urge that all transferred funds be restricted to support publicly funded post-secondary education. The problem is that some provincial politicians would like to use it for such things as grants to industry, on the grounds they have to educate their workers; for example, if you're going to put a call centre in, they'll give you a grant. We don't mind their doing that, as long as they take it out of the funds for industrial development. We would prefer they not take it out of the funds for post-secondary education. We would like that to be restricted to post-secondary education, properly so-called.

Also, we should like to propose that any grants be based on the number of post-secondary education students in a province and not on the number of citizens in that province. Presumably, federal money is for educating Canadians, not for educating Canadians who happen to live in the province receiving the money, so we think each province should get its money according to how many students it's educating with that money.

Because of underfunding, tuition makes up 50% of university income in Nova Scotia. For some universities, including my own, the percentage is much higher. The result of this shift in university funding—from government funding to tuition—has been hardship for students. From the beginning, the federal government chose loans rather than grants for student aid. At first my province chose grants—a student's federal loan was matched by a provincial bursary. As this became more and more expensive, the province moved its funding from grants to loans, and the result has been a disaster of student debt.

●(1410)

When students who have survived on loans leave university, their debt is often crippling. In the past, the average student debt was enough to buy a used car. The average debt now will buy a very good new car, and some students' debt amounts would buy them a house in many Nova Scotia towns.

The alternative that used to be available to very good students isn't of much use any more. Since universities have been starved for funds, they have not been able to increase scholarship amounts in line with the increases in tuition. An excellent student in my university can get a university scholarship of \$2,000. Several years ago, that would have been fine. That would have been a full-tuition scholarship. Now, it's a third of a year's tuition, so basically the student is still left with more costs than the student can reasonably handle, even with a so-called full scholarship. That's just about as high as we go, because unfortunately that's all the university can afford.

The other effect of the high cost of university is that many students work long hours during the school year. Unfortunately, this is incompatible with getting full value from the courses they are taking, so after four exhausting years of going to university full-time and working nearly full-time, a student can finish with a huge debt and a C-minus degree.

This student productivity, again, is counterproductive. The product is inadequate. The skills and knowledge the degree should represent simply aren't there. Basically, the student has been trying to fit the courses into a full work schedule and get as much out of them as he or she can. Generally, the result is not the kind of degree we would like to be giving.

Because of the debt, professionals leave the province. I'm in the faculty of education at St. Mary's. Information from the registrar of teacher certification is that 50% of those who get their education degree in Nova Scotia leave the province for their first job. It's higher at some universities. One adviser at one of the Nova Scotia colleges, when advising graduates, used to ask how high their student debt was and then explain how many years it would take to pay it off if they taught in Nova Scotia. They left.

Statistics Canada has a study, "Access to professional programs amid the deregulation of tuition fees, 1995 to 2002". Using parents' education as a proxy for socio-economic status, what they found was that during these years in Ontario, where fees were rising rapidly, the chance of an upper socio-economic status student enrolling in medicine, dentistry, or law just about doubled, as did the chance of a lower socio-economic status student, but the chance for the middle socio-economic status student was cut in half.

●(1415)

The Chair: Do you want to conclude?

Mr. Bernie Davis: The only other thing I would like to say is that if you focus research on what is commercially viable by putting restrictions on grants, then what happens is that you find what is commercially viable now at the expense of what may become commercially viable in the future. Basically, it takes a long time for basic research to match what commerce can use. But if you haven't done it, then when you get to the point when you can use it commercially, you find you don't have the expertise you need.

The Chair: Thank you, Mr. Davis.

From the Atlantic Road Builders Association, we have Mr. Giggie.

Mr. Joe Murphy (Secretary and Manager, PEI Road Builders and Heavy Construction Association, Atlantic Road Builders Association): I'll start off.

Good afternoon, Mr. Chairman and other members of the committee. My name is Joe Murphy, and I am manager of the PEI Road Builders and Heavy Construction Association. With me is Lloyd Giggie, executive director of the Road Builders Association of New Brunswick. Today, we are presenting for the four Atlantic road builders' associations.

Last week, Mr. Jeff Morrison, of the Road and Infrastructure Program Canada, Canadian Construction Association, appeared before this committee in Ottawa, asking the committee to include in their report to the Minister of Finance a recommendation that in the next federal budget the government include an announcement for long-term sustained investment in Canada's national highway system. Mr. Morrison provided your committee with a detailed rationale to support his request. The Atlantic provinces' road builders fully support his request.

Following the Council of the Federation meeting in August of this year, a communiqué was issued that said, in part, regarding transportation and infrastructure:

Premiers announced today that they will be developing a comprehensive national transportation strategy. They observed that the Federation was built on a vision, expressed in a railway, to unite the country from coast to coast. This tangible expression of unifying the country continues to be reflected in our national transportation infrastructure, which now must include both east-west and north-south focus. Recognizing that Canada's provinces and territories have a range of differing infrastructure needs, Premiers identified Canada's transportation system as one of the most important foundations of our country's international competitiveness and noted that it is key to ensuring a better standard of living for all Canadians.

They expressed serious concern that absent or aging highway systems and congestion on key routes to airports, ports and border crossings are eroding Canada's ability to compete in the global economy.

I'll now defer to Lloyd.

Mr. Lloyd Giggie (Executive Director, Atlantic Road Builders Association): The Atlantic Road Builders Association is made up of the Road Builders Association of New Brunswick, the Nova Scotia Road Builders Association, the Newfoundland and Labrador Road Builders/Heavy Civil Association, and the Prince Edward Island Road Builders and Heavy Construction Association. The members of these four associations construct Atlantic Canada's vital infrastructure: its roads, its highways, its water and waste water systems, and its bridges. We could also add to that the seaports and airports. Some members also operate and maintain sections of highway infrastructure under the new kid on the block, the P3 agreement.

The deterioration of Canada's highways is alarming. In fact, the infrastructure deficit in the national highway system is now estimated at over \$22 billion. From federal and provincial levels of government and from industry, economic, environment, safety, and general public perspectives, we are greatly concerned with the lack of long-term funding commitments.

Geographical distances from major national and international markets impose additional costs on the Atlantic region to deliver its products from land and sea, its manufactured goods, and its mining products. As most Atlantic province exports are transported on highways, these routes must be in good condition to facilitate fast, efficient, economical, environmentally friendly, and safe transport to competitive markets.

There is no longer any rail service in either Newfoundland and Labrador or P.E.I., therefore making them even more reliant on their roads to support the following industries: tourism, trade, fishing, transportation and warehousing, agriculture, education, and health care.

With the reduction of medical and hospital services outside the urban areas throughout Atlantic Canada, a safe and efficient highway system is vital to transport workers and patients accessing health care.

This trend follows through Atlantic Canada in education as well. With the closing of schools in many small communities, the children are bused to schools in larger centres, thereby necessitating safe and reliable all-season highways.

Upgrading the highway infrastructure in the Atlantic region will provide a much needed economic stimulator, particularly in an employment area where upwards of 500 related construction and associate companies would be positively impacted.

Investing in Canada's highways provides a number of tangible returns. Investment will reduce accidents and save lives, which will cut costs to our health care system. Investment will improve economic efficiency, assist regional development, improve tourism potential, and reduce border tie-ups. Investment will help the environment by reducing unnecessary congestion and idling. Investment will lead to a direct improvement in the quality of life of all Canadians.

It is critical that the federal government act quickly to reactivate and expand the historical stable and long-term cost-sharing agreements for Canada's highway upgrading programs. We must stabilize and reverse the rapid deterioration of our aged highway

system to ensure Atlantic Canada's rightful place in the global market by investing approximately \$6 billion, including federal funding, over the next ten years, in the Atlantic highway system throughout Atlantic Canada.

Following the submission of our brief prior to the deadline date of September 6, the Council of Ministers responsible for Transportation and Highway Safety—which includes the federal transport minister and provincial and territorial ministers—at their annual meeting in Calgary on September 22, approved the recommendations in their task force on the national highway system review and proposed the addition of more than 11,000 kilometres to the national highway system. Previously, at their 2004 meeting, they had added 2,700 kilometres to the system.

With the addition of these more than 13,000 kilometres being designated to the national highway system in the last two years, there are wide expectations from the public and the industries that the system will receive major upgrading in the immediate future. In the Atlantic region, there were over 2,900 kilometres added to the system, which now includes a total of approximately 5,900 kilometres in our four provinces. Federal assistance is desperately required to assist in financing and to commence a major highway upgrading program in 2006.

Thank you.

• (1420)

The Chair: Thank you, Mr. Giggie.

From the Nova Scotia component of the Canadian Federation of Students, we have Ms. Sampson.

Ms. Danielle Sampson (National Executive Representative, Canadian Federation of Students - Nova Scotia Component): Good afternoon. My name is Danielle Sampson. I'm the Nova Scotia national executive representative for the Canadian Federation of Students. We represent over 82 member locals and more than half a million students across Canada. I'm pleased to be here to speak on behalf of our members in Nova Scotia.

In my remarks I'd like to focus on the issues of access to post-secondary education, student debt, and our recommendations for future policy directions of this government. It would be almost impossible to talk about access to post-secondary education without a strong focus on the role financial barriers play and who is and who is not able to attend a post-secondary institution.

In fact, the youth study showed that of those who listed barriers to post-secondary education, more than 70% of respondents cited financial barriers as their reason for not continuing their education. We can only assume those barriers are more pronounced in Nova Scotia, where, because of more than a decade of funding cuts, the highest tuition fees in the country are imposed, at an average of more than \$6,200 per year for an undergraduate degree.

The effects of high tuition fees do not end only with those who are able to begin their post-secondary education; high fees also affect those who are able to finish. A recent survey commissioned by the Canadian Federation of Students, the Association of Nova Scotia University Teachers, and the Nova Scotia Government and General Employees Union found that in the past two years alone, more than 14% of Nova Scotians reported that they, or someone in their family, had to drop out of college or university because of the costs. These skyrocketing tuition fees have also left students facing a mortgage-sized debt upon graduation. Because of our high tuition fees, Nova Scotia students borrow at a higher rate than other post-secondary students in the country, with more than 50% of Nova Scotia students borrowing from public sources and many more borrowing from private sources. This has forced average student debt to reach more than \$25,000 for an undergraduate degree. When factoring in interest over the life of the loan, the average student loan of \$25,000 becomes a staggering \$35,600.

I would now like to discuss some of the policy recommendations outlined in our submission that would most likely increase access to post-secondary education. The federal government took a good step forward with the introduction of the low-income grants, but it is only a first step. This fall, student loan limits were raised, allowing students to borrow more and more—to take on more debt in order to finance the ever-increasing costs of their education. This reliance on loans as a primary way to fund education is a regressive stand by this federal government. It forces those with the least to pay the most.

When compared against present tuition fee levels in Nova Scotia, the low-income grant is not adequate to provide the assistance a low-income student needs to pursue a university degree or college diploma. It is our recommendation that the low-income grant be increased from 50% of tuition fees to 100% of tuition fees and that the \$3,000 ceiling be lifted.

In the name of federal deficit reduction, billions have been cut from post-secondary education and training since the 1990s; despite recent federal surpluses, that money has not been reinvested in a meaningful way. In 2004, Prime Minister Paul Martin agreed with the students. The Canada social transfer should be split to create a distinct post-secondary education transfer. The Prime Minister then added that the dedicated transfer should reach \$7 billion to \$8 billion per year. The federal government should engage the provinces in negotiations to create such a dedicated transfer.

The federal government has also been investing heavily in tax credits for post-secondary education. This past year, \$1.5 billion was spent on tax credits that mainly benefit those who need it the least. For example, those who are able to get maximum benefits from the registered education savings plan are families who earn over \$80,000 per year. We recommend that the money spent on RESP and tax credit programs be transferred to the low-income grant. It is our estimation that this transfer alone would reduce student debt by more than 40%.

•(1425)

I'd also like to speak to the effects of the Millennium Scholarship Foundation in Nova Scotia. Then Finance Minister Paul Martin promised the neediest students their debt would be reduced by \$12,000. Unfortunately, seven years after the creation of the

foundation, not a single Nova Scotia student has seen their debt reduced by the foundation. Our provincial government simply ignored the non-binding gentlemen's agreement with the foundation, and the foundation and this federal government did nothing to stop them.

Despite receiving over \$2.5 billion in taxpayers' money, the foundation operates like a private corporation and is accountable to no one. We agree with the Auditor General that the Millennium Scholarship Foundation does not meet even the minimum requirements of transparency expected from a taxpayer-funded institution.

The Millennium Scholarship Foundation was a failed experiment that should not be repeated. Unfortunately, this experiment was conducted at the cost of low-income students and their families. The foundation is now aggressively lobbying members of Parliament for an extension of their mandate, and we ask that this committee reject any extension of the foundation's mandate and immediately wind down the operations of the foundation and transfer its funding to the low-income grant. This will ensure that at least a portion of the funding reaches students' pockets.

I would like to end by saying that we can work together to reverse the trends that we have seen in post-secondary education over the past decade: rising student debt as a result of high tuition fees and more and more low- and middle-income Nova Scotians being denied access to post-secondary education, not because of how much ambition they have, but because of how much money they have.

We believe there are ways of spending this money that are more effective and will close the existing funding gap.

I would like to thank the committee for their time, and I look forward to discussing any of our policy recommendations with you.

Thank you.

•(1430)

The Chair: Thank you, Ms. Sampson.

From the Financial Executives International Canada, Mr. Gorman.

Mr. Barry Gorman (Chair, Tax Committee, Financial Executives International Canada): Good afternoon. My name is Barry Gorman. I'm the chair of Financial Executives International of Canada's tax task force. FEI Canada is an all-industry professional association for senior financial executives, with 11 chapters across Canada and more than 1,700 members. Membership is generally restricted to senior financial officers of medium to large corporations, as well as senior financial officers in public sector organizations.

Our brief addresses a central theme of this commission's deliberations, that is, productivity. More specifically, the brief focuses on enhancing entrepreneurial and human capital, two of the committee's priorities. I will present a summary of our recommendations. A lengthier discussion is contained in our written submission, which was forwarded to the committee in early September.

Our brief focuses on three key issues: a modest but beneficial CCA enhancement related to environmentally friendly capital investments; a proposal to establish a private sector centre for continuing education and training to be financed by tax-preferred contributions from Canadian taxpayers; and the introduction of a Canadian corporate group tax reporting system. These proposals address key taxation and education issues of concern to FEI's membership.

If implemented, they would assist Canadian corporations and the government as they endeavour to meet Kyoto commitments, enhance the domestic and international competitiveness of Canadian corporations, improve the cashflow of many Canadian corporations, and alleviate a pressing problem related to the acquisition of timely and cost-effective continuing education by Canadian corporations and their employees. Furthermore, these targeted initiatives are either revenue neutral over the near to medium term, or negligible in terms of cost.

The CCA and group reporting proposals, and to a lesser extent the education and training centre proposal, were developed following consultations with our members. We have therefore benefited from the insights provided by individuals intimately familiar with the current tax rules, the impediments imposed by those rules, and the additional costs incurred by Canadian businesses because of these rules.

First, the enhanced CCA treatment. Budget 2005 established new and enhanced CCA rates for certain environmentally friendly capital investments. Currently, CCA is available only on one-half of net additions to a CCA class in the acquisition year. We recommend that this restriction be repealed for all environmentally friendly acquisitions, thereby allowing full CCA in the year of acquisition at a minimal cost.

I'll briefly summarize the centre for continuing workplace training and education. Mostly, all of our members are involved in continuing education of one sort or another. Strange as it may seem in a country with this many education institutions as Canada has, very few corporations actually know where they all are. Our recommendation is that the government assist the private sector in setting up a centre for continuing workplace training and education, preferably at a university or community college, designed to serve the continuing education needs of Canadian business and workers. Details of the activities of the centre are outlined in our written brief.

A centre that serves as a clearing house for job training and continuing education materials would go a long way to resolving many of the difficulties currently experienced by all parties seeking training and job-related education. This proposed centre could also be self-financed, and we also have a recommendation for a registered training fund, which would be a tax deductible contribution to the funding of the centre. There are other financing arrangements, such as conference fees, membership fees, etc., that could be used to finance this centre.

Finally, on a group tax reporting system for Canada, Canadian corporations are required to file taxes on a single entity basis. Consequently, it's not possible for corporations to directly—and I emphasize “directly”—transfer unclaimed losses, deductions, and credits to another group member. Losses of one group member, for

example, can only be offset against profits of subsequent or prior years of the corporation that incurred the loss. There is a tremendous amount of time and money involved in trying to access tax attributes that cannot be used. It should be noted that governments in all industrialized countries, other than Canada and Belgium, allow one form of group reporting or another.

• (1435)

Several years ago, our then tax committee surveyed their membership to determine their views on this issue. A fuller discussion of this survey is in our group report, but I would just like to point out three of the conclusions: 16% of the respondents noted their corporation had incurred lawsuits that had expired and hence were never usable; 7% indicated that they spent, in house, between 500 and 1,000 hours and a further 7% over 1,000 hours trying to design strategies to do nothing more useful than to make use of backed up tax losses. That's a heck of a lot of non-productive people working at a rather non-productive activity. Four corporations, in fact, indicated they had spent over half a million dollars trying to access trapped tax losses.

Group reporting would offer many benefits to the Canadian economy and obviously to Canadian corporations. I'll refer you to our written brief for a more extensive discussion.

I have one final comment. It should not be thought that only large corporations form corporate groups. Many small, corporate, family owned groups exist in this country. Those corporations incorporate groups for the same reasons as large corporations, and they would be equally beneficial recipients of the positive aspects of corporate group reporting.

FEI is prepared to work with finance to design an equitable introduction to this group reporting system.

Thank you for allowing the FEI task force to present our brief. We trust that you will consider our points seriously and will include them in your forthcoming report.

The Chair: Thank you, Mr. Gorman.

From the New Brunswick Real Estate Association, Mr. Hamm.

Mr. Hodges Hamm (President, New Brunswick Real Estate Association): Larry will present first, Mr. Chairman.

The Chair: Mr. Estabrooks.

Mr. Larry Estabrooks (Past President, New Brunswick Real Estate Association): Thank you, Mr. Chairman.

[Translation]

Good afternoon, Members of the Committee.

• (1440)

[English]

That's the extent of my French this afternoon.

In New Brunswick, all persons licensed to trade in real estate are also required to be members of the New Brunswick Real Estate Association, a not-for-profit organization of professionals. Our members number around a thousand. Appearing before you today is Hodges Hamm, the association's 2005 president, and I am Larry Estabrooks, the immediate past president.

All New Brunswick licensees are also members of the Canadian Real Estate Association. This membership entitles us to call ourselves realtors. In Canada there are about 82,000 realtors. We take great pride in being realtors. We have a code of ethics and standards of business practice.

In the preamble to the realtor code of ethics, the first paragraph is thus:

Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization.

Through the realtor, the land resource of the nation reaches its highest use and private land ownership its widest distribution. The realtor is instrumental in moulding the form of his or her community and the living and working conditions of its people.

Recently the national organization, the Canadian Real Estate Association, appeared before this committee in Ottawa. Their pre-budget presentation is this document, so you have this on file. I'm going to refer to a couple of sections in this document.

CREA's number one issue is the Department of Finance's proposal to limit deductions for investors in real estate. Mr. Chairman, this is also our top issue. The Department of Finance's proposal to apply a means test of sorts to a Canadian's investment in real property is bad news for smaller investors, average Canadians, and many, many New Brunswickers.

I would like to refer to the executive summary of CREA's pre-budget submission. It is the paragraph in bold type, on page 9 in the English version and page 10 in the French version:

The Canadian Real Estate Association believes that any changes to the rules regarding the deductibility of business expenses must not be discriminatory to smaller investors. It must promote economic growth and recognize real-world business decisions. Canadians buy investment properties for income streams and/or for capital gains on disposition.

Also, on page 29 in the English and page 34 in the French version, under the recommendations, it states:

The Canadian Real Estate Association believes that any changes to the rules regarding the deductibility of business expenses must satisfy the following criteria: it cannot be discriminatory to smaller investors; it must foster entrepreneurial activity, not hinder it; it must promote economic growth; it must recognize real-world business decisions—Canadians buy investment properties for income streams and/or for capital gains on disposition; it must protect the financial welfare of average Canadian investors, not jeopardize it.

The New Brunswick Real Estate Association echoes these points.

The department's proposal will impact negatively on investment in real property in New Brunswick. Owners of investment properties in many areas of our province are more likely to be individual Canadians—small investors, not large corporations. New Brunswick communities, large and small, will be adversely affected. In New Brunswick, housing affordability and choice will also be adversely affected.

The department's proposal also places realtors at an unwarranted disadvantage when Canadians consider where to invest their money.

Of course, if the same test is also going to be applied to Canadians' investment in stocks, it would equalize the marketplace for professionals who sell investment in real property and for professionals who sell securities, such as shares.

My point is that investment in real property and shares should be treated equally with respect to tests for the deductibility of expenses and capital gains.

I'd like my colleague, Mr. Hamm, to finish.

Mr. Hodges Hamm: Thank you.

It is the association's feeling that if these changes are instituted by the Department of Finance, the effect these changes will have on all Canadians who have or who are planning to invest in real estate as an investment will be disastrous, to say the very least.

It is our understanding that the Department of Finance still plans to capture and penalize legitimate business practices. Deductibility of interest and expenses will be limited to situations where the taxpayer can show the expenses were incurred for the sole purpose of earning a net income from a business or a real estate investment. The basics to deductibility will be the taxpayer's intention to have a positive income stream from his or her investment.

More importantly, an intention to receive a capital gain will no longer count in this determination. By excluding capital gains, the finance department is therefore ignoring the fundamental reality that most real estate investment decisions are based, at least in part, on the expectation of a capital gain. It is our experience that many investors chose to invest in real estate knowing that the rental stream may not exceed ongoing expenses. However, they proceed based on the fact that they can expect a capital gain at the time of the sale, which will offset the costs.

The members of the New Brunswick Real Estate Association are very concerned about the impact these changes will have on our provincial economy, and it will definitely be an enormous setback for entrepreneurial activity in New Brunswick.

It is our opinion that the proposal would in fact create an uncertainty in the real estate market throughout New Brunswick. Not only will it discourage the level of future investment in real estate, it will make an investment in real estate a disadvantage for investors. They may in turn favour other investment vehicles such as stocks and bonds.

It has always been known that investing in real estate has been a catalyst to growing the economy. Eliminating the number of investors who want to contribute to the growth of the economy, because of the department's recommendations to change deductibilities, will directly affect the economy.

If there is a substantial drop in investments in real estate development as a result of implementing the proposed changes, the spinoffs from real estate developments would disappear, and the economy of New Brunswick would suffer a severe downturn, because recent growth in the province has been directly related to real estate development.

Another concern of the New Brunswick Real Estate Association is that the changes do not allow for grandfathering. This would place investors who acted in good faith, based on the understanding of the law, in a position where they could now be forced to sell at a loss because capital gains made on a real estate investment would not satisfy the new net income purposes test. Therefore, it is our feeling that the arbitrary change is fundamentally unjust to all Canadians because of the indirect impact it will have on the economy.

Thank you very much.

• (1445)

The Chair: Thank you, Mr. Estabrooks. Thank you, Mr. Hamm.

From the Nova Scotia Government and General Employees Union, Mr. Clare.

Mr. Ken Clare (Post-Secondary Occupational Council, Nova Scotia Government and General Employees Union): Hi. My name is Ken Clare. Good afternoon.

With me this afternoon is Ian Johnson, who is the NSGEU's policy analyst.

On behalf of the 23,000 public and private sector members of the NSGEU, we would like to thank you for the opportunity to present our views on the 2006-07 federal budget.

Today we represent, through our Post-Secondary Occupational Council, unionized employees who work in Nova Scotia's universities and community college sector. We are speaking in concert with the Nova Scotia members of the Canadian Federation of Students and the Association of Nova Scotia University Teachers, with whom the NSGEU makes common cause in the interests of post-secondary education—the colleges and universities themselves, their employees, and especially the students, who bear an increasing and, in our minds, unsustainable burden for the financing of post-secondary education in Nova Scotia and Canada.

The standing committee has asked us to frame this pre-budget submission in light of the goal of strengthening productivity in the Canadian economy, and we are pleased to do so. Investment in education is a significant factor in the sustained development of a strong economy and produces a positive social rate of return, generating productivity gains throughout all sectors of the economy. Universities and colleges are crucial to living standards and productivity growth in Canada, and they are significant vehicles for social development, equality, and creativity. Yet public funding for post-secondary education has been severely compromised for a decade at least.

We believe it is time to reverse this trend. We add our voices to the many who argue that a new, comprehensive national strategy for post-secondary funding is overdue. The need for quick, positive action is dramatic. In Nova Scotia, in particular, student fees have skyrocketed beyond students' ability to pay. Universities' infrastructures are crumbling and their facilities are out of date. Large class sizes compromise learning and make a mockery of students' class choices. Teaching and support staff are overworked to a degree that is simply unsustainable.

Of these elements of the crisis in the funding of post-secondary education, we would ask the standing committee to pay particular

heed to the financial circumstances of students, the consequences of their inability to pay high and increasing tuitions and other fees, and the ramifications of the debt burdens they take with them when the graduate.

I know I'm covering, Mr. Chairman, a little ground that's been covered already this afternoon. I'll try to go through it as quickly as possible.

The Nova Scotia Government and General Employees Union takes a particular interest in the issue of student accessibility and student debt because it is crucial to the economic well-being of our province. Limitations in access to post-secondary education compromise our members' own financial, social, and cultural opportunities. Our members' children are increasingly denied the benefits of higher education due to the financial burdens that ensue. Our members who work in Nova Scotia's colleges and universities experience daily the human face of the debt burden and the hardships that are the fate of too many students.

As Danielle has already mentioned, in order to measure some of the broad effects of this burden, the Federation of Students, the University Teachers, and the NSGEU commissioned a poll in February in which 800 Nova Scotians were surveyed about issues relating to post-secondary accessibility and student debt. Among the findings—which also demonstrated significant support for lower tuition, a recognition that the student debt loads were out of hand, and a belief that government funding for post-secondary education should be increased—was a set of observations that we feel important to share with your committee from the productivity perspective you have asked us to take into account in our presentations.

When asked if there had been occasions in the past two years when survey participants or someone in their family had to drop out of college or university because they couldn't afford tuition and other costs, or if someone in their family had decided not to attend a college or a university because of the costs or because of the fear of the debt that would accumulate, more than a third of the respondents said yes. Not only is this a significant measurement of the barriers to higher education that have been constructed, but it speaks to an awful waste of human potential, compromising economic productivity and development to a degree that cannot be justified. Yet this fact, as harsh as it is, represents only a part of the costs that we all bear from our policy of financing higher education through student debt. When a student overcomes her reluctance to risk living in hardship for four more years and attends college or university, she often takes on many hours a week of part-time work in order just to get by day to day, sometimes working two or more jobs. She fits her academic responsibilities around the demands of work, learning less and developing fewer skills than her talents should have allowed.

• (1450)

Her post-secondary career may be interrupted by several periods of work or may be lengthened by part-time attendance as she struggles to make ends meet. Financial stresses compound academic ones—and some observers believe we are experiencing an on-campus mental health crisis of burgeoning proportions—leading to increasing academic difficulties, again compromising the learning that takes place.

Eventually she leaves school or graduates, her successes and failures accompanied by a significant unrealized potential and a debt load of perhaps \$30,000 to \$40,000. This debt load then becomes an ever-present factor in the decisions that students make post graduation: whether to attend professional school or go on to do graduate studies, whether to risk starting a small business, whether to choose a less lucrative or more interesting or more socially involved career path, and whether to stay and contribute to our own region or to leave for a province or country where salaries allow the debt burden to be more quickly relieved.

The loss of human potential we experience by limiting initial access to higher education, then, is compounded by what occurs when students cannot complete school and when their knowledge, skills, and talents cannot best be employed or they disappear after they graduate.

The issue of financing post-secondary education has gained a higher profile in recent days as we recognize the damage that underfunding has done to our universities and colleges and as a result of mounting public pressure to sustain the system of higher education that is accessible and that meets the needs of our students and our economy.

We were pleased with the passage of Bill C-48 to allow for up to \$1.5 billion additional funding to be spent on post-secondary education across the country over the next two fiscal years. We were also pleased with the passage of Bill 207 in the Nova Scotia legislature last spring, directing that the Nova Scotia portion of these funds must be used to reduce post-secondary tuition fees or to provide grants to post-secondary students. We have attached both bills.

We ask you to consider in a positive light, then, the following recommendations: that the federal government provide a per-student allocation of the funds available under Bill C-48, which we believe was the understanding under which this provision was developed; that the allocation be limited to students attending publicly funded post-secondary educations; develop a national post-secondary act; develop national objectives, standards, and mechanisms of federal cost-sharing, as is done with the Canada Health Act for health care; that a separate, dedicated funding transfer to provinces for post-secondary education be established in this budget year; that the federal government, jointly with the provinces and territories, adopt an important immediate goal of reducing tuition fees; and finally, that the federal government, jointly with the provinces and territories, adopt a longer-term goal of moving to eliminate entirely tuition fees, along with other barriers to the educational development of Canadians.

We appreciate the opportunity the standing committee has given us to contribute our views, and we look forward to your questions.

Thank you.

The Chair: Thank you, Mr. Clare.

Members, we'll try for six minutes. I want to remind the witnesses that the members have six minutes of questions and answers, so if you can keep your answers to a brief intervention, I think the members would appreciate that.

[*Translation*]

Mr. Moore, you have six minutes.

[*English*]

And then Monsieur Loubier, Monsieur Godin, and Mr. Hubbard.

Go ahead.

Mr. Rob Moore (Fundy Royal, CPC): Thank you, Mr. Chair, and thank you to all the witnesses for your interesting testimony today.

Mr. Davis, there is something you said that I took interest in, among other things. One is the figure of 50% who leave Nova Scotia. I imagine it's somewhat similar in New Brunswick, which is my home province, but that is a disappointment, because one thing we are able to do here quite well is educate. We have some of the best institutions in Canada and in North America, but we are also exporting, and those of us from Atlantic Canada would love to see those people stay here.

Did you say that the accessibility was increasing for both low-income and high-income, but it is the middle class who—

• (1455)

Mr. Bernie Davis: That's a Statistics Canada study for the professions of dentistry, medicine, and law, comparing Ontario to Quebec and British Columbia.

This change in Ontario was apparently caused by and definitely correlates with the deregulation of tuition fees for those programs, which allowed them to rise rapidly. That study is available from Statistics Canada. It's their study.

Mr. Rob Moore: We've heard a lot from this particular panel about education and the cost of education. I'm a relatively recent graduate myself, but even in that time, the tuition has nearly doubled at the University of New Brunswick. A good many of the people I had as classmates were in the same boat, in that we weren't from upper-income families; I guess if you asked most to describe themselves, they'd say they were middle-income. There were issues of accessibility even then.

Ms. Sampson, my question is, when you mention increasing the low-income grant to 100%, would that mean that tuition for someone at a low income would be completely free? Where is your definition of middle income? In my experience, many of the students, whether or not they're from any particular income range, are still graduating from high school with nothing. With some of them, their parents may say they want them to do this on their own; their ability to pay for university may be no greater than someone whose parents have less money. Does your proposal leave behind those who are in the middle class?

Ms. Danielle Sampson: No, of course not.

The recommendation for increasing the low-income grant is just one of our recommendations. Our recommendation overall is that a grant should be based on a student's need so that the grant would be available to low-income students, or middle-income students who are perhaps no longer dependent on their parents, or middle-income students who are going into professional programs or even undergraduate degrees in provinces like Nova Scotia, which is becoming more and more out of reach for Nova Scotians from low- and middle-income areas.

Our recommendation for the low-income grant is that it's a good first step. We should ensure that the neediest students are taken care of first and that their eligibility is not denied.

As well, tuition fees are becoming too high for low- and middle-income students. They should be reduced. We're hoping the \$1.5 billion that was allocated for reducing the costs of post-secondary education will go toward the reduction of tuition fees so that all students benefit from it.

Mr. Rob Moore: Thank you.

To those from the New Brunswick Real Estate Association, I certainly appreciate and support what you're saying about those who have investment properties. I know in the Saint John area, where I'm from, that's the experience of a good many people who own real estate. It's a small-time outfit or family, and maybe they're looking at this as an alternate way to invest.

Can you talk a bit about some of the typical people who are looking for an income property?

Mr. Hodges Hamm: Basically, Mr. Moore, students who come out of school are looking at another alternative to offset some of the expenses they are burdened with. This past year, I've experienced students looking at investing in apartment buildings where they can subsidize their income in order to pay off their debt from a student loan. For instance, if they can get into a four-unit apartment building and they can pretty well live free from the income that's being derived from managing that building, it does directly help that individual with his or her expenses.

Individuals who have invested in the past are basically looking at making a profit. In some cases, this doesn't happen. The deductibility has a great role to play with regard to allowing that individual to experience a profit. If the building does not incur a profit, those individuals may be distracted from that investment. If they can't get the deductibility that's been offered to them in the past, they may have to turn the investment over to a larger firm. So smaller individuals get hurt by that.

Another thing is, as that investment grows, they reinvest. If they do experience good growth in their investment, they will reinvest in real estate. Therefore, it stimulates new buildings, it stimulates growth in housing, and so on. So the spinoffs from investing in apartment buildings, and other commercial buildings as well, certainly stimulate the economy locally.

To the presenters, from the student point of view, that's a way to find an income stream to offset some expenses.

• (1500)

The Chair: Thank you, Mr. Moore.

Monsieur Loubier.

[*Translation*]

Mr. Yvan Loubier (Saint-Hyacinthe—Bagot, BQ): Thank you, Mr. Chairman.

My question is for Ms. Sampson, Mr. Davis et Mr. Clare.

I am particularly interested in education because in my province, that of Quebec, there is a huge debate under way with regard to tuition fees, that have been frozen for several years. Basically, a student today pays university tuition fees that are identical to what I was paying when I was at university, in the early 80s. That is not very long ago, even if a few years have passed since then.

Members: Ah! ah!

Mr. Yvan Loubier: The postsecondary sector having been underfunded for years because of a lack of money, especially as of 1995, with the cuts to federal transfer payments for postsecondary education, there is a huge debate under way on the issue of whether or not to lift the freeze on tuition fees.

Ms. Sampson, I looked at your numbers earlier. We are looking at a debt load of \$35,600, with interest, for a student here. In Quebec, it would be about a third of that amount. Students are thus in a better situation, thanks to lower tuition fees, but also to Quebec's loans and grants scheme, where bursaries are more generous and there is less of a trend of granting loans to students.

On the other hand, those who wish to see the freeze on tuition fees lifted compare the situation in Quebec with the way things are done in the rest of Canada and are saying that we should fall in with the rest of Canada. Yet here this afternoon, you are saying that you should fall in with Quebec, because you would like to see lower tuition fees and greater investment in bursaries. Ms. Sampson even talked of abolishing the Canada Millennium Scholarships and transferring this money to investments in the postsecondary sector.

What advice would you give to those in Quebec who say that they would like to fall in with you, whereas you are saying that you would like to fall in with Quebec? If tuition fees in Quebec were increased to the Canadian average, the government of Quebec would have 400 million more dollars in its coffers, but this amount is only half of the annual funding required to top-up postsecondary education. This is a major dilemma, but it is a different one. What advice would you give? I sometimes find myself short of arguments in my discussions with those who think that way, but here, this afternoon, I have good ones.

[*English*]

Ms. Danielle Sampson: Quebec has never been too worried about what the rest of the provinces are doing, and I say go with that; it's worked so far.

We often take Quebec as the example of accessibility in Canada. Students in Quebec are not shut out of college programs or university programs because of how much money is in their pockets, unlike students in Nova Scotia. Quebec has some of the highest participation rates in college programs because there are no tuition fees. It also has great accessibility to its universities because of its low tuition fees. We applaud the Province of Quebec. I think you've realized that post-secondary education is valuable.

More than 70% of new jobs created in 2005 will require at least two years of post-secondary education. I think Quebec is ahead of the rest of the provinces, and the rest of the provinces should follow suit, and definitely not the other way around.

• (1505)

The Chair: Mr. Clare.

[Translation]

Mr. Yvan Loubier: I will bring you back with me to Quebec in order for you to explain that to Quebecers.

[English]

Mr. Ken Clare: Thank you.

I go back a little further than you do. My first year's tuition cost \$385. Perhaps that's a goal for us to return to.

In the preliminary to your question you mentioned that the move was afoot to unfreeze tuition fees as a consequence of the underfunding of universities, that the universities were caught in a particular kind of bind. Tuition fees were too low, and other income for the universities was also being cut or frozen.

We see, as part of the solution certainly, the end of that kind of underfunding. We hope with that will come the opportunity to reduce and eventually eliminate tuition fees entirely.

Thank you.

The Chair: Mr. Davis, do you want to take a crack at it?

Mr. Bernie Davis: Yes. I also agree. The problem is basically the lack of federal money. That's why the provinces find it impossible to fund universities to the extent they would like. Perhaps Alberta can afford to do it, at least as long as oil prices don't drop. But Nova Scotia, for example, just cannot.

This didn't happen because someone in Nova Scotia set out to design it that way. It happened simply because there was no place else to get the money to run the universities. The province didn't have it, so it didn't give it to the universities. The universities didn't get it from the province.

My university is not McGill. It doesn't have a \$3 billion endowment. There was basically no place else for the universities to get the funds. The result is totally unsatisfactory. The solution is adequate federal government funding, through the provinces, of the universities of Canada.

The Chair: Thank you, Mr. Davis.

[Translation]

Thank you, Mr. Loubier.

Mr. Godin.

Mr. Yvon Godin (Acadie—Bathurst): I would like to deal quickly with the issue of highways and infrastructure.

Mr. Murphy and Mr. Giggie, in your statements you commented that economic development is dependent upon infrastructure. It is however often the case that highway infrastructure works are undertaken in the southern part of the province but not in the North, where the provincial minister of Transport, in cooperation with the

federal minister of Transport, recently accepted the designation of routes 11, 8 and 17 as highways.

Have you done any lobbying in this regard? What is your position with regard to the federal roadways in Northern New Brunswick?

[English]

Mr. Lloyd Giggie: I think the province and the road builders were very pleased to see those highways added to the national highway system.

I think New Brunswick is unique in a way. They've done fairly well in getting federal funding for highways because the main artery to the other three Atlantic provinces runs through New Brunswick. It's the Trans-Canada Highway, and anything that went out of Nova Scotia, Prince Edward Island, or Newfoundland by truck went through New Brunswick to either the U.S. or the rest of Canada. That's being fairly well looked after, but the east and northeast areas need better transportation facilities to get their products out to market.

It's one thing to move primary products such as logs, ore, and fish by roads that aren't quite what they should be, but if you want to increase economic activity, you have to put further finishing on these products locally, and I'm talking about all three products. You have to have better highways to move those products out of there efficiently and economically.

• (1510)

Mr. Yvon Godin: I used this because I didn't hear it in your presentation about the north.

[Translation]

My other question relates to education.

It is true that we talk about students indebtedness. However, I did not hear you say that the government treats students as if they were second class citizens. In the area of bankruptcy, for example, a student has ten years to declare bankruptcy, but a company can do it overnight if business is bad. Students, however, are being told that they are second class citizens. I did not hear you say that in your presentations.

Unless student debt is completely eliminated, the young people who finish university and are required to begin reimbursing their loans are in some cases even unable to borrow money once they have started working. Indeed, since they were unable to reimburse their loan during the period of time when they were not working, their credit rating is poor, especially when financial institutions have taken collection action against them. Several students have come to me with just such a problem.

We are not talking about a \$40,000 debt; we are talking about a person who went to university and who perhaps met someone who also had a \$40,000 debt. If they wish to buy a house together, they will have to target the very bottom of real estate offerings. They will have to borrow \$80,000 to buy a house and perhaps \$20,000 more to purchase a car, for a grand total of \$180,000.

I have often said this in Ottawa: students wind up with a \$180,000 debt load before they even have their first child.

Mr. Yvan Loubier: That does not make you want to have children.

Mr. Yvon Godin: That does not make you want to have children.

There are two aspects here that are to my mind being neglected: bankruptcy and debt reimbursement before having found a job. I do not want to repeat them here, but I agree with the comments made earlier, along the same lines.

I would like to hear your views.

[*English*]

The Chair: Does anybody want to comment?

Ms. Sampson.

Ms. Danielle Sampson: There is a reference to the Bankruptcy and Insolvency Act in our written submission. My apologies. The eight minutes didn't allow me to touch on that.

The Bankruptcy and Insolvency Act does not allow for students to claim bankruptcy on their student loans for 10 years after graduation. We've been lobbying to change this because it does put students in a class that is normally reserved for those who have been convicted of fraud.

This is ruining many students' lives because they're saddled with debts, as you said, of upwards of \$180,000 to \$190,000 for some, and then they have to suffer through 10 years of zero credit or bad credit, creditors calling their homes, until most likely they're about 35, before they can really start building their life.

We have pushed for this 10-year ban to be lifted. It's not a matter of students claiming bankruptcy because it's the easy way out and they just don't feel like making their \$300 payments a month on top of their rent and groceries, and trying to raise a family for many. We found that the year before the bankruptcy law was changed, the average student who was claiming bankruptcy had an average income of \$14,000, well below the poverty line. I would challenge any member of Parliament to try to make \$300 payments per month on a \$14,000-a-year income. It's completely unfair.

Mr. Yvon Godin: I don't know if I have time. Do I have time?

The Chair: Non. Merci, Monsieur Godin.

Thank you, Ms. Sampson.

Mr. Hubbard.

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

I was quite taken up with student debt, and we've talked about it before.

Yvon, you mentioned that car, the automobile, and that really distracted me because of the figure that was used—\$25,000 debt—and the person who goes out and buys a car for about the same amount of money. You wonder what has a greater investment in the future for that person, the car or the \$25,000. It is of concern. You need a car, I know, but you're equating a car to having a degree from

university, and that troubles me. Nothing personal, Mr. Godin, but it is an equivalent amount of money.

Some have said that maybe a student should get free tuition. I guess you advocate that over a period of time. Others would say if that were the case, then they would pay a percentage of their income for so many years after they graduated. The \$14,000-a-year person would be paying a percentage, as would the person who was earning \$40,000 or \$50,000. I don't know, but student debt is a major problem. I'm not sure, really, how we....

You say the Millennium Scholarship has not worked, and you cited some reasons for that. It was brought forward as being quite a good system, and most provinces I think look after that mainly in terms of people who are in need. If in Nova Scotia need is not the major fact.... There are some for honour students, but the majority of those were supposed to go to students who have difficulty accessing post-secondary education.

Why do you think we should eliminate the Millennium Scholarship Fund, Ms. Sampson?

● (1515)

Ms. Danielle Sampson: I'm not saying you should eliminate the funding. I'm saying that funding should go to more effective things, like the low-income grant.

The problem with the Canada Millennium Scholarship Foundation was that this foundation was forced upon the provinces without consultation or negotiations on how the grant would be implemented. You're right that the majority of it does go to needs-based grants, but what happened in Nova Scotia was that our provincial government took that money, which was meant as a top-up to student financial assistance, and cut that same funding from—

Hon. Charles Hubbard: I'm glad you made that point, because that has been one of the major concerns with it. The provinces simply gobbled it up, and it's not a top-up but rather another hand in the pie.

We haven't heard much about ACOA today, but the Atlantic investment fund and the Atlantic Innovation Fund have attracted a lot of attention. Are any of the participants here involved directly or indirectly with the Atlantic innovation funding and what it might do for businesses and how universities might cooperate with industry to develop new, innovative ideas? There's been none of that.

With the road builders, for example, I wrote a couple of years ago to a group that was talking about road building. It is a big area. At one time it was a \$14 billion deficit, and now it's up to \$22 billion or \$23 billion, and it continues to increase.

We talk about maybe a bit of dedicated gasoline tax that might go toward the national highway system, but you know, we've never made much progress in road building over the last 50 years. Am I giving you a hard time when I say that? We're still dealing with rubber tires on an asphalt surface in a country that has tremendous climatic problems. Roads that in Europe would last 40 or 50 years usually last 8 or 10 years in Canada.

Is there any innovation going on in terms of highway construction, a system where we'd have a better surface that wouldn't heave up throughout New Brunswick and in the northern parts of Alberta, that wouldn't break up and would be more resistant to those 60-tonne trucks that are going over it? Are we doing any work in terms of road construction that is innovative and to provide a national highway system that would be better than the classes we have now?

Mr. Lloyd Giggie: There have been a number of studies in the U. S., in New York, to build all-season highways. Several of them have worked. If you look at the interstate system in the U.S., Interstate 95 in Maine is a good example. It's a matter of dollars.

You can make a road last. It won't be frost-heaved. It won't be frost-susceptible. You can get better pavement. You can do all kinds of things, but there's a cost repayment value factor there that you have to take into consideration. I think that has always been the factor that controlled this.

Joe might have more ideas on that. Certainly Prince Edward Island has had more difficulties than most provinces in Canada and the northern U.S. states because of its soil types.

• (1520)

Mr. Joe Murphy: Our soil types tend towards a freeze-thaw cycle and create cracks in the surface. I know they've looked at a number of things, including putting insulation below the surface, and that type of thing, and putting different fabrics. There's been no great success with it.

The Transportation Association of Canada does a number of research projects, and that would be where our success would lie from a Canadian perspective. I know they've done studies on salting highways, ice control, which have resulted in some minor improvements, but you're right, there have been no great strides in the last 50 years.

Hon. Charles Hubbard: We need a tremendous amount of money to keep these things going.

Mr. Joe Murphy: Yes.

The Chair: Thank you, Mr. Hubbard.

Mr. Godin.

Mr. Yvon Godin: On a small point of order, just to correct the record, when I spoke about the student buying a car, it was not to go to university; it was to go to work.

Hon. Charles Hubbard: Oh, I know.

Mr. Yvon Godin: Well, if you know, I don't know why you said you didn't understand a student buying a car. A student, after finishing school, needs a car if he or she wants to go to work. I just want to set the record straight on that one.

[Translation]

The Chair: But such is however not the case in Montreal, Toronto or Vancouver.

[English]

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thanks very much, Mr. Chairman.

My thanks to all of you for your presentations.

First of all, to the New Brunswick Real Estate Association, I appreciate very much your situation here. I agree that this could be very damaging to investment in housing, which should concern everybody. It certainly concerns people who are concerned that we don't have enough housing for the people on the low end of the income scale, and for everyone.

When you talk to Finance officials and point out what seems to me to be pretty common sense, in that this will mean less investment and therefore less housing, how do they react to that? Don't they get that?

Mr. Larry Estabrooks: Most of the discussions with Finance officials have been going on at the national level with the Canadian Real Estate Association, so I really can't answer that question. Somebody from CREA would be more than happy to talk to you about that.

But there are issues there. There are a lot of issues with affordability in housing. We're not talking about new houses either.

Let's talk about renovations to a dilapidated property. If you're going to invest the money in that and you can't get a return on a paying basis because of market rents—no matter what you do, you have to face the reality of market rents—and if you're hoping for the capital gain return some day...and then if they put the test in that says they're not going to allow it, it's not going to happen.

Other than the programs of the federal government that are put in in the provinces—in this province they want new construction for the vast majority, they don't want renovation, but I understand different provinces have different things. Keeping RRAP going and bringing this in just doesn't make sense. You're giving on one hand and taking away on the other. There's no comprehensive strategy for this.

Mr. Monte Solberg: Sure.

Mr. Gorman, we're charged with finding ways to enhance productivity. When companies come to us, very often they'll say one of the most important things we can do is to enhance capital cost allowances and depreciation schedules and this kind of thing. On your proposal on tax pooling, I think I understand what you're getting at, but it would lower the overall taxation rate for companies. Wouldn't improving depreciation schedules, enhancing capital cost allowances, and things like this really be more productive for the economy?

Mr. Barry Gorman: That kind of question would presumably depend upon the specific corporation. Many are capital-cost-allowance intensive, but other service industries are not, whereas all corporations suffer losses. But there would be a balancing. For certain types of industries, enhancing CCA would be tremendously beneficial.

The issue with the group reporting is that we end up using most of those losses over time, so it's really a question of speeding up the utilization. It's not as if it's a freebie.

• (1525)

Mr. Monte Solberg: Okay.

Ms. Sampson, this is a difficult issue. I'm not going to tell you it's simple. But one thing that occurs to me is that if you provided, say, even free tuition in Canada for students...really, of course, there is no free lunch, because all it would mean is that taxpayers would be paying for this. Of course, when students leave university, presumably they go get jobs and become taxpayers.

In the end, are you really that much further ahead? Really, all you're doing is deferring the taxes. Keep in mind, by the way, that everyone pays the taxes, but only some people benefit directly. For instance, if you're a tax driver, you'll be paying taxes for somebody else's education.

This is always something I wrestle with. I do understand your point and I agree with your point, but we need to find a common-sense cutoff, keeping in mind the argument I've just made.

Ms. Danielle Sampson: I think the taxi driver would appreciate the free education, because his son and daughter would have the opportunity to become more than taxi drivers, if they wanted to. They could become doctors not only because their father or mother could afford to send them to medical school, but because they had the grades and the ambition to do so.

The great thing about a free system of tuition would be something that's similar to our health care system, where everybody has equal access according to their needs.

Mr. Monte Solberg: But it's not free. We are all paying extra taxes.

Ms. Danielle Sampson: We would all pay extra taxes, but because the income tax is a progressive tax, those who could afford to pay more income tax would contribute more to the system. Those who were not making enough or those below the poverty line who were paying no taxes would reap the benefits more so.

Mr. Monte Solberg: Isn't that what happens now?

If you go to medical school, you have more debt, but you also have a much bigger capacity to repay that debt. It's the same for other disciplines.

Ms. Danielle Sampson: It would be true if you were the chief of surgery in Toronto, but not if you wanted to become a rural doctor or a family practitioner. If I wanted to go to medical school and return to my home of Cape Breton to set up a family practice, I'm not going to be banking the kind of money that somebody in a bigger city would get.

The problem with the high tuition fees of medical schools is that they take the choice away from students. They're forcing students into the bigger urban areas, and in a lot of cases down to the United States. As you said, in Nova Scotia, we're really exporting students.

Mr. Monte Solberg: What would be the right amount of tuition to pay? Should it be free tuition?

Ms. Danielle Sampson: Yes, I believe it should be free tuition. A university or college education is as necessary right now as a high school education was 25 years ago.

The Chair: Thank you, Mr. Solberg.

Not to beleaguer the point, as they say, but I probably went to school at the same time as Mr. Loubier. Coming from Quebec, I think I paid \$500 a semester. Even if I paid \$500, it was ridiculous. I should have paid three or four times that amount for the education I got. I'm not boasting. I got a return from my education. I had a job right after going to school. It's not as if I came from a high-income family; I came from a middle-class, even lower middle-class, immigrant family.

The problem we have to address is this. I had friends who I went to school with. They were able to get grants. The first thing they did was move downtown into frat houses, and they used up all the money on drinking, etc. We have to face it. Instead of completing the program in two, three, or four years, they were on lifetime payments.

McGill is suffering because no money is being put in. I don't understand why we can't get to a certain level.

In Quebec, we have cégeps that are free. We still don't have people enrolling in cégeps, which are equivalent to community colleges. In Nova Scotia, your enrolment rate is very high. In Quebec, it's not; it's the lowest.

To continue on with Mr. Solberg's question, what is the right amount?

I'm not saying we should increase tuition fees. A paper called "*Pour un Québec lucide*" just came out, but everybody is going to ignore that paper. These are people from the right and from the left. One of the things they addressed was tuition fees.

We have the lowest tuition fees, but that is not the answer. We have to come up with a solution. Free tuition doesn't work; it's "party time".

I'll have Mr. Johnson address it.

• (1530)

Mr. Ian Johnson (Policy Analyst Researcher, Nova Scotia Government and General Employees Union): I'll try to.

I think the point we're trying to make is that we're talking about financial barriers. I have some experience in the health field, and I was involved in discussions around the Canada Health Act that were similar to what we're talking about in terms of education. We're talking about serious financial barriers to participation in post-secondary education. We're proposing a way of proceeding to eliminate or at least reduce those barriers so that people are not prevented from participating in the education they wish to pursue. I think that's what we're talking about.

We're also saying we have to deal with the funding situation overall in terms of post-secondary education as well as tuition fees. It isn't enough to reduce or increase tuitions if we don't deal with the overall funding situation of the institutions, including infrastructure, which is what Bernie Davis talked about. Those two things have to go hand in hand.

We're trying to suggest that the long-term solution would be a separate, dedicated funding transfer for this federally. We need legislation to go with that. We have a short-term solution in terms of Bill C-48 to move ahead. We hope that will be used to help move us in that direction. That's what we're trying to suggest.

The Chair: Thank you.

Mr. Davis, you're nodding your head, but the problem that bothers me is that you pay these low tuition fees, and then students get to class and they have to pay an extra \$5 for a ruler, an extra \$10... because the school doesn't have any money. It's what you were talking about, the infrastructure, but there has to be a solution to this problem. We're looking to you guys for a solution.

Mr. Bernie Davis: Basically, it would probably be better for all concerned if school was paid for by taxes and wasn't something people had to pay for when they are so very young. There are many countries in which free education goes to grade 3 and then you start paying school fees. We've decided that's wrong. We've decided that everybody should pay for grades 4 through 12, not just the parents of the kid who is going to school. Basically, as Danielle said, this is not 1905 when 5% of people got through high school and that was your ticket to a middle-class life. It's a century later, and nowadays, most middle-class jobs require at least a bachelor's degree, usually a bachelor's degree plus at least one or two years of specialized training to focus that general education on a specific trade or industry. So it's time that we consider raising the amount of education the state provides.

I would say in Nova Scotia one secret to that full enrolment in community colleges is that basically we had, before expansion started, about the fewest community college places per student in the country, so now that places have opened up, community colleges have pretty well full enrolment.

The Chair: So choice and diversity—maybe this is the solution, and not cost?

Mr. Ian Johnson: It's funding.

The Chair: I understand it's funding. I'm getting the feeling it's only about funding, but we've been hearing other things about education. I know it's going to definitely be something that the committee is going to have to address, but I think we need some good solid recommendations that are going to have to make some sense. I know that's our problem, and that's what I'm trying to extort from you guys.

Ms. Sampson.

Ms. Danielle Sampson: I think when you talk about choice and diversity, what we're saying is in Nova Scotia the choice is not there for many students. They're being forced into community colleges when they aspire to go to university, or many students are forced into not pursuing their education when they aspire to go to community college. That's because that choice has been taken away from them because of financial barriers—they can't afford it.

Also, if you look at enrolment rates in Nova Scotia, they have been going down fairly steadily over the past number of years, and we suspect they're going to continue to decline. That's in part because of our high tuition fees. But if you look at the enrolment rates that were high, say, two or three years ago, you also have to look at the costs for students to enroll. Students are recognizing that to get any kind of decent salary, they have to pursue post-secondary education, but what are the social costs of doing this? They're taking on part-time jobs while in full-time studies. Many students are even taking on full-time jobs. They're taking on mortgage-sized debts and they're living in poverty. I believe half our institutions in Nova Scotia have food banks for their students because students have to make a choice between buying groceries and paying their rent for that month, or paying their tuition fees for that semester. To put somebody in that situation is completely unacceptable.

• (1535)

The Chair: Thank you, Ms. Sampson.

Thank you to all the witnesses. I guess we did save the best for last. Anyway, thank you for having us here in Moncton.

A special thanks to all the people who put this together—Christine, Richard, and the logistics people whom you met on the way in, Lise and Patrick. We've got to thank them. It's not easy to put this together.

A special thank you to the members who are from New Brunswick—Mr. Moore and Monsieur Godin—and, of course, Charlie, who suggested we come here. Also, of course, thanks to our regular members, Mr. Solberg and Mr. Loubier.

Thank you. The meeting is adjourned.

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