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Chair

Mr. Massimo Pacetti

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• (1720)

[Translation]

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

We will begin the meeting now. I would like to thank the groups and witnesses here for having taken the time to come and make their presentations. We are meeting today pursuant to Standing Order 83.1 in the context of the 2005 pre-budget consultations.

You have seven minutes to make your presentation. We would appreciate it if you would respect the time limit. I will take the groups in the following order. We will first hear from the Canadian Alliance of Student Associations.

Mr. Phillippe Ouellette (National Director, Canadian Alliance of Student Associations): Good evening. I would like to thank you for giving us an opportunity to make this presentation today. My name is Phillippe Ouellette, and I am the National Director of the Canadian Alliance of Student Associations. To my right is Toby White, Assistant Director for Government Relations.

CASA represents approximately 300,000 students in Canadian universities and colleges. It is proud to present government authorities with a progressive solution aimed at overcoming the inadequacies in our post-secondary education system.

[English]

In order for the Government of Canada to further its reputation as a global leader and to improve the current conditions of Canada's post-secondary education system, CASA believes that the recommendations found in our submission will be quintessential to navigate Canada through the 21st century. The current system, as it stands, cannot meet the needs of Canadians in the future Canadian economy, and the students feel it is time for serious government action. The challenges faced by Canada, its citizens, and its students require not only dramatic financial investment, but a truly national vision for post-secondary education.

Are we prepared to meet the needs of the knowledge economy? We are approaching what finance minister Ralph Goodale calls an "impending demographic time bomb". In the next five years, 70% of all jobs will require post-secondary education. As you can see by the graph on page 3 of our submission, in the next decade the number of retirees will surpass the number of Canadians entering the workforce. New workers will have to be highly educated for Canada to prosper.

CASA does not seek only a more productive economy, however. Canadians deserve a prosperous country. They deserve fulfilling jobs

and a higher standard of living. It is through the knowledge, skills, and innovation we get from post-secondary education that Canada will achieve this prosperity.

Canada is a fair and just society, and Canadians believe the opportunity for them to reach their full potential should be available to all, regardless of social or economic background.

Although the federal government plays an important role in post-secondary education, Canada has witnessed commitments from a variety of jurisdictions in the past few years. Budget 2004 contained significant investment in student assistance, and high-profile announcements from the provinces have also shown that they too are committed to investing in Canada's students. While these investments have all been significant, they also have one common characteristic: they lack unity and vision.

When my colleague Mr. White appeared before this committee to discuss Bill C-48, many MPs expressed frustration with the lack of direction and vision in Canada's post-secondary system. We could not agree more. Canada needs a strong, focused national vision for post-secondary education. Students were very pleased to see the premiers come together at the recent Council of the Federation meeting to discuss post-secondary education.

Rather than battle over jurisdiction, the federal government, CASA believes, should take a leading role in a national dialogue on higher learning. We are calling on the provinces and the federal government to work towards a pan-Canadian accord for post-secondary education.

Currently our post-secondary system cannot meet the needs of Canadians, due to more than a decade of underfunding. Funding for universities and colleges is now 20% lower than it was in the 1980s, while in America investment in post-secondary education has increased by 25% in the same time period. We desperately need federal reinvestment in our post-secondary education system, but this reinvestment must be focused, not simply a handover of cash to the provinces.

CASA is calling on the government to create a dedicated post-secondary-education transfer payment to the provinces to ensure effective, reliable, accountable, and transparent funding. This transfer should be at least \$4 billion, an amount equivalent to the funding in 1992 and 1993.

CASA believes there is no better time to implement a Canada education transfer, as is supported by our institutions, faculty, students, most political parties, and many provinces—and the Prime Minister himself promised the establishment of a dedicated transfer in the last federal election.

A post-secondary education is an incredible individual investment, but unfortunately it is an investment many Canadians cannot make. Students from low-income families and aboriginals are under-represented in our post-secondary institutions. Tuition and fees have skyrocketed in the last decade, and the spectre of massive student debt makes many wary of pursuing further education.

Research shows that the best method of improving access to post-secondary education is through the use of targeted, upfront grants. In 2003 CASA lobbied the government to create such a grant for students from low-income families, and the government responded with the creation of the Canada access grant.

While this grant is an excellent starting point, this grant should be improved to provide the opportunity for all Canadians to pursue post-secondary education. The current grant covers only one year of study. As many students do not return after their first year because of financial concerns, CASA is calling on the government to extend assistance to all years of study. Second, the grant only covers 50% of tuition and does not recognize other costs, such as books and living expenses. As the cost of tuition is only one of many costs associated with attending a post-secondary institution, CASA is calling on the government to cover a more realistic portion of the total cost of education with this grant.

The federal and provincial governments are committed to improving access, and together they spend \$5 billion per year on student financial assistance. This is unfortunately yet another area where there's an acute lack of vision and direction in educational policy.

TD Economics puts it best when they say, "In Canada, the student financial assistance regime is a bewildering hodgepodge of federal and provincial programs, featuring loans, grants and tax incentives.... despite considerable money being added in recent years, the situation has not improved much."

For example, tax credits make up 40% of Canadian spending on student financial aid, yet less than half of this money actually goes to students, and 25% goes to those with incomes above \$50,000. The government continues to fund RESPs, but only 11% of lower-income families are able to invest in these programs. The majority of this money goes to wealthy Canadians.

In response to these concerns and others found in our submission, CASA is calling for a review of Canada's student financial assistance system. Such a review would focus on ensuring effective use of taxpayers' money, and a student financial aid system that ensures all Canadians have access to an affordable post-secondary education.

A review cannot be an excuse for inaction, however. Action must be immediately taken on student debt, as the average debt for Canadian students is well over \$30,000 when accounting for interest, and the Canada access grant should be expanded to assist students from low-income families.

Canadians expect and deserve a high-quality post-secondary education system that allows all to have the opportunity to realize their full potential. The Canadian Alliance of Student Associations believes our suggestions for the federal budget are reasonable and will help make this a reality.

Merci beaucoup pour votre attention.

● (1725)

The Chair: Thank you.

The next group I have here is the Canadian Association of University Teachers, represented by Mr. Robinson.

Mr. David Robinson (Associate Executive Director, Canadian Association of University Teachers): The Canadian Association of University Teachers again welcomes the opportunity to share its views on the upcoming federal budget. Founded in 1951, CAUT today represents more than 48,000 academic and general staff in universities and colleges across Canada.

The message I want to bring to the committee today is a critical one. It is that federal investment in an affordable, accessible, and high-quality post-secondary education system must be a central priority of the next budget. A renewed federal funding role in post-secondary education is essential for Canada's universities and colleges to fulfill their mandate to promote the economic, social, and cultural development of their communities and regions, and of the nation as a whole.

We believe the next budget can begin this important task by focusing on the following three priorities: creating a new dedicated federal cash transfer for post-secondary education, improving accessibility and reducing student debt, and investing in independent research.

Overall, adjusted for inflation and student enrolments, core public operating grants to our institutions are nearly 20% lower today than they were in 1992. One of the key reasons has been the reduction in federal cash transfers provided to the provinces under the Canada health and social transfer and, beginning this year, the Canada social transfer. We estimate the federal cash contribution available for post-secondary education in fiscal 2004 was 40% lower than in 1992-93. As a share of the economy, this is the lowest level of cash investment in post-secondary education by Ottawa in the past 25 years.

We believe that what is required is the creation of a dedicated cash-only transfer for post-secondary education, with a new funding formula. A cash-only transfer would provide greater transparency and accountability to Canadians by making it absolutely clear what amount of federal tax money is being provided to the provinces for universities and colleges. It would also ensure some share of the revenue used to fund post-secondary education would be collected through the national tax base, thereby sharing more equitably the financing of the country's universities and colleges. In addition, the new education transfer should establish a stable and predictable funding formula.

One of the principal problems with the Canada health and social transfer, as we are all aware, is that any increase in cash transfers is solely at the discretion of the federal government. The absence of any built-in escalator formula means the provinces must regularly make demands on the federal government, and this invariably leads to all-too-familiar and highly politicized debates between the two levels of government. Frankly, Canadians are weary of that; they're looking for leadership.

We recommend that one way forward would be to establish the federal cash contribution of a new dedicated transfer as a fixed share of the gross domestic product. In this way, cash contributions would increase automatically with growth in the economy. We feel an appropriate target, consistent with levels recorded in the 1970s and 1980s, would be to gradually raise federal cash transfers to 0.5% of GDP.

The second area on which we believe the federal government needs to focus in the next budget is promoting access to post-secondary education. In the amendment to last year's budget, the federal government made an important downpayment on this, but much more is needed, because the situation is so urgent. I want to ask those members of the committee who have had a chance to pursue a post-secondary education to pause for a moment right now and consider how they would have managed if they'd had to pay today's fees—an average of nearly \$4,200 for one year of undergraduate studies, with fees in professional programs running anywhere from \$12,000 to as much as \$32,000 per year.

For more and more Canadians, there are only two ways to cope. One is to take on bigger and bigger debts, and the second is to simply give up on pursuing a degree. Neither alternative, in our view, is acceptable.

Let's be clear about what's at stake. Denying qualified Canadians access to a university or college education because of the cost of tuition is the equivalent of burying a financial fortune of opportunities. We as a nation simply cannot afford to leave that treasure in the ground to decay. It's time that Ottawa and the provinces worked together to first freeze tuition and then reduce university and college fees.

Finally, I want to focus briefly on research funding. In recent years the federal government has significantly increased support for university and college research. However, an increasing focus of this has been in the form of co-funding programs intended to promote the commercialization of academic research. This trend is increasingly raising concerns among our members. We're finding a narrow focus on commercialization is biasing research in ways that do not serve

the public interest. Researchers are encouraged more and more to undertake studies on the basis of whether they can get industry funding, and not necessarily on whether the studies are scientifically important.

• (1730)

In the area of medical research, for instance, we're seeing more research on drugs and devices, and less research to gain insights into the causes and prevention of disease.

Science magazine recently took a more humorous look at this issue by publishing a memo, allegedly written by Albert Einstein in 1904, in response to a request from the government that he explain the commercial prospects of his research and justify it. Einstein writes:

The theory of relativity is an attempt to integrate time, distance, matter, and energy into a unified theory of everything. I am now concentrating on the implications of the fact that light, unlike other forms of energy, travels at the same speed in all mediums. The commercial prospects of this work are enormous. If I can prove one or two more conjectures, the implication will be that it is possible to grow younger if we just travel fast enough. The commercial implications for the travel industry are staggering.

The point is that more often than not, the great advances in knowledge begin with no discernible commercial outcomes, so we encourage the government to shift its research funding priorities by increasing the amount of unrestricted grants available through the federal granting agencies. This, we feel, will help better protect the integrity and independence of academic research.

To conclude, I want to remind the committee that the federal government has played a decisive role in funding post-secondary education since the 1950s, when inconsistent and low levels of provincial funding made it clear there had to be a federal, as well as a provincial, funding role. Without cooperation between the federal government and the provinces, the health of Canada's universities and colleges remains precarious; without action today, our ability as a nation to reap the social, cultural, and economic benefits of higher education is being compromised. Surely the time for leadership is now.

Thank you.

The Chair: Thank you.

Next I have the Canadian Federation of Students, represented by Mr. Conlon.

Dr. Michael Conlon (Director of Research, Canadian Federation of Students): Good afternoon. My name is Michael Conlon. I'm director of research for the Canadian Federation of Students. I'm pleased to be here today to present on behalf of over 500,000 members at 80 member student unions from St. John's to Victoria.

In my remarks this afternoon I want to focus on access to post-secondary education, student debt, and several suggestions for future policy directions.

The primary theme of my remarks—and our brief, which you have in front of you—is the role financial barriers play in deciding who has access to the opportunities provided by post-secondary education. Any discussion of access to post-secondary education must start with the fact that those from high-income backgrounds are twice as likely to go to university as those from low-income backgrounds.

This disparity has remained constant since 1990. It is a source of celebration for some that it has not gotten worse; however, we think we can do much better. We would do well to remember that prior to 1990, Canada made steady progress in reducing the access gap to post-secondary education, but we've become stalled in the mission of making post-secondary education equitable in Canada.

Consider the *Youth in Transition Survey*. I think it is our richest source of longitudinal data on access to post-secondary education, a study that follows 15-year-olds through their courses of study. It found that of those who listed a barrier to post-secondary education, over 70% listed finances as the primary barrier. It was far and away the top impediment to low-income students going on to post-secondary education. To quantify it, that's approximately 50,000 young people a year denied access to post-secondary education purely for financial reasons.

However, the issues go beyond simply who gets into college and university. It's also about who completes a degree and the debt level those students carry. In the United States, researcher Edward St. John has quantified the reality of higher tuition fees by demonstrating that for every thousand dollars in tuition fee hikes, low-income students are 19% less likely to finish their programs of study—so not only does cost discriminate in terms of who gets to go on to post-secondary education, it is also a determining factor in who leaves with a degree or diploma.

I'd now like to discuss several policy options that the research tells us are most likely to increase access to post-secondary education.

All the available data tell us that grants, not loans, are the only effective way to increase access for low-income students. Though the federal government took a tentative step in the right direction with the introduction of the grant for low-income students, it is, in our mind, but a first step. At this time it is limited in reach and scope, and is unlikely to have a major impact beyond that first year.

This past fall, new loan limits kicked in, allowing students to borrow more and thereby likely pushing up the current average of \$25,000 in student debt. I want to emphasize to the committee that by definition, student debt is the most regressive way to fund a post-secondary education, because it forces those without the upfront resources to borrow for the cost to fund an education. It's also important to consider that when you look at the student debt averages of \$25,000, it is really not a \$25,000 debt; when interest is factored in, it's much closer to \$34,000—so one of our primary recommendations to this committee is to increase the low-income grant to cover the full cost of tuition fees for the low-income students over the course of their study.

Second, there's no doubt that the federal government has restored a portion of the massive cuts made in the 1990s. However, much of this funding has been targeted to research, with very little attention to

how federal funding can increase access to post-secondary education.

In addition, when inflation is factored in, there's still a gap of approximately \$3.7 billion—that is, it would take approximately \$3.7 billion to restore post-secondary education funding to 1993 levels in real dollars, taking into account the issue of deferred maintenance.

There's no escaping the fact that this gap is part of what is driving the high cost of post-secondary education. We join with our colleagues at CAUT and most others in the community in calling for a dedicated transfer for post-secondary education.

Third, one area in which the federal government is investing substantially, but with minimal impact—in fact, negligible impact—on access is tax credits and the registered education savings plan. Each year over \$1.15 billion is spent on tax credits and the RESP program combined. The data suggest almost every dollar of this money is going to those least in need. Take the RESP program, which costs approximately \$615 million per year; the vast majority of those maximizing the benefit from the program earn over \$80,000 per year.

We therefore recommend that the federal government transfer the money now spent on the RESP program and other tax credits to the low-income grant. We estimate this transfer alone, a revenue-neutral transfer, would reduce student debt by 41%.

The next issue I'd like to bring briefly to the committee's attention is Bill C-55. That is the bill proposed last spring that would lower the prohibition on declaring bankruptcy in student loans from ten years to seven years. While there is a belated acknowledgement that this law is patently unfair and treats students differently under the law—in fact, treats students the same as those of who have been convicted of committing fraud—we urge this committee to look at scrapping the discriminatory provisions of the Bankruptcy and Insolvency Act altogether.

● (1735)

I understand that members from several parties are looking to bring in amendments for it. I would call on members of each party to support that.

I think one of the most important pieces of research we supply in our brief counters the mythology perpetuated by the federal government that the law was put into place to ensure that doctors and lawyers earning \$300,000 don't declare bankruptcy. In the Osgoode journal of law, Saul Schwartz demonstrates that the average income of those who claim bankruptcy in the final year in which they are allowed to do so, with student loans as the primary debt, is \$14,000 per year.

Finally, I'd like to close with our thoughts on the Millennium Scholarship Foundation. The foundation was created in 1995, ostensibly to reduce debt. Indeed, when then Minister of Finance Paul Martin rose in the House to introduce the foundation, he promised Canadians most in need of student financial assistance that they would see their debt reduced by \$12,000. Unfortunately, seven years later, the record of the foundation has been an abysmal failure. Students in Saskatchewan, Ontario, and Nova Scotia have seen absolutely no debt reduction whatsoever, and students in most other provinces are seeing only a fraction of what has been promised. In addition, Auditor General Sheila Fraser has been sharply critical of the lack of transparency and public accountability of the millennium foundation and other foundations.

To take but one example, the foundation has a controversial research budget of over \$10 million. This budget is used to advance a highly biased set of post-secondary education policies. As recently as today in *Le Devoir*, you can read Norman Riddell, the executive director of the foundation, calling for higher tuition fees.

The foundation is also in the practice of awarding no big contracts to former employees. Because it's a private foundation, the foundation is under no obligation to make their budgeting or contracting practices public, or to follow any of the competition guidelines that govern other federal government departments. We agree with the Auditor General that this does not meet even the minimum standards of transparency for \$2.5 billion of taxpayers dollars. The foundation is now aggressively lobbying MPs for an extension of this mandate. We implore this committee to reject any extension of the foundation's mandate beyond the 10-year limit, at the very least, and to, more ideally, immediately wind down the operation of the foundation and transfer its funding to low-income grants.

I'd like to end where I began, on the question of access, affordability, and student debt. Access for low-income students has stagnated. There is now some compelling evidence that access has also started to decline for modest-income students. However, the Canadian Federation of Students believes there are ways of spending what we're spending now more effectively, as well as closing what virtually all stakeholders see as a substantial funding gap.

I look forward to discussing these proactive solutions with you in our discussion period.

• (1740)

The Chair: Thank you, Mr. Conlon.

La Fédération étudiante universitaire du Québec, Monsieur Lavoie.

[Translation]

Mr. Guillaume Lavoie (Vice-President, International and Federal Affairs, Quebec Federation of University Students): Thank you, Mr. Chairman.

Good afternoon. My name is Guillaume Lavoie, and I am the vice-president for International and Federal Affairs with the Quebec Federation of University Students. I would like to thank the committee and its members for their invitation. I will focus in my presentation on two aspects, which are the need to restore provincial transfer payments for post-secondary education and the need to

eliminate federal tax expenditures for post-secondary education as we know them.

[English]

I wish to thank the committee for their invitation. I'd like to take a minute to introduce the organization I represent.

The Quebec Federation of University Students, born in 1989, now represents over 170,000 students all across Quebec, anglophones and francophones alike. It clearly stands today as Quebec's largest youth organization, highly political and non-partisan. The FEUQ has become a pragmatic and devoted lobby organization, as it demonstrated last spring, when, at the height of a one-year campaign, 230,000 students were on strike, and 100,000 students were in the streets of Montreal.

Now, the first really crying issue in the federal government's action for post-secondary education is certainly the issue of transfers for post-secondary education. It has been made clear before you, and previously, that it's been cut significantly over the past years, mostly after the mid-90s. This has generated dramatic effects in the post-secondary education system, notably higher education in Ontario especially, and underfinancing in Quebec especially. This is because we live in a diverse federation, with diverse federated states that have diverse priorities for post-secondary education.

How can the federal government best repair the effects of the cuts to post-secondary education transfers? Well, it's quite clear: put the money back where it was at the very beginning. We're talking about \$4 billion, a number we got actually from Prime Minister Paul Martin. This would be the best tool to both contribute to post-secondary education and embrace the spirit of Canadian federalism, because it fits the very diversity between the provinces.

We understand also that the federal government has to deal with a number of pressures, mainly administrative but political also, in funding post-secondary education. Our proposal is that we increase significantly, by \$4 billion, the actual transfer for post-secondary education and make it dedicated to post-secondary education. That would assure the federal government that the money would be spent within the purview of post-secondary education, but there would be no strings attached, which would allow every province to put the money within the purview of post-secondary education where it's most needed.

Second, it would offer Canadian citizens an instrument of transparency that as of today is not present, empowering them to know what level of government does what and to what extent, and helping them make their choices understood at the next coming election.

The second major point I would like to ask the committee to look at is the question of federal fiscal measures. We're talking of a number of programs here that are mainly based on two different schemes, either tax credits or savings incentive programs. The main objective of both programs is to help the poorest of our society to have better accessibility to post-secondary education. Basically, it's to provide the poorest with accessibility.

As these programs are always a function of tuition fees, it is a disincentive to the provinces to do more. The more a province does to encourage accessibility, the less they will get from their federal government. So basically, if federal fiscal policy is to encourage a behaviour for the citizens or provincial governments, this federal policy is doing exactly the contrary. It's a disincentive for other governments to do more for accessibility.

The second imbalance—that's how we see these, as imbalances, and this one as a vicious one—is toward the citizen. When we're talking about either tax credit policies or saving incentive policies, obviously the more money you make, the bigger you can profit from your tax credit. The more money you make, the more you can save at the end of the month. The more money you make, the more you can profit from the very policies that were meant for the poorest of Canadian society. So these policies are not helping accessibility. They're special grants or special tax credits for the richest of our society. Again, they are targeting the citizens who live in the provinces who do less for post-secondary education.

Our proposal is to cancel these policies, which would put aside about \$2 million that could better serve its main goal in favour of accessibility when put back into an existing program, the Canada student loans program, and add a grants component to it. This would not only help accessibility but also reduce student debt.

• (1745)

And finally, I would like point the attention of the committee towards a very simple measure that could be taken and should have been taken a long time ago, which is to make all grants tax free. Surprisingly in Canada, we've chosen to tax revenues that go to students when those revenues are in the form of a grant. I'd like to talk more about this during the question period, but you will see that those who receive grants are either the poorest in Canada or are graduate students very much involved in research. Adopting a tax-free measure completely would favour accessibility, as well as encourage innovation and research in the universities of Canada.

In conclusion, there is still a lot to be done and there is a lot that should have been done before; surprisingly enough, this has been promised more than once. We truly hope that the committee will convey our belief to the government and that this will be the last time we all talk about it, so that next time, next year, we'll celebrate new policies for better post-secondary education in Canada.

Thank you.

The Chair: Merci, Monsieur Lavoie.

The next group I have is MDA Corporation's space missions group, and Mr. Iskander

Mr. Magued Iskander (Vice President and General Manager, MD Robotics, Space Industry Executives): Good afternoon, Mr. Chairman, committee members.

I am Mag Iskander, executive vice-president and general manager of the space missions group at MDA Corporation, Canada's largest space company. We are the builders of the world famous Canadarms on NASA's space shuttle and the international space station. We are also the builders of the second generation RADARSAT satellite, and are responsible for selling RADARSAT data to more than 60 countries around the world. In 2004 we had recorded revenues in

excess of \$750 million, two-thirds of which were export sales. MDA is one of Canada's largest employers of highly skilled engineering and scientific personnel, with total employment in excess of 2,500 employees.

It is in this context that I am pleased and honoured to have the opportunity to address this committee as it considers the question of government priorities for the upcoming budget update.

This is the third year in a row that the Canadian space industrial community has appeared in front of this committee. In our previous two submissions we stressed the strategic importance of an indigenous space industry to the social and economic well-being of this vast country. We highlighted the critical role that space systems play in the areas of national security, environmental monitoring, and natural resource management. We stressed to the committee our view that the very successful 40-year partnership between the government and industry, which has brought outstanding benefits to Canada, was in peril because of the neglect of the Canadian space program in recent years by the government.

I am, however, very pleased to note that the government heard our message and approved in last year's budget the development of the follow-on system to our very successful RADARSAT program, and provided the Canadian Space Agency with new resources to implement this program. I want to thank the members of this committee for ensuring that the seriousness and urgency of our message were understood and acted upon last year.

The purpose of my presence here today is to remind the committee that there are still many opportunities where space technology can play significant, and sometimes crucial, roles in permitting the government to meet its responsibilities for the following areas: national security, environmental protection, sovereignty in the north, sustainable development of our natural resources, and ensuring the continued growth of an innovative society.

There are some people who believe that the space program is a discretionary luxury. For a country like Canada, with the second largest land mass and the longest coastline in the world, the application of space technology to meet our unique national needs is not a luxury, but a necessity.

Item one: resource management. The Canadian economy is now, and will be for some time to come, heavily dependent upon our renewable and non-renewable natural resources. These resources are increasingly located in remote areas, making extraction and transportation difficult issues. Space-based technologies, such as remote sensing, communications, and navigation, are increasingly becoming essential tools in ensuring the economic and environmental sustainability of these industries. New space technologies, such as the proposed hyperspectral earth observation system, could help find new resources, monitor their development, and provide information necessary for environmentally responsible extraction and transportation.

Item two: security. Canada is responsible for managing activities in the oceans and seas along the longest coastline in the world. Space technologies provide the only economically feasible method for accomplishing this over such a large area. These same technologies will become increasingly essential in ensuring the integrity and security of our ocean frontiers. As global warming continues to open up our Arctic coastline and as the Northwest Passage becomes a reality, space technologies will become a major tool in the exercise of sovereignty in these contested regions.

Item three: science. Canadians are justifiably proud of the accomplishments of their scientists. This is particularly true in the field of space exploration, where Canadian scientists are leading the world in understanding the effects of pollution on our atmosphere and climate. Canadians are enthralled with the exploration of Mars and other planets, which is currently being undertaken by the leading space powers around the world. These leading countries expect Canada to play its role in the exciting human adventure. Canadian space robotics technologies could provide the entree for our scientists in these activities.

• (1750)

The fourth item is innovative society. The Canadian space program plays a significant role in inspiring Canadian youth to pursue careers in science and technology, an essential element in preparing Canada for the 21st century. Canadian Space Agency astronauts are incomparable heroes and role models across the entire country. The agency undertakes an extensive program of educational outreach to ensure that teachers have the necessary tools to capitalize on the fascination of space.

The point I want to make is simply that space technology has contributed significantly to the economic and social well-being of this country, and it will become even more important in the years to come. Space technology is critical to the security and safety of Canadians and the efficient operation of governments. It is also essential for the stewardship of our natural resources, and a key element in inspiring Canadians.

As this committee considers the future direction of this country, my request is that the government continue to recognize the importance of space applications to the future of the country and to provide an adequate capital budget to the Canadian Space Agency to develop space-based infrastructure badly needed by other government departments. We specifically recommend that the Canadian Space Agency budget be increased from \$300 million to \$400 million per year.

Thank you for listening to me.

The Chair: Thank you, Mr. Iskander.

We're going to start our seven-minute round with Mr. Van Loan.

Mr. Peter Van Loan (York—Simcoe, CPC): Thank you very much, Mr. Chair.

I first wanted to observe, in response to the submissions of a number of the groups, that from the Conservative side we have committed ourselves—in part due to the efforts of all you folks in advocating to us—to establishing a dedicated transfer for post-secondary education. So that will hearten some of you. That is our party position following our conference last spring in Montreal.

I do have a question. I'm intrigued very much by the focus of some here on needs-based grants. I find it difficult to understand—and this is my own personal perspective—why there's so little in the way of needs-based grants, yet we provide opportunities for debt relief and debt forgiveness and interest relief after the fact, after people have graduated. We kind of invite them to get into debt, and then I guess the lesson we teach people is that if you manage well, then you have to pay it back. If you're having a tougher time, or you don't want to take on that responsibility, or you have trouble with it, then we might forgive it.

It occurred to me...and I'd be interested in your thoughts on this. If those resources were redirected from after-the-fact debt relief and forgiveness to needs-based grants up front, is that something that would be supported? I'm thinking particularly of the case of the people addressing us.

• (1755)

Mr. Toby White (Government Relations Officer, Canadian Alliance of Student Associations): I'll answer that.

Canada is fairly unique in the world, actually, in its focus on dealing with student debt after it's accumulated. A number of provincial governments in Canada have what they call remission programs, where students accumulate a certain amount of debt and then that debt is cut down.

Now, if you think about it, there's not much of a cost difference in providing funding to grants and providing funding to remission. The big benefit of grants over remission, however, is sort of the psychological benefit of students in high school or junior high from disadvantaged backgrounds who are thinking about going on to post-secondary. If they can be told right away that they're not going to accumulate as much debt, that's a big incentive to go on to post-secondary, instead of telling them they can accumulate debt, but maybe, if these programs are still in place by the time they graduate, their debt will be remitted after the fact.

So considering there's not a big cost difference between grants and remission-type programs, we would say there's much more benefit out of grants than there is from post-graduation debt reduction.

Mr. Peter Van Loan: Okay.

I also wanted to observe, for the benefit of Mr. Lavoie, that the proposal you have brought forward on tax-free scholarships is one that our party has also embraced and endorsed. It seems to me it makes sense that if you win the lottery and you don't have to pay taxes, maybe if you win a scholarship you shouldn't have to pay taxes. So that kind of made sense. I hope you appreciate that.

My other key question, which I'll throw open to anyone, is to ask for your thoughts on how student loans are handled right now in terms of the interest rates charged. They strike me as a tad oppressive. Is that perhaps a bigger issue than the bankruptcy prohibition?

Dr. Michael Conlon: I think one of the points we tried to make was that the issue of interest makes student debt doubly regressive. We made the point that for those who come from families who don't have the upfront means, they are forced to borrow, but they also pay a premium that those who don't borrow don't have to pay, which is the interest. So from our standpoint, we feel that grants, from the lead-up to your first question, are a more effective way to provide access, but while there are loans, it's our position that there should be no interest on loans.

One of the other things that I think is intuitive but has been difficult to convince enough policy-makers of is that when you start to dig into the data about who takes the longest to pay, there are no surprises: the people who take the longest to pay are the people who borrowed the most and are the people who fared the worst in the labour market. So those who graduate and get a good job, who have relatively minor debt, pay very little premium in terms of the interest, whereas those who are forced to borrow substantially and don't do as well in the labour market are penalized via interest.

Those students graduating right now are seeing something of a break versus their cohorts of ten years ago, who saw massive a premium on interest rates. The fact that interest rates are lower right now than they've been for a while provides some relief for students, but from our standpoint, while there are loans to provide access, we feel they should be interest-free.

Mr. Guillaume Lavoie: I'd like to echo those comments, if I may. I completely agree with my colleagues that in terms of policy, a dollar is a dollar, so one might ask where that dollar is going to be most effective. And you're right, one of the best ways to make sure that debt, as well as interest, does not become too much of a problem is to make sure that debt doesn't grow too big. The best way to avoid that is to help students at the gate, which is by bigger grants and actually accessible grants.

You mentioned the fact that all grants should be made tax-free. It's true, and that would help two very specific categories of students—the poorest ones and those at the graduate level, who, when receiving grants, are involved in some sort of research or innovation, public policy research.

The most important thing here is the message the government will send out. This particular measure will maximize the aid given by not only the government but also by all the other players who are benefactors to students outside. We can think of the various ministries in the provincial governments, the university and college institutions, and also the large corporations and NGOs who give grants to students. So the federal government, through a simple measure that we think would cost no more than \$60 million for all students in Canada, could encourage better behaviour in favour of post-secondary education not only by the government body and the federal establishment but all the players out there.

● (1800)

Mr. Peter Van Loan: I did have a little trouble with one thing in Mr. Lavoie's presentation, and that was the notion that student... In terms of the bankruptcy prohibition that's in place right now, ten years does seem a bit long to us. We'd like to see perhaps five years. But there is a good reason for it in that you don't want people to accumulate a high level of debt, especially in times of the high fees

we're talking about, and then discharge it on the first day of graduation, to get on with life, if that becomes a kind of social practice.

You say that there shouldn't be discrimination, but in fact in the granting of those loans there is discrimination. It's done in fact exactly opposite to how a bank or any other institution would give a loan. They give a loan based on how creditworthy you are, and student loans are given on the basis of how un-creditworthy you are. Basically, if you don't have the ability, if you don't have resources, if you don't have collateral, then you are granted a loan.

Do you see that there is a different social basis here? If you want it run as a social program, then you've got to apply a different set of rules.

Dr. Michael Conlon: I have a couple of responses to that. First, what are our longer-term goals? Should we be providing access through loans in the first place to people who come from low-income backgrounds? I think we need to have a discussion about the root issue of the problem.

I think I would disagree with the manner in which you're approaching it. From our standpoint, the way in which the bankruptcy law worked before the changes was that if an individual declared that they were unable to meet their obligations, they had to go through a process through which they demonstrated that they couldn't meet their obligations. It would be adjudicated by a judge, in the same way as every other debt, including consumer debt, credit card debt, a variety of other debt. This debt changed the way that students were treated under the law, how they accumulated it.

So from my standpoint, I guess I just don't agree with you that it's unfair that because someone borrows money to better themselves through post-secondary education they should be treated more harshly than someone who, for example, runs up consumer debt through a credit card or other means of credit.

In addition to that, the federal government hasn't taken that kind of harsh approach with those who owe the federal government billions of dollars through Industry Canada loans, many of which are delinquent. The federal government has made no effort to collect on those or impose any restrictions on the ability of those corporations to declare bankruptcy either through the personal bankruptcy of the individuals in those corporations or the corporations themselves.

So from our standpoint, (a), we don't think loans are the best way to provide access, and the vast majority of people who find themselves in this situation are the poorest Canadians; and (b), if they do find themselves in those situations, we simply feel they should be treated in the same way as any other person who finds themselves insolvent before the courts.

The Chair: Thank you, Mr. Van Loan.

Next is Monsieur Bigras, then Mr. Adams, and then Ms. McDonough.

[*Translation*]

Mr. Bernard Bigras (Rosemont—La Petite-Patrie): Thank you very much, Mr. Chairman.

I would first like to thank the witnesses for taking part in the committee's consultations, which I am participating in for the first time. I suppose that your requests and demands are made year after year and the government often turns a deaf ear to them. It is important that you come and make your presentation so that we can pass your messages along.

I would like more information on the document prepared by the Quebec University Student Federation, particularly regarding demand No. 3 on page 5, which deals with tax credits for tuition fees and the imbalance that this can create in Quebec and elsewhere. A tax credit should be available as a means of help, but it is clear that provinces that have increased accessibility by freezing tuition fees or having no tuition fees at college level are penalized. You are calling for the provinces to receive: "financial compensation equal to the difference between the amount of credits paid to the province and the Canadian average".

Have you estimated how much money that would represent for Quebec, if demand 3 were implemented?

• (1805)

Mr. Guillaume Lavoie: Thank you very much.

To begin with, it is true that the measures taken by the federal government right now are creating an imbalance in post-secondary education, and that is the worst thing. People talk about imbalances—fiscal and other kinds—but there is a fundamental imbalance in the way federal policies are designed. When we talk about tax measures, the problem is even more evident.

I talked about a dual imbalance. Where individuals are concerned, the richer a person is, the more federal assistance is available, when it should be the opposite. In the case of the provinces, the more they invest in post-secondary education, the more they are penalized by any funding that individuals or the provinces themselves receive for post-secondary education. That acts as a disincentive. It is unfair and unjust to the provinces that are playing their role.

The primary reason given by the federal government for intervening in post-secondary education is that the provinces are not doing enough. The primary incentive that the provinces have for investing less comes from the federal government. You talk about tax credits for tuition fees. It is obvious that the level of tuition fees is the key. We believe that in order to have a balance among the provinces and send the right message, compensation should be set at the average received by the provinces for tax credits and the difference, which the province should not lose because of the fact that it is doing more than the other provinces.

You asked whether we had estimated the amount of money involved. We have started to do that. To give you an idea of how much money Quebec alone would receive, if compensation for tuition fees equal to the Canadian average were given, Quebecers

would receive an additional \$70 to \$95 million a year. That is huge. Other provinces are in the same situation and they are obviously under the Canadian average. The basic problem is to try to figure out what kind of message the federal government is trying to send with its tax policies.

Mr. Bernard Bigras: I am a little bit surprised to see that your brief does not deal with the issue of the Canadian Millennium Scholarship Foundation. It was actually your colleagues in the Canadian Federation of Students who brought it up, saying that they would like to see the foundation abolished and the loans and bursaries programs better funded. I know that Quebec has historically always wanted to have the Quebec system, which is different, receive more support.

What is your position on the Millennium Scholarship Foundation? Do you think that things should stay as they are, or is your position more like that of the Canadian Federation of Students?

Mr. Guillaume Lavoie: There is no contradiction between our position on the Millennium Scholarships and that of the Canadian Federation of Students. On the contrary, we think that the idea of giving students scholarships is an excellent one.

The problem lies in how public policy will be developed to do that and in the fact that the decision has been made to do it outside the federal institution, without taking into account existing programs, of which a number are joint programs with the provinces.

I will give you a specific example. When a dollar is put in the Canadian Millennium Scholarship Foundation, administration costs have to be taken into account as well as the interplay with existing provincial programs.

Automatically, when a dollar is put into an existing program, the Canada Student Loans Program, there is an agreement with Quebec under which one quarter of the funding goes to Quebec for a program which has the same objectives and which, in passing, is more generous.

One of the problems is that there is already a federal tool that is working well called the Canada Student Loans Program. But the first problem with that program is that it only involves loans. In Quebec, we have managed to include both loans and bursaries. However, the funding invested in the Canadian Millennium Scholarship Foundation makes the federal program ineffective, because it only provides loans and encourages students to get into debt.

Let us take the money from the foundation and other money, such as the tax credits and savings grants, and invest them in a Canadian loan program to turn it into a Canadian loans and bursaries program.

Mr. Bernard Bigras: In addition to your traditional demands, I think that there are demands that deal specifically with the needs of individuals, young people and students. You naturally mention the issue of employment insurance. In my opinion, there are also other issues that your organization could promote. For example, there is the question of tax deductions for public transit. That is something that could be particularly important for young people, and that I do not see in your documents. They are a bit general.

Are you starting to think about other tax incentives or ways to change the tax system beyond the more traditional demands that students have?

•(1810)

Mr. Guillaume Lavoie: Generally speaking, it is helpful to think about tax deductions intended for the right targets. Right now, tax deductions as a whole go either to those with the most money or to the provinces who do the least for post-secondary education. That is the problem.

What bothers me a bit is that a dollar is a dollar. Once it has been put into a tax incentive, it is no longer available for anything else. I would rather see a dollar given in bursaries than a dollar given in tax deductions for public transit, for the following reason: there are three main users of public transit, and those are the very poor, students and the elderly. Those are the three groups in our society who pay the least tax.

It is all well and good to give tax credits, but people have to be able to use them. If I have to choose between the two, I prefer to have a dollar in bursaries, because I will be able to deal with broader costs such as public transit, rent, food and tuition fees.

The Chair: Thank you, Mr. Bigras.

Mr. Adams.

[*English*]

Hon. Peter Adams (Peterborough, Lib.): Thank you, Mr. Chair.

I want to thank you all for your presentations.

I would like to say something to Magued Iskander. It's not a question but a comment, because I fear you're going to be left out a little bit here—and the MDA Corporation. I want to say first of all that your work on RADARSAT and RADARSAT-2 is to be greatly commended. You mentioned northern sovereignty, but I think it goes beyond that. What you're doing with RADARSAT-2 is a contribution to the global environment. I appreciate it a lot.

We appreciate what you have done in the area of research. It has stimulated our universities remarkably. I know that astronomy and astrophysics, which are fields of research to which you're closely related, are among the best-funded in Canada, and now Canadian expertise in those two areas ranks in the top three in the world, so I congratulate you. But I feel obliged to ask questions to your colleagues, if you don't mind.

To our colleagues here, first of all I'm really pleased to hear some consensus on the dedicated transfer, without strings; I heard it very clearly. I do believe it's one last step in a change in our relations in provincial transfers.

I liked the discussion about provincial response—negative feedback, positive feedback. We like to think that whatever we do, be it a transfer to the province or a direct transfer to one of your institutions from the federal government, there is at the very least no feedback, and ideally, positive feedback. If we put \$1 million in, the province concerned adds to that in some way, or at least doesn't interfere with it and take money back from the area into which we are transferring those moneys. I'd be glad to hear more of your views, but I really think that's what federal-provincial government relationships are. The federal government does something, the province doesn't like it, and at least it doesn't claw back in those areas.

I think Mike Conlon mentioned the millennium scholarships, 95% of which go to low-income students. In my province, the provincial government of the day clawed back the money from the lowest-income students. That's an example of negative feedback—the federal government trying to do something, and a provincial government clawing it back.

But I'd like to talk to you a bit about the RESPs. The reason there is so much money in the RESPs is that your institutions are full of middle-class people. They were full of middle-class people 30 or 40 years ago; they're still full of middle-class people. I'd be willing to bet that all of you—this includes the faculty, David—are from middle-class backgrounds. The RESP is focused on those families to encourage them to continue with education. We have instituted low-income loans for the first year, and disability loans for every year of an undergraduate degree now. These are moves—I know they're small—in the direction of grants for lower-income....

But in the area of RESPs, under \$75,000 we have moved now to 30% government contribution. You know that. In the lowest income, through the Canada learning bond, we've moved to 40% government contribution, and at birth, for a very low-income child, \$500 is deposited in an RESP account, and then \$100 a year until the child is 15. Then the child, from roughly the ages of 18 to 38, when he or she is no longer a child, can draw on those moneys plus the interest for any useful lifelong learning process.

I was surprised with the student organizations, in particular, when they opposed the Canada learning bond. It is an attempt to reach out to the lowest-income people through, I admit, a flawed tax credit program.

Thank you, Mr. Chair. I welcome replies from anybody.

•(1815)

The Chair: Mr. White.

Mr. Toby White: Our main contention with the Canada learning bond is that at maturity this program will cost about \$325 million to \$385 million per year for the government, so that's not an insignificant sum of money. That will, at best, help low-income families save a few thousand dollars for their children. If those low-income families who don't have much ability to save can add some of their own funds to that, it still won't be enough to pay the full cost of a post-secondary education—perhaps not even for a year of university.

For that same amount of money, the low-income grant could have been made much more substantial. The grant could have been made to cover 100% of tuition for four years of study, for probably half the cost of the Canada learning bond.

So it's not so much that we oppose the concept of putting money into helping low-income families save. It's like Guillaume was saying, it's where we want to see the tax dollars best used to help students. I think putting that same amount of money into a grant system would have been much more successful.

The Chair: Thank you.

Mr. Conlon.

Dr. Michael Conlon: I have two quick points, the first on the Canada learning bond. We agree with our colleague's comments and share the analysis, but in addition to that, from our standpoint, we reject the basic premise that the idea of encouraging access for low-income students and their families is to provide them with the same incentives that middle-class families have. From our standpoint, and our colleagues in the National Anti-Poverty Organization agree with us, it assumes that there's an untapped capacity to save, that somehow this \$500 plus \$100 over the life of the child will somehow change one's economic circumstances.

I know there's been a fair amount of caution about how limited the gesture is, but that is the underlying logic of it, frankly. From our standpoint, not only do we think pragmatically that it's not going to work, but we reject this idea that for a family who is attempting to put food on the table and pay rent, somehow a proposed 40% incentive, if they can maximize the RESP, will provide access for that family. From our standpoint and that of our colleagues at NAPO, the feeling is 40% of nothing is still nothing, that it's very unlikely that a low-income family is going to maximize the benefit in the same way as middle-class families do.

My second point, very quickly, is that while I feel your point about the demographic of our institutions is valid, it's somewhat exaggerated, especially at the college level, that the majority of students at the college level actually come from modest- and low-income families. There is, to some extent, an overrepresentation of middle-income and high-income families in post-secondary education. There's no denying that. But what we're seeing is, what is our definition of middle class? Is a family with three children making \$45,000 and surviving in Toronto, Ottawa, Vancouver, Halifax, or St. John's a middle-class family? More than likely the answer is yes. Is it a family that is struggling to pay tuition fees? Absolutely.

From our standpoint the root cause of the problem is tuition fees, and the RESP program is a symptom of the problem, not a solution to it.

Hon. Peter Adams: Mr. Chair, if I can, I've heard these discussions before, as my colleagues here know. This is not a panacea, but we're talking here about an effort to reach out—not just to families but, by the way, to children. If a child is adopted soon after being born, money, without any saving at all, is accumulated for that child. Also, if the adoption agency or some charity wishes to put money into that child's account, the money gets matched at 40% by the federal government. I understand that it's hypothetical to some extent, and you have to wait a long time, but I do believe we have to reach to those levels.

I assume your figures, Mike, are reasonable on the colleges. What are your organizations doing, what are your institutions doing, to encourage these lower-income—well, not just young people, I

shouldn't say that—families and young people to come to your institutions?

● (1820)

Mr. Guillaume Lavoie: To respond briefly to what you mentioned, there is definitely an effort by the federal government, we don't deny that. There's definitely an effort to reach families and children, but where is the effort to reach the actual student? He's entering university or college now, not in 20 years.

If you were to give a grant to children to help them start their own small businesses, for example, do you think it would make more sense to help the children who just got adopted or the small entrepreneur just about to launch his idea? That's where you want to go.

You mentioned the RESP, and yes, it's a process, it's a step-by-step approach; it is still a bad program. It is still wrong by all public policy measures. Yes, there were attempts to improve it, but the fundamental framework of the policy is wrong. That money could be of better service and could meet your targets much more effectively if it were converted into a Canada needs-based grants and loan program. As you mentioned—and I wish to quote it again—dedicated transfer is key, and no strings attached. That's the key element.

As for your worries about whether the provinces will pull back, that is a concern, and that is a real concern, but where do you start and when do you stop? The federal government can't regulate the provinces to the point where they have to match every amount of money it puts down. What the federal government could do is make it transparent, allowing the voters to decide who is doing well.

Hon. Peter Adams: Mr. Chair, the last remarks I agree with completely. I have to say that the Province of Quebec, in terms of these post-secondary education transfers and programs, has generally been the most proactive in terms of responding.

The Chair: I have Ms. McDonough, Mr. Solberg, and Mr. Bouchard, and then we'll call it a day.

Ms. Alexa McDonough (Halifax, NDP): Thank you, Mr. Chair.

Mr. Chair, I have to say that if I feel frustrated, I can imagine how the education stakeholders feel frustrated that they're having to repeat all the arguments they made that went completely ignored and unheard when the Canada learning bond and the education savings issues were being debated before the human resources committee. Yet my colleague Mr. Adams has applauded the fact that there is a consensus among you around the dedicated transfer, and that's really important. There was an absolute consensus before the committee, from all four education stakeholders, that this is misguided and misplaced and that the money should be going not into these tax-based schemes and the Canada savings bond, but into the front end, to the kinds of low-income grants that are desperately needed today, not 18 or 19 years from now. Maybe we can just keep making the point every time the opportunity arises, and then the consensus that exists here on this subject will be listened to as well.

I know the time is short, but I want to pursue a couple of things.

On the issue of the discriminatory treatment of students with respect to bankruptcy, probably you're all aware that I introduced a private member's bill to try to remove the discriminatory element. It was voted down by the combined forces of the Conservatives and Liberals. The Bloc did support that proposal, but it died there. You're probably aware that the government has now brought forward an indication that they're prepared not to remove the discriminatory elements but to lessen the discrimination by proposing that instead of ten years, a seven-year period would be put forward in legislation that is now before the House.

I wonder if you might comment on that.

Secondly, I'm wanting to get a little clearer idea with respect to the commitment.... I think again there is a consensus among the education stakeholders that we absolutely need not just a dedicated transfer for education, reversing the damage of the last 15 years, but some kind of pan-Canadian post-secondary education framework standards to ensure that you don't have provincial governments.... I mean, the reason the Ontario government was able to claw back money was that there was nothing to prevent it from doing that. I'm wanting to understand whether each of the education stakeholders is in fact committed to there being that framework legislation that would establish some standards, not to presume to tell the provinces—because it's a provincial jurisdiction—what their educational needs are, but to say that the money doesn't come with absolutely no strings attached, in the sense that you can't just do whatever you damn well please about it.

I'd like to seek clarification on that point.

• (1825)

The Chair: I have Monsieur Ouellette and then Mr. Robinson, Mr. Conlon, and Mr. Lavoie.

Mr. Philippe Ouellette: On your first question, in regard to the discrimination, CASA advocates that the decrease from ten years to seven years is definitely an improvement. However, we'd like to see that decrease even more in the future, so we're actively trying to state that.

On your second point about the dedicated transfer and this idea of some sort of pan-Canadian accord or agreement being reached between the different levels of government, we absolutely agree. We

feel that is essential to alleviate a lot of the problems that are currently faced. We've seen it in early childhood development as well as in health care. We're referencing those in our approach, and CASA takes the approach that this is very doable.

There isn't a lack of willingness. The federal government is taking numerous initiatives on post-secondary, and the provinces have also done so. However, they haven't been united; they haven't combined their efforts to create some vision for post-secondary education. That's precisely what we're looking for, some united vision. I think it's possible. However, there are efforts that need to be placed on that discussion and dialogue between stakeholders as well as on the levels of government.

The Chair: Monsieur Robinson.

Mr. David Robinson: I just wanted to add that I think it's very important that in our proposal, in our brief, we emphasize two things about the new transfer. One is that it has to be a cash-only transfer so we don't get again into this endless argument about the transfer of tax points, which frankly I don't think anyone understands or anyone cares about anymore. We focus on a cash-only transfer so it's accountable, and it's accountable for parliamentarians, to decide whether or not they think the level of spending that's there is appropriate.

The second point is that it should be a transparent mechanism. That is, it should be clear where the money is going. Our recommendation is to have a framework, an act, that sets out not standards but objectives of how the money should be spent. We set certain conditions, saying, for instance, the money should only go to publicly funded institutions; we shouldn't be subsidizing private institutions. We have a list of things that parallel the Canada Health Act. I think that's the way we have to go in order to ensure that we meet the objectives we're trying to achieve. Otherwise, we end up with this problem.

With respect to our colleague at the end of the table, this isn't really rocket science for us. It's really a question of the reason why we have high tuition fees, the reason why we have all these kinds of boutique programs on the side, like the learning bond and the millennium scholarship fund. It's because our institutions aren't getting the appropriate level of core funding they need. There we have to wrestle with this jurisdictional issue, and I think a partnership approach to making sure our institutions get the core funding they need, so tuition fees can be lowered so we don't have to deal with these kinds of boutique programs that make things worse, is the way to go. That's why we would propose a national framework to deal with that.

The Chair: Mr. Conlon.

Dr. Michael Conlon: This is just very briefly on the Bankruptcy and Insolvency Act. We join our colleagues in la FEUQ in calling for no discrimination under the law for students, for any students. From our standpoint, I would urge all committee members to read the findings of the Senate Standing Committee on Banking, Trade, and Commerce, which came to the same conclusion. They heard from bankruptcy experts across the country but also heard from the insolvency section of the Canadian Bar Association, which frankly called this a poor and unjust law.

I think that from our standpoint we've done everything we can to supply facts that simply refute the government's mythology about who this law is affecting. This law is not affecting wealthy Canadians and it's not affecting middle-class Canadians; it's affecting the poorest of the poor, and from our standpoint it's just an unjust law.

On the transfer, I'll just add very quickly that one of the difficulties for our organization as an organization that works provincially and nationally is that the way the funding mechanism works now, it makes it more difficult for us to hold provincial governments accountable, not knowing exactly what the funding envelope is. From our standpoint, politically one of the most important fringe benefits would be being able to put a dollar figure on the amount the federal government transfers to the provinces for post-secondary education. It frankly would give the provincial governments less of an alibi about how they spend that money and why they spend it the way they do. If they choose not to spend it on post-secondary education, frankly, it will make it easier for us to hold them accountable. I think that's something we as stakeholders agree on.

● (1830)

The Chair: Monsieur Lavoie.

Mr. Guillaume Lavoie: Very briefly, on the bankruptcy law, discrimination is discrimination. There is no such thing as a small or a big one. When you discriminate against someone, you discriminate against someone. That's now being done to only two communities in Canada, criminals and students. I don't quite feel part of the first category, so I'd like that to be addressed.

As far as the pan-Canadian education act or framework or guidelines are concerned, I wish to be very clear. My feeling is that it's going to become a lightning rod of discontent in Quebec. The federal government does not run a provincial jurisdiction. It can participate in it, it can encourage it, but it doesn't run it. The provinces do, and let the voter decide.

Right now, as CFS has just mentioned, it is hard for either civil society in the province or the ordinary citizen to know what has been done by which level of government. With a dedicated transfer it is transparent enough to allow the voter to decide. That's the one who in the end gets to decide. So the federal government, without running provincial jurisdictions or trying to do so by a pan-Canadian act, could give the voters just the tool they need to know who is doing well and who is doing wrong and to castigate the government who does not behave properly.

The Chair: Merci.

Mr. Solberg, then Mr. Bouchard.

Mr. Monte Solberg (Medicine Hat, CPC): I want to thank you for being here.

One of the mandates we have is to talk a little bit about productivity and how to make our country more productive. One thing that strikes me is that we seem to have a mismatch in this country between the programs people graduate from and the types of work that go wanting for takers in this country. I'm particularly thinking of the trades, where we have a real shortage of people today in many trades in this country.

I'm wondering if you have any particular ideas on how we can better match up people, the programs they take, and jobs. Can we do something through co-op type work? Do you have any particular ideas on those types of things?

The Chair: Mr. Robinson.

Mr. David Robinson: I think there are a couple of things. One of the difficult things is to try to project what's going to happen in the labour market over the short term. A few years ago everyone was told they should go into computing science because that's where all the jobs were. Then the crash came; we had lots of people who were out of work.

But I think on the general trades issue it's clear that we do underinvest in apprenticeship programs. Certainly one of the things we should look at is something like the Quebec model in terms of on-the-job training and so on, but also developing a more substantive apprenticeship program across the country. That may be something where post-secondary institutions can play a more active role.

I also think that one of the things we might want to look at, which I know a number of labour organizations have put forward, is building into the employment insurance fund a provision for time off for training so people can take time off from work and pursue training to get the skills they need not only for the new jobs that are coming along but for the changing nature of their own jobs. Co-op programs are obviously something most universities and colleges have quite a bit of experience with.

So there's a bit of a laundry list of things. I think the real challenge is trying to figure out where the key shortages are. The projection into the future is almost impossible to make, but certainly focusing on some of the successful models we see in Europe and in Quebec would be worthwhile.

Mr. Monte Solberg: I appreciate that, but it does seem to me we've had this problem for a few years now, yet young people go to university and college typically with an eye toward getting a university degree. That's laudable, but very often it strikes me that they come out the other end, they can't find a job in their field, and then we end up perhaps having to retrain them. There's nothing wrong with a broad liberal education, but if they go to school with the intention of getting a job coming out, they may find they've spent a lot of money and ended up in the wrong field.

It does strike me that it's not just a question of projecting where the jobs are going to be in terms of a specific field; it's that there just don't seem to be enough people going into trades in general. Are there incentives that can be offered to encourage people to go this way, or is there some other way we can get people into these fields?

It seems to be a problem really right across the country, and a particular problem in Alberta. For instance, when you talk to automotive dealers, they say they can't find mechanics—across the country.

•(1835)

Dr. Michael Conlon: I think you'll probably hear from the Association of Canadian Community Colleges later on in your hearings. Those programs exist and those programs are vibrant in our colleges, but they're oversubscribed, massively. You actually do have a fairly high demand for people coming out of these programs, but there simply aren't the spaces for them to study.

I think it comes back to some of the things we've been outlining, that there is recognition on the part of many working folks that this kind of credential is in demand and it's something they should pursue. One of the issues is just whether or not there are enough spaces in colleges to accommodate the people who actually do want to study. I know the message is getting out there. In certain programs there are waiting lists of hundreds and hundreds of students. That's one thing.

The second thing I would say is that I agree, in terms of what we see in employment rates, about mismatches of skills and such, but I would say a lot of that mismatch, in fact the greatest proportion of it, comes in the private education industry. The employment rates for college and university graduates are actually quite good. In the surveys I see coming out of colleges and universities, the vast majority of students are relatively satisfied with the employment they have. They have high rates of employment and feel they are relatively well prepared for the jobs they've entered. But the unemployment rates and the student loan default rates are substantially higher at private educational institutions. I suspect what's happening is, with an inadequate capacity at the public education level, some of these students are spilling off into these other institutions and not getting the quality of education they need.

Mr. Monte Solberg: So are you telling me that in the end, the fix for these oversubscribed programs is that dedicated transfer with no strings attached? I guess that's the answer. Is that what you're saying?

Dr. Michael Conlon: I feel like we're overadvertising that, but really, at the end of the day, if there isn't enough money in the institutions, they simply can't offer the number of seats. We've tried to say that in a different and more interesting way here, but it doesn't really change.

Mr. Monte Solberg: It's a good idea to fit it on a bumper sticker. It's a good idea.

The Chair: Thank you, Mr. Solberg.

Monsieur Bouchard.

[*Translation*]

Mr. Robert Bouchard (Chicoutimi—Le Fjord, BQ): Thank you, Mr. Chairman.

I would also like to thank the witnesses for their excellent presentations. My first question is for the Canadian Association of University Teachers. I would like to congratulate you on your candour. Like my colleague, I too was surprised to hear you recommend that the Canadian Millennium Scholarship Foundation essentially be abolished, given that it has not met its objectives.

I believe that you have already addressed my next question, but I was absent. In light of the fact that the Canadian Millennium Scholarship Foundation still holds considerable sums of money, money which is part of the available annual funding, and given that

education is an area of provincial jurisdiction, would you be in favour of this money being transferred to the provinces? What is your position on this matter? When this money is given to the provinces, should it be used, as I believe is currently the case, to provide grants and loans? Actually, I believe it is currently used to provide grants.

•(1840)

[*English*]

Dr. Michael Conlon: In terms of the foundation, I'm sure the committee members know that the foundation's 10-year mandate runs out in 2009. Our position is that we have always respected the unique agreement that the federal government has with Quebec in terms of the manner in which the student loans program, the grants program, has been run in Quebec, outside of the framework of the Canada student loans program. So our position is that the foundation's funding should be transferred into the low-income grant for every province except Quebec, and that Quebec's portion should be transferred directly to the province, so that the province can then use the money as it sees fit in its grant program, as it's currently doing.

In terms of transferring the money to the other provinces, I'll just give you two very quick examples. The Canada Millennium Scholarship Foundation signed an agreement with the Saskatchewan government that essentially allowed the Saskatchewan government to raise tuition fees to a certain level, but not beyond. As for the Province of Nova Scotia, I can be very brief because there is no agreement and there is absolutely no legacy of debt reduction for those students. So for students in Saskatchewan, the legacy of the millennium scholarship foundation is tuition fees about 25% higher than they were when the foundation started. So you have an increase in tuition fees, an increase in student debt, and money going somewhere into Saskatchewan, but not into reducing debt. In Nova Scotia, it's the same thing.

So from our standpoint, we feel that the money needs to go into mechanisms already established across the country for student financial assistance, and that the foundation was hastily thought out and, frankly, a public relations scheme at the time, which didn't work. So from our standpoint, we as an organization always respect the jurisdictional differences between Quebec and the rest of Canada, and that's how we would want the foundation's money spent as the foundation is wound down.

[*Translation*]

Mr. Robert Bouchard: My second question is for the Quebec Federation of University Students, represented by Mr. Lavoie.

You said that it is important to respect the federal nature of Canada. I also understood you to say that you were against national standards. In addition, you stated that, under the current system, it is the wealthy who receive tax credits. In fact, you recommended abolishing tax credits for the wealthy and instead offering loans and scholarships to students across Canada.

That seems to me to be somewhat contradictory, but I would be interested in hearing your view. Does your understanding of a federation recognize education as an area of provincial, and in this case, Quebec, jurisdiction?

The Chair: Mr. Lavoie.

Mr. Guillaume Lavoie: Mr. Bouchard, recognizing that Canada is a federation does not necessarily involve encroaching on provincial jurisdiction. Indeed, quite the opposite is true. It is a question of shared sovereignty and coordination. The party vested with the authority to act in a given jurisdiction should receive support and encouragement from the other level of government, without this second party going as far as to encroach on how the authority is exercised. I think that you misunderstood me when I spoke about Canadian standards. We are completely against any Canadian standard governing federal transfers for education, with the exception of the federal transfer for post-secondary education.

You spoke about pan-Canadian loans and scholarships. I must remind you, however, of an historic agreement between the Government of Quebec and the Government of Canada. Under the terms of this agreement, for every dollar paid into the Canadian Student Loans Program, 25 cents, or 25 per cent, is automatically paid into the Quebec program. This means that, were the government to take all the funding for the Canadian Millennium Scholarship Foundation, along with all the money involved in granting tax credits and savings incentives, and earmark it for a Canadian loans program, two things would happen. Firstly, Canadians elsewhere in the country would probably have access to a loans and scholarship program like the one which we have had in Quebec for the past 30 years, and secondly, given the amount of money which would be invested, the Quebec Loans and Bursaries Program would automatically be more generous.

Dedicated transfers allow for the specificity of each province to be respected, whether investment is needed in universities, as is in the case in Quebec, in tuition fees, as in Ontario, or in the vocational sector, as is the case in Alberta.

•(1845)

The Chair: Thank you, Mr. Bouchard.

[English]

Just quickly, Ms. McDonough, and then I'm going to go to Ms. Jennings.

Ms. Alexa McDonough: Just very briefly, I think all of the education stakeholders are aware that in the supplementary budget, or whatever it's called, New Democrats try to say that in the better-balanced NDP budget, there was \$1.5 billion extra allocated specifically for improved accessibility and affordability for post-secondary education and training.

The Chair: Your question is?

Ms. Alexa McDonough: My question is whether there has been any consultation with the federal government about the allocation of those funds. Secondly, has anybody been able to clarify or confirm the rumour that has been circulating that one of the things the federal government is looking at is steering that money through the Millennium Scholarship Foundation?

The Chair: Mr. Conlon.

Dr. Michael Conlon: Yes, as a subtext to my remarks, I probably should have mentioned our feeling of urgency about this. We feel that Bill C-48 was a good step forward and a good addition to a budget that otherwise had nothing for students.

From our standpoint, it would be an absolute disaster if that money were transferred to the Millennium Scholarship Foundation. One of the arguments the Millennium Scholarship Foundation is making is that it has established a good relationship with the provinces. Well, from our standpoint, they've established that good relationship with the provinces at the expense of students. Transferring money to Saskatchewan and Nova Scotia to spend on whatever they want, and not raising a single concern publicly about the fact that this money hasn't been spent on reducing student debt and tuition fees, would be a disaster.

So I think the worst way to spend that money, and a way to ensure that the money actually doesn't help students and their families, would be to shuttle it into the Millennium Scholarship Foundation. We're very concerned about that possibility.

The Chair: Thank you, Mr. Conlon. Could I ask you to stay five more minutes? I have another member who wants to ask questions.

Ms. Jennings.

[Translation]

Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Thank you, Mr. Chairman. Thank you very much for your presentations. I was unable to hear all of your presentations because I was in the House; I apologize.

I have two questions for you. Firstly, it seems that everybody is of the opinion that long-term tax point transfers are required to at least partly resolve the problem of underfunding for post-secondary education. Secondly, many stakeholders believe that we need a dedicated fund or transfer for post-secondary education.

I was under the impression that, prior to 1996, transfers were dedicated. We had a transfer for health, one for social services, and another for post-secondary education. I was not involved in politics in the 1980s, but I was a student, and I remember that there was great debate on the matter amongst students, at least amongst those who attended UQAM's law faculty. They believed that a block transfer would be preferable to dedicated transfers, in order to allow provincial governments to decide how they wish to spend the money.

The federal government finally came around to this way of doing things in 1996. It perhaps had its own reasons for doing so, but it was, nonetheless, as I recall, something which student association and provincial governments were demanding.

We are witnessing a 180-degree turnaround; it is now being argued that dedicated transfers would be more effective than a block transfer. I would like you to explain to me in what way going back to the old system would be advantageous. I do not agree with this assertion, but I would like your arguments to be recorded in the official transcript.

[English]

The Chair: Monsieur Lavoie, and then Mr. Robinson.

[Translation]

Mr. Guillaume Lavoie: A great deal has happened since then. The reason why there is so much talk about different modes of transfer, is because less and less money is being transferred.

In the time since the Axworthy Reform was introduced, post-secondary education funding across Canada has been slashed by \$4 billion. Since then, we have been asking how we can... Furthermore, that is the sole reason for which it was decided to merge the transfers. While the government may claim that it was to allow the provinces greater flexibility, it was, in fact, because it is easier to cut one big cheque than three small ones. However you look at it, you cannot get away from the fact that \$4 billion less is spent on post-secondary education. Furthermore, Paul Martin promised to reinstate post-secondary education transfers to their former level by providing \$4 billion in additional funding.

The reason why people are clamouring for a dedicated transfer stems from the current government's decision to spend more in health care. The government wanted more money to be spent on health care, and wanted credit for its decision. It therefore reinstated the dedicated transfer and tried to pass it off as a good deed by saying that dedicated transfers were good news, an example of good federalism, and a sign of transparency. However, at the end of the day, \$4 billion in additional funding is required. Without that additional funding, it does not matter how the reform is tweaked, the most important factor is the \$4 billion shortfall.

• (1850)

[*English*]

I'd like to echo what you mentioned there. The biggest concern for the additional \$1.5 billion is that we don't know what the provinces will do with the money allocated by Parliament. It so happens now that the very concern we all have is what the Government of Canada will actually do with the money allocated by Parliament.

The Chair: Mr. Robinson, and then Mr. Ouellette.

Mr. David Robinson: A good study to look at in terms of transfers would be the Romanow Commission on the Future of Health Care in Canada, which argued, at that point, why there needed to be a dedicated transfer for health care. I'm sure you read it.

I think the same arguments apply in the area of post-secondary education. The history of federal transfers to the provinces for post-secondary education makes for interesting reading for some policy wonks. It goes from direct transfers to institutions, to cost sharing with the provinces, to establishing programs financing.

It's not going backwards. I think we recognize the mistakes that were made. And you're right, the provinces did call at some point for a global transfer. Now they're calling for something different, though. Now they're calling for dedicated transfers. I think it's a recognition that there has been a mistake, that there is a flaw in the current system, and that this is not a way backwards but a way forward.

The Chair: Monsieur Ouellette.

[*Translation*]

Mr. Phillippe Ouellette: Thank you.

I would say that I am of the majority view. The fact is that they tried in 1995, but it did not work. That much is evident when you consider student debts and rising tuition fees. We need to do something new, and we need to do it now. The provinces are very open to the idea, and virtually all of our students are on the same wavelength. We all like the idea. We do not know who's to blame;

we could blame the provinces, the institutions, etc., but we do not know whose fault it is. The system has to be more transparent, and we certainly believe that dedicated transfers are the most viable solution.

Hon. Marlene Jennings: Thank you very much.

[*English*]

The Chair: Thank you, Ms. Jennings.

I have two quick questions. My first question is to Mr. Ouellette.

Did I understand that you're proposing the transfers be made with strings attached, that the money you're asking the federal government to transfer to the provinces has strings attached? Do I understand that?

Mr. Phillippe Ouellette: Yes, thank you.

I think the way to look at it is that the provinces are coming to table and the federal government is coming to the table, and there should be discussion. Now, we've definitely put forward some recommendations on some principles that we feel are pan-Canadian already, that provinces are already providing. Now, the idea that we would like to see is that there's a discussion, there's a dialogue, and this has not been done yet—that the federal government and the provinces come together and create that dialogue, discuss these principles and these, if you want to call them, strings attached. That's a discussion there.

However, the larger issue is that any sort of targeted funding, anything at all, requires a dialogue beforehand to ensure that there are these principles established, if there is some consensus. And it seems that there is consensus throughout provinces and the federal government on what they would like to achieve through a post-secondary education transfer, as well as a global, national vision on post-secondary.

The Chair: I think you can understand the difficulty with the federal government. There doesn't seem to be any consensus at the table, so I can see what the consensus could be when you get together with 10 other provinces. I'm not sure how that would be accomplished. I'm not sure it's a bad idea, but anyway....

I have another quick question for Mr. Robinson.

You were disputing the fact that tuition fees should be reduced and you were saying people around the table had gone to school and probably should have paid less. I think I should have paid more. I went to school, I don't know when, 20 years ago maybe. I paid \$500 a semester to go to university. It doesn't make any sense. I should have paid more.

Shouldn't the people who have the ability to pay more, pay more? In Quebec, I think it's \$2,000 today to go to school, through university. It doesn't make any sense.

•(1855)

Mr. David Robinson: I don't think the question is whether they should pay more or less; I think it's a question of how you pay. Do you pay with tuition fees or do you pay through a tax system? We argue that paying for post-secondary education through a tax system—there's only one payer, that's the taxpayer—is a fair way of distributing and providing for public services like education. When you make it a question of paying through prices rather than through taxes, you're inevitably going to make it difficult for people who don't have the price up front, because prices are discriminatory; taxes, if we still have a progressive tax system, are non-discriminatory.

I would rephrase the question. It's not a question of whether they should pay more or less; it's how they should pay.

The Chair: I'll explain to you why I'm asking. Apparently Nova Scotia has the highest tuition fees, Quebec the lowest, and the enrolment is the other way around. Nova Scotia has a high enrolment rate and Quebec has a low one.

Mr. David Robinson: It also has more institutions than other parts of the country, and imports students. You're also comparing different kinds of institutions in some ways, different kinds of systems across the country.

Dr. Michael Conlon: I think one of the things that need to be added for context about the anomaly in Nova Scotia is that there are substantial enrolment increases at some of the institutions in Halifax, but at some of the institutions in outlying communities, particularly the University College of Cape Breton, there have been substantial decreases in enrolment over the last few years. So I think that number needs to be taken in context.

The other issue is that in Quebec, in terms of the enrolment at the college level, with no tuition fees, it has far and away the highest enrolment rate. So I think there needs to be some context in terms of how we address the issue of enrolment and tuition fees.

The Chair: Okay. Thank you for your time. I'm sorry we went over the time limit, but we appreciate your input.

The meeting is adjourned.

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