



House of Commons
CANADA

Standing Committee on Finance

FINA • NUMBER 072 • 1st SESSION • 38th PARLIAMENT

EVIDENCE

Monday, June 13, 2005

—
Chair

Mr. Massimo Pacetti

All parliamentary publications are available on the
"Parliamentary Internet Parlementaire" at the following address:

<http://www.parl.gc.ca>

Standing Committee on Finance

Monday, June 13, 2005

•(1110)

[Translation]

The Chair (Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.)): Good morning, everyone.

[English]

Perhaps we can begin. We're here pursuant to the order of reference of Thursday, May 19, 2005, regarding Bill C-48, An Act to authorize the Minister of Finance to make certain payments.

We have six groups.

[Translation]

We will give each group five minutes, and then Committee members will have a chance to ask their questions. I have the list of witnesses here.

[English]

First is the Canadian Federation of Students.

Mr. Soule, go ahead.

Mr. George Soule (National Chairperson, Canadian Federation of Students): Good morning. My name is George Soule and I am the national chairperson of the Canadian Federation of Students. The federation represents about half a million students nationwide at over 75 student unions from coast to coast.

We have also distributed some material for your consideration today.

In my remarks I want to address several elements of Bill C-48 and to call on members of all parties to support the bill, but first I think it is important to step back for a moment and put this bill into perspective.

In the past 10 years, tuition fees in Canada have increased by over 160% and average student debt has ballooned to \$25,000. As a portion of the average working wage in Canada, tuition fees are currently at their highest levels since World War II. These big hikes can be attributed to substantial cuts by the federal government to the Canada health and social transfer throughout the 1990s. While much of that funding has now been restored to health care, scant attention has been paid to funding for post-secondary education. We have seen some increases in student financial assistance funding, but the results have been mixed.

They have been good in the case of low-income grants and disastrous in the case of the Millennium Scholarship Foundation. There's near consensus on the position that the federal government

must restore core funding to Canada's colleges and universities while making post-secondary education more affordable and accessible. Fortunately, there's been a renewed focus on post-secondary education funding in the past 12 months, as more and more provincial premiers call on the federal government to restore funding to post-secondary education.

The majority of students in Canada are now protected by a tuition fee freeze, and funding provided by Bill C-48 is vital to continuing the reversal of the damage caused by the massive fee hikes in the nineties. The vast majority of Canadian students come from families with modest incomes, and passage of this bill will ensure that these students and their families don't continue to incur crippling debt in order to finance what should be a fundamental social right in a democratic society.

It is clear that the public strongly supports this bill. This is no surprise, given that support for tuition fee freezes runs at over 80%. Beyond those concerns, this bill is vital to ensuring that access to post-secondary education is determined by the merit and initiative of the individual and not by the size of the student's wallet. Comprehensive data in the United States tells us that for every \$1,000 increase in tuition fees, low-income students are 19% less likely to complete a program. Research also shows that over 50,000 young people are denied access to post-secondary education every year because of finances. We know that the already abysmal participation rates of young aboriginal Canadians continue to fall. The tuition fee reductions made possible by this bill would be a good first step in providing hope to those who have been shut out of the system, and it will make completing education a more affordable possibility for those already in the system.

Though the implementation of this bill will certainly face political hurdles during negotiations with certain provinces, it is vital that the federal government reassert a leadership role in the area of tuition fees. This money must be dispensed in the spirit and intention of the agreement upon which the bill before us is based, as funding to provinces to reduce tuition fees, respecting, of course, the existing funding accommodations that are in place in Quebec.

In closing, I want to again urge all of you to support this bill. Federation members in every province across the country applaud the government and the NDP for striking this historic deal. It is a rare example in this Parliament of how a minority government may actually work to serve the needs of Canadians now and, more importantly, in the future.

Thank you. I look forward to your questions.

The Chair: Thank you, Mr. Soule.

Mr. Wilson, are you ready? Do you have an opening statement? I think the conditions should be a bit better than last week.

Mr. Christopher Wilson (Senior Public Relations Officer, Co-operative Housing Federation of Canada): Thank you for the opportunity to speak to you today, under slightly under calmer circumstances; I appreciate that.

I'm here on behalf of the Co-operative Housing Federation of Canada. Our appearance here today is not a partisan matter—we're a non-partisan organization—but we're here on a very important issue of public policy: we're here to speak in favour of the additional commitment of moneys for affordable housing under Bill C-48.

There are 91,000 units of cooperative housing across the country. Approximately 250,000 people live in co-ops today, and they're a mixture of low- and moderate-income people. I'm not here today to ask for more assistance for existing co-op housing members. Our members are well housed in good communities. I am here to speak on behalf of those people who lack decent and affordable housing.

According to the latest estimates, over 1.7 million households are paying more than 30% of their monthly income for housing charges, housing expenses. Among these, 700,000 are paying more than 50%. And these are low-income people we're talking about. Many of these people don't have anybody to speak on their behalf. They don't have an organized lobby group. I'm here in part to speak on behalf of those people who lack affordable housing, and to give voice to their need.

With the additional allocation of money, we have the possibility to do something on behalf of people who need decent housing. I'd remind you that the last federal cooperative, non-profit housing programs were ended in 1992. There have been some initiatives of late, but I can tell you that, sadly, those initiatives have not led to a great deal of additional affordable—truly affordable—housing, and certainly not much in the way of cooperative housing.

With the \$1.6 billion, we have the opportunity to really do something significant on behalf of those people who need housing. And I want to be clear here that we're talking about a wide range of Canadians—from seniors to low-income families to new Canadians to people with disabilities, among others. We're talking about people who are in great need and whose needs are not met by the market.

This may come as a surprise to you, but we're all in favour of the role of the market in producing housing. We believe the private market does a terrific job of producing single-family homes and condominiums. For the more than 70% of Canadians who can afford that, they're decent options. But for the other people, they're not good options. We believe this additional money can go a significant way to helping meet this need.

I want to emphasize that the benefit from this will not simply be roofs over people's heads. Enormous benefits can flow from people having decent housing and living in strong communities. They acquire skills, they acquire confidence, they require self-reliance, and as a result, their demands on social services and a variety of other... Let's just say that by virtue of being more self-reliant, there's a lot less social cost associated with supporting them in a decent life.

So we would like to support this allocation of money, not as a panacea, not as a way that will solve all problems, but as a way of taking a step in the right direction. We don't see this as a partisan issue. We see it as doing the right thing. We would urge you to support Bill C-48.

Thank you.

• (1115)

The Chair: Thank you, Mr. Wilson.

From the Canadian Alliance of Student Associations, Mr. White.

Mr. Toby White (Government Relations Officer, Canadian Alliance of Student Associations): I'd like to thank you for the opportunity to appear before the committee today. My name is Toby White, and I'm the government relations officer at the Canadian Alliance of Student Associations.

CASA is an alliance of 19 university and college student associations from across the country, representing nearly 300,000 post-secondary students. Our national director, Phillippe Ouellette, was prepared to present to the committee on Thursday, and I apologize that he is not here today. He is currently in Calgary, where our membership is gathered to discuss issues facing Canadian students and set our organization's goals and objectives for the year. Our members convened in Calgary have a vested interest in Bill C-48 and other federal initiatives aimed at improving our post-secondary system. They are watching this hearing today with great interest.

Other witnesses will appear before this committee and oppose Bill C-48's extra investment in social programs. It is an investment that is desperately needed, however. We do not exaggerate when we say that Canada's post-secondary education system is in crisis. Tuition has skyrocketed over the last decade, and funding cutbacks to our campuses seriously threaten the quality of education. Students are facing an ever-increasing burden.

The growing cost of education is leaving student loan borrowers with an average debt of \$30,000 with interest. If recent trends continue, it is projected that by 2020 a four-year undergraduate university degree could cost close to \$132,000. The greatest threat, though, is not to the students we represent; it is to the accessibility of our post-secondary system. If you believe, as we do, that qualified individuals should not face financial barriers to pursuing post-secondary education, then you should be alarmed. Currently, Canadians from low-income families are two and a half times less likely to attend university than students from high-income families.

The 2005 federal budget provided support to many sectors of Canadian society. Conspicuously absent from this support were Canadian students. Bill C-48 seeks to remedy this. The bill is by no means perfect, but we call on you to support it. We believe Bill C-48 can be a catalyst for further significant change in Canada's post-secondary system.

Through this bill, governments can begin to address Canada's alarmingly high tuition levels. As evidenced by recent announcements in Alberta and Saskatchewan, it is becoming increasingly apparent that federal and provincial governments, as well as students, all agree that tuition must be controlled, and that high tuition is threatening an affordable and accessible post-secondary education.

Although Bill C-48's \$1.5 billion promise is greatly needed and appreciated by the students of Canada, ultimately this must be the first step toward a more reliable and substantial federal commitment. In order to restore the cuts in education funding since 1993, a dedicated post-secondary transfer to the provinces of at least \$3.9 billion is required. It is becoming more apparent to parliamentarians on all sides of the House that such a dedicated Canada education transfer is vitally necessary.

This bill provides decision-makers with an excellent opportunity to begin the implementation of such a dedicated transfer. Funding to post-secondary education without an effective, reliable, and long-term framework is both financially risky and unfair to the students and citizens of Canada. Funding is important, but what students and the post-secondary education system need most from government is leadership.

If parliamentarians show leadership in making our system more accessible, it will open a national dialogue on post-secondary education. This dialogue is vital, and CASA believes it should lead to a pan-Canadian accord modelled on the health accords, where both federal and provincial governments commit to a national vision on post-secondary education.

Students believe that Bill C-48's allocation of \$1.5 billion for enhancing access to the post-secondary education system for groups such as aboriginal Canadians is a great start toward improving post-secondary accessibility in Canada. In the next five years, nearly 70% of all jobs will require post-secondary education. It is thus of vital importance to our economy and our society that we have a system that ensures all Canadians can achieve their potential.

Students face many barriers. Among these, financial barriers are one of the most serious, yet they are the easiest for government to address. The government's new grant targeting Canadians from low-

income families was welcomed by students. It only provides students with half of tuition for one year, however. The government must provide more significant grants for students from low-income backgrounds.

● (1120)

In conclusion, the funding provided to post-secondary education by Bill C-48 is essential to begin removing the barriers faced by students and those who wish to pursue post-secondary education in Canada. The federal government should use this as an opportunity to begin reinvesting in post-secondary education and open a productive dialogue with the provinces. Hopefully this funding is not a mere hand-out, but a genuine commitment to improving the lives of Canada's students.

[*Translation*]

On behalf of CASA, I want to thank you for giving us this opportunity to appear before the Committee and I would ask that you make our recommendations a reality.

Thank you.

[*English*]

The Chair: Thank you, Mr. White.

Next, from the Canadian Housing and Renewal Association, is Ms. Potter.

Mrs. Joyce Potter (President, Canadian Housing and Renewal Association): Thank you, Mr. Chair and members of the committee, for the opportunity to appear before you today. I'm the president of the Canadian Housing and Renewal Association, and with me is our executive director, Sharon Chisholm.

We are here to urge you to support Bill C-48, and we do so because there are still 1.7 million Canadian households that have a desperate need for more adequate and affordable housing. This is an issue that really resonates with Canadians. I think most Canadians view it as unacceptable that we have such an increase in homelessness, including among families, and such an outstanding need for affordable housing in virtually every community across the country. I also think that most Canadians believe the federal government should show leadership in this area and commit the \$1.6 billion that's promised in the budget bill for affordable housing.

We believe in housing that is developed and managed at the community level through not-for-profit community organizations. We know that across the country there are solutions to our housing crisis that are ready to be put in place in each and every riding. For example, a project to be built by Daniel's group in East York, Toronto, will have 250 units of affordable housing for mother-led families. In St. John's, Newfoundland, Stella Burry Community Services, the St. John's Status of Women's Centre, and the Salvation Army are all actively considering new affordable housing developments that need federal funding. In Victoria, B.C., there are five different projects, some for the frail elderly, some for victims of family violence, and some for low-income families, which are ready for immediate development.

● (1125)

[Translation]

In Quebec, we work in cooperation with FRAPRU. I will leave it to Mr. Roy and Mr. Brunet to describe the situation in that province.

[English]

CHRA is joined by many groups—the Canadian Centre for Policy Alternatives, the National Anti-Poverty Organization, the Canadian Council on Social Development, the Co-operative Housing Federation of Canada, FRAPRU, and the Anglican and United churches—who believe that affordable housing is the solution to building individual dignity, to giving every Canadian a fair start and access to employment, and to building healthy and safe communities.

It's not just social organizations that are calling for federal action in affordable housing. The TD Bank, for example, produced an excellent report that talked about how important affordable housing is for economic policy. Last year, Charles Coffey, a vice-president with RBC, spoke at one of our events and decried the persistence of family homelessness.

The federal government has a strong role to play in again making Canadians one of the best housed nations in the world. We used to be leaders, and the envy of much of the world, when we had housing programs that were well funded by the federal government and well delivered by the non-profit and co-op housing sector. Since 1994, the massive cuts to housing programs that we've had mean that we're now 10 years behind in meeting the demand for social housing. It's no accident that we've seen such an increase in homelessness.

As Mr. Wilson said, most housing needs in this country are met very effectively by the private sector, but they can't afford to meet the needs of low-income Canadian households without financial support. These families and individuals deserve a response by the federal government to their housing needs. Projects are ready to go and a new housing framework is ready to be launched, and we can't miss this opportunity to move forward.

Housing is also a pillar of competitive cities. In fact, houses are a form of infrastructure, and they are durable physical structures that permit occupants to connect to necessary services. They determine the wealth, the health, the well-being, the employability, and even the learning capacity of their occupants. Poor, overcrowded housing can lead to poor health and poor performance.

Last, I would like to mention energy poverty, which is also a growing concern. The funding promised in this bill for energy

retrofits to low-income households is critically needed. In Ontario, for example, the lowest income quintile of households pays three times as much of their income on energy—12% of their income—as the average income resident does, who pays only 4%. So energy efficiency retrofit programs would allow these residents to have their housing assessed and to make decisions for improvements that will save them money.

I think all of you are aware of how unaffordable housing and poor neighbourhoods affect the lives of your constituents. Today's difficulties can become future opportunities, when private money, public support, and community energy are aligned to create better homes and stronger communities.

On behalf of CHRA, our members and our partners, I want to urge all of you to allow speedy approval of Bill C-48.

Thank you.

● (1130)

The Chair: Thank you, Ms. Potter.

[Translation]

We will now hear from the representative of the Front d'action populaire en réaménagement urbain.

Mr. Roy, please proceed.

Mr. François Roy (Coordinator, Logement'occupe, Front d'action populaire en réaménagement urbain): Good morning.

I want to thank you for giving us an opportunity to appear this morning. The President of FRAPRU, Mr. François Giguère, who was here last week, was unable to appear today. I therefore agreed to replace him at the last minute.

My name is François Roy and I am the Coordinator of Logemen'occupe, a housing committee that actively lobbies for people with improper housing in Gatineau, and which is an active member of FRAPRU. I am accompanied today by Mr. André Brunet, who lives in low-cost housing here in Gatineau, in a social housing project. Mr. Brunet is a former businessman who owned three hair salons. When he started to have health problems, he moved around for about ten years. But for the last five years, Mr. Brunet has had housing with community support and has been able to stabilize his situation.

FRAPRU is an organization that is active across Quebec and represents more than 100 organizations. It was established in 1978 and is primarily concerned with defending the right to housing, and particularly promotion of social housing in all its different forms, either cooperative housing, non-profit housing, or low-income housing.

In the 1990s, and particularly in 1994, FRAPRU vehemently opposed the Mulroney Government's decision to withdraw from the social housing sector. Since then, it has never given up, calling on different governments, both under Mr. Jean Chrétien and Mr. Paul Martin, to recognize the need to make significant reinvestments in low-cost social housing. And we think it's important to make an important distinction here. When we talk about social housing, we're not talking about affordable housing, but rather of low-cost housing.

Given that background, we were pleased with the Martin-Layton agreement, proposing a budget of \$1.6 billion for low-cost housing in Bill C-48. In fact, Quebec has already used the \$236 million transferred to it under the Affordable Housing Program. As far as we are concerned, this is a necessary investment because of the scope of the problem in Quebec, as has already been indicated by various representatives.

In Canada, as was noted, more than 1.5 million households spend more than 30 per cent of their income on housing. According to the most recent Census data, which is probably out of date as we speak, 447,000 households in Quebec spend more than 30 per cent of their income and 219,000 households spend more than 50 per cent of their income on housing. It is also worth noting that according to estimates, there are more than 150,000 homeless in Canada. That is completely indecent in a country as rich as Canada. According to a study carried out by Santé Québec three or four years ago, there are some 13,000 homeless in Montreal and more than 3,600 homeless in Quebec City. In our view, this investment is absolutely necessary because of the scope of the current housing crisis.

At the present time, six metropolitan regions across Quebec have vacancy rates of less than 1.6 per cent, even though the recognized standard for there to be proper balance in the market is 3 per cent. Here we're talking about the vacancy rate, and not the rate of accessible housing. We want the federal money to go directly into social housing, as Mr. Martin had promised, and obviously for Quebec's jurisdiction in this area to be respected.

As regards Bill C-48, we see nothing there that would make it impossible to respect Quebec's jurisdiction in this area, as was possible with the Affordable Housing Program, which was implemented through an agreement with Quebec. Bearing that in mind, we are calling on all Members of Parliament here not to slow down the passage into law of Bill C-48, so that the \$1.6 billion set aside for housing can be invested quickly. We would like to see the budget pass quickly because of the urgency of the situation.

In conclusion, we would just like to make the point that we see this \$1.6 billion budget as only a beginning, and believe an additional \$2.4 billion could also be injected using the considerable surpluses accumulated by the Canada Mortgage and Housing Corporation.

• (1135)

With these two budgets, the total investment would be \$4 billion over two years, which would essentially meet demands all across Canada. That is the 1 per cent solution that has been advocated by all organizations working in this area across Canada, by the Bloc Québécois, and by the NDP.

I believe I have covered the main points. I am available to take your questions later. Thank you.

The Chair: Thank you, Mr. Roy.

[English]

Mr. Robson, from the C.D. Howe Institute.

Mr. William Robson (Senior Vice President, Director of Research, C.D. Howe Institute): Thank you. It's a pleasure to be here. I hope the committee hasn't seen too much of me.

I was here only about a month ago, and on that occasion we were discussing the federal government's fiscal forecasts and whether an independent agency might help. I'm not here to repeat that, but the key point I was making then was that the system has become dysfunctional. We were targeting the bottom line at a time when there were large deficits. We're still targeting the bottom line at a time when the government has been running surpluses, and it's time to do something different, I think.

I think in this group I'm a little bit like the teetotaller at the bar, so let me go straight to the concerns I have in that context.

We've had an unusual situation over the last eight years. We've had very consistent surprises, with revenue coming in better than was expected in the Department of Finance forecasts. We've had lower-than-expected interest costs, and we've also had very sizeable increases in spending each year that weren't prefigured in each year's budget. Now, that shouldn't happen ordinarily in a healthy situation. You ought to have surprises that raise your revenues but that depress your spending. You'll have less in EI if the economy is strong, and vice versa.

What's been happening lately is that we've been spending up to our income, and that means whenever the positive surprises have come in, the federal government has spent more. Over the last eight years, if you just look at the difference between what each budget said was going to happen and what the actual out-turn was at the end of the year, you'll see we had \$45 billion worth of unanticipated revenue—that's comparing each budget to each year's public accounts—and we had \$9 billion of unanticipated interest savings, so that's \$54 billion in unexpected fiscal room. This is stuff that was never in the budgets.

A third of that paid down the debt—which I think isn't such a bad thing—but the other two-thirds fuelled more than \$35 billion in unanticipated program spending; that's spending that was never presented in the budget. Some of it was tucked in at the end of the year after March 31 in various ways the Auditor General has criticized. Some of it's supplementary spending, which is less troublesome in terms of Parliament's control over public money, but it's still a problem because the budget is the only time it's all in front of you at once and the strategic questions get addressed. It's maddeningly obvious that in many cases the decision to spend has come first and the thinking about what the money is for and how to achieve the goals with it has come second or worse.

At a recent meeting of the Canadian Economics Association conference, Jim Stanford—who would be more at home at the bar here than at the Auto Workers—and I sponsored a joint forum; the Progressive Economics Forum and the C.D. Howe Institute had a joint session. Tim O'Neill presented, Paul-Henri Lapointe from the Department of Finance presented, and Jim and I also.

There were many differences, obviously, but there were many areas of agreement on what's been happening and some of the bad consequences. In my presentation I made the case you just heard, and my prime piece of evidence, that we are spending first and thinking later, the poster child for a dysfunctional fiscal policy, was this bill. It works well for that in a presentation; the entire thing fits on one overhead.

As you can imagine, with the Progressive Economics Forum and the C.D. Howe Institute co-sponsoring, we had a pretty heterogeneous group in the room, but they all laughed. It's an astonishing piece of legislation. In 400 words it authorizes the minister to spend up to \$4.5 billion, subject to some limits that are not knowable in advance, on just about anything and by just about any means. The people in the room all laughed, but sometimes you laugh because if you didn't laugh, you would cry.

Authorizing backdated spending like that—Parliament, in my view, should not do that. If any of the organizations that were at this table were to backdate spending in the way this seems to envision, our auditors would not sign our financial statements. If we were private businesses, we might end up going to jail.

The focus of the expenditure, inasmuch as the specifics allow us to tell, is in areas where the federal government is either less competent than provincial and municipal governments, where it has shown no great skill in the past in solving problems, and where the mechanics that are supposed to achieve the result—and post-secondary education is a particularly good example of this—appear not to have been thought through.

Now, I don't want to be entirely negative, because federal budgeting obviously is a very powerful tool when used wisely.

Let me close with three points. The first point is that going ahead, for us to get out of this type of situation, some formal uncertainty in the budgeting process would help. There are a lot of things that are uncertain—the surprises that will come our way, the structure of the economy, how fiscal policy affects it. I think we would have a better understanding of the budgeting challenge if this uncertainty were formally acknowledged when we were laying out a fiscal plan.

• (1140)

Second, I think it's possible that a separate organization would make sense. The Department of Finance is responsible for laying out a fiscal plan. There's a lot to be said in favour of a separate organization that lays out key parameters, the environment for it, because there's a lot of tension when the same organization does both things.

As to the third point, why we should care, this bill may have seemed comical to the audience I was presenting it to, but the larger picture in which it's now the central feature isn't so funny. We have serial one-offs to the provinces, handouts, a sense in the country that

if you just lower Canadian flags the cash drops in the cup. I don't think history is going to judge this period at all kindly.

This careless spending puts debt paydown at risk. It's preempting money needed for core federal functions no one else can do. Defence is clearly at the top of that list. It's pre-empting tax relief. It's pre-empting tax relief of a kind that the average person doesn't notice, business taxes. The average person doesn't realize why there are fewer jobs, why his or her salary is lower, why the returns on a pension are less than they might otherwise have been. But the taxes levied formally on business have to be paid by somebody. I have a small business myself, and I can tell you there's no magic money generator there. It all comes out of my family. It pre-empts tax relief for families, and it pre-empts the tax relief that Ottawa ought to be providing right now. The provinces have some very big-ticket items ahead. Post-secondary education we've heard about; health we hear about every day, and the Supreme Court recently had something important to say about it. The provinces need that fiscal room, and the federal government should not be eating it up.

I can envision smarter federal fiscal policy. I can envision federal fiscal policy that acknowledges uncertainty and doesn't cut or spend more ad hoc through the year to hit some bottom-line target. I can imagine fiscal policy that uses an arm's-length body of experts to quantify some of the risks and set the plan. I can imagine federal fiscal policy that focuses on core priorities and promotes economic growth and a healthier federation. But in the pictures I've just described, I don't see much room for a bill such as Bill C-48.

Thank you.

The Chair: Thank you, Mr. Robson.

Mr. Solberg.

Mr. Monte Solberg (Medicine Hat, CPC): Thank you, Mr. Chairman.

It's a great irony that this morning we have the Minister of Finance speaking in Halifax, calling on business to pursue a productivity agenda and pointing to the great economic challenges coming at us. These include competition from China and India and the demographic crunch coming down the road. By the year 2030, we'll have double the number of seniors we have today. This will put a huge strain on health care and the pension system. Many of our new jobs are relying on post-secondary education. So it's ironic, in the wake of what Mr. Robson has just said, that we're hearing the finance minister point to this as a great priority, when in fact he's helping push through a bill that propagates so many of the current problems we have in this country.

I want to begin by talking about post-secondary education. Of course, post-secondary is important for advancing productivity. I don't think anyone denies that. But it's dangerous to just throw money at the issue. I would argue that's exactly what we're doing in the current context, the context of Bill C-48. In fact, I saw some evidence of a disagreement on how effective this will be. Mr. White said that C-48 would start to remedy some of the tuition problems. Mr. Soule, however, said that we would no longer suffer the crippling debt caused by tuition.

I wonder if either or both of you would like to address this. Which is it going to be? Is this going to end our problem with rising tuitions? Is this bill that fantastic? How are we going to get this through the provinces, when the provinces have responsibility for post-secondary education, and when many of them have shown no willingness to play by the rules the leader of the NDP has made with respect to Bill C-48?

• (1145)

Mr. Toby White: I think I'll address that first. We're not under any sort of belief that this bill on its own can alleviate all of the problems that the post-secondary system faces. It's nowhere near being a perfect bill. But we hope that if and when this bill passes it can be used to catalyze the changes that we do need in the system, and we do need funding going towards tuition and student aid as well.

I believe the federal government can open a dialogue with the provinces. I believe that money can be used in conjunction with the provinces to address both student aid and tuition. I believe a number of provinces have signalled that this is the direction they want to go in. Ideally, all provinces would want to go in that direction as well.

Mr. Monte Solberg: Isn't there a danger, if you rush into this without having that understanding ahead of time where you know there's some kind of agreement already in place between the provinces and the federal government to get that money to tuition, that it won't get there?

Mr. George Soule: I'll pick up that part of the question, then, and say that what we have seen in the last 12 months is commitment by provinces already on reducing tuition fees. If we go across the country, there's a commitment in the British Columbia to cap increases; and Ralph Klein in Alberta has committed to paying for any increase in tuition fees. In spite of years of suggesting that they would never freeze tuition fees, the Government of Saskatchewan has frozen tuition fees. There's a fifth year of a freeze in Manitoba, a second year of a freeze in Ontario. For thirty of the last 35 years tuition fees have been frozen in Quebec. In Newfoundland and

Labrador we're looking at six years of freezes after two years of reductions. This commitment has been put forward.

As far as agreements are concerned, Nova Scotia has taken the lead on that. They've already passed the bill actually saying that when this money does come to the province they will use that money to reduce tuition fees and create a grants program in the province. Danny Williams in Newfoundland and Labrador has also made the same commitment. We saw recently in Ontario after former premier Bob Rae suggested that increased tuition fees were necessary, as well as increased funding, the provincial budget came out and the province said, we agree we need more funding, but you know what, tuition fees are not a priority and we will keep the freeze going forward.

I also want to say that I only meant to suggest that this is a great first step in eliminating the problems with tuition fees and debt. It certainly is by no means the solution to the problem. It is only \$1.5 billion, but that is a significant first step. It's also an incredible step forward with the federal government saying that there is a role to play with reducing tuition fees. Nova Scotia took the lead, but I don't imagine that many provincial governments will be willing to negotiate without having money on the table. So with the federal government having a real initiative forward, saying yes, there's \$1.5 billion that we're willing to put forward to reduce tuition fees, that encourages the provinces to come to those agreements. I think that's the only way we'll achieve this.

Mr. Monte Solberg: I want to follow up on that briefly. This is a two-year agreement. Obviously, after that all bets are off, based on the fact that whoever pays the money gets to call the shots, and the provinces at that point may decide to go ahead and start raising tuition fees again. First of all, I think we have to acknowledge that.

Secondly, are you taking a position on what percentage of the total cost of education students should be paying? Have we decided that the current level is the right level for students to pay out of the total education they get? What is your position on that?

Mr. George Soule: To answer the first part of your question, again this is just a first step, and again it's \$1.5 billion to start the dialogue. One of the materials that we distributed is on the Canadian education transfer payment. So it's a dedicated transfer payment for post-secondary education, just as we have with the health care, and once it came through it would provide some requirements on the provinces to improve access as well as quality.

Again, this is the first step towards that. We hope that would bring forward the negotiations that would lead to provincial agreements that would ensure that was a long-term priority. The Canadian education transfer was put together by the Canadian Association of University Teachers, who unfortunately aren't here today, but we do work with them on a number of issues, including this Canadian education transfer payment.

• (1150)

The Chair: Thank you, Mr. Soule.

Monsieur Côté.

[*Translation*]

Mr. Guy Côté (Portneuf—Jacques-Cartier, BQ): Thank you very much, Mr. Chairman.

Thank you for your presentations. There are two questions I would like to address.

Other than the fact that it sets out various amounts to be spent in various areas, Bill C-48 really doesn't do any more than that, and that is in fact one of the reasons why we in the Bloc Québécois have a problem with it. For example, in education and social housing—and Mr. Solberg clearly explained this earlier—there is no information whatsoever as to how that money will be spent. Will it be used to maintain or lower tuition fees? There is no way of knowing whether the funds will be used to increase grants or student loans, for example. Nothing would prevent the government from moving in that direction.

In Quebec, we have recently had an opportunity to see what came out of increased amounts for student loans. At first glance, it seems like an attractive idea, but the fact remains that debt levels amongst students are on the rise, which is not necessarily the answer. The problem with Bill C-48 is that we do not know what the government's actual intentions are. You will agree that if the government decides to implement a national strategy to lower tuition fees, that will have not any relevance in Quebec, because that is not the specific problem students are facing there. What is needed is reinvestment in educational infrastructure and academic libraries, for example. The fact is that no specific plan has been set out as to how the government will be spending the money. It only talks about supporting training programs and facilitating access to education, particularly for Aboriginal peoples.

For example, the Bill refers to payment “for the environment, including for public transit and for an energy-efficient retrofit program for low-income housing, an amount not exceeding \$900 million”.

Last week, there was an announcement about an investment of some \$800 million or \$900 million that will be exclusively for public transit. I want to say that public transit is important and that this is a good thing. However, nothing would have prevented the government from doing exactly the opposite under this Bill, had it so desired.

For those reasons, we will be proposing a number of amendments when the time comes for clause-by-clause consideration, with a view to making the wording more precise and ensuring that it specifically meets needs in Quebec. To a certain extent, it's the same problem as regards social housing. We all agree that we would not be facing the

current situation had there not been this disengagement over the last ten years or so. Massive investments are now needed in that sector. We have always advocated engagement in areas such as this.

Mr. Roy, you said earlier that you wanted provincial jurisdiction to be respected under this Bill. And although we may be pleased to see this \$1.6 billion investment in social housing, the way the government is going about this is a problem. In terms of implementation of the Bill, there is very clear reference made to agreements to be signed directly with the municipalities. Once again, no details are provided.

When the federal government says it wants to invest in social housing, is it talking about giving grants to owners to build new low-cost housing? Nothing is preventing the federal government from doing that, but the problem is we don't know whether that is what is intended; the Bill doesn't say. Is it the federal government's plan to ensure, through regulations, that most of the money is allocated to large municipalities, because of the critical mass there? Again, that is not stated in the Bill. That is the reason for our reservations with respect to Bill C-48. However, rest assured that we will work to improve it. To that end, we hope to have the support of our colleagues from the NDP, the Conservative Party, or even the Liberal Party. In some very important areas, massive reinvestment is required in the short term. Unfortunately, that is where the government is engaging in petty politics in order to cling to power. The facts show that this is how it has chosen to act.

Those are my thoughts on that issue. I would be interested in hearing your comments.

• (1155)

Mr. François Roy: As far as we're concerned, it's woefully inadequate. However, we do see it as a step forward, given what we have seen in the last ten years. When the federal government withdrew, people all across Quebec and Canada paid a high price for that. And the current problems we are experiencing are the direct result of a major disengagement back in 1994. We recognize that there could be improvement, but despite that, we see this as a step forward. Under the Affordable Housing Program, an agreement was reached with Quebec and its jurisdiction was respected. The rate went through at CMHC. In Quebec, through the involvement of various organizations, we were able to ensure that the money would really go to social housing managed by non-profit organizations. Only a minimal amount went to the private sector.

In fact, in the English version of the agreement, it refers to affordable housing, whereas in the French version, it talks about low-cost housing. And yet there is an important distinction between the two, as far as we are concerned. Yesterday I was again discussing this with people travelling back with me from Quebec City, where FRAPRU had held its convention. Affordable housing is completely inaccessible to people who are paid minimum wage. So, we want to ensure that this money is used to develop low-cost housing that is truly accessible to low-income households. We have some concerns and believe it could be improved, but at the same time, we see this as a plus for people in Canada and Quebec with inadequate housing.

There is one point I forgot to mention in my presentation. This money would also make it possible to renew the SCPI program, which allowed for significant investments in housing and for groups to get involved to support the homeless all across Canada. It's important to remember that a UN committee deemed homelessness to be a national crisis. It's completely unacceptable, in a country as rich as Canada, for there to be as many homeless as is currently the case. That money would allow us to renew the SCPI program. According to estimates, that's about \$200 million annually for Quebec. That is a substantial amount of money. Under the Quebec program, 1,200 units can be built with \$35 million. So, we could do a great deal with that money. We recognize that this isn't enough, but it is a plus nevertheless.

The Chair: Thank you, Mr. Roy.

[English]

I have Ms. Minna, then Mrs. Wasylycia-Leis.

Hon. Maria Minna (Beaches—East York, Lib.): Thank you, Mr. Chair.

Obviously I support the bill, and I want to explain why I think it's extremely important if we look just at housing. Then I have a couple of questions.

There seems to be a reaction to some of the presenters here, but this is the first time we've done housing. I know we were out of it for some time, but we've been back in housing for quite some time. The homelessness program that was announced a few years back is an example of the tripartite agreements struck by federal-provincial-municipal governments. In fact, at the community level in Toronto, the homelessness program works in agreement with the City of Toronto, and it's working extremely well. I think that across the country there are similar arrangements—the \$600 million.

In addition to that, the last tranche of housing, which was of \$1.5 billion, I think, was pretty much spent and was being renewed in the Speech from the Throne. This bill is basically bringing forward that money and saying that we're going to invest it now rather than two years from now. That's what this \$1.6 billion is. It was in the Speech from the Throne, so it's not new and not something untoward. For instance, we recently announced a \$601-million agreement between the Province of Ontario and the Government of Canada, and \$300 million of that had been sitting in a bank somewhere because Mike Harris wouldn't use it in Ontario. Meanwhile, though, in the rest of the country we were building homes and we have been using money.

So the federal-provincial partnerships in this area have existed, and agreements have been signed recently and continue to be. So there is nothing terribly new here.

There is a commitment on the part, I think, of all levels of government to do affordable housing and to work.... The delivery in communities is extremely important, you're quite right. I think Mr. Wilson was referring to that earlier. In my riding, there's an organization called Senior Link, which deals with seniors' housing. They are going to be opening up a new building very soon. The interesting part of this, which goes back to the comment about retrofitting and the importance of keeping down the cost, is that in this case the building will be built with solar panels. That's where the energy is going to come from. Those solar panels could allow them

to sell some of that energy—because the fellow who's doing it knows what he'd doing—to other buildings that Neighbourhood Link owns and to other senior buildings, and possibly even to the hospital nearby. Discussions are ongoing.

So I think the opportunities in this area are actually phenomenal.

Mr. Wilson, co-op housing, on my part, is one of the best forms of affordable housing that this country has ever invented, and I support it 100%. I think we need to do a great deal more of it.

I know that a new national framework for housing is going to be introduced pretty soon by the minister, and I know there's some restructuring going on at CMHC with respect to its role vis-à-vis the role it had in the past. I wanted to ask if you or the Co-operative Housing Federation have been involved in any discussions at this point with CMHC or the minister with respect to potential new programs and arrangements for the near future that would fall within that framework. There had been some discussion before, and I think it's important that this continue.

• (1200)

Mr. Christopher Wilson: Yes, indeed we have. All of us at the table have participated in the discussions on a new national housing strategy, which Minister Fontana has been carrying on.

I think it's important to stress that Canada actually has a long and quite proud tradition of producing affordable housing. What we're calling for, in a way, is the renewal of that tradition. There was a time up to the mid-nineties when Canada was a leader around the world in producing affordable housing. Unfortunately, except for the affordable housing initiative in recent years, we haven't seen those investments. Let me say that those investments were made under governments of all stripes; they were made under Conservative governments as well as Liberal governments. The core of our homelessness problem is the very little investment in affordable housing over the last 10 years; we view homelessness as just the tip of the iceberg of the terrible shortage of affordable housing.

So yes, absolutely there are programs that can be produced. Our friends from CHRA talked about their projects ready to go. We would love to see a new cooperative housing program. We'd love to see new non-profit housing programs. There's tremendous need out there among a wide range of Canadians. And, yes, we're ready to move.

Speaking to the point that our friend William Robson raised, I actually agree with him. I don't think this is the way to do budgeting. We pressed very hard to have the commitment to affordable housing as part of the budget. As far as I'm concerned, this is where the budget should have been.

The other point I'll make is that after so many years of not investing in social programs, we have a huge social deficit in this country that has to be met. It's very clear in the area of housing. So yes, you're absolutely right, this should part of government planning and these should be ongoing commitments.

Is this money going to solve these problems? Of course not. As much money as \$1.5 billion is, and as grateful as we would be to receive it, it is a drop in the bucket compared to the need. But it is a beginning, and we should take that beginning; we should be making these new investments. It's time that the federal government got back to doing something that, by the way, it has done very effectively. With the 91,000 units of cooperative housing in this country, three federal cooperative housing programs were carried out very effectively by the federal government, in some instances with the provinces.

The Chair: Thank you.

[*Translation*]

Mr. Roy, a quick response from you, please.

Mr. François Roy: We did have an opportunity to meet with Mr. Fontana and discuss implementation of a future national housing framework. We told Mr. Fontana that there shouldn't be long delays in actually implementing that framework. At the present time, money transferred to Quebec under the Affordable Housing Program has practically all been spent and a number of projects are pending. We wouldn't want to see either those groups that have developed these projects, or people who don't have good housing in Quebec, be penalized. We are concerned, because we see this as urgent.

We also mentioned to Mr. Fontana that the delivery structure in Quebec is working relatively well. What we are lacking is money. We do not want to see Quebec penalized once again because it has been successful. I believe the money made available under the Affordable Housing Program was very appropriately spent. It has been very successful in Quebec, but elsewhere in Canada, it may not have worked as well. Once again, Quebec is being penalized because of its success.

With respect to the Supporting Communities Partnership Initiative, or SCPI, it's the same thing. It is urgently needed, in our opinion. The fact is, the second phase of SCPI will be ending on March 31, 2006. That is less than seven months away. In Canada, hundreds of organizations have received funding under that program, and thousands of people experiencing homelessness were able to receive assistance. If that program is not renewed quickly, as Mr. Fontana had promised, thousands of homeless people will suffer. In Quebec, we are talking about a small amount—only \$56 million for the second phase. That is very little, considering the resources available to this government. We think it's important for Bill C-48 to be passed as quickly as possible.

• (1205)

The Chair: Thank you, Mr. Roy.

[*English*]

Okay, Ms. Wasylycia-Leis, and then I've got a second round with Mr. Pallister and Monsieur Paquette.

Ms. Judy Wasylycia-Leis (Winnipeg North, NDP): Thank you, Mr. Chairperson.

Mr. Monte Solberg: On a point of order, Mr. Chairman, with respect, we have several witnesses here who are advocating for this money to be spent. We have one witness who is calling for some restraint. We've had the witnesses who are calling for the money to be spent given lots and lots of time. Mr. Robson would have liked to speak on the other side of it, and I think that's fair.

The Chair: In the interest of fairness, Mr. Robson, 30 seconds, please.

Mr. William Robson: I would like to make a party-pooper comment about respecting jurisdictions here.

I come from a city in which, since the federal government's involvement in this area ended, the vacancy rate has gone up massively. Why? Because rent control was ended. It does not make sense for provincial governments to use ring fencing, for municipal governments to have tight zoning by-laws that prevent secondary suites, for those levels of government to create a housing problem and then expect the federal government to step in with money. I would much rather see the federal government makes some fiscal room available. I think that if the Province of Quebec addressed both ends of it at once, as the Province of Ontario did, the results in the housing industry would be far better.

Thank you.

The Chair: Thank you, Mr. Robson.

Ms. Wasylycia-Leis.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

I'm glad Mr. Robson had a chance to make that comment, because I wanted to in fact deal directly with some of his statements that I find quite lacking in substance and evidence.

First of all, let me thank all the witnesses for coming back today. We appreciate your patience, having sat through last Thursday morning's shenanigans. We're glad you came back now that the games, we think, have ended and we can get on to a serious analysis of Bill C-48.

I think, Mr. Robson, I have to take umbrage directly with your comments, because in fact I would dare say that those people who laughed at your conference you organized... I had some trouble not with the substance of the issue, but with the double standard of the C.D. Howe Institute. I think people are quite aghast at the fact that you and the Conservatives have suddenly singled out the lack of detail in this bill when you had nothing to say about the lack of detail in previous budget bills, or even for that matter in Bill C-43, which we are dealing with right now as well.

I might point out to you that in last year's budget bill—and I've checked the record in terms of both the Conservatives and the C.D. Howe Institute—very little was said about the broad, sweeping provisions in that bill. For example, part 3 of the bill, that an aggregate amount of not more than \$400 million go to a trust established to provide provinces with funding for the purposes of supporting national immunization, had no more detail than that. And for the Bloc's benefit, there were no more provisions than in Bill C-48 in terms of assuring that provinces had access to those funds.

I give you more examples in that bill:

...out of the Consolidated Revenue Fund there may, on the requisition of the Minister of the Environment and the Minister of Natural Resources, be paid and applied a sum not exceeding two hundred million dollars for payment to the Canada Foundation for Sustainable Development Technology...

I could go on. There are numerous examples in that bill.

You should know, Mr. Chairperson, that in the debate on that bill there were no amendments from the Conservatives or the Bloc. There were no witnesses called. No one, including the C.D. Howe Institute, made any case about the lack of detail in Bill C-30, the last budget implementation bill, despite sums of money being allocated on a much more broad, general basis than anything pertaining to Bill C-48. And then on Bill C-43, let's not forget, we didn't hear anything from the Conservatives or the C.D. Howe Institute about lack of detail when we agreed to spend \$650 million on a new deal for cities and municipalities, or \$150 million for the Green Municipal Fund, or might I suggest, the \$50 million for the Canadian Cattlemen's Association to very generally set up a fund to support the cattle and beef industry's long-term viability.

So I think, Mr. Chairperson, we are dealing with a double standard here. It seems that this notion of being rigorous and getting more detail and transparency and accountability only seems to come into effect when we're talking about deep-rooted, neglected areas in the social policy field: housing, the environment, public transit, students, education, homelessness, you name it. On all those issues that have not been anywhere on the page all these years while these huge surpluses built up, suddenly we get some action and suddenly the Conservatives and the C.D. Howe Institute come forward saying the sky is falling, and never before have they mentioned such words of concern.

So I want to ask all the representatives here how they would like to respond to the C.D. Howe Institute, why you feel singled out, why you have been singled out. And furthermore, how does the C.D. Howe Institute, and the Conservatives by the way, get away with suggesting that this \$4.6 billion over two years, which amounts to, I think, 0.01% of GDP, is suddenly going to create all this loss of investment, and as the C.D. Howe Institute said, a loss of 200,000 jobs? Could you perhaps tell the world how in fact these proposals you are supporting will in fact create jobs and meet unmet needs in our society?

I'm wondering if we have time for each of them to make a quick comment.

• (1210)

The Chair: Let me help out. I'm going to ask Mr. Robson to address this, and then I'll ask somebody else to speak.

Mr. William Robson: The objections we've made to this kind of backdated spending and the arm's-length foundations are a matter of record going back quite some time. I am pleased to have been invited to come here and talk about these things. I look forward to a similar invitation, perhaps from you, Madam, the next time something like this comes in front of the committee.

Ms. Judy Wasylycia-Leis: You're always welcome to come for budget implementation bills. We're open to witnesses every time we deal with a budget implementation bill. People come because they want to say something. You did not come forward to make this case in previous bills.

Anyway, go ahead.

Mr. Toby White: We're not quite as concerned with back-dated spending, but we are slightly concerned about the fact that this is conditional on a surplus. I believe that post-secondary education is an important issue. I'm sure people from the housing field would also feel that their issue is important enough to have dedicated spending, not necessarily coming from a surplus.

To address your comments, I believe these things will help create jobs and stimulate the economy. I don't need to go into detail about how a more educated society is a more productive society, and how allowing people from all walks of life to achieve a post-secondary education is the best thing for both your economy and your society.

The Chair: I'll take one more.

Ms. Potter.

Mrs. Joyce Potter: It's quite clear that an investment in housing is a good investment for both the social fabric of our country and the economy. Providing someone with good affordable housing is far cheaper in the short term than it is to house them in a shelter—just as it's cheaper in the long term than it is to house them in jail. Many social problems are created when we don't adequately house our citizens.

The Chair: Thank you, Ms. Potter.

Mr. Pallister, then I have Monsieur Paquette, Ms. Kadis, and Mr. Bell, and then we're going to wrap it up.

Mr. Brian Pallister (Portage—Lisgar, CPC): Thanks, Mr. Chairman, and thank you all for your presentations.

In listening to my NDP colleague's comments, I find the word “vacuous” comes to mind. I think all of us who are concerned about this social deficit and about spending on social issues should be frightfully concerned about this two-page document. We should be concerned because, frankly, it doesn't give you any assurance, gentlemen, that any of the dollars will be directed towards, as you well know, the concerns you've expressed.

If you read the bill, it shouldn't give you any peace of mind that a dollar will be directed towards the issues you find of greatest priority. Quite the converse. What this bill does is send a message that broad envelope commitments can be made and that they may not be fulfilled. That's the message it sends. It's imprudent fiscal management, it makes no sense, and for people like me who are vitally concerned about, for example, access to post-secondary education as an issue that concerns many of the young people in my riding, rural people in particular and people from northern communities, this is ridiculous.

I'm taken back to my first-year philosophy courses, which said it's important before commencing a debate to define the terms. What has this defined for you? You've been forced to come here today and talk in vague general terms about what your priorities are. That's fine. We all share those priorities. The question is, how are we going to deliver on them? Surely that's the question.

There isn't detail in here to give any assurance to any of us that the priority issues we want to see addressed will be addressed. I'll give you an example. There's talk in here about post-secondary education. That's great. All of us are sympathetic to the need for post-secondary education and training programs in the country to be delivered and to be accessible, right? I hope we all are.

The Auditor General's report of last November says the Department of Indian and Northern Development doesn't know where the money that's allocated for post-secondary education programs for aboriginal young people is going. Not only that, they misinform the House and they misinform the Treasury Board Secretariat on the competence they have and the knowledge they have of where the money is going. They don't know where it's going.

And now the NDP and the Liberals come up with a bill that tells us we should spend more on that. We don't even know what's going to the kids. We don't have a hot clue.

If that doesn't concern you, geez, I don't know what will. How could we possibly support a bill, I ask you, that makes blanket commitments like that when the Auditor General's concerns, so clearly and repeatedly expressed, have not been acted on for this issue? How could we possibly support throwing more money into a broad category such as aboriginal post-secondary education when right now anecdotal evidence tells us fewer young aboriginal Canadians are benefiting from the increased spending that's going on in that category even today?

Surely we should be addressing the priority issues first. Surely we should be making sure the program works before we throw more money at it, because the money we throw into that category isn't available for addressing homelessness or tuition increases. It won't be available. It'll be gone, and that'll be a tragedy.

I invite you gentlemen to comment on that, because I'm very concerned, again, with the vacuous arguments that are coming from the proponents of this bill, who say if you care about post-secondary education or aboriginal people or housing or homelessness, if you care about them, you have to vote for the bill. I care about each of those things deeply, and I can't possibly support the bill the way it's structured because the money won't go where it's needed. There's no guarantee of that.

So I invite your comments, gentlemen.

• (1215)

The Chair: Mr. Soule, and then I have Mr. White.

Mr. George Soule: What has concerned us in the past is the billions of dollars for students that have been misdirected, where the federal government has tried to play a role without actually directly making agreements with provinces and without actually making the dedicated transfer payment and agreements that are actually directed towards reducing tuition fees and improving access. We've seen billions wasted on the Millennium Scholarship Foundation, and we've seen billions wasted annually on regressive taxation programs that do not actually help students who need access.

This is actually a first step towards a transfer payment to provinces, and if you look at the agreement upon which the bill is based, you'll see it has the intention of reducing tuition fees and increasing access. I agree the bill is not perfect, but the idea is that if we can actually get a dedicated transfer payment to provinces on post-secondary education—and this is the first step towards that—we can reduce tuition fees.

What it will also do is give the federal government credit for the spending, and I would suggest, if the Conservative Party or other members have any suggestions for amendments, that reducing tuition fees would be ideal.

[*Translation*]

The Chair: Mr. Roy, please.

Mr. François Roy: Given past experience, we have nothing to say about control over monies transferred to Quebec. Organizations involved in housing and support for the homeless don't have any lessons to receive from anyone, because every single cent of the money they do receive is subject to intense scrutiny, especially under the SCPI. Everyone knows that there is overcontrol now because of the Sponsorship Program.

• (1220)

The Chair: Thank you, Mr. Roy.

We still have three speakers.

[*English*]

The speakers only have five minutes for questions and answers. If the speaker decides to ask a four-minute question, I can't control that.

I have Monsieur Paquette, Ms. Kadis, and Mr. Bell, and then we're going to wrap it up.

Monsieur Paquette.

[Translation]

Mr. Pierre Paquette (Joliette, BQ): Thank you, Mr. Chairman.

Thank you for your presentations. I find it unfortunate that you are the hostages of a political manoeuvre. It's important to understand that Bill C-48 is strictly a political manoeuvre by Mr. Martin's minority government, which was going down to defeat and therefore sought the support of the NDP. In that sense, I am sure you can understand that the Bloc is not interested in giving up what leverage we have in exchange for uncertainty. We are very conscious of the fact that the Liberal government has bought itself some time, because it does not want to face the people of Canada and Quebec to answer for the actions taken and brought to light by the Gomery Inquiry.

Many of you are saying that this is a start, but it's not enough. But a start to what? When the government announces \$900 million for the environment, is it making a real commitment to implement a Kyoto action plan that is effective and has some teeth to it? The action plan is still the one Mr. Dion presented to us.

For postsecondary training and education, there is \$1.5 million. That money is obviously not going to be refused, but if the government makes no commitment to long-term reinvestment... As you know, we have suggested that the government commit to funding 25 per cent of the costs of postsecondary education, as it undertook to do for medicare following the release of Mr. Romanow's report. Would you agree with such a requirement?

With respect to housing, it's the same thing. There was nothing, or practically nothing, in the budget plan for that, but all of a sudden the government is announcing funding of \$1.6 billion. That money is welcome. But this is not a commitment to social housing. As you know, the federal government has not been adequately involved in this area for many years. After it withdrew, we were not able to maintain the housing stock. You well know all the problems that can cause.

In terms of international aid, we are talking about \$500 million. Again this morning, I was listening to Pierre Pettigrew on Radio-Canada. He was incapable of telling us when the government will be in a position to keep its commitment to devote 0.7 per cent of GDP to official development assistance.

To begin with, I would like to put a specific question to the students. Would you agree to the idea of asking the federal government to fund 25 per cent of the cost of postsecondary education? And more generally, other than the amounts provided in Bill C-48, when has the Martin government made a long-term commitment?

Groups representing the unemployed are asking us to vote against this Bill, because there is nothing in Bill C-48 to address the horrific problems the Liberals have been causing since 1993. It's important to consider the whole picture. As I said, we don't intend to give up what leverage we have in exchange for uncertainty.

I'll turn it over to the witnesses now to comment.

[English]

The Chair: Mr. White, do you want to respond?

Mr. Toby White: I think the way the post-secondary funding system works is far too complicated to define it based on percentages and say the federal government should cover 25% or 30% or even say students should cover a certain percentage of education.

To cover the other part of your question, I can say that unfortunately there does not seem to be any sort of long-term vision for post-secondary education in the country and that one is desperately needed, and it needs to come from both the federal government and the provinces. I see no reason why the provincial governments and the federal government cannot sit down together and start to begin that dialogue on producing a national vision and a national direction for post-secondary education.

Obviously, involved in that dialogue should be a design for a funding system and for how this funding system will work. Ideally, a component of that funding system would be a dedicated transfer for post-secondary education. How that transfer is calculated is something that does need to be discussed by both the provinces and the federal government.

The Chair: Thank you, Mr. White.

Ms. Kadis.

Mrs. Susan Kadis (Thornhill, Lib.): Thank you, Mr. Chair.

I do obviously support Bill C-48 and believe it is inextricably related to not only the social vibrancy of our country and communities but the economic vibrancy. I'm certainly not one who's alien or opposed to tax relief. I always fought for that previously as a city councillor and continue to think it is an important piece, one I believe we will be looking toward in the future.

However, I think there's a time we need to reinvest, whether it's in housing, transit, infrastructure, or post-secondary education. This is really a crossroads, and I believe this is that time. This is when the public's money goes into restrengthening and revitalizing those very significant fundamentals in our country. I think it's an artificial disconnect to say these are not economic factors. These are totally related.

On that basis, I'd like to ask the student representative of CASA, what are the ramifications of not supporting this in terms of the effect on social and economic prosperity?

• (1225)

Mr. Toby White: Obviously, the ramifications of not passing this bill are that there will be no extra money in this year's budget allocated for post-secondary education.

I do understand and share some of the concerns that various members have brought up that this money is not specific or targeted enough. We've seen in the past some rather unfortunate cases of large amounts of money being spent on post-secondary education that have not gone toward things that genuinely help students, or even help the system at all. So I encourage those members who have those concerns to perhaps consider putting forward amendments to this bill, rather than just considering voting against it, because I believe it is important that we move forward on some of these things.

Mrs. Susan Kadis: I believe we should be separating the social transfer from the education transfer. That would also help to deal with some of these issues we're all raising today.

Thank you.

The Chair: Thank you, Ms. Kadis.

Mr. Bell.

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

Thank you to the witnesses.

I'm supporting this bill. I was happy to support Bill C-43, but I felt that more should have been done generally in the areas of education, housing, and municipalities. So seeing this additional money is something I'm not uncomfortable with.

I notice, Mr. White, in your response you said it was perhaps too complicated to suggest that students should cover any particular percentage of the cost of education. The reference Mr. Soule presented here said, "In 1992 user fees accounted for an average of 17% of an institution's operating budget", and the continual decline by 2002 has brought that average up to 28%.

To Mr. Robson from C.D. Howe, have you given thought to this? What percentage of the cost of education do you think students should pay? Then I'd like to ask Mr. Soule if he has a recommendation as to what that should be.

Mr. William Robson: I don't have an overall figure.

I've taught in a university setting myself, so I have a bit of a perspective on this from the other side. Many post-secondary institutions are insufficiently focused on quality of instruction. I think that's a problem. One of the important things that are necessary in order to change that situation is for students, when they come into a classroom, to add to the resources of the institution. Of course, that needn't necessarily be because they pay out of their own pockets. That could be because public money follows them.

But it's very important that each student who comes in seeking instruction be seen by a university or community college as an asset rather than a liability. I also believe that students are more demanding of their instructors when they have something of their own on the line. So on that basis, I would say it is appropriate that students should pay some of the cost.

When it comes to how much, there are many studies now that show what a fantastic investment post-secondary education is for the individual. When you look across the board at this point, we are clearly not at the stage where post-secondary education is a poor investment for the individual. Those who go have lifetime earnings, as well as many other advantages, that are far greater than those who do not go.

So the question that always has to be asked is, how much do we ask the parents of those who do not go, and the people who do not go, to pay toward the education of those who do, when we know what superb individual advantages a university or college education offers?

The Chair: Mr. Soule.

Mr. George Soule: I just want to suggest, as was included in my opening remarks, that tuition fees are a barrier, period. We have Canadians who are willing, able, and have the desire to go to post-secondary education, but because of the size of their wallets they're unable to achieve those goals. We have a government that talks about a knowledge-based economy. I wonder how we're going to support that economy if everyone in society doesn't have the ability to actually pursue that education.

As for paying for education, I think we should all do that through our taxation. The ideological argument of the taxpayer versus the student misses the point that students are taxpayers and certainly once graduated will continue to be so.

• (1230)

The Chair: Thank you, Mr. Bell.

I want to thank the witnesses for coming by, especially the ones who were here Thursday and didn't have an opportunity to speak. I think the environment has been a little bit better. Again I apologize for last Thursday and thank you coming forward.

We're going to suspend for about two minutes, and then we'll get the next panel up.

Thank you.

• (1230)

_____ (Pause) _____

• (1241)

The Chair: Good afternoon, everybody.

We will start with the second panel. Again, perhaps we can limit the opening remarks to about five minutes. I don't want to interrupt, but the members will then have questions.

I have a list of witnesses here. First is the Canadian Taxpayers Federation. Mr. Williamson, would you care to go first?

Thank you.

Mr. John Williamson (Federal Director, Canadian Taxpayers Federation): Thank you.

Once again I would like to thank members of the committee for the opportunity to bring the perspective of the Canadian Taxpayers Federation to deliberation on Bill C-48, commonly known as the NDP budget amendment.

The revision to the finance minister's original budget will add \$4.6 billion in unplanned spending over the next two years. This abrupt change has raised concerns that the government's prudent approach to budgeting has been tossed overboard.

As a result of this, Ottawa will be less capable of responding to unplanned changes such as higher interest rates, slower growth, or higher jobless rates that might affect Canada's budget in the future. As a result of this, the federal government could slip back into deficit should economic circumstances alter.

Bill C-48 also greatly diminishes prospects for meaningful tax relief. Canada's tax burden is still too high. It saps productivity, deters wealth creation, and remains a glaring competitive disadvantage.

United State's President George Bush has said he will reform Washington's tax system. It is a safe bet that in the coming years the U.S. tax burden will go down and the Canada-U.S. tax gap will widen further. Ottawa will have little manoeuvring room to respond to this.

Perhaps there are good reasons for the NDP spending budget to pass. If so, shouldn't we at least be given the details? No plan has been presented to date detailing how the \$4.6 billion will be spent. Bill C-48 in its entirety is only two pages in length. Is it any wonder that Canadians have deep concerns over how their money is being spent?

In probing Ottawa's sponsorship program last year, the Auditor General stated that "Rules were broken or ignored at every stage of the process" in awarding contracts. I'm not suggesting that members of Parliament who support Bill C-48 are engaging in any type of ad-scams activities, but they are creating a situation where spending is being authorized before proper guidelines are established. Rules are not being broken; instead, they are simply being rewritten.

The decision to amend the Financial Administration Act by removing the provision legislating that surplus revenues be directed to debt repayment is ill-advised. This change would permit the government to spend money after the end of the fiscal year without first allocating it to a specific program. This violates basic accounting principles when spending tax dollars.

The Financial Administration Act, which wisely requires that 100% of any surplus be directed to debt repayment, has permitted the federal government to reduce the debt by more than \$60 billion over the last eight years. This progress has resulted in annual savings on debt interest payments of \$3 billion to \$4 billion a year. Debt servicing will still chew up another \$35 billion this year. That's \$96 million each and every day, and it amounts to 20¢ of every tax dollar collected. We must continue to reduce our national debt to free up scarce resources in the coming years.

Modifying the act is a terrible mistake. Can somebody on the finance committee or in government explain to Canadians why it is necessary to erode parliamentary oversight of government expenditures? Where are the financial frameworks to ensure that tax dollars will be responsibly spent? To what specifically is money being allocated? Will the Minister of Finance release the financial plans detailing the new spending programs?

Lawmakers here are set to approve a bill that not only endangers the country's financial well-being but permits money to be spent without proper oversight. Parliament cannot adequately review how \$4.6 billion is to be spent because the expenditure details have not been tabled.

Until answers are provided by the finance minister or the Prime Minister, it is my opinion that this bill should remain in committee and not be returned to the House of Commons for a vote. This committee has been asked to approve funding without a plan. To do so is irresponsible and bad public policy.

Thank you, Mr. Chairman.

• (1245)

The Chair: Thank you. Mr. Williamson.

Mr. Jock, from the Assembly of First Nations.

Mr. Richard Jock (Executive Director, Assembly of First Nations): Thank you.

Since 1993, the federal government has made strong commitments to address first nations' interests. In January 2003, the government promised to turn the corner on shameful conditions, and once again in October 2004 committed to do so in a new partnership with first nations.

Given this level of commitment, the Assembly of First Nations viewed the 2005 budget as a significant opportunity to make real progress. To that end, the AFN engaged in an intensive effort to influence the 2005 federal budget process. The AFN pre-budget submission was tabled with the parliamentary standing committee on October 28, 2004. The pre-budget submission, along with an AFN research study entitled *Federal Spending on First Nations: The Facts, The Myths, and the Way Forward*, was submitted to all members of Parliament, senators, ministers, and deputy ministers. These documents were favourably received and submission of them was followed by a series of meetings between key ministers and the national chief and several executive council members. In addition, throughout the fall and winter of 2004-05, the Assembly of First Nations participated enthusiastically in the Canada Aboriginal Peoples Roundtable process.

The AFN engaged in these six sectoral follow-up sessions and tabled detailed position papers based on the AFN resolutions and on direction from AFN committees. These papers built on the pre-budget submission and articulated a clear vision, including the short- and long-term actions required for change on the issues of health, lifelong learning, housing, economic opportunities, negotiations, and accountability.

Despite this preparation, the 2005 budget failed to respond to the government's commitments and ultimately failed to address the interest, expectation, and hopes of first nations to finally enter into that aforementioned truly renewed relationship. In fact, the \$635 million allocated for that purpose, which amounts to 1.3% of total allocations, does not even reflect the population base of aboriginal peoples, let alone deal with some of the capacity needed to deal with those shameful conditions.

This allocation is even further diminished when we consider that expenditure review cutbacks of at least \$230 million will be made, which will directly impact first nations services. When we subtract those deductions, we're left with \$405 million, which is less than 0.8% of the total original budget of 2005.

The introduction of Bill C-48 by the Liberals and NDP gave us some optimism that some of those interests may be further met, in part through some of these new funding commitments, specifically the \$1.6 billion directed to affordable housing and the \$1.5 billion directed to training programs and post-secondary education.

As for housing, our current conditions are unacceptable. First nations houses are overcrowded and in poor condition. These conditions have a huge impact on the health status of our first nations peoples. It's our estimate that over 80,000 new units are needed immediately. An investment in this housing is critical to address this backlog of need.

The current level of funding is contingent on meeting the criteria of federal programming, instead of on first nations' priorities and needs. Most of this funding is loan-based, and this debt burden has really stifled growth in first nations. Our pre-budget submission identified \$5.5 billion over five years as the funding required to meet this overall need.

The existing \$295-million allocation from the 2005 federal budget is a good start. However, in context, this new funding provides 6,400 units, which is less than 10% of the required 80,000 units that I mentioned previously. Also, first nations in greatest need will not get funding because their economies cannot sustain the market-driven approach required by the rental regimes associated with that budget item. Therefore, the backlog will only continue, and some of the systemic problems will not be addressed.

Finally, the allocation does not deal with the remediation needed for dealing with homes insulated with asbestos-laden vermiculite or with black mould. Therefore, to improve these conditions, we specifically request that between \$533 million and \$800 million of this funding be directed at first nations. It's our view that investment in housing and housing self-reliance for first nations are really parts of an economic engine that will benefit all of Canada, in addition to being just plain good social policy.

● (1250)

In addition, I want to now talk about education. Our current rate of educational attainment is intolerable. Our university graduation rates are four times lower than those for the general Canadian population: 3% versus 13%. In addition, recent reports from Stats Canada demonstrate that there's been a substantial decline in post-secondary education participation by students from low-income families, which of course includes a significant percentage of first nations families.

These factors, combined with a higher rate of population growth, result in an increase in demand for education services.

Studies have also asserted that costs of post-secondary education, including tuition fees, equipment costs, accommodation, and general living costs, have increased by up to 400% in some parts of the country. An examination of the estimated average provincial cost per student, compared with the national amount allocated for a first nations student, shows that enough funding is provided to cover less than 50% of the costs for a first nations student per academic year. This is in large part because the Department of Indian Affairs and North Development education policies have not been changed since 1988, so they do not keep current with the increasing costs of higher education. This situation is exacerbated by the 2% cap that is placed on INAC funding overall.

The result is that the majority of first nations are both spending the funds allocated for post-secondary education through their post-secondary support program and they are still turning away significant numbers of eligible students on a regular basis. In fact, what we estimate is that 10,000 such students are being turned away.

The Chair: Mr. Jock, could you wrap it up, please?

Mr. Richard Jock: Okay, we're concluding.

The Chair: Thank you.

Mr. Richard Jock: Therefore, this investment should be characterized as a bridge to implementing this new criteria, and it could be implemented to bridge the current efforts that are under way to revitalize those policies with INAC and AFN.

We feel that we have presented practical plans. The plan is there, and the resources, we see, are in this bill. We feel very clearly that Canada has a major crisis and that the socio-economic gap among first nations and other Canadians continues to grow. The national chief feels we should challenge ourselves to close this gap in quality of life within a decade. To do so, we need to start now.

Thank you.

The Chair: Thank you, Mr. Jock.

The next group I have is the Canadian Centre for Policy Alternatives.

Ms. Russell.

Ms. Ellen Russell (Economist, Canadian Centre for Policy Alternatives): It's been over 10 years that the Canadian Centre for Policy Alternatives has joined with many other groups in preparing the alternative federal budget. We have almost always been disappointed in the federal budget, so it is a happy occasion for me to come to praise a budget.

CCPA believes that Bill C-48 is a step in the right direction. It invests in areas that are widely popular among Canadians, and we think it is fiscally appropriate to do so. Plus, this deal between the NDP and the government removes the corporate income tax cuts that were to unfold in the future, and we regard these corporate tax cuts as both unnecessary and unmandated.

I want to focus on two issues today. First, are the additional spending provisions in Bill C-48 affordable? Second, even if they are affordable, do they represent an unwarranted rate of increase in government spending?

First, can we afford it? Can we afford \$2.3 billion in each of the 2005-06 and 2006-07 fiscal years? The AFB has prepared a briefing paper on this issue, copies of which I provided to the clerk. It's also available on our website at ccpa@policyalternatives.ca. In this paper, we argue that there's ample fiscal room to cover the additional spending called for in Bill C-48. We argue this point by assessing the reports that four independent forecasters provided to this committee when they were assessing the federal budget back in early April.

You saw presentations from the Conference Board of Canada, *Global Insight*, Professor François Vaillancourt, and Jim Stanford on behalf of Canadian Centre for Policy Alternatives. Each of their reports implied a different methodology. Yet they all showed there were likely to be significant surpluses in 2005-06 and 2006-07, despite the extra spending incorporated in the finance department's original budget. In fact, all four of these reports projected that the forthcoming federal surpluses were so large that the spending in Bill C-48, the additional \$2.3 billion per year, could be accommodated without incurring a deficit in either fiscal year. Of course, the projected surpluses among the forecasters differed substantially, but let's take the average. The average of all four say that there would be about \$8 billion to play with in each of the upcoming fiscal years, more than enough to afford these measures.

Second, if you concede that there's no risk of a deficit, is there reason to oppose this spending on the grounds that it is too rapid an increase in spending? For example, my new friend, the Canadian Chamber of Commerce, was quoted recently in the *National Post* to the effect that to say program spending is out of control would be an understatement.

In your June 2 submission to this committee, I believe you claimed that spending grew about 12% in 2004-05, bringing the five-year total increase in program spending to about 44%. Okay, 44% sounds alarming, but these are nominal rates of growth of federal spending. "Nominal" means it does not address inflation and population growth.

Nominal spending has to increase somewhat every year just to cover the impact of inflation and population growth. For simplicity, let's choose round numbers. If we said inflation and population growth was roughly 3% a year, then the government would have to spend 3% more every year just to stand still. Otherwise, real per capita spending would be shrinking, meaning the government would be spending fewer real dollars on every person.

If you want to make program spending look as though it is growing like Topsy, you cite nominal figures. But whenever anyone cites nominal figures to you, you should strip out inflation and population growth, just to see what's happening with real per capita spending. We did so, and we find that when we adjust for inflation and population growth, the real per capita spending increase over the last five years is in the neighbourhood of 22%. Should you be alarmed that 22% growth over the last five years is somehow out of control, an average of roughly 4% a year?

● (1255)

Let me give you an analogy. A car is travelling at 30 kilometres an hour, and you put the brakes on, just as the brakes were applied to federal spending back in the deficit-cutting years. The speed of the car goes from 30 kilometres an hour down to 20 kilometres. If you start trying to build the speed back up to somewhere like it was before, and you go from 20 kilometres an hour back up to 30 kilometres, if you judge the distance between 20 and 30, you'll say, "Wow, that's a 50% increase in the rate of speed, that's out of control". But it depends on where you've measured from.

Even with these recent increases in spending, increases that admittedly exceed the rate of inflation and population growth, government spending measured as a percentage of GDP is nowhere near its historical levels. We would have to continue to increase government spending by an amount well in excess of population growth and inflation just to get government spending that approaches the levels that were the historical norm in this country.

The CCPA believes there is no reason to sound the alarm over the fiscal prudence of Bill C-48. It is affordable, it is spending moneys in areas that are high priorities for most Canadians, and it is not spending that is out of control; it is spending that makes a start on repairing the cuts of the nineties, which obviously are still haunting us today in the form of many issues afflicting health care, post-secondary education, infrastructure, and many other areas.

Thank you.

• (1300)

The Chair: Thank you, Ms. Russell.

The next group I have is the Canadian Chamber of Commerce, Mr. Murphy.

[*Translation*]

Mr. Michael Murphy (Senior Vice President, Policy, Canadian Chamber of Commerce): Thank you, Mr. Chairman.

The Canadian Chamber acknowledges and applauds the progress the federal government has made on the fiscal front in recent years. Fiscal 2004-05 will mark the eighth consecutive year the government of Canada has recorded a surplus. Canada is the only G-7 country with a surplus in our federal government budget. The federal debt-to-GDP ratio is now at its lowest level since fiscal 1983-84, and Canada has a triple-A credit rating.

These positive fiscal fundamentals augur well but we must not be lulled into a state of complacency. We must continue to ensure that the government's economic and fiscal position is protected with the inclusion of prudence to cope with unforeseen circumstances. Prudent planning, combined with a balanced approach to fiscal management and ongoing efforts to reduce Canada's national debt, will enhance Canada's competitiveness, both now and in the future.

[*English*]

Many of our members across the country have told us they are disappointed that the federal government has abandoned its balanced approach to fiscal management by scrapping fundamental aspects of a budget already introduced to Parliament and ramping up program spending in order to hang onto power. The spending spree we have witnessed of late, on top of the already large increases announced in budget 2005, threatens to put the country back into a deficit position should Canada's economy be hit by any rash of unforeseen developments.

Bill C-48 fulfills the terms of the Liberal-NDP agreement at the expense of corporate tax cuts. It was concluded so quickly and with little effort to determine whether the new spending initiatives are effective in boosting productivity and fostering long-term growth. It showed a clear lack of planning and long-term strategic thinking on the part of the government.

Moreover, while Bill C-48 contains some specification of the areas to which the \$4.5 billion in additional funds are to be allocated, it also contains an open-ended statement that in effect the cabinet may specify the particular purposes for which funds are available and the amounts of those payments for the relevant fiscal year. In other words, cabinet can choose to spend the money as it sees fit. As such, parliamentary oversight has been sacrificed. This can hardly be considered fiscally responsible, as the Minister of Finance has stated.

In the view of the chamber, not providing details on programs or how the programs are to be administered is a very irresponsible use of taxpayer money. Canadians expect and deserve accountability and transparency as to how their tax dollars are being spent.

In the past, unanticipated surpluses at the end of the year were automatically directed to debt reduction. However, over the next two years, a good part of any surplus will be used to fund new spending initiatives. While the federal debt is still likely to decline by \$2 billion a year, or more if the reserves are not used, the pace of debt reduction will be slower than in the past. And if history is a good predictor, it would tell us that the incremental spending could be extended beyond the next two years.

The chamber believes that we must continue to focus on reducing debt. The money the government would save on net interest payments could go to taxpayers as a tax cut, putting Canada on a more competitive footing. It would also free funds to help meet the requirements of an aging population. Post-2011, the cost of financing the needs of an aging population will be increasingly shouldered by a shrinking percentage of workers. We need to reduce our debt load now to prepare ourselves for the fiscal strains of the baby boomers' retirement.

Reducing the net public debt should also lower the cost of capital and stimulate private investment in plant and equipment. Lower debt levels would also reduce the exposure of government programs and taxes to fluctuations in interest rates. It is important that the federal government continue to allocate the contingency fund, if not needed, to cushion against unpredictable events to debt reduction. If the economy performs as forecast, the reserve for economic prudence should also be committed to debt reduction.

We also remind the federal government of something that was stated as far back as budget 1999, and that is the contingency reserve is not a source of funding for new policy initiatives.

The spate of new spending announcements has reduced the fiscal room available to implement much-needed tax relief for Canadian families and businesses. In a globally integrated world, individuals, business, and capital are becoming increasingly mobile. Governments across the globe are finding themselves competing with each other. Those that offer an attractive tax regime will gain the upper hand.

Tax issues must be put back on the agenda, including a clear road map for the future of taxation. Low- to modest-income earners, especially families earning between \$25,000 and \$45,000 annually, see many of the public transfers they receive, including child tax benefit, the GST, PST, and property tax credits, etc., clawed back as their income rises. As a result, they face effective marginal tax rates higher than 60% and higher than the rate facing Canada's top earners.

With respect to business taxation, even after the significant reductions in corporate taxes in the past several years, our effective rate of tax on capital, which incorporates income taxes on corporations, capital taxes, and sales taxes on capital inputs, are well above those in the U.S. and a number of other countries. Indeed, our aggregate effective tax rate on capital for medium and large corporations in manufacturing services and non-renewable resources now averages about 29% compared to 24% in the United States.

I cannot stress enough that program spending must be controlled and unanticipated year-end budget surpluses must not be squandered on piecemeal spending increases. Instead, the money should be invested in reducing taxes that penalize work effort, skills upgrading, savings, investment risk-taking, and innovation.

Thank you, Mr. Chairman.

• (1305)

The Chair: Thank you, Mr. Murphy.

Next, I have the Association of Universities and Colleges of Canada, Ms. Morris.

[*Translation*]

Ms. Claire Morris (President and CEO, Association of Universities and Colleges of Canada): Thank you, Mr. Chairman, for inviting the AUCC to comment on Bill C-48.

When the AUCC was before this committee last fall, we argued that investing in postsecondary education is a necessary condition for the creation of wealth and for social development.

Canadians' standard of living has long depended on our competitiveness in an international trading economy where our abundant natural resources provided us with a major advantage over most competitors. Today, however, our quality of life depends increasingly on our competitiveness in a global knowledge economy. In this context, international knowledge and experience provide a distinct advantage. Bill C-48 provides for increased support for foreign aid, and while that is not the topic for this panel today, universities do play an important role in this respect through international knowledge transfer and by providing a global dimension to the postsecondary experience of our students.

In a knowledge economy, people—their talents, creativity, knowledge and skills—are crucially important. So, too, are new ideas and the effective application of ideas, knowledge and technology to increase productivity and add value. Canadians are demanding access to higher education for themselves and their children in unprecedented numbers. They have heard about the knowledge economy, and they recognize that, on average, university graduates earn the highest salaries, have the highest levels of work force participation and the lowest levels of unemployment. It is little

wonder that the demand for university education is growing unabated. Full-time enrolment has grown by more than 130,000 students over the last three years, bringing total full-time enrolment to about 800,000.

[*English*]

In 1994, the Canadian economy employed more than 2.3 million university degree holders. A decade later in 2004, employment for those with one or more university degrees had risen by 45%. At this rate, fuelling the knowledge economy will require an additional 1.5 million graduates by 2014, over and above the number of graduates needed to replace the growing number of degree holders who will be retiring over the next decade.

Paragraph 2(1)(b) of Bill C-48 authorizes payments of an amount not exceeding \$1.5 billion “for supporting training programs and enhancing access to post-secondary education, to benefit, among others, aboriginal Canadians”. The AUCC welcomes this recognition of the importance of increased investment to enhance accessibility to post-secondary education. If this provision in Bill C-48 is to be successful in this regard, the federal government will need to keep in mind the three essential dimensions of accessibility: affordability, capacity, and quality.

With regard to affordability, no qualified individual should be unable to access post-secondary education because of his or her individual financial circumstances. Accessibility is clearly limited if academically qualified individuals are unable to pursue post-secondary education because they lack the financial resources necessary to cover educational and living costs. In this context, targeted student assistance, incentives for students from low-income backgrounds and from traditionally under-represented groups such as aboriginal Canadians, and measures to ease the financial burden on graduate students are important.

With regard to quality and capacity, Canadian universities already face significant enrolment pressures that are straining their capacity. If Bill C-48 has the impact of stimulating further enrolment pressures without governments also addressing the need for enhanced capacity, it risks raising expectations and creating frustration if the institutions do not have the resources to create the spaces and maintain the quality that these students require. Improved affordability without institutional capacity can lead either to erosion of quality or to reduced accessibility as qualified students are turned away because there are not spaces for them. Both our students and our society benefit when universities provide a high-quality, research-enriched education to all qualified students with a desire to learn.

The reality is that in comparison to four-year public universities in our major competitor country, the United States, Canadian universities are increasingly at a disadvantage. The former now receive \$5,000 more per student from governments than do Canadian universities. The additional resources at U.S. institutions are being used for teaching, student support, services, libraries, research, and public services—the types of investments that enhance the quality of learning environment for the students.

This type of quality learning environment is highly correlated to student learning and personal development as well as to the development of highly valued skills in a knowledge economy. In the interests of Canadian competitiveness and productivity, and ultimately our quality of life, it's very important that we begin to address this investment gap between Canadian and American institutions of higher learning.

If Bill C-48 is to have the desired result of enhancing access to post-secondary education, the federal government will need to do its part to ensure that post-secondary institutions have the resources to provide quality education to growing numbers of students.

Thank you, Mr. Chairman.

• (1310)

[Translation]

The Chair: Thank you, Ms. Morris.

We will now hear from Mr. St-Jean, who is with the Treasury Board Secretariat.

[English]

Mr. Charles-Antoine St-Jean (Comptroller General, Comptroller General's Office, Treasury Board of Canada Secretariat): Thank you, Mr. Chairman, for the opportunity to come and meet with you.

Having recently passed my one-year anniversary as the Comptroller General of Canada, I welcome this opportunity to appear before this committee to respond to its questions regarding Bill C-48. Attending with me is Mr. John Morgan, the acting assistant comptroller general, financial management analysis sector, of the Office of the Comptroller General.

[Translation]

As you know, my mandate is to strengthen financial management and internal audit throughout the federal government. One of my responsibilities is to oversee new spending initiatives, and so I am keenly interested to ensure that appropriate mechanisms are put in place with respect to the proposals outlined in this Bill.

[English]

Similar to other appropriation bills, Bill C-48 would provide enabling legislative authority to ministers to make payments for the specific purposes approved by Parliament. However, Bill C-48 is unique. It is the first time that spending authority would be provided subject to there being a minimum fiscal surplus in both 2005-06 and 2006-07.

[Translation]

This represents a prudent approach to fiscal management, in that such fiscal dividends would only be authorized to the extent that there is a \$2 billion surplus in those two years.

In addition, it provides a \$4.5 billion cap on the spending proposals contained in the Bill over the two-year period.

[English]

The approval of such a bill well in advance of year-end also provides more lead time to determine the specific matters in the framework concerning the programs. Prior to such payment being made, the specific terms and conditions would require approval by the Treasury Board. These terms and conditions would detail more specific program parameters, along with the appropriate level of audit, evaluation, reporting, and accountability provisions. My office reviews such proposals prior to their submission for Treasury Board approval.

Subsequent to Treasury Board approval, and prior to March 31, agreements would then need to be signed with the recipients outlining the terms and conditions for the payments and their dependencies on a determination of the fiscal surplus.

As the financial results are being finalized, the amounts owing to recipients under these agreements would then need to be confirmed, charged to the surplus, and then audited by the Auditor General in accordance with the government accounting policies. To the extent that there is earlier certainty of a fiscal surplus in excess of \$2 billion, the amounts payable under the agreements could be determined prior to year-end. The amounts payable can then be released as they are needed, in accordance with the terms and conditions of the agreements.

• (1315)

[Translation]

This concludes my opening remarks. I would be pleased to respond to any questions that your Committee may have. Thank you again for inviting me to appear.

The Chair: Thank you, Mr. St-Jean.

[English]

For the witnesses' information, the members have five minutes. The first round is going to be seven minutes, but I'm probably going to cut it down to fit in most of the members. That includes questions and answers. Thank you.

Mr. Solberg.

Mr. Monte Solberg: Thank you very much, Mr. Chairman. Time is short, so I'll get right to it.

Mr. St-Jean, the Minister of State for Infrastructure and Communities, John Godfrey, has recently signed an agreement based on Bill C-48, but Bill C-48 hasn't even made it through the committee yet. I'm wondering if you can tell us whether or not you regard this as a prudent approach, given the fact that we don't have any stipulations in place yet as to how this agreement would be reached and managed, audited and overseen.

Mr. Charles-Antoine St-Jean: Thank you very much, Mr. Member, for the question.

All of these new agreements that would come into place would be subject to the transfer payment policy of the Government of Canada. The transfer payment policy calls for specific terms and conditions to be approved by the Treasury Board Secretariat. Those terms and conditions cover the issues of audit, evaluation, and the management accountability framework that goes with it. All these questions must be signed and agreed to by the city before any disbursement can be made. So agreement can be made in principle, but then you must come with the Treasury Board submission for the formal approval of the mechanism that's going to be used to disburse the funds.

Mr. Monte Solberg: You have no problem with going ahead and signing these agreements a couple of years ahead of time?

Mr. Charles-Antoine St-Jean: The question of those agreements, as I say, will be subject to the proper management framework to see that they are in place. We're reviewing all the Ts and Cs of all of the agreements to make sure that we have the audit framework in place to do a proper audit.

Mr. Monte Solberg: Okay.

I'll defer to Mr. Pallister.

The Chair: Thank you.

Mr. Pallister.

Mr. Brian Pallister: Thank you, Mr. Chairman.

Thank you all for your presentations. I appreciate your taking the time today.

In reference to your comments, Ms. Russell, you asked the question on whether we should be concerned with this acceleration of spending, in other words, with the decline in speed and then the accelerated spending of the last few years. I would respond to you by saying that if you were in a car that was driven by someone who had absolutely no sense of direction, you would be concerned. Also, if there were some question as to who was in fact steering the car, you might also be concerned. This is where we're coming from with this issue.

This bill, as you know, is a statement of broad generalities. The problem we have with that is the lack of parliamentary oversight that this entails. The expenditure review commitment the government made...and this is not unique, of course. Every household in the country does this. Instinctively, every small business manages its resources to reduce low-priority spending and increase high-priority spending. The government did make a big deal over the last couple of years of trumpeting this expenditure review process.

Treasury Board has a role to play, obviously, in that. I'm concerned that on the back of an envelope we have a deal that commits \$4.6 billion, which you, of course, have alluded to in your presentation as "being possible to, after the fact, evaluate". But that's not how the expenditure review process that the government committed to, that it said would be signifying a long-term change in the culture of management of this government, represented to Canadians and to us in Parliament that it would manage.... It said that these decisions on priorities would be made in advance of allocating spending, not after the fact.

So I want you to comment on that, sir.

• (1320)

Mr. Charles-Antoine St-Jean: Thank you very much, sir.

I should have completed the answer to Mr. Solberg's question. The disbursement of the money is always subject to parliamentary appropriations.

The approach for this fiscal dividend, if you want to use that expression, is that you make the decision well ahead of time. So instead of making the decisions about where you'll be spending at the end of the year if you have some unplanned surplus, you make them well ahead of time so you can engage in discussions with the various parties you will be working with to deliver the program and you can design the program with the appropriate management accounting framework. Personally, I really welcome this approach. This is something I have been pushing from inside the organization, making sure we have decisions taken well ahead of time—a year or two years—if we have the fiscal suasion to enable the spending—

Mr. Brian Pallister: We are out of time, so I apologize, but I hope you can understand our concern. It's nice that you're edified by the fact that there's been a determination made that we're going to take a trip to Saskatchewan, but what I'm concerned about is the route we're going to follow to get there. I'm concerned that we expedite that effectively and that we're able to measure thereafter how well we did in terms of the specific commitments we made to follow that route, and so on. Our responsibility, and surely yours as well, is to provide prudent oversight of how things are managed.

I really appreciated the presentation by the gentleman from the AFN, and I wanted to ask for his comments on this. I'm very concerned about the Auditor General's report last November, which outlined the lack of competence, frankly, within the department, in oversight of the money allocated for the post-secondary education program. In fact, the AG reported that numbers had been misrepresented to Treasury Board in presentations made to them, that there was no full understanding of how the money was being allocated, and that there was frankly no accountability regime possible in this category. Despite the fact that the AG's office reported on this in 2000, there had been no progress made to 2004.

As a Manitoban whose home is adjacent to a reserve and who has spent his whole life with aboriginal people, I'm very concerned that the money go to the students. And I don't see a way right now—and the AG's office reinforced this—to be sure that's happening. So I have to express my reluctance regarding this bill's commitment to pouring more money into a program that clearly doesn't provide measurable results to Canadians.

I would invite your response to that, Mr. Jock.

Mr. Richard Jock: Thank you, and I would say that we would be quite interested in exploring new mechanisms to ensure that students do benefit more directly and more clearly. Clearly, the AFN is quite interested in working in that direction.

I think there is another part, though. I would draw a parallel to health. If you recall, the National Forum on Health did a theoretical review in which it looked at the notion that theoretically there was enough money in health care, but realistically, everybody could see they weren't getting the services they needed. Thus it created a hue and cry and a policy direction, which all parties ultimately came to support, that said there needed to be more money in health care without there necessarily being concrete proof of what exactly would be done.

Our position is that for first nations education and housing particularly, we're in that same situation. It's very obvious to the students, to people who are at the consumer end, that that is a truth.

So I think it's the difference between theoretical and realistic.

The Chair: Thank you, Mr. Jock.

Mr. Paquette.

[Translation]

Mr. Pierre Paquette: Thank you, Mr. Chairman.

Mr. St-Jean, I would like to get some technical information from you by way of clarification.

In the Bill, it talks about the "surplus as provided in the Public Accounts for that year prepared in accordance with sections 63 and 64 of the Financial Administration Act". I would like you to confirm the fact that the surplus we're talking about is total revenues minus program spending and debt charges. That is what we're talking about. What this really means, in terms of what the budget will look like after Bill C-48, is that economic prudence and the contingency reserve will not be as high as stated in Bill C-43.

• (1325)

Mr. Charles-Antoine St-Jean: The budget equation is always revenues minus program spending, transfers to individuals, and debt charges. That gives you the net result. The goal is a net amount of at least \$2 billion. That is the contingency reserve. That is the amount that needs... [Inaudible]

Mr. Pierre Paquette: In other words, the \$3 billion contingency reserve and the \$1 billion for economic prudence guarantee that the money will be there.

Mr. Charles-Antoine St-Jean: The goal is an accounting surplus of \$2 billion.

Mr. Pierre Paquette: In that case, should the government not adjust the amount of its reserve, which will in fact be \$2 billion, to arrive at a different budget balance?

Mr. Charles-Antoine St-Jean: If there were a contingency reserve of \$3 billion, plus the \$2 billion, that would make \$5 billion. The goal is a budget surplus of \$2 billion, as stated in the Bill. If the budget surplus exceeds \$2 billion, after removing all the reserves, that is the amount that...

Mr. Pierre Paquette: I have a problem with that.

First of all, I've never really taken seriously this idea of a contingency reserve and economic prudence, because the fact is they were created as the unforecasted surpluses were getting progressively larger.

How should that be laid out now? For 2005-06, the forecast was for a \$4 billion surplus. The \$3 billion contingency reserve plus \$1 billion for prudence were then to be deducted from that amount. Should that not be scratched now and replaced by a \$4 billion budget surplus, plus \$2 billion in reserve?

Mr. Charles-Antoine St-Jean: No. The wording of the Bill is quite clear in that respect. From an accounting perspective, it's quite simple: your revenues minus all your expenditures leave you with your surplus. That is what is stated in the first paragraph.

If the surplus exceeds \$2 billion, you can...

Mr. Pierre Paquette: You can proceed with the spending outlined in Bill C-48.

Mr. Charles-Antoine St-Jean: You have that option. It is not mandatory, but the Bill provides that option.

Mr. Pierre Paquette: It's not mandatory. Tell us again why.

Mr. Charles-Antoine St-Jean: This Bill authorizes the government to do this.

Mr. Pierre Paquette: That's good to know.

Ms. Russell, I have often worked with your Institute. When I was with the CNTU, we prepared alternative budgets with your organization. Can you give us your estimate of the surpluses that can be expected in 2005-06 and 2006-07?

[English]

Ms. Ellen Russell: In the report we submitted to your committee, if memory serves, I think our estimate of the surplus was in the range of \$11 billion, which was the highest of all four of the reports. But we're comfortable with that. We're often higher when projecting the surplus than the mainstream of forecasters have been. In terms of our track record, we're quite close to getting it right. We feel that there'll be far more.

[Translation]

Mr. Pierre Paquette: I think we clearly agree on the fact that there is no financial impediment to our undertaking the measures announced in Bill C-48. The surpluses you are forecasting are adequate to pay for the spending laid out in Bill C-48.

In your opinion, would there also have been room to pay for improvements to unemployment insurance?

[English]

Ms. Ellen Russell: I think there's absolutely a lot more room to increase spending, if there was the will to do so, over and above what has been negotiated in Bill C-48. That's why I think this is a moot point, because it's on the low end of what I think could be possible.

[Translation]

Mr. Pierre Paquette: So, you would be in favour of the Bloc Québécois tabling an amendment to improve employment insurance. You believe there would be enough fiscal room to do that.

[English]

Ms. Ellen Russell: Please, go ahead.

[Translation]

Mr. Pierre Paquette: Thank you. We have at least one witness who agrees with us.

I don't think I have much time left. My last question is addressed to Ms. Morris.

I really enjoyed your presentation. It was very nuanced. I understand that everyone wants the government to invest in postsecondary education. Indeed, we were the first to ask for that to happen, and we have been saying this for a very long time. However, I want to read you the final paragraph of your presentation, because I believe it very aptly illustrates the problem we have with this Bill: If Bill C-48 is to have the desired result of enhancing access to postsecondary education, the federal government will need to do its part to ensure that postsecondary institutions have the resources to provide quality education to growing numbers of students.

Depending on how the federal government decides to spend this \$1.5 billion, it could be a shot in the arm—because there is no long-term commitment in Bill C-48—but it could also cause you problems. Indeed, if it only addresses access to education for students, that will not get you more classrooms, more teachers, or more research labs.

• (1330)

Ms. Claire Morris: Thank you, Mr. Chairman.

The main point of our presentation is that it's important not only to facilitate student access to university, but also ensure that the universities can accommodate those students. There needs to be a balance. We have to improve access to university for students, but at the same time ensure that universities can accommodate them and provide them with a quality education.

Mr. Pierre Paquette: Are you not somewhat concerned about the lack of detail as to how this money will be spent, in terms of postsecondary education? If there isn't the balance you refer to, you will face problems.

Ms. Claire Morris: As you said, we are talking in more general terms about student access to university. We are trying to define what access means, emphasizing the fact that there are three dimensions to access to a quality university education.

Mr. Pierre Paquette: I just wanted to mention that the point made by Ms. Morris is a very interesting one, because it points to the shortcomings of Bill C-48. We would have preferred a long-term commitment from the government, rather than just a shot in the arm that may ultimately cause problems.

The Chair: Thank you, Mr. Paquette.

[English]

Mr. McKay is next, and then Ms. Wasylycia-Leis. Then we'll go to Mr. Epp and Mr. Côté.

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

I just want to direct my question to Mr. St-Jean.

Your argument is that this enabling legislation is to enable ministers to make payments on specific purposes. It's a novel piece of legislation. It's contingent really on having a \$2-billion surplus, and it has a cap of \$4.5 billion surplus.

That doesn't seem to square with Mr. Murphy's and Mr. Williamson's position, and I'm quoting directly from Mr. Murphy here:

Bill C-48 also contains an open-ended statement that “the Governor in Council may specify the particular purposes” for which funds are made available and “the amounts of those payments for the relevant fiscal year”. In other words, cabinet can choose to spend the money as it sees fit. As such, parliamentary oversight has been sacrificed. This can hardly be considered fiscally responsible” as the Minister of Finance stated. In the view of the Canadian Chamber, not providing details on programs or how the programs are to be administered is a very irresponsible use of taxpayer money. Canadians expect and deserve accountability and transparency as to how their tax dollars are being spent.

Mr. Williamson says that it violates basic accounting principles.

For the purposes of this hearing, Mr. St-Jean, these two statements don't seem to coincide with your view that this is actually in effect a restraint on the fiscal discretion of the Government of Canada. It sets a floor and a ceiling and gives direction as to what future spending might be in the event that those floor and ceiling targets are met. Could you comment on Mr. Murphy's and Mr. Williamson's view that this is fiscally irresponsible?

Mr. Charles-Antoine St-Jean: Thank you very much for the question.

As I mentioned in my opening remarks, this is a unique approach taken by the Government of Canada to manage its financial affairs. What I like very much about it—and I've been proposing it for some time—is the fact that this is done well ahead of time. It gives the different parties time to hammer out the actual details of what the transfer program will be, and the terms of reference that the Governor in Council would like to see in those programs.

So from just a financial management perspective, the fact that it is done well ahead of time, not at the last minute, and not when we just get the data on the financial position, is really welcomed. We'll have the instrument in place, the agreement with the receiving parties, well before March 31. So from that perspective, I'm very pleased with this approach. Of course, the Governor in Council can flesh out what programs they would like to finance, fund, or enter into an arrangement with.

• (1335)

Hon. John McKay: Thank you.

Now I'll go back to Mr. Murphy and Mr. Williamson and give them a chance to respond, because your argument that this is just a wild and crazy spending spree on the part of the Government of Canada is quite strong and has a certain currency in the general populace.

But aren't you in fact mischaracterizing this bill—that in fact it's a restriction on the Government of Canada to be able to engage in a wild and crazy spending spree, that in fact it does have a floor, it does have a ceiling, and it does have guidelines in place? The bill sets out five conditions for entering into agreements and things of that nature.

I understand it from the standpoint that your preference would be to go to debt reduction and tax relief. I understand it from that point. I don't understand it from the standpoint that it is in fact fiscally irresponsible, because debt and tax relief are political choices. This bill reflects another set of political choices.

If you eliminate your views with respect to debt relief and tax relief, how is this more irresponsible than the current situation, which is basically a wide-open door?

Mr. Michael Murphy: Well, Mr. Chairman, maybe I can go first with a couple of comments.

The first point is the important one, from our standpoint. It is the notion that you now have—and you could argue about motivation for governments throughout history, in terms of whether they'd like to have this—a bill that basically says the government can grab the dough and then decide how to spend it. It's precisely the opposite of what we normally do.

I don't want to preach to the converted here in terms of this particular committee. I think this committee knows, more than any other, how the process works leading up to federal budgets. That process should be followed. We had a budget two months before this deal was cut. We know what the motivation was for the deal, so at the principle level there's a problem.

But I think the fundamental one is the one that's in here, in the bill itself, and in its language. While there is some specification in terms of where the money might go generally—but clearly no detail, and I think you've heard plenty on that today—what's really fundamentally wrong is the notion of just basically allocating dollars and then letting government figure out how to spend them later. That's what the language of the bill says. That's my basic problem with it.

Hon. John McKay: Your preference would be to leave the current situation as it is, meaning the government has unfettered discretion if there is unplanned surplus?

Mr. Michael Murphy: My preference is that we do federal budgets annually. We go through a very extensive process that this committee manages, and I would say that historically the committee has managed it exceedingly well. I would definitely praise this committee in terms of how it's done its work historically.

What it didn't have a chance to do is basically that process here. We're now in a situation of having just decided, in February, that here is the plan we can now, as investors and as taxpayers and others, understand for the next 12 months, leading into the next budget. I would suspect the work would start the very next day in terms of building the next plan. What we have instead is a deal cooked up overnight that basically says we'll just add to the spending pot, without any consideration of what to do on the tax or the debt side. In effect, it's going to reduce our commitment to debt, or potentially reduce our commitment to debt, down to the \$2-billion level for the next two years. We don't think it's a reasonable approach.

Hon. John McKay: Not necessarily.

Anyway, Mr. Williamson is next.

Mr. John Williamson: I'll leave aside the preference for tax relief and debt elimination, because your point is valid, but this change will make spending, with all due respect, less certain.

It was just last year that the finance minister one day said the surplus would be \$1.9 billion; then, a few weeks later, it was \$9.1 billion. Unless Treasury Board knows more than the finance minister, I would suggest the size of the surplus is really evaluated more at the end of the fiscal year.

It's a change in priority for this government, which has been setting out spending in a budget and, when the fiscal year was over, moving on to the next year. It was with great fanfare that the Government of Canada brought in accrual-based accounting, which allocates spending in budgets on a year-to-year basis. Spending is announced in that period and spent in that period.

Just from a transparency and an accountability point of view, if members feel that this \$4.6 billion in spending over the next two years is affordable, they should put it into the budget and not change the Financial Administration Act. There's no reason to do that, except that it does increase the level of jiggery-pokery that will go on at the end of the fiscal year because it gives cabinet the ability to spend after the fact. Moreover, if those surpluses aren't there, but deals are signed and the spending frameworks are put into place, and the money doesn't come through, it just increases the political pressure to spend the money anyway in the following fiscal year. So I think it takes away the responsible managing and budgeting we've seen since the budget was surplus. It just removes it.

• (1340)

The Chair: Thank you, Mr. Williamson.

I've got Ms. Wasylycia-Leis, Mr. Epp, Mr. Côté, and Monsieur Hubbard.

Ms. Judy Wasylycia-Leis: Thank you, Mr. Chairperson.

I appreciate everyone's presence here today, especially those who came back—Ellen Russell, for one—after sitting out last Thursday's brouhaha here at the committee.

I think it's important to acknowledge the fact that Mr. Williamson and Mr. Murphy I don't think actually heard the presentation of our Comptroller General, who showed us how this bill follows normal budgetary planning processes. In fact, it might even give us a little more detail and a little more advance notice than is often the case.

Although I won't ask a question on this, I think it is important to note that both the Chamber of Commerce and the Taxpayers Federation said nothing, in last year's budget, when the budget bill said we would just put \$200 million aside for sustainable development technology, with no details, or \$100 million for health information, or \$400 million into a trust fund for immunization. The list could go on. We could find enough to total well over \$4.6 billion. Of course, as the finance committee, we would ensure that proper allocation was carried out. So we're not dealing with anything different from what's normal. In fact, I think we're dealing with a more stringent approach than is often the case.

Now, if we had some other business people here, I think we might get a different view. I know there are large corporations and businesses out there that have commented on the importance of investing in areas like education. When we had businesses before the committee in the pre-budget consultations, some of them said the most important thing we can do as a committee is invest in education, because that guarantees the economic future and deals with some of the concerns outlined today.

I first would like to ask Richard Jock from the AFN, and then Ms. Morris from the Association of Universities and Colleges, to give our business folks here some sense of what it means to invest in areas where we deal with social ills and create jobs.

I'll start with you, Mr. Jock. Tell folks what it means when you have thousands and thousands of aboriginal young people alienated, hostile, alone, idle, and without hope; what that does in terms of the economy; and how in fact, no matter how small an initiative this is, it does go in the right direction.

Mr. Richard Jock: I think you've put it very eloquently already, but I would like to say that if you look at the two key elements within this bill, housing certainly is one that will help bring folks up to a certain standard of living that will help them be positioned for some kind of good future. But it's education that really will be the fundamental element by which first nations can effectively participate in the economy.

We already know that we face potential labour and skill shortages in the future, and I think we have a really excellent population base to be part of some of the answers to some of those very urgent needs.

The other element I would add here is that studies are very clear that education offers 15 to 20 times the return for investment, compared with social assistance. From our point of view, we are interested in this kind of expenditure, both for its flexibility and what it offers in terms of looking at new ways of doing things. I think this is quite well supported by the Assembly of First Nations. Giving a two-year timeframe on housing, for example, may give us the impetus to develop a new capital investment fund, which would help leverage more money for housing and contribute to market-like housing.

In short, people with advanced education experience, not even degrees, certainly are able to deal with health, with social addictions, with all kinds of things. To us, the benefits of that investment are very clear.

• (1345)

Ms. Judy Wasylycia-Leis: Thank you.

To Claire Morris, we've heard from some businesses that they need more tax breaks to increase research and development investment. We also know, though, that Canada ranks number one out of 11 countries in terms of tax breaks to corporations for research and development, way better than the United States. Wouldn't it make sense to invest in our educational institutions to develop a highly skilled workforce to in fact improve our competitiveness, to improve the kinds of issues, in terms of economic growth and productivity, that the chamber and the taxpayers association are talking about? Wouldn't we get more bang for our buck by investing in access to education, at this point?

Ms. Claire Morris: Thank you, Mr. Chairman.

Clearly that is a very strong belief of ours, and I think in the brief we made the point that we are talking about a different kind of economy these days. We're talking about a knowledge economy. It's not an economy where we have the same sort of dependence and ability to rely on our natural resources as the way forward. It really is about people and ideas as we go forward. Several of my colleagues at the table have talked about the statistics with respect to the employment possibilities for people who have higher education, post-secondary education, versus those who don't, and we know that is simply going to increase over time.

In 2002, we did a major report called *Out of Reach: Trends in Household Spending on Education in Canada*, which predicted that by the year 2011 we would have 200,000 more university graduates, more students enrolling in university, and in fact, by the year 2004, we already had an additional 130,000 students. That's partly why universities are feeling very stretched these days, but I think it also speaks to the recognition that parents and young people themselves have about the kind of world they're going into and what they need in the way of skills to be able to compete in that world. Obviously that's from an individual perspective, but as you broaden it out in terms of what it means for this country, and when you look at what other countries are doing in terms of investing in their education and investing in their research, you know that's where the competition is.

I want to speak to the issue of aboriginal education for a minute, because I think that is absolutely critical to our future as a country. Particularly in western Canada, but across the country, finding effective ways to reach out to aboriginal students to support them through the learning experience and to retain them through to degree completion is a challenge that I think all of us face and want to undertake.

The Chair: Thank you, Ms. Morris.

Mr. Epp, and Mr. Côté, and Mr. Hubbard.

Mr. Ken Epp (Edmonton—Sherwood Park, CPC): Thank you very much.

Again because of limitations of time, I can't take the time to thank you all for being here, but it's very enlightening.

I am really surprised that the NDP are buying into this promise from this Liberal government. I'm surprised that the Liberals are actually going to support this motion. I'm surprised that anybody at the table among our witnesses is coming forward and saying, yes, we support this stuff, because it is logically flawed.

I would like you respond to this. It says that this money, this \$1.5 billion for training, \$1.6 billion for housing, in aggregate \$4.5 billion, is available if at the end of the fiscal year there is a surplus of at least \$2 billion, and then only up to that amount. But this amount of money is going to do nothing. I'm embarrassed that our Treasury Board is letting something like this go on, because with the new rules of accrual accounting, the money must be spent in the fiscal year, and here we have now these promises being made that we're going to have this money. Who's going to buy into it?

My colleague here talked about not knowing where the car was going and not knowing who was driving. I'm thinking about the gas. Would you leave home if you had basically half a tank of gas and you had no money to replace it? You need to have assurance that there's going to be more money for fuel. If there is no assurance that when you start a housing contract there's going to be money at the end of the year to pay for it, then you're not going to start it this year. You're going to start it next year. And then next year you have the same conundrum again.

How do you respond to that? Mr. St-Jean, I'd like you to respond first, and then the other members of the panel. How can you get by this conundrum in this bill, which makes it logically impossible?

• (1350)

The Chair: I'll ask Mr. St-Jean to respond, and then anybody who wants to speak to it, just raise your hand, because we only have about two minutes left afterwards.

Mr. Charles-Antoine St-Jean: Thank you very much, Mr. Chair.

To answer the question about how we're in an accrual basis of accounting, this would respect the accrual basis of accounting. What it would do is it would be a charge against the surplus of that year. It doesn't need to be paid out that year. It would be paid out, let's say, against the cashflow needed for whatever the organization needs to be done. So instead of just writing a cheque of \$2 billion to the organization, if the need is over two, three, or four years, the cash would flow out over two to three years. The charge would have been made against the surplus of that year. It would be a statutory payable

against the CRF of that year, so that way it would give us prudent management. We don't write a cheque of \$2 billion at the end of the year. The cheque would flow on the basis of need, so it would meet the accrual basis of accounting, and it would also be very prudent from that perspective.

Mr. Ken Epp: In other words, nobody is going to start planning for it this year, because you don't know if it's going to be there. You cannot start planning for this. I looked at the numbers given for the universities, and there will be an increase of some 19% in enrolment in three years. By the twelfth year, that's a doubling of our student body. You can't handle that unless you start building the infrastructure now—hiring the professors, making sure they're trained and available and everything. You have to plan ahead on that. Yet, at the same time, we don't know from year to year whether this is going to be available, because it is subject to there being a surplus in excess of \$2 billion—in fact, in excess of \$6.5 billion, because in order to do the \$4.5 billion, you have to have a surplus of \$6.5 billion.

Are there any others?

The Chair: I think Mr. Jock wants to answer that.

Mr. Richard Jock: I have two comments.

One is that we believe we have thousands of students in the one- and two-year training categories who could benefit immediately. If we have access to the resources and we know now that it's a possibility, at the end of the year we can move ahead and make those plans. So I think it's actually a bit more notice than we tend to have in terms of available resources.

I think the other thing it could promote is some flexibility. As I mentioned, there are opportunities to do things in aboriginal housing that could be done with the flexibility that's contained in this particular opportunity. When you're in desperate need, you don't necessarily look a possible gift horse in the mouth.

The Chair: Thank you.

Now we'll have Ms. Russell and then Ms. Morris, quickly.

Ms. Russell, go ahead, please.

Ms. Ellen Russell: If the issue is that we have to take the chance and that there might not be sufficient surplus, I'm entirely comfortable that there will be sufficient surplus and these things will not be in danger.

The second point I want to make is that for a government that produces large surpluses every year, this is a larger systemic issue, because we're always wondering how much is really in the surplus. So as long as we have this forecasting problem in the government, we are deterred from other things we might do to plan more carefully.

The Chair: Ms. Morris, go ahead, please, quickly.

Ms. Claire Morris: Thank you, Mr. Chairman.

I will simply say that I recognize your point that this is a short-term measure, but for us it's important because it's a recognition of the needs that are out there. We are eternal optimists. We will keep making all of our arguments about the importance of the knowledge economy and the importance of higher education. And these measures can actually ensure that some students who are most in need can actually get there. There are ways of making it meaningful.

• (1355)

Mr. Ken Epp: Can I have a wrap-up sentence?

My wrap-up is simply this. There is no doubt that these issues are important. But they ought to be in the budget that the finance minister presents, and that should say, here, this is the money we're allocating, it's going to be there, get to work. That's what it should be—instead of wondering at the end of the year if we are going to have some money, and if we do, then maybe. It gives you so much uncertainty that you can't do anything to solve the problem.

Thank you.

The Chair: Thank you.

Mr. Côté, and then Mr. Hubbard, please.

[*Translation*]

Mr. Guy Côté: Thank you, Mr. Chairman.

Thank you for your presentations. The Parliamentary Secretary to the Minister of Finance knows how much I love hearing his speeches and statements. He sometimes surprises me so much that I would even qualify my reaction as one of wonder. For years, this government has been telling us that it had no choice, at the end of the fiscal year, but to automatically allocate surpluses to paying down the debt.

The Parliamentary Secretary was asking us earlier whether we preferred the period when the government did what it wanted with surpluses. Ms. Russell, you referred earlier to eliminating taxes on capital. Last Friday, the Parliamentary Secretary stated in the House that in any case, that tax would eventually be restored under other legislation. They have quite a nerve saying things like that. There is no doubt that the federal government will have the surpluses it needs to fund both corporate tax cuts and the initiatives laid out in Bill C-48.

The lack of detail in this Bill is a fundamental flaw. Not so long ago, Prime Minister Martin admitted on television that he hadn't been vigilant enough. So, we now have to play that role for him. Bill C-48 is in fact the perfect illustration of that: it does not say anything specific. Ms. Morris gave us a good example of that earlier. Education is an important issue, but will the money be used to maintain or lower tuition? We don't know. Does it talk about

maintaining or increasing loans and bursaries? We don't know. In terms of support for training programs, are they talking about new research chairs or investments in infrastructure? We don't know that either. Where, when, how? We have no answers to those questions. That is the problem.

I would like to correct the statement made earlier by the Parliamentary Secretary, to the effect that the Bill lays out both a floor and a cap. I don't know where he saw that. There is no floor amount.

As I understand it, Mr. St-Jean clearly expressed the idea here. We need the \$2 billion surplus. However, if it so desires and if its priorities have not changed, and if it doesn't decide to eliminate that \$2 billion in a new budget next year, the government can provide funding to a specific amount. However, it is not obliged to do so.

I want to be sure I understood correctly, Mr. St-Jean.

Mr. Charles-Antoine St-Jean: Thank you very much, Mr. Côté.

Indeed, it clearly states in sub-section 1(1) that “the Minister of Finance may [...] make payments out of the Consolidated Revenue Fund up to the amount that is the difference”. So, it states here that the Minister may do that but is not required to do it.

Mr. Guy Côté: That augurs well for what is to come, Mr. Chairman.

The Chair: Thank you, Mr. Côté.

Mr. Hubbard.

[*English*]

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

Thank you, witnesses, for coming.

I think they all realize, and we all recognize, that the House of Commons is made up of more than one party. If we want to get some bills through the House, it takes reliance and a bit of an agreement among different groups.

Of course, I'm rather surprised at the Chamber of Commerce, because we're looking at a major investment in our economy. It's an investment over a two-year period. It's not really sustaining, but it will certainly do a great deal to accelerate economic development and improve the long-term future of our country, with people getting better houses, a better and more efficient use of energy, public transit, and all the things that will help students to get better opportunities at universities and that will provide a better workforce in the future. So it's rather surprising.

Ms. Morris, in terms of your presentation, I'm looking at the figure that you've given of 800,000 students presently enrolled on a full-time basis. On the statement that you made about American universities, it has always been my impression that in terms of Canadian universities, we really have an improved situation over most American colleges and universities. You talked about \$5,000 more. Do you have figures on what the average student pays to attend university in the United States compared to fees in Canada?

Secondly, I'm also a little bit taken aback by one of your replies, when you talked about building more infrastructure. In the new technology today, we don't need all the buildings that we've had in the past.

We find that the attendance at university for rural children and rural students is almost double the cost of those who might live in Ottawa, Toronto, or even Fredericton, New Brunswick. When you compare some of these figures, what would the figure be for the cost per year for the average American university student compared to the cost in Canada?

In addition, in terms of what governments put in, it has always been my impression that the average student probably pays less than 30% of the cost for that university year, and that as a government, both federally and provincially, we probably pay for 70% of that cost. Are those not the types of figures you have in terms of how you assess the tuition and other costs for going to university?

•(1400)

Ms. Claire Morris: Thank you.

Mr. Chairman, if I can comment on the difference between comparable American universities and Canadian universities, as you well know, all universities have basically two streams of revenue, which are government grants, whether it be for operating funds or for research, and revenue from tuition fees. In fact, when you compare comparable Canadian and American universities, we have a discrepancy on both fronts.

Perhaps the most interesting thing is that we were virtually neck and neck in 1980. In fact, Canada's support for universities was about \$2,000 ahead of what was provided in American universities. I'm using Canadian dollars all the way through .

Over the 25 years since that time, we have a growing gap in the dimension of government support. Again, we're talking about research and operating costs. In recent years, the federal government has in fact invested considerably in research at Canadian universities. The discrepancy is \$5,000 Canadian per student.

Tuition fees—

Mr. Charles Hubbard: Ms. Morris, I'm speaking in terms of student cost. A university student in this country pays somewhere

between \$10,000 and \$15,000 a year to attend. In the United States of America, in terms of parents and what it costs students each year to attend university, how do those two figures compare?

Ms. Claire Morris: I'm going to ask Bob Best, who is our vice-president, to see if he can shed more light on those details. It's very difficult to compare.

Mr. Robert Best (Vice President, National Affairs Branch, Association of Universities and Colleges of Canada): I don't have the figures in those terms. The figure I can share is the amount of tuition revenue available on a per-student basis to American four-year universities and Canadian universities. Comparable four-year public universities in the U.S.—that excludes the private schools—receive about \$3,000 more in tuition revenue per year than Canadian universities. This doesn't mean that average tuition fees are \$3,000 higher. The tuition revenues are \$3,000 more. This is partly because out-of-state fees in the U.S. are higher than the fees for in-state students. Outside of Quebec, we don't have out-of-province fees here.

So there's a tuition difference, but there is also a significant difference in government funding. On average the governments here pay 70% of the cost of the education. This would be the operating budgets of the institutions. On average, that figure is now less than 70%. It's down below 65% across the country, and it has been dropping significantly over the years. It varies widely by province—there are provinces in which it is just over 50% on average, and there are others where it's higher.

•(1405)

Mr. Charles Hubbard: For the record, we have a tremendous investment in universities, and I didn't want to let that go unsaid.

Thank you.

The Chair: Thank you, Mr. Hubbard.

Thank you, witnesses. For any of you who were here Thursday, I'm sorry for the inconvenience. Again, thank you for appearing today.

If the members are ready, we'll go to clause-by-clause. See you guys at 3:30 p.m.

This meeting is adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliamentary Internet Parlementaire at the following address:
Aussi disponible sur le réseau électronique « Parliamentary Internet Parlementaire » à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.