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# **Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities**

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**Thursday, November 18, 2004**

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**Chair**

**Ms. Raymonde Folco**

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## Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities

Thursday, November 18, 2004

•(1115)

[English]

**The Chair (Ms. Raymonde Folco (Laval—Les Îles, Lib.)):** Let's get started, please.

To begin with, I apologize for keeping you, since I'm late.

[Translation]

**Ms. Christiane Gagnon (Québec, BQ):** Madam Chair, before beginning this meeting I would like to make sure we agree on something. I know we were supposed to discuss certain issues regarding the committee's operations.

**The Chair:** Are you talking about the committee or the subcommittee?

**Ms. Christiane Gagnon:** Will we not be voting later on some of the committee's commitments?

**The Chair:** Just a moment please, Ms. Gagnon.

**Ms. Christiane Gagnon:** Could we postpone our discussion on the issues this committee will be considering until our next meeting?

**The Chair:** If it is the committee's wish, I am willing to accept that suggestion.

I would first like to apologize to everyone for being late. You understand: we all have the same problem.

[English]

**The Chair:** There is a suggestion on the floor from Madame Gagnon...oh, I beg your pardon. Let me start at the beginning.

This is a videoconference, pursuant to the order of reference of Thursday, October 14, and we are examining Bill C-5, An Act to provide financial assistance for post-secondary education savings.

[Translation]

As you can see on our agenda, we will first be hearing witnesses via video conference. The second part of our meeting will deal with committee business.

If I've understood correctly, given that documents have been circulated—Mr. Tony Martin's motion in this case—and that members of the committee have not had time to read them, Ms. Gagnon is suggesting that the part of the meeting dealing with committee business be postponed until next Tuesday. Is that right, Ms. Gagnon?

**Ms. Christiane Gagnon:** We will be hearing two ministers next Tuesday.

**The Chair:** Then we would postpone it to next Thursday, because we'll be faced with the same problem.

Is that what you are suggesting?

**Ms. Christiane Gagnon:** Yes, but I didn't have the information on Tuesday's agenda. Is it too late to decide...

**The Chair:** Are you talking about the document entitled "Possible Agenda Items: Subcommittee on Disabilities? Is that the one"?

I would suggest the following:

[English]

and I need the cooperation of the members of this committee: that we do the committee business right away—and that we take very little time to do it, because we have people waiting in the videoconference—and that we change the order of today's meeting. The videoconference would then be second on the agenda.

The reason I'm asking for your cooperation on this is that I have an emergency meeting at 12:15, so I have to go. It seems to me to be a reasonable thing to ask of you, simply because I did have the impression—I may be wrong—that on the motion by Mr. Martin, most people were in agreement that this was something we could get through rather quickly, even in its details.

First of all, would it be agreeable to you that we discuss the committee business immediately and then go on to the videoconference immediately?

[Translation]

Yes?

•(1120)

[English]

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

I'm totally supportive of the idea that we deal with this quickly, because I was given the assurance that there was in fact a high degree of unanimity on this. What I'm concerned about, though, is being respectful to the witnesses who have now already been waiting for almost half an hour. If that's the case, I'd certainly agree. If it's in fact a controversy, which is different from what I was told, then I'm very unhappy about the changing of the order, because Tony Martin, after all, is the sponsor of this motion.

I wonder if I could ask you to test the floor on whether there is unanimity.

**The Chair:** That is a good suggestion. Let me test the floor.

Paul.

**Mr. Paul Forseth (New Westminster—Coquitlam, CPC):** From a Conservative point of view, we're prepared to quickly deal with it. We've always had one of these subcommittees. We should just get on quickly with a vote for the creation of it, and let the committee meet later to establish its own constitution.

[*Translation*]

**The Chair:** What is the Bloc's position?

**Ms. Christiane Gagnon:** I have no objection. We will follow that suggestion. I did think, however, that we had a lot of work.

**The Chair:** The NDP is fine with this.

What is the Liberals' position?

**Hon. Peter Adams (Peterborough, Lib.):** Our position is the same.

**The Chair:** Thank you very much, colleagues. I have before me the subcommittee's motion which reads as follows: That pursuant to Standing Order 108 (1)(a) and (b), a Sub-Committee of the Standing Committee on Human Resources, Skills Development, Social Development and the Status of Persons with Disabilities be established, and that pursuant to 108(2) the Sub-Committee study issues regarding the status of persons with disabilities;

That the Sub-Committee be chaired by a Liberal member and composed of four members or associate members of the Committee, namely one government member and one member representing the Conservative Party, one member representing the Bloc Québécois and one member representing the New Democratic Party, to be named after the usual consultations with the whips and filed with the Clerk;

Would anyone like to debate this part of the motion?

Very well, then I will continue:

That the Sub-Committee report thereon its findings and recommendations to the Committee.

That the Sub-Committee be empowered, except when the House otherwise orders, to send for persons, papers and records, to sit while the House is sitting, to receive evidence, to sit only during a time when the Standing Committee is not sitting, unless otherwise authorized by the Standing Committee, to print from day to day such papers as may be ordered by it and to authorize the Chair to hold meetings to receive evidence when a quorum is not present provided that at least three members are present including the opposition;

That when the Chair of the Sub-Committee is unable to act in that capacity at or during a meeting of the Sub-Committee, he shall designate a member of the Sub-Committee to act as Chair at or during the said meeting;

That substitution of members on the Sub-Committee be in accordance with Standing Order 114(2)(b) and (c);

That the Committee authorize the allocation of sufficient funds from its budget to the Sub-Committee for the payment of reasonable travelling and living expenses to witnesses appearing before the Sub-Committee;

That the Sub-Committee be empowered to retain the services of analysts from the Library of Parliament;

That it also be empowered to retain the professional, clerical and stenographic help as may be required.

On that point, I spoke with people from the Library of Parliament. Obviously it will be difficult for them to provide us with someone to do our research. However, they are willing to try to provide us with a researcher by Christmas. They are currently looking for a researcher who could do this work for us.

Paul.

[*English*]

**Mr. Paul Forseth:** Therefore, as proposed by the NDP, and according to what you've read and according to what I see printed in front of me, I move that you call the question.

**The Chair:** Thank you.

(Motion agreed to)

**Hon. Peter Adams:** On a point of order, Madam Chair, I'd be grateful.... Again, I apologize to the witnesses, but Alain Boire raised some questions about the cost of Bill C-5. We have some documentation, and I'd simply like for it to be circulated.

**The Chair:** Thank you. Absolutely.

Mr. Van Loan.

**Mr. Peter Van Loan (York—Simcoe, CPC):** Just before we move off that notice of motion, the Conservative member who will be sitting on that committee will be Carole Skelton, who is the critic for—

**The Chair:** Madam Skelton.

We do not have a name at the present time.

You'll let the—

**Ms. Christiane Gagnon:** I'll let him know this afternoon.

• (1125)

**The Chair:** I would suggest that any other part of business be referred to next Thursday or, if it isn't really urgent, to next Tuesday, so that we don't keep these nice people waiting all over the country. Are you in agreement?

**Some hon. members:** Agreed.

**The Chair:** Good.

Thank you very much, colleagues. I really appreciate this. Thank you so much.

I just want to remind you of one last little piece of business, members. Next Thursday, a week from today, we start clause-by-clause on Bill C-5. For each of you representing your own party, if you want to propose any amendments, it is therefore important that you get them drafted right now. Thank you very much.

Did you have a question?

[*Translation*]

**Ms. Christiane Gagnon:** Would you like to have the amendments today?

**The Chair:** No, we will begin clause-by-clause study next Thursday. I would therefore ask you to suggest amendments as soon as possible, have them written up in both languages, obviously, etc.

**Ms. Christiane Gagnon:** Fine.

**The Chair:** Is that fine? I am speeding up the process significantly, but...

Our first witness will be Ms. Sylvie Lévesque, Director General of the Federation of Single-Parent and Blended Family Associations of Quebec, and Ms. Lorraine Desjardins, project officer for the same organization.

We will also be hearing Mr. André Lareau, professor at Laval University.

We will continue the videoconference with Mrs. Jamie Crane, president of Local 95 for the University College of Cape Breton Students' Union.

[*English*]

Madame Crane, can you hear us?

**Mrs. Jamie Crane (President, Local 95, University College of Cape Breton Students' Union):** Yes, I can.

**The Chair:** Yes, good. Welcome, Madame Crane, and thank you for your patience.

From Vancouver, as well, from the Fondation canadienne des bourses d'études, we have Mr. Peter Lewis, vice-president of the foundation. Welcome, Mr. Lewis. Can you hear us?

**Mr. Peter Lewis (Vice-President, Canadian Scholarship Trust Foundation):** Thank you. Yes, I can hear you.

**The Chair:** All right.

**Mr. Paul Forseth:** Since there may be a slight time delay, could I suggest we do the videos first?

**The Chair:** Okay. That's a very good idea.

On the suggestion that Mr. Forseth, who is not our treasurer but should perhaps be our treasurer—

**An hon. member:** No, he...[*Inaudible—Editor*]...on this committee

**The Chair:** He always wears a grey shirt. I've noticed that.

We will go, first of all, to Cape Breton. We'll give you five minutes to present your brief, Madame Crane. We will then go on to Vancouver. Mr. Lewis, we'll give you five minutes. Then we'll go on to the Fédération des associations de familles monoparentales and l'Université Laval. There will be a presentation of five minutes from each of these organizations, and then we will go on to the questions, which will be addressed to any one of you.

Is that satisfactory to everyone?

[*Translation*]

Thank you very much.

We will begin with Ms. Jamie Crane, president of Local 95.

Ms. Crane.

[*English*]

Go ahead.

**Mrs. Jamie Crane:** Am I coming through okay?

**The Chair:** You are.

**Mrs. Jamie Crane:** I come before this committee today to speak to you about Bill C-5, not only as a student leader from one of the most economically depressed regions in our country, but also as an individual who this particular bill is supposed to help. I know you have most likely heard from many who will argue what I argue, that this bill is simply a bad idea. But I suppose I am the living proof that what we argue is true.

I am a student, but also a single mother of two, who worries constantly not only about how I will pay my tuition and added post-secondary education costs, but also about how I will ever be able to send my own children to university or college if larger steps are not taken to make post-secondary education a priority in this country.

There are smart ways to help students, and needs-based grants are an excellent example of that. This bill being brought forward proves that someone out there realizes we need assistance. The problem is that the efforts here are misdirected, they are in vain, as the learning bond will not even come close to closing the gap for our future students. In essence, we're tying up moneys that will most likely not be accessible by the families that need it the most.

Low-income families, even if they did have the time to invest in registered savings plans, would not be able to contribute huge sums each year. Add that to the small amount of \$2,000 that the government would contribute in the Canada Learning Bond and we're not looking at an amount that would even allow a child of a low-income family, or even a middle-income family, for that matter, to get their foot in the door, considering the rate at which we know tuition is estimated to rise over the next 10 to 20 years.

I feel it is also very important to point out that we are now at an age, thankfully, where many people—not all, but many—are finally realizing that women have been kept out of the workforce, higher education, and government for far too long. Most of the major political parties in our country have said just that. But how are we to rectify that problem if we waste our time with bills that do nothing to help some of the poorest in our society? If we expect to have more involvement from women, then we must give them the tools necessary to actively participate. Education must be made accessible through federal needs-based grants, not savings plans and learning bonds.

For a young woman with two young children, any form of registered education savings plan just makes the situation seem all the more hopeless. It is not that I am not motivated or don't understand RESPs—I simply do not have the money. It is very easy to sit there and say, you could, through some companies, set up RESPs with very minimal contributions each year. But the reality is that for those of us who already live below the poverty line, even that dollar a day has already been budgeted to a more immediate cost, such as child care or home heating. We truly do want to plan for 20 years down the road, but we just can't afford to.

In conclusion, the introduction of the Canada Learning Bond is a band-aid solution, in my opinion, to a much bigger problem. What should be the focus is the federal government working with the provinces to set up a system of needs-based grants so that the very people you already know need the help will be able to receive it. If the government makes education a priority, then the country, and even the world, for that matter, will value what we have much in the same way that they value our health care system.

I urge you to consider these—and I apologize—perhaps more personal points when voting on this bill. There are fundamental changes that need to be made to post-secondary education in Canada. It is a social program and needs to be treated with priority immediately.

I would be more happy, following the rest of the witnesses, to answer any of your questions, even if they are more technical. I realize I put forward a more personal view. I know you've heard a lot of the more technical side already. So any questions at all, both on what I've said or otherwise, I would be more than happy to answer in the following half-hour to an hour.

• (1130)

**The Chair:** Thank you very much. Ms. Crane.

Let me say, on my own behalf certainly, that a personal point of view is exactly what is needed, and we really do appreciate your having a positive outlook on this. Thank you so much.

We'll now go on to Mr. Peter Lewis from Vancouver.

Mr. Lewis.

**Mr. Peter Lewis:** Good morning. I'm here as a representative of the Canadian Scholarship Trust Foundation, but also as a father of six children. I expect that my children will go on to higher education, and they know that opportunity is there for them, but there are too many children across this country who enter secondary education without that same expectation. There are too many children who drop out of secondary education because they don't understand the value of higher education. For these children, the answer is not solely found in better financial aid programs or lower tuition. The issue is complex and there is no single solution, but part of the solution, we believe, is to create in them a sense of expectation and to let them know someone believes in them enough to invest in their future.

We believe in the value of RESPs because we know from our experience that they work. Every year we provide funds to tens of thousands of Canadian students, and every year we hear from students and parents telling us that their RESP helped make their education a possibility. Research supports the fact that education savings are important: 74% of children with education savings programs go on to higher education versus 50% without. Our own experience shows that roughly 80% of people with our program go on to higher education.

The question is, of course, is it the existence of the savings program that encourages them to go on to higher education, or is it that families that are already predisposed to encourage their children are more likely to be savers? I think the answer is the latter. Families that are more predisposed to encourage higher education are also more predisposed to save, but if we can get more families to save for higher education, I do believe that will increase their predisposition to encourage savings for that purpose.

The benefits of RESPs extend beyond purely financial benefits. There are, in our view, four distinct benefits of these savings plans.

First, it's an important tool that allows parents to effectively communicate their expectations to their children.

Second, it aligns a child's vision towards higher education from an early age. We can't wait until they're in secondary education to start talking about post-secondary education. We need to ensure that they understand that higher education is attainable from the time they're young.

Third, RESPs underscore the value of education. When children see their families setting aside funds, they recognize that their family places a value on that higher education.

And finally, RESPs do help offset the costs of education. Savings programs may not cover the entire cost, but they do help narrow the gap and do help reduce a student's reliance on other forms of financial support. But too many Canadian families are not saving for higher education. Of even greater concern, too many families in lower income bands are not saving for higher education. Why are they not saving? We know over 60% of them are not saving simply because they don't have the money to save. Others have other priorities. Another concern is a lack of awareness about the savings programs and the grants associated with that. We as an RESP promoter wholeheartedly endorse Bill C-5 because we believe it squarely addresses the issues that are preventing people from starting these important savings programs.

There are four elements of the bill that we think are important. First, it is targeted. The funds are targeted to low- and moderate-income families, which is exactly where it should be going. Second, it encourages setting up a savings program that will in fact allow us as promoters to encourage the ongoing savings pattern and set the expectations for the child. Third, it invites provincial governments to join the partnership with parents in encouraging savings. Fourth, it puts some much needed focus on children in care.

We have some specific recommendations with respect to the bill that we would like to put forward.

First of all, the bill refers to contributions as being eligible for grants only if they are made by the subscriber. The Income Tax Act permits contributions made by the subscriber or on behalf of the subscriber. We believe Bill C-5 should be amended to allow for all contributions made into an RESP to qualify for the grants.

Second, we believe there are certain barriers to receiving funds out of RESPs that should be addressed at this point in time. We know there are increasing numbers of part-time students going to post-secondary education, and the current legislation limits educational assistance payments from these plans to full-time students. We simply believe the tax act should be amended to allow for EAPs from RESPs to be paid to part-time students.

We also believe the restriction of \$5,000 in the first payment out of a plan is unrealistic and should be eliminated, and parents should be able to access their RESP in accordance with their actual need.

As a promoter, we believe there is some urgency to enact this legislation. Promoters are reluctant to invest in the necessary system changes to make this program possible until the legislation is passed. It is also necessary to pass this legislation in order to ensure that the Alberta savings program can be launched in partnership with the federal program.

•(1135)

In conclusion, we strongly believe in the value of RESPs and we wholeheartedly endorse Bill C-5. This is a long-term visionary strategy that will change the dialogue around the kitchen table, engaging families in the planning process for higher education from an early age. We commend the government for taking this approach to tackling this issue, an approach that we're confident will benefit future generations of Canadians.

Thank you.

**The Chair:** Thank you very much, Mr. Lewis; and please, Mr. Lewis...

**Mr. Yves Lessard (Chambly—Borduas, BQ):** That was very, very fast for translation.

[Translation]

**The Chair:** It is too late. I can't do anything about it now.

**Mr. Yves Lessard:** Can you do something about the next ones?

**The Chair:** In fact, it will be the opposite for the following ones.

Ladies and gentlemen, I would just like to remind you that while you are speaking there is simultaneous interpretation. Please give the interpreters the time they need to do their work for our anglophone colleagues.

•(1140)

[English]

But I want to thank Mr. Lewis and Madame Crane. Please stay with us. There will be some questions addressed to you in a few minutes.

[Translation]

I now give the floor to Ms. Sylvie Lévesque, Director General of the Federation of Single-Parent and Blended Family Associations of Quebec.

Ms. Lévesque, you have the floor.

**Ms. Sylvie Lévesque (Director General, Fédération des associations de familles monoparentales et recomposées du Québec):** Good morning. Two of us will present our brief. I will read the first part and Ms. Desjardins will read the second part.

**The Chair:** Will you keep to the time provided?

**Ms. Sylvie Lévesque:** We should be able to keep to the time provided for. Thank you for your invitation.

The Federation of Single-Parent and Blended Family Associations was established over 30 years ago. While it was originally created to represent single-parent families, since 1995 it has also served blended families. More recently, fathers' groups have also joined our ranks. The federation now represents close to 60 associations from all regions of Quebec.

Over the years, the federation has taken important initiatives for the well-being of single-parent and blended families. In the mid-1990s, the federation played an active role in the struggles leading to the passing of Bill 60 in Quebec, the Act to Facilitate the Payment of Support.

During that same period, the federation filed a class action suit at the federal and provincial levels, the Susan Thibodeau case, calling for child support payments to be tax exempt. This initiative also led to the passing of Bill C-41 in 1997, so these amounts are no longer taxable.

Moreover, in 1998, the federation submitted recommendations to the Special Joint Committee on Child Custody and Access in connection with Bill C-22 to amend the Divorce Act.

The following year, in 1999, the federation, along with 10 other organizations working for women and families, participated in the consultation on the Canadian tax system.

The issue of financial assistance for education has been a key concern of the federation for a number of years. For quite some time, the federation has been calling for concrete measures tailored to the specific needs of heads of single-parent families in order to enhance their access to education regardless of their socio-economic status. The federation considers education to be one of the best ways to access quality employment opportunities and escape poverty. In practice, however, access to education is unfortunately often limited for the heads of single-parent families and their children. For one thing, the dual role of raising children and attending school full-time is often too onerous, discouraging many. Secondly, since financial assistance programs for education are primarily designed for the early stages of students' education, they are ill-suited to the specific needs of students who are parents.

Already, in 1998, when it was established...

[English]

**The Vice-Chair (Mr. Paul Forseth):** Excuse me, you're going to have to slow down for our translators. Thank you very much.

[Translation]

**Ms. Sylvie Lévesque:** I will try to keep to the time provided; we have a lot to say.

The federation has not taken a favourable view of the Canada Education Savings Grant from the time it was introduced in 1998, seeing it as inequitable and serving the affluent. Not only do the more affluent families already have access to a number of federal tax benefits, they also have the income that in many cases allows them to fund their children's post-secondary education. Since access to quality education is one of the surest ways to fight poverty, it should be one of the federal government's priorities, coming well before tax benefits for the more affluent.

Although Bill C-5 is well intentioned, increasing the Canada Education Savings Grant in order to promote access for lower-income families will still leave too many Canadian and Quebec families out. Even if families with incomes not exceeding \$35,000 could receive a 40% grant, few of them are actually able to save for their children's future education, as there is rarely any extra money and what there may be is quickly eaten up by more pressing needs.

Single-parent families are among the poorest families in the country and are far from being able to save any extra money. Many of them don't even have enough to cover their essential needs. According to figures published in 2002 by the National Council of Welfare, poverty levels among single-parent families, made up of the mother and her children, are five to six times higher on average than poverty levels of couples with or without children. According to Statistics Canada, the percentage of single-parent families led by a woman and living under the low-income cut-off, before taxes, was 47.6% in the year 2000, compared to 11.4% for dual-parent families.

The second problem with the Learning Bond is its age-related restriction. As soon as the recipient reaches 21 years of age, the federal government takes back its contributions, leaving only the interest accumulated and the family's savings in the Registered Education Savings Plan. Thus, since college education is free in Quebec, only those students attending university can benefit from the Learning Bond, which allows just one or two years to use the federal contribution.

• (1145)

**Ms. Lorraine Desjardins (Project Officer, Fédération des associations de familles monoparentales et recomposées du Québec):** We think another inherent problem with Bill C-5 is that it is unable to appropriately address the critical fiscal imbalance in Canada. Neither the Learning Bond nor the increase to the Canada Education Savings Grant can help Quebec maintain the quality of its education system. At the most, these measures allow some individuals (including the more affluent) to cover some of their post-secondary education costs, but in no way improve the quality of the education they receive.

Further to the recommendations of the Romanow Commission, the federal government has recently divided the social transfer into two components: a health transfer and a transfer for social programs. Bill C-5 would have to provide for an increase to the Canada Health and Social Transfer, since students need financial support and a quality education right now, not in 18 years.

Resolving the fiscal imbalance and restoring equitable transfers to the provinces would in particular allow the Government of Quebec, which is the best placed to understand the situation in Quebec, to provide sufficient assistance to its students, including an enhancement of its loans and grants program.

Since the 1960s, Quebec has made a major shift regarding access to education. In addition to offering free education at the primary and secondary levels, our province established a network of general and professional colleges (CEGEPs) which are also free of charge. Moreover, for a number of years, Quebec has favoured freezing university tuition fees, which are currently less than half the national average. These various measures have allowed Quebec to achieve outstanding results with respect to education.

Yet, in many respects, Quebec is penalized by Canadian fiscal policy, especially as regards education tax credits for students, former students and their parents. These tax credits are the transfer of credits for education and tuition fees, the tuition credit and the education credit. Further to the increase in tuition fees in the rest of Canada, federal tax credits increased by about 60% from 1998 to 2003, rising from \$800 million to nearly \$1.3 billion.

In view of the amount Ottawa saves in Quebec as a result of lower post-secondary education costs, and in order to ensure greater equity, the federal government should create a transfer to the provinces specifically earmarked for post-secondary education.

Finally, the FAFMRQ is concerned about administrative costs...

[English]

**The Vice-Chair (Mr. Paul Forseth):** Excuse me, Ms. Desjardins, we're now at seven and a half minutes. I'll ask you to conclude at this point with a summary statement, and then we'll go on to another witness.

[Translation]

**Ms. Lorraine Desjardins:** We think the measures proposed in Bill C-5 would exacerbate what Quebec already perceives as penalties under the Canadian tax system; in addition, they do not help low-income families. We therefore recommend that the federal government increase the Canada Health and Social Transfer and resolve the fiscal imbalance.

[English]

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much.

Now we will go to Laval University, and Mr. André Lareau.

[Translation]

**Mr. André Lareau (Professor, Laval University, Individual Presentation):** Good morning and thank you. I will not be giving you the position of Laval University on this matter, but rather my own position.

The proposal contained in Bill C-5 to increase funding for post-secondary education may at first glance seem appealing, because theoretically, it would result in reducing student debt load. However, that is not the case at all.

In order to get a Learning Bond as provided for in Bill C-5, the parent must set up a registered education savings plan. Clearly, a lack of knowledge of the tax system will create injustices, because a number of parents have never had to deal with brokers offering these plans, since they never had enough savings to use the services of a broker.

Should the government be offering this product at hospitals, as soon as babies are born? It would not be surprising to see brokers at hospitals providing information kits along with their most sincere congratulations to the new parents. We should think back to the situation that was denounced about five years ago where thousands of seniors had not received their supplement because they did not know it existed. Lack of knowledge leads to unfairness.

Under Bill C-5, the amount paid under the Canada Education Savings Grant will be increased. In strictly financial terms, from a theoretical point of view, we cannot be against providing assistance for those most in need. However, will the assistance really meet its target, and does the entity offering the assistance really have a mandate to do so? It is clear that families with incomes under \$35,000 cannot make much use of such a tax shelter, because that is what we are talking about here.



The federal government publication entitled *Tax Expenditures and Evaluations 2004* forecast expenditures of some \$125 million a year for 2004 and \$140 million a year for 2005 for the education savings program.

It is important to understand that this plan is a serious violation of normal fiscal rules, namely the rules of attribution, whereby a parent who transfers money to their child must nevertheless generally include in his or her own income the interest earned on this money. Thus the income-splitting objective is completely lost in the education savings plan.

Although we have no statistics on this, clearly more well-off families benefit more from the education savings program. Not only does the government allow income splitting to the advantage of those more well off, it also gives them a 20% subsidy on the investment. So in fact this is an education grant program that gives priority to those who are well off. In this way, the government provides a grant, provided parents deposit five times the amount in a bank account. If the program were advertised this way, people would find it intolerable.

What is the fiscal impact when these amounts are withdrawn from the plan? Children of well-off families are precisely the least likely to have to work while they are students, and since they do not have to declare any income other than the amounts withdrawn from the education savings plan, will not have to pay income tax on the withdrawals, because there will be no other income. Children from poorer families will generally have to work while they are students, and the money withdrawn from the education savings plan will increase the employment income, which could result in their having to pay income tax on these amounts.

However, one of the objectives of the tax system is to distribute wealth fairly. How can we justify a government financial assistance program that targets the well-off members of society? To summarize, richer families are the big winners in the income splitting that results from the education savings plan, and they benefit from these amounts, because their children are less likely to have to work.

If the federal government were to maintain its involvement in the education savings plan, why not offer equal opportunity to everyone? Having children is a personal choice, but it does involve a collective responsibility. The \$140 million would be better invested if it were distributed among all children, and not only the children of the rich.

I come now to my second concern. The trend of the federal government to sprinkle funding around to various social development programs must be totally reviewed. This is a barely disguised way of continuing the Sponsorship Program, because it ensures that the federal government will be present in people's lives from birth.

The federal government has the power to raise the income tax required to meet its fiduciary obligations. It gets this money as the fiduciary of its citizens, and when it collects too much, it must give them back the difference.

• (1150)

When I go to a store to buy a shirt for \$48 and give the clerk a \$50 bill, I expect him or her to give me back my change, not use the two dollars to renovate the store.

The federal government is making some significant renovations, particularly in the case of funding for education and health care. To the extent that financial assistance is linked to a previous expenditure, the situation is even more dramatic. That is what happened in the case of the education savings plan, in which the tax benefit is provided providing parents spend some money first. The tax benefit is not granted on the basis of age or the person's status, and it is clear that only the most well-off members of society can benefit from it.

A similar situation also exists in health care with respect to the credit for medical expenses, which is provided only to those who can afford to incur medical expenses. This of course is an unacceptable parallel way of financing health care costs, because provinces have the required administrative structure, both for health care and education, to mention only two sectors. Why is the federal government insisting on spending in these areas?

It seems that since the deficit has been reduced to zero, the federal government has been embellishing some of its programs through the tax system. Horizontal equity must not be achieved by disregarding areas of federal and provincial jurisdiction, because it is clear that taxpayers would be much better served by the structures established by the provinces, which already have the required knowledge and organization. What they do not have, however, is the funding.

The role of the federal government is to provide sound government management. To this end, it raises taxes, to ensure that expenditures are made in areas that come under its jurisdiction. However, the modern trend of the federal government is just the opposite. It collects income tax and then distributes payments according to the size of the surplus. In this way it clearly goes beyond its assigned role.

In the Supreme Court of Canada decision in 1995 in *Symes v. Canada*, Madam Justice L'Heureux-Dubé, who dissented from the majority opinion, said: "The decision to have children cannot be equated to any other "consumer" decision." If the current trend is not reversed, children will become consumer goods.

Thank you very much.

• (1155)

[English]

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much. You also went seven and a half minutes, so there was some fairness there.

We'll now go to the Conservative Party and Mr. Barry Devolin, please.

**Mr. Barry Devolin (Haliburton—Kawartha Lakes—Brock, CPC):** Thank you.

Thank you to all of the presenters.

I have one question to which I'd like to hear a quick answer from each of our witnesses today. After listening to you and previous witnesses, it's clear that many people feel this bill, on its own, doesn't go far enough or address very significant concerns about funding in post-secondary education.

Having said that, I'm a new member in this Parliament and am confronted, I guess, with the choice between supporting a bill that may be one step in a direction that will eventually require 20 steps.... My question to you is do you think, as imperfect as it is, this bill should be supported, or would you recommend to me that I oppose this bill and take the government back to the drawing board?

Maybe you could respond in the sequence you made your presentations, so Ms. Crane first.

**Mrs. Jamie Crane:** I guess I understand where you are coming from as a new member, put in that position where you're worrying about whether to vote this down or not in this instance, and is that going to be harmful down the road?

I feel it should be voted down. Not only that, but I also believe that when looking to vote for something to assist students in the long term and to really make post-secondary education a priority, we should vote down the whole shebang, so to speak. We would remove the RESPs and put the moneys the government now puts toward them into federal needs-based grants, a system they could work with the provinces. I agree with one of the previous witnesses, as well, that there have to be earmarked social transfers for post-secondary education that go into the provinces as well, so that money is spent in the provinces where it needs to be spent.

But, yes, I think this should be voted down. When budget time does roll around, that is where we address this issue and make sure these systems are voted down and replaced with systems of needs-based grants coming from the federal level. I think you'll find that would be much more useful, as far as spending federal money goes and as far as post-secondary education goes. I'm sure you're going to find that in the long run, rather than otherwise.

**Mr. Barry Devolin:** Thank you, Ms. Crane.

Mr. Levis.

**Mr. Peter Lewis:** As I noted in my presentation, I believe this issue is far more complex than simply dealing with it at a point in time when children are coming out of secondary education and providing them with needs-based grants. I think part of the solution is to find ways to get families thinking and talking about post-secondary education early on. To me that's the real value of this. It's far more than simply the financial benefit; it's the fact that you're taking a tool that will encourage that dialogue to happen at the kitchen table in homes across this country when the children are young, and that will align their vision toward higher education.

I think this is an important piece of it. It's not the whole solution, and it would be foolish of me to try to suggest that, but it's an important part of what I view as a progressive approach to dealing with this issue.

**Mr. Barry Devolin:** Okay, thanks, Mr. Lewis.

Ms. Lévesque.

[*Translation*]

**Ms. Sylvie Lévesque:** As we said earlier in our presentation, we recommend that you vote against the bill, for the reasons we outlined. We think this bill would help the most well-off families. We think that all children and families in Canada and Quebec should have the same right and should be able to benefit from the same

support measures for education. As was mentioned, we think the necessary transfers must be made to the provinces, particularly to Quebec, so that we can continue to do what we are already doing in the area of long-term post-secondary education, for the good of children, families and Quebec as a whole.

● (1200)

[*English*]

**Mr. Barry Devolin:** Thank you.

Ms. Desjardins.

**Ms. Lorraine Desjardins:** Probably.

**Mr. Barry Devolin:** Okay, the same. All right.

That's it.

**The Vice-Chair (Mr. Paul Forseth):** Mr. Lareau.

[*Translation*]

**Mr. André Lareau:** I think that supporting a bill of this type would simply heighten the gap between the rich and the poor. If the federal government really wants to provide financial assistance for young people and give them better access to post-secondary education, it must simply turn the money over to the provinces, it must simply return the money to the provinces because they are in the best position to know what their citizens need and to implement the post-secondary education assistance measures.

I think it is clear that if you want to facilitate access to post-secondary education, you must vote against this bill.

[*English*]

**The Vice-Chair (Mr. Paul Forseth):** Thank you.

We'll follow up with Mr. Ed Komarnicki. You're still within the seven minutes.

**Mr. Ed Komarnicki (Souris—Moose Mountain, CPC):** I just have one question, to Mr. Peter Lewis.

A lot of what you say theoretically makes a lot of sense, but I hear from the other witnesses that their view is that the moneys could be better targeted, especially through either looking at the bigger picture, lower tuition fees or needs assistance grants, or looking at the costs and somehow targeting the people who are least able to afford it.

Although in principle this may be good, what's your view as to whether it's approaching the problem from the wrong end, and why isn't it targeted specifically to those who need it most?

**The Vice-Chair (Mr. Paul Forseth):** Very briefly, please.

Which witness is this directed to?

**Mr. Ed Komarnicki:** Mr. Peter Lewis.

**The Vice-Chair (Mr. Paul Forseth):** Yes, thank you.

**Mr. Peter Lewis:** I actually take the view that it is targeted to the people who need it the most. Specifically, there's a means test associated with these funds. It will go into the hands of families who in fact do need it.

I would not stand here and suggest that it is the entire solution. We still need to have good financial aid programs. We still need needs-based grant systems across the country. But I think it is a part of the solution we want to look at, again, to try to encourage those lower-income families to align their vision toward higher education from an early age.

Simply creating a pool of funds available for children when they come out of secondary education is part of the solution. I don't think it's the entire solution, and that's why we support this legislation.

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much.

We now move to the Bloc Québécois, Madame Gagnon.

Thank you.

[*Translation*]

**Ms. Christiane Gagnon:** I would like to thank the witnesses for coming today and for helping us to make a difficult decision.

I think the government is quite clever. It is often our impression that there are hidden intentions when bills are tabled because the direction being taken is not clear to us. The government appears to want to assist underprivileged families, but if we vote against this bill, will that have an effect on underprivileged families? Will we be blamed because we rejected it? The government can use that during a future election.

I have another question about this. According to the government, this bill could help underprivileged families to start thinking about the idea of higher education. We have heard arguments to that effect, but ever since we started considering this bill, we have heard very few people who support those arguments.

We have been given to understand that this bill will encourage that kind of awareness-raising and that therefore underprivileged families are a real concern. Thus, money that could be available in 15 years is being provided. Do you think that will motivate underprivileged families?

You say that families will not take advantage of these measures because they are not aware of them. They will not take the necessary steps to obtain access to them. The same situation occurred with the guaranteed income supplement. Can you convince me that this program will raise people's awareness?

You may each answer in turn.

• (1205)

**Ms. Lorraine Desjardins:** It would be very difficult for me to convince you that this type of program will help the most underprivileged people.

I'd like to come back to what Mr. Lewis said about the type of families who use registered education savings plans. He felt these were families who were already aware of the importance of education in general and post-secondary education specifically, etc. That implies that families who do not contribute to a registered education savings plan are not aware of the importance of a good education, and that is not at all the case.

The families we represent—single parent and low-income families—simply do not have the choice. They have no savings. They do not

have the luxury of thinking about what they'll do with their savings because they don't have any. In many cases they live below the poverty line. Even low-income families that do not live below the poverty line have no savings. Money is used for more pressing matters such as paying the rent.

**Ms. Christiane Gagnon:** However \$3,000 would be set aside for this. This would be a fund for the children that the families could count on. They would not need to invest that \$3,000 because the government would do it for them. Do you not feel that this would make people think that their needs are being taken into account and that they can count on that \$3,000?

What do you think, Mr. Lareau?

**Mr. André Lareau:** You can't be against helping the most underprivileged. However, if the amount being provided for underprivileged families totals \$3,000 after approximately 20 years, one might ask how much is truly being invested per child by the federal government.

If a parent invests \$2,000 for their child each year, the federal government will provide \$400 for that child. When that child is 18 years old, the total will be \$7,200. Why is the federal government providing more money for a family that is better off, or well off, than for an underprivileged family? In fact, the amount will be more than three times higher than the amount for an underprivileged family that \$2,000 has been set aside for—in the hopes that the \$2,000 amount will become \$3,000 over time.

There is therefore a striking imbalance. Why not take all the money being invested in this program and share it equally, which would be of more benefit to all children? That would at least be the lesser of two evils if the federal government insists on investing in this project. Otherwise, those who will mainly and specifically benefit from this will be the most well-off members of our society.

**Ms. Christiane Gagnon:** Thank you. Mr. Lareau, you also told us that the system which is presently under study is an infringement of the tax system. What do you mean by that?

**Mr. André Lareau:** It happens when a parent transfers money to a child. If, for instance, I deposit \$1,000 into my child's bank account, the interest generated by that amount will be added to my revenue as a parent as long as my child has not reached the age of 18. So the government is trying to counter the fractioning of revenue within the family unit.

But the education savings plan represents an infringement, since a parent who can afford to invest in the program puts that money into a trust. So for the time being, the money is protected from taxation and accumulates as long as the money is not pulled out for the child. Therefore, the parent does not have to pay taxes on any gains made on the amount invested. The money will only be taxed once it is withdrawn from the fund, at which point the money will belong to the child, who, generally speaking, won't be making enough money to pay tax.

If a parent was taxed at a rate of 50% and had earned, for instance, \$100 in interest per year on the amount invested, the parent would have to pay \$50 in taxes. But under the current scenario, the parent does not have to pay any tax. So it's a major infringement to our tax legislation.

**Ms. Christiane Gagnon:** Thank you.

I have a minute left. Yves, would you like to ask a question?

**Mr. Yves Lessard:** My main question was on income. I would like to receive clarification on the aspect you have just explained to us.

In summary, if I understand correctly, you said that the amount invested by the parent in the education savings plan of the child is not taxed.

• (1210)

**Mr. André Lareau:** That is indeed the case, as long as the money is not withdrawn from the fund. The problem as regards these learning bonds is namely that all of the money invested in the bond will be included in the child's income. This is different from when a parent puts money into the education savings plan, because only the gains made from the investment, as well as the government's share, are taxable when the child withdraws the money, and not the parent's contribution, since it is a non-deductible contribution.

Everyone understands that the money contained in the savings bond will be included in the child's income. Many students have to work to earn money for their studies, especially students from low-income families. So if you add the student's employment income to the money contained in the learning bond, that amount may be taxed if the student earned \$9,000 or \$10,000 a year. This would particularly affect students taking professional post-secondary courses and who would qualify at this point. If a person takes a mechanics' course and goes through an eight-month paid practicum, he may earn \$9,000 or \$10,000 and will have to pay taxes on the money withdrawn from the learning bond.

**Mr. Yves Lessard:** Shouldn't the learning bond be...

[English]

**The Vice-Chair (Mr. Paul Forseth):** Excuse me. We are way over time now.

We'll go to the NDP. Ms. McDonough, please.

**Ms. Alexa McDonough:** Thank you very much, Mr. Chair.

I really appreciate the witnesses who have appeared this morning.

I want to start with the first presenter, Jamie Crane—if I may call you Jamie. I want to say in the clearest possible terms you shouldn't feel you have to apologize for sharing a personal view. You described your circumstances such that I think we have all come to see that you are exactly the kind of person this bill presumes—and I'm going to say pretends—to be addressing. Yet I have heard from not only you but every other student organization on behalf of all of the students of Canada—CFS, CASA, and regional groups that have spoken and written to us about this—that the claim it is dealing with the growing gap is simply bogus.

I do not mean to be provocative, but we've heard from Peter Lewis that this is designed to realign your vision toward higher education; that you need to be taught to understand the value of education. But I hear you say you are a struggling student with children, who could not possibly benefit from this program because you're trying to get an education today and tomorrow...and others who follow you for the next 18 years.

Is there anything further any of the three presenters, who have mirrored the presentations made by all previous witnesses before committee, want to say to or ask the representative from the Canadian Scholarship Trust Foundation that would sort of increase your understanding of what that point of view is?

If I could ask one factual question to Peter Lewis, you presented information that indicates you're now managing \$1.6 billion in assets, and you currently administer a total of 407,000 plans. You may not be able to provide this information right off the top—I wouldn't expect you to—but I wonder if you could supply to the committee two things. First, what does your information tell you has been the degree of public subsidy to the \$1.6 billion in assets you manage? Second, if this bill is introduced, what increase would you anticipate, either in numerical terms beyond the 407,000 plans you now manage, or beyond the \$1.6 billion in assets you now manage? In other words, we would like to have some understanding of how this will impact the operation of such scholarship funds that seem to be the only groups that are really aggressively promoting that this is the way government should go.

• (1215)

**Mrs. Jamie Crane:** I guess to speak to some of your points and not put too fine a point on it—respectfully, of course—the notion that those from lower-income families need to be educated on promoting education to their children hits me with a tone of arrogance, to start off with.

To add another personal note and a bit of humour, I have a seven-year-old who has already decided he wants to be a vet. Further to that, he has been online on the Internet at his grandparents' place numerous times to find out where in Canada he has to go to do that when he turns 18. So to sit there and say that someone, simply because they're from a lower-income family, is not promoting university or college to their students seems a bit ridiculous to me.

The big worry is how do we pay for it. It's not that we're not trying to promote it, but it's cruel in a sense as well to promote it to our children, knowing there's no sort of government support behind that; knowing that down the road we're not going to be able to send them where we're telling them they should be going, where we know that these children in 18 years have to be.

We also know, in looking at the rate of tuition rising, that for a student who entered the P to 12—or K to 12—system in Nova Scotia in grade primary this past year, when they get to university it's going to cost them approximately \$100,000 simply for an undergraduate degree. We never want to say that help is a bad thing, but to say that \$3,000 is going to encourage that student to put their foot in the door and get an education is just ridiculous. It's not going to help.

What we need is a fundamental change. This is a social program. We're told day after next that we need post-secondary education to move forward. So I guess I would like Peter Lewis, as an RESP provider, to maybe answer this as well. He has stated that people take advantage of this. I don't know if you can provide statistics as to which types of families take advantage of RESPs, what income bracket we're looking at.

I am not sure if I'm able to ask that, but I'll put it forward anyway.

**Mr. Peter Lewis:** I can't actually provide that information because we don't gather income data and we don't have that in our files. I will respond to a couple of comments, though.

First of all, there was no intent in my remarks to suggest that all low-income families do not value higher education. Clearly that's not the case. However, there is certainly research out there that would support the view that individuals in the lowest income bands tend to underestimate the value of higher education and overestimate the costs. To them, there is a lack of accurate information—not in all families, but it certainly is an issue.

We view this as one tool—again, not the entire solution, but one tool that is a positive step forward to help those families to better align their child's vision towards higher education from an early age. It's not to suggest that there aren't families out there who are struggling and working hard to align their children to that objective, but we believe it is important in some families, in many families, that it be a conversation they have with their children from an early age.

I applaud you for the fact that you've obviously challenged your children to aspire higher.

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much.

We will now go on to the Liberals, Mr. Peter Adams.

**Hon. Peter Adams:** Thank you, Mr. Chair.

I'd like to address my remarks to Jamie Crane, if I could, but I would be most grateful, Lorraine and Sylvie, or anyone else, if you would care to comment.

I accept the fact, by the way, that this question of who gets higher education in our country is a very complex matter. It really is very, very complex. At the present time, we have the highest participation in the western world in higher education. The evidence shows, though, that despite that, despite this extraordinary increase in participation, lower-income families are at a disadvantage.

The other thing is that we live in a federal system, as has been made very clear today, in which the federal government, for example, cannot control tuition. We have witnesses here today, and I compliment those from Quebec, the province with the lowest tuition for college and university, and you, Jamie, from the province with the highest tuition in the country, including the university with the single highest undergraduate tuition in the whole country. And by the way, I respect that system.

At the federal government, we have, to give you an example, the Canada child tax benefit and the national child benefit supplement program. I would like to think it's helping higher education, but in some provinces, Jamie, that's clawed back. I don't know about your province, but in mine, Ontario, it is clawed back in part from low-income people.

We have the millennium scholarship program, which is a \$3,000 grant to students who have student loans. In my province, that's clawed back from the students who are on social assistance. I accept that. It's a federal program, but a particular province has decided to act like that.

In the case of the RESPs, we have agreement from virtually all of the provinces now that RESP accounts will not be counted against

people in their qualifying for social assistance. In other words, it's sort of protected. It's an area in which the federal government can operate that is protected.

This program is very targeted. It is designed, first of all, to benefit low-income people; and secondly, it's designed to put into the hands of a young person—not a family, but a young person—at a certain age some moneys they can use for any form of lifelong learning, be it an apprenticeship, be it a correspondence course, or whatever. It's not limited to the age of 21, as has been suggested here. It can be rolled over until the person is 40 years old.

The worst situation that I can think of in which a person would benefit from this program is if somebody under the age of 21 discovers that their primary caregiver, be it a parent or a children's aid society, has not in 15 years' time taken advantage of that program. On that day in 15 years' time, that young person will be able to open an account and get the minimum \$2,000 grant, \$500 that would have been there at birth and the \$100 per year grant they would have gotten for 15 years. They can capture that \$2,000 minimum up to the age of 21. If an account had been opened at birth on their behalf, for example, by a children's aid society, they would have gotten the \$2,000, plus the accumulated interest of all of those years.

There is provision for the provinces to piggyback with this. The Province of Alberta, we are told, is going to at least match this, and other provinces will be able to do the same under exactly the same circumstances. I would suggest to you that there is an advantage for that child to have access to those moneys, which can be used for travel, school, books, computer costs, or whatever it is. If families can be encouraged to open the account—and they get \$25 to help them open the account—and put no money in it for the 15 years, the child concerned will be encouraged to do some form of post-secondary education.

• (1220)

**Mrs. Jamie Crane:** I could respond to that on a number of levels, really. In responding to this question, it's good in some ways that I'm from Nova Scotia.

Yes, there's money that would be able to be accessed in eighteen years. There's the \$2,000 that would be able to be accessed. Again, though, to start out, it's the tip of the iceberg when you're looking at an undergraduate degree that could potentially cost that student \$100,000.

I'm from Nova Scotia. The millennium scholarship has done nothing for students in Nova Scotia. I know that blame can't be placed on you, but at the same time, we don't get the \$3,000 millennium grant. Students in Nova Scotia do not receive that right now. There's no system—

**Hon. Peter Adams:** Sorry, Jamie, I know there's a bit of a pause here. It would be great if you were here and we could interact a bit more.

So you've given that example. Now, in this case, the object is to put some money in the hands of this young person, but it's not to try to cope with the cost of tuition in Nova Scotia.

By the way, I stress to you that it's not just for students who might go to college or university. It's for students engaged, up to the age of 40 or 42—I believe there's some calculation you can do—in some form of lifelong learning. It's the presence of this money, rather than the fact that it's, with accumulated interest, \$3,000 or \$4,000 if they've put nothing in themselves during the time.

By the way, this young person at the age of 15 or 16 who opens the account could put money in from then on until they're 40. It would accumulate, and they could go back to school at the age of 40, do you understand?

The point is not to try to deal with the high cost of tuition in Nova Scotia. I wish they could, although, by the way, I think you've got a magnificent education system despite this. But do you understand what I'm saying? The purpose is different from the millennium scholarship program.

• (1225)

**Mrs. Jamie Crane:** Yes, but if I could finish with my thoughts there, I was simply pointing out that, specifically in Nova Scotia, it's extremely difficult to attend post-secondary education.

To wrap it up in thirty seconds, I think it's scary that we're planning federal social programs based on worst-case scenarios or the fact that it simply isn't going to hurt anyone perhaps. I think post-secondary education deserves more than that in this country.

**The Vice-Chair (Mr. Paul Forseth):** Thank you.

We will now go to the Conservatives, and Mr. Van Loan, please, for five minutes.

**Mr. Peter Van Loan:** My questions are for Mr. Lewis.

You have made, I believe, helpful suggestions for three specific amendments, if I followed this properly. I wanted you to explain them to me. I have been so immersed in employment insurance that I have to re-immense myself in this every time.

The first one is, “We propose amending Section 5(1) of Bill C-5 to permit grants to be paid on contributions made by or on behalf of the subscriber”. Explain why that's significant and important.

**Mr. Peter Lewis:** There are a couple of things. First of all, there is the opportunity for confusion. The tax legislation permits contributions made “by or on behalf of” into an RESP. Bill C-5 only refers to contributions “by”. The question is, what is a contribution made “on behalf of”? There is the opportunity for confusion.

One of the areas where I think it's particularly important is when you look at, for example, the provisions for children in care. There is an opportunity for the agency to open up an RESP as the subscriber. That agency is very unlikely to make ongoing contributions into the plan so that the child will get the benefit of the Canada learning bond. However, if a private organization wanted to put contributions into that RESP, we think it's important that it be allowed and that those contributions that are made on behalf of the agency into the plan actually qualify for the grant.

**Mr. Peter Van Loan:** So it's basically to allow other contributors to trigger the grant, am I understanding it properly?

**Mr. Peter Lewis:** You're triggering an RESP for that child, that's right.

**Mr. Peter Van Loan:** Would that extend to people like grandparents and extended family members? Is that part of what you're trying to achieve there?

**Mr. Peter Lewis:** Yes, it is. Interestingly, a grandparent today can open up a plan. What you will often see happen is a plan opened by the parent and a plan opened by the grandparent. All of those contributions will receive grants, but now you have multiple accounts for that child.

We think that by allowing this change, you actually create a situation in which all the contributions could be flowed into one plan for that one beneficiary, and it would just simplify the administration going forward.

**Mr. Peter Van Loan:** The second amendment that I note here is “Amend clause 146.1(2)(g.1)(i)(A) of the Tax Act to permit Education Assistance Payments for part-time studies”. Are education assistance payments drawdowns on the RESP?

**Mr. Peter Lewis:** Yes, education assistance payments are payments out of an RESP to a student. It's comprised of income that's earned both on contributions as well as grants, plus in this case the learning bond.

**Mr. Peter Van Loan:** And you're saying that those should be available for people who do part-time studies. That's not the case now?

**Mr. Peter Lewis:** Currently the legislation restricts EAPs to full-time students. We believe EAPs should be relative to the actual costs, but if a student is part time, they should also still be able to gain access to those benefits—again, relative to their actual costs.

**Mr. Peter Van Loan:** All right.

**Hon. Peter Adams:** On a point of order, Mr. Chair, these funds are available in the most flexible way. I think people should realize that. As we mentioned, it could be books, it could be whatever. And it certainly is available for a single course, for example, let alone the student with part-time status in an institution.

**Mr. Peter Van Loan:** Then why is Mr. Lewis suggesting that we need an amendment to make it happen that way? That's what I'm trying to understand.

**Hon. Peter Adams:** Again, I've been asking....

To the best of my knowledge, the reply I just gave at the moment, Mr. Lewis, is the correct one. But we will certainly look at it. The intent—we recognize that the amounts may not be small, if there have been no contributions—is that the money be available for courses or for things of that type.

**Mr. Peter Van Loan:** Okay.

The last one you identified was a limit on education assistance payments to \$5,000 if the student has completed less than 13 consecutive weeks of study in the previous 12 months. Do you want to explain that one to us?

•(1230)

**Mr. Peter Lewis:** Under the current legislation, if a student is going into, for example, the first semester of a post-secondary program, the most they can take out of their plan, as an EAP, is \$5,000 until they've gone more than 13 consecutive weeks in that program. My understanding is that this limitation is there to try to avoid abuse of the system. I think that's a fair objective; however, we believe you should in fact remove that limit and allow families to access the funds based on their actual need. It can certainly be monitored after the fact in terms of potential abuses, but in our view, placing a cap up front penalizes the majority of well-intentioned and hard-working students just to avoid the potential of a few people taking advantage of the system.

**Mr. Peter Van Loan:** Help me out here. Why would somebody need more than \$5,000 in the first three months? Why would they need to access more than that?

**Mr. Peter Lewis:** If a student is going to university, for example, it's the cost of university across the country. If you wanted to pay your tuition in one payment up front, in most cases those tuition costs, plus perhaps residence costs, plus any books, will take you well over \$5,000. The argument could be made that they can simply pay it in installments, and most schools do permit that. We just view it as a system that creates unnecessary complexities in the program just to try to protect against the few cases of abuse that might exist.

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much.

We'll move on to the Liberal side, with Mr. D'Amours.

[Translation]

**Mr. Jean-Claude D'Amours:** Thank you very much, Mr. Chairman.

I am 31 years old and graduated from university a short while ago. I spent seven years in university and I received several undergraduate diplomas. Believe me, the reason I was able to study was thanks to student loans. I studied in New Brunswick because I come from New Brunswick. If a program like this one had existed back when I was a student, and if all it would have taken was for my parents to open an account and let the money accumulate on its own, without my parents contributing a penny, it would have meant that at least I had some money when I started university. But I would rather look towards the future. It's all very well and good to turn to the past, but we are now dealing with the future. Since hearing from witnesses, I've been astounded... It would have been nice for someone to have had a vision for the future like this one years ago. So, if this program had existed when I started university, it would have given me a head start.

In New Brunswick, people are talking a lot about loans. Witnesses have addressed the issue of taxation. If I remember correctly, when I was a student, it made no difference to me. I could claim tax credits on my income tax form because I attended university. Each year, I received a paper authorizing me to claim tax credits on my income tax form, but I had to claim less because I had to work to pay for my studies. In fact, not only did I want to pay for my studies, but I also wanted to work. The tax credits gave me the opportunity to bring down my taxable income. I think it's a bit much to refer to students who do a paid practicum. There are conditions on how to get tax

credits to reduce a person's taxable revenue. Therefore I'm surprised by what you said, Mr. Lareau.

Today, in some provinces, there has been an uproar because there's been talk of turning student grants into student loans. In fact, this happened in New Brunswick. Since it wants to be proactive, the federal government said that it would help people plan for their future not by granting loans, but rather by giving what may be called a grant.

Just because a person earns a certain amount of money today does not mean that person will make as much in 10 years' time. People will try to increase their income. Just because a person is wealthy does not mean this person will invest in an education savings plan. Instead, the person may choose to invest in an RRSP.

I'm also astonished by what you said with regard to brokers. I'm throwing out a lot of things and you may have the opportunity to respond by the end of the meeting. Almost everyone deals with a bank, be it to deposit a pay cheque or for any other reason. It's possible to open an education savings plan without being solicited by anyone in particular. Since I have less than a minute left, I'll give you time to answer.

•(1235)

**Mr. André Lareau:** But a person has to be familiar with the existing system. You talked about New Brunswick. I'm a bit familiar with that province because I taught for three years at the University of Moncton. But that's neither here nor there. Let's say we're dealing with your own child. The tax system is a system of grants. If your child receives a cheque for \$100 from the federal government because you are poor, whereas your next door neighbour receives a cheque for \$400 a year because he is rich, would you say that's fair? No one can object to financial aid for young people. It may sound like we are against social measures, but that's not it at all. We are opposed to the inequity created by the overall education savings program. Your child gets \$100 whereas your neighbour's child gets \$400, and you want to tell me that that's fair and equitable?

**Mr. Jean-Claude D'Amours:** Mr. Lareau, we have heard it said that, in spite of their financial difficulties, some people manage to put a little away each month so that they will gain access to additional money in the future. Regardless of our situation, there are always choices to be made.

Personally, I feel that it is a little unfair to categorize and judge people in such a draconian way simply based on their salary. These people still have the right to receive support. The aim of the program is to improve the education and future of young people.

**Mr. André Lareau:** Ask a two-parent, two-children family whose annual household income is \$28,000 how much money they put aside each year.

**Ms. Sylvie Lévesque:** I would like to take a couple of minutes to comment on this subject. I will be brief.

[English]

**The Vice-Chair (Mr. Paul Forseth):** I'm sorry, we'll have to go to the Bloc. They have a five-minute segment. You may be able to incorporate your comments in the next answer.

Thank you.

[Translation]

**Ms. Christiane Gagnon:** I would like to hear Ms. Lévesque's comments.

**Ms. Sylvie Lévesque:** André Lareau spoke of a two-parent family with two children. I should like to point out that the income of a single-parent family with two children is not even as much as \$28,000. It is a lot less. I am talking about \$10,000, \$12,000 or \$14,000 per year. Mr. D'Amours said that there were choices to be made. But, as we said earlier, their choice is first how to feed their children. Then these families have to clothe their children so that they can go to school.

When a family is struggling to meet its basic needs, how can they think about their children's future? I believe that these parents do think about it, but they are very worried as to what will happen because their income does not allow them even to meet their basic needs.

That is what we were driving at when we spoke. Even if some say that there is nothing to worry about, we say that, as far as we are concerned, there is. I think that the gap between the rich and the poor is getting wider and wider.

**Ms. Christiane Gagnon:** While this bill may have laudable objectives, it is not hitting the mark. We agree on that. However, there are RESPs for families who earn more than \$35,000. This bill targets more than one group.

Were we to oppose this bill, those who would like to have seen the program strengthened will be unhappy. As for the others, we have to look for a solution within the context of social development, and taking into consideration provincial jurisdiction.

You are absolutely right. There are the issues of the fiscal imbalance and the Canadian social transfer. We are trying to right the situation. We know how much it costs Quebec when it fails to live up to its citizens' expectations. It is very difficult to analyze this bill. Most people tell us that it is a poor bill, that it does not target the right people, that it does too little, that it is tantamount to a few crumbs. Even those who are in favour of this bill said that to us.

It is quite difficult to come down on one side or the other of this bill. We are also facing this problem. We agree with the arguments that you put forward this morning. Yet, we are also wondering if we can strengthen the program. Is there anything that could be done to make RESPs and the \$100 or \$400 contribution more fair? I know that it is unfair at the moment, but do you have any solutions for us?

The government wants us to propose solutions that will allow us to meet people's expectations concerning this piece of legislation.

● (1240)

**Mr. André Lareau:** A document called *Tax Expenditures and Evaluations-2004* states that the program is expected to cost around \$140 million next year. If this program continues, why not share this money between all Canadian children, giving priority to those who are in the most need?

We could follow the example of the Quebec tax credit for child care costs. It is a refundable, inversely proportional tax credit which covers 75% of child care costs for those families earning less than \$27,000 a year. The percentage of costs covered is reduced

proportionately, to a minimum of 26% for those families with higher incomes.

If the government wanted to help all children, a completely understandable aim, the \$140 million could be shared amongst all Canadian children, giving priority to poorest families.

Do we think that this money should remain in an education savings plan managed by foundations or trusts? Perhaps, but it has to be shared out more fairly.

[English]

**The Vice-Chair (Mr. Paul Forseth):** Thank you.

Now we'll go to the Liberals. Mr. Silva, you'll have five minutes.

**Mr. Mario Silva (Davenport, Lib.):** One of the things we've been arguing involves the whole notion about asset-building and the social economy. I think it's an argument that needs to be emphasized. Without doing very much you'll be getting this particular money, and it will be known that it is in fact there; that it could be used for higher education or for lifelong learning.

I myself have been involved for many years in the educational field and am quite aware of the issue of tuition fees, which is a very complicated issue. It's also an issue that is not the same through various countries—and not the same, of course, throughout even our own country and different institutions.

We have a situation, even in some universities such as the University of Toronto, where I come from, where the problem is not access to education. The problem is there are not even enough spaces in the university, because there are so many students who want to go. In fact most of them are not able to go, because the enrolment is so high. In a lot of universities the enrolment has gone up substantially. We have an example, in a country like Canada where we are able to charge for education and yet most students still go to universities, in contrast with some countries where education is free.

I've studied in France.

[Translation]

I can honestly say that when I was studying in France, the majority of students there were not from poor families. It is perhaps erroneous to attribute this whole problem to tuition fees. It is more complicated than that. That is why I believe this to be a very important bill which will improve the situation.

● (1245)

[English]

I want to go back to the original argument, that it is really all about asset-building—I'm still trying to think what the word is in French—and telling people we as the federal government have something in place that hopefully will also educate individuals in the importance of pursuing lifelong learning.

**The Vice-Chair (Mr. Paul Forseth):** Who would like to respond? We are going to end the meeting at about one minute to one o'clock. The line to Vancouver will go down at that time, so you would need to respond quickly.

Go ahead.



**Mr. André Lareau:** The answer would be, is that a fair program? This is what I'm asking. Just for one minute put yourself in the shoes of somebody who earns \$26,000 a year.

**Mr. Mario Silva:** But the alternative is not to have the program.

**Mr. André Lareau:** Well, if you earn \$26,000 as your family income and your neighbour earns \$125,000, the neighbour would get \$400 a year from the federal government and you'd get \$100 a year. Is that fair? Taxation must be fair.

If you invest \$2,000 in a savings plan for your child and the government gives you 20% of \$2,000, it would give you \$400; yet if you don't have money then you'll have \$100 for each child. Is it fair? Taxation must be fair, and it's not fair here.

**The Vice-Chair (Mr. Paul Forseth):** Jamie Crane, do you want to jump in on that one?

**Mrs. Jamie Crane:** Yes, I want to add to the comments. It's fair and fine to say you're studying the students who are currently in the system, but—and correct me if I'm wrong—I think what we're talking about here is trying to assist those who otherwise would not enter the system at all.

I think it is an accessibility issue and just wanted to point that out. It's not simply enrolment; it's providing access for those who otherwise are never going to reach the system.

**The Vice-Chair (Mr. Paul Forseth):** We'll go on to Ms. McDonough for five minutes.

**Ms. Alexa McDonough:** I know some of the student organizations have done some research on what has happened with enrolment. I think the evidence would indicate that yes, enrolment has continued to increase, but accessibility for lower-income or modest-income families has declined, with the definite effect that there is less representation among low-income families.

If any of the groups have additional information on that, perhaps they'd be willing to share it with the committee.

I just want to say these are the last of the witnesses we're going to hear on Bill C-5. One of the things I hear various of the spokespersons expressing is frustration with the notion that maybe we should just pass it anyway, because it's better than nothing and that doing nothing is the only alternative.

I want to ask whether any of the witnesses want to speak to the issue of what would in fact be a better alternative for the investment of the moneys that are here under discussion for commitment of the public dollar. What is the model for creating...?

I know Jamie Crane has referred specifically to the medicare model, indicating that a pan-Canadian approach that sets out some very clear kinds of principles would be a way to go with education. I'm wondering if you could comment on what the elements of that need to be to really do the job the language around the introduction of this bill would suggest it's supposed to do. We've heard it's not the fairest or most efficient or most effective instrument to do what needs to be done. What would the alternative look like for the investment of these dollars that would meet those criteria of fairness, efficiency, and equity?

**Mrs. Jamie Crane:** What I spoke to before is what I personally think would be a much better plan. It would be, come budget time, to

vote for budget legislation that would eliminate RESPs and replace them with needs-based grants. I think that is the fairest way to go about this and is the best use of federal money when talking about a social program.

I know it's argued all the time that you can't control what happens in the provinces, but the federal government can control where they send their dollars for education. I think in this case what should be done is to vote for budgetary legislation that would lean more toward needs-based grants.

Again, when sending money I think it's extremely important that the social transfers be earmarked for the various social programs, so that if money is coming to Nova Scotia, for example, it comes specifically for post-secondary education.

• (1250)

**The Vice-Chair (Mr. Paul Forseth):** Ms. McDonough, you have two more minutes.

**Ms. Alexa McDonough:** I'd like to give the time over to the witnesses, if they're interested in addressing the question. In other words, it's not good enough to say "let's salvage this, because it's better than nothing". The challenge to all of us is to ask what would be a better investment of those public dollars to achieve the stated purpose of increasing access to post-secondary education for low-income families.

**The Vice-Chair (Mr. Paul Forseth):** Mr. Lewis, do you have anything further to that?

**Mr. Peter Lewis:** We, of course, are supportive of the legislation. We believe this is actually bang-on. We think it is the right way to go. I'm not sure I can provide you with a better alternative, other than just re-stating what I've said already, which is we're not in any way suggesting we think this is the only solution, that it is the entire solution. It's part of a solution towards settling a complex issue. We are always supportive of more funds in the social transfers earmarked for post-secondary education.

Those are things we are supportive of as well. However, we believe this is an important piece of the puzzle. Asset-building is important in terms of social policy. It's something we strongly encourage.

**The Vice-Chair (Mr. Paul Forseth):** Jamie Crane.

**Mrs. Jamie Crane:** I think we're basically talking about a fundamentally flawed piece of legislation, a bill that is not going to assist the very people it claims it's going to help. Sitting and talking about learning bonds is not getting to the root of the problem. We know we have very poor families here in Canada. As I stated before, I think priority needs to be put into post-secondary education, whichever form of higher learning you want to go on to, so that all families in Canada can access that system without having to choose, perhaps, how much they are supposed to put in.

I think what we're doing is putting the full responsibility on families to decide whether they can save or not, when really this should be a collective approach between the federal and provincial governments.

**The Vice-Chair (Mr. Paul Forseth):** Mr. Adams, please.

**Hon. Peter Adams:** Mr. Chair, I have a few points and then perhaps we could use the time for the witnesses either to respond or to say something to conclude.

I'd like to ask—and you'd needn't answer if you don't want—if any of you know what your provinces are going to do with respect to the \$3,000 grant that is going to go to lower-income students for first-year education all across the country. Again, it's out there, it's a program that is going out, and we don't know—and by the way, in some ways we should know—what the provinces are going to do to it.

André, in particular, in terms of your idea that the provinces would do something useful with it, we don't know if we give the money that it will go in particular areas. This is an area where we do know where the money is going to go.

Someone mentioned the question of no link with a bank, or a *caisse populaire*, or with a credit union. I do believe there is an advantage, even if a family cannot save, to opening an account. And therefore when a child is born I think there is a symbolism in the family that in the name of the child an account has been opened, and every month, without putting any money in if that's the situation, until the child is 15 they receive a notice from the *caisse populaire* so the child knows there is an account in his or her name. I think that's very important.

By the way, if a family can afford to put some money in during the 15 years, for every \$10 they put in, they get \$4 extra, so every \$10 that's put into the account during that 15-year-period is worth \$14. I think this is something that should be taken into account.

Mr. Chair, I'd be glad for any windup comments from the witnesses.

**The Vice-Chair (Mr. Paul Forseth):** Ms. Lévesque, I think you were one.

[*Translation*]

**Ms. Sylvie Lévesque:** I think that what Mr. Silva was saying a moment ago is that in France, as in several other countries, children from better-off families are those who are able to follow post-secondary or university studies. That is what we have been saying here today. In our opinion, these families perhaps do not need more than they already have. They already have the means to pay for their children's studies.

Rather than making this money available to everybody, the federal government should better distribute it to allow those families who are less well-off to send their children to university. It ought to give the money to the provinces so that Quebec, in particular, has the necessary funds to improve its existing system.

•(1255)

[*English*]

**The Vice-Chair (Mr. Paul Forseth):** Perhaps we can go to those who are on the video link, because we're going to lose it in about five minutes. Do any of you want to make a concluding remark?

Mr. Lewis, please.

**Mr. Peter Lewis:** We really wanted to just reiterate our support for this legislation. We think it's bang-on. We believe it's part of the solution for a complex issue. We think it will produce the results. It will increase awareness of the importance of saving for higher education. It will increase the savings rates among lower-income families, and we believe it's a visionary approach to dealing with this issue on a long-term basis.

Thank you very much.

**The Vice-Chair (Mr. Paul Forseth):** Thank you.

Jamie Crane.

**Mrs. Jamie Crane:** Again, I would urge everyone who would be voting for Bill C-5 to remember that it is a fundamentally flawed bill, that it is not going to address the issue, that we're not just simply talking about awareness here.

It's an accessibility issue for a large population in our society, and I think we have to completely rework what we look at. We have to move away from loans, look more toward grants.

**Mr. Paul Forseth:** Mr. Lareau.

[*Translation*]

**Mr. André Lareau:** Personally, I believe it to be important that the federal government recognize provincial jurisdiction, particularly in the field of health and education. Although this is an area of federal spending authority, why does the government not recognize that there are already bodies in place which have the required know-how to try to resolve the problem of school drop-out rates? It is all very well to talk about post-secondary education, but we should start by thinking about how to

[*English*]

get through school first.

[*Translation*]

Once that is done, we can turn our attention to post-secondary students. By giving the money to the provinces, we will be able to help children finish high school, and then all the money can be invested in post-secondary education.

[*English*]

**The Vice-Chair (Mr. Paul Forseth):** Thank you very much. This has been very helpful today. We thank the witnesses for their contribution.

I'd like to remind the parties that if they're going to tender specific amendments they have to get those to the drafters right now, and if anyone has any specific technical amendments they have to notify the clerk and get it done directly.

Thank you.

The meeting is adjourned.







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